

OFFICIAL STATEMENT DATED JUNE 5, 2019

Ratings: See "Ratings" herein.

S&P Global Ratings:

Series A: AA

Series B: AA

New Issue

Interest on the Series A Bonds is includable in gross income for federal income tax purposes and is subject to Massachusetts personal income taxes. In the opinion of Locke Lord LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Series B Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986 (the "Code"). Interest on the Series B Bonds will not be included in computing the alternative minimum taxable income of individuals. Under existing law, interest on the Series B Bonds is exempt from Massachusetts personal income taxes, and the Series B Bonds are exempt from Massachusetts personal property taxes. The Series B Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series B Bonds. See "THE BONDS – Tax Matters Relating to the Series A Bonds," "THE BONDS – Tax Exemption of the Series B Bonds," and Appendix B herein.

CITY OF BROCKTON, MASSACHUSETTS
\$4,450,000 General Obligation State Qualified Bonds, Series A
(Subject to Federal and Massachusetts Income Taxation)

and

\$5,190,000 General Obligation State Qualified Municipal Purpose Loan of 2019 Bonds, Series B

DATED

Date of Delivery

DUE

September 1

(as shown on the inside cover page hereof)

The Bonds are issuable only in fully registered form without coupons and, when issued, will be registered in the name of Cede & Co., as Bondholder and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in denominations of \$5,000 or any integral multiple thereof. (See "Book-Entry Transfer System" herein.)

Principal of the Bonds will be paid on September 1 of the years in which the Bonds mature. Interest on the Bonds will be payable semiannually on March 1 and September 1, commencing September 1, 2019, until maturity or redemption prior to maturity. Principal and semiannual interest on the Bonds will be paid by The Treasurer and Receiver-General of The Commonwealth of Massachusetts, Boston, Massachusetts, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein.

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

An opinion of Bond Counsel will be delivered with the Bonds to the effect that the Bonds are valid general obligations of the City of Brockton, Massachusetts and except to the extent they are paid from other available moneys, the principal of and interest on the Bonds are payable from taxes that may be levied upon all taxable property within the City subject to the limit imposed by Chapter 59, Section 21C of the General Laws.

The Bonds are offered subject to the final approving opinion of Locke Lord LLP, Boston, Massachusetts, Bond Counsel, as aforesaid, and to certain other conditions referred to herein and in the Notice of Sale. Hilltop Securities Inc., Boston, Massachusetts has acted as Financial Advisor to the City with respect to the Bonds. (See "Financial Advisory Services of Hilltop Securities Inc." herein.) The Bonds in definitive form will be delivered to DTC, or its custodial agent, on or about June 20, 2019, against payment to the City in federal funds.

CITY OF BROCKTON, MASSACHUSETTS
\$4,450,000 GENERAL OBLIGATION STATE QUALIFIED BONDS, SERIES A
(Subject to Federal and Massachusetts Income Taxation)

MATURITIES, AMOUNTS, RATES, YIELDS, CUSIPS

<u>Due September 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Cusip 111746</u>
2019	\$ 15,000	5.00 %	2.30 %	FM0
2020	15,000	5.00	2.32	FN8
2021	15,000	5.00	2.34	FP3
2022	200,000	5.00	2.35	FQ1
2023	210,000	5.00	2.40	FR9
2024	210,000	5.00	2.45	FS7
2025	220,000	3.00	2.50	FT5
2026	225,000	3.00	2.55	FU2
2027	235,000	3.00	2.65	FV0
2028	240,000	3.00	2.75	FW8
2029	245,000	3.00	2.85	FX6
2030	255,000	3.00	2.95	FY4
2031	265,000	3.00	3.00	FZ1
2032	270,000	3.10	3.10	GA5
2033	280,000	3.15	3.15	GB3
2034	290,000	3.20	3.20	GC1
2035	300,000	3.25	3.25	GD9
2036	310,000	3.30	3.30	GE7
2037	320,000	3.35	3.35	GF4
2038	330,000	3.40	3.40	GG2

BAIRD

**\$5,190,000 GENERAL OBLIGATION STATE QUALIFIED
MUNICIPAL PURPOSE LOAN OF 2019 BONDS, SERIES B**

MATURITIES, AMOUNTS, RATES, YIELDS, CUSIPS

<u>Due September 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Cusip 111746</u>
2019	\$ 330,000	5.00 %	1.28 %	GH0
2020	325,000	5.00	1.29	GJ6
2021	320,000	5.00	1.31	GK3
2022	300,000	5.00	1.32	GL1
2023	305,000	5.00	1.34	GM9
2024	305,000	5.00	1.35	GN7
2025	305,000	5.00	1.39	GP2
2026	300,000	5.00	1.43	GQ0
2027	305,000	5.00	1.49	GR8
2028	305,000	5.00	1.55	GS6
2029	215,000	4.00	1.64	GT4
2030	215,000	4.00	1.88	GU1
2031	220,000	4.00	1.99	GV9
2032	220,000	3.00	2.48	GW7
2033	220,000	3.00	2.60	GX5
2034	220,000	3.00	2.68	GY3
2035	220,000	3.00	2.78	GZ0
2036	225,000	3.00	2.85	HA4
2037	170,000	3.00	2.95	HB2
2038	165,000	3.00	3.00	HC0

FIDELITY CAPITAL MARKETS

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The information and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no material change in the affairs of the City since the date of this Official Statement.

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SUMMARY STATEMENT

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

Date of Sales: Wednesday, June 5, 2019, 11:30 a.m. (Eastern Time).

Location of Sales: Hilltop Securities Inc., 54 Canal Street, 3rd Floor, Boston, Massachusetts 02114.

Issuer: City of Brockton, Massachusetts.

Issues (the "Bonds"): \$4,450,000 General Obligation State Qualified Bonds, Series A (Subject to Federal and Massachusetts Income Taxation) (the "Series A Bonds") and \$5,190,000 General Obligation State Qualified Municipal Purpose Loan of 2019 Bonds, Series B (the "Series B Bonds" and together with the Series A Bonds, the "Bonds").

Official Statement Dated: June 5, 2019.

Dated Date of the Bonds: As of their date of delivery.

Principal Due: Series A Bonds: Serially September 1, 2019 through September 1, 2038 as detailed herein.
Series B Bonds: Serially September 1, 2019 through September 1, 2038 as detailed herein.

Interest Payable: Semiannually on March 1 and September 1, commencing September 1, 2019.

Purpose and Authority: The Bonds are authorized by the City for various municipal purposes under provisions of the Massachusetts General Laws as detailed herein.

Redemption: The Bonds will be subject to redemption prior to their stated maturity dates as detailed herein.

Security for the Bonds: The Bonds are valid general obligations of the City and except to the extent they are paid from other available moneys, the principal of and interest on the Bonds are payable from taxes that may be levied upon all taxable property within the City subject to the limit imposed by Chapter 59, Section 21C of the General Laws.

Credit Ratings: S&P Global Ratings has assigned ratings of AA to each series of the Bonds.

Bond Insurance: The City has not contracted for the issuance of any policy of municipal bond insurance or any other credit enhancement facility.

Basis of Awards: Lowest True Interest Cost (TIC), as of the dated date. **No bid of less than par will be accepted on the Series A Bonds. No bid of less than par plus a premium of \$95,000 will be accepted on the Series B Bonds.**

Tax Exemption of the Series B Bonds: Refer to "THE BONDS - Tax Exemption of the Series B Bonds" herein and Appendix B, "Proposed Form of Legal Opinion."

Continuing Disclosure: Refer to "THE BONDS - Continuing Disclosure" herein and Appendix C, "Proposed Form of Continuing Disclosure Certificate."

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

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

Legal Opinions: Locke Lord LLP, Boston, Massachusetts.

Financial Advisor: Hilltop Securities Inc., Boston, Massachusetts.

Delivery and Payment: It is expected that delivery of the Bonds in book-entry only form will be made to The Depository Trust Company, or to its custodial agent, on or about June 20, 2019, against payment in federal funds.

Issuer Official: Questions concerning the Official Statement should be addressed to Mr. Martin Brophy, Treasurer, City of Brockton, Massachusetts Telephone (508) 580-7159 or Cinder McNerney, Managing Director, Hilltop Securities Inc., Boston, Massachusetts Telephone (617) 619-4408.

CITY OF BROCKTON, MASSACHUSETTS
\$4,450,000 GENERAL OBLIGATION STATE QUALIFIED BONDS, SERIES A
(Subject to Federal and Massachusetts Income Taxation)
and
\$5,700,000* GENERAL OBLIGATION STATE QUALIFIED
MUNICIPAL PURPOSE LOAN OF 2019 BONDS, SERIES B

The City of Brockton, Massachusetts, will receive sealed or electronic (as described herein) proposals until 11:30 a.m. (Eastern Time) on Wednesday, June 5, 2019, for the purchase of the following described Bonds of the City:

\$4,450,000 General Obligation State Qualified Bonds, Series A (Subject to Federal and Massachusetts Income Taxation), payable on September 1 in the years and amounts as follows:

Due September 1	Principal Amount*	Due September 1	Principal Amount*
2019	\$ 15,000	2029 **	\$ 240,000
2020	15,000	2030 **	250,000
2021	15,000	2031 **	265,000
2022	180,000	2032 **	275,000
2023	190,000	2033 **	290,000
2024	185,000	2034 **	305,000
2025	195,000	2035 **	320,000
2026	205,000	2036 **	335,000
2027	215,000	2037 **	355,000
2028 **	230,000	2038 **	370,000

\$5,700,000* General Obligation State Qualified Municipal Purpose Loan of 2019 Bonds, Series B, payable on September 1 in the years and amounts as follows:

Due September 1	Principal Amount*	Due September 1	Principal Amount*
2019	\$ 465,000	2029 **	\$ 215,000
2020	460,000	2030 **	215,000
2021	455,000	2031 **	215,000
2022	320,000	2032 **	220,000
2023	320,000	2033 **	220,000
2024	320,000	2034 **	220,000
2025	320,000	2035 **	220,000
2026	315,000	2036 **	225,000
2027	320,000	2037 **	170,000
2028 **	320,000	2038 **	165,000

The Bonds will be dated their date of delivery. Principal of the Bonds will be payable on September 1 of the years in which the Bonds mature. Interest will be payable on March 1 and September 1, commencing September 1, 2019.

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

*Preliminary, subject to change.

**May be combined into one, two or three term bonds.

The Bonds maturing in the years 2019 through 2027 will not be subject to redemption prior to maturity. The Bonds maturing on and after September 1, 2028 shall be subject to redemption prior to maturity, at the option of the City, on or after September 1, 2027, either in whole or in part at any time, and if in part, by lot within a maturity, at the par amount of the Bonds to be redeemed.

For Bonds maturing on September 1, 2028 and thereafter, bidders may specify that all of the principal amount of such Bonds in any two or more consecutive years may, in lieu of maturing in each such year, be combined to comprise one maturity of term bonds scheduled to mature in the latest of the combined years, and shall be subject to mandatory redemption prior to maturity at par as described above, in each of the years and in the principal amounts specified in the foregoing maturity schedules. Each mandatory redemption shall be allocated to the payment of the term bond maturing in the nearest subsequent year. Bidders may specify no more than three term bonds for each series of the Bonds.

Term bonds, if any, shall be subject to mandatory redemption on September 1 of the year or years immediately prior to the stated maturity of such term bond (the particular Bonds of such maturity to be redeemed to be selected by lot) as indicated in the foregoing maturity schedules at the principal amount thereof, without premium.

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

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

Bidding Parameters

As between proposals which comply with this Notice of Sale, the award will be to the bidder who offers to purchase all of a series of the Bonds at the lowest net effective interest rate to the City. Such interest rate shall be determined on a true interest cost (TIC) basis, which shall mean that rate which, as of the delivery date, discounts semiannually all future payments on account of principal and interest to the price bid. In the event there is more than one proposal specifying the lowest such rate for a series of the Bonds, such series of the Bonds will be awarded to the bidder whose proposal is selected by the City Treasurer by lot from among all such proposals.

Bidders shall state the rate or rates of interest per annum which a series of the Bonds is to bear in a multiple of 1/20 or 1/8 of one percent, but shall not state (a) more than one interest rate for any Bonds of a series having a like maturity, **(b) any interest rate which exceeds the interest rate stated for any other Bonds of a series by more than 3 percent, and (c) any coupon in excess of 5.0%. No bid of less than par will be accepted for the Series A Bonds and no bid of less than par plus a premium of at least \$95,000 will be accepted for the Series B Bonds.**

The City reserves the right to change the Series A Bonds based on the coupon rates of the winning bid, to restructure the principal payments to achieve approximately level debt service on the Series A Bonds.

The amortization structure of the Series B Bonds does not reflect any premium. The City reserves the right to change the aggregate principal amount of the Series B Bonds and the maturity schedule after the determination of the winning bid and the amount of premium to be received by decreasing or increasing the aggregate par amount of the Series B Bonds and restructuring each purpose within the issue to mirror the original structure for each purpose included in the Series B Bonds.

THE SUCCESSFUL BIDDER OF EACH SERIES OF BONDS MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES, AS A RESULT OF ANY CHANGES MADE TO THE ANNUAL PRINCIPAL AMOUNTS WITHIN THESE LIMITS. The dollar amount bid for each series of Bonds by the winning bidder will be adjusted, if applicable, to reflect changes in the dollar amount of the amortization schedule. Any price that is adjusted will reflect changes in the dollar amount of the underwriter's discount and original issue premium, if any, but will not change the per bond underwriter's discount (net of insurance premium, if any) provided in such bid. Nor will it change the interest rate specified for each maturity. Any such adjustments will be communicated to the winning bidder for each Series of the Bonds by 4 p.m. Eastern Time on the day of the sale.

Bids must be submitted either:

- (a) In a sealed envelope marked "Proposal for Bonds" and addressed to Mr. Martin Brophy, Treasurer, City of Brockton, Massachusetts c/o Hilltop Securities Inc., 54 Canal Street, Boston, Massachusetts 02114. Signed blank bid forms may be faxed to (617) 619-4411 prior to submitting bids, and actual bids may be telephoned to

Hilltop Securities Inc. telephone (617) 619-4400, at least one-half hour prior to the 11:30 a.m. Eastern Time sale and after receipt of the faxed bid form by Hilltop Securities Inc. will act as agent for the bidder, but neither the City nor Hilltop Securities Inc. shall be responsible for any errors in connection with bids submitted in this manner.

- (b) Electronically via Parity in accordance with this Notice of Sale. To the extent any instructions or directions set forth in Parity conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about Parity, potential bidders may contact the Financial Advisor to the City or I-deal at 40 West 23rd Street, 5th Floor, New York, NY 10010 (212) 404-8102. An electronic bid made in accordance with this Notice of Sale shall be deemed an offer to purchase the Bonds in accordance with the terms provided in this Notice of Sale and shall be binding upon the bidder as if made by a signed and sealed written bid delivered to the City.

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

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

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

The Series B Bonds are designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986 as amended (the “Code”).

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

It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that it shall be furnished, without cost, with (a) the approving opinion of the firm of Locke Lord LLP, Boston, Massachusetts, substantially in the form appearing as Appendix B of the Preliminary Official Statement dated May 29, 2019, (b) a certificate in form satisfactory to Bond Counsel dated as of the date of delivery of the Bonds and receipt of payment therefor to the effect that there is no litigation pending or, to the knowledge of the signers thereof, threatened which affects the validity of the Bonds or the power of the City to levy and collect taxes to pay them, (c) a certificate of the City Treasurer to the effect that, to the best of his knowledge and belief, as of the date of sale the Preliminary Official Statement did not, and as of the date of the delivery of the Bonds, the Final Official Statement does not, contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, and (d) a Continuing Disclosure Certificate in the form described in the Preliminary Official Statement.

Establishment of Issue Price for Series B Bonds

The successful bidder shall assist the City in establishing the issue price of the Series B Bonds and shall execute and deliver to the City on the Closing Date an “issue price” or similar certificate, in the applicable form set forth in Exhibit 1 to this Notice of Sale, setting forth the reasonably expected initial offering prices to the public or the sales price of the Series B Bonds together with the supporting pricing wires or equivalent communications, or, if applicable, the amount bid, with such modifications as may be appropriate or necessary, in the reasonable judgment of the successful bidder, the City and Bond Counsel. All actions to be taken by the City under this Notice of Sale to establish the issue price of the Series B Bonds may be taken on behalf of the City by Hilltop Securities Inc. (the “Financial Advisor”) and any notice or report to be provided to the City may be provided to the Financial Advisor.

Competitive Sale Requirements. If the competitive sale requirements (“competitive sale requirements”) set forth in Treasury Regulation § 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Series B Bonds) have been satisfied, the City will furnish to the successful bidder on the Closing Date a certificate of the Financial Advisor, which will certify each of the following conditions to be true:

1. the City has disseminated this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;

2. all bidders had an equal opportunity to bid;
3. the City received bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
4. the City awarded the sale of the Series B Bonds to the bidder who submitted a firm offer to purchase the Series B Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Series B Bonds, as specified in the bid. Unless a bidder notifies the City prior to submitting its bid by facsimile or email to the Financial Advisor 617.619.4411 or cinder.mcnerney@hilltopsecurities.com or in its bid submitted via Parity, that it will not be an “underwriter” (as defined below) of the Series B Bonds, by submitting its bid, each bidder shall be deemed to confirm that it has an established industry reputation for underwriting new issuances of municipal bonds. Unless the bidder has notified the City that it will not be an “underwriter” (as defined below) of the Series B Bonds, in submitting a bid, each bidder is deemed to acknowledge that it is an “underwriter” that intends to reoffer the Series B Bonds to the public.

In the event that the competitive sale requirements are not satisfied, the City shall so advise the successful bidder. In this event the successful bidder may use either Option A, Option B, or Option C set forth herein.

Failure to Meet the Competitive Sale Requirements – Option A – The Successful Bidder Intends to Reoffer the Series B Bonds to the Public and the 10% Test is Used. If the competitive sale requirements are not satisfied and the successful bidder intends to reoffer the Series B Bonds to the public, the successful bidder may use the first price at which 10% of a maturity of the Series B Bonds (the “10% test”) is sold to the public as the issue price of that maturity, applied on a maturity-by-maturity basis, of the Series B Bonds. The successful bidder shall advise the Financial Advisor if any maturity of the Series B Bonds satisfies the 10% test as of the date and time of the award of the Series B Bonds. The City will not require bidders to comply with the “hold-the-offering-price rule” set forth in the applicable Treasury Regulations.

If the competitive sale requirements are not satisfied, then until the 10% test has been satisfied as to each maturity of the Series B Bonds or all of the Series B Bonds are sold to the public, the successful bidder agrees to promptly report to the Financial Advisor the prices at which the unsold Series B Bonds of each maturity have been sold to the public, which reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied for each maturity of the Series B Bonds or until all the Series B Bonds of a maturity have been sold. The successful bidder shall be obligated to report each sale of Series B Bonds to the Financial Advisor until notified in writing by the City or the Financial Advisor that it no longer needs to do so. If the successful bidder uses Option A, the successful bidder shall provide to the City on or before the Closing Date the certificate substantially in the form attached to this Notice of Sale as Exhibit 1 – Option A.

By submitting a bid and if the competitive sale requirements are not met, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Series B Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to report the prices at which it sells to the public the unsold Series B Bonds of each maturity allotted to it until it is notified by the successful bidder that either the 10% test has been satisfied as to the Series B Bonds of that maturity or all Series B Bonds of that maturity have been sold to the public, if and for so long as directed by the successful bidder and as set forth in the related pricing wires and (ii) any agreement among underwriters relating to the initial sale of the Series B Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Series B Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to report the prices at which it sells to the public the unsold Series B Bonds of each maturity allotted to it until it is notified by the successful bidder or such underwriter that either the 10% test has been satisfied as to the Series B Bonds of that maturity or all Series B Bonds of that maturity have been sold to the public if and for so long as directed by the successful bidder or such underwriter and as set forth in the related pricing wires.

Sales of any Series B Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

1. “public” means any person other than an underwriter or a related party,
2. “underwriter” means (A) any person, including the successful bidder, that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Series B Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Series B Bonds to the public (including a

member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Series B Bonds to the public), and

3. a purchaser of any of the Series B Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

Failure to Meet the Competitive Sale Requirements – Option B – The Successful Bidder Intends to Reoffer the Series B Bonds to the Public and Agrees to Hold the Price of Maturities of Series B Bonds for Which the 10% Test in Option A is Not Met as of the Sale Date. The successful bidder may, at its option, notify the Financial Advisor in writing, which may be by email (the “Hold the Price Notice”), not later than 4:00 p.m. Eastern Time on the Sale Date, that it has not sold 10% of the maturities of the Series B Bonds listed in the Hold the Price Notice (the “Unsold Maturities”) and that the successful bidder will not offer the Unsold Maturities to any person at a price that is higher than the initial offering price to the public during the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date or (ii) the date on which the successful bidder has sold at least 10% of the applicable Unsold Maturity to the public at a price that is no higher than the initial offering price to the public. If the successful bidder delivers a Hold the Price Notice to the Financial Advisor, the successful bidder must provide to the City on or before the Closing Date, in addition to the certification described in Exhibit 1, the certificate substantially in the form attached to this Notice of Sale as Exhibit 1 – Option B with evidence that each underwriter of the Series B Bonds, including underwriters in an underwriting syndicate or selling group, has agreed in writing to hold the price of the Unsold Maturities in the manner described in the preceding sentence.

Failure to Meet the Competitive Sale Requirements and/or the Successful Bidder Does Not Intend to Reoffer the Series B Bonds to the Public – Option C. If the successful bidder has purchased the Series B Bonds for its own account and will not distribute or resell the Series B Bonds to the public, then, whether or not the competitive sale requirements were met, the reoffering price certificate will recite such facts and identify the price or prices at which the purchase of the Series B Bonds was made.

It is anticipated that CUSIP identification numbers will be printed on the Bonds. The City assumes no responsibility for any CUSIP Service Bureau or other charge that may be imposed for the assignment of such numbers.

Additional information concerning the City of Brockton and the Bonds is contained in the Preliminary Official Statement dated May 29, 2019, to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Notice of Sale. Said Preliminary Official Statement is deemed final by the City except for the omission of the reoffering price(s), interest rate(s), delivery date, the identity of the underwriter(s), and any other pertinent terms of the Bonds depending on such matters, but is subject to change without notice to completion or amendment in a Final Official Statement. Copies of the Preliminary Official Statement may be obtained from Hilltop Securities Inc. 54 Canal Street, Boston, Massachusetts 02114 (Telephone: 617-619-4400). Within seven (7) business days following the award of the Bonds in accordance herewith, 5 copies of the Final Official Statement will be available from Hilltop Securities Inc. to the successful bidder for use in reoffering the Bonds. Upon request, additional copies will be provided at the expense of the requester.

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

Each series of Bonds in definitive form will be delivered to The Depository Trust Company or its custodial agent on or about June 20, 2019 for settlement in federal funds.

May 29, 2019

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

**Issue Price Certificate for Use If the Competitive
Sale Requirements Are Met**

\$5,700,000*

City of Brockton, Massachusetts

General Obligation State Qualified Municipal Purpose Loan of 2019 Bonds, Series B dated June 20, 2019

ISSUE PRICE CERTIFICATE AND RECEIPT

The undersigned, on behalf of _____ (the "Successful Bidder"), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Bonds") of the City of Brockton, Massachusetts (the "Issuer").

1. Reasonably Expected Initial Offering Prices.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Successful Bidder are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Bonds used by the Successful Bidder in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by the Successful Bidder to purchase the Bonds.

(b) The Successful Bidder was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Successful Bidder constituted a firm offer to purchase the Bonds.

2. Defined Terms.

(a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is June 5, 2019.

(d) *Underwriter* means (i) any person, including the Successful Bidder, that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

3. Receipt. The Successful Bidder hereby acknowledges receipt of the Bonds and further acknowledges receipt of all certificates, opinions, and other documents required to be delivered to the Successful Bidder, before or simultaneously with the Bonds, which certificates, opinions, and other documents are satisfactory to the Successful Bidder.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Successful Bidder's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Locke Lord LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: _____, 2019

[Successful Bidder]

By: _____

Name:

Title:

*Preliminary, subject to change.

SCHEDULE A
EXPECTED OFFERING PRICES
(To Be Attached)

SCHEDULE B
COPY OF SUCCESSFUL BIDDER'S BID
(To Be Attached)

**Issue Price Certificate for Use If the Competitive Sale Requirements Are
Not Met and the Hold the Price Rule Is Not Used**

City of Brockton, Massachusetts

**\$5,700,000* General Obligation State Qualified Municipal Purpose Loan of 2019 Bonds,
Series B dated June 20, 2019**

ISSUE PRICE CERTIFICATE AND RECEIPT

The undersigned, on behalf of _____ (the (“[Successful Bidder][Representative]”), on behalf of itself [and [NAMES OF OTHER UNDERWRITERS]] hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”) of the City of Brockton, Massachusetts (the “Issuer”).

1. Sale of the Bonds. As of the date of this certificate, [except as set forth in paragraph 2 below,] for each Maturity of the Bonds, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.

[Only use the next paragraph if the 10% test has not been met or all of the Bonds have not been sold for one or more Maturities of Bonds as of the Closing Date.]

For each Maturity of the Bonds as to which no price is listed in Schedule A, as set forth in the Notice of Sale for the Bonds, until at least 10% of each such Maturity of the Bonds is sold to the Public (the “10% test”) or all of the Bonds are sold to the Public, the [Successful Bidder][Representative] agrees to promptly report to the Issuer’s financial advisor, Hilltop Securities Inc. (the “Financial Advisor”), the prices at which the unsold Bonds of each Maturity have been sold to the Public, which reporting obligation shall continue after the date hereof until the 10% test has been satisfied for each Maturity of the Bonds or until all the Bonds of a Maturity have been sold. The [Successful Bidder][Representative] shall continue to report each sale of Bonds to the Financial Advisor until notified by email or in writing by the Issuer or the Financial Advisor that it no longer needs to do so.

2. Defined Terms.

(a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Underwriter* means (i) any person, including the [Successful Bidder][Representative], that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

3. Receipt. The [Successful Bidder][Representative] hereby acknowledges receipt of the Bonds and further acknowledges receipt of all certificates, opinions, and other documents required to be delivered to the [Successful Bidder][Representative], before or simultaneously with the Bonds, which certificates, opinions, and other documents are satisfactory to the [Successful Bidder][Representative].

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the [Successful Bidder][Representative] interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Locke Lord LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: _____, 2019

[SUCCESSFUL BIDDER][REPRESENTATIVE]
By: _____
Name:
Title:

*Preliminary, subject to change.

SALE PRICES
[(To Be Attached)]

SCHEDULE A

**Issue Price Certificate for Use If the Competitive Sale Requirements Are
Not Met and the Hold the Price Rule Is Used**

**City of Brockton, Massachusetts
\$5,700,000* General Obligation State Qualified Municipal Purpose Loan of 2019 Bonds,
Series B dated June 20, 2019**

ISSUE PRICE CERTIFICATE AND RECEIPT

The undersigned, on behalf of _____ (the (“[Successful Bidder][Representative]”), on behalf of itself [and [NAMES OF OTHER UNDERWRITERS]] hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”) by the City of Brockton, Massachusetts (the “Issuer”).

1. Sale of the Bonds. As of the date of this certificate, [except as set forth in the following paragraph,] for each Maturity of the Bonds, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.

[Only use the next paragraph if the 10% test has not been met as of the Sale Date.]

For each Maturity of the Bonds as to which no price is listed in Schedule A (the “Unsold Maturities”), as set forth in the Notice of Sale for the Bonds, the [Successful Bidder][Representative] and any other Underwriter did not [and will not] reoffer the Unsold Maturities to any person at a price that is higher than the initial offering price to the public until the earlier of (i) _____, 2019 or (ii) the date on which the “[Successful Bidder][Representative] or any other Underwriter sold at least 10% of each Unsold Maturity at a price that is no higher than the initial offering price to the Public.

2. Defined Terms.

(a) Maturity means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) Public means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(a) Underwriter means (i) any person, including the [Successful Bidder][Representative], that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

3. Receipt. The Successful Bidder hereby acknowledges receipt of the Bonds and further acknowledges receipt of all certificates, opinions, and other documents required to be delivered to the Successful Bidder, before or simultaneously with the Bonds, which certificates, opinions, and other documents are satisfactory to the Successful Bidder.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the [Successful Bidder’s][Representative’s] interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder.

*Preliminary, subject to change.

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Locke Lord LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: _____, 2019

[SUCCESSFUL BIDDER] [REPRESENTATIVE]

By: _____

Name:

Title:

**SCHEDULE A
PRICES**

[To Be Attached]

CITY OF BROCKTON, MASSACHUSETTS

**\$4,450,000 General Obligation State Qualified Bonds, Series A
(Subject to Federal and Massachusetts Income Taxation)**

And

\$5,190,000 General Obligation State Qualified Municipal Purpose Loan of 2019 Bonds, Series B

This Official Statement is provided for the purpose of presenting certain information relating to the City of Brockton, Massachusetts (the "City"), in connection with the sale of its \$4,450,000 General Obligation State Qualified Bonds, Series A (Subject to Federal and Massachusetts Income Taxation) (the "Series A Bonds"), and its \$5,190,000 General Obligation State Qualified Municipal Purpose Loan of 2019 Bonds, Series B (the "Series B Bonds", and together with the Series A Bonds, the "Bonds"). The information contained herein has been furnished by the City, except information attributed to another governmental agency or official as the source.

