CITY OF BROCKTON, MASSACHUSETTS

Basic Financial Statements,
Required Supplementary Information
and Additional Information

June 30, 2016

(With Independent Auditors' Report Thereon)

CITY OF BROCKTON, MASSACHUSETTS

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Brockton, Massachusetts (the City), as of and for the year ended June 30, 2016 (except for the Brockton Contributory Retirement System, which is as of and for the year ended December 31, 2015), and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2016 (except for the Brockton Contributory Retirement System, which is as of and for the year ended December 31, 2015), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 16 to the financial statements, the City has restated its 2015 governmental activities, business-type activities and enterprise funds' beginning net position for the correction of an error. The restatement is due to an error in the actuarial calculation of the 2015 total pension liability. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 4 through 21) and budgetary comparison of the General Fund and certain pension and other post-employment benefits information (located on pages 75 through 80) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2017 on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boston, Massachusetts
March 29, 2017

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, 2016.

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 liabilities and deferred inflows of the City exceeded its assets and deferred outflows at the close of fiscal year 2016 by approximately $132.4 million (net position).

- The City's total net position decreased in fiscal year 2016 by approximately $25.0 million, or 24.7%. This is primarily due to the recognition of increases in the other post-employment benefit (OPEB) liability and net pension liability.
- At the end of fiscal year 2016, unassigned fund balance for the general fund was approximately $22.3 million, or 6.1%, of total general fund expenditures.
- The City's total bonded debt decreased by approximately $12.7 million during fiscal year 2016. This decrease was due to scheduled debt repayments exceeding new debt issuances.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

The City maintains 40 governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, which is the City's 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.

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

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

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

Required Supplementary and Additional 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 pension fund and progress in funding its obligation to provide post-employment health benefits to its employees.

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, liabilities and deferred inflows exceeded assets and deferred outflows by approximately $132.4 million at the close of the most recent fiscal year.

A significant portion of the City's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. This amount decreased by approximately $1.2 million, or .7% 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 position, $45.0 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of a negative $427.2 million represents an unrestricted net deficit.

Condensed Statements of Net Position
(In thousands)

		Governmental Activities		Business-type activities		Total	
		2016	2015*	2016	2015*	2016	2015*
Current and Other Assets	$	154,598	144,803	46,370	43,364	200,968	188,167
Capital Assets		189,709	188,891	177,266	180,567	366,975	369,458
Total Assets	$	344,307	333,694	223,636	223,931	567,943	557,625
Deferred Outflows of Resources	$	50,251	22,407	4,725	2,162	54,976	24,569
Long-Term Debt Outstanding	$	112,741	120,151	86,674	91,982	199,415	212,133
Other Liabilities		512,878	439,146	42,392	38,365	555,270	477,511
Total Liabilities	$	625,619	559,297	129,066	130,347	754,685	689,644
Deferred Inflows of Resources	$	591	—	55	—	646	—
Net Position:							
Invested in Capital Assets	$	158,611	159,815	91,190	89,030	249,801	248,845
Restricted		44,990	37,058	—	—	44,990	37,058
Unrestricted		(435,253)	(400,069)	8,050	6,716	(427,203)	(393,353)
Total Net Position	$	(231,652)	(203,196)	99,240	95,746	(132,412)	(107,450)

*As restated. See Note 16.

Total Net Position

The City's total net position decreased in fiscal year 2016 by approximately $25.0 million, or 24.7%. This is primarily due to the increase of $25.5 million in the other post-employment benefit (OPEB) liability, and increase of $13.8 million in the net pension liability, offset by increases in operating revenues.

Governmental Activities – Assets

For governmental activities, current and other assets increased $9.8 million, coupled with an increase in capital assets of $800 thousand, resulting in an increase in total assets of $10.6 million. The majority of the increase in current and other assets was the as a result of an increase in cash. The increase in the capital assets was the result of capital additions exceeding depreciation during fiscal year 2016.

Governmental Activities – Liabilities

Governmental activities liabilities increased by $72.8 million. There was an increase of $79.7 million in other liabilities and a $7.4 million decrease in long-term debt outstanding. The increase in other liabilities was primarily due to the recognition of a $25.5 million increase of the OPEB liability as well as the $47.0 million increase of the Net Pension Liability and accrual of $4.7 million for legal claims, while the decrease in long-term debt outstanding was due to scheduled debt repayments were larger than increases in debt service due to new debt financing.

The City's 2016 OPEB annual required contribution (ARC) was $42.2 million. Interest on the net OPEB obligation and adjustments to the ARC totaled $1.0 million. Contributions against the ARC on a pay-as-you-go basis totaled $14.8 million resulting in an increase in the government-wide net OPEB obligation of $26.4 million. While the City's net OPEB obligation is $255.7 million as of June 30, 2016, the City's entire net OPEB obligation, which is estimated at $495.5 million as of June 30, 2016, the date of the City's most recent actuarial valuation, will be required to be recorded in its entirety in fiscal year 2018.

Business Type Activities – Assets

Current and other assets increased by $3.0 million, while capital assets decreased by $3.3 million and total assets decreased by $300 thousand. The increase in current and other assets was due primarily as a result of an increase in customer receivables. The decrease in capital assets of $3.3 million is due to depreciation totaling more than the City's continued investment in capital spending that has been funded with borrowings from the Massachusetts Clean Water Trust (MCWT). In 2016, additions to business type activities capital assets totaled $3.6 million, which is reflected in construction in progress, buildings, machinery and equipment and infrastructure. The work, when completed, will have improved the processing capability and increased the throughput capacity of the plants. The depreciation expense for all business type activities totaled $6.9 million.

Business Type Activities – Liabilities

Business type activities liabilities decreased by $700 thousand. There was an increase of $4.6 million in other liabilities and a decrease of $5.3 million in long-term debt outstanding. The increase was primarily due to the increase of the OPEB liability as well as the Net Pension Liability. 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 $452.1 million for fiscal year 2016. This reflected an increase of $32.0 million, or 7.6%. The majority of the increase relates to the recognition of on-behalf payments from the Massachusetts Teachers Retirement System (MTRS) of approximately $9.8 million, an increase of $25.5 million in the other post-employment benefit (OPEB) liability, and an increase of $13.8 million in the net pension liability.

Total general revenues for governmental activities of $159.3 million offset total net expenses of $187.0 million. Major ongoing revenue contributors were the net property tax at $124.7 million, an increase of $5.9 million. The remaining categories in total increased by $2.4 million, excise taxes at $9.1 million, an increase of $1.0 thousand, intergovernmental at $21.7 million, an increase of $1.0 million and other totaling $ 3.6 million, an increase of $400 thousand.

In assessing the City's revenue adequacy to finance governmental activities, it is important to acknowledge the criticality of payments from outside agencies, especially from state and federal programs. Total revenues, excluding transfers, for governmental activities were $423.5 million. Of this total almost $264.4 million, or 62.4%, is from operating and capital grants contributions as well as charges for services, which is mainly from state and federal aid. Further, the City received $21.7 million in intergovernmental aid which is classified as general revenue. An additional 29.4% 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 92% of its revenues are obtained from either intergovernmental sources over which the City has no control, or from the property tax, a source whose growth is limited by state law.

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

For fiscal year 2016, the City levied a total of $124.5 million in gross real estate property taxes against an aggregate fair market assessed value of $6.1 billion. This levy left only a small amount in unused levy capacity without the approval of the voters. However, the levy comprised only 2.0% of the City's aggregate assessed value. With voter approval, the City could levy an additional $25.6 million and still remain under the levy ceiling. Accordingly, the taxing capacity exists to substantially improve the City's revenues for financing governmental activities, but converting this potential capacity to real revenues would require voter approval.

Business Type Activities – Statement of Activities

The business-type activities increased the City's net position by approximately $3.5 million, or 3.6%.

The water fund incurred a $1.0 million decrease; the sewer fund contributed a $4.5 million increase, while the net position for the combination of the nonmajor recreation, refuse and renewable energy funds decreased $2 thousand. The non major refuse fund is self-sufficient. The non major recreation and renewable energy funds require a transfer of general fund revenues to support its programs. Most of the recreation fund's revenues derive from the golf course, but those revenues are not sufficient to pay for both the golf course operations and other park and recreation programs. For this reason, a transfer of other revenues is required. The Solar Energy facility generates and sells electricity.

The operations of the water fund and sewer fund are self-sufficient. The water and sewer funds are designed to recover the costs of operations of those funds. In the water fund the operating loss totaled $610 thousand. In the sewer fund the operating income totaled $6.9 million. In the water and sewer funds, cash flow from operations of $644 thousand $9.6 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 Position

(In thousands)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charge for Services	$ 16,415	14,961	46,726	43,979	63,141	58,940
Operating Grants	241,992	229,297	995	1,095	242,987	230,392
Capital Grants	5,948	5,533	—	2,079	5,948	7,612
General Revenues:						
Property Taxes	124,724	118,831	—	—	124,724	118,831
Excise Taxes	9,113	8,079	—	—	9,113	8,079
Intergovernmental	21,725	20,689	—	—	21,725	20,689
Other	3,626	3,255	—	—	3,626	3,255
Total Revenues	423,543	400,645	47,721	47,153	471,264	447,798
Expenses:						
General Government	26,301	27,701	—	—	26,301	27,701
Public Safety	73,010	64,777	—	—	73,010	64,777
Education	311,721	291,903	—	—	311,721	291,903
Public Works	12,769	14,104	—	—	12,769	14,104
Human Services	4,141	3,937	—	—	4,141	3,937
Culture and Recreation	4,022	3,400	—	—	4,022	3,400
State and County Assessments	8,610	7,649	—	—	8,610	7,649
Court Judgments	5,682	59	—	—	5,682	59
Interest on Long-Term Debt	5,850	6,678	—	—	5,850	6,678
Enterprise Accounts:						
Water	—	—	17,978	16,640	17,978	16,640
Sewer	—	—	15,531	16,814	15,531	16,814
Other	—	—	10,613	9,264	10,613	9,264
Total Expenses	452,106	420,208	44,122	42,718	496,228	462,926
Excess (Deficiency) before Transfers	(28,563)	(19,563)	3,599	4,435	(24,964)	(15,128)
Transfers	105	(2,339)	(105)	2,339	—	—
Total Transfers	105	(2,339)	(105)	2,339	—	—
Change in Net Position	(28,458)	(21,902)	3,494	6,774	(24,964)	(15,128)
Net Position – Beginning of Year - Restated	(203,195)	(175,369)	95,746	89,531	(107,449)	(85,838)
Net Position – End of Year	$ (231,653)	(197,271)	99,240	96,305	(132,413)	(100,966)

Financial Analysis of the City's Governmental Funds

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

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

As of the end of the fiscal year 2016, the City's governmental funds reported combined fund balances of approximately $96.3 million, an increase of approximately $10.0 million, or an increase of 11.6%, in comparison with the prior year. The general fund balance increased by $9.8 million, from $64.7 million to $74.5 million; and the combined fund balances for all the other governmental funds increased by $200 thousand, from $21.6 million to $21.8 million.

In assessing these balances, it is important to note that the "Balance Sheet – Governmental Funds" does not include capital assets or bonded indebtedness. Please refer to the "Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities" and the "Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position." These reconciliations will demonstrate that essentially the City's increase in fund balances of $10.0 million, compared to its decrease in net position of $28.5 million, a difference of $38.5 million, is explained largely by the following factors:

1. $2.2 million – the negative effect of revenue accruals.

2. $.8 million – the positive effect of the amount by which capital asset additions exceeded depreciation expense.

3. $ 44.5 million – the negative effect of increases in other liabilities, primarily OPEB and net pension liability, which did not require the use of current resources.

4. $396 thousand – the negative effect of the amount by which the amortization of deferred losses on refunding and bond issue costs exceeds bond premiums.

5. $13.1 million – the positive effect of the amount by which the repayment of bond principal are expenditures in the governmental funds but reduce long-term liabilities in the statement of net position.

6. $5.3 million – the negative effect of the amount related to issuance of bonds .

Of the total of ending fund balances of $96.3 million, $13.3 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. $38.2 million constitutes restricted fund balance, which are amounts the use of which is subject to constraints imposed by external parties, including creditors, grantors, and laws and regulations of other governments, or imposed by City Charter or enabling legislation. $18.9 million constitutes "committed to" fund balance, amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. For the City, this formal action takes the form of City Council action and approval by the Mayor. $6.9 million constitutes "assigned to" fund balance, amounts that are constrained by the City's intent for use for specific purposes, but are considered neither restricted nor committed. $19.0 million constitutes "unassigned" fund balance, amounts in the general fund that are not otherwise constrained for a specific purpose more narrow than the general operations of the City.

For General Fund Balance:

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

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

The total fund balance of $6.6 million consists of the following:

The FY 2016 General Fund Non-spendable fund balance represents the Note Receivable from the Brockton 21st Century Corporation pursuant to an agreement further described in footnote (3) Receivables – (b) Note Receivable in the amount of $6.6 million. This note receivable is not yet available for spending. The receivable cannot be used for current or future operations.

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

The total fund balance of $22.2 million consists of the following:

The FY 2016 General Fund Restricted Fund balance represents the Health Insurance Trust fund in the amount of $16.1 million. This amount consists of the Health Insurance Trust Fund balance of $9.8 million and the amount for the FY 2016 Blue Cross and Blue Shield amount held on deposit to pay claims totaling $6.3 million. The City of Brockton is self-insured. This Health Insurance Trust Fund is restricted to the payment of health insurance claims by the enabling legislation, as well as for administrative fees to insurers and for the administrative costs in the personnel department for benefit management. The City establishes reserves for claims/events that have transpired, but have not yet been reported to the insurance companies (Incurred but not Reported).

The FY 2016 General Fund Restricted Fund Balance in the amount of $5.9 million. This amount represents the Chapter 324 Supplemental Reserve. The purpose of the Supplemental Reserve is to ensure fiscal stability as required by Chapter 324 of the Acts of 1990. The value of the reserve at least or equal to 1.5% of the "Gross Amount Raised" as reported to the state on the prior year property tax approval filing. This reserve may only be used for unforeseen and extraordinary expenditures.

