KPMG

CITY OF BROCKTON, MASSACHUSETTS

Basic Financial Statements and
Required Supplementary Information

June 30, 2011

(With Independent Auditors' Report Thereon)

CITY OF BROCKTON, MASSACHUSETTS

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KPMG LLP
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60 South Street
Boston, MA 02111

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Brockton, Massachusetts (the City), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Brockton, Massachusetts, as of June 30, 2011, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As described in note 2(l) of the financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of July 1, 2010.

The management's discussion and analysis on pages 3 through 17, the budgetary comparison information on pages 61 through 63, and the schedules of funding progress and contributions from employers on page 64 are not required parts of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

April 11, 2012

As management of the City of Brockton (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2011.

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

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

Financial Highlights

- The assets of the City exceeded its liabilities at the close of fiscal year 2011 by approximately $208.7 million (net assets).
- The City's total net assets decreased in fiscal year 2011 by approximately $36.3 million, or 14.8%. This is primarily due to the recognition of a $40.2 million increase in the other post employment benefit liability.
- At the end of fiscal year 2011, unassigned fund balance for the general fund was approximately $18.9 million or 6.5%, of total general fund expenditures.
- The City's total bonded debt decreased by approximately $284 thousand during fiscal year 2011. This decrease was due to scheduled debt repayments exceeding new debt issuances.

Overview of the Financial Statements

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

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

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

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick and vacation time).

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

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

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

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

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

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

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

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

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by approximately $208.7 million at the close of the most recent fiscal year.

A significant portion of the City's net assets reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. This amount increased by approximately $1.8 million, or less than 1% from the prior fiscal year. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt are generally provided from other sources, since the capital assets themselves typically are not used to liquidate these liabilities.

An additional portion of the City's net assets (24.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of a negative $52.3 million (25.1%) represents unrestricted net assets.

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

Condensed Statement of Net Assets

		Governmental activities		Business-type activities		Total	
		2011	2010	2011	2010	2011	2010
		(In thousands)					
Current and other assets	$	245,880	249,499	49,156	52,625	295,036	302,124
Capital assets		169,173	173,439	184,055	179,964	353,228	353,403
Total assets	$	415,053	422,938	233,211	232,589	648,264	655,527
Long-term debt outstanding	$	131,393	131,156	115,369	115,890	246,762	247,046
Other liabilities		177,985	147,772	14,831	15,730	192,816	163,502
Total liabilities	$	309,378	278,928	130,200	131,620	439,578	410,548
Net assets:							
Invested in capital assets, net of related debt	$	133,985	133,417	75,572	75,196	209,557	208,613
Restricted		50,594	40,609	—	—	50,594	40,609
Unrestricted		(78,903)	(30,016)	27,439	25,773	(51,464)	(4,243)
Total net assets	$	105,676	144,010	103,011	100,969	208,687	244,979

Total Net Assets

During fiscal year 2011, the City's net assets decreased by about $36.3 million, or 14.8%. The decrease in net assets was due to the recognition of the increase in the City's other post employment benefit net obligation totaling $40.2 million.

Governmental Activities – Assets

For governmental activities, current and other assets decreased $3.6 million, coupled with a decrease in capital assets of $4.3 million, resulting in a decrease in assets of $7.9 million. The decrease in the capital assets of was the result of the completed construction and resulting depreciation for the building of two new schools called the Manthala George and Mary Baker schools.

Governmental Activities – Liabilities

Governmental activities liabilities increased by $30.5 million. There was an increase of $30.2 million in other liabilities and a $237 thousand decrease in long-term debt outstanding. The increase in other liabilities was due to the recognition of a $40.2 million increase of the other post employment benefit (OPEB) net obligation while the decrease in long-term debt outstanding was due to scheduled debt repayments offset by increases in debt service due to new debt financing.

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The City's 2011 annual required contribution (ARC) was $60.3 million. Interest on the net OPEB obligation and adjustments to the ARC totaled $61 thousand. Contributions against the ARC on a pay-as-you-go basis totaled $20.2 million resulting in an increase in the government-wide net OPEB obligation of $40.2 million. While the City's net OPEB obligation is $136.3 million as of June 30, 2011, ultimately, over the next 28 years, the City will recognize the entire OPEB obligation, which is estimated at $693.6 million as of June 30, 2010, the date of the City's most recent actuarial valuation.

Business Type Activities – Assets

For business type activities, there was an increase in net assets of $2.1 million. Current and other assets decreased by $3.5 million, while capital assets increased by $4.1 million, and total assets increased by $622 thousand. The decrease in current and other assets was due primarily to the decrease in the recognition of intergovernmental receivables related to the major ongoing investment in and upgrade of the wastewater and water treatment plant. The increase in capital assets is due to the City's continued investment in capital spending that has been funded with borrowings from the MWPAT. In 2011, additions to business type activities capital assets totaled $9.3 million, which is reflected in construction in progress, buildings, machinery and equipment and infrastructure. The work, when completed, will have improved the processing capability and increased the throughput capacity of the plant.

Business Type Activities – Liabilities

Business type activities liabilities decreased by $1.4 million. There was a decrease of $900 thousand in other liabilities and a decrease of $521 thousand in long-term debt outstanding. The decrease of the long-term debt was the result of yearly required debt service payments exceeding new issuances.

Governmental Activities – Statement of Activities

Gross expenses for governmental activities were $373.2 million for fiscal year 2011. This reflected an increase of $3.1 million, or 1.0%. Included in this net increase is the City's recognition of $40.2 million of additional expense across all category of governments related to the increase in the City's other post employment benefit net obligation.

Total general revenues for governmental activities of $134.0 million offset total net expenses of $172.3 million. Major ongoing revenue contributors were the net property tax at $103.2 million, an increase of $4.95 million. The remaining categories in total increased by $429 thousand, excise taxes at $6.6 million, an increase of $250 thousand; intergovernmental at $19.1 million, a decrease of $157 thousand and other totaling $3.6 million, an increase of $336 thousand.

In assessing the City's revenue adequacy to finance governmental activities, it is important to acknowledge the criticality of payments from outside agencies, especially from state and federal programs. Total revenues for governmental activities were $333.4 million. Of this total almost $187.4 million, or 56.2%, is from operating/capital grants contributions as well as charges for services, which is mainly from state and federal aid. Further, the City received $19.1 million in intergovernmental aid that is classified as general revenue. An additional 31.0% of the total is derived from the City's property tax. The severe constraints on the City's revenue flexibility to pay for governmental activities is demonstrated by the fact that almost 90% of its revenues are

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obtained from either intergovernmental sources over which the City has no control, or from the property tax, a source whose growth is limited by state law.

A statewide tax limitation statute known as "Proposition 2½" limits the property tax levy to an amount equal to 2 1/2% of the fair market assessed value of all taxable property in the City. This limit is called the levy ceiling. A secondary limitation is that no levy in a fiscal year may exceed the preceding year's allowable tax levy by more than 2 1/2%, plus taxes levied on certain property newly added to the tax rolls. This restriction is called the levy limit. The levy limit can be overridden by a citywide referendum vote, but the levy ceiling is an absolute limit.

For fiscal year 2011, the City levied a total of 103.3 million in real estate property taxes against an aggregate fair market assessed value of $5.6 billion. This levy compared to a maximum allowable levy under the levy limit of $103.3 million, leaving only a small amount in unused levy capacity without the approval of the voters. However, the levy comprised only 1.8% of the City's aggregate assessed value. With voter approval, the city could levy an additional $37.4 million and still remain under the levy ceiling. Accordingly, the taxing capacity exists to substantially improve the City's revenues for financing governmental activities, but converting this potential capacity to real revenues would require voter approval.

Business Type Activities – Statement of Activities

Business-Type Activities – The business-type activities increased the City's net assets by approximately $2.0 million, or 2.0%.

The water fund contributed a $500 thousand decrease; the sewer fund contributed $2.7 million of the increase, the net assets for the combination of the nonmajor recreation, refuse and renewable energy funds decreased $158 thousand. The nonmajor refuse fund is self-sufficient. The nonmajor recreation and renewable energy funds require a transfer of general fund revenues to support its programs. Most of the recreation fund's revenues derive from the golf course, but those revenues are not sufficient to pay for both the golf course operations and other park and recreation programs. For this reason, a transfer of other revenues is required. The Solar Energy facility has begun to generate and sell electricity.

The operations of the water fund and sewer fund are self-sufficient. The water and sewer funds are designed to recover the costs of operations of those funds. In the water and sewer funds, operating income totaled $456 thousand and $5.4 million, respectively. In the water and sewer funds, cash flow from operations of $1.8 million and $8.1 million, respectively. In both of these funds a major upgrade to the wastewater and water treatment plants is ongoing and required a major contribution of resources to finance both the construction itself and the impact of construction in increased plant operating costs.

Condensed Statement of Changes in Net Assets

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
			(In thousands)			
Revenues:						
Program revenues:						
Charge for services	$ 12,635	13,158	40,972	41,094	53,607	54,252
Operating grants	187,357	190,877	827	728	188,184	191,605
Capital grants	907	404	495	513	1,402	917
General revenues:						
Property taxes	103,228	98,277	—	—	103,228	98,277
Excise taxes	6,571	6,321	—	—	6,571	6,321
Intergovernmental	19,068	19,225	—	—	19,068	19,225
Other	3,594	3,258	—	—	3,594	3,258
Total revenues	333,360	331,520	42,294	42,335	375,654	373,855
Expenses:						
General government	18,507	24,580	—	—	18,507	24,580
Public safety	58,323	60,589	—	—	58,323	60,589
Education	258,970	251,233	—	—	258,970	251,233
Public works	16,381	13,308	—	—	16,381	13,308
Human services	4,473	3,575	—	—	4,473	3,575
Culture and recreation	3,459	3,726	—	—	3,459	3,726
State and county assessments	5,659	5,605	—	—	5,659	5,605
Court judgments	133	230	—	—	133	230
Interest on long-term debt	7,301	7,261	—	—	7,301	7,261
Enterprise accounts:						
Water	—	—	15,200	13,814	15,200	13,814
Sewer	—	—	14,533	13,518	14,533	13,518
Other	—	—	9,007	8,855	9,007	8,855
Total expenses	373,206	370,107	38,740	36,187	411,946	406,294
Excess (deficiency) before transfers	(39,846)	(38,587)	3,554	6,148	(36,292)	(32,439)
Transfers	1,512	(266)	(1,512)	266	—	—
Total transfers	1,512	(266)	(1,512)	266	—	—
Change in net assets	(38,334)	(38,853)	2,042	6,414	(36,292)	(32,439)
Net assets – beginning of year	144,010	182,863	100,969	94,555	244,979	277,418
Net assets – end of year	$ 105,676	144,010	103,011	100,969	208,687	244,979

Financial Analysis of the City's Governmental Funds

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

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

As of the end of the fiscal year 2011, the City's governmental funds reported combined fund balances of approximately $104.1 million, an increase of approximately $9.1 million, or 9.6%, in comparison with the prior year. The general fund balance decreased by $2.2 million, from $80.0 million to $77.8 million and the combined fund balances for all the other funds increased, by $11.3 million, from $15.0 million to $26.3 million.

