

CITY OF BROCKTON, MASSACHUSETTS

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

JUNE 30, 2020



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**CITY OF BROCKTON, MASSACHUSETTS
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JUNE 30, 2020**

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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, 2020 (except for the Brockton Contributory Retirement System, which is as of and for the year ended December 31, 2019), 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, 2020 (except for the Brockton Contributory Retirement System, which is as of and for the year ended December 31, 2019), 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 84) 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.

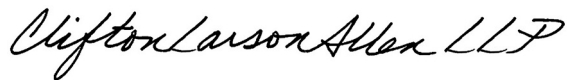
Other Information

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 August 23, 2021 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's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

CliftonLarsonAllen LLP

Boston, Massachusetts
August 23, 2021

CITY OF BROCKTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020
(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, 2020.

Brockton is a City located in Plymouth County, 20 miles southwest of Boston. The City has a population of approximately 95,705 (2019 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 2020 by approximately \$718.3 million (net position).

- The City's total net position decreased in fiscal year 2020 by approximately \$38.7 million, or 5.7%. This is primarily due to the recognition of increases in the total OPEB liability.
- At the end of fiscal year 2020, unassigned fund balance for the general fund was approximately \$26.4 million, or 6.2%, of total general fund expenditures.
- The City's total bonded debt decreased by approximately \$11.7 million during fiscal year 2020. 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.

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JUNE 30, 2020
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The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick and vacation time).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, liabilities and deferred inflows exceeded assets and deferred outflows by approximately \$718.3 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 \$14 million, or 5.2% 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.

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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, \$60.3 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of a negative \$1.1 billion represents an unrestricted net deficit.

Condensed Statements of Net Position (In Thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	\$ 167,977	\$ 166,775	\$ 51,884	\$ 51,891	\$ 219,861	\$ 218,666
Capital Assets	208,054	195,473	173,251	172,255	381,305	367,728
Total Assets	<u>\$ 376,031</u>	<u>\$ 362,248</u>	<u>\$ 225,135</u>	<u>\$ 224,146</u>	<u>\$ 601,166</u>	<u>\$ 586,394</u>
Deferred Outflows of Resources	<u>\$ 63,080</u>	<u>\$ 70,668</u>	<u>\$ 2,988</u>	<u>\$ 4,822</u>	<u>\$ 66,068</u>	<u>\$ 75,490</u>
Long-Term Debt Outstanding	\$ 98,822	\$ 106,702	\$ 70,504	\$ 74,290	\$ 169,326	\$ 180,992
Other Liabilities	1,130,418	1,071,518	57,302	57,813	1,187,720	1,129,331
Total Liabilities	<u>\$ 1,229,240</u>	<u>\$ 1,178,220</u>	<u>\$ 127,806</u>	<u>\$ 132,103</u>	<u>\$ 1,357,046</u>	<u>\$ 1,310,323</u>
Deferred Outflows of Resources	<u>\$ 27,461</u>	<u>\$ 30,039</u>	<u>\$ 977</u>	<u>\$ 1,044</u>	<u>\$ 28,438</u>	<u>\$ 31,083</u>
Net Position:						
Invested in Capital Assets	\$ 180,215	\$ 169,172	\$ 102,576	\$ 99,367	\$ 282,791	\$ 268,539
Restricted	60,319	52,807	-	-	60,319	52,807
Unrestricted	(1,058,124)	(997,322)	(3,236)	(3,546)	(1,061,360)	(1,000,868)
Total Net Position	<u>\$ (817,590)</u>	<u>\$ (775,343)</u>	<u>\$ 99,340</u>	<u>\$ 95,821</u>	<u>\$ (718,250)</u>	<u>\$ (679,522)</u>

Total Net Position

The City's total net position decreased in fiscal year 2020 by approximately \$38.7 million, or 5.7%. This is primarily due to the increase of approximately \$40 million in the Total OPEB liability and related deferred outflows and inflows.

Governmental Activities – Assets

For governmental activities, current and other assets increased by \$1.2 million, coupled with an increase in capital assets of \$12.6 million, resulting in an increase in total assets of \$13.8 million. The majority of the increase in current and other assets was the result of an increase in cash and investments due to timing of the receipt of receivables. The increase in the capital assets was the result of capital additions exceeding depreciation during fiscal year 2020.

Governmental Activities – Liabilities

Liabilities increased by \$51 million. There was an increase of \$58.9 million in other liabilities offset by a \$7.9 million decrease in long-term debt outstanding. The increase in other liabilities was primarily due to the increases of the total OPEB liability, while the decrease in long-term debt outstanding was due to scheduled debt repayments exceeding debt issuances.

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Business Type Activities – Assets

Current and other assets remained consistent with the prior year, while capital assets increased by \$1 million and total assets increased by \$1 million. The increase in the capital assets was the result of capital additions exceeding depreciation during fiscal year 2020.

Business Type Activities – Liabilities

Liabilities decreased by \$4.3 million. There was a decrease of \$0.5 million in other liabilities and a \$3.8 million decrease in long-term debt outstanding. The decrease in other liabilities was primarily due to the net decrease in the net pension liability, while the increase of the long-term debt was the result of new issuances exceeding the yearly-required debt service payments.