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

The total fund balance of $16.5 million consists of the following:

The fund balance includes the Certified Free Cash in the amount $14.7 million appropriated for the use in the FY 2017 budget. Not infrequently, governments balance their budget by appropriating a portion of existing fund balance to bridge the gap between appropriations and estimated revenues.

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

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

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

The fund balance also includes the Fund Balance Reserve – for Overlay in the amount $1.8 million. It is a common practice for governments to balance their budget by appropriating a portion of their existing fund balance to bridge the gap between appropriations and estimated revenues. When it is determined that there is an excess balance in the overlay account, the Board of Assessors formally vote in an open meeting to certify the amount of the excess overlay and transfer it to overlay surplus and notify the Mayor and the CFO in writing of their vote. In addition, if the Mayor makes a written request for a determination of overlay surplus, the Board of Assessors vote on the request within 10 days and notify the Mayor of the result in writing. After being certified, the Mayor may request City Council to appropriate overlay surplus for any lawful purpose until the end of the fiscal year. The appropriation is utilized pursuant to the City's Forecasting policy (re: treatment of one-time revenues) and its Financial Reserves policy (re: overlay surplus). Overlay surplus not appropriated by year-end closes to the general fund's undesignated fund balance. In addition, the fund balance Reserve – Overlay of $1.8 million has been appropriated for the subsequent year's expenditures.

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

The total fund balance of $6.9 million consists of the following:

The FY 2016 General Fund Assigned Fund Balance amount represents year-end encumbrances in the amount of $6.9 million for the general fund departments. Encumbrances are committed funds that are not yet expended. Encumbrances are budgetary amounts that are reserved in the next budget year for on-going projects.

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

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

The total fund balance of $22.3 million consists of the following:

This grouping includes the City's Stabilization fund in the amount of $3.1 million and the City's undesignated fund balance in the amount of $19.2 million.

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

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

The total fund balance of $19.2 million consists of the following:

This grouping includes the City's accumulated surplus in the amount of $19.2 million.

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

The general fund is the chief operating fund of the City. Total fund balance was approximately $74.5 million, an increase of $9.8 million. This increase 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 6.1% of total general fund expenditures, while total fund balance represents 20.2% of that same amount.

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

Proprietary Funds

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

The net position of the proprietary funds at the end of the current fiscal year totaled approximately $99.2 million. Changes in net position of the proprietary funds at the end of the current fiscal year totaled an increase of approximately $3.5 million, or 3.6%.

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 2016 operating loss was $610 thousand, or approximately 3% of operating revenues. Nonoperating revenues (expenses) and transfers essentially netted to a negative $399 thousand , and so net position decreased by $1.0 million. Cash flow from operations was $644 thousand.

For the sewer fund, operating income was $6.9 million, or 32.8% of operating revenues. However, nonoperating expenses and transfers decreased net position by $2.4 million and so net position increased by $4.5 million. The strong operating income was driven by an increase in sewer rates which is meant to recover future costs, which resulted in a strong operating income in fiscal year 2016. Cash flow from operations was $9.6 million.

For the combined results of the other enterprise funds, the value of net position decreased by $2 thousand or less than 1%. The operating loss for combined other enterprise funds was $1.7 million in fiscal year 2016 or 18.5% of operating revenues. With the benefit of net transfers in (general fund subsidy) and the nonoperating revenue of $1.7 million, the operating loss of $1.7 million became a $2 thousand decrease in net position.

Budgetary Highlights

In fiscal year 2016, the original budget called for $348.1 million in spending. Of this amount $176.5 million was for Education spending, $47.2 million was for Public Safety spending, $69.6 million was for Fringe Benefit spending and $54.8 million for all other categories.

Resources totaled $335.2 million, creating a planned deficit of approximately $12.8 million. Offsetting this deficit was a contribution from "Free Cash" of $13.1 million. The remaining total of approximately $318 thousand was applied to Other Available Funds.

In the final budget, a total of $349.1 million in spending was authorized, an increase of $1.0 million. The budgets that made up this amount included the following: the general government budget decreased by $2.8, million; the public safety budget decreased by $190 thousand, the Education budget decreased by $261 thousand, the capital budget increased by $587 thousand; the fringe benefit budget increased by $3.0 million, and the court judgement budget increased by $600 thousand.

On an actual basis, resources were higher than the final budget by $10.6 million. The majority of revenue categories resulted in a positive variance with the exceptions of Fines and Transfers In revenue. The City's revenue estimates normally are conservative and actual results typically exceed budget by 1.5% to 2.0%. For fiscal year 2016, the positive variance was largely driven by the Real and Personal property taxes collections, Motor Vehicle Excise Taxes, Fees revenue collection activities, Licenses and Permits revenues collection activities, User charges and other revenue. The Real and Personal Property revenue increased as a result of an increase in the City collection activity. The Excise Taxes revenue increased as a result of an increase in the City collection activity. The Fees category increased as a result of the City receiving the yearly fee for the local cable franchise. The Licenses and Permit revenue increased as a result of an increase in the City departments licenses and permits fees activity.

On the expenditure side, a favorable variance of $4.9 million was achieved. The City has typically achieved 1% to 2% positive variance on spending. For fiscal year 2016, this positive variance was driven by actual budgetary expenditures less than budgeted expenditures in the general government, public safety, public works, and pension and fringe benefits. The reasons for the positive variances in the general government, public safety, public works and pension and fringe was due to conservative budgeting in these line items.

As a result of the revenue and expenditure positive variances, the City's fiscal year 2016 general fund operations estimated to create free cash of approximately $14.0 million to be used in the FY 2017 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, 2016 amounted to approximately $367 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 $2.5 million for fiscal year 2016 represented a decrease of approximately 1%. Capital assets for governmental activities increased by $818 thousand, or less than 1%, while capital assets for business-type activities decreased by $3.3 million, or 1.8%. The decrease in capital assets for business-type activities was primarily caused by the depreciation exceeding capital asset additions. The increase in capital assets for governmental activities is the result of capital asset additions exceeding depreciation.

Major capital assets included the following:

Capital Assets
(In thousands)

	Governmental Activities		Business-Type Activities		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Land	$ 7,411	7,411	3,246	3,246	10,657	10,657
Construction in Progress	6,196	1,464	6,087	3,875	12,283	5,339
Historical Works of Art	1,809	1,809	—	—	1,809	1,809
Buildings	139,663	145,350	127,278	131,486	266,941	276,836
Land Improvements	7,861	8,068	892	436	8,753	8,504
Machinery and Equipment	4,513	3,483	7,326	7,832	11,839	11,315
Infrastructure	22,256	21,306	32,437	33,692	54,693	54,998
Total	$ 189,709	188,891	177,266	180,567	366,975	369,458

Long-Term Debt – At the end of the current fiscal year, the City had total bonded debt outstanding of approximately $199.4 million. The entire amount is backed by the full faith and credit of the City.

(In thousands)

	Governmental Activities		Business-Type Activities		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Long-Term Debt, Net of Unamortized Premiums	$ 112,741	120,151	86,674	91,982	199,415	212,133

The overall net decrease is attributable to the following factors:

The City's bonded debt decreased by approximately $12.7 million or a decrease of 5.9%. This decrease in long-term debt was the result of scheduled principal payments of $22.0 million netted against the total issuance of $7,120,000 of general obligation State Qualified Refunding bonds for Water Land Acquisition $1,089,800, $5,137,400 School Construction, $410,000 Water Mains, $217,000 School Planning, $193,200 Sewer Rehab, and $72,600 Reservoir Improvements. In addition, the city's business type activities issued $1.7 million for MWPAT permanently financed an interim loan of $1,704,244 (sewer enterprise fund) with the Massachusetts Clean Water Trust (MCWT) to fund sewer system improvements.

During 2016, the City entered into two interim loan agreements for $3,513,471 (water enterprise fund) and $1,401,693 (sewer enterprise fund) with the Massachusetts Clean Water Trust (MCWT) to fund various water and sewer system improvements.

Total long-term debt of the City represents a claim of about 54.3% of the City's total capital assets, and a claim of about 35.3% of the City's total assets. As a percentage of the fair value of taxable property in the City, the long-term debt comprises only3.3%.

The City maintains an "AA" rating from Standard and Poor's.

Economic Factors and Next Year's Budgets

In response to recessions, in FY 2003 and FY 2009 the state made significant reductions in state aid. In the years since the recovery from the recession of 2008/2009, the state has increased its assistance to the city in aid to education, but its inflation growth at about 1% per year has lagged the real rate of inflation experienced by the school system. In addition, in FY 2017 the state changed its formula for providing increased aid for low income students. This change cost the city about $6 million in aid in that year, and that reduction has continued in the FY 18 budget proposed by the governor. State assistance for purposes other than for education has experienced particularly steep, continuing declines, in both nominal and real terms. For example, unrestricted state aid was nearly $28.0 million in FY 2008. For FY 2018, the same categories in the governor's budget, at $22.0 million, would remain $6.0 below the FY 2008 dollar amount, or 21.4%, even without adjusting for inflation On an inflation adjusted basis, the decrease is about double that.

During this period, the state has provided municipalities with two new, local option revenue sources: the ability to raise the lodging excise tax from 4% up to 6%, and the ability to add 0.75% to the state meals tax. The City has adopted both measures. Between the two measures the City has realized more than $1.2 million in on-going, new annual revenues. However, this new revenue falls far short of replacing the loss of funding from unrestricted aid.

Although the property tax levy has provided a predictable, steady source of revenue growth, the state's property taxation law, Proposition 2½, so-called, limits the ability of the property tax to finance the City's budget. The law restricts the annual increase in that levy to 2.5% per year plus the value of taxation on new investment. In order to levy taxes on the increase in market value other than through new investment, the approval of the voters is required. The city's fair market, assessed value for FY 2017 was $6,688,597,389, an increase of $584,293,454, or 9.6% over FY 2016. This followed a similar value increase of 11.5 % for the previous year. However, the main result of these increases was to reduce the uniform tax rate, not to increase the levy. That FY

2017 assessed value would support a maximum levy under the law, with voter approval, at 2.5 % of value, of $167,214,934. Of this amount, $132,480,953 may be levied under the law without recourse to the voters. This compares to the actual levy of $129,575,166.

In this revenue environment, with current cost pressures, in order to maintain services, in the opinion of the Chief Financial Officer, it is important to fully appropriate the allowable property tax levy, to capture to the extent possible the cost of services through imposing user fees, to be judicious in appropriating balance sheet reserves, and to replenish these reserves when possible. However, many taxpayers and residents have been harmed by the recession and its aftermath effects, and concerns for these constituents have been manifested in the emergence of local "low tax" advocacy and in the reluctance of elected officials to levy increases in taxes or impose some needed fee increases. From FY 2015 through FY 2017, the total amount of $7,834,585 in property taxation allowed to be levied under the law without a voter referendum, in fact was not appropriated. While the benefit of these revenues for each particular year has been foregone, the revenues are not permanently lost; they are available for appropriation in future years. However the benefit of adding these revenues to the city's reserves has been permanently lost. In the opinion of the CFO, this would have been a wise strategy and would have created a badly needed increase to reserves of about $7.8 million. The FY 2018 budget has not been prepared; it is uncertain whether the full levy will be appropriated.

The City's recreation and renewable energy enterprise funds are partially self-supporting through fees, and two of the utility enterprise funds (sewer, and refuse) are currently fully self-supporting. The water enterprise fund for years was self-supporting. It no longer is self-supporting. No utility fee increases have been adopted by the City Council for several years, even though for the past several years, water fee increases were requested. As a result, the general fund has had to carry some of the water fund's costs, Capital spending has also suffered as a result. As a remedy, the Water Commission requested an increase for FY 2016, this time for 30 % effective for July 1, 2015. Instead, the city council ultimately approved a 10 % increase for January 1, 2016, followed by two additional 10 % increases at the beginning of calendar years 2017 and 2018. The revenue from these increases will improve matters, but will not allow for full need capital budgeting, nor will it allow for full operating self-sufficiency. In FY 2016, the city council did authorize some increases to other departmental fees, licenses, and permits set by ordinance to recover inflation from the decade since the last increase.

The growth rates in these various funding sources have not kept pace with the rates of growth in the cost of the services financed by them. Cost pressures on salaries, employee and retiree benefit, and pensions have continued. In FY 2018, an increase of more than $4.0 million in pension funding will be required to maintain the funding schedule which will result in full funding of the pension liability by 2033. The city in June, 2013 agreed to consortium bargaining for health insurance benefits for active and retired employees, with new plan designs for the period through June, 2017 which resulted in a shifting of some costs to employees/retirees, mainly through increased co-pays. This somewhat moderated the annual rate of growth of health costs. The city has just extended for four more years that consortium, with a further shifting of costs to employees, this time through the annual deductible, with the expected benefit of continuing to moderate annual increases.

Modest inflation recovery increases in wages and salaries have also raised expenditure levels. Accordingly, maintaining the same level of services in recent years has resulted in drawing down some of the City's reserves. Favorable budget variances from conservative budgeting have allowed the city to extend this strategy through time, but there obviously is a limit to this approach. Most of the smaller employee unions have now settled through FY 2019, but the public safety unions' contracts have expired, and the education unions are in their final year. Financing the settlements for all of these unions will present a challenge.

Despite recent improvements, unemployment locally remains somewhat high compared to that of the state. The City was also deeply affected by the home mortgage foreclosure crisis. However, the local housing market recently has begun to show signs of price increases. Calendar 2016 represented the fourth straight year of double digit percentage sales price increases for single family homes. For the condominium market, the improvement is real but not as dramatic.

