

OFFICIAL STATEMENT DATED MAY 3, 2011

Rating: See "Rating" herein.
Moody's Investors Service, Inc.: Aa2

New Issue

In the opinion of Edwards Angell Palmer & Dodge 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
\$7,820,000 GENERAL OBLIGATION STATE QUALIFIED
MUNICIPAL PURPOSE LOAN OF 2011 BONDS

DATED
Date of Delivery

DUE
March 1,
(as shown below)

The Bonds are issuable only in fully registered form, without coupons, 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 March 1 of the years in which the Bonds mature. Interest on the Bonds will be payable semiannually on March 1 and September 1, commencing September 1, 2011, 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 subject to redemption prior to their stated maturity dates, as described herein.

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

Due March 1	Principal Amount	Interest Rate	Yield	CUSIP # 111746	Due March 1	Principal Amount	Interest Rate	Yield	CUSIP # 111746
2012	\$ 525,000	3.00 %	0.77 %	BE2	2019	\$ 360,000	5.00 %	2.91 %	BM4
2013	475,000	3.00	0.85	BF9	2020	285,000	5.00	3.15	BN2
2014	475,000	3.00	1.20	BG7	2021	300,000	5.00	3.33	BP7
2015	430,000	3.00	1.60	BH5	2022	315,000	3.125	3.25	BQ5
2016	430,000	3.00	1.85	BJ1	2023	325,000	3.25	3.35	BR3
2017	435,000	4.00	2.20	BK8	2024	335,000	3.375	3.45	BS1
2018	395,000	4.50	2.61	BL6	2025	350,000	3.50	3.55	BT9

\$ 735,000 Coupon Rate 3.70% Term Bond maturing March 1, 2027 @ 3.75% Cusip # 111746 BV4
\$1,650,000 Coupon Rate 4.00% Term Bond maturing March 1, 2031 @ 4.00% Cusip # 111746 BZ5

The Bonds are offered subject to the final approving opinion of Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts, Bond Counsel, as aforesaid, and to certain other conditions referred to herein and in the Notice of Sale. First Southwest Company, 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 May 12, 2011 for settlement in Federal Funds.



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The Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Bonds. Any statements made in this Preliminary 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: Tuesday, May 3, 2011, 11:00 A.M. (E.T).

Location of Sale: First Southwest Company, 54 Canal Street, 3rd Floor, Boston, Massachusetts 02114.

Issuer: City of Brockton, Massachusetts.

Issue: \$7,820,000 General Obligation State Qualified Municipal Purpose Loan of 2011 Bonds, see "THE BONDS - Book-Entry Transfer System" herein.

Official Statement Dated: May 3, 2011.

Dated Date of the Bonds: Date of Delivery.

Principal Due: Serially March 1, 2012 through March 1, 2025; Term Bonds maturing March 1, 2027 and March 1, 2031; as detailed herein.

Redemption: The Bonds are subject to redemption prior to their stated maturity dates, as described herein.

Security: 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.

State Qualified Bonds: The Bonds will be State Qualified Bonds pursuant to Chapter 44A of the Massachusetts General Laws ("Chapter 44A"). Pursuant to Chapter 44A the State Treasurer shall pay such debt service on State Qualified Bonds and after payment shall withhold from distributable aid (as defined in Chapter 44A) payable to the City an amount which will be sufficient to pay the debt service on such State 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 State Qualified Bonds. Nothing in Chapter 44A shall be construed to pledge the credit and assets of the Commonwealth to the support of any State Qualified Bonds or to guarantee payment or stand as surety to the payment of any State Qualified Bonds. See "THE BONDS – State Qualified Bonds" herein.

Credit Rating: Moody's Investors Service, Inc. has assigned a rating of Aa2 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 AT LEAST \$150,000.**

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 by the City as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

Paying Agent: The Treasurer and Receiver-General of The Commonwealth of Massachusetts, Boston, Massachusetts.

Bond Counsel: Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts.

Financial Advisor: First Southwest Company, 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 May 12, 2011 against payment in Federal Funds.

Additional Information: Questions concerning the Official Statement should be addressed to: Mr. Martin Brophy, Treasurer, City of Brockton, Massachusetts telephone: Tel: (508) 580-7130 or Cynthia McNerney, Managing Director, First Southwest Company, Boston, Massachusetts. Tel: (617) 619-4408.

**NOTICE OF SALE
CITY OF BROCKTON, MASSACHUSETTS
\$7,823,000* GENERAL OBLIGATION STATE QUALIFIED
MUNICIPAL PURPOSE LOAN OF 2011 BONDS**

The City of Brockton, Massachusetts (the "City") will receive sealed and electronic (as described herein) proposals until 11:00 A.M., Eastern Time, Tuesday, May 3, 2011, for the purchase of the following described General Obligation State Qualified Municipal Purpose Loan of 2011 Bonds of the City (the "Bonds"):

\$7,823,000* General Obligation State Qualified Municipal Purpose Loan of 2011 Bonds payable March 1, of the years and in the amounts as follows:

Due March 1	Principal Amount*	Due March 1	Principal Amount*
2012	\$ 513,000	2022	\$ 310,000
2013	460,000	2023	320,000
2014	465,000	2024	335,000
2015	425,000	2025	350,000
2016	425,000	2026	365,000
2017	435,000	2027	380,000
2018	395,000	2028	400,000
2019	360,000	2029	415,000
2020	285,000	2030	435,000
2021	295,000	2031	455,000

****Callable maturities**

The Bonds will be dated Date of Delivery. Principal of the Bonds will be payable March 1 of the years in which the Bonds mature. Interest will be payable on March 1 and September 1, commencing September 1, 2011.

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, Boston Massachusetts and their legality will be approved by Edwards Angell Palmer & Dodge 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.

The Bonds are subject to redemption prior to their stated maturity dates, as described herein.

Bonds maturing on or prior to March 1, 2021 shall not be subject to redemption prior to their stated maturity dates. Bonds maturing on and after March 1, 2022 shall be subject to redemption prior to maturity, at the option of the City, on or after March 1, 2021, either in whole or in part at any time, and if in part, by lot within a maturity, **at the par amount of the Bonds to be redeemed** plus accrued interest to the redemption date.

*Preliminary, subject to change.

For Bonds maturing on March 1, 2022 and thereafter, bidders may specify that all of the principal amount of such Bonds in any two or more consecutive years may, in lieu of maturing in each such year, be combined to comprise one or two maturities of Term Bonds scheduled to mature in the latest of the combined years, and shall be subject to mandatory redemption prior to maturity at par as described above, in each of the years and in the principal amounts specified in the foregoing maturity schedule. Bidders may specify no more than two maturities of Term Bonds.

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 or (b) any interest rate which exceeds the interest rate stated for any other Bonds by more than 3 percent. **No bid of less than par plus a premium of at least \$150,000 will be considered.**

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 the date of delivery, 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.

The City reserves the right to adjust the annual principal amounts in the amount of \$5,000 or an integral multiple thereof only as necessary to structure the debt service on the Bonds to be as close to equal on an annual basis as practicable regarding the school portion of the Bonds, and to effect the appropriate savings structure on the refunding portion of the Bonds. THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES AS A RESULT OF ANY CHANGES MADE TO THE ANNUAL PRINCIPAL AMOUNTS WITHIN THIS LIMIT. The dollar amount bid for principal by the successful bidder will be adjusted proportionally to reflect any reduction or increase in the annual principal amounts of the Bonds to be issued. The Final Amounts will be communicated to the successful bidder as soon as possible, but not later than 4:00 P.M. on the date of the sale of the Bonds.

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, 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, 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. Any bidder who submits a winning bid by telephone in accordance with this Notice of Sale shall be required to provide written confirmation of the terms of the bid by faxing or e-mailing a completed, signed bid form to First Southwest Company by not later than 12:00 Noon on the date of sale. First Southwest Company will act as agent for the bidder, but neither the City nor First Southwest Company shall be responsible for any errors in connection with bids submitted in this manner; or
- (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 of the City.

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

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 May 3, 2011 (the "Sale Date"), the successful bidder 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 Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts, substantially in the form presented in Appendix B to the Preliminary Official Statement dated April 21, 2011; (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 referred to below 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 of bond insurance for the Bonds. If the Bonds qualify for issuance of any such policy or commitment therefore, 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 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 Moody's Investors Service, Inc. for a rating on the Bonds. Any such fee paid to Moody's Investors Service, Inc. would be borne by the City.

Additional information concerning the City and the Bonds is contained in the Preliminary Official Statement dated April 21, 2011, 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, 54 Canal Street, Boston, Massachusetts 02114 (Telephone: 617-619-4400). Within seven (7) business days following the award of the Bonds in accordance herewith, 15 copies of the Final Official Statement will be available from the First Southwest Company 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 May 12, 2011 for settlement in Federal Funds.

April 21, 2011

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

OFFICIAL STATEMENT

CITY OF BROCKTON, MASSACHUSETTS \$7,820,000 GENERAL OBLIGATION STATE QUALIFIED MUNICIPAL PURPOSE LOAN OF 2011 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 \$7,820,000 aggregate principal amount of its General Obligation State Qualified Municipal Purpose Loan of 2011 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 date of delivery and will bear interest payable semiannually on March 1 and September 1, commencing September 1, 2011. The Bonds shall mature on March 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, or its successor, 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.

State Qualified Bonds

The Bonds constitute "qualified bonds" pursuant to Chapter 44A of the General Laws. 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.

The City may issue other bonds in addition to the Bonds as qualified bonds on a parity with the Bonds pursuant to Chapter 44A.

Redemption Provisions

Optional Redemption

Bonds maturing on or prior to March 1, 2021 shall not be subject to redemption prior to their stated maturity dates. Bonds maturing on and after March 1, 2022 shall be subject to redemption prior to maturity, at the option of the City, on or after March 1, 2021, either in whole or in part at any time, and if in part, by lot within a maturity, **at the par amount of the Bonds to be redeemed**, plus accrued interest to the redemption date.

Mandatory Redemption

The Bonds maturing March 1, 2027 and March 1, 2031 (the "Term Bonds") are subject to mandatory redemption or maturity on each of the dates and in each of the principal amounts set forth below (the particular portion of each Term Bond to be redeemed or to mature on the final maturity date to be delivered by lot), at a redemption price of par, plus accrued interest, if any, to the redemption date.

\$735,000 Term Bond Maturing March 1, 2027

Fiscal Year	Principal Amount
2026	\$ 360,000
2027 *	375,000

\$1,650,000 Term Bond Maturing March 1, 2031

Fiscal Year	Principal Amount
2028	\$ 390,000
2029	405,000
2030	420,000
2031 *	435,000

*Final maturity.

Notice of Redemption

Notice of any redemption of Bonds, prior to their dates of maturity, specifying the Bonds (or the portions thereof) to be redeemed shall be mailed to DTC not more than 60 days nor less than 30 days prior to the redemption date. Any failure on the part of DTC to notify the Direct Participants of the redemption or failure on the part of DTC's Participants, Indirect Participants or of a nominee of a Beneficial Owner having received notice from a DTC Participant or otherwise to notify the Beneficial Owners shall not affect the validity of the redemption.

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, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) 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 will be deposited with DTC.

DTC, the world's largest 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 Standard & Poor's highest rating: AAA. 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 and www.dtc.org.

Purchases of securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the securities on DTC's records. The ownership interest of each actual purchaser of each security deposited with 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 with 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 Bonds 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 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's

records reflect only the identity of the Direct Participants to whose accounts such Bonds 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.

Redemption notices shall be sent to DTC. If less than all of a maturity is being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to securities deposited with it unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds 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 City or the 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 City or the 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 City or the 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 securities held by it at any time by giving reasonable notice to the City or the 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 table sets forth the principal amounts, purposes, statutory references and dates of City approval for the current offering of Bonds. The authorizations listed below have received approval from the Municipal Finance Oversight Board to be permanently financed pursuant to the State Qualified Bond Act.

<u>Date of Authorization</u>	<u>Purpose</u>	<u>Law Cite (M.G.L., as amended)</u>	<u>BANs Outstanding</u>	<u>This Issue</u>
4/19/2000	School Construction	Ch. 44 s. 7(3)	\$ 9,000,000 (1)	\$ 6,279,000
10/28/2010	Refunding	Ch. 44 s. 21A	-	1,541,000
			<u>\$ 9,000,000</u>	<u>\$ 7,820,000</u>

(1) To be retired with \$6,279,000 of Bond proceeds and \$1,825,000 of MSBA grant reimbursement funds on May 13, 2011. The remaining \$896,000 will be rolled as a BAN payable May 11, 2012.

Bond proceeds will be used to current refund a \$1,600,000 portion of the Town's \$8,910,000 General Obligation Bonds dated May 1, 1999 (the "1999 Bonds") currently outstanding and maturing in the years 2012 through 2019, inclusive (the "1999 Refunded Bonds"), and to pay costs of issuance relating thereto.

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 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.

Principal Payments By Purpose

Fiscal Year	School	Refunding	Total (1)
2012	\$ 264,000	\$ 261,000	\$ 525,000
2013	225,000	250,000	475,000
2014	230,000	245,000	475,000
2015	235,000	195,000	430,000
2016	245,000	185,000	430,000
2017	250,000	185,000	435,000
2018	260,000	135,000	395,000
2019	275,000	85,000	360,000
2020	285,000	-	285,000
2021	300,000	-	300,000
2022	315,000	-	315,000
2023	325,000	-	325,000
2024	335,000	-	335,000
2025	350,000	-	350,000
2026	360,000	-	360,000
2027	375,000	-	375,000
2028	390,000	-	390,000
2029	405,000	-	405,000
2030	420,000	-	420,000
2031	435,000	-	435,000
Total	<u>\$ 6,279,000</u>	<u>\$ 1,541,000</u>	<u>\$ 7,820,000</u>

(1) Reflects mandatory redemption schedule.

Tax Exemption

In the opinion of Edwards Angell Palmer & Dodge 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 "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 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 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. Further, no assurance can be given that 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 value of, or the tax status of interest on, the Bonds. Prospective Bondholders are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

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 or deduction. 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

Moody's Investors Service, Inc. has assigned a rating of Aa2 on the Bonds. The rating reflects the rating agency's view and is 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 "*Serial Bonds and Notes*" under "INDEBTEDNESS - TYPES OF OBLIGATIONS" below) and setoffs of state distributions as described below (see "*State Distributions*" 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 payments 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 "INDEBTEDNESS - Debt Limits" 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 fee, 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, 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 or a regional transit authority) of which it is a member, for costs of the Massachusetts Water Resources Authority 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, or for charges necessary to meet obligations under the Commonwealth's Water Pollution Abatement or Drinking 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 State 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, the general court has permitted the filing of federal bankruptcy proceedings, with the prior approval of the state. 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 Edwards Angell Palmer & Dodge 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

First Southwest Company, Boston, Massachusetts serves as financial advisor to the City of Brockton, Massachusetts. The City has consented to First Southwest Company's participation in the public bidding on the Bonds if it so desires.

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 enumerated 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.

The City has never failed to comply in all material respects with any previous undertakings to provide annual reports or notices of material events in accordance with the Rule.

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	Linda M. Balzotti	January 2012
Chief Financial Officer	John A. Condon	April 2012
City Auditor	Heidi Chuckran	December 2013
Treasurer/Collector	Martin Brophy	October 2013
City Clerk	Anthony J. Zeoli	January 2013
Chairman-Board of Assessors	Paul Sullivan	June 2013

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 proposed for development 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.

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 "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, Concord Foods, G & S Candy, Kinyon-Campbell Business School, U.S. Post Office (Regional Distribution Center), GZA Drilling and Hart-Hankes Inc. The Oak Hill Way Industrial Park includes such tenants as Bay State Gas, Ryder Student Transportation, Mullare News Agency, Powers Pharmaceutical, U.P.S. and the City of Brockton Wastewater Treatment Plant. The Northeast Industrial Park includes a Pizzeria Uno materials production plant.

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.

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 Conference Center is on land leased from the City, adjacent to the High School and has a view of the ball field.

In May 2002, the Brockton Rox began playing. The Rox play 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 six out of nine years, reached the league playoffs. The recession has affected the team's revenues, but 2011 will mark its 10th year of play.

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				
	2005	2006	2007	2008	2009
Construction	1,247	1,298	1,239	1,101	871
Manufacturing	2,721	2,580	2,496	2,387	2,030
Trade, Transportation and Utilities	9,316	9,369	7,836	7,614	7,270
Information	670	671	610	527	557
Financial Activities	1,313	1,282	1,261	1,128	1,066
Professional and Business Services	3,980	3,836	3,899	3,647	3,438
Education and Health Services	13,268	13,484	14,003	14,645	15,031
Leisure and Hospitality	2,955	2,940	2,840	2,768	2,694
Other Services	2,110	2,166	2,296	2,248	2,297
Total Employment	37,580	37,626	36,480	36,065	35,254
Number of Establishments	2,233	2,254	2,200	2,098	2,193
Average Weekly Wages	\$ 735	\$ 757	\$ 780	\$ 812	\$ 823
Total Wages	\$ 1,495,324,598	\$ 1,542,161,498	\$ 1,542,763,146	\$ 1,517,087,782	\$ 1,572,669,454

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>
2010	\$160,000	-1.69 %
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	City Government & School Personnel	3,192
Signature Health (including Goddard Park)	Hospital	2,291
Caritas Good Samaritan Medical Center	Hospital	1,800
Old Colony YMCA	Social Services	1,483
BAMSI	Human Services	1,200
WB Mason	Business Supplies	1,200
Massasoit Community College	Education	1,176
VA Boston Health Care System	Hospital	1,000
City of Brockton	City Government	716
South Bay Mental Health Services	Hospital	700
US Post Office	Post Office	383
HarborOne Credit Union	Finance	364
Verizon Communications	Communications	274
PharMerica	Pharmacy	270
Columbia Gas of Mass. (Bay State Gas)	Utility	255
Self Help	Social Service	250
Concord Foods	Food Preparation	220
U.S. Laboratory Corp.	Medical Laboratory	220
St. Joseph Manor Health Care	Skilled Nursing Care	208
Baypoint Rehabilitation Center	Rehabilitation Center	202
Uno Foods	Restaurant/Food Materials Production	200-225
West Acres	Skilled Nursing Care	170
Brockton Area Transit	Transportation	167
Brockton Professional Baseball	Pro Sports	150
Nutramex Products Inc.	Manufacturing	150
Old Colony Elder Services	Aging Services	146
Shaw's Supermarket	Grocery Store	140
Whites Pastry Shop	Retail Bakery	135
Super Stop & Shop	Grocery Store	134
Zoots	Garment Press	127
Brockton Visiting Nurses Association	Health Care	126
Lowe's	Home Centers	120
Barbour Corporation	Manufacturing	112
Home Depot	Home Centers	104
Wal-Mart	Department Store	100-249
Kinneally Foods	Meat Purveyor	86

SOURCE: Brockton 21st Century Corporation.

Labor Force, and Unemployment Rates

According to the Massachusetts Division of Employment Security data, in February 2011 the City had a total labor force of 46,009, of which 40,743 were employed and 5,266 or 11.4% were unemployed as compared with 8.7% for the Commonwealth. The following table sets forth the City's average labor force and unemployment rates for calendar years 2006 through 2010 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>
2010	46,107	11.6%	8.5%	9.6%
2009	45,518	10.7	8.2	9.3
2008	44,558	6.8	5.3	5.8
2007	44,668	5.8	4.5	4.6
2006	45,033	6.3	4.9	4.6

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:	2002	329	25,761
	1997	359	26,209
	1992	534	38,491
	1987	590	38,905
	1982	722	47,312
Sales (000):	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
	1982	595,400	28,815,549
Per Capita Sales:	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 2005 through 2010 with projected enrollments for 2011 through 2012.

Public School Enrollments – October

	Actual						Projected	
	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
Kindergarten	1,246	1,271	1,269	1,330	1,272	1,289	1,302	1,312
Elementary	7,184	6,972	6,970	5,636	6,058	6,203	6,265	6,312
Junior High (1)	2,690	2,428	2,262	3,373	3,654	3,695	3,732	3,760
Senior High	4,570	4,550	4,407	4,266	4,344	4,500	4,545	4,579
Other (2)	345	304	639	640	271	252	255	256
Totals	16,035	15,525	15,547	15,245	15,599	15,939	16,099	16,219

(1) Conversion from 7&8 to 6-8 in 2008, from junior high to middle school model.

(2) 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.

Higher education is available in Brockton at Massasoit Community College, a two-year state college with 151 faculty members. Massasoit's ten buildings occupy 100 acres of land. The school offers 41 programs to 6,711 day and evening students. Stonehill College is located on the Brockton/Easton boundary and Bridgewater State College is within 10 miles.

Parochial schools in Brockton enroll approximately 1,200 students from grades K-12 at five separate campuses. Approximately 50% of these students are from Brockton and the others from surrounding towns.

The State School Choice, Charter and Technical/Vocational Schools

During the 2010/2011 school year, approximately 150 Brockton students in grades K-12 are attending other public schools under the state sponsored school choice, approximately 10 are attending Charter Schools and 789 are attending Technical/Vocational High Schools.

The City Council authorized the borrowing of \$71.9 million for the construction of two new elementary schools. The projects have been approved by the Massachusetts School Building Authority at 90% state reimbursement. 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.

Private Schools in the City of Brockton

As of October 2009, approximately 560 Brockton-residing students were enrolled in the City's four private schools in grades K-12. The individual student population/enrollment of these four schools, including students who do not live in Brockton, ranges from 75 to 600. Approximately 50% 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.

Tax Exemption

In the opinion of Edwards Angell Palmer & Dodge 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 "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 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 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. Further, no assurance can be given that 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 value of, or the tax status of interest on, the Bonds. Prospective Bondholders are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

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 or deduction. 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

Moody's Investors Service, Inc. has assigned a rating of Aa2 on the Bonds. The rating reflects the rating agency's view and is 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 "*Serial Bonds and Notes*" under "INDEBTEDNESS - TYPES OF OBLIGATIONS" below) and setoffs of state distributions as described below (see "*State Distributions*" 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 payments 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 "INDEBTEDNESS - Debt Limits" 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 fee, 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, 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 or a regional transit authority) of which it is a member, for costs of the Massachusetts Water Resources Authority 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, or for charges necessary to meet obligations under the Commonwealth's Water Pollution Abatement or Drinking 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 State 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, the general court has permitted the filing of federal bankruptcy proceedings, with the prior approval of the state. 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 Edwards Angell Palmer & Dodge 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

First Southwest Company, Boston, Massachusetts serves as financial advisor to the City of Brockton, Massachusetts. The City has consented to First Southwest Company's participation in the public bidding on the Bonds if it so desires.

