

OFFICIAL STATEMENT DATED NOVEMBER 5, 2015

Rating: See "Rating" herein.
Standard & Poor's Ratings Services: AA

New Issue

In the opinion of Locke Lord LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986 (the "Code"). Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. The Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "Tax Exemption" herein.

CITY OF BROCKTON, MASSACHUSETTS
\$7,120,000
GENERAL OBLIGATION STATE QUALIFIED REFUNDING BONDS

DATED
Date of Delivery

DUE
June 1
(as shown below)

The Bonds are issuable only in fully registered form, registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000, or any integral multiple thereof. See "THE BONDS - Book-Entry Transfer System" herein.

Principal of the Bonds will be paid on June 1 of the years in which the Bonds mature. Interest on the Bonds will be payable semiannually on June 1 and December 1, commencing June 1, 2016, until the principal amount is paid. Principal and semiannual interest on the Bonds will be paid by The Treasurer and Receiver-General of The Commonwealth of Massachusetts, Boston, Massachusetts, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein.

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

The Bonds will be valid general obligations of the City of Brockton, Massachusetts, and will be payable as to both principal and interest from taxes that may be levied upon all the property within the territorial limits of the City, subject to the limit imposed by Chapter 59, Section 21C of the General Laws.

MATURITIES, AMOUNTS, RATES, YIELDS AND CUSIPS

<u>Due</u> <u>June 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Cusip</u> <u>111746</u>
2016	\$ 1,395,000	5.00 %	0.38 %	DL4
2017	1,245,000	5.00	0.60	DM2
2018	1,295,000	5.00	0.80	DN0
2019	1,315,000	5.00	1.00	DP5
2020	1,360,000	5.00	1.23	DQ3
2021	105,000	2.00	1.44	DR1
2022	105,000	2.00	1.67	DS9
2023	100,000	2.00	1.87	DT7
2024	100,000	2.00	2.02	DU4
2025	100,000	3.00	2.12	DV2

The Bonds are offered subject to the final approving opinion of Locke Lord LLP, Boston, Massachusetts, Bond Counsel, as aforesaid, and to certain other conditions referred to herein and in the Notice of Sale. First Southwest Company, LLC, Boston, Massachusetts has acted as Financial Advisor to the City with respect to the Bonds. The Bonds in definitive form will be delivered to the successful bidder at DTC, or its custodial agent, on or about November 19, 2015 for settlement in Federal Funds.

RAYMOND JAMES & ASSOCIATES, INC.

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The information set forth herein has been obtained from the City and from other sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the Bonds described herein shall, under any circumstances, create any implication that there has been no change in the affairs of the City of Brockton since the date hereof.

SUMMARY STATEMENT

The information set forth below is qualified in its entirety by the information and financial statements appearing elsewhere in the Official Statement.

Date of Sale:	Thursday, November 5, 2015, 11:00 A.M. (E.T).
Location of Sale:	First Southwest Company, LLC, 54 Canal Street, 3rd Floor, Boston, Massachusetts 02114.
Issuer:	City of Brockton, Massachusetts.
Issue:	\$7,120,000 General Obligation State Qualified Refunding Bonds, see "THE BONDS - Book-Entry Transfer System" herein.
Official Statement Dated:	November 5, 2015.
Dated Date of the Bonds:	Date of delivery.
Principal Due:	Serially June 1, 2016 through June 1, 2025, as detailed herein.
Redemption:	The Bonds are not subject to redemption prior to their stated maturity dates.
Purpose and Authority:	The Bonds are authorized for refunding purposes by the City under provisions of the Massachusetts General Laws as detailed herein.
Security of the Bonds:	The Bonds will be valid general obligations of the City and will be payable as to both principal and interest from taxes that may be levied upon all the property within the territorial limits of the City, subject to the limit imposed by Chapter 59, Section 21C of the General Laws.
Rating:	Standard & Poor's Ratings Services has assigned a rating of AA to the Bonds.
Bond Insurance:	The City has not contracted for the issuance of any policy of municipal bond insurance or any other credit enhancement facility.
Basis of Award:	Lowest True Interest Cost (TIC), as of the dated date. BIDS MUST INCLUDE A PREMIUM OF NO LESS THAN \$250,000.
Tax Exemption:	Refer to "THE BONDS – Tax Exemption" herein and Appendix B, "Proposed Form of Legal Opinion of Bond Counsel".
Continuing Disclosure:	Refer to "THE BONDS – Continuing Disclosure" herein and Appendix C, "Proposed Form of Continuing Disclosure Certificate".
Bank Qualification:	The Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.
Escrow Agent:	U.S. Bank National Association, Boston, Massachusetts.
Paying Agent:	The Treasurer and Receiver-General of The Commonwealth of Massachusetts, Boston, Massachusetts.
Verification Agent:	Grant Thornton LLP, Minneapolis, Minnesota.
Bond Counsel:	Locke Lord LLP, Boston, Massachusetts.
Financial Advisor:	First Southwest Company, LLC, Boston, Massachusetts.
Delivery and Payment:	It is expected that delivery of the Bonds in book-entry only form will be made to The Depository Trust Company, or to its custodial agent, on or about November 19, 2015 against payment in Federal Funds.
Issuer Official:	Questions concerning the Official Statement should be addressed to: Mr. Martin Brophy, Treasurer, City of Brockton, Massachusetts. Telephone: (508) 580-7159 or Cynthia McNerney, Managing Director, First Southwest Company, LLC, Boston, Massachusetts. Telephone: (617) 619-4408.

NOTICE OF SALE

CITY OF BROCKTON, MASSACHUSETTS

\$7,265,000*

GENERAL OBLIGATION STATE QUALIFIED REFUNDING BONDS

The City of Brockton, Massachusetts (the "City") will receive sealed and electronic (as described herein) proposals until 11:00 A.M., Eastern Time, Thursday, November 5, 2015, for the purchase of the following described \$7,265,000* General Obligation State Qualified Refunding Bonds of the City (the "Bonds"):

\$7,265,000* General Obligation State Qualified Refunding Bonds payable June 1 of the years and in the amounts as follows:

<u>Due June 1</u>	<u>Principal Amount*</u>
2016	\$ 1,430,000
2017	1,295,000
2018	1,310,000
2019	1,340,000
2020	1,365,000
2021	110,000
2022	110,000
2023	105,000
2024	100,000
2025	100,000

*Preliminary, subject to change.

The Bonds will be dated as of their delivery date. Principal of the Bonds will be payable June 1 of the years in which the Bonds mature. Interest will be payable on June 1 and December 1, commencing June 1, 2016.

The Bonds will be issued by means of a book-entry system with no physical distribution of the Bonds made to the public. One certificate for each maturity of the Bonds will be issued to The Depository Trust Company, New York, New York ("DTC"), and immobilized in its custody. Ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof will be evidenced by a book-entry system with transfers of ownership effected on the records of DTC and its Participants pursuant to rules and procedures established by DTC and its Participants. The winning bidder, as a condition to delivery of the Bonds, shall be required to deposit the Bonds with DTC, registered in the name of Cede & Co. Interest and principal on the Bonds will be payable to DTC or its Nominee as Registered Owner of the Bonds. Transfer of principal and interest payments to Participants of DTC will be the responsibility of DTC. Transfer of principal and interest payments to Beneficial Owners will be the responsibility of such Participants and other Nominees of Beneficial Owners. The City will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants.

The original Bonds to be immobilized at DTC will be prepared under the supervision of First Southwest Company, LLC and their legality will be approved by Locke Lord LLP, Boston, Massachusetts, whose opinion will be furnished to the purchaser without charge.

Principal of and semi-annual interest on the Bonds will be paid by The Treasurer and Receiver-General of The Commonwealth of Massachusetts, Boston, Massachusetts, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to DTC. The disbursement of such payments to DTC Participants is the responsibility of DTC, and the disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein.

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

As between proposals which comply with this Notice of Sale, the award will be to the bidder who offers to purchase all the Bonds at the lowest net effective interest rate to the City. Such interest rate shall be determined on a true interest cost (TIC) basis, which shall mean that rate which, as of November 19, 2015, discounts semiannually all future payments on

account of principal and interest to the price bid, not including interest accrued to date of delivery, which accrued interest shall be paid by the successful bidder. In the event there is more than one proposal specifying the lowest such rate, the Bonds will be awarded to the bidder whose proposal is selected by the City Treasurer by lot among all such proposals.

Bidders shall state the rate or rates of interest per annum which the Bonds are to bear in a multiple of 1/20 or 1/8 of one percent, but shall not state (a) more than one interest rate for any Bonds having a like maturity, (b) any interest rate which exceeds the interest rate stated for any other Bonds by more than 3 percent, (c) any coupon in excess of 5.0%. BIDS MUST INCLUDE A PREMIUM OF AT LEAST \$250,000.

The City reserves the right to change the aggregate principal amount of the Bonds and the maturity schedule after the determination of the winning bid by increasing or decreasing the aggregate principal amount and the principal amount of each maturity by such amounts as may be necessary to (a) produce sufficient funds to effect the refunding for which the Bonds are being issued after taking into account the premium received by the City and (b) to account for any changes in the bonds to be refunded with the proceeds of the Bonds based on the actual debt service savings to be realized by the City. The dollar amount bid for the Bonds by the winning bidder will be adjusted, if applicable, to reflect changes in the dollar amount of the amortization schedule. Any price that is adjusted will reflect changes in the dollar amount of the underwriter's discount and original issue premium, but will not change the per bond underwriter's discount (net of insurance premium, if any) provided in such bid. Nor will it change the interest rate specified for each maturity. Any such adjustments will be communicated to the winning bidder by 4 P.M. on the day of the sale.

Bids must be submitted either:

- (a) In a sealed envelope marked "Proposal for Bonds" and addressed to Mr. Martin Brophy, City Treasurer, City of Brockton, Massachusetts, c/o First Southwest Company, LLC, 54 Canal Street, 3rd Floor, Boston, Massachusetts 02114. Proposals by telegram delivered as specified above will be accepted. Signed blank bid forms may be faxed to (617) 619-4411 prior to submitting bids, and actual bids may be telephoned to First Southwest Company, LLC, telephone (617) 619-4400 at least one-half hour prior to the 11:00 A.M. sale and after receipt of the faxed bid form by First Southwest Company, LLC. First Southwest Company, LLC will act as agent for the bidder, but neither the City nor First Southwest Company, LLC shall be responsible for any errors in connection with bids submitted in this manner.
- (b) Electronically via Parity in accordance with this Notice of Sale. To the extent any instructions or directions set forth in Parity conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about Parity, potential bidders may contact the Financial Advisor to the City or Ideal at 40 West 23rd Street, 5th Floor, New York, NY 10010 (212) 404-8102.

The award of the Bonds to the winning bidder will not be effective until the bid has been approved by the City Treasurer and the Mayor.

The right is reserved to reject any or all proposals and to reject any proposal not complying with this Notice of Sale and, so far as permitted by law, to waive any irregularity with respect to any proposal.

An electronic bid made in accordance with this Notice of Sale shall be deemed an offer to purchase the Bonds in accordance with the terms provided in this Notice of Sale and shall be binding upon the bidder as if made by a signed and sealed written bid delivered to the City.

On or prior to the date of delivery of the Bonds, the successful bidder shall furnish to the City a certificate acceptable to Bond Counsel generally to the effect that (i) as of November 5, 2015 (the "Sale Date"), the Purchaser had offered or reasonably expected to offer all of the Bonds to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) in a bona fide public offering at the prices set forth in such certificate, plus accrued interest, if any, (ii) such prices represent fair market prices of the Bonds as of the Sale Date, and (iii) as of the date of such certificate, all of the Bonds have been offered to the general public in a bona fide offering at the prices set forth in such certificate, and at least 10% of each maturity of the Bonds actually has been sold to the general public at such prices. To the extent the certifications described in the preceding sentence are not factually accurate with respect to the reoffering of the Bonds, Bond Counsel should be consulted by the bidder as to alternative certifications that will be suitable to establish the "issue price" of the Bonds for federal tax law purposes. If a municipal bond insurance policy or similar credit enhancement is obtained with respect to the Bonds by the successful bidder, such bidder will also be required to certify as to the net present value savings on the Bonds resulting from payment of insurance premiums or other credit enhancement fees.

It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that, contemporaneously with or before accepting the Bonds and paying therefor, it shall be furnished, without cost, with (a) the approving opinion of the firm of Locke Lord LLP, Boston, Massachusetts, substantially in the form presented in Appendix B to the Preliminary Official Statement dated October 27, 2015; (b) a certificate in form satisfactory to said firm, dated as of the date of delivery of the Bonds and receipt of payment therefor, to the effect that there is no litigation pending or, to the knowledge of the signer or signers thereof, threatened affecting the validity of the Bonds or the power of the City to levy and collect taxes to pay them, (c) a certificate of the City Treasurer to the effect that, to the best of his knowledge and belief, both the Preliminary Official Statement as of the date of sale and the Final Official Statement as of the date of delivery of the Bonds do not contain any untrue statement of a material fact and do not omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading, and (d) a Continuing Disclosure Certificate in the form presented in Appendix C to the Preliminary Official Statement.

The City has not contracted for the issuance of any policy bond insurance for the Bonds. If the Bonds qualify for issuance of any such policy or commitment therefor, any purchase of such insurance or commitment shall be at the sole option and expense of the bidder. Proposals shall not be conditioned upon the issuance of any such policy or commitment. Any failure of the Bonds to be so insured or of any such policy or commitment to be issued shall not in any way relieve the purchaser of its contractual obligations arising from the acceptance of its proposal for the purchase of the Bonds. Should the bidder purchase municipal bond insurance, all expenses associated with such policy or commitment will be borne by the bidder, except for the fee paid to Standard & Poor's Ratings Services for a rating on the Bonds. Any such fee paid to Standard & Poor's Ratings Services would be borne by the City.

Additional information concerning the City and the Bonds is contained in the Preliminary Official Statement dated October 27, 2015, to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Notice of Sale. Said Preliminary Official Statement is deemed final by the City except for the omission of the reoffering price(s), interest rate(s), and the identity of the underwriter(s), and any other pertinent terms of the Bonds depending on such matters, but is subject to change without notice to completion or amendment in a Final Official Statement. Copies of the Preliminary Official Statement may be obtained from First Southwest Company, LLC, 54 Canal Street, Boston, Massachusetts 02114 (Telephone: 617-619-4400). Within seven (7) business days following the award of the Bonds in accordance herewith, 25 copies of the Final Official Statement will be available from the First Southwest Company, LLC to the successful bidder for use in reoffering the Bonds. Upon request, additional copies will be provided at the expense of the requester.

It is anticipated that CUSIP identification numbers will be printed on the Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid for by the City, provided, however, that the City assumes no responsibility for any CUSIP Service Bureau or other charge that may be imposed for the assignment of such numbers.

The Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986 as amended.

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

The Bonds in definitive form will be delivered to The Depository Trust Company or its custodial agent on or about November 19, 2015 for settlement in Federal Funds.

October 27, 2015

CITY OF BROCKTON, MASSACHUSETTS
/s/ Mr. Martin Brophy, Treasurer

OFFICIAL STATEMENT

CITY OF BROCKTON, MASSACHUSETTS

\$7,120,000

GENERAL OBLIGATION STATE QUALIFIED REFUNDING BONDS

This Official Statement is provided for the purpose of presenting certain information relating to the City of Brockton, Massachusetts (the "City"), in connection with the sale of \$7,120,000 aggregate principal amount of its General Obligation State Qualified Refunding Bonds (the "Bonds"). The information contained herein has been furnished by the City, except information attributed to another governmental agency or official as the source.

THE BONDS

Description of the Bonds

The Bonds will be dated as of their delivery date and will bear interest payable semiannually on June 1 and December 1, commencing June 1, 2016. The Bonds shall mature on June 1 of the years and in the principal amounts as set forth on the cover page of this Official Statement.

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

Principal of and semiannual interest on the Bonds will be paid by The Treasurer and Receiver-General of The Commonwealth of Massachusetts, Boston, Massachusetts, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

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

State Qualified Bonds

The Bonds constitute "qualified bonds" pursuant to Chapter 44A of the General Laws ("Chapter 44A"). Pursuant to Chapter 44A the City Treasurer shall at the delivery date of the Bonds certify to the State Treasurer the maturity schedule, interest rates, and dates of payment of debt service on qualified bonds. The State Treasurer shall pay the debt service on qualified bonds and after payment shall withhold from the distributable aid (as defined in Chapter 44A) payable to the City an amount which will be sufficient to pay the debt service on the qualified bonds or, if the amount of such distributable aid in any year is insufficient for the purpose, from any other amounts payable by The Commonwealth of Massachusetts (the "Commonwealth") to the City under any provision of law. From the time withheld by the State Treasurer, all such distributable aid or amounts so withheld and paid shall be exempt from being levied upon, taken, sequestered, or applied toward paying the debts of the City other than for payment of debt service on such qualified bonds.

The Commonwealth covenants in Section 8 of Chapter 44A with the purchasers, holders and owners, from time to time, of qualified bonds that it will not repeal, revoke, rescind, modify, or amend the above described provisions so as to create any lien or charge on or pledge, assignment, diversion, withholding of payment, or other use of or deduction from any distributable aid or other amounts to be paid to any holder of qualified bonds which is prior in time or superior in right to the payment required by said provisions; provided, however, that nothing therein contained shall be deemed or construed to require the Commonwealth to continue to make payments of distributable aid or other amounts or to limit or prohibit the Commonwealth from repealing or amending any law heretofore or hereafter enacted for the payment or apportionment of such aid or other amounts, or of the manner, time, or amount thereof.

Chapter 44A also provides that the certification to the State Treasurer as to the amount payable in any year for debt service on qualified bonds shall be fully conclusive as to such qualified bonds from and after the time of issuance of such qualified bonds, notwithstanding any irregularity, omission, or failure as to compliance with any of the provisions of Chapter 44A with respect to such qualified bonds.

Chapter 44A further provides that nothing therein shall be construed to relieve the City of the obligation imposed on it by law to appropriate and to include in its annual tax levy amounts necessary to pay, in each year, the principal and interest maturing and becoming due on any qualified bonds issued by the City; provided, however, that to the extent of the amounts of distributable aid or other amounts payable to the City which have been or are to be applied to the payment of such qualified bonds, the State Treasurer shall certify to the City Auditor the amounts so withheld and thereafter such amounts shall be credited to the appropriations of the City for the current fiscal year; and provided, further that to the extent to which distributable aid is not appropriated by the Commonwealth in any fiscal year, such appropriated amounts of the City shall be used to pay the debt service maturing and becoming due in such year on such qualified bonds of the City.

Nothing in Chapter 44A shall be construed to pledge the credit and assets of the Commonwealth to the support of any qualified bonds or to guarantee payment or stand as surety for the payment of any qualified bonds.

See "INDEBTEDNESS--Coverage of Qualified Debt Service" for a discussion of the projected coverage of qualified debt service by state aid.

The City may issue other bonds in addition to the Bonds as qualified bonds on a parity with the Bonds pursuant to Chapter 44A. In addition to this issue of Qualified Bonds, the City has issued the \$7,820,000 Qualified Bonds dated May 12, 2011, of which an aggregate of \$5,915,000 was outstanding as of June 30, 2015. See "INDEBTEDNESS--Coverage of Qualified Debt Service" for a discussion of the projected coverage of qualified debt service by state aid.

Redemption

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

Record Date

The record date for each payment of interest is the fifteenth day of the month preceding the interest payment date, however if such date is not a business day, the record date will be the following business day provided that, with respect to overdue interest, the Paying Agent may establish a special record date. The special record date may not be more than twenty (20) days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondowners at least ten (10) days before the special record date.

Book-Entry Transfer System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued in fully-registered form registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and each such certificate will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated securities. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that

clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to securities deposited with DTC unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of such securities or its paying agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts such securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on securities deposited with DTC will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the issuer of such securities or its paying agent, on the payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC (nor its nominee), the issuer of such securities or its paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer of such securities or its paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the securities deposited with DTC at any time by giving reasonable notice to the issuer of such securities or its paying agent. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered to Beneficial Owners.

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

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

Authorization of the Bonds and Use of Proceeds

The following sets forth the principal amount, purpose, statutory authorization and date of approval for the current offering of Bonds:

<u>This Issue</u>	<u>Purpose</u>	<u>Statutory (Reference Massachusetts General Laws, as amended)</u>	<u>Date of Authorization</u>
\$ 7,120,000	Refunding	C. 44, s. 21A	10/28/2010

Bond proceeds will be used to current refund a portion of the City \$14,315,000 General Obligation Bonds dated April 15, 2005, maturing in the years 2016 through 2025, in the aggregate principal amount of \$7,485,000 (the "Refunded Bonds") and to pay costs of issuing the Bonds.

Plan of Refunding

Upon delivery of the Bonds, the City will enter into a Refunding Escrow Agreement (the "Refunding Escrow Agreement") with U.S. Bank National Association, as Escrow Agent, to provide for the refunding of the Refunded Bonds. Upon receipt of the portion of the proceeds of the Bonds necessary to refund the Refunded Bonds, the Escrow Agent will deposit in the Refunding Escrow Fund established under the Refunding Escrow Agreement an amount which will be held in cash on deposit in the Refunding Escrow Fund, to pay when due, interest on, and upon redemption, the outstanding principal of and redemption premium on, the Refunded Bonds. The Refunding Escrow Fund will be pledged for the benefit of the holders of the Refunded Bonds.

Verification of Mathematical Computations

The accuracy of the mathematical computations relating to (i) the adequacy of the maturing principal amounts of the Government Obligations together with the interest income thereon and uninvested funds, if any, to provide for the payment of the Refunded Bonds and (ii) the yield on the Bonds and the Government Obligations for purposes of determining compliance with certain requirements of the Internal Revenue Code of 1986, as amended, will be verified by Grant Thornton LLP, independent certified public accountants. Such verification will be based upon information and assumptions supplied by First Southwest Company, LLC on behalf of the City. Grant Thornton LLP has restricted its procedures to recalculating the computations provided by First Southwest Company, LLC and has not evaluated or examined the assumptions or information used in the computations.

Sources and Uses of Bond Proceeds

Proceeds of the Bonds will be applied as follows:

Sources:	
Par Amount of the Bonds	\$ 7,120,000.00
Premium	674,992.80
Total Sources	\$ 7,794,992.80
Uses:	
Deposited to Refunding Escrow Fund	\$ 7,691,576.36
Underwriter's Discount	23,638.40
Costs of Issuance	78,287.00
Additional Proceeds	1,491.04
Total Uses	\$ 7,794,992.80

Tax Exemption

In the opinion of Locke Lord LLP, Bond Counsel to the City (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In the opinion of Bond Counsel, the Bonds are designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. Failure to comply with these requirements may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The City has covenanted to comply with such requirements to ensure that interest on the Bonds will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these requirements.

Bond Counsel is also of the opinion that, under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Bonds. Prospective Bondholders should be aware, however, that the Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Bonds and the interest thereon are included in the measure of certain Massachusetts corporate excise and franchise taxes. Bond Counsel expresses no opinion as to the taxability of the Bonds or the income therefrom or any other tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Bondholders should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Bonds, or, in some cases, at the earlier redemption date of such Bonds (“Premium Bonds”), will be treated as having amortizable bond premium for federal income tax purposes and Massachusetts personal income tax purposes. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a Bondholder’s basis in a Premium Bond will be reduced by the amount of amortizable bond premium properly allocable to such Bondholder. Holders of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds.

Prospective Bondholders should be aware that from time to time legislation is or may be proposed which, if enacted by law, could result in interest on the Bonds being subject directly or indirectly to federal income taxation, or otherwise prevent Bondholders from realizing the full benefit provided under current federal tax law of the exclusion of interest on the Bonds from gross income. To date, no such legislation has been enacted into law. However, it is not possible to

predict whether any such legislation will be enacted into law. Further, no assurance can be given that any pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the market value and marketability of, or the tax status of interest on, the Bonds. Prospective Bondholders are urged to consult their own tax advisors with respect to any such legislation, interpretation or development.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect the federal or state tax liability of a Bondholder. Among other possible consequences of ownership or disposition of, or the accrual or receipt of interest on, the Bonds, the Code requires recipients of certain social security and certain railroad retirement benefits to take into account receipts or accruals of interest on the Bonds in determining the portion of such benefits that are included in gross income. The nature and extent of all such other tax consequences will depend upon the particular tax status of the Bondholder or the Bondholder's other items of income, deduction or exclusion. Bond Counsel expresses no opinion regarding any such other tax consequences, and Bondholders should consult with their own tax advisors with respect to such consequences.

Rating

Standard & Poor's Ratings Services has assigned a rating of AA to the Bonds. The rating only reflects the rating agency's views and will be subject to revision or withdrawal, which could affect the market price of the Bonds.

Security and Remedies

Full Faith and Credit. General obligation bonds and notes of a Massachusetts city or town constitute a pledge of its full faith and credit. Payment is not limited to a particular fund or revenue source. Except for "qualified bonds" as described below (see "TYPES OF OBLIGATIONS – Serial Bonds and Notes" under "INDEBTEDNESS") and setoffs of state distributions as described below (see "Use of State Distributions to Pay Debt Service" below), no provision is made by the Massachusetts statutes for priorities among bonds and notes and other general obligations, although the use of certain moneys may be restricted.

Tax Levy. The Massachusetts statutes direct the municipal assessors to include annually in the tax levy for the next fiscal year "all debt and interest charges matured and maturing during the next fiscal year and not otherwise provided for [and] all amounts necessary to satisfy final judgments." Specific provision is also made for including in the next tax levy payment of rebate amounts not otherwise provided for and payment of notes in anticipation of federal or state aid if the aid is no longer forthcoming.

The total amount of a tax levy is limited by statute. However, the voters in each municipality may vote to exclude from the limitation any amounts required to pay debt service on indebtedness incurred before November 4, 1980. Local voters may also vote to exempt specific subsequent bond issues from the limitation. (See "Tax Limitations" under "PROPERTY TAXATION" below.) In addition, obligations incurred before November 4, 1980 may be constitutionally entitled to payment from taxes in excess of the statutory limit.

Except for taxes on the increased value of certain property in designated development districts which may be pledged for the payment of debt service on bonds issued to finance economic development projects within such districts, no provision is made for a lien on any portion of the tax levy to secure particular bonds or notes or bonds and notes generally (or judgments on bonds or notes) in priority to other claims. Provision is made, however, for borrowing to pay judgments, subject to the General Debt Limit. (See "Debt Limits" under "INDEBTEDNESS" below.) Subject to the approval of the State Director of Accounts for judgments above \$10,000, judgments may also be paid from available funds without appropriation and included in the next tax levy unless other provision is made.

Court Proceedings. Massachusetts cities and towns are subject to suit on their general obligation bonds and notes and courts of competent jurisdiction have power in appropriate proceedings to order payment of a judgment on the bonds or notes from lawfully available funds or, if necessary, to order the city or town to take lawful action to obtain the required money, including the raising of it in the next annual tax levy, within the limits prescribed by law. (See "Tax Limitations" under "PROPERTY TAXATION" below.) In exercising their discretion as to whether to enter such an order, the courts could take into account all relevant factors including the current operating needs of the city or town and the availability and adequacy of other remedies. The Massachusetts Supreme Judicial Court has stated in the past that a judgment against a

municipality can be enforced by the taking and sale of the property of any inhabitant. However, there has been no judicial determination as to whether this remedy is constitutional under current due process and equal protection standards.

Restricted Funds Massachusetts statutes also provide that certain water, gas and electric, community antenna television system, telecommunications, sewer, parking meter and passenger ferry, community preservation and affordable housing receipts may be used only for water, gas and electric, community antenna television system, telecommunications, sewer, parking, mitigation of ferry service impacts, and community preservation and affordable housing purposes, respectively; accordingly, moneys derived from these sources may be unavailable to pay general obligation bonds and notes issued for other purposes. A city or town that accepts certain other statutory provisions may establish an enterprise fund for a utility, health care, solid waste, recreational or transportation facility and for police or fire services; under those provisions any surplus in the fund is restricted to use for capital expenditures or reduction of user charges. In addition, subject to certain limits, a city or town may annually authorize the establishment of one or more revolving funds in connection with use of certain revenues for programs that produce those revenues; interest earned on a revolving fund is treated as general fund revenue. A city or town may also establish an energy revolving loan fund to provide loans to owners of privately-held property in the city or town for certain energy conservation and renewable energy projects, and may borrow to establish such a fund. The loan repayments and interest earned on the investment of amounts in the fund shall be credited to the fund. Also, the annual allowance for depreciation of a gas and electric plant or a community antenna television and telecommunications system is restricted to use for plant or system renewals and improvements, for nuclear decommissioning costs, and costs of contractual commitments, or, with the approval of the State Department of Telecommunications and Energy, to pay debt incurred for plant or system reconstruction or renewals. Revenue bonds and notes issued in anticipation of them may be secured by a prior lien on specific revenues. Receipts from industrial users in connection with industrial revenue financings are also not available for general municipal purposes.

State Distributions. State grants and distributions may in some circumstances be unavailable to pay general obligation bonds and notes of a city or town in that the State Treasurer is empowered to deduct from such grants and distributions the amount of any debt service paid on "qualified bonds" (See "*Serial Bonds and Notes*" under "INDEBTEDNESS-TYPES OF OBLIGATIONS" below) and any other sums due and payable by the city or town to the Commonwealth or certain other public entities, including any unpaid assessments for costs of any public transportation authority (such as the Massachusetts Bay Transportation Authority ("MBTA") or a regional transit authority) of which it is a member, for costs of the Massachusetts Water Resources Authority ("MWRA") if the city or town is within the territory served by the Authority, for any debt service due on obligations issued to the Massachusetts School Building Authority ("MSBA"), or for charges necessary to meet obligations under the Commonwealth's Clean Water Revolving Loan Programs, including such charges imposed by another local governmental unit that provides wastewater collection or treatment services or drinking water services to the city or town.

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

The foregoing does not constitute a pledge of the faith and credit of the Commonwealth. The Commonwealth has not agreed to maintain existing levels of state distributions, and the direction to use estimated distributions to pay debt service may be subject to repeal by future legislation. Moreover, adoption of the annual appropriation act has sometimes been delayed beyond the beginning of the fiscal year and estimated distributions which are subject to appropriation may be unavailable to pay local debt service until they are appropriated.

Bankruptcy. Enforcement of a claim for payment of principal or interest on general obligation bonds or notes would be subject to the applicable provisions of Federal bankruptcy laws and to the provisions of other statutes, if any, hereafter enacted by the Congress or the Massachusetts legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. Massachusetts municipalities are not generally authorized by the Massachusetts General Laws to file a petition for bankruptcy under Federal bankruptcy laws. In cases involving significant financial difficulties faced by a single city, town or regional school district, the Commonwealth has enacted special legislation to permit the appointment of a fiscal overseer, finance control board or, in the most extreme cases, a state receiver. In a limited number of these situations, such special legislation has also authorized the filing of federal bankruptcy proceedings, with the prior approval of the Commonwealth. In each case where such authority was

granted, it expired at the termination of the Commonwealth's oversight of the financially distressed city, town or regional school district. To date, no such filings have been approved or made.

Opinion of Bond Counsel

The purchaser will be furnished the legal opinion of the firm of Locke Lord LLP, Boston, Massachusetts. The opinion will be dated and given on and will speak only as of the date of original delivery of the Bonds to the successful bidder. The opinion will be substantially in the form presented in Appendix B.

Other than as to matters expressly set forth herein as the opinion of Bond Counsel, Bond Counsel is not passing upon and does not assume any responsibility for the accuracy or adequacy of the statements made in this Official Statement and make no representation that they have independently verified the same.

Financial Advisory Services of First Southwest Company, LLC

First Southwest Company, LLC, Boston, Massachusetts serves as financial advisor to the City of Brockton, Massachusetts.

Continuing Disclosure

In order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the "Rule"), the City will covenant for the benefit of the owners of the Bonds to provide certain financial information and operating data relating to the City by not later than 270 days after the end of each fiscal year (the "Annual Report"), and to provide notices of the occurrence of certain significant events. The covenants will be contained in a Continuing Disclosure Certificate, the proposed form of which is provided in Appendix C. The Certificate will be executed by the signers of the Bonds and incorporated by reference in the Bonds.

In the past five years the City believes it has complied in all material respects with its previous undertakings to provide annual reports or notices of significant events in accordance with the Rule. Aside from the City, there are no obligated persons with respect to the Bonds.

CITY OF BROCKTON, MASSACHUSETTS

General

Brockton is an industrial-residential city located in Plymouth County, 20 miles southwest of Boston. The City has a population of approximately 93,810 (2010 federal census) and occupies a land area of 21.4 square miles. Brockton is the population center of a primary metropolitan statistical area of approximately 170,000 persons. Settled in 1649 and incorporated as a city in 1881, it is governed by an elected mayor and an 11-member city council.

Principal Executive Officers

The following table sets forth the principal executive officers of the City.

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Mayor	William Carpenter	January 2016
Chief Financial Officer	John A. Condon	June 2018
City Auditor	Heidi Chuckran	December 2013 (holdover)
Treasurer/Collector	Martin Brophy	April 2017
City Clerk	Anthony J. Zeoli	January 2019
Chairman-Board of Assessors	John O'Donnell	February 2017

Municipal Services

The City provides general governmental services for the territory within its boundaries, including police and fire protection, public education, water and sewer maintenance, trash disposal and parks and recreational facilities. Residential trash disposal and operation of the water filtration and tertiary wastewater treatment plant facilities are contracted out to private parties.

The City distributes water from Silver Lake in Halifax, the Brockton Reservoir in Avon, and the desalination plant owned by Aquaria in Dighton to its residents and to a portion of several area towns. The City has complete (approximately 98%) and separate storm and sanitary sewer systems. The Water, the Sewer, the Refuse, and the Renewable Energy Departments operate under separate enterprise funds.

Water Supply

The City has met its long-term need for additional water by connecting to a new water system through a joint effort by Bluestone Energy Inc. and the Spanish Company, Inima. The joint venture (called Aquaria) constructed a desalinization (Reverse Osmosis) plant on the tidal estuary of the Taunton River. In 2002, the City executed a twenty year contract which requires the payment of a fixed price attached to an increasing volume commitment, regardless of the amount of water actually taken, plus an additional charge for water actually delivered. The financial obligation is primarily attached to the fixed price component.

The schedule for the City's fixed purchase commitment resembles the projected growth in water demand for the City, but the schedule somewhat exceeds this curve, especially in years three to eight. In the event that other water purchase contracts are executed, the City has the right to offset its fixed commitment with the volume commitment of other long-term purchasers or the right to reduce by about 50%, on a gallon-for-gallon basis, its fixed price for its fixed volume commitment. The contract also provided the significant benefit that all of the risk of financing the permitting process, plant construction and operation, rested with a third party and not with the City's rate payers. The City made no payment until the water was available for delivery. Construction of both the plant and the pipeline was completed and delivery of water began in 2008.

The agreement will require increasing the City's water revenues in order to pay for the contractual minimum purchase commitment, if other entities do not sign contracts. Effective on all bills mailed on or after July 1, 2008, the water rates were increased 60%. However, even with this kind of increase, the City's water rates would be comparable to those of other Massachusetts communities, especially those in southeastern Massachusetts, whose projected growth is expected also to make them potential customers of the desalinization plant. The City Council in October 2015 enacted a rate increase of 10% on all blocks effective January 1, 2016, another 10% on January 1, 2017, a further 10% on January 1,

2018, and final 2.5% on January 1, 2019. Each 10% increase is expected to generate about \$1.2 million in collected revenues annually.

Industry, Commerce and Quality of Life

Originally a farming community, Brockton serves as the primary industrial, trade and medical center for the approximately 170,000 persons of the Brockton Primary Metropolitan Statistical Area. Brockton functions both as a suburb to Boston and as the central city within the Greater Brockton area.

There are three hospitals located within the City: the Good Samaritan Medical Center, Brockton Hospital and the V.A. Medical Center. The City also is host to other health facilities such as Blue Cross/Blue Shield, Bridgewater Park/ Goddard Medical Associates, clinical and professional offices and convalescent facilities. The City is also host to the "Metro South Chamber of Commerce".

There are 4 industrial parks totaling approximately 283 acres located in Brockton: Brockton Business Center, Oak Hill Way Industrial Park, Campanelli Industrial Park and Northeast Industrial Park. Brockton Business Center includes such tenants as Copeland Toyota, Paul Clark VW, Bernardi Honda and Hyundai, Concord Foods, Beacon Sales Company, Sign Design, Liberty Bakery Kitchen, InkStone Printing, Greencore Brockton, US Department of Treasury, Rockland Trust Bank and Rolane Transportation. The Oak Hill Way Industrial Park includes such tenants as Columbia Gas of Ma, First Student Transportation, New England Market, LLC a restaurant food wholesaler, IPC Lydon, LLC, Capela Bakery, City of Brockton Recycle Center, UPS, City of Brockton Wastewater Treatment Plant, Cindy's Kitchen, Zoots Cleaning Laboratory and FW Webb Company. The Northeast Industrial Park includes Pizzeria Uno materials production plant, David Gooding, Inc, Therapedic Mattress, On Deck Sports, Montilio's Baking Company, and J. Derenzo Co. a site development company.

One of New England's first regional malls, the 615,000 square foot Westgate Mall, is situated at the junction of routes 24 and 27 in Brockton. In 1998 the mall began a comprehensive, on-going renovation and expansion. The renovations have been extensive and include the major additions of both retail and dining establishments. Included in the expansions and renovations are a new Sears building and a new building for anchor store Macy's, as well as Best Buy, Dick's Sporting Goods, Old Navy, Modell's Sporting Goods, and Texas Road House Steakhouse. In May 2012, Market Basket opened an 81,000 square foot freestanding supermarket at the mall.