The Bonds of each series are being offered for sale at public bidding on Wednesday, June 5, 2019, and a Notice of Sale dated May 29, 2019 has been furnished to prospective bidders. Reference is made to the Notice of Sale for the terms and conditions of bidding.

THE BONDS

The Bonds of each series will be dated as of their delivery date and will bear interest payable semiannually on March 1 and September 1 of each year until maturity, commencing September 1, 2019, each at the rate or rates of interest determined upon their sale in accordance with the Notice of Sale of the City dated May 29, 2019. Each Series of Bonds shall mature on September 1 of the years and in the principal amounts as set forth on the inside cover page of this Preliminary Official Statement.

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

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

Redemption Provisions

Each series of the Bonds is subject to redemption as described below.

Optional Redemption

The Bonds of each series maturing in the years 2019 through 2027 are not subject to redemption prior to maturity. The Bonds of each series maturing on and after September 1, 2028 shall be subject to redemption prior to maturity, at the option of the City, on or after September 1, 2027, either in whole or in part at any time, and if in part, by lot within a maturity, at the par amount of the Bonds to be redeemed, plus accrued interest to the date set for redemption.

Notice of Redemption

So long as DTC is the registered owner of the Bonds, notice of any redemption of Bonds prior to their maturities, specifying the Bonds (or the portion thereof) to be redeemed shall be mailed by registered mail to DTC not more than 60 days nor less than 30 days prior to the redemption date. Any failure on the part of DTC to notify the DTC Participants of the redemption or failure on the part of the DTC Participants, Indirect Participants, or of a nominee of a Beneficial Owner (having received notice from DTC Participant or otherwise) to notify the Beneficial Owner shall not affect the validity of the redemption.

Record Date

For each series of the Bonds, the record date (the "Record Date") is the fifteenth day of the month preceding the interest payment date, provided that, if such date is not a business day, the Record Date shall be the next succeeding business day. Under certain circumstances, the Paying Agent may establish a special record date. The special record date may not be more than twenty (20) days before the date set for payment. The Paying Agent will mail notice of a special record date to the bondholders at least ten (10) days before the special record date.

Book-Entry Transfer System

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts.

This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

Authorization of the Bonds and Use of Proceeds – Series A Bonds

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

<u>This Issue</u>	<u>Purpose</u>	<u>Amount Originally Authorized</u>	<u>Date of Authorization</u>	<u>Law Cite</u>
\$ 4,450,000	Parking Garage	\$ 5,000,000	11/16/2018	Ch.44, s.7(1)

Authorization of the Bonds and Use of Proceeds – Series B Bonds

The following sets forth the principal amounts, purposes, amounts of bond anticipation notes outstanding, dates of City approval and statutory authorizations for the current offering of Series B Bonds:

This Issue	Total Amount Authorized	Amount of Bond Anticipation Notes Outstanding	Date Approved	Purpose	Statutory Authority M.G.L. as amended
\$ 750,000	\$ 3,861,778 (1)	\$ 1,062,300 (4)	4/6/2015 & 5/29/15	Brookfield School Roof Repairs	70B
500,000	3,590,486 (2)	688,000 (5)	4/6/2015 & 5/29/15	Ashfield School Renovations	70B
750,000	2,843,301 (3)	1,038,600 (6)	4/6/2015 & 5/29/15	Gilmore Childhood Center Renovations	70B
91,471	900,000	500,000 (7)	9/5/2016	Municipal and School Facilities Master Plan	44 7(7)
1,000,000	4,000,000	2,500,000 (8)	9/5/2016	Street Lighting System Improvements	44 7(1)
435,000	485,000	335,000 (9)	2/13/2018 & 4/24/18	Elevator Repairs	44 7(1)
550,000	5,000,000	-	11/16/2018	Parking Garage	44 7(1)
817,000	4,880,000	-	10/1/2015	Water	44 8(5)
296,529	3,810,000	-	10/1/2015	Water Mains	44 8
<u>\$ 5,190,000</u>		<u>\$ 6,123,900</u>			

- (1) The City expects to receive approximately 78.95% on eligible project costs from the Massachusetts School Building Authority (MSBA) for a maximum amount of \$1,860,981. To date, the City has received \$1,318,350 from the MSBA.
- (2) The City expects to receive approximately 78.95% on eligible project costs from the MSBA for a maximum grant amount of \$1,987,759. To date, the City has received \$1,846,904 from the MSBA.
- (3) The City expects to receive approximately 78.95% on eligible project costs from the MSBA for a maximum grant amount of \$1,391,496. To date, the City has received \$1,005,077 from the MSBA.
- (4) This issue, along with \$312,300 renewal bond anticipation notes being issued at the same time, will retire bond anticipation notes maturing June 21, 2019.
- (5) This issue, along with \$188,000 renewal bond anticipation notes being issued at the same time, will retire bond anticipation notes maturing June 21, 2019.
- (6) This issue, along with \$288,600 renewal bond anticipation notes being issued at the same time, will retire bond anticipation notes maturing June 21, 2019.
- (7) This issue, along with \$31,800 revenue funds, will retire bond anticipation notes maturing June 21, 2019.
- (8) This issue, along with \$1,500,000 of renewal bond anticipation notes being issued at the same time, will retire bond anticipation notes maturing June 21, 2019.
- (9) This issue includes \$100,000 new money and will retire bond anticipation notes maturing June 21, 2019.

Principal Maturities by Purpose – Series A Bonds

Year	Series A Bonds
2019	\$ 15,000
2020	15,000
2021	15,000
2022	200,000
2023	210,000
2024	210,000
2025	220,000
2026	225,000
2027	235,000
2028	240,000
2029	245,000
2030	255,000
2031	265,000
2032	270,000
2033	280,000
2034	290,000
2035	300,000
2036	310,000
2037	320,000
2038	330,000
Total	<u>\$ 4,450,000</u>

Principal Maturities by Purpose – Series B Bonds

Year	Water	Water Mains	Street Lighting	Elevator	Facilities Master Plan	Garage	Brookfield School	Ashfield School	Gilmore School	Total
2019	\$ 87,000	\$ 16,529	\$ 60,000	\$ 25,000	\$ 31,471	\$ 5,000	\$ 40,000	\$ 25,000	\$ 40,000	\$ 330,000
2020	85,000	15,000	60,000	25,000	30,000	5,000	40,000	25,000	40,000	325,000
2021	85,000	15,000	55,000	25,000	30,000	5,000	40,000	25,000	40,000	320,000
2022	80,000	15,000	55,000	25,000		20,000	40,000	25,000	40,000	300,000
2023	80,000	15,000	55,000	25,000		25,000	40,000	25,000	40,000	305,000
2024	80,000	15,000	55,000	25,000		25,000	40,000	25,000	40,000	305,000
2025	80,000	15,000	55,000	25,000		25,000	40,000	25,000	40,000	305,000
2026	80,000	15,000	55,000	20,000		25,000	40,000	25,000	40,000	300,000
2027	80,000	15,000	55,000	20,000		30,000	40,000	25,000	40,000	305,000
2028	80,000	15,000	55,000	20,000		30,000	40,000	25,000	40,000	305,000
2029		15,000	55,000	20,000		30,000	35,000	25,000	35,000	215,000
2030		15,000	55,000	20,000		30,000	35,000	25,000	35,000	215,000
2031		15,000	55,000	20,000		35,000	35,000	25,000	35,000	220,000
2032		15,000	55,000	20,000		35,000	35,000	25,000	35,000	220,000
2033		15,000	55,000	20,000		35,000	35,000	25,000	35,000	220,000
2034		15,000	55,000	20,000		35,000	35,000	25,000	35,000	220,000
2035		15,000	55,000	20,000		35,000	35,000	25,000	35,000	220,000
2036		15,000	55,000	20,000		40,000	35,000	25,000	35,000	225,000
2037		15,000		20,000		40,000	35,000	25,000	35,000	170,000
2038		10,000		20,000		40,000	35,000	25,000	35,000	165,000
Total	<u>\$ 817,000</u>	<u>\$ 296,529</u>	<u>\$ 1,000,000</u>	<u>\$ 435,000</u>	<u>\$ 91,471</u>	<u>\$ 550,000</u>	<u>\$ 750,000</u>	<u>\$ 500,000</u>	<u>\$ 750,000</u>	<u>\$ 5,190,000</u>

Tax Matters Relating to the Series A Bonds

In the opinion of Locke Lord, Bond Counsel to the City ("Bond Counsel"), under existing law, interest on the Series A Bonds is included in gross income for federal income tax purposes under the Code. Bond Counsel expresses no opinion regarding any other federal tax law consequences related to the ownership or disposition of, or accrual or receipt of interest on, the Series A Bonds.

Bond Counsel is also of the opinion that, under existing law, interest on the Series A Bonds is subject to the Massachusetts personal income tax. Bond Counsel expresses no opinion regarding any other Massachusetts tax consequences arising with respect to the Series A Bonds or any tax consequences arising with respect to the Series A Bonds under the laws of any state other than Massachusetts. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B hereto.

The following discussion summarizes certain U.S. federal tax considerations generally applicable to beneficial owners of the Series A Bonds that acquire their Series A Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the Internal Revenue Service ("IRS") with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not address all U.S. federal income tax consequences applicable to any given investor, nor does it address the U.S. federal income tax considerations applicable to investors who may be subject to special taxing rules (regardless of whether or not such persons constitute U.S. Holders), such as certain U.S. expatriates, banks, real estate investment trusts, regulated investment companies, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors who hold their Series A Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose "functional currency" is not the U.S. dollar. Furthermore, the following discussion does not address (i) alternative minimum tax consequences or (ii) the indirect effects on persons who hold equity interests in a beneficial owner of Series A Bonds. In addition, this summary generally is limited to investors who become beneficial owners of Series A Bonds pursuant to the initial offering for the issue price that is applicable to such Series A Bonds (i.e., the price at which a substantial amount of such Series A Bonds is first sold to the public) and who will hold their Series A Bonds as "capital assets" within the meaning of the Code.

As used herein, "U.S. Holder" means a beneficial owner of a Series A Bond who for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any State thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust with respect to which a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under Treasury Regulations to be treated as a domestic trust). As used herein, "Non-U.S. Holder" generally means a beneficial owner of a Series A Bond (other than a partnership) who is not a U.S. Holder. If an entity classified as a partnership for U.S. federal income tax purposes is a beneficial owner of Series A Bonds, the tax treatment of a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partners in such partnerships should consult their own tax advisors regarding the tax consequences of an investment in the Series A Bonds (including their status as U.S. Holders or Non-U.S. Holders).

U.S. Holders

Interest. Stated interest on the Series A Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

"Original issue discount" will arise for U.S. federal income tax purposes in respect of any Series A Bond if its stated redemption price at maturity exceeds its issue price by more than a de minimis amount (as determined for tax purposes). For any Series A Bonds issued with original issue discount, the excess of the stated redemption price at maturity of that Series A Bond over its issue price will constitute original issue discount for U.S. federal income tax purposes. The stated redemption price at maturity of a Series A Bond is the sum of all scheduled amounts payable on such Series A Bond other than qualified stated interest. U.S. Holders of Series A Bonds generally will be required to include any original issue discount in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders of Series A Bonds issued with original issue discount generally will be required to include in income increasingly greater amounts of original issue discount in successive accrual periods.

“Premium” generally will arise for U.S. federal income tax purposes in respect of any Series A Bond to the extent its issue price exceeds its stated principal amount. A U.S. Holder of a Series A Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such Series A Bond.

Disposition of the Series A Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the State), reissuance or other disposition of a Series A Bond will be a taxable event for U.S. federal income tax purposes. In such event, a U.S. Holder of a Series A Bond generally will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Series A Bond which will be taxed in the manner described above under “Interest”) and (ii) the U.S. Holder’s adjusted tax basis in the Series A Bond (generally, the purchase price paid by the U.S. Holder for the Series A Bond, increased by the amount of any original issue discount previously included in income by such U.S. Holder with respect to such Series A Bond and decreased by any payments previously made on such Series A Bond, other than payments of qualified stated interest, or decreased by any amortized premium). Any such gain or loss generally will be capital gain or loss. Defeasance or material modification of the terms of any Series A Bond may result in a deemed reissuance thereof, in which event a beneficial owner of the defeased Series A Bonds generally will recognize taxable gain or loss equal to the difference between the amount realized from the sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and the beneficial owner’s adjusted tax basis in the Series A Bond.

In the case of a non-corporate U.S. Holder of the Series A Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain may be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. Holder’s holding period for the Series A Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

Medicare Tax on Unearned Income. The Health Care and Education Reconciliation Act of 2010 (P.L. 111-152) requires certain U.S. holders that are individuals, estates or trusts to pay an additional 3.8% tax on, among other things, interest and gains from the sale or other disposition of the Series A Bonds for taxable years beginning after December 31, 2012. U.S. holders that are individuals, estates or trusts should consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of the Series A Bonds.

Non-U.S. Holders

The following discussion applies only to non-U.S. Holders. This discussion does not address all aspects of U.S. federal income taxation that may be relevant to non-U.S. Holders in light of their particular circumstances. For example, special rules may apply to a non-U.S. Holder that is a “controlled foreign corporation” or a “passive foreign investment company,” and, accordingly, non-U.S. Holders should consult their own tax advisors to determine the United States federal, state, local and other tax consequences of holding the Series A Bonds that may be relevant to them.

Interest. Subject to the discussion below under the heading “Information Reporting and Backup Withholding,” payments of principal of, and interest on, any Series A Bond to a Non-U.S. Holder, other than a bank which acquires such Series A Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, generally will not be subject to any U.S. withholding tax provided that the beneficial owner of the Series A Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading “Information Reporting and Backup Withholding,” or an exemption is otherwise established.

Disposition of the Series A Bonds. Subject to the discussion below under the heading “Information Reporting and Backup Withholding,” any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the State), reissuance or other disposition of a Series A Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the State), reissuance or other disposition and certain other conditions are met.

U.S. Federal Estate Tax. A Series A Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual’s death, provided that at the time of such individual’s death, payments of interest with respect to such Series A Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

Information Reporting and Backup Withholding—U.S. Holders and non-U.S. Holders

Interest on, and proceeds received from the sale of, a Series A Bond generally will be reported to U.S. Holders, other than certain exempt recipients, such as corporations, on IRS Form 1099. In addition, a backup withholding tax may apply to payments with respect to the Series A Bonds if the U.S. Holder fails to furnish the payor with a correct taxpayer identification number or other required certification or fails to report interest or dividends required to be shown on the U.S. Holder's federal income tax returns.

In general, a non-U.S. Holder will not be subject to backup withholding with respect to interest payments on the Series A Bonds if such non-U.S. Holder has certified to the payor under penalties of perjury (i) the name and address of such non-U.S. Holder and (ii) that such non-U.S. Holder is not a United States person, or, in the case of an individual, that such non-U.S. Holder is neither a citizen nor a resident of the United States, and the payor does not know or have reason to know that such certifications are false. However, information reporting on IRS Form 1042-S may still apply to interest payments on the Series A Bonds made to non-U.S. Holders not subject to backup withholding. In addition, a non-U.S. Holder will not be subject to backup withholding with respect to the proceeds of the sale of a Series A Bond made within the United States or conducted through certain U.S. financial intermediaries if the payor receives the certifications described above and the payor does not know or have reason to know that such certifications are false, or if the non-U.S. Holder otherwise establishes an exemption. Non-U.S. Holders should consult their own tax advisors regarding the application of information reporting and backup withholding in their particular circumstances, the availability of exemptions and the procedure for obtaining such exemptions, if available.

Backup withholding is not an additional tax, and amounts withheld as backup withholding are allowed as a refund or credit against a holder's federal income tax liability, provided that the required information as to withholding is furnished to the IRS.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal income taxation that may be relevant to a particular Beneficial Owner of Series A Bonds in light of the Beneficial Owner's particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of Series A Bonds, including the application and effect of state, local, foreign and other tax laws.

Tax Exemption of the Series B Bonds

In the opinion of Locke Lord LLP, Bond Counsel to the City ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Series B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is of the further opinion that interest on the Series B Bonds will not be included in computing the alternative minimum taxable income of Bondholders who are individuals. The Series B Bonds are designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on the Series B Bonds.

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

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

To the extent the issue price of any maturity of the Series B Bonds is less than the amount to be paid at maturity of such Series B Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series B Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Series B Bonds which is excluded from gross income for federal income tax

purposes and is exempt from Massachusetts personal income taxes. For this purpose, the issue price of a particular maturity of the Series B Bonds is either the reasonably expected initial offering price to the public or the first price at which a substantial amount of such maturity of the Bonds is sold to the public, as applicable. The original issue discount with respect to any maturity of the Series B Bonds accrues daily over the term to maturity of such Series B Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series B Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series B Bonds. Bondholders should consult their own tax advisors with respect to the tax consequences of ownership of Series B Bonds with original issue discount, including the treatment of purchasers who do not purchase such Series B Bonds in the original offering to the public at the reasonably expected initial offering price or, if applicable, the first price at which a substantial amount of such Series B Bonds is sold to the public.

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

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

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

Risk of Future Legislative Changes and/or Court Decisions

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the Massachusetts legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Series B Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Series B Bonds will not have an adverse effect on the tax status of interest on the Series B Bonds or the market value or marketability of the Series B Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Series B Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

For example, H.R. 1, signed into law on December 22, 2017, reduces the corporate tax rate, modifies individual tax rates, eliminates many deductions, and raises the income threshold above which the individual alternative minimum tax is invoked, among other things. These changes may increase, reduce or otherwise change the financial benefits of owning state and local government bonds. Additionally, Bondholders should be aware that future legislative actions (including federal income tax reform) may retroactively change the treatment of all or a portion of the interest on the Series B Bonds for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the Series B Bonds may be affected and the ability of Bondholders to sell their Series B Bonds in the secondary market may be reduced. The Series B Bonds are not subject to special mandatory redemption, and the interest rates on the Series B Bonds are not subject to adjustment, in the event of any such change in the tax treatment of interest on the Series B Bonds.

Investors should consult their own financial and tax advisors to analyze the importance of these risks.

Security and Remedies

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

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

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

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

Court Proceedings. Massachusetts cities and towns are subject to suit on their general obligation bonds and notes and courts of competent jurisdiction have power in appropriate proceedings to order payment of a judgment on the bonds or notes from lawfully available funds or, if necessary, to order the city or town to take lawful action to obtain the required money, including the raising of it in the next annual tax levy, within the limits prescribed by law. (See “*Tax Limitations*” under “PROPERTY TAXATION” below.) In exercising their discretion as to whether to enter such an order, the courts could take into account all relevant factors including the current operating needs of the city or town and the availability and adequacy of other remedies. The Massachusetts Supreme Judicial Court has stated in the past that a judgment against a municipality can be enforced by the taking and sale of the property of any inhabitant. However, there has been no judicial determination as to whether this remedy is constitutional under current due process and equal protection standards.

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

State Distributions. State grants and distributions may in some circumstances be unavailable to pay general obligation bonds and notes of a city or town in that the State Treasurer is empowered to deduct from such grants and distributions the amount of any debt service paid on “qualified bonds” (See “*Serial Bonds and Notes*” under “INDEBTEDNESS-TYPES OF OBLIGATIONS” below) and any other sums due and payable by the city or town to the Commonwealth or certain other public entities, including any unpaid assessments for costs of any public transportation authority (such as the Massachusetts Bay Transportation Authority (“MBTA”) or a regional transit authority) of which it is a member, for costs of the Massachusetts Water Resources

Authority ("MWRA") if the city or town is within the territory served by the MWRA, for any debt service due on obligations issued to the Massachusetts School Building Authority ("MSBA"), or for charges necessary to meet obligations under the Commonwealth's Clean Water or Drinking Water Revolving Loan Programs, including such charges imposed by another local governmental unit that provides wastewater collection or treatment services or drinking water services to the city or town.

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

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

Bankruptcy. Enforcement of a claim for payment of principal or interest on general obligation bonds or notes would be subject to the applicable provisions of federal bankruptcy laws and to the provisions of other statutes, if any, hereafter enacted by the Congress or the State legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. Massachusetts municipalities are not generally authorized by the Massachusetts General Laws to file a petition for bankruptcy under federal bankruptcy laws. In cases involving significant financial difficulties faced by a single city, town or regional school district, however, the Commonwealth has enacted special legislation to permit the appointment of a fiscal overseer, finance control board or, in the most extreme cases, a state receiver. In a limited number of these situations, such special legislation has also authorized the filing of federal bankruptcy proceedings, with the prior approval of the Commonwealth. In each case where such authority was granted, it expired at the termination of the Commonwealth's oversight of the financially distressed city, town or regional school district. To date, no such filings have been approved or made.

Opinion of Bond Counsel

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

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

Ratings

S&P Global Ratings has assigned a rating of AA to each series of the Bonds. The ratings only reflect the rating agency's views and are subject to revision or withdrawal, which could affect the market price of the Bonds.

Financial Advisory Services of Hilltop Securities Inc.

Hilltop Securities Inc., Boston, Massachusetts serves as financial advisor to the City.

UNDERWRITER – SERIES A BONDS

On April 1, 2019, Baird Financial Corporation, the parent company of Robert W. Baird & Co. Incorporated (“Baird”), acquired HL Financial Services, LLC, its subsidiaries, affiliates and assigns (collectively “Hilliard Lyons”). As a result of such common control, Baird and Hilliard Lyons are now affiliated. It is expected that Hilliard Lyons will merge with and into Baird later in 2019.

Continuing Disclosure

In order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the “Rule”), the City will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the City by not later than 270 days after the end of each fiscal year (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events. Other than the City, there are no obligated persons with respect to the Bonds within the meaning of the Rule. The covenants will be contained in a Continuing Disclosure Certificate, the proposed form of which is provided in Appendix C. The Certificate will be executed by the signers of the Bonds, and incorporated by reference in the Bonds.

In the past five years, the City believes that it has complied, in all material respects, with its previous undertakings to provide annual reports or notices of significant events in accordance with the Rule.

CITY OF BROCKTON, MASSACHUSETTS

General

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

Principal Executive Officers

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

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Mayor	William Carpenter	January 2020
Chief Financial Officer	Troy Clarkson	February 2022
City Auditor	MaryLynn Peters-Chu	December 2019
Treasurer/Collector	Martin S. Brophy	June 2021
City Clerk	Anthony J. Zeoli	January 2022
Chairman-Board of Assessors	John O'Donnell	June 2021

Municipal Services

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

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

Water Supply

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

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

The agreement requires increasing the City's water revenues in order to pay for the contractual minimum purchase commitment, if other entities do not sign contracts. Effective on all bills mailed on or after July 1, 2008, the water rates were increased 60%. However, even with this kind of increase, the City's water rates would be comparable to those of other Massachusetts communities, especially those in southeastern Massachusetts, whose projected growth is expected also to make them potential customers of the desalinization plant. The City Council in October 2015 enacted a rate increase of 10% on all blocks effective January 1, 2016, another 10% on January 1, 2017, a further 10% on January 1, 2018, and final 2.5% on January 1, 2019. Each 10% increase is expected to generate about \$1.2 million in collected revenues annually.

Industry, Commerce and Quality of Life

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

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

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

One of New England's first regional malls, the 615,000 square foot Westgate Mall, is situated at the junction of routes 24 and 27 in Brockton. In 1998 the mall began a comprehensive, on-going renovation and expansion. In May 2012, Market Basket opened an 81,000 square foot freestanding supermarket at the mall.

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

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

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

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

Industry	Calendar Year Average				
	2013	2014	2015	2016	2017
Construction	1,108	1,179	1,353	1,344	1,246
Manufacturing	1,989	2,065	2,149	2,191	2,124
Trade, Transportation and Utilities	8,291	8,073	8,142	8,274	8,257
Information	347	320	267	278	275
Financial Activities	957	917	929	925	925
Professional and Business Services	3,691	3,112	3,382	3,183	3,254
Education and Health Services	16,157	16,742	17,066	17,395	17,297
Leisure and Hospitality	2,566	2,628	2,648	2,682	2,734
Other Services	1,951	2,022	2,042	3,687	2,242
Total Employment	37,057	37,058	36,025	39,959	38,354
Number of Establishments	2,536	2,687	2,863	3,082	3,198
Average Weekly Wages	\$ 873	\$ 900	\$ 925	\$ 934	\$ 955
Total Wages	\$ 1,750,466,704	\$ 1,806,970,525	\$ 1,907,392,560	\$ 1,939,965,794	\$ 1,982,637,238

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

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

<u>Year</u>	<u>Median Selling Price</u>	<u>% Change</u>
2018	\$306,000	11.3 %
2017	275,000	12.2
2016	245,000	11.4
2015	220,000	9.5
2014	200,750	14.7
2013	175,000	16.1
2012	150,765	-2.1
2011	154,000	-10.8
2010	172,750	6.1
2009	162,750	-10.0
2008	181,000	-22.2
2007	232,644	- 13.1
2006	268,000	- 2.5
2005	275,000	10.0
2004	249,913	7.9
2003	231,450	17.5
2002	196,975	21.1
2001	162,550	16.1
2000	140,000	17.4
1999	119,300	16.6
1998	102,300	16.4

Largest Employers

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

Name	Product/Function	Approximate Number of Employees
City of Brockton	City Government	3,400
Signature Health (including Goodard Park)	Hospital	1,000 - 4,999
Caritas Good Samaritan Medical Center	Hospital	1,000 - 4,999
Old Colony YMCA	Social Services	1,000 - 4,999
BAMSI	Human Services	1,000 - 4,999
WB Mason	Business Supplies	1,000 - 4,999
Massasoit Community College	Education	1,000 - 4,999
VA Boston HealthCare System	Hospital	1,000 - 4,999
City of Brockton	City Government	700
South Bay Mental Health Services	Hospital	500 - 999
US Post Office	Post Office	500 - 999
HarborOne Credit Union	Finance	250 - 499
Verizon Communications	Communications	250 - 499
PhrMerica	Pharmacy	250 - 499
Colmbia Gas of Mass (Bay State Gas)	Utilities	250 - 499
Self Help	Social Services	100 -249
Concord Foods	Food Preparation	100 -249
U.S. Laboratory Corp.	Medical Laboratory	100 -249
St. Joseph Manor Health Care	Skilled Nursing Care	100 -249
Baypoint Rehabilitation Center	Rehabilitation Center	100 -249
Uno Foods	Restaurant	100 -249
Wal-Mart	Department Store	100 -249
West Acres	Skilled Nursing Care	100 -249
Brockton Area Transit	Transportation	100 -249
Nutramex Products Inc.	Manufacturing	100 -249
Old Colony Elder Services	Aging Services	100 -249
Shaw's Supermarket	Grocery Store	100 -249
Whites Pastry Shop	Retail Bakery	100 -249
Super Stop & Shop	Grocery Store	100 -249
Brockton Visiting Nurses Association	Hospital	100 -249
Lowe's	Home Centers	100 -249
Barbour Corporation	Manufacturing	100 -249
Home Depot	Home Centers	100 -249

Labor Force, and Unemployment Rates

According to the Massachusetts Division of Employment Security data, in April 2019 the City had a total labor force of 49,314 of which 47,716 were employed and 1,598 or 3.2% were unemployed as compared with 2.6% for the Commonwealth. The following table sets forth the City's average labor force and unemployment rates for calendar years 2014 through 2018 and the unemployment rates for the State and U.S. as a whole for the same period.

<u>Year</u>	<u>Labor Force</u>	City of Brockton Unemployment <u>Rate</u>	Massachusetts Unemployment <u>Rate</u>	U.S. Unemployment <u>Rate</u>
2018	49,201	4.5%	3.3%	3.9%
2017	47,542	5.1	3.7	4.4
2016	46,822	5.2	3.9	4.9
2015	47,037	7.0	4.9	5.0
2014	47,221	8.0	5.8	6.2

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

Education

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

The following table sets forth the actual public school enrollments for 2013 through 2018 with projected enrollments for 2019.

Public School Enrollments – October 1,

	<u>Actual</u>					<u>Projected</u>
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Kindergarten	1,429	1,407	1,410	1,270	1,142	1,100
Elementary	6,885	6,954	6,965	6,669	6,602	6,600
Junior High	3,933	3,892	3,905	3,776	3,946	3,900
Senior High	4,661	4,787	4,795	4,865	4,534	4,500
Other (1)	278	343	350	365	527	500
Totals	<u>17,186</u>	<u>17,383</u>	<u>17,425</u>	<u>16,945</u>	<u>16,751</u>	<u>16,600</u>

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

The school department also has an evening academy with over 240 grade 9 through 12 students, many of whom had previously dropped out of school, included in "Other" in the table above.

Higher education is available in Brockton at Massasoit Community College, a two-year state college with approximately 240 instruction/research and public service members and approximately 67 administrators. Massasoit's ten buildings occupy 100 acres of land. The school offers 43 programs to approximately 8,156 day and evening students at the Brockton campus. Stonehill College is located on the Brockton/Easton boundary and Bridgewater State College is within 10 miles.