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 enumerated 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.

The City has never failed to comply in all material respects with any previous undertakings to provide annual reports or notices of material events in accordance with the Rule.

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	Linda M. Balzotti	January 2012
Chief Financial Officer	John A. Condon	April 2012
City Auditor	Heidi Chuckran	December 2013
Treasurer/Collector	Martin Brophy	October 2013
City Clerk	Anthony J. Zeoli	January 2013
Chairman-Board of Assessors	Paul Sullivan	June 2013

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 proposed for development 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.

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 "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, Concord Foods, G & S Candy, Kinyon-Campbell Business School, U.S. Post Office (Regional Distribution Center), GZA Drilling and Hart-Hankes Inc. The Oak Hill Way Industrial Park includes such tenants as Bay State Gas, Ryder Student Transportation, Mullare News Agency, Powers Pharmaceutical, U.P.S. and the City of Brockton Wastewater Treatment Plant. The Northeast Industrial Park includes a Pizzeria Uno materials production plant.

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.

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 Conference Center is on land leased from the City, adjacent to the High School and has a view of the ball field.

In May 2002, the Brockton Rox began playing. The Rox play 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 six out of nine years, reached the league playoffs. The recession has affected the team's revenues, but 2011 will mark its 10th year of play.

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				
	2005	2006	2007	2008	2009
Construction	1,247	1,298	1,239	1,101	871
Manufacturing	2,721	2,580	2,496	2,387	2,030
Trade, Transportation and Utilities	9,316	9,369	7,836	7,614	7,270
Information	670	671	610	527	557
Financial Activities	1,313	1,282	1,261	1,128	1,066
Professional and Business Services	3,980	3,836	3,899	3,647	3,438
Education and Health Services	13,268	13,484	14,003	14,645	15,031
Leisure and Hospitality	2,955	2,940	2,840	2,768	2,694
Other Services	2,110	2,166	2,296	2,248	2,297
Total Employment	37,580	37,626	36,480	36,065	35,254
Number of Establishments	2,233	2,254	2,200	2,098	2,193
Average Weekly Wages	\$ 735	\$ 757	\$ 780	\$ 812	\$ 823
Total Wages	\$ 1,495,324,598	\$ 1,542,161,498	\$ 1,542,763,146	\$ 1,517,087,782	\$ 1,572,669,454

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>
2010	\$160,000	-1.69 %
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	City Government & School Personnel	3,192
Signature Health (including Goddard Park)	Hospital	2,291
Caritas Good Samaritan Medical Center	Hospital	1,800
Old Colony YMCA	Social Services	1,483
BAMSI	Human Services	1,200
WB Mason	Business Supplies	1,200
Massasoit Community College	Education	1,176
VA Boston Health Care System	Hospital	1,000
City of Brockton	City Government	716
South Bay Mental Health Services	Hospital	700
US Post Office	Post Office	383
HarborOne Credit Union	Finance	364
Verizon Communications	Communications	274
PharMerica	Pharmacy	270
Columbia Gas of Mass. (Bay State Gas)	Utility	255
Self Help	Social Service	250
Concord Foods	Food Preparation	220
U.S. Laboratory Corp.	Medical Laboratory	220
St. Joseph Manor Health Care	Skilled Nursing Care	208
Baypoint Rehabilitation Center	Rehabilitation Center	202
Uno Foods	Restaurant/Food Materials Production	200-225
West Acres	Skilled Nursing Care	170
Brockton Area Transit	Transportation	167
Brockton Professional Baseball	Pro Sports	150
Nutramex Products Inc.	Manufacturing	150
Old Colony Elder Services	Aging Services	146
Shaw's Supermarket	Grocery Store	140
Whites Pastry Shop	Retail Bakery	135
Super Stop & Shop	Grocery Store	134
Zoots	Garment Press	127
Brockton Visiting Nurses Association	Health Care	126
Lowe's	Home Centers	120
Barbour Corporation	Manufacturing	112
Home Depot	Home Centers	104
Wal-Mart	Department Store	100-249
Kinneally Foods	Meat Purveyor	86

SOURCE: Brockton 21st Century Corporation.

Labor Force, and Unemployment Rates

According to the Massachusetts Division of Employment Security data, in February 2011 the City had a total labor force of 46,009, of which 40,743 were employed and 5,266 or 11.4% were unemployed as compared with 8.7% for the Commonwealth. The following table sets forth the City's average labor force and unemployment rates for calendar years 2006 through 2010 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 Unemployment <u>Rate</u>	Massachusetts Unemployment <u>Rate</u>	U.S. Unemployment <u>Rate</u>
2010	46,107	11.6%	8.5%	9.6%
2009	45,518	10.7	8.2	9.3
2008	44,558	6.8	5.3	5.8
2007	44,668	5.8	4.5	4.6
2006	45,033	6.3	4.9	4.6

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:	2002	329	25,761
	1997	359	26,209
	1992	534	38,491
	1987	590	38,905
	1982	722	47,312
Sales (000):	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
	1982	595,400	28,815,549
Per Capita Sales:	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 2005 through 2010 with projected enrollments for 2011 through 2012.

Public School Enrollments – October

	Actual						Projected	
	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
Kindergarten	1,246	1,271	1,269	1,330	1,272	1,289	1,302	1,312
Elementary	7,184	6,972	6,970	5,636	6,058	6,203	6,265	6,312
Junior High (1)	2,690	2,428	2,262	3,373	3,654	3,695	3,732	3,760
Senior High	4,570	4,550	4,407	4,266	4,344	4,500	4,545	4,579
Other (2)	345	304	639	640	271	252	255	256
Totals	16,035	15,525	15,547	15,245	15,599	15,939	16,099	16,219

(1) Conversion from 7&8 to 6-8 in 2008, from junior high to middle school model.

(2) 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.

Higher education is available in Brockton at Massasoit Community College, a two-year state college with 151 faculty members. Massasoit's ten buildings occupy 100 acres of land. The school offers 41 programs to 6,711 day and evening students. Stonehill College is located on the Brockton/Easton boundary and Bridgewater State College is within 10 miles.

Parochial schools in Brockton enroll approximately 1,200 students from grades K-12 at five separate campuses. Approximately 50% of these students are from Brockton and the others from surrounding towns.

The State School Choice, Charter and Technical/Vocational Schools

During the 2010/2011 school year, approximately 150 Brockton students in grades K-12 are attending other public schools under the state sponsored school choice, approximately 10 are attending Charter Schools and 789 are attending Technical/Vocational High Schools.

The City Council authorized the borrowing of \$71.9 million for the construction of two new elementary schools. The projects have been approved by the Massachusetts School Building Authority at 90% state reimbursement. 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.

Private Schools in the City of Brockton

As of October 2009, approximately 560 Brockton-residing students were enrolled in the City's four private schools in grades K-12. The individual student population/enrollment of these four schools, including students who do not live in Brockton, ranges from 75 to 600. Approximately 50% 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 in the City's center.

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 three 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. All three 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			
2000	34.0	36.5	35.3
1990	31.5	33.6	32.9
1980	29.3	31.2	30.0
1970	27.8	29.0	28.1
Median Family Income			
2000	\$46,235	\$61,664	\$50,046
1990	38,544	44,367	35,225
1980	18,606	21,166	19,908
1970	10,377	10,835	9,867
Per Capita Income			
2000	\$17,163	\$25,952	\$21,587
1990	13,455	17,224	14,420
1985	9,944	12,510	10,797
1980	6,132	7,459	7,313

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>	<u>1960</u>
93,810	94,304	92,788	95,172	89,040	72,813

SOURCE: Federal Census.

PROPERTY TAXATION

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 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011
Total Appropriations(1)	\$ 297,730,090	\$ 306,834,509	\$ 316,701,514	\$ 310,429,081	\$ 324,309,368
Additions:					
State and County Assessments	4,716,860	4,974,760	5,140,616	5,610,283	5,686,037
Overlay Reserve	1,861,492	1,953,092	1,928,394	2,057,017	2,324,286
Other Additions(2)	313,609	917,844	868,265	2,418,647	325,630
Total Additions	<u>6,891,961</u>	<u>7,845,696</u>	<u>7,937,274</u>	<u>10,085,947</u>	<u>8,335,953</u>
Gross Amount to be Raised	<u>304,622,051</u>	<u>314,680,205</u>	<u>324,638,788</u>	<u>320,515,028</u>	<u>332,645,321</u>
Deductions:					
Local Estimated Receipts(3)	49,550,958	55,659,906	55,929,354	56,105,587	65,052,033
State Aid(4):	148,422,967	150,466,641	159,656,620	149,192,490	151,980,902
Available Funds(5)	17,178,128	15,781,372	12,671,809	15,386,625	12,277,783
Total Deductions	<u>215,152,053</u>	<u>221,907,919</u>	<u>228,257,783</u>	<u>220,684,702</u>	<u>229,310,718</u>
Net Amount to be Raised (Tax Levy)	<u>\$ 89,469,998</u>	<u>\$ 92,772,286</u>	<u>\$ 96,381,005</u>	<u>\$ 99,830,326</u>	<u>\$ 103,334,603</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.

(footnotes continued on next page)

- (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, projected to continue in 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. In fiscal 2012 the City expects only inflation increases for education aid and a 7% reduction in discretionary aid. The City anticipates using reserves, including health trust reserves, to counter this reduction. The City also intends to negotiate with the unions and only as a last resort will lay off employees.
- (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.

In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes his own redetermination of the fair cash value of the taxable property in each municipality. This is known as the "equalized value". See "DEBT LIMITS" below.

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>
2011 (2)	\$ 5,448,775,565	\$ 180,413,520	\$ 5,629,189,085	\$ 103,334,603	\$ 1,096
2010	5,684,315,129	183,886,760	5,868,201,889	99,830,326	1,059
2009	7,005,442,810	168,780,780	7,174,223,590	96,381,006	1,022
2008 (2)	8,012,142,850	144,616,700	8,156,759,550	92,772,286	983.76
2007	8,089,936,718	140,311,030	8,230,247,748	89,469,998	948.74

(1) Based on the 2000 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>
2011	\$1.61	65.4%	34.6%
2010	1.66	66.8	33.2
2009	1.70	66.2	33.8
2008	1.70	69.0	31.0
2007	1.70	72.3	27.7

(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>
2011	\$18.36	\$15.29	\$29.55
2010	17.01	13.77	28.24
2009	13.43	11.10	22.84
2008	11.37	9.60	19.34
2007	10.87	9.39	18.48

(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 2011 valuation of each.

<u>Name</u>	<u>Nature of Business</u>	<u>Fiscal 2011 Assessed Valuation</u>	<u>% of Total Assessed Value</u>
Mass Electric Co. (National Grid)	Utility	\$ 44,368,610	0.79 %
New England Telephone (Verizon)	Utility	41,301,530	0.73
Bay State Gas Co, Inc.	Utility	31,258,890	0.56
Mucci, Raymond A.	Developer	28,799,140	0.51
Westgate Brockton Mall LLC	Westgate Mall	20,968,710	0.37
Wal-Mart Real Estate Business Trust	Wal-Mart Store	18,250,300	0.32
100 Liberty St. Realty Company LLC	Medical Office	17,051,500	0.30
Acadia Crescent Plaza, LLC	Developer	16,492,140	0.29
Beacon Communities, LLC (1)	Housing	32,219,280	0.57
Harbor One Credit Union	Credit Union	13,715,630	0.24
Total		<u>\$ 264,425,730</u>	<u>4.70 %</u>

(1) Calculated at the residential tax rate.

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>
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
2000	3,330,760,700	15.1
1998	2,894,652,600	3.0

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		Overlay Release	Abatements Granted through June 30, 2010	Surplus (Deficiency) Through June 30, 2010
		Dollar Amount	As a % of Net Levy			
2010	\$ 97,773,309	\$ 2,057,017	2.10 %	n/a	\$ 1,227,060	\$ 829,957
2009	94,452,612	1,928,394	2.04	n/a	1,396,689	531,705
2008 (2)	90,819,194	1,953,092	2.15	n/a	1,330,222	622,870
2007	87,608,506	1,861,492	2.12	n/a	1,149,745	711,747
2006	84,692,304	1,508,570	1.78	n/a	1,338,281	170,289

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

(2) Revaluation year.

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, 2010	
				Dollar Amount(1)	% of Net Levy	Dollar Amount(1)	% of Net Levy
2010	\$ 99,830,326	\$ 2,057,017	\$ 97,773,309	\$ 88,651,790	90.7 %	\$ 88,651,790	90.7 %
2009	96,381,006	1,928,394	94,452,612	86,205,494	91.3	89,189,608	94.4
2008 (2)	92,772,286	1,953,092	90,819,194	83,280,515	91.7	85,701,400	94.4
2007	89,469,998	1,861,492	87,608,506	80,618,721	92.0	83,027,689	94.8
2006	86,200,874	1,505,570	84,695,304	77,882,164	92.0	80,340,574	94.9

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

(2) Revaluation year.

Tax Titles and Possessions

Massachusetts law permits a municipality to foreclose on a property for unpaid real estate taxes. The first step in the foreclosure process is called "tax title". When a property goes into tax title, the receivable is written off the tax collector's books and becomes the responsibility of the treasurer to collect. (The City has combined the Treasurer and Collector function under a single official, the Treasurer/Collector). The tax title process perfects the City's lien on the property. 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(1)</u>
2010	\$3,429,118	\$2,612,101	\$1,834,408
2009	2,843,757	2,613,666	3,053,636
2008	5,838,589	2,518,083	3,166,455
2007	3,117,049	2,909,806	2,045,760
2006	5,024,542	2,502,245	1,697,692

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.

Municipal Tax Amnesty

Pursuant to recent legislation, a municipality may establish a municipal tax amnesty program expiring not later than June 30, 2011. Under such program, the municipality may waive, during the amnesty period, certain penalties, fees, charges and accrued interest, provided the taxpayer pays the amount of the tax to which such penalties, fees, charges, and accrued interest relates. The City has not accepted this legislation and has no plans to do so.

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 and 2008. 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
2011	\$ 5,629,189,685	\$ 140,729,727	\$ 103,342,047	\$ 103,334,603	\$ 37,387,680	\$ 7,444
2010	5,868,201,889	146,705,047	99,864,769	99,830,326	46,840,278	34,443
2009	7,174,223,590	179,355,590	96,443,017	96,381,006	82,912,573	62,011
2008	8,156,759,550	203,918,989	92,776,521	92,772,286	111,142,468	4,235
2007	8,230,247,748	205,756,194	89,559,914	89,469,998	116,196,280	89,916

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 and to receive state matching funds for the acquisition, creation, preservation, rehabilitation and restoration of open space, historic resources and affordable housing. 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% of the real property tax levy, and it may accept one or more exemptions to the surcharge under the CPA, including 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, and an exemption for commercial and industrial properties in cities and towns with classified tax rates. The surcharge is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2 1/2 (see "Tax Limitations" under "PROPERTY TAX"). 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, 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 on the real property tax levy. 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 provision 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 which requires that 80% of the amount in the state trust fund be used to match an equal percentage of the amount raised locally by each city and town, and that the remaining 20% of the amount in the fund be distributed only to those cities and towns that levy the maximum 3% surcharge base on a formula which takes into account equalized property valuation and population, resulting in larger distributions to those communities with low valuations and small populations. The total state distribution made to any city or town may not, however, exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

The amounts raised by the surcharge on real property taxes 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 accepts its provisions to issue bonds and notes in anticipation of the receipt of surcharge 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 of 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. As a result of an initiative law adopted in November 1980, school committees are no longer autonomous with respect to school expenditures for current purposes. The school budget is limited to the total amount appropriated by the city council, but the school committee retains full power to allocate the funds appropriated, 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 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010	Fiscal 2011
Water (1)	\$ 9,037,903	\$ 9,017,363	\$ 13,948,971	\$ 15,250,020	\$ 15,911,513
Sewer (1)	12,602,321	15,717,715	15,409,679	17,582,107	18,304,684
Other Public Works and Trash	13,701,863	14,418,452	14,609,177	14,778,498	16,434,971
Fire	18,638,121	19,448,000	19,390,591	19,060,837	20,000,703
Police	17,412,037	17,561,886	18,311,501	18,526,895	17,457,643
Public Property	2,389,699	2,416,275	2,421,590	2,285,041	2,360,447
City Schools	130,680,346	134,972,195	138,129,236	128,708,177	140,877,082
Regional School Assessment	2,269,567	2,419,680	2,588,411	2,414,501	2,715,744
General Government and Other	20,041,785	17,490,941	22,010,239	23,423,390	19,316,828
Employees/Retiree Health Insurance	40,919,615	43,485,645	45,420,452	43,812,151	40,097,965
Retirement	9,334,887	9,564,489	9,809,576	9,864,017	10,171,188
Capital	2,180,693	1,487,922	1,021,595	864,800	4,188,393
Debt Service (2)	13,592,104	14,507,638	14,083,889	13,908,707	15,630,960
Overlay Reserve	1,861,492	1,934,352	1,928,393	2,057,017	2,058,181
State County Charges	4,716,860	4,968,231	5,140,616	5,610,283	5,692,129
Reserves (3)	105,774	193,241	414,872	2,368,587	-
Total(4)	<u>\$ 299,485,067</u>	<u>\$ 309,604,025</u>	<u>\$ 324,638,788</u>	<u>\$ 320,515,028</u>	<u>\$ 331,218,431</u>

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

(2) Debt service includes all City debt service, other than water and sewer, and debt issued under the State Qualified Bond Act.

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

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

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 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 sec 3A. Although taxes were collected at the higher rate as of October 31, 2009, the City did not include any increased revenue from the higher taxes in setting its tax rate.

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 revenue from this tax is projected to be approximately \$1,000,000 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".

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.

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 expects to pay 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 2007 the City has generated free cash surpluses ranging from 1% to 8% of General Fund Revenues. These surpluses have resulted in part from conservative expenditure budgets and aggressive monitoring and control of actual expenditures during the years. They have also resulted in part from deliberate underestimation of likely revenues in preparing the 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.

2010 Fiscal Year End Operating Results from the Audited Basic Financial Statements and Required Supplementary Information as of June 30, 2010

From the Audited Basic Financial Statements Governmental Funds - As of the end of the fiscal year 2010, the City's governmental funds reported combined fund balances of approximately \$95 million, an increase of approximately \$1.1 million, or 1.2%, in comparison with the prior year. The general fund balance increased by \$1.4 million, from \$78.6 million to \$80.0 million and the combined fund balances for all the other funds decreased, by approximately \$218,000, from \$15.2 million to \$15.0 million.

Of the total of ending fund balances of \$95 million, \$32.3 million constitutes undesignated fund balance, which is available for appropriation by the City or for expenditures in accordance with legal restrictions. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed (1) to liquidate contracts and purchase orders of the current period (\$2.3 million), (2) as deposits held for health insurance claims (\$6.7 million), (3) to fund future health claims (\$26.6 million), (4) to reserve for a note receivable (\$7.6 million), (5) as designated for subsequent years expenditures (\$10.3 million), and (6) as designated for extraordinary, unforeseen circumstances and stabilization (\$9.2 million). The funds for extraordinary and unforeseen circumstances may be appropriated for restricted purposes by majority vote of the city council with approval of the mayor. The fund for stabilization may be appropriated for any legal purpose by a two-thirds vote of the city council with the approval of the mayor.

The general fund is the chief operating fund of the City. At the end of the fiscal year 2010, unreserved and undesignated fund balance of the general fund was approximately \$63.5 million. Total fund balance was approximately \$80.0 million, an increase of \$1.4 million. This increase in fund balance was largely driven by an excess of revenues and other financing sources over expenditures and other financing uses.

From the Required Supplementary Information General Fund - In fiscal year 2010, the original budget called for \$271.7 million in spending. Of this amount \$131.3 million was for education spending, \$38.8 million was for public safety spending, \$56.7 million was for fringe benefit spending and \$44.9 million was for all other categories.

Resources, including transfers in from other funds of \$3.9 million, totaling \$256.8 million, created a planned deficit of approximately \$14.9 million. Offsetting this deficit was a contribution from free cash of \$14.5 million. The net total of approximately \$397,000 was applied to fund the Chapter 324 Supplemental Reserve and Other Financing Sources/Uses.

In the final budget, a total of \$274.1 million in spending was authorized, an increase of \$2.4 million. The budgets that made up this amount included the following: public safety budgets were increased by \$895,000; public works budget by \$3,300; human services budgets were increased by \$403,000; capital outlay budgets were increased by \$347,000; pension and fringe benefit budgets were decreased by \$396,000; transfers out budgets remained constant and the general government budgets were increased by \$325,000. All other budgets had a net increase of \$1.4 million.

To help finance the additional \$2.4 million in authorized spending the net real and personal property taxes were increased by \$1.4 million and other financing sources/uses were increased by \$1.0 million, raising resources to \$258.3 million.

On an actual basis, resources were higher than the final budget by \$11.1 million. All revenue categories resulted in a positive variance with the exception of investment income. The City's revenue estimates normally are conservative and actual results typically exceed budget by 1.5% to 2.0%. For fiscal year 2010, the positive variance was largely driven by real estate, personal property and excise taxes, user charges and other revenue, fees, and licenses and permits revenues. The increase in the real estate and excise taxes were the result of increased collections in the categories of personal property, real estate, and tax title revenues. The user charges and other revenues increased due to increase in Medicare Part D reimbursements collections. The fees category increased as a result of the City receiving a new \$700,000 fee for the local cable franchise. The licenses and permit revenue increased as a result of an increase in the City Clerk and public property licenses and permits fees.

On the expenditure side, a favorable variance of \$8.1 million was achieved. The City has typically achieved 1 to 2% positive variance on spending. For fiscal year 2010, this positive variance was driven by actual budgetary expenditures less than budgeted expenditures in the general government, public safety, education and pension and fringe benefit line items. The reasons for the positive variances in the general government, public safety and pension and fringe benefit were due to conservative budgeting in these line items.