Open space in Brockton consists primarily of a 756 acre recreational area known as D.W. Field Park. The park includes six ponds, bike and foot paths, and an 18-hole golf course. There are also more than 35 neighborhood playgrounds and parks.

The Brockton Recycling Program, formerly a limited and self-sufficient program managed and operated by its residents, has been significantly expanded, with curbside pickup now offered by the City's contract vendor for trash pickup. Curbside recycling includes newspapers, bottles, cans and plastics. Other materials such as paints, electronics, automotive products and hazardous materials can be recycled by drop-off at the City recycling center.

Cultural offerings for the public include the Brockton Historical Society, Brockton Symphony Orchestra, Opera of New England of Greater Brockton and the Brockton Art Centre-Fuller Memorial, which has won several architectural design awards. The Brockton Shoe Museum was erected in 1981, serving as a continuing reminder of Brockton's past as a leader in the manufacture of men's shoes.

In May 2002, the City sold \$8 million in economic development bonds to finance a loan to the Brockton 21st Century Corporation, the City's non-profit economic development agency. The corporation added this funding to a \$6 million state grant and \$4 million in private financing to construct an \$18 million Baseball Stadium/Conference Center Complex. The complex is situated about one mile from the interchange with Route 24, a limited access highway. The Stadium capacity is just over 5,000. The 14,000 square foot Shaw's Conference Center is on land leased from the City, adjacent to the High School and has a view of the ball field. The Shaw's Center has enjoyed steady growth since 2003.

In May 2002, the Brockton Rox began playing in an independent league unaffiliated with major league baseball clubs. Most years the team has been number 1 or 2 in attendance. In 2004, the club led the league in attendance and established a league record in doing so. The club has enjoyed success on the field as well: the Rox won the league championship in 2003 and in seven out of ten years, reached the playoffs. However, the recession significantly affected

the team's revenues from 2007 through 2011, its 10th year of play. At the conclusion of the 2011 season, the Rox underwent a significant reorganization. The Rox will operate under new ownership, under a new lease and will move to the Futures Collegiate Baseball League, consisting of amateur players. The schedule will be for about one-half as many games. Payments under the revised lease agreement will be about 45 percent of the payments made under the previous lease.

Today, Brockton is a diversified commercial center and industrial-residential city. The following tables list the major categories of employment from and aggregate annual wage and payroll data.

Industry	Calendar Year Average				
	2010	2011	2012	2013	2014
Construction	923	939	950	1,108	1,179
Manufacturing	2,010	1,989	1,940	1,989	2,065
Trade, Transportation and Utilities	7,632	7,714	8,242	8,291	8,073
Information	510	454	424	347	320
Financial Activities	1,075	1,112	955	957	917
Professional and Business Services	3,487	3,508	3,663	3,691	3,112
Education and Health Services	14,724	14,750	14,863	16,157	16,742
Leisure and Hospitality	2,572	2,517	2,531	2,566	2,628
Other Services	2,436	2,570	2,718	1,951	2,022
Total Employment	35,369	35,553	36,286	37,057	37,058
Number of Establishments	2,381	2,397	2,439	2,536	2,687
Average Weekly Wages	\$ 834	\$ 846	\$ 859	\$ 873	\$ 900
Total Wages	\$ 1,598,991,083	\$ 1,629,434,236	\$ 1,688,469,695	\$ 1,750,466,704	\$ 1,806,970,525

Source: Massachusetts Department of Education and Training. Data based upon place of employment, not place of residence. Due to the reclassification the U.S. Department of Labor now uses the North American Industry Classification System (NAICS) as the basis for the assignment and tabulation of economic data by industry.

The establishment of commuter rail service linking Brockton to Boston in 1997 is believed to have had a positive effect on housing prices in the City. The following table sets forth the trend in residential sales in the City.

<u>Year</u>	<u>Median Selling Price</u>	<u>% Change</u>	<u>%</u>
2014	\$200,750	14.71	%
2013	175,000	16.14	
2012	150,765	-2.16	
2011	154,000	-10.85	
2010	172,750	+6.14	
2009	162,750	-10.08	
2008	181,000	-22.20	
2007	232,644	- 13.19	
2006	268,000	- 2.55	
2005	275,000	10.04	
2004	249,913	7.98	
2003	231,450	17.5	
2002	196,975	21.1	
2001	162,550	16.1	
2000	140,000	17.4	
1999	119,300	16.6	
1998	102,300	16.4	
1997	87,900	4.1	

Largest Employers

The following table lists the largest employers in Brockton, including the City itself.

<u>Name</u>	<u>Product/ Function</u>	<u>Approximate Number of Employees</u>
City of Brockton (full-time, school only)	School Personnel	2,700
Signature Health (including Goddard Park)	Hospital	2,500
Caritas Good Samaritan Medical Center	Hospital	1,800
BAMSI	Human Services	1,570
Old Colony YMCA	Social Services	1,400
VA Boston Health Care System	Hospital	1,200
South Bay Mental Health Services	Hospital	850
US Post Office	Post Office	834
UPS	Distributor	810
City of Brockton (full-time, excluding schools)	City Government	689
Harbor One Credit Union	Finance	380
Brockton Neighborhood Health Center	Health Center	351
Brockton Professional Baseball	Pro Sports	340
WB Mason	Business Supplies	320
PharMerica	Pharmacy	270
Verizon Communications	Communications	270
Columbia Gas of Mass. (Bay State Gas)	Utility	228
Uno Foods	Restaurant/Food Materials Production	225
Baypoint Rehabilitation Center	Rehabilitation Center	224
Concord Foods	Food Preparation	222
Self Help	Social Service	220
U.S. Laboratory Corp.	Medical Laboratory	220
St. Joseph Manor Health Care	Skilled Nursing Care	208
Northeast Electrical Company	Utility	200
Shaw's Supermarket	Grocery Store	192
Super Stop & Shop	Grocery Store	186
Brockton Area Transit	Transportation	180
West Acres	Skilled Nursing Care	170
Father Bill Mainspring House	Social Services	167
Old Colony Elder Services	Aging Services	160
Wal-Mart	Department Store	150
Brockton Visiting Nurses Association	Health Care	135
Crescent Credit Union	Finance	127
Lowe's	Home Centers	125
Zoots	Garment Press	114
Home Depot	Home Centers	105
Kinneally Foods	Meat Purveyor	101
Berndai Auto	Automotive	98
Brockton Housing Authority	Home Centers	85
Barbour Corporation	Manufacturing	85
White's Pastry Shop	Retail Bakery	85
Cardinal Spellman	School	80
Trinity Catholic School	School	75

SOURCE: Brockton 21st Century Corporation.

Labor Force, and Unemployment Rates

According to the Massachusetts Division of Employment Security data, in August 2015 the City had a total labor force of 47,399, of which 44,279 were employed and 3,170 or 6.6% were unemployed as compared with 4.7% for the Commonwealth. The following table sets forth the City's average labor force and unemployment rates for calendar years 2010 through 2014 and the unemployment rates for the State and U.S. as a whole for the same period.

<u>Year</u>	<u>Labor Force</u>	City of Brockton <u>Unemployment</u> <u>Rate</u>	Massachusetts <u>Unemployment</u> <u>Rate</u>	U.S. <u>Unemployment</u> <u>Rate</u>
2014	47,221	8.0%	4.7%	5.1%
2013	45,772	9.1	6.1	7.4
2012	45,531	9.0	6.7	8.1
2011	45,336	10.1	6.9	8.5
2010	46,107	11.6	8.5	9.6

SOURCE: Massachusetts Division of Employment Security, Federal Reserve Bank of Boston and U.S. Bureau of Labor Statistics. Data based upon place of residence, not place of employment.

Retail Sales

The following table compares the most recent retail trade data for the City of Brockton with that of the Commonwealth as a whole.

		<u>Brockton</u>	<u>Massachusetts</u>
Establishments:	2007	328	25,469
	1997	329	25,761
	1997	359	26,209
	1992	534	38,491
	1987	590	38,905
Sales (000):	2007	\$1,263,529	\$88,082,966
	2002	1,313,341	73,903,837
	1997	932,387	58,578,048
	1992	711,913	47,663,248
	1987	825,798	44,818,481
Per Capita Sales:	2007	\$13,584	\$13,553
	1997	9,887	9,736
	1992	7,549	7,920
	1987	8,880	7,609
	1982	6,256	5,023

SOURCE: U.S. Census of Retail Trade and Federal Census.

Education

Education in the Brockton area is available at all levels. The City's school department maintains 25 schools: 14 elementary schools, 2 alternative education centers (grades 5 through 12), 5 middle schools, 1 comprehensive high school, a preschool and kindergarten diagnostic and service center, and a kindergarten center. Through its Community Schools division, the school department also operates a self-sustaining Evening High School Diploma program, various self-sustaining and grant-funded remedial, enrichment and child care programs with extended-day and summer school options, as well as a 90% grant-funded Adult Learning Center providing services to more than 700 in adult basic education, GED preparation, English-as-a-second language and family literacy.

The school department also has its own Champion Charter School, chartered by the State as Horace Mann Institution, providing an accessible alternative high school education for approximately 125 Grade 9-12 students who had previously dropped out of school.

The following table sets forth the actual public school enrollments for 2011 through 2015 with projected enrollments for 2016.

Public School Enrollments – October 1,

	Actual					Projected
	2011	2012	2013	2014	2015	2016
Kindergarten	1,394	1,461	1,456	1,429	1,407	1,410
Elementary	6,330	6,485	8,029	6,885	6,954	6,965
Junior High	3,726	3,820	2,588	3,933	3,892	3,905
Senior High	4,428	4,518	4,637	4,661	4,787	4,795
Other (1)	263	312	301	278	343	350
Totals	16,141	16,596	17,011	17,186	17,383	17,425

(1) Pre-school and ungraded enrollment and elementary grade levels being reconfigured from K-6, 7-8, 9-12 to K-5, 6-8, and 9-12.

The school department also has its own alternative high school with approximately 125 grade 9 through 12 students enrolled and an evening academy with over 250 grade 9 through 12 students, many of whom had previously dropped out of school.

Higher education is available in Brockton at Massasoit Community College, a two-year state college with 242 instruction/research and public service members and 67 administrators. Massasoit's ten buildings occupy 100 acres of land. The school offers 41 programs to 8,053 day and evening students at the Brockton campus. Stonehill College is located on the Brockton/Easton boundary and Bridgewater State College is within 10 miles.

Parochial schools in Brockton enroll approximately 1,176 students from grades K-12 at three separate campuses. Approximately 45% of these students are from Brockton and the others from surrounding towns.

The State School Choice, Charter and Technical/Vocational Schools

During the 2014/2015 school year, approximately 195 Brockton students in grades K-12 were attending other public schools under the state sponsored school choice, approximately 284 are attending Charter Schools and 864 are attending Technical/Vocational High Schools.

Private Schools in the City of Brockton

As of October 2015, approximately 250 Brockton-residing students were enrolled in the City's three private schools in grades K-12. The individual student population/enrollment of these three schools, including students who do not live in Brockton, ranges from 75 to 600. Approximately 45% of these students receive home-to-school-and-back transportation provided by the Brockton School Department.

The School Assignment Plan

In 1995, the Massachusetts Board of Education approved a school assignment plan submitted by the School Committee. Brockton's plan is exceptionally comprehensive in promoting informed parental choice of local educational opportunities. Enrollment is monitored for class size and a fair representation of the demographic makeup of the school system.

Since a substantial percentage of the parents select schools outside of their neighborhood, the plan has improved the distribution of class sizes without the periodic adjustment of fixed school boundaries. Typically, more than 90% of the first grade and seventh grade parents receive assignments to their first or second choice schools. The school assignment

process is coordinated by the School Registration and Parent Information Center located across the street from the school's central administration building.

Brockton school facilities range from turn-of-the-century buildings to newer schools constructed when enrollment peaked during the 1970's. As a result of the plan, the City undertook the construction of five new schools with 90% reimbursement by the state's School Building Assistance Program. The 300-pupil pre-1900 vintage Winthrop Elementary School has been replaced, at the same location, with the new Louis F. Angelo Elementary School housing approximately 700 students. The 300-pupil Paine Elementary School (constructed in 1916) and the 200-pupil Goddard School (constructed in 1881), have been replaced by the new 700-student Joseph F. Plouffe Elementary School in an adjacent site. Both new elementary schools opened during the 1998-1999 school year. The new 700-pupil Dr. William H. Arnone Elementary School opened in January 2002 at the gateway to the City center. The Mary E. Baker School opened in October 2008. The Manthala George School Opened in January 2009. The twin K-5 schools each have a capacity of 800 students and are equipped with state of the art educational technology. The Mary E. Baker School was awarded a grant from the Massachusetts State Renewable Energy Trust and has been designated as a "green" school. All five schools have contributed to transforming the character of their immediate neighborhoods.

Transportation and Utilities

The major highway serving the City is State Route 24. Other highways within a ten mile radius include Interstates 93, 95 and 495 and State Routes 3 and 128. Public bus service is provided by the Brockton Area Transit Authority (BAT). Rail freight service is provided by Conrail.

Commuter rail service was reinstated in September 1997 on the "Old Colony Line". One branch of this line runs from Boston's South Station through Brockton to the Middleborough/Lakeville area about 45 miles south of Boston. There are three train stops in Brockton: one in the north end (Montello), one in the south end (Campello) and one in the City center. This downtown station was constructed next to the police station, two blocks from Main Street and three blocks from City Hall. In order to create a transportation center at this station, in February 1999 Brockton Area Transit Intermodal Center was relocated across Commercial Street.

Gas and electric services are provided by established private utilities with both major offices and distribution centers located within the City.

Population, Income and Wealth Levels

	<u>Brockton</u>	<u>Massachusetts</u>	<u>U.S.</u>
Median Age			
2010	35.2	39.1	37.2
2000	34.0	36.5	35.3
1990	31.5	33.6	32.9
1980	29.3	31.2	30.0
Median Family Income			
2010	\$57,228	\$81,165	\$51,144
2000	46,235	61,664	50,046
1990	38,544	44,367	35,225
1980	18,606	21,166	19,908
Per Capita Income			
2010	\$22,312	\$33,966	\$27,334
2000	17,163	25,952	21,587
1990	13,455	17,224	14,420
1980	9,944	12,510	10,797

On the basis of the 2010 Federal Census, the City has a population density of 4,384 persons per square mile.

Population Trends				
<u>2010</u>	<u>2000</u>	<u>1990</u>	<u>1980</u>	<u>1970</u>
93,810	94,304	92,788	95,172	89,040

SOURCE: Federal Census.

PROPERTY TAXATION

In addition to state aid, one of the principal revenue sources of the City is the tax on real and personal property. The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures less estimated receipts from other sources and less appropriations voted from available funds. The total amount levied is subject to certain limits prescribed by law; for a description of those limits, see "Tax Limitations" below. The estimated receipts for a fiscal year from other sources may not exceed the actual receipts during the preceding fiscal year from the same sources unless approved by the State Commissioner of Revenue. Excepting special funds the use of which is otherwise provided for by law, the deduction for appropriations voted from available funds for a fiscal year cannot exceed the "free cash" as of the beginning of the prior fiscal year as certified by the State Director of Accounts plus up to nine months' collections and receipts on account of earlier years' taxes after that date. Subject to certain adjustments, free cash is surplus revenue less uncollected overdue property taxes from earlier years. Although an allowance is made in the tax levy for abatements (see "Abatements and Overlay" below), no reserve is generally provided for uncollectible real property taxes. Since some of the levy is inevitably not collected, this creates a cash deficiency which may or may not be offset by other items. (See "Taxation to Meet Deficits" below).

Tax Levy Computation

The following table illustrates the trend in the manner in which the tax levy is determined.

TAX LEVY COMPUTATION

	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015
Total Appropriations(1)	\$ 324,309,368	\$ 339,349,076	\$ 357,931,345	\$ 371,780,377	\$ 379,910,356
Additions:					
State and County Assessments	5,686,037	5,814,898	6,061,305	7,176,393	7,176,064
Overlay Reserve	2,324,286	2,738,111	2,947,648	2,445,495	2,694,911
Other Additions(2)	325,630	2,216,188	349,303	349,456	1,536,119
Total Additions	<u>8,335,953</u>	<u>10,769,197</u>	<u>9,358,256</u>	<u>9,971,344</u>	<u>11,407,094</u>
Gross Amount to be Raised	<u>332,645,321</u>	<u>350,118,273</u>	<u>367,289,601</u>	<u>381,751,721</u>	<u>391,317,450</u>
Deductions:					
Local Estimated Receipts(3)	65,052,033	63,312,395	65,095,633	63,365,311	67,395,954
State Aid(4):	151,980,902	160,274,035	169,938,094	180,660,402	187,765,086
Available Funds(5)	12,277,783	18,314,625	20,755,613	20,985,169	17,504,927
Total Deductions	<u>229,310,718</u>	<u>241,901,055</u>	<u>255,789,340</u>	<u>265,010,882</u>	<u>272,665,967</u>
Net Amount to be Raised (Tax Levy)	<u>\$ 103,334,603</u>	<u>\$ 108,217,218</u>	<u>\$ 111,500,261</u>	<u>\$ 116,740,839</u>	<u>\$ 118,651,483</u>

- (1) Includes additional appropriations from taxation and other revenues voted subsequent to adoption of the annual budget but prior to setting of the tax rate. Includes sewer and water enterprises.
- (2) Includes state educational offsets, overlay deficits and other deficits.
- (3) Includes sewer and water enterprise revenue.
- (4) Includes prior year's estimates. Estimated by the State Department of Revenue and required by law to be used in setting of the tax rate. Actual state aid payments may vary upward or downward from said estimates and the State may withhold payments pending receipt of State and County assessments. The City has confronted reductions in discretionary State aid since fiscal 2008 through fiscal 2012. The City has laid off employees, restricted new hires and negotiated with unions to counter these reductions. All retirees have been shifted to less expensive health insurance plans, and all non-union employees have been required to increase their contribution to health insurance costs from a 25% share to a 40% share. Concessions were negotiated with the firefighters' union and library employees' union to temporarily defer or postpone scheduled compensation. The City's local revenue compensation to the school budget, both for education and for school buses, was cut by almost \$7 million in total. (Some portion of this was made up by federal stimulus money). Finally, the City analyzed the status of its health insurance trust fund, from which the City's health/dental benefits are paid, and which is funded by both the employer and covered person contributions. The City's analysis after accounting for the need to pay incurred but not reported claims and prudently reserving for the possibility of high claims which fell short of this City's reinsurance levels, determined that the fund's cash balances significantly exceeded the reserve requirements. Accordingly, the health budget was reduced with the expectations that the reserves would be drawn down.
- (5) Transfers from available funds, including "free cash", generally made as an offset to a particular appropriation item.

Assessed Valuations and Tax Levies

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

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

The City has used multiple tax rates under classification since fiscal 1984 when it first revalued all real and personal property in the City to full value.

The following table sets forth the trend in the City's assessed valuations, tax levies, and tax levies per capita.

<u>Fiscal Year</u>	<u>Real Estate Valuation</u>	<u>Personal Property Valuation</u>	<u>Total Assessed Valuation</u>	<u>Tax Levy</u>	<u>Tax Levy Per Capita(1)</u>
2015	\$ 5,267,393,321	\$ 195,574,810	\$ 5,462,968,131	\$ 118,651,483	\$ 1,265
2014 (2)	5,182,691,891	179,487,000	5,362,178,891	116,740,839	1,244
2013	5,293,452,622	192,787,250	5,486,239,872	111,500,261	1,189
2012	5,453,125,711	181,508,380	5,634,634,091	108,217,218	1,154
2011 (2)	5,448,775,565	180,413,520	5,629,189,085	103,334,603	1,102

(1) Based on the 2010 federal census.

(2) Revaluation years.

Tax Rate Factor and Levy Distribution

<u>Fiscal Year</u>	<u>Tax Rate Factor (1)</u>	<u>% of Levy</u>	
		<u>Residential</u>	<u>Commercial, Industrial/Personal Property</u>
2015	\$1.56	64.6%	35.4%
2014	1.55	64.1	35.9
2013	1.57	64.0	36.0
2012	1.56	65.3	34.6
2011	1.61	65.4	34.6

(1) In communities using multiple tax rates, the factor by which the uniform rate (see below) is multiplied to determine the Commercial/Industrial Tax Rate.

Tax Rate Per \$1,000 Valuation

<u>Fiscal Year</u>	<u>Uniform Rate(1)</u>	<u>Residential Real Property</u>	<u>All Other (Commercial, Industrial and Personal Property)</u>
2015	\$21.72	\$18.15	\$33.88
2014	21.77	18.13	33.96
2013	20.32	16.88	31.91
2012	19.21	16.14	29.96
2011	18.36	15.29	29.55

(1) The rate at which real estate and personal property would be taxed if the City used a single rate rather than multiple tax rates. Provided for comparative purposes only.

Largest Taxpayers

The following is a list of the largest taxpayers in the City and the fiscal 2015 valuation of each. All taxpayers listed below are current in their tax payments.

<u>Name</u>	<u>Nature of Business</u>	<u>Fiscal 2015 Assessed Valuation</u>	<u>% of Total Assessed Value</u>
Steward Health Care	Hospital	85,679,290	1.57 %
Mass Electric Co. (National Grid)	Utility	51,939,690	0.95
Columbia Gas	Utility	40,603,910	0.74
New Westgate Brockton Mall LLC	Retail Mall	31,744,900	0.58
Verizon	Utility	20,873,300	0.38
110 Liberty St. Realty Company LLC	Medical Office	16,724,800	0.31
Acadia Crescent Plaza, LLC	Developer	15,889,840	0.29
Ray Muccis Inc.	Developer	15,647,270	0.29
Beacon Communities, LLC	Apartments	28,946,950	0.53
Harborside Credit Union	Bank	14,663,880	0.27
Total		<u>\$ 322,713,830</u>	<u>5.91 %</u>

State Equalized Valuation

In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes a redetermination of the fair cash value of the taxable property in each municipality as of January 1 of even numbered years. This is known as the "equalized value". The following table sets forth the trend in equalized valuations of the City of Brockton.

<u>January 1,</u>	<u>State Equalized Valuations</u>	<u>Annual Percentage Increase (Decrease)</u>
2014	\$ 5,739,735,500	(4.1) %
2012	5,986,229,500	(6.7)
2010	6,416,494,600	(25.6)
2008	8,627,153,400	10.4
2006	7,787,790,000	29.7
2004	6,003,792,100	35.1
2002	4,420,483,600	32.7

Abatements and Overlay

The City is authorized to increase each tax levy by an amount approved by the State Commissioner of Revenue as an "overlay" to provide for tax abatements. If abatements are granted in excess of the applicable overlay reserve, the excess is required to be added to the next tax levy. Abatements are granted where exempt real or personal property has been assessed or where taxable real or personal property has been overvalued or disproportionately valued. The assessors may also abate uncollectible personal property taxes. They may abate real and personal property taxes on broad grounds (including inability to pay) with the approval of the State Commissioner of Revenue. But uncollected real property taxes are ordinarily not written off until they become municipal "tax titles" by purchase at the public sale or by taking, at which time the tax is written off in full by reserving the amount of the tax and charging surplus.

The following table sets forth the trend in overlay reserves and abatements for recent levies.

Fiscal Year	Net Tax Levy (1)	Overlay Reserve		Abatements Granted through June 30, 2015	Surplus (Deficiency) Through June 30, 2015
		Dollar Amount	As a % of Net Levy		
2015	\$ 115,956,572	\$ 2,694,911	2.32 %	\$ 1,142,267	\$ 1,552,644
2014 (2)	114,295,344	2,445,495	2.14	1,104,098	1,341,397
2013	108,552,613	2,947,648	2.72	1,207,073	1,740,575
2012	105,479,107	2,738,111	2.60	1,352,319	1,385,792
2011 (2)	101,010,317	2,324,286	2.30	1,256,471	1,067,815

(1) Tax levy prior to addition of overlay reserve.

(2) Revaluation years.

Tax Levies and Collections

The City issues tax bills which are payable in four installments. Under the statute, preliminary tax payments are due on August 1 and November 1 with payment of the actual tax bill (after credit is given for the preliminary payments) in installments on February 1, and May 1, if actual tax bills are mailed by December 31. Interest accrues on delinquent taxes currently at the rate of 14% per annum. Real property (land and buildings) is subject to a lien for the taxes assessed upon it (subject to any paramount federal lien and subject to bankruptcy and insolvency laws). If the property has been transferred, an unenforced lien expires on the fourth December 31 after the fiscal year to which the tax relates. If the property has not been transferred by the fourth December 31, an unenforced lien expires upon a later transfer of the property. Provision is made, however, for continuation of the lien where it could not be enforced because of a legal impediment. The persons against whom real or personal property taxes are assessed are personally liable for the tax (subject to bankruptcy and insolvency laws). In the case of real property, this personal liability is effectively extinguished by sale or taking of the property as described below.

The following table compares the trend in the City's net tax collections with its net (gross tax levy less overlay reserve for abatements) tax levies.

Fiscal Year	Gross Tax Levy	Overlay Reserve for Abatements	Net Tax Levy	Collections During Fiscal Year Payable		Collections as of June 30, 2015	
				Dollar Amount(1)	% of Net Levy	Dollar Amount(1)	% of Net Levy
2015	\$ 118,651,483	\$ 2,694,911	\$ 115,956,572	\$ 113,521,923	97.9 %	\$ 113,521,923	97.9 %
2014 (2)	116,740,839	2,445,495	114,295,344	111,440,688	97.5	113,523,603	99.3
2013	111,500,261	2,947,648	108,552,613	105,732,191	97.4	108,628,753	100.1
2012	108,217,218	2,738,111	105,479,107	102,364,585	97.0	104,888,543	99.4
2011 (2)	103,334,603	2,324,286	101,010,317	97,535,074	96.6	100,272,288	99.3

(1) Actual dollar collections net of refunds. Does not include abatements or proceeds of tax titles redemptions attributable to each levy.

(2) Revaluation years.

Taking and Sale

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

The following table sets forth the amount of tax titles and possessions outstanding at fiscal year-end and the amount realized through the redemption of tax title accounts during the fiscal year. Amounts collected through such redemptions are treated as general receipts of the City and are not credited back to specific tax levies.

<u>Fiscal Year</u>	<u>Tax Titles at Fiscal Year End</u>	<u>Tax Possessions at Fiscal Year End</u>	<u>Amount Realized From Redemption of Tax Titles During Fiscal Year</u>
2015	\$3,841,959	\$2,622,390	\$2,041,037
2014	4,089,356	2,256,078	2,929,914
2013	6,671,386	2,582,211	1,916,746
2012	5,354,808	2,445,122	1,898,849
2011	4,417,334	2,278,752	2,307,260

In order to maximize the collection efforts, the City has implemented a system of collection whereby a minimum of three notices of delinquency are sent to the payers. Also, the City instituted a notice of previous taxes owed on the current tax bill. This notice gives taxpayers an additional five notices per year when taxes are delinquent. By targeting the fiscal years before these accounts are placed in tax title, the City has reduced the amount of delinquent taxes that fall into tax title. In order to maximize the collection of tax title accounts and forestall foreclosure proceedings, the City requires payment in full or, with a minimum of 25% down, a written agreement with the delinquent taxpayer to make timely payments on current tax bills, and pay the balance in full within 12 months. The City has a property disposition plan in place to sell foreclosed properties. City owned buildings and large parcels of land are sold at public auction or through a sealed bid process. This maximizes the influx of cash while putting the sold properties back on the tax rolls.

Taxation to Meet Deficits

Overlay deficits, i.e., tax abatements in excess of the overlay included in the tax levy to cover abatements, are required to be added to the next tax levy. It is generally understood that revenue deficits, i.e., those resulting from non-property tax revenues being less than anticipated, are also required to be added to the next tax levy (at least to the extent not covered by surplus revenue). Amounts lawfully expended since the prior tax levy and not included therein are also required to be included in the annual tax levy. The circumstances under which this can arise are limited since municipal departments are generally prohibited from incurring liabilities in excess of appropriations except for major disasters, mandated items, contracts in aid of housing and renewal projects and other long-term contracts. In addition, established utility rates and certain established salaries, e.g., civil service, must legally be paid for work actually performed, whether or not covered by appropriations.

All deficits and overdrafts in existence at the time the City's tax rates have been set have been provided for as required by Massachusetts law.

Cities and towns are authorized to appropriate sums, and thus to levy taxes, subject to any overall limits on tax levies, to cover deficits arising from other causes, such as "free cash" deficits arising from a failure to collect taxes. This is not generally understood, however, and it has not been the practice to levy taxes to cover free cash deficits. Except to the extent that free cash deficits have been reduced or eliminated by subsequent collections of uncollected taxes (including sales of tax titles and tax possessions), lapsed appropriations, non-property tax revenues in excess of estimates, other miscellaneous items or funding loans authorized by special act, they remain in existence. See "CITY FINANCES – Undesignated Fund Balance and Free Cash."

Tax Limitations

Chapter 59, Section 21C of the General Laws, also known as Proposition 2½, imposes two separate limits on the annual tax levy of a city or town.

The primary limitation is that the tax levy cannot exceed 2 1/2 percent of the full and fair cash value. If a city or town exceeds the primary limitation, it must reduce its tax levy by at least 15 percent annually until it is in compliance, provided that the reduction can be reduced in any year to not less than 7 1/2 percent by majority vote of the voters, or to less than 7 1/2 percent by two-thirds vote of the voters.

For cities and towns at or below the primary limit, a secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2 1/2 percent, subject to exceptions for property added to the tax rolls and for property which has had substantial valuation increases other than as part of a general revaluation, in its assessed valuation over the prior year's valuation. This "growth" limit on the tax levy may be exceeded in any year by a majority vote of the voters, but an increase in the secondary or growth limit under this procedure does not permit a tax levy in excess of the primary limitation, since the two limitations apply independently. In addition, if the voters vote to approve taxes in excess of the "growth" limit for the purpose of funding a stabilization fund, such increased amount may only be taken into account for purposes of calculating the maximum levy limit in each subsequent year if the board of selectmen of a town or the city council of the city votes by a two-thirds vote to appropriate such increased amount in such subsequent year to the stabilization fund.

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

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

Proposition 2 ½ further provides that the voters may exclude from the taxes subject to the tax limits and from the calculation of the maximum tax levy (a) the amount required to pay debt service on bonds and notes issued before November 4, 1980, if the exclusion is approved by a majority vote of the voters, and (b) the amount required to pay debt service on any specific subsequent issue for which similar approval is obtained. Even with voter approval, the holders of the obligation for which unlimited taxes may be assessed do not have a statutory priority or security interest in the portion of the tax levy attributable to such obligations. It should be noted that Massachusetts General Laws Chapter 44, Section 20 requires that the taxes excluded from the levy limit to pay debt service on any such bonds and notes be calculated based on the true interest cost of the issue. Accordingly, the Department of Revenue limits the amount of such taxes which may be levied in each year to pay debt service on any such bonds and notes to the amount of such debt service, less a pro rata portion of any original issue premium received by the city or town that was not applied to pay costs of issuance.

Voters may also exclude from the Proposition 2 1/2 limits the amount required to pay specified capital outlay expenditures. In addition, the city council of a city, with the approval of the mayor if required, or the board of selectmen or the town council of a town may vote to exclude from the Proposition 2 1/2 limits taxes raised in lieu of sewer or water charges to pay debt service on bonds or notes issued by the municipality (or by an independent authority, commission or district) for water and sewer purposes, provided that the municipality's sewer or water charges are reduced accordingly.

In addition, Proposition 2 ½ limits the annual increase in the total assessments on cities and towns by any county, district, authority, the Commonwealth or any other governmental entity (except regional school districts, the Massachusetts Water Resources Authority, and certain districts for which special legislation provides otherwise) to the sum of (a) 2 1/2 percent of the prior year's assessments and (b) "any increases in costs, charges or fees for services customarily provided locally or for services subscribed to at local option". Regional water districts, regional sewerage districts and regional veterans districts may exceed these limitations under statutory procedures requiring a two-thirds vote of the district's governing body and either approval of the local appropriating authorities (by two-thirds vote in districts with more than two members or by majority in two-member districts) or approval of the registered voters in a local election (in the case of two-member districts). Under Proposition 2 ½ any State law to take effect on or after January 1, 1981 imposing a direct service or cost obligation on a city or town will become effective only if accepted or voluntarily funded by the city or town or if State funding is provided. Similarly, State rules or regulations imposing additional costs on a city or town or laws granting or increasing local tax exemptions are to take effect only if adequate State appropriations are provided. These statutory provisions do not apply to costs resulting from judicial decisions.

The City has been in full compliance with Proposition 2 1/2 since fiscal 1984 following completion of a professional revaluation of all real and personal property in the City to full value. Revaluations were subsequently completed by the City for use in fiscal years 1987, 1990, 1993, 1996, 1999, 2002, 2005, 2008, 2011 and 2014. The City has never voted to override or exclude taxes from the tax-levy limit imposed by Proposition 2 1/2. The following table sets forth the trend in the City's tax levies and levy limits under Proposition 2 1/2.

Fiscal Year	Total Assessed Valuation	Primary Levy Limit	Secondary Levy Limit	Actual Levy	Under (Over) Primary Limit	Under (Over) Secondary Levy Limit
2015	\$ 5,462,968,131	\$ 136,574,203	\$ 121,079,995	\$ 118,651,483	\$ 15,494,208	\$ 2,428,512
2014	5,362,178,891	134,054,472	116,744,636	116,740,839	17,309,836	3,797
2013	5,486,239,872	137,155,997	112,506,174	111,500,261	24,649,823	1,005,913
2012	5,634,634,091	140,865,852	108,261,967	108,217,218	32,603,885	44,749
2011	5,629,189,685	140,729,727	103,342,047	103,334,603	37,387,680	7,444

Sale of Tax Receivables

Cities and towns are authorized to sell delinquent property tax receivables at public sale or auction, either individually or in bulk. The City does not expect to utilize this option at the present time.

Pledged Taxes

Taxes on the increased value of certain property in designated development districts may be pledged for the payment of costs of economic development projects within such districts and may therefore be unavailable for other municipal purposes. (See "Tax Increment Financing for Development Districts" below).

Community Preservation Act

The Massachusetts Community Preservation Act (the "CPA") permits cities and towns that accept its provisions to levy a surcharge on its real property tax levy, dedicate revenue (other than state or federal funds), and to receive state matching funds for (i) the acquisition, creation, preservation, rehabilitation and restoration of land for recreational use, open space, and affordable housing and (ii) the acquisition, preservation, rehabilitation and restoration of historic resources. The provisions of the CPA must be accepted by the voters of the city or town at an election after such provisions have first been accepted by either a vote of the legislative body of the city or town or an initiative petition signed by 5% of its registered voters.

A city or town may approve a surcharge of up to 3% (but not less than 1% under certain circumstances) and may make an additional commitment of funds by dedicating revenue other than state or federal funds, provided that the total funds collected do not exceed 3% of the real property tax levy, less any exemptions adopted (such as an exemption for low-income individuals and families and for low and moderate-income senior citizens, an exemption for \$100,000 of the value of each taxable parcel of residential real property or \$100,000 of the value of each taxable parcel of class three, commercial property, and class four, industrial property as defined in Chapter 59, Section 2A of the General Laws, and an exemption for commercial and industrial properties in cities and towns with classified tax rates). In the event that the municipality shall no longer dedicate all or part of the additional funds to community preservation, the surcharge on the real property tax levy of not less than 1% shall remain in effect, provided that any such change must be approved pursuant to the same process as acceptance of the CPA. The surcharge is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2½ (see "Tax Limitations" under "PROPERTY TAXATION" above). A city or town may revoke its acceptance of the provisions of the CPA at any time after 5 years from the date of such acceptance and may change the amount of the surcharge or the exemptions to the surcharge at any time, including reducing the surcharge to 1% and committing additional municipal funds as outlined above, provided that any such revocation or change must be approved pursuant to the same process as acceptance of the CPA.

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge and dedication of revenue. The state matching funds are raised from certain recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to cities and towns that have accepted the provisions of the CPA, which distributions are not subject to annual appropriation by the state legislature. The amount distributed to each city and town is based on a statutory formula and the total state distribution made to any city or town may not exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

The amounts raised by the surcharge on taxes, the dedication of revenue and received in state matching funds are required to be deposited in a dedicated community preservation fund. Each city or town that accepts the provisions of the CPA is required to establish a community preservation committee to study the community preservation needs of the community and to make recommendations to the legislative body of the city or town regarding the community preservation projects that should be funded from the community preservation fund. Upon the recommendations of the committee, the legislative body of the city or town may appropriate amounts from the fund for permitted community preservation purposes or may reserve amounts for spending in future fiscal years, provided that at least 10% of the total annual revenues to the fund must be spent or set aside for open space purposes, 10% for historic resource purposes and 10% for affordable housing purposes.

The CPA authorizes cities and towns that accept its provisions to issue bonds and notes in anticipation of the receipt of surcharge and dedicated revenues to finance community preservation projects approved under the provisions of the CPA. Bonds and notes issued under the CPA are general obligations of the city or town and are payable from amounts on deposit in the community preservation fund. In the event that a city or town revokes its acceptance of the provisions of the CPA, the surcharge shall remain in effect until all contractual obligations incurred by the city or town prior to such revocation, including the payment of bonds or notes issued under the CPA, have been fully discharged.