Parochial schools in Brockton enroll approximately 1,100 students from grades K-12 at three separate campuses. Approximately 45% of these students are from Brockton and the others from surrounding towns.

The State School Choice, Charter and Technical/Vocational Schools

During the 2018/2019 school year, approximately 305 Brockton students in grades K-12 were attending other public schools under the state sponsored school choice, approximately 1,000 are attending Charter Schools and 870 are attending Technical/Vocational High Schools.

The New Heights Charter School received a five year Charter from the Commonwealth and opened in Brockton in September 2016. The school will phase in 735 seats over 5 years.

Private Schools in the City of Brockton

As of October 2018, approximately 275 Brockton-residing students were enrolled in the City's three private schools in grades K-12. The individual student population/enrollment of these three schools, including students who do not live in Brockton, ranges from 75 to 600. Approximately 45% of these students receive home-to-school-and-back transportation provided by the Brockton School Department.

The School Assignment Plan

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

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

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

Transportation and Utilities

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

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

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

Population, Income and Wealth Levels

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

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

Population Trends

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

SOURCE: Federal Census.

PROPERTY TAXATION

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

Tax Levy Computation

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

TAX LEVY COMPUTATION

	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019
Total Appropriations(1)	\$ 379,910,356	\$ 389,633,964	\$ 403,498,328	\$ 409,331,164	\$ 417,576,814
Additions:					
State and County Assessments	7,176,064	8,014,686	11,796,226	15,067,785	17,769,026
Overlay Reserve	2,694,911	3,314,776	2,701,350	1,700,846	1,501,941
Other Additions(2)	1,536,119	1,219,131	468,888	1,238,055	326,626
Total Additions	11,407,094	12,548,593	14,966,464	18,006,686	19,597,593
Gross Amount to be Raised	391,317,450	402,182,557	418,464,792	427,337,850	437,174,407
Deductions:					
Local Estimated Receipts(3)	67,395,954	66,763,263	71,078,265	72,764,033	68,554,807
State Aid(4):	187,765,086	193,865,488	198,111,509	197,089,774	204,387,949
Available Funds(5)	17,504,927	17,054,137	19,678,997	19,699,260	20,619,149
Total Deductions	272,665,967	277,682,888	288,868,771	289,553,067	293,561,905
Net Amount to be Raised (Tax Levy)	<u>\$ 118,651,483</u>	<u>\$ 124,499,669</u>	<u>\$ 129,596,021</u>	<u>\$ 137,784,783</u>	<u>\$ 143,612,502</u>

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

Assessed Valuations and Tax Levies

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

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

The City has used multiple tax rates under classification since fiscal 1984 when it first revalued all real and personal property in the City to full value. The next revaluation will occur in fiscal 2021.

Classification of Property

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

Fiscal Year	Real Estate Valuation	Personal Property Valuation	Total Assessed Valuation	Tax Levy	Tax Levy Per Capita(1)
2019	\$ 7,593,109,441	\$ 250,386,020	\$ 7,843,495,461	\$ 143,612,504	\$ 1,531
2018	6,928,490,616	244,490,170	7,172,980,786	137,784,783	1,469
2017	6,440,856,599	247,740,790	6,688,597,389	129,596,021	1,381
2016	5,881,705,575	222,598,360	6,104,303,935	124,499,669	1,327
2015	5,267,393,321	195,574,810	5,462,968,131	118,651,483	1,265

(1) Based on the 2010 federal census

Levy Distribution

Fiscal Year	% of Levy	
	Residential	Commercial, Industrial/Personal Property
2019	70.3%	29.7%
2018	68.2	31.8
2017	67.1	32.9
2016	67.5	32.5
2015	64.6	35.4

Tax Rate Per \$1,000 Valuation

<u>Fiscal Year</u>	<u>Residential Real Property</u>	<u>All Other (Commercial, Industrial and Personal Property)</u>
2019	\$15.54	\$31.67
2018	16.06	33.23
2017	16.10	32.94
2016	17.36	32.02
2015	18.15	33.88

Largest Taxpayers

The following is a list of the largest taxpayers in the City and the fiscal 2019 valuation of each. All taxpayers listed below are current in their tax payments.

<u>Name</u>	<u>Nature of Business</u>	<u>Fiscal 2019 Assessed Valuation</u>	<u>% of Total Assessed Value</u>
MBT Brockton Steward, LLC	Hospital	79,985,210	1.02 %
Columbia Gas	Utility	71,058,200	0.91
Mass Electric Co. (National Grid)	Utility	59,901,000	0.76
New Westgate Brockton Mall LLC	Retail Mall	33,378,022	0.43
Verizon New England, Inc.	Utility	23,938,400	0.31
Hajjar Charles Tr.	Residential Apartments	33,956,800	0.43
Beacon Communities, LLC	Residential Apartments	35,834,230	0.46
Acadia Crescent Plaza	Retail	17,182,600	0.22
Harborone Bank	Bank	14,804,900	0.19
Brockton Health Corporation	Hospital	12,914,930	0.16
Total		<u>\$ 382,954,292</u>	<u>4.88 %</u>

State Equalized Valuation

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

<u>January 1,</u>	<u>State Equalized Valuations</u>
2018	\$ 7,652,069,500
2016	6,479,586,800
2014	5,739,735,500
2012	5,986,229,500
2010	6,416,494,600
2008	8,627,153,400
2006	7,787,790,000

Abatements and Overlay

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

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

Fiscal Year	Net Tax Levy (1)	Overlay Reserve		Abatements Granted through June 30, 2018	Surplus (Deficiency) Through June 30, 2018
		Dollar Amount	As a % of Net Levy		
2018	\$ 136,083,937	\$ 1,700,846	1.25 %	\$ 1,103,702	\$ 597,144
2017	126,894,671	2,701,350	2.13	1,447,438	1,253,912
2016	121,184,893	3,314,776	2.74	1,758,143	1,556,633
2015	115,956,572	2,694,911	2.32	1,588,073	1,106,838
2014 (2)	114,295,344	2,445,495	2.14	1,422,041	1,023,454

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

(2) Revaluation year.

Tax Levies and Collections

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

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

Fiscal Year	Gross Tax Levy	Overlay Reserve for Abatements	Net Tax Levy	Collections During Fiscal Year Payable		Collections as of April 30, 2019	
				Dollar Amount(1)	% of Net Levy	Dollar Amount(1)	% of Net Levy
2019 (2)	\$ 143,612,504	\$ 1,501,941	\$ 142,110,563	N.A.	N.A.	\$ 131,788,645	92.7 %
2018	137,784,783	1,700,846	136,083,937	\$ 132,483,645	97.4 %	134,112,490	98.6 %
2017	129,596,022	2,701,350	126,894,672	124,251,266	97.9	126,535,406	99.7
2016	124,499,669	3,314,776	121,184,893	119,338,510	98.5	121,806,601	100.5
2015	118,651,483	2,694,911	115,956,572	113,521,923	97.9	116,428,991	100.4

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

(2) Revaluation year.

Taking and Sale

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

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

<u>Fiscal Year</u>	<u>Tax Titles at Fiscal Year End</u>	<u>Tax Possessions at Fiscal Year End</u>	<u>Amount Realized From Redemption of Tax Titles During Fiscal Year</u>
2018	\$3,461,054	\$2,013,613	\$1,150,070
2017	4,177,780	2,218,160	1,862,793
2016	4,051,890	2,774,418	1,541,053
2015	3,841,959	2,622,390	2,041,037
2014	4,089,356	2,256,078	2,929,914

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

Taxation to Meet Deficits

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

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

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

Tax Limitations

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

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

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

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

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

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

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

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

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

Fiscal Year	Total Assessed Valuation	Primary Levy Limit	Secondary Levy Limit	Actual Levy	Under (Over) Primary Limit	Under (Over) Secondary Levy Limit
2019	\$ 7,843,495,461	\$ 196,087,387	\$ 143,674,763	\$ 143,612,504	\$ 52,474,883	\$ 62,259
2018	7,172,980,786	179,324,520	137,859,951	137,784,783	41,539,737	75,168
2017	6,688,597,389	167,214,935	132,480,953	129,596,022	37,618,913	2,884,931
2016	6,104,303,935	152,607,598	127,045,434	124,499,669	28,107,929	2,545,765
2015	5,462,968,131	136,574,203	121,079,995	118,651,483	17,922,720	2,428,512

Sale of Tax Receivables

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

Pledged Taxes

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

Community Preservation Act

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

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

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

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

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

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

CITY FINANCES

Budget and Appropriation Process

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

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

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

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

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

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

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

Budget Trends

The following table sets forth the trend in operating budgets in the format recommended by the Mayor and voted by the City Council. Except for fiscal years 2018, 2019 and 2020, the budgets are inclusive of supplemental appropriations and transfers between appropriation items made during the fiscal year. The budgets are inclusive of expenditures for state and county assessments, overlay for tax abatements and deficits to be raised.

COMPARATIVE BUDGET TRENDS General and Enterprise Funds

	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020
Water (1)	\$ 8,563,242 ⁽⁵⁾	\$ 15,996,442	\$ 15,406,021	\$ 16,572,787	\$ 17,312,359
Sewer (1)	12,428,268	12,573,306	13,369,556	13,070,542	15,571,066
Other Public Works and Trash	17,120,717	18,923,765	21,018,982	21,136,955	21,057,189
Fire	22,941,712	22,058,924	25,232,054	26,059,703	26,496,785
Police	20,367,647	23,695,988	25,178,430	27,508,143	28,696,214
Public Property	2,478,290	2,567,815	2,661,926	2,843,998	3,018,557
City Schools	173,226,180	174,955,763	169,865,358	169,026,924	174,936,098
Regional School Assessment	3,133,097	3,531,517	3,730,029	3,917,188	4,051,342
General Government and Other	27,098,782	26,588,828	25,409,573	26,897,526	27,884,589
Employees/Retiree Health Insurance	51,047,830	53,777,821	54,598,491	55,321,972	56,818,964
Retirement	17,963,097	18,691,289	23,380,568	24,327,957	26,370,874
Capital	1,759,146	2,105,886	2,694,315	1,429,307	2,101,330
Debt Service (2)	22,749,589	23,805,557	20,917,575	21,591,510	23,137,760
Overlay Reserve	2,600,000	2,495,862	2,257,751	1,106,422	1,110,000
State County Charges	8,020,765	8,985,658	15,236,243	18,318,931	21,326,368
Reserves (3)	833,486	2,368,426	1,245,647	631,683	822,577
Total(4)	<u>\$ 392,331,848</u>	<u>\$ 413,122,847</u>	<u>\$ 422,202,519</u>	<u>\$ 429,761,548</u>	<u>\$ 450,712,072</u>

- (1) Enterprise Funds capital expenditures included in the Capital category.
- (2) Debt service includes all City debt service, including enterprise funds and debt issued under the State Qualified Bond Act. All debt service is General Obligation debt.
- (3) Consists of additions to the stabilization and supplemental reserve funds, at budget time.
- (4) Totals include cash appropriations for departmental capital spending.
- (5) Water total reflects a reduction of \$6,395,630 due to desalinization contract in fiscal 2016. This reduction made by city council was contractually due and it was restored during fiscal 2016.

Revenues (General Fund)

Local Options Room Occupancy Tax: Under this tax, local governments may tax the provision of hotel, motel and lodging house rooms at a rate not to exceed six percent (6%) of the cost of renting such rooms. The tax is paid by the operator of the hotel, motel or lodging house, and bed and breakfast to the State Commissioner of Revenue, who in turn pays the tax back to the municipality in which the rooms are located in quarterly distributions. In 2009, the City increased the local room occupancy excise tax from 4% to 6% as permitted under G.L. c. 64G section 3A. The City collected \$724,542 from this tax in fiscal 2014, \$777,579 in fiscal 2015, \$835,127 in fiscal 2016, \$721,886 in fiscal 2017 and \$779,179 in fiscal 2018. Projected revenue collected from this tax is expected to be comparable in future years.

Local Option Meals Tax: On June 6, 2010, the City adopted the local meals excise tax to be effective October 1, 2010. In fiscal year 2011, the local meals excise tax is a 0.75% tax on the gross receipts of a vendor from the sale of restaurant meals. The tax is paid by the vendor to the State Commissioner of Revenue, who in turn pays the tax to the municipality in which the meal was sold. The City collected \$898,007 from this tax in fiscal 2014, \$951,281 in fiscal 2015, \$985,141 in fiscal 2016, \$1,072,719 in fiscal 2017 and \$1,111,335 in fiscal 2018. The revenue from this tax is projected to be comparable in future years.

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

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

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

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

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

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

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

Enterprise Revenues: See "Enterprise Funds" herein.

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

Education Reform

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

State School Building Assistance

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

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

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

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

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

Investment of City Funds

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

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

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

Accounting Policies

Please refer to attached audited financial statements of the City.

General Fund Revenues

The City of Brockton's year to date general fund total revenues as of June 30, 2018 of \$398 million increased by \$6 million over the prior year's year to date general fund total revenues as of June 30, 2017 of \$392 million which represents an overall percentage increase in year to date general fund revenues of 1.5%. The City finished the fiscal year ending June 30, 2018 with an unassigned fund balance of \$25.6 million (formerly known as the undesignated fund balance).

Business Type Activities

Year To Date Summary Revenue Analysis of Business Type Activities

Year to date	6/30/2018 Revenues (millions)	6/30/2017 Revenues (millions)	2018/2017 Increase (Decrease) Revenues (millions)	Overall % Increase (Decrease) Revenues
Sewer enterprise fund	\$17.773	\$18.864	(1.091)	-5.784%
Water enterprise fund	\$18.198	\$17.095	1.103	6.452%
Refuse enterprise fund	\$7.465	\$7.689	(0.224)	-2.913%
Renewable energy enterprise fund	\$0.156	\$0.123	0.033	26.829%

Certified Retained Earnings

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

Annual Audits

Audits covering all funds of the City for the fiscal year 2018 have been performed by Clifton Larson Allen, certified public accountants. Said audit reports the City's operations in accordance with the new accounting standards of GASB 34. Copies of prior year audits are available upon request. The attached report speaks only as of its date, and only to the matters expressly set forth therein. The auditors have not been engaged to review this Annual Report or to perform audit procedures regarding the post-audit period.

Financial Statements

Set forth on the following pages are the following tables and financial statements of the City of Brockton: Governmental Funds Balance Sheets for fiscal years 2018, 2017 and, 2016 and Comparative Statements of Revenues, Expenditures and Changes in Fund Equity - General Fund for fiscal 2014 through fiscal 2018. Said financials were extracted from the City's audited financial statements.

**CITY OF BROCKTON, MASSACHUSETTS
BALANCE SHEET — GOVERNMENTAL FUNDS
JUNE 30, 2018**

	General	Other Governmental	Total
ASSETS			
Cash and Investments	\$ 91,789,244	\$ 28,464,869	\$ 120,254,113
Receivables, Net:			
Property Taxes (Net of \$786,990 Allowance)	8,219,424	-	8,219,424
Motor Vehicle Excise (Net of \$1,269,056 Allowance)	1,829,653	-	1,829,653
Tax Liens	3,460,834	-	3,460,834
Intergovernmental	1,408,277	7,648,208	9,056,485
Departmental and Other	56,025	1,215,534	1,271,559
Total Receivables	<u>14,974,213</u>	<u>8,863,742</u>	<u>23,837,955</u>
 Note Receivable	 6,160,505	 -	 6,160,505
Long-Term Intergovernmental Receivable	966,955	-	966,955
Tax Possessions	2,013,613	-	2,013,613
Deposits with Health Claims Agent	7,118,200	-	7,118,200
Total Assets	<u>\$ 123,022,730</u>	<u>\$ 37,328,611</u>	<u>\$ 160,351,341</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Warrants and Accounts Payable	\$ 5,639,087	\$ 2,759,352	\$ 8,398,439
Accrued Liabilities:			
Tax Abatement Refunds	155,609	-	155,609
Payroll and Related Withholdings	14,043,643	1,572,806	15,616,449
Health Claims Payable	2,775,000	-	2,775,000
Bond Anticipation Notes Payable	-	6,187,900	6,187,900
Total Liabilities	<u>22,613,339</u>	<u>10,520,058</u>	<u>33,133,397</u>
 DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	<u>16,725,524</u>	<u>-</u>	<u>16,725,524</u>
 FUND BALANCES			
Nonspendable	6,160,505	7,354,275	13,514,780
Restricted	26,728,865	23,049,670	49,778,535
Committed	16,614,138	2,243,399	18,857,537
Assigned	8,507,022	-	8,507,022
Unassigned	25,673,337	(5,838,791)	19,834,546
Total Fund Balances	<u>83,683,867</u>	<u>26,808,553</u>	<u>110,492,420</u>
 Total Liabilities Fund Balances	<u>\$ 123,022,730</u>	<u>\$ 37,328,611</u>	<u>\$ 160,351,341</u>

SOURCE: Extracted from audited financial statements.

**CITY OF BROCKTON, MASSACHUSETTS
BALANCE SHEET — GOVERNMENTAL FUNDS
JUNE 30, 2017**

	General	Other Governmental	Total
ASSETS			
Cash and Investments	\$ 87,616,671	\$ 29,833,781	\$ 117,450,452
Receivables, Net:			
Property Taxes (Net of \$682,753 Allowance)	7,062,492	-	7,062,492
Motor Vehicle Excise (Net of \$1,227,469 Allowance)	1,806,001	-	1,806,001
Tax Liens	4,177,406	-	4,177,406
Intergovernmental	1,928,697	5,969,001	7,897,698
Departmental and Other	28,720	861,597	890,317
Total Receivables	<u>15,003,316</u>	<u>6,830,598</u>	<u>21,833,914</u>
Long-Term Note Receivable	6,380,418	-	6,380,418
Long-Term Intergovernmental Receivable	1,933,911	-	1,933,911
Tax Possessions	2,218,159	-	2,218,159
Deposits with Health Claims Agent	6,444,320	-	6,444,320
Total Assets	<u><u>\$ 119,596,795</u></u>	<u><u>\$ 36,664,379</u></u>	<u><u>\$ 156,261,174</u></u>
LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Warrants and Accounts Payable	\$ 5,661,618	\$ 2,732,191	\$ 8,393,809
Accrued Liabilities:			
Tax Abatement Refunds	248,500	-	248,500
Payroll and Related Withholdings	13,507,488	1,342,199	14,849,687
Health Claims Payable	2,700,000	-	2,700,000
Bond Anticipation Notes Payable	-	11,748,000	11,748,000
Total Liabilities	<u>22,117,606</u>	<u>15,822,390</u>	<u>37,939,996</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	<u>17,110,387</u>	<u>-</u>	<u>17,110,387</u>
FUND BALANCES			
Nonspendable	6,380,418	6,991,781	13,372,199
Restricted	22,862,917	18,939,817	41,802,734
Committed	14,581,067	2,600,389	17,181,456
Assigned	7,424,990	-	7,424,990
Unassigned	29,119,410	(7,689,998)	21,429,412
Total Fund Balances	<u>80,368,802</u>	<u>20,841,989</u>	<u>101,210,791</u>
Total Liabilities Fund Balances	<u><u>\$ 119,596,795</u></u>	<u><u>\$ 36,664,379</u></u>	<u><u>\$ 156,261,174</u></u>

SOURCE: Extracted from audited 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

SOURCE: Extracted from audited financial statements.

**CITY OF BROCKTON, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE — GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018**

	General	Other Governmental	Total
Revenues:			
Real and Personal Property Taxes, Net	\$ 136,189,836	\$ -	\$ 136,189,836
Motor Vehicle and Other Excise	11,521,431	-	11,521,431
Penalties and Interest on Taxes	1,943,675	-	1,943,675
Payments in Lieu of Taxes	162,764	-	162,764
User Charges and Other Revenue	1,525,804	1,842,435	3,368,239
Fees	2,003,354	7,133,375	9,136,729
Licenses and Permits	3,513,222	-	3,513,222
Intergovernmental	198,440,180	43,116,467	241,556,647
Intergovernmental (MTRS On Behalf of Contribution)	42,473,146	-	42,473,146
Fines	226,495	562,013	788,508
Investment Income	551,356	659,520	1,210,876
Contributions	-	664,765	664,765
Total Revenues	398,551,263	53,978,575	452,529,838
Expenditures:			
Current:			
General Government	15,047,020	3,801,329	18,848,349
Public Safety	51,063,242	2,034,130	53,097,372
Education	175,050,927	38,205,085	213,256,012
Public Works	8,107,485	471,816	8,579,301
Human Services	2,478,062	456,997	2,935,059
Culture and Recreation	2,298,800	142,829	2,441,629
State and County Assessments	15,374,078	-	15,374,078
Pension and Fringe Benefits	71,640,827	-	71,640,827
Pension (MTRS On Behalf of Payment)	42,473,146	-	42,473,146
Court Judgments	164,687	-	164,687
Capital Outlay	793,883	7,432,184	8,226,067
Debt Service	11,208,901	177,185	11,386,086
Total Expenditures	395,701,058	52,721,555	448,422,613
Excess of Revenues Over Expenditures	2,850,205	1,257,020	4,107,225
Other Financing Sources (Uses):			
Operating Transfers In	3,731,701	407,679	4,139,380
Operating Transfers Out	(3,266,841)	(2,279,019)	(5,545,860)
Proceeds from Issuance of Bonds and Notes Payable	-	6,485,000	6,485,000
Premiums from Issuance of Bonds and Notes Payable	-	95,884	95,884
Total Other Financing Sources (Uses)	464,860	4,709,544	5,174,404
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	3,315,065	5,966,564	9,281,629
Fund Balance - Beginning of Year	80,368,802	20,841,989	101,210,791
Fund Balance - End of Year	\$ 83,683,867	\$ 26,808,553	\$ 110,492,420

SOURCE: Extracted from audited financial statements.

CITY OF BROCKTON, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE — GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	General	Other Governmental	Total
Revenues:			
Real and Personal Property Taxes, Net	\$ 130,119,403	\$ -	\$ 130,119,403
Motor Vehicle and Other Excise	9,001,593	-	9,001,593
Penalties and Interest on Taxes	1,857,405	-	1,857,405
Payments in Lieu of Taxes	168,014	-	168,014
User Charges and Other Revenue	1,601,679	1,466,557	3,068,236
Fees	2,076,233	6,816,539	8,892,772
Licenses and Permits	3,751,890	-	3,751,890
Intergovernmental	202,569,131	42,232,910	244,802,041
Intergovernmental (MTRS On Behalf of Contribution)	39,779,276	-	39,779,276
Fines	250,211	494,698	744,909
Investment Income	407,373	560,757	968,130
Contributions	-	442,810	442,810
Total Revenues	391,582,208	52,014,271	443,596,479
Expenditures:			
Current:			
General Government	14,346,354	2,177,884	16,524,238
Public Safety	46,428,629	1,864,421	48,293,050
Education	178,433,251	37,182,332	215,615,583
Public Works	6,980,589	215,566	7,196,155
Human Services	2,460,712	425,727	2,886,439
Culture and Recreation	2,211,949	194,491	2,406,440
State and County Assessments	12,501,117	-	12,501,117
Pension and Fringe Benefits	70,016,919	-	70,016,919
Pension (MTRS On Behalf of Payment)	39,779,276	-	39,779,276
Court Judgments	230,691	-	230,691
Capital Outlay	873,756	9,680,034	10,553,790
Debt Service	13,622,592	162,604	13,785,196
Total Expenditures	387,885,835	51,903,059	439,788,894
Excess of Revenues Over Expenditures	3,696,373	111,212	3,807,585
Other Financing Sources (Uses):			
Operating Transfers In	4,028,491	415,149	4,443,640
Operating Transfers Out	(1,902,386)	(1,576,145)	(3,478,531)
Premiums from Issuance of Bond Anticipation Notes	-	90,393	90,393
Total Other Financing Sources (Uses)	2,126,105	(1,070,603)	1,055,502
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	5,822,478	(959,391)	4,863,087
Fund Balance - Beginning of Year	74,546,324	21,801,380	96,347,704
Fund Balance - End of Year	\$ 80,368,802	\$ 20,841,989	\$ 101,210,791

SOURCE: Extracted from audited 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

SOURCE: Extracted from audited financial statements.

CITY OF BROCKTON, MASSACHUSETTS

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

Year ended June 30, 2015

	<u>General</u>	<u>Other governmental</u>	<u>Total</u>
Revenues:			
Real and personal property taxes, net	\$ 118,469,441	—	118,469,441
Motor vehicle and other excise	7,722,874	—	7,722,874
Penalties and interest on taxes	1,965,793	—	1,965,793
Payments in lieu of taxes	170,006	—	170,006
User charges and other revenue	4,061,881	4,930,183	8,992,064
Fees	1,848,612	6,069,702	7,918,314
Licenses and permits	2,445,956	—	2,445,956
Intergovernmental	188,917,544	43,130,239	232,047,783
Intergovernmental (MTRS on-behalf payment contribution)	20,360,546	—	20,360,546
Fines	631,430	316,288	947,718
Investment income	235,000	430,456	665,456
Contributions	—	771,144	771,144
Total revenues	<u>346,829,083</u>	<u>55,648,012</u>	<u>402,477,095</u>
Expenditures:			
Current:			
General government	12,667,093	11,987,824	24,654,917
Public safety	42,720,714	1,976,945	44,697,659
Education	169,148,890	36,322,561	205,471,451
Public works	9,618,415	771,850	10,390,265
Human services	2,342,472	442,447	2,784,919
Culture and recreation	2,059,565	134,633	2,194,198
State and county assessments	7,648,979	—	7,648,979
Pension and fringe benefits	66,734,793	—	66,734,793
Pension (MTRS on-behalf payment)	20,360,546	—	20,360,546
Court judgments	58,517	—	58,517
Capital outlay	542,197	3,213,386	3,755,583
Debt service	12,595,525	156,945	12,752,470
Total expenditures	<u>346,497,706</u>	<u>55,006,591</u>	<u>401,504,297</u>
Excess (deficiency) of revenues over expenditures	<u>331,377</u>	<u>641,421</u>	<u>972,798</u>
Other financing sources (uses):			
Operating transfers in	4,087,686	459,647	4,547,333
Operating transfers out	(1,487,371)	(5,399,890)	(6,887,261)
Other	267,914	—	267,914
Bond proceeds	—	500,000	500,000
Total other financing sources (uses)	<u>2,868,229</u>	<u>(4,440,243)</u>	<u>(1,572,014)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>3,199,606</u>	<u>(3,798,822)</u>	<u>(599,216)</u>
Fund balance, beginning of year	<u>61,503,710</u>	<u>25,401,947</u>	<u>86,905,657</u>
Fund balance, end of year	\$ <u>64,703,316</u>	<u>21,603,125</u>	<u>86,306,441</u>

SOURCE: Extracted from audited financial statements.

CITY OF BROCKTON, MASSACHUSETTS

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

Year ended June 30, 2014

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

SOURCE: Extracted from audited financial statements.

Free Cash – General Fund

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

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

<u>June 30</u>	<u>General Fund Balance (GAAP)</u>	<u>Unassigned General Fund Balance (GAAP)</u>	<u>Free Cash (UMAS)</u>
2018	\$83,683,867 (1)	\$25,673,337	\$14,000,472
2017	80,368,802	29,119,410	16,614,138
2016	74,546,324	22,344,599	14,581,067
2015	64,703,316	22,027,446	13,443,957
2014	61,503,710	19,593,178	13,131,133
2013	67,433,149	23,446,675	13,443,957

(1) Net of non-spendable fund balance representing the long-term note receivable of \$6,160,505.

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

Free Cash – Enterprise Funds

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

<u>July 1</u>	<u>Water Enterprise Fund</u>	<u>Sewer Enterprise Fund</u>	<u>Recreation Enterprise Fund</u>	<u>Refuse Enterprise Fund (1)</u>	<u>Renewal Energy Fund</u>
2018	\$ (407,597) (2)	\$ 4,341,451	\$ 434,067	\$ 723,334	\$ 151,495
2017	611,584	1,735,341	280,766	1,525,032	109,447
2016	170,498	4,426,183	386,657	1,406,151	29,951
2015	539,904	2,051,885	239,361	1,664,864	19,168
2014	2,192,120	3,013,133	131,497	1,300,815	31,644

(1) Established in fiscal 2002.

(2) Decrease attributable to \$1,307,212 capital project expenditures that were not funded in fiscal 2018.

Reserve Funds

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

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

Tax Increment Financing for Development Districts

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

Enterprise Funds

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

Water Enterprise Fund. The Water Enterprise Fund was established in FY 1990. Effective with the creation in 1995 of the water commission, rates are recommended by the water commission, subject to approval by the City Council. Prior to the creation of the commission, water rates were set by the Mayor at the recommendation of the Commissioner of Public Works. The City Council adopted a proposal to raise the rates by 10% on January 1, 2016, 2017 and 2018, and then 2.5% on January 1, 2019. The anticipated annual revenue increase of \$1.2 million for every 10% increase will provide some spending relief, but the annual revenues will still lack the necessary robustness to fully fund cash capital, a more aggressive purchase of desalinated water, and to fully cover some expenses paid by the General Fund. See "City of Brockton, Massachusetts – Municipal Services – Water Supply" above.