In assessing these balances, it is important to note that the "Balance Sheet – Governmental Funds" does not include capital assets or bonded indebtedness. Please refer to the "Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities" and the "Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets." These reconciliations will demonstrate that essentially the City's increase in fund balances of $9.1 million, compared to its decrease in net assets of $38.3 million, a difference of $47.4 million, is explained largely by the following factors:

1. $700 thousand – the positive effect of revenue accruals.
2. $4.3 million – the negative effect of the amount by which capital assets was decreased, net of depreciation expense.
4. $900 thousand – the amortization effect of the pension asset in the statement of activities, which is not included in the operating statement of the governmental funds.
5. $41.3 million – the negative effect of increases in other liabilities, primarily other post employment benefits, which did not require the use of current resources.
6. $3.2 million – the negative effect of the collection of the long-term intergovernmental receivable that is recorded as revenue in the governmental funds.
7. $200 thousand – the negative effect of the amount by which the amortization of deferred losses on refundings and bond issue costs exceed bond premiums.
8. $37 thousand – the positive effect of the amount by which the repayment of bond principal are expenditures in the governmental funds but reduce long-term liabilities in the statement of net assets.

For the fiscal year ended June 30, 2011, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). GASB 54 requires the use of new fund balance classifications that compose a hierarchy primarily based upon the extent to which the government is bound to follow constraints on the use of governmental fund resources.

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Of the total of ending fund balances of $104.1 million, $12.7 million constitutes "nonspendable" fund balance, which is not available for spending by the City because this fund balance amount cannot be spent because they are either not in spendable form or they are legally or contractually required to remain intact. $45.4 million constitutes "restricted for" fund balance, which are amounts the use of which is subject to constraints imposed by external parties, including creditors, grantors, and laws and regulations of other governments, or imposed by City Charter or enabling legislation. $6.4 million constitutes "committed to" fund balance, amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. For the City, this formal action takes the form of statutes, which are passed by the City Council and approved by the Mayor. $20.8 million constitutes "assigned to" fund balance, amounts that are constrained by the City's intent for use for specific purposes, but are considered neither restricted nor committed. $18.9 million constitutes "unassigned" fund balance, amounts in the general fund that are not otherwise constrained for a specific purpose more narrow than the general operations of the City.

The general fund is the chief operating fund of the City. Total fund balance was approximately $77.8 million, a decrease of $2.2 million. This decrease in fund balance was largely driven by a deficiency of revenues and other financing sources over expenditures and other financing uses.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 6.5% of total general fund expenditures, while total fund balance represents 26.8% of that same amount.

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

Proprietary Funds

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

The net assets of the proprietary funds at the end of the current fiscal year totaled approximately $103.0 million. Changes in net assets of the proprietary funds at the end of the current fiscal year totaled an increase of approximately $2.0 million, or 2.0%.

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

For the water fund, the fiscal year 2011 operating income was $456 thousand, or 3.0% of operating revenues. Nonoperating revenues (expenses) and transfers essentially netted to a negative $910 thousand, and so net assets decreased by $454 thousand. The operating income was driven by the City's ability to set water rates to recover its operating costs. In fiscal year 2011, budgeted costs were less than expected which drove the positive operating income. Cash flow from operations was $1.8 million.

For the sewer fund, operating income was $5.4 million, or 30.4% of operating revenues. However, nonoperating expenses and transfers decreased net assets by $1.4 million. The aggressive construction schedule for the upgrade of the wastewater treatment plant increased capital assets, but it also increased long-term debt and interest expense, which basically nets to a zero effect on the sewer fund's net assets. The strong operating income was driven by an increase in sewer rates in the middle of 2008. This sewer rate increase has a full year effect in fiscal year 2010 and fiscal year 2011. Further, the rate increase is meant to recover future costs, which resulted in a strong operating income in fiscal year 2011. Cash flow from operations was $8.1 million.

For the combined results of the other enterprise funds, the value of net assets decreased by $158 thousand, or 1.9%. The operating loss for combined was $741 thousand loss in fiscal year 2011 or 9.0% of operating revenues. With the benefit of net transfers in (general fund subsidy) and the nonoperating revenue of $583 thousand, the operating loss of $741 thousand was reduced down to a $158 thousand decrease in net assets.

Budgetary Highlights

In fiscal year 2011, the original budget called for $282 million in spending. Of this amount $144.3 million was for Education spending, $38.8 million was for Public Safety spending, $53.5 million was for Fringe Benefit spending and $45.4 million for all other categories.

Resources, including transfers in from other funds of $4.9 million, totaled $270.6 million, creating a planned deficit of approximately $11.4 million. Offsetting this deficit was a contribution from "Free Cash" of $9.6 million. The remaining total of approximately $1.8 million was applied to Other Financing Sources/Uses.

In the final budget, a total of $282.7 million in spending was authorized, an increase of $700 thousand. The budgets that made up this amount included the following: the general government budgets were increased by $97 thousand; the education budget by $300; and Human services budgets were increased by $300 thousand. All other budgets did not have any increases. To help finance the additional $700 thousand in authorized spending, the other financing sources/uses were increased by $700 thousand.

On an actual basis, resources were higher than the final budget by $7.9 million. The majority of revenue categories resulted in a positive variance with the exceptions of penalties and interest on taxes, payments in lieu of taxes, Intergovernmental, and fines. The City's revenue estimates normally are conservative and actual results typically exceed budget by 1.5% to 2.0%. For fiscal year 2011, the positive variance was largely driven by Real Estate, Personal Property, Excise taxes, User charges and other revenue, Fees, and Licenses and Permits revenues. The increase in the Real Estate and Excise taxes were the result of increased collections in the categories of personal property, real estate, and tax title revenues. The User charges and other revenues increased due to increase in Medicare Part D Reimbursements collections. The Fees category increased as a result of the City receiving a new $879 thousand fee for the local cable franchise. The Licenses and Permit revenue increased as a result of an increase in the City Clerk and Public Property licenses and permits fees.

On the expenditure side, a favorable variance of $7.9 million was achieved. The City has typically achieved 1 to 2% positive variance on spending. For fiscal year 2011, this positive variance was driven by actual budgetary

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

As a result of the revenue and expenditure positive variances, the City's fiscal year 2011 general fund operations estimated to create free cash of approximately $14.1 million to be used in the FY 2013 budget.

Capital Assets and Debt Administration

Capital Assets – The City's investment in capital assets for its governmental and business-type activities as of June 30, 2011 amounted to approximately $353.2 million (net of accumulated depreciation). This investment in capital assets includes land, land improvements, construction-in-progress, buildings, machinery and equipment, infrastructure, and historical works of art. The total decrease in the City's investment in capital assets of $175 thousand for fiscal year 2011 represented a decrease of less than 0.05%. Capital assets for governmental activities decreased by $4.3 million, or 2.5%, while capital assets for business-type activities increased by $4.1 million, or 2.3%. The increase in the value of capital assets for business-type activities was primarily caused by the construction in progress, both in water and sewer enterprise funds, but especially for the project to upgrade the water and sewer treatment plants. The decrease in the value of capital assets for governmental activities is the result of depreciation exceeding capital additions. With the completion of construction activities for two schools in FY 2011, in FY 2011 the City has started an approx. $36 million project to rehab several school roofs, boilers, windows for its governmental activities.

Major capital assets included the following:

Capital Assets

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
			(In thousands)			
Land	$ 7,411	7,411	3,246	3,246	10,657	10,657
Construction in progress	3,247	1,632	28,064	19,282	31,311	20,914
Historical works of art	1,809	1,809	—	—	1,809	1,809
Buildings	128,659	132,820	112,970	116,233	241,629	249,053
Land improvements	2,199	2,347	473	520	2,672	2,867
Machinery and equipment	3,732	4,205	3,096	3,416	6,828	7,621
Infrastructure	22,116	23,215	36,206	37,267	58,322	60,482
Total	$ 169,173	173,439	184,055	179,964	353,228	353,403

Long-Term Debt – At the end of the current fiscal year, the City had total bonded debt outstanding of approximately $246.7 million. The entire amount is backed by the full faith and credit of the City.

Outstanding Debt

		Governmental activities		Business-type activities		Total	
		2011	**2010**	**2011**	**2010**	**2011**	**2010**
				(In thousands)			
General obligation bonds, net	$	131,393	131,156	115,369	115,890	246,762	247,046
Total	$	131,393	131,156	115,369	115,890	246,762	247,046

The overall net increase is attributable to the following factors:

The City's bonded debt decreased by approximately $374 thousand or less than 1%. The decrease was attributable to scheduled repayments exceeding new issuances. The City issued a total of new debt totaling $13.2 million. This consisted of School Construction loans totaling $6.3 million to fund the City's construction of two new schools in addition to the $1.5 million of current refunding of FY 1999 $8,910,000 General Obligation bonds as well as $5.4 million of MWPAT bonds to fund replacement of water meters and upgrades to the Silver Lake and Avon Reservoir treatment facilities. This increase in long-term debt was offset by principal payments during the current fiscal year totaling $13.8 million.

Total long-term debt of the City represents a claim of about 69.8% of the City's total capital assets, and a claim of about 38.0% of the City's total assets. As a percentage of the fair value of taxable property in the City, the long-term debt comprises only 4.4%.

The City maintains an "A" (stable outlook) rating from Standard and Poor's and an "Aa3" rating from Moody's for general obligation debt.

Economic Factors and Next Year's Budgets

The economic circumstances confronting the City deteriorated considerably over the past several fiscal years, with the prospects for fiscal year 2013 a continuation of the same bleak factors. Revenue assistance from the state declined in both real and nominal terms; this was true even for aid to education, although in the last two years this trend was reversed. However, for revenue assistance other than for education, the decline has been particularly steep. For example, the City's unrestricted state aid was reduced by about $11.6 million from nearly $28 million in FY 2008 to nearly $16.4 million in FY 2012, a reduction of about 41.3%. The governor's FY 2013 proposal would increase by about 6% Chapter 70 State aid to Education and hold all other revenue at the same levels as FY 2012.

The state has provided municipalities with two new local option revenue sources: the ability to raise the lodging excise tax from four percent up to six percent, and the ability to add 0.75% to the meals sales tax. The City has adopted the higher lodging excise tax, which is expected to generate annually about $500 to $700 thousand. The city has also raised the meals tax, which has the potential to generate approximately $500 to $800 thousand per year.