The City has not adopted the Community Preservation Act, and there are no plans to do so.

CITY FINANCES

Budget and Appropriation Process

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

Under certain circumstances and subject to certain limits and requirements, the city council of a city, upon the recommendation of the Mayor, may transfer amounts appropriated for use of one department (except for the use of a municipal light department or a school department) to another appropriation for the same department for the use of any other department.

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

Water and Sewer department expenditures are included in the budget adopted by the city council. Gas and electric department expenditures may be appropriated by municipal light boards. Under certain legislation any city or town which accepts the legislation may provide that the appropriations for the operating costs of any department may be offset, in whole or in part, by estimated receipts from fees charged for services provided by the department. It is assumed that this general provision does not alter the pre-existing power of an electric or gas department to appropriate its own receipts. The school budget is limited to the total amount appropriated by the city council, but the school committee retains full power to allocate the funds appropriated, subject to the provisions of the Education Reform Act of 1993, which is further discussed herein under "Education Reform".

City department heads are generally required to submit their budget requests to the Finance Department for compilation and recommendation to the Mayor between December 1 and January 31. This does not apply to the school department, which must submit its requests to the Finance Department for review and recommendation in time for the Mayor to include them in his submission to the council.

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

In the City of Brockton, the Finance Department independently develops revenue estimates and evaluates the impact of each proposed spending request as the Chief Financial Officer is required under Chapter 324 of the Acts of 1990 to certify in writing to the Mayor and the City Council as to the affordability of any spending request.

Budget Trends

The following table sets forth the trend in operating budgets in the format recommended by the Mayor and voted by the City Council. The budgets are inclusive of supplemental appropriations and transfers between appropriation items made during the fiscal year. The budgets are inclusive of expenditures for state and county assessments, overlay for tax abatements and deficits to be raised.

COMPARATIVE BUDGET TRENDS General and Enterprise Funds

	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016
Water (1)	\$ 16,478,246	\$ 15,004,979	\$ 13,823,442	\$ 15,771,606	\$ 8,563,242 (5)
Sewer (1)	18,213,411	10,819,874	11,134,963	11,555,151	12,428,268
Other Public Works and Trash	16,616,591	15,371,536	15,836,334	16,119,397	17,120,717
Fire	20,373,633	19,868,295	21,222,160	21,969,331	22,941,712
Police	17,950,478	17,412,066	18,538,972	20,808,425	20,367,647
Public Property	2,336,950	2,211,203	2,364,731	2,332,715	2,478,290
City Schools	152,390,474	156,420,332	164,293,149	167,935,189	173,226,180
Regional School Assessment	2,702,679	2,741,616	2,932,308	2,952,574	3,133,097
General Government and Other	21,385,797	20,343,838	21,860,253	23,134,084	27,098,782
Employees/Retiree Health Insurance	42,229,978	52,003,360	49,778,155	51,544,051	51,047,830
Retirement	12,580,316	15,424,055	16,021,867	18,055,120	17,963,097
Capital	1,373,298	5,258,499	3,604,172	1,864,300	1,759,146
Debt Service (2)	12,613,238	22,015,481	21,970,075	22,502,820	22,749,589
Overlay Reserve	2,120,000	2,840,000	2,900,000	2,510,083	2,600,000
State County Charges	5,879,360	6,395,186	7,135,900	7,446,688	8,020,765
Reserves (3)	704,990	262,094	793,228	444,657	833,486
Total(4)	<u>\$ 345,949,439</u>	<u>\$ 364,392,414</u>	<u>\$ 374,209,709</u>	<u>\$ 386,946,191</u>	<u>\$ 392,331,848</u>

(1) Enterprise Funds capital expenditures included in the Capital category.

(2) In fiscal 2012, debt service includes all City debt service, other than water and sewer, and includes debt issued under the State Qualified Bond Act. For fiscal 2013 and later, debt service includes all. All debt service is General Obligation debt.

(3) Consists of net additions to the stabilization and supplemental reserve funds.

(4) Totals include cash appropriations for departmental capital spending.

(5) Water total reflects a reduction of \$6,395,630 due to desalinization contract in fiscal 2016. This certification made by city council is contractually due and must ultimately be restored.

Revenues (General Fund)

Local Options Room Occupancy Tax: Under this tax, local governments may tax the provision of hotel, motel and lodging house rooms at a rate not to exceed six percent (6%) of the cost of renting such rooms. The tax is paid by the operator of the hotel, motel or lodging house, and bed and breakfast to the State Commissioner of Revenue, who in turn pays the tax back to the municipality in which the rooms are located in quarterly distributions. In 2009, the City increased the local room occupancy excise tax from 4% to 6% as permitted under G.L. c. 64G section 3A. The City collected \$560,958 from this tax in fiscal 2012, \$656,592 in fiscal 2013, \$724,542 in fiscal 2014 and \$777,579 in fiscal 2015. Projected revenue collected from this tax is expected to be comparable in future years.

Local Option Meals Tax: On June 6, 2010, the City adopted the local meals excise tax to be effective October 1, 2010. In fiscal year 2011, the local meals excise tax is a 0.75% tax on the gross receipts of a vendor from the sale of restaurant meals. The tax is paid by the vendor to the State Commissioner of Revenue, who in turn pays the tax to the municipality in which the meal was sold. The City collected \$821,433 from this tax in fiscal 2012, \$841,000 in fiscal 2013, \$898,007 in fiscal 2014 and \$951,281 in fiscal 2015. The revenue from this tax is projected to be comparable in future years.

Property Taxes: Property taxes are a major source of revenue for the City. The total amount levied is subject to certain limits prescribed by law; for a description of those limits see "PROPERTY TAXATION - Tax Limitations" above.

State Aid: The City's state aid entitlement is based upon a number of different formulas, and while said formulas might indicate that a particular amount of state aid is owed, the amount of state aid actually paid is limited to the amount appropriated by the state legislature. The state annually estimates state aid but actual payments may vary from the estimate.

In addition to grants for specified capital purposes (some of which are payable over the life of the bonds issued for the projects), the Commonwealth provides financial assistance to cities and towns for current purposes. Payments to cities and towns are derived primarily from a percentage of the State's personal income, sales and use, and corporate excise tax receipts, together with the net receipts from the State Lottery. A municipality's state aid entitlement is based on a number of different formulas, of which the "schools" and "lottery" formulas are the most important. Both of the major formulas tend to provide more state aid to poorer communities. The formulas for determining a municipality's state aid entitlement are subject to amendment by the state legislature and, while a formula might indicate that a particular amount of state aid is owed, the amount of state aid actually paid is limited to the amount appropriated by the state legislature. The state annually estimates state aid, but the actual state aid payments may vary from the estimate.

In the fall of 1986, both the State Legislature (by statute repealed as of July 1, 1999) and the voters (by initiative petition) placed limits on the growth of state tax revenues. Although somewhat different in detail, each measure essentially limited the annual growth in state tax revenues to an average rate of growth in wages and salaries in the Commonwealth over the three previous calendar years. If not amended, the remaining measure could restrict the amount of state revenues available for state aid to local communities.

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

Motor Vehicle Excise: An excise is imposed on the registration of motor vehicles (subject to exemptions) at a rate of \$25 per \$1,000 of valuation. Valuations are determined by a statutory formula based on manufacturer's list price and year of manufacture. Bills not paid when due bear interest at 12% per annum. Provision is also made, after notice to the owner, for suspension of the owner's operating license or registration by the registrar of motor vehicles.

Trash Fees: In fiscal 2002 the City assessed a fee of \$110 per household for the pickup and disposal of residential trash. For fiscal 2003, an ordinance change raised trash fees from \$110 to \$220 per household effective July 1, 2002 and to \$280 per household effective July 1, 2003. At the current rate of \$280, the trash fee generates revenues sufficient to fully fund the service.

Enterprise Revenues: See "Enterprise Funds" herein.

Other: Other major sources of revenue include penalties and interest on taxes, investment income, fines, licenses and permits. The City Council in October 2015 approved an increase of 20% on all ordinance departmental fees, licenses, and permits, an action which is expected to generate approximately \$200,000 annually.

Education Reform

State legislation known as the Education Reform Act of 1993, as amended, imposes certain minimum expenditure requirements on municipalities with respect to funding for education and related programs, and may affect the level of state aid to be received for education. The requirements are determined on the basis of formulas affected by various measures of wealth and income, enrollments, prior levels of local spending and state aid, and other factors. In every year since passage of the act, the City's school related appropriations have exceeded the minimum required funding.

State School Building Assistance

Under its school building assistance program, the Commonwealth of Massachusetts provides grants to cities, towns and regional school districts for school construction projects. Until July 26, 2004, the State Board of Education was responsible for approving grants for school projects and otherwise administering the program. Grant amounts ranged from 50% to 90% of approved project costs. Municipalities generally issued bonds to finance the entire project cost, and the Commonwealth disbursed the grants in equal annual installments over the term of the related bonds.

Pursuant to legislation which became effective on July 26, 2004, the state legislature created the Massachusetts School Building Authority (the "Authority") to finance and administer the school building assistance program. The Authority has assumed all powers and obligations of the Board of Education with respect to the program. In addition to certain other amounts, the legislation dedicates a portion of Commonwealth sales tax receipts to the Authority to finance the program.

Projects previously approved for grants by the State Board of Education are entitled to receive grant payments from the Authority based on the approved project cost and reimbursement rate applicable under the prior law. The Authority has paid and is expected to continue to pay the remaining amounts of the grants for such projects either in annual installments to reimburse debt service on bonds issued by the municipalities to finance such projects, or as lump sum payments to contribute to the defeasance of such bonds.

Projects on the priority waiting list as of July 1, 2004 are also entitled to receive grant payments from the Authority based on the eligible project costs and reimbursement rates applicable under the prior law. With limited exceptions, the Authority is required to fund the grants for such projects in the order in which they appear on the waiting list. Grants for any such projects that have been completed or substantially completed have been paid and are expected to continue to be paid by the Authority in lump sum payments, thereby eliminating the need for the Authority to reimburse interest expenses that would otherwise be incurred by the municipalities to permanently finance the Authority's share of such project costs. Interest on debt issued by municipalities prior to July 1, 2004 to finance such project costs, and interest on temporary debt until receipt of the grant, is included in the approved costs of such projects. Grants for any such projects that have not yet commenced or that are underway have been and are expected to continue to be paid by the Authority as project costs are incurred by the municipality pursuant to a project funding agreement between the Authority and the municipality, eliminating the need for the municipality to borrow even on a temporary basis to finance the Authority's share of the project costs in most cases.

The range of reimbursement rates for new project grant applications submitted to the Authority on or after July 1, 2007 has been reduced to between 40% and 80% of approved project costs. The Authority promulgated new regulations with respect to the application and approval process for projects submitted after July 1, 2007. The Authority pays grants for such projects as project costs are incurred pursuant to project funding agreements between the Authority and the municipalities. None of the interest expense incurred on debt issued by municipalities to finance their portion of the costs of new projects will be included in the approved project costs eligible for reimbursement.

Financial Operations

During each year from fiscal 1992 through fiscal 2013, the City has generated free cash surpluses ranging from 1% to 8% of General Fund Revenues. These surpluses resulted in part from conservative expenditure budgets and aggressive monitoring and control of actual expenditures during the years. They also resulted in part from deliberate underestimation of likely revenues in preparing annual budgets. In the fiscal 1998 to 2009 budgets, free cash amounts have been appropriated to support capital expenses, to pay debt service, and to increase permanent reserves. Conservative budgetary strategies were employed in constructing the budgets and utilized during each fiscal year.

Investment of City Funds

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

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

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

Accounting Policies

Please refer to attached audited financial statements of the City.

General Fund Revenues

The City of Brockton's year to date general fund total revenues as of June 30, 2015 of \$331 million increased by \$3 million over the prior year's year to date general fund total revenues as of June 30, 2014 of \$328 million which represents an overall percentage increase in year to date general fund revenues of 0.9%. The City has finished the fiscal year ending June 30, 2015 with an unassigned fund balance of \$20.6 million (formerly known as the undesignated fund balance).

Business Type Activities

Year To Date Summary Revenue Analysis
of Business Type Activities

Year to date	Projected 6/30/2015 Revenues (millions)	6/30/2014 Revenues (millions)	6/30/2013 Revenues (millions)	2015/2014 Increase (Decrease) Revenues (millions)	Overall% Increase (Decrease) Revenues
Sewer enterprise fund	\$18.179	\$19.081	\$19.440	(0.902)	-4.073%
Water enterprise fund	\$15.118	\$16.457	\$15.425	(0.307)	-1.865%
Refuse enterprise fund	\$7.605	\$7.573	\$7.584	(0.032)	0.422%
Renewable energy enterprise fund	\$0.122	\$0.121	\$0.100	(0.001)	0.826%

Certified Retained Earnings

The City generally utilizes certified retained earnings from the business type activities of the enterprise funds to augment the subsequent year's expenditures, typically for debt service.

Annual Audits

Audits covering all funds of the City for the fiscal year 2014 have been performed by Clifton Larson Allen, certified public accountants. Said audit reports the City's operations in accordance with the new accounting standards of GASB 34. Copies of prior year audits are available upon request. The attached report speaks only as of its date, and only to the matters expressly set forth therein. The auditors have not been engaged to review this Official Statement or to perform audit procedures regarding the post-audit period.

Financial Statements

Set forth on the following pages are the following tables and financial statements of the City of Brockton: Governmental Funds Balance Sheets for fiscal years 2014, 2013 and 2012 and Comparative Statements of Revenues, Expenditures and Changes in Fund Equity - General Fund for fiscal 2010 through fiscal 2014. Said financials were extracted from the City's audited financial statements.

2015 Fiscal Year End Results

The City's year to date general fund total revenues for the fiscal year ending June 30, 2015 are estimated to be \$331 million which is an increase of \$3 million over the prior year's year to date general fund total revenues as of June 30, 2014 of \$328 million which represents an overall projected percentage increase in year to date general fund revenues of 0.9%. The City is projecting to finish the fiscal year ending June 30, 2015 with an unassigned fund balance of \$20.6 million for the general fund similar to the amount in unassigned fund balance at June 30, 2014.

City of Brockton, MA
Balance Sheet- Governmental Funds
June 30, 2014 (1)

Assets	<u>General</u>	<u>School Roof Repairs</u>	<u>Other Governmental</u>	<u>Total</u>
Cash and investments	\$79,286,261	\$ 61,368	\$ 24,854,557	\$ 104,202,186
Receivables, net:				
Property taxes	7,271,818	-	-	7,271,818
Motor Vehicle Excises	1,810,519	-	-	1,810,519
Departmental & Other	19,537	-	333,820	353,357
Tax liens	4,089,401	-	-	4,089,401
Intergovernmental	2,839,776	-	5,579,466	8,419,242
Total Receivables	16,031,051	-	5,913,286	21,944,337
Long-Term note receivable	6,964,839	-	-	6,964,839
Long-Term intergovernmental receivable	8,378,411	-	-	8,378,411
Tax possessions	2,256,078	-	-	2,256,078
Deposit with health claims agent	5,858,800	-	-	5,858,800
Total Assets	<u>118,775,440</u>	<u>61,368</u>	<u>30,767,843</u>	<u>149,604,651</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Warrants and accounts payable	\$ 4,803,092	-	\$ 3,138,085	\$ 7,941,177
Accrued liabilities:				
Tax abatement refunds	4,228,934	-	-	4,228,934
Payroll and related withholdings	19,620,023	-	2,227,179	21,847,202
Due to other funds	-	-	-	0
Health claims payable	3,294,786	-	-	3,294,786
Bond anticipation note payable	-	62,000	-	62,000
Total liabilities	<u>31,946,835</u>	<u>62,000</u>	<u>5,365,264</u>	<u>37,374,099</u>
Deferred Inflows of Resources:				
Unavailable revenues	25,324,895	-	-	25,324,895
Fund balances:				
Nonspendable	6,964,839	-	6,412,349	13,377,188
Restricted	16,909,199	-	16,927,182	33,836,381
Committed	13,443,957	-	2,145,568	15,589,525
Assigned	4,592,537	-	-	4,592,537
Unassigned	19,593,178	(632)	(82,520)	19,510,026
Total fund balances	<u>61,503,710</u>	<u>(632)</u>	<u>25,402,579</u>	<u>86,905,657</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$118,775,440</u>	<u>\$ 61,368</u>	<u>\$ 30,767,843</u>	<u>\$ 149,604,651</u>

(1) Extracted from the annual audit.

City of Brockton, MA
Balance Sheet- Governmental Funds
June 30, 2013 (1)

Assets	<u>General</u>	<u>School Roof Repairs</u>	<u>Other Governmental</u>	<u>Total</u>
Cash and investments	\$77,885,814	\$ -	\$ 21,777,517	\$ 99,663,331
Receivables, net:				
Property taxes	6,714,730	-	-	6,714,730
Excises	2,150,050	-	-	2,150,050
Departmental & Other	21,175	-	89,076	110,251
Tax liens	6,671,990	-	-	6,671,990
Intergovernmental	2,820,398	2,220,537	8,453,519	13,494,454
Total Receivables	18,378,343	2,220,537	8,542,595	29,141,475
Due from other funds	1,860,611	-	-	1,860,611
Long-Term note receivable	7,136,976	-	-	7,136,976
Long-Term intergovernmental receivable	10,975,956	-	-	10,975,956
Deposit with health claims agent	7,666,000	-	-	7,666,000
Total Assets	123,903,700	2,220,537	30,320,112	156,444,349
Liabilities and Fund Balances				
Warrants and accounts payable	\$ 8,358,449	\$ 420,695	\$ 4,346,877	\$ 13,126,021
Accrued liabilities:				
Tax abatement refunds	4,154,900	-	-	4,154,900
Payroll and related withholdings	13,293,696	-	1,796,181	15,089,877
Due to other funds	-	1,860,611	-	1,860,611
Health claims payable	3,217,548	-	-	3,217,548
Bond anticipation note payable	-	7,000,000	-	7,000,000
Deferred revenue	27,445,958	-	-	27,445,958
Total liabilities	56,470,551	9,281,306	6,143,058	71,894,915
Fund balances (deficits):				
Nonspendable	7,136,976	-	5,712,160	12,849,136
Restricted	13,728,283	-	15,383,861	29,112,144
Committed	5,281,676	-	1,579,313	6,860,989
Assigned	17,839,539	-	1,579,631	19,419,170
Unassigned	23,446,675	(7,060,769)	(77,911)	16,307,995
Total fund balances	67,433,149	(7,060,769)	24,177,054	84,549,434
Total liability and fund balances	\$123,903,700	\$ 2,220,537	\$ 30,320,112	\$ 156,444,349

(1) Extracted from the annual audit.

City of Brockton, MA
Balance Sheet- Governmental Funds
June 30, 2012 (1)

Assets	General	School Roof Repairs	Other Governmental	Total
Cash and investments	\$78,586,173	\$ -	\$ 26,077,115	\$ 104,663,288
Receivables, net:				
Property taxes	7,047,582	-	-	7,047,582
Motor vehicle excise	2,253,325	-	-	2,253,325
Departmental and other	18,815	-	183,145	201,960
Tax liens	5,356,101	-	-	5,356,101
Intergovernmental	2,841,444	7,498,872	4,562,149	14,902,465
Total receivables	<u>17,517,267</u>	<u>7,498,872</u>	<u>4,745,294</u>	<u>29,761,433</u>
Due from other funds	2,675,606	-	-	2,675,606
Long-term note receivable	7,298,888	-	-	7,298,888
Long-term intergovernmental receivable	13,573,502	-	-	13,573,502
Deposit with health claims agent	7,544,000	-	-	7,544,000
Total Assets	<u>\$ 127,195,436</u>	<u>\$ 7,498,872</u>	<u>\$ 30,822,409</u>	<u>\$ 165,516,717</u>
Liabilities and Fund Balances				
Warrants and accounts payable	\$ 7,193,534	\$ 4,377,521	\$ 3,167,064	\$ 14,738,119
Accrued liabilities:				
Tax abatement refunds	1,772,750	-	-	1,772,750
Payroll and related withholdings	11,693,945	-	59,021	11,752,966
Due to other funds	-	2,675,606	-	2,675,606
Health claims payable	3,480,518	-	-	3,480,518
Bond anticipation note payable	-	7,000,000	-	7,000,000
Deferred revenue	29,447,099	-	25,724	29,472,823
Total liabilities	<u>53,587,846</u>	<u>14,053,127</u>	<u>3,251,809</u>	<u>70,892,782</u>
Fund balances (deficits):				
Nonpendable	7,298,888	-	5,246,543	12,545,431
Restricted	13,143,093	-	20,128,622	33,271,715
Committed	5,019,582	-	1,973,508	6,993,090
Assigned	18,913,861	15,033	221,927	19,150,821
Unassigned	29,232,166	(6,569,288)	-	22,662,878
Total fund balances	<u>\$73,607,590</u>	<u>\$ (6,554,255)</u>	<u>\$ 27,570,600</u>	<u>\$ 94,623,935</u>
Total liability and fund balances	<u>\$127,195,436</u>	<u>\$ 7,498,872</u>	<u>\$ 30,822,409</u>	<u>\$ 165,516,717</u>

(1) Extracted from the annual audit.

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

	June 30			
	2011 (1)	2012 (1)	2013 (1)	2014 (1)
Revenues:				
Real and personal property taxes, net	\$ 102,552,359	\$ 106,728,051	\$ 108,095,820	\$ 117,036,526
Motor Vehicle and Other Excise	6,453,016	6,729,299	6,241,961	7,399,772
Penalties and Interest on Taxes	1,399,808	1,694,109	1,820,440	2,125,904
Payment in Lieu of Taxes	191,011	188,881	151,375	232,710
User Charges and Other Revenues	4,709,641	3,989,410	3,981,809	3,963,202
Fees	1,751,886	1,780,971	1,789,834	1,845,288
Licenses and permits	2,138,531	2,044,967	2,189,111	2,760,343
Intergovernmental	152,715,724	163,524,900	171,988,015	181,317,389
Fines	431,418	808,373	941,258	861,399
Investment income	470,818	345,421	535,692	422,742
Contributions	13,134,609	14,195,703	11,408,990	7,783,785
Total Revenues	<u>285,948,821</u>	<u>302,030,085</u>	<u>309,144,305</u>	<u>325,749,060</u>
Expenditures:				
Current:				
General Government	11,480,291	11,303,185	11,499,911	12,712,499
Public Safety	36,566,539	37,337,236	37,162,162	46,336,460
Education	142,631,868	153,505,472	159,453,711	168,696,088
Public works	8,733,165	5,595,546	7,412,507	6,817,674
Human services	2,077,830	2,194,788	2,401,695	2,299,832
Culture and recreation	1,875,244	2,087,123	2,474,247	2,082,215
State and county assessments	5,658,876	6,022,609	6,706,864	7,192,401
Pension and fringe benefits	67,335,563	76,903,470	78,237,000	73,305,341
Court judgments	133,226	161,056	284,677	326,353
Capital outlay	483,080	582,058	1,255,801	853,810
Debt service	13,194,988	11,267,156	11,816,651	12,047,375
Total Expenditures	<u>290,170,670</u>	<u>306,959,699</u>	<u>318,705,226</u>	<u>332,670,048</u>
Excess (Deficiency) of Revenues Over Expenditures	(4,221,849)	(4,929,614)	(9,560,921)	(6,920,988)
Other Financing Sources (Uses):				
Operating Transfers In	6,146,430	8,150,910	8,054,999	2,909,971
Operating Transfers out	(4,159,514)	(7,632,656)	(4,733,167)	(1,873,914)
Other	63,630	212,368	64,648	(38,508)
Bond proceeds	-	-	-	-
Bonds premium	53,213	284,565	-	-
Payments to refunding bond escrow agent	(1,071,213)	(4,646,815)	-	-
Issuance of refunding bonds	1,018,000	4,362,250	-	-
Total Other Financing Sources (Uses)	<u>2,050,546</u>	<u>730,622</u>	<u>3,386,480</u>	<u>997,549</u>
Excess (deficiency) of Revenues Over Expenditures and Other Financing Uses	(2,171,303)	(4,198,992)	(6,174,441)	(5,923,439)
Fund Balance, Beginning of Year	79,977,885	77,806,582	73,607,590	67,433,149
Fund Balance, End of Year	<u>\$77,806,582</u>	<u>\$73,607,590</u>	<u>\$67,433,149</u>	<u>\$61,509,710</u>

(1) Extracted from City's audited financial statements.

City of Brockton, Massachusetts
Comparative Statement of Revenues, Expenditures and Changes in Fund Balances-
Governmental Funds*

	June 30
	2010
Revenues:	
Real and personal property taxes, net	\$ 97,073,442
Motor Vehicle and Other Excise	6,330,498
Penalties and Interest on Taxes	1,619,799
Intergovernmental	152,401,565
User Charges and Other Revenues (1)	1,863,045
Payment in Lieu of Taxes	263,086
Fines, Licenses and Permits	2,772,606
Investment Income	465,816
Contributions	14,860,275
Fees	1,633,587
Licenses and permits	-
Total Revenues (2)	279,283,719
Expenditures:	
Current:	
Education	132,547,974
Public Safety	37,237,861
Public Works (3)	6,494,963
Pension and Fringe Benefits	68,801,529
General Government	10,993,590
Culture and Recreation	1,926,882
State and County Assessments	5,605,388
Human Services	1,838,839
Court Judgments	229,955
Capital Outlay (4)	638,400
Debt Service	12,987,630
Total Expenditures (5)	279,303,011
Excess (Deficiency) of Revenues Over Expenditures	(19,292)
Other Financing Sources (Uses):	
Operating Transfers In (Out) Net (6)	2,263,539
Proceeds of Long-Term Debt	(876,777)
Total Other Financing Sources (Uses)	1,386,762
Excess (deficiency) of Revenues Over Expenditures and Other Financing Uses	1,367,470
Fund Balance, Beginning of Year	78,610,415
Fund Balance, End of Year	\$79,977,885

1. Trash fee and Departmental receipts. Sewer and water operations are accounted for as enterprise.
2. Excludes all Enterprise revenues.
3. Includes a long-term contract for trash pickup.
4. Prior to fiscal 1998, the City accounted for capital expenditures within current operation expenses.
5. Includes some Enterprise expenditures. See note (6) below.
6. Operating transfers are budgeted items (see audited financial statements attached hereto as Appendix A). They are intended to recapture expenditures borne by the General Fund in support of Enterprise and Special Revenue funds.

*Extracted from the City's audited financial statements.

Free Cash – General Fund

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

The following table compares free cash under the UMAS system with Unreserved General Fund Balance and total General Fund Balance under GAAP.

<u>June 30</u>	<u>General Fund Balance (GAAP)</u>	<u>Unassigned/ Unreserved General Fund Balance (GAAP)</u>	<u>Free Cash (UMAS)</u>
2015	N.A.	\$20,600,000 (estimated)	\$9,000,000 (conservative estimate)
2014	\$61,503,710	19,593,178 (1)	13,131,133
2013	67,433,149	23,446,675 (1)	13,443,957
2012	73,607,509	29,232,166 (1)	13,318,577
2011	77,806,582	18,920,418 (1)	14,071,332
2010	79,977,885	18,047,969	16,948,909

(1) Starting in fiscal 2011, General Fund balance includes Stabilization fund.

It has been the City's policy in recent years to appropriate essentially all of its certified free cash by fiscal year end, and to generate new free cash through conservative budgeting procedures and strict budget oversight. The purposes for which free cash has been appropriated during the five most recent fiscal years include general budget operations, court judgments, capital purchases and transfers to the Supplemental Reserve and Stabilization funds.

Free Cash – Enterprise Funds

In addition, the State Bureau of Accounts annually certifies the amount of "free cash" in each of the City's enterprise funds, as set forth below.

<u>July 1</u>	<u>Water Enterprise Fund</u>	<u>Sewer Enterprise Fund</u>	<u>Recreation Enterprise Fund</u>	<u>Refuse Enterprise Fund (1)</u>	<u>Renewal Energy Fund</u>
2015 (estimated)	\$ 441,204	\$ 2,056,058	\$ 244,004	\$ 1,664,864	\$ 19,168
2014	2,192,120	3,013,133	131,497	1,300,815	31,644
2013	2,171,358	2,456,266	194,530	1,446,441	12,876
2012	923,199	3,078,216	354,676	1,549,353	78,038
2011	3,032,671	4,562,091	267,455	845,961	44,873

(1) Established in fiscal 2002.

Reserve Funds

The City of Brockton maintains a special reserve fund for extraordinary and unforeseen expenditures called the "Supplemental Reserve". Since fiscal 1992, one and one-half percent of the "Gross Amount to be Raised" on the annual tax computation form for the previous fiscal year has been appropriated to this fund in the budget for the current fiscal year. Expenditures from this fund can be made only by the Mayor, with City Council approval. The Supplemental Reserve Fund is accounted for in the General Fund balance sheet as "Unreserved: Designated for Extraordinary and Unforeseen Expenditures".

Since fiscal year 1993, the City has maintained a Stabilization Fund. Funded by an annual appropriation, the Stabilization Fund plus interest income may be appropriated for any municipal purpose by a two thirds majority vote of the City Council. It is accounted for in the General Fund balance sheet as "Unreserved: Designated for Stabilization".

Supplemental Reserve Fund and Stabilization Fund balances at July 1 each year have been as follows:

<u>July 1</u>	<u>Supplemental Reserve Fund</u>	<u>Stabilization Fund</u>
2015	\$5,726,276	\$2,339,169
2014	5,509,344	3,412,533
2013	5,281,676	5,693,046
2012	5,019,582	7,721,213
2011	4,869,582	3,668,809

Tax Increment Financing for Development Districts

Under recent legislation, cities and towns are authorized to establish development districts to encourage increased residential, industrial and commercial activity. All or a portion of the taxes on growth in assessed value in such districts may be pledged and used solely to finance economic development projects pursuant to the city or town’s development program for the district. This includes pledging such “tax increments” for the payment of bonds issued to finance such projects. As a result of any such pledge, tax increments raised from new growth properties in development districts are not available for other municipal purposes. Tax increments are taken into account in determining the total taxes assessed for the purpose of calculating the maximum permitted tax levy under Proposition 2 ½. (See “Tax Limitations” under “PROPERTY TAXATION” above.) The City has not established any such development districts.

Other Tax Increment Financing

Pursuant to separate legislation, Massachusetts General Law Chapter 23A, the City has executed TIF agreements as part of its Economic Opportunity Area/Economic target Area status. Beginning in 1997, the City has executed a total of 52 TIF agreements with a total of value of \$79.6 million. These agreements ranged from 1 year in length to 20, and ranged in value from \$32.9 thousand to \$14.5 million. The most remote expiration date is in 2025. Of the 50 total, 11 TIF agreements have already expired, and 5 more have been revoked. Also pursuant to the same legislation, beginning in 1997 the City executed a total of 7 special tax assessment agreements, with a total value of \$9.3 million, ranging in value from \$171 thousand to \$4.8 million. All of these special tax assessment agreements have expired.

Enterprise Funds

The City of Brockton has five Enterprise Funds which are accounted for as Special Revenue Funds in the City’s audited financial statements.

Water Enterprise Fund. The Water Enterprise Fund was established in FY 1990. Effective with the creation in 1995 of the water commission, rates are recommended by the water commission, subject to approval by the City Council. Prior to the creation of the commission, water rates were set by the Mayor at the recommendation of the Commissioner of Public Works. Beginning in FY 2009, the City Council has not acted on rate increases requested almost annually by the Water Commission. As a result, there has been a gradual decline in the ability of the rate structure to fully finance the operating budget, pay for a cash capital budget, and repay the general fund for the expenses, such as health insurance and pension costs, borne on behalf of the Water Enterprise Fund. Appropriations, to support the actual purchase of water from the desalination plant have diminished substantially to the necessary amount for emergency supply purposes. Capital spending has been restricted. Beginning in FY 14, the fund ceased to fully repay the General Fund for expenses. The shortfall in that year was about \$1.6 million. In FY 2015, that amount was repaid, but a new shortfall from FY 15 was almost \$1.7 million. Before the setting of the fiscal 2016 budget, the water commission requested a rate increase for July 1, 2015 of 30% across the board on all rate blocks. The City Council did not approve that request, but it did produce an ordinance proposal to raise the rates by 10% each year on July 1, 2015, 2016 and 2017. However, that proposal failed in June at final reading. Subsequently, a new proposal was created by City Council to raise the rates by 10% on January 1, 2016, 2017 and 2018, and then 2.5% on January 1, 2019. That proposal has been passed. The anticipated annual revenue increase of \$1.2 million for every 10% increase will provide some spending relief, but the annual revenues will still lack the necessary robustness to fully fund cash capital and a more aggressive purchase of desalinated water, and it will take several fiscal years for the City’s General Fund to be fully reimbursed. See “City of Brockton, Massachusetts – Municipal Services – Water Supply” above.

Sewer Enterprise Fund. The Sewer Enterprise Fund was established in fiscal 1992. Sewer rates are set by the City Council with the approval of the Mayor. The City has expended from retained earnings to help fund necessary capital projects with an objective of annually generating the reserve balance at about 10% of the revenues. This fund is fully self-supporting, including paying for the full costs of the 2006 Consent Decrees and other capital projects.

City rates were increased in phases in 2005, 2006, 2007, 2008 and 2009. The rate increases in the aggregate were more than 60% but still leave city sewer rates competitive with those of MWRA communities. However, sometime within the next several years, another increase will be required to recover the effects of inflation in the last two years.

Recreation Enterprise Fund. In fiscal 1993, the City established the Recreation Enterprise Fund. Fees for golf and recreation activities are set by the Parks and Recreation Commission. The General Fund subsidizes the Recreation Fund for the specific purposes which otherwise could not be afforded. The subsidy for Recreation Fund programs in the fiscal years from fiscal 2008 through fiscal 2013 has ranged from \$350,000 to \$520,000 per year in direct subsidy plus about \$450,000 per year in indirect costs. The direct subsidy amount for Recreation Fund programs in fiscal 2015 was \$700,000.

Refuse Enterprise Fund – In fiscal year 2002, the City established the Refuse Enterprise Fund for the pick-up and disposal of garbage, trash, and other refuse from the City's residential properties. The City provides service weekly. The City charges a flat fee per single family unit (\$220 per year in fiscal 2002; \$280 per year since fiscal 2003). Single family residences are limited to one barrel per week for this fee. Additional pickup/disposal service may be obtained at the price of \$1.00 per bag. Initially, the City's General Fund subsidized the Refuse Fund. For fiscal 2003, the subsidy was \$2.113 million. In fiscal 2004, the Mayor budgeted a subsidy of \$1.112 million, but the fund actually required only \$634 thousand and thus generated a surplus for retained earnings. Accordingly, beginning in fiscal 2005, the City has no longer subsidized the Refuse Enterprise Fund. Instead, the Retained Earnings balance from the prior year's operations has been used to help pay for budgeted operating costs.

Renewable Energy Fund - By Chapter 5 of the Acts of 2005, the City was authorized to install, finance, and operate solar energy facilities. Section 5 of that Act permitted the City to establish an enterprise fund for operation of the solar energy facilities. The construction of the facility was accomplished by a combination of City appropriation (\$500,000), City borrowings (\$1,600,000) and various grant funds (almost \$1.7 million). The City issued a public bid for the design, construction, operations and maintenance of the facility, which was to be located on a former "brownfield" site. Global Solar Energy Inc. of Arizona was the successful general bidder, with local partners. In October 2006, the construction of the facility was concluded. Accordingly, during fiscal 2006 the facility was not in operation.

The City in 2006 conducted a public procurement for the sale of the facility's generated electricity as well as so-called "renewable energy certificates". Constellation New Energy was the successful bidder and in November 2006 began to purchase the facility's output. The revenue derived from the sale of the facility's output approximately equals the cost of operations and maintenance, and contributes about one-half annual debt-service of \$100,000.

In November 2006 the U.S. Internal Revenue Service notified the City that the project qualified for the issuance of up to \$1,600,000 in so-called "Clean Renewable Energy Bonds". The City issued the full amount of that allocation in February 2008.

City of Brockton, Massachusetts
Statement of Net Position- Proprietary Funds
June 30, 2014 (1)

Assets	Enterprise funds			Total
	Water	Sewer	Other	
Current Assets:				
Cash and cash equivalents	\$ 6,165,375	\$ 10,356,803	\$ 4,429,037	\$ 20,951,215
Customer receivables, net	6,396,504	7,410,551	3,962,947	17,770,002
Intergovernmental receivables	1,144,023	-	-	1,144,023
Other	306,148	49,953	-	356,101
Total Current Assets	14,012,050	17,817,307	8,391,984	40,221,341
Noncurrent assets:				
Capital assets:				
Nondepreciable	7,053,267	5,042,997	198,522	12,294,786
Depreciable, net	45,299,247	120,630,653	5,791,598	171,721,498
Total noncurrent assets	52,352,514	125,673,650	5,990,120	184,016,284
Total assets	\$ 66,364,564	\$ 143,490,957	\$ 14,382,104	\$ 224,237,625
Deferred Outflows of Resources	52,604	36,984	-	89,588
Total Assets and Deferred Outflows	\$ 66,417,168	\$ 143,527,941	\$ 14,382,104	\$ 224,327,213
Liabilities				
Current Liabilities:				
Warrants and accounts payable	\$ 1,078,406	\$ 1,484,765	\$ 551,013	\$ 3,114,184
Accrued expenses	299,009	808,890	33,358	1,141,257
Compensated absences and claims	86,541	38,106	38,301	162,948
Bonds, notes, and loans payable	1,638,649	5,219,137	100,000	6,957,786
Total current liabilities	3,102,605	7,550,898	722,672	11,376,175
Noncurrent Liabilities:				
Compensated absences and claims	1,338,440	2,617,632	2,403,505	6,359,577
Unearned Revenue	2,599,617	1,290,190	-	3,889,807
Landfill and postclosure care costs	-	1,173,000	-	1,173,000
Bonds	24,751,611	66,162,615	903,191	91,817,417
Total noncurrent liabilities	28,689,668	71,243,437	3,306,696	103,239,801
Total liabilities	31,792,273	78,794,335	4,029,368	114,615,976
Net Position				
Invested in capital assets, net of related debt	27,158,880	54,328,882	4,986,929	86,474,691
Unrestricted	7,466,015	10,404,724	5,365,807	23,236,546
Total net assets	\$34,624,895	\$64,733,606	\$10,352,736	\$109,711,237

(1) Extracted from audited financial statements of the City.