As a result of the revenue and expenditure positive variances, the City's fiscal year 2010 general fund operations is estimated to create free cash of approximately \$16.9 million.

From the Audited Basic Financial Statements Proprietary Funds - 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 non-major 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 non-major 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.

For the water fund, the fiscal year 2010 operating income was \$583,000, or 4.2% of operating revenues. Non-operating revenues (expenses) and transfers essentially netted to a negative \$892,000, and so net assets decreased by \$309,000. The operating income was driven by the City's ability to set water rates to recover its operating costs. In fiscal year 2010, budgeted costs were less than expected which drove the positive operating income. Cash flow from operations was a strong \$2.2 million.

For the sewer fund, operating income was \$7.5 million, or 40.0% of operating revenues. However, non-operating expenses and transfers decreased net assets by \$1.3 million. The aggressive construction schedule for the upgrade of the waste water treatment plant increased capital assets, but it also increased long-term debt and interest expense, which basically nets to a zero effect on the sewer fund's net assets. The strong operating income was driven by an increase in sewer rates in the middle of 2008. This sewer rate increase has a full year effect in fiscal year 2009 and fiscal year 2010. Further, the rate increase is meant to recover future costs, which resulted in a strong operating income in fiscal year 2010. Cash flow from operations was a strong \$8.0 million.

For the combined results of the other enterprise funds, the value of net assets increased by \$464,000, or 6.0%. The operating loss for combined was \$435,000 loss in fiscal year 2010 or 5.2% of operating revenues. With the benefit of net transfers in (general fund subsidy) and the non-operating revenue of \$899,000, the operating loss of \$435,000 became a \$464,000 positive change in net assets.

**CITY OF BROCKTON
REVENUE REPORT
June 30, 2010**

	FY2007 ACTUAL	FY2008 ACTUAL	FY2009 ACTUAL	FY2010 BUDGET	FY2010 YTD	% FY 2009 Actual To FY 2009 Budget	FY2009 YTD	VARIANCE FY10/FY09
I. GENERAL FUND								
A. Property Taxes	87,168,818	92,530,702	95,015,503	99,204,092	98,864,990	100%	94,973,925	3,891,065
B. State Aid								
Cherry Sheet(Gross/exc offsets)	145,257,126	150,628,027	141,214,297	148,184,023	146,978,458	99%	141,214,297	5,764,161
C. Local Receipts								
Motor Vehicle & Boat Excise	5,901,130	6,592,907	5,602,924	4,135,000	5,472,287	132%	5,602,924	(130,637)
Urban Redevelopment Excise	250,159	311,533	229,243	225,000	314,666	140%	229,243	85,423
Penalties/Interest on Taxes	1,557,747	1,567,170	1,415,189	1,320,000	1,619,799	123%	1,426,544	193,255
Payments in Lieu of Taxes	243,458	250,929	185,816	220,000	263,086	120%	185,816	77,270
Fees	430,669	539,041	681,147	335,000	673,268	201%	687,109	(13,841)
Cemeteries	179,100	185,500	166,250	100,000	186,973	187%	166,250	20,723
Cable License Fee	11,670	11,728	12,029	0	12,399	0%	12,029	370
Cable Franchise Fee	0	0	550,000	560,000	772,861	0%	550,000	222,861
Licenses and Permits	1,892,520	1,627,104	1,992,096	1,140,000	2,149,941	189%	1,992,097	157,844
MV Fines, Fines & Forfeits	623,807	726,066	668,256	600,000	610,487	102%	668,256	(57,769)
Investment Income	3,115,542	2,429,165	729,437	535,000	308,205	58%	729,437	(421,232)
Miscellaneous	435,018	289,865	331,810	250,000	401,705	161%	313,965	87,740
MSBA Reimbursements	3,396,932	2,698,584	2,698,584	2,698,494	2,698,584	100%	2,698,584	0
Medicare Part D Reimbursement	1,190,910	1,043,054	1,411,656	795,000	1,200,508	151%	1,411,656	(211,148)
Medicaid Reimbursement	1,480,353	1,492,651	1,909,058	490,000	1,524,015	311%	1,909,058	(385,043)
Total Local Receipts	20,709,016	19,765,297	18,583,495	13,403,494	18,208,785	136%	18,582,968	(374,183)
II. INTERFUND TRANSFERS								
Enterprise Reimbursements	3,123,253	3,210,572	3,892,639	4,297,621	4,313,021	100%	3,320,153	992,868
Transfers from Spec Revenues	664,904	1,586,838	443,206	17,627	116,348	660%	1,018,192	(901,844)
Transfers from Stabilization	0	0	0	0	450,000	0%	0	0
Tailings	0	147,441	0	0	0	0%	0	0
40R Smart Growth Zoning Incentive	0	600,000	0	0	0	0%	0	0
Refunds/Rebates/Reimbursement	92,860	78,600	270,147	0	117,789	0%	284,554	(166,765)
Indirect Costs	1,356,361	1,380,083	1,430,148	0	1,570,620	0%	1,436,842	133,778
TOTAL GENERAL FUND	258,372,338	269,927,559	260,849,435	265,106,857	270,620,011	102%	260,830,931	9,505,845
III. ENTERPRISE FUNDS								
Sewer Fund	12,857,189	13,336,146	18,196,148	17,582,107	18,065,110	103%	18,152,226	(87,116)
Water Fund	9,813,980	9,419,061	15,149,574	14,475,327	14,683,894	101%	15,166,186	(482,292)
Refuse Fund	7,111,372	7,271,804	7,360,825	6,636,522	7,476,429	113%	7,360,825	115,604
Recreation Fund	797,891	1,255,660	1,373,529	786,227	1,299,180	185%	1,373,529	(74,349)
Renewable Energy		96,558	177,256	105,000	156,717	149%	177,256	(20,539)
TOTAL ENTERPRISE FUNDS	30,580,432	31,379,229	42,257,332	39,585,183	41,681,330	105%	42,230,022	(548,692)
GRAND TOTAL	288,952,770	301,306,788	303,106,767	304,692,040	312,301,341	103%	303,060,953	8,957,153

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.

Annual Audits

Audits covering all funds of the City for recent fiscal years have been performed annually by KPMG Peat Marwick, certified public accountants. The most recent audit is for fiscal 2010, a copy of which is attached hereto as Appendix A. 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, nor have the auditors been requested to give their consent to the inclusion of their report in Appendix A. Except as stated in their report, the auditors have not been engaged to verify the financial information set out in Appendix A and are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in that appendix.

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 2010, 2009 and 2008 and a Comparative Statement of Revenues, Expenditures and Changes in Fund Equity - General Fund for fiscal 2006 through fiscal 2010. Said financials were extracted from the City's audited financial statements.

City of Brockton, MA
Balance Sheet- Governmental Funds
June 30, 2010 (1)

Assets	<u>General</u>	<u>Other Governmental</u>	<u>Total</u>
Cash and investments	\$84,871,049	\$ 18,126,897	\$ 102,997,946
Receivables, net:			
Property taxes	6,308,402	-	6,308,402
Motor vehicle excise	2,365,900	-	2,365,900
Departmental and other	348,149	-	348,149
Tax liens	3,429,300	-	3,429,300
Intergovernmental	3,014,653	10,064,018	13,078,671
Total receivables	<u>15,466,404</u>	<u>10,064,018</u>	<u>25,530,422</u>
Long-term note receivable	7,451,183	-	7,451,183
Long-term intergovernmental receivable	19,374,822	-	19,374,822
Deposit with health claims agent	6,744,800	-	6,744,800
Total Assets	<u>\$ 133,908,258</u>	<u>\$ 28,190,915</u>	<u>\$ 162,099,173</u>
Liabilities and Fund Balances			
Warrants and accounts payable	\$ 5,054,154	\$ 3,257,881	\$ 8,312,035
Accrued liabilities:			
Tax abatement refunds	1,578,539	-	1,578,539
Payroll and related withholdings	9,647,177	127,864	9,775,041
Health claims payable	3,835,502	-	3,835,502
Bond anticipation note payable	-	9,000,000	9,000,000
Deferred revenue	33,815,001	822,763	34,637,764
Total liabilities	<u>53,930,373</u>	<u>13,208,508</u>	<u>67,138,881</u>
Fund balances:			
Reserved for:			
Encumbrances and continuing appropriations	2,129,668	166,286	2,295,954
Deposits held	6,744,800	-	6,744,800
Note receivable	7,594,432	-	7,594,432
Unreserved:			
Designated for subsequent year's expenditures	9,656,070	602,790	10,258,860
Designated for extraordinary & unforeseen expenditures	4,869,582	-	4,869,582
Designated for stabilization	4,307,493	-	4,307,493
Designated for health claims	26,627,871	-	26,627,871
Undesignated, reported in:			
General fund	18,047,969	-	18,047,969
Special Revenue funds	-	13,379,850	13,379,850
Capital Projects funds	-	(4,272,830)	(4,272,830)
Permanent funds	-	5,106,311	5,106,311
Total fund balances	<u>\$79,977,885</u>	<u>\$ 14,982,407</u>	<u>\$ 94,960,292</u>
Total liability and fund balances	<u>\$133,908,258</u>	<u>\$ 28,190,915</u>	<u>\$ 162,099,173</u>

(1) Extracted from the annual audit.

City of Brockton, MA
Balance Sheet- Governmental Funds
June 30, 2009 (1)

Assets	<u>General</u>	<u>Other Governmental</u>	<u>Total</u>
Cash and investments	\$81,744,460	\$ 15,745,432	\$ 97,489,892
Receivables, net:			
Property taxes	6,538,342	-	6,538,342
Motor vehicle excise	2,375,463	-	2,375,463
Departmental and other	166,221	-	166,221
Tax liens	2,843,939	-	2,843,939
Intergovernmental	2,704,571	12,087,545	14,792,116
Total receivables	<u>14,628,536</u>	<u>12,087,545</u>	<u>26,716,081</u>
Long-term note receivable	7,594,432	-	7,594,432
Long-term intergovernmental receivable	22,073,406	-	22,073,406
Deposit with health claims agent	6,466,400	-	6,466,400
Total Assets	<u>\$ 132,507,234</u>	<u>\$ 27,832,977</u>	<u>\$ 160,340,211</u>
Liabilities and Fund Balances			
Warrants and accounts payable	\$ 5,449,556	\$ 3,461,878	\$ 8,911,434
Accrued liabilities:			
Tax abatement refunds	742,730	-	742,730
Payroll and related withholdings	8,508,720	170,700	8,679,420
Health claims payable	4,049,629	-	4,049,629
Bond anticipation note payable	-	9,000,000	9,000,000
Deferred revenue	35,146,184	-	35,146,184
Total liabilities	<u>53,896,819</u>	<u>12,632,578</u>	<u>66,529,397</u>
Fund balances:			
Reserved for:			
Encumbrances and continuing appropriations	2,455,170	408,222	2,863,392
Deposits held	6,466,400	-	6,466,400
Note receivable	7,729,172	-	7,729,172
Unreserved:			
Designated for subsequent year's expenditures	14,490,760	528,962	15,019,722
Designated for extraordinary & unforeseen expenditures	4,720,203	-	4,720,203
Designated for stabilization	2,387,467	-	2,387,467
Designated for health claims	30,022,501	-	30,022,501
Undesignated, reported in:			
General fund	10,338,742	-	10,338,742
Special Revenue funds	-	13,851,264	13,851,264
Capital Projects funds	-	(4,370,843)	(4,370,843)
Permanent funds	-	4,782,794	4,782,794
Total fund balances	<u>\$78,610,415</u>	<u>\$ 15,200,399</u>	<u>\$ 93,810,814</u>
Total liability and fund balances	<u>\$132,507,234</u>	<u>\$ 27,832,977</u>	<u>\$ 160,340,211</u>

(1) Extracted from the annual audit.

City of Brockton, MA
Balance Sheet- Governmental Funds
June 30, 2008 (1)

Assets	General	Other Governmental	Total
Cash and Investments	\$79,167,143	\$ 16,868,242	\$ 96,035,385
Receivables, net:			
Property Taxes	3,905,683	-	3,905,683
Motor Vehicle Excise	2,379,242	-	2,379,242
Departmental and Other	31,096	-	31,096
Tax Liens	5,922,988	-	5,922,988
Intergovernmental	3,061,151	13,003,270	16,064,421
Note	60,993	-	60,993
Total Receivables	15,361,153	13,003,270	28,364,423
Long-term note receivable	7,729,172	-	7,729,172
Long-term intergovernmental receivable	24,771,990	-	24,771,990
Deposit with health claims agent	5,720,000	-	5,720,000
Total Assets	\$ 132,749,458	\$ 29,871,512	\$ 162,620,970
Liabilities and Fund Balances			
Warrants and accounts payable	\$ 1,753,429	\$ 6,431,730	\$ 8,185,159
Accrued liabilities:			
Tax abatement refunds	1,051,193	-	1,051,193
Payroll and related withholdings	8,417,545	168	8,417,713
Health claims payable	2,837,571	-	2,837,571
Bond anticipation note payable	-	9,000,000	9,000,000
Deferred revenue	38,600,200	-	38,600,200
Total liabilities	52,659,938	15,431,898	68,091,836
Fund balances:			
Reserved for:			
Encumbrances and continuing appropriations	3,293,699	391,208	3,684,907
Deposits held	5,720,000	-	5,720,000
Note receivable	7,790,165	-	7,790,165
Unreserved:			
Designated for subsequent year's expenditures	10,383,451	572,486	10,955,937
Designated for extraordinary & unforeseen expenditures	4,569,331	-	4,569,331
Designated for stabilization	2,114,004	-	2,114,004
Designated for health claims	29,456,339	-	29,456,339
Undesignated, reported in:			
General fund	16,762,531	-	16,762,531
Special Revenue funds	-	13,617,814	13,617,814
Capital Projects funds	-	(5,115,927)	(5,115,927)
Permanent funds	-	4,974,033	4,974,033
Total fund balances	\$80,089,520	\$ 14,439,614	\$ 94,529,134
Total liability and fund balances	\$132,749,458	\$ 29,871,512	\$ 162,620,970

(1) Extracted from the annual audit

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

	June 30				
	2006	2007	2008	2009	2010
Revenues:					
Real and personal property taxes, net	\$ 85,685,029	\$87,846,703	\$ 92,101,172	\$ 95,588,735	\$ 97,073,442
Motor Vehicle and Other Excise	7,311,746	6,657,233	7,428,602	6,379,821	6,330,498
Penalties and Interest on Taxes	1,448,050	1,557,747	1,567,170	1,426,544	1,619,799
Intergovernmental	142,516,040	153,837,811	158,473,527	147,233,595	152,401,565
User Charges and Other Revenues (1)	1,760,237	1,751,795	2,625,085	2,035,361	1,863,045
Payment in Lieu of Taxes	257,004	243,458	250,929	185,816	263,086
Fines, Licenses and Permits	2,544,543	2,516,327	2,348,237	668,256	2,772,606
Investment Income	3,304,449	4,309,050	2,738,588	847,311	465,816
Contributions	11,009,229	13,093,949	14,531,327	14,388,380	14,860,275
Fees	541,782	430,669	726,216	1,385,859	1,633,587
Licenses and permits	-	-	-	2,004,126	0
Total Revenues (2)	<u>256,378,109</u>	<u>272,244,742</u>	<u>282,790,853</u>	<u>272,143,804</u>	<u>279,283,719</u>
Expenditures:					
Current:					
Education	130,396,026	132,720,659	139,185,475	128,454,533	132,547,974
Public Safety	34,821,675	35,646,761	37,065,317	37,009,397	37,237,861
Public Works (3)	7,225,400	6,815,517	7,269,213	8,795,802	6,494,963
Pension and Fringe Benefits	158,612,900	56,966,620	58,514,818	65,831,713	68,801,529
General Government	12,102,053	12,259,781	13,338,042	11,613,497	10,993,590
Culture and Recreation	1,910,020	1,913,032	2,033,497	1,768,568	1,926,882
State and County Assessments	4,408,711	4,782,318	4,963,785	5,372,254	5,605,388
Human Services	1,806,156	1,743,187	1,907,545	1,866,668	1,838,839
Court Judgments	313,514	212,960	422,196	255,872	229,955
Capital Outlay (4)	567,388	1,405,865	669,200	496,973	638,400
Debt Service	8,353,582	13,034,495	13,115,304	12,814,575	12,987,630
Total Expenditures (5)	<u>360,517,425</u>	<u>267,501,195</u>	<u>278,484,392</u>	<u>274,279,852</u>	<u>279,303,011</u>
Excess (Deficiency) of Revenues Over Expenditures	(104,139,316)	4,743,547	4,306,461	(2,136,048)	(19,292)
Other Financing Sources (Uses):					
Operating Transfers In (Out) Net (6)	(16,227)	(514,768)	393,571	656,943	2,263,539
Proceeds of Long-Term Debt	101,515,000	1,515,256	-	-	(876,777)
Total Other Financing Sources (Uses)	<u>101,498,773</u>	<u>1,000,488</u>	<u>393,571</u>	<u>656,943</u>	<u>1,386,762</u>
Excess (deficiency) of Revenues Over Expenditures and Other Financing Uses	(2,640,543)	5,744,035	4,700,032	(1,479,105)	1,367,470
Fund Balance, Beginning of Year	<u>72,285,996</u>	<u>69,645,453</u>	<u>75,389,488</u>	<u>80,089,520</u>	<u>78,610,415</u>
Fund Balance, End of Year	<u>\$69,645,453</u>	<u>\$75,389,488</u>	<u>\$80,089,520</u>	<u>\$78,610,415</u>	<u>\$79,977,885</u>

(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.

*Complied 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>Unreserved General Fund Balance (GAAP)</u>	<u>Free Cash (UMAS)</u>
2010	\$79,977,885	\$18,047,969	\$16,948,909
2009	78,610,415	10,338,742	9,656,070
2008	80,089,520	16,762,531	14,490,760
2007	75,389,488	15,113,124	10,383,451
2006	69,645,453	25,383,890	10,221,254
2005	72,285,996	25,085,038	9,909,582

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. Among 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>
2010	\$ 1,810,967	\$ 1,748,393	\$ 209,302	\$ 1,171,286	\$ 76,156
2009	5,063,034	2,569,144	224,200	1,221,957	187,347
2008	1,714,493	(174,236)	35,000	1,152,794	84,458
2007	1,951,376	491,823	(29,761)	855,721	108,474
2006	1,146,118	90,106	118,668	1,027,151	1
2005	1,742,085	194,026	214,551	875,191	

(1) Established in fiscal 2002.

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.

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 50 TIF agreements with a total of value of \$78.3 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.

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>
2010	\$4,869,582	\$4,307,493
2009	4,720,203	2,387,467 (1)
2008	4,569,331	2,114,004
2007	4,376,090	6,823,671 (2)
2006	4,270,316	6,877,946 (2)

- (1) The fiscal year 2010 budget increased Stabilization by \$2,219,208 to \$4,606,675 and the Supplemental Reserve Fund by \$149,379 to \$4,869,582 in July 2009. No appropriations have been made from either fund to date in fiscal 2010.
- (2) The Stabilization Fund Balance was reduced from July 1, 2004 to July 1, 2007 because the City has used amounts in the Fund to help balance the budget in the face of reductions in state aid and increases in health pension costs.

However, the most recent cost estimates indicate that inflation may add about \$10 million to the estimate of \$85 million in cost. In May 2009, the city council authorized an additional \$11 million of borrowing for the added costs that had been anticipated in the rate increase of 30% approved in the fall of 2008.

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 fiscal 1990. Effective with the creation 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. This fund is currently self-supporting, but future rate increases will be required to support capital needs and pay for the desalinated water. 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 revenues. This fund is fully self-supporting.

The City in 2006 concluded consent decree negotiations with the Massachusetts Department of Environmental Protection, the US Environmental Protection Agency, the Massachusetts Attorney General and the U.S. Department of Justice relative to permit violations at the city's sewer treatment plant. The settlement required major capital expenditures for upgrading the plant, improving its treatment processes, and rehabilitating the collection system. Some of this work was initiated while the negotiations were in progress. The City originally anticipated that the financial cost of the work would approximate \$85 million, to be expended and accomplished over about five years. The city council has approved borrowing for the work and has also authorized rate increases 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. The increases are expected to be sufficient to finance operations and maintenance costs, borrowing costs for the construction projects, penalties of \$120,000, and \$180,000 in required supplemental environmental projects (SEPs). The fines have been paid and more than one half of the SEPs also have been paid for. The construction projects were on schedule. However, the most recent cost estimates indicate that inflation may add about \$10 million to

the estimate of \$85 million in cost. In May of 2009, the city council authorized an additional \$11 million of borrowing for the added costs that had been anticipated in the rate increase of 30% approved in the Fall of 2008.

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 2004 through fiscal 2009 has ranged from \$350,000 to \$520,000 per year in direct subsidy plus about \$400,000 per year in indirect costs.