The Trinity Financial Corp. has completed the redevelopment of an entire City block in the downtown area, comprised of mixed use residential housing, commercial space, and parking. The project blends private risk capital, both debt and equity, with public financing, including some City land for parking and a $4 million state grant for phase I. For Phase II, further state funding as a grant for parking in the amount of $10 million has been achieved, but it is contingent on securing an added $2.5 million in city or private equity funding. The specific plans for this portion have not yet been completed. When both phases have been completed, the project will have cost $100 million, which represents the largest investment in downtown Brockton in memory. Most of the residential apartments already have been leased. A long vacant downtown parcel nearby was developed as a supermarket for nearly $20 million, also with a tax increment financing agreement. In July 2015, the city council approved a District Improvement Financing District for the downtown area. Plans for this district are in the preliminary stages of development.

However, two major developments hoped to be on the horizon have suffered setbacks. The Mayor reached an agreement with the proponents of a gas fired electric generating plant which, when and if finally permitted and built, would add about $3.5 million per year in PILOT payments and $0.5 million per year for purchasing of cooling water. However, the validity of that settlement was challenged by city council in court over the issue of the mayor's authority to grant the cooling water sale. This case is pending. In the meantime, the project ownership was changed, and so the proponents failed to bid on the latest ISO auction. Moreover, the issuance of an air quality permit has been appealed. Those factors required the state's energy facility siting board to temporarily extend the period to begin construction under its award. In addition, a proposed casino which had been approved as required by the voter, failed to receive the necessary license from the Massachusetts Gaming Commission, which expressed concern over the potential impact of an Indian gaming facility just south of Brockton in the city of Taunton.

Finally, a recent jury decision against the city for racial discrimination in hiring imposed a $4 million award on the city. The city will appeal; however, with interest payments, that award could approach $5 million. That sum if financed from existing revenues would require very deep expenditure budget reductions. However, if needed, with voter approval, that amount of additional revenue could be obtained at a modest cost of about $175.00 to the average taxpayer.

Requests for Information

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

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CITY OF BROCKTON, MASSACHUSETTS

Statement of Net Position

June 30, 2016

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Investments	$ 111,551,467	19,561,005	131,112,472
Receivables, Net:			
Property Taxes, Liens, and Excise Taxes			
(Net of $1,168,175 Allowance)	13,180,380	—	13,180,380
Intergovernmental	10,264,553	1,541,034	11,805,587
Customer Receivables	—	24,911,165	24,911,165
Departmental and Other	895,681	356,097	1,251,778
Other Assets	6,443,603	—	6,443,603
Long-Term Note Receivable	6,587,268	—	6,587,268
Long-Term Intergovernmental Receivable	2,900,866	—	2,900,866
Tax Possessions	2,774,418	—	2,774,418
Capital Assets:			
Nondepreciable	15,416,278	9,333,110	24,749,388
Depreciable, Net	174,292,855	167,933,107	342,225,962
Total Assets	344,307,369	223,635,518	567,942,887
Deferred Outflows of Resources:			
Pension	50,197,888	4,686,965	54,884,853
Losses on Refundings	52,624	38,349	90,973
Total Deferred Outflows of Resources	50,250,512	4,725,314	54,975,826
Total Assets and Deferred Outflows	394,557,881	228,360,832	622,918,713
Liabilities:			
Warrants and Accounts Payable	9,978,298	2,830,667	12,808,965
Accrued Liabilities:			
Interest	2,195,126	850,437	3,045,563
Payroll and Related Withholdings	15,949,081	114,844	16,063,925
Tax Abatement Refunds	1,821,736	—	1,821,736
Bond Anticipation Notes Payable	6,600,000	—	6,600,000
Noncurrent Liabilities:			
Due Within One Year:			
Compensated Absences, Claims and Judgements	4,854,494	153,062	5,007,556
Bonds, Note and Loans Payable	8,256,412	7,364,031	15,620,443
Due In More Than One Year:			
Compensated Absences, Claims and Judgements	19,313,551	6,290,900	25,604,451
Unearned Revenue	—	2,645,373	2,645,373
Landfill Closure and Postclosure Care Costs	2,474,093	1,702,000	4,176,093
Bonds, Note and Loans Payable	104,484,740	79,310,153	183,794,893
Net Pension Liability	203,025,598	18,785,278	221,810,876
Other Post Employment Benefits	246,665,957	9,019,281	255,685,238
Total Liabilities	625,619,086	129,066,026	754,685,112
Deferred Inflows of Resources:			
Pension	591,361	54,716	646,077
Net Position:			
Net Investment in Capital Assets	158,610,605	91,190,075	249,800,680
Restricted for:			
Permanent Funds:			
Nonexpendable	6,742,653	—	6,742,653
Expendable	675,285	—	675,285
Statutory Reserve	5,869,762	—	5,869,762
Health Claims	16,361,693	—	16,361,693
Federal, State and Local Grants	15,090,664	—	15,090,664
Other	250,306	—	250,306
Unrestricted	$ (435,253,534)	8,050,015	(427,203,519)
Total Net Position	(231,652,566)	99,240,090	(132,412,476)

See Accompanying Notes to Basic Financial Statements.

CITY OF BROCKTON, MASSACHUSETTS

Statement of Activities

Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental Activities:							
General Government	$ 26,300,670	6,206,382	4,260,398	50,000	(15,783,890)	—	(15,783,890)
Public Safety	73,010,181	2,851,460	2,315,251	—	(67,843,470)	—	(67,843,470)
Education	281,517,206	6,796,936	203,189,824	2,796,003	(68,734,443)	—	(68,734,443)
Education - MTRS	30,204,273	—	30,204,273	—	—	—	—
Public Works	12,768,645	108,414	75,002	3,101,946	(9,483,283)	—	(9,483,283)
Human Services	4,141,195	379,759	1,738,902	—	(2,022,534)	—	(2,022,534)
Culture and Recreation	4,021,478	72,600	208,444	—	(3,740,434)	—	(3,740,434)
State and County Assessments	8,609,894	—	—	—	(8,609,894)	—	(8,609,894)
Court Judgments	5,682,175	—	—	—	(5,682,175)	—	(5,682,175)
Interest on Long-Term Debt	5,849,990	—	—	—	(5,849,990)	—	(5,849,990)
Total Governmental Activities	452,105,707	16,415,551	241,992,094	5,947,949	(187,750,113)	—	(187,750,113)
Business-Type Activities:							
Water	17,977,965	16,810,905	266,186	—	—	(900,874)	(900,874)
Sewer	15,530,551	20,955,079	514,424	—	—	5,938,952	5,938,952
Other	10,613,552	8,960,449	214,404	—	—	(1,438,699)	(1,438,699)
Total Business-Type Activities	44,122,068	46,726,433	995,014	—	—	3,599,379	3,599,379
Total Primary Government	$ 496,227,775	63,141,984	242,987,108	5,947,949	(187,750,113)	3,599,379	(184,150,734)
General Revenues:							
Property Taxes, Levied for General Purposes, Net					$ 124,723,859	—	124,723,859
Excises					9,112,859	—	9,112,859
Payments in Lieu of Taxes					171,813	—	171,813
Penalties and Interest on Taxes					2,001,211	—	2,001,211
Other					491,238	—	491,238
Unrestricted Grants and Contributions					21,724,865	—	21,724,865
Investment Income					962,502	—	962,502
Transfers, Net					105,049	(105,049)	—
Total General Revenues and Transfers					159,293,396	(105,049)	159,188,347
Change in Net Position					(28,456,717)	3,494,330	(24,962,387)
Net Position, Beginning of Year					(197,271,593)	96,305,154	(100,966,439)
Restatement of Net position (See Note 16)					(5,924,256)	(559,394)	(6,483,650)
Net Position, End of Year					$ (231,652,566)	99,240,090	(132,412,476)

See Accompanying Notes to Basic Financial Statements.

CITY OF BROCKTON, MASSACHUSETTS

Balance Sheet – Governmental Funds

June 30, 2016

Assets		**General**	**Other Governmental**	**Total**
Cash and Investments	$	85,175,713	26,375,754	111,551,467
Receivables, Net:				
Property Taxes (Net of $463,238 Allowance)		7,050,553	—	7,050,553
Motor Vehicle Excise (Net of $704,937 Allowance)		2,077,892	—	2,077,892
Tax Liens		4,051,935	—	4,051,935
Intergovernmental		3,575,909	6,688,644	10,264,553
Departmental and Other		9,120	886,561	895,681
Total Receivables		16,765,409	7,575,205	24,340,614
Long-Term Note Receivable		6,587,268	—	6,587,268
Long-Term Intergovernmental Receivable		2,900,866	—	2,900,866
Tax Possessions		2,774,418	—	2,774,418
Deposit with Health Claims Agent		6,307,800	—	6,307,800
Total Assets	$	120,511,474	33,950,959	154,462,433
Liabilities, Deferred Inflows of Resources and Fund Balances				
Warrants and Accounts Payable	$	6,175,528	3,802,770	9,978,298
Accrued Liabilities:				
Tax Abatement Refunds		1,821,736	—	1,821,736
Payroll and Related Withholdings		14,202,272	1,746,809	15,949,081
Health Claims Payable		3,049,289	—	3,049,289
Bond Anticipation Notes Payable		—	6,600,000	6,600,000
Total Liabilities		25,248,825	12,149,579	37,398,404
Deferred Inflows of Resources:				
Unavailable Revenue		20,716,325	—	20,716,325
Fund Balances (Deficits):				
Nonspendable		6,587,268	6,742,653	13,329,921
Restricted		22,231,455	16,017,311	38,248,766
Committed		16,520,091	2,364,477	18,884,568
Assigned		6,862,911	—	6,862,911
Unassigned		22,344,599	(3,323,061)	19,021,538
Total Fund Balances		74,546,324	21,801,380	96,347,704
Total Liabilities and Fund Balances	$	120,511,474	33,950,959	154,462,433

See Accompanying Notes to Basic Financial Statements.

CITY OF BROCKTON, MASSACHUSETTS

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

June 30, 2016

Total Fund Balance – Governmental Funds	$	96,347,704
Amounts Reported for Governmental Activities in the Statements of Net Position are different because:		
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the funds		189,709,133
Other Assets are not available to pay for current period expenditures and, therefore, are reported as Deferred Inflows of Resources in the Governmental Funds		20,716,325
Inventory Capitalized in the Government-Wide Statements as Other Assets		135,803
Deferred Outflows of Resources - Pension		50,197,888
Deferred Outflows of Resources - Losses on Refunding		52,624
Deferred Inflows of Resources - Pension		(591,361)
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		(88,190,000)
Other General Obligation Bonds		(23,089,000)
Unamortized Bond Premiums		(1,462,152)
Other Post Employment Benefits		(246,665,957)
Net Pension Liability		(203,025,598)
Accrued Interest on Bonds		(2,195,126)
Landfill and Postclosure Care Costs		(2,474,093)
Compensated Absences, Claims and Judgements		(21,118,756)
		(588,220,682)
Net Position of Governmental Activities	$	(231,652,566)

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, 2016

	General	Other Governmental	Total
Revenues:			
Real and Personal Property Taxes, Net	$ 124,378,654	—	124,378,654
Motor Vehicle and Other Excise	8,656,044	—	8,656,044
Penalties and Interest on Taxes	2,001,211	—	2,001,211
Payments in Lieu of Taxes	171,813	—	171,813
User Charges and Other Revenue	4,301,380	2,448,056	6,749,436
Fees	1,968,589	6,789,748	8,758,337
Licenses and Permits	3,146,998	—	3,146,998
Intergovernmental	195,494,962	43,192,141	238,687,103
Intergovernmental (MTRS On-Behalf Payment Contribution)	30,204,273	—	30,204,273
Fines	391,707	583,113	974,820
Investment Income	376,918	585,584	962,502
Contributions	—	970,391	970,391
Total Revenues	371,092,549	54,569,033	425,661,582
Expenditures:			
Current:			
General Government	14,698,669	3,703,921	18,402,590
Public Safety	45,578,037	2,413,672	47,991,709
Education	174,357,967	36,780,955	211,138,922
Public Works	7,147,249	405,158	7,552,407
Human Services	2,355,694	401,641	2,757,335
Culture and Recreation	2,317,995	150,450	2,468,445
State and County Assessments	8,609,894	—	8,609,894
Pension and Fringe Benefits	62,590,455	—	62,590,455
Pension (MTRS on-behalf payment)	30,204,273	—	30,204,273
Court Judgments	932,174	—	932,174
Capital Outlay	799,469	8,990,842	9,790,311
Debt Service	19,029,266	165,859	19,195,125
Total Expenditures	368,621,142	53,012,498	421,633,640
Excess of Revenues over Expenditures	2,471,407	1,556,535	4,027,942
Other Financing Sources (Uses):			
Operating Transfers In	4,870,896	2,605,858	7,476,754
Operating Transfers Out	(3,407,567)	(3,964,138)	(7,371,705)
Other	14,088	—	14,088
Issuance of Refunding Bonds	5,354,400	—	5,354,400
Premiums from Issuance of Refunding Bonds	539,784	—	539,784
Total Other Financing Sources (Uses)	7,371,601	(1,358,280)	6,013,321
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	9,843,008	198,255	10,041,263
Fund Balance, Beginning of Year	64,703,316	21,603,125	86,306,441
Fund Balance, End of Year	$ 74,546,324	21,801,380	96,347,704

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, 2016

Net Change in Fund Balances – Total Governmental Funds	$	10,041,263
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital additions as expenditures. In the statement of activities, the cost of those assets is depreciated over their estimated useful lives. Capital Additions of $10,437,301 exceeded depreciation expense of $9,619,116.		818,185
Accrual basis revenues can result in more or (less) revenues reported in the statement of activities depending upon timing of billings and collections.		(2,164,527)
Issuance of Bonds		(5,354,400)
Repayments of Bond Principal are Expenditures in the Governmental Funds but reduce Long-Term Liabilities in the Statement of Net Position.		13,107,650
Amortization of Bond Premiums $196,413 add to net position, amortization of deferred outflows $52,626 decrease net position, and current year premiums decrease net position by $539,785.		(395,998)
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 an decrease in interest payable $93,699, a decrease in landfill liability $121,248, increase in compensated absences and claims $5,411,893, increase in other postemployment benefit liabilities $25,511,091, and increase in net pension liability related activity of $13,800,853 (change in net pension liability $41,106,259 less recognition of change in deferred outflows and inflows $27,305,406)		(44,508,890)
Change in Net Position of Governmental Activities	$	(28,456,717)

See Accompanying Notes to Basic Financial Statements.