Condensed Statements of Changes in Net Position (In Thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program Revenues:						
Charge for Services	\$ 14,383	\$ 15,140	\$ 46,499	\$ 47,451	\$ 60,882	\$ 62,591
Operating Grants	287,920	265,478	171	196	288,091	265,674
Capital Grants	9,787	11,333	-	-	9,787	11,333
General Revenues:						
Property Taxes	147,976	143,418	-	-	147,976	143,418
Excise Taxes	11,149	11,248	-	-	11,149	11,248
Intergovernmental	22,608	22,017	-	-	22,608	22,017
Other	4,012	4,561	689	656	4,701	5,217
Total Revenues	497,835	473,195	47,359	48,303	545,194	521,498
Expenses:						
General Government	26,378	24,863	-	-	26,378	24,863
Public Safety	93,576	90,019	-	-	93,576	90,019
Education	367,329	352,323	-	-	367,329	352,323
Public Works	12,980	13,173	-	-	12,980	13,173
Economic Development	1,979	2,158	-	-	1,979	2,158
Human Services	4,899	4,523	-	-	4,899	4,523
Culture and Recreation	5,128	5,205	-	-	5,128	5,205
State and County Assessments	20,805	18,427	-	-	20,805	18,427
Court Judgments	108	244	-	-	108	244
Interest on Long-Term Debt	4,526	5,047	-	-	4,526	5,047
Enterprise Accounts:						
Water	-	-	18,633	19,460	18,633	19,460
Sewer	-	-	17,671	16,214	17,671	16,214
Other	-	-	9,910	9,919	9,910	9,919
Total Expenses	537,708	515,982	46,214	45,593	583,922	561,575
Excess (Deficiency) before Transfers	(39,873)	(42,787)	1,145	2,710	(38,728)	(40,077)
Transfers	(2,374)	(3,444)	2,374	3,444	-	-
Change in Net Position	(42,247)	(46,231)	3,519	6,154	(38,728)	(40,077)
Net Position - Beginning of Year	(775,343)	(729,112)	95,821	89,667	(679,522)	(639,445)
Net Position - End of Year	<u>\$ (817,590)</u>	<u>\$ (775,343)</u>	<u>\$ 99,340</u>	<u>\$ 95,821</u>	<u>\$ (718,250)</u>	<u>\$ (679,522)</u>

CITY OF BROCKTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Governmental Activities – Statement of Activities

Gross expenses for governmental activities were \$537.7 million for fiscal year 2020. This reflected an increase of \$21.7 million, or 4.2%. The majority of the increase relates to the change in total OPEB liability.

Total general revenues for governmental activities of \$185.7 million offset total net expenses of \$225.6 million in 2020. Major ongoing general revenue factors for 2020 were the net property tax of \$148.0 million, which resulted in an increase of \$4.6 million over the prior fiscal year. The remaining categories in general revenues: excise taxes of \$11.1 million decreased by \$0.1 million over the prior fiscal year; intergovernmental of \$22.6 million (exclusive of Chapter 70 Funds) increased by \$0.6 million from the prior fiscal year; and other of \$4.0 million decreased by \$0.6 million over the prior fiscal year.

In addition, program revenues of \$312.1 million in 2020 assisted in offsetting total governmental expenses of \$537.7 million to arrive at the total net expenses of \$225.6 million in 2020. Charges for services of \$14.4 million and capital grants of \$9.8 million in 2020 experienced a \$0.8 million dollar and \$1.5 million dollar decrease, respectively, from the prior year. More notably, operating grants of \$287.9 million in 2020 had increased by \$22.4 million from the prior fiscal year.

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 \$497.8 million. Of this total almost \$312.1 million, or 62.7%, 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 \$22.6 million in intergovernmental aid which is classified as general revenue. An additional 29.7% 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 94.0% 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 2020, the City levied a total of \$148.0 million in gross real estate property taxes against an aggregate fair market assessed value of \$8.4 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 \$61.7 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Business Type Activities – Statement of Activities

The business-type activities increased the City's net position by approximately \$3.5 million, or 3.7%. The water fund contributed a \$1.8 million increase; the sewer fund contributed a \$0.5 million increase, while the net position for the combination of the nonmajor recreation, refuse, and renewable energy funds increased \$1.2 million. 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 \$3.1 million and \$5.3 million, respectively. In both of these funds major upgrades to the wastewater and water treatment plants are ongoing and require a major contribution 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 2020, the City's governmental funds reported combined fund balances of approximately \$103.1 million, an increase of approximately \$1.8 million, or 1.8% increase, in comparison with the prior year. The general fund balance increased by \$5.4 million, from \$67.5 million to \$72.9 million; and the combined fund balances for all the other governmental funds decreased by \$3.6 million, from \$33.8 million to \$30.3 million.

In assessing these balances, it is important to note that the "Balance Sheet – Governmental Funds" does not include capital assets or bonded indebtedness. Please refer to the "Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities" and the "Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position." These reconciliations will demonstrate that essentially the City's increase in fund balances of \$1.8 million, compared to its decrease in net position of \$42.2 million, a difference of \$44.1 million, is explained largely by the following factors:

1. \$4.8 million: the positive effect of revenue accruals.
2. \$12.6 million: the positive effect of the amount by which capital asset additions exceeded depreciation.
3. \$58.2 million: the negative effect of increases in other liabilities, primarily OPEB and net pension liability, which did not require the use of current resources.

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4. \$515 thousand: the positive effect of the amount by which the amortization of bond premiums exceed the issuance of new bond premiums.
5. \$7.4 million: the positive effect of the amount by which the repayment of bond principal expenditures exceeded issuance of debt in the governmental funds but increased long-term liabilities in the statement of net position.
6. \$6.2 million: the negative effect of notes receivable balance

Of the total of ending fund balances of \$103.1 million, \$8.1 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. \$52.7 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. \$16.9 million constitutes "committed to" fund balance, amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. For the City, this formal action takes the form of City Council action and approval by the Mayor. \$6.1 million constitutes "assigned to" fund balance, amounts that are constrained by the City's intent for use for specific purposes, but are considered neither restricted nor committed. \$19.3 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 \$26.0 million consists of the following:

The FY 2020 General Fund Restricted Fund balance represents the Health Insurance Trust fund in the amount of \$19.4 million. This amount consists of the Health Insurance Trust Fund balance of \$12.6 million and the amount for the FY 2020 Blue Cross and Blue Shield amount held on deposit to pay claims totaling \$6.8 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 2020 General Fund Restricted Fund balance in the amount of \$6.6 million, 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 \$14.4 million consists of the following:

The fund balance includes the Certified Free Cash in the amount \$14.4 million appropriated for the use in the FY 2021 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 \$6.1 million consists of the following:

The FY 2020 General Fund Assigned Fund Balance amount represents year-end encumbrances in the amount of \$6.1 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 \$26.4 million consists of the following:

This grouping includes the City's Stabilization fund in the amount of \$8.4 million and the City's undesignated fund balance in the amount of \$18 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 \$18 million consists of the following:

This grouping includes the City's accumulated surplus in the amount of \$18 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 \$72.9 million, an increase of \$5.4 million. This increase in fund balance was largely driven by an increase in intergovernmental revenues and a decrease in expenditures as a result of the COVID-19 pandemic.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 6.2% of total general fund expenditures, while total fund balance represents 17.1% of that same amount.