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 Assets- Proprietary Funds
June 30, 2010 (1)

Assets	Enterprise funds			Total
	Water	Sewer	Other	
Current Assets:				
Cash and cash equivalents	\$ 8,714,684	\$ 6,373,695	\$ 4,008,670	\$ 19,097,049
Customer receivables, net	6,351,922	10,974,130	3,817,745	21,143,797
Intergovernmental receivables	217,363	10,903,578	-	11,120,941
Other	306,151	49,957	-	356,108
Total Current Assets	<u>15,590,120</u>	<u>28,301,360</u>	<u>7,826,415</u>	<u>51,717,895</u>
Noncurrent assets:				
Other	245,528	618,026	43,377	906,931
Capital assets:				
Nondepreciable	3,731,390	18,666,202	130,359	22,527,951
Depreciable, net	43,202,901	108,703,441	5,530,141	157,436,483
Total noncurrent assets	<u>47,179,819</u>	<u>127,987,669</u>	<u>5,703,877</u>	<u>180,871,365</u>
Total assets	<u>\$ 62,769,939</u>	<u>\$ 156,289,029</u>	<u>\$ 13,530,292</u>	<u>\$ 232,589,260</u>
Liabilities				
Current Liabilities:				
Warrants and accounts payable	\$ 750,547	\$ 3,005,307	\$ 634,601	\$ 4,390,455
Accrued expenses	333,776	946,638	37,540	1,317,954
Compensated absences and claims	104,689	38,891	42,640	186,220
Bonds, notes, and loans payable	1,288,922	4,413,202	150,000	5,852,124
Total current liabilities	<u>2,477,934</u>	<u>8,404,038</u>	<u>864,781</u>	<u>11,746,753</u>
Noncurrent Liabilities:				
Compensated absences and claims	1,363,790	3,108,603	3,015,453	7,487,846
Unearned Revenue	-	1,290,190	-	1,290,190
Landfill and postclosure care costs	-	1,058,000	-	1,058,000
Bonds	21,964,982	86,619,358	1,453,149	110,037,489
Total noncurrent liabilities	<u>23,328,772</u>	<u>92,076,151</u>	<u>4,468,602</u>	<u>119,873,525</u>
Total liabilities	<u>25,806,706</u>	<u>100,480,189</u>	<u>5,333,383</u>	<u>131,620,278</u>
Net Assets				
Invested in capital assets, net of related debt	23,897,750	47,240,661	4,057,351	75,195,762
Unrestricted	13,065,483	8,568,179	4,139,558	25,773,220
Total net assets	<u>\$36,963,233</u>	<u>\$55,808,840</u>	<u>\$8,196,909</u>	<u>\$100,968,982</u>

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

City of Brockton, Massachusetts
Statement of Net Assets- Proprietary Funds
June 30, 2009 (1)

Assets	Enterprise funds			Total
	Water	Sewer	Other	
Current Assets:				
Cash and cash equivalents	\$ 9,158,978	\$ 5,905,452	\$ 3,754,180	\$ 18,818,610
Customer receivables, net	6,950,867	9,415,914	3,751,990	20,118,771
Intergovernmental receivables	1,676,813	2,941,717	-	4,618,530
Other	306,153	49,958	-	356,111
Total Current Assets	<u>18,092,811</u>	<u>18,313,041</u>	<u>7,506,170</u>	<u>43,912,022</u>
Noncurrent assets:				
Other	260,952	636,144	48,938	946,034
Capital assets:				
Nondepreciable	25,955,039	93,511,367	147,355	119,613,761
Depreciable, net	21,341,598	29,489,087	5,622,769	56,453,454
Total noncurrent assets	<u>47,557,589</u>	<u>123,636,598</u>	<u>5,819,062</u>	<u>177,013,249</u>
Total assets	<u>\$ 65,650,400</u>	<u>\$ 141,949,639</u>	<u>\$ 13,325,232</u>	<u>\$ 220,925,271</u>
Liabilities				
Current Liabilities:				
Warrants and accounts payable	\$ 2,216,791	\$ 1,855,935	\$ 586,360	\$ 4,659,086
Accrued expenses	343,103	959,046	38,255	1,340,404
Compensated absences and claims	100,733	32,343	40,466	173,542
Bonds, notes, and loans payable	1,293,254	4,346,241	150,000	5,789,495
Total current liabilities	<u>3,953,881</u>	<u>7,193,565</u>	<u>815,081</u>	<u>11,962,527</u>
Noncurrent Liabilities:				
Compensated absences and claims	1,341,558	2,820,132	3,173,536	7,335,226
Landfill and postclosure care costs	-	1,012,000	-	1,012,000
Bonds	23,083,012	81,373,878	1,603,505	106,060,395
Total noncurrent liabilities	<u>24,424,570</u>	<u>85,206,010</u>	<u>4,777,041</u>	<u>114,407,621</u>
Total liabilities	<u>28,378,451</u>	<u>92,399,575</u>	<u>5,592,122</u>	<u>126,370,148</u>
Net Assets				
Invested in capital assets, net of related debt	22,920,371	40,222,052	4,016,619	67,159,042
Unrestricted	14,351,578	9,328,012	3,716,491	27,396,081
Total net assets	<u>\$37,271,949</u>	<u>\$49,550,064</u>	<u>\$7,733,110</u>	<u>\$94,555,123</u>

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

City of Brockton, Massachusetts
Statement of Net Assets- Proprietary Funds
June 30, 2008 (1)

Assets	Enterprise funds			Total
	Water	Sewer	Other	
Current Assets:				
Cash and cash equivalents	\$ 6,180,635	\$ 5,912,554	\$ 3,047,760	\$ 15,140,949
Customer receivables, net	6,108,701	7,541,099	3,529,063	17,178,863
Intergovernmental receivables	12,269,555	9,389,505	-	21,659,060
Inventory	306,154	49,959	-	356,113
Total Current Assets	<u>24,865,045</u>	<u>22,893,117</u>	<u>6,576,823</u>	<u>54,334,985</u>
Noncurrent assets:				
Other	144,159	642,311	54,499	840,969
Capital assets:				
Nondepreciable	19,281,960	80,135,387	130,359	99,547,706
Depreciable, net	19,732,891	31,149,312	5,942,993	56,825,196
Total noncurrent assets	<u>39,159,010</u>	<u>111,927,010</u>	<u>6,127,851</u>	<u>157,213,871</u>
Total assets	<u>\$ 64,024,055</u>	<u>\$ 134,820,127</u>	<u>\$ 12,704,674</u>	<u>\$ 211,548,856</u>
Liabilities				
Current Liabilities:				
Warrants and accounts payable	\$ 3,018,326	\$ 7,672,858	\$ 539,478	\$ 11,230,662
Accrued expenses	285,434	938,673	17,389	1,241,496
Compensated absences and claims	78,453	25,427	35,544	139,424
Bonds, notes, and loans payable	1,243,858	3,995,590	155,000	5,394,448
Total current liabilities	<u>4,626,071</u>	<u>12,632,548</u>	<u>747,411</u>	<u>18,006,030</u>
Noncurrent Liabilities:				
Compensated absences and claims	298,487	1,183,113	2,089,680	3,571,280
Landfill and postclosure care costs	-	989,000	-	989,000
Bonds	24,827,495	77,662,690	1,753,861	104,244,046
Total noncurrent liabilities	<u>25,125,982</u>	<u>79,834,803</u>	<u>3,843,541</u>	<u>108,804,326</u>
Total liabilities	<u>29,752,053</u>	<u>92,467,351</u>	<u>4,590,952</u>	<u>126,810,356</u>
Net Assets				
Invested in capital assets, net of related debt	13,087,657	39,658,235	4,164,888	56,910,780
Unrestricted	21,184,345	2,694,541	3,948,834	27,827,720
Total net assets	<u>\$34,272,002</u>	<u>\$42,352,776</u>	<u>\$8,113,722</u>	<u>\$84,738,500</u>

(1) Extacted 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.

City of Brockton, Massachusetts
Statement of Revenues, Expenses, and Changes in Net Assets- Proprietary Funds
June 30, 2009 (1)

	Enterprise funds			Total
	Water	Sewer	Other	
Operating Revenues:				
Charges for Services	\$15,509,696	\$ 18,306,084	\$ 8,177,752	\$ 41,993,532
Fees	298,314	615,819	263,713	1,177,846
Other	-		4,368	4,368
Total Operating Revenues	<u>\$ 15,808,010</u>	<u>\$ 18,921,903</u>	<u>\$ 8,445,833</u>	<u>\$ 43,175,746</u>
Operating Expenses:				
Salaries and Benefits	\$ 5,195,091	\$ 3,241,918	\$ 2,831,296	\$ 11,268,305
Utilities	994,349	1,793,036	70,928	2,858,313
Repairs and Maintenance	918,442	1,616,708	40,751	2,575,901
Contractual Services	3,504,133	1,319,734	6,271,928	11,095,795
Other Supplies and Expenses	409,331	321,529	315,859	1,046,719
Depreciation	974,480	1,660,225	320,224	2,954,929
Total Operating Expenses	<u>11,995,826</u>	<u>9,953,150</u>	<u>9,850,986</u>	<u>31,799,962</u>
Operating Income (loss)	<u>3,812,184</u>	<u>8,968,753</u>	<u>(1,405,153)</u>	<u>11,375,784</u>
Nonoperating revenue (expense)				
Interest Income	140,844	194,772	171,335	506,951
Interest Expense	(660,668)	(2,180,921)	(18,503)	(2,860,092)
Debt Subsidies	46,555	484,226	-	530,781
Total nonoperating (expenses) revenue	(473,269)	(1,501,923)	152,832	(1,822,360)
Income (loss) before transfers and capital grants	3,338,915	7,466,830	(1,252,321)	9,553,424
Transfers				
Transfers In	191,713	419,203	871,709	1,482,625
Transfers Out	(530,681)	(688,745)	-	(1,219,426)
Total transfers in (out)	<u>(338,968)</u>	<u>(269,542)</u>	<u>871,709</u>	<u>263,199</u>
Change in net assets	2,999,947	7,197,288	(380,612)	9,816,623
Total net assets				
Total net assets, beginning of year	34,272,002	42,352,776	8,113,722	84,738,500
Total net assets, end of year	<u>\$37,271,949</u>	<u>\$49,550,064</u>	<u>\$7,733,110</u>	<u>\$94,555,123</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, 2008 (1)

	Enterprise funds			Total
	Water	Sewer	Other	
Operating Revenues:				
Charges for Services	\$11,067,971	\$ 12,429,366	\$ 7,905,385	\$ 31,402,722
Fees	258,555	374,266	286,030	918,851
Other	-	33,879	-	33,879
Total Operating Revenues	<u>\$ 11,326,526</u>	<u>\$ 12,837,511</u>	<u>\$ 8,191,415</u>	<u>\$ 32,355,452</u>
Operating Expenses:				
Salaries and Benefits	\$ 3,695,574	\$ 1,784,582	\$ 1,999,794	\$ 7,479,950
Utilities	797,649	1,608,592	67,326	2,473,567
Repairs and Maintenance	662,127	845,631	56,580	1,564,338
Contractual Services	1,736,172	4,854,660	6,469,514	13,060,346
Other Supplies and Expenses	314,548	377,784	432,628	1,124,960
Depreciation	963,999	1,610,519	317,401	2,891,919
Total Operating Expenses	<u>8,170,069</u>	<u>11,081,768</u>	<u>9,343,243</u>	<u>28,595,080</u>
Operating Income (loss)	<u>3,156,457</u>	<u>1,755,743</u>	<u>(1,151,828)</u>	<u>3,760,372</u>
Nonoperating revenue (expense)				
Interest Income	154,299	162,186	163,661	480,146
Interest Expense	(509,358)	(2,231,233)	(120,632)	(2,861,223)
Debt Subsidies	47,411	499,939	-	547,350
Total nonoperating (expenses) revenue	(307,648)	(1,569,108)	43,029	(1,833,727)
Income (loss) before transfers and capital grants	2,848,809	186,635	(1,108,799)	1,926,645
Transfers In				
Transfers In	40,500	12,860	884,452	937,812
Transfers Out	(436,169)	(830,416)	-	(1,266,585)
Capital Grants	-	-	54,102	54,102
Total transfers in (out) and capital grants	<u>(395,669)</u>	<u>(817,556)</u>	<u>938,554</u>	<u>(274,671)</u>
Change in net assets	2,453,140	(630,921)	(170,245)	1,651,974
Total net assets, beginning of year				
	31,818,862	42,983,697	8,283,967	83,086,526
Total net assets, end of year	<u>\$34,272,002</u>	<u>\$42,352,776</u>	<u>\$8,113,722</u>	<u>\$84,738,500</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 Water Pollution Abatement or Drinking 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>
2010	\$ 236,249,982	94,304	\$ 5,868,201,889	\$ 2,505	4.03 %
2009	248,114,810	94,304	7,174,223,590	2,631	3.46
2008	253,050,968	94,304	8,156,759,550	2,683	3.10
2007	238,041,162	94,304	8,230,247,748	2,524	2.89
2006	207,715,841	94,304	7,757,717,940	2,203	2.68

(1) 2000 Federal Census used for fiscal years 2006 through 2010.

(2) Reflects local assessed valuations.

**City of Brockton
Direct Debt Summary
As of June 30, 2010, Including Subsequent Issue
(Does Not Reflect This Issue of Refunding Bonds)**

Long Term Debt Outstanding:		
School (1)	\$ 26,007,000	
Water (2)	3,902,635	
General (3)	5,027,775	
Sewer (4)	2,982,590	
MWPAT (5)	106,512,677	
Pension Obligation Bonds ("POB") (6)	96,415,000	
Stadium (6)	3,720,000	
Clean Renewable Energy Bonds ("CREB")	<u>1,400,000</u>	
Total Outstanding		\$ 245,967,677
This Issue - New Money		6,279,000
Temporary Notes:		
Bond Anticipation Notes (7)	9,000,000	
Less:		
To be Funded With Bond Proceeds	(6,279,000)	
To be Funded With MSBA Grant Funds	<u>(1,825,000)</u>	
Outstanding After This Issue of Bonds and Notes (8)		<u>896,000</u>
Total Direct Debt		<u><u>\$ 252,246,677</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 \$21,366,140. \$23,747,000 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.
- (4) Expected payment from self-supporting enterprise. \$921,800 of the outstanding sewer bonds is outside the debt limit.
- (5) Expected payment from self-supporting enterprise. Bonds issued to Massachusetts Water Pollution Abatement Trust, for water and sewer projects. Gross amount does not reflect subsidies from the MWPAT. \$103,950,826 of the outstanding MWPAT bonds is outside the debt limit.
- (6) Outside the debt limit, taxable.
- (7) Payable May 13, 2011.
- (8) Being rolled as a BAN, payable May 11, 2012.

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, 2010, including subsequent issue. (Does not include the refunding portion of this issue, includes the Refunded Bonds)

City of Brockton, Massachusetts Bonded Debt Principal Payments by Purpose

Fiscal Year	School	Water	General	Sewer	MMPAT	FCB	Stadium	CREB	Total
2011	\$ 2,807,375	\$ 378,300	\$ 529,450	\$ 324,875	\$ 4,998,949	\$ 2,500,000	\$ 535,000	\$ 100,000	\$ 12,173,949
2012	2,904,500	374,300	528,900	322,300	5,514,949	420,000	535,000	100,000	10,699,949
2013	2,989,125	369,525	527,625	318,725	5,594,318	810,000	530,000	100,000	11,239,318
2014	3,089,375	369,125	527,525	318,975	5,767,071	1,235,000	530,000	100,000	11,937,071
2015	3,200,375	363,075	471,275	315,275	5,908,073	1,640,000	530,000	100,000	12,528,073
2016	3,348,375	361,760	471,000	313,865	5,956,309	2,150,000	530,000	100,000	13,231,309
2017	3,497,000	359,300	471,000	312,700	6,103,355	2,770,000	530,000	100,000	14,143,355
2018	1,295,875	357,250	456,000	275,875	6,147,326	3,375,000	-	100,000	12,007,326
2019	1,345,000	210,000	430,000	140,000	6,290,861	4,040,000	-	100,000	12,555,861
2020	1,400,000	210,000	330,000	140,000	6,331,731	4,760,000	-	100,000	13,271,731
2021	130,000	110,000	285,000	100,000	6,416,236	5,545,000	-	100,000	12,686,236
2022	-	110,000	-	100,000	6,538,867	6,395,000	-	100,000	13,243,867
2023	-	110,000	-	-	6,688,470	7,325,000	-	100,000	14,223,470
2024	-	110,000	-	-	6,746,808	8,330,000	-	100,000	15,286,808
2025	-	110,000	-	-	6,885,886	9,420,000	-	-	16,415,886
2026	-	-	-	-	5,877,267	10,595,000	-	-	16,472,267
2027	-	-	-	-	4,435,230	11,865,000	-	-	16,300,230
2028	-	-	-	-	2,251,586	13,240,000	-	-	15,491,586
2029	-	-	-	-	903,603	-	-	-	903,603
2030	-	-	-	-	572,112	-	-	-	572,112
2031	-	-	-	-	583,670	-	-	-	583,670
	<u>\$ 26,007,000</u>	<u>\$ 3,902,635</u>	<u>\$ 5,027,775</u>	<u>\$ 2,982,590</u>	<u>\$ 106,512,677</u>	<u>\$ 96,415,000</u>	<u>\$ 3,720,000</u>	<u>\$ 1,400,000</u>	<u>\$ 245,967,677</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 Water Pollution Abatement Trust and the Massachusetts School Building Authority.

City of Brockton, Massachusetts Debt Service Requirements

Fiscal Year	Currently Outstanding		MWPAT Subsidy	MSBA Subsidy	Net Debt Service
	Principal	Interest			
2011	\$ 12,173,949	\$ 9,503,818	\$ (495,490)	\$ (2,597,546)	\$ 18,584,731
2012	10,699,949	9,204,383	(476,190)	(2,597,546)	16,830,596
2013	11,239,318	8,891,107	(461,110)	(2,597,546)	17,071,769
2014	11,937,071	8,442,741	(439,735)	(2,597,546)	17,342,531
2015	12,528,073	7,997,300	(420,241)	(2,597,546)	17,507,586
2016	13,231,309	7,493,883	(353,958)	(2,597,546)	17,773,688
2017	14,143,355	6,937,401	(333,090)	(2,597,546)	18,150,120
2018	12,007,326	6,348,529	(285,336)	(1,061,106)	17,009,414
2019	12,555,861	5,880,013	(269,357)	(1,061,106)	17,105,410
2020	13,271,731	5,378,699	(222,683)	(1,061,106)	17,366,642
2021	12,686,236	4,843,561	(189,544)	-	17,340,253
2022	13,243,867	4,334,302	(166,413)	-	17,411,757
2023	14,223,470	3,785,717	(150,687)	-	17,858,500
2024	15,286,808	3,187,382	(106,955)	-	18,367,235
2025	16,415,886	2,540,934	(78,388)	-	18,878,432
2026	16,472,267	1,878,472	-	-	18,350,739
2027	16,300,230	1,167,804	-	-	17,468,034
2028	15,491,586	421,846	-	-	15,913,431
2029	903,603	32,152	-	-	935,755
2030	572,112	17,395	-	-	589,507
2031	583,670	5,837	-	-	589,507
Total	<u>\$ 245,967,677</u>	<u>\$ 98,293,276</u>	<u>\$ (4,449,177)</u>	<u>\$ (21,366,140)</u>	<u>\$ 318,445,635</u>

Authorized Unissued Debt and Prospective Financing

Following the delivery of the Bonds, the City will have approximately \$72,226,864 in authorized unissued debt. Of this amount \$47,710,000 is authorized for pension obligation purposes. \$7,054,612 represents the amount authorized for the construction of two elementary schools. All of the school projects to be financed by such debt are entitled to school construction grants from the Massachusetts School Building Authority totaling 90% of approved project costs. The remaining \$17,462,252 is authorized for water (\$14,641,473), economic development (\$2,600,000) and sewer (\$220,779). Over the next ten years the City expects to expend through debt financing about \$97 million for upgrading its sewage treatment facilities and rehabilitating its sewage collection system. These general obligation bonds will be supported by user charges. The \$47,710,000 pension obligation bond authorization above represents the unissued balance of an original \$149,225,000 authorization for this purpose and will remain outstanding. However, the City does not intend to issue bonds against this balance, but there are no current plans to rescind the authorization.

With respect to the school construction projects which were planned in 1999, the borrowing authorizations were obtained in 2000 under the prior system for state assistance. At that time, the City would borrow for the full project costs and then receive reimbursements from the state for its share over the life of the bonds. With the creation of the Massachusetts State Building Authority in 2004, the state began to pay for its share of the costs during the construction project. The City will issue bonds only for its own share of the costs.

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 2011 dollar assessment for each.

	<u>Bonded Debt as of 6/30/10 (1)</u>	<u>FY 2011 Dollar Assessment</u>
Plymouth County (2)	\$3,850,000	\$136,557
Southeastern Regional Vocational School District (3)	0	2,715,744
Brockton Area Transit Authority (4)	0	1,896,867

(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, including This Issue of bonds. The table does not include debt of the Commonwealth.

Fiscal Year	Debt Service on This Issue	Total State Aid (1)	Coverage Ratio Total State Aid to Qualified Debt Service
2012	\$ 757,511	\$ 157,656,603	208.12
2013	748,883	160,809,735	214.73
2014	734,633	164,025,930	223.28
2015	675,383	167,306,448	247.72
2016	662,483	170,652,577	257.60
2017	654,583	174,065,629	265.92
2018	597,183	177,546,941	297.31
2019	544,408	181,097,880	332.65
2020	451,408	184,719,838	409.21
2021	452,158	188,414,235	416.70
2022	452,158	192,182,519	425.03
2023	452,314	196,026,170	433.39
2024	451,751	199,946,693	442.60
2025	455,445	203,945,627	447.79
2026	453,195	208,024,540	459.02
2027	454,875	212,185,030	466.47
2028	456,000	216,428,731	474.62
2029	455,400	220,757,306	484.75
2030	454,200	225,172,452	495.76
2031	452,400	229,675,901	507.68
Total	<u>\$ 10,816,366</u>	<u>\$ 3,830,640,784</u>	

(1) Includes total state aid available for coverage. State aid is taken from the fiscal 2012 House Final Budget Proposal 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 June 20, 2011.

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, \$4,247,500 was appropriated for fiscal 2010 and \$5,309,375 was appropriated for fiscal 2011 for the full cost of the year's obligation to be offset with water revenues.

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 if 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 retired 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 retired schedule with reduced payments, the retired 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 2010, the Board of the Contributory Retirement System of the City of Brockton voted to extend the funding schedule to the year 2030 (not 2040). Previously, the board had adopted a schedule to fully fund the system by 2019 (as opposed to the previous statutory requirement of 2028). 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, 2010 is presented in the table below, from the report "City of Brockton Retirement System" from Buck Consultants, LLC.