CITY OF BROCKTON, MASSACHUSETTS

Statement of Net Position – Proprietary Funds

June 30, 2016

	Enterprise Funds			
Assets	**Water**	**Sewer**	**Other**	**Total**
Current Assets:				
Cash and Cash Equivalents	$ 4,745,318	10,036,199	4,779,488	19,561,005
Customer Receivables, Net	8,203,409	12,362,313	4,345,443	24,911,165
Intergovernmental receivable	418,867	1,122,167	—	1,541,034
Other	306,146	49,951	—	356,097
Total Current Assets	13,673,740	23,570,630	9,124,931	46,369,301
Noncurrent Assets:				
Capital Assets:				
Nondepreciable	5,777,243	3,410,209	145,658	9,333,110
Depreciable, Net	43,693,485	118,113,591	6,126,031	167,933,107
Total Noncurrent Assets	49,470,728	121,523,800	6,271,689	177,266,217
Total Assets	63,144,468	145,094,430	15,396,620	223,635,518
Deferred Outflows of Resources:				
Pension	2,353,510	962,412	1,371,043	4,686,965
Losses on Refundings	21,189	17,160	—	38,349
Total Deferred Outflows of Resources	2,374,699	979,572	1,371,043	4,725,314
Total Assets and Deferred Outflows of Resources	65,519,167	146,074,002	16,767,663	228,360,832
Liabilities				
Current Liabilities:				
Warrants and Accounts Payable	1,048,421	1,110,733	671,513	2,830,667
Accrued Expenses	247,528	678,021	39,732	965,281
Compensated Absences and Claims	79,471	31,177	42,414	153,062
Bonds, Notes, and Loans Payable	1,767,704	5,495,667	100,660	7,364,031
Total Current Liabilities	3,143,124	7,315,598	854,319	11,313,041
Noncurrent Liabilities:				
Compensated Absences and Claims	1,430,466	2,508,056	2,352,378	6,290,900
Unearned Revenue	2,599,617	45,756	—	2,645,373
Landfill and Postclosure Care Costs	—	1,702,000	—	1,702,000
Other Post Employment Benefits	4,656,016	2,017,268	2,345,997	9,019,281
Net Pension Liability	9,392,639	3,793,185	5,599,454	18,785,278
Bonds, Notes, and Loans Payable	21,465,353	57,143,590	701,210	79,310,153
Total Noncurrent Liabilities	39,544,091	67,209,855	10,999,039	117,752,985
Total Liabilities	42,687,215	74,525,453	11,853,358	129,066,026
Deferred Inflows of Resources:				
Pension	27,358	11,049	16,309	54,716
Net Position				
Net Investment in Capital Assets	26,258,860	59,461,396	5,469,819	91,190,075
Unrestricted	(3,454,266)	12,076,104	(571,823)	8,050,015
Total Net Position	$ 22,804,594	71,537,500	4,897,996	99,240,090

See Accompanying Notes to Basic Financial Statements.

CITY OF BROCKTON, MASSACHUSETTS

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

Year Ended June 30, 2016

	Enterprise Funds			
	Water	**Sewer**	**Other**	**Total**
Operating Revenues:				
Charges for Services	$ 16,278,943	20,741,164	8,701,013	45,721,120
Fees	531,962	213,915	252,554	998,431
Other	—	—	6,882	6,882
Total Operating Revenues	16,810,905	20,955,079	8,960,449	46,726,433
Operating Expenses:				
Salaries and Benefits	5,423,089	1,965,783	3,242,969	10,631,841
Utilities	600,137	1,357,068	94,996	2,052,201
Repairs and Maintenance	680,699	903,428	296,536	1,880,663
Contractual Services	8,064,674	5,000,907	6,253,549	19,319,130
Other Supplies and Expenses	519,532	503,397	332,725	1,355,654
Depreciation	2,132,365	4,348,167	393,437	6,873,969
Total Operating Expenses	17,420,496	14,078,750	10,614,212	42,113,458
Operating Income (Loss)	(609,591)	6,876,329	(1,653,763)	4,612,975
Nonoperating Revenue (Expense):				
Interest Income	250,010	268,982	214,404	733,396
Interest Expense	(557,469)	(1,451,801)	660	(2,008,610)
Debt Subsidies	16,176	245,442	—	261,618
Total Nonoperating (Expenses) Revenue	(291,283)	(937,377)	215,064	(1,013,596)
Income (Loss) Before Transfers	(900,874)	5,938,952	(1,438,699)	3,599,379
Transfers In	424,722	237,272	2,042,317	2,704,311
Transfers Out	(532,573)	(1,671,571)	(605,216)	(2,809,360)
Total Transfers, Net	(107,851)	(1,434,299)	1,437,101	(105,049)
Change in Net Position	(1,008,725)	4,504,653	(1,598)	3,494,330
Net Position, Beginning of Year	24,095,679	67,150,054	5,059,421	96,305,154
Restatement of Net Position (Note 16)	(282,360)	(117,207)	(159,827)	(559,394)
Net Position, End of Year	$ 22,804,594	71,537,500	4,897,996	99,240,090

See Accompanying Notes to Basic Financial Statements.

CITY OF BROCKTON, MASSACHUSETTS

Statement of Cash Flows – Proprietary Funds

Year Ended June 30, 2016

	Enterprise Funds			
	Water	**Sewer**	**Other**	**Total**
Cash Flows from Operations:				
Cash Received from Customers	$ 14,709,462	19,717,239	8,554,130	42,980,831
Cash Paid to Employees	(4,275,540)	(2,145,271)	(2,505,642)	(8,926,453)
Cash Paid to Vendors	(9,790,412)	(7,978,752)	(7,016,300)	(24,785,464)
Net Cash Provided By (Used In) Operations	643,510	9,593,216	(967,812)	9,268,914
Cash Flows from Noncapital Financing Activities:				
Transfers In	424,722	237,272	2,042,317	2,704,311
Transfers Out	(532,573)	(1,671,571)	(605,216)	(2,809,360)
Net Cash Provided By (Used In) Noncapital Financing Activities	(107,851)	(1,434,299)	1,437,101	(105,049)
Cash Flows from Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(892,110)	(2,415,331)	(265,270)	(3,572,711)
Interest Paid on Debt	(557,406)	(1,333,750)	—	(1,891,156)
Loan Proceeds Received	2,062,665	1,337,750	—	3,400,415
Refunding Premiums Received	116,866	18,342	—	135,208
Repayment of Long-Term Debt	(3,356,512)	(5,376,772)	(100,000)	(8,833,284)
Net Cash Used in Capital and Related Financing Activities	(2,626,497)	(7,769,761)	(365,270)	(10,761,528)
Cash Flows from Investing Activity:				
Interest Income	250,010	268,982	214,404	733,396
Increase (Decrease) in Cash and Cash Equivalents	(1,840,828)	658,138	318,423	(864,267)
Cash and Cash Equivalents, Beginning of Year	6,586,146	9,378,061	4,461,065	20,425,272
Cash and Cash Equivalents, End of Year	$ 4,745,318	10,036,199	4,779,488	19,561,005
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operations:				
Operating Income (Loss)	$ (609,591)	6,876,329	(1,653,763)	4,612,975
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operations:				
Depreciation Expense	2,132,365	4,348,167	393,437	6,873,969
Net Pension Liability	412,026	74,759	478,041	964,826
Other Post Employment Benefits	460,163	197,827	266,636	924,626
Changes in Operating Assets and Liabilities:				
Accounts Receivable	(2,101,444)	(1,283,596)	(406,319)	(3,791,359)
Warrants and Accounts Payable	63,901	(222,710)	(32,069)	(190,878)
Other Assets and Liabilities	286,090	(397,560)	(13,775)	(125,245)
Net Cash Provided By (Used In) Operations	$ 643,510	9,593,216	(967,812)	9,268,914

See Accompanying Notes to Basic Financial Statements.

CITY OF BROCKTON, MASSACHUSETTS

Statement of Net Position – Fiduciary Funds

June 30, 2016
(Except for Pension Trust, which is as of December 31, 2015)

Assets	**Pension Trust Fund**	**Agency Funds**
Cash and Cash Equivalents	$ 16,540,819	413,153
Receivables:		
Interest and Dividends	148,843	—
Distributions	393,644	—
Other	21,717	316,386
Total Receivables	564,204	316,386
Other Assets	893	
Investments:		
Fixed Income Mutual Funds	82,706,952	—
Equities and Equity Mutual Funds	196,136,450	—
Real Estate Funds	31,096,947	—
Private Equity Funds	20,034,600	—
Structured Credit Funds	5,651,013	—
Total Investments	335,625,962	—
Total Assets	352,731,878	729,539
Liabilities		
Accounts Payable and Other Liabilities	254,123	729,539
Total Liabilities	254,123	$ 729,539
Net Position		
Net Position Restricted for Pension Benefits	$ 352,477,755	

See Accompanying Notes to Basic Financial Statements.

CITY OF BROCKTON, MASSACHUSETTS

Statement of Changes in Net Position – Fiduciary Funds

Year Ended December 31, 2015

		Pension Trust Fund
Additions:		
Contributions:		
Employers	$	19,247,619
Plan Members		8,302,780
Other		508,372
Total Contributions		28,058,771
Investment Income:		
Net Depreciation in Fair Value of Investments		(14,659,068)
Interest and Dividends		8,497,079
Total Investment Loss		(6,161,989)
Less: Investment Expenses		1,392,450
Net Investment Loss		(7,554,439)
Intergovernmental		241,191
Other		1,588
Total Additions		20,747,111
Deductions:		
Retirement Benefits and Refunds		38,024,658
Reimbursements and Transfers to Other System		1,549,626
Administration		686,453
Total Deductions		40,260,737
Change in Net Position		(19,513,626)
Net Position, Beginning of Year		371,991,381
Net Position, End of Year	$	352,477,755

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, 2015 can be obtained by contacting the Brockton Retirement Board at 1322 Belmont Street, Suite 101, Brockton, MA 02301.

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

The City has entered into joint ventures with other municipalities to pool resources and share the costs, risks, and rewards of providing goods or services to venture participants directly, or for the benefit of the general public or specified service recipients. The following is a list of the City's joint ventures, their purpose, the address where the joint venture financial statements are available, and the annual assessment paid by the City in 2016:

Joint venture and address	Purpose		Annual Assessment
Brockton Area Transit Authority 45 School Street Brockton, MA 02301	To provide public transportation	$	2,088,348
Southeastern Regional School District 250 Foundry Street South Easton, MA 02375	To provide educational services		3,133,097

(2) Summary of Significant Accounting Policies

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

(a) Basis of Presentation

The financial condition and results of operations of the City are presented as of and for the year ended June 30, 2016, except for the System, which is presented as of and for the year ended December 31, 2015.

Government-Wide Statements

The statement of net position and the statement of activities display information about the primary government (the City). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange 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 non-major 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 non-operating 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. Non-exchange 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 Funds 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 non-grant 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 financing sources.

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

(c) Cash and Cash Equivalents

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

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

(d) Investments

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

(e) Allowance for Uncollectible Accounts

The allowance for uncollectible amounts is estimated based on historical trends and specific account analysis.

(f) Compensated Absences

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

(g) Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until that time.

Deferred outflows of resources related to pensions and losses on refundings are reported in the government-wide and proprietary funds statements of net position.

(h) Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenue is reported in the governmental funds balance sheet.

Unavailable revenue represents billed receivables that do not meet the availability criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting.

Deferred inflows of resources related to pension is reported in the government-wide and proprietary funds statements of net position.

(i) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the System and additions to/deductions from the System’s fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, net asset value (NAV), or amortized cost.

(j) Capital Assets

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

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

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

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

(k) Net Position and Fund Balance

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(m) 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.

(n) Implementation of New Accounting Principles

For the year ending June 30, 2016, the City implemented the following pronouncements issued by the GASB:

- GASB Statement No. 72, *Fair Value Measurement and Application*
- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*

- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*
- GASB Statement No. 79, *Certain Investment Pools and Pool Participants*

The implementation of GASB Statement No. 72 required certain disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques related to the City's investments.

The implementation of GASB Statements No.'s 73, 76, and 79 had no reporting impact for 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:		
2017	$	206,850
2018		219,913
2019		233,800
2020		248,564
2021		264,261
2022		5,413,880
Total	$	6,587,268

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

For fiscal years 2014, 2015 and 2016, cash payments were not sufficient to satisfy the principal amounts. The available hotel/motel tax has been applied to principal and interest payments due.

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

(c) Long-Term Receivable (Intergovernmental)

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, 2016, under MSBA's contract assistance program, the City was due funds totaling $5,404,260.