City of Brockton, Massachusetts
Statement of Net Position- Proprietary Funds
June 30, 2013 (1)

Assets	Enterprise funds			Total
	Water	Sewer	Other	
Current Assets:				
Cash and cash equivalents	\$ 5,305,601	\$ 12,255,677	\$ 4,589,997	\$ 22,151,275
Customer receivables, net	6,661,573	8,361,918	3,910,436	18,933,927
Intergovernmental receivables	1,203,188	(5,001)	-	1,198,187
Other	306,149	49,954	-	356,103
Total Current Assets	<u>13,476,511</u>	<u>20,662,548</u>	<u>8,500,433</u>	<u>42,639,492</u>
Noncurrent assets:				
Capital assets:				
Nondepreciable	12,019,156	741,370	210,672	12,971,198
Depreciable, net	40,721,467	124,695,318	5,342,604	170,759,389
Total noncurrent assets	<u>52,740,623</u>	<u>125,436,688</u>	<u>5,553,276</u>	<u>183,730,587</u>
Total assets	<u>\$ 66,217,134</u>	<u>\$ 146,099,236</u>	<u>\$ 14,053,709</u>	<u>\$ 226,370,079</u>
Deferred Outflows of Resources	73,425	49,312	-	122,737
Total Assets and Deferred Outflows	<u>\$ 66,290,559</u>	<u>\$ 146,148,548</u>	<u>\$ 14,053,709</u>	<u>\$ 226,492,816</u>
Liabilities				
Current Liabilities:				
Warrants and accounts payable	\$ 1,256,885	\$ 1,034,042	\$ 695,790	\$ 2,986,717
Accrued expenses	253,934	860,846	23,532	1,138,312
Compensated absences and claims	98,446	36,293	36,203	170,942
Bonds, notes, and loans payable	1,622,239	5,110,002	150,000	6,882,241
Total current liabilities	<u>3,231,504</u>	<u>7,041,183</u>	<u>905,525</u>	<u>11,178,212</u>
Noncurrent Liabilities:				
Compensated absences and claims	1,287,375	2,532,434	2,384,156	6,203,965
Unearned Revenue	2,128,963	1,290,190	-	3,419,153
Landfill and postclosure care costs	-	1,150,000	-	1,150,000
Bonds	25,639,657	71,459,013	1,003,851	98,102,521
Total noncurrent liabilities	<u>29,055,995</u>	<u>76,431,637</u>	<u>3,388,007</u>	<u>108,875,639</u>
Total liabilities	<u>32,287,499</u>	<u>83,472,820</u>	<u>4,293,532</u>	<u>120,053,851</u>
Net Position				
Invested in capital assets, net of related debt	26,755,339	48,911,984	4,399,425	80,066,748
Unrestricted	7,247,721	13,763,744	5,360,752	26,372,217
Total net assets	<u>\$34,003,060</u>	<u>\$62,675,728</u>	<u>\$9,760,177</u>	<u>\$106,438,965</u>

(1) Extracted from audited financial statements of the City.

City of Brockton, Massachusetts
Statement of Net Assets- Proprietary Funds
June 30, 2012 (1)

Assets	Enterprise funds			Total
	Water	Sewer	Other	
Current Assets:				
Cash and cash equivalents	\$ 5,966,976	\$ 10,570,852	\$ 3,907,276	\$ 20,445,104
Customer receivables, net	7,005,991	10,286,300	3,952,056	21,244,347
Intergovernmental receivables	5,281,801	-	-	5,281,801
Other	306,150	44,954	-	351,104
Total Current Assets	<u>18,560,918</u>	<u>20,902,106</u>	<u>7,859,332</u>	<u>47,322,356</u>
Noncurrent assets:				
Other	221,495	538,537	31,698	791,730
Capital assets:				
Nondepreciable	9,913,460	566,388	163,484	10,643,332
Depreciable, net	40,487,029	128,894,212	5,385,029	174,766,270
Total noncurrent assets	<u>50,621,984</u>	<u>129,999,137</u>	<u>5,580,211</u>	<u>186,201,332</u>
Total assets	<u>\$ 69,182,902</u>	<u>\$ 150,901,243</u>	<u>\$ 13,439,543</u>	<u>\$ 233,523,688</u>
Liabilities				
Current Liabilities:				
Warrants and accounts payable	\$ 2,025,199	\$ 807,719	\$ 531,919	\$ 3,364,837
Accrued expenses	233,408	934,902	20,469	1,188,779
Compensated absences and claims	92,313	35,108	35,543	162,964
Bonds, notes, and loans payable	1,369,467	4,956,905	150,000	6,476,372
Total current liabilities	<u>3,720,387</u>	<u>6,734,634</u>	<u>737,931</u>	<u>11,192,952</u>
Noncurrent Liabilities:				
Compensated absences and claims	1,735,195	2,690,031	2,651,201	7,076,427
Unearned Revenue	2,057,786	1,290,189	-	3,347,975
Landfill and postclosure care costs	-	1,127,000	-	1,127,000
Bonds	26,342,777	76,584,634	1,154,511	104,081,922
Total noncurrent liabilities	<u>30,135,758</u>	<u>81,691,854</u>	<u>3,805,712</u>	<u>115,633,324</u>
Total liabilities	<u>33,856,145</u>	<u>88,426,488</u>	<u>4,543,643</u>	<u>126,826,276</u>
Net Assets				
Invested in capital assets, net of related debt	27,970,046	47,914,060	4,244,002	80,128,108
Unrestricted	7,356,713	14,560,697	4,651,899	26,569,309
Total net assets	<u>\$35,326,759</u>	<u>\$62,474,757</u>	<u>\$8,895,901</u>	<u>\$106,697,417</u>

(1) Extracted from audited financial statements of the City.

City of Brockton, Massachusetts
Statement of Revenues, Expenses, and Changes in Net Assets- Proprietary Funds
June 30, 2014 (1)

	Enterprise funds			Total
	Water	Sewer	Other	
Operating Revenues:				
Charges for Services	\$ 15,458,588	\$ 17,105,806	\$ 7,896,016	\$ 40,460,410
Fees	411,653	248,852	252,702	913,207
Other		-	184,564	184,564
Total Operating Revenues	<u>\$ 15,870,241</u>	<u>\$ 17,354,658</u>	<u>\$ 8,333,282</u>	<u>\$ 41,558,181</u>
Operating Expenses:				
Salaries and Benefits	\$ 4,109,758	\$ 1,986,729	\$ 1,904,123	\$ 8,000,610
Utilities	748,531	1,112,538	78,816	1,939,885
Repairs and Maintenance	715,074	945,871	247,307	1,908,252
Contractual Services	7,455,506	4,384,320	6,032,019	17,871,845
Other Supplies and Expenses	456,645	352,822	220,841	1,030,308
Depreciation	1,948,202	4,265,577	356,127	6,569,906
Total Operating Expenses	<u>15,433,716</u>	<u>13,047,857</u>	<u>8,839,233</u>	<u>37,320,806</u>
Operating Income (loss)	<u>436,525</u>	<u>4,306,801</u>	<u>(505,951)</u>	<u>4,237,375</u>
Nonoperating revenue (expense)				
Interest Income	282,234	325,367	210,277	817,878
Interest Expense	(475,097)	(1,878,697)	(340)	(2,354,134)
Debt Subsidies	39,026	409,160	-	448,186
Total nonoperating (expenses) revenue	(153,837)	(1,144,170)	209,937	(1,088,070)
Income (loss) before transfers and capital grants	282,688	3,162,631	(296,014)	3,149,305
Transfers				
Transfers In	639,147	108,345	888,573	1,636,065
Transfers Out	(300,000)	(1,213,098)	-	(1,513,098)
Total transfers in (out)	<u>339,147</u>	<u>(1,104,753)</u>	<u>888,573</u>	<u>122,967</u>
Change in net assets	621,835	2,057,878	592,559	3,272,272
Total net assets				
Total net assets, beginning of year	34,003,060	62,675,728	9,760,177	106,438,965
Total net assets, end of year	<u>\$ 34,624,895</u>	<u>\$ 64,733,606</u>	<u>\$ 10,352,736</u>	<u>\$ 109,711,237</u>

(1) Extracted from audited financial statements of the City.

City of Brockton, Massachusetts
Statement of Revenues, Expenses, and Changes in Net Assets- Proprietary Funds
June 30, 2013 (1)

	Enterprise funds			Total
	Water	Sewer	Other	
Operating Revenues:				
Charges for Services	\$ 14,031,089	\$ 16,350,259	\$ 7,909,173	\$ 38,290,521
Fees	481,308	385,934	230,212	1,097,454
Other	1,703	-	7,302	9,005
Total Operating Revenues	<u>\$ 14,514,100</u>	<u>\$ 16,736,193</u>	<u>\$ 8,146,687</u>	<u>\$ 39,396,980</u>
Operating Expenses:				
Salaries and Benefits	\$ 3,846,301	\$ 1,698,441	\$ 1,698,271	\$ 7,243,013
Utilities	748,222	1,472,860	82,486	2,303,568
Repairs and Maintenance	605,585	1,254,021	326,230	2,185,836
Contractual Services	7,535,383	4,713,417	5,756,295	18,005,095
Other Supplies and Expenses	528,771	350,237	281,305	1,160,313
Depreciation	1,602,110	4,314,569	306,332	6,223,011
Total Operating Expenses	<u>14,866,372</u>	<u>13,803,545</u>	<u>8,450,919</u>	<u>37,120,836</u>
Operating Income (loss)	<u>(352,272)</u>	<u>2,932,648</u>	<u>(304,232)</u>	<u>2,276,144</u>
Nonoperating revenue (expense)				
Interest Income	271,780	302,574	207,069	781,423
Interest Expense	(575,683)	(1,921,719)	(1,839)	(2,499,241)
Debt Subsidies	(28,480)	418,403	-	389,923
Total nonoperating (expenses) revenue	(332,383)	(1,200,742)	205,230	(1,327,895)
Income (loss) before transfers and capital grants	(684,655)	1,731,906	(99,002)	948,249
Transfers In	405,348	128,850	774,146	1,308,344
Transfers Out	(822,897)	(1,121,248)	220,830	(1,723,315)
Total transfers in (out)	<u>(417,549)</u>	<u>(992,398)</u>	<u>994,976</u>	<u>(414,971)</u>
Change in net assets	(1,102,204)	739,508	895,974	533,278
Total net assets, beginning of year	35,326,759	62,474,757	8,895,901	106,697,417
Restatement of net position	(221,495)	(538,537)	(31,698)	(791,730)
Total net assets, end of year	<u>\$ 34,003,060</u>	<u>\$ 62,675,728</u>	<u>\$ 9,760,177</u>	<u>\$ 106,438,965</u>

(1) Extracted from audited financial statements of the City.

City of Brockton, Massachusetts
Statement of Revenues, Expenses, and Changes in Net Assets- Proprietary Funds
June 30, 2012 (1)

	Enterprise funds			Total
	Water	Sewer	Other	
Operating Revenues:				
Charges for Services	\$ 14,588,841	\$ 18,498,239	\$ 8,090,909	\$ 41,177,989
Fees	463,759	343,584	242,571	1,049,914
Other	-	-	5,210	5,210
Total Operating Revenues	\$ 15,052,600	\$ 18,841,823	\$ 8,338,690	\$ 42,233,113
Operating Expenses:				
Salaries and Benefits	\$ 4,553,216	\$ 1,433,669	\$ 1,568,671	\$ 7,555,556
Utilities	891,726	1,643,290	70,672	2,605,688
Repairs and Maintenance	711,193	1,200,152	266,921	2,178,266
Contractual Services	7,135,645	4,023,638	6,148,374	17,307,657
Other Supplies and Expenses	613,391	325,525	214,575	1,153,491
Depreciation	1,571,773	3,966,501	280,469	5,818,743
Total Operating Expenses	15,476,944	12,592,775	8,549,682	36,619,401
Operating Income (loss)	(424,344)	6,249,048	(210,992)	5,613,712
Nonoperating revenue (expense)				
Interest Income	304,297	349,424	212,684	866,405
Interest Expense	(562,587)	(2,295,869)	(8,524)	(2,866,980)
Debt Subsidies	43,348	432,842	-	476,190
Total nonoperating (expenses) revenue	(214,942)	(1,513,603)	204,160	(1,524,385)
Income (loss) before transfers and capital grants	(639,286)	4,735,445	(6,832)	4,089,327
Transfers In	-	-	863,669	863,669
Transfers Out	(543,135)	(723,302)	-	(1,266,437)
Total transfers in (out)	(543,135)	(723,302)	863,669	(402,768)
Change in net assets	(1,182,421)	4,012,143	856,837	3,686,559
Total net assets, beginning of year	36,509,180	58,462,614	8,039,064	103,010,858
Total net assets, end of year	\$ 35,326,759	\$ 62,474,757	\$ 8,895,901	\$ 106,697,417

(1) Extracted from audited financial statements of the City.

City of Brockton, Massachusetts
Statement of Revenues, Expenses, and Changes in Net Assets- Proprietary Funds
June 30, 2011 (1)

	Enterprise funds			Total
	Water	Sewer	Other	
Operating Revenues:				
Charges for Services	\$ 14,726,496	\$ 17,470,429	\$ 7,995,004	\$ 40,191,929
Fees	333,814	195,921	249,876	779,611
Other	-	-	125	125
Total Operating Revenues	\$ 15,060,310	\$ 17,666,350	\$ 8,245,005	\$ 40,971,665
Operating Expenses:				
Salaries and Benefits	\$ 4,471,957	\$ 1,718,618	\$ 1,600,155	\$ 7,790,730
Utilities	872,612	1,533,233	61,475	2,467,320
Repairs and Maintenance	627,197	1,351,631	163,660	2,142,488
Contractual Services	6,276,912	3,612,526	6,712,012	16,601,450
Other Supplies and Expenses	778,747	511,274	192,671	1,482,692
Depreciation	1,576,638	3,575,166	256,189	5,407,993
Total Operating Expenses	14,604,063	12,302,448	8,986,162	35,892,673
Operating Income (loss)	456,247	5,363,902	(741,157)	5,078,992
Nonoperating revenue (expense)				
Interest Income	285,986	331,629	209,145	826,760
Interest Expense	(596,103)	(2,230,539)	(21,202)	(2,847,844)
Debt Subsidies	44,405	451,086	-	495,491
Total nonoperating (expenses) revenue	(265,712)	(1,447,824)	187,943	(1,525,593)
Income (loss) before transfers and capital grants	190,535	3,916,078	(553,214)	3,553,399
Transfers In	10,116	65,077	565,589	640,782
Transfers Out	(654,704)	(1,327,381)	(170,220)	(2,152,305)
Total transfers in (out)	(644,588)	(1,262,304)	395,369	(1,511,523)
Change in net assets	(454,053)	2,653,774	(157,845)	2,041,876
Total net assets, beginning of year	36,963,233	55,808,840	8,196,909	100,968,982
Total net assets, end of year	\$ 36,509,180	\$ 58,462,614	\$ 8,039,064	\$ 103,010,858

(1) Extracted from audited financial statements of the City.

City of Brockton, Massachusetts
Statement of Revenues, Expenses, and Changes in Net Assets- Proprietary Funds
June 30, 2010 (1)

	Enterprise funds			Total
	Water	Sewer	Other	
Operating Revenues:				
Charges for Services	\$ 13,406,566	\$ 18,504,572	\$ 8,135,327	\$ 40,046,465
Fees	364,312	382,619	267,481	1,014,412
Other	-	31,569	1,975	33,544
Total Operating Revenues	<u>\$ 13,770,878</u>	<u>\$ 18,918,760</u>	<u>\$ 8,404,783</u>	<u>\$ 41,094,421</u>
Operating Expenses:				
Salaries and Benefits	\$ 4,362,228	\$ 2,159,516	\$ 1,574,274	\$ 8,096,018
Utilities	1,129,227	1,845,650	60,281	3,035,158
Repairs and Maintenance	962,886	1,294,011	139,726	2,396,623
Contractual Services	5,063,942	3,062,592	6,520,897	14,647,431
Other Supplies and Expenses	384,449	408,579	265,862	1,058,890
Depreciation	1,284,982	2,605,191	278,624	4,168,797
Total Operating Expenses	<u>13,187,714</u>	<u>11,375,539</u>	<u>8,839,664</u>	<u>33,402,917</u>
Operating Income (loss)	<u>583,164</u>	<u>7,543,221</u>	<u>(434,881)</u>	<u>7,691,504</u>
Nonoperating revenue (expense)				
Interest Income	262,137	265,661	199,887	727,685
Interest Expense	(625,935)	(2,142,400)	(16,190)	(2,784,525)
Debt Subsidies	45,433	467,875	-	513,308
Total nonoperating (expenses) revenue	(318,365)	(1,408,864)	183,697	(1,543,532)
Income (loss) before transfers and capital grants	264,799	6,134,357	(251,184)	6,147,972
Transfers				
Transfers In	106,500	1,067,877	714,983	1,889,360
Transfers Out	(680,015)	(943,458)	-	(1,623,473)
Total transfers in (out)	<u>(573,515)</u>	<u>124,419</u>	<u>714,983</u>	<u>265,887</u>
Change in net assets	(308,716)	6,258,776	463,799	6,413,859
Total net assets				
Total net assets, beginning of year	37,271,949	49,550,064	7,733,110	94,555,123
Total net assets, end of year	<u>\$ 36,963,233</u>	<u>\$ 55,808,840</u>	<u>\$ 8,196,909</u>	<u>\$ 100,968,982</u>

(1) Extracted from audited financial statements of the City.

INDEBTEDNESS

Authorization Procedure and Limitations

Bonds and notes are generally authorized on behalf of the City by vote of two-thirds of all the members of the city council. Provision is made for a referendum on the filing of a petition bearing the requisite number of signatures within twenty days of final passage on a loan order. Borrowings for certain purposes require state administrative approval. Temporary loans in anticipation of current revenues and in anticipation of federal and state grants may be made by the Treasurer with the approval of the Mayor.

Debt Limit

General Debt Limit. The General Debt Limit of the City consists of a Normal Debt Limit and a Double Debt Limit. The Normal Debt Limit is 5 percent of the valuation of taxable property as last equalized by the State Department of Revenue. The City can authorize debt up to this amount without State approval. It can authorize debt up to twice this amount (the Double Debt Limit) with the approval of the State Municipal Finance Oversight Board consisting of the Attorney General, the State Treasurer, the State Auditor, and the Director of Accounts.

There are many categories of general obligation debt which are exempt from and do not count against the General Debt Limit. Among others, these exempt categories include revenue anticipation notes and grant anticipation notes; emergency loans; loans exempted by special laws; certain school bonds, sewer bonds, solid waste disposal facility bonds and economic development bonds supported by tax increment financing; and subject to special debt limits, bonds for water (limited to 10 percent of equalized valuation), housing, urban renewal and economic development (subject to various debt limits), and electric, gas, community antenna television systems, and telecommunications systems (subject to separate limits). Revenue bonds are not subject to these debt limits. The General Debt Limit and the special debt limit for water bonds apply at the time the debt is authorized. The other special debt limits generally apply at the time the debt is incurred.

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

Types of Obligations

General Obligations. Massachusetts cities and towns are authorized to issue general obligation indebtedness of these types:

Serial Bonds and Notes. These are generally required to be payable in annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. A level debt service schedule, or a schedule that provides for a more rapid amortization of principal than level debt service, is permitted. The principal amounts of certain economic development bonds supported by tax increment financing may be payable in equal, diminishing or increasing amounts beginning within 5 years after the date of issue. The maximum terms of serial bonds and notes vary from one year to 40 years, depending on the purpose of the issue. The maximum terms permitted are set forth in the statutes. In addition, for many projects, the maximum term may be determined in accordance with useful life guidelines promulgated by the State Department of Revenue ("DOR"). Serial bonds and notes may be issued for the purposes set forth in the statutes. In addition, serial bonds and notes may be issued for any other public work improvement or asset not specifically listed in the Statutes that has a useful life of at least 5 years. Bonds or notes may be made callable and redeemed prior to their maturity, and a redemption premium may be paid. Refunding bonds or notes may be issued subject to the maximum applicable term measured from the date of the original bonds or notes and must produce present value savings over the debt service of the refunded bonds. Generally, the first required annual payment of principal of the refunding bonds cannot be later than the first principal payment of any of the bonds or notes being refunded thereby, however, principal payments made before the first principal payment of any of the bonds or notes being refunded thereby may be in any amount.

Serial bonds may be issued as “qualified bonds” with the approval of the state Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts, subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the Board. Qualified bonds may mature not less than 10 nor more than 30 years from their dates and are not subject to the amortization requirements described above. The State Treasurer is required to pay the debt service on qualified bonds and thereafter to withhold the amount of the debt service paid by the State from state aid or other state payments; administrative costs and any loss of interest income to the State are to be assessed upon the city or town.

Tax Credit Bonds or Notes. Subject to certain provisions and conditions, the officers authorized to issue bonds or notes may designate any duly authorized issue of bonds or notes as “tax credit bonds” to the extent such bonds and notes are otherwise permitted to be issued with federal tax credits or other similar subsidies for all or a portion of the borrowing costs. Tax credit bonds may be made payable without regard to the annual installments required by any other law, and a sinking fund may be established for the payment of such bonds. Any investment that is part of such a sinking fund may mature not later than the date fixed for payment or redemption of the applicable bonds.

Bond Anticipation Notes. These generally must mature within two years of their original dates of issuance but may be refunded from time to time for a period not to exceed five years from their original dates of issuance, provided that for each year that the notes are refunded beyond the second year they must be paid in part from revenue funds in an amount at least equal to the minimum annual payment that would have been required if the bonds had been issued at the end of the second year. For certain school projects, however, notes may be refunded from time to time for a period not to exceed seven years without having to pay any portion of the principal of the notes from revenue funds. The maximum term of bonds issued to refund bond anticipation notes is measured (except for certain school projects) from the date of the original issue of the notes.

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

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

Revenue Bonds. Cities and towns may issue revenue bonds for solid waste disposal facilities and for projects financed under the Commonwealth's Clean Water Revolving Loan Programs and for certain economic development projects supported by tax increment financing. In addition, cities and towns having electric departments may issue electric revenue bonds, and notes in anticipation of such bonds, subject to the approval of the State Department of Telecommunications and Energy.

Debt Ratios

The following table sets forth the ratio of debt to estimated full valuation and per capita debt ratios at the end of the five most recent fiscal years. The table considers the principal amount of general obligation bonds of the City of Brockton only and does not deduct anticipated state grant payments applicable to the principal amount of outstanding bonds or debt that may be supported in whole or part (i.e. water, sewer and school debt) by non-tax revenue.

<u>Fiscal Year End</u>	<u>General Obligation Bonds Outstanding</u>	<u>Population (1)</u>	<u>Estimated Full Valuation (2)</u>	<u>Per Capita Debt</u>	<u>Ratio Debt to Estimated Full Valuation (2)</u>
2015	\$ 209,878,570	93,810	\$ 5,462,968,131	\$ 2,237	3.84 %
2014	214,045,612	93,810	5,362,178,901	2,282	3.99
2013	226,868,395	93,810	5,486,239,872	2,418	4.14
2012	235,938,232	93,810	5,634,634,091	2,515	4.19
2011	240,013,728	93,810	5,629,189,085	2,559	4.26

(1) 2010 Federal Census.

(2) Reflects local assessed valuations.

**City of Brockton
Direct Debt Summary
As of June 30, 2015**

Long Term Debt Outstanding:		
School (1)	\$ 23,117,250	
Water (2)	2,048,310	
General (3)	4,150,000	
Sewer (4)	1,337,440	
MCWT (5)	86,560,570	
Pension Obligation Bonds ("POB") (6)	89,810,000	
Stadium (7)	1,955,000	
Clean Renewable Energy Bonds ("CREB") (8)	<u>900,000</u>	
Total Outstanding		\$ 209,878,570
Temporary Notes:		
Bond Anticipation Notes	<u>-</u>	
Total Temporary Notes Outstanding		<u>-</u>
Total Direct Debt		<u><u>\$ 209,878,570</u></u>

- (1) The unpaid balance of school construction grants payable by the Authority for debt service on school bonds over the remaining terms of such bonds is estimated at \$8,378,410. \$9,836,250 of the outstanding school bonds is outside the debt limit. See "State School Building Assistance" above.
- (2) Expected payment from self-supporting enterprise. Outside the debt limit.
- (3) Includes golf course, library, land acquisition and planning debt. \$1,345,000 of the outstanding general bonds is outside the debt limit.
- (4) Expected payment from self-supporting enterprise. \$334,400 of the outstanding sewer bonds is outside the debt limit.
- (5) Expected payment from self-supporting enterprise. Bonds issued to Massachusetts Clean Water Trust, for water and sewer projects. Gross amount does not reflect subsidies from the MCWT. \$85,539,999 of the outstanding MCWT bonds is outside the debt limit.
- (6) Outside the debt limit, taxable.
- (7) \$1,060,000 is taxable and outside the debt limit.
- (8) Outside the debt limit.

Principal Payments by Purpose

The following table sets forth the projected principal payments by purpose on outstanding general obligation bonds of the City of Brockton as of June 30, 2015.

City of Brockton, Massachusetts Bonded Debt Principal Payments by Purpose

Fiscal Year	School	Water	General	Sewer	MCWT	POB	Stadium	CREB	Total
2016	\$ 3,940,375	\$ 361,760	\$ 622,000	\$ 308,865	\$ 6,305,273	\$ 2,150,000	\$ 660,000	\$ 100,000	\$ 14,448,273
2017	4,087,000	359,300	626,000	302,700	6,459,903	2,770,000	660,000	100,000	15,364,903
2018	1,889,875	357,250	607,000	265,875	6,511,623	3,375,000	130,000	100,000	13,236,623
2019	1,950,000	210,000	580,000	135,000	6,663,074	4,040,000	130,000	100,000	13,808,074
2020	2,015,000	210,000	505,000	135,000	6,712,034	4,760,000	125,000	100,000	14,562,034
2021	760,000	110,000	470,000	95,000	6,804,804	5,545,000	125,000	100,000	14,009,804
2022	660,000	110,000	215,000	95,000	6,935,880	6,395,000	125,000	100,000	14,635,880
2023	665,000	110,000	225,000	-	7,094,112	7,325,000	-	100,000	15,519,112
2024	675,000	110,000	25,000	-	7,161,266	8,330,000	-	100,000	16,401,266
2025	690,000	110,000	25,000	-	7,309,351	9,420,000	-	-	17,554,351
2026	700,000	-	25,000	-	6,309,935	10,595,000	-	-	17,629,935
2027	715,000	-	25,000	-	4,877,304	11,865,000	-	-	17,482,304
2028	730,000	-	25,000	-	2,703,266	13,240,000	-	-	16,698,266
2029	745,000	-	25,000	-	1,365,101	-	-	-	2,135,101
2030	760,000	-	25,000	-	1,043,641	-	-	-	1,828,641
2031	775,000	-	25,000	-	1,065,447	-	-	-	1,865,447
2032	340,000	-	25,000	-	498,709	-	-	-	863,709
2033	340,000	-	25,000	-	509,547	-	-	-	874,547
2034	340,000	-	25,000	-	113,911	-	-	-	478,911
2035	340,000	-	25,000	-	116,387	-	-	-	481,387
	<u>\$ 23,117,250</u>	<u>\$ 2,048,310</u>	<u>\$ 4,150,000</u>	<u>\$ 1,337,440</u>	<u>\$ 86,560,570</u>	<u>\$ 89,810,000</u>	<u>\$ 1,955,000</u>	<u>\$ 900,000</u>	<u>\$ 209,878,570</u>

Debt Service Requirements

The following table shows the total debt service due on outstanding general obligation indebtedness of the City together with debt service subsidies expected to be received from the Massachusetts Clean Water Trust and the Massachusetts School Building Authority.

City of Brockton, Massachusetts Debt Service Requirements

Fiscal Year	Outstanding as of June 30, 2015		MCWT Subsidy	MSBA Grants	Net Debt Service
	Principal	Interest			
2016	\$ 14,448,273	\$ 8,110,236	\$ (353,958)	\$ (2,597,546)	\$ 19,607,005
2017	15,364,903	7,542,183	(333,090)	(2,597,546)	19,976,450
2018	13,236,623	6,939,496	(285,336)	(1,061,106)	18,829,677
2019	13,808,074	6,437,180	(269,357)	(1,061,106)	18,914,791
2020	14,562,034	5,896,029	(222,683)	(1,061,106)	19,174,274
2021	14,009,804	5,317,847	(189,544)	-	19,138,107
2022	14,635,880	4,762,088	(166,413)	-	19,231,556
2023	15,519,112	4,176,070	(150,687)	-	19,544,495
2024	16,401,266	3,545,366	(106,955)	-	19,839,677
2025	17,554,351	2,868,328	(78,388)	-	20,344,292
2026	17,629,935	2,174,152	-	-	19,804,087
2027	17,482,304	1,430,058	-	-	18,912,362
2028	16,698,266	649,473	-	-	17,347,740
2029	2,135,101	222,779	-	-	2,357,880
2030	1,828,641	169,768	-	-	1,998,408
2031	1,865,447	118,698	-	-	1,984,144
2032	863,709	72,022	-	-	935,731
2033	874,547	48,306	-	-	922,854
2034	478,911	26,506	-	-	505,417
2035	481,387	9,628	-	-	491,015
Total	<u>\$ 209,878,570</u>	<u>\$ 60,516,212</u>	<u>\$ (2,156,411)</u>	<u>\$ (8,378,410)</u>	<u>\$ 259,859,961</u>

Authorized Unissued Debt and Prospective Financing

The City has approximately \$75,527,389 in authorized unissued debt. Of this amount \$47,710,000 is authorized for pension obligation purposes. \$6,158,612 represents excess authorization for the construction of two elementary schools, to be rescinded. The remaining \$21,658,777 is authorized for various school remodeling (\$17,418,310), water (\$3,019,688), economic development (\$1,000,000), and sewer (\$220,779) purposes. The \$36 million school remodeling project has been approved to receive 80% state grant funding and the City expects its share of project costs to be approximately \$7 million. The \$47,710,000 pension obligation bond authorization above represents the unissued balance of an original \$149,225,000 authorization for this purpose; the City does not intend to issue bonds against this balance, but there are no current plans to rescind the authorization.

Overlapping Debt (1)

The City of Brockton is a member of Plymouth County, the Southeastern Regional Vocational School District and the Brockton Area Transit Authority. The following table sets forth the outstanding bonded debt, exclusive of temporary loans in anticipation of bonds or current revenue, of each overlapping entity, and the City of Brockton's estimated share of such debt and the fiscal 2016 dollar assessment for each.

	<u>Bonded Debt as of 6/30/15 (1)</u>	<u>City's Estimated Share of Debt</u>	<u>FY 2016 Dollar Assessment</u>
Plymouth County (2)	\$ 2,475,000	8.45%	\$123,707
Southeastern Regional Vocational School District (3)	5,445,000	61.20%	3,133,097
Brockton Area Transit Authority (4)	-		2,230,538

(1) Omits debt of the Commonwealth.

(2) Source: Plymouth County Treasurer's Office. Assessment includes debt service and other County expenses assessed upon the City in proportion to its equalized valuation. Legislation enacted in 1997 abolished the county governments of Franklin and Middlesex counties as of July 1, 1997, with their assets, functions, debts and other obligations being assumed by the Commonwealth. The abolishment of the Middlesex County government was in part in response to a default by the county in the payment of general obligation notes of the county. The legislation also abolished the county governments of Hampden and Worcester counties as of July 1, 1998. Legislation enacted in 1998 abolished the county governments of Hampshire, Essex and Berkshire counties as of January 1, 1999, July 1, 1999 and July 1, 2000, respectively. The legislation requires the state secretary for administration and finance to establish a plan to recover the Commonwealth's expenditures for the liabilities and other debts assumed and paid by the Commonwealth on behalf of an abolished county. Unless these provisions are changed by further legislation, the state treasurer shall assess upon each city and town within the jurisdiction of an abolished county an amount not exceeding or equal to the county tax paid by each such city and town for the fiscal year immediately prior to the abolishment of the county (or two years prior in the case of Essex county) until such expenditures by the Commonwealth are recovered. It is possible that similar legislation will be sought to provide for the abolishment of county government in all the remaining counties

(3) Source: Treasurer's Office, Southeastern Regional-Vocational School District. Other District members are: East Bridgewater, Easton, Foxborough, Sharon, Stoughton and West Bridgewater.

(4) Source: Brockton Area Transit Authority.

Coverage of Qualified Debt Service

The following table presents qualified debt service, projected state aid and the coverage ratio of total state aid to the City's outstanding State Qualified Bonds debt service. The table does not include debt of the Commonwealth.

Fiscal Year	Outstanding State Qualified Bonds Debt Service	Total State Aid (1)	Coverage Ratio Total State Aid to Qualified Debt Service
2016	\$ 662,483	\$ 178,062,856	268.78
2017	654,583	181,624,113	277.47
2018	597,183	185,256,595	310.22
2019	544,408	188,961,727	347.10
2020	451,408	192,740,962	426.98
2021	452,158	196,595,781	434.79
2022	452,158	200,527,697	443.49
2023	452,314	204,538,251	452.20
2024	451,751	208,629,016	461.82
2025	455,445	212,801,596	467.24
2026	453,195	217,057,628	478.95
2027	454,875	221,398,780	486.72
2028	456,000	225,826,756	495.23
2029	455,400	230,343,291	505.80
2030	454,200	234,950,157	517.28
2031	452,400	239,649,160	529.73
Total	<u>\$ 7,899,958</u>	<u>\$ 3,812,737,496</u>	

(1) Includes total state aid available for coverage. State aid is taken from the fiscal 2015 cherry sheet and is increased at a rate of 2% each year thereafter. The State aid figures above no longer reflect school building assistance grants as such grants are no longer paid by the Commonwealth; they are now paid by the Massachusetts School Building Authority. Therefore, such payments no longer constitute "distributable aid" of the Commonwealth under the Qualified Bond Act.

Contractual Obligations

Municipal contracts are generally limited to currently available appropriations. Contracts with specified purposes can be granted extensions by statutory authority but are also subject to maximum term limits. A city or town generally has authority to enter into contracts for the exercise of any of its corporate powers for any period of time deemed to serve its best interest, but only when funds are available for the first fiscal year; obligations for succeeding fiscal years are subject to availability and appropriation of funds. Municipalities have specific authority in relatively few cases to enter long-term obligations not subject to annual appropriation, including contracts for refuse disposal. Municipalities may also enter into long-term contracts in aid of housing and renewal projects. The City may have implied authority to require long-term contracts to carry out authorized municipal functions, such as contracts to purchase water from private water companies. Pursuant to the Home Rule Amendment to the Massachusetts Constitution, cities and towns may also be empowered to make other contracts and leases.

Since October 1991, the City has contracted with independent vendors for the pick-up and disposal of residential trash. Currently, Browning Ferris Industries, Inc. services as the contract vendor through June 20, 2009, at a fixed price bid of \$6.2 million per year. Beginning on July 1, 2007, that price may be escalated by a component of the Consumer Price Index, with the annual escalation not to exceed 2.5% per year. The City extended the contract through December 2011. The City issued a formal procurement and three vendors responded. All priced bids were lower than the present cost and the City awarded the contract to Allied Waste through June 30, 2017 at a price savings in the first year of about \$1 million.

The contractor provides trash services for residents of five residential units or less. Commercial entities and residences of more than five units must contract independently. In the City contract residential units are restricted to the pickup of one 32 gallon barrel per week. In order to place more trash at the curb, residents must purchase specially marked trash bags,

the cost of which is \$1.00 per bag, with 75 cents going to the trash contractor and 25 cents to the City. Residents also receive unlimited weekly recycling, weekly yard waste removal in season, and the pickup by appointment of bulky items and white goods. Provisions are also made for separate handling of household hazardous waste.

In the summer of 1998 the state authorized the City, through approval of a home rule petition enacted as Chapter 199 of the Acts of 1998, to enter into a contract for the operation and maintenance of the City's water and wastewater treatment plant for a period not to exceed twenty (20) years. By the provisions of the Act, in the spring of 1999, the City awarded the contract to Professional Services Group, Inc. dated as July 1, 2000, and in August of 2000, the contract was approved by the Mayor and City Council. Under the contract the City retains ownership of the plants, and the City is responsible for capital improvements. Electricity costs are on a "pass through" basis to the City up to an annual kilowatt hour's allowance, with the vendor responsible for costs beyond the allowance. Minor adjustments to the fixed contract operating costs are allowed to compensate for significant variations in the volume of water or wastewater treated. Future costs will be restricted to inflationary increases and to cost increases from changes in scope or law. Inflationary increases are governed by the Producer Price Index for Commercial Natural Gas for the natural gas portion of the price and by the PPI Finished Goods, excluding Food and Energy, for all other costs. Construction at the wastewater treatment plant also has impacted its operations. As a result, the City and vendor negotiated a contract amendment for adjustments to price and terms. This amendment was approved by the City Council in July 2007. The main elements of the amendment were to:

- (1) Increase the fixed fee by about 3%,
- (2) Provide separate price escalators for the chemicals, natural gas, labor, and all other costs, and
- (3) Eliminate the maximum annual electrical consumption limit during the construction period and a one year shakedown period.