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 \$99.3 million. Changes in net position of the proprietary funds at the end of the current fiscal year totaled an increase of approximately \$3.5 million, or 3.7%.

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 2020 operating income was \$592 thousand, or approximately 3.2% of operating revenues. Nonoperating revenues (expenses) and transfers netted to a positive \$1.2 million, and so net position increased by \$1.8 million. Cash flow from operations was positive at \$3.1 million.

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For the sewer fund, operating income was \$1.9 million, or 10.2% of operating revenues. Nonoperating (expenses) and transfers netted to a negative \$1.4 million, and so net position increased by \$0.5 million. Cash flow from operations was an increase of \$5.3 million.

For the combined results of the other enterprise funds, the value of net position increased by \$1.2 million. The operating loss for combined other enterprise funds was \$980 thousand in fiscal year 2020 or 10.9% of operating revenues. With the benefit of net transfers in (general fund subsidy) and the nonoperating revenue of \$2.2 million, and so a net position increased by \$1.2 million.

Budgetary Highlights

In fiscal year 2020, the original budget called for \$397.3 million in spending. Of this amount \$186.2 million was for Education spending, \$57.3 million was for Public Safety spending, \$82.9 million was for Fringe Benefit spending and \$70.9 million for all other categories.

Resources totaled \$383.5 million, creating a planned deficit of approximately \$13.9 million. Offsetting this deficit was a contribution from "Free Cash" of \$14.0 million. The remaining total of approximately \$148 thousand was applied to Other Available Funds.

In the final budget, a total of \$402.5 million in spending was authorized, an increase of \$5.1 million. The significant budgets changes that made up this amount \$4.8 million for court judgements.

On an actual basis, resources were higher than the final budget by \$3.0 million. The majority of revenue categories resulted in a positive variance with the exceptions of Real Estate and Personal Property revenue and related penalties and interest. The City's revenue estimates normally are conservative and actual results typically exceed budget by 1.5% to 2.0%. For fiscal year 2020, the positive variance was largely driven by the Intergovernmental revenue, user charges and other revenue, fees and investment income.

On the expenditure side, a favorable variance of \$12.4 million was achieved. The City has typically achieved 1% to 2% positive variance on spending. For fiscal year 2020, this positive variance was driven by actual budgetary expenditures less than budgeted expenditures in the general government, public safety, and public works.

As a result of the revenue and expenditure positive variances, the City's fiscal year 2020 general fund operations estimated to create free cash of approximately \$14.4 million to be used in the FY 2021 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, 2020 amounted to approximately \$381.3 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 \$13.6 million for fiscal year 2020 represented an increase of 3.7%. Capital assets for governmental activities increased by \$12.6 million, or 6.4%, while capital assets for business-type activities increased by \$1 million, or 0.6%. 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	
	2020	2019	2020	2019	2020	2019
Land	\$ 7,411	\$ 7,411	\$ 3,245	\$ 3,245	\$ 10,656	\$ 10,656
Construction in Progress	160	11,917	4,794	1,545	4,954	13,462
Historical Works of Art	1,809	1,809	-	-	1,809	1,809
Buildings	158,488	134,626	115,140	119,520	273,628	254,146
Land Improvements	6,147	6,608	1,904	1,690	8,051	8,298
Machinery and Equipment	5,757	5,847	6,292	6,210	12,049	12,057
Infrastructure	28,282	27,255	41,876	40,045	70,158	67,300
Total	<u>\$ 208,054</u>	<u>\$ 195,473</u>	<u>\$ 173,251</u>	<u>\$ 172,255</u>	<u>\$ 381,305</u>	<u>\$ 367,728</u>

Long-Term Debt – At the end of the current fiscal year, the City had total bonded debt outstanding of approximately \$169.3 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	
	2020	2019	2020	2019	2020	2019
Long-Term Debt, Net of Unamortized Premiums	<u>\$ 98,822</u>	<u>\$ 106,702</u>	<u>\$ 70,504</u>	<u>\$ 74,290</u>	<u>\$ 169,326</u>	<u>\$ 180,992</u>

The overall net decrease is attributable to the following factors:

The City's bonded debt decreased by approximately \$11.7 million or a decrease of 6.5%.

Total long-term debt of the City represents a claim of about 44.4% of the City's total capital assets, and a claim of about 28.2% 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 2.0%.

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 14% from \$210,435,858 in FY 2020 to \$239,059,218 in FY 2021. On December 11, 2020, Governor Baker signed the FY2021 state budget that authorizes \$5,283,651,631 in Chapter 70 education aid to Massachusetts school districts. This budget increases aid by \$107,648,979 or 2.08% over FY 2020.

This funding commitment includes Chapter 70 increases for inflation and enrollment that will keep all school districts at foundation, under the law as it existed for FY2020, providing an additional \$107 million in aid or 2.1% over FY 2020, increasing total funding from \$5,176,002,652 to \$5,283,313,579. This increase comes in addition to approximately \$450 million in new federal supports for K–12 schools to assist with educating students during the pandemic.

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 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%.

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Other economic factors include the following:

Local Room Occupancy Tax: Under this tax, local governments may tax the provision of hotel, motel and lodging house rooms at a rate not to exceed six percent (6%) of the cost of renting such rooms. The tax is paid by the operator of the hotel, motel, or lodging house, and bed and breakfast to the State Commissioner of Revenue, who in turn pays the tax back to the municipality in which the rooms are located in quarterly distributions. As a result of the ongoing COVID-19 pandemic, the actuals collected for motel tax was \$696,627 in FY 2020. In FY2021 collections exceeded conservative estimates with actuals of \$451,038, but down 35% from FY 2020.

Local Meals Tax: On June 6, 2010, the City adopted the local meals excise tax to be effective October 1, 2010. In fiscal year 2011, the local meals excise tax is a 0.75% tax on gross receipts of a vendor from the sale of restaurant meals. The tax is paid by the vendor to the State Commissioner of Revenue, who in turn pays the tax to the municipality in which the meal was sold. The City collected \$1,185,234 in actuals for FY 2020, and as a result of an increase in take-out service during the pandemic, exceeded estimates with \$1,264,021 in actuals collected for FY 2021.

