

**CITY OF BROCKTON, MASSACHUSETTS**

**BASIC FINANCIAL STATEMENTS  
REQUIRED SUPPLEMENTARY INFORMATION  
AND ADDITIONAL INFORMATION**

**JUNE 30, 2019**



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**CITY OF BROCKTON, MASSACHUSETTS  
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JUNE 30, 2019**

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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, 2019 (except for the Brockton Contributory Retirement System, which is as of and for the year ended December 31, 2018), 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.

### ***Auditors' 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 auditors' 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, 2019 (except for the Brockton Contributory Retirement System, which is as of and for the year ended December 31, 2018), 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.

***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 20) and budgetary comparison of the General Fund and certain pension and other postemployment benefits information (located on pages 74 through 80) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

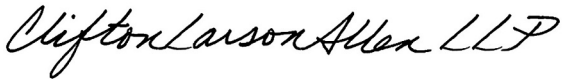
*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The water and sewer enterprise funds' budget to actual schedules (additional information) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The additional information is the responsibility of management and 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 June 2, 2020 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.



**CliftonLarsonAllen LLP**

Boston, Massachusetts  
June 2, 2020

**CITY OF BROCKTON, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019  
(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, 2019.

Brockton is a City located in Plymouth County, 20 miles southwest of Boston. The City has a population of approximately 95,777 (2017 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 2019 by approximately \$679.5 million (net position).

- The City's total net position decreased in fiscal year 2019 by approximately \$40.1 million, or 6.9%. This is primarily due to the recognition of increases in the total OPEB liability and net pension liability.
- At the end of fiscal year 2019, unassigned fund balance for the general fund was approximately \$23.9 million, or 5.7%, of total general fund expenditures.
- The City's total bonded debt decreased by approximately \$2.3 million during fiscal year 2019. 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, 2019**  
**(UNAUDITED)**

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, 2019  
(UNAUDITED)**

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 \$679.5 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 \$8.5 million, or 3.3% 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, 2019  
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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, \$52.8 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of a negative \$1 billion represents an unrestricted net deficit.

Condensed Statements of Net Position (In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and Other Assets	\$ 166,775	\$ 160,487	\$ 51,891	\$ 45,044	\$ 218,666	\$ 205,531
Capital Assets	195,473	188,867	172,255	175,981	367,728	364,848
Total Assets	<u>\$ 362,248</u>	<u>\$ 349,354</u>	<u>\$ 224,146</u>	<u>\$ 221,025</u>	<u>\$ 586,394</u>	<u>\$ 570,379</u>
Deferred Outflows of Resources	<u>\$ 70,668</u>	<u>\$ 28,926</u>	<u>\$ 4,822</u>	<u>\$ 2,513</u>	<u>\$ 75,490</u>	<u>\$ 31,439</u>
Long-Term Debt Outstanding	\$ 106,702	\$ 104,993	\$ 74,290	\$ 78,604	\$ 180,992	\$ 183,597
Other Liabilities	1,071,518	996,948	57,813	54,843	1,129,331	1,051,791
Total Liabilities	<u>\$ 1,178,220</u>	<u>\$ 1,101,941</u>	<u>\$ 132,103</u>	<u>\$ 133,447</u>	<u>\$ 1,310,323</u>	<u>\$ 1,235,388</u>
Deferred Outflows of Resources	<u>\$ 30,039</u>	<u>\$ 5,451</u>	<u>\$ 1,044</u>	<u>\$ 424</u>	<u>\$ 31,083</u>	<u>\$ 5,875</u>
Net Position:						
Invested in Capital Assets	\$ 169,172	\$ 162,223	\$ 99,367	\$ 97,772	\$ 268,539	\$ 259,995
Restricted	52,807	55,132	-	-	52,807	55,132
Unrestricted	(997,322)	(946,467)	(3,546)	(8,105)	(1,000,868)	(954,572)
Total Net Position	<u>\$ (775,343)</u>	<u>\$ (729,112)</u>	<u>\$ 95,821</u>	<u>\$ 89,667</u>	<u>\$ (679,522)</u>	<u>\$ (639,445)</u>

**Total Net Position**

The City's total net position decreased in fiscal year 2019 by approximately \$40.1 million, or 6.3%. This is primarily due to the increase of \$46 million in the Net Pension liability and total OPEB liability.

**Governmental Activities – Assets**

For governmental activities, current and other assets increased by \$6.3 million, coupled with an increase in capital assets of \$6.6 million, resulting in an increase in total assets of \$12.9 million. The majority of the increase in current and other assets was the result of an increase in intergovernmental receivables due to timing of the receipt of state funding. The increase in the capital assets was the result of capital additions exceeding depreciation during fiscal year 2019.

**Governmental Activities – Liabilities**

Liabilities increased by \$76.3 million. There was an increase of \$74.6 million in other liabilities and a \$1.7 million increase in long-term debt outstanding. The increase in other liabilities was primarily due to the increases of the net pension liability and total OPEB liability, while the increase in long-term debt outstanding was due to debt issuances exceeding scheduled debt repayments.

**CITY OF BROCKTON, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019  
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**Business Type Activities – Assets**

Current and other assets increased by \$6.8 million, while capital assets decreased by \$3.7 million and total assets increased by \$3.1 million. The increase in current and other assets was due primarily as a result of an increase in cash and customer receivables. The decrease in the capital assets was the result of depreciation exceeding capital additions during fiscal year 2019.

**Business Type Activities – Liabilities**

Liabilities decreased by \$1.3 million. There was an increase of \$3.0 million in other liabilities and a \$4.3 million decrease in long-term debt outstanding. The increase in other liabilities was primarily due to the increases in the net pension liability and total OPEB liability, while the decrease of the long-term debt was the result of yearly-required debt service payments exceeding new issuances.

	Condensed Statements of Changes in Net Position (In Thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charge for Services	\$ 15,140	\$ 15,684	\$ 47,451	\$ 44,610	\$ 62,591	\$ 60,294
Operating Grants	265,478	259,748	196	213 *	265,674	259,961
Capital Grants	11,333	3,657	-	3,123	11,333	6,780
General Revenues:						
Property Taxes	143,418	136,721	-	-	143,418	136,721
Excise Taxes	11,248	9,753	-	-	11,248	9,753
Intergovernmental	22,017	23,065	-	-	22,017	23,065
Other	4,561	3,517	656	686 *	5,217	4,203
Total Revenues	<u>473,195</u>	<u>452,145</u>	<u>48,303</u>	<u>48,632</u>	<u>521,498</u>	<u>500,777</u>
Expenses:						
General Government	24,863	24,873 *	-	-	24,863	24,873
Public Safety	90,019	82,860	-	-	90,019	82,860
Education	352,323	339,502	-	-	352,323	339,502
Public Works	13,173	13,548	-	-	13,173	13,548
Economic Development	2,158	2,280 *	-	-	2,158	2,280
Human Services	4,523	4,335	-	-	4,523	4,335
Culture and Recreation	5,205	4,318	-	-	5,205	4,318
State and County Assessments	18,427	15,374	-	-	18,427	15,374
Court Judgments	244	165	-	-	244	165
Interest on Long-Term Debt	5,047	5,223	-	-	5,047	5,223
Enterprise Accounts:						
Water	-	-	19,460	18,582	19,460	18,582
Sewer	-	-	16,214	16,779	16,214	16,779
Other	-	-	9,919	11,413	9,919	11,413
Total Expenses	<u>515,982</u>	<u>492,478</u>	<u>45,593</u>	<u>46,774</u>	<u>561,575</u>	<u>539,252</u>
Excess (Deficiency) before Transfers	(42,787)	(40,333)	2,710	1,858	(40,077)	(38,475)
Transfers	(3,444)	(1,406)	3,444	1,406	-	-
Total Transfers	<u>(3,444)</u>	<u>(1,406)</u>	<u>3,444</u>	<u>1,406</u>	<u>-</u>	<u>-</u>
Change in Net Position	(46,231)	(41,739)	6,154	3,264	(40,077)	(38,475)
Net Position - Beginning of Year	<u>(729,112)</u>	<u>(687,373)</u>	<u>89,667</u>	<u>86,403</u>	<u>(639,445)</u>	<u>(600,970)</u>
Net Position - End of Year	<u>\$ (775,343)</u>	<u>\$ (729,112)</u>	<u>\$ 95,821</u>	<u>\$ 89,667</u>	<u>\$ (679,522)</u>	<u>\$ (639,445)</u>

\*

Reclassifications were made to conform with the current year presentation.

**CITY OF BROCKTON, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019  
(UNAUDITED)**

Governmental Activities – Statement of Activities

Gross expenses for governmental activities were \$515.9 million for fiscal year 2019. This reflected an increase of \$23.5 million, or 4.8%. The majority of the increase relates to the change in the net pension liability and total OPEB liability.

Total general revenues for governmental activities of \$181.2 million offset total net expenses of \$224 million in 2019. Major ongoing general revenue factors for 2019 were the net property tax of \$143.4 million, which resulted in an increase of \$6.7 million over the prior fiscal year. The remaining categories in general revenues: excise taxes of \$11.2 million increased by \$1.5 million over the prior fiscal year; intergovernmental of \$22 million (exclusive of Chapter 70 Funds) decreased by \$1 million from the prior fiscal year; and other of \$4.6 million increased by \$1 million over the prior fiscal year.

In addition, program revenues of \$292 million in 2019 assisted in offsetting total governmental expenses of \$516 million to arrive at the total net expenses of \$224 million in 2019. Charges for services of \$15.1 million in 2019 experienced a half million dollar decrease from the prior year. More notably, both operating grants of \$265.5 million and capital grants of \$11.3 million in 2019 had increased by \$5.7 million and \$7.7 million over the prior fiscal year, respectively.

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 \$473.2 million. Of this total almost \$292 million, 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 \$22.0 million in intergovernmental aid which is classified as general revenue. An additional 30.3% 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 93.5% 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 2019, the City levied a total of \$143.6 million in gross real estate property taxes against an aggregate fair market assessed value of \$7.8 billion. This levy left only a small amount in unused levy capacity without the approval of the voters. However, the levy comprised only 1.8% of the City's aggregate assessed value. With voter approval, the City could levy an additional \$52.4 million and still remain under the levy ceiling. Accordingly, the taxing capacity exists to substantially improve the City's revenues for financing governmental activities, but converting this potential capacity to real revenues would require voter approval.

**CITY OF BROCKTON, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019  
(UNAUDITED)**

Business Type Activities – Statement of Activities

The business-type activities increased the City's net position by approximately \$6.2 million, or 6.9%. The water fund contributed a \$2.0 million increase; the sewer fund contributed a \$3.6 million increase, while the net position for the combination of the nonmajor recreation, refuse, and renewable energy funds increased \$539 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 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 \$3.9 million and \$6.2 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.

Financial Analysis of the City's Governmental Funds

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

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

As of the end of the fiscal year 2019, the City's governmental funds reported combined fund balances of approximately \$101.3 million, a decrease of approximately \$9.2 million, or 8.3% increase, in comparison with the prior year. The general fund balance decreased by \$16.2 million, from \$83.7 million to \$67.5 million; and the combined fund balances for all the other governmental funds increased by \$7.0 million, from \$26.8 million to \$33.8 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 decrease in fund balances of \$9.2 million, compared to its decrease in net position of \$46.2 million, a difference of \$37.1 million, is explained largely by the following factors:

1. \$664 thousand: the positive effect of revenue accruals.
2. \$6.6 million: the positive effect of the amount by which capital asset additions exceeded depreciation.
3. \$48.8 million: the negative effect of increases in other liabilities, primarily OPEB and net pension liability, which did not require the use of current resources.

**CITY OF BROCKTON, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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4. \$255 thousand: the negative effect of the amount by which the amortization of bond premiums exceed the issuance of new bond premiums.
5. \$1.7 million: the negative effect of the amount by which the issuance of debt and bond premium amortization exceeded the repayment of bond principal are expenditures in the governmental funds but increased long-term liabilities in the statement of net position.
6. \$6.2 million: the positive effect of notes receivable balance

Of the total of ending fund balances of \$101.3 million, \$7.8 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. \$50 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. \$16.4 million constitutes "committed to" fund balance, amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. For the City, this formal action takes the form of City Council action and approval by the Mayor. \$5.6 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. \$21.5 million constitutes "unassigned" fund balance, amounts in the general fund that are not otherwise constrained for a specific purpose more narrow than the general operations of the City.

For General Fund Balance

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

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 \$24.0 million consists of the following:

The FY 2019 General Fund Restricted Fund balance represents the Health Insurance Trust fund in the amount of \$17.6 million. This amount consists of the Health Insurance Trust Fund balance of \$10.5 million and the amount for the FY 2019 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).

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The FY 2019 General Fund Restricted Fund Balance in the amount of \$6.4 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.