The impact of this agreement was reflected in the FY08 budget and was anticipated in the present rate structure.

The City has also entered into a 20-year water supply contract for the purchase of its water. (See "City of Brockton, Massachusetts – Municipal Services - Water Supply"). Pursuant to special legislative authority, the City's payment obligations under the contract constitute general obligations of the City which are not subject to annual appropriation. Nonetheless, \$5,309,375 was appropriated for fiscal 2011, \$5,571,250 was appropriated for fiscal 2012 and \$6,111,000 was appropriated for fiscal 2013 for the full cost of the year's obligation to be offset with water revenues. The amount appropriated for this contract in fiscal years 2014 and 2015 were \$6,050,977 and \$6,316,672, respectively.

RETIREMENT PLAN

The Massachusetts General Laws provide for the establishment of contributory retirement systems for state employees, for teachers and for county, city and town employees other than teachers. Teachers are assigned to a separate statewide teachers' system and not to the city and town systems. For all employees other than teachers, this law is subject to acceptance in each city and town. Substantially all employees of an accepting city or town are covered. If a town has a population of less than 10,000 when it accepts the statute, its non-teacher employees participate through the county system and its share of the county cost is proportionate to the aggregate annual rate of regular compensation of its covered employees. In addition to the contributory systems, cities and towns provide non-contributory pensions to a limited number of employees, primarily persons who entered service prior to July 1, 1937 and their dependents. The Public Employee Retirement Administration Commission ("PERAC") provides oversight and guidance for and regulates all state and local retirement systems.

The obligations of a city or town, whether direct or through a county system, are contractual legal obligations and are required to be included in the annual tax levy. If a city or town, or the county system of which it is a member, has not established a retirement system funding schedule as described below, the city or town is required to provide for the payment of the portion of its current pension obligations which is not otherwise covered by employee contributions and investment income. "Excess earnings," or earnings on individual employees' retirement accounts in excess of a predetermined rate, are required to be set aside in a pension reserve fund for future, not current, pension liabilities. Cities and towns may voluntarily appropriate to their system's pension reserve fund in any given year up to five percent of the preceding year's tax levy. The aggregate amount in the fund may not exceed ten percent of the equalized valuation of the city or town.

If a city or town, or each member city and town of a county retirement system, has accepted the applicable law, it is required to annually appropriate an amount sufficient to pay not only its current pension obligations, but also a portion of its future pension liability. The portion of each such annual payment allocable to future pension obligations is required to be deposited in the pension reserve fund. The amount of the annual city or town appropriation for each such system is prescribed by a retirement system funding schedule which is periodically reviewed and approved by PERAC. Each system's retirement funding schedule is designed to reduce the unfunded actuarial pension liability of the system to zero by not later than June 30, 2030, with

annual increases in the scheduled payment amounts of not more than 4.5%. The funding schedule must provide that payment in any year of the schedule is not less than 95 percent of the amount appropriated in the previous fiscal year. City, town and county systems which have an approved retirement funding schedule receive annual pension funding grants from the Commonwealth for the first 16 years of such funding schedule.

Pursuant to Chapter 188 of the Acts of 2010, a system (other than the state employee's retirement systems and the teachers' retirement system) which conducts an actuarial valuation as of January 1, 2009, or later, may establish a funding schedule which reduces the unfunded actuarial liability to zero by no later than June 30, 2040, subject to certain conditions. If the schedule is so extended and a later updated valuation allows for the development of a funding schedule with reduced payments, the funding schedule shall be adjusted to provide that the appropriation for each year shall not be less than that for such year under the prior schedule, thus providing for a shorter schedule rather than reduced payments.

In 2012, the Board of the Contributory Retirement System of the City of Brockton voted to extend the funding schedule to the year 2033 (not 2040). Previously, the board had adopted a schedule to fully fund the system by 2030. At the same time, the board voted to incorporate actuarial valuing of assets, rather than market, also known as asset smoothing.

The actuarial value of assets is determined by projecting the market value of assets as of the beginning of the prior plan year with the assumed rate of return during that year (8.0%) and accounting for deposits and disbursements with interest at the assumed rate of return. An adjustment is then applied to recognize the difference between the actual investment return and expected return over a five year period. This preliminary actuarial value is not allowed to differ from the market value of assets by more than 20%. The calculation of the actuarial value of assets as of January 1, 2015 is presented in the table below, from the report "City of Brockton Retirement System" from Buck Consultants, LLC as of the same date, the date of the most recent valuation.

Actuarial Value of Assets

1	Market value of plan assets, January 1, 2014		\$ 363,463,353
2	Employer and employee contributions, net transfers and reimbursements	\$ 28,661,874	
3	Expenses	(677,927)	
4	Benefits and refunds	(39,205,353)	
5	Expected interest during the year	28,628,212	
6	Expected market value of plan assets, January 1, 2015		380,870,159
7	Actual market value of plan assets, January 1, 2015		371,817,779
8	Investment gain/(loss) during 2014	(9,052,380)	
9	Investment gain/(loss) during 2013	11,975,626	
10	Investment gain/(loss) during 2012	10,770,348	
11	Investment gain/(loss) during 2011	(27,921,277)	
12	Tentative Valuation Assets before reflecting 80%-120% corridor		373,150,423
13	80% of actual market value = 80% x 7		297,454,223
14	120% of actual market value = 120% x 7		446,181,334
15	Valuation Assets = 12. But not less than 13 or greater than 14		373,150,423

City, town and county systems may choose to participate in the Pension Reserves Investment Trust Fund (the "PRIT" Fund), which receives additional state funds to offset future pension costs of participating state and local systems. If a local system participates in the PRIT Fund, it must transfer ownership and control of all assets of its system to the Pension Reserves Investment Management Board, which manages the investment and reinvestment of the PRIT Fund.

Cities and towns with systems participating in the PRIT Fund continue to be obligated to fund their pension obligations in the manner described above. The additional state appropriations to offset future pension liabilities of state and local systems participating in the PRIT Fund are required to total at least 1.3% of state payroll. Such additional state appropriations are deposited in the PRIT Fund and shared by all participating systems in proportion to their interest in the assets of the PRIT Fund as of July 1, for each fiscal year. The City has not participated in the PRIT.

Cost-of-living increases for each local retirement system may be granted and funded only by the local system, and only if it has established a funding schedule. Those statutory provisions are subject to acceptance by the local retirement board and approval by the local legislative body, which acceptance may not be revoked. The City voted to accept the cost-of-living funding responsibility, the cost impact of which is incorporated in the funding.

As of the January 1, 2014 valuation, there were 1,261 retired and disabled retired persons and surviving beneficiaries receiving pensions which totaled \$36.5 million under the contributory plan. The trend in annual required contributions of the City for each retirement system is presented below.

<u>Fiscal Year</u>	<u>Contributory</u>	<u>Non-Contributory</u>
2016 (Budgeted)	\$17,945,220	\$17,877
2015	18,037,764	17,356
2014	16,004,577	17,290
2013	15,408,092	15,963
2012	12,551,287	29,029
2011	10,115,288	55,900

The decline in assessment contributions from fiscal year 2006 to fiscal year 2007 occurred. In November of 2005, pursuant to the provisions of Section 4 of Chapter 483 of the Acts of 2004 (the Act), the City funded a portion of its unfunded accrued actuarial liability (UAAL) through the issuance of pension obligation bonds. The City sold \$101,515,000 in Federally Taxable Pension Obligation Bonds dated November 23, 2005, at a true interest cost (TIC) of 5.512%. According to a Plan of Finance described below, on November 30, 2005, the City paid \$100 million in net bond proceeds to the Retirement System, of which \$3,143,836 was applied to the unpaid balance of the City's 2006 assessment of \$17,597,103, with the balance of \$96,856,164 being applied to a portion of the City's share of the Retirement System's UAAL. None of the proceeds of the City's pension bonds were applied for the benefit of any other entity participating in the System; there are three other employers in the System.

As required by Section 4 of Chapter 483 of the Acts of 2004 (the Act) and guidelines issued by the Executive Office for Administration and Finance (the "EOAF") of the Commonwealth of Massachusetts, the City submitted a financial plan (the "Plan") to EOAF providing for the funding of a significant portion of the City's unfunded pension liability with \$100,000,000 of proceeds of the Bonds. The City believes that the Plan takes advantage of the potential benefits and minimizes the potential risks of issuing the bonds in a manner that is fiscally prudent and in the best financial interest of the City. The Plan was approved by the Commonwealth's Secretary for Administration and Finance on November 9, 2005.

According to the Retirement Board's then consulting actuary, Buck Consultants, the UAAL of the Retirement System as of November 30, 2005 was estimated to be \$146,225,000, of which approximately \$137,900,000 constituted the City's share, with the balance belonging to the other independent participants of the system. The deposit of \$100,000,000 of pension obligation bonds net proceeds into the Retirement System in November, 2005 eliminated all but a little over 10% of the City's share of the estimated UAAL of the Retirement System. The City will pay annual debt service on the pension obligation bonds in lieu of the annual payments to the Retirement System that would otherwise be required under the previous funding schedule on that portion of its estimated UAAL. The difference between the annual debt service on the pension obligation bonds and the payments to the Retirement System, based on an actuarial schedule which assumes 8.0% investment return and 4.75% rate of salary increase, that would otherwise be required to amortize that portion of the City's unfunded pension liability is expected over the life of the bonds, to result in savings to the City. This financial benefit will occur if over the life of the pension obligation bonds the Retirement System is able to earn a rate on its investment which meets or exceeds the TIC of 5.512% on the pension obligation bonds. In accordance with the EOAF guidelines, debt service on the pension obligation bonds has been structured to produce no savings in the first five years and annual savings in approximately equal amounts thereafter when compared to a pro forma funding schedule that would otherwise amortize the City's unfunded liability through 2028 with an increase in the annual payments of 4.5% each year, the slowest amortization permitted by law.

Any future variation in actual experience from actuarial assumptions may result in additional UAAL (and amortization payments) or an overfunding of the City's unfunded actuarial liability (and credits). Based on the historic investment performance of the Retirement System and certain other factors, the City reasonably expects that actual experience will

be better than assumed in the Plan. The City recognizes, however, that the actual experience of the Retirement System could be worse than assumed in the Plan. In fact, in calendar year 2008, that did occur. At January 1, 2009, compared to January 1, 2008, for the total plan, the Total Actuarial Accrued Liability had increased from \$437.1 million to \$462.1 million, while the market value of the system assets had decreased from \$392.2 million to \$267.5 million, resulting in a funded ratio decreasing from 89.7% to 57.9%.

As of January 1, 2010, the system's actuarial liability had increased to \$477.5 million, an increase of only 3.3%. Also as of January 1, 2010 the market value of the plan's assets had increased by 15.2% to \$308.2 million. The funded ratio had improved from 57.9% to 64.6%. However, during 2010 the Retirement Board voted to take advantage of legislation permitting it to stretch out the funding schedule to 2030, an increase from the previous schedule of 10 years, but only 2 years more than the previous statutory requirement of 2028, and ten years less than the new statutory requirement of 2040. In addition, the Board voted to adopt "Actuarial Asset" valuation as previously explained. More recently, the Retirement Board voted to further stretch out the funding schedule to 2032.

As of the most recent actuarial valuation for January 1, 2015, the system's actuarial accrued liability increased to \$554.6 million, an increase of approximately 5.0%. This was primarily due to an increase in the actuarial assumption of life expectancies of pensioners. Also as of January 1, 2015 the actuarial value of the plan's assets had increased to \$373.2 million and the funded ratio increased to 67.29% from 67.17%.

The following table depicts progress toward fully funding the system. The statistics are from reports submitted by the Retirement System's actuary. The statistics represent the System as a whole, including other participants such as the Brockton Housing Authority. The City represents about 87.3% of the System. None of the proceeds of the City's pension bonds were applied for the benefit of any other entity participating in the System, and future valuations will reflect that fact.

City of Brockton Funding Schedule

Fiscal Year Ending	Normal Cost	Amortization of the Unfunded Actuarial Liability			Total City Contribution
		UAL	1992 ERI	Total Payment	
2016	\$ 5,434,220	\$ 13,783,311	\$ 72,436	\$ 13,855,747	\$ 19,289,967
2017	6,020,998	15,117,480	72,436	15,189,916	21,210,914
2018	6,204,450	15,797,766	72,436	15,870,202	22,074,652
2019	6,392,943	16,508,666	72,436	16,581,102	22,974,045
2020	6,586,589	17,251,556	-	17,251,556	23,838,145
2021	6,785,497	18,027,876	-	18,027,876	24,813,373
2022	6,989,781	18,839,130	-	18,839,130	25,828,911
2023	7,199,550	19,686,891	-	19,686,891	26,886,441
2024	7,414,916	20,572,801	-	20,572,801	27,987,717
2025	7,635,992	21,498,577	-	21,498,577	29,134,569
2026	7,862,891	22,466,014	-	22,466,014	30,328,905
2027	8,095,725	23,476,984	-	23,476,984	31,572,709
2028	8,334,605	24,533,448	-	24,533,448	32,868,053
2029	8,579,641	25,637,453	-	25,637,453	34,217,094
2030	8,830,945	26,791,138	-	26,791,138	35,622,083
2031	9,088,626	27,996,740	-	27,996,740	37,085,366
2032	9,352,792	20,720,413	-	20,720,413	30,073,205
2033	9,623,549	-	-	-	9,623,549
2034	9,901,003	-	-	-	9,901,003
2035	10,185,256	-	-	-	10,185,256
2036	10,476,406	-	-	-	10,476,406
2037	10,774,552	-	-	-	10,774,552
2038	11,079,788	-	-	-	11,079,788
2039	11,392,203	-	-	-	11,392,203
2040	11,711,884	-	-	-	11,711,884
2041	12,038,912	-	-	-	12,038,912
2042	12,373,363	-	-	-	12,373,363
2043	12,868,297	-	-	-	12,868,297
2044	13,383,029	-	-	-	13,383,029
2045	13,918,350	-	-	-	13,918,350
2046	14,475,084	-	-	-	14,475,084

Source: City of Brockton Contributory Retirement System funding requirements, Buck Consultants.

The City has not made a payment into the Pension Reserve Fund established by the Plan of Finance referenced above. The payment into the fund is required only in the event of gains against the plan. During calendar year 2006 the System experienced an actuarial gain of about \$6.5 million, but the City did not lower its fiscal year 2008 payment on the funding

schedule in order to benefit from that gain, so no budgetary savings occurred. No budgetary savings during fiscal year 2007 through 2014 occurred, so no payments have been made.

The City may take advantage of the pension extension which was passed as part of the Municipal Relief Act of 2010 which provides that a system (other than the state employees' retirement system and the teachers' retirement system) which conducts an actuarial valuation as of January 1, 2009, or later, may establish a revised schedule which reduces the unfunded actuarial liability to zero by not later than June 30, 2040, subject to certain conditions. If the schedule is so extended under such provisions and a later updated valuation allows for the development of a revised schedule with reduced payments, the revised schedule shall be adjusted to provide that the appropriation for each year shall not be less than that for such year under the prior schedule, thus providing for a shorter schedule rather than reduced payments. As mentioned previously, the City has extended its funding schedule to 2032.

OTHER POST EMPLOYMENT BENEFITS

In addition to providing pension benefits, the City provides the majority of its retired employees with modest life insurance benefits at a cost of less than \$50 per year per retiree, and with payments for a portion of their health care insurance costs. Both of these benefits are offered pursuant to the provision of Massachusetts General Laws Chapter 32B. The City offers twelve different health insurance plan options, which are administered through two different health care providers, with the City actually self-insuring. Benefits are paid by the City on a "pay as you go" basis. The annual amounts needed to fund the City's group life and health insurance costs for retirees have escalated from less than \$6 million in fiscal year 1997 to a budget of almost \$16.93 million in fiscal 2013. The City's group health and life insurance cost for retirees is approximately \$12.86 million for fiscal 2014. The City's group health and life insurance cost for retirees is approximately \$12,322,791 for fiscal 2015.

In an attempt to mitigate this cost escalation, in December of 2001, the City adopted Section 18 of M.G.L. Ch. 32B. This section provides, by local option, that all retirees from public employment who are eligible to receive Medicare benefits must enroll in Medicare parts A and B in order to receive the municipality's health care benefits. The section also provides that the public employer must offer a Medicare extension plan which provides benefits of comparable actuarial value to those offered prior to the adoption of Section 18, and the employer must pay the amount of any penalty due to the Social Security Administration for a retiree who is enrolling in Medicare subsequent to the date when he was eligible to do so. More than one-fourth of the City's approximately 2,600 pensions who are receiving health benefits are not eligible for Medicare by failing to achieve one or both of the tests of age 65 and 40 quarters of Medicare taxes paid. The remaining three-fourths are now enrolled in Medicare A and B and one of the City's Medicare extension plans. Prior to the City's adoption of M.G.L. Chapter 32B Section 18, only one-third of the City's pensioners were enrolled in Medicare. When the City adopted Section 18, effective July 1, 2002, it began to reimburse retirees for 75% of the cost of Medicare Part B. Even so, by the adopting of Section 18, the City achieved annual savings in fiscal 2008 of about \$6 million. This savings amount will grow over time as the penalty requirement is eliminated, and as employees retire in the future. Since 1987 all newly hired or rehired employees have paid the Medicare Tax, with the City matching, and so all of these employees will be Medicare eligible. Moreover, effective July 1, 2006, the City ceased to reimburse its current retirees for any portion of the Part B cost, except for fewer than 200 retirees whose incomes were 200% or less than the federal poverty rate, for whom the City continued to reimburse 75% of the cost. This decision also saved more than \$1.0 million in cost in each year since 2007. In July of 2006, the City bargained with each of its employees' unions the proposal that no future Medicare B reimbursement would be provided to them upon their retirement. Unions representing employees have so agreed.

All of the City's employees currently pay 25% of the cost of the funding rate of health insurance plans, except for slightly more than 100 enrolled in the most expensive indemnity plan, who pay 30%. This percentage has been in effect since July 1, 2003, when it was increased from 20%, the rate which had been in effect for ten years. Effective July 1, 2004, almost all retirees also contribute 25% to the cost of their City health insurance plan. This contribution rate represented an increase from either 10% or 15%, depending on the plan. A few retirees were allowed to retain lower contribution rates because their incomes are 200% or less than the federal poverty rate.

The Governmental Accounting Standards Board ("GASB") promulgated its Statement Nos. 43 and 45, which will require public sector entities to report the future costs of these non-pension, post-employment benefits in their financial statements. These accounting standards do not require pre-funding the payment of these costs as the liability for such costs accrues, but the basis applied by the standard for measurement of costs and liabilities for these benefits is conservative if they continue to be funded on a pay-as-you-go basis and will result in larger yearly cost and liability accruals than if the cost of such benefits were pre-funded in a trust fund in the same manner as traditional pension benefits. Cities and towns that choose to self-insure all or a portion of the cost of the health care benefits they provide to

employees and retirees may establish a trust fund for the purpose of paying claims. In addition, cities and towns may establish a trust fund for the purpose of pre-funding other post-employment benefits liability in the same manner as traditional pension benefits.

The City is required to implement the new GASB reporting requirement for other post-employment requirement for other post-employment benefits. The City engaged Buck Consultants to perform its second OPEB valuation pursuant to the GASB requirements. The results are portrayed below using only the model for no pre-funding. The City has not adopted a funding schedule.

Schedule of Funding Progress – Assumed interest rate of 4% in 2008, 2012 & 2014 & 4.25% in 2010

	(a)	(b)	(b)-(a)	(a)/(b)	(c)	[(b)-(a)]/(c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAL)	Annual Funded Ratio	Covered Payroll	UAL as Percentage of Covered Payroll
June 30, 2014	\$0	\$416.9 million	\$416.9 million	0%	\$190.9 million	218.4%
June 30, 2012	0	504.9 million	504.9 million	0	173.4 million	291.2
June 30, 2010	0	693.6 million	693.6 million	0	171.1 million	405.4
June 30, 2008	0	635.2 million	635.2 million	0	147.1 million	431.9

The tables below show funding schedules for selected fiscal years under both pre-funding and no-funding models.

Fiscal Year Ending In	Normal Cost*	Amortization of UAL*	ARC*	Expected Benefit Payments
2014	\$8,570,000	\$14,720,000	\$23,290,000	\$14,970,000
2015	8,930,000	14,880,000	23,810,000	15,720,000
2016	9,310,000	15,010,000	24,320,000	16,510,000
2017	9,690,000	15,120,000	24,810,000	17,330,000
2018	10,070,000	15,200,000	25,270,000	18,200,000

*Assumed Full Prefunding Interest Rate of 7.5%.

Fiscal Year Ending In	Normal Cost*	Amortization of UAL*	ARC*	Expected Benefit Payments
2014	\$18,440,000	\$16,900,000	\$35,340,000	\$14,970,000
2015	18,600,000	18,630,000	37,230,000	15,720,000
2016	18,750,000	20,490,000	39,240,000	16,510,000
2017	18,880,000	22,490,000	41,370,000	17,330,000
2018	18,980,000	24,640,000	43,620,000	18,200,000

*Assumed Pay-As-You-Go Interest Rate of 4.0%.

OPEB Pay-As-You-Go Health Insurance

Fiscal Year	OPEB Pay As You Go Budget (1)
2016 (budgeted)	\$14,788,421
2015	12,864,807
2014	14,971,842
2013	15,457,549
2012	15,065,700
2011	20,173,835

(1) Decrease in recent years is attributable to the City's transition to lesser group insurance cost providers.

The source of all of the above tabular information is from the reports of the City's actuaries.

STATUS OF UNION CONTRACTS

The City employs approximately 4,500 full-time and part-time workers, 3,758 of whom are employed at the school department, 198 at the police department, 192 at the fire department, 111 at the public works department and the balance of 206 persons in various other departments of the City. City employees (other than managerial and confidential employees) are entitled to join unions and to bargain collectively on questions of wages, hours and other terms and conditions of employment. Approximately 4,096 City employees are represented by unions including employees of the school, police, fire, public works and various other departments. The following are the bargaining units for City employees:

Union	Expiration Date (1)	Approximate Number of Employees
City:		
Brockton Association of Engineers, Technicians and Inspectors	6/30/2013	24
Brockton Building and Construction Trades Council	6/30/2013	8
Brockton City Employees Union	6/30/2013	43
Brockton City Hall Administrative Services Association	6/30/2013	61
Brockton Department Heads' Association - SEIU Local #888	6/30/2013	11
Brockton Laborers' Local #1162	6/30/2016	62
Brockton Laborers' Local #1162 - Water/Sewer	6/30/2013	44
Brockton Police Association	6/30/2016	143
Brockton Police Supervisors' Union	6/30/2016	18
Brockton Public Library Association - Full Time	6/30/2016	17
Brockton Public Library Association - Part Time	6/30/2016	16
Fire - Local #144	6/30/2016	183
School:		
Brockton Education Association	6/30/2018	1,433
Brockton School Custodians Association	6/30/2018	125
Independent Brockton Admin. Assistants & Technical Employee Assoc - IBAA & TEA	6/30/2016	92
International Brotherhood of Police Officers Local 566	6/30/2014	9
Brockton Food Service SEIU, Local 888	6/30/2016	160
Brockton Education Paraprofessional Association	6/30/2014	365
Principals & Associate Principals	6/30/2015	28
Central Office Administration	6/30/2015	26
Monitor Teacher Assistants	8/31/2016	121
Non-Union	6/30/2015	1,041
School Year Non-Union	6/30/2015	26
School Lunch Aides	6/30/2015	22
Total:		4,078

(1) Expired contracts are currently in negotiations.

LITIGATION

At present there are various cases pending in various courts throughout the Commonwealth where the City of Brockton is a defendant. In the opinion of the City Solicitor for the City of Brockton, 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 BROCKTON, MASSACHUSETTS
/s/ Mr. Martin Brophy, Treasurer

November 5, 2015

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CITY OF BROCKTON, MASSACHUSETTS

Basic Financial Statements,
Required Supplementary Information
and Additional Information

June 30, 2014

(With Independent Auditors' Report Thereon)

CITY OF BROCKTON, MASSACHUSETTS

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To the Honorable Mayor and City Council
City of Brockton, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Brockton, Massachusetts (the City), as of and for the year ended June 30, 2014 (except for the Brockton Contributory Retirement System, which is as of and for the year ended December 31, 2013), and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2014 (except for the Brockton Contributory Retirement System, which is as of and for the fiscal year ended December 31, 2013), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 16 to the financial statements, the City has restated its 2013 Governmental Activities beginning net position for the correction of an error. This restatement is due to an understatement of tax possessions. Our opinion is unmodified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 4 through 21) and budgetary comparison of the General Fund and certain pension and other post-employment benefits information (located on pages 66 through 69) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The water and sewer enterprise funds' budget to actual schedules (additional information) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The additional information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Boston, Massachusetts
March 27, 2015

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CITY OF BROCKTON, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2014

(Unaudited)

As management of the City of Brockton (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2014.

Brockton is a City located in Plymouth County, 20 miles southwest of Boston. The City has a population of approximately 93,810 (2010 federal census) and occupies a land area of 21.4 square miles. Brockton is the population center of a primary metropolitan statistical area of approximately 170,000 persons. Government is by an elected mayor and 11-member City council.

The City provides general governmental services for the territory within its boundaries, including police and fire protection, public education, water and sewer maintenance, trash disposal and parks and recreational facilities. Residential trash disposal and operation of the water filtration and wastewater treatment plant facilities are contracted out to private parties.

Financial Highlights

The assets of the City exceeded its liabilities at the close of fiscal year 2014 by approximately \$152.0 million (net position).

- The City's total net position decreased in fiscal year 2014 by approximately \$25.4 million, or 35.8%. This is primarily due to the recognition of a \$20.3 million increase in the other post-employment benefit (OPEB) liability.
- At the end of fiscal year 2014, unassigned fund balance for the general fund was approximately \$19.6 million or 5.9%, of total general fund expenditures.
- The City's total bonded debt decreased by approximately \$5.3 million during fiscal year 2014. This decrease was due to scheduled debt repayments exceeding new debt issuances.

Overview of the Financial Statements

Our discussion and analysis of the City is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This analysis also contains other required supplementary information and additional information in addition to the basic financial statements themselves.

Government-Wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this

CITY OF BROCKTON, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2014

(Unaudited)

statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick and vacation time).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general administration, public safety, education, public works, human services, and cultural development. The business-type activities of the City include water and sewer systems and recreational, refuse and renewable energy activities.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 40 governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund and school roof repairs fund, which are the City's major governmental funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation.

Proprietary Funds – Enterprise funds (one type of proprietary fund) are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer systems and its refuse, recreational and renewable energy activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer systems, both of which are considered to be major funds of the City. Refuse, recreational and renewable energy activities are combined into a single nonmajor fund.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources

CITY OF BROCKTON, MASSACHUSETTS

Management's Discussion and Analysis

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(Unaudited)

of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into two classifications: a pension trust fund and agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency fund accounts for police and fire off-duty details, as well as the school lunch program's meals tax.

The City is the trustee, or fiduciary, for its employees' pension plan. The City's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These activities are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

Notes to Basic 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 and Other Information – In addition to the basic financial statements and accompanying notes, these financial statements also present certain required supplementary information (RSI).

The City adopts an annual appropriated budget for the general fund and for its enterprise funds. A budgetary comparison schedule has been provided for the general fund as RSI to demonstrate compliance with this budget. Also provided as RSI is the information concerning the City's progress in funding its obligations to provide pension and post-employment health benefits to its employees.

The City has also included the budget to actual results of its water and sewer enterprise funds as additional information.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by approximately \$152.0 million at the close of the most recent fiscal year.

A significant portion of the City's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. This amount increased by approximately \$5.3 million, or 2.2% from the prior fiscal year. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt are generally provided from other sources, since the capital assets themselves typically are not used to liquidate these liabilities.

CITY OF BROCKTON, MASSACHUSETTS

Management's Discussion and Analysis

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(Unaudited)

An additional portion of the City's net position (\$39.6 million) represents resources that are subject to external restrictions on how they may be used. The remaining balance of a negative \$133.5 million represents an unrestricted net deficit.

Condensed Statements of Net Position (In thousands)

	Governmental activities		Business-type activities		Total	
	2014	2013*	2014	2013	2014	2013*
Current and other assets	\$ 237,402	244,885	40,221	42,639	277,623	287,524
Capital assets	191,967	197,285	184,016	183,731	375,983	381,016
Total assets	\$ 429,369	442,170	224,237	226,370	653,606	668,540
Deferred outflows of resources	\$ 258	411	89	123	347	534
Long-term debt outstanding	\$ 125,896	125,026	98,775	104,985	224,671	230,011
Other liabilities	261,464	246,661	15,841	15,069	277,305	261,730
Total liabilities	\$ 387,360	371,687	114,616	120,054	501,976	491,741
Net position:						
Invested in capital assets	\$ 159,369	160,475	86,475	80,067	245,844	240,542
Restricted	39,610	34,824	—	—	39,610	34,824
Unrestricted	(156,712)	(124,405)	23,236	26,372	(133,476)	(98,033)
Total net position	\$ 42,267	70,894	109,711	106,439	151,978	177,333

*Reflects adjustment to account for tax possessions. See Note 16 for further details.

Total Net Position

During fiscal year 2014, the City's net position decreased by about \$25.4 million, or 14.3%. The decrease in net position was due to the recognition of the increase in the City's OPEB net obligation totaling \$20.3 million.

Governmental Activities – Assets

For governmental activities, current and other assets decreased \$4.9 million, coupled with a decrease in capital assets of \$5.3 million, resulting in a decrease in total assets of \$10.2 million. The decrease in the capital assets was the result of depreciation exceeding capital additions during fiscal year 2014.

Governmental Activities – Liabilities

Governmental activities liabilities increased by \$15.7 million. There was an increase of \$14.8 million in other liabilities and an \$870 thousand increase in long-term debt outstanding. The increase in other liabilities was primarily due to the recognition of a \$20.3 million increase of the OPEB net obligation while the increase in long-term debt outstanding was due to scheduled debt repayments offset by increases in debt service due to new debt financing.

The City's 2014 annual required contribution (ARC) was \$35.3 million. Interest on the net OPEB obligation and adjustments to the ARC totaled \$99,479 thousand. Contributions against the ARC on a pay-as-you-go basis

CITY OF BROCKTON, MASSACHUSETTS

Management's Discussion and Analysis

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(Unaudited)

totaled \$15.0 million resulting in an increase in the government-wide net OPEB obligation of \$20.3 million. While the City's net OPEB obligation is \$204.6 million as of June 30, 2014, ultimately, over the next 30 years, the City will recognize the entire OPEB obligation, which is estimated at \$417.0 million as of June 30, 2014, the date of the City's most recent actuarial valuation.

Business Type Activities – Assets

For business type activities, there was an increase in net position of \$3.3 million. Current and other assets decreased by \$2.4 million, while capital assets increased by \$285 thousand, and total assets decreased by \$2.1 million. The decrease in current and other assets was due primarily to the decrease in the recognition of receivables related to the major ongoing investment in and upgrade of the wastewater and water treatment plants. The increase in capital assets of \$285 thousand is due to depreciation totaling less than the City's continued investment in capital spending that has been funded with borrowings from the Massachusetts Water Pollution Abatement Trust (MWPAT). In 2014, additions to business type activities capital assets totaled \$6.9 million, which is reflected in construction in progress, buildings, machinery and equipment and infrastructure. The work, when completed, will have improved the processing capability and increased the throughput capacity of the plants. The depreciation expense for all business type activities totaled \$6.6 million.

Business Type Activities – Liabilities

Business type activities liabilities decreased by \$5.4 million. There was an increase of \$800 thousand in other liabilities and a decrease of \$6.2 million in long-term debt outstanding. The increase in other liabilities was the result of a net increase in the warrants and account payable and compensated absences and claims. The decrease of the long-term debt was the result of yearly required debt service payments exceeding new issuances.

Governmental Activities – Statement of Activities

Gross expenses for governmental activities were \$403.5 million for fiscal year 2014. This reflected an increase of \$11.5 million, or 2.9%. Included in this net increase is the City's recognition of \$20.3 million of additional expense across all categories of governments related to the increase in the City's OPEB net obligation.

Total general revenues for governmental activities of \$146.8 million offset total net expenses of \$175.4 million. Major ongoing revenue contributors were the net property tax at \$115.3 million, an increase of \$6.5 million. The remaining categories in total increased by \$2.6 million, excise taxes at \$7.3 million, an increase of \$919 thousand, intergovernmental at \$20.3 million, an increase of \$1.1 million and other totaling \$4.0 million, an increase of \$576 thousand.

In assessing the City's revenue adequacy to finance governmental activities, it is important to acknowledge the criticality of payments from outside agencies, especially from state and federal programs. Total revenues, excluding transfers, for governmental activities were \$375.0 million. Of this total almost \$228.1 million, or 61.0%, is from operating and capital grants contributions as well as charges for services, which is mainly from state and federal aid. Further, the City received \$20.3 million in intergovernmental aid which is classified as general revenue. An additional 30.1% of the total is derived from the City's property tax. The severe constraints on the City's revenue flexibility to pay for governmental activities is demonstrated by the fact that almost 90% of its revenues are obtained from either intergovernmental sources over which the City has no control, or from the property tax, a source whose growth is limited by state law.

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A statewide tax limitation statute known as "Proposition 2½" limits the property tax levy to an amount equal to 2½% of the fair market assessed value of all taxable property in the City. This limit is called the levy ceiling. A secondary limitation is that no levy in a fiscal year may exceed the preceding year's allowable tax levy by more than 2½%, plus taxes levied on certain property newly added to the tax rolls. This restriction is called the levy limit. The levy limit can be overridden by a citywide referendum vote, but the levy ceiling is an absolute limit.

For fiscal year 2014, the City levied a total of \$116.7 million in gross real estate property taxes against an aggregate fair market assessed value of \$5.4 billion. This levy left only a small amount in unused levy capacity without the approval of the voters. However, the levy comprised only 2.1% of the City's aggregate assessed value. With voter approval, the City could levy an additional \$17.3 million and still remain under the levy ceiling. Accordingly, the taxing capacity exists to substantially improve the City's revenues for financing governmental activities, but converting this potential capacity to real revenues would require voter approval.

Business Type Activities – Statement of Activities

The business-type activities increased the City's net position by approximately \$3.3 million, or 3.1%.

The water fund incurred a \$622 thousand increase; the sewer fund contributed a \$2.1 million increase, while the net position for the combination of the nonmajor recreation, refuse and renewable energy funds increased \$592 thousand. The nonmajor refuse fund is self-sufficient. The nonmajor recreation and renewable energy funds require a transfer of general fund revenues to support its programs. Most of the recreation fund's revenues derive from the golf course, but those revenues are not sufficient to pay for both the golf course operations and other park and recreation programs. For this reason, a transfer of other revenues is required. The Solar Energy facility generates and sells electricity.

The operations of the water fund and sewer fund are self-sufficient. The water and sewer funds are designed to recover the costs of operations of those funds. In the water fund the operating income totaled \$436 thousand. In the sewer fund the operating income totaled \$4.3 million. In the water and sewer funds, cash flow from operations of \$2.4 million and \$10.0 million, respectively. In both of these funds a major upgrade to the wastewater and water treatment plants is ongoing and required a major contribution of resources to finance both the construction itself and the impact of construction in increased plant operating costs.

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Condensed Statement of Changes in Net Position

(In thousands)

	Governmental activities		Business-type activities		Total	
	2014	2013*	2014	2013	2014	2013*
Revenues:						
Program revenues:						
Charge for services	\$ 13,983	13,128	41,558	39,397	55,541	52,525
Operating grants	214,081	208,101	818	781	214,899	208,882
Capital grants	—	8,150	448	390	448	8,540
General revenues:						
Property taxes	115,272	108,794	—	—	115,272	108,794
Excise taxes	7,335	6,416	—	—	7,335	6,416
Intergovernmental	20,339	19,282	—	—	20,339	19,282
Other	3,949	3,372	—	—	3,949	3,372
Total revenues	<u>374,959</u>	<u>367,243</u>	<u>42,824</u>	<u>40,568</u>	<u>417,783</u>	<u>407,811</u>
Expenses:						
General government	28,780	26,807	—	—	28,780	26,807
Public safety	69,071	61,014	—	—	69,071	61,014
Education	271,542	270,552	—	—	271,542	270,552
Public works	12,940	12,190	—	—	12,940	12,190
Human services	3,727	3,788	—	—	3,727	3,788
Culture and recreation	3,561	3,952	—	—	3,561	3,952
State and county assessments	7,192	6,707	—	—	7,192	6,707
Court judgments	326	285	—	—	326	285
Interest on long-term debt	6,324	6,623	—	—	6,324	6,623
Enterprise accounts:						
Water	—	—	15,909	15,442	15,909	15,442
Sewer	—	—	14,926	15,725	14,926	15,725
Other	—	—	8,840	8,453	8,840	8,453
Total expenses	<u>403,463</u>	<u>391,918</u>	<u>39,675</u>	<u>39,620</u>	<u>443,138</u>	<u>431,538</u>
Excess (deficiency) before transfers	<u>(28,504)</u>	<u>(24,675)</u>	<u>3,149</u>	<u>948</u>	<u>(25,355)</u>	<u>(23,727)</u>
Transfers	<u>(123)</u>	<u>415</u>	<u>123</u>	<u>(415)</u>	<u>—</u>	<u>—</u>
Total transfers	<u>(123)</u>	<u>415</u>	<u>123</u>	<u>(415)</u>	<u>—</u>	<u>—</u>
Change in net position	<u>(28,627)</u>	<u>(24,260)</u>	<u>3,272</u>	<u>533</u>	<u>(25,355)</u>	<u>(23,727)</u>
Net position – beginning of year - restated	<u>70,894</u>	<u>95,154</u>	<u>106,439</u>	<u>105,906</u>	<u>177,333</u>	<u>201,060</u>
Net position – end of year	<u>\$ 42,267</u>	<u>70,894</u>	<u>109,711</u>	<u>106,439</u>	<u>151,978</u>	<u>177,333</u>

*Reflects adjustment to account for tax possessions. See Note 16 for further details.

