

Annual Report

CITY OF BROCKTON, MASSACHUSETTS

**For The Fiscal Year Ended
June 30, 2013**

FILING DATE: MARCH 27, 2014

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

CITY OF BROCKTON, MASSACHUSETTS

General

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

Principal Executive Officers

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

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Mayor	William Carpenter	January 2016
Chief Financial Officer	John A. Condon	April 2015
City Auditor	Heidi Chuckran	December 2013 (holdover)
Treasurer/Collector	Martin Brophy	October 2013 (holdover)
City Clerk	Anthony J. Zeoli	January 2016
Chairman-Board of Assessors	Paul Sullivan	June 2016

Municipal Services

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

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

Water Supply

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

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

The agreement will require increasing the City's water revenues in order to pay for the contractual minimum purchase commitment, if other entities do not sign contracts. Effective on all bills mailed on or after July 1, 2008, the water rates were increased 60%. However, even with this kind of increase, the City's water rates would be comparable to those of other Massachusetts communities, especially those in southeastern Massachusetts, whose projected growth is expected also to make them potential customers of the desalinization plant. The Water Commission and Chief Financial Officer recommended a 3% increase effective July 1, 2012, however the City Council has not acted upon the recommendation.

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

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

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

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

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

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

In May 2002, the Brockton Rox began playing in an independent league unaffiliated with major league baseball clubs. Most years the team has been number 1 or 2 in attendance. In 2004, the club led the league in attendance and established a league record in doing so. The club has enjoyed success on the field as well: the Rox won the league championship in 2003 and in seven out of ten years, reached the playoffs. However, the recession significantly affected the team's revenues from 2007 through 2011, its 10th year of play. At the conclusion of the 2011 season, the Rox underwent a significant reorganization. The Rox will operate under new ownership, under a new lease and will move to the Futures Collegiate Baseball League, consisting of amateur players. The schedule will be for about one-half as many games. The lease agreement will be about 45 percent of the previous payment.

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				
	2008	2009	2010	2011	2012
Construction	1,101	871	923	939	950
Manufacturing	2,387	2,030	2,010	1,989	1,940
Trade, Transportation and Utilities	7,614	7,270	7,632	7,714	8,242
Information	527	557	510	454	424
Financial Activities	1,128	1,066	1,075	1,112	955
Professional and Business Services	3,647	3,438	3,487	3,508	3,663
Education and Health Services	14,645	15,031	14,724	14,750	14,863
Leisure and Hospitality	2,768	2,694	2,572	2,517	2,531
Other Services	2,248	2,297	2,436	2,570	2,718
Total Employment	36,065	35,254	35,369	35,553	36,286
Number of Establishments	2,098	2,193	2,381	2,397	2,439
Average Weekly Wages	\$ 812	\$ 823	\$ 834	\$ 846	\$ 859
Total Wages	\$ 1,517,087,782	\$ 1,572,669,454	\$ 1,598,991,083	\$ 1,629,434,236	\$ 1,688,469,695

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>
2013	\$175,000	17.57 %
2012	150,765	-2.16
2011	154,000	-10.85
2010	172,750	+6.14
2009	162,750	-10.08
2008	181,000	-22.20
2007	232,644	- 13.19
2006	268,000	- 2.55
2005	275,000	10.04
2004	249,913	7.98
2003	231,450	17.5
2002	196,975	21.1
2001	162,550	16.1
2000	140,000	17.4
1999	119,300	16.6
1998	102,300	16.4
1997	87,900	4.1

Largest Employers

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

<u>Name</u>	<u>Product/ Function</u>	<u>Approximate Number of Employees</u>
City of Brockton (full-time, school only)	School Personnel	2,700
Signature Health (including Goddard Park)	Hospital	2,275
Caritas Good Samaritan Medical Center	Hospital	1,902
BAMSI	Human Services	1,570
Old Colony YMCA	Social Services	1,450
VA Boston Health Care System	Hospital	1,274
South Bay Mental Health Services	Hospital	850
US Post Office	Post Office	834
UPS	Distributor	810
City of Brockton (full-time, excluding schools)	City Government	689
HarborOne Credit Union	Finance	377
Brockton Neighborhood Health Center	Health Center	351
Brockton Professional Baseball	Pro Sports	340
WB Mason	Business Supplies	320
PharMerica	Pharmacy	270
Verizon Communications	Communications	270
Columbia Gas of Mass. (Bay State Gas)	Utility	228
Uno Foods	Restaurant/Food Materials Production	225
Baypoint Rehabilitation Center	Rehabilitation Center	224
Concord Foods	Food Preparation	222
Self Help	Social Service	220
U.S. Laboratory Corp.	Medical Laboratory	220
St. Joseph Manor Health Care	Skilled Nursing Care	208
Northeast Electrical Company	Utility	200
Shaw's Supermarket	Grocery Store	192
Super Stop & Shop	Grocery Store	186
Brockton Area Transit	Transportation	180
West Acres	Skilled Nursing Care	170
Father Bill Mainspring House	Social Services	167
Old Colony Elder Services	Aging Services	160
Wal-Mart	Department Store	150
Brockton Visiting Nurses Association	Health Care	135
Crescent Credit Union	Finance	127
Lowe's	Home Centers	125
Zoots	Garment Press	114
Home Depot	Home Centers	105
Kinneally Foods	Meat Purveyor	101
Berndai Auto	Automotive	98
Brockton Housing Authority	Home Centers	85
Barbour Corporation	Manufacturing	85
White's Pastry Shop	Retail Bakery	85
Cardinal Spellman	School	80
Trinity Catholic School	School	75

SOURCE: Brockton 21st Century Corporation, May 2013.

Labor Force, and Unemployment Rates

According to the Massachusetts Division of Employment Security data, in November 2013 the City had a total labor force of 45,475, of which 41,744 were employed and 3,731 or 8.2% were unemployed as compared with 7.1% for the Commonwealth. The following table sets forth the City's average labor force and unemployment rates for calendar years 2008 through 2012 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>
2012	45,531	9.0%	6.7%	8.1%
2011	45,336	10.1	6.9	8.5
2010	46,107	11.6	8.5	9.6
2009	45,518	10.7	8.2	9.3
2008	44,558	6.8	5.3	5.8

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

Retail Sales

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

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

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

Education

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

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

The following table sets forth the actual public school enrollments for 2009 through 2013 with projected enrollments for 2014.

Public School Enrollments – October 1,

	Actual					Projected
	2009	2010	2011	2012	2013	2014
Kindergarten	1,272	1,289	1,394	1,461	1,456	1,524
Elementary	6,058	6,203	6,330	6,485	8,029	8,097
Junior High	3,654	3,695	3,726	3,820	2,588	2,656
Senior High	4,344	4,500	4,428	4,518	4,637	4,705
Other (1)	271	252	263	312	301	369
Totals	15,599	15,939	16,141	16,596	17,011	17,351

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

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

Parochial schools in Brockton enroll approximately 1,300 students from grades K-12 at five separate campuses. Approximately 45% of these students are from Brockton and the others from surrounding towns.

The State School Choice, Charter and Technical/Vocational Schools

During the 2013/2014 school year, approximately 280 Brockton students in grades K-12 are attending other public schools under the state sponsored school choice, approximately 270 are attending Charter Schools and 753 are attending Technical/Vocational High Schools.

Private Schools in the City of Brockton

As of October 2012, approximately 590 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 45% of these students receive home-to-school-and-back transportation provided by the Brockton School Department.

The School Assignment Plan

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

Since a substantial percentage of the parents select schools outside of their neighborhood, the plan has improved the distribution of class sizes without the periodic adjustment of fixed school boundaries. Typically, more than 90% of the first grade and seventh grade parents receive assignments to their first or second choice schools. The school assignment process is coordinated by the School Registration and Parent Information Center located in the school's central administration building.