Although the property tax levy has provided a predictable, steady source of revenue growth, it provides only approximately 37.0% of the City's financing for its general fund spending. The City's utility operations (mainly water, sewer, refuse) are enterprise funds self supported through user fees, but its general fund operations rely on state assistance representing 55.0% of the funding based on the FY 2011 Recap, with about 6.0% derived from local receipts other the property tax based on the FY 2011 Recap, and 4.0% from reserves and other available funds. The growth rates of these other sources of funding have not been as steady or predictable as the growth rate of the property tax. The heavy reliance on state aid has become problematic in a period when almost all of the increase in state assistance have been restricted to education, and even more so when state aid is reduced. In the meantime, for the City, recent cost pressures on employee and retiree benefits and pensions have continued, and modest inflation recovery increases in wages and salaries have also raised expenditure levels. Accordingly, maintaining the same level of services in some recent years resulted in drawing down the City's reserves. During FY2011, the City initially balanced its budget with the use of the Stabilization Fund in the amount of $1.4 million, but later in the year the City actually added $1.0 million to that fund, so in FY 2011 the City has used a net amount of about $400 thousand to balance its budget. During FY 2012, an unbudgeted distribution of state aid and a portion of tax levy growth were appropriated into the fund. The City will need to tap into a portion of the remaining reserves to balance the FY 2013 budget.

Unemployment nationally and locally remains stubbornly high. The City has been deeply affected by the home mortgage foreclosure crisis. However, the local housing market has showed tentative signs of a decrease in the rate of decline. Nonetheless, the median value of a single family home at the end of calendar year 2009 was lower than it had been since the middle of calendar year 2002. For the condominium market, the median sale value comparable to that of year end 2011 would have occurred all the way back in mid-year 2000. However, by calendar 2011 year end, the median sale value of a single family homes had decreased by more than 5.3% over year end 2009, and for condominiums, the median price had decreased by more than 5.9% over year end 2009.

The City's overall assessed value declined from FY 2011 to FY 2012 by $5.4 million, or less than 1%, due to declines in values of the residential and industrial properties of about 1.0%. However, there recently has been some significant activity. The Bernardi Auto Group has redeveloped a large parcel, off Route 24, to create two separate dealerships, a Hyundai and a Honda, with an investment of $24.0 million. This project will enjoy a substantial property tax exemption initially, but it will later provide taxes.

The Cerberus private equity fund in December 2010 closed on the acquisition of the Good Samaritan Medical Center as part of its acquisition of the Caritas Catholic hospital chain. This ownership has converted the property from tax-exempt to taxable. Taxable values have not yet been finally agreed to by the parties, but the revenues will be a significant addition to the City's tax levy. As of the January 1, 2012 valuation, the Good Samaritan Medical Center provided estimated new growth in the amount of approximately $1.3 million; however, as expected the hospital has challenged the assessment, which created that growth. The City has increased its reserve for abatement and exemptions to protect against losing that challenge. The City is confident in the assessed value developed by its expert consultant and expects to win the case.

The City's unions, except for the school unions, concluded their most recent contractual period on June 30, 2010. Successor contract bargaining will occur in a constrained revenue environment. As no settlement has been reached at this writing, no contractual increases are obligated for FY 2011 or FY 2012. In the negotiations, which are far from conclusion, the City has proposed very modest wage increases for health insurance concessions beginning in FY 2013. Unions for the school department, except for the clerks' union, whose contract expires in FY2011, will begin the second year of their three year contract in FY2012. Financing the approximately 4.0% budgeting impact of the next contract year will present a real challenge in the context of flat or declining revenues; maintaining current staffing levels will be very difficult.

The City's health insurance costs continue to rise, reflective of the experience of most employers in Massachusetts. The city anticipates an average increase of about 7% to 8% for FY2012 and FY 2013. The City in FY2011 analyzed its health insurance trust fund, from which the City's self-insured medical and dental claims for employees and retirees are paid, to determine if its available cash balance exceeded the amount required to reserve for incurred but not reported (IBNR) claims and for the potential in any future year of a particularly bad year of claims experience. A bad claims year could occur because even though the City purchases reinsurance against the cost of major claims by individuals, there may still be high claims from individuals, which do not meet the individual claimant recovery point. The health insurance trust fund receives financing from both City appropriation and employee contributions according to rates recommended by the actuaries of Blue Cross/Blue Shield and Harvard Pilgrim. For several recent years, the fund's cash position has increased substantially because the funding provided by the recommended actuarial rates has exceeded the actual claims payment experience. The analysis up through FY2011 indicated that the trust fund had a large surplus to its required balance. A portion of this surplus was used to help finance FY2011 health cost. The City has performed another, similar analysis for FY2012. The trust fund still enjoyed a very healthy reserve position, which the city again utilized to help assist with the budget costs. A further analysis of trust fund balances for purposes of the FY2012 budget indicated that there was a sufficient reserve position to again provide budget assistance. In both FY 2011 and FY 2012, the trust balance was used to fund two months worth of claims cost. At this point, the trust fund balance is adequate to provide a loss cushion and to provide for estimated incurred claims not yet paid, but the balance is not sufficient to provide budget relief in FY 2013.

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

Second, the City has reduced spending levels through both employee attrition and in outright budget reductions. The continuing cost pressures and revenue constraints will likely require additional service and budget reductions in FY2013.

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

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

(Continued)

In July 2011 (FY 2012), the state passed the Chapter 69 – Municipal Health Insurance Reform, which allows cities and towns who accept the provision of the law to change the health insurance plan benefits without engaging in collective bargaining with each of the unions, or to allow municipalities to join the state's insurance plans for state employees, where benefits may be unilaterally changed by the State's Group Insurance Commission (GIC), In February, the mayor of the city proposed the acceptance of this law to the city council, but the council rejected this new health insurance reform statute. The council members were clearly influenced by arguments by union heads regarding the diminishing of collective bargaining rights. The unions have indicated a willingness to bargain over health costs in the context of successor contract negotiations. The City is negotiating with its unions to reduce the benefit levels and share some of the savings. At this time, no resolution is in sight with City unions.

The adverse impact of increasing costs combined with the reduction in state assistance for the fiscal year 2013 budget could be avoided by a voter referendum to override the provisions of Proposition 2½. Even with the recent property valuation decreases, the City enjoys override capacity and could increase its annual levy, as the FY2012 assessed value of the city would support an additional levy of almost $32.6 million while still remaining under the absolute levy ceiling. The tax increase on the average residential homeowner would be about $30 per year for every million dollars of property tax override. However, recent history offers little encouragement. A November 2008 Proposition 2½ referendum with three questions – one for public safety, one for education, and one for libraries – failed to gain voter approval, with no question capturing 40% of the vote total, even though the annual increase on the average homeowner would have been less than $100.00 per year. Accordingly, it is likely that the FY2013 budget problems will be solved by cost management and significant service reductions.

Requests for Information

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

CITY OF BROCKTON, MASSACHUSETTS

Statement of Net Assets

June 30, 2011

		Governmental activities	Business-type activities	Total
Assets:				
Cash and investments	$	107,119,314	20,722,998	127,842,312
Receivables, net:				
Property taxes		11,234,698	—	11,234,698
Intergovernmental		5,755,329	6,886,922	12,642,251
Customer receivables, net		—	20,348,058	20,348,058
Other		2,522,631	—	2,522,631
Other assets		9,089,377	1,198,515	10,287,892
Long-term note receivable		7,451,183	—	7,451,183
Long-term intergovernmental receivable		16,171,048	—	16,171,048
Pension asset		86,536,642	—	86,536,642
Capital assets:				
Nondepreciable		12,467,400	31,309,433	43,776,833
Depreciable, net		156,705,920	152,745,179	309,451,099
Total assets		415,053,542	233,211,105	648,264,647
Liabilities:				
Warrants and accounts payable		6,221,480	3,051,171	9,272,651
Accrued liabilities:				
Interest		2,370,683	1,109,294	3,479,977
Payroll and related withholdings		8,729,513	101,157	8,830,670
Tax abatement refunds		1,703,610	—	1,703,610
Bond anticipation note		896,000	—	896,000
Noncurrent liabilities:				
Due within one year:				
Compensated absences and claims		5,839,641	174,638	6,014,279
Bonds, note and loans payable		4,610,400	6,364,549	10,974,949
Due in more than one year:				
Compensated absences and claims		12,316,697	7,471,636	19,788,333
Unearned revenue		395,657	1,842,005	2,237,662
Landfill closure and postclosure care costs		3,177,981	1,081,000	4,258,981
Bonds, note and loans payable		126,782,371	109,004,797	235,787,168
Other post employment benefits		136,333,647	—	136,333,647
Total liabilities		309,377,680	130,200,247	439,577,927
Net assets:				
Invested in capital assets, net of related debt		133,984,549	75,572,188	209,556,737
Restricted for:				
Permanent funds:				
Nonexpendable		5,201,284	—	5,201,284
Expendable		675,303	—	675,303
Health claims		26,112,216	—	26,112,216
Federal, state and local grants		16,852,534	—	16,852,534
Other		1,752,982	—	1,752,982
Unrestricted		(78,903,006)	27,438,670	(51,464,336)
Total net assets	$	105,675,862	103,010,858	208,686,720

See accompanying notes to basic financial statements.

CITY OF BROCKTON, MASSACHUSETTS

Statement of Activities

Year ended June 30, 2011

		Program revenues			Net (expense) revenue and changes in net assets		
Functions/programs	**Expenses**	**Charges for services**	**Operating grants and contributions**	**Capital grants and contributions**	**Governmental activities**	**Business-type activities**	**Total**
Governmental activities:							
General government	$ 18,507,187	4,805,996	6,176,307	—	(7,524,884)	—	(7,524,884)
Public safety	58,322,857	2,036,441	4,534,892	—	(51,751,524)	—	(51,751,524)
Education	258,971,464	5,242,504	173,336,182	907,076	(79,485,702)	—	(79,485,702)
Public works	16,380,748	215,354	2,625,858	—	(13,539,536)	—	(13,539,536)
Human services	4,472,869	281,512	440,470	—	(3,750,887)	—	(3,750,887)
Culture and recreation	3,458,944	53,656	243,491	—	(3,161,797)	—	(3,161,797)
State and county assessments	5,658,879	—	—	—	(5,658,879)	—	(5,658,879)
Court judgments	133,226	—	—	—	(133,226)	—	(133,226)
Interest on long-term debt	7,300,619	—	—	—	(7,300,619)	—	(7,300,619)
Total governmental activities	373,206,793	12,635,463	187,357,200	907,076	(172,307,054)	—	(172,307,054)
Business-type activities:							
Water	15,200,166	15,060,310	285,986	44,405	—	190,535	190,535
Sewer	14,532,987	17,666,350	331,629	451,086	—	3,916,078	3,916,078
Other	9,007,364	8,245,005	209,145	—	—	(553,214)	(553,214)
Total business-type activities	38,740,517	40,971,665	826,760	495,491	—	3,553,399	3,553,399
Total primary government	$ 411,947,310	53,607,128	188,183,960	1,402,567	(172,307,054)	3,553,399	(168,753,655)
General revenues:							
Property taxes, levied for general purposes, net					$ 103,227,613	—	103,227,613
Excises					6,571,417	—	6,571,417
Payments in lieu of taxes					191,011	—	191,011
Penalties and interest on taxes					1,399,808	—	1,399,808
Other					453,706	—	453,706
Intergovernmental					19,068,109	—	19,068,109
Investment income					1,549,444	—	1,549,444
Transfers					1,511,523	(1,511,523)	—
Total general revenues and transfers					133,972,631	(1,511,523)	132,461,108
Change in net assets					(38,334,423)	2,041,876	(36,292,547)
Net assets, beginning of year					144,010,285	100,968,982	244,979,267
Net assets, end of year					$ 105,675,862	103,010,858	208,686,720

See accompanying notes to basic financial statements.