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Financial Analysis of the City's Governmental Funds

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

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year 2014, the City's governmental funds reported combined fund balances of approximately \$87.0 million, an increase of approximately \$2.4 million, or 2.8%, in comparison with the prior year. The general fund balance decreased by \$5.9 million, from \$67.4 million to \$61.5 million; the school roof repairs fund deficit increased by \$7.0 million, from a deficit of \$7.1 million to a negative fund balance of \$632 and the combined fund balances for all the other governmental funds increased by \$1.2 million, from \$24.2 million to \$25.4 million.

In assessing these balances, it is important to note that the "Balance Sheet – Governmental Funds" does not include capital assets or bonded indebtedness. Please refer to the "Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities" and the "Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position." These reconciliations will demonstrate that essentially the City's increase in fund balances of \$2.4 million, compared to its decrease in net position of \$28.6 million, a difference of \$31.0 million, is explained largely by the following factors:

1. \$4.7 million – the negative effect of revenue accruals.
2. \$5.3 million – the negative effect of the amount by which depreciation expense exceeded capital asset additions.
3. \$79 thousand – the amortization effect of the pension asset in the statement of activities, which is not included in the operating statement of the governmental funds.
4. \$20.0 million – the negative effect of increases in other liabilities, primarily OPEB, which did not require the use of current resources.
5. \$28 thousand – the positive effect of the amount by which the amortization of deferred losses on refunding and bond issue costs exceeds bond premiums.
6. \$5.8 million – the positive effect of the amount by which the repayment of bond principal are expenditures in the governmental funds but reduce long-term liabilities in the statement of net position.
7. \$6.8 million – the negative effect of the amount related to issuance of bonds .

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Of the total of ending fund balances of \$87.0 million, \$13.4 million constitutes “nonspendable” fund balance, which is not available for spending by the City because this fund balance amount cannot be spent because they are either not in spendable form or they are legally or contractually required to remain intact. \$33.8 million constitutes restricted fund balance, which are amounts the use of which is subject to constraints imposed by external parties, including creditors, grantors, and laws and regulations of other governments, or imposed by City Charter or enabling legislation. \$15.6 million constitutes “committed to” fund balance, amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. For the City, this formal action takes the form of City Council action and approval by the Mayor. \$4.6 million constitutes “assigned to” fund balance, amounts that are constrained by the City’s intent for use for specific purposes, but are considered neither restricted nor committed. \$19.5 million constitutes “unassigned” fund balance, amounts in the general fund that are not otherwise constrained for a specific purpose more narrow than the general operations of the City.

For General Fund Balance:

Fund balance is a term commonly used to describe the net position of a governmental fund (the value of assets after deducting liabilities) and serves as a measure of financial resources.

Nonspendable fund balance: This category represents constraints on how amounts can be spent. These are the amounts that are not in a spendable form (such as inventory, prepaids, or a long term portion of loans receivable, or resources cannot be spent because they are legally or contractually required to be maintained intact (such as the corpus of an endowment fund).

The total fund balance of \$7.0 million consists of the following:

The FY 2014 General Fund Non-spendable fund balance represents the Note Receivable from the Brockton 21st Century Corporation pursuant to an agreement further described in footnote (3) Receivables – (b) Note Receivable in the amount of \$7.0 million. This note receivable is not yet available for spending. The receivable cannot be used for current or future operations.

Restricted fund balance: This category represents the amounts constrained to a “specific” purpose. The restrictions would be either 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions, City Charter or enabling legislation. Some limitations are externally enforceable and lie beyond the power of the government to change unilaterally.

The total fund balance of \$16.9 million consists of the following:

The FY 2014 General Fund Restricted Fund balance represents the Health Insurance Trust fund in the amount of \$11.4 million. This amount consists of the Health Insurance Trust Fund balance of \$5.5 million and the amount

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for the FY 2014 Blue Cross and Blue Shield amount held on deposit to pay claims totaling \$5.9 million. The City of Brockton is self-insured. This Health Insurance Trust Fund is restricted to the payment of health insurance claims by the enabling legislation, as well as for administrative fees to insurers and for the administrative costs in the personnel department for benefit management. The City establishes reserves for claims/events that have transpired, but have not yet been reported to the insurance companies (Incurred but not Reported).

The FY 2014 General Fund Restricted Fund Balance in the amount of \$5.5 million. This amount represents the Chapter 324 Supplemental Reserve. The purpose of the Supplemental Reserve is to ensure fiscal stability as required by Chapter 324 of the Acts of 1990. The value of the reserve at least or equal to 1.5% of the "Gross Amount Raised" as reported to the state on the prior year property tax approval filing. This reserve may only be used for unforeseen and extraordinary expenditures.

Committed fund balance: This category represents amounts that are constrained to specific purposes by a government itself, using its highest level of decision-making authority. The committed amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint. For the City, this formal action takes the form of City Council action and approval by the Mayor.

The fund balance includes the Certified Free Cash in the amount \$13.4 million appropriated for the use in the FY 2015 budget. Not infrequently, governments balance their budget by appropriating a portion of existing fund balance to bridge the gap between appropriations and estimated revenues.

Certified Free cash is a term used in Massachusetts to describe the amount of fund balance which is calculated by the state from the balance sheet and certified as being available for appropriation for any legal purpose. It is an unrestricted available fund that indicates positive operating results in relation to the budget. A community's free cash is the amount of unrestricted funds available from the previous fiscal year's general fund operations that can be appropriated upon certification by the Director of Accounts.

Free cash is derived from year-end receipts in excess of estimates and appropriation turn-backs (revenue and expenditures for the year just ended). It is reduced by illegal deficits, overdrawn grant accounts and deficits in other funds. Free cash is generated when actual operations of the fiscal year compare favorably with budgeted revenues and expenditures. It results when actual revenue collections exceed the estimates used for budgeting and actual expenditures and encumbrances (committed funds not yet expended) are less than appropriations. A community will improve its free cash position through prudent financial planning and development of sound financial policies. It can increase free cash by conservatively estimating local receipts and aggressively pursuing the collection of receivables. Consistent generation of positive free cash usually signals sound financial management. Free cash is generated when the actual operations of the fiscal year compare favorably with the budget. Simply put, it results when revenue collections are greater than estimated receipts, and expenditures and encumbrances (committed funds not yet expended) are less than appropriations.

The term committed fund balance will be used to describe the portion of fund balance that represents resources whose use is constrained by limitations that the government imposes upon itself at its highest level of decision making (normally the governing body) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation would need to occur no later than the close of the reporting period.

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Assigned fund balance: This category represents amounts that a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. The assigned fund balance category will cover the portion of fund balance that reflects a government's intended use of resources. Such intent would have to be established at either the highest level of decision making, or by a body (e.g., finance committee) or an official designated for that purpose.

The total fund balance of \$4.6 million consists of the following:

The FY 2014 General Fund Assigned Fund Balance amount represents year-end encumbrances in the amount of \$4.6 million for the general fund departments. Encumbrances are committed funds that are not yet expended. Encumbrances are budgetary amounts that are reserved in the next budget year for on-going projects.

Unassigned fund balance: This category represents amounts that are available for any purpose; these amounts are reported only in the general fund. Amounts in the general fund that is not otherwise constrained for a specific purpose.

Of course, the general fund, as the principal operating fund of a government may have net resources in excess of what is properly categorized in one of the four categories just already described. If so, the surplus will be presented as unassigned fund balance. A positive amount of unassigned fund balance, however, will never be reported in a governmental fund other than the general fund, because GASB Statement No. 54 prohibits reporting resources in another fund unless they are at least assigned to the purpose of that fund. All the same, funds other than the general fund could report a negative amount of unassigned fund balance should the total of nonspendable fund balance, restricted fund balance, and committed fund balance exceed the total net resources of the fund.

The total fund balance of \$19.6 million consists of the following:

This grouping includes the City's Stabilization fund in the amount of \$2.4 million and the City's undesignated fund Balance in the amount of \$17.2 million.

Governments often establish "rainy day funds" or "contingency funds" to provide a financial cushion against unanticipated adverse financial or economic circumstances. The appropriate classification of such resources within fund balance depends on the specific nature of the arrangement. Stabilization funds may be created to save monies and minimize borrowing for capital projects, or other lawful spending purposes.

The City maintains a stabilization account in accordance with MGL Chapter 40 Section 5B that is reported as unassigned fund balance in the general fund. The City may appropriate in any year an amount not exceeding 10% of the amount raised in the preceding fiscal year from real and personal property taxes, or a larger amount as approved by the Department of Revenue. Further, the stabilization account may not exceed 10% of the City's equalized valuation as defined in MGL Chapter 44 Section 1. Funds can be appropriated from by a 2/3 vote, but may be appropriated to a majority vote.

The total fund balance of \$17.2 million consists of the following:

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This grouping includes the City's accumulated surplus in the amount of \$17.2 million.

This is the residual category that includes resources whose use is limited, but not for a purpose narrower than the purpose of the fund. It represents the remaining surplus of net resources after funds have been identified in the four categories above. Under GASB Statement No. 54, there is no requirement that a limitation be narrower than the purpose of the fund. This residual amount would be the source of the next years free cash amount. This government balances its budget by appropriating a portion of existing fund balance to bridge the gap between appropriations and estimated revenues. Free cash is an unrestricted available fund that indicates positive operating results in relation to the budget. This amount would represent the positive operating results used for the next year's budget to bridge the gap between appropriations and estimated revenues.

The general fund is the chief operating fund of the City. Total fund balance was approximately \$61.5 million, a decrease of \$5.9 million. This decrease in fund balance was largely driven by a deficiency of revenues and other financing sources over expenditures and other financing uses.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 5.9% of total general fund expenditures, while total fund balance represents 18.4% of that same amount.

The City's liquidity has declined somewhat since fiscal year 2003. This recent trend toward declining balances, especially for the stabilization and unassigned categories, has occurred because revenues have not grown to compensate for certain heavy cost pressures, especially from health and pension benefits. Accordingly, the City has drawn down reserves in order to maintain services.

The school roof repairs fund accounts for the rehabilitation of several school roofs, boilers and windows related to the Massachusetts School Building Assistance Bureau Green Repair Program. At June 30, 2014, the total fund balance was a negative \$632 dollars. The prior year deficit of \$7.1 million was eliminated by the permanent financing of its short-term debt.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the business-type activities financial statements, but in more detail.

The net position of the proprietary funds at the end of the current fiscal year totaled approximately \$109.7 million. Changes in net position of the proprietary funds at the end of the current fiscal year totaled an increase of approximately \$3.3 million, or 3.1%.

The Proprietary Funds of the City are comprised of five (5) enterprise funds: water, sewer, recreation, refuse, and renewable energy. The results for the water and sewer funds are reported separately; the results for the recreation, refuse, and renewable energy funds are combined. The water, sewer, and refuse enterprise funds have long been self-sufficient financially. The nonmajor recreation fund, which includes a golf course, has never been self-sufficient. The operation of the golf course creates a modest surplus, but a substantial subsidy from the general fund is required to support the full range of recreation programs. The nonmajor renewable energy fund is also not self-sufficient. The operation of the renewable energy fund creates a surplus, but a subsidy from the general fund is required to support the renewable energy fund cost of debt service.

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For the water fund, the fiscal year 2014 operating income was \$436 thousand, or 2.8% of operating revenues. Nonoperating revenues (expenses) and transfers essentially netted to a positive \$186 thousand, and so net position increased by \$622 thousand. Cash flow from operations was \$2.4 million.

For the sewer fund, operating income was \$4.3 million, or 24.8% of operating revenues. However, nonoperating expenses and transfers decreased net position by \$2.2 million and so net position increased by \$2.1 million. The strong operating income was driven by an increase in sewer rates which is meant to recover future costs, which resulted in a strong operating income in fiscal year 2014. Cash flow from operations was \$10.0 million.

For the combined results of the other enterprise funds, the value of net position increased by \$592 thousand or 7.0%. The operating loss for combined other enterprise funds was \$506 thousand in fiscal year 2014 or 6.0% of operating revenues. With the benefit of net transfers in (general fund subsidy) and the nonoperating revenue of \$1.1 million, the operating loss of \$506 thousand became an \$592 thousand increase in net position.

Budgetary Highlights

In fiscal year 2014, the original budget called for \$329.7 million in spending. Of this amount \$167.3 million was for Education spending, \$44.7 million was for Public Safety spending, \$66.4 million was for Fringe Benefit spending and \$51.3 million for all other categories.

Resources totaled \$316.6 million, creating a planned deficit of approximately \$13.1 million. Offsetting this deficit was a contribution from "Free Cash" of \$13.3 million. The remaining total of approximately \$0.2 million was applied to Other Financing Sources/(Uses).

In the final budget, a total of \$332.6 million in spending was authorized, an increase of \$2.9 million. The budgets that made up this amount included the following: the public safety budget by \$2.9 million; all other budgets did not increase. To help finance the additional \$2.9 million in authorized spending, the other financing sources/(uses), including transfers in were increased by \$2.9 million.

On an actual basis, resources were higher than the final budget by \$9.8 million. The majority of revenue categories resulted in a positive variance with the exceptions of intergovernmental and fines revenue. The City's revenue estimates normally are conservative and actual results typically exceed budget by 1.5% to 2.0%. For fiscal year 2014, the positive variance was largely driven by the Real and Personal property taxes, Motor Vehicle Excise Taxes revenue collection activities, Fees revenue collection activities, Licenses and Permits revenues collection activities, User charges and other revenue, and Fines revenue. The increase in the Excise tax revenues were the result of increased collections in the categories of excise taxes revenues. The Fees category increased as a result of the City receiving the yearly fee for the local cable franchise. The Licenses and Permit revenue increased as a result of an increase in the City departments licenses and permits fees activity. The Fines revenue increased as a result of an increase in the City departments fine issuance activity.

On the expenditure side, a favorable variance of \$4.2 million was achieved. The City has typically achieved 1% to 2% positive variance on spending. For fiscal year 2014, this positive variance was driven by actual budgetary expenditures less than budgeted expenditures in the general government, public safety, and pension and fringe benefits. The reasons for the positive variances in the general government, public safety, and pension and fringe was due to conservative budgeting in these line items.

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As a result of the revenue and expenditure positive variances, the City's fiscal year 2014 general fund operations estimated to create free cash of approximately \$13.1 million to be used in the FY 2016 budget.

Capital Assets and Debt Administration

Capital Assets – The City's investment in capital assets for its governmental and business-type activities as of June 30, 2014 amounted to approximately \$376.0 million (net of accumulated depreciation). This investment in capital assets includes land, land improvements, construction-in-progress, buildings, machinery and equipment, infrastructure, and historical works of art. The total decrease in the City's investment in capital assets of \$5.0 million for fiscal year 2014 represented a decrease of 1.3%. Capital assets for governmental activities decreased by \$5.3 million, or 2.7%, while capital assets for business-type activities increased by \$285 thousand, or less than 1%. The increase in capital assets for business-type activities was primarily caused by the capital asset additions exceeding depreciation. In FY 2012 the City started an approximately \$35.8 million Green Repair project to rehab several school roofs, boilers and windows. This project was completed in FY 2014. The decrease in capital assets for governmental activities is the result of depreciation exceeding capital asset additions.

Major capital assets included the following:

Capital Assets (In thousands)						
	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 7,411	7,411	3,246	3,246	10,657	10,657
Construction in progress	1,095	34,492	9,049	9,725	10,144	44,217
Historical works of art	1,809	1,809	—	—	1,809	1,809
Buildings	151,040	122,068	130,092	134,158	281,132	256,226
Land improvements	4,226	3,848	332	379	4,558	4,227
Machinery and equipment	4,169	4,557	8,960	2,665	13,129	7,222
Infrastructure	22,217	23,100	32,337	33,558	54,554	56,658
Total	\$ <u>191,967</u>	<u>197,285</u>	<u>184,016</u>	<u>183,731</u>	<u>375,983</u>	<u>381,016</u>

Long-Term Debt – At the end of the current fiscal year, the City had total bonded debt outstanding of approximately \$224.6 million. The entire amount is backed by the full faith and credit of the City.

Outstanding Debt (In thousands)						
	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds, net	\$ 125,896	125,026	98,775	104,985	224,671	230,011
Total	\$ <u>125,896</u>	<u>125,026</u>	<u>98,775</u>	<u>104,985</u>	<u>224,671</u>	<u>230,011</u>

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The overall net increase is attributable to the following factors:

The City's bonded debt decreased by approximately \$5.3 million or a decrease of 2.3%. This decrease in long-term debt was the result of scheduled principal payments of \$13.0 million netted against the issuance of \$6.8 million Green Repair projects to rehab several school roofs, boilers and windows and the city's business type activities issued \$915 thousand for Water enterprise upgrade projects.

Total long-term debt of the City represents a claim of about 59.8% of the City's total capital assets, and a claim of about 52.5% of the City's total assets. As a percentage of the fair value of taxable property in the City, the long-term debt comprises only 4.2%.

The City maintains a "AA-" rating from Standard and Poor's and an "Aa3" rating from Moody's for general obligation debt.

Economic Factors and Next Year's Budgets

While the economic circumstances confronting the City had deteriorated considerably over the first decade of this century, more recently, conditions have become more stable. Nonetheless, that significant and sustained reduction in unrestricted state aid has presented a major obstacle, as the full amount of lost revenue has not been replaced. During the 2002 to 2008 period, revenue assistance from the state declined in both nominal and real terms. This was initially true even for aid to education, although this trend has been reversed. However, for revenue assistance other than for education, the decline was particularly steep. For example, the City's unrestricted state aid was reduced by approximately \$11.6 million from nearly \$28.0 million in FY 2008 to nearly \$16.4 million in FY 2012, a reduction of about 41%. The governor's FY 2013 proposal at first increased by about 6% aid to education and held other revenue assistance about level, but ultimately the state provided a "one-time" distribution of additional unrestricted state aid of about \$1.3 million. Since then, aid to education has grown only slightly as student enrollment has increased and to reflect very modest cost inflation. Unrestricted state aid has also increased modestly each year, including in the Governor's FY 2016 proposal. Nonetheless, unrestricted state aid for FY 2016 would remain about \$9.0 million below its FY 2009 level without adjusting for inflation.

During this period, the state has provided municipalities with two new, local option revenue sources: the ability to raise the lodging excise tax from 4% up to 6%, and the ability to add 0.75% to the meals tax. The City has adopted both measures. Between the two measures the City has realized more than \$1.6 million in on-going, new revenues. However, this new revenue falls far short of replacing the loss of \$9.0 million in unrestricted aid.

Although the property tax levy has provided a predictable, steady source of revenue growth, the City's property values in combination with the state's property tax limitation law, Proposition 2½, so-called, limit the ability of the property tax to finance the City's budget. In FY 2013 and 2014, it provided only about 30% and 31% of the City's total spending in the general and enterprise funds; state revenue assistance comprised 46% and 47%; the enterprise funds contributed revenues equal to 13% and 12%; other local receipts contributed 6% and 4%; and the remaining 5% and 6% was provided by appropriating balance sheet reserves. In FY 2015, the percentages were composed of 30%, 48%, 12%, 5% and 5% respectively, as the percentage of total revenues represented by each category has remained very consistent.

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In this revenue environment, with current cost pressures, in order to maintain services, in the opinion of the Chief Financial Officer, it is important to fully appropriate the allowable property tax levy, to re-capture to the extent possible the cost of services through imposing user fees, to be judicious in appropriating balance sheet reserves, and to replenish these reserves when possible. However, many taxpayers and residents have been harmed by the recession and its aftermath effects, and concerns for these constituents have been manifested in the emergence of a local "low tax" advocacy group and in the reluctance of elected officials to levy increases in taxes or impose fee increases. In FY 2013, the City Council did not appropriate the full property tax levy allowed by law; the amount of \$1.0 million was not levied rather than appropriated as requested to the City's stabilization fund. In FY 2015, a new Mayor who was elected on a pledge to restrict property tax increases did not recommend the appropriation of about \$2.5 million in allowable tax levy. The FY 2016 budget has not been prepared; it is uncertain whether the full levy will be appropriated.

The City's recreation, and renewable energy enterprise funds are partially self-supporting through fees, and two of the utility enterprise funds (sewer, and refuse) are currently fully self-supporting. However, no utility fee increases have been adopted by the City Council for several years, even though for the past several years, water fee increases have been requested. Capital spending has suffered as a result. The Water Commission has requested a 30% increase for FY 2016, but at this date, the City Council has taken no action.

The growth rates in the funding sources other than the property tax have not been as reliable. The heavy reliance on state aid has become problematic in a period when almost all of the increase in state assistance has been restricted to education. This is especially pronounced when unrestricted state aid has been reduced. In the meantime, recent cost pressures on employee and retiree benefits and pensions have continued, and modest inflation recovery increases in wages and salaries have also raised expenditure levels. Accordingly, maintaining the same level of services in recent years has resulted in drawing down some of the City's reserves. Favorable budget variances from conservative budgeting, including an unexpected surplus in snow removal costs in FY 2012, allowed for some replenishment of those to assist in the FY 2014/FY 2015 budget. During FY 2014, settlement of union contracts with the firefighters and police unions, and financing high snow removal costs from FY 2013 required drawing down reserves. In FY 2015, the city avoided further diminishing its stabilization fund. However, in FY 2016, the city will confront financing the record costs of the latest winter. In addition, pressure has continued for contract settlements from unions without contracts.

Despite recent improvements, unemployment locally remains somewhat high compared to that of the state. The City was also deeply affected by the home mortgage foreclosure crisis. However, the local housing market recently has begun to show signs of price increases. Calendar 2014 represented the second straight year of double digit percentage sales price increases for single family homes. The monthly average median value of a single family home at the end of calendar 2014 exceeded what it had been in late 2007. For the condominium market, the improvement is real but not as dramatic.

The City's overall assessed value increased slightly from FY 2014 to FY 2015 by about \$100.0 million, or 2.0%. The Bernardi Auto Group has redeveloped a large parcel off Route 24 to create two separate dealerships, a Hyundai and a Honda, with an investment of \$24 million. This project was granted a substantial Tax Incentive Financing agreement, but in future years it will provide healthy growth in property tax revenue. The Cerberus private equity fund in December 2010 closed on the acquisition of the Good Samaritan Medical Center as part of its acquisition of the Caritas Catholic hospital chain. This ownership has converted the property from tax exempt

CITY OF BROCKTON, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2014

(Unaudited)

to taxable. In addition, the ownership is making substantial, on-going improvements to the facility. The revenues will be a significant addition to the City's tax levy of about \$1.3 million. In the past few months, the Trinity Financial Corp. has nearly completed the redevelopment of an entire City block in the downtown area. The project will be developed in two phases and will be comprised of mixed use residential housing, commercial space, and parking. The project blends private risk capital, both debt and equity, with public financing, including some City land for parking and a \$4 million state grant for phase I and further state funding to come for phase II. When both phases have been completed, the project will have cost \$100 million, which represents the largest investment in downtown Brockton in memory. Most of the residential apartments already have committed lessors. A long vacant downtown parcel nearby is being redeveloped as a supermarket for nearly \$20 million, also with a tax increment financing agreement.

In addition, two major developments may be on the horizon. The Mayor has reached a tentative agreement with the proponents of a gas fired electric generating plant which, when and if finally permitted and built, would add about \$3.5 million per year in PILOT payments and \$0.5 million per year for purchasing of cooling water. In addition, a \$650 million casino project has been proposed for the City. If approved by the votes and the Massachusetts Gaming Commission, it would add \$10 million per year in PILOT payments.

The City has continued to engage with its unions over the issues of wages and benefits, especially health insurance costs. All City and School unions have contracts which were settled and approved through fiscal year 2013. The firefighters and police unions are settled through FY 2016. Bargaining with other unions on this settlement pattern is in progress, but similar settlements cannot be financed on these terms with present recurring revenues without affecting services.

In February 2012, the mayor requested that the City Council approve a local option statute, which would have removed the issue of health insurance benefit plan design from collective bargaining for all City and school workers and retirees by either joining the state's Group Insurance Commission plans or adopting new City plan designs with similar benefits. Although substantial savings were projected for this step, the initiative was opposed by union members and retirees, who pledged in public to engage in good faith bargaining over plan design. The City Council unanimously voted to not accept the statute, which was projected to have saved more than \$6.0 million per year. Subsequently, the City and all of its school and municipal unions engaged in prolonged and substantive bargaining under a separate provision of state law which permits the union and retirees to bargain as a coalition of interests on proportionately weighted vote. With this process, the coalition of all employees/retirees and the City reached agreement on new plan designs with significantly increased co-payments. However, unlike the GIC plans, the new City plans do not contain annual deductibles. The plans for active employees and retirees who are not eligible for Medicare were effective on July 1, 2013, and the plans for Medicare eligible retirees were effective on January 1, 2013. The coalition and the plans are in effect for four years. The plans are expected to save an estimated \$4.7 million annually in costs to the City, based on cost of the plans in effect on July 1, 2012, which were replaced. The retiree plans also significantly reduced the City's OPEB estimate.

CITY OF BROCKTON, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2014

(Unaudited)

The adverse impact of costs rising more rapidly than revenues could be avoided by a voter referendum to override the provisions of the property tax limitation statute, Proposition 2½. Even with the recent property valuation decreases, the City enjoys override capacity and could increase its levy. The FY 2015 assessed valuation of the City would support a maximum levy of \$136.5 million at 2.5% of assessed value. The actual FY 2015 levy was \$118.7 million. The tax increase on the average resident with a single family home would be about \$30 per year for every million in increased levy. While the City's voters have twice declined to approve overrides in City referendum elections, the capacity for them to do so exists. If needed, a significant amount of additional revenue could be obtained at a modest cost to the average taxpayer.

Requests for Information

This information is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this document or requests for additional financial information should be addressed to the Finance Department, City Hall, 45 School Street, Brockton, Massachusetts 02301.

CITY OF BROCKTON, MASSACHUSETTS

Statement of Net Position

June 30, 2014

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Assets:			
Cash and investments	\$ 104,202,186	20,951,215	125,153,401
Receivables, net:			
Property taxes, liens and excise taxes (net of \$1,199,419 allowance)	13,171,738	—	13,171,738
Intergovernmental	8,419,242	1,144,023	9,563,265
Customer receivables	—	17,770,002	17,770,002
Departmental and other	353,357	356,101	709,458
Other assets	5,994,603	—	5,994,603
Long-term note receivable	6,964,839	—	6,964,839
Long-term intergovernmental receivable	8,378,411	—	8,378,411
Tax possessions	2,256,078	—	2,256,078
Pension asset	87,662,128	—	87,662,128
Capital assets:			
Nondepreciable	10,315,298	12,294,786	22,610,084
Depreciable, net	181,651,459	171,721,498	353,372,957
Total assets	<u>429,369,339</u>	<u>224,237,625</u>	<u>653,606,964</u>
Deferred outflows of resources - loss on refundings	257,906	89,588	347,494
Total assets and deferred outflows	<u>429,627,245</u>	<u>224,327,213</u>	<u>653,954,458</u>
Liabilities:			
Warrants and accounts payable	7,941,176	3,114,184	11,055,360
Accrued liabilities:			
Interest	2,270,909	978,933	3,249,842
Payroll and related withholdings	21,847,202	162,324	22,009,526
Tax abatement refunds	4,228,934	—	4,228,934
Bond anticipation note	62,000	—	62,000
Noncurrent liabilities:			
Due within one year:			
Compensated absences and claims	4,908,767	162,948	5,071,715
Bonds, note and loans payable	6,336,650	6,957,786	13,294,436
Due in more than one year:			
Compensated absences and claims	12,840,954	6,359,577	19,200,531
Unearned revenue	—	3,889,807	3,889,807
Landfill closure and postclosure care costs	2,727,326	1,173,000	3,900,326
Bonds, note and loans payable	119,559,464	91,817,417	211,376,881
Other post employment benefits	204,636,800	—	204,636,800
Total liabilities	<u>387,360,182</u>	<u>114,615,976</u>	<u>501,976,158</u>
Net position:			
Net investment in capital assets	159,368,549	86,474,691	245,843,240
Restricted for:			
Permanent funds:			
Nonexpendable	6,412,349	—	6,412,349
Expendable	577,995	—	577,995
Statutory reserve	5,509,344	—	5,509,344
Health claims	11,399,855	—	11,399,855
Federal, state and local grants	15,374,005	—	15,374,005
Other	336,814	—	336,814
Unrestricted	(156,711,848)	23,236,546	(133,475,302)
Total net position	<u>\$ 42,267,063</u>	<u>109,711,237</u>	<u>151,978,300</u>

See accompanying notes to basic financial statements.

CITY OF BROCKTON, MASSACHUSETTS

Statement of Activities

Year ended June 30, 2014

Functions/programs	Expenses	Program revenues			Net (expense) revenue and changes in net position		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Governmental activities:							
General government	\$ 28,780,264	5,133,736	12,207,280	—	(11,439,248)		(11,439,248)
Public safety	69,070,782	2,948,108	3,824,269	—	(62,298,405)		(62,298,405)
Education	271,542,135	5,246,779	195,230,093	—	(71,065,263)		(71,065,263)
Public works	12,939,985	289,709	2,299,123	—	(10,351,153)		(10,351,153)
Human services	3,726,934	329,455	300,435	—	(3,097,044)		(3,097,044)
Culture and recreation	3,560,406	34,954	219,918	—	(3,305,534)		(3,305,534)
State and county assessments	7,192,401	—	—	—	(7,192,401)		(7,192,401)
Court judgments	326,353	—	—	—	(326,353)		(326,353)
Interest on long-term debt	6,324,021	—	—	—	(6,324,021)		(6,324,021)
Total governmental activities	<u>403,463,281</u>	<u>13,982,741</u>	<u>214,081,118</u>	<u>—</u>	<u>(175,399,422)</u>	<u>—</u>	<u>(175,399,422)</u>
Business-type activities:							
Water	15,908,813	15,870,241	282,234	39,026		282,688	282,688
Sewer	14,926,554	17,354,658	325,367	409,160		3,162,631	3,162,631
Other	8,839,573	8,333,282	210,277	—		(296,014)	(296,014)
Total business-type activities	<u>39,674,940</u>	<u>41,558,181</u>	<u>817,878</u>	<u>448,186</u>	<u>—</u>	<u>3,149,305</u>	<u>3,149,305</u>
Total primary government	<u>\$ 443,138,221</u>	<u>55,540,922</u>	<u>214,898,996</u>	<u>448,186</u>	<u>(175,399,422)</u>	<u>3,149,305</u>	<u>(172,250,117)</u>
General revenues:							
Property taxes, levied for general purposes, net					\$ 115,272,342	—	115,272,342
Excises					7,335,030	—	7,335,030
Payments in lieu of taxes					232,710	—	232,710
Penalties and interest on taxes					2,125,904	—	2,125,904
Other					202,307	—	202,307
Unrestricted grants and contributions					20,339,503	—	20,339,503
Investment income					1,387,220	—	1,387,220
Transfers, net					(122,967)	122,967	—
Total general revenues and transfers					<u>146,772,049</u>	<u>122,967</u>	<u>146,895,016</u>
Change in net position					<u>(28,627,373)</u>	<u>3,272,272</u>	<u>(25,355,101)</u>
Net position, beginning of year (as restated)					<u>70,894,436</u>	<u>106,438,965</u>	<u>177,333,401</u>
Net position, end of year					<u>\$ 42,267,063</u>	<u>109,711,237</u>	<u>151,978,300</u>

See accompanying notes to basic financial statements.

CITY OF BROCKTON, MASSACHUSETTS

Balance Sheet – Governmental Funds

June 30, 2014

Assets	General	School roof repairs	Other governmental	Total
Cash and investments	\$ 79,286,261	61,368	24,854,557	104,202,186
Receivables, net:				
Property taxes (net of \$471,066 allowance)	7,271,818	—	—	7,271,818
Motor vehicle excise (net of \$728,353 allowance)	1,810,519	—	—	1,810,519
Departmental and other	19,537	—	333,820	353,357
Tax liens	4,089,401	—	—	4,089,401
Intergovernmental	2,839,776	—	5,579,466	8,419,242
Total receivables	16,031,051	—	5,913,286	21,944,337
Long-term note receivable	6,964,839	—	—	6,964,839
Long-term intergovernmental receivable	8,378,411	—	—	8,378,411
Tax possessions	2,256,078	—	—	2,256,078
Deposit with health claims agent	5,858,800	—	—	5,858,800
Total assets	<u>\$ 118,775,440</u>	<u>61,368</u>	<u>30,767,843</u>	<u>149,604,651</u>
 Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Warrants and accounts payable	\$ 4,803,092	—	3,138,085	7,941,177
Accrued liabilities:				
Tax abatement refunds	4,228,934	—	—	4,228,934
Payroll and related withholdings	19,620,023	—	2,227,179	21,847,202
Due to other funds	—	—	—	—
Health claims payable	3,294,786	—	—	3,294,786
Bond anticipation note payable	—	62,000	—	62,000
Total liabilities	<u>31,946,835</u>	<u>62,000</u>	<u>5,365,264</u>	<u>37,374,099</u>
Deferred Inflows of Resources:				
Unavailable revenue	<u>25,324,895</u>	<u>—</u>	<u>—</u>	<u>25,324,895</u>
Fund balances:				
Nonspendable	6,964,839	—	6,412,349	13,377,188
Restricted	16,909,199	—	16,927,182	33,836,381
Committed	13,443,957	—	2,145,568	15,589,525
Assigned	4,592,537	—	—	4,592,537
Unassigned	19,593,178	(632)	(82,520)	19,510,026
Total fund balances	<u>61,503,710</u>	<u>(632)</u>	<u>25,402,579</u>	<u>86,905,657</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 118,775,440</u>	<u>61,368</u>	<u>30,767,843</u>	<u>149,604,651</u>

See accompanying notes to basic financial statements.

CITY OF BROCKTON, MASSACHUSETTS

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

June 30, 2014

Total fund balance – governmental funds	\$	86,905,657
Amounts reported for governmental activities in the statements of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		191,966,757
Other assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds		25,324,895
Pension asset is not a financial resource and therefore not reported in the funds		87,662,128
Other costs are capitalized in the government-wide statements		135,803
Deferred losses on refunding transactions		257,906
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Taxable bonds		(93,040,000)
Other general obligation bonds		(31,828,900)
Bond premiums		(1,027,214)
Other post employment benefits		(204,636,800)
Accrued interest on bonds		(2,270,909)
Landfill and postclosure care costs		(2,727,326)
Compensated absences and claims		(14,454,934)
		(349,986,083)
Net position of governmental activities	\$	42,267,063

See accompanying notes to basic financial statements.

CITY OF BROCKTON, MASSACHUSETTS

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

Year ended June 30, 2014

	<u>General</u>	<u>School roof repairs</u>	<u>Other governmental</u>	<u>Total</u>
Revenues:				
Real and personal property taxes, net	\$ 117,036,526	—	—	117,036,526
Motor vehicle and other excise	7,393,772	—	—	7,393,772
Penalties and interest on taxes	2,125,904	—	—	2,125,904
Payments in lieu of taxes	232,710	—	—	232,710
User charges and other revenue	3,963,202	—	5,549,931	9,513,133
Fees	1,845,288	—	5,259,872	7,105,160
Licenses and permits	2,760,343	—	—	2,760,343
Intergovernmental	181,317,389	2	40,918,434	222,235,825
Fines	861,399	—	391,949	1,253,348
Investment income	422,742	—	964,218	1,386,960
Contributions	7,783,785	—	873,190	8,656,975
Total revenues	325,743,060	2	53,957,594	379,700,656
Expenditures:				
Current:				
General government	12,712,499	—	9,754,152	22,466,651
Public safety	46,336,460	—	2,527,368	48,863,828
Education	168,696,088	—	36,178,154	204,874,242
Public works	6,817,674	—	472,980	7,290,654
Human services	2,293,832	—	390,055	2,683,887
Culture and recreation	2,082,215	—	128,634	2,210,849
State and county assessments	7,192,401	—	—	7,192,401
Pension and fringe benefits	73,305,341	—	—	73,305,341
Court judgments	326,353	—	—	326,353
Capital outlay	853,810	(222,135)	1,975,052	2,606,727
Debt service	12,047,375	—	152,650	12,200,025
Total expenditures	332,664,048	(222,135)	51,579,045	384,020,958
Excess (deficiency) of revenues over expenditures	(6,920,988)	222,137	2,378,549	(4,320,302)
Other financing sources (uses):				
Operating transfers in	2,903,971	—	423,749	3,327,720
Operating transfers out	(1,873,914)	—	(1,576,773)	(3,450,687)
Other	(38,508)	—	—	(38,508)
Bond proceeds	—	6,838,000	—	6,838,000
Total other financing sources (uses)	991,549	6,838,000	(1,153,024)	6,676,525
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(5,929,439)	7,060,137	1,225,525	2,356,223
Fund balance, beginning of year	67,433,149	(7,060,769)	24,177,054	84,549,434
Fund balance, end of year	\$ 61,503,710	(632)	25,402,579	86,905,657

See accompanying notes to basic financial statements.