Brockton school facilities range from turn-of-the-century buildings to newer schools constructed when enrollment peaked during the 1970's. As a result of the plan, the City undertook the construction of five new schools with 90% reimbursement by the state's School Building Assistance Program. The 300-pupil pre-1900 vintage Winthrop Elementary School has been replaced, at the same location, with the new Louis F. Angelo Elementary School housing approximately 700 students. The 300-pupil Paine Elementary School (constructed in 1916) and the 200-pupil Goddard School (constructed in 1881), have been replaced by the new 700-student Joseph F. Plouffe Elementary School in an adjacent site. Both new elementary schools opened during the 1998-1999 school year. The new 700-pupil Dr. William H. Arnone

Elementary School opened in January 2002 at the gateway to the City center. The Mary E. Baker School opened in October 2008. The Manthala George School Opened in January 2009. The twin K-5 schools each have a capacity of 800 students and are equipped with state of the art educational technology. The Mary E. Baker School was awarded a grant from the Massachusetts State Renewable Energy Trust and has been designated as a "green" school. All five schools have contributed to transforming the character of their immediate neighborhoods.

Transportation and Utilities

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

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

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

Population, Income and Wealth Levels

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

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

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

SOURCE: Federal Census.

PROPERTY TAXATION

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

Tax Levy Computation

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

TAX LEVY COMPUTATION

	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014
Total Appropriations(1)	\$ 310,429,081	\$ 324,309,368	\$ 339,349,076	\$ 357,931,345	\$ 371,780,377
Additions:					
State and County Assessments	5,610,283	5,686,037	5,814,898	6,061,305	7,176,393
Overlay Reserve	2,057,017	2,324,286	2,738,111	2,947,648	2,445,495
Other Additions(2)	2,418,647	325,630	2,216,188	349,303	349,456
Total Additions	<u>10,085,947</u>	<u>8,335,953</u>	<u>10,769,197</u>	<u>9,358,256</u>	<u>9,971,344</u>
Gross Amount to be Raised	<u>320,515,028</u>	<u>332,645,321</u>	<u>350,118,273</u>	<u>367,289,601</u>	<u>381,751,721</u>
Deductions:					
Local Estimated Receipts(3)	56,105,587	65,052,033	63,312,395	65,095,633	63,365,311
State Aid(4):	149,192,490	151,980,902	160,274,035	169,938,094	180,660,402
Available Funds(5)	15,386,625	12,277,783	18,314,625	20,755,613	20,985,169
Total Deductions	<u>220,684,702</u>	<u>229,310,718</u>	<u>241,901,055</u>	<u>255,789,340</u>	<u>265,010,882</u>
Net Amount to be Raised (Tax Levy)	<u>\$ 99,830,326</u>	<u>\$ 103,334,603</u>	<u>\$ 108,217,218</u>	<u>\$ 111,500,261</u>	<u>\$ 116,740,839</u>

- (1) Includes additional appropriations from taxation and other revenues voted subsequent to adoption of the annual budget but prior to setting of the tax rate. Includes sewer and water enterprises.
- (2) Includes state educational offsets, overlay deficits and other deficits.
- (3) Includes sewer and water enterprise revenue.
- (4) Includes prior year's estimates. Estimated by the State Department of Revenue and required by law to be used in setting of the tax rate. Actual state aid payments may vary upward or downward from said estimates and the State may withhold payments pending receipt of State and County assessments. The City has confronted reductions in discretionary State aid since fiscal 2008, 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. The City expects an increase in state aid in fiscal 2013.
- (5) Transfers from available funds, including "free cash", generally made as an offset to a particular appropriation item.
- (6) Based on the Mayor's budget submitted to City Council for approval.

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 a 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>
2014 (2)	\$ 5,182,691,891	\$ 179,487,000	\$ 5,362,178,891	\$116,740,839	\$ 1,244
2013	5,293,452,622	192,787,250	5,486,239,872	111,500,261	1,189
2012	5,453,125,711	181,508,380	5,634,634,091	108,217,218	1,154
2011 (2)	5,448,775,565	180,413,520	5,629,189,085	103,334,603	1,102
2010	5,684,315,129	183,886,760	5,868,201,889	99,830,326	1,064

(1) Based on the 2010 federal census.

(2) Revaluation years.

Tax Rate Factor and Levy Distribution

<u>Fiscal Year</u>	<u>Tax Rate Factor (1)</u>	<u>% of Levy</u>	
		<u>Residential</u>	<u>Commercial, Industrial/Personal Property</u>
2014	\$1.55	64.1%	35.9%
2013	1.57	64.0	36.0
2012	1.56	65.3	34.6
2011	1.61	65.4	34.6
2010	1.66	66.8	33.2

(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>
2014	\$21.77	\$18.13	\$33.96
2013	20.32	16.88	31.91
2012	19.21	16.14	29.96
2011	18.36	15.29	29.55
2010	17.01	13.77	28.24

(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 2014 valuation of each. All taxpayers listed below are current in their tax payments.

<u>Name</u>	<u>Nature of Business</u>	<u>Fiscal 2014 Assessed Valuation</u>	<u>% of Total Assessed Value</u>
Steward Health Care	Hospital	\$ 85,536,160	1.60 %
Mass Electric Co. (National Grid)	Utility	45,669,860	0.85
Bay State Gas	Utility	45,495,120	0.85
New Westgate Brockton Mall LLC	Retail	27,269,280	0.51
Mucci Investment Prop LLC	Developer	17,690,280	0.33
110 Liberty St. Realty Company LLC	Medical Office	16,724,800	0.31
Beacon Communities, LLC (1)	Housing	29,758,850	0.55
Acadia Crescent Plaza, LLC	Developer	15,889,840	0.30
Lowes Home Center Inc.	Retail	14,373,240	0.27
Harborside Credit Union	Banking	13,754,940	0.26
Total		<u>\$ 312,162,370</u>	<u>5.82 %</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>
2012	\$ 5,986,229,500	(6.7) %
2010	6,416,494,600	(25.6)
2008	8,627,153,400	10.4
2006	7,787,790,000	29.7
2004	6,003,792,100	35.1
2002	4,420,483,600	32.7
2000	3,330,760,700	15.1

Abatements and Overlay

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

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

Fiscal Year	Net Tax Levy (1)	Overlay Reserve		Abatements Granted through June 30, 2013	Surplus (Deficiency) Through June 30, 2013
		Dollar Amount	As a % of Net Levy		
2013	\$ 108,552,613	\$ 2,947,648	2.72 %	\$ 781,542	\$ 2,166,106
2012	105,479,107	2,738,111	2.60	1,191,072	1,547,039
2011 (2)	101,010,317	2,324,286	2.30	1,254,092	1,070,194
2010	97,773,309	2,057,017	2.10	1,551,323	505,694
2009	94,452,612	1,928,394	2.04	1,701,609	226,785

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

(2) Revaluation years.

Tax Levies and Collections

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

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

Fiscal Year	Gross Tax Levy	Overlay Reserve for Abatements	Net Tax Levy	Collections During Fiscal Year Payable		Collections as of June 30, 2013	
				Dollar Amount(1)	% of Net Levy	Dollar Amount(1)	% of Net Levy
2013	\$ 111,500,261	\$ 2,947,648	\$ 108,552,613	\$ 105,732,191	97.4 %	\$ 105,732,191	97.4 %
2012	108,217,218	2,738,111	105,479,107	102,364,585	97.0	104,274,228	98.9
2011 (2)	103,334,603	2,324,286	101,010,317	97,535,074	96.6	100,238,235	99.2
2010	99,830,326	2,057,017	97,773,309	93,691,363	95.8	96,206,711	98.4
2009	96,381,006	1,928,394	94,452,612	90,556,405	95.9	93,782,284	99.3

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

(2) Revaluation year.