CITY OF BROCKTON, MASSACHUSETTS

Balance Sheet – Governmental Funds

June 30, 2011

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		16,627,374	2,885,284	19,512,658
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	$	127,182,988	30,316,215	157,499,203
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		49,376,406	4,052,308	53,428,714
Fund balances (deficits):				
Nonspendable		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		77,806,582	26,263,907	104,070,489
Total liabilities and fund balances	$	127,182,988	30,316,215	157,499,203

See accompanying notes to basic financial statements.

CITY OF BROCKTON, MASSACHUSETTS

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

June 30, 2011

Total fund balance – governmental funds	$	104,070,489
Amounts reported for governmental activities in the statements of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		169,173,320
Revenue is recorded on an accrual basis		31,176,418
Bond issuance costs are capitalized in the government-wide statements		1,708,569
Pension asset is not a financial resource and therefore not reported in the funds		86,536,642
Other costs are capitalized in the government-wide statements		135,807
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Taxable bonds		(97,100,000)
Other general obligation bonds		(33,779,950)
Bond premiums		(1,228,697)
Deferred bond gains (losses)		715,876
Other post employment benefits		(136,333,647)
Accrued interest on bonds		(2,370,683)
Landfill and postclosure care costs		(3,177,981)
Compensated absences and claims		(13,850,301)
		(287,125,383)
Net assets of governmental activities	$	105,675,862

See accompanying notes to basic financial statements.

CITY OF BROCKTON, MASSACHUSETTS

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

Year ended June 30, 2011

	General	Other governmental	Total
Revenues:			
Real and personal property taxes, net	$ 102,552,359	—	102,552,359
Motor vehicle and other excise	6,453,016	—	6,453,016
Penalties and interest on taxes	1,399,808	—	1,399,808
Payments in lieu of taxes	191,011	—	191,011
User charges and other revenue	4,709,641	4,120,527	8,830,168
Fees	1,751,886	4,458,535	6,210,421
Licenses and permits	2,138,531	—	2,138,531
Intergovernmental	152,715,724	38,338,484	191,054,208
Fines	431,418	404,611	836,029
Investment income	470,818	1,078,626	1,549,444
Contributions	13,134,609	878,932	14,013,541
Total revenues	285,948,821	49,279,715	335,228,536
Expenditures:			
Current:			
General government	11,480,291	2,308,997	13,789,288
Public safety	36,566,539	2,109,238	38,675,777
Education	142,631,868	35,013,362	177,645,230
Public works	8,733,165	322,163	9,055,328
Human services	2,077,830	471,937	2,549,767
Culture and recreation	1,875,244	262,678	2,137,922
State and county assessments	5,658,876	—	5,658,876
Pension and fringe benefits	67,335,563	—	67,335,563
Court judgments	133,226	—	133,226
Capital outlay	483,080	3,313,447	3,796,527
Debt service	13,194,988	—	13,194,988
Total expenditures	290,170,670	43,801,822	333,972,492
Excess (deficiency) of revenues over expenditures	(4,221,849)	5,477,893	1,256,044
Other financing sources (uses):			
Operating transfers in	6,146,430	2,721,622	8,868,052
Operating transfers out	(4,159,514)	(3,197,015)	(7,356,529)
Other	63,630	—	63,630
Bond Proceeds	—	6,279,000	6,279,000
Bonds premium	53,213	—	53,213
Payments to refunding bond escrow agent	(1,071,213)	—	(1,071,213)
Issuance of refunding bonds	1,018,000	—	1,018,000
Total other financing sources (uses)	2,050,546	5,803,607	7,854,153
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(2,171,303)	11,281,500	9,110,197
Fund balance, beginning of year	79,977,885	14,982,407	94,960,292
Fund balance, end of year	$ 77,806,582	26,263,907	104,070,489

See accompanying notes to basic financial statements.

CITY OF BROCKTON, MASSACHUSETTS

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

Year ended June 30, 2011

Net change in fund balances – total governmental funds	$	9,110,197
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital additions as expenditures. In the statement of activities, the cost of those assets is depreciated over their estimated useful lives. Depreciation expense ($8,058,118) exceeded capital additions ($3,792,839).		(4,265,279)
Accrual basis revenues can result in more or (less) revenues reported in the statement of activities depending upon timing of billings and collections.		666,228
Collection of long-term intergovernmental receivable that is recorded as revenue in the governmental funds.		(3,304,812)
Repayment of bond principal are expenditures in the governmental funds but reduce long-term liabilities in the statement of net assets.		36,612
Amortization of bond premiums ($120,452) add to net assets while the amortization of deferred losses on refunding ($152,657) and bond issue costs ($38,579) decrease net assets. This is the amount by which the amortization of deferred losses on refundings and bond issue costs exceed bond premiums.		(234,530)
Amortization of the pension asset in the statement of activities is not included in the operating statement of the governmental funds.		942,195
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This amount represents the difference between a decrease in interest payable ($31,333), an increase in landfill liability ($1,592,608), decrease in accrued claims ($114,059) and decrease in compensated absences ($387,542) and increase in other postemployment benefit liabilities ($40,225,358).		(41,285,034)
Change in net assets of governmental activities	$	(38,334,423)

See accompanying notes to basic financial statements.

CITY OF BROCKTON, MASSACHUSETTS

Statement of Net Assets – Proprietary Funds

June 30, 2011

Assets		Enterprise funds Water	Sewer	Other	Total
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 receivable		6,086,937	799,985	—	6,886,922
Other		306,151	49,956	—	356,107
Total current assets		21,137,513	19,680,410	7,496,162	48,314,085
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		46,624,614	132,664,961	5,607,445	184,897,020
Total assets		67,762,127	152,345,371	13,103,607	233,211,105
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		3,124,895	6,820,998	854,916	10,800,809
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		28,128,052	87,061,759	4,209,627	119,399,438
Total liabilities		31,252,947	93,882,757	5,064,543	130,200,247
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	$	36,509,180	58,462,614	8,039,064	103,010,858

See accompanying notes to basic financial statements.

CITY OF BROCKTON, MASSACHUSETTS

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

Year ended June 30, 2011

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

See accompanying notes to basic financial statements.

CITY OF BROCKTON, MASSACHUSETTS

Statement of Cash Flows – Proprietary Funds

Year ended June 30, 2011

	Enterprise funds Water	Enterprise funds Sewer	Enterprise funds Other	Total
Cash flows from operations:				
Cash received from customers	$ 14,587,769	18,981,774	8,204,060	41,773,603
Cash paid to employees	(4,375,919)	(1,838,041)	(1,738,878)	(7,952,838)
Cash paid to vendors	(8,380,496)	(9,055,541)	(7,109,316)	(24,545,353)
Net cash provided by (used in) operations	1,831,354	8,088,192	(644,134)	9,275,412
Cash flows from noncapital financing activities:				
Transfers	(644,589)	(1,262,304)	395,368	(1,511,525)
Net cash provided by (used in) noncapital financing activities	(644,589)	(1,262,304)	395,368	(1,511,525)
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(1,037,131)	(8,295,083)	(165,955)	(9,498,169)
Interest paid on debt	(578,687)	(2,193,844)	(21,821)	(2,794,352)
Drawdown of MWPAT loans	41,049	10,103,593	—	10,144,642
Repayment of long-term debt and debt issued	(1,288,922)	(4,425,201)	(150,000)	(5,864,123)
Debt subsidies	44,405	451,086	—	495,491
Other	551,813	—	—	551,813
Net cash used in capital and related financing activities	(2,267,473)	(4,359,449)	(337,776)	(6,964,698)
Cash flows from investing activity:				
Interest income	285,986	331,629	209,145	826,760
Net cash provided by investing activity	285,986	331,629	209,145	826,760
Increase (decrease) in cash and cash equivalents	(794,722)	2,798,068	(377,397)	1,625,949
Cash and cash equivalents, beginning of year	8,714,684	6,373,695	4,008,670	19,097,049
Cash and cash equivalents, end of year	$ 7,919,962	9,171,763	3,631,273	20,722,998
Reconciliation of operating income (loss) to net cash provided by (used in) operations:				
Operating income (loss)	$ 456,247	5,363,902	(741,157)	5,078,992
Reconciliation of operating income (loss) to net cash provided by (used in) operations:				
Depreciation expense	1,576,638	3,575,166	256,189	5,407,993
Changes in operating assets and liabilities:				
Accounts receivable	(472,540)	1,315,424	(47,144)	795,740
Warrants and accounts payable	174,970	(2,069,878)	18,479	(1,876,429)
Other assets and liabilities	96,039	(96,422)	(130,501)	(130,884)
Net cash provided by (used in) operations	$ 1,831,354	8,088,192	(644,134)	9,275,412

See accompanying notes to basic financial statements.

CITY OF BROCKTON, MASSACHUSETTS

Statement of Net Assets – Fiduciary Funds

June 30, 2011

(Except for Pension Trust, which is as of December 31, 2010)

Assets		**Pension trust fund**		**Agency funds**
Cash and cash equivalents	$	2,451,340		106,604
Receivables:				
Interest and dividends		973,488		—
Receivable for securities sold		38,937		—
Contributions from employers		567,966		—
Other		8,768		256,396
Total receivables		1,589,159		256,396
Investments, at fair value:				
Short-term:				
Domestic		25,679,864		—
Fixed income:				
Domestic		84,814,707		—
International		20,566,504		—
Equities:				
Domestic		105,960,645		—
International		62,685,108		—
Multi-asset		9,106,002		—
Real estate		13,333,818		—
Alternative		14,256,801		—
Total investments		336,403,449		—
Total assets		340,443,948		363,000
Liabilities				
Payable for securities purchased		8,271,243		—
Accounts payable and other liabilities		272,721		363,000
Total liabilities		8,543,964	$	363,000
Net Assets				
Held in trust for pension benefits	$	331,899,984		

See accompanying notes to basic financial statements.