CITY OF BROCKTON, MASSACHUSETTS

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

Year ended June 30, 2014

Net change in fund balances – total governmental funds	\$	2,356,223
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital additions as expenditures. In the statement of activities, the cost of those assets is depreciated over their estimated useful lives.		
Capital additions of \$4,170,730 is less than depreciation expense of \$9,489,307.		(5,318,577)
Accrual basis revenues can result in more or (less) revenues reported in the statement of activities depending upon timing of billings and collections.		(4,703,276)
Issuance of bonds		(6,838,000)
Repayments of bond principal are expenditures in the governmental funds but reduce long-term liabilities in the statement of net position.		5,786,900
Amortization of bond premiums \$180,930 add to net position while the amortization of deferred outflows \$152,657 decrease net position. The amount by which the amortization of bond premiums exceeds the amortization of deferred outflows increases net position.		28,273
Amortization of the pension asset in the statement of activities is not included in the operating statement of the governmental funds.		78,617
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 difference between a decrease in interest payable \$60,830, a decrease in landfill liability \$141,221, a decrease in compensated absences and claims \$53,124 and increase in other postemployment benefit liabilities \$20,272,708.		<u>(20,017,533)</u>
Change in net position of governmental activities	\$	<u><u>(28,627,373)</u></u>

See accompanying notes to basic financial statements.

CITY OF BROCKTON, MASSACHUSETTS

Statement of Net Position – Proprietary Funds

June 30, 2014

	Enterprise funds			
	Water	Sewer	Other	Total
Assets and Deferred Outflows of Resources				
Current assets:				
Cash and cash equivalents	\$ 6,165,375	10,356,803	4,429,037	20,951,215
Customer receivables, net	6,396,504	7,410,551	3,962,947	17,770,002
Intergovernmental receivable	1,144,023	—	—	1,144,023
Other	306,148	49,953	—	356,101
Total current assets	<u>14,012,050</u>	<u>17,817,307</u>	<u>8,391,984</u>	<u>40,221,341</u>
Noncurrent assets:				
Capital assets:				
Nondepreciable	7,053,267	5,042,997	198,522	12,294,786
Depreciable, net	45,299,247	120,630,653	5,791,598	171,721,498
Total noncurrent assets	<u>52,352,514</u>	<u>125,673,650</u>	<u>5,990,120</u>	<u>184,016,284</u>
Total assets	<u>66,364,564</u>	<u>143,490,957</u>	<u>14,382,104</u>	<u>224,237,625</u>
Deferred outflows of resources				
Losses on refundings	52,604	36,984	—	89,588
Total assets and deferred outflows of resources	<u>66,417,168</u>	<u>143,527,941</u>	<u>14,382,104</u>	<u>224,327,213</u>
Liabilities				
Current liabilities:				
Warrants and accounts payable	1,078,406	1,484,765	551,013	3,114,184
Accrued expenses	299,009	808,890	33,358	1,141,257
Compensated absences and claims	86,541	38,106	38,301	162,948
Bonds, notes, and loans payable	1,638,649	5,219,137	100,000	6,957,786
Total current liabilities	<u>3,102,605</u>	<u>7,550,898</u>	<u>722,672</u>	<u>11,376,175</u>
Noncurrent liabilities:				
Compensated absences and claims	1,338,440	2,617,632	2,403,505	6,359,577
Unearned revenue	2,599,617	1,290,190	—	3,889,807
Landfill and postclosure care costs	—	1,173,000	—	1,173,000
Bonds	24,751,611	66,162,615	903,191	91,817,417
Total noncurrent liabilities	<u>28,689,668</u>	<u>71,243,437</u>	<u>3,306,696</u>	<u>103,239,801</u>
Total liabilities	<u>31,792,273</u>	<u>78,794,335</u>	<u>4,029,368</u>	<u>114,615,976</u>
Net Position				
Net investment in capital assets	27,158,880	54,328,882	4,986,929	86,474,691
Unrestricted	7,466,015	10,404,724	5,365,807	23,236,546
Total net position	\$ <u>34,624,895</u>	<u>64,733,606</u>	<u>10,352,736</u>	<u>109,711,237</u>

See accompanying notes to basic financial statements.

CITY OF BROCKTON, MASSACHUSETTS

Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds

Year ended June 30, 2014

	Enterprise funds			Total
	Water	Sewer	Other	
Operating revenues:				
Charges for services	\$ 15,458,588	17,105,806	7,896,016	40,460,410
Fees	411,653	248,852	252,702	913,207
Other	—	—	184,564	184,564
Total operating revenues	15,870,241	17,354,658	8,333,282	41,558,181
Operating expenses:				
Salaries and benefits	4,109,758	1,986,729	1,904,123	8,000,610
Utilities	748,531	1,112,538	78,816	1,939,885
Repairs and maintenance	715,074	945,871	247,307	1,908,252
Contractual services	7,455,506	4,384,320	6,032,019	17,871,845
Other supplies and expenses	456,645	352,822	220,841	1,030,308
Depreciation	1,948,202	4,265,577	356,127	6,569,906
Total operating expenses	15,433,716	13,047,857	8,839,233	37,320,806
Operating income (loss)	436,525	4,306,801	(505,951)	4,237,375
Nonoperating revenues (expenses):				
Interest income	282,234	325,367	210,277	817,878
Interest expense	(475,097)	(1,878,697)	(340)	(2,354,134)
Debt subsidies	39,026	409,160	—	448,186
Total nonoperating revenues (expenses)	(153,837)	(1,144,170)	209,937	(1,088,070)
Income (loss) before transfers	282,688	3,162,631	(296,014)	3,149,305
Transfers in	639,147	108,345	888,573	1,636,065
Transfers out	(300,000)	(1,213,098)	—	(1,513,098)
Total transfers in (out)	339,147	(1,104,753)	888,573	122,967
Change in net position	621,835	2,057,878	592,559	3,272,272
Net position, beginning of year	34,003,060	62,675,728	9,760,177	106,438,965
Net position, end of year	\$ 34,624,895	64,733,606	10,352,736	109,711,237

See accompanying notes to basic financial statements.

CITY OF BROCKTON, MASSACHUSETTS

Statement of Cash Flows – Proprietary Funds

Year ended June 30, 2014

	Enterprise funds			Total
	Water	Sewer	Other	
Cash flows from operations:				
Cash received from customers	\$ 16,135,310	18,306,024	8,280,770	42,722,104
Cash paid to employees	(4,034,702)	(1,896,025)	(1,872,350)	(7,803,077)
Cash paid to vendors	(9,723,621)	(6,386,848)	(6,724,420)	(22,834,889)
Net cash provided by (used in) operations	<u>2,376,987</u>	<u>10,023,151</u>	<u>(316,000)</u>	<u>12,084,138</u>
Cash flows from noncapital financing activities:				
Transfers in	639,147	108,345	888,573	1,636,065
Transfers out	(300,000)	(1,213,098)	—	(1,513,098)
Net cash provided by (used in) noncapital financing activities	<u>339,147</u>	<u>(1,104,753)</u>	<u>888,573</u>	<u>122,967</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(1,560,094)	(4,502,539)	(792,970)	(6,855,603)
Interest paid on debt	(485,933)	(1,944,608)	(840)	(2,431,381)
Debt issued	1,490,646	5,353	—	1,495,999
Repayment of long-term debt	(1,622,239)	(5,110,005)	(150,000)	(6,882,244)
Debt subsidies	39,026	409,160	—	448,186
Net cash used in capital and related financing activities	<u>(2,138,594)</u>	<u>(11,142,639)</u>	<u>(943,810)</u>	<u>(14,225,043)</u>
Cash flows from investing activity:				
Interest earned	282,234	325,367	210,277	817,878
Net cash provided by investing activity	<u>282,234</u>	<u>325,367</u>	<u>210,277</u>	<u>817,878</u>
Increase (decrease) in cash and cash equivalents	859,774	(1,898,874)	(160,960)	(1,200,060)
Cash and cash equivalents, beginning of year	5,305,601	12,255,677	4,589,997	22,151,275
Cash and cash equivalents, end of year	\$ <u>6,165,375</u>	<u>10,356,803</u>	<u>4,429,037</u>	<u>20,951,215</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operations:				
Operating income (loss)	\$ 436,526	4,301,797	(505,951)	4,232,372
Reconciliation of operating income (loss) to net cash provided by (used in) operations:				
Depreciation expense	1,948,202	4,265,576	356,127	6,569,905
Effect of Changes in operating assets and liabilities:				
Accounts receivable	265,069	951,367	(52,511)	1,163,925
Warrants and accounts payable	(347,868)	413,707	(144,777)	(78,938)
Other assets and liabilities	75,058	90,704	31,112	196,874
Net cash provided by (used in) operations	\$ <u>2,376,987</u>	<u>10,023,151</u>	<u>(316,000)</u>	<u>12,084,138</u>

See accompanying notes to basic financial statements.

CITY OF BROCKTON, MASSACHUSETTS

Statement of Net Position – Fiduciary Funds

June 30, 2014

(Except for Pension Trust, which is as of December 31, 2013)

Assets	Pension Trust Fund	Agency Funds
	<u> </u>	<u> </u>
Cash and cash equivalents	\$ 3,367,823	507,661
Receivables:		
Interest and dividends	866,912	—
Receivable for securities sold	212,103	—
Contributions from employers	577,301	—
Other	115,321	186,891
	<u> </u>	<u> </u>
Total receivables	1,771,637	186,891
Investments, at fair value:		
Short-term:		
Domestic	10,234,653	—
Fixed income:		
Domestic	87,953,036	—
International	21,095,772	—
Equities:		
Domestic	84,928,458	—
International	65,713,063	—
Real estate	23,311,620	—
Alternative	69,937,321	—
	<u> </u>	<u> </u>
Total investments	363,173,923	—
Total assets	<u>368,313,383</u>	<u>694,552</u>
Liabilities		
Payable for securities purchased	299,897	
Accounts payable and other liabilities	638,135	694,552
	<u> </u>	<u> </u>
Total liabilities	938,032	\$ <u>694,552</u>
Net Position		
Net Position held in trust for pension benefits	<u>\$ 367,375,351</u>	

See accompanying notes to basic financial statements.

CITY OF BROCKTON, MASSACHUSETTS

Statement of Changes in Net Position – Fiduciary Funds

Year ended December 31, 2013

	<u>Pension trust fund</u>
Additions:	
Contributions:	
Employers	\$ 17,283,264
Employees	7,571,457
Other	5,711
Total contributions	<u>24,860,432</u>
Investment income:	
Net appreciation in fair value of investments	38,315,589
Investment income	6,150,526
Total investment income	<u>44,466,115</u>
Less investment expenses	<u>2,833,590</u>
Net investment income	<u>41,632,525</u>
Intergovernmental	<u>546,220</u>
Transfers from other systems	<u>361,984</u>
Total additions	<u>67,401,161</u>
Deductions:	
Benefits	36,088,966
Member refunds and transfers to other systems, net	1,530,923
Administrative expenses	659,316
Total deductions	<u>38,279,205</u>
Change in net position	29,121,956
Net position, beginning of year	<u>338,253,395</u>
Net position, end of year	\$ <u><u>367,375,351</u></u>

See accompanying notes to basic financial statements.

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CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2014

(1) Financial Statement Presentation

The City of Brockton (the City) is governed by an elected mayor, who has general supervision of and control over the City's boards, commissions, officers and departments. The legislative body of the City is the City Council, which consists of eleven elected members serving two-year terms. U.S. generally accepted accounting principles (GAAP) requires that the accompanying basic financial statements present the City of Brockton (the primary government) and its component units. Component units are included in the City's reporting entity if their operational and financial relationships with the City are significant. Pursuant to this criteria, the City of Brockton Retirement System (the System) has been identified as a component unit. The System was established under the authority of Chapter 32 of the Massachusetts General Laws (MGL), as amended, and is an independent contributory retirement system available to employees of the City. The powers of the System are vested in the Retirement Board. The System has been included in the City's fiduciary funds as a pension trust fund for reporting purposes. A complete set of financial statements of the System for the fiscal year ended December 31, 2013 can be obtained by contacting the Brockton Retirement Board at 15 Christy's Drive, Brockton, MA 02301.

The Brockton Redevelopment Authority and the Brockton Educational Foundation both meet the definition of a component unit; however, their operations are immaterial and, accordingly, are not included in the financial statements of the City.

The City has entered into joint ventures with other municipalities to pool resources and share the costs, risks, and rewards of providing goods or services to venture participants directly, or for the benefit of the general public or specified service recipients. The following is a list of the City's joint ventures, their purpose, the address where the joint venture financial statements are available, and the annual assessment paid by the City in 2014:

<u>Joint venture and address</u>	<u>Purpose</u>	<u>Annual assessment</u>
Brockton Area Transit Authority 45 School Street Brockton, MA 02301	To provide public transportation	\$ 2,076,852
Southeastern Regional School District 250 Foundry Street South Easton, MA 02375	To provide educational services	2,891,255

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2014

(2) Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with GAAP as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The most significant of the City's accounting policies are described below.

(a) *Basis of Presentation*

The financial condition and results of operations of the City are presented as of and for the year ended June 30, 2014, except for the System, which is presented as of and for the year ended December 31, 2013.

Government-Wide Statements

The statement of net position and the statement of activities display information about the primary government (the City). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statements of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2014

The City reports the following major governmental funds:

General Fund – This 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.

School Roof Repairs – This fund accounts for the rehabilitation of several school roofs, boilers and windows related to the Massachusetts School Building Assistance Bureau Green Repair program.

The City reports the following major enterprise funds:

Water Fund – This fund accounts for the provisions of water treatment and distribution to its residential and commercial users located within the City.

Sewer Fund – This fund accounts for the provisions of sanitary sewer service to the residents and commercial users located within the City.

Additionally, the City reports the following fund types:

Pension Trust Fund – Accounts for the activities of the System, which accumulates resources for pension benefit payments to qualified employees of its contributing members.

Agency Funds – These funds account for off-duty police, fire and custodial details. The City’s agency funds are custodial in nature (assets equals liabilities) and do not involve measurement of results of operations.

(b) *Measurement Focus, Basis of Accounting*

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements – The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City generally considers nongrant revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Grant revenues that the City earns by incurring obligations are recognized in the same period as when the obligations are recognized. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2014

extent they have matured. Tax abatement refunds are recognized as fund liabilities for refunds filed prior to year-end and paid within a year. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

(c) *Cash and Cash Equivalents*

To improve cash management, cash received by the City is pooled. Monies for all funds, except those restricted by MGL to be held separately, are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "cash and cash equivalents" on the balance sheets.

For purposes of the statements of cash flows, all highly liquid investments with maturities of three months or less when purchased are considered to be cash equivalents.

(d) *Investment Valuation*

The City's investments are carried at fair value. The City also invests in the Massachusetts Municipal Depository Trust (MMDT), which is an external investment pool and is not SEC registered. This fund is state regulated and is valued at current share price. See note 5 for discussion of the System's investments.

(e) *Compensated Absences*

The liability for compensated absences reported in the government-wide and proprietary fund statements as compensated absences and claims, consists of unpaid, accumulated annual vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

(f) *Capital Assets*

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statements of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statements of net position and in the respective funds.

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2014

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and requirements during the year. Donated fixed assets are recorded at their estimated values as of the date received. The City maintains a capitalization threshold of \$10,000. The City's infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets are depreciated except for land, construction in progress and historical works of art. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Buildings	40 – 50 years
Land improvements	20 years
Machinery and equipment	5 – 20 years
Infrastructure	15 – 100 years

(g) Net Position and Fund Balance

Net position represents the residual difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. In the Government-wide and Proprietary Fund Financial Statements, net position is reported in the following categories:

Net investment in capital assets: Capital assets, net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted: The portion of net position which is subject to constraints imposed by external parties, including: creditors, grantors, and laws and regulations of other governments, or constraints imposed by City Charter or enabling legislation. Nonexpendable amounts are required to remain intact under such constraints.

Unrestricted: Remaining net position not considered invested in capital assets or restricted.

For purposes of net position classification, when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

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

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

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2014

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

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

Assigned: Amounts that are constrained by the City's intent for use for specific purposes, but are considered neither restricted nor committed.

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

For purposes of fund balance classification, when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. When unrestricted resources are used, committed resources are used first, followed by assigned and unassigned resources, respectively.

(h) *Bond Discounts, Premiums, Reacquisition Costs, and Issuance Costs*

In the government-wide and proprietary fund financial statements, bond discounts/premiums are capitalized and amortized over the term of the related bonds. Such amounts are presented as part of the bond, notes and mortgages payable in the accompanying statements of net position. Gains/Losses resulting from the refunding of debt are also capitalized and amortized over the term of the related bonds using the straight-line method. Such amounts are presented as deferred inflows/outflows of resources in the accompanying statements of net position. Bond issuance costs, except the amount representing prepaid insurance, if any, are expensed as incurred.

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

(i) *Use of Estimates*

The preparation of financial statements in conformity with GAAP 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 expenditures during the reporting period. Actual results could differ from those estimates.

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2014

(3) Receivables

(a) Property Taxes

Real and personal property taxes are based on values assessed as of each January 1 and are due in quarterly installments on August 1, November 1, February 1, and May 1. By law, all taxable property in the Commonwealth must be assessed at 100% of fair cash value. Taxes due and unpaid after the respective due dates are subject to interest and penalties. The City has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables in the fiscal year of the levy.

A statewide tax limitation statute known as “Proposition 2½” limits the property tax levy to an amount equal to 2½% of the value of all taxable property in the City. A secondary limitation is that no levy in a fiscal year may exceed the preceding year’s allowable tax levy by more than 2½%, plus taxes levied on certain property newly added to the tax rolls. Certain Proposition 2½ taxing limitations can be overridden by a City-wide referendum vote.

(b) Note Receivable

In January 2002, the City issued an \$8.0 million note (the Note) to the Brockton 21st Century Corporation (the Corporation), to partially finance the construction of a 4,700 seat baseball stadium for minor league baseball and a 14,000 square-foot conference center.

The Corporation was created by a special act (the Act) of the Massachusetts Legislature in 1993 to serve as a private Corporation for economic development in the City; costs of the activities of the corporation pursuant to the Act qualify as public purpose expenditures.

The facilities are leased by the Corporation to a private third party who operates both the conference center and a minor league baseball team.

The Note was financed with the issuance of a like amount of taxable bonds.

The Note matures in fiscal year 2022, has an effective interest rate of 6.31%, and is secured by the stadium, related conference center, and all stadium-generated lease revenues paid to the corporation, and almost all conference center lease revenues. The scheduled principal payments are as follows:

Fiscal year:		
2015	\$	183,007
2016		194,564
2017		206,850
2018		219,913
2019		233,800
2020 – 2022		<u>5,926,705</u>
Total	\$	<u><u>6,964,839</u></u>

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2014

The Note provides that in the event that the project revenues are insufficient to fully satisfy both principal and interest payments due for a particular a year, the City will look to the amount of the hotel motel excise tax receipts of the previous year for a mechanism to provide a credit (available hotel/motel tax) to apply to the shortfall. Specifically, the Agreement specifies that the amount of loan repayment shortfall should be treated as having been paid up to the amount of the available hotel/motel tax. This amount is defined as ninety percent of the hotel/motel tax receipts of the prior fiscal year up to and including the first \$500,000 and fifty percent of the amount above \$500,000. It has been the City's practice to apply cash loan repayments from the Corporation first to principal amounts due and then to interest amounts due. The available hotel/motel tax subsidy is then applied.

Fiscal year 2013 was the first year that the cash payments had not been sufficient to satisfy the principal amounts. Fiscal year 2014 was the second year that the cash payments had not been sufficient to satisfy the principal amounts. The available hotel/motel tax has been applied to principal and interest payments due.

The baseball stadium and conference center is constructed on City-owned land that has been leased to the Corporation for an annual ground lease payment of \$10 for the term of the Note, after which time the lease payment amount will be based upon fair market value.

(c) Long-Term Receivable

The City participates in the Commonwealth's school building assistance program, which is administered by the Massachusetts School Building Authority (MSBA). The MSBA provides financial assistance (90% of total costs) to the City to build and/or renovate schools. As of June 30, 2014, under MSBA's contract assistance program, the City was due funds totaling \$10,975,956.

In the General Fund, the receivable is offset by deferred revenue because the revenue is not considered available. The following is a schedule of the five-year paydown as of June 30, 2014 through 2019, and in five-year increments thereafter:

Fiscal year:		
2015	\$	2,597,546
2016		2,597,546
2017		2,597,546
2018		1,061,106
2019		1,061,106
2020		1,061,106
		<hr/>
Total	\$	<u>10,975,956</u>

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2014

(d) Intergovernmental Receivables

Massachusetts Clean Water Trust (MCWT)

In order to fund continuous upgrades to the City's wastewater treatment plant, the City has entered into loan agreements with the MCWT (formerly the Massachusetts Water Pollution Abatement Trust). When the loan agreements are executed, the City is responsible for paying the debt service on the loan. However, the City does not receive all loan proceeds when the loan agreements are executed.

The City annually enters into loan agreements with MCWT for the purposes of upgrading water and sewer infrastructure. The City records the entire amount of the loan at inception; however, the proceeds from the loan are not received until such time the work is performed. As of June 30, 2014, the City has recorded receivables in its Water enterprise fund totaling approximately \$1,144,000, representing the amount of loan proceeds not yet received from the MCWT.

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2014

(4) Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

Primary Government

	Beginning balance	Increases	Decreases	Ending balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 7,410,698	—	—	7,410,698
Construction in progress	34,492,520	948,432	34,345,866	1,095,086
Historical works of art	1,809,514	—	—	1,809,514
Total capital assets, not being depreciated	43,712,732	948,432	34,345,866	10,315,298
Capital assets, being depreciated:				
Buildings	204,260,101	34,119,437	—	238,379,538
Land improvements	10,351,104	706,718	—	11,057,822
Machinery and equipment	24,781,890	760,796	—	25,542,686
Infrastructure	95,748,089	1,981,213	—	97,729,302
Total capital assets, being depreciated	335,141,184	37,568,164	—	372,709,348
Less accumulated depreciation for:				
Buildings	82,192,571	5,146,805	—	87,339,376
Land improvements	6,502,915	328,607	—	6,831,522
Machinery and equipment	20,224,721	1,149,910	—	21,374,631
Infrastructure	72,648,375	2,863,985	—	75,512,360
Total accumulated depreciation	181,568,582	9,489,307	—	191,057,889
Total capital assets, being depreciated, net	153,572,602	28,078,857	—	181,651,459
Governmental capital assets, net	\$ 197,285,334	29,027,289	34,345,866	191,966,757

Depreciation expense was charged to governmental functions as follows:

Governmental activities:	
General government	\$ 336,289
Public safety	1,205,575
Public works	2,649,927
Education	4,932,107
Human services	96,777
Culture and recreation	268,632
	<hr/>
Total depreciation expense – governmental activities	\$ 9,489,307

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2014

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Water:				
Capital assets, not being depreciated:				
Land	\$ 2,929,492	—	—	2,929,492
Construction in progress	<u>9,089,664</u>	<u>1,560,093</u>	<u>6,525,982</u>	<u>4,123,775</u>
Total capital assets, not being depreciated	<u>12,019,156</u>	<u>1,560,093</u>	<u>6,525,982</u>	<u>7,053,267</u>
Capital assets, being depreciated:				
Buildings	27,775,245	—	—	27,775,245
Land improvements	105,700	—	—	105,700
Machinery and equipment	10,589,030	6,525,982	—	17,115,012
Infrastructure	<u>32,395,539</u>	<u>—</u>	<u>—</u>	<u>32,395,539</u>
Total capital assets, being depreciated	<u>70,865,514</u>	<u>6,525,982</u>	<u>—</u>	<u>77,391,496</u>
Less accumulated depreciation for:				
Buildings	4,104,142	679,879	—	4,784,021
Land improvements	104,411	860	—	105,271
Machinery and equipment	9,398,055	697,943	—	10,095,998
Infrastructure	<u>16,537,439</u>	<u>569,520</u>	<u>—</u>	<u>17,106,959</u>
Total accumulated depreciation	<u>30,144,047</u>	<u>1,948,202</u>	<u>—</u>	<u>32,092,249</u>
Total capital assets being depreciated, net	<u>40,721,467</u>	<u>4,577,780</u>	<u>—</u>	<u>45,299,247</u>
Water capital assets, net	<u>52,740,623</u>	<u>6,137,873</u>	<u>6,525,982</u>	<u>52,352,514</u>

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2014

Sewer:

Capital assets, not being depreciated:

Land	\$ 186,327	—	—	186,327
Construction in progress	555,043	4,301,627	—	4,856,670
Total capital assets, not being depreciated	741,370	4,301,627	—	5,042,997

Capital assets, being depreciated:

Buildings	137,380,163	66,969	—	137,447,132
Land improvements	258,000	—	—	258,000
Machinery and equipment	43,238,154	133,943	—	43,372,097
Infrastructure	38,056,640	—	—	38,056,640
Total capital assets, being depreciated	218,932,957	200,912	—	219,133,869

Less accumulated depreciation for:

Buildings	27,258,419	3,434,629	—	30,693,048
Land improvements	258,000	—	—	258,000
Machinery and equipment	42,317,965	209,459	—	42,527,424
Infrastructure	24,403,255	621,489	—	25,024,744
Total accumulated depreciation	94,237,639	4,265,577	—	98,503,216

Total capital assets

being depreciated, net	124,695,318	(4,064,665)	—	120,630,653
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Sewer capital assets, net

	125,436,688	236,962	—	125,673,650
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Other:

Capital assets, not being depreciated:

Land	130,359	—	—	130,359
Construction in progress	80,313	—	12,150	68,163
Total capital assets, not being depreciated	210,672	—	12,150	198,522

Capital assets, being depreciated:

Buildings	905,875	—	—	905,875
Land improvements	32,459,301	—	—	32,459,301
Machinery and equipment	2,900,345	609,471	—	3,509,816
Infrastructure	6,865,192	195,650	—	7,060,842
Total capital assets, being depreciated	43,130,713	805,121	—	43,935,834

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2014

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Less accumulated depreciation for:				
Buildings	\$ 540,840	18,815	—	559,655
Land improvements	32,081,894	46,175	—	32,128,069
Machinery and equipment	2,346,202	175,230	—	2,521,432
Infrastructure	2,819,173	115,907	—	2,935,080
Total accumulated depreciation	<u>37,788,109</u>	<u>356,127</u>	<u>—</u>	<u>38,144,236</u>
Total capital assets being depreciated, net	<u>5,342,604</u>	<u>448,994</u>	<u>—</u>	<u>5,791,598</u>
Other capital assets, net	<u>5,553,276</u>	<u>448,994</u>	<u>12,150</u>	<u>5,990,120</u>
Business-type activities capital assets, net	<u>\$ 183,730,587</u>	<u>6,823,829</u>	<u>6,538,132</u>	<u>184,016,284</u>

(5) Deposits and Investments

The following represents the City’s essential risk information about deposits and investments.

(a) Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the City’s deposits may not be returned. The City carries deposits that are insured by Federal Deposit Insurance Corporation (FDIC) insurance or collateralized with securities held by the City or the City’s agent in the City’s name. The City also carries deposits that are not collateralized and are uninsured. As of June 30, 2014, the City’s bank balances of uninsured and uncollateralized deposits totaled \$117,135,520. All of the Retirement System’s deposits are fully insured.

(b) Investment Policy

The municipal finance laws of the Commonwealth authorize the City to invest temporarily idle cash in bank term deposits and certificates of deposits, and treasury and agency obligations of the United States government, with maturities of one year or less; U.S. treasury or agency repurchase agreements with maturities of not more than 90 days; money market accounts; and the state treasurer’s investment pool – the Massachusetts Municipal Depository Trust (MMDT). The Treasurer also has expanded investment powers as it relates to certain trust funds (as defined by the Commonwealth), permanent funds and fiduciary funds.

The MMDT meets the criteria of an external investment pool and operates in accordance with applicable state laws and regulations. The Treasurer of the Commonwealth serves as Trustee. The reported value of the pool is the same as the fair value of pool shares.

The provisions of Massachusetts General Laws (M.G.L.) c. 32, sec 23(2) govern the Pension System’s investment practice.

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2014

Diversification is attained through varied investment management styles that comply with Massachusetts state law. This is accomplished through the retention of investment managers that adhere to M.G.L. c. 32, sec 23(3), the “Prudent Person” rule, which permits (among other things) the investment in corporate bonds, equities, alternative and real estate investments.

(c) Interest Rate Risk

The following is a listing of the City’s fixed-income investments and related maturity schedule (in years) as of June 30, 2014 for the primary government and December 31, 2013 for the retirement system (in thousands):

<u>Investment type</u>	<u>Fair value</u>	<u>Less than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More than 10</u>
Retirement system:					
Short-term investment fund	\$ 10,234,653	10,234,653	—	—	—
U.S. Treasury notes and bonds	10,271,034	1,489,811	2,947,226	1,560,209	4,273,788
U.S. agencies	918,575	—	918,575	—	—
Municipal bonds	438,794	—	225,692	—	213,102
Corporate bonds	64,782,669	385,353	20,894,364	27,513,800	15,989,152
Convertible bonds	3,835,495	—	1,152,118	1,154,842	1,528,535
Pooled funds – domestic	3,034,448	3,034,448	—	—	—
Pooled funds – international	21,095,772	21,095,772	—	—	—
Asset backed:	—	—	—	—	—
CMOs	4,634,561	—	1,596,067	—	3,038,494
Other	37,458	—	—	—	37,458
Subtotal	<u>119,283,459</u>	<u>36,240,037</u>	<u>27,734,042</u>	<u>30,228,851</u>	<u>25,080,529</u>
City:					
U.S. Treasury notes and bonds	579,852	50,907	474,277	54,668	—
U.S. agencies	1,327,507	125,872	886,063	315,572	—
Corporate bonds	538,430	50,969	487,461	—	—
MMDT	10,353,615	10,353,615	—	—	—
Subtotal	<u>12,799,404</u>	<u>10,581,363</u>	<u>1,847,801</u>	<u>370,240</u>	<u>—</u>
Total	<u>\$ 132,082,863</u>	<u>46,821,400</u>	<u>29,581,843</u>	<u>30,599,091</u>	<u>25,080,529</u>

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

The asset backed investments held by the System as of December 31, 2013 are highly sensitive to changes in interest rates.

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2014

(d) Credit Risk

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

The City’s fixed-income investments as of June 30, 2014 for the primary government and December 31, 2013 for the retirement system were rated by Standard & Poor’s and/or an equivalent national rating organization, and the ratings are presented below using the Standard and Poor’s rating scale:

<u>Investment type</u>	<u>Fair value</u>	<u>AAA to A</u>	<u>BBB to B</u>	<u>CCC</u>	<u>Not rated</u>
Retirement system:					
Short-term investment fund	\$ 10,234,653	—	—	—	10,234,653
U.S. agencies	918,575	918,575	—	—	—
Municipal bonds	438,794	438,794	—	—	—
Corporate bonds	64,782,669	20,560,883	40,376,627	571,450	3,273,709
Convertible bonds	3,835,495	440,382	3,019,315	—	375,798
Pooled funds – domestic	3,034,448	—	—	—	3,034,448
Pooled funds – international	21,095,772	—	—	—	21,095,772
Asset backed:	—				
CMO’s	4,634,561	1,499,531	873,460	—	2,261,570
Other	37,458	37,458	—	—	—
Subtotal	<u>109,012,425</u>	<u>23,895,623</u>	<u>44,269,402</u>	<u>571,450</u>	<u>40,275,950</u>
City:					
U.S. agencies	1,327,507	1,327,507	—	—	—
Corporate Bonds	538,430	418,548	—	—	119,882
MMDT	10,353,615	—	—	—	10,353,615
Subtotal	<u>12,219,552</u>	<u>1,746,055</u>	<u>—</u>	<u>—</u>	<u>10,473,497</u>
Total	<u>\$ 121,231,977</u>	<u>25,641,678</u>	<u>44,269,402</u>	<u>571,450</u>	<u>50,749,447</u>

In addition to the above schedule, the City and the System have \$579,852 and \$10,271,034, respectively, invested in U.S. government securities, which are not included above as they are explicitly guaranteed by the U.S. government.

(e) Concentration Risk

The System has no investments in a single issuer, at fair value, that exceed 5% of the System’s investments as of December 31, 2013. Additionally, the City has no investments in a single issuer, at fair value, that exceed 5% of the City’s net position as of June 30, 2014.

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

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2014

(f) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Only the retirement system is statutorily allowed to invest in foreign currency securities. Similar to the investments in domestic equities, the City employs, or encourages its investment advisor to employ, diversification, asset allocation, and quality strategies.

Currency hedging is permitted for defensive purposes. Currency hedging shall be effected through the use of forward currency contracts. At December 31, 2013, there were no open forward currency contracts.

Risk of loss arises from changes in currency exchange rates. Although the System does not have investments denominated in foreign currencies, the System's exposure to fluctuations in foreign currency for investments denominated in U.S. dollars includes \$21,095,772 in international pooled fixed income and equity funds, respectively.

(6) Retirement System

(a) Plan Description

The City contributes to the System, an agent, multiple-employer, public employee retirement system that acts as the investment and administrative agent for the City, the Brockton Housing Authority, the Brockton Redevelopment Authority and the Brockton Area Transit Authority. The System provides retirement, disability, and death benefits to plan members and beneficiaries. The System is governed by Chapter 32 of the MGL. The System is overseen by an independent five-member board consisting of the following: Chairperson, City Auditor (Ex-Officio), Mayoral appointment, a member elected by the System members and a member elected by the other board members. Public school teachers are covered by the Commonwealth of Massachusetts Teachers' Retirement System, to which the City does not contribute.

(b) Basis of Accounting

The System's financial statements are prepared using the 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 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) Domestic and international bonds and equity securities are stated at a quoted market value.
- (b) Real estate funds are stated at appraised value or partner's account value, whichever is more readily determinable.
- (c) Venture capital funds are stated at fair value.

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2014

(d) Domestic and international pooled funds are stated a net position value.

(c) **Membership**

The City's membership in the System consisted of the following at January 1, 2014, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	1,261
Terminated plan members entitled to but not receiving benefits	394
Active plan members	1,730
Total membership	3,385

(d) **Contributions**

Plan members are required to contribute to the System, depending on their employment date. Active members contribute 5%, 7%, 8%, or 9% of their regular gross compensation depending on the date upon which their membership began. Members hired after January 1, 1979 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. The contributions of plan members and the participating employers are governed by Chapter 32 of the MGL.

The following table presents the schedule of the City's contributions:

Fiscal year ending	Annual required contribution	Interest on net pension asset	Amortization of net pension asset	Pension cost	Actual contribution	Change in net pension asset	Net pension asset
2014	\$ 16,075,286	(7,006,681)	6,928,064	15,996,669	16,075,286	78,617	87,662,128
2013	15,476,710	(6,975,802)	6,589,821	15,090,729	15,476,710	385,981	87,583,511
2012	12,731,589	(6,922,931)	6,027,905	11,836,563	12,742,561	905,998	87,442,640

The System's Retirement Board, the City Council and the Mayor approved the option for local funding of cost-of-living adjustments. The System's funding schedule has been updated to reflect the increased liabilities resulting from the adoption of this option. These cost-of-living adjustments will be awarded automatically each year, except in years in which the Retirement Board determines that such an adjustment would substantially impair the funding schedule.

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2014

(e) **Reserve Accounts**

The balances in the System's reserves at December 31, 2013 are as follows:

<u>Description</u>	<u>Amount</u>	<u>Purpose</u>
Annuity Savings Fund	\$ 82,372,774	Active members' contribution balance
Annuity Reserve Fund	26,799,027	Retired members' contribution account
Military Service Credit	98,615	Members' contribution account while on military leave
Pension Reserve Fund	270,871,696	Amounts to fund future retirement benefits
Pension Fund	(12,735,858)	Remaining net assets
Total	<u>\$ 367,406,254</u>	

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

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

The funded status of the City's pension plan administered by the System as of January 1, 2014, the most recent actuarial valuation date, is as follows (in thousands):

Actuarially accrued liability (AAL)	\$ 529,526
Actuarial value of plan assets	<u>355,691</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 173,835</u>
Funded ratio (actuarial value of plan assets/AAL)	67.2%
Covered payroll (active plan members)	\$ 73,757
UAAL as a percentage of covered payroll	235.7%

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL's for benefits.

In the January 1, 2014 actuarial valuation, the individual entry age normal actuarial cost method was used. The actuarial assumptions included an 8.0% investment rate of return, projected salary increases of 3.75% and cost-of-living adjustments of 3.0% up to \$12,000 annually. The actuarial value of assets was determined using a 5 year smoothing of the fair value of investments. The System's unfunded actuarial accrued liability is being amortized as a level percentage of pay on an open basis. The remaining amortization period at January 1, 2014 was 19 years.