Taking and Sale

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

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

<u>Fiscal Year</u>	<u>Tax Titles at Fiscal Year End</u>	<u>Amount Realized Tax Possessions at Fiscal Year End</u>	<u>From Redemption of Tax Titles During Fiscal Year(1)</u>
2013	\$6,671,386	\$2,582,211	\$1,916,746
2012	5,354,808	2,445,122	1,898,849
2011	4,417,334	2,278,752	2,307,260
2010	3,429,118	2,612,101	1,554,396
2009	2,843,757	2,613,666	3,160,094

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

Taxation to Meet Deficits

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

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

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

Tax Limitations

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

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

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

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

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

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

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

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

The City has been in full compliance with Proposition 2 1/2 since fiscal 1984 following completion of a professional revaluation of all real and personal property in the City to full value. Revaluations were subsequently completed by the City for use in fiscal years 1987, 1990, 1993, 1996, 1999, 2002, 2005, 2008 and 2011. 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
2014	\$ 5,362,178,891	\$ 134,054,472	\$ 116,744,636	\$ 116,740,839	\$ 17,309,836	3,797
2013	5,486,239,872	137,155,997	112,506,174	111,500,261	24,649,823	1,005,913
2012	5,634,634,091	140,865,852	108,261,967	108,217,218	32,603,885	44,749
2011	5,629,189,685	140,729,727	103,342,047	103,334,603	37,387,680	7,444
2010	5,868,201,889	146,705,047	99,864,769	99,830,326	46,840,278	34,443

Sale of Tax Receivables

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

Pledged Taxes

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

Community Preservation Act

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

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

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge and dedication of revenue. The state matching funds are raised from certain recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to cities and towns that have accepted the provisions of the CPA, which distributions are not subject to annual appropriation by the state

legislature. The amount distributed to each city and town is based on a statutory formula and the total state distribution made to any city or town may not exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

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

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

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

CITY FINANCES

Budget and Appropriation Process

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

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

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

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

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

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

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

Budget Trends

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

COMPARATIVE BUDGET TRENDS General and Enterprise Funds

	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014
Water (1)	\$ 15,250,020	\$ 15,911,513	\$ 16,478,246	\$ 17,116,935	\$ 15,967,028
Sewer (1)	17,582,107	18,304,684	18,213,411	18,060,630	18,466,435
Other Public Works and Trash	14,778,498	16,434,971	16,616,591	15,371,536	15,836,334
Fire	19,060,837	20,000,703	20,373,633	19,868,295	21,222,160
Police	18,526,895	17,457,643	17,950,478	17,412,066	18,538,972
Public Property	2,285,041	2,360,447	2,336,950	2,211,203	2,364,731
City Schools	128,708,177	140,877,082	152,390,474	156,420,332	164,293,149
Regional School Assessment	2,414,501	2,715,744	2,702,679	2,741,616	2,932,308
General Government and Other	23,423,390	19,316,828	21,385,797	20,343,838	21,860,253
Employees/Retiree Health Insurance	43,812,151	40,097,965	42,229,978	52,003,360	49,778,155
Retirement	9,864,017	10,171,188	12,580,316	15,424,055	16,021,867
Capital	864,800	4,188,393	1,373,298	5,258,499	3,604,172
Debt Service (2)	13,908,707	15,630,960	12,613,238	12,662,769	12,495,017
Overlay Reserve	2,057,017	2,058,181	2,120,000	2,840,000	2,900,000
State County Charges	5,610,283	5,692,129	5,879,360	6,395,186	7,135,900
Reserves (3)	2,368,587	-	704,990	262,094	793,228
Total(4)	<u>\$ 320,515,028</u>	<u>\$ 331,218,431</u>	<u>\$ 345,949,439</u>	<u>\$ 364,392,414</u>	<u>\$ 374,209,709</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.
- (5) Reflects the amount submitted by the Mayor for City Council approval.

Revenues (General Fund)

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

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

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

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

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

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

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

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

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

Enterprise Revenues: See "Enterprise Funds" herein.

Other: Other major sources of revenue include penalties and interest on taxes, investment income, fines, licenses and permits.

Education Reform

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

State School Building Assistance

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

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

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

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

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

Financial Operations

During each year from fiscal 1992 through fiscal 2012, and projected at June 30, 2013, the City has generated free cash surpluses ranging from 1% to 8% of General Fund Revenues. These surpluses resulted in part from conservative expenditure budgets and aggressive monitoring and control of actual expenditures during the years. They also resulted in part from deliberate underestimation of likely revenues in preparing annual budgets. In the fiscal 1998 to 2009 budgets, free cash amounts have been appropriated to support capital expenses, to pay debt service, and to increase permanent reserves. Conservative budgetary strategies were employed in constructing the budgets and utilized during each fiscal year.

Investment of City Funds

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

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

Trust funds, unless otherwise provided by the donor, may be invested in accordance with Section 54 of Chapter 44, which permits a broader range of investments than Section 55, including any bonds or notes that are legal investments for

savings banks in the Commonwealth. The restrictions imposed by Sections 54 and 55 do not apply to city and town retirement systems.

Accounting Policies

Please refer to attached audited financial statements of the City.

Fiscal Year 2013 Results

General Fund Revenues

The City of Brockton's year to date general fund total revenues as of June 30, 2013 of \$309.144 million has increased by \$7.114 million over the prior year's year to date general fund total revenues as of June 30, 2012 of \$302.030 million which represents an overall percentage increase in year to date general fund revenues of 2.36%. The overall increase is attributable to four (4) revenue source areas: real estate tax revenue has marginally increased by \$1.368 million; motor vehicle excise collections have marginally increased by \$0.488 million; and state aid to the City has marginally increased by \$8.463 million; and distributions decreased by \$2.786 million. The City has finished the fiscal year ending June 30, 2013 with an unassigned fund balance of \$23.447 million (formerly known as the undesignated fund balance) for the general fund similar to the amount in unassigned fund balance at June 30, 2012.

Business Type Activities

Year To Date Summary Revenue Analysis
of Business Type Activities

Year to date	6/30/2013 Revenues (millions)	6/30/2012 Revenues (millions)	Increase (Decrease) Revenues (millions)	Overall % Increase (Decrease) Revenues
Sewer enterprise fund	\$19.440	\$19.006	\$0.434	2.283%
Water enterprise fund	\$15.425	\$15.218	\$0.207	1.360%
Refuse enterprise fund	\$7.584	\$7.456	\$0.157	1.717%
Renewable energy enterprise fund	\$0.100	\$0.138	-\$0.038	-27.536%

Certified Free Cash and Certified Retained Earnings

The City has not drawn down free cash for capital outlay purposes in the fiscal year ending June 30, 2013.

It has been the management philosophy of the City to utilize any free cash that is certified to augment the subsequent year's expenditures; typically those expenditures are for retirement assessments, treasurer's debt service, and stabilization and Chapter 324 reserve fund contributions. The City generally utilizes certified retained earnings from the business type activities of the enterprise funds to augment the subsequent year's expenditures typically for debt service.

Annual Audits

Audits covering all funds of the City for recent fiscal years have been performed annually by KPMG Peat Marwick, certified public accountants. The most recent audit is for fiscal 2012 which are 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 Annual Report 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 2013 (draft), 2012, 2011 and 2010 and a Comparative Statement of Revenues, Expenditures and Changes in Fund Equity - General Fund for fiscal 2008 through fiscal 2012. Said financials were extracted from the City's audited financial statements, with the exception of fiscal 2013 which is unaudited and therefore subject to revision and change.