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 \$14.0 million consists of the following:

The fund balance includes the Certified Free Cash in the amount \$14.0 million appropriated for the use in the FY 2020 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 \$5.6 million consists of the following:

The FY 2019 General Fund Assigned Fund Balance amount represents year-end encumbrances in the amount of \$5.6 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 \$23.9 million consists of the following:

This grouping includes the City's Stabilization fund in the amount of \$4.0 million and the City's undesignated fund balance in the amount of \$19.9 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 undesignated fund balance of \$19.9 million consists of the following:

This grouping includes the City's accumulated surplus in the amount of \$19.9 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 \$67.5 million, a decrease of \$16.2 million. This decrease in fund balance was largely driven by a deficit of expenditures and other financing uses over of revenues and other financing expenditures and other financing uses, along with the write off of notes receivable balance of \$6.2 million as discussed in note 3, and \$3 million in legal claims related to settlement as discussed in note 15.

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 5.6% of total general fund expenditures, while total fund balance represents 16.0% 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 \$95.8 million. Changes in net position of the proprietary funds at the end of the current fiscal year totaled an increase of approximately \$6.2 million, or 6.9%.

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 2019 operating income was \$292 thousand, or approximately 1.5% of operating revenues. Nonoperating revenues (expenses) and transfers netted to a positive \$1.9 million, and so net position increased by \$2.0 million. Cash flow from operations was positive at \$3.9 million.

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For the sewer fund, operating income was \$3.9 million, or 20.8% of operating revenues. Nonoperating (expenses) and transfers netted to a positive \$348 thousand, and so net position increased by \$2.9 million. Cash flow from operations was an increase of \$6.2 million.

For the combined results of the other enterprise funds, the value of net position increased by \$539 thousand. The operating loss for combined other enterprise funds was \$846 thousand in fiscal year 2019 or 9.4% of operating revenues. With the benefit of net transfers in (general fund subsidy) and the nonoperating revenue of \$1.2 million, the nonoperating revenue of \$1.2 million became a \$539 thousand increase in net position.

**Budgetary Highlights**

In fiscal year 2019, the original budget called for \$384.5 million in spending. Of this amount \$179.3 million was for Education spending, \$55.7 million was for Public Safety spending, \$83.9 million was for Fringe Benefit spending and \$65.7 million for all other categories.

Resources totaled \$368 million, creating a planned deficit of approximately \$16.5 million. Offsetting this deficit was a contribution from "Free Cash" of \$16.6 million. The remaining total of approximately \$100 thousand was applied to Other Available Funds.

In the final budget, a total of \$385.5 million in spending was authorized, an increase of \$1.0 million. The significant budgets changes that made up this amount included the following: the public works budget decreased by \$615 thousand; the Education budget increased by \$1.2 million, and the capital budget increased by \$180 thousand.

On an actual basis, resources were higher than the final budget by \$3.9 million. The majority of revenue categories resulted in a positive variance with the exceptions of Real Estate and Personal Property revenue. The City's revenue estimates normally are conservative and actual results typically exceed budget by 1.5% to 2.0%. For fiscal year 2019, the positive variance was largely driven by the Motor Vehicle Excise Taxes, Intergovernmental revenue, licenses and permits, user charges and other revenue, fees and investment income.

On the expenditure side, a favorable variance of \$10.7 million was achieved. The City has typically achieved 1% to 2% positive variance on spending. For fiscal year 2019, this positive variance was driven by actual budgetary expenditures less than budgeted expenditures in the general government, public safety, and pension and fringe benefits.

As a result of the revenue and expenditure positive variances, the City's fiscal year 2019 general fund operations estimated to create free cash of approximately \$14.3 million to be used in the FY 2020 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, 2019 amounted to approximately \$367.7 million (net of accumulated depreciation). This investment in capital assets includes land, land improvements, construction-in-progress, buildings, machinery and equipment, infrastructure, and historical works of art. The total increase in the City's investment in capital assets of \$2.9 million for fiscal year 2019 represented an increase of less than 1%. Capital assets for governmental activities increased by \$6.6 million, or 3.8%, while capital assets for business-type activities decreased by \$3.7 million, or 2.1%. 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	
	2019	2018	2019	2018	2019	2018
Land	\$ 7,411	\$ 7,411	\$ 3,245	\$ 3,245	\$ 10,656	\$ 10,656
Construction in Progress	11,917	8,706	1,545	4,197	13,462	12,903
Historical Works of Art	1,809	1,809	-	-	1,809	1,809
Buildings	134,626	132,654	119,520	123,410	254,146	256,064
Land Improvements	6,608	7,033	1,690	1,722	8,298	8,755
Machinery and Equipment	5,847	5,693	6,210	7,166	12,057	12,859
Infrastructure	27,255	25,561	40,045	36,242	67,300	61,803
Total	<u>\$ 195,473</u>	<u>\$ 188,867</u>	<u>\$ 172,255</u>	<u>\$ 175,982</u>	<u>\$ 367,728</u>	<u>\$ 364,849</u>

Long-Term Debt – At the end of the current fiscal year, the City had total bonded debt outstanding of approximately \$180.9 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	
	2019	2018	2019	2018	2019	2018
Long-Term Debt, Net of Unamortized Premiums	<u>\$ 106,702</u>	<u>\$ 104,993</u>	<u>\$ 74,290</u>	<u>\$ 78,604</u>	<u>\$ 180,992</u>	<u>\$ 183,597</u>

The overall net decrease is attributable to the following factors:

The City's bonded debt decreased by approximately \$2.6 million or a decrease of 1.4%.

Total long-term debt of the City represents a claim of about 49.2% of the City's total capital assets, and a claim of about 30.9% 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 2.3%.

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

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**Economic Factors and Next Year's Budgets**

Since the recovery from the recession of 2008/2009, the state has increased its assistance to the city in aid to education. The City received an increase of 6% from \$197,781,491 in FY 2019 to \$210,435,858 in FY 2020. 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 2020 budget proposed by the governor.

The statute enacted in 1993, requiring the state to significantly increase its funding to local schools, 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. 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 2021, per the governor's budget, the net revenue diversion will be about \$20 million, or almost 8.5% of state revenue aid for education for Brockton. This diversion represents an increase of 23% percent over 2020. 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 varying years of staff reductions. . In the final FY 2020 budget, about \$2.2 million in "special assistance", in addition to the chapter 70 education funding, was awarded to Brockton. In FY 2021, the governor's budget increased the actual chapter 70 by almost \$ 24 million. Therefore, the net, gross increase to the city, before charter school adjustments, will be about \$25 million, or about 13%, which represents progress, however, when the effect of charter school assistance is factored in, the picture is less encouraging. The charter school charges continue to increase by 14% from \$21 million to \$24 million, therefore, reducing the state's funding for students actually in the Brockton school system around 14%. 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 lobbying efforts.

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 million in FY 2008. For FY 2020, the same categories in the governor's budget, at \$22.2 million, would remain nearly \$6 million below the FY 2008 dollar amount, or about 20%, even without adjusting for inflation. For FY 2021, the same categories in the governor's budget, at \$22.8 million, would remain more than \$5 million below the FY 2008 amount, or about 19%.

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 \$1.5 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.

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The city has received about \$500 thousand in host community fees for medical marijuana in FY2020. In FY 2019, the city engaged in constructing a system of oversight for the retail sale in restricted zones. The city council is the licensing authority and in the summer of 2019, a retail marijuana recreation license was issued to In Good Health Inc.

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 2020 was \$8,426,282,008, an increase from FY 2019 of more than 7.43%. With this value, the maximum allowable levy ceiling with voter approval is \$196,087,386.

The assessed value increase of over 7.4% for FY 2020. This increase followed similar increases in value of 9.35%, 7.24% and 9.57% 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 2020 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. The city fully appropriated its levy limit in FY 2019 and FY 2020. 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 2018 and have continued to be appropriated in FY 2019 and FY 2020. 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 2020, the City Council approved a new user fee for both the water and sewer enterprise funds. This revenue will allow to city to invest capital and infrastructure needs of the city.

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 2020, an increase of more than \$2.0 million in pension funding was required to maintain the funding schedule which will result in full funding of the pension liability by 2032. The FY 2020 it was increased again by about \$2 million for FY 2021 to comply with a new valuation. This valuation maintained the same funding target by 2032.

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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 2020 projected to continue for FY 2021.

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, are currently in collective bargaining negotiations. Financing the settlements these unions in FY 2021 will require drawing down the city's reserves. Financing the on-going costs of all of these unions will require strategic financial planning.

The City of Brockton continues to grow with new businesses and land developments. Unemployment is currently 4%, which is significantly lower than the long term average of 7%. The City's economic future looks bright as the population of eastern Massachusetts continues to grow and land within the Metro Boston central core becomes more expensive to develop. Brockton, located 20 miles south of downtown Boston, and with three commuter rail stations, has positioned itself as a site for additional mixed use, transit orientated development and as a regional hub for commercial activity. The City is home to the world headquarters of W. B. Mason, the largest privately owned office products company in America as well as HarborOne Bancorp, the 12<sup>th</sup> largest bank in Massachusetts with nearly \$4 billion in assets. Brockton is also host to dozens of regional machine tool, life science and professional service firms.

Downtown Brockton has seen an uptick in development that exceeds its growth prior to the 2008 recession. Advanced planning efforts have established a Downtown Action Strategy, to create a transit oriented, mixed use vision for downtown, an Urban Renewal District to provide the authority to implement that vision, and a District Improvement Financing Plan to capture incremental property growth and reinvest it into project that advance the vision. There are over 425 residential units that been completed, are under construction or permitted in the last six years. The City is currently working with the Brocton Redevelopment Authority and private developers on deal that would add an additional 950 units over the next five years. To support this growth the City recently opened that 414 space Mayor Bill Carpenter Parking Garage and making infrastructure investments to improve circulation.

Additional planning and development efforts continue to advance transit oriented development opportunities in the Campello and Montello neighborhoods and a mix of residential and commercial developments in Brockton Heights and the Coweesett Brook Industrial district. The City's efforts to secure the Region C Resort Gaming License, while initially rejected, has seen new life as the US Department of Interior has rejected the Wampanoag work to place "tribal" land in trust for gaming operation in Taunton. This ruling clears the way for the Massachusetts Gaming Commission to reopen Region C for licensure. The City has been working with the proponent, Rush Street Gaming of Chicago, to revise their proposal and to address the previously expressed concerns of the Gaming Commission. Should a licensee be issued to Rush (operating as Mass Gaming & Entertainment), the terms of the Host Community Agreement would guarantee the City \$10 million in lieu of property tax annually.

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Finally, a jury decision against the city in 2017 for racial discrimination in hiring imposed a \$4 million award on the city. The city has settled the claim and paid a portion of the settlement, the remaining liability is under the settlement pertains to a class action settlement and is not expected to be paid until approved by the court.

On March 10, 2020, the Governor of the Commonwealth of Massachusetts declared a state of emergency due to the outbreak of the virus COVID-19. Shortly after the pandemic hit, the City began tracking revenues and expenses on a weekly basis to ensure that FY 2020 ended in a surplus. Because revenue estimates are generally very conservative, the City is in a strong position for FY 2020. The City expects a minor deficit in projected revenue for meals and hotel/motel tax, as well as motor vehicle excise tax collections, but the Mayor also instituted a hiring and spending freeze in March that will allow us to finish the year with a fairly substantial budget surplus.

The City is still in the planning phase for FY 2021 budget with adjustments being made daily. More than 50% of the City's budget comes in the form of state aid, the City is currently working closely with legislative delegation to predict how deep and how harsh the cuts to education and local aid will be for next fiscal year. The City has prepared several different scenarios, and is working closely with school leadership to devise a plan. The City is considering deficit financing as a possibility and have transferred \$3.5M from FY 2020 surplus funds (not generally available) into the City's stabilization fund for potential use next year.

The City continues to examine all options and will continue to be vigilant to minimize the impacts from this unprecedented event.