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

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

Recreation Enterprise Fund. In fiscal 1993, the City established the Recreation Enterprise Fund. Fees for golf and recreation activities are set by the Parks and Recreation Commission. The General Fund subsidizes the Recreation Fund for the specific purposes which otherwise could not be afforded. The subsidy for Recreation Fund programs in the fiscal years from fiscal 2013 through fiscal 2017 has ranged from \$485,000 to \$1,120,000 per year in direct subsidy plus about \$450,000 per year in indirect costs. The direct subsidy amount for Recreation Fund programs in fiscal 2018 was \$984,127.

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

Renewable Energy Fund - By Chapter 5 of the Acts of 2005, the City was authorized to install, finance, and operate solar energy facilities. Section 5 of that Act permitted the City to establish an enterprise fund for operation of the solar energy facilities. The construction of the facility was accomplished by a combination of a City appropriation (\$500,000), City borrowings (\$1,600,000) and various grant funds (almost \$1.7 million). The City issued a public bid for the design, construction, operations and maintenance of the facility, which was to be located on a former "brownfield" site. Global Solar Energy Inc. of Arizona was the successful general bidder, with local partners. In October 2006, the construction of the facility was concluded.

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

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

CITY OF BROCKTON, MASSACHUSETTS
STATEMENT OF NET POSITION — PROPRIETARY FUNDS
JUNE 30, 2017

	Enterprise Funds			
	Water	Sewer	Other	Total
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 5,302,506	\$ 10,088,115	\$ 4,492,820	\$ 19,883,441
Customer Receivables, Net	8,216,075	12,387,619	4,486,603	25,090,297
Intergovernmental Receivable	877,950	1,390,951	260,000	2,528,901
Other	306,146	49,951	-	356,097
Total Current Assets	<u>14,702,677</u>	<u>23,916,636</u>	<u>9,239,423</u>	<u>47,858,736</u>
NONCURRENT ASSETS				
Capital Assets:				
Nondepreciable	5,668,082	1,695,078	145,658	7,508,818
Depreciable, Net	44,917,742	117,347,273	6,268,746	168,533,761
Total Noncurrent Assets	<u>50,585,824</u>	<u>119,042,351</u>	<u>6,414,404</u>	<u>176,042,579</u>
Total Assets	65,288,501	142,958,987	15,653,827	223,901,315
DEFERRED OUTFLOWS OF RESOURCES				
Pension	<u>1,570,419</u>	<u>608,938</u>	<u>961,481</u>	<u>3,140,838</u>
Total Assets and Deferred Outflows of Resources	<u>66,858,920</u>	<u>143,567,925</u>	<u>16,615,308</u>	<u>227,042,153</u>
LIABILITIES				
CURRENT LIABILITIES				
Warrants and Accounts Payable	1,372,115	470,269	669,195	2,511,579
Accrued Expenses	254,622	630,850	40,556	926,028
Compensated Absences and Claims	51,507	19,395	25,612	96,514
Bonds, Note, and Loans Payable	1,939,539	5,547,805	100,660	7,588,004
Total Current Liabilities	<u>3,617,783</u>	<u>6,668,319</u>	<u>836,023</u>	<u>11,122,125</u>
NONCURRENT LIABILITIES				
Compensated Absences and Claims	1,201,966	2,458,167	2,311,884	5,972,017
Unearned Revenue	2,748,792	90,755	-	2,839,547
Landfill Closure and Postclosure Care Costs	-	1,748,000	-	1,748,000
Other Post Employment Benefits	5,189,426	2,246,584	2,655,076	10,091,086
Net Pension Liability	9,111,327	3,532,964	5,578,364	18,222,655
Bonds, Note, and Loans Payable	22,814,359	53,252,064	600,550	76,666,973
Total Noncurrent Liabilities	<u>41,065,870</u>	<u>63,328,534</u>	<u>11,145,874</u>	<u>115,540,278</u>
Total Liabilities	<u>44,683,653</u>	<u>69,996,853</u>	<u>11,981,897</u>	<u>126,662,403</u>
DEFERRED INFLOWS OF RESOURCES				
Pension	<u>26,338</u>	<u>10,213</u>	<u>4,375</u>	<u>40,926</u>
NET POSITION				
Net Investment in Capital Assets	25,979,199	60,562,232	5,713,184	92,254,615
Unrestricted	(3,830,270)	12,998,627	(1,084,148)	8,084,209
Total Net Position	<u>\$ 22,148,929</u>	<u>\$ 73,560,859</u>	<u>\$ 4,629,036</u>	<u>\$ 100,338,824</u>

SOURCE: Extracted from audited financial statements of the City.

CITY OF BROCKTON, MASSACHUSETTS

Statement of Net Position – Proprietary Funds

June 30, 2016

Assets	Enterprise Funds			
	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

SOURCE: Extracted from audited financial statements of the City.

CITY OF BROCKTON, MASSACHUSETTS

Statement of Net Position – Proprietary Funds

June 30, 2015 (1)

Assets	Enterprise funds			
	Water	Sewer	Other	Total
Current assets:				
Cash and cash equivalents	\$ 6,586,146	9,378,061	4,461,065	20,425,272
Customer receivables, net	6,101,965	11,078,717	3,939,124	21,119,806
Intergovernmental receivable	578,337	884,278	—	1,462,615
Other	306,148	49,953	—	356,101
Total current assets	13,572,596	21,391,009	8,400,189	43,363,794
Noncurrent assets:				
Capital assets:				
Nondepreciable	4,943,733	1,516,868	660,509	7,121,110
Depreciable, net	45,767,250	121,939,768	5,739,348	173,446,366
Total noncurrent assets	50,710,983	123,456,636	6,399,857	180,567,476
Total assets	64,283,579	144,847,645	14,800,046	223,931,270
Deferred outflows of resources:				
Pension	1,062,964	441,231	601,678	2,105,873
Losses on refundings	31,783	24,656	—	56,439
Total deferred outflows of resources	1,094,747	465,887	601,678	2,162,312
Total assets and deferred outflows of resources	65,378,326	145,313,532	15,401,724	223,987,709
Liabilities				
Current liabilities:				
Warrants and accounts payable	973,791	1,379,443	703,532	3,056,766
Accrued expenses	273,624	740,909	39,783	1,054,316
Compensated absences and claims	87,689	41,017	39,499	168,205
Bonds, notes, and loans payable	1,738,342	5,317,842	100,660	7,156,844
Total current liabilities	3,073,446	7,479,211	883,474	11,436,131
Noncurrent liabilities:				
Compensated absences and claims	1,136,160	2,941,533	2,369,068	6,446,761
Unearned revenue	2,599,617	—	—	2,599,617
Landfill and postclosure care costs	—	1,656,000	—	1,656,000
Other post employment benefits	4,195,853	1,819,441	2,079,361	8,094,655
Net pension liability	7,435,065	3,086,255	4,208,530	14,729,850
Bonds	22,842,506	61,181,038	801,870	84,825,414
Total noncurrent liabilities	38,209,201	70,684,267	9,458,829	118,352,297
Total liabilities	41,282,647	78,163,478	10,342,303	129,788,428
Net Position				
Net investment in capital assets	26,550,732	56,982,412	5,497,327	89,030,471
Unrestricted	(2,455,053)	10,167,642	(437,906)	7,274,683
Total net position	\$ 24,095,679	67,150,054	5,059,421	96,305,154

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

**CITY OF BROCKTON, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION — PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017**

	Enterprise Funds			
	Water	Sewer	Other	Total
Operating Revenues:				
Charges	\$ 16,536,646	\$ 18,611,176	\$ 8,502,384	\$ 43,650,206
Fees	558,831	252,692	263,453	1,074,976
Other	-	-	6,194	6,194
Total Operating Revenues	17,095,477	18,863,868	8,772,031	44,731,376
Operating Expenses:				
Salaries and Benefits	5,055,211	2,583,173	2,841,098	10,479,482
Utilities	622,230	1,384,758	203,211	2,210,199
Repairs and Maintenance	818,961	1,136,912	281,926	2,237,799
Contractual Services	8,217,161	4,640,803	6,431,901	19,289,865
Other Supplies and Expenses	459,015	306,019	249,864	1,014,898
Depreciation	2,130,455	4,399,139	427,536	6,957,130
Total Operating Expenses	17,303,033	14,450,804	10,435,536	42,189,373
Total Operating Income (Loss)	(207,556)	4,413,064	(1,663,505)	2,542,003
Nonoperating Revenue (Expense):				
Interest Income	241,102	254,653	197,540	693,295
Interest Expense	(498,830)	(1,334,235)	660	(1,832,405)
Debt Subsidies	13,454	223,890	-	237,344
Total Nonoperating Revenue (Expense)	(244,274)	(855,692)	198,200	(901,766)
Income (Loss) Before Capital Contributions and Transfers	(451,830)	3,557,372	(1,465,305)	1,640,237
Capital Contributions	-	-	423,606	423,606
Transfers In	475,360	105,500	1,050,595	1,631,455
Transfers Out	(679,195)	(1,639,513)	(277,856)	(2,596,564)
Total Capital Contributions and Transfers, Net	(203,835)	(1,534,013)	1,196,345	(541,503)
Change in Net Position	(655,665)	2,023,359	(268,960)	1,098,734
Net Position - Beginning of Year	22,804,594	71,537,500	4,897,996	99,240,090
Net Position - End of Year	\$ 22,148,929	\$ 73,560,859	\$ 4,629,036	\$ 100,338,824

SOURCE: Extracted from audited financial statements of the City.

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

SOURCE: Extracted from audited financial statements of the City.

CITY OF BROCKTON, MASSACHUSETTS

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

Year ended June 30, 2015 (1)

	Enterprise funds			
	Water	Sewer	Other	Total
Operating revenues:				
Charges for services	\$ 14,131,347	20,938,269	7,901,562	42,971,178
Fees	493,803	247,331	262,086	1,003,220
Other	—	—	4,773	4,773
Total operating revenues	<u>14,625,150</u>	<u>21,185,600</u>	<u>8,168,421</u>	<u>43,979,171</u>
Operating expenses:				
Salaries and benefits	4,149,364	2,504,623	2,146,655	8,800,642
Utilities	691,831	1,596,231	84,973	2,373,035
Repairs and maintenance	695,598	1,193,196	272,688	2,161,482
Contractual services	7,835,594	4,707,057	6,109,175	18,651,826
Other supplies and expenses	521,061	941,622	260,440	1,723,123
Depreciation	2,209,813	4,275,608	390,753	6,876,174
Total operating expenses	<u>16,103,261</u>	<u>15,218,337</u>	<u>9,264,684</u>	<u>40,586,282</u>
Operating income (loss)	<u>(1,478,111)</u>	<u>5,967,263</u>	<u>(1,096,263)</u>	<u>3,392,889</u>
Nonoperating revenue (expense):				
Interest income	277,076	309,218	222,069	808,363
Interest expense	(536,517)	(1,596,384)	661	(2,132,240)
Debt subsidies	18,256	268,599	—	286,855
Total nonoperating (expenses) revenue	<u>(241,185)</u>	<u>(1,018,567)</u>	<u>222,730</u>	<u>(1,037,022)</u>
Income (loss) before capital contributions and transfers	<u>(1,719,296)</u>	<u>4,948,696</u>	<u>(873,533)</u>	<u>2,355,867</u>
Capital contributions	208,917	1,869,768	—	2,078,685
Transfers in	2,301,516	1,446,978	1,137,755	4,886,249
Transfers out	<u>(1,035,804)</u>	<u>(1,510,517)</u>	<u>—</u>	<u>(2,546,321)</u>
Total capital contributions and transfers, net	<u>1,474,629</u>	<u>1,806,229</u>	<u>1,137,755</u>	<u>4,418,613</u>
Change in net position	<u>(244,667)</u>	<u>6,754,925</u>	<u>264,222</u>	<u>6,774,480</u>
Net position, beginning of year	34,624,895	64,733,606	10,352,736	109,711,237
Restatement of net position (Note 2)	<u>(10,284,549)</u>	<u>(4,338,477)</u>	<u>(5,557,537)</u>	<u>(20,180,563)</u>
Net position, end of year	\$ <u><u>24,095,679</u></u>	<u><u>67,150,054</u></u>	<u><u>5,059,421</u></u>	<u><u>96,305,154</u></u>

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

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

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

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

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

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

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

INDEBTEDNESS

Authorization Procedure and Limitations

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

Debt Limit

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

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

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

Types of Obligations

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

Serial Bonds and Notes. These are generally required to be payable in annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. A level debt service schedule, or a schedule that provides for a more rapid amortization of principal than level debt service, is permitted. The principal amounts of certain economic development bonds supported by tax increment financing may be payable in equal, diminishing or increasing amounts beginning within 5 years after the date of issue. The maximum terms of serial bonds and notes vary from one year to 40 years, depending on the purpose of the issue. The maximum terms permitted are set forth in the statutes. In addition, for many projects, the maximum term may be determined in accordance with useful life guidelines promulgated by the State Department of Revenue ("DOR"). Serial bonds and notes may be issued for the purposes set forth in the statutes. In addition, serial bonds and notes may be issued for any other public work improvement or asset not specifically listed in the Statutes that has a useful life of at least 5 years. Bonds or notes may be made callable and redeemed prior to their maturity, and a redemption premium may be paid. Municipal Purpose Loan of 2017 Bonds or notes may be issued subject to the maximum applicable term measured from the date of the original bonds or notes and must produce present value savings over the debt service of the refunded bonds. Generally, the first required annual payment of principal of the Municipal Purpose Loan of 2017 Bonds cannot be later than the first principal payment of any of the bonds or notes being refunded thereby, however, principal payments made before the first principal payment of any of the bonds or notes being refunded thereby may be in any amount.

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

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

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

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

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

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

Debt Ratios

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

<u>Fiscal Year End</u>	<u>General Obligation Bonds Outstanding</u>	<u>Population (1)</u>	<u>Estimated Full Valuation (2)</u>	<u>Per Capita Debt</u>	<u>Ratio Debt to Estimated Full Valuation (2)</u>
2018	\$ 179,393,021	93,810	\$ 7,172,980,786	\$ 1,912	2.50 %
2017	186,322,190	93,810	6,688,597,389	1,986	2.79
2016	196,669,541	93,810	6,104,303,935	2,096	3.22
2015	209,878,570	93,810	5,462,968,131	2,237	3.84
2014	214,045,612	93,810	5,362,178,901	2,282	3.99

(1) 2010 Federal Census.

(2) Reflects local assessed valuations.

**City of Brockton
Direct Debt Summary
as of June 30, 2018, Including Subsequent Issues**

Long Term Debt Outstanding:

School (1)	\$ 13,302,000	
Water (2)	913,000	
General (3)	8,467,000	
Sewer (4)	448,000	
MCWT (5)	76,618,743	
Pension Obligation Bonds ("POB") (6)	81,515,000	
Stadium	505,000	
Clean Renewable Energy Bonds ("CREB") (7)	<u>600,000</u>	
Total Outstanding		\$ 182,368,743

This Issue Series A Taxable Bonds	4,450,000
This Issue Series B Tax Exempt Bonds	5,190,000

Temporary Notes:

Bond Anticipation Notes (8)	6,187,900	
Less:		
To be Retired With Bond Proceeds	(3,803,200)	
To be Retired With Revenue Funds	(31,800)	
Pending New Money Bond Anticipation Notes (9)	<u>529,971</u>	
Total Temporary Notes Outstanding (9)		<u>2,882,871</u>
Total Direct Debt		<u>\$ 194,891,614</u>

- (1) The unpaid balance of school construction grants payable by the Massachusetts School Building Authority for debt service on school bonds over the remaining terms of such bonds is estimated at \$1,933,915. \$2,427,000 of the outstanding school bonds is outside the debt limit. See "State School Building Assistance" above.
- (2) Expected payment from self-supporting enterprise. Outside the debt limit.
- (3) Includes library, land acquisition and planning debt. \$900,000 of the outstanding general bonds is outside the debt limit.
- (4) Expected payment from self-supporting enterprise.
- (5) Expected payment from self-supporting enterprise. Bonds issued to Massachusetts Clean Water Trust, for water and sewer projects. Gross amount does not reflect subsidies from the MCWT. \$76,312,097 of the outstanding MCWT bonds is outside the debt limit.
- (6) Outside the debt limit, taxable.
- (7) Outside the debt limit.
- (8) Payable June 21, 2019.
- (9) To be issued at the same time as this issue, payable June 19, 2020.

Principal Payments by Purpose

The following table sets forth the projected principal payments by purpose on outstanding general obligation bonds of the City of Brockton as of June 30, 2018, excluding this issue.

City of Brockton, Massachusetts
Bonded Debt
Principal Payments by Purpose
as of June 30, 2018, Excluding This Issue

Fiscal Year	School	Water	General	Sewer	MCWT	POB	Stadium	CREB	Total
2019	\$ 1,874,000	\$ 203,000	\$ 1,029,000	\$ 129,000	\$ 6,941,546	\$ 4,040,000	\$ 130,000	\$ 100,000	\$ 14,446,546
2020	1,933,000	200,000	953,000	129,000	7,116,931	4,760,000	125,000	100,000	15,316,931
2021	780,000	105,000	895,000	95,000	7,218,501	5,545,000	125,000	100,000	14,863,501
2022	680,000	105,000	570,000	95,000	7,358,567	6,395,000	125,000	100,000	15,428,567
2023	685,000	100,000	560,000	-	7,525,986	7,325,000	-	100,000	16,295,986
2024	695,000	100,000	365,000	-	7,602,525	8,330,000	-	100,000	17,192,525
2025	710,000	100,000	370,000	-	7,760,201	9,420,000	-	-	18,360,201
2026	720,000	-	375,000	-	6,770,585	10,595,000	-	-	18,460,585
2027	735,000	-	335,000	-	5,347,965	11,865,000	-	-	18,282,965
2028	750,000	-	340,000	-	3,184,155	13,240,000	-	-	17,514,155
2029	765,000	-	345,000	-	1,856,442	-	-	-	2,966,442
2030	780,000	-	345,000	-	1,545,662	-	-	-	2,670,662
2031	790,000	-	355,000	-	1,578,377	-	-	-	2,723,377
2032	355,000	-	285,000	-	1,022,787	-	-	-	1,662,787
2033	355,000	-	290,000	-	1,045,016	-	-	-	1,690,016
2034	355,000	-	295,000	-	661,017	-	-	-	1,311,017
2035	340,000	-	290,000	-	675,384	-	-	-	1,305,384
2036	-	-	270,000	-	571,147	-	-	-	841,147
2037	-	-	100,000	-	477,582	-	-	-	577,582
2038	-	-	100,000	-	177,256	-	-	-	277,256
2039	-	-	-	-	181,108	-	-	-	181,108
	<u>\$ 13,302,000</u>	<u>\$ 913,000</u>	<u>\$ 8,467,000</u>	<u>\$ 448,000</u>	<u>\$ 76,618,743</u>	<u>\$ 81,515,000</u>	<u>\$ 505,000</u>	<u>\$ 600,000</u>	<u>\$ 182,368,743</u>

Debt Service Requirements

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

City of Brockton, Massachusetts Debt Service Requirements

Fiscal Year	Outstanding as of June 30, 2018, Including Subsequent Issue		MCWT Subsidy	MSBA Grants	Net Debt Service
	Principal	Interest			
2019	\$ 14,446,546	\$ 6,784,667	\$ (269,357)	\$ (966,955)	\$ 19,994,900
2020	15,316,931	6,276,549	(222,683)	(966,960)	20,403,837
2021	14,863,501	5,677,493	(189,544)	-	20,351,450
2022	15,428,567	5,098,071	(166,413)	-	20,360,225
2023	16,295,986	4,493,897	(150,687)	-	20,639,196
2024	17,192,525	3,843,002	(106,955)	-	20,928,572
2025	18,360,201	3,145,986	(78,388)	-	21,427,799
2026	18,460,585	2,430,338	-	-	20,890,924
2027	18,282,965	1,662,602	-	-	19,945,566
2028	17,514,155	859,673	-	-	18,373,829
2029	2,966,442	410,030	-	-	3,376,473
2030	2,670,662	336,060	-	-	3,006,722
2031	2,723,377	263,818	-	-	2,987,194
2032	1,662,787	195,500	-	-	1,858,287
2033	1,690,016	151,800	-	-	1,841,817
2034	1,311,017	109,631	-	-	1,420,648
2035	1,305,384	71,763	-	-	1,377,147
2036	841,147	42,306	-	-	883,453
2037	577,582	21,734	-	-	599,316
2038	277,256	8,770	-	-	286,026
2039	181,108	1,811	-	-	182,919
Total	\$ 182,368,743	\$ 41,885,501	\$ (1,184,028)	\$ (1,933,915)	\$ 221,136,301

Authorized Unissued Debt and Prospective Financing

Following the delivery of the Bonds, the City will have approximately \$87,736,509 in authorized unissued debt. Of this amount \$47,710,000 is authorized for pension obligation purposes. \$6,158,612 represents excess authorization for the construction of two elementary schools, to be rescinded. The remaining \$33,867,897 is authorized for various purposes. The \$47,710,000 pension obligation bond authorization above represents the unissued balance of an original \$149,225,000 authorization for this purpose; the City does not intend to issue bonds against this balance, but there are no current plans to rescind the authorization.

Overlapping Debt (1)

The City of Brockton is a member of Plymouth County, the Southeastern Regional Vocational School District and the Brockton Area Transit Authority. The following table sets forth the outstanding bonded debt, exclusive of temporary loans in anticipation of bonds or current revenue, of each overlapping entity, and the City of Brockton's estimated share of such debt and the fiscal 2019 dollar assessment for each.

	Bonded Debt as of 6/30/18 (1)	City's Estimated Share of Debt	FY 2019 Dollar Assessment
Plymouth County (2)	\$ 1,650,000	5.85%	\$138,864
Southeastern Regional Vocational School District (3)	4,810,000	61.20%	3,917,188
Brockton Area Transit Authority (4)	-		2,425,967

(1) Omits debt of the Commonwealth.

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

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

(4) Source: Brockton Area Transit Authority.

Coverage of Qualified Debt Service

The following table presents qualified debt service, projected state aid and the coverage ratio of total state aid to the City's outstanding State Qualified Bonds debt service.

Fiscal Year	Outstanding State Qualified Bonds Debt Service	Total State Aid (1)	Coverage Ratio Total State Aid to Qualified Debt Service
2019	\$ 2,150,000	\$ 200,502,564	93.26
2020	2,120,000	204,512,615	96.47
2021	850,000	208,602,868	245.42
2022	795,000	212,774,925	267.64
2023	780,000	217,030,423	278.24
2024	795,000	221,371,032	278.45
2025	815,000	225,798,453	277.05
2026	730,000	230,314,422	315.50
2027	705,000	234,920,710	333.22
2028	725,000	239,619,124	330.51
2029	745,000	244,411,507	328.07
2030	760,000	249,299,737	328.03
2031	780,000	254,285,732	326.01
2032	275,000	259,371,446	943.17
2033	280,000	264,558,875	944.85
2034	285,000	269,850,053	946.84
2035	265,000	275,247,054	1038.67
2036	270,000	280,751,995	1039.82
2037	100,000	286,367,035	2863.67
2038	100,000	292,094,375	2920.94
Total	<u>\$ 14,325,000</u>	<u>\$ 4,871,684,943</u>	

(1) Includes total state aid available for coverage. State aid is taken from the fiscal 2019 cherry sheet and is increased at a rate of 2% each year thereafter. The State aid figures above no longer reflect school building assistance grants as such grants are no longer paid by the Commonwealth; they are now paid by the Massachusetts School Building Authority. Therefore, such payments no longer constitute "distributable aid" of the Commonwealth under the Qualified Bond Act.

Contractual Obligations

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

Since October 1991, the City has contracted with independent vendors for the pick-up and disposal of residential trash. A procurement process in fiscal 2018 resulted in the city awarding the contract to Allied Waste. The annual cost of the trash services under the new contract is about \$540,000 per month, subject to a 2% annual increase. The contract also includes a provision which provides residents with new 35-gallon solid waste containers and 96-gallon single-stream recycle containers. These containers are leased for 60 months at an additional cost of about \$44,000 per month.

The contractor provides trash services for residents of five residential units or less. Commercial entities and residences of more than five units must contract independently. In the City contract, residents must purchase specially marked trash bags in order to place trash in excess of one 35-gallon container at the curb. Under the new contract, recycling pickups were changed from a weekly schedule to a bi-weekly schedule. Residents also receive yard waste removal in season and the pickup by appointment of bulky items and white goods. Provisions are also made for separate handling of household hazardous waste.

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

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

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

The City has also entered into a 20-year water supply contract for the purchase of its water. (See "City of Brockton, Massachusetts – Municipal Services - Water Supply"). Pursuant to special legislative authority, the City's payment obligations under the contract constitute general obligations of the City which are not subject to annual appropriation. Nonetheless, \$5,309,375 was appropriated for fiscal 2011, \$5,571,250 was appropriated for fiscal 2012 and \$6,111,000 was appropriated for fiscal 2013 for the full cost of the year's obligation to be offset with water revenues. The amount appropriated for this contract in fiscal years 2016, 2017, and 2018 were \$6,395,632, \$6,574,698, and \$6,623,608, respectively. The City budgeted \$8,625,969 for this contract in fiscal 2019.

RETIREMENT PLAN

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

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

If a city or town, or each member city and town of a county retirement system, has accepted the applicable law, it is required to annually appropriate an amount sufficient to pay not only its current pension obligations, but also a portion of its future pension liability. The portion of each such annual payment allocable to future pension obligations is required to be deposited in the pension reserve fund. The amount of the annual city or town appropriation for each such system is prescribed by a retirement system funding schedule which is periodically reviewed and approved by PERAC. Each system's retirement funding schedule is designed to reduce the unfunded actuarial pension liability of the system to zero by not later than June 30, 2030, with annual increases in the scheduled payment amounts of not more than 4.5%. The funding schedule must provide that payment in any year of the schedule is not less than 95 percent of the amount appropriated in the previous fiscal year. City, town and county systems which have an approved retirement funding schedule receive annual pension funding grants from the Commonwealth for the first 16 years of such funding schedule.

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

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

The actuarial value of assets is determined by projecting the market value of assets as of the beginning of the prior plan year with the assumed rate of return during that year (7.75%) and accounting for deposits and disbursements with interest at the assumed rate of return. An adjustment is then applied to recognize the difference between the actual investment return and expected return over a five year period. This preliminary actuarial value is not allowed to differ from the market value of assets by more than 20%. The calculation of the actuarial value of assets as of January 1, 2018 is presented in the table below, from the report "City of Brockton Retirement System" from Xerox Actuarial Consultants as of the same date, the date of the most recent valuation.

Actuarial Value of Assets

1	Market value of plan assets, January 1, 2017	\$ 352,477,755
2	Employer and employee contributions, net transfers and reimbursements	\$ 29,665,254
3	Expenses	(2,315,475)
4	Benefits and refunds	(41,227,820)
5	Expected interest during the year	27,735,718
6	Expected market value of plan assets, January 1, 2018	389,684,703
7	Actual market value of plan assets, January 1, 2018	418,078,642
8	Investment gain/(loss) during 2016	269,710
9	Investment gain/(loss) during 2015	(36,835,382)
10	Investment gain/(loss) during 2014	(8,873,778)
11	Investment gain/(loss) during 2013	11,975,626
12	Tentative Valuation Assets before reflecting 80%-120% corridor	411,711,574
13	80% of actual market value = 80% x 7	334,462,914
14	120% of actual market value = 120% x 7	446,181,334
15	Valuation Assets = 12. But not less than 13 or greater than 14	411,711,574

City, town and county systems may choose to participate in the Pension Reserves Investment Trust Fund (the "PRIT" Fund), which receives additional state funds to offset future pension costs of participating state and local systems. If a local system participates in the PRIT Fund, it must transfer ownership and control of all assets of its system to the Pension Reserves Investment Management Board, which manages the investment and reinvestment of the PRIT Fund. Cities and towns with systems participating in the PRIT Fund continue to be obligated to fund their pension obligations in the manner described above. The additional state appropriations to offset future pension liabilities of state and local systems participating in the PRIT Fund are required to total at least 1.3% of state payroll. Such additional state appropriations are deposited in the PRIT Fund and shared by all participating systems in proportion to their interest in the assets of the PRIT Fund as of July 1, for each fiscal year. The City has not participated in the PRIT.

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

As of the January 1, 2018 valuation, there were 1,284 retired and disabled retired persons and surviving beneficiaries receiving pensions which totaled \$41.2 million under the contributory plan. The trend in annual required contributions of the City for each retirement system is presented below.