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

Assets	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Trust and Agency</u>	<u>Enterprise</u>	<u>Long Term Debt</u>	<u>Total</u>
Cash and investments	\$64,769,030	\$ 14,991,572	\$ (1,286,772)	\$ 21,827,693	\$ 21,897,329	\$ -	\$ 122,198,852
Receivables, net:							
Property taxes	6,714,730	-	-	-	-	-	6,714,730
Excises	2,150,050	-	-	-	-	-	2,150,050
User Charges & Liens	20,992	89,076	-	163,729	13,315,039	-	13,588,835
Tax liens	6,671,386	-	-	-	-	-	6,671,386
Tax Foreclosures	2,582,211	-	-	-	-	-	2,582,211
Special Assessments	605	-	-	-	-	-	605
Intergovernmental	222,852	8,453,519	2,369,925	-	-	-	11,046,296
Long-term Note Receivables	7,136,976	-	-	-	-	-	7,136,976
Amts to be provided on bonds	-	-	-	-	-	226,868,395	226,868,395
Total Assets	90,268,830	23,534,167	1,083,153	21,991,422	35,212,368	226,868,395	398,958,335
Liabilities and Fund Balances							
Payroll and related withholdings	\$ 27,056	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,056
Tailings	177,677	-	-	-	-	-	177,677
Accounts Payable	8,356,657	4,308,827	406,962	3,332,174	2,619,795	-	19,024,414
Accrued Payrolls	13,086,236	1,794,316	-	4,591	112,010	-	14,997,154
Allow for abate & exempt	6,100,268	-	-	-	-	-	6,100,268
Deferred revenue	4,526,993	89,076	5	163,729	13,315,039	-	18,094,841
Agency payable	-	-	-	376,156	-	-	376,156
Bonds & notes payable	-	-	7,000,000	-	-	226,868,395	233,868,395
Total liabilities	32,274,886	6,192,219	7,406,967	3,876,649	16,046,844	226,868,395	292,665,960
Fund balances (deficits):							
Unassigned (Undesignated Fund Balance)	27,735,753	-	-	-	-	-	27,735,753
Unassigned (deficits)	-	(289,041)	(6,836,991)	-	-	-	(7,126,032)
Restricted (Undesignated Fund Balance)	-	16,123,293	438,741	6,709,567	-	-	23,271,601
Restricted (Designated- Stabilization)	-	-	-	5,693,046	-	-	5,693,046
Restricted (Designated- Supplemental Reserve)	5,281,676	-	-	-	-	-	5,281,676
Assigned	13,318,577	-	-	-	-	-	13,318,577
Committed	4,520,962	1,507,696	74,436	-	5,900,572	-	12,003,665
Non-Spendable (Trust Fund)	-	-	-	5,712,160	-	-	5,712,160
Non-Spendable (LT Note receivables)	7,136,976	-	-	-	-	-	7,136,976
Retained Earnings- Unrestricted	-	-	-	-	7,281,471	-	7,281,471
Retained Earnings- Restricted	-	-	-	-	5,983,482	-	5,983,482
Total fund balances	\$57,993,944	\$17,341,948	-\$6,323,814	\$18,114,772	\$19,165,525	\$0	\$ 106,292,374
Total liability and fund balances	\$90,268,830	\$ 23,534,167	\$ 1,083,153	\$ 21,991,422	\$ 35,212,368	\$226,868,395	\$ 398,958,335

(1) Extracted from unaudited financial statements, subject to revision and change.

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

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

(1) Extracted from the annual audit.

City of Brockton, MA
Balance Sheet- Governmental Funds
June 30, 2011 (1)

Assets	General	Other Governmental	Total
Cash and investments	\$79,688,383	\$ 27,430,931	\$ 107,119,314
Receivables, net:			
Property taxes	6,777,857	-	6,777,857
Motor vehicle excise	2,484,301	-	2,484,301
Departmental and other	38,330	-	38,330
Tax liens	4,456,841	-	4,456,841
Intergovernmental	2,870,045	2,885,284	5,755,329
Total receivables	<u>16,627,374</u>	<u>2,885,284</u>	<u>19,512,658</u>
Long-term note receivable	7,451,183	-	7,451,183
Long-term intergovernmental receivable	16,171,048	-	16,171,048
Deposit with health claims agent	7,245,000	-	7,245,000
Total Assets	<u>\$ 127,182,988</u>	<u>\$ 30,316,215</u>	<u>\$ 157,499,203</u>
Liabilities and Fund Balances			
Warrants and accounts payable	\$ 3,477,827	\$ 2,743,653	\$ 6,221,480
Accrued liabilities:			
Tax abatement refunds	1,703,610	-	1,703,610
Payroll and related withholdings	8,712,515	16,998	8,729,513
Health claims payable	4,306,037	-	4,306,037
Bond anticipation note payable	-	896,000	896,000
Deferred revenue	31,176,417	395,657	31,572,074
Total liabilities	<u>49,376,406</u>	<u>4,052,308</u>	<u>53,428,714</u>
Fund balances:			
Nonpendable	7,451,183	5,201,284	12,652,467
Restricted	26,112,216	19,280,818	45,393,034
Committed	4,869,582	1,490,722	6,360,304
Assigned	20,453,183	347,238	20,800,421
Unassigned	18,920,418	(56,155)	18,864,263
Total fund balances	<u>\$77,806,582</u>	<u>\$ 26,263,907</u>	<u>\$ 104,070,489</u>
Total liability and fund balances	<u>\$127,182,988</u>	<u>\$ 30,316,215</u>	<u>\$ 157,499,203</u>

(1) Extracted from the annual audit.

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

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	<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, Massachusetts
Statement of Revenues, Expenditures
and Changes in Fund Balances- Governmental Funds(1)

	June 30	
	2011	2012
Revenues:		
Real and personal property taxes, net	\$ 102,552,359	\$ 106,728,051
Motor Vehicle and Other Excise	6,453,016	6,729,299
Penalties and Interest on Taxes	1,399,808	1,694,109
Payment in Lieu of Taxes	191,011	188,881
User Charges and Other Revenues	4,709,641	3,989,410
Fees	1,751,886	1,780,971
Licenses and permits	2,138,531	2,044,967
Intergovernmental	152,715,724	163,524,900
Fines	431,418	808,373
Investment income	470,818	345,421
Contributions	13,134,609	14,195,703
Total Revenues	<u>285,948,821</u>	<u>302,030,085</u>
Expenditures:		
Current:		
General Government	11,480,291	11,303,185
Public Safety	36,566,539	37,337,236
Education	142,631,868	153,505,472
Public works	8,733,165	5,595,546
Human services	2,077,830	2,194,788
Culture and recreation	1,875,244	2,087,123
State and county assessments	5,658,876	6,022,609
Pension and fringe benefits	67,335,563	76,903,470
Court judgments	133,226	161,056
Capital outlay	483,080	582,058
Debt service	13,194,988	11,267,156
Total Expenditures	<u>290,170,670</u>	<u>306,959,699</u>
Excess (Deficiency) of Revenues Over Expenditures	(4,221,849)	(4,929,614)
Other Financing Sources (Uses):		
Operating Transfers In	6,146,430	8,150,910
Operating Transfers out	(4,159,514)	(7,632,656)
Other	63,630	212,368
Bond proceeds	-	-
Bonds premium	53,213	284,565
Payments to refunding bond escrow agent	(1,071,213)	(4,646,815)
Issuance of refunding bonds	1,018,000	4,362,250
Total Other Financing Sources (Uses)	<u>2,050,546</u>	<u>730,622</u>
Excess (deficiency) of Revenues Over Expenditures and Other Financing Uses	(2,171,303)	(4,198,992)
Fund Balance, Beginning of Year	79,977,885	77,806,582
Fund Balance, End of Year	<u>\$77,806,582</u>	<u>\$73,607,590</u>