**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  
JUNE 30, 2019**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Investments	\$ 108,576,702	\$ 24,392,934	\$ 132,969,636
Receivables, Net:			
Property Taxes, Liens, and Excise Taxes (Net of \$2,215,589 Allowance)	15,408,722	-	15,408,722
Intergovernmental	26,159,534	686,997	26,846,531
Customer Receivables	-	25,423,342	25,423,342
Departmental and Other	837,469	1,386,981	2,224,450
Other Assets	8,002,996	-	8,002,996
Note Receivable	6,160,505	-	6,160,505
Tax Possessions	1,628,660	-	1,628,660
Capital Assets:			
Nondepreciable	21,137,545	4,790,379	25,927,924
Depreciable, Net	174,335,736	167,465,145	341,800,881
Total Assets	<u>362,247,869</u>	<u>224,145,778</u>	<u>586,393,647</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension	50,359,396	4,122,730	54,482,126
OPEB	20,308,267	699,666	21,007,933
Total Deferred Outflows of Resources	<u>70,667,663</u>	<u>4,822,396</u>	<u>75,490,059</u>
<b>LIABILITIES</b>			
Warrants and Accounts Payable	16,650,752	3,934,316	20,585,068
Accrued Liabilities:			
Interest	1,871,950	721,884	2,593,834
Payroll and Related Withholdings	15,977,522	114,844	16,092,366
Tax Abatement Refunds	104,650	-	104,650
Bond Anticipation Notes Payable	2,538,900	343,971	2,882,871
Noncurrent Liabilities:			
Due Within One Year:			
Compensated Absences, Claims, and Judgements	8,673,074	752,450	9,425,524
Bonds, Note, and Loans Payable	8,145,562	7,715,031	15,860,593
Total OPEB Liability	15,028,243	517,757	15,546,000
Due in More Than One Year:			
Compensated Absences, Claims, and Judgements	14,877,075	3,988,768	18,865,843
Unearned Revenue	-	446,560	446,560
Landfill Closure and Postclosure Care Costs	2,033,937	707,692	2,741,629
Bonds, Note, and Loans Payable	98,556,871	66,575,109	165,131,980
Net Pension Liability	254,080,123	20,800,561	274,880,684
Total OPEB Liability	739,681,126	25,483,721	765,164,847
Total Liabilities	<u>1,178,219,785</u>	<u>132,102,664</u>	<u>1,310,322,449</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension	202,913	16,612	219,525
OPEB	29,835,944	1,027,917	30,863,861
Total Deferred Inflows of Resources	<u>30,038,857</u>	<u>1,044,529</u>	<u>31,083,386</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	169,172,450	99,366,734	268,539,184
Restricted For:			
Permanent Funds:			
Nonexpendable	7,824,816	-	7,824,816
Expendable	740,154	-	740,154
Statutory Reserve	6,410,068	-	6,410,068
Health Claims	17,585,418	-	17,585,418
Federal, State, and Local Grants	20,186,081	-	20,186,081
Other	60,237	-	60,237
Unrestricted	(997,322,334)	(3,545,753)	(1,000,868,087)
Total Net Position	<u>\$ (775,343,110)</u>	<u>\$ 95,820,981</u>	<u>\$ (679,522,129)</u>

See accompanying Notes to Basic Financial Statements.



**CITY OF BROCKTON, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019**

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
<b>Government Activities:</b>							
General Government	\$ 24,863,327	\$ 6,545,729	\$ 3,171,643	\$ -	\$ (15,145,955)	\$ -	\$ (15,145,955)
Public Safety	90,019,693	2,694,741	4,379,087	7,925,698	(75,020,167)	-	(75,020,167)
Education	312,724,788	5,383,787	215,383,100	32,999	(91,924,902)	-	(91,924,902)
Education - MTRS	39,598,398	-	39,598,398	-	-	-	-
Public Works	13,172,784	118,350	213,468	3,374,398	(9,466,568)	-	(9,466,568)
Economic Development	2,158,154	-	1,800,781	-	(357,373)	-	(357,373)
Human Services	4,522,796	340,047	292,494	-	(3,890,255)	-	(3,890,255)
Culture and Recreation	5,204,828	56,716	639,162	-	(4,508,950)	-	(4,508,950)
State and County Assessments	18,426,736	-	-	-	(18,426,736)	-	(18,426,736)
Court Judgments	243,968	-	-	-	(243,968)	-	(243,968)
Interest on Long-Term Debt	5,047,133	-	-	-	(5,047,133)	-	(5,047,133)
Total Governmental Activities	515,982,605	15,139,370	265,478,133	11,333,095	(224,032,007)	-	(224,032,007)
<b>Business-Type Activities:</b>							
Water	19,460,394	19,307,579	12,654	-	-	(140,161)	(140,161)
Sewer	16,213,433	19,099,043	182,914	-	-	3,068,524	3,068,524
Other	9,918,867	9,044,300	-	-	-	(874,567)	(874,567)
Total Business-Type Activities	45,592,694	47,450,922	195,568	-	-	2,053,796	2,053,796
Total Primary Government	<u>\$ 561,575,299</u>	<u>\$ 62,590,292</u>	<u>\$ 265,673,701</u>	<u>\$ 11,333,095</u>	(224,032,007)	2,053,796	(221,978,211)
<b>General Revenues:</b>							
Property Taxes, Levied for General Purposes, Net					\$ 143,418,308	\$ -	\$ 143,418,308
Excises					11,248,767	-	11,248,767
Payments in Lieu of Taxes					116,525	-	116,525
Penalties and Interest on Taxes					2,075,501	-	2,075,501
Other					136,969	-	136,969
Unrestricted Grants and Contributions					22,017,195	-	22,017,195
Investment Income					2,231,091	656,150	2,887,241
Transfers, Net					(3,443,784)	3,443,784	-
Total General Revenues and Transfers					<u>177,800,572</u>	<u>4,099,934</u>	<u>181,900,506</u>
Change in Net Position					(46,231,435)	6,153,730	(40,077,705)
Net Position - Beginning of Year					<u>(729,111,675)</u>	<u>89,667,251</u>	<u>(639,444,424)</u>
Net Position - End of Year					<u>\$ (775,343,110)</u>	<u>\$ 95,820,981</u>	<u>\$ (679,522,129)</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF BROCKTON, MASSACHUSETTS  
BALANCE SHEET — GOVERNMENTAL FUNDS  
JUNE 30, 2019**

	<u>General</u>	<u>Other Governmental</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Investments	\$ 76,364,890	\$ 32,211,812	\$ 108,576,702
Receivables, Net:			
Property Taxes (Net of \$900,690 Allowance)	8,237,589	-	8,237,589
Motor Vehicle Excise (Net of \$1,314,899 Allowance)	1,966,655	-	1,966,655
Tax Liens	5,204,478	-	5,204,478
Intergovernmental	15,903,565	10,255,969	26,159,534
Departmental and Other	113,325	724,144	837,469
Total Receivables	<u>31,425,612</u>	<u>10,980,113</u>	<u>42,405,725</u>
Tax Possessions	1,628,660	-	1,628,660
Deposits with Health Claims Agent	7,067,400	-	7,067,400
Total Assets	<u>\$ 116,486,562</u>	<u>\$ 43,191,925</u>	<u>\$ 159,678,487</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Warrants and Accounts Payable	\$ 11,243,622	\$ 5,407,130	\$ 16,650,752
Accrued Liabilities:			
Tax Abatement Refunds	104,650	-	104,650
Payroll and Related Withholdings	14,550,714	1,426,808	15,977,522
Court Judgements	3,000,000	-	3,000,000
Health Claims Payable	2,701,000	-	2,701,000
Bond Anticipation Notes Payable	-	2,538,900	2,538,900
Total Liabilities	<u>31,599,986</u>	<u>9,372,838</u>	<u>40,972,824</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue	<u>17,389,764</u>	<u>-</u>	<u>17,389,764</u>
 <b>FUND BALANCES</b>			
Nonspendable	-	7,824,816	7,824,816
Restricted	23,995,486	25,987,818	49,983,304
Committed	14,000,472	2,378,624	16,379,096
Assigned	5,620,082	-	5,620,082
Unassigned	23,880,772	(2,372,171)	21,508,601
Total Fund Balances	<u>67,496,812</u>	<u>33,819,087</u>	<u>101,315,899</u>
 Total Liabilities Fund Balances	 <u>\$ 116,486,562</u>	 <u>\$ 43,191,925</u>	 <u>\$ 159,678,487</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, 2019**

Total Fund Balance - Governmental Funds	\$ 101,315,899
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	195,473,281
Other Assets Are Not Available to Pay for Current Period Expenditures and, Therefore, are Reported as Deferred Inflows of Resources in the Governmental Funds	17,389,764
Notes Receivable in the Government-Wide Statements	6,160,505
Inventory Capitalized in the Government-Wide Statements as Other Assets	935,596
Deferred Outflows of Resources - Pension	50,359,396
Deferred Outflows of Resources - OPEB	20,308,267
Deferred Inflows of Resources - Pension	(202,913)
Deferred Inflows of Resources - OPEB	(29,835,944)
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	(83,425,000)
Other General Obligation Bonds	(21,817,471)
Unamortized Bond Premiums	(1,459,962)
Total OPEB Liability	(754,709,369)
Net Pension Liability	(254,080,123)
Accrued Interest on Bonds	(1,871,950)
Landfill and Postclosure Care Costs	(2,033,937)
Compensated Absences, Claims, and Judgments	(17,849,149)
Subtotal	<u>(1,137,246,961)</u>
Net Position of Governmental Activities	<u>\$ (775,343,110)</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF BROCKTON, MASSACHUSETTS  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE — GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2019**

	General	Other Governmental	Total
<b>Revenues:</b>			
Real and Personal Property Taxes, Net	\$ 141,981,417	\$ -	\$ 141,981,417
Motor Vehicle and Other Excise	11,111,765	-	11,111,765
Penalties and Interest on Taxes	2,075,501	-	2,075,501
Payments in Lieu of Taxes	116,525	-	116,525
User Charges and Other Revenue	1,468,971	1,750,902	3,219,873
Fees	1,468,881	7,412,829	8,881,710
Licenses and Permits	3,777,604	-	3,777,604
Intergovernmental	205,966,609	52,024,470	257,991,079
Intergovernmental (MTRS On Behalf of Contribution)	39,598,398	-	39,598,398
Fines	278,071	568,664	846,735
Investment Income	1,445,243	785,848	2,231,091
Contributions	-	699,017	699,017
Total Revenues	<u>409,288,985</u>	<u>63,241,730</u>	<u>472,530,715</u>
<b>Expenditures:</b>			
<b>Current:</b>			
General Government	14,526,029	850,136	15,376,165
Public Safety	52,497,214	3,294,007	55,791,221
Education	182,971,584	40,095,103	223,066,687
Public Works	7,336,076	574,182	7,910,258
Economic Development	6,607,672	1,710,987	8,318,659
Human Services	2,489,667	454,998	2,944,665
Culture and Recreation	2,834,297	558,764	3,393,061
State and County Assessments	18,426,736	-	18,426,736
Pension and Fringe Benefits	80,006,402	-	80,006,402
Pension (MTRS On Behalf of Payment)	39,598,398	-	39,598,398
Court Judgments	3,243,968	-	3,243,968
Capital Outlay	889,337	15,837,046	16,726,383
Debt Service	12,184,474	179,575	12,364,049
Total Expenditures	<u>423,611,854</u>	<u>63,554,798</u>	<u>487,166,652</u>
Excess of Revenues Over Expenditures	<u>(14,322,869)</u>	<u>(313,068)</u>	<u>(14,635,937)</u>
<b>Other Financing Sources (Uses):</b>			
Operating Transfers In	2,721,808	111,232	2,833,040
Operating Transfers Out	(4,585,994)	(1,690,830)	(6,276,824)
Proceeds from Issuance of Bonds and Notes Payable	-	8,526,471	8,526,471
Premiums from Issuance of Bonds and Notes Payable	-	376,729	376,729
Total Other Financing Sources (Uses)	<u>(1,864,186)</u>	<u>7,323,602</u>	<u>5,459,416</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>(16,187,055)</u>	<u>7,010,534</u>	<u>(9,176,521)</u>
Fund Balance - Beginning of Year	<u>83,683,867</u>	<u>26,808,553</u>	<u>110,492,420</u>
Fund Balance - End of Year	<u>\$ 67,496,812</u>	<u>\$ 33,819,087</u>	<u>\$ 101,315,899</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, 2019**

Net Change in Fund Balances - Total Governmental Funds	\$ (9,176,521)
<p>Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of those Assets is Depreciated Over Their Estimated Useful Lives, these Amounts Represent the Related Activity of the Current Period.</p>	
Capital Outlays	16,739,528
Depreciation	(10,120,875)
Loss of Disposal of Capital Assets	(12,869)
<p>In the Statement of Activities, Deferred Outflows and Deferred Inflows related to OPEB are Amortized and Recognized as OPEB Expense. This Amount Represents the Net Change in Deferred Outflows and Deferred Inflows related to OPEB.</p>	
	(8,583,790)
<p>In the Statement of Activities, Deferred Outflows and Deferred Inflows related to Pension are Amortized and Recognized as Pension Expense. This Amount Represents the Net Change in Deferred Outflows and Deferred Inflows related to Pension.</p>	
	25,737,748
<p>Accrual Basis Revenues Can Result in More (Less) Revenues Reported in the Statement of Activities Depending Upon Timing of Billings and Collections.</p>	
	664,240
<p>Notes Receivable Balance that Does Not Provide Current Financial Resources</p>	
	6,160,505
<p>The Issuance of Long-Term Debt Provides Current Financial Resources to Governmental Funds, While the Repayment of the Principal of Long-Term Debt Consumes the Financial Resources of Governmental Funds. Also, Governmental Funds Report the Effect of Premiums and Discounts When Debt is First Issued, Whereas these Amounts are Amortized in the Statement of Activities.</p>	
<p>These Amounts Represent the Related Activity of the Current Period.</p>	
Bond Maturities	7,073,000
Amortization of Bond Premiums, Net	(255,503)
Proceeds of Bonds and Notes	(8,526,471)
<p>Some Expenses Reported in the Statement of Activities Do Not Require the Use of Current Financial Resources and, Therefore, are not Reported in the Governmental Funds.</p>	
<p>These Amounts Represent the Net Changes Related to:</p>	
Interest Payable	122,690
Benefit Claims, Compensated Absences, and Court Judgements	4,304,900
Net OPEB Liability	(24,547,833)
Net Pension Liability	(46,793,903)
Landfill Closure	183,927
Inventory	799,792
	799,792
Change in Net Position of Governmental Activities	\$ (46,231,435)

See accompanying Notes to Basic Financial Statements.