Actuarial Value of Assets

(1)	Market value at January 1, 2009	\$267,470,068
(2)	2009 Contributions	\$18,709,688
(3)	2009 Payments	(\$34,028,788)
(4)	Net interest adjustment at 8.0% on (1), (2), and (3) to December 30, 2009	\$20,784,841
(5)	Expected market value on January 1, 2010	\$272,935,809
	(1) + (2) + (3) + (4)	
(6)	Actual market value on January 1, 2010	\$308,238,475
(7)	2009 (Gain)/Loss	(\$35,302,666)
(8)	80% of 2009 (Gain)/Loss	(\$28,242,133)
(9)	2008 (Gain)/Loss	\$143,436,890
(10)	60% of 2008 (Gain)/Loss	\$86,062,134
(11)	2007 (Gain)/Loss	\$1,008,727
(12)	40% of 2007 (Gain)/Loss	\$403,491
(13)	2006 (Gain)/Loss	(\$13,005,016)
(14)	20% of 2006 (Gain)/Loss	(\$2,601,003)
	Actuarial value on January 1, 2010, (6) + (8) + (10) + (12) + (14)	
(15)	but not less than 80% nor greater than 120% of (6)	\$363,860,964
(16)	Ratio of actuarial value to market value	118.05%
(17)	Actuarial Value Return for 2008	-13.88%
(18)	Actuarial Value Return for 2009	18.58%
(19)	Market Value Return for 2008	-29.15%
(20)	Market Value Return for 2009	21.59%

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.

Recent legislation provides that upon local acceptance and subject to certain conditions and limitations, a municipality may establish and implement an early retirement incentive program. Any plan for such program must have been submitted to PERAC by September 27, 2010. The City has not authorized such a program.

As of January 1, 2010 there were 1,271 retired and disabled retired persons and surviving beneficiaries receiving pensions which totaled \$34.1 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>
2011 (Budgeted)	\$10,115,288	\$55,900
2010	9,767,584	96,433
2009	9,713,143	96,433
2008	9,470,423	94,066
2007	9,232,629	102,258
2006	17,597,103	130,449

The decline in assessment contributions from fiscal year 2006 to fiscal year 2007 occurred because 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 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, according to a new actuarial valuation, 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 and 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 two years less than the new statutory requirement of 2040. In addition, the Board voted to adopt "Actuarial Asset" valuation as previously explained. The result of this, as can be seen on the previous table, was to increase asset values from \$308.2 million to \$363.9 million and improve the funding ratio to 76.2%. The City has not performed an actuarial valuation at January 1, 2011. However the unaudited market value of the System's assets had increased to \$320.8 million.

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.

FUNDING STATUS

<u>Valuation Date</u>	<u>Value of Assets*</u>	<u>Accrued Liability</u>	<u>Unfunded Accrued Liability</u>	<u>Funded Ratio</u>
1/1/10	\$363,861	\$477,471	\$113,600	76 %
1/1/09	267,470	462,148	194,678	58
1/1/08	392,206	437,123	44,917	90
1/1/07	375,863	421,211	45,348	89
1/1/06	346,312	399,505	53,193	87
1/1/05	233,724	376,361	42,638	62
1/1/04	208,286	359,825	151,359	58
1/1/02	191,921	326,280	134,354	59
1/1/01	198,329	297,019	98,690	67
1/1/00	187,033	283,821	96,788	66
1/1/99	162,473	275,385	112,912	59
1/1/97	121,916	237,653	115,737	51
1/1/96	107,355	195,407	88,052	55
1/1/95	88,916	204,034	115,118	44
1/1/93	78,879	182,994	104,115	43

*Market value through 1/1/09, actuarial value thereafter.

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 by 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 2011 occurred, so no payments have been made.

The City may take advantage of the pension extension which was recently 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 2030.

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 \$17 million in fiscal 2011.

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 & 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 Covered Ratio	of Covered Payroll	UAL as Percentage Payroll
June 30, 2008	\$0	\$635.2 million	\$635.2 million	0%	\$147.1 million	431.9%
June 20, 2010	0	693.6 million	693.6 million	0	171.1 million	405.4

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
2008	\$8,289,489	\$17,795,826	\$26,085,315	\$ 15,241,972
2009	8,703,963	18,596,638	27,300,601	16,416,140
2010	14,020,906	24,395,084	38,415,990	20,173,835
2011	15,072,404	25,187,924	40,260,398	22,317,826
2013	17,418,128	26,851,744	44,269,871	24,957,319
2015	20,128,824	28,625,469	48,754,293	27,654,020

*Assumed Full Prefunding Interest Rate of 8% for fiscal 2008 and 2009; 7.5% thereafter.

Fiscal Year Ending In	Normal Cost*	Amortization of UAL*	ARC*	Expected Benefit Payments
2008	\$23,829,511	\$ 19,734,613	\$ 43,564,124	\$15,241,972
2009	25,020,987	21,223,163	46,244,150	16,416,140
2010	29,663,845	28,127,292	57,791,137	20,173,835
2011	29,663,845	30,674,134	60,337,979	22,317,826
2013	33,609,003	36,639,802	70,428,805	24,957,319
2015	36,526,475	43,966,231	80,486,706	27,654,020

*Assumed Pay-As-You-Go Interest Rate of 4% for fiscal 2008 and 2009; 4.25% thereafter.

OPEB Pay-As-You-Go Health Insurance

Fiscal Year	OPEB Pay As You Go Budget
2010	\$20,808,583
2009	16,790,664
2008	15,773,993
2007	14,927,275
2006	14,402,801
2005	12,881,946

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

STATUS OF UNION CONTRACTS

All City unions had contracts which were settled and approved for fiscal year 2008 through 2010. Most City workers are represented by these unions. The terms of the settlements varied for each union, but contained similar elements. Base wages were increased by 7% over the three year period, but additional hourly rate increases also were applied, which varied by union. Moreover, additional compensation was added for seniority. Varying terms by union provided compensation for attainment of educational degree or professional license certification. Depending on these factors, an employee's total compensation increases could range from 10-15% over three years (including the 7% increase in base wages). The average increase was about 12.5%. One of the major City objectives achieved was the agreement to increase the employee's contribution to the City's indemnity health insurance plan from 25% to 30%, effective August 31, 2008, on the same terms the teachers union. The City also obtained the agreement that the City will not reimburse any portion of the Medicare Part B cost when these union members became eligible for and enroll in Medicare. In 2008, the City recognized a new union for part-time parking garage attendants. A collective bargaining agreement has been reached. No salary increases were granted but the employees won limited paid sick leave and vacation rights. The City and its unions are currently engaged in negotiation for new contracts for fiscal year 2011 and beyond.

The School Department had settled contracts for both certified and non-certified staff covering fiscal years 2009, 2010 and 2011.

The various unions and non-unions had settled for a pattern of 2% (fiscal year 2009), 3% (fiscal year 2010) and a mid-year split of 3% and 2% for fiscal year 2011. Prior to fiscal year 2011, the School Department and some of its unions modified the fiscal year 2011 pattern and extended the contracts through fiscal year 2013, in order to mitigate scheduled layoffs in fiscal year 2011. As a result, 50 layoffs of anticipated 269 were averted. The new pattern calls for 3% in fiscal year 2011, a 2%/1.5% split in fiscal year 2012; and a 0.5%/1.5% split in fiscal year 2013. The unions affected by this pattern were the Brockton Education Association (BEA-certified staff), the para-professionals, the school police and the food service. The pattern was slightly different for the custodians, but that union also made concessions, and extended through fiscal year 2013. The clerk's union's made no concessions and that union contract expires the end of fiscal year 2011.

LITIGATION

At present there are various cases pending in various courts throughout the Commonwealth where the City of Brockton is a defendant. In my opinion as 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/ Martin Brophy, Treasurer

May 3, 2011



CITY OF BROCKTON, MASSACHUSETTS

Basic Financial Statements and
Required Supplementary Information

June 30, 2010

(With Independent Auditors' Report Thereon)

CITY OF BROCKTON, MASSACHUSETTS

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KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Independent Auditors' Report

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

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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Brockton, Massachusetts, as of June 30, 2010, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have issued a separate report, dated March 22, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



The management's discussion and analysis on pages 3 through 17, the budgetary comparison information on pages 58 through 60, and the schedules of funding progress and contributions from employers on page 61 are not required parts of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

March 22, 2011

CITY OF BROCKTON, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2010

(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, 2010.

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 2010 by approximately \$245 million (net assets).
- The City's total net assets decreased in fiscal year 2010 by approximately \$32.4 million, or 11.7%. This is primarily due to the recognition of a \$37.1 million increase in the other post employment benefit liability.
- At the end of fiscal 2010, undesignated fund balance for the general fund was approximately \$18.0 million or 6.5%, of total general fund expenditures.
- The City's total bonded debt decreased by approximately \$1.7 million during fiscal 2010. 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 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 assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 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).

(Continued)

CITY OF BROCKTON, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2010

(Unaudited)

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 and refuse 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, which is the City's only major governmental fund. 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 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.

(Continued)

CITY OF BROCKTON, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2010

(Unaudited)

Fiduciary fund reporting focuses on net assets and changes in net assets. 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 assets and a statement of changes in fiduciary net assets. 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.

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.

Government-Wide Financial Analysis

As noted earlier, net assets 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 \$245.0 million at the close of the most recent fiscal year.

A significant portion of the City's net assets (85.2%) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. 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.

An additional portion of the City's net assets (2.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$31.3 million (12.8%) represents unrestricted net assets.

(Continued)

CITY OF BROCKTON, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2010

(Unaudited)

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year

CONDENSED STATEMENT OF NET ASSETS

(In thousands)

	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 249,499	251,914	52,625	44,858	302,124	296,772
Capital assets	173,439	176,580	179,964	176,067	353,403	352,647
Total assets	\$ 422,938	428,494	232,589	220,925	655,527	649,419
Long-term debt outstanding	\$ 131,156	136,944	115,890	111,850	247,046	248,794
Other liabilities	147,772	108,687	15,730	14,520	163,502	123,207
Total liabilities	\$ 278,928	245,631	131,620	126,370	410,548	372,001
Net assets:						
Invested in capital assets, net of related debt	\$ 133,417	142,367	75,196	67,159	208,613	209,526
Restricted	5,106	4,783	—	—	5,106	4,783
Unrestricted	5,487	35,713	25,773	27,396	31,260	63,109
Total net assets	\$ 144,010	182,863	100,969	94,555	244,979	277,418

Total Net Assets

During fiscal year 2010, the City's net assets decreased by about \$32.4 million, or 11.7%. The decrease in net assets was due to the recognition of the increase in the City's other post employment benefit net obligation totaling \$37.1 million.

Governmental Activities – Assets

For governmental activities, current and other assets decreased \$2.4 million, coupled with a decrease in capital assets of \$3.2 million, resulting in a decrease in assets of \$5.6 million. The decrease in the capital assets of was the result of the completed construction and resulting depreciation for the building of two new schools called the Manthala George and Mary Baker schools.

Governmental Activities – Liabilities

Governmental activities liabilities increased by \$33.3 million. There was an increase of \$39.1 million in other liabilities and a \$5.8 million decrease in long-term debt outstanding. The increase in other liabilities was due to the recognition of a \$37.1 million increase of the other post employment benefit (OPEB) net obligation while the decrease in long-term debt outstanding was due to scheduled debt repayments.

The City's 2010 Annual Required Contribution was \$57.8 million. Interest on the net OPEB obligation and adjustments to the ARC totaled \$115 thousand. Contributions against the ARC on a pay-as-you-go basis totaled \$20.8 million resulting in an increase in the government-wide net OBEB obligation of \$37.1 million. While the City's net OPEB obligation is \$96.1 million as of June 30, 2010, ultimately, over the next 28 years, the City will

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recognize the entire OPEB obligation, which is estimated at \$693.6 million as of June 30, 2010, the date of the City's most recent actuarial valuation.

Business Type Activities – Assets

For business type activities, there was an increase in net assets of \$6.4 million. Current and other assets increased by \$7.8 million, while capital assets increased by \$3.9 million, and total assets increased by \$11.7 million. The increase in current and other assets was due primarily to the recognition of intergovernmental receivables related to the major ongoing investment in and upgrade of the waste water treatment plant. The increase in capital assets is due to the City's continued investment in capital spending that has been funded with borrowings from the MWPAT. In 2010, additions to business type activities capital assets totaled \$8.1 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 plant.

Business Type Activities – Liabilities

Business type activities liabilities increased by \$5.3 million. There was an increase of \$1.2 million in other liabilities and an increase of \$4.0 million in long-term debt outstanding. The increase of the long-term debt was the result of issuances of \$9.9 million loans from the Massachusetts Water Pollution Abatement Trust (MWPAT) for the on-going waste water treatment plant and water system upgrades.

Governmental Activities – Statement of Activities

Gross expenses for governmental activities were \$370.1 million for fiscal year 2010. This reflected an increase of \$12.5 million, or 3.5%. Included in this net increase is the City's recognition of \$37.1 million of additional expense across all category of governments related to the increase in the City's other post employment benefit net obligation.

Total general revenues for governmental activities of \$127.1 million offset total net expenses of \$165.7 million. Major ongoing revenue contributors were the net property tax at \$98.3 million, an increase of \$3.4 million. The remaining categories in total decreased by \$5.0 million, excise taxes at \$6.3 million, a decrease of \$55 thousand; intergovernmental at \$19.2 million, a decrease of \$5.0 million and other totaling \$3.3 million, an increase of \$53 thousand.

To further offset the gross expenses of the governmental activities, the City benefited from an increase in its operating grants of \$8.1 million, primarily from the state government, but also from Federal government sources. These revenue categories increased by 4.4%, to almost \$190.9 million. The increases in grant revenue were primarily the result of increases in state and federal grant funding through the American Recovery and Reinvestment Act (ARRA or Recovery Act).

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 for governmental activities were \$331.5 million. Of this total almost \$204.4 million, or 61.7%, is from operating/capital grants contributions as well as charges for services, which is mainly from state and federal aid. Further, the City received \$19.2 million in intergovernmental aid that is classified as general revenue. An additional 29.7% of the total is derived from the City's property tax. The severe constraints on the City's revenue

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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.

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 2010, the City levied a total of \$99.8 million in real estate property taxes against an aggregate fair market assessed value of \$5.9 billion. This levy compared to a maximum allowable levy under the levy limit of \$99.8 million, leaving only a small amount in unused levy capacity without the approval of the voters. However, the levy comprised only 1.7% of the City's aggregate assessed value. With voter approval, the city could levy an additional \$46.8 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

Business-Type Activities – The business-type activities increased the City's net assets by approximately \$6.4 million, or 6.8%.

The water fund contributed a \$309 thousand decrease; the sewer fund contributed \$6.3 million of the increase. The net assets for the combination of the nonmajor recreation, refuse and renewable energy funds increased \$464 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 construction concluded during fiscal year 2010 and the facility has begun to generate and sell electricity.

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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 and sewer funds, operating income totaled \$583 thousand and \$7.5 million, respectively. In the water and sewer funds, cash flow from operations of \$2.2 million and \$8.0 million, respectively. In both of these funds a major upgrade to the wastewater and water treatment plants have begun and required a major contribution of resources to finance both the construction itself and the impact of construction in increased plant operating costs.

Condensed Statement of Changes in Net Assets

(In thousands)

	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charge for services	\$ 13,158	12,220	41,094	43,176	54,252	55,396
Operating grants	190,877	182,812	728	507	191,605	183,319
Capital grants	404	12,711	513	531	917	13,242
General revenues:						
Property taxes	98,277	94,921	—	—	98,277	94,921
Excise taxes	6,321	6,376	—	—	6,321	6,376
Intergovernmental	19,225	24,238	—	—	19,225	24,238
Other	3,258	3,205	—	—	3,258	3,205
Total revenues	331,520	336,483	42,335	44,214	373,855	380,697
Expenses:						
General government	24,580	17,129	—	—	24,580	17,129
Public safety	60,589	58,225	—	—	60,589	58,225
Education	251,233	247,250	—	—	251,233	247,250
Public works	13,308	15,006	—	—	13,308	15,006
Human services	3,575	3,206	—	—	3,575	3,206
Culture and recreation	3,726	3,493	—	—	3,726	3,493
State and county assessments	5,605	5,372	—	—	5,605	5,372
Court judgments	230	256	—	—	230	256
Interest on long-term debt	7,261	7,663	—	—	7,261	7,663
Enterprise accounts:						
Water	—	—	13,814	12,656	13,814	12,656
Sewer	—	—	13,518	12,134	13,518	12,134
Other	—	—	8,855	9,870	8,855	9,870
Total expenses	370,107	357,600	36,187	34,660	406,294	392,260
Excess (deficiency) before transfers	(38,587)	(21,117)	6,148	9,554	(32,439)	(11,563)
Transfers	(266)	(263)	266	263	—	—
Total transfers	(266)	(263)	266	263	—	—
Change in net assets	(38,853)	(21,380)	6,414	9,817	(32,439)	(11,563)
Net assets – beginning of year	182,863	204,243	94,555	84,738	277,418	288,981
Net assets – end of year	\$ 144,010	182,863	100,969	94,555	244,979	277,418

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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, unreserved 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 2010, the City's governmental funds reported combined fund balances of approximately \$95 million, an increase of approximately \$1.1 million, or 1.2%, in comparison with the prior year. The general fund balance increased by \$1.4 million, from \$78.6 million to \$80.0 million and the combined fund balances for all the other funds decreased, by \$218 thousand, from \$15.2 million to \$15.0 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 Assets." These reconciliations will demonstrate that essentially the City's increase in fund balances of \$1.1 million, compared to its decrease in net assets of \$38.9 million, a difference of \$40.0 million, is explained largely by the following factors:

1. \$1.4 million – the positive effect of revenue accruals.
2. \$5.8 million – the positive effect of the amount by which outstanding bonded indebtedness and long-term leases were increased.
3. \$3.1 million – the negative effect of the amount by which capital assets was increased, net of depreciation expense.
4. \$4.0 million – the amortization effect of the pension asset in the statement of activities which is not included in the operating statement of the governmental funds.
5. \$37.1 million – the negative effect of increases in other liabilities, primarily other post employment benefits, which did not require the use of current resources.
6. \$2.7 million – the negative effect of the collection of the long-term intergovernmental receivable that is recorded as revenue in the governmental funds.

Of the total of ending fund balances of \$95 million, \$32.3 million constitutes undesignated fund balance, which is available for appropriation by the City or for expenditures in accordance with legal restrictions. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed (1) to liquidate contracts and purchase orders of the current period of \$2.3 million, (2) as deposits held for health insurance claims \$6.7 million, (3) to fund future health claims \$26.6 million, (4) to reserve for a note receivable \$7.6 million, (5) as designated for subsequent years expenditures \$10.3 million, and (6) as designated for extraordinary, unforeseen circumstances and stabilization \$9.2 million. The funds for

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extraordinary and unforeseen circumstances may be appropriated for restricted purposes by majority vote of the city council with approval of the mayor. The fund for stabilization may be appropriated for any legal purpose by a two-thirds vote of the city council with the approval of the mayor.

The general fund is the chief operating fund of the City. At the end of the fiscal year 2010, unreserved and undesignated fund balance of the general fund was approximately \$63.5 million. Total fund balance was approximately \$80.0 million, an increase of \$1.4 million. This increase in fund balance was largely driven by an excess 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 unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 22.7% of total general fund expenditures, while total fund balance represents 28.6% 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, unreserved, and undesignated categories, has occurred because revenues have not grown to compensate for certain heavy cost pressures, especially from health benefits. Accordingly, the City has drawn down reserves in order to maintain services.

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 assets of the proprietary funds at the end of the current fiscal year totaled approximately \$101.0 million. Changes in net assets of the proprietary funds at the end of the current fiscal year totaled an increase of approximately \$6.4 million, or 6.8%.

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.

For the water fund, the fiscal year 2010 operating income was \$583 thousand, or 4.2% of operating revenues. Nonoperating revenues (expenses) and transfers essentially netted to a negative \$892 thousand, and so net assets decreased by \$309 thousand. The operating income was driven by the City's ability to set water rates to recover its operating costs. In fiscal year 2010, budgeted costs were less than expected which drove the positive operating income. Cash flow from operations was \$2.2 million.

For the sewer fund, operating income was \$7.5 million, or 40.0% of operating revenues. However, nonoperating expenses and transfers decreased net assets by \$1.3 million. The aggressive construction schedule for the upgrade of the waste water treatment plant increased capital assets, but it also increased long-term debt and interest expense, which basically nets to a zero effect on the sewer fund's net assets. The strong operating income was

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driven by an increase in sewer rates in the middle of 2008. This sewer rate increase has a full year effect in fiscal year 2009 and fiscal year 2010. Further, the rate increase is meant to recover future costs, which resulted in a strong operating income in fiscal year 2010. Cash flow from operations was \$8.0 million.

For the combined results of the other enterprise funds, the value of net assets increased by \$464 thousand, or 6.0%. The operating loss for combined was \$435 thousand loss in fiscal year 2010 or 5.2% of operating revenues. With the benefit of net transfers in (general fund subsidy) and the nonoperating revenue of \$899 thousand, the operating loss of \$435 thousand became a \$464 thousand positive change in net assets.

Budgetary Highlights

In fiscal year 2010, the original budget called for \$271.7 million in spending. Of this amount \$131.3 million was for Education spending, \$38.8 million was for Public Safety spending, \$56.7 million was for Fringe Benefit spending and \$44.9 million for all other categories.

Resources, including transfers in from other funds of \$3.9 million, totaled \$256.8 million, creating a planned deficit of approximately \$14.9 million. Offsetting this deficit was a contribution from "Free Cash" of \$14.5 million. The net total of approximately \$397 thousand was applied to fund the Chapter 324 Supplemental Reserve and Other Financing Sources/Uses.

In the final budget, a total of \$274.1 million in spending was authorized, an increase of \$2.4 million. The budgets that made up this amount included the following: the public safety budgets were increased by \$895 thousand; the public works budget by \$3,300; Human services budgets were increased by \$403 thousand; Capital Outlay budgets were increased by \$347 thousand; Pension and Fringe Benefit budgets were decreased by \$396 thousand; Transfers out budgets remained constant and the general government budgets were increased by \$325 thousand, all other budgets had a net increase of \$1.4 million.

To help finance the additional \$2.4 million in authorized spending, the Real and Personal Property taxes, net was increased \$1.4 million and other financing sources/uses were increased by \$1.0 million, raising resources to \$258.3 million.

On an actual basis, resources were higher than the final budget by \$11.1 million. All revenue categories resulted in a positive variance with the exception of investment income. The City's revenue estimates normally are conservative and actual results typically exceed budget by 1.5% to 2.0%. For fiscal year 2010, the positive variance was largely driven by Real Estate, Personal Property, Excise taxes, User charges and other revenue, Fees, and Licenses and Permits revenues. The increase in the Real Estate and Excise taxes were the result of increased collections in the categories of personal property, real estate, and tax title revenues. The User charges and other revenues increased due to increase in Medicare Part D Reimbursements collections. The Fees category increased as a result of the City receiving a new \$700 thousand fee for the local cable franchise. The Licenses and Permit revenue increased as a result of an increase in the City Clerk and Public Property licenses and permits fees.