In the General Fund, the receivable is offset by unavailable (deferred inflows of resources) revenue because the revenue does not meet the revenue recognition criteria. The following is a schedule of the five-year paydown as of June 30, 2016 through 2020:

Fiscal Year:		
2017	$	2,503,395
2018		966,955
2019		966,955
2020		966,955
Total	$	5,404,260

(4) Capital Assets

Capital asset activity for the year ended June 30, 2016 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	1,464,206	5,023,631	291,771	6,196,066
Historical Works of Art	1,809,514	—	—	1,809,514
Total Capital Assets, Not Being Depreciated	10,684,418	5,023,631	291,771	15,416,278
Capital Assets, Being Depreciated:				
Buildings	238,539,276	33,533	—	238,572,809
Land Improvements	15,323,109	298,711	—	15,621,820
Machinery and Equipment	25,904,810	2,066,409	—	27,971,219
Infrastructure	99,613,464	3,306,788	—	102,920,252
Total Capital Assets, Being Depreciated	379,380,659	5,705,441	—	385,086,100
Less Accumulated Depreciation For:				
Buildings	93,189,050	5,721,202	—	98,910,252
Land Improvements	7,255,340	505,093	—	7,760,433
Machinery and Equipment	22,422,239	1,036,205	—	23,458,444
Infrastructure	78,307,500	2,356,616	—	80,664,116
Total Accumulated Depreciation	201,174,129	9,619,116	—	210,793,245
Total Capital Assets, Being Depreciated, Net	178,206,530	(3,913,675)	—	174,292,855
Governmental Capital Assets, Net	$ 188,890,948	1,109,956	291,771	189,709,133

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:		
General Government	$	584,506
Public Safety		1,136,263
Public Works		2,146,141
Education		5,417,145
Human Services		71,967
Culture and Recreation		263,094
Total Depreciation Expense – Governmental Activities	$	9,619,116

		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		2,014,241	833,510	—	2,847,751
Total Capital Assets, Not Being Depreciated		4,943,733	833,510	—	5,777,243
Capital Assets, Being Depreciated:					
Buildings		28,819,581	—	—	28,819,581
Land Improvements		105,700	—	—	105,700
Machinery and Equipment		17,115,012	43,780	—	17,158,792
Infrastructure		35,029,019	14,820	—	35,043,839
Total Capital Assets, Being Depreciated		81,069,312	58,600	—	81,127,912
Less Accumulated Depreciation For:					
Buildings		5,464,454	680,988	—	6,145,442
Land Improvements		105,701	—	—	105,701
Machinery and Equipment		11,031,976	834,806	—	11,866,782
Infrastructure		17,699,931	616,571	—	18,316,502
Total Accumulated Depreciation		34,302,062	2,132,365	—	36,434,427
Total Capital Assets Being Depreciated, Net		46,767,250	(2,073,765)	—	44,693,485
Water Capital Assets, Net		51,710,983	(1,240,255)	—	50,470,728

	Beginning Balance	Increases	Decreases	Ending Balance
Sewer:				
Capital Assets, Not Being Depreciated:				
Land	186,327	—	—	186,327
Construction in Progress	1,330,541	1,893,341	—	3,223,882
Total Capital Assets, Not Being Depreciated	1,516,868	1,893,341	—	3,410,209
Capital Assets, Being Depreciated:				
Buildings	142,969,328	—	—	142,969,328
Land Improvements	258,000	—	—	258,000
Machinery and Equipment	43,434,624	521,990	—	43,956,614
Infrastructure	38,056,640	—	—	38,056,640
Total Capital Assets, Being Depreciated	224,718,592	521,990	—	225,240,582
Less Accumulated Depreciation For:				
Buildings	34,168,583	3,515,603	—	37,684,186
Land Improvements	258,000	—	—	258,000
Machinery and Equipment	42,724,834	240,149	—	42,964,983
Infrastructure	25,627,407	592,415	—	26,219,822
Total Accumulated Depreciation	102,778,824	4,348,167	—	107,126,991
Total Capital Assets Being Depreciated, Net	121,939,768	(3,826,177)	—	118,113,591
Sewer Capital Assets, Net	123,456,636	(1,932,836)	—	121,523,800
Other:				
Capital Assets, Not Deing Depreciated:				
Land	130,359	—	—	130,359
Construction in progress	530,150	31,400	546,251	15,299
Total capital assets, not being depreciated	660,509	31,400	546,251	145,658
Capital assets, being depreciated:				
Buildings	905,875	—	—	905,875
Land improvements	32,614,051	516,347	—	33,130,398
Machinery and equipment	3,688,753	263,772	—	3,952,525
Infrastructure	7,065,658	—	—	7,065,658
Total Capital Assets, Being Depreciated	44,274,337	780,119	—	45,054,456

	Beginning Balance	Increases	Decreases	Ending Balance
LessAccumulated Depreciation For:				
Buildings	574,974	11,816	—	586,790
Land Improvements	32,178,113	60,367	—	32,238,480
Machinery and Equipment	2,757,767	260,033	—	3,017,800
Infrastructure	3,024,135	61,221	—	3,085,356
Total accumulated depreciation	38,534,989	393,437	—	38,928,426
Total capital assets being depreciated, net	5,739,348	386,682	—	6,126,030
Other capital assets, net	6,399,857	(128,168)		6,271,689
Business-type activities capital assets, net	$ 180,567,476	(3,301,259)	—	177,266,217

(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, 2016, the City's bank balances of uninsured and uncollateralized deposits totaled $121,924,211. All of the System's deposits are fully insured. The carrying amount of the City's deposits totaled $114,740,831 at June 30, 2016.

(b) Investment Policy

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

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

Deposits and investments made by the System are governed by Chapter 32 of the MGL. The System engages investment managers that adhere to MGL c. 32, sec 23(3), the "Prudent Person" rule, which permits (among other things) the investment in corporate bonds, equities, private equity and real estate investments.

(c) Interest Rate Risk

The following is a listing of the City's fixed-income investments and related maturity schedule (in years) as of June 30, 2016 for the primary government and December 31, 2015 for the Retirement System:

Investment Type	Total Amount	Less than 1	1 – 5	6 – 10
Retirement System:				
Money Market Mutual Funds	$ 3,120,062	3,120,062	—	—
Fixed Income Mututal Funds	82,706,952	82,706,952	—	—
Subtotal	85,827,014	85,827,014	—	—
City:				
U.S. Treasury Notes and Bonds	1,217,638	—	831,332	386,306
U.S. Agencies	1,063,808	122,729	761,023	180,056
Corporate Bonds	577,935	100,383	477,552	—
Money Market Mutual Funds	185,864	185,864	—	—
MMDT	7,398,823	7,398,823	—	—
Subtotal	10,444,068	7,807,799	2,069,907	566,362
Total	$ 96,271,082	93,634,813	2,069,907	566,362

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

The System's policy for interest rate risk of debt securities is to use diversification to minimize the exposure to interest rate risks in the aggregate investment portfolio.

(d) Credit Risk

The City 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 System's policy for credit risk of debt securities is to use diversification to minimize the exposure to credit risks in the aggregate investment portfolio and primarily invest in fixed income securities that are rated investment grade or better.

The City's fixed-income investments as of June 30, 2016 for the primary government and December 31, 2015 for the Retirement System were rated by Standard & Poor's and/or an equivalent national credit rating organization, and the ratings are presented below using the Standard and Poor's rating scale:

Investment Type	Total Amount	AAA to A	Not Rated
Retirement system:			
Money Market Mutual Funds	$ 3,120,062	—	3,120,062
Fixed Income Mutual Funds	82,706,952	—	82,706,952
Subtotal	85,827,014	—	85,827,014
City:			
U.S. Agencies	1,063,808	1,063,808	—
Corporate Bonds	577,935	577,935	—
Money Market Mutual Funds	185,864	—	185,864
MMDT	7,398,823	—	7,398,823
Subtotal	9,226,430	1,641,743	7,584,687
Total	$ 95,053,444	1,641,743	93,411,701

In addition to the above schedule, the City has $1,217,638 invested in U.S. government securities, which are not included above as they are explicitly guaranteed by the U.S. government.

(e) Concentration Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the investments in a single issuer.

The System does not have a policy for concentration of credit risk. As of December 31, 2015, the System was not exposed to concentration of credit risk.

The City adheres to the provisions of M.G.L. c. 32, sec 23(2) when managing concentration risk. As of June 30, 2016, the City held approximately $652,000 (7.3%) in various debt securities with the Federal Home Loan Mortgage Corp.

(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.

The System's policy for foreign currency risk is to diversify the foreign countries and currencies within its pooled international investment portfolio. As of December 31, 2015, the System had indirect exposure to foreign currency risk for certain pooled equity investments in the amount of approximately $59,400,000.

(g) Fair Value Measurements

The System and the City categorize its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of June 30, 2016 and December 31, 2015 for the Retirement System:

		Fair Value Measurements Using		
Investment Type	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 2)**
Retirement System:				
Common Stock	$ 7,590	7,590	—	—
Equity Mutual Funds	196,128,860	196,128,860	—	—
Fixed Income Mutual Funds	82,706,952	82,706,952	—	—
Total Investments by Fair Value Level	278,843,402	278,843,402	—	—
Investments Measured at the Net Asset Value (NAV)				
Real Estate Funds	31,096,947			
Private Equity Funds	20,034,600			
Structured Credit Funds	5,651,013			
Total Investments measured at the NAV	56,782,560			
Subtotal - System	335,625,962			
City:				
Money Market Mutual Funds	185,864	185,864	—	—
Equities	3,309,521	3,309,521	—	—
Corporate Bonds	577,935	—	577,935	—
Fixed Income Mutual Funds	979,713	979,713	—	—
Equity Mutual Funds	1,638,339	1,638,339	—	—
U.S. Treasuries	1,217,638	1,217,638	—	—
U.S. Agencies	1,063,808	1,063,808	—	—
Total Investments by Fair Value Level	8,972,818	8,394,883	577,935	—
Investments Measured at Amortized Costs				
MMDT	7,398,823			
Subtotal - City	16,371,641			
Total	$ 351,997,603			

Investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Investments classified in Level 2 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

The valuation method for investments measure at the net asset value (NAV) per share or its equivalent) is presented on the following table:

		Total Amount	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Retirement System:					
Real Estate Funds (1)	$	31,096,947	1,302,599	N/A (1)	N/A (1)
Private Equity Funds (2)		20,034,600	8,203,083	N/A (2)	N/A (2)
Structured Credit Funds (3)		5,651,013	3,100,000	Annually	65 Days
Total Investments Measured at the NAV	$	56,782,560			

(1) Real Estate Funds: This type includes 8 real estate funds invest primarily in U.S. commercial real estate and value added opportunities. The values of the investments in this type have been determined using the NAV per share (or its equivalent) of the System's ownership interest in partners' capital. There is one investment with an approximate value of $14,200,000 for which the investment can be redeemed annually, with a redemption notice period of 65 days. The remaining investments can never be redeemed with the funds. Distributions from each of these funds will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 1 to 7 years.

(2) Private Equity Funds: This type includes 15 equity funds that consist primarily of limited partnership interests in corporate finance and venture capital funds. Corporate finance investments may include leveraged buy-out, industry consolidation, growth or fundamental business change, acquisitions, refinancing and recapitalization, mezzanine investments and distressed and turnaround strategies. Venture capital investments include start-up companies and companies developing new business solutions and technologies. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the System's ownership interest in partners' capital. There is one investment with an approximate value of $1,500,000 for which the investment can be redeemed annually, with a redemption notice period of 65 days. The remaining investments can never be redeemed with the funds. Distributions from each of these funds will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 1 to 11 years.

(3) Structured Credit Funds: This type includes 1 fund that invests in a portfolio comprised of collateralized debt obligations ("CDO's") and other structured credit investments. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the System's ownership interest in partners' capital.

(6) Pension Plan – Brockton Contributory Retirement System (System)

(a) General Information

The City contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Brockton Contributory Board. Substantially all employees of the City are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System.

Membership in the System was as follows at December 31, 2015:

Active members	1,756
Inactive members	502
Retirees and beneficiaries currently receiving benefits	1,270
Total	3,528

As indicated in Note 1, the System is reported as a pension trust fund in these financial statements. The System issues a separately audited financial statement and a publicly available financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. These reports may be obtained by contacting the System located at 1322 Belmont Street, Suite 101, Brockton, Massachusetts 02301.

(b) Benefits Provided

Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The plan provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation for those hired prior to April 2, 2012. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

There are three classes of membership in the plan; Group 1, Group 2 and Group 4. Group 1 consists of general employees which includes clerical and administrative positions. Group 2 consists of positions that have been specified as hazardous. Lastly, Group 4 consists of police officers, firefighters, and other hazardous positions.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service if hired after 1978 and if classified in groups 1 or 2. A person who became a member on or after April 2, 2012 is eligible for a superannuation retirement allowance upon reaching the age of 60 with 10 years of service if in group 1, 50 years of age with 10 years of service if in group 2, and 55 years of age if hired prior to 1978 or if classified in group 4. Normal retirement for most employees occurs at age 65 (except for certain hazardous duty and public safety positions, whose normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

When a member's retirement becomes effective, their deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth of Massachusetts' state law during those years are borne by the Commonwealth and are deposited into the Pension Fund. Cost-of-living adjustments granted after 1997 must be approved by the System and all costs are borne by the System.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent on several factors, including whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veterans' status and group classification.

Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

(c) Contributions

Chapter 32 of MGL governs the contributions of plan members and the employers. Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. Members hired in 1979 or subsequent contribute an additional 2% of regular compensation in excess of $30,000. The City is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on annual covered payroll.

For the year ended December 31, 2015, active member contributions totaled $8,302,780 and employer contributions totaled $19,247,619. Contributions to the System from the City were $17,945,220 for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The components of the net pension liability of the System at December 31, 2015, were as follows:

Total pension liability	$	590,910,301
Plan fiduciary net position		(352,477,755)
Net pension liability	$	238,432,546
Plan fiduciary net position as a percentage of the total pension liability		59.65%

At June 30, 2016, the City reported a liability of $221,810,876 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2015, the City's proportion was 93.02878 percent, which compared to the 93.50853 percent proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the City recognized pension expense of $32,676,334. At June 30, 2016, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 34,735,000	$ -
Changes in Assumptions	10,498,123	-
Differences between expected and actual experience	8,695,321	-
Changes in Proportion	956,409	646,077
	$ 54,884,853	$ 646,077

The amount reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30		
2017	$	14,241,726
2018		14,241,726
2019		14,241,726
2020		10,646,150
2021		867,448
Total	$	54,238,776

(d) Actuarial assumptions

The following actuarial methods and assumptions apply to all periods included in the measurement.