**CITY OF BROCKTON, MASSACHUSETTS  
STATEMENT OF NET POSITION — PROPRIETARY FUNDS  
JUNE 30, 2019**

<b>ASSETS</b>	Enterprise Funds			<b>Total</b>
	Water	Sewer	Other	
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ 8,902,794	\$ 10,435,665	\$ 5,054,475	\$ 24,392,934
Customer Receivables, Net	9,502,864	11,342,675	4,577,803	25,423,342
Intergovernmental Receivable	123,027	563,970	-	686,997
Other	547,847	621,564	217,570	1,386,981
Total Current Assets	19,076,532	22,963,874	9,849,848	51,890,254
<b>NONCURRENT ASSETS</b>				
Capital Assets:				
Nondepreciable	3,105,092	1,510,790	174,497	4,790,379
Depreciable, Net	46,460,795	114,716,830	6,287,520	167,465,145
Total Noncurrent Assets	49,565,887	116,227,620	6,462,017	172,255,524
Total Assets	68,642,419	139,191,494	16,311,865	224,145,778
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension	2,127,862	797,947	1,196,921	4,122,730
OPEB	393,878	124,195	181,593	699,666
Total Deferred Outflows of Resources	2,521,740	922,142	1,378,514	4,822,396
Total Assets and Deferred Outflows of Resources	71,164,159	140,113,636	17,690,379	228,968,174
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Warrants and Accounts Payable	1,018,731	1,007,304	1,908,281	3,934,316
Accrued Expenses	256,305	534,085	46,338	836,728
Compensated Absences and Claims	209,594	328,692	214,164	752,450
Total OPEB Liability - Due within One Year	291,472	91,905	134,380	517,757
Bond Anticipation Notes	343,971	-	-	343,971
Bonds, Note, and Loans Payable	1,955,444	5,659,587	100,000	7,715,031
Total Current Liabilities	4,075,517	7,621,573	2,403,163	14,100,253
<b>NONCURRENT LIABILITIES</b>				
Compensated Absences and Claims	1,119,630	1,733,232	1,135,906	3,988,768
Unearned Revenue	211,285	235,275	-	446,560
Landfill Closure and Postclosure Care Costs	-	707,692	-	707,692
Total OPEB Liability	14,346,094	4,523,524	6,614,103	25,483,721
Net Pension Liability	10,735,779	4,025,913	6,038,869	20,800,561
Bonds, Note, and Loans Payable	20,803,202	45,371,907	400,000	66,575,109
Total Noncurrent Liabilities	47,215,990	56,597,543	14,188,878	118,002,411
Total Liabilities	51,291,507	64,219,116	16,592,041	132,102,664
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension	8,574	3,215	4,823	16,612
OPEB	578,667	182,462	266,788	1,027,917
Total Deferred Inflows	587,241	185,677	271,611	1,044,529
<b>NET POSITION</b>				
Net Investment in Capital Assets	27,862,262	65,542,455	5,962,017	99,366,734
Unrestricted	(8,576,850)	10,166,388	(5,135,291)	(3,545,753)
Total Net Position	\$ 19,285,412	\$ 75,708,843	\$ 826,726	\$ 95,820,981

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, 2019**

	Enterprise Funds			Total
	Water	Sewer	Other	
Operating Revenues:				
Charges	\$ 18,775,917	\$ 18,716,567	\$ 8,566,403	\$ 46,058,887
Fees	531,662	382,113	473,465	1,387,240
Other	-	363	4,432	4,795
Total Operating Revenues	<u>19,307,579</u>	<u>19,099,043</u>	<u>9,044,300</u>	<u>47,450,922</u>
Operating Expenses:				
Salaries and Benefits	5,998,463	2,349,792	2,150,930	10,499,185
Utilities	507,952	1,300,944	81,342	1,890,238
Repairs and Maintenance	1,154,270	1,551,467	291,962	2,997,699
Contractual Services	8,930,218	4,976,919	6,689,812	20,596,949
Other Supplies and Expenses	276,214	296,320	201,431	773,965
Depreciation	2,148,790	4,653,415	474,353	7,276,558
Total Operating Expenses	<u>19,015,907</u>	<u>15,128,857</u>	<u>9,889,830</u>	<u>44,034,594</u>
Total Operating Income (Loss)	<u>291,672</u>	<u>3,970,186</u>	<u>(845,530)</u>	<u>3,416,328</u>
Nonoperating Revenue (Expense):				
Interest Income	252,146	219,953	184,051	656,150
Interest Expense	(444,487)	(1,078,463)	550	(1,522,400)
Loss on Disposal of Capital Assets	-	(6,113)	(29,587)	(35,700)
Debt Subsidies	12,654	182,914	-	195,568
Total Nonoperating Revenue (Expense)	<u>(179,687)</u>	<u>(681,709)</u>	<u>155,014</u>	<u>(706,382)</u>
Income (Loss) Before Transfers	<u>111,985</u>	<u>3,288,477</u>	<u>(690,516)</u>	<u>2,709,946</u>
Transfers In	1,866,643	707,892	1,229,616	3,804,151
Transfers Out	-	(360,367)	-	(360,367)
Total Transfers, Net	<u>1,866,643</u>	<u>347,525</u>	<u>1,229,616</u>	<u>3,443,784</u>
Change in Net Position	<u>1,978,628</u>	<u>3,636,002</u>	<u>539,100</u>	<u>6,153,730</u>
Net Position - Beginning of Year	<u>17,306,784</u>	<u>72,072,841</u>	<u>287,626</u>	<u>89,667,251</u>
Net Position - End of Year	<u>\$ 19,285,412</u>	<u>\$ 75,708,843</u>	<u>\$ 826,726</u>	<u>\$ 95,820,981</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF BROCKTON, MASSACHUSETTS  
STATEMENT OF CASH FLOWS — PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2019**

	Enterprise Funds			Total
	Water	Sewer	Other	
<b>CASH FLOWS FROM OPERATIONS</b>				
Cash Received from Customers	\$ 19,197,283	\$ 18,142,597	\$ 9,310,146	\$ 46,650,026
Cash Paid to Employees	(4,483,768)	(2,023,598)	(2,818,530)	(9,325,896)
Cash Paid to Vendors	(10,818,230)	(9,907,409)	(6,830,613)	(27,556,252)
Net Cash Provided (Used) by Operations	<u>3,895,285</u>	<u>6,211,590</u>	<u>(338,997)</u>	<u>9,767,878</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers In	1,866,643	707,892	1,229,616	3,804,151
Transfers Out	-	(360,367)	-	(360,367)
Net Cash Provided by Noncapital Financing Activities	<u>1,866,643</u>	<u>347,525</u>	<u>1,229,616</u>	<u>3,443,784</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and Construction of Capital Assets	(1,548,795)	(1,844,375)	(193,059)	(3,586,229)
Interest Paid on Debt	(457,790)	(1,007,604)	-	(1,465,394)
Bond and Loan Proceeds Received	2,574,631	4,114,672	-	6,689,303
Bond Premiums Received	137,000	-	-	137,000
Repayment of Long-Term Debt	(2,310,441)	(8,166,575)	(100,000)	(10,577,016)
Net Cash Used by Capital and Related Financing Activities	<u>(1,605,395)</u>	<u>(6,903,882)</u>	<u>(293,059)</u>	<u>(8,802,336)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>				
Interest Income	<u>252,146</u>	<u>219,953</u>	<u>184,051</u>	<u>656,150</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
	4,408,679	(124,814)	781,611	5,065,476
Cash and Cash Equivalents - Beginning of Year	<u>4,494,115</u>	<u>10,560,479</u>	<u>4,272,864</u>	<u>19,327,458</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 8,902,794</u></u>	<u><u>\$ 10,435,665</u></u>	<u><u>\$ 5,054,475</u></u>	<u><u>\$ 24,392,934</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATIONS:</b>				
Operating Income (Loss)	\$ 291,672	\$ 3,970,186	\$ (845,530)	\$ 3,416,328
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operations:				
Depreciation Expense	2,148,790	4,653,415	474,353	7,276,558
Change in Net Pension Liability	1,731,324	534,386	525,942	2,791,652
Change in Deferred Outflows - Pension	(187,232)	(434,908)	(427,606)	(1,049,746)
Change in Deferred Inflows - Pension	(1,265,191)	(72,710)	(115,058)	(1,452,959)
Change in Total OPEB Liability	476,105	150,122	219,502	845,729
Change in Deferred Inflows - OPEB	560,360	176,690	(181,593)	555,457
Change in Deferred Outflows - OPEB	-	-	258,348	258,348
Changes in Operating Assets and Liabilities:				
Accounts Receivable	(110,296)	(956,446)	265,846	(800,896)
Warrants and Accounts Payable	286,660	(1,074,119)	657,929	(129,530)
Other Assets and Liabilities	(36,907)	(735,026)	(1,171,130)	(1,943,063)
Net Cash Provided (Used) by Operations	<u><u>\$ 3,895,285</u></u>	<u><u>\$ 6,211,590</u></u>	<u><u>\$ (338,997)</u></u>	<u><u>\$ 9,767,878</u></u>
<b>NONCASH ACTIVITIES</b>				
Intergovernmental Debt Subsidies (MCWT)	<u><u>\$ 34,783</u></u>	<u><u>\$ 234,575</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 269,358</u></u>

See accompanying Notes to Basic Financial Statements.



**CITY OF BROCKTON, MASSACHUSETTS**  
**STATEMENT OF NET POSITION — FIDUCIARY FUNDS**  
**JUNE 30, 2019**  
(EXCEPT FOR PENSION TRUST, WHICH IS AS OF DECEMBER 31, 2018)

	<u>Pension Trust Fund</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
<b>CASH AND CASH EQUIVALENTS</b>	\$ 13,066,487	\$ 631,373
<b>RECEIVABLES</b>		
Interest and Dividends	134,189	-
Member Deductions	10,011	-
Other	159,309	217,777
Total Receivables	<u>303,509</u>	<u>217,777</u>
<b>OTHER ASSETS</b>	916	-
<b>INVESTMENTS</b>		
Fixed Income Mutual Funds	95,431,642	-
Equities and Equity Mutual Funds	206,933,556	-
Real Estate Funds	21,896,245	-
Private Equity Funds	34,750,189	-
Structured Credit Funds	13,230,203	-
Total Investments	<u>372,241,835</u>	<u>-</u>
Total Assets	<u>\$ 385,612,747</u>	<u>\$ 849,150</u>
<b>LIABILITIES</b>		
<b>ACCOUNTS PAYABLE AND OTHER LIABILITIES</b>	\$ 21,222	\$ 849,150
Total Liabilities	<u>21,222</u>	<u>\$ 849,150</u>
<b>NET POSITION RESTRICTED FOR PENSION BENEFITS</b>	<u>\$ 385,591,525</u>	

See accompanying Notes to Basic Financial Statements.

**CITY OF BROCKTON, MASSACHUSETTS  
STATEMENT OF CHANGES IN NET POSITION — FIDUCIARY FUNDS  
YEAR ENDED DECEMBER 31, 2018**

	Pension Trust Fund
<b>ADDITIONS</b>	
Contributions:	
Employers	\$ 26,029,652
Plan Members	<u>9,578,961</u>
Total Contributions	35,608,613
Investment Income:	
Net Appreciation in Fair Value of Investments	(30,988,809)
Interest and Dividends	<u>10,141,382</u>
Total Investment Income	(20,847,427)
Less: Investment Expenses	<u>(2,770,990)</u>
Net Investment Income	<u>(23,618,417)</u>
Total Additions	<u>11,990,196</u>
<b>DEDUCTIONS</b>	
Retirement Benefits and Refunds	43,801,798
Administration	<u>675,515</u>
Total Deductions	<u>44,477,313</u>
Change in Net Position	(32,487,117)
Net Position - Beginning of Year	<u>418,078,642</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 385,591,525</u></u>

See accompanying Notes to Basic Financial Statements.