On the expenditure side, a favorable variance of \$8.1 million was achieved. The City has typically achieved 1 to 2% positive variance on spending. For fiscal year 2010, this positive variance was driven by actual budgetary expenditures less than budgeted expenditures in the general government, public safety, education and pension

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and fringe benefit line items. The reasons for the positive variances in the general government, public safety and pension and fringe benefit were due to conservative budgeting in these line items.

As a result of the revenue and expenditure positive variances, the City's fiscal year 2010 general fund operations estimated to create free cash of approximately \$16.9 million to be used in the FY 2012 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, 2010 amounted to approximately \$353.4 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 increase in the City's investment in capital assets of \$756 thousand for fiscal year 2010 represented an increase of less than 1.0%. Capital assets for governmental activities decreased by \$3.1 million, or 1.8%, while capital assets for business-type activities increased by \$3.9 million, or 2.2%. The increase in the value of capital assets for business-type activities was primarily caused by the construction in progress, both in water and sewer enterprise funds, but especially for the project to upgrade the water and sewer treatment plants. The decrease in the value of capital assets for governmental activities is the result of depreciation exceeding capital additions. With the completion of construction activities for two schools, the City does not have any major on-going capital projects for its governmental activities.

Major capital assets included the following:

	Capital Assets					
	(In thousands)					
	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 7,411	7,411	3,246	3,246	10,657	10,657
Construction in progress	1,632	61,981	19,282	116,368	20,914	178,349
Historical works of art	1,809	1,809	—	—	1,809	1,809
Buildings	132,820	75,598	116,233	14,689	249,053	90,287
Land improvements	2,347	2,612	520	603	2,867	3,215
Machinery and equipment	4,205	4,171	3,416	3,470	7,621	7,641
Infrastructure	23,215	22,998	37,267	37,691	60,482	60,689
Total	\$ 173,439	176,580	179,964	176,067	353,403	352,647

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Long-Term Debt – At the end of the current fiscal year, the City had total bonded debt outstanding of approximately \$247.0 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	
	2010	2009	2010	2009	2010	2009
General obligation bonds, net	\$ 131,156	136,944	115,890	111,850	247,046	248,794
Total	\$ 131,156	136,944	115,890	111,850	247,046	248,794

The overall net increase is attributable to the following factors:

The City’s bonded debt decreased by approximately \$1.7 million or 1.0%. The decrease was attributable to scheduled repayments exceeding new issuances. The City issued \$9.9 million of MWPAT loans to fund the City’s on-going Sewer and Water rehabilitation projects. This increase in long-term debt was offset by principal payments during the current fiscal year totaling \$11.6 million.

Total long-term debt of the City represents a claim of about 70.0% of the City’s total capital assets, and a claim of about 37.7% 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 an “A” (stable outlook) rating from Standard and Poor’s and an “Aa3” rating from Moody’s for general obligation debt.

Economic Factors and Next Year’s Budgets

The economic circumstances confronting the City have deteriorated considerably over the past several fiscal years, and the prospects for fiscal year 2012 portend a continuation of the same bleak factors. Revenue assistance from the state has declined in both real and nominal terms; this has been true even for aid to education, although in the last year this trend was reversed. However, for revenue assistance other than for education, the decline has been particularly steep. For example, the City’s unrestricted state aid was reduced by about \$10.0 million from nearly \$28 million in FY 2008 to nearly \$18 million in FY 2011, a reduction of about 35%. The governor’s FY 2012 proposal would reduce that aid by an additional \$1.25 million, about 7%, and legislative leaders are indicating that even deeper cuts may be necessary.

The state has provided municipalities with two new local option revenue sources: the ability to raise the lodging excise tax from four percent up to six percent, and the ability to add 0.75% to the meals sales tax. The city has adopted the higher lodging excise tax, which is expected to generate annually about \$150 thousand. The city has also raised the meals tax, which has the potential to generate nearly \$1.0 million per year as estimated by the Massachusetts State Department of Revenue.

Although the property tax levy has provided a predictable, steady source of revenue growth, it provides only a little more than one-third of the City’s financing for its general fund spending. The City’s utility operations (mainly water, sewer, refuse) are enterprise funds self-supported through user fees, but its general fund

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operations rely on state assistance for more than 50% of the funding, with less than 10% derived from local receipts other the property tax, and less than 5% from reserves and other available funds. The growth rates of these other sources of funding have not been as steady or predictable as the growth rate of the property tax. The heavy reliance on state aid has become problematic in a period when almost all of the increase in state assistance have been restricted to education, and even more so when state aid is reduced. In the meantime, for the City, 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 some recent years resulted in drawing down the City's reserves. However, during FY2010, the City balanced its budget without the use of the Stabilization Fund, and the City in FY2010 actually added \$2.2 million to that fund.

During FY2011, the City balanced its budget with a modest use of the Stabilization Fund; the City has used about \$0.5 million to balance its budget. Unfortunately, snow removal costs for the winter of 2010/2011 were about \$1.5 million above budget, which will require further use of that fund, leaving a balance of a little more than \$2.0 million. It is possible that the City will need to tap into a small portion of the remaining reserves to balance the FY 2012 budget.

Unemployment nationally and locally remains stubbornly high. The City has been deeply affected by the home mortgage foreclosure crisis. However, the local housing market has showed tentative signs of stabilization. Nonetheless, the median value of a single family home at the end of calendar year 2009 was lower than it had been since the middle of calendar year 2002. For the condominium market, the median sale value comparable to that of year end 2010 would have occurred all the way back in mid-year 2000. However, by calendar 2010 year end, the median sale value of a single family homes had improved by more than 5% over year end 2009, and for condominiums, the median price had stabilized.

The city's overall assessed value declined from FY 2010 to FY 2011 by \$239.0 million, or about 4%, due to declines in values of the commercial and industrial properties of about 9%. However, there recently has been some significant activity. The Bernardi Auto Group is redeveloping a large parcel, off Route 24, to create two separate dealerships, a Hyundai and a Honda, with an investment of \$24.0 million. This project will enjoy a substantial property tax exemption initially, but it will later provide taxes.

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 will convert the property from tax-exempt to taxable. Taxable values have not yet been determined, but the revenues will be a significant addition to the City's tax levy.

The City's unions, except for the school unions, will have concluded their most recent contractual period on June 30, 2010, and so no contractual salary increases are scheduled or obligated for FY2011. Successor contract bargaining will occur in a constrained revenue environment. In the negotiations, which are far from conclusion, the City has proposed very modest wage increases for health insurance concessions. Unions for the school department, except for the clerks' union, whose contract expires in FY2011, will begin the second year of their three year contract in FY2012. Financing the approximately 4.0% budgeting impact of the next contract year will present a real challenge in the context of flat or declining revenues; maintaining current staffing levels will be very difficult.

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The City's health insurance costs continue to rise, reflective of the experience of most employers in Massachusetts. The city anticipates an average increase of about 7 to 8% for FY2012. The City in FY2010 analyzed its health insurance trust fund, from which the City's self-insured medical and dental claims for employees and retirees are paid, to determine if its available cash balance exceeded the amount required to reserve for incurred but not reported (IBNR) claims and for the potential in any future year of a particularly bad year of claims experience. A bad claims year could occur because even though the City purchases reinsurance against the cost of major claims by individuals, there may still be high claims from individuals which do not meet the individual claimant recovery point. The health insurance trust fund receives financing from both City appropriation and employee contributions according to rates recommended by the actuaries of Blue Cross/Blue Shield and Harvard Pilgrim. For several recent years, the fund's cash position has increased substantially because the funding provided by the recommended actuarial rates has exceeded the actual claims payment experience. The analysis up through FY2010 indicated that the trust fund had a large surplus to its required balance. A portion of this surplus was used to help finance FY2011 health cost. The City has performed another, similar analysis for FY2012. The trust fund still enjoyed a very healthy reserve position, which the city again utilized to help assist with the budget costs. A further analysis of trust fund balances for purposes of the FY2012 budget indicates that there is a sufficient reserve position to again provide budget assistance; however, no decision has yet been made.

In the past, the City has attempted to minimize the impact on reserve levels of the financing of unfavorable cost and revenue trends with a combination of strategies. First, it has moved utility services, initially, water and sewer, and most recently, trash, to self support by user fees, and it has raised those fees as needed.

Second, the City has reduced spending levels through both employee attrition and in outright budget reductions. The continuing cost pressures and revenue constraints will likely require additional service and budget reductions in FY2012.

Third, it has shifted a growing portion of the cost of health care to the employees and retirees and to the federal government. Over the past 15 years employee and retiree contributions have been successively raised from 5% to 10% to 20% to 25% to 30% for the most expensive plan and 40% for nonunion employees, and eligible retirees have been required to enroll in Medicare.

However, the city has not been able to reduce the level of plan benefits. Municipalities across the Commonwealth have urged state government to allow for the changing of health insurance plan benefits without engaging in collective bargaining with each of the unions, or to allow municipalities to join the state's insurance plans for state employees, where benefits may be unilaterally changed by the State's Group Insurance Commission (GIC), again without collective bargaining. Either approach could save an estimated 5% or more of health costs, but state government has not been willing to allow this modification of union collective bargaining rights.

More recently, there have been different proposals by the governor, the state union leaders, and legislative leaders by which municipalities and unions would bargain over benefit structures in an attempt to enter the Group Insurance Commission (GIC) or achieve comparable benefit plans. These proposals differ with respect to the level of coercion to force municipal unions into the GIC and the sharing of savings with the unions. The city is negotiating with its unions to reduce the benefit levels and share some of the savings. No resolution is in sight with City unions. No negotiations are occurring with school unions which are under contract.

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June 30, 2010

(Unaudited)

The adverse impact of increasing costs combined with the reduction in state assistance for the fiscal year 2012 budget could be avoided by a voter referendum to override the provisions of Proposition 2½. Even with the recent property valuation decreases, the City enjoys override capacity and could increase its annual levy by 10% (about \$10 million) per year, as the FY2011 assessed value of the city would support an additional levy of almost \$37.4 million while still remaining under the absolute levy ceiling. The tax increase on the average residential homeowner would be about \$40 per year for every million dollars of property tax override. However, recent history offers little encouragement. A November 2008 Proposition 2½ referendum with three questions – one for public safety, one for education, and one for libraries – failed to gain voter approval, with no question capturing 40% of the vote total, even though the annual increase on the average homeowner would have been less than \$100.00 per year. Accordingly, it is likely that the FY2012 budget problems will be solved by cost management and significant service reductions.

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 Assets

June 30, 2010

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Assets:			
Cash and investments	\$ 102,997,946	19,097,049	122,094,995
Receivables, net:			
Property taxes	9,737,702	—	9,737,702
Intergovernmental	13,078,671	11,120,941	24,199,612
Other	2,714,049	21,143,797	23,857,846
Other assets	8,550,598	1,263,039	9,813,637
Long-term note receivable	7,451,183	—	7,451,183
Long-term intergovernmental receivable	19,374,822	—	19,374,822
Pension asset	85,594,447	—	85,594,447
Capital assets:			
Nondepreciable	10,852,627	22,527,951	33,380,578
Depreciable, net	<u>162,585,972</u>	<u>157,436,483</u>	<u>320,022,455</u>
Total assets	<u>422,938,017</u>	<u>232,589,260</u>	<u>655,527,277</u>
Liabilities:			
Warrants and accounts payable	8,312,035	4,390,455	12,702,490
Accrued liabilities:			
Interest	2,402,013	1,082,481	3,484,494
Payroll and related withholdings	9,775,041	235,473	10,010,514
Tax abatement refunds	1,578,539	—	1,578,539
Bond anticipation note	9,000,000	—	9,000,000
Noncurrent liabilities:			
Due within one year:			
Compensated absences and claims	5,427,238	186,220	5,613,458
Bonds, note and loans payable	6,321,825	5,852,124	12,173,949
Unearned revenue	822,763	—	822,763
Due in more than one year:			
Compensated absences and claims	12,760,167	7,487,846	20,248,013
Unearned revenue	—	1,290,190	1,290,190
Landfill closure and postclosure care costs	1,585,373	1,058,000	2,643,373
Bonds, note and loans payable	124,834,449	110,037,489	234,871,938
Other post employment benefits	<u>96,108,289</u>	<u>—</u>	<u>96,108,289</u>
Total liabilities	<u>278,927,732</u>	<u>131,620,278</u>	<u>410,548,010</u>
Net assets:			
Invested in capital assets, net of related debt	133,417,325	75,195,762	208,613,087
Restricted for:			
Permanent funds:			
Nonexpendable	4,420,495	—	4,420,495
Expendable	685,816	—	685,816
Unrestricted	<u>5,486,649</u>	<u>25,773,220</u>	<u>31,259,869</u>
Total net assets	<u>\$ 144,010,285</u>	<u>100,968,982</u>	<u>244,979,267</u>

See accompanying notes to basic financial statements.

CITY OF BROCKTON, MASSACHUSETTS

Statement of Activities

Year ended June 30, 2010

Functions/programs	Expenses	Program revenues			Net (expense) revenue and changes in net assets		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Governmental activities:							
General government	\$ 24,580,488	4,677,560	8,299,089	42,239	(11,561,600)	—	(11,561,600)
Public safety	60,589,386	1,702,901	4,482,495	—	(54,403,990)	—	(54,403,990)
Education	251,232,955	6,053,801	173,761,313	362,098	(71,055,743)	—	(71,055,743)
Public works	13,308,389	388,323	3,688,992	—	(9,231,074)	—	(9,231,074)
Human services	3,575,403	274,452	350,078	—	(2,950,873)	—	(2,950,873)
Culture and recreation	3,725,556	61,456	294,958	—	(3,369,142)	—	(3,369,142)
State and county assessments	5,605,388	—	—	—	(5,605,388)	—	(5,605,388)
Court judgments	229,955	—	—	—	(229,955)	—	(229,955)
Interest on long-term debt	7,260,732	—	—	—	(7,260,732)	—	(7,260,732)
Total governmental activities	<u>370,108,252</u>	<u>13,158,493</u>	<u>190,876,925</u>	<u>404,337</u>	<u>(165,668,497)</u>	<u>—</u>	<u>(165,668,497)</u>
Business-type activities:							
Water	13,813,649	13,770,878	262,137	45,433	—	264,799	264,799
Sewer	13,517,939	18,918,760	265,661	467,875	—	6,134,357	6,134,357
Other	8,855,854	8,404,783	199,887	—	—	(251,184)	(251,184)
Total business-type activities	<u>36,187,442</u>	<u>41,094,421</u>	<u>727,685</u>	<u>513,308</u>	<u>—</u>	<u>6,147,972</u>	<u>6,147,972</u>
Total primary government	<u>\$ 406,295,694</u>	<u>54,252,914</u>	<u>191,604,610</u>	<u>917,645</u>	<u>(165,668,497)</u>	<u>6,147,972</u>	<u>(159,520,525)</u>
General revenues:							
Property taxes, levied for general purposes, net					98,276,987	—	98,276,987
Excises					6,320,935	—	6,320,935
Payments in lieu of taxes					263,086	—	263,086
Penalties and interest on taxes					1,619,799	—	1,619,799
Other					295,583	—	295,583
Intergovernmental					19,225,374	—	19,225,374
Investment income					1,080,217	—	1,080,217
Transfers					(265,887)	265,887	—
Total general revenues and transfers					<u>126,816,094</u>	<u>265,887</u>	<u>127,081,981</u>
Change in net assets					<u>(38,852,403)</u>	<u>6,413,859</u>	<u>(32,438,544)</u>
Net assets, beginning of year					<u>182,862,688</u>	<u>94,555,123</u>	<u>277,417,811</u>
Net assets, end of year					<u>\$ 144,010,285</u>	<u>100,968,982</u>	<u>244,979,267</u>

See accompanying notes to basic financial statements.

CITY OF BROCKTON, MASSACHUSETTS

Balance Sheet – Governmental Funds

June 30, 2010

Assets	General	Other governmental	Total
Cash and investments	\$ 84,871,049	18,126,897	102,997,946
Receivables, net:			
Property taxes	6,308,402	—	6,308,402
Motor vehicle excise	2,365,900	—	2,365,900
Departmental and other	348,149	—	348,149
Tax liens	3,429,300	—	3,429,300
Intergovernmental	3,014,653	10,064,018	13,078,671
Total receivables	15,466,404	10,064,018	25,530,422
Long-term note receivable	7,451,183	—	7,451,183
Long-term intergovernmental receivable	19,374,822	—	19,374,822
Deposit with health claims agent	6,744,800	—	6,744,800
Total assets	<u>\$ 133,908,258</u>	<u>28,190,915</u>	<u>162,099,173</u>
Liabilities and Fund Balances			
Warrants and accounts payable	\$ 5,054,154	3,257,881	8,312,035
Accrued liabilities:			
Tax abatement refunds	1,578,539	—	1,578,539
Payroll and related withholdings	9,647,177	127,864	9,775,041
Health claims payable	3,835,502	—	3,835,502
Bond anticipation note payable	—	9,000,000	9,000,000
Deferred revenue	33,815,001	822,763	34,637,764
Total liabilities	<u>53,930,373</u>	<u>13,208,508</u>	<u>67,138,881</u>
Fund balances:			
Reserved for:			
Encumbrances and continuing appropriations	2,129,668	166,286	2,295,954
Deposits held	6,744,800	—	6,744,800
Note receivable	7,594,432	—	7,594,432
Unreserved:			
Designated for subsequent year's expenditures	9,656,070	602,790	10,258,860
Designated for extraordinary and unforeseen expenditures	4,869,582	—	4,869,582
Designated for stabilization	4,307,493	—	4,307,493
Designated for health claims	26,627,871	—	26,627,871
Undesignated, reported in:			
General fund	18,047,969	—	18,047,969
Special revenue funds	—	13,379,850	13,379,850
Capital projects funds	—	(4,272,830)	(4,272,830)
Permanent funds	—	5,106,311	5,106,311
Total fund balances	<u>79,977,885</u>	<u>14,982,407</u>	<u>94,960,292</u>
Total liabilities and fund balances	<u>\$ 133,908,258</u>	<u>28,190,915</u>	<u>162,099,173</u>

See accompanying notes to basic financial statements.

CITY OF BROCKTON, MASSACHUSETTS

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

June 30, 2010

Total fund balance – governmental funds	\$ 94,960,292
Amounts reported for governmental activities in the statements of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	173,438,599
Revenue is recorded on an accrual basis	33,815,001
Bond issuance costs are capitalized in the government-wide statements	1,669,990
Pension asset is not a financial resource and therefore not reported in the funds	85,594,447
Other costs are capitalized in the government-wide statements	135,808
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	(100,135,000)
Other general obligation bonds	(30,834,775)
Bond premiums	(1,055,032)
Deferred bond gains (losses)	868,533
Other post employment benefits	(96,108,289)
Accrued interest on bonds	(2,402,013)
Landfill and postclosure care costs	(1,585,373)
Compensated absences and claims	(14,351,903)
	<u>(245,603,852)</u>
Net assets of governmental activities	\$ <u>144,010,285</u>

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, 2010

	<u>General</u>	<u>Other governmental</u>	<u>Total</u>
Revenues:			
Real and personal property taxes, net	\$ 97,073,442	—	97,073,442
Motor vehicle and other excise	6,330,498	—	6,330,498
Penalties and interest on taxes	1,619,799	—	1,619,799
Payments in lieu of taxes	263,086	—	263,086
User charges and other revenue	1,863,045	4,043,598	5,906,643
Fees	1,633,587	5,000,623	6,634,210
Licenses and permits	2,162,119	—	2,162,119
Intergovernmental	152,401,565	43,212,613	195,614,178
Fines	610,487	13,920	624,407
Investment income	465,816	614,401	1,080,217
Contributions	14,860,275	684,045	15,544,320
	<u>279,283,719</u>	<u>53,569,200</u>	<u>332,852,919</u>
Expenditures:			
Current:			
General government	10,993,590	2,656,869	13,650,459
Public safety	37,237,861	2,925,522	40,163,383
Education	132,547,974	42,761,415	175,309,389
Public works	6,494,963	800,441	7,295,404
Human services	1,838,839	313,016	2,151,855
Culture and recreation	1,926,882	309,910	2,236,792
State and county assessments	5,605,388	—	5,605,388
Pension and fringe benefits	68,801,529	—	68,801,529
Court judgments	229,955	—	229,955
Capital outlay	638,400	2,367,370	3,005,770
Debt service	12,987,630	—	12,987,630
	<u>279,303,011</u>	<u>52,134,543</u>	<u>331,437,554</u>
Excess (deficiency) of revenues over expenditures	<u>(19,292)</u>	<u>1,434,657</u>	<u>1,415,365</u>
Other financing sources (uses):			
Operating transfers in	2,263,539	12,694	2,276,233
Operating transfers out	<u>(876,777)</u>	<u>(1,665,343)</u>	<u>(2,542,120)</u>
Total other financing sources (uses)	<u>1,386,762</u>	<u>(1,652,649)</u>	<u>(265,887)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	1,367,470	(217,992)	1,149,478
Fund balance, beginning of year	<u>78,610,415</u>	<u>15,200,399</u>	<u>93,810,814</u>
Fund balance, end of year	\$ <u><u>79,977,885</u></u>	<u><u>14,982,407</u></u>	<u><u>94,960,292</u></u>

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, 2010

Net change in fund balances – total governmental funds	\$ 1,149,478
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. Depreciation expense (\$7,399,839) exceeded capital additions (\$4,257,947).	(3,141,892)
Accrual basis revenues can result in more or (less) revenues reported in the statement of activities depending upon timing of billings and collections.	1,367,399
Collection of long-term intergovernmental receivable that is recorded as revenue in the governmental funds.	(2,698,584)
Repayment of bond principal are expenditures in the governmental funds but reduce long-term liabilities in the statement of net assets.	5,783,150
Amortization of bond premiums (\$156,782) add to net assets while the amortization of deferred losses on refunding (\$152,657) and bond issue costs (\$129,587) decrease net assets. This is the amount by which the amortization of deferred losses on refundings and bond issue costs exceed bond premiums.	(125,562)
Amortization of the pension asset in the statement of activities is not included in the operating statement of the governmental funds.	(4,042,879)
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 (\$69,311), landfill liability (\$205,627), accrued claims (\$15,167) and increases in compensated absences (\$336,250) and other postemployment benefit liabilities (\$37,097,368).	<u>(37,143,513)</u>
Change in net assets of governmental activities	<u><u>\$ (38,852,403)</u></u>

See accompanying notes to basic financial statements.