Methods:	
Actuarial cost method	Entry age normal cost
Asset valuation method	Fair value
Assumptions:	
Inflation	3.00%
Salary increases	Based on years of service, ranging from 7.00% at 0 years of service decreasing to 3.75% after 9 years of service
Investment rate of return	8.0%, net of investment expenses
Cost of living adjustment	3.0% of the first $12,000 annually
Mortality	Healthy Retiree - RP-2000 Mortality Table projected generationally with Scale BB for males and females
	Disabled Retiree - RP-2000 Mortality Table set forward two years for all disabled members
Retirement rates	
	General Employees - 1.0% and 1.5% for males and females, respectively, beginning at age 50 ranging to 30.0% and 20.0% for males and females, respectively, ending at age 69
	Police and Fire - 1.0% beginning at age 45 ranging to 100.0% at age 65

The actuarial assumptions used in the January 1, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2015 to December 31, 2015.

(e) Investment Policy and Rates of Return

The Board has the authority for establishing and amending investment policy decisions. Based on the investment objectives and constraints of the System, and based on an annual review of the asset allocation and asset classes, the Board will specify a long-term target allocation for each class of permissible assets. These targets will be expressed as a percentage of the total portfolio, and will have ranges surrounding them, allowing for the portfolio to maintain policy through market fluctuations.

The long-term target allocations are intended as strategic goals. Thus, it is permissible for the overall System's asset allocation to deviate from the long-term target, as would likely occur during manager transitions, asset class restructurings, and other temporary changes in the System. Surplus cash flows are utilized to maintain the asset management structure. Should these cash flows not be sufficient to reallocate the plan according to policy, the transfer of assets may occur between managers. At least annually, the Board reevaluates the portfolio weightings by asset class and adjustments are made accordingly.

The System's annual money-weighted rate of return on pension plan investments, net of investment expenses, was -2.06%. The money–weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested, measured monthly.

The long-term expected rate of return on pension plan investments was determined using a best-estimate ranges of expected future nominal rates of return (expected return, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variables and the asset classes. Best estimates of arithmetic rates of return for each major asset class included in the System's target asset allocation as of December 31, 2015 are summarized on the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	55%	8.46%
Fixed Income	36%	1.83%
Alternative	9%	7.92%

(f) Discount Rate

The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(g) Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the System calculated using the rate of 8.00%, as well as what the System’s net pension liability would be if it calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Net pension liability	$ 299,835,510	$ 238,432,546	$ 186,058,931

The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 8.00 percent, as well as what City’s proportionate share of the net pension liability would were calculated using a discount rate that is 1-percentage point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Net pension liability	$ 278,933,301	$ 221,810,876	$ 173,088,344

(h) Legally Required Reserve Accounts

The balances in the System's legally required reserves at December 31, 2015 are as follows:

Description		Amount	Purpose
Annuity Savings Fund	$	90,125,409	Active members' contribution balance
Annuity Reserve Fund		25,928,031	Retired members' contribution account
Military Service Credit Fund		102,484	Amounts appropriated to fund military service time
Pension Reserve Fund		280,853,572	Amounts appropriated to fund future retirement
Pension Fund		(44,531,741)	Remaining net position
Total	$	352,477,755	

(7) Retirement System - MTRS

(a) Plan Description

Public school teachers and certain administrators are provided with pensions through the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Massachusetts Teachers' Retirement Board. The MTRS is part of the Commonwealth of Massachusetts' (Commonwealth) reporting entity and does not issue a stand-alone audited financial report. The MTRS is reported as a Pension Trust Fund in the Commonwealth's audited financial statements that can be obtained at http://www.mass.gov/osc/publications-and-reports/financial-reports/cafr-reports.html.

(b) Benefits Provided

The MTRS provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit requirements. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

(c) Contributions

The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Member contributions for MTRS vary depending on the most recent date of membership, ranging from 5-11% of regular compensation. Members hired in 1979 or subsequent contribute an additional 2% of regular compensation in excess of $30,000.

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, the City is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributing entity in MTRS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Since the City does not contribute directly to MTRS, the City does not report a proportionate share of the net pension liability of the MTRS at June 30, 2016. The Commonwealth's net pension liability associated with the City was $372,391,598.

The MTRS' net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015 rolled forward to June 30, 2015.

For the year ended June 30, 2016, the City recognized pension expense of $30,204,273 associated with MTRS and revenue of the same amount for support provided by the Commonwealth.

(d) Actuarial assumptions

The following actuarial methods and assumptions apply to all periods included in the measurement.

Investment rate of return	7.5%
Salary increases	Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service
Mortality Rates:	Pre-retirement reflects RP-2014 Employees table projected generationally with Scale BB and a base year of 2014 (gender distinct). Post-retirement - reflects RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 (gender distinct).Disability – assumed to be in accordance with the RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 set forward four years.
Other	3.5% interest rate credited to the annuity savings fund and 3.0% cost of living increase per year.

(e) Rates of Return

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	40%	6.90%
Core Fixed Income	13%	2.40%
Hedge Funds	9%	5.80%
Private Equity	10%	8.50%
Real Estate	10%	6.50%
Value Added Fixed Income	10%	5.80%
Portfolio Completion Strategies	4%	5.50%
Timber/Natural Resources	4%	6.60%
Totals	100%	

(f) Discount Rate

The discount rate used to measure the MTRS' total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(g) Pension plan fiduciary net position

Detailed information about the MTRS' fiduciary net position is available in the Commonwealth's audited financial statements.

(8) Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2016:

General long-term obligations	Maturing through year ended June 30	Interest percentage range	Outstanding beginning of year	Additions	Reductions	Outstanding end of year	Current portion
Governmental Activities:							
General:							
Taxable	2028	(4.75% – 6.45%)	$ 90,870,000	—	2,680,000	88,190,000	3,300,000
General Obligation	2036	(3.00% – 6.75%)	28,162,250	5,354,400	10,427,650	23,089,000	4,760,000
Subtotal			119,032,250	5,354,400	13,107,650	111,279,000	8,060,000
Add (deduct):							
Unamortized Bond Premium			1,118,780	539,785	196,413	1,462,152	196,412
Total Governmental Activities Debt, Net			$ 120,151,030	5,894,185	13,304,063	112,741,152	8,256,412

General Long-Term Obligations	Maturing through year ended June 30	Interest percentage range	Outstanding beginning of year	Additions	Reductions	Outstanding end of year	Current portion
Business-Type Activities:							
Water	2036	(3.00% – 7.75%	$ 24,548,067	1,572,400	3,376,968	22,743,499	1,756,362
Sewer	2031	(2.00% – 6.75%)	65,398,253	1,897,444	5,448,656	61,847,041	5,418,837
Other	2024	(3.80% – 6.00%)	900,000	—	100,000	800,000	100,000
Subtotal			90,846,320	3,469,844	8,925,624	85,390,540	7,275,199
Add (deduct):							
Unamortized Bond Premium			717,244	135,208	88,832	763,620	88,832
MCWT Interim Loan	2017	.09%	418,694	520,024	418,694	520,024	—
Total Business-Type Activities Debt, Net			$ 91,982,258	4,125,076	9,433,150	86,674,184	7,364,031
Total Debt, Net			$ 212,133,288	10,019,261	22,737,213	199,415,336	15,620,443
Other Long-Term Obligations:							
Self-Insured Benefit Claims:							
Governmental Activities			$ 7,150,413	943,089	710,158	7,383,344	3,049,289
Business-Type Activities:							
Water			895,930	305,158	6,303	1,194,785	32,198
Sewer			2,833,551	—	416,518	2,417,033	12,847
Other			2,268,434	4,681	6,685	2,266,430	23,160
Compensated Absences, Net:							
Governmental Activities			11,605,739	428,962	—	12,034,701	1,805,205
Business-Type Activities:							
Water			327,919	—	12,767	315,152	47,273
Sewer			148,999	—	26,799	122,200	18,330
Other			140,133	—	11,771	128,362	19,254
Court Judgements							
Governmental Activities			—	4,750,000	—	4,750,000	—
Landfill Closure and Postclosure Care Costs:							
Governmental Activities			2,595,341	—	121,248	2,474,093	—
Business-Type Activities:							
Sewer			1,656,000	46,000	—	1,702,000	—
Other Post Employment Benefits							
Governmental Activities			221,154,866	39,771,938	14,260,847	246,665,957	—
Business-Type Activities:							
Water			4,195,853	717,397	257,234	4,656,016	—
Sewer			1,819,441	308,414	110,587	2,017,268	—
Other			2,079,361	415,688	149,052	2,345,997	—
Net Pension Liability							
Governmental Activities			161,919,339	58,123,050	17,016,791	203,025,598	—
Business-Type Activities:							
Water			7,717,374	2,462,518	787,253	9,392,639	—
Sewer			3,203,440	907,675	317,930	3,793,185	—
Other			4,368,328	1,700,449	469,323	5,599,454	—
Total Other Long-Term Obligations			$ 436,080,461	110,885,019	34,681,266	512,284,214	5,007,556

In 2016, the City issued $7,120,000 of general obligation State Qualified Refunding bonds for previously issued and outstanding bonds for Water Land Acquisition $1,089,800, School Construction $5,137,400, Water Mains $410,000, School Planning $217,000, Sewer Rehabilitation $193,200, and Reservoir Improvements $72,600. As a result, the City will reduce its total gross debt service payments over the remaining life of the bonds by approximately $692,000 and will realize an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately $661,000.

In addition, the City permanently financed an interim loan of $1,704,244 (Sewer Enterprise Fund) with the Massachusetts Clean Water Trust (MCWT) to fund sewer improvements.

During 2015, the City entered into an interim loan agreement for $275,500 (water enterprise fund) with the MCWT to fund water system improvements. Interim interest rates are .09% and the loan is anticipated to permanently financed in 2017. Amounts accrued and considered issued during 2016 total $101,451 in the water enterprise fund.

During 2016, the City entered into two interim loan agreements for $3,513,471 (water enterprise fund) and $1,401,693 (sewer enterprise fund) with the MCWT to fund various water and sewer system improvements. Interim interest rates are .09% and the loans are anticipated to be permanently financed in 2017. Amounts accrued and considered issued during 2016 total $249,800 and $168,773 in the water and sewer enterprise fund, respectively.

Maturity of Bond Indebtedness

Bond indebtedness outstanding at June 30, 2016 matures as follows:

	Governmental Activities		
	Principal	**Interest**	**Total**
Year ending June 30:			
2017	$ 8,060,000	5,604,885	13,664,885
2018	5,915,000	5,204,749	11,119,749
2019	6,598,000	4,898,642	11,496,642
2020	7,296,000	4,549,784	11,845,784
2021	6,900,000	4,160,003	11,060,003
2022 – 2026	46,095,000	14,378,605	60,473,605
2027 – 2031	28,955,000	2,088,093	31,043,093
2032 – 2036	1,460,000	114,975	1,574,975
	$ 111,279,000	40,999,736	152,278,736

	Business-Type Activities			
	Water		**Sewer**	
	Principal	**Interest**	**Principal**	**Interest**
Year ending June 30:				
2017	$ 1,756,362	486,652	5,418,837	1,451,443
2018	1,780,965	440,462	5,416,623	1,298,376
2019	1,666,589	394,696	5,400,976	1,151,264
2020	1,692,135	349,898	5,422,948	1,008,070
2021	1,630,927	308,902	5,449,519	865,433
2022 – 2026	8,250,998	1,029,770	27,462,861	2,214,269
2027 – 2031	4,726,970	302,567	6,776,363	277,303
2032 – 2036	1,340,004	41,487	498,914	30,359
	$ 22,844,950	3,354,434	61,847,041	8,296,517

	Business-Type Activities (Continued)			
	Other		Total	
	Principal	Interest	Principal	Interest
Year ending June 30:				
2017	$ 100,000	—	7,275,199	1,938,095
2018	100,000	—	7,297,588	1,738,838
2019	100,000	—	7,167,565	1,545,960
2020	100,000	—	7,215,083	1,357,968
2021	100,000	—	7,180,446	1,174,335
2022 – 2026	300,000	—	36,013,859	3,244,039
2027 – 2031	—	—	11,503,333	579,870
2032 – 2036	—	—	1,838,918	71,846
	$ 800,000	—	85,491,991	11,650,951

The City has entered into loan agreements with the MCWT to finance certain water and wastewater related capital improvements. Since the City is legally obligated for the total debt amounts, the full liability has been recorded in the Water and Sewer enterprise funds in the accompanying basic financial statements. The City expects to receive $228,628 and $1,573,824 of Water and Sewer principal and interest subsidies, respectively, from MCWT 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:						
2017	$ 21,794	13,454	73,951	223,890	95,745	237,344
2018	22,218	12,560	50,448	200,110	72,666	212,670
2019	22,129	12,654	51,661	182,914	73,790	195,568
2020	24,869	7,167	26,095	164,552	50,964	171,719
2021	25,400	6,021	9,129	148,994	34,529	155,015
2022 – 2025	52,657	7,705	182,417	259,663	235,074	267,368
Total	$ 169,067	59,561	393,701	1,180,123	562,768	1,239,684

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, 2016, the City may issue approximately $242.1 million of additional general-obligation debt under the normal debt limit. The City has approximately $19.6 million of debt exempt from the debt limit.

As of June 30, 2016, the City has total authorized unissued debt of $93.6 million, which is intended to finance the following:

School construction/furnishings	$	22,512,881
School refunding		950,000
Refunding		2,430,000
Pension funding		47,710,000
Various Departments		4,876,000
Water projects		11,709,688
Sewer projects		2,460,779
Economic development		1,000,000
	$	93,649,348

In previous fiscal years, the City defeased certain debt where there were losses on the refunding transactions. These losses are being amortized over the shorter of the life of the refunding bonds and the refunded bonds and are reported as deferred outflows of resources in the government-wide and proprietary funds financial statements. The total deferred outflows reported at June 30, 2016 totals $90,973.