CITY OF BROCKTON, MASSACHUSETTS

Statement of Changes in Net Assets – Fiduciary Funds

Year ended December 31, 2010

		Pension trust fund
Additions:		
Contributions:		
Employers	$	11,644,322
Employees		7,029,638
Other		5,000
Total contributions		18,678,960
Investment income:		
Net appreciation in fair value of investments		33,000,508
Investment income		7,470,657
Total investment income		40,471,165
Less investment expenses		(2,394,298)
Net investment income		38,076,867
Intergovernmental		319,259
Total additions		57,075,086
Deductions:		
Benefits		33,101,774
Member refunds and transfers to other systems, net		852,034
Administrative expenses		619,825
Total deductions		34,573,633
Change in net assets		22,501,453
Net assets, beginning of year		309,398,531
Net assets, end of year	$	331,899,984

See accompanying notes to basic financial statements.

(1) Financial Statement Presentation

The City of Brockton (the City) is governed by an elected mayor, who has general supervision of and control over the City's boards, commissions, officers and departments. The legislative body of the City is the City Council, which consists of eleven elected members serving two-year terms. U.S. generally accepted accounting principles (GAAP) requires that the accompanying basic financial statements present the City of Brockton (the primary government) and its component units. Component units are included in the City's reporting entity if their operational and financial relationships with the City are significant. Pursuant to this criteria, the City of Brockton Retirement System (the System) has been identified as a component unit. The System was established under the authority of Chapter 32 of the Massachusetts General Laws (MGL), as amended, and is an independent contributory retirement system available to employees of the City. The powers of the System are vested in the Retirement Board. The System has been included in the City's fiduciary funds as a pension trust fund for reporting purposes. A complete set of financial statements of the System for the fiscal year ended December 31, 2010 can be obtained by contacting the Brockton Retirement Board at 15 Christy's Drive, Brockton, MA 02301.

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

The City has entered into joint ventures with other municipalities to pool resources and share the costs, risks, and rewards of providing goods or services to venture participants directly, or for the benefit of the general public or specified service recipients. The following is a list of the City's joint ventures, their purpose, the address where the joint venture financial statements are available, and the annual assessment paid by the City in 2011:

Joint venture and address	Purpose		Annual assessment
Brockton Area Transit Authority 45 School Street Brockton, MA 02301	To provide public transportation	$	1,896,867
Southeastern Regional School District 250 Foundry Street South Easton, MA 02375	To provide educational services		2,715,744

(2) Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with GAAP as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and proprietary funds provided they do not conflict with or contradict GASB pronouncements. The most significant of the City's accounting policies are described below.

(a) Basis of Presentation

The financial condition and results of operations of the City are presented as of and for the year ended June 30, 2011, except for the System, which is presented as of and for the year ended December 31, 2010.

Government-Wide Statements

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

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

Fund Financial Statements

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

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

The City reports the following major governmental fund:

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

The City reports the following major enterprise funds:

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

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

Additionally, the City reports the following fund types:

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

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

(b) Measurement Focus, Basis of Accounting

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

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

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

(c) Deferred Revenue

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

(d) Cash and Cash Equivalents

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

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

(e) Investment Valuation

The City's investments are carried at fair value. The City also invests in the Massachusetts Municipal Depository Trust (MMDT), which is an external investment pool and is not SEC registered. This fund is state regulated and is valued at current share price. See note 6 for discussion of the System's investments.

(f) Compensated Absences

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

(g) Capital Assets

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

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

(Continued)

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

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

(h) Net Assets and Fund Balance

In the Government-wide and Proprietary Fund Financial Statements, net assets are reported in the following categories:

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

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

Unrestricted: Remaining net assets not considered invested in capital assets, net of related debt or restricted.

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

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

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

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

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

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

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

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

The City maintains a stabilization account in accordance with MGL Chapter 40 Section 5B that is reported as unassigned fund balance in the general fund. The City may appropriate in any year an amount not exceeding 10% of the amount raised in the preceding fiscal year from real and personal property taxes, or a larger amount as approved by the Department of Revenue. Further, the stabilization account may not exceed 10% of the City's equalized valuation as defined in MGL Chapter 44 Section 1. Funds can be appropriated from or added to the stabilization account by 2/3 vote of City Council. The balance of the stabilization accounts was $3,668,809 at June 30, 2011 and is classified as unassigned.

(i) Net Assets

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

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

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

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

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

(k) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(l) Implementation of New Accounting Pronouncement

For the fiscal year ended June 30, 2011, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). GASB 54 requires the use of new fund balance classifications that compose a hierarchy primarily based upon the extent to which the government is bound to follow constraints on the use of governmental fund resources. These classifications are described in note 2(h). GASB 54 also clarified the definitions of the governmental fund types. The effect of implementation of GASB 54 on the City's financial statements was limited to the use of the new fund balance classifications. Implementation did not result in a change in beginning fund balances nor did it affect the types of governmental funds reported by the City.

(3) Receivables

(a) Property Taxes

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

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

(b) Note Receivable

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

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

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

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

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

Fiscal year:		
2012	$	152,295
2013		161,912
2014		172,137
2015		183,007
2016		194,564
2017 – 2021		1,173,388
2022 – 2023		5,413,880
Total	$	7,451,183

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

(c) Long-Term Receivable

The City participates in the Commonwealth's school building assistance program, which is administered by the Massachusetts School Building Authority (MSBA). The MSBA provides financial assistance (90% of total costs) to the City to build and/or renovate schools. As of June 30, 2011, under MSBA's contract assistance program, the City was due funds totaling $18,768,594.

In the General Fund, the receivable is offset by deferred revenue because the revenue is not considered available. The following is a schedule of the five-year paydown as of June 30, 2011 through 2014, and in five-year increments thereafter:

Fiscal year:		
2012	$	2,597,546
2013		2,597,546
2014		2,597,546
2015		2,597,546
2016		2,597,546
2017 – 2021		5,780,864
Total	$	18,768,594

(d) Intergovernmental Receivables

Massachusetts Water Pollution Abatement Trust (MWPAT)

In order to fund continuous upgrades to the City's wastewater treatment plant, the City has entered into loan agreements with the MWPAT. When the loan agreements are executed, the City is responsible for paying the debt service on the loan. However, the City does not receive all loan proceeds when the loan agreements are executed.

The City annually enters into loan agreements with MWPAT for the purposes of upgrading water and sewer infrastructure. The City records the entire amount of the loan at inception; however, the proceeds from the loan are not received until such time the work is performed. As of June 30, 2011, the City has recorded receivables in its water and sewer funds for approximately $6.1 million and $800 thousand, respectively, representing the amount of loan proceeds not yet received from the MWPAT.

Massachusetts School Building Authority (MSBA)

In order to help fund the replacement of school roofs and school repairs, the City has entered into an agreement where the MSBA will fund 80% of eligible costs of the school construction under the Green Repair Program. The City works on a cost-reimbursement basis and as of June 30, 2011, the City incurred costs of $540 thousand for which reimbursements have not been received. That amount is recorded as an intergovernmental receivable in the Other Governmental Funds.

(Continued)

(4) Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

Primary Government

	Beginning balance	Increases	Decreases	Ending balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 7,410,698	—	—	7,410,698
Construction in progress	1,632,415	1,672,529	57,756	3,247,188
Historical works of art	1,809,514	—	—	1,809,514
Total capital assets, not being depreciated	10,852,627	1,672,529	57,756	12,467,400
Capital assets, being depreciated:				
Buildings	202,087,170	171,782	—	202,258,952
Land improvements	8,127,238	33,590	—	8,160,828
Machinery and equipment	21,506,367	491,496	—	21,997,863
Infrastructure	87,810,038	1,481,198	—	89,291,236
Total capital assets, being depreciated	319,530,813	2,178,066	—	321,708,879
Less accumulated depreciation for:				
Buildings	69,268,019	4,332,357	—	73,600,376
Land improvements	5,780,324	181,808	—	5,962,132
Machinery and equipment	17,301,606	963,520	—	18,265,126
Infrastructure	64,594,892	2,580,433	—	67,175,325
Total accumulated depreciation	156,944,841	8,058,118	—	165,002,959
Total capital assets, being depreciated, net	162,585,972	(5,880,052)	—	156,705,920
Governmental capital assets, net	$ 173,438,599	(4,207,523)	57,756	169,173,320

Depreciation expense was charged to governmental functions as follows:

Governmental activities:	
General government	$ 183,389
Public safety	1,016,658
Public works	2,335,383
Education	4,151,042
Human services	103,014
Culture and recreation	268,632
Total depreciation expense – governmental activities	$ 8,058,118

	Beginning balance	Increases	Decreases	Ending balance
Business-type activities:				
Water:				
Capital assets, not being depreciated:				
Land	$ 2,929,492	—	—	2,929,492
Construction in progress	801,898	817,375	212,783	1,406,490
Total capital assets, not being depreciated	3,731,390	817,375	212,783	4,335,982
Capital assets, being depreciated:				
Buildings	25,825,711	141,070	—	25,966,781
Land improvements	105,700	—	—	105,700
Machinery and equipment	10,470,326	90,621	—	10,560,947
Infrastructure	32,194,691	200,848	—	32,395,539
Total capital assets, being depreciated	68,596,428	432,539	—	69,028,967
Less accumulated depreciation for:				
Buildings	2,179,297	632,904	—	2,812,201
Land improvements	101,831	860	—	102,691
Machinery and equipment	8,281,512	375,362	—	8,656,874
Infrastructure	14,830,887	567,512	—	15,398,399
Total accumulated depreciation	25,393,527	1,576,638	—	26,970,165
Total capital assets being depreciated, net	43,202,901	(1,144,099)	—	42,058,802
Water capital assets, net	46,934,291	(326,724)	212,783	46,394,784
Sewer:				
Capital assets, not being depreciated:				
Land	186,327	—	—	186,327
Construction in progress	18,479,875	8,144,540	—	26,624,415
Total capital assets, not being depreciated	18,666,202	8,144,540	—	26,810,742
Capital assets, being depreciated:				
Buildings	110,191,940	—	—	110,191,940
Land improvements	258,000	—	—	258,000
Machinery and equipment	42,643,832	84,975	—	42,728,807
Infrastructure	37,991,072	65,568	—	38,056,640
Total capital assets, being depreciated	191,084,844	150,543	—	191,235,387

(Continued)

	Beginning balance	Increases	Decreases	Ending balance
Less accumulated depreciation for:				
Buildings	$ 17,979,494	2,754,086	—	20,733,580
Land improvements	258,000	—	—	258,000
Machinery and equipment	41,665,161	175,740	—	41,840,901
Infrastructure	22,478,748	645,340	—	23,124,088
Total accumulated depreciation	82,381,403	3,575,166	—	85,956,569
Total capital assets being depreciated, net	108,703,441	(3,424,623)	—	105,278,818
Sewer capital assets, net	127,369,643	4,719,917	—	132,089,560
Other:				
Capital assets, not being depreciated:				
Land	130,359	—	—	130,359
Construction in progress	—	32,350	—	32,350
Total capital assets, not being depreciated	130,359	32,350	—	162,709
Capital assets, being depreciated:				
Buildings	862,298	—	—	862,298
Land improvements	32,459,301	—	—	32,459,301
Machinery and equipment	2,425,551	133,606	137,080	2,422,077
Infrastructure	6,865,192	—	—	6,865,192
Total capital assets, being depreciated	42,612,342	133,606	137,080	42,608,868
Less accumulated depreciation for:				
Buildings	487,116	17,726	—	504,842
Land improvements	31,943,369	46,175	—	31,989,544
Machinery and equipment	2,177,327	77,359	137,080	2,117,606
Infrastructure	2,474,389	114,928	—	2,589,317
Total accumulated depreciation	37,082,201	256,188	137,080	37,201,309
Total capital assets being depreciated, net	5,530,141	(122,582)	—	5,407,559
Other capital assets, net	5,660,500	(90,232)	—	5,570,268
Business-type activities capital assets, net	$ 179,964,434	4,302,961	212,783	184,054,612

(5) Deposits and Investments

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

(a) Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned. The City carries deposits that are insured by Federal Deposit Insurance Corporation (FDIC) insurance or collateralized with securities held by the City or the City's agent in the City's name. The City also carries deposits that are not collateralized and are uninsured. As of June 30, 2011, the City's bank balances of uninsured and uncollateralized deposits totaled $119,629,264 that exceeds the $250,000 FDIC limit. All of the System's deposits are fully insured by FDIC insurance or collateralized with securities held by the System or the System's agent in the System's name.