<u>Fiscal Year</u>	<u>Contributory</u>	<u>Non-Contributory</u>
2019 (Budgeted)	\$24,311,695	\$16,262
2018	23,364,307	16,261
2017	18,673,412	17,877
2016	17,945,220	17,877
2015	18,037,764	17,356
2014	16,004,577	17,290

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

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

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

Any future variation in actual experience from actuarial assumptions may result in additional UAAL (and amortization payments) or an overfunding of the City's unfunded actuarial liability (and credits). Based on the historic investment performance of the Retirement System and certain other factors, the City reasonably expects that actual experience will be better than assumed in the Plan. The City recognizes, however, that the actual experience of the Retirement System could be worse than assumed in the Plan. In fact, in calendar year 2008, that did occur. At January 1, 2009, compared to January 1, 2008, for the total plan, the Total Actuarial Accrued Liability had increased from \$437.1 million to \$462.1 million, while the market value of the system assets had decreased from \$392.2 million to \$267.5 million, resulting in a funded ratio decreasing from 89.7% to 57.9%.

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

As of the most recent actuarial valuation for January 1, 2016, the system's actuarial accrued liability increased to \$590.9 million, an increase of approximately 6.5%. This was primarily due to increases in salaries, pension benefits and a decline in market value of assets. Also as of January 1, 2016 the actuarial value of the plan's assets had decreased to \$352.5 million and the funded ratio decreased to 64.36% from 67.29%.

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

City of Brockton Funding Schedule

Fiscal Year Ending	Employer Normal Cost	Amortization Payment of UAL	Amortization Payment of ERI 1992	Net 3(8)© Transfers	Total Employer Cost	Increase Over Prior Year	Unfunded Accrued Liability
2019	\$ 5,944,146	\$ 19,163,068	\$ 72,438	\$ 850,000	\$ 26,029,652		\$ 247,573,799
2020	6,181,913	21,080,111	-	850,000	28,112,024	8.00 %	246,793,795
2021	6,429,189	23,081,797	-	850,000	30,360,986	8.00	244,038,590
2022	6,686,357	25,253,508	-	850,000	32,789,865	8.00	238,992,053
2023	6,953,812	27,609,242	-	850,000	35,413,054	8.00	231,300,115
2024	7,231,964	29,189,522	-	850,000	37,271,486	5.25	220,566,736
2025	7,521,242	30,357,103	-	850,000	38,728,345	3.91	207,361,147
2026	7,822,092	31,571,387	-	850,000	40,243,479	3.91	191,920,144
2027	8,134,976	32,834,242	-	850,000	41,819,218	3.92	174,022,004
2028	8,460,374	34,147,612	-	850,000	43,457,986	3.92	153,425,880
2029	8,798,790	35,513,517	-	850,000	45,162,307	3.92	129,870,243
2030	9,150,741	36,934,058	-	850,000	46,934,799	3.92	103,071,199
2031	9,516,771	38,411,420	-	850,000	48,778,191	3.93	72,720,669
2032	9,897,442	39,947,877	-	850,000	50,695,319	3.93	38,484,431
2033	10,293,339	-	-	850,000	11,143,339	(78.02)	-
2034	10,705,073	-	-	850,000	11,555,073	3.69	-
2035	11,133,275	-	-	850,000	11,983,275	3.71	-
2036	11,578,606	-	-	850,000	12,428,606	3.72	-
2037	12,041,751	-	-	850,000	12,891,751	3.73	-
2038	12,523,421	-	-	850,000	13,373,421	3.74	-
2039	13,024,358	-	-	850,000	13,874,358	3.75	-
2040	13,545,332	-	-	850,000	14,395,332	3.75	-
2041	14,087,146	-	-	850,000	14,937,146	3.76	-
2042	14,650,632	-	-	850,000	15,500,632	3.77	-
2043	15,236,657	-	-	850,000	16,086,657	3.78	-
2044	15,846,123	-	-	850,000	16,696,123	3.79	-
2045	16,479,968	-	-	850,000	17,329,968	3.80	-
2046	17,139,168	-	-	850,000	17,989,168	3.80	-
2047	17,824,733	-	-	850,000	18,674,733	3.81	-
2048	18,537,723	-	-	850,000	19,387,723	3.82	-

Source: City of Brockton Contributory Retirement System funding requirements.

The City has not made a payment into the Pension Reserve Fund established by the Plan of Finance referenced above. The payment into the fund is required only in the event of gains against the plan. During calendar year 2006 the System experienced an actuarial gain of about \$6.5 million, but the City did not lower its fiscal year 2008 payment on the funding schedule in order to benefit from that gain, so no budgetary savings occurred. No budgetary savings during fiscal year 2007 through 2019 occurred, so no payments have been made.

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

OTHER POST EMPLOYMENT BENEFITS

In addition to providing pension benefits, the City provides the majority of its retired employees with modest life insurance benefits at a cost of less than \$50 per year per retiree, and with payments for a portion of their health care insurance costs. Both of these benefits are offered pursuant to the provision of Massachusetts General Laws Chapter 32B. The City offers twelve different health insurance plan options, which are administered through two different health care providers, with the City actually self-insuring. Benefits are paid by the City on a "pay as you go" basis. The annual amounts needed to fund the City's group life and health insurance costs for retirees have escalated from less than \$6 million in fiscal year 1997 to a budget of almost \$16.93 million in fiscal 2013. The City's group health and life insurance cost for retirees is approximately \$14.1 million for fiscal 2019.

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

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

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

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

The City is required to implement the GASB reporting requirements for other post-employment benefits. The City engaged Danzinger & Markhoff LLP to perform its OPEB valuation pursuant to the GASB requirements. As of June 30, 2018, the total OPEB liability for benefits was \$779,115,878 and the fiduciary net position was \$0, resulting in a net OPEB liability of \$779,115,878, assuming a 3.13% investment rate of return. The actuarial determined contribution (ADC) is an amount determined by the actuary pursuant to GASB Statement No. 74/75 which represents a level of funding that, if paid on an ongoing basis, is projected to cover the service cost each year and amortize any unfunded actuarial liabilities. As of June 30, 2018, the ADC was \$79,890,353. The City has not adopted a funding schedule.

OPEB Pay-As-You-Go Health Insurance

<u>Fiscal Year</u>	<u>OPEB Pay As You Go Budget (1)</u>
2019 (budgeted)	\$14,108,044
2018	14,940,000
2017	12,781,075
2016	14,777,719
2015	12,864,807
2014	14,971,842

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

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

STATUS OF UNION CONTRACTS

The City employs approximately 4,200 full-time and part-time workers, 2,828 of whom are employed at the school department, 181 at the police department, 180 at the fire department, 112 at the public works department and the balance of 186 persons in various other departments of the City. City employees (other than managerial and confidential employees) are entitled to join unions and to bargain collectively on questions of wages, hours and other terms and conditions of employment. Approximately 3,487 City employees are represented by unions including employees of the school, police, fire, public works and various other departments. The following are the bargaining units for City employees:

Union	Expiration Date	Approximate Number of Employees
City:		
Brockton Association of Engineers, Technicians and Inspectors	6/30/2019	24
Brockton Building and Construction Trades Council	6/30/2019	8
Brockton City Employees Union	6/30/2019	53
Brockton City Hall Administrative Services Association	6/30/2019	59
Brockton Departments Heads' Association - SEIU Local #8888	6/30/2019	12
Brockton Laborers' Local #1162	6/30/2019	60
Brockton Laborers' Local #1162 - Water/Sewer	6/30/2019	44
Brockton Police Association	6/30/2019	136
Brockton Police Supervisors' Union	6/30/2019	45
Brockton Public Library Association - Full Time	6/30/2019	22
Brockton Public Library Association - Part Time	6/30/2019	16
Fire - Local #144	6/30/2019	180
School:		
Brockton Education Association	6/30/2021	1,263
Brockton School Custodians' Association	6/30/2021	128
Independent Brockton Admin. Assistants & Technical Employee Assoc - IBAA & TEA	6/30/2019 (1)	98
International Brotherhood of Police Officers Local 566	6/30/2018 (1)	11
Brockton Food Service SEIU, Local 888	6/30/2019 (1)	182
Brockton Education Paraprofessional Association	6/30/2021	341
Principals & Associate Principals	6/30/2020	27
Central Office Administration	6/30/2020	21
Monitor Teacher Assistants	6/30/2019 (1)	139
Non-Union	6/30/2019	581
School Year Non-Union	6/30/2019	31
School Lunch Aides	6/30/2019	27
Total:		3,508

(1) Contracts currently in negotiations.

LITIGATION

At present there are various cases pending in various courts throughout the Commonwealth where the City of Brockton is a defendant. In the opinion of the City Solicitor for the City of Brockton, there is not litigation pending, or to the City's knowledge, threatened, that is likely to result, either individually or in the aggregate, in final judgments against the City that would materially affect its financial position except as set forth below.

In the case of Russell Lopes v. City of Brockton, the Superior Court found against the City in an employment discrimination case. A jury verdict awarded the plaintiff \$4.0 million, together with interest on certain individual aspects of the case, resulting in a potential liability of between \$4.7 and \$5.0 million. An appeal has been filed and the City expects to vigorously pursue the matter. If the City's appeal is unsuccessful, the General Laws permit the borrowing of funds to pay the judgement. The repayment term of any such borrowing would be subject to the approval of the Commonwealth's Municipal Finance Oversight Board, after taking into consideration the ability of the city to provide other essential public services and pay, when due, the principal and interest on its debts and such other factors as the board may deem necessary or advisable.

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

June 5, 2019

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CITY OF BROCKTON, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTARY INFORMATION
AND ADDITIONAL INFORMATION
JUNE 30, 2018



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AUDIT, TAX, AND
CONSULTING

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INDEPENDENT AUDITORS' REPORT

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, 2018 (except for the Brockton Contributory Retirement System, which is as of and for the year ended December 31, 2017), 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.

Opinion

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, 2018 (except for the Brockton Contributory Retirement System, which is as of and for the year ended December 31, 2017), 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

During the fiscal year ended June 30, 2018, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result, the City reported a restatement for a change in accounting principle (see Note 2). Our auditor's opinion was not modified with respect to the restatement.

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 76 through 82) 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.

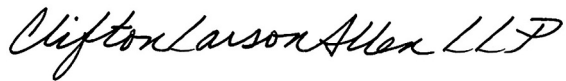
Other Information

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 was 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.

Honorable Mayor and City Council
City of Brockton, Massachusetts

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Brockton, Massachusetts' 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.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Boston, Massachusetts
March 28, 2019

CITY OF BROCKTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018
(UNAUDITED)

As management of the City of Brockton (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018.

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 2018 by approximately \$639.4 million (net position).

- As a result of the implementation of GASB 75, the City restated its beginning net position by \$435.1 million (see Note 2).
- The City's total net position decreased in fiscal year 2018 by approximately \$38.5 million, or 6.4%. This is primarily due to the recognition of increases in the total OPEB liability and net pension liability.
- At the end of fiscal year 2018, unassigned fund balance for the general fund was approximately \$25.7 million, or 6.5%, of total general fund expenditures.
- The City's total bonded debt decreased by approximately \$5.1 million during fiscal year 2018. 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.

CITY OF BROCKTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018
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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 several 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.

CITY OF BROCKTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018
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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 \$639.4 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 increased by approximately \$2.4 million, or 1.0% 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.

CITY OF BROCKTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018
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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, \$55.1 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of a negative \$954.6 million represents an unrestricted net deficit.

Condensed Statements of Net Position (In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$ 160,487	\$ 156,397	\$ 45,044	\$ 47,859	\$ 205,531	\$ 204,256
Capital Assets	188,867	191,127	175,981	176,042	364,848	367,169
Total Assets	<u>\$ 349,354</u>	<u>\$ 347,524</u>	<u>\$ 221,025</u>	<u>\$ 223,901</u>	<u>\$ 570,379</u>	<u>\$ 571,425</u>
Deferred Outflows of Resources	<u>\$ 28,926</u>	<u>\$ 35,382</u>	<u>\$ 2,513</u>	<u>\$ 3,141</u>	<u>\$ 31,439</u>	<u>\$ 38,523</u>
Long-term Debt Outstanding	\$ 104,993	\$ 104,485	\$ 78,604	\$ 84,255	\$ 183,597	\$ 188,740
Other Liabilities	996,948	544,178	54,843	42,407	1,051,791	586,585
Total Liabilities	<u>\$ 1,101,941</u>	<u>\$ 648,663</u>	<u>\$ 133,447</u>	<u>\$ 126,662</u>	<u>\$ 1,235,388</u>	<u>\$ 775,325</u>
Deferred Outflows of Resources	<u>\$ 5,451</u>	<u>\$ 461</u>	<u>\$ 424</u>	<u>\$ 41</u>	<u>\$ 5,875</u>	<u>\$ 502</u>
Net Position:						
Invested in Capital Assets	\$ 162,223	\$ 165,321	\$ 97,772	\$ 92,255	\$ 259,995	\$ 257,576
Restricted	55,132	48,794	-	-	55,132	48,794
Unrestricted	(946,467)	(480,333)	(8,105)	8,084	(954,572)	(472,249)
Total Net Position	<u>\$ (729,112)</u>	<u>\$ (266,218)</u>	<u>\$ 89,667</u>	<u>\$ 100,339</u>	<u>\$ (639,445)</u>	<u>\$ (165,879)</u>

Total Net Position

The City's total net position decreased in fiscal year 2018 by approximately \$38.5 million, or 6.4%. This is primarily due to the increase of \$33.9 million in the total OPEB liability, and increase of \$1.7 million in the net pension liability.

Governmental Activities – Assets

For governmental activities, current and other assets increased \$4.1 million, coupled with a decrease in capital assets of \$2.3 million, resulting in an increase in total assets of \$1.8 million. The majority of the increase in current and other assets was the result of an increase in cash. The decrease in the capital assets was the result of depreciation exceeding capital additions during fiscal year 2018.

CITY OF BROCKTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018
(UNAUDITED)

Governmental Activities – Liabilities

Liabilities increased by \$453.3 million. There was an increase of \$452.8 million in other liabilities and a \$0.5 million increase in long-term debt outstanding. The increase in other liabilities was primarily due to the implementation of GASB Statement No. 75 which brought on the full total OPEB liability as well as the \$2.0 million increase of the Net Pension Liability, while the increase in long-term debt outstanding was due to debt issuances exceeding scheduled debt repayments.

Business Type Activities – Assets

Current and other assets decreased by \$2.8 million, while capital assets decreased by \$61 thousand and total assets decreased by \$2.9 million. The decrease in current and other assets was due primarily as a result of a decrease in customer and intergovernmental receivables. The decrease in the capital assets was the result of depreciation exceeding capital additions during fiscal year 2018.

Business Type Activities – Liabilities

Liabilities increased by \$6.8 million. There was an increase of \$12.4 million in other liabilities and a \$5.7 million decrease in long-term debt outstanding. The increase in other liabilities was primarily due to the implementation of GASB Statement No. 75 which brought on the full total OPEB liability as well as a \$213 thousand decrease of the Net Pension Liability, while 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 \$492.5 million for fiscal year 2018. This reflected an increase of \$16.9 million, or 2.2%. The majority of the increase relates to the recognition of on-behalf payments from the Massachusetts Teachers Retirement System (MTRS) of approximately \$2.7 million, an increase of \$2.9 million in state and county charges, and an increase of \$8 million in the total OPEB liability.

Total general revenues for governmental activities of \$171.6 million offset total net expenses of \$213.4 million. Major ongoing revenue contributors were the net property tax at \$136.7 million, an increase of \$7.5 million. The remaining categories in total increased by \$1.9 million, excise taxes at \$9.8 million, an increase of \$798 thousand, intergovernmental at \$23.1 million, an increase of \$852 thousand and other totaling \$3.5 million, an increase of \$263 thousand.

CITY OF BROCKTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018
(UNAUDITED)

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 \$452.1 million. Of this total almost \$279.1million, or 61.7%, 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 \$23.1 million in intergovernmental aid which is classified as general revenue. An additional 30.2% 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 93.6% 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 2018, the City levied a total of \$137.8 million in gross real estate property taxes against an aggregate fair market assessed value of \$7.2 billion. This levy left only a small amount in unused levy capacity without the approval of the voters. However, the levy comprised only 1.9% of the City's aggregate assessed value. With voter approval, the City could levy an additional \$41.5 million and still remain under the levy ceiling. Accordingly, the taxing capacity exists to substantially improve the City's revenues for financing governmental activities, but converting this potential capacity to real revenues would require voter approval.

Business Type Activities – Statement of Activities

The business-type activities increased the City's net position by approximately \$3.3 million, or 3.8%. The water fund contributed a \$3.5 million increase; the sewer fund contributed a \$530 thousand increase, while the net position for the combination of the nonmajor recreation, refuse, and renewable energy funds decreased \$761 thousand. The nonmajor refuse fund is self-sufficient. The nonmajor recreation and renewable energy funds require a transfer of general fund revenues to support its programs. Most of the recreation fund's revenues derive from the golf course, but those revenues are not sufficient to pay for both the golf course operations and other park and recreation programs. For this reason, a transfer of other revenues is required. The Solar Energy facility generates and sells electricity.

The operations of the water fund and sewer fund are intended to be self-sufficient, but achieving this objective requires the mayor and city council to establish a rate structure adequate to the meet the task. The water and sewer funds are designed to recover the costs of operations of those funds. In the water and sewer funds, cash flow from operations were \$2.0 million and \$9.4 million, respectively. In both of these funds major upgrades to the wastewater and water treatment plants are ongoing and required a major contributions of resources to finance both the construction itself and the impact of construction in increased plant operating costs.

CITY OF BROCKTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018
(UNAUDITED)

Condensed Statements of Changes in Net Position (In Thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charge for Services	\$ 15,684	\$ 16,257	\$ 44,610	\$ 44,731	\$ 60,294	\$ 60,988
Operating Grants	259,748	256,525	899	931	260,647	257,456
Capital Grants	3,657	3,608	3,123	424	6,780	4,032
General Revenues:					-	-
Property Taxes	136,721	129,269	-	-	136,721	129,269
Excise Taxes	9,753	8,955	-	-	9,753	8,955
Intergovernmental	23,065	22,213	-	-	23,065	22,213
Other	3,517	3,254	-	-	3,517	3,254
Total Revenues	452,145	440,081	48,632	46,086	500,777	486,167
Expenses:						
General Government	27,153	25,039	-	-	27,153	25,039
Public Safety	82,860	77,454	-	-	82,860	77,454
Education	339,502	335,907	-	-	339,502	335,907
Public Works	13,548	12,377	-	-	13,548	12,377
Human Services	4,335	2,998	-	-	4,335	2,998
Culture and Recreation	4,318	3,632	-	-	4,318	3,632
State and County Assessments	15,374	12,501	-	-	15,374	12,501
Court Judgments	165	231	-	-	165	231
Interest on Long-Term Debt	5,223	5,472	-	-	5,223	5,472
Enterprise Accounts:					-	-
Water	-	-	18,582	17,802	18,582	17,802
Sewer	-	-	16,779	15,785	16,779	15,785
Other	-	-	11,413	10,435	11,413	10,435
Total Expenses	492,478	475,611	46,774	44,022	539,252	519,633
Excess (Deficiency) before Transfers	(40,333)	(35,530)	1,858	2,064	(38,475)	(33,466)
Transfers	(1,406)	965	1,406	(965)	-	-
Total Transfers	(1,406)	965	1,406	(965)	-	-
Change in Net Position	(41,739)	(34,565)	3,264	1,099	(38,475)	(33,466)
Net Position - Beginning of Year (As Restated)	(687,373) *	(231,653)	86,403 *	99,240	(600,970)	(132,413)
Net Position - End of Year	\$ (729,112)	\$ (266,218)	\$ 89,667	\$ 100,339	\$ (639,445)	\$ (165,879)

*

Beginning Net Position was restated in fiscal year 2018 as a result of the implementation of GASB Statement No. 75 (see Note 2).

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.

CITY OF BROCKTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018
(UNAUDITED)

As of the end of the fiscal year 2018, the City's governmental funds reported combined fund balances of approximately \$110.5 million, an increase of approximately \$9.3 million, or 9.2%, in comparison with the prior year. The general fund balance increased by \$3.3 million, from \$80.4 million to \$83.7 million; and the combined fund balances for all the other governmental funds increased by \$6.0 million, from \$20.8 million to \$26.8 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 \$9.3 million, compared to its decrease in net position of \$41.7 million, a difference of \$51.0 million, is explained largely by the following factors:

1. \$385 thousand: the negative effect of revenue accruals.
2. \$2.3 million: the negative effect of the amount by which depreciation exceeded capital asset additions.
3. \$ 47.9 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. \$61 thousand: the positive effect of the amount by which the amortization of bond premiums exceed the issuance of new bond premiums.
5. \$570 thousand: the negative effect of the amount by which the issuance of debt exceeded the repayment of bond principal are expenditures in the governmental funds but increased long-term liabilities in the statement of net position.

Of the total of ending fund balances of \$110.5 million, \$13.5 million constitutes "nonspendable" fund balance, which is not available for spending by the City because fund balance amounts cannot be spent because they are either not in spendable form or they are legally or contractually required to remain intact. \$49.8 million constitutes restricted fund balance, which are amounts the use of which is subject to constraints imposed by external parties, including creditors, grantors, and laws and regulations of other governments, or imposed by City Charter or enabling legislation. \$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. \$8.5 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. \$19.8 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.

CITY OF BROCKTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018
(UNAUDITED)

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, prepaid expenses, or a long-term portion of loans receivable), or resources which 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 \$6.2 million consists of the following:

The FY 2018 General Fund Nonspendable 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 \$6.2 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 \$26.7 million consists of the following:

The FY 2018 General Fund Restricted Fund balance represents the Health Insurance Trust fund in the amount of \$20.5 million. This amount consists of the Health Insurance Trust Fund balance of \$13.4 million and the amount for the FY 2018 Blue Cross and Blue Shield amount held on deposit to pay claims totaling \$7.1 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 2018 General Fund Restricted Fund Balance in the amount of \$6.3 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 must at least equal 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.

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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 \$16.6 million consists of the following:

The fund balance includes the Certified Free Cash in the amount \$16.6 million appropriated for the use in the FY 2019 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. 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.

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., city council) or an official designated for that purpose.

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The total fund balance of \$8.5 million consists of the following:

The FY 2018 General Fund Assigned Fund Balance amount represents year-end encumbrances in the amount of \$8.5 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. The category includes amounts in the general fund that are 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 \$25.7 million consists of the following:

This grouping includes the City's Stabilization fund in the amount of \$3.4 million and the City's undesignated fund balance in the amount of \$22.3 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 \$22.3 million consists of the following:

This grouping includes the City's accumulated surplus in the amount of \$22.3 million.

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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 \$83.7 million, an increase of \$3.3 million. This increase in fund balance was largely driven by a surplus of revenues and other financing sources over expenditures and other financing uses.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 6.5% of total general fund expenditures, while total fund balance represents 21.2% 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 \$89.7 million. Changes in net position of the proprietary funds at the end of the current fiscal year totaled an increase of approximately \$3.3 million, or 3.8%.

The Proprietary Funds of the City are comprised of five (5) enterprise funds: water, sewer, recreation, refuse, and renewable energy. The results for the water and sewer funds are reported separately; the results for the recreation, refuse, and renewable energy funds are combined. The sewer, and refuse enterprise funds have long been self-sufficient financially. This was formerly true for the water fund as well, but in recent years, that was not the case. 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 2018 operating income was \$101 thousand, or approximately 0.6% of operating revenues. Nonoperating revenues (expenses) and transfers netted to a positive \$3.4 million, and so net position increased by \$3.5 million. Cash flow from operations was positive at \$2.0 million.

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For the sewer fund, operating income was \$2.2 million, or 12.3% of operating revenues. However, nonoperating expenses and transfers reduced that amount by \$1.7 million, and so net position increased by \$530 thousand. Cash flow from operations was \$9.4 million.

For the combined results of the other enterprise funds, the value of net position decreased by \$761 thousand. The operating loss for combined other enterprise funds was \$2.8 million in fiscal year 2018 or 32% of operating revenues. With the benefit of net transfers in (general fund subsidy) and the nonoperating revenue of \$2.0 million, the operating loss of \$2.8 million became a \$761 thousand decrease in net position.

Budgetary Highlights

In fiscal year 2018, the original budget called for \$371.2 million in spending. Of this amount \$174.3 million was for Education spending, \$54.3 million was for Public Safety spending, \$82.1 million was for Fringe Benefit spending and \$60.5 million for all other categories.

Resources totaled \$357.8 million, creating a planned deficit of approximately \$13.4 million. Offsetting this deficit was a contribution from "Free Cash" of \$14.6 million. The remaining total of approximately \$1.1 million was applied to Other Available Funds.

In the final budget, a total of \$373.0 million in spending was authorized, an increase of \$1.8 million. The budgets that made up this amount included the following: the general government budget decreased by \$1.0 million; the public safety budget increased by \$977 thousand, the Education budget increased by \$886 thousand, the capital budget increased by \$367 thousand, the human services budget increased by \$23 thousand, the pension and fringe benefits budget increased by \$200 thousand, and the transfers out budget increased by \$300 thousand.

On an actual basis, resources were higher than the final budget by \$4.0 million. The majority of revenue categories resulted in a positive variance with the exceptions of Fines revenue. The City's revenue estimates normally are conservative and actual results typically exceed budget by 1.5% to 2.0%. For fiscal year 2018, the positive variance was largely driven by the Motor Vehicle Excise Taxes, Intergovernmental revenue, and User charges and other revenue.

On the expenditure side, a favorable variance of \$10.9 million was achieved. The City has typically achieved 1% to 2% positive variance on spending. For fiscal year 2018, this positive variance was driven by actual budgetary expenditures less than budgeted expenditures in the public safety, public works, and pension and fringe benefits.

As a result of the revenue and expenditure positive variances, the City's fiscal year 2018 general fund operations estimated to create free cash of approximately \$14.9 million to be used in the FY 2019 budget.

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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, 2018 amounted to approximately \$364.8 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 \$2.3 million for fiscal year 2018 represented a decrease of less than 1%. Capital assets for governmental activities decreased by \$2.3 million, or 1.3%, while capital assets for business-type activities decreased by \$60 thousand, or less than 1%. The decrease in capital assets for business-type activities was primarily caused by the depreciation exceeding capital asset additions. The decrease in capital assets for governmental activities was primarily caused by the depreciation exceeding capital asset additions.

Major capital assets included the following:

	Capital Assets (In Thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 7,411	\$ 7,411	\$ 3,245	\$ 3,246	\$ 10,656	\$ 10,657
Construction in Progress	8,706	9,508	4,197	4,263	12,903	13,771
Historical Works of Art	1,809	1,809	-	-	1,809	1,809
Buildings	132,654	135,632	123,410	126,936	256,064	262,568
Land Improvements	7,033	7,489	1,722	1,229	8,755	8,718
Machinery and Equipment	5,693	5,771	7,166	7,106	12,859	12,877
Infrastructure	25,561	23,507	36,242	33,262	61,803	56,769
Total	<u>\$ 188,867</u>	<u>\$ 191,127</u>	<u>\$ 175,982</u>	<u>\$ 176,042</u>	<u>\$ 364,849</u>	<u>\$ 367,169</u>

Long-Term Debt – At the end of the current fiscal year, the City had total bonded debt outstanding of approximately \$183.6 million. The entire amount is backed by the full faith and credit of the City.

	Long-Term Debt (In Thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Long-Term Debt, Net of Unamortized Premiums	<u>\$ 104,993</u>	<u>\$ 104,485</u>	<u>\$ 78,604</u>	<u>\$ 84,255</u>	<u>\$ 183,597</u>	<u>\$ 188,740</u>

The overall net decrease is attributable to the following factors:

The City's bonded debt decreased by approximately \$5.1 million or a decrease of 2.7%.

Total long-term debt of the City represents a claim of about 50.3% of the City's total capital assets, and a claim of about 3.0% of the City's total assets. As a percentage of the fair value of taxable property in the City, the long-term debt comprises only 2.6%.

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

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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 additional aid for low-income students. This change cost the city about \$6 million in aid in that year, and that formula change, with the associated reduction in assistance, has continued in the FY 19 budget proposed by the governor.

Moreover, the statute enacted in 1993, requiring the state to significantly increase its funding to local schools, especially the poorer ones, in response to a decision by the Supreme Judicial Court of the state in the Hancock case, originally filed by Brockton, also enabled the creation of charter schools to be funded by diverting to the charter schools the average cost per pupil of the sending district, directly from the local school's state aid. For many years, the effect of charter school funding on the budgets of the city's local schools was bothersome but manageable. However, that effect has recently grown to be a serious disruption to budget stability for the Brockton schools. This is largely due to the opening in 2016 of a new charter school within the city limits of Brockton.