**CITY OF BROCKTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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, 2018 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 2019:

<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	\$ 2,425,967
Southeastern Regional School District 250 Foundry Street South Easton, MA 02375	To Provide Public Transportation	\$ 3,917,188

**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, 2019**

**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, 2019, except for the System, which is presented as of and for the year ended December 31, 2018.

**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 nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

**Fund Financial Statements**

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

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

**CITY OF BROCKTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (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. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized as soon as all eligibility requirements imposed by the provider have been met.

**CITY OF BROCKTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis of Accounting (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 nongrant revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Grant revenues that the City earns by incurring obligations are recognized in the same period as when the obligations are recognized. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Tax abatement refunds are recognized as fund liabilities for refunds filed prior to year-end and paid within a year. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other 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, 2019**

**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 and OPEB 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, 2019**

**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 \$25,000. 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, 2019**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Position and Fund Balance (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, 2019**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Bond Discounts, Premiums, Reacquisition Costs, and Issuance Costs (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, 2019, the City implemented the following pronouncements issued by the GASB:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*

The implementation of GASB Statement 83 had no reporting impact for the City, the implementation of GASB Statement 88 included enhanced disclosures.

**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.

**CITY OF BROCKTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 3 RECEIVABLES (CONTINUED)**

**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 was scheduled to mature in fiscal year 2022, having an effective interest rate of 6.31%, and was secured by the stadium, related conference center, and all stadium-generated lease revenues paid to the corporation, and almost all conference center lease revenues.

The 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.

On December 31, 2018, the Corporation acknowledged the default of its obligations under the note agreement. In response to the default, the Corporation relinquished control over the assets to the City to satisfy the obligation. As a result, the default of the notes receivable was reflected as an economic development expenditure in the governmental funds statement of revenues, expenditures, and changes in fund balance in the amount of \$6.1 million. As of June 2, 2020, the City had yet to complete the recording of the official transfer of the assets and as a result the notes receivable balance continues to be reported in governmental activities statement of net position.

**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, 2019, under MSBA's contract assistance program, the City was due funds totaling \$966,955.

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, 2019 through 2020:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 966,955

**CITY OF BROCKTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2019 was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
Government Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 7,410,698	\$ -	\$ -	\$ 7,410,698
Construction in Progress	8,705,311	9,636,509	(6,424,487)	11,917,333
Historical Works of Art	1,809,514	-	-	1,809,514
Total Capital Assets, Not Being Depreciated	17,925,523	9,636,509	(6,424,487)	21,137,545
Capital Assets, Being Depreciated:				
Buildings	243,198,341	7,908,677	-	251,107,018
Land Improvements	15,817,213	73,317	-	15,890,530
Machinery and Equipment	31,700,279	1,415,478	(5,286,863)	27,828,894
Infrastructure	110,637,312	4,130,034	-	114,767,346
Total Capital Assets, Being Depreciated	401,353,145	13,527,506	(5,286,863)	409,593,788
Less: Accumulated Depreciation For:				
Buildings	110,543,739	5,937,270	-	116,481,009
Land Improvements	8,784,513	497,962	-	9,282,475
Machinery and Equipment	26,007,245	1,249,027	(5,273,994)	21,982,278
Infrastructure	85,075,674	2,436,616	-	87,512,290
Total Accumulated Depreciation	230,411,171	10,120,875	(5,273,994)	235,258,052
Total Capital Assets, Being Depreciated, Net	170,941,974	3,406,631	(12,869)	174,335,736
Governmental Capital Assets, Net	<u>\$ 188,867,497</u>	<u>\$ 13,043,140</u>	<u>\$ (6,437,356)</u>	<u>\$ 195,473,281</u>

Depreciation expense was charged to governmental functions as follows:

Government Activities:	
General Government	\$ 768,358
Public Safety	1,154,764
Education	5,524,472
Public Works	2,310,744
Human Services	99,444
Culture and Recreation	263,093
Total Depreciation Expense - Government Activities	<u>\$ 10,120,875</u>

**CITY OF BROCKTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 4 CAPITAL ASSETS (CONTINUED)**

Business-type activity for the year ended June 30, 2019 was as follows:

	Business-Type Activities			Ending Balance
	Beginning Balance	Increases	Decreases	
Water:				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,929,492	\$ -	\$ -	\$ 2,929,492
Construction in Progress	2,776,750	-	(2,601,150)	175,600
Total Capital Assets, Not Being Depreciated	5,706,242	-	(2,601,150)	3,105,092
Capital Assets, Being Depreciated:				
Buildings	30,710,379	93,759	-	30,804,138
Land Improvements	105,700	14,000	-	119,700
Machinery and Equipment	17,334,505	-	(631,032)	16,703,473
Infrastructure	37,022,258	4,042,186	-	41,064,444
Total Capital Assets, Being Depreciated	85,172,842	4,149,945	(631,032)	88,691,755
Less: Accumulated Depreciation For:				
Buildings	7,619,415	767,593	-	8,387,008
Land Improvements	105,700	700	-	106,400
Machinery and Equipment	13,409,610	732,300	(631,032)	13,510,878
Infrastructure	19,578,477	648,197	-	20,226,674
Total Accumulated Depreciation	40,713,202	2,148,790	(631,032)	42,230,960
Total Capital Assets, Being Depreciated, Net	44,459,640	2,001,155	-	46,460,795
Water Capital Assets, Net	50,165,882	2,001,155	(2,601,150)	49,565,887
Sewer:				
Capital Assets, Not Being Depreciated:				
Land	186,327	-	-	186,327
Construction in Progress	1,375,815	-	(51,352)	1,324,463
Total Capital Assets, Not Being Depreciated	1,562,142	-	(51,352)	1,510,790
Capital Assets, Being Depreciated:				
Buildings	144,835,673	405,857	-	145,241,530
Land Improvements	289,473	22,144	-	311,617
Machinery and Equipment	45,913,197	390,152	(552,928)	45,750,421
Infrastructure	42,511,343	1,077,574	-	43,588,917
Total Capital Assets, Being Depreciated	233,549,686	1,895,727	(552,928)	234,892,485
Less: Accumulated Depreciation For:				
Buildings	44,813,309	3,608,640	-	48,421,949
Land Improvements	258,393	787	-	259,180
Machinery and Equipment	43,534,175	378,175	(546,815)	43,365,535
Infrastructure	27,463,178	665,813	-	28,128,991
Total Accumulated Depreciation	116,069,055	4,653,415	(546,815)	120,175,655
Total Capital Assets, Being Depreciated, Net	117,480,631	(2,757,688)	(6,113)	114,716,830
Sewer Capital Assets, Net	119,042,773	(2,757,688)	(57,465)	116,227,620

**CITY OF BROCKTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 4 CAPITAL ASSETS (CONTINUED)**

	Business-Type Activities			Ending Balance
	Beginning Balance	Increases	Decreases	
Other:				
Capital Assets, Not Being Depreciated:				
Land	\$ 130,359	\$ -	\$ -	\$ 130,359
Construction in Progress	44,138	-	-	44,138
Total Capital Assets, Not Being Depreciated	174,497	-	-	174,497
Capital Assets, Being Depreciated:				
Buildings	905,875	-	-	905,875
Land Improvements	34,152,205	95,643	-	34,247,848
Machinery and Equipment	4,415,271	38,844	(635,106)	3,819,009
Infrastructure	6,957,831	58,572	-	7,016,403
Total Capital Assets, Being Depreciated	46,431,182	193,059	(635,106)	45,989,135
Less: Accumulated Depreciation For:				
Buildings	610,422	11,552	-	621,974
Land Improvements	32,461,077	162,152	-	32,623,229
Machinery and Equipment	3,553,482	238,810	(605,519)	3,186,773
Infrastructure	3,207,800	61,839	-	3,269,639
Total Accumulated Depreciation	39,832,781	474,353	(605,519)	39,701,615
Total Capital Assets, Being Depreciated, Net	6,598,401	(281,294)	(29,587)	6,287,520
Other Capital Assets, Net	6,772,898	(281,294)	(29,587)	6,462,017
Business-Type Activities Capital Assets, Net	<u>\$ 175,981,553</u>	<u>\$ (1,037,827)</u>	<u>\$ (2,688,202)</u>	<u>\$ 172,255,524</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, 2019, the City's bank balances of uninsured and uncollateralized deposits totaled \$114,415,018. The carrying amount of the City's deposits totaled \$115,807,991 at June 30, 2019.

The System's bank balances of uninsured and uncollateralized deposits totaled \$12,887,768. The carrying amount of the System's deposits totaled \$12,882,920 at December 31, 2018.

**CITY OF BROCKTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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, 2019 for the primary government and December 31, 2018 for the Retirement System:

<u>Investment Type</u>	<u>Total Amount</u>	<u>Less Than 1 Year</u>	<u>1 - 5 Years</u>	<u>6 - 10 Years</u>
Retirement System:				
Fixed Income Mutual Funds	\$ 95,431,642	\$ 95,431,642	\$ -	\$ -
Money Market Mutual Funds	183,567	183,567	-	-
Subtotal	<u>95,615,209</u>	<u>95,615,209</u>	<u>-</u>	<u>-</u>
City:				
U.S. Treasury Notes and Bonds	1,273,956	60,393	828,723	384,840
U.S. Agencies	1,127,872	174,235	648,521	305,116
Corporate Bonds	827,451	125,169	518,472	183,810
Money Market Mutual Funds	104,273	104,273	-	-
MMDT	6,931,881	6,931,881	-	-
Subtotal	<u>10,265,433</u>	<u>7,395,951</u>	<u>1,995,716</u>	<u>873,766</u>
Total	<u>\$ 105,880,642</u>	<u>\$ 103,011,160</u>	<u>\$ 1,995,716</u>	<u>\$ 873,766</u>

**CITY OF BROCKTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 5 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Interest Rate Risk (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, 2019 for the primary government and December 31, 2018 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	\$ 95,431,642	\$ -	\$ -	\$ 95,431,642
Money Market Mutual Funds	183,567	-	-	183,567
Subtotal	95,615,209	-	-	95,615,209
City:				
U.S. Agencies	1,127,871	1,127,871	-	-
Corporate Bonds	827,451	728,459	98,992	-
Money Market Mutual Funds	104,273	-	-	104,273
MMDT	6,931,881	-	-	6,931,881
Subtotal	8,991,476	1,856,330	98,992	7,036,154
Total	\$ 104,606,685	\$ 1,856,330	\$ 98,992	\$ 102,651,363

In addition to the above schedule, the City has \$1,273,956 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, 2019**

**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, 2018, 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, 2019, 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, 2018, the System had indirect exposure to foreign currency risk for certain pooled equity investments in the amount of approximately \$121,200,000.

**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, 2019**

**NOTE 5 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Fair Value Measurements (Continued)**

The City has the following recurring fair value measurements as of June 30, 2019 and December 31, 2018 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)
<b>Retirement System:</b>				
Common Stock	\$ 10,357	\$ 10,357	\$ -	\$ -
Money Market Mutual Funds	183,567	183,567	-	-
Equity Mutual Funds	206,923,199	206,923,199	-	-
Fixed Income Mutual Funds	95,431,642	95,431,642	-	-
Total Investments by Fair Value Level	302,548,765	<u>\$ 302,548,765</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Investments Measured at the Net Asset Value (NAV):</b>				
Real Estate Funds	21,896,245			
Private Equity Funds	34,750,189			
Structured Credit Funds	13,230,203			
Total Investments Measured at the NAV	69,876,637			
Subtotal - System	372,425,402			
<b>City:</b>				
Money Market Mutual Funds	104,273	\$ 104,273	\$ -	\$ -
Equities	3,802,302	3,802,302	-	-
Corporate Bonds	827,451	-	827,451	-
Fixed Income Mutual Funds	1,176,370	1,176,370	-	-
Equity Mutual Funds	1,917,540	1,917,540	-	-
U.S. Treasuries	1,273,956	1,273,956	-	-
U.S. Agencies	1,127,872	-	1,127,872	-
Total Investments by Fair Value Level	10,229,764	<u>\$ 8,274,441</u>	<u>\$ 1,955,323</u>	<u>\$ -</u>
<b>Investments Measured at Amortized Cost:</b>				
MMDT	6,931,881			
Subtotal - City	17,161,645			
Total	<u>\$ 389,587,047</u>			

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, 2019**

**NOTE 5 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Fair Value Measurements (Continued)**

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

	<u>Total Amount</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Retirement System:				
Real Estate Funds <sup>(1)</sup>	\$ 21,896,245	\$ 988,674	N/A <sup>(1)</sup>	N/A <sup>(1)</sup>
Private Equity Funds <sup>(2)</sup>	34,750,189	3,101,103	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>
Structured Credit Funds <sup>(3)</sup>	13,230,203	-	Annually	65 Days
Total Investments Measured at the NAV	<u>\$ 69,876,637</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 \$18,000,000 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 5 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 \$16,300,000 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 8 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, 2019**

**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, 2018:

Active Members	1,880
Inactive Members	538
Retirees and Beneficiaries Currently Receiving Benefits	<u>1,284</u>
Total	<u><u>3,702</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, 2019**

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

**Benefits Provided (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, 2018, active member contributions totaled \$9,578,961 and employer contributions totaled \$26,029,652. Contributions to the System from the City were \$24,311,695 for the year ended June 30, 2019.