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

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

	June 30		
	2008	2009	2010
Revenues:			
Real and personal property taxes, net	\$ 92,101,172	\$ 95,588,735	\$ 97,073,442
Motor Vehicle and Other Excise	7,428,602	6,379,821	6,330,498
Penalties and Interest on Taxes	1,567,170	1,426,544	1,619,799
Intergovernmental	158,473,527	147,233,595	152,401,565
User Charges and Other Revenues (1)	2,625,085	2,035,361	1,863,045
Payment in Lieu of Taxes	250,929	185,816	263,086
Fines, Licenses and Permits	2,348,237	668,256	2,772,606
Investment Income	2,738,588	847,311	465,816
Contributions	14,531,327	14,388,380	14,860,275
Fees	726,216	1,385,859	1,633,587
Licenses and permits	-	2,004,126	-
Total Revenues (2)	<u>282,790,853</u>	<u>272,143,804</u>	<u>279,283,719</u>
Expenditures:			
Current:			
Education	139,185,475	128,454,533	132,547,974
Public Safety	37,065,317	37,009,397	37,237,861
Public Works (3)	7,269,213	8,795,802	6,494,963
Pension and Fringe Benefits	58,514,818	65,831,713	68,801,529
General Government	13,338,042	11,613,497	10,993,590
Culture and Recreation	2,033,497	1,768,568	1,926,882
State and County Assessments	4,963,785	5,372,254	5,605,388
Human Services	1,907,545	1,866,668	1,838,839
Court Judgments	422,196	255,872	229,955
Capital Outlay (4)	669,200	496,973	638,400
Debt Service	13,115,304	12,814,575	12,987,630
Total Expenditures (5)	<u>278,484,392</u>	<u>274,279,852</u>	<u>279,303,011</u>
Excess (Deficiency) of Revenues Over Expenditures	4,306,461	(2,136,048)	(19,292)
Other Financing Sources (Uses):			
Operating Transfers In (Out) Net (6)	393,571	656,943	2,263,539
Proceeds of Long-Term Debt	-	-	(876,777)
Total Other Financing Sources (Uses)	<u>393,571</u>	<u>656,943</u>	<u>1,386,762</u>
Excess (deficiency) of Revenues Over Expenditures and Other Financing Uses	4,700,032	(1,479,105)	1,367,470
Fund Balance, Beginning of Year	<u>75,389,488</u>	<u>80,089,520</u>	<u>78,610,415</u>
Fund Balance, End of Year	<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 .

They are intended to recapture expenditures borne by the General Fund in support of Enterprise and S

*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>
2013 (est.)	\$67,433,149	\$23,446,675 (1)	\$10,000,000
2012	73,607,509	29,232,166 (1)	13,318,577
2011	77,806,582	18,920,418 (1)	14,071,332
2010	79,977,885	18,047,969	16,948,909
2009	78,610,415	10,338,742	9,656,070
2008	80,089,520	16,762,531	14,490,760

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

It has been the City's policy in recent years to appropriate essentially all of its certified free cash by fiscal year end, and to generate new free cash through conservative budgeting procedures and strict budget oversight. 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>
2013	\$ 2,000,000	\$ 3,000,000	\$ 150,000	\$ 1,000,000	\$ 10,000
2012	923,199	3,078,216	354,676	1,549,353	78,038
2011	3,032,671	4,562,091	267,455	845,961	44,873
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

(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.

Other Tax Increment Financing

Pursuant to separate legislation, Massachusetts General Law Chapter 23A, the City has executed TIF agreements as part of its Economic Opportunity Area/Economic target Area status. Beginning in 1997, the City has executed a total of 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>
2013	\$5,281,676	\$5,693,046
2012	5,019,582	7,721,213
2011	4,869,582	3,668,809
2010	4,869,582	4,307,493
2009	4,720,203	2,387,467

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). All 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 2008 through fiscal 2013 has ranged from \$350,000 to \$520,000 per year in direct subsidy plus about \$450,000 per year in indirect costs. The direct subsidy amount for Recreation Fund programs in fiscal 2014 is \$485,000.

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

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

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

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

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

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

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

City of Brockton, Massachusetts
Statement of Net Assets- Proprietary Funds
June 30, 2011 (1)

Assets	Enterprise funds			Total
	Water	Sewer	Other	
Current Assets:				
Cash and cash equivalents	\$ 7,919,962	\$ 9,171,763	\$ 3,631,273	\$ 20,722,998
Customer receivables, net	6,824,463	9,658,706	3,864,889	20,348,058
Intergovernmental receivables	6,086,937	799,985	-	6,886,922
Other	306,151	49,956	-	356,107
Total Current Assets	<u>21,137,513</u>	<u>19,680,410</u>	<u>7,496,162</u>	<u>48,314,085</u>
Noncurrent assets:				
Other	229,830	575,401	37,177	842,408
Capital assets:				
Nondepreciable	4,335,982	26,810,742	162,709	31,309,433
Depreciable, net	42,058,802	105,278,818	5,407,559	152,745,179
Total noncurrent assets	<u>46,624,614</u>	<u>132,664,961</u>	<u>5,607,445</u>	<u>184,897,020</u>
Total assets	<u>\$ 67,762,127</u>	<u>\$ 152,345,371</u>	<u>\$ 13,103,607</u>	<u>\$ 233,211,105</u>
Liabilities				
Current Liabilities:				
Warrants and accounts payable	\$ 1,462,662	\$ 935,429	\$ 653,080	\$ 3,051,171
Accrued expenses	245,280	946,883	18,288	1,210,451
Compensated absences and claims	104,931	36,159	33,548	174,638
Bonds, notes, and loans payable	1,312,022	4,902,527	150,000	6,364,549
Total current liabilities	<u>3,124,895</u>	<u>6,820,998</u>	<u>854,916</u>	<u>10,800,809</u>
Noncurrent Liabilities:				
Compensated absences and claims	1,539,729	3,027,451	2,904,456	7,471,636
Unearned Revenue	551,815	1,290,190	-	1,842,005
Landfill and postclosure care costs	-	1,081,000	-	1,081,000
Bonds	26,036,508	81,663,118	1,305,171	109,004,797
Total noncurrent liabilities	<u>28,128,052</u>	<u>87,061,759</u>	<u>4,209,627</u>	<u>119,399,438</u>
Total liabilities	<u>31,252,947</u>	<u>93,882,757</u>	<u>5,064,543</u>	<u>130,200,247</u>
Net Assets				
Invested in capital assets, net of related debt	25,133,191	46,323,900	4,115,097	75,572,188
Unrestricted	11,375,989	12,138,714	3,923,967	27,438,670
Total net assets	<u>\$36,509,180</u>	<u>\$58,462,614</u>	<u>\$8,039,064</u>	<u>\$103,010,858</u>

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

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) Extracted from audited financial statements of the City.

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

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

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

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

	Enterprise funds			Total
	Water	Sewer	Other	
Operating Revenues:				
Charges for Services	\$ 14,726,496	\$ 17,470,429	\$ 7,995,004	\$ 40,191,929
Fees	333,814	195,921	249,876	779,611
Other	-	-	125	125
Total Operating Revenues	<u>\$ 15,060,310</u>	<u>\$ 17,666,350</u>	<u>\$ 8,245,005</u>	<u>\$ 40,971,665</u>
Operating Expenses:				
Salaries and Benefits	\$ 4,471,957	\$ 1,718,618	\$ 1,600,155	\$ 7,790,730
Utilities	872,612	1,533,233	61,475	2,467,320
Repairs and Maintenance	627,197	1,351,631	163,660	2,142,488
Contractual Services	6,276,912	3,612,526	6,712,012	16,601,450
Other Supplies and Expenses	778,747	511,274	192,671	1,482,692
Depreciation	1,576,638	3,575,166	256,189	5,407,993
Total Operating Expenses	<u>14,604,063</u>	<u>12,302,448</u>	<u>8,986,162</u>	<u>35,892,673</u>
Operating Income (loss)	<u>456,247</u>	<u>5,363,902</u>	<u>(741,157)</u>	<u>5,078,992</u>
Nonoperating revenue (expense)				
Interest Income	285,986	331,629	209,145	826,760
Interest Expense	(596,103)	(2,230,539)	(21,202)	(2,847,844)
Debt Subsidies	44,405	451,086	-	495,491
Total nonoperating (expenses) revenue	(265,712)	(1,447,824)	187,943	(1,525,593)
Income (loss) before transfers and capital grants	190,535	3,916,078	(553,214)	3,553,399
Transfers In	10,116	65,077	565,589	640,782
Transfers Out	(654,704)	(1,327,381)	(170,220)	(2,152,305)
Total transfers in (out)	<u>(644,588)</u>	<u>(1,262,304)</u>	<u>395,369</u>	<u>(1,511,523)</u>
Change in net assets	(454,053)	2,653,774	(157,845)	2,041,876
Total net assets, beginning of year	36,963,233	55,808,840	8,196,909	100,968,982
Total net assets, end of year	<u>\$ 36,509,180</u>	<u>\$ 58,462,614</u>	<u>\$ 8,039,064</u>	<u>\$ 103,010,858</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, 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	\$ 15,808,010	\$ 18,921,903	\$ 8,445,833	\$ 43,175,746
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	11,995,826	9,953,150	9,850,986	31,799,962
Operating Income (loss)	3,812,184	8,968,753	(1,405,153)	11,375,784
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 In	191,713	419,203	871,709	1,482,625
Transfers Out	(530,681)	(688,745)	-	(1,219,426)
Total transfers in (out)	(338,968)	(269,542)	871,709	263,199
Change in net assets	2,999,947	7,197,288	(380,612)	9,816,623
Total net assets, beginning of year	34,272,002	42,352,776	8,113,722	84,738,500
Total net assets, end of year	\$37,271,949	\$49,550,064	\$7,733,110	\$94,555,123