(9) 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 used (filled) of the landfills and is as follows at June 30, 2016:

		Governmental Activities	Business-Type Activities (Sewer Fund)
Closure and Postclosure Care Costs	$	2,474,093	1,702,000
Percentage Used (Filled)		100.00%	74.00%

It is estimated that an additional $598,000 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 2029).

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 was closed and the City began to incur postclosure care costs.

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, 2016. 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.

(10) 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, 2016 was as follows:

	Outstanding as of June 30, 2015	Additions	Reductions	Outstanding as of June 30, 2016
Bond Anticipation Notes Payable:				
Governmental Activities:				
Various Capita Project Funds:				
Brookfield School Repairs	$ —	772,300	—	772,300
Ashfield School Repairs	—	718,000	—	718,000
Gilmore School Repairs	—	568,600	—	568,600
Barrett Russel School Repairs	—	415,100	—	415,100
Fire Truck Purchase	—	925,000	—	925,000
Police Cruisers Purchase	—	310,000	—	310,000
Voting Machine Purchase	—	185,000	—	185,000
Sander Trust Purchase	—	180,000	—	180,000
Box Truck Purchase	—	78,000	—	78,000
Bobcat Purchase	—	47,000	—	47,000
Transit Van Purchase	—	27,000	—	27,000
Copier/Printer	—	14,000	—	14,000
Energy Conversation	—	2,360,000	—	2,360,000
Total Departments	$ —	6,600,000	—	6,600,000

(11) Operating Transfers

Operating transfers and their purposes during the year ended June 30, 2016 were as follows:

	Governmental Funds		Enterprise Funds		
	General	**Other**	**Water**	**Sewer**	**Other**
Water Receipts – in Lieu of Taxes	$ 532,573	—	(532,573)	—	—
Sewer Receipts – in Lieu of Taxes	1,546,294	—	—	(1,546,294)	—
Other Enterprise Receipts – in Lieu of Taxes	(169,626)	—	—	—	169,626
General Fund Revenue – Recreation Subsidy	(984,672)	—	—	—	984,672
General Fund Revenue – Sewer, Renewable Energy and Recreation Debt Service Costs	(159,750)	—	—	59,750	100,000
Sewer Enterprise – Debt Service Costs	—	—	125,277	(125,277)	—
Recreation - Transfer of Capital Expenditures	—	(30,750)	—	—	30,750
Recreation - Contract Expenditures	(152,053)	—	—	—	152,053
Water - Contract Expenditures	(299,445)	—	299,445	—	—
Sewer - Contract Expenditures	(177,522)	—	—	177,522	
Parking Authority Reserve – Parking Authority	346,892	(346,892)	—	—	—
Parking Authority Reserve – Parking Authority	270,955	(270,955)	—	—	—
Parking Fines	317,547	(317,547)	—	—	—
Weights and Measures – Personal Services	39,950	(39,950)	—	—	—
Transfer to Close Out Accounts	90,786	(90,786)	—	—	—
Transfer of Ambulance Fees	474,525	(474,525)	—	—	—
Sale of Lots Graves - Melrose	164,000	(164,000)	—	—	—
General Fund Revenue - Transfer of Cable Agreement Reimbursement to Special Revenue Fund	(377,125)	377,125	—	—	—
Total	$ 1,463,329	(1,358,280)	(107,851)	(1,434,299)	1,437,101

(12) Other Postemployment Benefit (OPEB) Disclosures

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

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

As of June 30, 2016, the valuation date, 3,147 retirees and 3,000 active members meet the eligibility requirements as put forth in Chapter 32B of MGL. The City sponsors and participates in a single employer defined benefit OPEB plan. The OPEB plan is administered by the City and does not issue a stand-alone financial report.

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

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

(a) Funding Policy

Employer and employee contribution rates are governed by the respective collective bargaining agreements. The City currently funds the plan on a pay-as-you-go basis. The City and plan members share the cost of benefits. As of June 30, 2016, 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, 2016, 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, 2016:

Annual Required Contribution (ARC)	$	42,198,909
Interest on Net OPEB Obligation		9,169,981
Adjustment to ARC		(10,155,454)
Annual OPEB Cost		41,213,436
Contributions Made		(14,777,719)
Change in Net OPEB Obligation		26,435,717
Net OPEB Obligation – Beginning of Year		229,249,521
Net OPEB Obligation – End of Year	$	255,685,238

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:			
2016	$ 41,213,436	35.86%	$ 255,685,238
2015	37,477,528	34.33%	229,249,521
2014	35,244,550	42.48%	204,636,800

(c) Funded Status and Funding Progress

The funded status of the plan as of June 30, 2016, based on an actuarial valuation as of June 30, 2016, was as follows (in thousands):

Actuarially Accrued Liability (AAL)	$ 495,514
Actuarial Value of Plan Assets	—
Unfunded Actuarial Accrued Liability (UAAL)	$ 495,514
Funded Ratio (Actuarial Value of Plan Assets/AAL)	—%
Covered Payroll (Active Plan Members)	$ 201,104
UAAL as a Percentage of Covered Payroll	246.4%

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 City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

(d) Actuarial Methods and Assumptions

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

In the June 30, 2016 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.00% investment rate of return and an annual health care cost trend rate of 7.5%, reduced by decrements to an ultimate rate of 4.5% after 6 years, and the RP-2014 mortality table. The City's unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis assuming 3.0% increases. The remaining amortization period at June 30, 2016 was thirty years.

(13) 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 $200,000 for Buildings and Property per incident and $250,000 for incidents related to flood, wind storm, and earthquake. Vehicle damage and loss is insured to $1,000,000 with a deductible of $1,000.

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

Both employees and the City contribute to the Health Care Plans based upon a percentage formula, 75% City and 25% employee. The retirees' contribution rate is 25%, except for those retirees who were 65 or older as of July 1, 2003 and whose annual household income was $22,340 or less for a single person over 65 years of age, or $30,260 for a two person household with one person over 65 years of age. For these retirees, the contribution rates is 15% for BCBS Medex II. The 15% rate was established through a Home Rule Petition voted and approved by the City Council and the Massachusetts General Court. Stop loss insurance is carried on the Health Care Plans for claims in excess of $350,000 per covered person. The City maintains a working deposit with the administrator of its Blue Cross Blue Shield Health Care Plans. At June 30, 2016, that deposit was $6,307,800, which includes Dental insurance. The financial arrangement with Harvard Pilgrim is monthly level funding of $1,280,000 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. Claims settlements have not exceeded insurance covered in any of the past three years.

Liabilities for self-insured claims are reported if it is probable that a loss has been incurred and the amount can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Changes in the self-insurance liability for the years ended June 30, 2016 and 2015 were as follows:

		Workers' Compensation Plan	Health Care Plans	Total
Balance at June 30, 2014	$	9,548,356	3,368,389	12,916,745
Provision for Losses/Change in Estimate		1,829,037	45,455,876	47,284,913
Payments for Claims		(1,010,202)	(46,043,131)	(47,053,333)
Balance at June 30, 2015		10,367,191	2,781,134	13,148,325
Provision for Losses/Change in Estimate		947,843	48,077,098	49,024,941
Payments for Claims		(1,170,936)	(47,740,738)	(48,911,674)
Balance at June 30, 2016	$	10,144,098	3,117,494	13,261,592

The liability for claims consists of governmental and business-type activities in the amount of approximately $7,383,444 and $5,878,148, respectively.

(14) 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 almost exclusively more heavily on current users, rather than on new water consumption, as was anticipated when the contract was executed. In the event that other water purchase contracts are executed, the City has the right to offset its fixed commitment to a minimum of 2.0 MGD with the volume commitment of other long term purchasers or the right to reduce by about 50%, on a gallon for gallon basis, its fixed price for its fixed volume commitment.

The rate charged to the City for the Firm Commitment is a fixed annual charge of $167,480 per year per 0.1 MGD of the City's Firm Commitment; this charge is incurred regardless of whether the City takes the water. In addition, the City incurs an additional charge of $1.23 per 1,000 gallons for water actually delivered. For example, with a firm commitment of 2.0 MGD plus actual usage of 1.0 MGD for an entire year, the City would pay nearly $3.8 million. The financial obligation is primarily attached to the fixed price component. The rate structure is permitted to escalate with the Producer Price Index for Finished Goods, excluding food after three years of water delivery. Accordingly, escalation will begin, in the fourth year of the contract, which is at the end of 2013. Fixed and variable charges are recorded in the major Water fund when incurred, which totaled $6.5 million in fiscal year 2016.

As of June 30, 2016, based on the current fixed annual charge, the City expects to pay $83.7 million for its Firm Commitment as follows:

		Amount
Fiscal year:		
2017	$	6,380,988
2018		6,598,712
2019		6,816,436
2020		6,816,436
2021		6,816,416
2022 – 2026		34,082,180
2027 – 2029		16,226,906
	$	83,738,074

(15) Contingencies

The City is engaged in various matters of routine litigation. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable.

Subsequent to year-end, a judgment totaling approximately $4,750,000 (which includes interest) was entered against the City for damages incurred by the plaintiff in relation to a discrimination lawsuit. The City has filed a notice of appeal regarding a portion (approximately $4,300,000) of the settlement. This judgment has been accrued for in the accompanying government-wide financial statements.

The City participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) through June 30, 2016, these programs are still subject to financial and compliance audits by federal agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

(16) Restatement

During 2016, it was identified that the June 30, 2015 total pension liability used to calculate the City's net pension liability was understated. As a result, an adjustment has been made to increase the net pension liability reported as of June 30, 2015 in the governmental activities, business-type activities and the enterprise funds. The impact of the restatement to beginning net position is as follows:

		Governmental Activities	Business-Type Activities	Water	Sewer	Other
Net Position, June 30, 2015, as Previously Reported	$	(197,271,593)	96,305,154	24,095,679	67,150,054	5,059,421
Increase in Net Pension Liability		(5,924,256)	(559,394)	(282,360)	(117,207)	(159,827)
Net Position, June 30, 2015, As Restated	$	(203,195,849)	95,745,760	23,813,319	67,032,847	4,899,594

(17) Fund Deficits

The following funds had deficit fund balances at June 30, 2016:

		Total	Funding Source
School Roof Repairs Fund	$	632	Available Funds
School Repairs - MSBA Acclr. Program		2,385,840	Long-Term Debt/ State Grants
Special Revenue			
Public Safety Grants		102,146	State/Federal Grants
Capital Projects - Various		826,653	State/Federal Grants
Education Grants		7,790	State/Federal Grants
	$	3,323,061	

(18) Fund Balance Classification Details

The components of fund balance for the City's governmental funds as of June 30, 2016 are as follows:

		General	Other Governmental	Total
Fund Balances				
Nonspendable:				
Permanent Fund Principal	$	—	6,742,653	6,742,653
Notes Receivable		6,587,268	—	6,587,268
		6,587,268	6,742,653	13,329,921
Restricted for:				
General Government		22,231,455	3,654,245	25,885,700
Human Services		—	231,094	231,094
Public Safety		—	1,300,358	1,300,358
Public Works		—	1,105,748	1,105,748
Culture/Recreation		—	699,920	699,920
Education		—	9,025,946	9,025,946
		22,231,455	16,017,311	38,248,766
Committed to:				
General Government		16,520,091	—	16,520,091
Human Services		—	548,548	548,548
Public Safety		—	1,815,929	1,815,929
		16,520,091	2,364,477	18,884,568
Assigned to:				
General Government		647,592	—	647,592
Human Services		84,360	—	84,360
Public Safety		295,254	—	295,254
Public Works		329,071	—	329,071
Culture/Recreation		12,398	—	12,398
Education		5,494,236	—	5,494,236
		6,862,911	—	6,862,911
Unassigned		22,344,599	(3,323,061)	19,021,538
Total Fund Balances	$	74,546,324	21,801,380	96,347,704

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 $3.1 million at June 30, 2016.

Pursuant to Chapter 324 of the Acts of 1990, the City maintains a separate reserve for unforeseen and extraordinary expenditures. The purpose of the reserve is to ensure fiscal stability and must be maintained at a minimum balance of 1.5% of the gross amount raised on the prior year approved property tax filing. The balance of the reserve at June 30, 2016, totaled $5.9 million, and is reported as restricted in the general fund.

(19) Future Implementation of GASB Pronouncements

The GASB has issued the following statements:

Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other than Pension Plans*, which is required to be implemented during fiscal year 2017. Management is evaluating the Statement's future impact on the financial statements.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which is required to be implemented during fiscal year 2018. Management is evaluating the Statement's future impact the basic financial statements.

Statement No. 77, *Abatement Disclosures*, which is required to be implemented during fiscal year 2017. Management is evaluating the Statement's future impact on the basic financial statements.

Statement No. 80, *Blending requirements for Certain Component Units – an amendment of GASB Statement No. 14*, which is required to be implemented during fiscal year 2017. Management is evaluating the Statement's future impact on the basic financial statements.

Statement No. 81, *Irrevocable Split-Interest Agreements*, which is required to be implemented during fiscal year 2017. Management is evaluating the Statement's future impact on the basic financial statements.

Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, 68 and No. 73*, which is required to be implemented during fiscal year 2017. Management is evaluating the Statement's future impact on the basic financial statements.

Statement No. 83, *Certain Retirement Obligations*, which is required to be implemented during fiscal year 2019. Management is evaluating the Statement's future impact on the basic financial statements.

Statement No. 84, *Fiduciary Activities*, which is required to be implemented during fiscal year 2020. Management is evaluating the Statement's future impact on the basic financial statements.