**CITY OF BROCKTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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, 2018, were as follows:

Total Pension Liability	\$ 679,896,326
Plan Fiduciary Net Position	<u>(385,591,525)</u>
Net Pension Liability	<u><u>\$ 294,304,801</u></u>

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u><u>56.71%</u></u>
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At June 30, 2019, the City reported a liability of \$274,880,684 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018 which was rolled forward to the measurement date. 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, 2018, the City's proportion was 93.40000 percent, which compared to the 93.40333 percent proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$46,174,870. At June 30, 2019, 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	\$ 33,046,659	\$ -
Changes in Assumptions	15,026,032	-
Differences Between Expected and Actual Experience	5,759,887	-
Changes in Proportion	649,548	219,525
Total	<u><u>\$ 54,482,126</u></u>	<u><u>\$ 219,525</u></u>

**CITY OF BROCKTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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 (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>
2020	\$ 20,949,742
2021	10,916,021
2022	10,559,147
2023	11,838,079
2024	(388)
Total	<u>\$ 54,262,601</u>

**Actuarial Assumptions**

The total pension liability was determined using the January 1, 2018 actuarial valuation. The following actuarial assumptions apply to all periods included in the measurement.

Assumptions:

Inflation	3.00%
Salary Increases	Based on service, 6% graded down to 4.25% for Group 1 Based on service, 7% graded down to 4.75% for Group 4
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, 2019**

**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 -5.71%. The money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested.

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, 2018 are summarized on the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	21 %	6.20 %
Global Equity	41 %	7.30 %
Domestic Fixed Income	16 %	3.60 %
International Fixed Income	6 %	6.30 %
Real Estate	4 %	4.80 %
Alternatives	9 %	9.00 %
Other	3 %	4.00 %



**CITY OF BROCKTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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	\$ 367,862,822	\$ 294,304,801	\$ 231,652,008

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	\$ 343,583,876	\$ 274,880,684	\$ 216,362,975

**CITY OF BROCKTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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, 2018 are as follows:

Description	Amount	Purpose
Annuity Savings Fund	\$ 100,431,547	Active members' contribution balance
Annuity Reserve Fund	25,946,858	Retired members' contribution account
Military Service Credit Fund	100,043	Amounts appropriated to fund military service time
Pension Reserve Fund	230,467,539	Amounts appropriated to fund future retirement
Pension Fund	28,645,538	Remaining net position
Total	<u>\$ 385,591,525</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, 2019**

**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, 2019. The Commonwealth's net pension liability associated with the City was \$390,765,228.

The MTRS' net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018 rolled forward to June 30, 2018.

For the year ended June 30, 2019, the City recognized pension expense of \$39,598,398 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, 2019**

**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	7.35%
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 White Collar Healthy Annuitant Table projected generationally with Scale Mp-2016 (gender distinct).
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, 2018 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	39 %	5.0 %
Core Fixed Income	12 %	0.9 %
Private Equity	12 %	6.6 %
Real Estate	10 %	3.8 %
Value Added Fixed Income	10 %	3.8 %
Portfolio Completion Strategies	13 %	3.7 %
Timber/Natural Resources	4 %	3.4 %
Totals	<u>100 %</u>	

**CITY OF BROCKTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 7 RETIREMENT SYSTEM – MTRS (CONTINUED)**

**Discount Rate**

The discount rate used to measure the MTRS' total pension liability was 7.35%. 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, 2019:

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%)	\$ 83,115,000	\$ 4,450,000	\$ 4,140,000	\$ 83,425,000	\$ 4,875,000
General Obligation	2038	(3.00% - 6.75%)	20,674,000	4,076,471	2,933,000	21,817,471	3,137,471
Subtotal			103,789,000	8,526,471	7,073,000	105,242,471	8,012,471
Add (Deduct):							
Unamortized Bond Premium			1,204,459	376,729	121,226	1,459,962	133,091
Total Governmental Activities Debt, Net			<u>\$ 104,993,459</u>	<u>\$ 8,903,200</u>	<u>\$ 7,194,226</u>	<u>\$ 106,702,433</u>	<u>\$ 8,145,562</u>

During 2019, the City issued \$4,076,471 in General Obligation Bonds and \$4,450,000 in Taxable Bonds. The proceeds from the General Obligation Bonds were used to retire \$3,426,471 in BAN's that were outstanding at June 30, 2018. The remaining proceeds from both issuances were used for garage construction and elevator repairs.

**CITY OF BROCKTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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
<b>Business-Type Activities:</b>							
Water	2039	(4.75% - 6.45%)	\$ 913,000	\$ 1,113,529	\$ 203,000	\$ 1,823,529	\$ 303,529
Water - Direct Borrowings	2039	(4.75% - 6.45%)	21,785,740	-	2,132,310	19,653,430	1,622,002
Sewer	2039	(3.00% - 6.75%)	448,000	-	129,000	319,000	129,000
Sewer - Direct Borrowings	2039	(3.00% - 6.75%)	51,857,281	2,975,722	5,649,772	49,183,231	5,455,501
Other	2024	(3.00% - 6.75%)	600,000	-	100,000	500,000	100,000
Subtotal			<u>75,604,021</u>	<u>4,089,251</u>	<u>8,214,082</u>	<u>71,479,190</u>	<u>7,610,032</u>
<b>Add (Deduct):</b>							
Unamortized Bond Premium			585,952	137,000	105,973	616,979	104,999
MCWT Interim Loans	2019	0.9%	<u>2,413,898</u>	<u>1,361,471</u>	<u>1,581,398</u>	<u>2,193,971</u>	<u>-</u>
Total Business-Type Activities Debt, Net			<u>78,603,871</u>	<u>5,587,722</u>	<u>9,901,453</u>	<u>74,290,140</u>	<u>7,715,031</u>
Total Debt, Net			<u>\$ 183,597,330</u>	<u>\$ 14,490,922</u>	<u>\$ 17,095,679</u>	<u>\$ 180,992,573</u>	<u>\$ 15,860,593</u>
<b>Other Long-Term Obligations:</b>							
<b>Self-Insured Benefit Claims:</b>							
<b>Governmental Activities</b>							
			\$ 6,185,355	\$ -	\$ 1,020,760	\$ 5,164,595	\$ 3,627,741
<b>Business-Type Activities:</b>							
Water			781,725	235,792	-	1,017,517	162,838
Sewer			2,112,410	-	178,717	1,933,693	309,457
Other			2,127,034	-	965,679	1,161,355	185,857
<b>Compensated Absences, Net:</b>							
<b>Governmental Activities</b>							
			13,993,694	-	358,140	13,635,554	2,045,333
<b>Business-Type Activities:</b>							
Water			342,704	-	30,998	311,706	46,756
Sewer			112,927	15,304	-	128,231	19,235
Other			176,597	12,119	-	188,716	28,307
<b>Court Judgments:</b>							
<b>Governmental Activities</b>							
			4,750,000	-	-	4,750,000	3,000,000
<b>Landfill Closure and Postclosure Care Costs:</b>							
<b>Governmental Activities</b>							
			2,217,864	-	183,927	2,033,937	-
<b>Business-Type Activities:</b>							
Sewer			<u>1,794,000</u>	<u>-</u>	<u>1,086,308</u>	<u>707,692</u>	<u>-</u>
Total Other Long-Term Obligations			<u>\$ 34,594,310</u>	<u>\$ 263,215</u>	<u>\$ 3,824,529</u>	<u>\$ 31,032,996</u>	<u>\$ 9,425,524</u>

During 2019, the City entered into interim loan agreements (Water and Sewer Enterprise Funds) with the MCWT to fund water and sewer system improvements. Interim note bears no interest and the loan is anticipated to be permanently financed in 2020. Amounts accrued and considered issued under new and existing interim loans during 2019 totaled \$1,055,021 and \$1,138,950 in the water and sewer enterprise funds respectively.

**Subsequent Event:**

The City permanently financed 3 loans with MCWT on October 24, 2019 totaling \$1,402,890 for water projects and \$1,500,000 for sewer projects.

**CITY OF BROCKTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 8 LONG-TERM OBLIGATIONS (CONTINUED)**

**Maturity of Bond Indebtedness**

Bond indebtedness outstanding at June 30, 2019 matures as follows:

<u>Year Ending June 30</u>	Governmental Activities		
	Principal	Interest	Total
2020	\$ 8,012,471	\$ 4,987,945	\$ 13,000,416
2021	7,585,000	4,664,885	12,249,885
2022	8,005,000	4,255,686	12,260,686
2023	8,975,000	3,824,709	12,799,709
2024	9,810,000	3,342,204	13,152,204
2025-2029	52,740,000	7,765,877	60,505,877
2030-2034	6,535,000	1,157,698	7,692,698
2035-2039	3,580,000	255,861	3,835,861
Total	<u>\$ 105,242,471</u>	<u>\$ 30,254,865</u>	<u>\$ 135,497,336</u>

<u>Year Ending June 30</u>	Business-Type Activities			
	Water - Bonded Debt		Sewer - Bonded Debt	
	Principal	Interest	Principal	Interest
2020	\$ 303,529	\$ 118,066	\$ 129,000	\$ 14,050
2021	205,000	120,519	95,000	7,600
2022	205,000	110,278	95,000	2,880
2023	195,000	226,094	-	-
2024	195,000	90,064	-	-
2025-2029	575,000	303,541	-	-
2039-2034	75,000	142,421	-	-
2035-2039	70,000	31,158	-	-
Total	<u>\$ 1,823,529</u>	<u>\$ 1,142,141</u>	<u>\$ 319,000</u>	<u>\$ 24,530</u>

<u>Year Ending June 30</u>	Business-Type Activities (Continued)			
	Water - Direct Borrowings		Sewer Direct Borrowings	
	Principal	Interest	Principal	Interest
2020	\$ 1,622,002	\$ 387,650	\$ 5,455,501	\$ 1,077,094
2021	1,658,618	351,582	5,519,600	937,338
2022	1,695,893	317,856	5,621,514	796,363
2023	1,729,192	281,024	5,754,740	649,474
2024	1,674,699	245,734	5,884,858	498,262
2025-2029	7,678,136	720,304	17,011,945	993,922
2039-2034	2,928,848	219,116	2,668,729	245,727
2035-2039	666,042	24,468	1,266,344	60,084
Total	<u>\$ 19,653,430</u>	<u>\$ 2,547,734</u>	<u>\$ 49,183,231</u>	<u>\$ 5,258,264</u>

<u>Year Ending June 30</u>	Business-Type Activities (Continued)			
	Other - Bonded Debt		Total	
	Principal	Interest	Principal	Interest
2020	\$ 100,000	\$ -	\$ 7,610,032	\$ 1,596,860
2021	100,000	-	7,578,218	1,417,039
2022	100,000	-	7,717,407	1,227,377
2023	100,000	-	7,778,932	1,156,592
2024	100,000	-	7,854,557	834,060
2025-2029	-	-	25,265,081	2,017,767
2030-2034	-	-	5,672,577	607,264
2035-2039	-	-	2,002,386	115,710
Total	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ 71,479,190</u>	<u>\$ 8,972,669</u>

**CITY OF BROCKTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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 \$123,819 and \$790,849 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
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	-	-	59,397	47,558	59,397	47,558
2025	-	-	78,388	-	78,388	-
Total	<u>\$ 102,926</u>	<u>\$ 20,893</u>	<u>\$ 217,641</u>	<u>\$ 573,208</u>	<u>\$ 320,567</u>	<u>\$ 594,101</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, 2019, the City has total authorized unissued debt of \$84.0 million, which is intended to finance the following:

School Construction/Furnishings	\$ 14,757,326
Pension Funding	47,710,000
Various Departments	1,425,000
Water Projects	14,916,178
Sewer Projects	4,138,844
Economic Development	1,000,000
Total	<u>\$ 83,947,348</u>



**CITY OF BROCKTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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, 2019:

	Governmental Activities	Business-Type Activities <u>Sewer Fund</u>
Closure and Postclosure Care Costs	\$ 2,033,937	\$ 707,692
Percentage Used (Filled)	100.00 %	30.80 %

It is estimated that an additional \$1,592,308 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 2109). In fiscal year 2019, the City reflected a change in estimate related to the remaining service life of the sewer landfill.