(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				
	<u>31,818,862</u>	<u>42,983,697</u>	<u>8,283,967</u>	<u>83,086,526</u>
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>
2013	\$ 226,868,395	93,810	\$ 5,486,239,872	\$ 2,418	4.14 %
2012	235,938,232	93,810	5,634,634,091	2,515	4.19
2011	240,013,728	93,810	5,629,189,085	2,559	4.26
2010	236,249,982	93,810	5,868,201,889	2,518	4.03
2009	248,114,810	93,810	7,174,223,590	2,645	3.46

(1) 2010 Federal Census.

(2) Reflects local assessed valuations.

**City of Brockton
Direct Debt Summary
As of June 30, 2013**

Long Term Debt Outstanding:		
School (1)	\$	23,040,000
Water (2)		2,780,510
General (3)		4,907,800
Sewer (4)		1,976,690
MWPAT (5)		97,143,395
Pension Obligation Bonds ("POB") (6)		92,685,000
Stadium (7)		3,235,000
Clean Renewable Energy Bonds ("CREB") (8)		<u>1,100,000</u>
Total Outstanding		\$ 226,868,395

Temporary Notes:		
Bond Anticipation Notes (9)		<u>7,000,000</u>
Total Direct Debt		<u>\$ 233,868,395</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 \$13,573,502. \$15,701,000 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. \$1,600,000 of the outstanding general bonds is outside the debt limit.
- (4) Expected payment from self-supporting enterprise. \$565,400 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. \$95,457,665 of the outstanding MWPAT bonds is outside the debt limit.
- (6) Outside the debt limit, taxable.
- (7) \$2,120,000 is taxable and outside the debt limit.
- (8) Outside the debt limit.
- (9) Payable June 13, 2014.

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, 2013.

City of Brockton, Massachusetts Bonded Debt Principal Payments by Purpose

Fiscal Year	School	Water	General	Sewer	MWPAT	PCB	Stadium	CREB	Total
2014	\$ 3,325,375	\$ 369,125	\$ 656,525	\$ 323,975	\$ 6,039,139	\$ 1,235,000	\$ 620,000	\$ 100,000	\$ 12,669,139
2015	3,435,375	363,075	601,275	315,275	6,186,054	1,640,000	660,000	100,000	13,301,054
2016	3,592,375	361,760	597,000	308,865	6,240,333	2,150,000	660,000	100,000	14,010,333
2017	3,742,000	359,300	601,000	302,700	6,393,551	2,770,000	660,000	100,000	14,928,551
2018	1,544,875	357,250	582,000	265,875	6,443,829	3,375,000	130,000	100,000	12,798,829
2019	1,605,000	210,000	555,000	135,000	6,593,807	4,040,000	130,000	100,000	13,368,807
2020	1,670,000	210,000	480,000	135,000	6,641,262	4,760,000	125,000	100,000	14,121,262
2021	415,000	110,000	445,000	95,000	6,732,494	5,545,000	125,000	100,000	13,567,494
2022	315,000	110,000	190,000	95,000	6,861,998	6,395,000	125,000	100,000	14,191,998
2023	325,000	110,000	200,000	-	7,018,624	7,325,000	-	100,000	15,078,624
2024	335,000	110,000	-	-	7,084,138	8,330,000	-	100,000	15,959,138
2025	350,000	110,000	-	-	7,230,546	9,420,000	-	-	17,110,546
2026	360,000	-	-	-	6,229,418	10,595,000	-	-	17,184,418
2027	375,000	-	-	-	4,795,036	11,865,000	-	-	17,035,036
2028	390,000	-	-	-	2,619,210	13,240,000	-	-	16,249,210
2029	405,000	-	-	-	1,279,218	-	-	-	1,684,218
2030	420,000	-	-	-	955,892	-	-	-	1,375,892
2031	435,000	-	-	-	975,790	-	-	-	1,410,790
2032	-	-	-	-	407,104	-	-	-	407,104
2033	-	-	-	-	415,952	-	-	-	415,952
	<u>\$ 23,040,000</u>	<u>\$ 2,780,510</u>	<u>\$ 4,907,800</u>	<u>\$ 1,976,690</u>	<u>\$ 97,143,395</u>	<u>\$ 92,685,000</u>	<u>\$ 3,235,000</u>	<u>\$ 1,100,000</u>	<u>\$ 226,868,395</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	Outstanding as of June 30, 2013		MWPAT Subsidy	MSBA Subsidy	Net Debt Service
	Principal	Interest			
2014	\$ 12,669,139	\$ 8,765,446	\$ (439,735)	\$ (2,597,546)	\$ 18,397,304
2015	13,301,054	8,334,052	(420,241)	(2,597,546)	18,617,319
2016	14,010,333	7,832,726	(353,958)	(2,597,546)	18,891,554
2017	14,928,551	7,278,778	(333,090)	(2,597,546)	19,276,693
2018	12,798,829	6,688,516	(285,336)	(1,061,106)	18,140,904
2019	13,368,807	6,198,655	(269,357)	(1,061,106)	18,236,999
2020	14,121,262	5,669,988	(222,683)	(1,061,106)	18,507,460
2021	13,567,494	5,106,169	(189,544)	-	18,484,119
2022	14,191,998	4,566,655	(166,413)	-	18,592,241
2023	15,078,624	3,994,988	(150,687)	-	18,922,925
2024	15,959,138	3,376,742	(106,955)	-	19,228,924
2025	17,110,546	2,712,195	(78,388)	-	19,744,354
2026	17,184,418	2,030,543	-	-	19,214,961
2027	17,035,036	1,299,464	-	-	18,334,500
2028	16,249,210	532,385	-	-	16,781,595
2029	1,684,218	119,689	-	-	1,803,907
2030	1,375,892	81,168	-	-	1,457,060
2031	1,410,790	45,082	-	-	1,455,873
2032	407,104	13,885	-	-	420,989
2033	415,952	5,687	-	-	421,639
Total	<u>\$ 226,868,395</u>	<u>\$ 74,652,812</u>	<u>\$ (3,016,386)</u>	<u>\$ (13,573,502)</u>	<u>\$ 284,931,319</u>

Authorized Unissued Debt and Prospective Financing

The City has approximately \$88,063,916 in authorized unissued debt. Of this amount \$47,710,000 is authorized for pension obligation purposes. \$6,158,612 represents excess authorization for the construction of two elementary schools, to be rescinded. The remaining \$34,195,304 is authorized for various school remodeling (\$27,695,848), water (\$5,278,677), economic development (\$1,000,000), and sewer (\$220,779). The \$36 million school remodeling project has been approved to receive 80% state grant funding and the City expects its share of project costs to be approximately only \$7 million. The \$47,710,000 pension obligation bond authorization above represents the unissued balance of an original \$149,225,000 authorization for this purpose 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.