(b) Investment Policy

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

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

(c) Interest Rate Risk

The following is a listing of the City's fixed-income investments and related maturity schedule (in years) as of June 30, 2011 for the primary government and December 31, 2010 for the retirement system (in thousands):

Investment type		Fair value	Less than 1	1 – 5	6 – 10	More than 10
Retirement system:						
Short-term investment fund	$	25,680	25,680	—	—	—
U.S. Treasury notes and bonds		12,061	1,705	6,431	1,240	2,685
U.S. agencies		4,172	—	4,172	—	—
Municipal bonds		394	—	—	216	178
Corporate Bonds		55,929	335	14,789	25,328	15,477
Pooled funds – domestic		6,710	—	—	6,710	—
Pooled funds – international		20,567	—	—	20,567	—
Asset backed:						
CMOs		3,416	—	—	—	3,416
Other		2,132	5	651	416	1,060
Subtotal		131,061	27,725	26,043	54,477	22,816
City:						
U.S. Treasury notes and bonds		419	50	52	317	—
U.S. agencies		1,291	387	634	270	—
Corporate Bonds		914	102	150	662	—
MMDT		8,210	8,210	—	—	—
Subtotal		10,834	8,749	836	1,249	—
Total	$	141,895	36,474	26,879	55,726	22,816

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

The asset backed investments held by the System as of December 31, 2010 are highly sensitive to changes in interest rates.

(d) Credit Risk

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

The City's fixed-income investments as of June 30, 2011 for the primary government and December 31, 2010 for the retirement system were rated by Standard & Poor's and/or an equivalent national rating organization, and the ratings are presented below using the Standard and Poor's rating scale (in thousands):

Investment type		Fair value	AAA to A	BBB to B	CCC	Not rated
Retirement system:						
Short-term investment fund	$	25,680	—	—	—	25,680
U.S. agencies		4,172	4,172	—	—	—
Municipal bonds		394	394	—	—	—
Corporate bonds		55,929	18,995	36,795	139	—
Pooled funds – domestic		6,710	—	—	—	6,710
Pooled funds – international		20,567	—	—	—	20,567
Asset backed:						
CMO's		3,416	3,195	213	8	—
Other		2,132	1,394	635	49	54
Subtotal		119,000	28,150	37,643	196	53,011
City:						
U.S. agencies		1,292	1,292	—	—	—
Corporate Bonds		913	263	—	—	650
MMDT		8,210	—	—	—	8,210
Subtotal		10,415	1,555	—	—	8,860
Total	$	129,415	29,705	37,643	196	61,871

In addition to the above schedule, the City and the System have $418,678 and $12,060,919, respectively, invested in U.S. government securities, which are not included above as they are explicitly guaranteed by the U.S. government.

(e) Concentration Risk

The System has no investments in a single issuer, at fair value, that exceeds 5% of the System's investments as of December 31, 2010. Additionally, the City has no investments in a single issuer, at fair value, that exceeds 5% of the City's net assets as of June 30, 2011.

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

(f) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Only the retirement system is statutorily allowed to invest in foreign currency securities. Similar to the investments in domestic equities, the City employs, or encourages its investment advisor to employ, diversification, asset allocation, and quality strategies. Currency hedging is permitted for defensive purposes. Currency hedging shall be effected through the use of forward currency contracts. At December 31, 2010, there were no open forward currency contracts.

Risk of loss arises from changes in currency exchange rates. Although the System does not have investments denominated in foreign currencies, the System's exposure to fluctuations in foreign currency for investments denominated in U.S. dollars includes $20,566,504 and $62,685,108 in international pooled fixed income and equity funds, respectively.

(6) Retirement System

(a) Plan Description

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

(b) Basis of Accounting

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

Investments of the System are stated as follows:

(a) Domestic and international bonds and equity securities are stated a quoted market value.

(b) Real estate funds are stated at appraised value or partner's account value, whichever is more readily determinable.

(c) Venture capital funds are stated at fair value.

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

(c) Membership

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

Retirees and beneficiaries receiving benefits	1,203
Terminated plan members entitled to but not receiving benefits	344
Active plan members	1,590
Total membership	3,137

(d) Contributions

Plan members are required to contribute to the System, depending on their employment date. Active members contribute 5%, 7%, 8%, or 9% of their regular gross compensation depending on the date upon which their membership began. Members hired after January 1, 1979 must contribute an additional 2% of regular compensation in excess of $30,000. Participating employers are required to pay into the System their share of the remaining system-wide actuarially determined contribution. The contributions of plan members and the participating employers are governed by Chapter 32 of the MGL.

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

Fiscal year ending	Annual required contribution	Interest on net pension asset	Amortization of net pension asset	Pension cost	Actual contribution	Change in net pension asset	Net pension asset
2011	$ 10,341,798	(6,847,556)	5,962,274	9,456,516	10,398,711	942,195	86,536,642
2010	9,980,937	(7,170,986)	11,213,865	14,023,816	9,980,937	(4,042,879)	85,594,447
2009	9,877,931	(7,430,922)	10,817,911	13,264,920	10,016,536	(3,248,384)	89,637,326
2008	9,470,426	(7,607,974)	9,821,132	11,683,584	9,470,426	(2,213,158)	92,886,520

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

(e) Legally Required Reserve Accounts

The balances in the System's legally required reserves at December 31, 2010 are as follows:

Description	Amount	Purpose
Annuity Savings Fund	$ 71,770,846	Active members' contribution balance
Annuity Reserve Fund	28,479,998	Retired members' contribution account
Military Service Credit	87,283	Members' contribution account while on military leave
Pension Reserve Fund	203,898,834	Amounts to fund future retirement benefits
Pension Fund	27,663,023	Remaining net assets
Total	$ 331,899,984	

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

(f) Funded Status and Funding Progress

The funded status of the City's pension plan administered by the System as of January 1, 2010, the most recent actuarial valuation date, is as follows (in thousands):

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

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

In the January 1, 2010 actuarial valuation, the individual entry age normal actuarial cost method was used. The actuarial assumptions included an 8.0% investment rate of return, projected salary increases of 4.75% to 8.0%, and cost-of-living adjustments of 3.0% up to $12,000 annually. The actuarial value of assets was determined using a 5 year smoothing of the fair value of investments. The System's unfunded actuarial accrued liability is being amortized as a level percentage of pay on an open basis. The remaining amortization period at January 1, 2010 was 20 years.

(Continued)

(7) Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2011:

General long-term obligations	Maturing through year ended June 30	Interest percentage range	Outstanding beginning of year	Additions	Reductions	Outstanding end of year
Governmental activities:						
General:						
Taxable	2027	(4.75% – 6.45%)	$ 100,135,000	—	3,035,000	97,100,000
General obligation	2022	(3.00% – 6.75%)	30,834,775	7,297,000	4,351,825	33,779,950
Subtotal			$ 130,969,775	7,297,000	7,386,825	130,879,950
Add (deduct):						
Unamortized bond premium						$ 1,228,697
Unamortized deferred amounts on refundings						(715,876)
Total governmental activities bonded debt, net						131,392,771
Business-type activities:						
Water	2028	(3.00% – 7.75%)	$ 23,266,162	5,373,478	1,288,922	27,350,718
Sewer	2028	(2.00% – 6.75%)	90,131,744	373,000	4,798,202	85,706,542
Other	2019	(3.80% – 6.00%)	1,600,000	150,000	300,000	1,450,000
Subtotal			$ 114,997,906	5,896,478	6,387,124	114,507,260
Add (deduct):						
Unamortized bond premium						1,051,123
Unamortized deferred amounts on refundings						(189,037)
Total business-type activities bonded debt, net						115,369,346
Total bonded debt, net						$ 246,762,117

General long-term obligations	Maturing through year ended June 30	Interest percentage range	Outstanding beginning of year	Additions	Reductions	Outstanding end of year
Other long-term obligations:						
Self-insured benefit plans:						
Governmental activities			$ 7,575,833	36,002,294	35,645,818	7,932,309
Business-type activities:						
Water			1,082,808	638,977	441,420	1,280,365
Sewer			3,022,630	260,842	310,405	2,973,067
Other			2,876,623	227,746	292,955	2,811,414
Compensated absences, net:						
Governmental activities			10,611,572	108,335	495,878	10,224,029
Business-type activities:						
Water			385,671	—	21,376	364,295
Sewer			124,864	—	34,321	90,543
Other			181,470	9,424	64,304	126,590
Landfill closure and postclosure care costs:						
Governmental activities			1,585,373	1,592,608	—	3,177,981
Business-type activities:						
Sewer			1,058,000	23,000	—	1,081,000
Other post employment benefits						
Governmental activities			96,108,289	64,422,581	24,197,223	136,333,647
Total other long-term obligations			$ 124,613,133	103,285,807	61,503,700	166,395,240

Included in the general long-term obligations above is $7,820,000 in State Qualified Bonds (SQB’s). SQB’s are serial bonds issued as “State Qualified” with approval of the State Emergency Finance Board. The Commonwealth pays debt service on qualified bonds and subsequently withholds the amount of debt service from State aid payments to the City. The City issues SQB’s to take advantage of more favorable interest rates. Of the $7,820,000 of State Qualified debt outstanding at June 30, 2011, $6,279,000 is for New School Construction, $1,018,000 is refunding School Land Acquisition general obligation bonds, $373,000 is refunding Sewer general obligation bonds and $150,000 is refunding Recreation Irrigation system general obligation bonds. The bond refunding includes expected cash flow savings of approximately $140 thousand.

During 2011, the City issued $7,697,130 of Massachusetts Water Pollution Abatement Trust (MWPAT) bonds for the Water fund.