The city has received about \$617,262 in host community fees for medical marijuana in FY2021.

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 2021 was \$9,153,271,727, an increase from FY 2020 of 8.63%. With this value, the maximum allowable levy ceiling with voter approval is \$228,831,793.

The assessed value increase of over 8.63% for FY 2021. This increase followed similar increases in value of 7.43%, 9.35%, and 7.24% 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 2021 assessed value would support a maximum levy under the law, with voter approval, at 2.5 % of value, of \$228,831,793. Of this amount, \$155,093,482 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's recreation and renewable energy enterprise funds are partially self-supporting through fees, and three of the utility enterprise funds (water, sewer, and refuse) are currently fully self-supporting. In FY 2021, a \$15 per quarter user fee was implemented for both water and sewer to ensure that these funds may be self-sufficient and address many of the long-standing issues with our water and sewer infrastructure. This will result in \$1,380,000 respectively for both water and sewer in new revenue, in addition to adjustments made to the water rate structure, for over \$4,000,000 in new revenue.

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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 2021, an increase of about \$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 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 with 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.

On March 15, 2020, the Governor announced emergency actions to help address the spread of the virus, and as a result the City closed all municipal buildings to the public through May 25, 2020. The City is adhering to these actions by strictly following the public health recommendations of social distancing guidelines and limiting public gatherings to 10 people or less. City employees are currently reporting to work as directed and under the discretion of management. The City continues to and expects to continue to maintain all essential functions and services. The virus and the resulting actions by national, state and local governments is altering the behavior of businesses and people in a manner that will have negative impacts on global and local economies. There can be no assurances regarding the extent to which COVID-19 will impact the national and state economies and, accordingly, how it will adversely impact municipalities, including the City. These negative impacts are likely to include reduced collections of property taxes and other revenues, including local meals and rooms tax revenue, motor vehicle excise taxes and other fees and charges collected by the City.

The City adopted a very conservative approach to its revenue projections in the wake of the onset of COVID-19, and that approach served the City well. The FY 2021 budget was balanced through a series of steps, including not filling vacant positions, reducing the City's health insurance costs through a premium holiday, and using unspent school transportation funds. In addition to the City's own approach to weathering the Coronavirus storm, Plymouth County accepted more than \$90 million from the federal government in CARES funds, making more than \$18 million available to the City of Brockton to assist in its efforts to combat the pandemic. This money was made available on a reimbursable basis and the city worked closely with County officials to document each purchase. The City was able to provide uninterrupted services to its residents in FY 2021 without any layoffs. Its conservative approach to estimating revenues is expected to continue in the preparation of the FY 2022 budget.

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According to the Massachusetts Division of Employment Security data, in March 2021 the City had a total labor force of 48,614 of which 43,733 were employed and 4,881 or 10.0% were unemployed as compared with 6.6% for the Commonwealth. Since March 2021, unemployment rates in the City, the Commonwealth and the Nation are likely to have increased significantly as a result of the COVID-19 pandemic.

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, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 131,162,400	\$ 22,083,812	\$ 153,246,212
Receivables, Net:			
Property Taxes, Liens, and Excise			
Taxes (Net of \$2,091,414 Allowance)	18,025,233	-	18,025,233
Intergovernmental	8,049,627	942,043	8,991,670
Customer Receivables	-	27,566,124	27,566,124
Departmental and Other	981,796	-	981,796
Other Assets	8,112,116	1,291,081	9,403,197
Tax Possessions	1,645,602	-	1,645,602
Capital Assets:			
Nondepreciable	9,380,021	8,040,103	17,420,124
Depreciable, Net	198,674,428	165,211,536	363,885,964
Total Assets	<u>376,031,223</u>	<u>225,134,699</u>	<u>601,165,922</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension	20,865,812	1,612,108	22,477,920
OPEB	42,214,138	1,376,105	43,590,243
Total Deferred Outflows of Resources	<u>63,079,950</u>	<u>2,988,213</u>	<u>66,068,163</u>
LIABILITIES			
Warrants and Accounts Payable	13,336,666	4,569,369	17,906,035
Accrued Liabilities:			
Interest	1,862,719	733,283	2,596,002
Payroll and Related Withholdings	16,988,781	114,844	17,103,625
Bond Anticipation Notes Payable	4,715,900	616,971	5,332,871
Noncurrent Liabilities:			
Due Within One Year:			
Compensated Absences, Claims, Judgements	10,290,977	535,396	10,826,373
Bonds, Note, and Loans Payable	7,898,351	7,800,940	15,699,291
Total OPEB Liability	12,895,626	420,374	13,316,000
Due in More Than One Year:			
Compensated Absences and Claims	16,581,073	2,891,768	19,472,841
Unearned Revenue	-	1,507,995	1,507,995
Landfill Closure and Postclosure Care Costs	1,927,110	725,385	2,652,495
Bonds, Note, and Loans Payable	90,923,636	62,703,301	153,626,937
Net Pension Liability	244,030,949	18,854,011	262,884,960
Total OPEB Liability	807,788,505	26,332,459	834,120,964
Total Liabilities	<u>1,229,240,293</u>	<u>127,806,096</u>	<u>1,357,046,389</u>
DEFERRED INFLOWS OF RESOURCES			
Pension	1,826,427	141,111	1,967,538
OPEB	25,634,594	835,642	26,470,236
Total Deferred Inflows of Resources	<u>27,461,021</u>	<u>976,753</u>	<u>28,437,774</u>
NET POSITION			
Net Investment in Capital Assets	180,214,759	102,575,698	282,790,457
Restricted For:			
Permanent Funds:			
Nonexpendable	8,133,202	-	8,133,202
Expendable	950,499	-	950,499
Statutory Reserve	6,557,616	-	6,557,616
Health Claims	19,430,579	-	19,430,579
Federal, State, and Local Grants	25,247,010	-	25,247,010
Unrestricted	(1,058,123,806)	(3,235,635)	(1,061,359,441)
Total Net Position	<u>\$ (817,590,141)</u>	<u>\$ 99,340,063</u>	<u>\$ (718,250,078)</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF BROCKTON, MASSACHUSETTS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Government Activities:							
General Government	\$ 26,377,770	\$ 6,782,979	\$ 3,152,762	\$ -	\$ (16,442,029)	\$ -	\$ (16,442,029)
Public Safety	93,575,991	2,740,409	8,110,218	1,998,677	(80,726,687)	-	(80,726,687)
Education	317,556,624	4,279,499	223,951,003	-	(89,326,122)	-	(89,326,122)
Education - MTRS	49,772,697	-	49,772,697	-	-	-	-
Public Works	12,980,336	85,686	358,913	2,605,076	(9,930,661)	-	(9,930,661)
Economic Development	1,978,920	-	1,645,495	5,182,695	4,849,270	-	4,849,270
Human Services	4,899,688	479,289	496,187	-	(3,924,212)	-	(3,924,212)
Culture and Recreation	5,127,908	14,923	433,127	-	(4,679,858)	-	(4,679,858)
State and County Assessments	20,804,863	-	-	-	(20,804,863)	-	(20,804,863)
Court Judgments	107,761	-	-	-	(107,761)	-	(107,761)
Interest on Long-Term Debt	4,526,603	-	-	-	(4,526,603)	-	(4,526,603)
Total Governmental Activities	537,709,161	14,382,785	287,920,402	9,786,448	(225,619,526)	-	(225,619,526)
Business-Type Activities:							
Water	18,633,110	18,806,318	7,167	-	-	180,375	180,375
Sewer	17,670,966	18,762,941	164,552	-	-	1,256,527	1,256,527
Other	9,910,029	8,929,647	-	-	-	(980,382)	(980,382)
Total Business-Type Activities	46,214,105	46,498,906	171,719	-	-	456,520	456,520
Total Primary Government	\$ 583,923,266	\$ 60,881,691	\$ 288,092,121	\$ 9,786,448	(225,619,526)	456,520	(225,163,006)
General Revenues:							
Property Taxes, Levied for General Purposes, Net					147,976,365	-	147,976,365
Excises					11,149,320	-	11,149,320
Payments in Lieu of Taxes					74,200	-	74,200
Penalties and Interest on Taxes					1,754,083	-	1,754,083
Other					249,536	-	249,536
Unrestricted Grants and Contributions					22,608,071	-	22,608,071
Investment Income					1,959,096	688,994	2,648,090
Loss on Disposal of Capital Assets					(24,608)	-	(24,608)
Transfers, Net					(2,373,568)	2,373,568	-
Total General Revenues and Transfers					183,372,495	3,062,562	186,435,057
Change in Net Position					(42,247,031)	3,519,082	(38,727,949)
Net Position - Beginning of Year					(775,343,110)	95,820,981	(679,522,129)
Net Position - End of Year					\$ (817,590,141)	\$ 99,340,063	\$ (718,250,078)