CITY OF BROCKTON, MASSACHUSETTS

Statement of Net Assets – Proprietary Funds

June 30, 2010

Assets	Enterprise funds			Total
	Water	Sewer	Other	
Current assets:				
Cash and cash equivalents	\$ 8,714,684	6,373,695	4,008,670	19,097,049
Customer receivables, net	6,351,922	10,974,130	3,817,745	21,143,797
Intergovernmental receivable	217,363	10,903,578	—	11,120,941
Other	306,151	49,957	—	356,108
Total current assets	15,590,120	28,301,360	7,826,415	51,717,895
Noncurrent assets:				
Other	245,528	618,026	43,377	906,931
Capital assets:				
Nondepreciable	3,731,390	18,666,202	130,359	22,527,951
Depreciable, net	43,202,901	108,703,441	5,530,141	157,436,483
Total noncurrent assets	47,179,819	127,987,669	5,703,877	180,871,365
Total assets	62,769,939	156,289,029	13,530,292	232,589,260
Liabilities				
Current liabilities:				
Warrants and accounts payable	750,547	3,005,307	634,601	4,390,455
Accrued expenses	333,776	946,638	37,540	1,317,954
Compensated absences and claims	104,689	38,891	42,640	186,220
Bonds, notes, and loans payable	1,288,922	4,413,202	150,000	5,852,124
Total current liabilities	2,477,934	8,404,038	864,781	11,746,753
Noncurrent liabilities:				
Compensated absences and claims	1,363,790	3,108,603	3,015,453	7,487,846
Unearned revenue	—	1,290,190	—	1,290,190
Landfill and postclosure care costs	—	1,058,000	—	1,058,000
Bonds	21,964,982	86,619,358	1,453,149	110,037,489
Total noncurrent liabilities	23,328,772	92,076,151	4,468,602	119,873,525
Total liabilities	25,806,706	100,480,189	5,333,383	131,620,278
Net Assets				
Invested in capital assets, net of related debt	23,897,750	47,240,661	4,057,351	75,195,762
Unrestricted	13,065,483	8,568,179	4,139,558	25,773,220
Total net assets	\$ 36,963,233	55,808,840	8,196,909	100,968,982

See accompanying notes to basic financial statements.

CITY OF BROCKTON, MASSACHUSETTS

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

Year ended June 30, 2010

	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	13,770,878	18,918,760	8,404,783	41,094,421
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	13,187,714	11,375,539	8,839,664	33,402,917
Operating income (loss)	583,164	7,543,221	(434,881)	7,691,504
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	264,799	6,134,357	(251,184)	6,147,972
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)	(573,515)	124,419	714,983	265,887
Change in net assets	(308,716)	6,258,776	463,799	6,413,859
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>

See accompanying notes to basic financial statements.

CITY OF BROCKTON, MASSACHUSETTS

Statement of Cash Flows – Proprietary Funds

Year ended June 30, 2010

	Enterprise funds			Total
	Water	Sewer	Other	
Cash flows from operations:				
Cash received from customers	\$ 14,369,824	17,360,543	8,344,589	40,074,956
Cash paid to employees	(4,331,459)	(1,853,188)	(1,730,535)	(7,915,182)
Cash paid to vendors	(7,790,848)	(7,529,738)	(6,938,880)	(22,259,466)
Net cash provided by (used in) operations	<u>2,247,517</u>	<u>7,977,617</u>	<u>(324,826)</u>	<u>9,900,308</u>
Cash flows from noncapital financing activities:				
Transfers	<u>(573,515)</u>	124,419	714,983	265,887
Net cash provided by (used in) noncapital financing activities	<u>(573,515)</u>	124,419	714,983	265,887
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(922,636)	(6,974,380)	(169,001)	(8,066,017)
Interest paid on debt	(618,498)	(2,183,413)	(16,553)	(2,818,464)
Drawdown of MWPAT loans	450,623	4,314,390	—	4,765,013
Repayment of long-term debt	(1,293,254)	(4,346,241)	(150,000)	(5,789,495)
Other	3,332	1,290,190	—	1,293,522
Net cash used in capital and related financing activities	<u>(2,380,433)</u>	<u>(7,899,454)</u>	<u>(335,554)</u>	<u>(10,615,441)</u>
Cash flows from investing activity:				
Interest income	<u>262,137</u>	265,661	199,887	727,685
Net cash provided by investing activity	<u>262,137</u>	265,661	199,887	727,685
Increase (decrease) in cash and cash equivalents	(444,294)	468,243	254,490	278,439
Cash and cash equivalents, beginning of year	<u>9,158,978</u>	<u>5,905,452</u>	<u>3,754,180</u>	<u>18,818,610</u>
Cash and cash equivalents, end of year	<u>\$ 8,714,684</u>	<u>6,373,695</u>	<u>4,008,670</u>	<u>19,097,049</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operations:				
Operating income (loss)	\$ 583,164	7,543,221	(434,881)	7,691,504
Reconciliation of operating income (loss) to net cash provided by (used in) operations:				
Depreciation expense	1,284,982	2,605,191	278,624	4,168,797
Changes in operating assets and liabilities:				
Accounts receivable	598,945	(1,558,216)	(65,755)	(1,025,026)
Warrants and accounts payable	(250,344)	(918,907)	48,241	(1,121,010)
Other assets and liabilities	30,770	306,328	(151,055)	186,043
Net cash provided by (used in) operations	<u>\$ 2,247,517</u>	<u>7,977,617</u>	<u>(324,826)</u>	<u>9,900,308</u>

See accompanying notes to basic financial statements.

CITY OF BROCKTON, MASSACHUSETTS

Statement of Net Assets – Fiduciary Funds

June 30, 2010

(Except for Pension Trust, which is as of December 31, 2009)

Assets	Pension trust fund	Agency funds
Cash and cash equivalents	\$ 1,836,129	271,215
Receivables:		
Interest and dividends	1,032,654	—
Receivable for securities sold	929,187	—
Contributions from employers	601,172	—
Other	7,650	148,368
Total receivables	<u>2,570,663</u>	<u>148,368</u>
Investments, at fair value:		
Short-term:		
Domestic	13,182,822	—
Fixed income:		
Domestic	79,009,102	—
International	19,140,770	—
Equities:		
Domestic	116,909,116	—
International	51,576,725	—
Real estate	13,063,575	—
Alternative	14,265,311	—
Total investments	<u>307,147,421</u>	<u>—</u>
Total assets	<u>311,554,213</u>	<u>419,583</u>
Liabilities		
Payable for securities purchased	1,711,410	—
Accounts payable and other liabilities	444,272	419,583
Total liabilities	<u>2,155,682</u>	<u>419,583</u>
Net Assets		
Held in trust for pension benefits	\$ <u>309,398,531</u>	

See accompanying notes to basic financial statements.

CITY OF BROCKTON, MASSACHUSETTS
Statement of Changes in Net Assets – Fiduciary Funds
Year ended December 31, 2009

	<u>Pension trust fund</u>
Additions:	
Contributions:	
Employers	\$ 11,159,337
Employees	6,947,421
Other	124,557
Total contributions	<u>18,231,315</u>
Investment income:	
Net appreciation in fair value of investments	57,302,602
Investment income	8,248,165
Total investment income	<u>65,550,767</u>
Less investment expenses	<u>(1,654,547)</u>
Net investment income	63,896,220
Intergovernmental	<u>306,864</u>
Total additions	<u>82,434,399</u>
Deductions:	
Benefits	31,629,353
Member refunds and transfers to other systems, net	1,561,256
Administrative expenses	526,707
Total deductions	<u>33,717,316</u>
Change in net assets	48,717,083
Net assets, beginning of year	<u>260,681,448</u>
Net assets, end of year	<u>\$ 309,398,531</u>

See accompanying notes to basic financial statements.

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2010

(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, 2009 can be obtained by contacting the Brockton Retirement Board at 15 Christy's Drive, Brockton, MA 02301.

The Brockton Educational Foundation meets the definition of a component unit; however, their operations are not significant.

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 2010:

<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	\$ 1,859,941
Southeastern Regional School District 250 Foundry Street South Easton, MA 02375	To provide educational services	2,458,242

(Continued)

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2010

(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 City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and proprietary funds provided they do not conflict with or contradict GASB pronouncements. 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, 2010, except for the System, which is presented as of and for the year ended December 31, 2009.

Government-Wide Statements

The statement of net assets 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

(Continued)

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2010

revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major governmental fund:

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.

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 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

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CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2010

expenditures in governmental funds. Proceeds of general long-term debt are reported as other financial 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 assets 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) *Deferred Revenue*

In the governmental fund financial statements, deferred revenue represents monies received or revenues accrued that have not been earned or do not meet the "available" criteria for revenue recognition under the modified accrual basis of accounting.

(d) *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.

(e) *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 6 for discussion of the System's investments.

(f) *Compensated Absences*

The liability for compensated absences reported in the government-wide and proprietary fund statements 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.

(g) *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 assets 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 assets and in the respective funds.

(Continued)

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2010

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 fair market 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

(h) Fund Balances – Governmental Funds

The City has allocated fund balances to its governmental funds as follows:

Encumbrances and continuing appropriations – represents the amount of unexpended appropriations carried forward to fiscal year 2011 for projects which have not been completed, open purchase orders, and for contracts which have not been performed.

Deposits held – represents amount deposited with health claims agent.

Note receivable – represents amount of fund balance reserved for long-term note receivable.

Subsequent year's expenditures – represents the amount of fund balance authorized to fund fiscal year 2011 appropriations.

Extraordinary and unforeseen expenditures – in accordance with Chapter 324 – Acts of 1990 of the MGL, the City has designated an amount not less than 1.5% of the gross amount raised from the prior fiscal year's tax recapitulation sheet.

Stabilization – represents the amount of fund balance that can be appropriated for any municipal use upon two-thirds approval of the City Council.

Health claims – represents amount of fund balance that can be expended for the purpose of paying health claims.

Undesignated – represents the amount of funds available for appropriations by the City or for expenditure in accordance with legal restrictions for certain special revenue, capital projects, and permanent funds.

(Continued)

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2010

(i) Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation of the City or through external restrictions imposed by grantors or laws or regulations.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

(j) Bond Discounts, Premiums, Reacquisition Costs, and Issuance Costs

In the government-wide and proprietary fund financial statements, bond discounts/premiums, reacquisition costs, and issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Bond issuance costs are reported as deferred charges.

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.

(k) 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.

(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.

(Continued)

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2010

(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 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:	
2011	\$ 143,249
2012	152,295
2013	161,912
2014	172,137
2015	183,007
2016 – 2020	1,103,691
2021 – 2023	<u>5,678,141</u>
Total	<u>\$ 7,594,432</u>

This 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, 2010, under MSBA's contract assistance program, the City was due funds totaling \$22,073,406.

(Continued)

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2010

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, 2010 through 2013, and in five-year increments thereafter:

Fiscal year:		
2011	\$	2,698,584
2012		2,698,584
2013		2,698,584
2014		2,698,584
2015		2,698,584
2016 – 2020		<u>8,580,486</u>
Total	\$	<u><u>22,073,406</u></u>

(d) Intergovernmental Receivables

Massachusetts Water Pollution Abatement Trust (MWPAT)

In order to fund continuous upgrades to the City’s wastewater treatment plant, the City has entered into loan agreements with the MWPAT. 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 MWPAT 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, 2010, the City has recorded receivables in its water and sewer funds for \$217 thousand and \$10.9 million, respectively, representing the amount of loan proceeds not yet received from the MWPAT.

Massachusetts School Building Authority (MSBA)

In order to help fund the construction of two new schools, the City has entered into an agreement where the MSBA will fund 90% of eligible costs of the school construction. The City works on a cost-reimbursement basis and as of June 30, 2010, the City incurred costs of \$753 thousand for which reimbursement has not been received. That amount is recorded as an intergovernmental receivable in the Other Governmental Funds.

(Continued)

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2010

(4) Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

Primary Government

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 7,410,698	—	—	7,410,698
Construction in progress	61,981,408	480,623	60,829,616	1,632,415
Historical works of art	1,809,514	—	—	1,809,514
Total capital assets, not being depreciated	<u>71,201,620</u>	<u>480,623</u>	<u>60,829,616</u>	<u>10,852,627</u>
Capital assets, being depreciated:				
Buildings	141,240,663	60,846,507	—	202,087,170
Land improvements	8,078,410	48,828	—	8,127,238
Machinery and equipment	20,554,104	952,263	—	21,506,367
Infrastructure	85,050,696	2,759,342	—	87,810,038
Total capital assets, being depreciated	<u>254,923,873</u>	<u>64,606,940</u>	<u>—</u>	<u>319,530,813</u>
Less accumulated depreciation for:				
Buildings	65,643,306	3,624,713	—	69,268,019
Land improvements	5,465,922	314,402	—	5,780,324
Machinery and equipment	16,382,575	919,031	—	17,301,606
Infrastructure	62,053,199	2,541,693	—	64,594,892
Total accumulated depreciation	<u>149,545,002</u>	<u>7,399,839</u>	<u>—</u>	<u>156,944,841</u>
Total capital assets, being depreciated, net	<u>105,378,871</u>	<u>57,207,101</u>	<u>—</u>	<u>162,585,972</u>
Governmental capital assets, net	<u>\$ 176,580,491</u>	<u>57,687,724</u>	<u>60,829,616</u>	<u>173,438,599</u>

(Continued)

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2010

Depreciation expense was charged to governmental functions as follows:

Governmental activities:		
General government	\$	185,428
Public safety		982,825
Public works		2,262,478
Education		3,602,231
Human services		96,730
Culture and recreation		270,147
		<u>7,399,839</u>
Total depreciation expense – governmental activities	\$	<u>7,399,839</u>

	<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	23,025,547	566,523	22,790,172	801,898
	<u>25,955,039</u>	<u>566,523</u>	<u>22,790,172</u>	<u>3,731,390</u>
Total capital assets, not being depreciated				
	<u>25,955,039</u>	<u>566,523</u>	<u>22,790,172</u>	<u>3,731,390</u>
Capital assets, being depreciated:				
Buildings	3,741,647	22,084,064	—	25,825,711
Land improvements	105,700	—	—	105,700
Machinery and equipment	10,147,852	322,474	—	10,470,326
Infrastructure	31,454,944	739,747	—	32,194,691
	<u>45,450,143</u>	<u>23,146,285</u>	<u>—</u>	<u>68,596,428</u>
Total capital assets, being depreciated				
	<u>45,450,143</u>	<u>23,146,285</u>	<u>—</u>	<u>68,596,428</u>
Less accumulated depreciation for:				
Buildings	1,823,772	355,525	—	2,179,297
Land improvements	100,971	860	—	101,831
Machinery and equipment	7,924,543	356,969	—	8,281,512
Infrastructure	14,259,259	571,628	—	14,830,887
	<u>24,108,545</u>	<u>1,284,982</u>	<u>—</u>	<u>25,393,527</u>
Total accumulated depreciation				
	<u>24,108,545</u>	<u>1,284,982</u>	<u>—</u>	<u>25,393,527</u>
Total capital assets being depreciated, net	<u>21,341,598</u>	<u>21,861,303</u>	<u>—</u>	<u>43,202,901</u>
Water capital assets, net	<u>47,296,637</u>	<u>22,427,826</u>	<u>22,790,172</u>	<u>46,934,291</u>

(Continued)

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2010

	Beginning balance	Increases	Decreases	Ending balance
Sewer:				
Capital assets, not being depreciated:				
Land	\$ 186,327	—	—	186,327
Construction in progress	93,325,040	6,693,147	81,538,312	18,479,875
Total capital assets, not being depreciated	93,511,367	6,693,147	81,538,312	18,666,202
Capital assets, being depreciated:				
Buildings	28,622,519	81,569,421	—	110,191,940
Land improvements	258,000	—	—	258,000
Machinery and equipment	42,571,680	72,152	—	42,643,832
Infrastructure	37,813,100	177,972	—	37,991,072
Total capital assets, being depreciated	109,265,299	81,819,545	—	191,084,844
Less accumulated depreciation for:				
Buildings	16,244,801	1,734,693	—	17,979,494
Land improvements	251,550	6,450	—	258,000
Machinery and equipment	41,474,774	190,387	—	41,665,161
Infrastructure	21,805,087	673,661	—	22,478,748
Total accumulated depreciation	79,776,212	2,605,191	—	82,381,403
Total capital assets being depreciated, net	29,489,087	79,214,354	—	108,703,441
Sewer capital assets, net	123,000,454	85,907,501	81,538,312	127,369,643

(Continued)

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2010

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Other:				
Capital assets, not being depreciated:				
Land	\$ 130,359	—	—	130,359
Construction in progress	16,996	—	16,996	—
Total capital assets, not being depreciated	<u>147,355</u>	<u>—</u>	<u>16,996</u>	<u>130,359</u>
Capital assets, being depreciated:				
Buildings	862,298	—	—	862,298
Land improvements	32,459,301	—	—	32,459,301
Machinery and equipment	2,256,551	169,000	—	2,425,551
Infrastructure	6,848,196	16,996	—	6,865,192
Total capital assets, being depreciated	<u>42,426,346</u>	<u>185,996</u>	<u>—</u>	<u>42,612,342</u>
Less accumulated depreciation for:				
Buildings	469,240	17,876	—	487,116
Land improvements	31,867,804	75,565	—	31,943,369
Machinery and equipment	2,107,073	70,254	—	2,177,327
Infrastructure	2,359,460	114,929	—	2,474,389
Total accumulated depreciation	<u>36,803,577</u>	<u>278,624</u>	<u>—</u>	<u>37,082,201</u>
Total capital assets being depreciated, net	<u>5,622,769</u>	<u>(92,628)</u>	<u>—</u>	<u>5,530,141</u>
Other capital assets, net	<u>5,770,124</u>	<u>(92,628)</u>	16,996	<u>5,660,500</u>
Business-type activities capital assets, net	<u>\$ 176,067,215</u>	<u>108,242,699</u>	<u>104,345,480</u>	<u>179,964,434</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 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, 2010, the City's bank balances of uninsured and uncollateralized deposits totaled \$112,001,562 under the \$250,000 FDIC limit. All of the

(Continued)

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2010

System's deposits are fully insured by FDIC insurance or collateralized with securities held by the System or the System's agent in the System's name.

(b) Investment Policy

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

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

(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, 2010 for the primary government and December 31, 2009 for the retirement system:

<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	\$ 13,182,822	13,182,822	—	—	—
U.S. treasury notes and bonds	10,323,731	—	5,769,420	3,234,902	1,319,409
U.S. agencies	4,236,347	—	4,160,664	—	75,683
Municipal	2,305,011	—	1,702,057	207,088	395,866
Corporate	49,443,179	820,085	12,865,545	23,178,190	12,579,359
Pooled funds – domestic	6,164,579	—	6,164,579	—	—
Pooled funds – international	19,140,770	—	19,140,770	—	—
Asset backed:					
CMOs	3,048,552	—	—	—	3,048,552
Mortgage backed	210,255	—	—	93,347	116,908
Other	3,277,448	—	1,025,048	255,247	1,997,153
Subtotal	<u>111,332,694</u>	<u>14,002,907</u>	<u>50,828,083</u>	<u>26,968,774</u>	<u>19,532,930</u>
City:					
U.S. treasury notes and bonds	162,801	62,250	—	100,551	—
U.S. agencies	1,439,383	232,850	806,355	400,178	—
Corporate Bonds	703,310	—	178,601	524,709	—
MMDT	8,230,863	8,230,863	—	—	—
Subtotal	<u>10,536,357</u>	<u>8,525,963</u>	<u>984,956</u>	<u>1,025,438</u>	<u>—</u>
Total	<u>\$ 121,869,051</u>	<u>22,528,870</u>	<u>51,813,039</u>	<u>27,994,212</u>	<u>19,532,930</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 his/her portfolio.

(Continued)

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2010

The asset backed investments held by the System as of December 31, 2009 are highly sensitive to changes in interest rates.

(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, 2010 for the primary government and December 31, 2009 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	\$ 13,182,822	—	—	—	13,182,822
U.S. agencies	4,236,347	4,236,347	—	—	—
Municipal	2,305,011	2,305,011	—	—	—
Corporate	49,443,179	16,311,541	33,081,490	—	50,148
Pooled funds – domestic	6,164,579	—	—	—	6,164,579
Pooled funds – international	19,140,770	—	—	—	19,140,770
Asset backed:					
CMO’s	3,048,552	2,831,921	216,631	—	—
Mortgage backed	210,255	210,255	—	—	—
Other	3,277,448	1,829,924	1,383,642	13,007	50,875
Subtotal	<u>101,008,963</u>	<u>27,724,999</u>	<u>34,681,763</u>	<u>13,007</u>	<u>38,589,194</u>
City:					
U.S. agencies	1,439,383	1,439,383	—	—	—
Corporate Bonds	703,310	158,924	—	—	544,386
MMDT	8,230,863	—	—	—	8,230,863
Subtotal	<u>10,373,556</u>	<u>1,598,307</u>	<u>—</u>	<u>—</u>	<u>8,775,249</u>
Total	<u>\$ 111,382,519</u>	<u>29,323,306</u>	<u>34,681,763</u>	<u>13,007</u>	<u>47,364,443</u>

In addition to the above schedule, the City and the System have \$162,801 and \$10,323,731, respectively, invested in U.S. government securities, which are not included above as they are explicitly guaranteed by the U.S. government.

(Continued)

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2010

(e) Concentration Risk

The System has no investments in a single issuer, at fair value, that exceeds 5% of the System's investments as of December 31, 2009. Additionally, the City has no investments in a single issuer, at fair value, that exceeds 5% of the City's net assets as of June 30, 2010.