In FY 2015, prior to this opening, the net loss of Brockton's state assistance to charter schools and to out of district school choice schools was about \$4.5 million, or almost 3.0 % of state aid. In FY 2020, per the governor's budget, the net revenue diversion will be about \$14.4 million, or almost 8.0 % of state revenue aid for education for Brockton. This diversion represents an increase of 10 percent over 2019. These dollars for Brockton students are sent directly from the state to the receiving schools. Because the students leave the local Brockton system from many of the more than 20 schools all over the district, not just from a few schools, the process of downsizing budgets to reflect the revenue loss is not simple. It requires significant budget decreases across many programs and schools, with multiple, year – by – year staff reductions. Because the city believes that these recent state budget trends have badly eroded the intended benefits of the "Hancock" decision of the SJC and the resultant education reform act of 1993, the city is actively pursuing the filing of a new equity in education law suit, and has budgeted funds to support the exploring of that possibility. The city has organized a consortium of similarly affected school districts to participate. This effort has gained the attention of public media and the elected officials of the state itself. In the final FY 19 budget, about \$ 3 million in "special assistance", in addition to the chapter 70 education funding, was awarded to Brockton. In FY 20, the governor's budget does not continue this funding, but it does increase the actual chapter 70 by almost \$ 8 million. Therefore, the net, gross increase to the city, before charter school adjustments, will be about \$ 5 million, or about 3 percent. This slightly exceeds inflation, it does represent progress. However, when the effect of charter school assistance is factored in, the picture is less encouraging. Compared to FY 19, the FY 20 assistance net of charter school charges and revenue assistance, is only \$3.8 million. Therefore, because of the charter school diversion, the state's funding for students actually in the Brockton school system, has increased by only about 2 percent, not much better than inflation. While the city is hopeful that the legislature will improve on the governor's recommendations, it is not hopeful that the full promise of the education reform effort will be met for urban districts. Accordingly, the city will continue to exert pressure through the lawsuit and lobbying efforts.

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Since 2008, 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 2019, the same categories in the governor's budget, at \$22.6 million, would remain nearly \$5.0 below the FY 2008 dollar amount, or about 19.0%, even without adjusting for inflation. For FY 2020, the same categories in the governor's budget, at \$23.3 million, would remain more than \$4.0 million below the FY2008 amount, or about 17.0%.

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. The state has allowed municipalities to license the sale of both medical and retail marijuana. The city received about \$200 thousand in host community fees for medical marijuana in FY 18. In FY 19, the city engaged in constructing a system of oversight for the retail sale in restricted zones. The city council is the licensing authority. No licenses have been granted at this writing.

Although the property tax levy has provided a predictable, steady source of revenue growth, the state's property taxation law, Proposition 2½, so-called, restricts the ability of the property tax to finance the City's budget. The law imposes an absolute revenue ceiling at 2.5% of the city's fair market value. It also limits the annual increase in that property tax 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; that is, to exceed the annual levy limit up to the absolute ceiling, it is necessary to hold a referendum. The city's fair market value assessed for FY 19 was \$7,843,495,461, an increase from FY 18 of more than 9 percent. With this value, the maximum allowable levy ceiling with voter approval is \$196,087,386.

The assessed value increase of \$670.5 million grew 9.3% over FY 2017. This increase followed similar increases in value of 7.2%, 9.6 % and 11.7 % for the previous three years. However, because of the working of Proposition 2 ½, the main result of these increases was to reduce the uniform tax rate, not to increase the levy. As stated above, that FY 2019 assessed value would support a maximum levy under the law, with voter approval, at 2.5 % of value, of \$196,087,386. Of this amount, \$143,612,504 may be levied under the law without recourse to the voters.

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. While the city fully appropriated its levy limit in FY 18, from FY 2016 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 those particular years has been foregone, the revenues were not permanently lost; they are available for appropriation in future years, and in fact, they were appropriated in FY 18 and have continued to be appropriated in FY19. 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 2020 budget has not been prepared, and so the amount of the FY 20 property tax levy is not known at this writing.

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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 were adopted by the City Council for several years, even though for the many of the past 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. 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, with a final increase of 2.5 % scheduled for January 1, 2019. The revenue from these increases will improve matters, but will not allow for the full need for capital budgeting, nor will it allow for full operating self-sufficiency. In FY 2017, the city council did not 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 benefits, and pensions have continued. In FY 2018, an increase of more than \$4.0 million in pension funding was required to maintain the funding schedule which will result in full funding of the pension liability by 2033. The FY 19 assessment was increased by a further \$1 million. It was increased again by about \$2 million for FY 20 to comply with a new valuation. This valuation maintained the same funding target by 2032, but it decreased the annual earnings assumption by 25 basis points from 8.0 % to 7.75 %.

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 in 2017 extended for four more years that consortium, through June, 2021, with a further shifting of costs to employees, this time through the annual deductible, with the expected benefit of continuing to moderate annual increases. In fact, this has been the case with modest increases in actual health costs in FY 19 projected to continue for FY 20.

Inflation recovery increases, plus modest additional 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. All municipal employee unions, including police and fire unions, have now settled through FY 2019, but the education unions are in their final year. Financing the settlements for the public safety unions in FY 18 required drawing down the city's reserves. Financing the on-going costs of all of these unions will present a challenge.

Despite recent significant 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 shown healthy price increases. Calendar 2017 represented the fourth straight year of double digit percentage sales price increases for single-family homes. In calendar 2018, that increase moderated a bit but was still over 8.5%. Similar trends have been seen in the multi-family market. For the condominium market, the improvement has been real but not as dramatic; a 7.1 % increase was seen in the latest valuation. These trends continued into 2019.

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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 and appropriated, accompanied by a \$2.0 million city borrowing authorization. The city has since replaced Trinity as the garage developer with the Brockton Redevelopment Authority. The garage is under construction and expected to be completed by the end of calendar 2019. The specific plans for this portion are being drafted, but have not yet been completed. When both phases have been completed, the project will have cost about \$100 million, which represents the largest investment in downtown Brockton in memory. Most of the residential apartments already have been leased. In addition, 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, with the Phases I and II referenced above expected to be strong drivers. Just recently, the site of a downtown office building which had been destroyed by fire and taken and demolished by the city, was sold to a private developer for about \$2.8 million. The developer plans to construct market rate apartment housing.

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 have added about \$3.5 million per year in PILOT payments and \$0.5 million per year for purchasing of cooling water. However, the project was controversial politically, and 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. In the meantime, project's bid for electricity sale through the ISO was too high and not selected. Then, 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. At this writing, whether or not the project will be constructed appears to be in question. In addition, a proposed casino which had been approved as required by the voters, 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 jury decision against the city in 2017 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.

CITY OF BROCKTON, MASSACHUSETTS
STATEMENT OF NET POSITION
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	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 120,254,114	\$ 19,327,458	\$ 139,581,572
Receivables, Net:			
Property Taxes, Liens, and Excise			
Taxes (Net of \$2,056,046 Allowance)	13,509,912	-	13,509,912
Intergovernmental	9,056,485	1,944,744	11,001,229
Customer Receivables	-	23,415,663	23,415,663
Departmental and Other	1,271,559	356,097	1,627,656
Other Assets	7,254,004	-	7,254,004
Note Receivable	6,160,505	-	6,160,505
Long-Term Intergovernmental Receivable	966,955	-	966,955
Tax Possessions	2,013,613	-	2,013,613
Capital Assets:			
Nondepreciable	17,925,523	7,442,881	25,368,404
Depreciable, Net	170,941,974	168,538,672	339,480,646
Total Assets	<u>349,354,644</u>	<u>221,025,515</u>	<u>570,380,159</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension	28,926,273	2,513,098	31,439,371
Total Deferred Outflows of Resources	<u>28,926,273</u>	<u>2,513,098</u>	<u>31,439,371</u>
LIABILITIES			
Warrants and Accounts Payable	8,398,441	2,976,038	11,374,479
Accrued Liabilities:			
Interest	1,994,641	755,973	2,750,614
Payroll and Related Withholdings	15,616,449	114,844	15,731,293
Tax Abatement Refunds	155,609	-	155,609
Bond Anticipation Notes Payable	6,187,900	-	6,187,900
Noncurrent Liabilities:			
Due Within One Year:			
Compensated Absences, Claims, and Judgements	4,874,054	94,834	4,968,888
Bonds, Note, and Loans Payable	7,194,226	7,461,832	14,656,058
Total OPEB Liability	14,500,427	499,572	14,999,999
Due in More Than One Year:			
Compensated Absences, Claims, and Judgements	20,054,995	5,558,563	25,613,558
Unearned Revenue	-	384,450	384,450
Landfill Closure and Postclosure Care Costs	2,217,864	1,794,000	4,011,864
Bonds, Note, and Loans Payable	97,799,233	71,142,039	168,941,272
Net Pension Liability	207,286,220	18,008,909	225,295,129
Total OPEB Liability	715,661,108	24,656,177	740,317,285
Total Liabilities	<u>1,101,941,167</u>	<u>133,447,231</u>	<u>1,235,388,398</u>
DEFERRED INFLOWS OF RESOURCES			
Pension	4,507,538	391,612	4,899,150
OPEB	943,887	32,519	976,406
Total Deferred Inflows of Resources	<u>5,451,425</u>	<u>424,131</u>	<u>5,875,556</u>
NET POSITION			
Net Investment in Capital Assets	162,223,272	97,772,039	259,995,311
Restricted For:			
Permanent Funds:			
Nonexpendable	7,354,275	-	7,354,275
Expendable	667,119	-	667,119
Statutory Reserve	6,278,385	-	6,278,385
Health Claims	20,450,480	-	20,450,480
Federal, State, and Local Grants	20,231,470	-	20,231,470
Other	150,025	-	150,025
Unrestricted	(946,466,701)	(8,104,788)	(954,571,489)
Total Net Position	<u>\$ (729,111,675)</u>	<u>\$ 89,667,251</u>	<u>\$ (639,444,424)</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF BROCKTON, MASSACHUSETTS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Government Activities:							
General Government	\$ 27,153,230	\$ 6,964,905	\$ 5,474,912	\$ -	\$ (14,713,413)	\$ -	\$ (14,713,413)
Public Safety	82,859,659	2,658,636	2,114,775	-	(78,086,248)	-	(78,086,248)
Education	297,028,332	5,482,785	208,519,377	416,564	(82,609,606)	-	(82,609,606)
Education - MTRS	42,473,146	-	42,473,146	-	-	-	-
Public Works	13,548,370	195,165	488,286	3,240,601	(9,624,318)	-	(9,624,318)
Human Services	4,335,053	349,517	319,141	-	(3,666,395)	-	(3,666,395)
Culture and Recreation	4,317,830	32,983	358,351	-	(3,926,496)	-	(3,926,496)
State and County Assessments	15,374,078	-	-	-	(15,374,078)	-	(15,374,078)
Court Judgments	164,687	-	-	-	(164,687)	-	(164,687)
Interest on Long-Term Debt	5,223,138	-	-	-	(5,223,138)	-	(5,223,138)
Total Governmental Activities	492,477,523	15,683,991	259,747,988	3,657,165	(213,388,379)	-	(213,388,379)
Business-Type Activities:							
Water	18,582,162	18,198,556	265,423	2,599,617	-	2,481,434	2,481,434
Sewer	16,778,742	17,773,445	436,738	-	-	1,431,441	1,431,441
Other	11,412,781	8,637,458	197,003	523,092	-	(2,055,228)	(2,055,228)
Total Business-Type Activities	46,773,685	44,609,459	899,164	3,122,709	-	1,857,647	1,857,647
Total Primary Government	<u>\$ 539,251,208</u>	<u>\$ 60,293,450</u>	<u>\$ 260,647,152</u>	<u>\$ 6,779,874</u>	(213,388,379)	1,857,647	(211,530,732)
General Revenues:							
Property Taxes, Levied for General Purposes, Net					\$ 136,720,972	\$ -	\$ 136,720,972
Excises					9,752,606	-	9,752,606
Payments in Lieu of Taxes					162,764	-	162,764
Penalties and Interest on Taxes					1,943,675	-	1,943,675
Other					200,106	-	200,106
Unrestricted Grants and Contributions					23,064,832	-	23,064,832
Investment Income					1,210,876	-	1,210,876
Transfers, Net					(1,406,480)	1,406,480	-
Total General Revenues and Transfers					<u>171,649,351</u>	<u>1,406,480</u>	<u>173,055,831</u>
Change in Net Position					(41,739,028)	3,264,127	(38,474,901)
Net Position - Beginning of Year (As Restated)					<u>(687,372,647)</u>	<u>86,403,124</u>	<u>(600,969,523)</u>
Net Position - End of Year					<u>\$ (729,111,675)</u>	<u>\$ 89,667,251</u>	<u>\$ (639,444,424)</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF BROCKTON, MASSACHUSETTS
BALANCE SHEET — GOVERNMENTAL FUNDS
JUNE 30, 2018**

	General	Other Governmental	Total
ASSETS			
Cash and Investments	\$ 91,789,244	\$ 28,464,869	\$ 120,254,113
Receivables, Net:			
Property Taxes (Net of \$786,990 Allowance)	8,219,424	-	8,219,424
Motor Vehicle Excise (Net of \$1,269,056 Allowance)	1,829,653	-	1,829,653
Tax Liens	3,460,834	-	3,460,834
Intergovernmental	1,408,277	7,648,208	9,056,485
Departmental and Other	56,025	1,215,534	1,271,559
Total Receivables	14,974,213	8,863,742	23,837,955
 Note Receivable	 6,160,505	 -	 6,160,505
Long-Term Intergovernmental Receivable	966,955	-	966,955
Tax Possessions	2,013,613	-	2,013,613
Deposits with Health Claims Agent	7,118,200	-	7,118,200
Total Assets	<u>\$ 123,022,730</u>	<u>\$ 37,328,611</u>	<u>\$ 160,351,341</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Warrants and Accounts Payable	\$ 5,639,087	\$ 2,759,352	\$ 8,398,439
Accrued Liabilities:			
Tax Abatement Refunds	155,609	-	155,609
Payroll and Related Withholdings	14,043,643	1,572,806	15,616,449
Health Claims Payable	2,775,000	-	2,775,000
Bond Anticipation Notes Payable	-	6,187,900	6,187,900
Total Liabilities	22,613,339	10,520,058	33,133,397
 DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	16,725,524	-	16,725,524
 FUND BALANCES			
Nonspendable	6,160,505	7,354,275	13,514,780
Restricted	26,728,865	23,049,670	49,778,535
Committed	16,614,138	2,243,399	18,857,537
Assigned	8,507,022	-	8,507,022
Unassigned	25,673,337	(5,838,791)	19,834,546
Total Fund Balances	83,683,867	26,808,553	110,492,420
 Total Liabilities Fund Balances	<u>\$ 123,022,730</u>	<u>\$ 37,328,611</u>	<u>\$ 160,351,341</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF BROCKTON, MASSACHUSETTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

Total Fund Balance - Governmental Funds	\$ 110,492,420
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	188,867,497
Other Assets Are Not Available to Pay for Current Period Expenditures and, Therefore, are Reported as Deferred Inflows of Resources in the Governmental Funds	16,725,524
Inventory Capitalized in the Government-Wide Statements as Other Assets	135,804
Deferred Outflows of Resources - Pension	28,926,273
Deferred Inflows of Resources - Pension	(4,507,538)
Deferred Inflows of Resources - OPEB	(943,887)
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	(83,115,000)
Other General Obligation Bonds	(20,674,000)
Unamortized Bond Premiums	(1,204,459)
Total OPEB Liability	(730,161,535)
Net Pension Liability	(207,286,220)
Accrued Interest on Bonds	(1,994,641)
Landfill and Postclosure Care Costs	(2,217,864)
Compensated Absences, Claims, and Judgments	(22,154,049)
Subtotal	<u>(1,068,807,768)</u>
Net Position of Governmental Activities	<u>\$ (729,111,675)</u>

**CITY OF BROCKTON, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE — GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018**

	General	Other Governmental	Total
Revenues:			
Real and Personal Property Taxes, Net	\$ 136,189,836	\$ -	\$ 136,189,836
Motor Vehicle and Other Excise	11,521,431	-	11,521,431
Penalties and Interest on Taxes	1,943,675	-	1,943,675
Payments in Lieu of Taxes	162,764	-	162,764
User Charges and Other Revenue	1,525,804	1,842,435	3,368,239
Fees	2,003,354	7,133,375	9,136,729
Licenses and Permits	3,513,222	-	3,513,222
Intergovernmental	198,440,180	43,116,467	241,556,647
Intergovernmental (MTRS On Behalf of Contribution)	42,473,146	-	42,473,146
Fines	226,495	562,013	788,508
Investment Income	551,356	659,520	1,210,876
Contributions	-	664,765	664,765
Total Revenues	<u>398,551,263</u>	<u>53,978,575</u>	<u>452,529,838</u>
Expenditures:			
Current:			
General Government	15,047,020	3,801,329	18,848,349
Public Safety	51,063,242	2,034,130	53,097,372
Education	175,050,927	38,205,085	213,256,012
Public Works	8,107,485	471,816	8,579,301
Human Services	2,478,062	456,997	2,935,059
Culture and Recreation	2,298,800	142,829	2,441,629
State and County Assessments	15,374,078	-	15,374,078
Pension and Fringe Benefits	71,640,827	-	71,640,827
Pension (MTRS On Behalf of Payment)	42,473,146	-	42,473,146
Court Judgments	164,687	-	164,687
Capital Outlay	793,883	7,432,184	8,226,067
Debt Service	11,208,901	177,185	11,386,086
Total Expenditures	<u>395,701,058</u>	<u>52,721,555</u>	<u>448,422,613</u>
Excess of Revenues Over Expenditures	<u>2,850,205</u>	<u>1,257,020</u>	<u>4,107,225</u>
Other Financing Sources (Uses):			
Operating Transfers In	3,731,701	407,679	4,139,380
Operating Transfers Out	(3,266,841)	(2,279,019)	(5,545,860)
Proceeds from Issuance of Bonds and Notes Payable	-	6,485,000	6,485,000
Premiums from Issuance of Bonds and Notes Payable	-	95,884	95,884
Total Other Financing Sources (Uses)	<u>464,860</u>	<u>4,709,544</u>	<u>5,174,404</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>3,315,065</u>	<u>5,966,564</u>	<u>9,281,629</u>
Fund Balance - Beginning of Year	<u>80,368,802</u>	<u>20,841,989</u>	<u>101,210,791</u>
Fund Balance - End of Year	<u>\$ 83,683,867</u>	<u>\$ 26,808,553</u>	<u>\$ 110,492,420</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF BROCKTON, MASSACHUSETTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

Net Change in Fund Balances - Governmental Funds	\$ 9,281,629
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Amounts Reported for Governmental Activities in the Statements 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 \$7,744,059 exceeded Depreciation Expense of \$10,003,733.	(2,259,674)
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Accrual Basis Revenues Can Result in More (Less) Revenues Reported in the Statement of Activities Depending Upon Timing of Billings and Collections.	(384,863)
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Issuance of Bonds	(6,485,000)
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Repayments of Bond Principal are Expenditures in the Governmental Funds but Reduce Long-Term Liabilities in the Statement of Net Position.	5,915,000
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Amortization of Bond Premiums \$157,165 Add to Net Position, Capitalized Bond Premium \$95,884 Decrease Net Position	61,281
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Some Expenses Reported in the Statement of Activities Do Not Require the Use of Current Financial Resources and, Therefore, Are Not Reported as Expenditures in the Governmental Funds. This Amount Represents the Difference Between a Decrease in Interest Payable \$90,783, a Decrease in Landfill Liability \$83,722, Increase in Compensated Absences and Claims \$1,824,020, Increase in Total OPEB Liability Related Activity of \$33,712,737 (Change in Total OPEB Liability \$32,768,850 Plus Change in Deferred Inflows \$943,887), and Increase in Net Pension Liability Related Activity of \$16,943,265 (Change in Net Pension Liability \$2,002,436 Less Recognition of Change in Deferred Outflows and Inflows \$10,503,163).	(47,867,401)
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Change in Net Position of Governmental Activities	<u>\$ (41,739,028)</u>
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CITY OF BROCKTON, MASSACHUSETTS
STATEMENT OF NET POSITION — PROPRIETARY FUNDS
JUNE 30, 2018

	Enterprise Funds			
	Water	Sewer	Other	Total
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 4,494,115	\$ 10,560,479	\$ 4,272,864	\$ 19,327,458
Customer Receivables, Net	8,855,096	10,165,010	4,395,557	23,415,663
Intergovernmental Receivable	685,368	811,284	448,092	1,944,744
Other	306,146	49,951	-	356,097
Total Current Assets	14,340,725	21,586,724	9,116,513	45,043,962
NONCURRENT ASSETS				
Capital Assets:				
Nondepreciable	5,706,242	1,562,142	174,497	7,442,881
Depreciable, Net	44,459,640	117,480,631	6,598,401	168,538,672
Total Noncurrent Assets	50,165,882	119,042,773	6,772,898	175,981,553
Total Assets	64,506,607	140,629,497	15,889,411	221,025,515
DEFERRED OUTFLOWS OF RESOURCES				
Pension	1,256,549	487,234	769,315	2,513,098
Total Assets and Deferred Outflows of Resources	65,763,156	141,116,731	16,658,726	223,538,613
LIABILITIES				
CURRENT LIABILITIES				
Warrants and Accounts Payable	726,613	995,117	1,254,308	2,976,038
Accrued Expenses	261,767	566,668	42,382	870,817
Compensated Absences and Claims	51,406	16,939	26,489	94,834
Total OPEB Liability - Due within One Year	281,235	88,677	129,660	499,572
Bonds, Note, and Loans Payable	1,828,345	5,532,937	100,550	7,461,832
Total Current Liabilities	3,149,366	7,200,338	1,553,389	11,903,093
NONCURRENT LIABILITIES				
Compensated Absences and Claims	1,073,023	2,208,398	2,277,142	5,558,563
Unearned Revenue	149,175	235,275	-	384,450
Landfill Closure and Postclosure Care Costs	-	1,794,000	-	1,794,000
Total OPEB Liability	13,880,226	4,376,630	6,399,321	24,656,177
Net Pension Liability	9,004,455	3,491,527	5,512,927	18,008,909
Bonds, Note, and Loans Payable	20,986,014	49,656,025	500,000	71,142,039
Total Noncurrent Liabilities	45,092,893	61,761,855	14,689,390	121,544,138
Total Liabilities	48,242,259	68,962,193	16,242,779	133,447,231
DEFERRED INFLOWS OF RESOURCES				
Pension	195,806	75,925	119,881	391,612
OPEB	18,307	5,772	8,440	32,519
Total Deferred Inflows	214,113	81,697	128,321	424,131
NET POSITION				
Net Investment in Capital Assets	27,476,578	64,123,113	6,172,348	97,772,039
Unrestricted	(10,169,794)	7,949,728	(5,884,722)	(8,104,788)
Total Net Position	\$ 17,306,784	\$ 72,072,841	\$ 287,626	\$ 89,667,251

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, 2018**

	Enterprise Funds			
	Water	Sewer	Other	Total
Operating Revenues:				
Charges	\$ 17,695,611	\$ 17,579,666	\$ 8,252,156	\$ 43,527,433
Fees	502,945	193,779	376,969	1,073,693
Other	-	-	8,333	8,333
Total Operating Revenues	<u>18,198,556</u>	<u>17,773,445</u>	<u>8,637,458</u>	<u>44,609,459</u>
Operating Expenses:				
Salaries and Benefits	5,312,527	2,205,009	3,249,361	10,766,897
Utilities	573,800	1,564,631	110,044	2,248,475
Repairs and Maintenance	811,786	2,142,910	388,917	3,343,613
Contractual Services	8,834,262	4,817,059	7,006,158	20,657,479
Other Supplies and Expenses	416,458	317,117	182,141	915,716
Depreciation	2,148,320	4,542,925	476,820	7,168,065
Total Operating Expenses	<u>18,097,153</u>	<u>15,589,651</u>	<u>11,413,441</u>	<u>45,100,245</u>
Total Operating Income (Loss)	<u>101,403</u>	<u>2,183,794</u>	<u>(2,775,983)</u>	<u>(490,786)</u>
Nonoperating Revenue (Expense):				
Interest Income	252,863	236,628	197,003	686,494
Interest Expense	(485,009)	(1,189,091)	660	(1,673,440)
Debt Subsidies	12,560	200,110	-	212,670
Total Nonoperating Revenue (Expense)	<u>(219,586)</u>	<u>(752,353)</u>	<u>197,663</u>	<u>(774,276)</u>
Income (Loss) Before Capital Contributions and Transfers	<u>(118,183)</u>	<u>1,431,441</u>	<u>(2,578,320)</u>	<u>(1,265,062)</u>
Capital Contributions	2,599,617	-	523,092	3,122,709
Transfers In	1,652,699	66,300	1,294,709	3,013,708
Transfers Out	(639,794)	(967,434)	-	(1,607,228)
Total Capital Contributions and Transfers, Net	<u>3,612,522</u>	<u>(901,134)</u>	<u>1,817,801</u>	<u>4,529,189</u>
Change in Net Position	3,494,339	530,307	(760,519)	3,264,127
Net Position - Beginning of Year (As Restated)	13,812,445	71,542,534	1,048,145	86,403,124
Net Position - End of Year	<u>\$ 17,306,784</u>	<u>\$ 72,072,841</u>	<u>\$ 287,626</u>	<u>\$ 89,667,251</u>

See accompanying Notes to Basic Financial Statements.

CITY OF BROCKTON, MASSACHUSETTS
STATEMENT OF CASH FLOWS — PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018

	Enterprise Funds			
	Water	Sewer	Other	Total
CASH FLOWS FROM OPERATIONS				
Cash Received from Customers	\$ 17,729,899	\$ 20,140,574	\$ 8,540,412	\$ 46,410,885
Cash Paid to Employees	(4,404,102)	(2,113,841)	(2,733,112)	(9,251,055)
Cash Paid to Vendors	(11,281,808)	(8,613,478)	(7,106,747)	(27,002,033)
Net Cash Provided (Used) by Operations	2,043,989	9,413,255	(1,299,447)	10,157,797
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers In	1,652,699	66,300	1,294,709	3,013,708
Transfers Out	(639,794)	(967,434)	-	(1,607,228)
Net Cash Provided (Used) by Noncapital Financing Activities	1,012,905	(901,134)	1,294,709	1,406,480
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and Construction of Capital Assets	(1,728,378)	(4,191,982)	(835,314)	(6,755,674)
Interest Paid on Debt	(483,792)	(1,129,994)	-	(1,613,786)
Loan Proceeds Received	-	2,943,117	-	2,943,117
Capital Contributions	-	-	523,092	523,092
Repayment of Long-Term Debt	(1,905,978)	(5,897,526)	(100,000)	(7,903,504)
Net Cash Used by Capital and Related Financing Activities	(4,118,148)	(8,276,385)	(412,222)	(12,806,755)
CASH FLOWS FROM INVESTING ACTIVITY				
Interest Income	252,863	236,628	197,003	686,494
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(808,391)	472,364	(219,957)	(555,984)
Cash and Cash Equivalents - Beginning of Year	5,302,506	10,088,115	4,492,820	19,883,441
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,494,115</u>	<u>\$ 10,560,479</u>	<u>\$ 4,272,863</u>	<u>\$ 19,327,457</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATIONS:				
Operating Income (Loss)	\$ 101,403	\$ 2,183,794	\$ (2,775,983)	\$ (490,786)
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operations:				
Depreciation Expense	2,148,320	4,542,925	476,820	7,168,065
Change in Net Pension Liability	(106,872)	(41,437)	(65,437)	(213,746)
Change in Deferred Outflows - Pension	169,468	121,704	192,166	483,338
Change in Deferred Inflows - Pension	313,870	65,712	115,506	495,088
Change in Total OPEB Liability	635,551	200,398	293,014	1,128,963
Change in Deferred Inflows - OPEB	18,307	5,772	8,440	32,519
Changes in Operating Assets and Liabilities:				
Accounts Receivable	(468,657)	2,222,609	(97,046)	1,656,906
Warrants and Accounts Payable	(638,357)	219,483	586,938	168,064
Other Assets and Liabilities	(129,044)	(107,705)	(33,865)	(270,614)
Net Cash Provided (Used) by Operations	<u>\$ 2,043,989</u>	<u>\$ 9,413,255</u>	<u>\$ (1,299,447)</u>	<u>\$ 10,157,797</u>
NONCASH ACTIVITIES				
Intergovernmental Debt Subsidies (MCWT)	<u>\$ 34,778</u>	<u>\$ 250,558</u>	<u>\$ -</u>	<u>\$ 285,336</u>

See accompanying Notes to Basic Financial Statements.

CITY OF BROCKTON, MASSACHUSETTS
STATEMENT OF NET POSITION — FIDUCIARY FUNDS
JUNE 30, 2018
(EXCEPT FOR PENSION TRUST, WHICH IS AS OF DECEMBER 31, 2017)

	Pension Trust Fund	Agency Funds
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 12,026,636	\$ 356,192
RECEIVABLES		
Interest and Dividends	160,568	-
Member Deductions	18,662	-
Other	150,840	304,342
Total Receivables	330,070	304,342
OTHER ASSETS	916	-
INVESTMENTS		
Fixed Income Mutual Funds	94,785,857	-
Equities and Equity Mutual Funds	241,348,196	-
Real Estate Funds	25,823,832	-
Private Equity Funds	31,522,659	-
Structured Credit Funds	12,261,625	-
Total Investments	405,742,169	-
Total Assets	<u>\$ 418,099,791</u>	<u>\$ 660,534</u>
LIABILITIES		
ACCOUNTS PAYABLE AND OTHER LIABILITIES	\$ 21,149	\$ 660,534
Total Liabilities	<u>21,149</u>	<u>\$ 660,534</u>
NET POSITION RESTRICTED FOR PENSION BENEFITS	<u>\$ 418,078,642</u>	

See accompanying Notes to Basic Financial Statements.