See accompanying Notes to Basic Financial Statements.

**CITY OF BROCKTON, MASSACHUSETTS
BALANCE SHEET — GOVERNMENTAL FUNDS
JUNE 30, 2020**

	General	Other Governmental	Total
ASSETS			
Cash and Investments	\$ 92,765,668	\$ 38,396,732	\$ 131,162,400
Receivables, Net:			
Property Taxes (Net of \$987,133 Allowance)	11,185,034	-	11,185,034
Motor Vehicle Excise (Net of \$1,104,281 Allowance)	2,410,211	-	2,410,211
Tax Liens	4,429,988	-	4,429,988
Intergovernmental	478,341	7,571,286	8,049,627
Departmental and Other	176,223	805,573	981,796
Total Receivables	<u>18,679,797</u>	<u>8,376,859</u>	<u>27,056,656</u>
 Due from Other Funds	 3,263,972	 -	 3,263,972
Tax Possessions	1,645,602	-	1,645,602
Deposits with Health Claims Agent	<u>6,776,400</u>	<u>-</u>	<u>6,776,400</u>
 Total Assets	 <u><u>\$ 123,131,439</u></u>	 <u><u>\$ 46,773,591</u></u>	 <u><u>\$ 169,905,030</u></u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Warrants and Accounts Payable	\$ 9,932,806	\$ 3,403,860	\$ 13,336,666
Accrued Liabilities:			
Payroll and Related Withholdings	15,458,302	1,530,479	16,988,781
Court Judgements	2,700,000	-	2,700,000
Health Claims Payable	3,572,259	-	3,572,259
Due to Other Funds	-	3,263,972	3,263,972
Bond Anticipation Notes Payable	<u>-</u>	<u>4,715,900</u>	<u>4,715,900</u>
Total Liabilities	<u>31,663,367</u>	<u>12,914,211</u>	<u>44,577,578</u>
 DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	<u>18,591,503</u>	<u>3,596,813</u>	<u>22,188,316</u>
 FUND BALANCES			
Nonspendable	-	8,133,202	8,133,202
Restricted	25,988,195	26,697,905	52,686,100
Committed	14,372,698	2,544,387	16,917,085
Assigned	6,112,580	-	6,112,580
Unassigned	<u>26,403,096</u>	<u>(7,112,927)</u>	<u>19,290,169</u>
Total Fund Balances	<u><u>72,876,569</u></u>	<u><u>30,262,567</u></u>	<u><u>103,139,136</u></u>
 Total Liabilities, Deferred Inflows of Sources, and Fund Balances	 <u><u>\$ 123,131,439</u></u>	 <u><u>\$ 46,773,591</u></u>	 <u><u>\$ 169,905,030</u></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, 2020**

Total Fund Balance - Governmental Funds	\$ 103,139,136
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	208,054,449
Other Assets Are Not Available to Pay for Current Period Expenditures and, Therefore, are Reported as Deferred Inflows of Resources in the Governmental Funds	22,188,316
Prepaid Supplies Capitalized in the Government-Wide Statements as Other Assets	1,335,716
Deferred Outflows of Resources - Pension	20,865,812
Deferred Outflows of Resources - OPEB	42,214,138
Deferred Inflows of Resources - Pension	(1,826,427)
Deferred Inflows of Resources - OPEB	(25,634,594)
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	(79,197,465)
Other General Obligation Bonds	(18,680,000)
Unamortized Bond Premiums	(944,522)
Total OPEB Liability	(820,684,131)
Net Pension Liability	(244,030,949)
Accrued Interest on Bonds	(1,862,719)
Landfill and Postclosure Care Costs	(1,927,110)
Compensated Absences, Claims, and Judgments	(20,599,791)
Subtotal	<u>(1,187,926,687)</u>
Net Position of Governmental Activities	<u>\$ (817,590,141)</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, 2020**