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

(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. On currency hedging is permitted for defensive purposes. Currency hedging shall be effected through the use of forward currency contracts. At December 31, 2009, 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 \$19,140,770 and \$51,576,725 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 Private Industry Council, 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 a member of the Massachusetts Contributory System which 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 a quoted market value.

(Continued)

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2010

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

(c) Membership

The City's membership in the System consisted of the following at January 1, 2010, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	1,203
Terminated plan members entitled to but not receiving benefits	354
Active plan members	<u>1,590</u>
Total membership	<u><u>3,147</u></u>

(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:

<u>Fiscal year ending</u>	<u>Annual required contribution</u>	<u>Interest on net pension asset</u>	<u>Amortization of net pension asset</u>	<u>Pension cost</u>	<u>Actual contribution</u>	<u>Change in net pension asset</u>	<u>Net pension asset</u>
2010	\$ 9,980,937	(7,170,986)	11,213,865	14,023,816	9,980,937	(4,042,879)	85,594,447
2009	9,877,931	(7,430,922)	10,817,911	13,264,920	10,016,536	(3,248,384)	89,637,326
2008	9,470,426	(7,607,974)	9,821,132	11,683,584	9,470,426	(2,213,158)	92,886,520

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.

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CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2010

(e) Legally Required Reserve Accounts

The balances in the System's legally required reserves at December 31, 2009 are as follows:

<u>Description</u>	<u>Amount</u>	<u>Purpose</u>
Annuity Savings Fund	\$ 69,783,192	Active members' contribution balance
Annuity Reserve Fund	27,278,404	Retired members' contribution account
Military Service Credit	71,826	Members' contribution account while on military leave
Pension Reserve Fund	167,144,097	Amounts to fund future retirement benefits
Pension Fund	45,121,012	Remaining net assets
Total	<u>\$ 309,398,531</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, 2010, the most recent actuarial valuation date, is as follows (in thousands):

Actuarially accrued liability (AAL)	\$ 453,213
Actuarial value of plan assets	<u>351,526</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 101,687</u>
Funded ratio (actuarial value of plan assets/AAL)	77.6%
Covered payroll (active plan members)	\$ 70,882
UAAL as a percentage of covered payroll	143.5%

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, 2010 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 4.75%, and cost-of-living adjustments of 3% up to \$360 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, 2010 was 20 years.

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CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2010

(7) Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2010:

<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	2027	(4.75% – 6.45%)	\$ 102,730,000	—	2,595,000	100,135,000
General obligation	2022	(3.00% – 6.75%)	34,022,925	—	3,188,150	30,834,775
Subtotal			<u>\$ 136,752,925</u>	<u>—</u>	<u>5,783,150</u>	<u>130,969,775</u>
Add (deduct):						
Unamortized bond premium						1,055,032
Unamortized deferred amounts on refundings						<u>(868,533)</u>
Total governmental activities bonded debt, net						<u>131,156,274</u>
Business-type activities:						
Water	2028	(3.00% – 7.75%)	\$ 24,394,447	164,969	1,293,254	23,266,162
Sewer	2028	(2.00% – 6.75%)	84,760,290	9,717,695	4,346,241	90,131,744
Other	2019	(3.80% – 6.00%)	1,750,000	—	150,000	1,600,000
Subtotal			<u>\$ 110,904,737</u>	<u>9,882,664</u>	<u>5,789,495</u>	<u>114,997,906</u>
Add (deduct):						
Unamortized bond premium						1,113,891
Unamortized deferred amounts on refundings						<u>(222,184)</u>
Total business-type activities bonded debt, net						<u>115,889,613</u>
Total bonded debt, net						<u>\$ 247,045,887</u>
Other long-term obligations:						
Self-insured benefit plans:						
Governmental activities			\$ 7,805,127	38,095,632	38,324,926	7,575,833
Business-type activities:						
Water			1,090,641	440,952	448,785	1,082,808
Sewer			2,751,488	543,282	272,140	3,022,630
Other			3,049,097	131,994	304,468	2,876,623
Compensated absences, net:						
Governmental activities			10,275,322	336,250	—	10,611,572
Business-type activities:						
Water			351,650	34,021	—	385,671
Sewer			100,987	23,877	—	124,864
Other			164,955	18,459	1,944	181,470
Landfill closure and postclosure care costs:						
Governmental activities			1,791,000	—	205,627	1,585,373
Business-type activities:						
Sewer			1,012,000	46,000	—	1,058,000
Other post employment benefits						
Governmental activities			59,010,921	60,299,101	23,201,733	96,108,289
Total other long-term obligations			<u>\$ 87,403,188</u>	<u>99,969,568</u>	<u>62,759,623</u>	<u>124,613,133</u>

(Continued)

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2010

During 2010, the City issued \$9,882,664 of Massachusetts Water Pollution Abatement Trust bonds and awarded a \$1,290,190 deferred grant through the American Recovery and Reinvestment Act (ARRA) to fund the City's on-going sewer and water plant rehabilitation projects.

The sewer rehabilitation funding consists of a \$11,007,885 loan, coupled with a principal forgiveness clause, from the MWPAT. Of this loan, the City has recognized \$9,717,695 as long-term debt in the sewer fund. The balance, \$1,290,190, is principal forgiveness that is anticipated to be funded with ARRA dollars and will turn into a grant once certain criteria are met. The City has recorded this receipt as unearned revenue in the Sewer fund until such time all requirements are met and the principal is forgiven.

The water plant rehabilitation projects loan totaling \$164,969.

The interest rate on the bonds is 2% and due serially through July 15, 2030.

Maturity of Bond Indebtedness

Bond indebtedness outstanding at June 30, 2010 matures as follows:

	Governmental activities		
	Principal	Interest	Total
Year ending June 30:			
2011	\$ 6,321,825	6,727,972	13,049,797
2012	4,338,400	6,497,425	10,835,825
2013	4,806,750	6,304,586	11,111,336
2014	5,331,900	6,083,309	11,415,209
2015	5,841,650	5,824,395	11,666,045
2016 – 2020	31,199,250	24,080,976	55,280,226
2021 – 2025	37,430,000	15,204,788	52,634,788
2026 – 2030	35,700,000	3,040,150	38,740,150
	<u>\$ 130,969,775</u>	<u>73,763,601</u>	<u>204,733,376</u>

(Continued)

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2010

	Business-type activities			
	Water		Sewer	
	Principal	Interest	Principal	Interest
Year ending June 30:				
2011	\$ 1,288,922	578,687	4,413,202	2,187,996
2012	1,312,022	545,225	4,899,527	2,154,820
2013	1,326,368	510,861	4,956,200	2,070,997
2014	1,345,782	468,448	5,109,389	1,888,634
2015	1,362,803	430,749	5,223,620	1,742,246
2016 – 2020	6,814,370	1,561,558	26,695,962	6,395,991
2021 – 2025	6,269,084	719,409	27,757,182	2,767,701
2026 – 2030	3,546,811	107,350	10,492,988	370,168
2031 – 2035	—	—	583,674	5,837
	<u>\$ 23,266,162</u>	<u>4,922,287</u>	<u>90,131,744</u>	<u>19,584,390</u>

	Business-type activities			
	Other		Total	
	Principal	Interest	Principal	Interest
Year ending June 30:				
2011	\$ 150,000	9,163	5,852,124	2,775,846
2012	150,000	6,912	6,361,549	2,706,957
2013	150,000	4,662	6,432,568	2,586,520
2014	150,000	2,350	6,605,171	2,359,432
2015	100,000	—	6,686,423	2,172,995
2016 – 2020	500,000	—	34,010,332	7,957,549
2021 – 2025	400,000	—	34,426,266	3,487,110
2026 – 2028	—	—	14,039,799	477,518
2031 – 2035	—	—	583,674	5,837
	<u>\$ 1,600,000</u>	<u>23,087</u>	<u>114,997,906</u>	<u>24,529,764</u>

(Continued)

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2010

The City has entered into loan agreements with the Massachusetts Water Pollution Abatement Trust (MWPAT) 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 \$472,382 and \$3,976,882 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:						
2011	\$ 13,367	31,038	104,494	346,592	117,861	377,630
2012	14,353	28,994	109,941	322,901	124,294	351,895
2013	15,397	27,299	85,474	332,939	100,871	360,238
2014	18,035	20,990	112,321	288,388	130,356	309,378
2015	19,393	18,256	113,993	268,688	133,386	286,944
2016 – 2020	111,465	62,011	274,039	1,016,909	385,504	1,078,920
2021 – 2025	78,058	13,726	191,546	408,657	269,604	422,383
Total	\$ 270,068	202,314	991,808	2,985,074	1,261,876	3,187,388

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.

As of June 30, 2010, the City may issue approximately \$405.0 million of additional general-obligation debt under the normal debt limit. The City has approximately \$224.2 million of debt exempt from the debt limit.

As of June 30, 2010, the City has total authorized unissued debt of \$145.8 million. The remaining authorized unissued debt is intended to finance the following:

School construction/furnishings	\$ 68,875,000
Pension funding	47,710,000
Water projects	14,641,473
School refunding	3,380,000
Sewer projects	11,228,664
	<u>\$ 145,835,137</u>

(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

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CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2010

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, 2010:

	<u>Governmental activities</u>	<u>Business-type activities (Sewer fund)</u>
Closure and postclosure care costs	\$ 1,585,373	1,058,000
Percentage usage (filled)	100.00%	46.00%

It is estimated that an additional \$1,242,000 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 site. As of June 30, 2009, the landfill has been 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, 2010. 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.

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CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2010

Short-term debt activity for the year ended June 30, 2010 was as follows:

	Outstanding as of June 30, 2009	Additions	Reductions	Outstanding as of June 30, 2010
Bond anticipation notes payable:				
Governmental activities:				
Other governmental funds:				
Capital projects funds:				
School construction	\$ 9,000,000	9,000,000	9,000,000	9,000,000

(10) Operating Transfers

Operating transfers and their purposes during the year ended June 30, 2010 were as follows:

	Governmental funds		Enterprise funds		
	General	Other	Water	Sewer	Other
Water receipts – in lieu of taxes	\$ 674,771	—	(674,771)	—	—
Sewer receipts – in lieu of taxes	943,458	—	—	(943,458)	—
General fund revenue – debt service costs	(149,100)	—	106,500	42,600	—
Parking authority reserve – parking authority	276,497	(276,497)	—	—	—
Parking meter fees – parking authority	281,465	(281,465)	—	—	—
Weights and Measures – Services	17,627	(17,627)	—	—	—
General fund revenue – recreation subsidy	(545,596)	—	—	—	545,596
General fund revenue – Library	69,721	(69,721)	—	—	—
General fund revenue – grant deficits	(12,694)	12,694	—	—	—
Capital Projects – Sewer Enterprise	—	(1,020,033)	(5,244)	1,025,277	—
General fund revenue – recreation debt service costs	(161,350)	—	—	—	161,350
General fund revenue – refuse subsidy	(8,037)	—	—	—	8,037
Total	\$ 1,386,762	(1,652,649)	(573,515)	124,419	714,983

(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. The effect is the recognition of an actuarially required contribution as an expense on the government-wide statement of activities when a future retiree earns their postemployment benefit rather than when they use their postemployment benefit. To the extent that an entity does not fund their actuarially required contribution, a postemployment benefit liability is recognized on the government-wide statement of net assets over time.

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CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2010

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.

As of June 30, 2010, the valuation date, 2,624 retirees and 2,957 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- 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, 2010, 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.

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CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2010

(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, 2010, 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, 2010:

Annual Required Contribution (ARC)	\$ 57,791,137
Interest on net OPEB obligation	2,507,964
Adjustment to ARC	<u>(2,393,150)</u>
Annual OPEB cost	57,905,951
Contributions made	<u>(20,808,583)</u>
Change in net OPEB obligation	37,097,368
Net OPEB obligation – beginning of year	<u>59,010,921</u>
Net OPEB obligation – end of year	<u><u>\$ 96,108,289</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:			
2010	\$ 57,905,951	35.94%	\$ 96,108,289

The City's net OPEB obligation as of June 30, 2010 is recorded on the government-wide statement of net assets.

(Continued)

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2010

(c) Funded Status and Funding Progress

The funded status of the plan as of June 30, 2010, based on an actuarial valuation as of June 30, 2010, was as follows (in thousands):

Actuarially accrued liability (AAL)	\$	693,570
Actuarial value of plan assets		—
Unfunded actuarial accrued liability (UAAL)	\$	693,570
Funded ratio (actuarial value of plan assets/AAL)		—%
Covered payroll (active plan members)	\$	171,103
UAAL as a percentage of covered payroll		405.4%

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 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, 2010 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.25% 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. 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, 2010 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 \$100,000 per incident. Vehicle damage and loss is insured to \$1,000,000 with a deductible of \$1,000.

(Continued)

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2010

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 60% 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), with the exception of Blue Cross Blue Shield Master Medical which is 70% City and 30% 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 \$21,660 or less for a single person over 65 years of age, or \$29,140 for a two-person household with one person over 65 years of age. For these retirees, the contribution rates are 15% for Blue Cross Blue Shield (BCBS) Master Medical, BCBS Master Medical Carve Out A&B, BCBS Medex III, and BCBS Choice and 10% for HMO Blue, Harvard Pilgrim Healthcare, and Harvard Pilgrim Enhanced. The 15% and 10% rates were 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 \$200,000 per covered person and \$2,000,000 maximum per covered person, with the exception of individual specific deductible of \$400,000 and maximum specific benefit per lifetime of \$2,000,000. The City maintains a working deposit with the administrator of its Blue Cross Blue Shield Health Care Plans. At June 30, 2010, that deposit was \$6,744,800, which includes Dental insurance. The financial arrangement with Harvard Pilgrim is monthly level funding of \$1,325,000 with quarterly adjustments if necessary.

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.

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, 2010 and 2009 were as follows:

	Workers' compensation plan	Health care plans	Total
Balance at June 30, 2008	\$ 6,175,900	2,890,300	9,066,200
Provision for losses/change in estimate	5,642,891	42,832,063	48,474,954
Payments for claims	<u>(1,252,991)</u>	<u>(41,591,863)</u>	<u>(42,844,854)</u>
Balance at June 30, 2009	10,565,800	4,130,500	14,696,300
Provision for losses/change in estimate	808,229	38,403,685	39,211,914
Payments for claims	<u>(734,057)</u>	<u>(38,616,263)</u>	<u>(39,350,320)</u>
Balance at June 30, 2010	<u>\$ 10,639,972</u>	<u>3,917,922</u>	<u>14,557,894</u>

The liability for claims and judgments consists of governmental and business-type activities in the amount of approximately \$7,575,833 and \$6,982,061, respectively.

(Continued)

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2010

(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.

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 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 2011. Fixed and variable charges are recorded in the major Water fund when incurred, which totaled \$3.9 million in fiscal year 2010.

(Continued)

CITY OF BROCKTON, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2010

As of June 30, 2010, based on the current fixed annual charge, the City expects to pay \$117.7 million for its Firm Commitment as follows:

	<u>Amount</u>
Fiscal year:	
2011	\$ 4,605,700
2012	5,443,100
2013	5,861,800
2014	5,912,044
2015	5,962,288
2016 – 2020	32,784,210
2021 – 2025	34,082,180
2026 – 2030	23,043,342
	<u>\$ 117,694,664</u>

(14) Fund Deficits

The following funds had deficit fund balances at June 30, 2010:

Other governmental funds:	
Special revenue:	
Federal and state law enforcement grants	\$ 20,380
Capital projects:	
School construction	<u>4,904,208</u>
Total	<u>\$ 4,924,588</u>

The special revenue deficits will be eliminated upon satisfactory completion of federal and state audits. The capital projects deficit will be eliminated through the issuance of long-term debt.

CITY OF BROCKTON, MASSACHUSETTS

Budgetary Comparison Schedule – General Fund
Required Supplementary Information

June 30, 2010

(Unaudited)

	Budgeted amounts		Actual amounts (budgetary basis)	Variance with final budget positive (negative)
	Original	Final		
Resources (inflows):				
Real and personal property taxes, net	\$ 94,367,092	95,624,152	98,756,500	3,132,348
Motor vehicle and other excise	4,360,000	4,385,000	5,786,669	1,401,669
Penalties and interest on taxes	1,320,000	1,140,000	1,619,799	479,799
Payments in lieu of taxes	220,000	145,000	263,086	118,086
User charges and other revenue	2,095,000	2,587,187	6,355,052	3,767,865
Fees	335,000	225,000	673,451	448,451
Licenses and permits	1,140,000	660,000	2,162,119	1,502,119
Intergovernmental	148,120,164	148,923,000	149,061,804	138,804
Fines	600,000	450,000	610,487	160,487
Investment income	354,500	365,000	308,205	(56,795)
Transfers in	3,890,088	3,784,059	3,784,059	—
Amounts available for appropriation	<u>256,801,844</u>	<u>258,288,398</u>	<u>269,381,231</u>	<u>11,092,833</u>
Charges to appropriations (outflows):				
Current:				
General government	12,130,989	12,455,679	11,283,522	1,172,157
Public safety	38,822,038	39,716,945	37,474,085	2,242,860
Education	131,272,678	131,862,894	131,859,276	3,618
Public works	6,999,724	7,003,024	6,459,818	543,206
Human services	1,651,612	2,054,612	1,842,519	212,093
Culture and recreation	1,743,529	1,947,638	1,797,977	149,661
State and county assessments	5,642,872	5,642,872	5,605,388	37,484
Pension and fringe benefits	56,700,825	56,305,266	53,103,103	3,202,163
Court judgment	204,100	204,100	237,097	(32,997)
Capital outlay	33	347,477	346,533	944
Debt service	13,908,707	13,908,707	13,318,779	589,928
Transfers out	2,612,618	2,612,618	2,612,618	—
Total charges to appropriations	<u>271,689,725</u>	<u>274,061,832</u>	<u>265,940,715</u>	<u>8,121,117</u>
Excess (deficiency) of resources over charges to appropriations	<u>(14,887,881)</u>	<u>(15,773,434)</u>	<u>3,440,516</u>	<u>19,213,950</u>
Other budget items:				
Free cash	14,490,670	14,490,670		
Chapter 324 reserve	(149,379)	(149,379)		
Other financing sources/uses	546,590	1,432,143		
Total other budget items	<u>14,887,881</u>	<u>15,773,434</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, 2010

Note A – 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, except for real estate and personal property taxes, which are recorded as revenue when levied (budget), as opposed to when susceptible to accrual (GAAP).
- (b) Encumbrances and continuing appropriations are recorded as the equivalent of expenditures (budget), as opposed to a reservation of fund balance (GAAP).

Note B – Expenditures in Excess of Budget

In fiscal year 2010, the City had expenditures in excess of budgeted appropriations totaling, \$32,997 in the court judgments line item. As required by Massachusetts General Law, the City will raise this deficit in their 2011 budget.

(Continued)

CITY OF BROCKTON, MASSACHUSETTS

Notes to Required Supplementary Information

June 30, 2010

Note C – 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	\$ 269,381,231
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	(2,701,042)
Contributions for health claims are not reported as a budgetary resource	14,860,275
Interest earned for health claims are not reported as a budgetary resource	6,794
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(2,263,539)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances	<u>\$ 279,283,719</u>

Budgetary outflows and GAAP expenditures:

Actual amounts (budgetary basis) “total charges to appropriation” from the budgetary comparison schedule	\$ 265,940,715
Differences – budget to GAAP:	
Enterprise fund related budgetary expenditures are recorded as reductions to transfers for GAAP purposes	(2,636,503)
Health claims expenditures and accruals are not reported as charges to appropriations on a budgetary basis	17,983,298
Adjustments for expenditures, encumbrances, and accruals, net	(1,107,722)
Transfers to other funds are outflows of budgetary appropriations but are not expenditures for financial reporting purposes	<u>(876,777)</u>
Total expenditures as reported on the statements of revenues, expenditures and changes in fund balances	<u>\$ 279,303,011</u>

CITY OF BROCKTON, MASSACHUSETTS

Required Supplementary Information

June 30, 2010

(Unaudited)

(Dollar amounts in thousands)

Schedules of Funding Progress

<u>Actuarial valuation date</u>	<u>Actuarial value of assets (a)</u>	<u>Actuarial accrued liability (b)</u>	<u>Unfunded (b-a) Pension</u>	<u>Funded ratio (a/b)</u>	<u>Covered payroll (c)</u>	<u>((b-a)/c)</u>
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
January 1, 2007	361,767	398,969	37,202	90.7	67,660	55.0
Other Post Employment Benefits						
June 30, 2010	\$ —	693,570	693,570	—%	\$ 171,103	405.4%
June 30, 2008	—	635,224	635,224	—	147,088	431.9

Schedule of Contributions from City – Pension

	<u>Annual required contribution</u>	<u>Percentage contributed</u>
Year ended December 31:		
2009	\$ 9,709	100%
2008	9,742	100
2007	9,470	100

See accompanying independent auditors' report.

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EDWARDS ANGELL PALMER & DODGE LLP

111 Huntington Avenue Boston, MA 02199 617.239.0100 fax 617.227.4420 eapdlaw.com

(Date of Delivery)

Martin Brophy, City Treasurer
City Hall
Brockton, Massachusetts

\$7,820,000
City of Brockton, Massachusetts
General Obligation State Qualified Municipal Purpose Loan of 2011 Bonds
Dated May ___, 2011

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 5 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.

Edwards Angell Palmer & Dodge LLP

BOS111 12576819.1

**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 \$7,820,000 General Obligation State Qualified Municipal Purpose Loan of 2011 Bonds dated May __, 2011 (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.

“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 May __, 2011 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 determination 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 Issuer.*
13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, 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) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event described in Subsections (a)(2), (6), (7), (8) (with respect to bond calls), (10), (13) or (14), the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) Upon the occurrence of a Listed Event described in subsections (a)(1), (3), (4), (5), (6), (8) (with respect to tender offers), (9), (11) or (12), and in the event the Issuer determines that the occurrence of a Listed Event described in subsections (a)(2), (6), (7), (8) (with respect to bond calls), (10), (13) or (14) is material under applicable federal securities laws, 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.

* 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 Issuer 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 Issuer, 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 Issuer.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance in accordance with the terms of the Bonds, prior redemption or payment in full of all of the Bonds. 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(c).

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 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: May __, 2011

CITY OF BROCKTON,
MASSACHUSETTS

By _____
Treasurer/Collector

Mayor

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