The replacement of water meters and implementation of a City-wide Automatic Meter Reading system consists of a $6,647,822 loan, coupled with a principal forgiveness clause, from the MWPAT. Of this loan, the City has recognized $4,324,170 as long-term debt in the Water fund. The balance, $2,323,652, is principal forgiveness that will turn into a grant once certain criteria are met. The City has recorded the portion for which cash was received related to the principal forgiveness as unearned revenue in the Water fund until such time as all requirements are met and the principal is forgiven.

The upgrades to the Silver Lake and Avon Reservoir Treatment facilities consist of a $1,049,308 loan from the MWPAT.

The interest rate on the bonds is 2% and due serially through July 15, 2031.

Maturity of Bond Indebtedness

Bond indebtedness outstanding at June 30, 2011 matures as follows:

	Governmental activities		
	Principal	**Interest**	**Total**
Year ending June 30:			
2012	$ 4,610,400	6,665,822	11,276,222
2013	5,031,750	6,520,784	11,552,534
2014	5,556,900	6,295,031	11,851,931
2015	6,071,650	6,031,748	12,103,398
2016	6,734,375	5,714,573	12,448,948
2017 – 2021	31,994,875	23,257,273	55,252,148
2022 – 2026	43,750,000	13,627,836	57,377,836
2027 – 2030	27,130,000	1,643,249	28,773,249
	$ 130,879,950	69,756,316	200,636,266

	Business-type activities			
	Water		**Sewer**	
	Principal	**Interest**	**Principal**	**Interest**
Year ending June 30:				
2012	$ 1,312,022	545,225	4,902,527	2,146,271
2013	2,551,002	570,367	4,956,200	2,065,632
2014	1,524,877	549,634	5,109,389	1,884,244
2015	1,545,748	508,315	5,223,620	1,738,876
2016	1,567,151	465,205	5,246,662	1,588,555
2017 – 2021	7,672,776	1,682,707	26,818,280	5,644,182
2022 – 2026	7,293,774	783,173	27,091,767	2,101,543
2027 – 2031	3,620,719	136,945	6,358,097	201,657
2032	262,649	2,626	—	—
	$ 27,350,718	5,244,197	85,706,542	17,370,960

(Continued)

	Business-type activities				
	Other		Total		
	Principal	Interest	Principal	Interest	
Year ending June 30:					
2012	$ 150,000	3,613	6,364,549	2,695,109	
2013	150,000	3,000	7,657,202	2,638,999	
2014	150,000	1,500	6,784,266	2,435,378	
2015	100,000	—	6,869,368	2,247,191	
2016	100,000	—	6,913,813	2,053,760	
2017 – 2021	500,000	—	34,991,056	7,326,889	
2022 – 2026	300,000	—	34,685,541	2,884,716	
2027 – 2031	—	—	9,978,816	338,602	
2032	—	—	262,649	2,626	
	$ 1,450,000	8,113	114,507,260	22,623,270	

The City has entered into loan agreements with the Massachusetts Water Pollution Abatement Trust (MWPAT) to finance certain water and wastewater related capital improvements. Since the City is legally obligated for the total debt amounts, the full liability has been recorded in the Water and Sewer funds in the accompanying basic financial statements. The City expects to receive $427,978 and $3,525,796 of Water and Sewer principal and interest subsidies, respectively, from MWPAT over the remaining life of the loans as follows:

	Business-type activities					
	Water		Sewer		Total	
	Principal subsidy	Interest subsidy	Principal subsidy	Interest subsidy	Principal subsidy	Interest subsidy
Year ending June 30:						
2012	$ 14,353	28,994	109,941	322,901	124,294	351,895
2013	15,397	27,299	85,474	332,939	100,871	360,238
2014	18,036	20,990	112,321	288,388	130,357	309,378
2015	19,393	18,256	113,993	268,688	133,386	286,944
2016	20,456	16,176	71,883	245,443	92,339	261,619
2017 – 2021	116,409	51,856	211,284	920,461	327,693	972,317
2022 – 2026	52,658	7,705	182,417	259,663	235,075	267,368
Total	$ 256,702	171,276	887,313	2,638,483	1,144,015	2,809,759

The City is subject to a dual-level general debt limit; the normal debt limit and the double-debt limit. Such limits are equal to 2½% and 5%, respectively, of the valuation of taxable property in the City as last equalized by the Commonwealth's Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double-debt limit, however, require the approval of the Commonwealth's Emergency Finance Board. Additionally, there are many categories of general obligation debt, which are exempt from the debt limit but are subject to other limitations.

As of June 30, 2011, the City may issue approximately $259.7 million of additional general-obligation debt under the normal debt limit. The City has approximately $223.1 million of debt exempt from the debt limit.

As of June 30, 2011, the City has total authorized unissued debt of $112.8 million. The remaining authorized unissued debt is intended to finance the following:

School construction/furnishings	$	44,256,209
School refunding		950,000
Refunding		2,430,000
Pension funding		47,710,000
Water projects		14,641,473
Sewer projects		220,779
Economic development		2,600,000
	$	112,808,461

(8) Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require that the City place a final cover on its landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure. In addition to operating expenses related to current activities of the landfill sites, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfills no longer accept waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfills used during the year. The estimated liability for landfill closure and postclosure care costs is based on the percent usage (filled) of the landfills and is as follows at June 30, 2011:

		Governmental activities	Business-type activities (Sewer fund)
Closure and postclosure care costs	$	3,177,981	1,081,000
Percentage usage (filled)		100.00%	47.00%

It is estimated that an additional $1,219,000 will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the Sewer fund landfill is currently expected to be filled to capacity (the year 2047).

The landfill liability recorded by the governmental activities represents postclosure care costs only, as the closure costs have been contractually assumed by a third party in exchange for the future use of the landfill site. As of June 30, 2009, the landfill has been closed and the City began to incur postclosure care costs in fiscal year 2009.

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

The estimated total current cost of the landfill closure and postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfills were acquired as of June 30, 2011. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

(9) Temporary Borrowings

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

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

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

Short-term debt activity for the year ended June 30, 2011 was as follows:

	Outstanding as of June 30, 2010	Additions	Reductions	Outstanding as of June 30, 2011
Bond anticipation notes payable:				
Governmental activities:				
Other governmental funds:				
Capital projects funds:				
School construction	$ 9,000,000	896,000	9,000,000	896,000

(10) Operating Transfers

Operating transfers and their purposes during the year ended June 30, 2011 were as follows:

	Governmental funds		Enterprise funds		
	General	**Other**	**Water**	**Sewer**	**Other**
Water receipts – in lieu of taxes	$ 654,704	—	(654,704)	—	—
Sewer receipts – in lieu of taxes	1,327,381	—	—	(1,327,381)	—
Other Enterprise receipts – in lieu of taxes	170,220	—	—	—	(170,220)
General fund revenue – recreation subsidy	(406,426)	—	—	—	406,426
General fund revenue – recreation debt service costs	(159,163)	—	—	—	159,163
Parking authority reserve – parking authority	221,900	(221,900)	—	—	—
Parking meter fees – parking authority	390,889	(390,889)	—	—	—
Weights and Measures – services	72,479	(72,479)	—	—	—
Grant Funds	17,372	(17,372)	—	—	—
General fund revenue – Capital Projects reimbursements for prior year General Fund expenses	831,485	(831,485)	—	—	—
General fund revenue – Transfer of MEMA reimbursement to Special Revenue Fund	(45,080)	45,080	—	—	—
General fund revenue – Transfer of Cable Agreement reimbursement to Special Revenue Fund	(531,845)	531,845	—	—	—
General fund revenue – Transfer for School Roof Project to Capital Projects Fund	(460,000)	460,000	—	—	—
General fund revenue – Transfer for Water Meter Audit Project to Special Revenue Fund	(97,000)	97,000	—	—	—
Enterprise fund revenue – reclass of expenditures	—	(75,193)	10,116	65,077	—
Total	$ 1,986,916	(475,393)	(644,588)	(1,262,304)	395,369

(11) Other Postemployment Benefit (OPEB) Disclosures

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

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

As of June 30, 2010, the valuation date, 2,624 retirees and 2,957 active members meet the eligibility requirements as put forth in Chapter 32B of MGL. The City sponsors and participates in a single employer defined benefit OPEB plan. The OPEB plan is administered by the City and does not issue a stand-alone financial report.

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

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

(a) Funding Policy

Employer and employee contribution rates are governed by the respective collective bargaining agreements. The City currently funds the plan on a pay-as-you-go basis. The City and plan members share the cost of benefits. As of June 30, 2010, the valuation date, the plan members contribute 10% to 25% of the monthly premium cost, depending on the plan in which they are enrolled. The City contributes the balance of the premium cost.

(b) Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period of thirty years. The following table shows the components of the City's annual OPEB cost for the year ending June 30, 2011, the amount actually contributed to the plan, and the change in the City's net OPEB obligation based on an actuarial valuation as of June 30, 2010:

Annual Required Contribution (ARC)	$	60,337,979
Interest on net OPEB obligation		4,084,602
Adjustment to ARC		(4,023,388)
Annual OPEB cost		60,399,193
Contributions made		(20,173,835)
Change in net OPEB obligation		40,225,358
Net OPEB obligation – beginning of year		96,108,289
Net OPEB obligation – end of year	$	136,333,647

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

	Annual OPEB cost	Percentage of OPEB cost contributed	Net OPEB obligation
Fiscal year ended:			
2011	$ 60,399,193	33.40%	$ 136,333,647

The City's net OPEB obligation as of June 30, 2011 is recorded on the government-wide statement of net assets.

(c) Funded Status and Funding Progress

The funded status of the plan as of June 30, 2011, based on an actuarial valuation as of June 30, 2010, was as follows (in thousands):

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the Commission are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

(d) Actuarial Methods and Assumptions

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

(Continued)

In the June 30, 2010 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.25% investment rate of return and an annual health care cost trend rate of 7.5%, reduced by decrements to an ultimate rate of 5% after 5 years. The City's unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis assuming 4.5% increases. The remaining amortization period at June 30, 2011 was thirty years.

(12) Risk Management

The City is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, unemployment and employee health, and life insurance claims.

Buildings and property are insured against fire, theft, and natural disaster to the extent that losses exceed a deductible of $100,000 per incident. Vehicle damage and loss is insured to $1,000,000 with a deductible of $1,000.

The City is self insured for workers' compensation and unemployment claims. The City is also self insured for those employees participating in the City's Health Care Plans (Health Care Plans). Approximately 60% of the City's employees participate in preferred provider Health Care Plans.