	General	Other Governmental	Total
Revenues:			
Real and Personal Property Taxes, Net	\$ 146,314,123	\$ -	\$ 146,314,123
Motor Vehicle and Other Excise	10,705,764	-	10,705,764
Penalties and Interest on Taxes	1,754,083	-	1,754,083
Payments in Lieu of Taxes	74,200	-	74,200
User Charges and Other Revenue	1,140,321	1,555,253	2,695,574
Fees	1,968,953	6,653,422	8,622,375
Licenses and Permits	3,457,803	-	3,457,803
Intergovernmental	215,853,142	45,277,719	261,130,861
Intergovernmental (MTRS On Behalf of Contribution)	49,772,697	-	49,772,697
Fines	442,146	256,425	698,571
Investment Income	1,208,195	750,901	1,959,096
Contributions	-	693,902	693,902
Total Revenues	<u>432,691,427</u>	<u>55,187,622</u>	<u>487,879,049</u>
Expenditures:			
Current:			
General Government	14,565,239	980,480	15,545,719
Public Safety	52,769,192	4,693,606	57,462,798
Education	182,492,850	37,899,914	220,392,764
Public Works	6,147,343	435,895	6,583,238
Economic Development	400,936	1,577,984	1,978,920
Human Services	2,421,528	781,499	3,203,027
Culture and Recreation	2,658,244	329,814	2,988,058
State and County Assessments	20,804,863	-	20,804,863
Pension and Fringe Benefits	77,511,360	-	77,511,360
Pension (MTRS On Behalf of Payment)	49,772,697	-	49,772,697
Court Judgments	2,807,761	-	2,807,761
Capital Outlay	1,400,888	10,813,870	12,214,758
Debt Service	12,877,329	186,417	13,063,746
Total Expenditures	<u>426,630,230</u>	<u>57,699,479</u>	<u>484,329,709</u>
Excess of Revenues Over Expenditures	<u>6,061,197</u>	<u>(2,511,857)</u>	<u>3,549,340</u>
Other Financing Sources (Uses):			
Operating Transfers In	2,353,173	181,000	2,534,173
Operating Transfers Out	(3,034,613)	(1,873,128)	(4,907,741)
Proceeds from Issuance of Bonds and Notes Payable	-	647,465	647,465
Total Other Financing Sources (Uses)	<u>(681,440)</u>	<u>(1,044,663)</u>	<u>(1,726,103)</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>5,379,757</u>	<u>(3,556,520)</u>	<u>1,823,237</u>
Fund Balance - Beginning of Year	<u>67,496,812</u>	<u>33,819,087</u>	<u>101,315,899</u>
Fund Balance - End of Year	<u>\$ 72,876,569</u>	<u>\$ 30,262,567</u>	<u>\$ 103,139,136</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, 2020**

Net Change in Fund Balances - Total Governmental Funds	\$ 1,823,237
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.	
Capital Outlays	24,754,191
Depreciation	(12,148,415)
Loss of Disposal of Capital Assets	(24,608)
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.	
	26,107,221
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.	
	(31,117,098)
Accrual Basis Revenues Can Result in More (Less) Revenues Reported in the Statement of Activities Depending Upon Timing of Billings and Collections.	
	4,798,552
Notes Receivable Balance that Does Not Provide Current Financial Resources	(6,160,505)
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.	
These Amounts Represent the Related Activity of the Current Period.	
Bond Maturities	8,012,471
Amortization of Bond Premiums, Net	515,440
Proceeds of Bonds and Notes	(647,465)
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.	
These Amounts Represent the Net Changes Related to:	
Interest Payable	9,231
Benefit Claims, Compensated Absences, and Court Judgements	(2,750,642)
Net OPEB Liability	(65,974,762)
Net Pension Liability	10,049,174
Landfill Closure	106,827
Inventory	400,120
Change in Net Position of Governmental Activities	<u><u>\$ (42,247,031)</u></u>

See accompanying Notes to Basic Financial Statements.

CITY OF BROCKTON, MASSACHUSETTS
STATEMENT OF NET POSITION — PROPRIETARY FUNDS
JUNE 30, 2020

ASSETS	Enterprise Funds			Total
	Water	Sewer	Nonmajor	
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 11,459,560	\$ 6,138,192	\$ 4,486,060	\$ 22,083,812
Customer Receivables, Net	10,281,850	12,433,457	4,850,817	27,566,124
Intergovernmental Receivable	234,856	707,187	-	942,043
Other	549,954	548,668	192,459	1,291,081
Total Current Assets	22,526,220	19,827,504	9,529,336	51,883,060
NONCURRENT ASSETS				
Capital Assets:				
Nondepreciable	4,766,044	3,143,700	130,359	8,040,103
Depreciable, Net	44,999,535	113,761,094	6,450,907	165,211,536
Total Noncurrent Assets	49,765,579	116,904,794	6,581,266	173,251,639
Total Assets	72,291,799	136,732,298	16,110,602	225,134,699
DEFERRED OUTFLOWS OF RESOURCES				
Pension	861,012	311,430	439,666	1,612,108
OPEB	772,038	236,016	368,051	1,376,105
Total Deferred Outflows of Resources	1,633,050	547,446	807,717	2,988,213
Total Assets and Deferred Outflows of Resources	73,924,849	137,279,744	16,918,319	228,122,912
LIABILITIES				
CURRENT LIABILITIES				
Warrants and Accounts Payable	1,826,636	1,373,024	1,369,709	4,569,369
Accrued Expenses	286,915	502,084	59,128	848,127
Compensated Absences and Claims	211,474	292,423	31,499	535,396
Total OPEB Liability - Due within One Year	235,843	72,098	112,433	420,374
Bond Anticipation Notes	343,971	-	273,000	616,971
Bonds, Note, and Loans Payable	1,963,676	5,737,264	100,000	7,800,940
Total Current Liabilities	4,868,515	7,976,893	1,945,769	14,791,177
NONCURRENT LIABILITIES				
Compensated Absences and Claims	1,146,410	1,566,864	178,494	2,891,768
Unearned Revenue	923,811	584,184	-	1,507,995
Landfill Closure and Postclosure Care Costs	-	725,385	-	725,385
Total OPEB Liability	14,773,335	4,516,277	7,042,847	26,332,459
Net Pension Liability	10,069,754	3,642,250	5,142,007	18,854,011
Bonds, Note, and Loans Payable	20,529,792	41,873,509	300,000	62,703,301
Total Noncurrent Liabilities	47,443,102	52,908,469	12,663,348	113,014,919
Total Liabilities	52,311,617	60,885,362	14,609,117	127,806,096
DEFERRED INFLOWS OF RESOURCES				
Pension	75,366	27,260	38,485	141,111
OPEB	468,821	143,321	223,500	835,642
Total Deferred Inflows	544,187	170,581	261,985	976,753
NET POSITION				
Net Investment in Capital Assets	26,683,673	69,749,238	6,142,787	102,575,698
Unrestricted	(5,614,628)	6,474,563	(4,095,570)	(3,235,635)
Total Net Position	\$ 21,069,045	\$ 76,223,801	\$ 2,047,217	\$ 99,340,063