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, 2019. 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, 2019**

**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, 2019 was as follows:

	Outstanding as of June 30 2018	Additions	Reductions	Outstanding as of June 30 2019
Bond Anticipation Notes Payable:				
Governmental Activities:				
Various Capital Project Funds:				
Brookfield School Repairs	\$ 1,062,300	\$ 312,300	\$ 1,062,300	\$ 312,300
Ashfield School Repairs	688,000	188,000	688,000	188,000
Gilmore School Repairs	1,038,600	288,600	1,038,600	288,600
School Master Plan	500,000	-	500,000	-
Street Lighting System Improvements	2,500,000	1,600,000	2,500,000	1,600,000
Elevator Repairs	335,000	-	335,000	-
Energy Conversation	64,000	150,000	64,000	150,000
Subtotal Departments	\$ 6,187,900	\$ 2,538,900	\$ 6,187,900	\$ 2,538,900
Business-Type Activities:				
Water Capital Project Funds:				
Water Mains	\$ -	\$ 343,971	\$ -	\$ 343,971
Total All Departments	\$ 6,187,900	\$ 2,882,871	\$ 6,187,900	\$ 2,882,871

**CITY OF BROCKTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 11 OPERATING TRANSFERS**

Operating transfers and their purposes during the year ended June 30, 2019 were as follows:

	Governmental Funds		Enterprise Funds		
	General	Other	Water	Sewer	Other
General Fund Revenue - Water Subsidy	\$ (1,499,563)	\$ -	\$ 1,499,563	\$ -	\$ -
Sewer Receipts - in Lieu of Taxes	234,682	-	-	(234,682)	-
General Fund Revenue - Sewer Subsidy	(670,492)	-	-	670,492	-
Renewable Energy and Recreation - in Lieu of Taxes	796,295	-	-	-	(796,295)
General Fund Revenue - Renewable Energy and Recreation Subsidy	(911,297)	-	-	-	911,297
General Fund Revenue - Recreation Subsidy	(1,012,210)	-	-	-	1,012,210
General Fund Revenue - Sewer, Renewable Energy, and Recreation - Debt Service Costs	(375,750)	-	238,350	37,400	100,000
Sewer Enterprise - Debt Service Costs	-	-	125,685	(125,685)	-
Transfer From Stabilization	(5,449)	-	3,045	-	2,404
Parking Authority Reserve - Parking Authority	835,516	(835,516)	-	-	-
Parking Fines	306,415	(306,415)	-	-	-
Weights and Measures - Personal Services	17,000	(17,000)	-	-	-
Transfer of Ambulance Fees	531,900	(531,900)	-	-	-
Various Special Revenue Fund - General Fund Budget	(111,233)	111,233	-	-	-
Total	<u>\$ (1,864,186)</u>	<u>\$ (1,579,598)</u>	<u>\$ 1,866,643</u>	<u>\$ 347,525</u>	<u>\$ 1,229,616</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, dental, 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, 2019, 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, 2019**

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

**Total OPEB Liability**

The City's total OPEB liability of \$780,710,847 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2018 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, 2018 actuarial valuation and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Discount Rate	2.79% (Municipal Bond Index Rate at June 30, 2019).
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**

	Total OPEB Liability
Balances at June 30, 2018	<u>\$ 755,317,284</u>
Changes for the Year:	
Service Cost	28,624,196
Interest	22,281,379
Difference Between Expected and Actual Experience	(34,281,080)
Changes of Assumptions	24,009,068
Benefit Payments	<u>(15,240,000)</u>
Net Changes	<u>25,393,563</u>
Balances at June 30, 2019	<u><u>\$ 780,710,847</u></u>

**CITY OF BROCKTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

**Changes in Total OPEB Liability (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 (1.79%) or 1 percentage-point higher (3.79%) than the current rate:

	<u>1% Decrease (1.79%)</u>	<u>Current Discount Rate (2.79%)</u>	<u>1% Increase (3.79%)</u>
Total OPEB Liability	\$ 907,157,169	\$ 780,710,847	\$ 654,264,525

*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:

	<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 631,072,543	\$ 780,710,847	\$ 963,355,691

**OPEB Expense and Deferred Outflows and Inflows of Resources**

For the year ended June 30, 2019, the City recognized OPEB expense of \$49,513,084. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	\$ 21,007,933	\$ -
Net Difference Between Projected and Actual Earnings	-	30,863,861
Total	<u>\$ 21,007,933</u>	<u>\$ 30,863,861</u>

**CITY OF BROCKTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

**OPEB Expense and Deferred Outflows and Inflows of Resources (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>
2020	\$ (1,392,491)
2021	(1,392,491)
2022	(1,392,491)
2023	(1,392,491)
2024	(1,392,491)
2025-2027	(1,392,491)
2028	(108,491)
Total	<u>\$ (9,855,928)</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, 2019, that deposit was \$7,067,400, which includes Dental insurance. The financial arrangement with Harvard Pilgrim is monthly level funding of \$1,324,000 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, 2019**

**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, 2019 and 2018 were as follows:

	Workers' Compensation Plan	Health Care Plans	Total
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	8,431,524	2,775,000	11,206,524
Provision for Losses/Change in Estimate	326,067	59,229,023	59,555,090
Payments for Claims	<u>(2,181,431)</u>	<u>(59,303,023)</u>	<u>(61,484,454)</u>
Balance - June 30, 2019	<u>\$ 6,576,160</u>	<u>\$ 2,701,000</u>	<u>\$ 9,277,160</u>

The liability for claims consists of governmental and business-type activities in the amount of \$5,164,595 and \$4,112,565 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. During 2019, the City amended the agreement again to extend the required minimum MGD of 3.81 beginning January 1, 2020 through the end of the term.

**CITY OF BROCKTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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 \$7.2 million in fiscal year 2019.

As of June 30, 2019, based on the current fixed annual charge, the City expects to pay \$59.9 million for its Firm Commitment as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2020	\$ 6,380,988
2021	6,380,988
2022	6,380,988
2023	6,380,988
2024	6,380,988
2025 - 2029	<u>27,952,274</u>
Total	<u><u>\$ 59,857,214</u></u>

Subsequent Event:

On January 1, 2020, the City issued a letter of intent to purchase water treatment and desalination facility.



**CITY OF BROCKTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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 2017, a judgment totaling approximately \$4,750,000 was entered against the City for damages incurred by the plaintiff in relation to a discrimination lawsuit. The City had filed a notice of appeal regarding a portion of the settlement. In January 2020, the City reached a settlement agreement and paid \$3,000,000 to the plaintiff which has been reflected in the accompanying governmental fund statements. This remaining liability is under the settlement pertains to a class action settlement and is not expected to be paid in the short term and as a result continues to be 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, 2019, 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 City expects such amounts, if any, to be immaterial.

**NOTE 16 FUND DEFICITS**

The following funds had deficit fund balances at June 30, 2019:

	Total	Funding Source
Capital Projects:		
Street Light Improvements	\$ 1,387,447	Long-Term Debt
School Repairs	457,129	Long-Term Debt
Energy Improvements	64,000	Long-Term Debt
Special Revenue:		
Public Works Grants	132,163	State/Federal Grants
Education Grants	126,666	State/Federal Grants
Public Safety Grants	204,766	State/Federal Grants
Total	<u>\$ 2,372,171</u>	

**CITY OF BROCKTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 17 FUND BALANCE CLASSIFICATION DETAILS**

The components of fund balances for the City's governmental funds as of June 30, 2019 are as follows:

	<u>General</u>	<u>Other Governmental</u>	<u>Total</u>
Nonspendable:			
Permanent Fund Principal	\$ -	\$ 7,824,816	\$ 7,824,816
Restricted For:			
General Government	23,995,486	7,060,259	31,055,745
Human Services	-	319,965	319,965
Public Safety	-	3,948,507	3,948,507
Public Works	-	1,091,975	1,091,975
Culture/Recreation	-	1,180,422	1,180,422
Education	-	12,386,690	12,386,690
Subtotal	<u>23,995,486</u>	<u>25,987,818</u>	<u>49,983,304</u>
Committed To:			
General Government	14,000,472	-	14,000,472
Human Services	-	484,251	484,251
Public Safety	-	1,894,373	1,894,373
Subtotal	<u>14,000,472</u>	<u>2,378,624</u>	<u>16,379,096</u>
Assigned To:			
General Government	1,254,805	-	1,254,805
Human Services	14,276	-	14,276
Public Safety	39,118	-	39,118
Public Works	1,385,119	-	1,385,119
Culture/Recreation	33,843	-	33,843
Education	2,892,921	-	2,892,921
Subtotal	<u>5,620,082</u>	<u>-</u>	<u>5,620,082</u>
Unassigned	<u>23,880,772</u>	<u>(2,372,171)</u>	<u>21,508,601</u>
 Total Fund Balances	 <u>\$ 67,496,812</u>	 <u>\$ 33,819,087</u>	 <u>\$ 101,315,899</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 \$4.0 million at June 30, 2019.

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, 2019, totaled \$6.4 million, and is reported as restricted in the general fund.

**CITY OF BROCKTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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, 2019, the City had tax abatement agreements with 11 entities, all of which received abatements in fiscal year 2019. 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 2019, taxes abated under these agreements totaled \$770,606.

- 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 2019 amounted to \$240,918.
- 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 2019 amounted to \$126,274.
- 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 2019 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 2019 amounted to \$113,669.

**NOTE 19 FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS**

The GASB has issued the following statements:

Statement No. 84, *Fiduciary Activities*, which is required to be implemented during fiscal year 2020. Management is evaluating the Statement's future impact on the basic financial statements. In May 2020, GASB issued Statement No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance* which extended the effective date of this standard one year.

**CITY OF BROCKTON, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 19 FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS (CONTINUED)**

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. In May 2020, GASB issued Statement No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance* which extended the effective date of this standard one year.

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. In May 2020, GASB issued Statement No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance* which extended the effective date of this standard one year.

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. In May 2020, GASB issued Statement No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance* which extended the effective date of this standard one year.

Statement No. 91, Conduit Debt Obligations, which is required to be implemented during fiscal year 2022. Management is currently evaluating the Statement's impact on the basic financial statements.

These pronouncements will be implemented by their respective implementation dates.

**NOTE 20 SUBSEQUENT EVENTS**

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the City, COVID-19 may impact various parts of its 2020 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Management believes the City is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

During the period from January 1, 2020 through June 2, 2020, both domestic and international equity markets have experienced significant declines. These losses are not reflected in the financial statements as of and for the year ended June 30, 2019 as these events occurred subsequent to year-end and are still developing.

**CITY OF BROCKTON, MASSACHUSETTS  
BUDGETARY COMPARISON SCHEDULE — GENERAL FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2019  
(UNAUDITED)**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Resources (Inflows):</b>				
Real and Personal Property Taxes, Net	\$ 142,110,563	\$ 142,110,563	\$ 141,930,457	\$ (180,106)
Motor Vehicle and Other Excise	10,420,000	10,420,000	11,111,765	691,765
Penalties and Interest on Taxes	1,845,000	1,845,000	2,075,501	230,501
Payments in Lieu of Taxes	165,000	165,000	116,525	(48,475)
User Charges and Other Revenue	252,294	252,294	543,300	291,006
Fees	910,000	910,000	1,468,881	558,881
Licenses and Permits	3,094,724	3,094,724	3,777,604	682,880
Intergovernmental	205,015,830	205,015,830	205,966,609	950,779
Fines	250,000	250,000	278,071	28,071
Investment Income	480,000	480,000	1,169,435	689,435
Transfers In	3,505,499	4,487,071	4,497,151	10,080
Amounts Available for Appropriation	<u>368,048,910</u>	<u>369,030,482</u>	<u>372,935,299</u>	<u>3,904,817</u>
<b>Charges to Appropriations (Outflows):</b>				
<b>Current:</b>				
General Government	16,441,431	16,485,593	14,182,281	2,303,312
Public Safety	55,715,808	55,802,875	52,459,351	3,343,524
Education	179,280,210	180,455,210	180,427,932	27,278
Public Works	9,002,857	8,387,909	7,633,566	754,343
Economic Development	391,132	487,653	447,167	40,486
Human Services	2,818,796	2,830,168	2,434,793	395,375
Culture and Recreation	3,010,077	3,012,475	2,682,434	330,041
State and County Assessments	17,769,028	17,769,028	18,426,736	(657,708)
Pension and Fringe Benefits	83,853,099	83,978,099	80,276,749	3,701,350
Court Judgments	250,000	250,000	243,968	6,032
Capital Outlay	983,444	1,163,444	740,992	422,452
Debt Service	12,711,577	12,586,577	12,559,724	26,853
Transfers Out	2,303,906	2,303,906	2,303,906	-
Total Charges to Appropriations	<u>384,531,365</u>	<u>385,512,937</u>	<u>374,819,599</u>	<u>10,693,338</u>
Excess (Deficiency) of Resources Over Charges to Appropriations	<u>(16,482,455)</u>	<u>(16,482,455)</u>	<u>\$ (1,884,300)</u>	<u>\$ 14,598,155</u>
<b>Other Budget Items:</b>				
Free Cash	16,614,138	16,614,138		
Other Available Funds	<u>(131,683)</u>	<u>(131,683)</u>		
Total Other Budget Items	<u>16,482,455</u>	<u>16,482,455</u>		
Net Budget	<u>\$ -</u>	<u>\$ -</u>		

See accompanying Independent Auditors' Report.