Both employees and the City contribute to the Health Care Plans based upon a percentage formula, 75% (City) and 25% (employee), with the exception of Blue Cross Blue Shield Master Medical, which is 70% City and 30% employee. The retirees' contribution rate is 25%, except for those retirees who were 65 or older as of July 1, 2003 and whose annual household income was $21,780 or less for a single person over 65 years of age, or $29,420 for a two-person household with one person over 65 years of age. For these retirees, the contribution rates are 15% for Blue Cross Blue Shield (BCBS) Master Medical, BCBS Master Medical Carve Out A&B, BCBS Medex III, and BCBS Choice and 10% for HMO Blue, Harvard Pilgrim Healthcare, and Harvard Pilgrim Enhanced. The 15% and 10% rates were established through a Home Rule Petition voted and approved by the City Council and the Massachusetts General Court. Stop loss insurance is carried on the Health Care Plans for claims in excess of $300,000 per covered person and $2,000,000 maximum per covered person, with the exception of individual specific deductible of $400,000 and maximum specific benefit per lifetime of $2,000,000. The City maintains a working deposit with the administrator of its Blue Cross Blue Shield Health Care Plans. At June 30, 2011, that deposit was $7,245,000, which includes Dental insurance. The financial arrangement with Harvard Pilgrim is monthly level funding of $1,325,000 with quarterly adjustments if necessary.

The City is insured for other types of general liability; however, Chapter 258 of the MGL limits the City's liability to a maximum of $100,000 per claim in all matters except actions relating to federal/civil rights, eminent domain, and breach of contract.

Liabilities for self-insured claims are reported if it is probable that a loss has been incurred and the amount can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Changes in the self-insurance liability for the years ended June 30, 2011 and 2010 were as follows:

		Workers' compensation plan	Health care plans	Total
Balance at June 30, 2009	$	10,565,800	4,130,500	14,696,300
Provision for losses/change in estimate		808,229	38,403,685	39,211,914
Payments for claims		(734,057)	(38,616,263)	(39,350,320)
Balance at June 30, 2010		10,639,972	3,917,922	14,557,894
Provision for losses/change in estimate		839,993	36,289,863	37,129,856
Payments for claims		(876,273)	(35,814,323)	(36,690,596)
Balance at June 30, 2011	$	10,603,692	4,393,462	14,997,154

The liability for claims and judgments consists of governmental and business-type activities in the amount of approximately $7,923,310 and $7,064,844, respectively.

(13) Commitments

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

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

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

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

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

The rate charged to the City for the Firm Commitment is a fixed annual charge of $167,480 per year per 0.1 MGD of the City's Firm Commitment; this charge is incurred regardless of whether the City takes the water. In addition, the City incurs an additional charge of $1.23 per 1,000 gallons for water actually delivered. For example, with a firm commitment of 2.0 MGD plus actual usage of 1.0 MGD for an entire year, the City would pay nearly $3.8 million. The financial obligation is primarily attached to the fixed price component. The rate structure is permitted to escalate with the Producer Price Index for Finished Goods, excluding food after three years of water delivery. Accordingly, escalation will begin, in the fourth year of the contract, which is at the end of 2011. Fixed and variable charges are recorded in the major Water fund when incurred, which totaled $5.1 million in fiscal year 2011.

As of June 30, 2011, based on the current fixed annual charge, the City expects to pay $113.1 million for its Firm Commitment as follows:

		Amount
Fiscal year:		
2012	$	5,443,100
2013		5,861,800
2014		5,912,044
2015		5,962,288
2016		6,171,638
2017 – 2021		33,429,008
2022 – 2026		34,082,180
2027 – 2029		16,226,906
	$	113,088,964

(14) Fund Deficits

The following funds had deficit fund balances at June 30, 2011:

Other governmental funds:		
Special revenue:		
School	$	22,991
Federal and state law enforcement		33,164
		56,155
Agency Funds:		
Fire Outside Detail		22,403
Police Outside Detail		22,827
		45,230
Total	$	101,385

The Special Revenue deficits will be eliminated upon satisfactory completion of federal and state audits. The Agency Fund deficits will be eliminated upon receipt of Fire and Police Outside Details receivable payments from vendors.

(15) Fund Balance Classification Details

The components of fund balance for the City's governmental funds as of June 30, 2011 are as follows:

		General	Other governmental
Fund balances			
Nonspendable:			
Permanent fund principal	$	—	5,201,284
Notes receivable		7,451,183	—
		7,451,183	5,201,284
Restricted for:			
General Government		26,112,216	902,244
Human Services		—	258,958
Public Safety		—	1,257,712
Public Works		—	4,778,835
Culture/Recreation		—	421,460
Education		—	11,661,609
		26,112,216	19,280,818
Committed to:			
General Government		4,869,582	—
Human Services		—	627,004
Public Safety		—	863,718
		4,869,582	1,490,722
Assigned to:			
General Government		17,854,723	18,422
Human Services		7,904	—
Public Safety		49,891	994
Public Works		75,843	8,416
Culture/Recreation		540,354	—
Education		1,924,468	319,406
		20,453,183	347,238
Unassigned		18,920,418	(56,155)
Total fund balances	$	77,806,582	26,263,907

(16) Subsequent Event

On November 3, 2011, the City issued a total of $6,560,000 General Obligation Municipal Purpose Bonds. The bonds funded $1,200,000 in High School Stadium Renovations and $5,360,000 in Refunding Bonds. The refunding bonds will be used to advanced refund a portion of the City’s $15,616,000 General Obligation Municipal Purpose Loan of 2002 Bonds. Interest on the bonds will be payable semiannually on June 15 and December 15, commencing on June 15, 2012. The interest rates range from 2% to 5% and are due serially through June 15, 2022.

On November 17, 2011, the City entered into a Loan Guarantee Assistance for a total of $1,600,000. The bonds funded $1,600,000 in Parking Garage Renovations. Interest on the bonds will be payable semiannually on February 1 and August 1, commencing on February 1, 2012.

CITY OF BROCKTON, MASSACHUSETTS

Budgetary Comparison Schedule – General Fund
Required Supplementary Information

June 30, 2011

(Unaudited)

	Budgeted amounts		Actual amounts (budgetary basis)	Variance with final budget positive (negative)
	Original	**Final**		
Resources (inflows):				
Real and personal property taxes, net	$ 101,010,317	101,010,317	101,889,931	879,614
Motor vehicle and other excise	5,770,000	5,770,000	5,894,058	124,058
Penalties and interest on taxes	1,460,000	1,460,000	1,399,808	(60,192)
Payments in lieu of taxes	235,000	235,000	191,011	(43,989)
User charges and other revenue	3,310,000	3,310,000	5,881,632	2,571,632
Fees	335,000	335,000	1,220,042	885,042
Licenses and permits	1,075,000	1,075,000	2,138,531	1,063,531
Intergovernmental	151,725,268	151,725,269	151,705,529	(19,740)
Fines	550,000	550,000	431,418	(118,582)
Investment income	250,000	250,000	308,533	58,533
Transfers in	4,858,103	4,858,103	7,385,802	2,527,699
Amounts available for appropriation	270,578,688	270,578,689	278,446,295	7,867,606
Charges to appropriations (outflows):				
Current:				
General government	11,605,842	11,702,842	10,579,402	1,123,440
Public safety	38,786,109	38,786,109	36,653,531	2,132,578
Education	144,295,718	144,595,718	144,184,128	411,590
Public works	7,109,476	7,109,476	8,616,441	(1,506,965)
Human services	2,067,819	2,367,819	2,076,328	291,491
Culture and recreation	1,890,662	1,890,662	1,863,975	26,687
State and county assessments	5,686,037	5,686,037	5,658,876	27,161
Pension and fringe benefits	53,479,153	53,479,153	49,867,516	3,611,637
Court judgment	204,100	204,100	201,903	2,197
Capital outlay	64,729	64,729	64,700	29
Debt service	15,230,960	15,230,960	13,422,228	1,808,732
Transfers out	1,599,423	1,599,423	1,566,426	32,997
Total charges to appropriations	282,020,028	282,717,028	274,755,454	7,961,574
Excess (deficiency) of resources over charges to appropriations	(11,441,340)	(12,138,339)	$ 3,690,841	15,829,180
Other budget items:				
Free cash	9,656,070	9,656,070		
Other available funds	1,785,270	2,482,269		
Total other budget items	11,441,340	12,138,339		
Net budget	$ —	—		

See notes to required supplementary information.

See accompanying independent auditors' report.

Note A – Budgetary Basis of Accounting

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

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

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

(a) Budgeted revenues are recorded when cash is received, except for real estate and personal property taxes, which are recorded as revenue when levied (budget), as opposed to when susceptible to accrual (GAAP).

(b) Encumbrances and continuing appropriations are recorded as the equivalent of expenditures (budget), as opposed to a reservation of fund balance (GAAP).

Note B – Expenditures in Excess of Budget

In fiscal year 2011, the City had expenditures in excess of budgeted appropriations totaling, $1,904,733 in the Snow and Ice line item. As required by Massachusetts General Law, the City will raise this deficit in their 2012 budget.

CITY OF BROCKTON, MASSACHUSETTS

Notes to Required Supplementary Information

June 30, 2011

Note C – Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures – General Fund

Budgetary inflows and GAAP revenues:		
Actual amounts (budgetary basis) "amounts available for appropriation" from the budgetary comparison schedule	$	278,446,295
Differences – budget to GAAP:		
Property and excise taxes and intergovernmental revenues are reported as a budgetary resource on the cash basis, rather than on the modified accrual basis		510,380
Contributions for health claims are not reported as a budgetary resource		13,134,609
Interest earned for health claims are not reported as a budgetary resource		3,969
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes		(6,146,432)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances	$	285,948,821
Budgetary outflows and GAAP expenditures:		
Actual amounts (budgetary basis) "total charges to appropriation" from the budgetary comparison schedule	$	274,755,454
Differences – budget to GAAP:		
Enterprise fund related budgetary expenditures are recorded as reductions to transfers for GAAP purposes		(2,299,371)
Health claims expenditures and accruals are not reported as charges to appropriations on a budgetary basis		20,399,035
Adjustments for expenditures, encumbrances, and accruals, net		1,475,065
Transfers to other funds are outflows of budgetary appropriations but are not expenditures for financial reporting purposes		(4,159,513)
Total expenditures as reported on the statements of revenues, expenditures and changes in fund balances	$	290,170,670

CITY OF BROCKTON, MASSACHUSETTS

Required Supplementary Information

June 30, 2011

(Unaudited)

(Dollar amounts in thousands)

Schedules of Funding Progress

Actuarial valuation date		Actuarial value of assets (a)	Actuarial accrued liability (b)	Unfunded (b-a)	Funded ratio (a/b)		Covered payroll (c)	((b-a)/c)
Pension								
January 1, 2010	$	351,526	453,213	101,687	77.6%	$	70,882	143.5%
January 1, 2008		377,647	410,270	32,623	92.0		69,345	47.0
January 1, 2007		361,767	398,969	37,202	90.7		67,660	55.0
Other Post Employment Benefits								
June 30, 2010	$	—	693,570	693,570	—%	$	171,103	405.4%
June 30, 2008		—	635,224	635,224	—		147,088	431.9

Schedule of Contributions from City – Pension

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

See accompanying independent auditors’ report.