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, 2020**

	Enterprise Funds			
	Water	Sewer	Nonmajor	Total
Operating Revenues:				
Charges	\$ 18,328,924	\$ 18,495,935	\$ 8,432,424	\$ 45,257,283
Fees	477,394	267,006	494,961	1,239,361
Other	-	-	2,262	2,262
Total Operating Revenues	18,806,318	18,762,941	8,929,647	46,498,906
Operating Expenses:				
Salaries and Benefits	5,009,571	1,849,550	1,638,647	8,497,768
Utilities	505,583	1,409,595	91,558	2,006,736
Repairs and Maintenance	1,186,746	3,253,416	527,195	4,967,357
Contractual Services	8,862,636	5,203,867	7,033,317	21,099,820
Other Supplies and Expenses	442,071	258,999	143,265	844,335
Depreciation	2,208,043	4,879,050	476,047	7,563,140
Total Operating Expenses	18,214,650	16,854,477	9,910,029	44,979,156
Total Operating Income (Loss)	591,668	1,908,464	(980,382)	1,519,750
Nonoperating Revenue (Expense):				
Interest Income	276,287	229,877	182,830	688,994
Interest Expense	(418,460)	(816,489)	-	(1,234,949)
Debt Subsidies	7,167	164,552	-	171,719
Total Nonoperating Revenue (Expense)	(135,006)	(422,060)	182,830	(374,236)
Income (Loss) Before Transfers	456,662	1,486,404	(797,552)	1,145,514
Transfers In	1,326,971	-	2,018,043	3,345,014
Transfers Out	-	(971,446)	-	(971,446)
Total Transfers, Net	1,326,971	(971,446)	2,018,043	2,373,568
Change in Net Position	1,783,633	514,958	1,220,491	3,519,082
Net Position - Beginning of Year	19,285,412	75,708,843	826,726	95,820,981
Net Position - End of Year	\$ 21,069,045	\$ 76,223,801	\$ 2,047,217	\$ 99,340,063

See accompanying Notes to Basic Financial Statements.

CITY OF BROCKTON, MASSACHUSETTS
STATEMENT OF CASH FLOWS — PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2020

	Enterprise Funds			
	Water	Sewer	Nonmajor	Total
CASH FLOWS FROM OPERATIONS				
Cash Received from Customers	\$ 18,047,432	\$ 17,672,159	\$ 8,656,633	\$ 44,376,224
Cash Paid to Employees	(4,399,078)	(2,112,060)	(2,701,193)	(9,212,331)
Cash Paid to Vendors	(10,502,144)	(10,232,909)	(8,302,432)	(29,037,485)
Net Cash Provided (Used) by Operations	3,146,210	5,327,190	(2,346,992)	6,126,408
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers In	1,326,971	-	2,018,043	3,345,014
Transfers Out	-	(971,446)	-	(971,446)
Net Cash Provided (Used) by Noncapital Financing Activities	1,326,971	(971,446)	2,018,043	2,373,568
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and Construction of Capital Assets	(2,096,828)	(4,984,127)	(595,296)	(7,676,251)
Interest Paid on Debt	(441,206)	(921,809)	-	(1,363,015)
Bond and Loan Proceeds Received	3,191,014	3,720,198	273,000	7,184,212
Repayment of Long-Term Debt	(2,845,682)	(6,697,356)	(100,000)	(9,643,038)
Net Cash Used by Capital and Related Financing Activities	(2,192,702)	(8,883,094)	(422,296)	(11,498,092)
CASH FLOWS FROM INVESTING ACTIVITY				
Interest Income	276,287	229,877	182,830	688,994
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,556,766	(4,297,473)	(568,415)	(2,309,122)
Cash and Cash Equivalents - Beginning of Year	8,902,794	10,435,665	5,054,475	24,392,934
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 11,459,560</u>	<u>\$ 6,138,192</u>	<u>\$ 4,486,060</u>	<u>\$ 22,083,812</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATIONS:				
Operating Income (Loss)	\$ 591,668	\$ 1,908,464	\$ (980,382)	\$ 1,519,750
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operations:				
Depreciation Expense	2,208,043	4,879,050	476,047	7,563,140
Change in Net Pension Liability	(666,025)	(383,663)	(896,862)	(1,946,550)
Change in Deferred Outflows - Pension	1,266,850	486,517	757,255	2,510,622
Change in Deferred Inflows - Pension	66,792	24,045	33,662	124,499
Change in Total OPEB Liability	371,612	(27,054)	406,797	751,355
Change in Deferred Inflows - OPEB	(109,846)	(39,141)	(43,288)	(192,275)
Change in Deferred Outflows - OPEB	(378,160)	(111,821)	(186,458)	(676,439)
Changes in Operating Assets and Liabilities:				
Accounts Receivable	(758,886)	(1,090,782)	(273,014)	(2,122,682)
Warrants and Accounts Payable	527,609	(188,684)	(525,783)	(186,858)
Other Assets and Liabilities	26,553	(129,741)	(1,114,966)	(1,218,154)
Net Cash Provided (Used) by Operations	<u>\$ 3,146,210</u>	<u>\$ 5,327,190</u>	<u>\$ (2,346,992)</u>	<u>\$ 6,126,408</u>
NONCASH ACTIVITIES				
Intergovernmental Debt Subsidies (MCWT)	<u>\$ 32,036</u>	<u>\$ 190,647</u>	<u>\$ -</u>	<u>\$ 222,683</u>

See accompanying Notes to Basic Financial Statements.