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 2014 dollar assessment for each.

	Bonded Debt as of 6/30/13 (1)	FY 2014 Dollar Assessment
Plymouth County (2)	\$ 3,025,000	\$118,981
Southeastern Regional Vocational School District (3)	5,890,000	2,932,308
Brockton Area Transit Authority (4)	-	2,076,852

(1) Omits debt of the Commonwealth.

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

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

(4) Source: Brockton Area Transit Authority.

Coverage of Qualified Debt Service

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

Fiscal Year	Outstanding State Qualified Bonds Debt Service	Total State Aid (1)	Coverage Ratio Total State Aid to Qualified Debt Service
2014	\$ 734,633	\$ 177,955,864	242.24
2015	675,383	181,514,981	268.76
2016	662,483	185,145,281	279.47
2017	654,583	188,848,187	288.50
2018	597,183	192,625,150	322.56
2019	544,408	196,477,653	360.90
2020	451,408	200,407,206	443.96
2021	452,158	204,415,350	452.09
2022	452,158	208,503,657	461.13
2023	452,314	212,673,731	470.19
2024	451,751	216,927,205	480.19
2025	455,445	221,265,749	485.82
2026	453,195	225,691,064	498.00
2027	454,875	230,204,886	506.08
2028	456,000	234,808,983	514.93
2029	455,400	239,505,163	525.92
2030	454,200	244,295,266	537.86
2031	452,400	249,181,172	550.80
Total	<u>\$ 9,309,973</u>	<u>\$ 3,810,446,550</u>	

(1) Includes total state aid available for coverage. State aid is taken from the fiscal 2014 Governor's Budget and is increased at a rate of 2% each year thereafter. The State aid figures above no longer reflect school building assistance grants as such grants are no longer paid by the Commonwealth; they are now paid by the Massachusetts School Building Authority. Therefore, such payments no longer constitute "distributable aid" of the Commonwealth under the Qualified Bond Act.

Contractual Obligations

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

Since October 1991, the City has contracted with independent vendors for the pick-up and disposal of residential trash. Currently, Browning Ferris Industries, Inc. services as the contract vendor through June 20, 2009, at a fixed price bid of \$6.2 million per year. Beginning on July 1, 2007, that price may be escalated by a component of the Consumer Price Index, with the annual escalation not to exceed 2.5% per year. The City extended the contract through December 2011. The City issued a formal procurement and three vendors responded. All priced bids were lower than the present cost and the City awarded the contract to Allied Waste through June 30, 2017 at a price savings in the first year of about \$1 million. The contractor provides trash services for residents of five residential units or less. Commercial entities and residences of more than five units must contract independently. In the City contract residential units are restricted to the pickup of one 32 gallon barrel per week. In order to place more trash at the curb, residents must purchase specially marked trash bags,

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

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

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

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

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

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

The actuarial value of assets is determined by projecting the market value of assets as of the beginning of the prior plan year with the assumed rate of return during that year (8.0%) and accounting for deposits and disbursements with interest at the assumed rate of return. An adjustment is then applied to recognize the difference between the actual investment return and expected return over a five year period. This preliminary actuarial value is not allowed to differ from the market value of assets by more than 20%. The calculation of the actuarial value of assets as of January 1, 2013 is presented in the table below, from the report "City of Brockton Retirement System" from Buck Consultants, LLC as of the same date, the date of the most recent valuation.

Actuarial Value of Assets

(1)	Market value at January 1, 2012	\$313,970,666
(2)	2012 Contributions	\$25,203,726
(3)	2012 Payments	(\$36,991,096)
(4)	Net interest adjustment at 8.0% on (1), (2), and (3) to December 31, 2012	\$24,646,158
(5)	Expected market value on December 31, 2012	\$326,829,454
	(1) + (2) + (3) + (4)	
(6)	Actual market value on December 31, 2012	\$337,599,802
(7)	2012 (Gain)/Loss	(\$10,770,348)
(8)	80% of 2012 (Gain)/Loss	(\$8,616,278)
(9)	2011 (Gain)/Loss	\$27,921,277
(10)	60% of 2011 (Gain)/Loss	\$16,752,766
(11)	2010 (Gain)/Loss	(\$14,489,187)
(12)	40% of 2010 (Gain)/Loss	(\$5,795,675)
(13)	2009 (Gain)/Loss	(\$35,302,666)
(14)	20% of 2009 (Gain)/Loss	(\$7,060,533)
	Actuarial value on January 1, 2013, (6) + (8) + (10) + (12) + (14)	
(15)	but not less than 80% nor greater than 120% of (6)	\$332,880,082
(16)	Ratio of actuarial value to market value	98.60%
(17)	Actuarial Value Return for 2011	0.39%
(18)	Actuarial Value Return for 2012	0.74%
(19)	Market Value Return for 2011	-0.63%
(20)	Market Value Return for 2012	11.50%

City, town and county systems may choose to participate in the Pension Reserves Investment Trust Fund (the "PRIT" Fund), which receives additional state funds to offset future pension costs of participating state and local systems. If a local system participates in the PRIT Fund, it must transfer ownership and control of all assets of its system to the Pension Reserves Investment Management Board, which manages the investment and reinvestment of the PRIT Fund. Cities and towns with systems participating in the PRIT Fund continue to be obligated to fund their pension obligations in the manner described above. The additional state appropriations to offset future pension liabilities of state and local systems participating in the PRIT Fund are required to total at least 1.3% of state payroll. Such additional state

appropriations are deposited in the PRIT Fund and shared by all participating systems in proportion to their interest in the assets of the PRIT Fund as of July 1, for each fiscal year. The City has not participated in the PRIT.

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

As of the January 1, 2013 valuation, there were 1,262 retired and disabled retired persons and surviving beneficiaries receiving pensions which totaled \$36.9 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>
2014 (budgeted)	\$16,004,577	\$17,290
2013	15,408,092	15,963
2012	12,551,287	29,029
2011	10,115,288	55,900
2010	9,767,584	96,433

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

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

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

Any future variation in actual experience from actuarial assumptions may result in additional UAAL (and amortization payments) or an overfunding of the City's unfunded actuarial liability (and credits). Based on the historic investment performance of the Retirement System and certain other factors, the City reasonably expects that actual experience will be better than assumed in the Plan. The City recognizes, however, that the actual experience of the Retirement System could be worse than assumed in the Plan. In fact, in calendar year 2008, that did occur. At January 1, 2009, compared to January 1, 2008, for the total plan, the Total Actuarial Accrued Liability had increased from \$437.1 million to \$462.1

million, while the market value of the system assets had decreased from \$392.2 million to \$267.5 million, resulting in a funded ratio decreasing from 89.7% to 57.9%.

As of January 1, 2010, the system's actuarial liability had increased to \$477.5 million, an increase of only 3.3%. Also as of January 1, 2010 the market value of the plan's assets had increased by 15.2% to \$308.2 million. The funded ratio had improved from 57.9% to 64.6%. However, during 2010 the Retirement Board voted to take advantage of legislation 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 ten years less than the new statutory requirement of 2040. In addition, the Board voted to adopt "Actuarial Asset" valuation as previously explained. More recently, the Retirement Board voted to further stretch out the funding schedule to 2033.

As of the most recent actuarial valuation for January 1, 2013, the system's actuarial liability decreased to \$477.4 million, a decrease of approximately 3.04%. Also as of January 1, 2013 the actuarial value of the plan's assets had increased to \$363 million and the funded ratio increased to 76.2% from 72.3%.