CITY OF BROCKTON, MASSACHUSETTS

Budgetary Comparison Schedule – General Fund
Required Supplementary Information

June 30, 2016

(Unaudited)

		Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
		Original	Final		
Resources (Inflows):					
Real and Personal Property Taxes, Net	$	121,184,893	121,184,893	123,276,674	2,091,781
Motor Vehicle and Other Excise		8,261,100	6,513,500	8,656,044	2,142,544
Penalties and Interest on Taxes		1,769,200	1,769,200	2,001,211	232,011
Payments in Lieu of Taxes		153,000	153,000	171,813	18,813
User Charges and Other Revenue		1,608,012	1,428,012	4,301,380	2,873,368
Fees		526,700	706,700	1,968,589	1,261,889
Licenses and Permits		978,300	978,300	3,146,998	2,168,698
Intergovernmental		193,607,725	195,355,325	195,494,962	139,637
Fines		568,300	568,300	391,707	(176,593)
InvestmentIncome		149,600	149,600	167,420	17,820
Transfers in		6,431,224	6,715,224	6,552,405	(162,819)
Amounts Available for Appropriation		335,238,054	335,522,054	346,129,203	10,607,149
Charges to Appropriations (Outflows):					
Current:					
General Government		17,821,845	14,980,617	14,077,392	903,225
Public Safety		47,150,334	46,957,518	45,520,345	1,437,173
Education		176,509,277	176,247,732	176,477,687	(229,955)
Public Works		7,620,613	7,616,274	7,137,649	478,625
Human Services		2,586,116	2,580,616	2,361,118	219,498
Culture and Recreation		2,475,974	2,475,974	2,318,914	157,060
State and County Assessments		8,014,686	8,014,686	8,609,894	(595,208)
Pension and Fringe Benefits		69,609,927	72,611,927	70,166,929	2,444,998
Court Judgments		150,000	869,270	932,174	(62,904)
Capital Outlay		364,034	951,462	679,469	271,993
Debt Service		13,513,835	13,513,835	13,294,832	219,003
Transfers Out		2,234,692	2,234,692	2,611,817	(377,125)
Total Charges to Appropriations		348,051,333	349,054,603	344,188,220	4,866,383
Excess (Deficiency) of Resources Over Charges to Appropriations		(12,813,279)	(13,532,549)	1,940,983	15,473,532
Other Budget Items:					
Free Cash		13,131,133	13,131,133		
Other Available Funds		(317,854)	401,416		
Total Other Budget Items		12,813,279	13,532,549		
Net Budget	$	—	—		

See Notes to Required Supplementary Information.

See Accompanying Independent Auditors’ Report.

CITY OF BROCKTON, MASSACHUSETTS

Required Supplementary Information

Last Ten Fiscal Years

(Unaudited)

Schedule of Changes in Employer Net Pension Liability and Related Ratios
Brockton Contributory Retirement System (1)

Total Pension Liability		2016	2015*
Service Cost	$	11,641,512	10,817,393
Interest		44,359,746	41,739,197
Differences Between Expected and Actual Experience		11,431,816	—
Changes of Assumptions		—	17,356,197
Benefit Payments, including Refunds of Member Contributions		(38,024,658)	(37,937,119)
Net Change in Total Pension Liability		29,408,416	31,975,668
Total Pension Liability - Beginning		561,501,885	529,526,217
Total Pension Liability - Ending (a)	$	590,910,301	561,501,885
Plan Fiduciary Net Position			
Contributions - Employer	$	19,247,619	19,332,315
Contributions - Member		8,302,780	8,467,701
Net Investment Income		(7,554,439)	15,837,436
Benefit Payments, including Refunds of Member Contributions		(38,024,658)	(37,937,119)
Other (Net)		(798,475)	(406,376)
Administrative Expense		(686,453)	(677,927)
Net Change in Plan Fiduciary Net Position		(19,513,626)	4,616,030
Plan Fiduciary Net Position - Beginning		371,991,381	367,375,351
Plan Fiduciary Net Position - Ending (b)	$	352,477,755	371,991,381
Net Pension Liability - Ending (a) - (b)	$	238,432,546	189,510,504
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		59.65%	66.25%
Covered-Employee Payroll	$	89,738,426	76,707,094
Net Pension Liability as a Percentage of Covered-Employee Payroll		265.70%	247.06%

*Service cost and the total pension liability have been updated to reflect gross service cost

(1) Data is being accumulated annually to present 10 years of the reported information.

See Accompanying Independent Auditors' Report.

CITY OF BROCKTON, MASSACHUSETTS

Required Supplementary Information

Last Ten Fiscal Years

(Unaudited)

Schedule of Employer Contributions (in thousands)
Brockton Contributory Retirement System

		2015	2014	2013	2012	2011
Actuarially determined contribution	$	19,290	19,290	17,239	16,597	13,788
Contributions in relation to the actuarially determined contribution		19,248	19,332	17,283	16,639	13,834
Contribution deficiency (excess)	$	42	(42)	(44)	(42)	(46)
Covered-employee payroll	$	89,738	76,707	76,378	74,417	74,417
Contributions as a percentage of covered-employee payroll		21.45%	25.20%	22.63%	22.36%	18.59%

(Continued)

		2010	2009	2008	2007	2006
Actuarially determined contribution	$	11,517	11,117	10,958	10,607	10,340
Contributions in relation to the actuarially determined contribution		11,618	11,117	10,946	10,607	10,606
Contribution deficiency (excess)	$	(101)	—	12	—	(266)
Covered-employee payroll	$	75,433	74,357	74,357	72,260	69,893
Contributions as a percentage of covered-employee payroll		15.40%	14.95%	14.72%	14.68%	15.17%

(Concluded)

Schedule of Investment Returns
Brockton Contributory Retirement System (1)

	2016	2015
Annual money-weighted rate of return, net of investment income	-2.06%	4.38%

(1) Data is being accumulated annually to present 10 years of the reported information.

See accompanying independent auditors' report.

CITY OF BROCKTON, MASSACHUSETTS

Required Supplementary Information

Last Ten Fiscal Years

(Unaudited)

Schedule of City's proportionate share of the net pension liability
Brockton Contributory Retirement System (1) (2)

		2016	2015
City's proportion of the net pension liability		93.02878%	93.50853%
City's proportionate share of the net pension liability	$	221,810,876	177,208,481
City's covered-employee payroll	$	72,465,192	69,675,322
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll		306.1%	254.3%
Plan fiduciary net position as a percentage of the total pension liability		59.65%	66.25%

(1) Amounts presented were determined as of December 31 of the applicable fiscal year
(2) Data is being accumulated annually to present 10 years of the reported information

Schedule of City Contributions (in thousands)
Brockton Contributory Retirement System

		2016	2015	2014	2013	2012
Actuarially determined contribution	S	17,945	18,038	16,075	15,477	12,732
Contributions in relation to the actuarially determined contribution		17,945	18,038	16,075	15,477	12,732
Contribution deficiency (excess)	$	—	—	—	—	—
Covered-employee payroll	$	72,465	69,675	71,795	69,952	69,952
Contributions as a percentage of covered-employee payroll		24.76%	25.89%	22.39%	22.13%	18.20%

(Continued)

		2011	2010	2009	2008	2007
Actuarially determined contribution	S	10,342	9,709	9,742	9,470	9,233
Contributions in relation to the actuarially determined contribution		10,342	9,709	9,742	9,470	9,233
Contribution deficiency (excess)	$	—	—	—	—	—
Covered-employee payroll	$	70,907	74,356	69,896	67,924	65,699
Contributions as a percentage of covered-employee payroll		14.59%	13.06%	13.94%	13.94%	14.05%

(Concluded)

See accompanying independent auditors’ report.

CITY OF BROCKTON, MASSACHUSETTS

Required Supplementary Information

Last Ten Fiscal Years

(Unaudited)

Schedule of Special Funding Amounts of the Net Pension Liability
Massachusetts Teachers' Retirement System (1) (2)

		2016	2015
City's Share of Net Pension Liability	$	372,391,598	293,063,758
Commonwealth's Share of the City's Net Pension Liability		372,391,598	293,063,758
		—	—
City's Expense and Revenue Recognized for the Commonwealt's Support	$	30,204,273	20,360,546
Plan fiduciary net position as a percentage of the total pension liability		55.38%	61.64%

(1) Amounts presented were determined as of June 30 of the prior year

(2) Data is being accumulated annually to present 10 years of the reported information

See accompanying independent auditors' report.

CITY OF BROCKTON, MASSACHUSETTS

Required Supplementary Information

June 30, 2016

(Unaudited)

Schedules of Funding Progress

Other Post Employment Benefits (in thousands)

Actuarial Valuation Date		Actuarial Value of Assets (A)	Actuarial Accrued Liability (B)	Unfunded (B-A)	Funded Ratio (A/B)		Covered Payroll (C)	Percentage Covered ((B-A/C)
June 30, 2016	$	—	495,514	495,514	—%	$	201,104	246.4%
June 30, 2014		—	416,955	416,955	—%		190,904	218.4%
June 30, 2012		—	504,888	504,888	—%		173,404	291.2%

See accompanying independent auditors’ report.

(1) Budgetary Basis of Accounting

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

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

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

(a) Budgeted revenues are recorded when cash is received, as opposed to when susceptible to accrual (GAAP).

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

(2) Expenditures in Excess of Budget

In fiscal year 2016, expenditures and encumbrances and continuing appropriations exceeded budgeted amounts for Education totaling ($229,955), State and County Assessments ($595,208), Court Judgments ($62,904), and Transfers Out ($377,125).

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

Budgetary inflows and GAAP revenues:		
Actual amounts (budgetary basis) "amounts available for appropriation" from the budgetary comparison schedule	$	346,129,203
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		1,101,979
Stabilization fund earnings		209,499
MTRS on-behalf payments		30,204,273
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes		(6,552,405)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances	$	371,092,549
Budgetary outflows and GAAP expenditures:		
Actual amounts (budgetary basis) "total charges to appropriation" from the budgetary comparison schedule	$	344,188,220
Differences – budget to GAAP:		
Enterprise fund related budgetary expenditures are recorded as reductions to transfers for GAAP purposes		(159,750)
Health claims expenditures and accruals are not reported as charges to appropriations on a budgetary basis		(7,946,147)
Adjustments for expenditures, encumbrances, and accruals, net		4,946,363
MTRS on-behalf payments		30,204,273
Transfers to other funds are outflows of budgetary appropriations but are not expenditures for financial reporting purposes		(2,611,817)
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances	$	368,621,142

(4) Schedule of employer contributions

The following methods and assumptions were used to determine the most recent actuarially determined contribution rates:

Valuation date	January 1, 2014
Methods:	
Actuarial cost method	Entry age normal cost
Amortization method	Level percentage of pay
Remaining amortization period	19 years
Asset valuation method	5-year smoothing method
Assumptions:	
Inflation	3.00%
Salary increases	Based on years of service, ranging from 7.00% at 0 years of service decreasing to 3.75% after 9 years of service
Investment rate of return	8.0%
Cost of living adjustment	3.0% annually
Mortality	Pre-retirement - RP-2000 Mortality Table projected 15 years beyond the valuation date with Scale AA for males and females Postretirement - RP-2000 Mortality Table projected 7 years beyond the valuation date with Scale AA for males and females Disabled Retiree - RP-2000 Mortality Table set forward two years for all disabled members
Retirement rates	General Employees - 1.0% and 1.5% for males and females, respectively, beginning at age 50 ranging to 30.0% and 20.0% for males and females, respectively, ending at age 69 Police and Fire - 1.0% beginning at age 45 ranging to 100.0% at age 65

CITY OF BROCKTON, MASSACHUSETTS

Budgetary Comparison Schedule – Water Enterprise Fund
Additional Information

Year Ended June 30, 2016

		Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
		Original	**Final**		
Resources:					
Charges for Services	$	15,001,676	15,001,676	14,177,499	(824,177)
Departmental Charges and Fees		457,549	457,549	606,522	148,973
Miscellaneous		37,347	37,347	75,583	38,236
Amounts Available for Appropriation		15,496,572	15,496,572	14,859,604	(636,968)
Charges to Appropriations:					
Salaries and Benefits		2,965,332	3,264,777	2,992,815	271,962
Ordinary Maintenance		10,538,971	10,538,971	10,214,094	324,877
Debt Service		2,229,819	2,229,819	2,169,193	60,626
Total Charges to Appropriations		15,734,122	16,033,567	15,376,102	657,465
Excess (Deficiency) of Resources over Charges to Appropriations		(237,550)	(536,995)	(516,498)	20,497
Other Financing Sources (Uses):					
Certified Retained Earnings		2,192,120	2,192,120	2,192,120	—
Transfers In		—	299,445	299,445	—
Transfers Out		(1,954,570)	(1,954,570)	(1,804,570)	(150,000)
Total Other Financing Sources (Uses)		237,550	536,995	686,995	—
Net Changes in Fund Balance	$	—	—	170,497	20,497

See Accompanying Independent Auditors' Report.

CITY OF BROCKTON, MASSACHUSETTS

Budgetary Comparison Schedule – Sewer Enterprise Fund
Additional Information

Year Ended June 30, 2016

		Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
		Original	Final		
Resources:					
Charges for Services	$	16,601,847	16,601,847	19,457,568	2,855,721
Departmental Charges and Fees		483,202	483,202	459,497	(23,705)
Miscellaneous		367,294	367,294	317,326	(49,968)
Amounts Available for Appropriation		17,452,343	17,452,343	20,234,391	2,782,048
Charges to Appropriations :					
Salaries and Benefits		1,676,702	1,854,224	1,476,014	378,210
Ordinary Maintenance		8,549,602	8,549,602	5,911,740	2,637,862
Debt Service		7,005,935	7,005,935	6,994,810	11,125
Capital Outlay		1,031,273	1,031,273	2,419,163	(1,387,890)
Total Charges to Appropriations		18,263,512	18,441,034	16,801,727	1,639,307
Excess (Deficiency) of Resources over Charges to Appropriations		(811169)	(988,691)	3,432,664	4,421,355
Other Financing Sources (Uses):					
Certified Retained Earnings		3,013,133	3,013,133	3,013,133	—
Transfers In		—	177,522	177,522	—
Transfers Out		(2,201,964)	(2,201,964)	(2,201,964)	—
Total Other Financing Sources (Uses)		811,169	988,691	988,691	—
Net Changes in Fund Balance	$	—	—	4,421,355	4,421,355

See Accompanying Independent Auditors' Report.