CITY OF BROCKTON, MASSACHUSETTS
STATEMENT OF CHANGES IN NET POSITION — FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2017

	<u>Pension Trust Fund</u>
ADDITIONS	
Contributions:	
Employers	\$ 25,014,425
Plan Members	<u>9,184,633</u>
Total Contributions	34,199,058
Investment Income:	
Net Appreciation in Fair Value of Investments	46,384,062
Interest and Dividends	<u>10,943,739</u>
Total Investment Income	57,327,801
Less: Investment Expenses	<u>(2,241,521)</u>
Net Investment Income	<u>55,086,280</u>
Total Additions	<u>89,285,338</u>
DEDUCTIONS	
Retirement Benefits and Refunds	41,835,507
Administration	<u>785,306</u>
Total Deductions	<u>42,620,813</u>
Change in Net Position	46,664,525
Net Position - Beginning of Year	<u>371,414,117</u>
NET POSITION - END OF YEAR	<u><u>\$ 418,078,642</u></u>

See accompanying Notes to Basic Financial Statements.

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 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, 2017 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 2018:

<u>Joint Venture and Address</u>	<u>Purpose</u>	<u>Annual Assessment</u>
Brockton Area Transit Authority 45 School Street Brockton, MA 02301	To Provide Public Transportation	\$ 2,375,900
Southeastern Regional School District 250 Foundry Street South Easton, MA 02375	To Provide Public Transportation	\$ 3,730,029

NOTE 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.

CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

The financial condition and results of operations of the City are presented as of and for the year ended June 30, 2018, except for the System, which is presented as of and for the year ended December 31, 2017.

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.

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

Allowance for Uncollectible Accounts

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

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 are reported in the government-wide and proprietary funds statements of net position.

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 and OPEB are reported in the government-wide and proprietary funds statements of net position.

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.

Other Postemployment Liability

In addition to providing pension benefits, and as more fully described in Note 12, the City provides health, dental and life insurance coverage for current and future retirees and their spouses.

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 acquisition value 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:

Building	40 – 50 Years
Land Improvements	20 Years
Machinery and Equipment	5 – 20 Years
Infrastructure	15 – 100 Years

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.

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Implementation of New Accounting Principles

For the year ending June 30, 2018, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

The implementation of GASB Statement No. 75 resulted in, among other things, the recognition of the total OPEB liability in the Statement of Net Position, as well as deferred inflows related to OPEB activities. As a result, the City has restated its 2018 beginning net position to reflect the implementation of the Statement. The cumulative effect of the change in accounting principle is as follows:

	Governmental Activities	Business-Type Activities	Business -Type Activities		
			Water	Sewer	Other
Net Position, June 30, 2017, as Previously Reported	\$ (266,217,769)	\$ 100,338,824	\$ 22,148,929	\$ 73,560,859	\$ 4,629,036
Cumulative Affect of Implementation of GASB No. 75	(421,154,878)	(13,935,700)	(8,336,484)	(2,018,325)	(3,580,891)
Net Position, June 30, 2017, as Restated	<u><u>\$ (687,372,647)</u></u>	<u><u>\$ 86,403,124</u></u>	<u><u>\$ 13,812,445</u></u>	<u><u>\$ 71,542,534</u></u>	<u><u>\$ 1,048,145</u></u>

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 RECEIVABLES

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.

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.

CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 RECEIVABLES (CONTINUED)

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, 2016 and 2017, 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.

Subsequent Event

In January 2019, the Corporation defaulted on the note agreement and, as a result, the City voted to terminate the note and take ownership of the baseball stadium and conference center, including its operations.

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 (80% of total eligible costs) to the City to build and/or renovate schools. As of June 30, 2018, under MSBA's contract assistance program, the City was due funds totaling \$1,933,910.

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 remaining pay down as of June 30, 2018 through 2020:

<u>Year Ending June 30.</u>	<u>Amount</u>
2019	\$ 966,955
2020	966,955
Total	<u><u>\$ 1,933,910</u></u>

CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
Government Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 7,410,698	\$ -	\$ -	\$ 7,410,698
Construction in Progress	9,507,993	1,286,434	(2,089,116)	8,705,311
Historical Works of Art	1,809,514	-	-	1,809,514
Total Capital Assets, Not Being Depreciated	18,728,205	1,286,434	(2,089,116)	17,925,523
Capital Assets, Being Depreciated:				
Buildings	240,304,105	2,894,236	-	243,198,341
Land Improvements	15,762,488	54,725	-	15,817,213
Machinery and Equipment	30,468,669	1,231,610	-	31,700,279
Infrastructure	106,271,142	4,366,170	-	110,637,312
Total Capital Assets, Being Depreciated	392,806,404	8,546,741	-	401,353,145
Less: Accumulated Depreciation For:				
Buildings	104,673,082	5,870,657	-	110,543,739
Land Improvements	8,272,776	511,737	-	8,784,513
Machinery and Equipment	24,698,001	1,309,244	-	26,007,245
Infrastructure	82,763,579	2,312,095	-	85,075,674
Total Accumulated Depreciation	220,407,438	10,003,733	-	230,411,171
Total Capital Assets, Being Depreciated, Net	172,398,966	(1,456,992)	-	170,941,974
Governmental Capital Assets, Net	\$ 191,127,171	\$ (170,558)	\$ (2,089,116)	\$ 188,867,497

Depreciation expense was charged to governmental functions as follows:

Government Activities:	
General Government	\$ 753,657
Public Safety	1,177,595
Education	5,544,170
Public Works	2,167,411
Human Services	97,806
Culture and Recreation	263,094
Total Depreciation Expense - Government Activities	<u>\$ 10,003,733</u>

CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 CAPITAL ASSETS (CONTINUED)

Business-type activity for the year ended June 30, 2018 was as follows:

	Business-Type Activities			
	Beginning Balance	Increases	Decreases	Ending Balance
Water:				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,929,492	\$ -	\$ -	\$ 2,929,492
Construction in Progress	2,738,590	75,349	(37,189)	2,776,750
Total Capital Assets, Not Being Depreciated	5,668,082	75,349	(37,189)	5,706,242
Capital Assets, Being Depreciated:				
Buildings	30,663,139	47,240	-	30,710,379
Land Improvements	105,700	-	-	105,700
Machinery and Equipment	17,269,043	65,462	-	17,334,505
Infrastructure	35,444,742	1,577,516	-	37,022,258
Total Capital Assets, Being Depreciated	83,482,624	1,690,218	-	85,172,842
Less: Accumulated Depreciation For:				
Buildings	6,864,016	755,399	-	7,619,415
Land Improvements	105,700	-	-	105,700
Machinery and Equipment	12,658,037	751,573	-	13,409,610
Infrastructure	18,937,129	641,348	-	19,578,477
Total Accumulated Depreciation	38,564,882	2,148,320	-	40,713,202
Total Capital Assets, Being Depreciated, Net	44,917,742	(458,102)	-	44,459,640
Water Capital Assets, Net	50,585,824	(382,753)	(37,189)	50,165,882
Sewer:				
Capital Assets, Not Being Depreciated:				
Land	186,327	-	-	186,327
Construction in Progress	1,508,751	21,795	(154,731)	1,375,815
Total Capital Assets, Not Being Depreciated	1,695,078	21,795	(154,731)	1,562,142
Capital Assets, Being Depreciated:				
Buildings	144,054,552	781,121	-	144,835,673
Land Improvements	258,000	31,473	-	289,473
Machinery and Equipment	44,904,453	1,008,744	-	45,913,197
Infrastructure	39,656,398	2,854,945	-	42,511,343
Total Capital Assets, Being Depreciated	228,873,403	4,676,283	-	233,549,686
Less: Accumulated Depreciation For:				
Buildings	41,225,489	3,587,820	-	44,813,309
Land Improvements	258,000	393	-	258,393
Machinery and Equipment	43,221,885	312,290	-	43,534,175
Infrastructure	26,820,756	642,422	-	27,463,178
Total Accumulated Depreciation	111,526,130	4,542,925	-	116,069,055
Total Capital Assets, Being Depreciated, Net	117,347,273	133,358	-	117,480,631
Sewer Capital Assets, Net	119,042,351	155,153	(154,731)	119,042,773

CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 CAPITAL ASSETS (CONTINUED)

	Business-Type Activities			
	Beginning Balance	Increases	Decreases	Ending Balance
Other:				
Capital Assets, Not Being Depreciated:				
Land	\$ 130,359	\$ -	\$ -	\$ 130,359
Construction in Progress	15,299	28,839	-	44,138
Total Capital Assets, Not Being Depreciated	145,658	28,839	-	174,497
Capital Assets, Being Depreciated:				
Buildings	905,875	-	-	905,875
Land Improvements	33,554,730	597,475	-	34,152,205
Machinery and Equipment	4,206,271	209,000	-	4,415,271
Infrastructure	6,957,831	-	-	6,957,831
Total Capital Assets, Being Depreciated	45,624,707	806,475	-	46,431,182
Less: Accumulated Depreciation For:				
Buildings	598,606	11,816	-	610,422
Land Improvements	32,325,946	135,131	-	32,461,077
Machinery and Equipment	3,284,831	268,651	-	3,553,482
Infrastructure	3,146,578	61,222	-	3,207,800
Total Accumulated Depreciation	39,355,961	476,820	-	39,832,781
Total Capital Assets, Being Depreciated, Net	6,268,746	329,655	-	6,598,401
Other Capital Assets, Net	6,414,404	358,494	-	6,772,898
Business-Type Activities Capital Assets, Net	<u>\$ 176,042,579</u>	<u>\$ 130,894</u>	<u>\$ (191,920)</u>	<u>\$ 175,981,553</u>

NOTE 5 DEPOSITS AND INVESTMENTS

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

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, 2018, the City's bank balances of uninsured and uncollateralized deposits totaled \$128,778,898. The carrying amount of the City's deposits totaled \$124,713,997 at June 30, 2018.

The System's bank balances of uninsured and uncollateralized deposits totaled \$11,468,608. The carrying amount of the System's deposits totaled \$11,226,760 at December 31, 2017.

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 DEPOSITS AND INVESTMENTS (CONTINUED)

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.

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, 2018 for the primary government and December 31, 2017 for the Retirement System:

Investment Type	Total Amount	Less Than 1 Year	1 - 5 Years	6 - 10 Years
Retirement System:				
Fixed Income Mutual Funds	\$ 94,785,857	\$ 94,785,857	\$ -	\$ -
Money Market Mutual Funds	799,876	799,876	-	-
Subtotal	95,585,733	95,585,733	-	-
City:				
U.S. Treasury Notes and Bonds	1,164,557	50,154	733,669	380,734
U.S. Agencies	1,182,136	164,890	778,452	238,794
Corporate Bonds	830,568	185,497	473,824	171,247
Money Market Mutual Funds	106,001	106,001	-	-
MMDT	5,713,811	5,713,811	-	-
Subtotal	8,997,073	6,220,353	1,985,945	790,775
Total	\$ 104,582,806	\$ 101,806,086	\$ 1,985,945	\$ 790,775

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 DEPOSITS AND INVESTMENTS (CONTINUED)

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.

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, 2018 for the primary government and December 31, 2017 for the Retirement System were rated by Standard & Poor's and/or an equivalent nationally recognized statistical rating organization, and the ratings are presented below using the Standard and Poor's rating scale:

Investment Type	Total Amount	AAA to A	BBB to B	Not Rated
Retirement System:				
Fixed Income Mutual Funds	\$ 94,785,857	\$ -	\$ -	\$ 94,785,857
Money Market Mutual Funds	799,876	-	-	799,876
Subtotal	95,585,733	-	-	95,585,733
City:				
U.S. Agencies	1,182,136	1,182,136	-	-
Corporate Bonds	830,568	685,405	145,163	-
Money Market Mutual Funds	106,001	-	-	106,001
MMDT	5,713,811	-	-	5,713,811
Subtotal	7,832,516	1,867,541	145,163	5,819,812
Total	\$ 103,418,249	\$ 1,867,541	\$ 145,163	\$ 101,405,545

In addition to the above schedule, the City has \$1,164,557 invested in U.S. government securities, which are not included above as they are explicitly guaranteed by the U.S. government.

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2017, 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, 2018, the City was not exposed to concentration of credit risk.

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, 2017, the System had indirect exposure to foreign currency risk for certain pooled equity investments in the amount of approximately \$24,800,000.

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.

CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 DEPOSITS AND INVESTMENTS (CONTINUED)

The City has the following recurring fair value measurements as of June 30, 2018 and December 31, 2017 for the Retirement System:

Investment Type	Fair Value	Fair Value Measurements Using		
		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	\$ 10,464	\$ 10,464	\$ -	\$ -
Money Market Mutual Funds	799,876	799,876	-	-
Equity Mutual Funds	241,337,732	241,337,732	-	-
Fixed Income Mutual Funds	94,785,857	94,785,857	-	-
Total Investments by Fair Value Level	336,933,929	336,933,929	-	-
Investments Measured at the Net Asset Value (NAV):				
Real Estate Funds	25,823,832			
Private Equity Funds	31,522,659			
Structured Credit Funds	12,261,625			
Total Investments Measured at the NAV	69,608,116			
Subtotal - System	406,542,045			
City:				
Money Market Mutual Funds	106,001	106,001	-	-
Equities	3,415,635	3,415,635	-	-
Corporate Bonds	830,568	-	830,568	-
Fixed Income Mutual Funds	1,061,751	1,061,751	-	-
Equity Mutual Funds	1,749,368	1,749,368	-	-
U.S. Treasuries	1,164,497	1,164,497	-	-
U.S. Agencies	1,182,136	-	1,182,136	-
Total Investments by Fair Value Level	9,509,956	7,497,252	2,012,704	-
Investments Measured at Amortized Cost:				
MMDT	5,713,811			
Subtotal - City	15,223,767			
Total	\$ 421,765,812			

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.

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 DEPOSITS AND INVESTMENTS (CONTINUED)

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⁾	\$ 25,823,832	\$ 988,674	N/A ⁽¹⁾	N/A ⁽¹⁾
Private Equity Funds ⁽²⁾	31,522,659	5,223,083	N/A ⁽²⁾	N/A ⁽²⁾
Structured Credit Funds ⁽³⁾	12,261,625	-	Annually	65 Days
Total Investments Measured at the NAV	<u>\$ 69,608,116</u>			

- (1) Real Estate Funds – This type includes 6 real estate funds which 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 \$16,500,000 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 6 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 are two investments with an approximate value of \$13,500,000 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 9 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.

CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 PENSION PLAN – BROCKTON CONTRIBUTORY RETIREMENT SYSTEM (SYSTEM)

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, 2017:

Active Members	1,815
Inactive Members	500
Retirees and Beneficiaries Currently Receiving Benefits	<u>1,289</u>
Total	<u><u>3,604</u></u>

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.

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).

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

**NOTE 6 PENSION PLAN – BROCKTON CONTRIBUTORY RETIREMENT SYSTEM (SYSTEM)
(CONTINUED)**

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.

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, 2017, active member contributions totaled \$9,184,633 and employer contributions totaled \$25,014,425. Contributions to the System from the City were \$20,364,307 for the year ended June 30, 2018.

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

**NOTE 6 PENSION PLAN – BROCKTON CONTRIBUTORY RETIREMENT SYSTEM (SYSTEM)
(CONTINUED)**

***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, 2017, were as follows:

Total Pension Liability	\$ 659,285,373
Plan Fiduciary Net Position	<u>(418,078,642)</u>
Net Pension Liability	<u><u>\$ 241,206,731</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u><u>63.41%</u></u>

At June 30, 2018, the City reported a liability of \$225,295,129 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. 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, 2017, the City's proportion was 93.40333 percent, which compared to the 93.03000 percent proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the City recognized pension expense of \$36,634,138. At June 30, 2018, the City reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ -	\$ 4,541,289
Changes in Assumptions	21,811,091	-
Differences Between Expected and Actual Experience	8,580,366	-
Changes in Proportion	<u>1,047,914</u>	<u>357,861</u>
Total	<u><u>\$ 31,439,371</u></u>	<u><u>\$ 4,899,150</u></u>

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

**NOTE 6 PENSION PLAN – BROCKTON CONTRIBUTORY RETIREMENT SYSTEM (SYSTEM)
(CONTINUED)**

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

<u>Year Ending June 30</u>	<u>Amount</u>
2019	\$ 13,872,453
2020	10,551,144
2021	517,152
2022	160,245
2023	1,439,227
Total	<u>\$ 26,540,221</u>

Actuarial Assumptions

The total pension liability was determined using the January 1, 2018 actuarial valuation. 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	7.75%, net of investment expenses
Cost of Living Adjustments	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

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

**NOTE 6 PENSION PLAN – BROCKTON CONTRIBUTORY RETIREMENT SYSTEM (SYSTEM)
(CONTINUED)**

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 15.05%. 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, 2017 are summarized on the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	21 %	6.16 %
Global Equity	41 %	7.30 %
Domestic Fixed Income	16 %	3.93 %
International Fixed Income	6 %	6.25 %
Real Estate	4 %	4.80 %
Alternatives	9 %	8.82 %
Other	3 %	3.96 %

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

**NOTE 6 PENSION PLAN – BROCKTON CONTRIBUTORY RETIREMENT SYSTEM (SYSTEM)
(CONTINUED)**

Discount Rate

The discount rate used to measure the total pension liability was 7.75 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.

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 7.75%, 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 (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net Pension Liability	\$ 312,931,493	\$ 241,206,731	\$ 180,140,751

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what City's proportionate share of the net pension liability would be calculated using a discount rate that is 1-percentage point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net Pension Liability	\$ 292,288,448	\$ 225,295,129	\$ 168,257,468

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

**NOTE 6 PENSION PLAN – BROCKTON CONTRIBUTORY RETIREMENT SYSTEM (SYSTEM)
(CONTINUED)**

Legally Required Reserve Accounts

The balances in the System's legally required reserves at December 31, 2017 are as follows:

Description	Amount	Purpose
Annuity Savings Fund	\$ 96,020,986	Active members' contribution balance
Annuity Reserve Fund	26,915,744	Retired members' contribution account
Military Service Credit Fund	102,708	Amounts appropriated to fund military service time
Pension Reserve Fund	269,049,465	Amounts appropriated to fund future retirement
Pension Fund	25,989,739	Remaining net position
Total	<u>\$ 418,078,642</u>	

NOTE 7 RETIREMENT SYSTEM - MTRS

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>.

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.

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 RETIREMENT SYSTEM – MTRS (CONTINUED)

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, 2018. The Commonwealth's net pension liability associated with the City was \$406,936,492.

The MTRS' net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017 rolled forward to June 30, 2017.

For the year ended June 30, 2018, the City recognized pension expense of \$42,473,146 associated with MTRS and revenue of the same amount for support provided by the Commonwealth.

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 RETIREMENT SYSTEM – MTRS (CONTINUED)

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 White Collar Employees Table projected generationally with Scale MP-2016 (gender distinct). Post-retirement - reflects RP-2014 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (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.

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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	40 %	5.0 %
Core Fixed Income	12 %	1.1 %
Hedge Funds	- %	3.6 %
Private Equity	11 %	6.6 %
Real Estate	10 %	3.6 %
Value Added Fixed Income	10 %	3.8 %
Portfolio Completion Strategies	13 %	3.6 %
Timber/Natural Resources	4 %	3.2 %
Totals	<u>100 %</u>	

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 RETIREMENT SYSTEM – MTRS (CONTINUED)

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.

Pension Plan Fiduciary Net Position

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

NOTE 8 LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended June 30, 2018:

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%)	\$ 84,890,000	\$ 1,600,000	\$ 3,375,000	\$ 83,115,000	\$ 4,140,000
General Obligation	2038	(3.00% - 6.75%)	18,329,000	4,885,000	2,540,000	20,674,000	2,933,000
Subtotal			103,219,000	6,485,000	5,915,000	103,789,000	7,073,000
Add (Deduct):							
Unamortized Bond Premium			1,265,740	95,884	157,165	1,204,459	121,226
Total Governmental Activities Debt, Net			<u>\$ 104,484,740</u>	<u>\$ 6,580,884</u>	<u>\$ 6,072,165</u>	<u>\$ 104,993,459</u>	<u>\$ 7,194,226</u>

During 2018, the City issued \$4,885,000 in General Obligation Bonds and \$1,600,000 in Taxable Bonds. The proceeds from the General Obligation Bonds were used to retire \$4,645,100 in BAN's that were outstanding at June 30, 2017. The remaining proceeds from both issuances were used for garage construction.

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 LONG-TERM OBLIGATIONS (CONTINUED)

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	2038	(4.75% - 6.45%)	\$ 24,626,935	\$ -	\$ 1,928,195	\$ 22,698,740	\$ 1,817,002
Sewer	2038	(3.00% - 6.75%)	57,776,256	-	5,470,975	52,305,281	5,456,524
Other	2024	(3.00% - 6.75%)	700,000	-	100,000	600,000	100,000
Subtotal			83,103,191	-	7,499,170	75,604,021	7,373,526
Add (Deduct):							
Unamortized Bond Premium			674,786	-	88,834	585,952	88,306
MCWT Interim Loans	2019	0.9%	477,000	1,936,898	-	2,413,898	-
Total Business-Type Activities Debt, Net			84,254,977	1,936,898	7,588,004	78,603,871	7,461,832
Total Debt, Net			<u>\$ 188,739,717</u>	<u>\$ 8,517,782</u>	<u>\$ 13,660,169</u>	<u>\$ 183,597,330</u>	<u>\$ 14,656,058</u>
Other Long-Term Obligations:							
Self-Insured Benefit Claims:							
Governmental Activities			\$ 5,509,392	\$ 675,963	\$ -	\$ 6,185,355	\$ 2,775,000
Business-Type Activities:							
Water			910,090	-	128,365	781,725	-
Sewer			2,348,259	-	235,849	2,112,410	-
Other			2,166,750	-	39,716	2,127,034	-
Compensated Absences, Net:							
Governmental Activities			12,770,636	1,223,058	-	13,993,694	2,099,054
Business-Type Activities:							
Water			343,383	-	679	342,704	51,406
Sewer			129,303	-	16,376	112,927	16,939
Other			170,746	5,851	-	176,597	26,489
Court Judgments:							
Governmental Activities			4,750,000	-	-	4,750,000	-
Landfill Closure and Postclosure Care Costs:							
Governmental Activities			2,301,587	-	83,723	2,217,864	-
Business-Type Activities:							
Sewer			1,748,000	46,000	-	1,794,000	-
Total Other Long-Term Obligations			<u>\$ 33,148,146</u>	<u>\$ 1,950,872</u>	<u>\$ 504,708</u>	<u>\$ 34,594,310</u>	<u>\$ 4,968,888</u>

During 2018, the City entered into an interim loan agreement (Sewer Enterprise Fund) with the MCWT to fund sewer system improvements. Interim note bears no interest and the loan is anticipated to be permanently financed in 2019. Amounts accrued and considered issued under new and existing interim loans during 2018 totaled \$1,936,898 in the sewer enterprise fund.

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 LONG-TERM OBLIGATIONS (CONTINUED)

Maturity of Bond Indebtedness

Bond indebtedness outstanding at June 30, 2018 matures as follows:

<u>Year Ending June 30</u>	Governmental Activities		
	Principal	Interest	Total
2019	\$ 7,073,000	\$ 5,122,647	\$ 12,195,647
2020	7,771,000	4,768,665	12,539,665
2021	7,345,000	4,359,885	11,704,885
2022	7,770,000	3,962,471	11,732,471
2023	8,570,000	3,547,494	12,117,494
2024 - 2028	58,845,000	9,616,109	68,461,109
2029 - 2033	4,665,000	743,056	5,408,056
2034 - 2038	1,750,000	114,150	1,864,150
Total	<u>\$ 103,789,000</u>	<u>\$ 32,234,477</u>	<u>\$ 136,023,477</u>

<u>Year Ending June 30</u>	Business-Type Activities			
	Water		Sewer	
	Principal	Interest	Principal	Interest
2019	\$ 1,817,002	\$ 464,547	\$ 5,456,524	\$ 1,177,138
2020	1,845,838	416,741	5,479,722	1,032,833
2021	1,787,971	372,671	5,507,543	889,060
2022	1,825,776	336,358	5,607,131	745,852
2023	1,854,616	296,929	5,642,980	598,624
2024 - 2028	9,063,337	928,627	21,117,050	1,182,697
2029 - 2033	3,415,653	304,585	2,869,838	167,724
2034 - 2038	1,088,547	50,306	624,493	28,438
Total	<u>\$ 22,698,740</u>	<u>\$ 3,170,764</u>	<u>\$ 52,305,281</u>	<u>\$ 5,822,366</u>

<u>Year Ending June 30</u>	Business-Type Activities (Continued)			
	Other		Total	
	Principal	Interest	Principal	Interest
2019	\$ 100,000	\$ -	\$ 7,373,526	\$ 1,641,685
2020	100,000	-	7,425,560	1,449,574
2021	100,000	-	7,395,514	1,261,731
2022	100,000	-	7,532,907	1,082,210
2023	100,000	-	7,597,596	895,553
2024 - 2028	100,000	-	30,280,387	2,111,324
2029 - 2033	-	-	6,285,491	472,309
2034 - 2038	-	-	1,713,040	78,744
Total	<u>\$ 600,000</u>	<u>\$ -</u>	<u>\$ 75,604,021</u>	<u>\$ 8,993,130</u>

CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 LONG-TERM OBLIGATIONS (CONTINUED)

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 \$158,602 and \$1,025,424 of Water and Sewer principal and interest subsidies, respectively, from MCWT over the remaining life of the loans as follows:

Year Ending June 30	Business-Type Activities					
	Water		Sewer		Total	
	Principal Subsidy	Interest Subsidy	Principal Subsidy	Interest Subsidy	Principal Subsidy	Interest Subsidy
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	52,657	7,705	10,513	124,801	63,170	132,506
2023	-	-	34,119	87,303	34,119	87,303
2024 - 2025	-	-	137,785	47,558	137,785	47,558
Total	<u>\$ 125,055</u>	<u>\$ 33,547</u>	<u>\$ 269,302</u>	<u>\$ 756,122</u>	<u>\$ 394,357</u>	<u>\$ 789,669</u>

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

As of June 30, 2018, the City may issue approximately \$282.1 million of additional general-obligation debt under the normal debt limit. The City has approximately \$160.0 million of debt exempt from the debt limit.

As of June 30, 2018, the City has total authorized unissued debt of \$79.0 million, which is intended to finance the following:

School Construction/Furnishings	\$ 14,790,325
Pension Funding	47,710,000
Various Departments	1,711,000
Water Projects	9,696,217
Sewer Projects	4,138,844
Economic Development	1,000,000
Total	<u>\$ 79,046,386</u>

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 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, 2018:

	Governmental Activities	Business-Type Activities Sewer Fund
Closure and Postclosure Care Costs	\$ 2,217,864	\$ 1,794,000
Percentage Used (Filled)	100.00 %	78.00 %

It is estimated that an additional \$506,000 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 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, 2018. 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.

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 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, 2018 was as follows:

	Outstanding as of June 30 2017	Additions	Reductions	Outstanding as of June 30 2018
Bond Anticipation Notes Payable:				
Governmental Activities:				
Various Capital Project Funds:				
Brookfield School Repairs	\$ 1,112,300	\$ 1,062,300	\$ 1,112,300	\$ 1,062,300
Ashfield School Repairs	788,000	688,000	788,000	688,000
Gilmore School Repairs	1,288,600	1,038,600	1,288,600	1,038,600
Barrett Russel School Repairs	415,100	-	415,100	-
Fire Truck Purchase	1,043,000	-	1,043,000	-
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	-
School Master Plan	900,000	500,000	900,000	500,000
Street Lighting System Improvements	3,000,000	2,500,000	3,000,000	2,500,000
Elevator Repairs	-	335,000	-	335,000
Energy Conversation	-	64,000	-	64,000
Total Departments	<u>\$ 11,748,000</u>	<u>\$ 6,187,900</u>	<u>\$ 11,748,000</u>	<u>\$ 6,187,900</u>

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 11 OPERATING TRANSFERS

Operating transfers and their purposes during the year ended June 30, 2018 were as follows:

	Governmental Funds		Enterprise Funds		
	General	Other	Water	Sewer	Other
Water Receipts - in Lieu of Taxes	\$ 639,794	\$ -	\$ (639,794)	\$ -	\$ -
General Fund Revenue - Water Subsidy	(1,275,303)	-	1,275,303	-	-
Sewer Receipts - in Lieu of Taxes	841,888	-	-	(841,888)	-
General Fund Revenue - Recreation Subsidy	(1,165,709)	-	-	-	1,165,709
General Fund Revenue - Sewer, Renewable Energy, and Recreation - Debt Service Costs	(418,150)	-	251,850	66,300	100,000
Sewer Enterprise - Debt Service Costs	-	-	125,546	(125,546)	-
Recreation - Transfer of Capital Expenditures	(29,000)	-	-	-	29,000
Parking Authority Reserve - Parking Authority	698,175	(698,175)	-	-	-
Planning 40R - Planning Department Budget	103,000	(103,000)	-	-	-
Parking Fines	293,918	(293,918)	-	-	-
Weights and Measures - Personal Services	33,545	(33,545)	-	-	-
Grave Liners - Cemetery Costs	254,381	(254,381)	-	-	-
Transfer of Ambulance Fees	807,500	(807,500)	-	-	-
Various Special Revenue Fund - General Fund Budget	88,500	(88,500)	-	-	-
General Fund Revenue - Transfer of Cable Agreement	-	-	-	-	-
Reimbursement to Special Revenue Fund	(407,679)	407,679	-	-	-
Total	<u>\$ 464,860</u>	<u>\$ (1,871,340)</u>	<u>\$ 1,012,905</u>	<u>\$ (901,134)</u>	<u>\$ 1,294,709</u>

NOTE 12 OTHER POSTEMPLOYMENT BENEFIT DISCLOSURES (OPEB)

Plan Description

The City provides health, dental and life insurance benefits, in accordance with state statute and City ordinance, to participating retirees and their beneficiaries (hereinafter referred to as the "Plan") as a single-employer defined benefit Other Post Employment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions. Changes to the plan design and contributions rates must be accomplished through the collective bargaining process. The Plan does not issue a stand-alone financial report and no assets have been placed in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

The City provides health, dent and life insurance coverage for its retirees and their survivors. The contribution requirements of Plan members and the City are governed by the respective collective bargaining agreements. 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. The City currently funds the plan on a pay-as-you-go basis. The cost of administering the Plan are paid by the City.