**CITY OF BROCKTON, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2019  
(UNAUDITED)**

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

	2018	2017	2016	2015	2014
Total Pension Liability:					
Service Cost	\$ 13,935,456	\$ 13,782,419	\$ 13,252,326	\$ 11,641,512	\$ 10,817,393
Interest	50,477,295	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	(43,801,798)	(41,835,507)	(39,288,216)	(38,024,658)	(37,937,119)
Net Change in Total Pension Liability	<u>20,610,953</u>	<u>47,619,248</u>	<u>20,755,824</u>	<u>29,408,416</u>	<u>31,975,668</u>
Total Pension Liability - Beginning	<u>659,285,373</u>	<u>611,666,125</u>	<u>590,910,301</u>	<u>561,501,885</u>	<u>529,526,217</u>
Total Pension Liability - Ending <sup>(a)</sup>	<u>\$ 679,896,326</u>	<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	\$ 26,029,652	\$ 25,014,425	\$ 20,072,463	\$ 19,247,619	\$ 19,332,315
Contributions - Member	9,578,961	9,184,633	8,825,940	8,302,780	8,467,701
Net Investment Income	(23,618,417)	55,086,280	30,472,468	(7,554,439)	15,837,436
Benefit Payments, Including Refunds of Member Contributions	(43,801,798)	(41,835,507)	(39,288,216)	(38,024,658)	(37,937,119)
Other, Net	-	-	(366,882)	(798,475)	(406,376)
Administrative Expense	(675,515)	(785,306)	(779,411)	(686,453)	(677,927)
Net Change in Plan Fiduciary Net Position	<u>(32,487,117)</u>	<u>46,664,525</u>	<u>18,936,362</u>	<u>(19,513,626)</u>	<u>4,616,030</u>
Plan Fiduciary Net Position - Beginning	<u>418,078,642</u>	<u>371,414,117</u>	<u>352,477,755</u>	<u>371,991,381</u>	<u>367,375,351</u>
Plan Fiduciary Net Position - Ending <sup>(b)</sup>	<u>\$ 385,591,525</u>	<u>\$ 418,078,642</u>	<u>\$ 371,414,117</u>	<u>\$ 352,477,755</u>	<u>\$ 371,991,381</u>
Net Pension Liability - Ending <sup>(a) (b)</sup>	<u>\$ 294,304,801</u>	<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	56.71%	63.41%	60.72%	59.65%	66.25%
Covered Payroll	\$ 97,380,339	\$ 90,223,109	\$ 93,327,963	\$ 89,738,426	\$ 76,707,094
Net Pension Liability as a Percentage of Covered Payroll	302.22%	267.34%	257.43%	265.70%	247.06%

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

**CITY OF BROCKTON, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2019  
(UNAUDITED)**

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Actuarially Determined Contribution	\$ 26,029	\$ 25,014	\$ 20,072	\$ 19,290	\$ 19,290	\$ 17,239	\$ 16,597	\$ 13,788	\$ 11,517	\$ 11,117
Contributions in Relation to the Actuarially Determined Contribution	<u>26,029</u>	<u>25,014</u>	<u>20,072</u>	<u>19,248</u>	<u>19,332</u>	<u>17,283</u>	<u>16,639</u>	<u>13,834</u>	<u>11,618</u>	<u>11,117</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42</u>	<u>\$ (42)</u>	<u>\$ (44)</u>	<u>\$ (42)</u>	<u>\$ (46)</u>	<u>\$ (101)</u>	<u>\$ -</u>
Covered Payroll	\$ 97,380	\$ 90,223	\$ 93,328	\$ 89,738	\$ 76,707	\$ 76,378	\$ 74,417	\$ 74,417	\$ 75,433	\$ 74,357
Contributions as a Percentage of Covered Payroll	26.73%	27.72%	21.51%	21.45%	25.20%	22.63%	22.36%	18.59%	15.40%	14.95%

See accompanying Independent Auditors' Report.

**CITY OF BROCKTON, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2019  
(UNAUDITED)**

**Schedule of Investment Returns  
Brockton Contributory Retirement System <sup>(1)</sup>**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual Money-Weighted Rate of Return, Net of Investment Income	-5.71%	15.05%	8.80%	-2.06%	4.38%

<sup>(1)</sup> 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 <sup>(1)(2)</sup>**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's Proportion of the Net Pension Liability	93.40333%	93.40333%	93.03000%	93.02878%	93.50853%
City's Proportionate Share of the Net Pension Liability	274,880,684	225,295,129	223,506,439	221,810,876	177,208,481
City's Covered Payroll	90,956,479	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	302.2%	267.3%	257.4%	306.1%	254.3%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	56.71%	63.41%	60.72%	59.65%	66.25%

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

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



**CITY OF BROCKTON, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2019  
(UNAUDITED)**

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially Determined Contribution	\$ 24,312	\$ 23,364	\$ 18,673	\$ 17,945	\$ 18,038	\$ 16,075	\$ 15,477	\$ 12,732	\$ 10,342	\$ 9,709
Contributions in Relation to the Actuarially Determined Contribution	<u>24,312</u>	<u>23,364</u>	<u>18,673</u>	<u>17,945</u>	<u>18,038</u>	<u>16,075</u>	<u>15,477</u>	<u>12,732</u>	<u>10,342</u>	<u>9,709</u>
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	\$ 90,956	\$ 84,271	\$ 86,823	\$ 72,465	\$ 69,675	\$ 71,795	\$ 69,952	\$ 69,952	\$ 70,907	\$ 74,356
Contributions as a Percentage of Covered Payroll	26.73%	27.72%	21.51%	24.76%	25.89%	22.39%	22.13%	18.20%	14.59%	13.06%

See accompanying Independent Auditors' Report.

**CITY OF BROCKTON, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2019  
(UNAUDITED)**

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

	2019	2018	2017	2016	2015
City's Share of Net Pension Liability	\$ 390,765,228	\$ 406,936,492	\$ 389,967,839	\$ 372,391,598	\$ 293,063,758
Commonwealth's Share of the City's Net Pension Liability	390,765,228	406,936,492	389,967,839	372,391,598	293,063,758
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Expense and Revenue Recognized for the Commonwealth's Support	\$ 39,598,398	\$ 42,473,146	\$ 39,779,276	\$ 30,204,273	\$ 20,360,546
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.84%	54.25%	52.73%	55.38%	61.64%

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

<sup>(2)</sup> Amounts presented were determined as of June 30 of the prior year.

**CITY OF BROCKTON, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2019  
(UNAUDITED)**

**Schedule of Changes in the Total OPEB Liability<sup>(1)</sup>**

	2019	2018
Total OPEB Liability:		
Service Cost	\$ 28,624,196	\$ 28,647,015
Interest	22,281,379	21,275,694
Differences Between Expected and Actual Experience	(34,281,080)	(1,084,896)
Changes of Assumptions	24,009,068	-
Benefit Payments, Including Refunds of Member Contributions	(15,240,000)	(14,940,000)
Net Change in Total Pension Liability	25,393,563	33,897,813
 Total OPEB Liability - Beginning	 755,317,284	 721,419,471
 Total OPEB Liability - Ending	 \$ 780,710,847	 \$ 755,317,284
 Covered Payroll	 \$ 222,200,000	 \$ 216,000,000
 Total OPEB Liability as a Percentage of Covered Payroll	 351.36%	 349.68%

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

**CITY OF BROCKTON, MASSACHUSETTS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2019**  
**(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 2019, expenditures and encumbrances and continuing appropriations exceeded budgeted amounts for State and County Assessments (\$657,708).

**CITY OF BROCKTON, MASSACHUSETTS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**  
**JUNE 30, 2019**  
**(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	\$ 372,935,299
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	1,018,990
Stabilization Fund Earnings	233,449
MTRS On-Behalf Payments	39,598,398
Transfers from Other Funds are Inflows of Budgetary Resources But Are Not Revenues for Financial Reporting Purposes	<u>(4,497,151)</u>
Total Revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	<u><u>\$ 409,288,985</u></u>

Budgetary Outflows and GAAP Expenditures:

Actual Amounts (Budgetary Basis) "Total Charges to Appropriation" from the Budgetary Comparison Schedule	\$ 374,819,599
Differences - Budget to GAAP:	
Enterprise Fund Related Budgetary Expenditures are Recorded as Reductions to Transfers for GAAP Purposes	(3,081,352)
Health Claims Expenditures and Accruals Are Not reported as Charges to Appropriations on a Budgetary Basis	2,907,420
Claims and Judgements Expenditures and Accruals Are Not reported as Charges to Appropriations on a Budgetary Basis	3,000,000
Adjustments for Expenditures, Encumbrances, and Accruals, Net	8,671,695
MTRS On-Behalf Payments	39,598,398
Transfers to Other Funds are Outflows of Budgetary Appropriations But Are Not Expenditures for Financial Reporting Purposes	<u>(2,303,906)</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	<u><u>\$ 423,611,854</u></u>

**CITY OF BROCKTON, MASSACHUSETTS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**  
**JUNE 30, 2019**  
**(UNAUDITED)**

**NOTE 4 SCHEDULE OF EMPLOYER CONTRIBUTIONS**

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

Valuation Date	January 1, 2018
Assumptions:	
Inflation	3.00%
Salary Increases	Based on years of service, ranging from 7.00% at zero years of service decreasing to 4.75% after nine 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  
BUDGETARY COMPARISON SCHEDULE — WATER ENTERPRISE FUND  
ADDITIONAL INFORMATION  
YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Resources:				
Charges for Services	\$ 17,324,237	\$ 17,324,237	\$ 18,128,149	\$ 803,912
Departmental Charges and Fees	693,549	693,549	697,858	4,309
Miscellaneous	34,782	34,782	34,782	-
Amounts Available for Appropriation	<u>18,052,568</u>	<u>18,052,568</u>	<u>18,860,789</u>	<u>808,221</u>
Charges to Appropriations:				
Salaries and Benefits	3,364,607	3,582,652	2,978,736	603,916
Ordinary Maintenance	13,233,180	13,018,180	10,938,443	2,079,737
Debt Service	1,985,865	1,985,865	1,953,665	32,200
Capital Outlay	80,500	80,500	75,165	5,335
Total Charges to Appropriations	<u>18,664,152</u>	<u>18,667,197</u>	<u>15,946,009</u>	<u>2,721,188</u>
Excess (Deficiency) of Resources Over Charges to Appropriations	(611,584)	(614,629)	2,914,780	3,529,409
Other Financing Sources (Uses):				
Certified Retained Earnings	611,584	611,584	611,584	-
Transfers In	-	3,045	3,045	-
Total Other Financing Sources (Uses)	<u>611,584</u>	<u>614,629</u>	<u>614,629</u>	<u>-</u>
Net Changes in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,529,409</u>	<u>\$ 3,529,409</u>

See accompanying Independent Auditors' Report.

**CITY OF BROCKTON, MASSACHUSETTS  
BUDGETARY COMPARISON SCHEDULE — SEWER ENTERPRISE FUND  
ADDITIONAL INFORMATION  
YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Resources:</b>				
Charges for Services	\$ 17,838,462	\$ 17,838,462	\$ 17,538,902	\$ (299,560)
Departmental Charges and Fees	439,832	439,832	579,392	139,560
Miscellaneous	234,575	234,575	234,575	-
Amounts Available for Appropriation	<u>18,512,869</u>	<u>18,512,869</u>	<u>18,352,869</u>	<u>(160,000)</u>
<b>Charges to Appropriations:</b>				
Salaries and Benefits	1,785,472	1,785,472	1,489,134	296,338
Ordinary Maintenance	11,285,069	11,285,069	11,207,396	77,673
Debt Service	6,874,068	6,874,068	6,845,364	28,704
Capital Outlay	303,601	303,601	89,338	214,263
Total Charges to Appropriations	<u>20,248,210</u>	<u>20,248,210</u>	<u>19,631,232</u>	<u>616,978</u>
Excess (Deficiency) of Resources Over Charges to Appropriations	(1,735,341)	(1,735,341)	(1,278,363)	456,978
<b>Other Financing Sources (Uses):</b>				
Certified Retained Earnings	1,735,341	1,735,341	1,735,341	-
Total Other Financing Sources (Uses)	<u>1,735,341</u>	<u>1,735,341</u>	<u>1,735,341</u>	<u>-</u>
Net Changes in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 456,978</u>	<u>\$ 456,978</u>

See accompanying Independent Auditors' Report.



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