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

City of Brockton Funding Schedule

Fiscal Year Ending	Payroll*	Employee Contribution	Employer Normal Cost with Interest	Amortization Payments with Interest	Employer Total Cost with Interest	Employer Total Cost % of Payroll	Funded Ratio %**
2014	\$ 76,378,221	\$ 6,598,805	\$ 5,420,519	\$ 11,818,362	\$ 17,238,881	22.6	64.1
2015	79,433,350	6,921,867	5,575,912	13,714,055	19,289,967	24.3	64.7
2016	82,610,684	7,260,216	5,735,062	14,327,928	20,062,990	24.3	65.5
2017	85,915,111	7,614,558	5,898,023	14,969,425	20,867,448	24.3	66.4
2018	89,351,716	7,985,630	6,064,845	15,639,790	21,704,635	24.3	67.4
2019	92,925,784	8,374,206	6,235,576	16,340,321	22,575,897	24.3	68.4
2020	96,642,816	8,781,090	6,410,262	16,999,938	23,410,200	24.3	69.6
2021	100,508,528	9,207,126	6,588,945	17,764,936	24,353,881	24.3	70.9
2022	104,528,869	9,653,196	6,771,667	18,564,358	25,336,025	24.3	72.3
2023	108,710,024	10,120,219	6,958,464	19,399,754	26,358,218	24.3	73.9
2024	113,058,425	10,609,160	7,149,371	20,272,743	27,422,114	24.3	75.5
2025	117,580,762	11,121,023	7,344,416	21,185,016	28,529,432	24.3	77.3
2026	122,283,993	11,656,861	7,543,626	22,138,342	29,681,968	24.3	79.2
2027	127,175,352	12,217,772	7,747,022	23,134,567	30,881,589	24.3	81.3
2028	132,262,366	12,804,905	7,954,619	24,175,623	32,130,242	24.3	83.5
2029	137,552,861	13,419,460	8,166,430	25,263,526	33,429,956	24.3	85.9
2030	143,054,976	14,062,692	8,382,457	26,400,385	34,782,842	24.3	88.4
2031	148,777,175	14,735,911	8,602,701	27,588,402	36,191,103	24.3	91.1
2032	154,728,262	15,440,488	8,827,152	28,829,880	37,657,032	24.3	93.9
2033	160,917,392	16,177,853	9,055,795	30,127,224	39,183,019	24.3	96.9
2034	167,354,088	16,949,502	9,288,605	-	9,288,605	5.6	100.0
2035	174,048,251	17,756,999	9,525,552	-	9,525,552	5.5	100.0
2036	181,010,181	18,601,977	9,766,592	-	9,766,592	5.4	100.0
2037	188,250,588	19,486,141	10,011,675	-	10,011,675	5.3	100.0
2038	195,780,612	20,411,275	10,260,738	-	10,260,738	5.2	100.0
2039	203,611,836	21,379,243	10,513,707	-	10,513,707	5.2	100.0
2040	211,756,310	22,234,413	10,934,255	-	10,934,255	5.2	100.0
2041	220,226,562	23,123,789	11,371,625	-	11,371,625	5.2	100.0
2042	229,035,625	24,048,741	11,826,490	-	11,826,490	5.2	100.0
2043	238,197,050	25,010,690	12,299,550	-	12,299,550	5.2	100.0
2044	247,724,932	26,011,118	12,791,532	-	12,791,532	5.2	100.0
2045	257,633,929	270,051,563	13,303,193	-	13,303,193	5.2	100.0

*Calendar basis

**Beginning of Fiscal year

Source: City of Brockton Retirement System funding schedule, PERAC.

The City has not made a payment into the Pension Reserve Fund established by the Plan of Finance referenced above. The payment into the fund is required only in the event of gains against the plan. During calendar year 2006 the System experienced an actuarial gain of about \$6.5 million, but the City did not lower its fiscal year 2008 payment on the funding schedule in order to benefit from that gain, so no budgetary savings occurred. No budgetary savings during fiscal year 2007 through 2014 occurred, so no payments have been made.

The City may take advantage of the pension extension which was passed as part of the Municipal Relief Act of 2010 which provides that a system (other than the state employees' retirement system and the teachers' retirement system) which conducts an actuarial valuation as of January 1, 2009, or later, may establish a revised schedule which reduces the unfunded actuarial liability to zero by not later than June 30, 2040, subject to certain conditions. If the schedule is so extended under such provisions and a later updated valuation allows for the development of a revised schedule with reduced payments, the revised schedule shall be adjusted to provide that the appropriation for each year shall not be less than that for such year under the prior schedule, thus providing for a shorter schedule rather than reduced payments. As mentioned previously, the City has extended its funding schedule to 2033.

OTHER POST EMPLOYMENT BENEFITS

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

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. An updated actuarial valuation will be performed after June 30, 2014.

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

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

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

Fiscal Year Ending In	Normal Cost*	Amortization of UAL*	ARC*	Expected Benefit Payments
2012	\$8,297,273	\$17,726,824	\$26,024,097	\$16,106,912
2013	8,670,650	18,258,629	26,929,279	16,938,232
2014	9,060,829	18,806,388	27,867,217	18,207,902
2015	9,468,566	19,370,580	28,839,146	19,197,491
2016	9,984,651	19,951,697	29,846,348	20,156,178

*Assumed Full Prefunding Interest Rate of 7.5%.

Fiscal Year Ending In	Normal Cost*	Amortization of UAL*	ARC*	Expected Benefit Payments
2012	\$18,848,034	\$19,292,988	\$38,141,022	\$16,106,912
2013	19,696,196	20,187,384	39,883,580	16,938,232
2014	20,582,525	21,103,300	41,685,825	18,207,902
2015	21,508,739	22,054,099	43,562,838	19,197,491
2016	22,476,632	23,044,036	45,520,668	20,156,178

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

OPEB Pay-As-You-Go Health Insurance

Fiscal Year	OPEB Pay As You Go Budget
2014 (budgeted)	\$12,863,532
2013	16,938,232
2012	22,317,826
2011	20,173,835
2010	20,808,583
2009	15,808,378

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

STATUS OF UNION CONTRACTS

The City employs approximately 4,500 full-time and part-time workers, 3,758 of whom are employed at the school department, 198 at the police department, 192 at the fire department, 111 at the public works department and the balance of 206 persons in various other departments of the City. City employees (other than managerial and confidential employees) are entitled to join unions and to bargain collectively on questions of wages, hours and other terms and conditions of employment. Approximately 4,406 City employees are represented by unions including employees of the school, police, fire, public works and various other departments. The following are the bargaining units for City employees:'

Union	Expiration Date (1)	Approximate Number of Employees
City:		
Brockton Association of Engineers, Technicians and Inspectors	6/30/2013	21
Brockton Building and Construction Trades Council	6/30/2013	9
Brockton City Employees Union	6/30/2013	41
Brockton City Hall Administrative Services Association	6/30/2013	63
Brockton Department Heads' Association - SEIU Local #888	6/30/2013	12
Brockton Laborers' Local #1162	6/30/2013	57
Brockton Laborers' Local #1162 - Water/Sewer	6/30/2013	46
Brockton Police Association	6/30/2010	138
Brockton Police Supervisors' Union	6/30/2013	39
Brockton Public Library Association - Full Time	6/30/2013	17
Brockton Public Library Association - Part Time	6/30/2013	16
Fire - Local #144	6/30/2016	189
School:		
Brockton Education Association	6/30/2014	1361
Brockton School Custodians Association	6/30/2013	129
Independent Brockton Admin. Assistants & Technical Employee Assoc - IBAA & TEA	6/30/2013	93
International Brotherhood of Police Officers Local 566	6/30/2013	9
Brockton Food Service SEIU, Local 888	6/30/2013	155
Brockton Education Paraprofessional Association	6/30/2013	363
Prinipals & Associate Principals	6/30/2013	30
Central Office Administration	6/30/2013	24
Monitor Teacher Assistants	6/30/2013	125
Non-Union	6/30/2013	1415
School Year Non-Union	6/30/2013	29
School Lunch Aides	6/30/2013	25
Total:		4406

(1) Expired contracts are currently in negotiations.

LITIGATION

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

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

March 27, 2014