Employees Covered by Benefit Terms

At June 30, 2018, the following employees were covered by benefit terms.

Active Members	2,992
Retirees and Beneficiaries	<u>2,141</u>
Total	<u><u>5,133</u></u>

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 12 OTHER POSTEMPLOYMENT BENEFIT (OPEB) DISCLOSURES (CONTINUED)

Total OPEB Liability

The City's total OPEB liability of \$755,317,284 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2017 for which updated procedures were used to roll forward the total OPEB liability to the measurement date.

Actuarial Assumptions

The total OPEB liability in the July 1, 2017 actuarial valuation and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Discount Rate	2.98% (Municipal Bond Index Rate at June 30, 2018)
Healthcare/Medical Cost Inflation Rate	8.0% decreasing a half percent annually for 2 years to an ultimate level of 5.0% per year.
Inflation Rate	3% Annually
Mortality	RP-2014 Mortality Table with MP-2016 Projection.
Retirement Rates	Non-Teachers - 1.0% and 1.5% for males and females, respectively, beginning at age 50 ranging to 40.0% and 15.0% for males and females, respectively, ending at age 69 Teachers - 0.0% and 1.0% for males and females, respectively, beginning at age 50 ranging to 40.0% and 50.0% for males and females, respectively, ending at age 69 Public Safety - 1.0% beginning at age 45 ranging to 100.0% at age 65

Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balances at June 30, 2017	\$ 721,419,471
Changes for the year:	
Service Cost	28,647,015
Interest	21,275,694
Service Cost	(1,084,896)
Benefit Payments	<u>(14,940,000)</u>
Net Changes	<u>33,897,813</u>
Balances at June 30, 2018	<u><u>\$ 755,317,284</u></u>

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 12 OTHER POSTEMPLOYMENT BENEFIT (OPEB) DISCLOSURES (CONTINUED)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.98%) or 1 percentage-point higher (3.98%) than the current rate:

	1% Decrease (1.98%)	Current Discount Rate (2.98%)	1% Increase (3.98%)
Total OPEB Liability	\$ 879,149,909	\$ 755,317,284	\$ 631,484,660

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates.

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1-percentage-point higher than the current healthcare trend rates:

	1% Decrease	Current Trend Rates	1% Increase
Total OPEB Liability	\$ 613,401,977	\$ 755,317,284	\$ 927,871,887

OPEB Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2018, the City recognized OPEB expense of \$49,814,219. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 976,406
Total	\$ -	\$ 976,406

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 12 OTHER POSTEMPLOYMENT BENEFIT (OPEB) DISCLOSURES (CONTINUED)

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

<u>Year Ending June 30</u>	<u>Amount</u>
2019	\$ (108,490)
2020	(108,490)
2021	(108,490)
2022	(108,490)
2023	(108,490)
2024-2027	(433,956)
Total	<u>\$ (976,406)</u>

NOTE 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, windstorm, 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 rate is 10% for BCBS Medex II. The 10% 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, 2018, that deposit was \$7,118,200, which includes Dental insurance. The financial arrangement with Harvard Pilgrim is monthly level funding of \$1,330,000 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.

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 13 RISK MANAGEMENT (CONTINUED)

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, 2018 and 2017 were as follows:

	Workers' Compensation Plan	Health Care Plans	Total
Balance - June 30, 2016	\$ 10,144,098	\$ 3,117,494	\$ 13,261,592
Provision for Losses/Change in Estimate	868,819	57,491,786	58,360,605
Payments for Claims	<u>(2,778,426)</u>	<u>(57,909,280)</u>	<u>(60,687,706)</u>
Balance - June 30, 2017	8,234,491	2,700,000	10,934,491
Provision for Losses/Change in Estimate	2,126,084	54,213,143	56,339,227
Payments for Claims	<u>(1,929,051)</u>	<u>(54,138,143)</u>	<u>(56,067,194)</u>
Balance - June 30, 2018	<u><u>\$ 8,431,524</u></u>	<u><u>\$ 2,775,000</u></u>	<u><u>\$ 11,206,524</u></u>

The liability for claims consists of governmental and business-type activities in the amount of \$6,185,355 and \$5,021,169 respectively.

NOTE 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. On September 1, 2018, the City amended the agreement to extend when the required minimum MGD was increased to 4.07, as a result the future commitments under the agreement were adjusted.

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 14 COMMITMENTS (CONTINUED)

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 \$7.1 million in fiscal year 2018.

As of June 30, 2018, based on the current fixed annual charge, the City expects to pay \$70.1 million for its Firm Commitment as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2019	\$ 6,380,988
2020	6,598,712
2021	6,816,436
2022	6,816,416
2023	6,816,436
2024 - 2028	34,082,180
2029	2,594,034
Total	<u>\$ 70,105,202</u>

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 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.

During fiscal year 2018, 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, 2018, 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.

NOTE 16 FUND DEFICITS

The following funds had deficit fund balances at June 30, 2018:

	Total	Funding Source
Capital Projects:		
School Repairs	\$ 2,490,760	Long-Term Debt
Street Light Improvements	2,490,786	Long-Term Debt
Municipal and School Facilities	371,080	Long-Term Debt
Energy Improvements	64,000	Long-Term Debt
Various Capital Projects	39,780	Long-Term Debt
Special Revenue:		
Public Works Grants	232,204	State/Federal Grants
Education Grants	132,175	State/Federal Grants
Public Safety Grants	18,006	State/Federal Grants
Total	<u>\$ 5,838,791</u>	

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 17 FUND BALANCE CLASSIFICATION DETAILS

The components of fund balances for the City's governmental funds as of June 30, 2018 are as follows:

	<u>General</u>	<u>Other Governmental</u>	<u>Total</u>
Nonspendable:			
Permanent Fund Principal	\$ -	\$ 7,354,275	\$ 7,354,275
Notes Receivable	6,160,505	-	6,160,505
Subtotal	<u>6,160,505</u>	<u>7,354,275</u>	<u>13,514,780</u>
Restricted For:			
General Government	26,728,865	3,724,987	30,453,852
Human Services	-	231,786	231,786
Public Safety	-	1,710,482	1,710,482
Public Works	-	3,429,559	3,429,559
Culture/Recreation	-	885,145	885,145
Education	-	13,067,711	13,067,711
Subtotal	<u>26,728,865</u>	<u>23,049,670</u>	<u>49,778,535</u>
Committed To:			
General Government	16,614,138	-	16,614,138
Human Services	-	405,754	405,754
Public Safety	-	1,837,645	1,837,645
Subtotal	<u>16,614,138</u>	<u>2,243,399</u>	<u>18,857,537</u>
Assigned To:			
General Government	2,924,380	-	2,924,380
Human Services	14,504	-	14,504
Public Safety	205,709	-	205,709
Public Works	731,281	-	731,281
Culture/Recreation	7,033	-	7,033
Education	4,624,115	-	4,624,115
Subtotal	<u>8,507,022</u>	<u>-</u>	<u>8,507,022</u>
Unassigned	<u>25,673,337</u>	<u>(5,838,791)</u>	<u>19,834,546</u>
Total Fund Balances	<u>\$ 83,683,867</u>	<u>\$ 26,808,553</u>	<u>\$ 110,492,420</u>

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 the stabilization account by 2/3 vote of City Council, but only a simple majority to appropriate money into the fund. The balance of the stabilization accounts was \$3.4 million at June 30, 2018.

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, 2018, totaled \$6.3 million, and is reported as restricted in the general fund.

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 18 TAX ABATEMENTS

The City enters into property tax abatement agreements with local businesses under the Massachusetts Economic Development Incentive Program (EDIP). The EDIP gives companies state and local tax incentives in order to foster job creation and stimulate business growth throughout the City.

The City negotiates property tax abatement agreements on an individual basis. As of June 30, 2018, the City had tax abatement agreements with 14 entities, all of which received abatements in fiscal year 2018. The City's policy is to disclose individual tax abatement agreements in which the amount abated exceeded 10% of the total abatements made by the City in any given fiscal year. In fiscal year 2018, taxes abated under these agreements totaled \$809,529.

- 540 Westgate Drive – A 50 percent property tax abatement to a company related to redevelopment and expansion of the property for expanded restaurant and retail opportunities and a new cinema. The expansion is expected to result in the creation of additional jobs for residents of Brockton. The total abatement for fiscal year 2018 amounted to \$240,918.
- 160 Pleasant St - A 100 percent property tax abatement to a company related to the renovation and expansion of a supermarket, and a condominium unit. The expansion is expected to result in the creation of additional jobs for residents of Brockton. The total abatement for fiscal year 2018 amounted to \$119,628.
- 309 Battles St. – A 95 percent property tax abatement to a company related to the purchase and redevelopment of an abandoned building. The redevelopment is expected to result in the creation of additional jobs for residents of Brockton. The total abatement for fiscal year 2018 amounted to \$113,669.
- 14 E. Union St. - A 100 percent property tax abatement to a company related to the purchase and redevelopment of an abandoned building. The redevelopment is expected to result in additional jobs to residents and expand commercial and industrial activity in Brockton. The total abatement for fiscal year 2018 amounted to \$126,274.

NOTE 19 FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS

The GASB has issued the following 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.

CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 19 FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS (CONTINUED)

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.

Statement No. 87, *Leases*, which is required to be implemented during fiscal year 2021. Management is evaluating the Statement's future impact on the basic financial statements.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which is required to be implemented during fiscal year 2019. Management is currently evaluating the Statement's impact on the basic financial statements.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented during fiscal year 2021. Management is currently evaluating the Statement's impact on the basic financial statements.

Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, which is required to be implemented during fiscal year 2020. Management is currently evaluating the Statement's impact on the basic financial statements.

**CITY OF BROCKTON, MASSACHUSETTS
BUDGETARY COMPARISON SCHEDULE — GENERAL FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Resources (Inflows):				
Real and Personal Property Taxes, Net	\$ 136,083,937	\$ 136,083,937	\$ 136,091,935	\$ 7,998
Motor Vehicle and Other Excise	9,463,800	9,463,800	10,916,163	1,452,363
Penalties and Interest on Taxes	1,671,700	1,671,700	1,943,675	271,975
Payments in Lieu of Taxes	151,200	151,200	162,764	11,564
User Charges and Other Revenue	618,925	618,925	1,525,804	906,879
Fees	1,393,300	1,393,300	1,595,675	202,375
Licenses and Permits	3,388,882	3,388,882	3,513,222	124,340
Intergovernmental	197,704,212	197,704,212	198,440,180	735,968
Fines	430,400	430,400	226,495	(203,905)
Investment Income	201,200	201,200	509,861	308,661
Transfers In	6,681,886	8,434,381	8,641,105	206,724
Amounts Available for Appropriation	<u>357,789,442</u>	<u>359,541,937</u>	<u>363,566,879</u>	<u>4,024,942</u>
Charges to Appropriations (Outflows):				
Current:				
General Government	16,139,859	15,139,859	14,233,974	905,885
Public Safety	54,318,787	55,295,287	50,835,514	4,459,773
Education	174,335,453	175,221,448	175,221,443	5
Public Works	9,095,542	9,095,542	8,463,605	631,937
Human Services	2,821,865	2,844,865	2,532,708	312,157
Culture and Recreation	2,879,303	2,879,303	2,477,473	401,830
State and County Assessments	15,067,785	15,067,785	15,374,078	(306,293)
Pension and Fringe Benefits	82,072,229	82,272,229	78,152,195	4,120,034
Court Judgments	250,000	250,000	164,687	85,313
Capital Outlay	404,579	771,579	651,866	119,713
Debt Service	11,859,840	11,859,840	11,627,551	232,289
Transfers Out	1,984,127	2,284,127	2,284,127	-
Total Charges to Appropriations	<u>371,229,369</u>	<u>372,981,864</u>	<u>362,019,221</u>	<u>10,962,643</u>
Excess (Deficiency) of Resources Over Charges to Appropriations	<u>(13,439,927)</u>	<u>(13,439,927)</u>	<u>\$ 1,547,658</u>	<u>\$ 14,987,585</u>
Other Budget Items:				
Free Cash	14,581,067	14,581,067		
Other Available Funds	<u>(1,141,140)</u>	<u>(1,141,140)</u>		
Total Other Budget Items	<u>13,439,927</u>	<u>13,439,927</u>		
Net Budget	<u>\$ -</u>	<u>\$ -</u>		

**CITY OF BROCKTON, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018
(UNAUDITED)**

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

	2017	2016	2015	2014
Total Pension Liability:				
Service Cost	\$ 13,782,419	\$ 13,252,326	\$ 11,641,512	\$ 10,817,393
Interest	48,362,463	46,791,714	44,359,746	41,739,197
Differences Between Expected and Actual Experience	4,943,799	-	11,431,816	-
Changes in Assumptions	22,366,074	-	-	17,356,197
Benefit Payments, Including Refunds of Member Contributions	(41,835,507)	(39,288,216)	(38,024,658)	(37,937,119)
Net Change in Total Pension Liability	47,619,248	20,755,824	29,408,416	31,975,668
Total Pension Liability - Beginning	611,666,125	590,910,301	561,501,885	529,526,217
Total Pension Liability - Ending ^(a)	<u>\$ 659,285,373</u>	<u>\$ 611,666,125</u>	<u>\$ 590,910,301</u>	<u>\$ 561,501,885</u>
Plan Fiduciary Net Position:				
Contributions - Employer	\$ 25,014,425	\$ 20,072,463	\$ 19,247,619	\$ 19,332,315
Contributions - Member	9,184,633	8,825,940	8,302,780	8,467,701
Net Investment Income	55,086,280	30,472,468	(7,554,439)	15,837,436
Benefit Payments, Including Refunds of Member Contributions	(41,835,507)	(39,288,216)	(38,024,658)	(37,937,119)
Other, Net	-	(366,882)	(798,475)	(406,376)
Administrative Expense	(785,306)	(779,411)	(686,453)	(677,927)
Net Change in Plan Fiduciary Net Position	46,664,525	18,936,362	(19,513,626)	4,616,030
Plan Fiduciary Net Position - Beginning	371,414,117	352,477,755	371,991,381	367,375,351
Plan Fiduciary Net Position - Ending ^(b)	<u>\$ 418,078,642</u>	<u>\$ 371,414,117</u>	<u>\$ 352,477,755</u>	<u>\$ 371,991,381</u>
Net Pension Liability - Ending ^{(a) (b)}	<u>\$ 241,206,731</u>	<u>\$ 240,252,008</u>	<u>\$ 238,432,546</u>	<u>\$ 189,510,504</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.41%	60.72%	59.65%	66.25%
Covered Payroll	\$ 90,223,109	\$ 93,327,963	\$ 89,738,426	\$ 76,707,094
Net Pension Liability as a Percentage of Covered Payroll	267.34%	257.43%	265.70%	247.06%

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

**CITY OF BROCKTON, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018
(UNAUDITED)**

**Schedule of Employer Contributions (In Thousands)
Brockton Contributory Retirement System**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially Determined Contribution	\$ 25,014	\$ 20,072	\$ 19,290	\$ 19,290	\$ 17,239	\$ 16,597	\$ 13,788	\$ 11,517	\$ 11,117	\$ 10,958
Contributions in Relation to the Actuarially Determined Contribution	25,014	20,072	19,248	19,332	17,283	16,639	13,834	11,618	11,117	10,946
Contribution Deficiency (Excess)	\$ -	\$ -	\$ 42	\$ (42)	\$ (44)	\$ (42)	\$ (46)	\$ (101)	\$ -	\$ 12
Covered Payroll	\$ 90,223	\$ 93,328	\$ 89,738	\$ 76,707	\$ 76,378	\$ 74,417	\$ 74,417	\$ 75,433	\$ 74,357	\$ 74,357
Contributions as a Percentage of Covered Payroll	27.72%	21.51%	21.45%	25.20%	22.63%	22.36%	18.59%	15.40%	14.95%	14.72%

CITY OF BROCKTON, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018
(UNAUDITED)

Schedule of Investment Returns
Brockton Contributory Retirement System ⁽¹⁾

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual Money-Weighted Rate of Return, Net of Investment Income	15.05%	8.80%	-2.06%	4.38%

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

Schedule of City's Proportionate Share of the Net Pension Liability
Brockton Contributory Retirement System ⁽¹⁾⁽²⁾

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's Proportion of the Net Pension Liability	93.40333%	93.03000%	93.02878%	93.50853%
City's Proportionate Share of the Net Pension Liability	225,295,129	223,506,439	221,810,876	177,208,481
City's Covered Payroll	84,271,388	86,823,004	72,465,192	69,675,322
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	267.3%	257.4%	306.1%	254.3%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.41%	60.72%	59.65%	66.25%

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

⁽²⁾ Amounts presented were determined as of December 31 of the applicable fiscal year.

**CITY OF BROCKTON, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018
(UNAUDITED)**

**Schedule of City Contributions (In Thousands)
Brockton Contributory Retirement System**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially Determined Contribution	\$ 23,364	\$ 18,673	\$ 17,945	\$ 18,038	\$ 16,075	\$ 15,477	\$ 12,732	\$ 10,342	\$ 9,709	\$ 9,742
Contributions in Relation to the Actuarially Determined Contribution	23,364	18,673	17,945	18,038	16,075	15,477	12,732	10,342	9,709	9,742
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 84,271	\$ 86,823	\$ 72,465	\$ 69,675	\$ 71,795	\$ 69,952	\$ 69,952	\$ 70,907	\$ 74,356	\$ 69,896
Contributions as a Percentage of Covered Payroll	27.72%	21.51%	24.76%	25.89%	22.39%	22.13%	18.20%	14.59%	13.06%	13.94%

See accompanying Independent Auditors' Report.

**CITY OF BROCKTON, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018
(UNAUDITED)**

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

	2018	2017	2016	2015
City's Share of Net Pension Liability	\$ 406,936,492	\$ 389,967,839	\$ 372,391,598	\$ 293,063,758
Commonwealth's Share of the City's Net Pension Liability	406,936,492	389,967,839	372,391,598	293,063,758
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Expense and Revenue Recognized for the Commonwealth's Support	\$ 42,473,146	\$ 39,779,276	\$ 30,204,273	\$ 20,360,546
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.25%	52.73%	55.38%	61.64%

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

⁽²⁾ Amounts presented were determined as of June 30 of the prior year.

**CITY OF BROCKTON, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018
(UNAUDITED)**

Schedule of Changes in the Total OPEB Liability ⁽¹⁾

	<u>2018</u>
Total OPEB Liability:	
Service Cost	\$ 28,647,015
Interest	21,275,694
Differences Between Expected and Actual Experience	(1,084,896)
Benefit Payments, Including Refunds of Member Contributions	<u>(14,940,000)</u>
Net Change in Total Pension Liability	33,897,813
 Total OPEB Liability - Beginning	 <u>721,419,471</u>
 Total OPEB Liability - Ending	 <u><u>\$ 755,317,284</u></u>
 Covered Payroll	 \$ 216,000,000
 Total OPEB Liability as a Percentage of Covered Payroll	 349.68%

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

CITY OF BROCKTON, MASSACHUSETTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018
(UNAUDITED)

NOTE 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).

NOTE 2 EXPENDITURES IN EXCESS OF BUDGET

In fiscal year 2018, expenditures and encumbrances and continuing appropriations exceeded budgeted amounts for State and County Assessments (\$306,293).

CITY OF BROCKTON, MASSACHUSETTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
JUNE 30, 2018
(UNAUDITED)

NOTE 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	\$ 363,566,879
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	1,123,019
Stabilization Fund Earnings	29,324
MTRS On-Behalf Payments	42,473,146
Transfers from Other Funds are Inflows of Budgetary Resources But Are Not Revenues for Financial Reporting Purposes	<u>(8,641,105)</u>
Total Revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	<u><u>\$ 398,551,263</u></u>

Budgetary Outflows and GAAP Revenues:

Actual Amounts (Budgetary Basis) "Total Charges to Appropriation" from the Budgetary Comparison Schedule	\$ 362,019,221
Differences - Budget to GAAP:	
Enterprise Fund Related Budgetary Expenditures are Recorded as Reductions to Transfers for GAAP Purposes	(2,787,294)
Health Claims Expenditures and Accruals Are Not reported as Charges to Appropriations on a Budgetary Basis	(3,608,130)
Adjustments for Expenditures, Encumbrances, and Accruals, Net	(111,758)
MTRS On-Behalf Payments	42,473,146
Transfers to Other Funds are Outflows of Budgetary Appropriations But Are Not Expenditures for Financial Reporting Purposes	<u>(2,284,127)</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	<u><u>\$ 395,701,058</u></u>

CITY OF BROCKTON, MASSACHUSETTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
JUNE 30, 2018
(UNAUDITED)

NOTE 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, 2018
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 Adjustments	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

**CITY OF BROCKTON, MASSACHUSETTS
BUDGETARY COMPARISON SCHEDULE — WATER ENTERPRISE FUND
ADDITIONAL INFORMATION
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Resources:				
Charges for Services	\$ 16,682,562	\$ 17,182,562	\$ 17,056,588	\$ (125,974)
Departmental Charges and Fees	691,175	691,175	678,908	(12,267)
Miscellaneous	34,778	34,778	34,778	-
Amounts Available for Appropriation	17,408,515	17,908,515	17,770,274	(138,241)
Charges to Appropriations:				
Salaries and Benefits	3,232,945	3,232,945	3,014,288	218,657
Ordinary Maintenance	11,341,250	11,841,250	11,090,788	750,462
Debt Service	2,107,528	2,107,528	2,046,264	61,264
Capital Outlay	135,842	135,842	93,559	42,283
Total Charges to Appropriations	16,817,565	17,317,565	16,244,899	1,030,383
Excess (Deficiency) of Resources Over Charges to Appropriations	590,950	590,950	1,525,375	892,142
Other Financing Sources (Uses):				
Certified Retained Earnings	170,498	170,498	170,498	-
Transfers Out	(761,448)	(761,448)	(761,448)	-
Total Other Financing Sources (Uses)	(590,950)	(590,950)	(590,950)	-
Net Changes in Fund Balance	\$ -	\$ -	\$ 934,425	\$ 892,142

CITY OF BROCKTON, MASSACHUSETTS
BUDGETARY COMPARISON SCHEDULE — SEWER ENTERPRISE FUND
ADDITIONAL INFORMATION
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Resources:				
Charges for Services	\$ 17,094,878	\$ 17,094,878	\$ 19,802,275	\$ 2,707,397
Departmental Charges and Fees	426,415	426,415	415,947	(10,468)
Miscellaneous	250,558	250,558	250,558	-
Amounts Available for Appropriation	17,771,851	17,771,851	20,468,780	2,696,929
Charges to Appropriations:				
Salaries and Benefits	1,656,750	1,656,750	1,540,564	116,186
Ordinary Maintenance	10,247,012	10,247,012	9,331,792	915,220
Debt Service	6,950,207	6,950,207	6,848,924	101,283
Capital Outlay	1,937,656	1,937,656	1,814,248	123,408
Total Charges to Appropriations	20,791,625	20,791,625	19,535,528	1,256,097
Excess (Deficiency) of Resources Over Charges to Appropriations	(3,019,774)	(3,019,774)	933,252	3,953,026
Other Financing Sources (Uses):				
Certified Retained Earnings	4,426,183	4,426,183	4,426,183	-
Transfers Out	(1,406,409)	(1,406,409)	(1,406,409)	-
Total Other Financing Sources (Uses)	3,019,774	3,019,774	3,019,774	-
Net Changes in Fund Balance	\$ -	\$ -	\$ 3,953,026	\$ 3,953,026

See accompanying Independent Auditors' Report.

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(Date of Delivery)

Martin Brophy, Treasurer
City of Brockton
Brockton, Massachusetts

\$4,450,000
City of Brockton, Massachusetts
General Obligation State Qualified Bonds, Series A
(Subject to Federal and Massachusetts Income Taxation)
Dated June 20, 2019

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

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

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

1. The Bonds are valid and binding general obligations of the City and, except to the extent they are paid from other sources, the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the City, subject to the limit imposed by Chapter 59, Section 21C of the General Laws; provided that taxes levied on certain taxable property located within a development district established by the City pursuant to Chapter 40Q of the General Laws may be restricted and unavailable to pay the principal of and interest on the Bonds.
2. The Bonds are qualified bonds as defined in Chapter 44A of the General Laws and is entitled to the benefits of the provisions thereof.
3. Interest on the Bonds is included in the gross income of the owners of the Bonds for federal income tax purposes. We express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

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

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

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

LOCKE LORD LLP

(Date of Delivery)

Martin Brophy, Treasurer
City of Brockton
Brockton, Massachusetts

\$5,190,000
City of Brockton, Massachusetts
General Obligation State Qualified Municipal Purpose Loan of 2019 Bonds,
Series B
Dated June 20, 2019

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

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

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

1. The Bonds are valid and binding general obligations of the City and, except to the extent they are paid from other sources, the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the City, subject to the limit imposed by Chapter 59, Section 21C of the General Laws; provided that taxes levied on certain taxable property located within a development district established by the City pursuant to Chapter 40Q of the General Laws may be restricted and unavailable to pay the principal of and interest on the Bonds.

2. The Bonds are qualified bonds as defined in Chapter 44A of the General Laws and is entitled to the benefits of the provisions thereof.

3. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. In rendering the opinions set forth in this paragraph, we have assumed compliance by the City with all requirements of the Internal Revenue Code of 1986, as amended (the “Code”) that must be

satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure by the City to comply with certain of such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. Except as expressed in paragraph 5 below, we express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

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

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

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

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

LOCKE LORD LLP

**PROPOSED FORM OF
CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Brockton, Massachusetts (the “Issuer”) in connection with the issuance of its \$4,450,000 General Obligation State Qualified Bonds, Series A (Subject to Federal and Massachusetts Income Taxation) and \$5,190,000 General Obligation State Qualified Municipal Purpose Loan of 2019 Bonds, Series B, both dated June 20, 2019 (the “Bonds”). The Issuer covenants and agrees as follows:

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

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

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

"Audited Financial Statements" means the Issuer's annual financial statements, which are currently prepared in accordance with generally accepted accounting principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and which the Issuer intends to continue to prepare in substantially the same form.

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

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

“Obligated Person” shall mean the Issuer.

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

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

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

SECTION 3. Provision of Annual Reports.

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

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

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

(a) quantitative information for the preceding fiscal year of the type presented in the Issuer's Official Statement dated June 5, 2019 relating to the Bonds regarding (i) the revenues and expenditures of the Issuer relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension obligations of the Issuer, and (vii) other post-employment benefits liability of the Issuer, and

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

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

SECTION 5. Reporting of Significant Events.

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

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.

4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
7. Modifications to rights of the Owners of the Bonds, if material.
8. Bond calls, if material, and tender offers.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the Bonds, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person.*
13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
15. Incurrence of a financial obligation of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Obligated Person, any of which affect Owners of the Bonds, if material.†

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

† For purposes of event numbers 15 and 16 in Section 5(a) of this Disclosure Certificate, the term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” excludes municipal securities for which a final official statement has been provided to the MSRB consistent with the Rule.

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Obligated Person, any of which reflect financial difficulties.[†]

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

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

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

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as evidenced by an opinion of counsel expert in federal securities law (which may include bond counsel to the Issuer), to the effect that such amendment or waiver would not cause the Disclosure Certificate to violate the Rule. The first Annual Report filed after enactment of any amendment to or waiver of this Disclosure Certificate shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of information being provided in the Annual Report.

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

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

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

Date: June 20, 2019

CITY OF BROCKTON,
MASSACHUSETTS

By: _____
Treasurer

Mayor

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