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2014

(7) Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2014:

<u>General long-term obligations</u>	<u>Maturing through year ended June 30</u>	<u>Interest percentage range</u>	<u>Outstanding beginning of year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding end of year</u>
Governmental activities:						
General:						
Taxable	2028	(4.75% – 6.45%)	\$ 94,805,000	—	1,765,000	93,040,000
General obligation	2035	(3.00% – 6.75%)	29,012,800	6,838,000	4,021,900	31,828,900
Subtotal			\$ 123,817,800	6,838,000	5,786,900	124,868,900
Add (deduct):						
Unamortized bond premium						1,027,214
Total governmental activities bonded debt, net						125,896,114

Subsequent to year-end the City issued \$7,338,000 of general obligation bonds for land acquisition (\$500,000) and to permanently finance \$6,838,000 in BAN's outstanding at June 30, 2014. As such, the \$6,838,000 is presented as long-term debt.

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2014

<u>General long-term obligations</u>	<u>Maturing through year ended June 30</u>	<u>Interest percentage range</u>	<u>Outstanding beginning of year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding end of year</u>
Business-type activities:						
Water	2035	(3.00% – 7.75%)	\$ 27,170,518	915,000	1,775,883	26,309,635
Sewer	2031	(2.00% – 6.75%)	75,727,394	—	5,110,005	70,617,389
Other	2024	(3.80% – 6.00%)	1,150,000	—	150,000	1,000,000
Subtotal			<u>\$ 104,047,912</u>	<u>915,000</u>	<u>7,035,888</u>	<u>97,927,024</u>
Add (deduct):						
Unamortized bond premium						<u>848,179</u>
Total business-type activities bonded debt, net						<u>98,775,203</u>
Total bonded debt, net						<u>\$ 224,617,317</u>
Other long-term obligations:						
Self-insured benefit plans:						
Governmental activities			\$ 6,827,165	302,629	139,944	6,989,850
Business-type activities:						
Water			1,006,732	92,206		1,098,938
Sewer			2,438,681	84,445		2,523,126
Other			2,287,366	17,465		2,304,831
Compensated absences, net:						
Governmental activities			10,898,442	232,718	371,289	10,759,871
Business-type activities:						
Water			379,089		53,046	326,043
Sewer			130,046	2,566	—	132,612
Other			132,993	3,982		136,975
Landfill closure and postclosure care costs:						
Governmental activities			2,868,547	—	141,221	2,727,326
Business-type activities:						
Sewer			1,150,000	23,000	—	1,173,000
Other post employment benefits						
Governmental activities			<u>184,364,092</u>	<u>35,244,550</u>	<u>14,971,842</u>	<u>204,636,800</u>
Total other long-term obligations			<u>\$ 212,483,153</u>	<u>36,003,561</u>	<u>15,677,342</u>	<u>232,809,372</u>

During 2014, the City issued \$915,000 in MCWT bonds for the water fund to fund water system improvements. Interest on the bonds will be payable semiannually on July 15 and January 15, commencing on July 15, 2015. The interest rates are 2% are due serially through January 15, 2035.

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2014

Maturity of Bond Indebtedness

Bond indebtedness outstanding at June 30, 2014 matures as follows:

	Governmental activities		
	Principal	Interest	Total
Year ending June 30:			
2015	\$ 6,336,650	6,164,661	12,501,311
2016	7,347,375	5,966,006	13,313,381
2017	8,118,000	5,608,116	13,726,116
2018	5,976,875	5,204,580	11,181,455
2019	6,675,000	4,894,879	11,569,879
2020 – 2024	38,820,000	18,744,459	57,564,459
2025 – 2029	48,700,000	6,148,246	54,848,246
2030 – 2034	2,555,000	282,575	2,837,575
2035 – 2039	340,000	6,600	346,600
	<u>\$ 124,868,900</u>	<u>53,020,122</u>	<u>177,889,022</u>

	Water		Sewer	
	Principal	Interest	Principal	Interest
Year ending June 30:				
2015	\$ 1,638,649	558,266	5,219,137	1,725,710
2016	1,739,470	551,243	5,242,081	1,578,070
2017	1,768,637	502,572	5,359,041	1,418,027
2018	1,794,116	455,942	5,346,533	1,266,141
2019	1,679,619	409,695	5,334,485	1,120,405
2020 – 2024	8,384,393	1,433,277	27,330,875	3,469,548
2025 – 2029	7,068,810	545,301	15,641,971	617,830
2030 – 2034	2,119,554	114,571	1,143,266	22,980
2035 – 2039	116,387	2,328	—	—
	<u>\$ 26,309,635</u>	<u>4,573,195</u>	<u>70,617,389</u>	<u>11,218,711</u>

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2014

	Business-type activities			
	Other		Total	
	Principal	Interest	Principal	Interest
Year ending June 30:				
2015	\$ 100,000	—	6,957,786	2,283,976
2016	100,000	—	7,081,551	2,129,313
2017	100,000	—	7,227,678	1,920,599
2018	100,000	—	7,240,649	1,722,083
2019	100,000	—	7,114,104	1,530,100
2020 – 2024	500,000	—	36,215,269	4,902,825
2025 – 2029	—	—	22,710,781	1,163,131
2030 – 2034	—	—	3,262,819	137,551
2031 – 2035	—	—	116,387	2,328
	<u>\$ 1,000,000</u>	<u>—</u>	<u>97,927,024</u>	<u>15,791,906</u>

The City has entered into loan agreements with the MCWT to finance certain water and wastewater related capital improvements. Since the City is legally obligated for the total debt amounts, the full liability has been recorded in the Water and Sewer funds in the accompanying basic financial statements. The City expects to receive \$302,910 and \$2,273,741 of Water and Sewer principal and interest subsidies, respectively, from MWPAT over the remaining life of the loans as follows:

	Business-type activities					
	Water		Sewer		Total	
	Principal subsidy	Interest subsidy	Principal subsidy	Interest subsidy	Principal subsidy	Interest subsidy
Year ending June 30:						
2015	\$ 19,393	18,256	113,993	268,598	133,386	286,854
2016	20,456	16,176	71,883	245,443	92,339	261,619
2017	21,794	13,454	73,951	223,890	95,745	237,344
2018	22,218	12,560	50,448	200,110	72,666	212,670
2019	22,129	12,654	51,661	182,914	73,790	195,568
2020 – 2024	102,927	20,893	139,253	573,209	242,180	594,102
2025 – 2029	—	—	78,388	—	78,388	—
Total	<u>\$ 208,917</u>	<u>93,993</u>	<u>579,577</u>	<u>1,694,164</u>	<u>788,494</u>	<u>1,788,157</u>

The City is subject to a dual-level general debt limit; the normal debt limit and the double-debt limit. Such limits are equal to 2½% 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.

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2014

As of June 30, 2014, the City may issue approximately \$279.4 million of additional general-obligation debt under the normal debt limit. The City has approximately \$200.8 million of debt exempt from the debt limit.

As of June 30, 2014, the City has total authorized unissued debt of \$76.2 million. The remaining authorized unissued debt is intended to finance the following:

Land Acquisition	500,000
School refunding	950,000
Refunding	2,430,000
Pension funding	47,710,000
Water projects	5,278,677
Sewer projects	220,779
Economic development	1,000,000
	<hr/>
	\$ 76,194,894
	<hr/> <hr/>

In previous fiscal years, the City defeased certain debt where there were losses on the refunding transactions. These losses are being amortized over the shorter of the life of the refunding bonds and the refunded bonds and are reported as deferred outflows of resources in the government-wide and proprietary funds financial statements. The total deferred outflows reported at June 30, 2014 totals \$347,494.

(8) Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require that the City place a final cover on its landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure. In addition to operating expenses related to current activities of the landfill sites, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfills no longer accept waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfills used during the year. The estimated liability for landfill closure and postclosure care costs is based on the percent usage (filled) of the landfills and is as follows at June 30, 2014:

	Governmental activities	Business-type activities (Sewer fund)
	<hr/>	<hr/>
Closure and postclosure care costs	\$ 2,727,326	1,173,000
Percentage usage (filled)	100.00%	51.00%

It is estimated that an additional \$1,127,000 will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the Sewer fund landfill is currently expected to be filled to capacity (the year 2047).

The landfill liability recorded by the governmental activities represents postclosure care costs only, as the closure costs have been contractually assumed by a third party in exchange for the future use of the landfill

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2014

site. As of June 30, 2009, the landfill was closed and the City began to incur postclosure care costs in fiscal year 2009.

The third party has placed an irrevocable letter of credit in the amount of \$5,485,000 in trust to provide assurance that funds will be available when needed for closure, maintenance, and/or corrective action.

The estimated total current cost of the landfill closure and postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfills were acquired as of June 30, 2014. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

(9) Temporary Borrowings

Under state law and by authorization of the City Council, the City is authorized to borrow on a temporary basis to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue anticipation notes (RANs);
- Capital project costs incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANs); and
- Federal and state-aided capital projects and other program expenditures prior to receiving reimbursement through issuance of federal and state-aid anticipation notes (FANs and SANs).

Temporary loans are general obligations of the City and carry maturity dates which are limited by statute.

Short-term debt activity for the year ended June 30, 2014 was as follows:

	Outstanding as of June 30, 2013	Additions	Reductions	Outstanding as of June 30, 2014
Bond anticipation notes payable:				
Governmental activities:				
School roof repairs fund:				
School construction	\$ 7,000,000	6,900,000	13,838,000	62,000

Subsequent to year-end, the City retired the BAN outstanding with available funds.

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2014

(10) Operating Transfers

Operating transfers and their purposes during the year ended June 30, 2014 were as follows:

	Governmental funds		Enterprise funds		
	General	Other	Water	Sewer	Other
Water receipts – in lieu of taxes	\$ (639,147)	—	639,147	—	—
Sewer receipts – in lieu of taxes	1,213,098	—	—	(1,213,098)	—
Other Enterprise receipts – in lieu of taxes	(106,168)	—	—	—	106,168
General fund revenue – recreation subsidy	(435,000)	—	—	—	435,000
General fund revenue – recreation additional foreman	(50,000)	—	—	—	50,000
General fund revenue – Sewer, renewable energy and recreation debt service costs	(219,850)	—	—	68,350	151,500
Water Enterprise - Reserve for Costs	300,000	—	(300,000)	—	—
Sewer Enterprise - Reclass PO from Special Revenue	—	(39,995)	—	39,995	—
Special revenue fund – Fund Recreation Capital Purchases	—	(145,905)	—	—	145,905
Parking authority reserve – parking authority	328,317	(328,317)	—	—	—
Parking meter fees – parking authority	296,883	(296,883)	—	—	—
Weights and Measures – Personal Services	40,451	(40,451)	—	—	—
Cemetery – Capital	150,000	(150,000)	—	—	—
Transfer of Ambulance Fees for Capital	207,180	(207,180)	—	—	—
Transfer of Ambulance Fees - Dispatch System	312,702	(312,702)	—	—	—
Special revenue fund - Reclass Prior year	8,871	(8,871)	—	—	—
Special revenue fund - Reimburse General Fur	46,469	(46,469)	—	—	—
General Fund - Deficit Ineligible Costs	(977)	977	—	—	—
General Fund revenue - Transfer of cable agreement reimbursement to Special Revenue Fund	(422,772)	422,772	—	—	—
Total	\$ 1,030,057	(1,153,024)	339,147	(1,104,753)	888,573

(11) Other Postemployment Benefit (OPEB) Disclosures

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, requires governments to account for other postemployment benefits, primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. Accordingly, actuarially required contributions are recognized as an expense on the government-wide statement of activities when a future retiree earns their postemployment benefit rather than when they use their postemployment benefit. To the extent that an entity does not fund their actuarially required contribution, a postemployment benefit liability is recognized on the government-wide statement of net position over time.

In addition to the pension benefits described in note 6, the City provides postemployment health care and life insurance benefits, in accordance with state statute and City ordinance, to participating retirees and their beneficiaries.

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2014

As of June 30, 2014, the valuation date, 3,066 retirees and 3,108 active members meet the eligibility requirements as put forth in Chapter 32B of MGL. The City sponsors and participates in a single employer defined benefit OPEB plan. The OPEB plan is administered by the City and does not issue a stand-alone financial report.

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

Groups 1 and 2 retirees, including teachers, with at least 10 years or 20 years of creditable service are eligible at age 55 or any age, respectively. Group 4 retirees with at least 10 years or 20 years of creditable service are eligible at age 45 or any age, respectively. Retirees on ordinary or accidental disability retirement are eligible at any age while ordinary disability requires 10 years of creditable service. The surviving spouse is eligible to receive both pre-retirement and post-retirement death benefits, as well as medical and prescription drug coverage.

(a) *Funding Policy*

Employer and employee contribution rates are governed by the respective collective bargaining agreements. The City currently funds the plan on a pay-as-you-go basis. The City and plan members share the cost of benefits. As of June 30, 2014, the valuation date, the plan members contribute 10% to 25% of the monthly premium cost, depending on the plan in which they are enrolled. The City contributes the balance of the premium cost.

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

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

The following table shows the components of the City's annual OPEB cost for the year ending June 30, 2014, the amount actually contributed to the plan, and the change in the City's net OPEB obligation based on an actuarial valuation as of June 30, 2014:

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2014

Annual Required Contribution (ARC)	\$ 35,344,029
Interest on net OPEB obligation	7,374,564
Adjustment to ARC	<u>(7,474,043)</u>
Annual OPEB cost	35,244,550
Contributions made	<u>(14,971,842)</u>
Change in net OPEB obligation	20,272,708
Net OPEB obligation – beginning of year	<u>184,364,092</u>
Net OPEB obligation – end of year	\$ <u><u>204,636,800</u></u>

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

	<u>Annual OPEB cost</u>	<u>Percentage of OPEB cost contributed</u>	<u>Net OPEB obligation</u>
Fiscal year ended:			
2014	\$ 35,244,550	42.48%	\$ 204,636,800

The City’s net OPEB obligation as of June 30, 2014 is recorded on the government-wide statement of net position.

(c) Funded Status and Funding Progress

The funded status of the plan as of June 30, 2014, based on an actuarial valuation as of June 30, 2014, was as follows (in thousands):

Actuarially accrued liability (AAL)	\$ 416,955
Actuarial value of plan assets	<u>—</u>
Unfunded actuarial accrued liability (UAAL)	\$ <u><u>416,955</u></u>
Funded ratio (actuarial value of plan assets/AAL)	—%
Covered payroll (active plan members)	\$ 190,904
UAAL as a percentage of covered payroll	218.4%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the Commission are subject to continual revision as actual results are compared with past expectations and new estimates

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2014

are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

(d) Actuarial Methods and Assumptions

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

In the June 30, 2014 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.00% investment rate of return and an annual health care cost trend rate of 7.5%, reduced by decrements to an ultimate rate of 5% after 5 years, and the RP-2000 mortality table. The City's unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis assuming 4.5% increases. The remaining amortization period at June 30, 2014 was thirty years.

(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, and life insurance claims.

Buildings and property are insured against fire, theft, and natural disaster to the extent that losses exceed a deductible of \$250,000 per incident. Vehicle damage and loss is insured to \$1,000,000 with a deductible of \$1,000.

The City is self insured for workers' compensation and unemployment claims. The City is also self insured for those employees participating in the City's Health Care Plans (Health Care Plans). Approximately 75% of the City's employees participate in preferred provider Health Care Plans.

Both employees and the City contribute to the Health Care Plans based upon a percentage formula, 75% City and 25% employee. The retirees' contribution rate is 25%, except for those retirees who were 65 or older as of July 1, 2003 and whose annual household income was \$22,340 or less for a single person over 65 years of age, or \$30,260 for a two person household with one person over 65 years of age. For these retirees, the contribution rates is 15% for BCBS Medex II. The 15% rate was established through a Home Rule Petition voted and approved by the City Council and the Massachusetts General Court. Stop loss insurance is carried on the Health Care Plans for claims in excess of \$325,000 per covered person and \$2,000,000 maximum per covered person. The City maintains a working deposit with the administrator of its Blue Cross Blue Shield Health Care Plans. At June 30, 2014, that deposit was \$5.86 million, which includes Dental insurance. The financial arrangement with Harvard Pilgrim is monthly level funding of \$1.42 million with quarterly adjustments if necessary.

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2014

The City is insured for other types of general liability; however, Chapter 258 of the MGL limits the City’s 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. Claims settlements have not exceeded insurance covered in any of the past three years.

Liabilities for self-insured claims are reported if it is probable that a loss has been incurred and the amount can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Changes in the self-insurance liability for the years ended June 30, 2014 and 2013 were as follows:

	Workers’ compensation plan	Health care plans	Total
Balance at June 30, 2012	\$ 9,474,721	3,549,452	13,024,173
Provision for losses/change in estimate	707,512	46,909,989	47,617,501
Payments for claims	<u>(914,461)</u>	<u>(47,167,269)</u>	<u>(48,081,730)</u>
Balance at June 30, 2013	9,267,772	3,292,172	12,559,944
Provision for losses/change in estimate	1,192,354	45,503,819	46,696,173
Payments for claims	<u>(911,770)</u>	<u>(45,427,602)</u>	<u>(46,339,372)</u>
Balance at June 30, 2014	<u>\$ 9,548,356</u>	<u>3,368,389</u>	<u>12,916,745</u>

The liability for claims consists of governmental and business-type activities in the amount of approximately \$6,989,850 and \$5,926,895, respectively.

(13) Commitments

On May 22, 2001, the City entered into a Water Purchase Agreement (the Agreement) with Inima, Servicios Europeos De Medio Ambiente, S.A. (Inima), jointly with Bluestone Energy Services, operating as Aquaria.

This Agreement provides for obtaining additional water from Aquaria’s desalinization facility, which it designed, permitted, constructed, and operates. The plant employs conventional water treatment, followed by a reverse osmosis process to remove salinity. This will provide a minimum of five million gallons daily (MGD) of potable water and will be readily capable of expansion to ten MGD.

The Agreement expires in 2028 unless extended, renewed, or terminated. This Agreement may be renewed for up to 30 additional years in five year renewal terms.

Aquaria makes available to the City a minimum of the Firm Commitment of water on a daily and yearly average basis. The Firm Commitment begins at 1.9 MGD and increases over the 20 years to 4.07 MGD.

At the time that the contract was enacted the schedule for the City’s fixed purchase commitment resembled the projected growth in water demand for the City, but the schedule somewhat exceeded this curve,

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2014

especially in years three to eight. In recent years, water conservation measures and lack of economic growth have resulted in a demand curve, which is significantly less than that assumed in the fixed commitment table. As a result, the increased cost of financing the fixed commitment has fallen almost exclusively more heavily on current users, rather than on new water consumption, as was anticipated when the contract was executed. In the event that other water purchase contracts are executed, the City has the right to offset its fixed commitment to a minimum of 2.0 MGD with the volume commitment of other long term purchasers or the right to reduce by about 50%, on a gallon for gallon basis, its fixed price for its fixed volume commitment.

The rate charged to the City for the Firm Commitment is a fixed annual charge of \$167,480 per year per 0.1 MGD of the City's Firm Commitment; this charge is incurred regardless of whether the City takes the water. In addition, the City incurs an additional charge of \$1.23 per 1,000 gallons for water actually delivered. For example, with a firm commitment of 2.0 MGD plus actual usage of 1.0 MGD for an entire year, the City would pay nearly \$3.8 million. The financial obligation is primarily attached to the fixed price component. The rate structure is permitted to escalate with the Producer Price Index for Finished Goods, excluding food after three years of water delivery. Accordingly, escalation will begin, in the fourth year of the contract, which is at the end of 2013. Fixed and variable charges are recorded in the major Water fund when incurred, which totaled \$6.1 million in fiscal year 2014.

As of June 30, 2014, based on the current fixed annual charge, the City expects to pay \$95.9 million for its Firm Commitment as follows:

	<u>Amount</u>
Fiscal year:	
2015	\$ 5,962,288
2016	6,171,638
2017	6,380,988
2018	6,598,712
2019	6,816,436
2020 – 2024	34,082,180
2025 – 2029	29,859,778
	<u> —</u>
	<u>\$ 95,872,020</u>

(14) Fund Deficits

The following funds had deficit fund balances at June 30, 2014:

School Roof Repairs Fund	\$ 632
Other governmental funds:	
Special revenue:	
Education Grants	<u>82,520</u>
Total	<u>\$ 83,152</u>

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2014

(15) Fund Balance Classification Details

The components of fund balance for the City's governmental funds as of June 30, 2014 are as follows:

	<u>General</u>	<u>School Roof Repairs</u>	<u>Other Governmental</u>
Fund balances			
Nonspendable:			
Permanent fund principal	\$ —	—	6,412,349
Notes receivable	6,964,839	—	—
	<u>6,964,839</u>	<u>—</u>	<u>6,412,349</u>
Restricted for:			
General government	16,909,199	—	2,494,880
Human services	—	—	225,569
Public safety	—	—	1,927,976
Public works	—	—	4,807,845
Culture/recreation	—	—	503,681
Education	—	—	6,967,231
	<u>16,909,199</u>	<u>—</u>	<u>16,927,182</u>
Committed to:			
General government	13,443,957	—	—
Human services	—	—	582,631
Public safety	—	—	1,562,937
	<u>13,443,957</u>	<u>—</u>	<u>2,145,568</u>
Assigned to:			
General government	1,288,893	—	—
Human services	181,657	—	—
Public safety	298,138	—	—
Public works	931,149	—	—
Culture/recreation	69,300	—	—
Education	1,823,400	—	—
	<u>4,592,537</u>	<u>—</u>	<u>—</u>
Unassigned	<u>19,593,178</u>	<u>(632)</u>	<u>(82,520)</u>
Total fund balances	\$ <u>61,503,710</u>	<u>(632)</u>	<u>25,402,579</u>

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2014

The City maintains a stabilization account in accordance with MGL Chapter 40 Section 5B that is reported as unassigned fund balance in the general fund. The City may appropriate in any year an amount not exceeding 10% of the amount raised in the preceding fiscal year from real and personal property taxes, or a larger amount as approved by the Department of Revenue. Further, the stabilization account may not exceed 10% of the City's equalized valuation as defined in MGL Chapter 44 Section 1. Funds can be appropriated from or added to the stabilization account by 2/3 vote of City Council. The balance of the stabilization accounts was \$2.4 million at June 30, 2014.

Pursuant to Chapter 324 of the Acts of 1990, the City maintains a separate reserve for unforeseen and extraordinary expenditures. The purpose of the reserve is to ensure fiscal stability and must be maintained at a minimum balance of 1.5% of the gross amount raised on the prior year approved property tax filing. The balance of the reserve at June 30, 2014, totaled \$5.5 million, and is reported as restricted in the general fund.

(16) Prior Period Restatement

The beginning net position of the governmental activities has been restated to reflect the correction of an error related to an understatement of tax possessions. As a result, the governmental activities' beginning net position of \$68,312,225 has been restated to \$70,894,436.

(17) Future Implementation of GASB Pronouncements

In June 2012, GASB issued Statement No 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*. The implementation of this Statement, among other things, expands note disclosures and required supplementary information related to the Pension Trust.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made to the Measurement Date*. Statement No. 68 and 71 will require the City to recognize its long-term obligation for pension benefits. Although the City has not determined the amount of the pension liability, the amount is expected to be significant effect on its financial statements. The required implementation date is fiscal year 2015.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, which established accounting and financial reporting standards related to government combinations and disposals of government operations. Management does not believe implementation of this Statement will impact the basic financial statements.

CITY OF BROCKTON, MASSACHUSETTS

Budgetary Comparison Schedule – General Fund
Required Supplementary Information

Year Ended June 30, 2014

(Unaudited)

	Budgeted amounts		Actual amounts (budgetary basis)	Variance with final budget positive (negative)
	Original	Final		
Resources (inflows):				
Real and personal property taxes, net	\$ 114,295,344	114,295,344	117,623,416	3,328,072
Motor vehicle and other excise	6,655,000	6,655,000	7,393,772	738,772
Penalties and interest on taxes	1,730,000	1,730,000	2,125,904	395,904
Payments in lieu of taxes	145,000	145,000	232,710	87,710
User charges and other revenue	685,000	685,000	3,963,202	3,278,202
Fees	550,000	550,000	1,845,288	1,295,288
Licenses and permits	1,310,000	1,310,000	2,760,343	1,450,343
Intergovernmental	182,412,946	182,412,946	181,317,388	(1,095,558)
Fines	895,000	895,000	861,399	(33,601)
Investment income	120,000	120,000	127,868	7,868
Transfers in	7,806,606	10,346,416	10,701,756	355,340
	<u>316,604,896</u>	<u>319,144,706</u>	<u>328,953,046</u>	<u>9,808,340</u>
Amounts available for appropriation				
Charges to appropriations (outflows):				
Current:				
General government	16,194,202	16,194,202	15,905,613	288,589
Public safety	44,696,659	47,581,469	46,540,431	1,041,038
Education	167,275,457	167,275,457	167,250,662	24,795
Public works	7,052,011	7,052,011	7,722,400	(670,389)
Human services	2,559,781	2,559,781	2,308,060	251,721
Culture and recreation	2,214,493	2,214,493	2,086,778	127,715
State and county assessments	7,176,393	7,176,393	7,192,401	(16,008)
Pension and fringe benefits	66,450,022	66,450,022	62,951,394	3,498,628
Court judgment	150,000	150,000	326,353	(176,353)
Capital outlay	776,710	776,710	613,199	163,511
Debt service	12,395,017	12,395,017	12,289,234	105,783
Transfers out	2,755,060	2,755,060	3,174,309	(419,249)
	<u>329,695,805</u>	<u>332,580,615</u>	<u>328,360,834</u>	<u>4,219,781</u>
Total charges to appropriations				
Excess (deficiency) of resources over charges to appropriations	<u>(13,090,909)</u>	<u>(13,435,909)</u>	<u>\$ 592,212</u>	<u>14,028,121</u>
Other budget items:				
Free cash	13,318,577	13,318,577		
Other available funds	<u>(227,668)</u>	<u>117,332</u>		
Total other budget items	<u>13,090,909</u>	<u>13,435,909</u>		
Net budget	<u>\$ —</u>	<u>—</u>		

See notes to required supplementary information.

See accompanying independent auditors' report.

CITY OF BROCKTON, MASSACHUSETTS

Notes to Required Supplementary Information

June 30, 2014

(1) Budgetary Basis of Accounting

The City must establish its property tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2½ and also constitute that amount which will equal the sum of (a) the aggregate of all annual appropriations for expenditures and transfers, plus (b) provision for the prior fiscal year's deficits, if any, less (c) the aggregate of all nonproperty tax revenue and transfers projected to be received by the City, including available surplus funds.

The budgets for all departments and operations of the City, except that of public schools, are prepared under the direction of the Mayor. The School Department budget is prepared by the School Committee. Original and supplemental appropriations are submitted by the Mayor and approved by the City Council. The Finance Department independently develops revenue estimates, which effectively limit total expenditures consistent with the City's Chief Financial Officer's requirement under Chapter 324 of the Acts of 1990 to certify the affordability of spending requests.

The City's annual budget is prepared on a basis other than GAAP. The "actual" amounts column of the Budgetary Comparison Schedule is presented on a "budgetary basis" to provide a meaningful comparison with the budget. The major differences between the budget and GAAP bases are that:

- (a) Budgeted revenues are recorded when cash is received, as opposed to when susceptible to accrual (GAAP).
- (b) Encumbrances and continuing appropriations are recorded as the equivalent of expenditures (budget), as opposed to an assignment of fund balance (GAAP).

(2) Expenditures in Excess of Budget

In fiscal year 2014, the City had Snow and Ice (reported as part of Public Works) expenditures of (\$944,263), Court Judgements expenditures of (\$176,353) and State and County Assessments of (\$16,008) in excess of budgeted appropriations.

(Continued)

CITY OF BROCKTON, MASSACHUSETTS

Notes to Required Supplementary Information

June 30, 2014

(3) Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures – General Fund

Budgetary inflows and GAAP revenues:

Actual amounts (budgetary basis) “amounts available for appropriation” from the budgetary comparison schedule	\$ 328,953,046
Differences – budget to GAAP:	
Property and excise taxes and intergovernmental revenues are reported as a budgetary resource on the cash basis, rather than on the modified accrual basis	(586,890)
Contributions for health claims are not reported as a budgetary resource	7,841,732
Stabilization fund earnings	236,928
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(10,701,756)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances	<u>\$ 325,743,060</u>

Budgetary outflows and GAAP expenditures:

Actual amounts (budgetary basis) “total charges to appropriation” from the budgetary comparison schedule	\$ 328,360,834
Differences – budget to GAAP:	
Enterprise fund related budgetary expenditures are recorded as reductions to transfers for GAAP purposes	(2,679,950)
Health claims expenditures and accruals are not reported as charges to appropriations on a budgetary basis	10,170,160
Adjustments for expenditures, encumbrances, and accruals, net	(12,687)
Transfers to other funds are outflows of budgetary appropriations but are not expenditures for financial reporting purposes	<u>(3,174,309)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances	<u>\$ 332,664,048</u>

CITY OF BROCKTON, MASSACHUSETTS

Schedules of Funding Progress and Contributions from Employers

June 30, 2014

(Unaudited)

(Dollar amounts in thousands)

**Schedules of Funding Progress
Pension**

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (b)	Unfunded (b-a)	Funded ratio (a/b)	Covered payroll (c)	Percentage Covered ((b-a)/c)
January 1, 2014	\$ 355,691	529,526	173,835	67.2%	\$ 73,757	235.7%
January 1, 2013	332,881	519,018	186,137	64.1	76,378	243.7
January 1, 2011	355,849	492,457	136,608	72.3	74,417	183.6
January 1, 2010	351,526	453,213	101,687	77.6	70,882	143.5
January 1, 2008	377,647	410,270	32,623	92.0	69,345	47.0

Other Post Employment Benefits

June 30, 2014	\$ —	416,955	416,955	—	\$ 190,904	218.4%
June 30, 2012	—	504,888	504,888	—	173,404	291.2
June 30, 2010	—	693,570	693,570	—	171,103	405.4

Schedule of Contributions from City – Pension

	Annual required contribution	Percentage contributed
Year ended December 31:		
2013	\$ 16,075	100%
2012	15,477	100
2011	12,732	100
2010	10,342	100
2009	9,709	100

See accompanying independent auditors' report.

CITY OF BROCKTON, MASSACHUSETTS

Budgetary Comparison Schedule – Water Enterprise Fund
Additional Information

Year Ended June 30, 2014

(Unaudited)

	Budgeted amounts		Actual amounts (budgetary basis)	Variance with final budget positive (negative)
	Original	Final		
Resources:				
Charges for services	\$ 14,743,829	14,258,104	16,193,881	1,935,777
Departmental charges and fees	—	240,874	223,664	(17,210)
Miscellaneous	—	544,851	39,026	(505,825)
Amounts available for appropriation	<u>14,743,829</u>	<u>15,043,829</u>	<u>16,456,571</u>	<u>1,412,742</u>
Charges to appropriations:				
Salaries and benefits	3,001,913	3,001,913	2,831,452	170,461
Ordinary maintenance	9,921,529	9,921,529	9,506,405	415,124
Debt service	2,143,586	2,143,586	2,078,087	65,499
Capital outlay	—	—	27,033	(27,033)
Total charges to appropriations	<u>15,067,028</u>	<u>15,067,028</u>	<u>14,442,977</u>	<u>624,051</u>
Excess (deficiency) of resources over charges to appropriations	<u>(323,199)</u>	<u>(23,199)</u>	<u>\$ 2,013,594</u>	<u>2,036,793</u>
Other financing sources (uses):				
Certified retained earnings	923,199	923,199	923,199	—
Transfers out	(600,000)	(900,000)	(900,000)	—
Total other financing sources (uses)	<u>323,199</u>	<u>23,199</u>	<u>23,199</u>	<u>—</u>
Net changes in fund balance	<u>\$ —</u>	<u>—</u>	<u>2,036,793</u>	<u>2,036,793</u>

See accompanying independent auditors' report.

CITY OF BROCKTON, MASSACHUSETTS

Budgetary Comparison Schedule – Sewer Enterprise Fund
Additional Information

Year Ended June 30, 2014

(Unaudited)

	Budgeted amounts		Actual amounts (budgetary basis)	Variance with final budget positive (negative)
	Original	Final		
Resources:				
Charges for services	\$ 17,284,729	16,911,591	18,621,050	1,709,459
Departmental charges and fees	—	—	18,792	18,792
Miscellaneous	—	373,138	400,709	27,571
Amounts available for appropriation	<u>17,284,729</u>	<u>17,284,729</u>	<u>19,040,551</u>	<u>1,755,822</u>
Charges to appropriations :				
Salaries and benefits	1,474,609	1,474,609	1,304,276	170,333
Ordinary maintenance	7,851,813	7,851,813	7,303,346	548,467
Debt service	7,331,472	7,331,472	7,041,331	290,141
Capital outlay	1,896,510	1,896,510	1,920,091	(23,581)
Total charges to appropriations	<u>18,554,404</u>	<u>18,554,404</u>	<u>17,569,044</u>	<u>985,360</u>
Excess (deficiency) of resources over charges to appropriations	<u>(1,269,675)</u>	<u>(1,269,675)</u>	<u>\$ 1,471,507</u>	<u>2,741,182</u>
Other financing sources (uses):				
Certified retained earnings	3,078,216	3,078,216	3,078,216	—
Transfers in	—	—	39,995	39,995
Transfers out	(1,808,541)	(1,808,541)	(1,808,541)	—
Total other financing sources (uses)	<u>1,269,675</u>	<u>1,269,675</u>	<u>1,309,670</u>	<u>39,995</u>
Net changes in fund balance	<u>\$ —</u>	<u>—</u>	<u>2,781,177</u>	<u>2,781,177</u>

See accompanying independent auditors' report.



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www.lockelord.com

(Date of Delivery)

Martin Brophy, Treasurer
City of Brockton
Brockton, Massachusetts

\$7,120,000
City of Brockton, Massachusetts
General Obligation State Qualified Refunding Bonds
Dated November 19, 2015

We have acted as bond counsel to the City of Brockton, Massachusetts (the “City”) in connection with the issuance by the City of the above-referenced bonds (the “Bonds”). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations and covenants of the City contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Bonds are valid and binding general obligations of the City and, except to the extent they are paid from other sources, the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the City, subject to the limit imposed by Chapter 59, Section 21C of the General Laws.
2. The Bonds are qualified bonds as defined in Chapter 44A of the General Laws and are entitled to the benefits of the provisions thereof.
3. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In rendering the opinions set forth in this paragraph, we have assumed compliance by the City with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The City

has covenanted to comply with all such requirements. Failure by the City to comply with certain of such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. Except as expressed in paragraph 4 below, we express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

4. Interest on the Bonds is exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion regarding any other Massachusetts tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts.

5. The Bonds are qualified tax-exempt obligations within the meaning of Section 265(b)(3) of the Code.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

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

LOCKE LORD LLP

AM 55461318.2

**PROPOSED FORM OF
CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Brockton, Massachusetts (the “Issuer”) in connection with the issuance of its \$7,120,000 General Obligation State Qualified Refunding Bonds dated November 19, 2015 (the “Bonds”). The Issuer covenants and agrees as follows:

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

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

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

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

“MSRB” shall mean the Municipal Securities Rulemaking Board as established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate. Filing information relating to the MSRB is set forth in Exhibit A attached hereto.

“Obligated Person” shall mean the Issuer.

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

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

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

SECTION 3. Provision of Annual Reports.

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

(b) If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the MSRB, in substantially the form attached as Exhibit B.

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

(a) quantitative information for the preceding fiscal year of the type presented in the Issuer's Official Statement dated November 5, 2015 relating to the Bonds regarding (i) the revenues and expenditures of the Issuer relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension obligations of the Issuer, and (vii) other post-employment benefits liability of the Issuer, and

(b) the most recently available audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles, with certain exceptions permitted by the Massachusetts Uniform Municipal Accounting System promulgated by the Department of Revenue of the Commonwealth. If audited financial statements for the preceding fiscal year are not available when the Annual Report is submitted, the Annual Report will include unaudited financial statements for the preceding fiscal year and audited financial statements for such fiscal year shall be submitted when available.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which (i) are available to the public on the MSRB internet website or (ii) have been filed with the Securities and Exchange Commission. The Issuer shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) The Issuer shall give notice, in accordance with the provisions of this Section 5, of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

7. Modifications to rights of the Owners of the Bonds, if material.
8. Bond calls, if material, and tender offers.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the Bonds, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person.*
13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Upon the occurrence of a Listed Event, the Issuer shall, in a timely manner not in excess of ten (10) business days after the occurrence of the event, file a notice of such occurrence with the MSRB.

SECTION 6. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as

* As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

evidenced by an opinion of counsel expert in federal securities law (which may include bond counsel to the Issuer), to the effect that such amendment or waiver would not cause the Disclosure Certificate to violate the Rule. The first Annual Report filed after enactment of any amendment to or waiver of this Disclosure Certificate shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of information being provided in the Annual Report.

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

SECTION 9. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Owner of the Bonds may seek a court order for specific performance by the Issuer of its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not constitute a default with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action for specific performance of the Issuer's obligations hereunder and not for money damages in any amount.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Owners of the Bonds from time to time, and shall create no rights in any other person or entity.

Date: November 19, 2015

CITY OF BROCKTON,
MASSACHUSETTS

By _____
Treasurer

Mayor

[EXHIBIT A: Filing Information for the MSRB]
[EXHIBIT B: Form of Notice of Failure to File Annual Report]

AM 55468434.2