CITY OF BROCKTON, MASSACHUSETTS
STATEMENT OF NET POSITION — FIDUCIARY FUNDS
JUNE 30, 2020
(EXCEPT FOR PENSION TRUST, WHICH IS AS OF DECEMBER 31, 2019)

	Pension Trust Fund	Agency Funds
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 1,477,338	\$ 480,586
RECEIVABLES		
Interest and Dividends	184,486	-
Member Deductions	3,732	-
Other	159,310	475,561
Total Receivables	347,528	475,561
OTHER ASSETS	916	-
INVESTMENTS		
Fixed Income Mutual Funds	103,631,380	-
Equities and Equity Mutual Funds	269,433,841	-
Real Estate Funds	22,174,954	-
Private Equity Funds	27,366,793	-
Structured Credit Funds	13,355,164	-
Total Investments	435,962,132	-
Total Assets	437,787,914	<u>\$ 956,147</u>
LIABILITIES		
ACCOUNTS PAYABLE AND OTHER LIABILITIES	34,005	<u>\$ 956,147</u>
NET POSITION RESTRICTED FOR PENSION BENEFITS	<u>\$ 437,753,909</u>	

See accompanying Notes to Basic Financial Statements.

**CITY OF BROCKTON, MASSACHUSETTS
STATEMENT OF CHANGES IN NET POSITION — FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2019**

	<u>Pension Trust Fund</u>
ADDITIONS	
Contributions:	
Employers	\$ 28,112,024
Plan Members	<u>10,625,482</u>
Total Contributions	<u>38,737,506</u>
Investment Income:	
Net Appreciation in Fair Value of Investments	51,484,066
Interest and Dividends	<u>11,394,242</u>
Total Investment Income	<u>62,878,308</u>
Less: Investment Expenses	<u>(2,656,211)</u>
Net Investment Income	<u>60,222,097</u>
Intergovernmental	<u>9,279</u>
Total Additions	<u>98,968,882</u>
DEDUCTIONS	
Retirement Benefits and Refunds	46,073,596
Administration	<u>732,902</u>
Total Deductions	<u>46,806,498</u>
Change in Net Position	<u>52,162,384</u>
Net Position - Beginning of Year	<u>385,591,525</u>
NET POSITION - END OF YEAR	<u><u>\$ 437,753,909</u></u>

See accompanying Notes to Basic Financial Statements.

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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, 2019 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 2020:

Joint Venture and Address	Purpose	Annual Assessment
Brockton Area Transit Authority 45 School Street Brockton, MA 02301	To Provide Public Transportation	\$ 2,487,091
Southeastern Regional School District 250 Foundry Street South Easton, MA 02375	To Provide educational services as a Regional Vocational Technical High School	\$ 4,051,342

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, 2020**

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, 2020, except for the System, which is presented as of and for the year ended December 31, 2019.

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, 2020**

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, 2020**

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 3 for discussion of the System's investments.

Accounts Receivable

The recognition of revenues related to accounts receivables reported in the government-wide and proprietary funds financial statement are reported under the accrual basis of accounting. The recognition of revenue related to receivables in the governmental funds financial statements are reported under the modified accrual basis of accounting.

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable (Continued)

Property Taxes and Excise 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.

Motor vehicle excise taxes are assessed annually for each vehicle registered in the City and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair value of those vehicles to the City. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

Customer Receivables (Water and Sewer)

User fees are levied quarterly based on the individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water and sewer liens are processed annually and are included as a lien on the property owner's tax bill. Water and sewer charges are receivables in the fiscal year of the commitment.

Intergovernmental

Various state and federal operating and capital grants are applied for and received annually. For nonexpenditure driven grants, revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, revenue is recognized when the qualifying expenditures are incurred and all other grant requirements are met.

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, 2020**

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, 2020**

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, 2020**

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 using the straight-line method, which approximates the interest method. 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, which approximates interest 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, 2020**

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 ended June 30, 2020, the City implemented the following pronouncements issued by the GASB:

- GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authorization Guidance*

The implementation of this Statement postponed the implementation of certain GASB pronouncements.

NOTE 3 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, 2020, the City's bank balances of uninsured and uncollateralized deposits totaled \$134,168,098. The carrying amount of the City's deposits totaled \$135,042,197 at June 30, 2020.

The System's bank balances of uninsured and uncollateralized deposits totaled \$1,509,928. The carrying amount of the System's deposits totaled \$1,367,460 at December 31, 2019.

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 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, 2020 for the primary government and December 31, 2019 for the Retirement System:

Investment Type	Total Amount	Less Than 1 Year	1 - 5 Years	6 - 10 Years
Retirement System:				
Fixed Income Mutual Funds	\$ 103,631,380	\$ 103,631,380	\$ -	\$ -
Money Market Mutual Funds	109,878	109,878	-	-
Subtotal	103,741,258	103,741,258	-	-
City:				
U.S. Treasury Notes and Bonds	902,978	20,308	404,800	477,870
U.S. Agencies	1,279,990	100,900	924,473	254,617
Corporate Bonds	942,578	101,745	553,480	287,353
Money Market Mutual Funds	123,298	123,298	-	-
MMDT	8,021,648	8,021,648	-	-
Subtotal	11,270,492	8,367,899	1,882,753	1,019,840
Total	\$ 115,011,750	\$ 112,109,157	\$ 1,882,753	\$ 1,019,840

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 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, 2020 for the primary government and December 31, 2019 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	\$ 103,631,380	\$ -	\$ -	\$ 103,631,380
Money Market Mutual Funds	109,878	-	-	109,878
Subtotal	103,741,258	-	-	103,741,258
City:				
U.S. Agencies	1,279,990	1,279,990	-	-
Corporate Bonds	942,578	877,415	65,163	-
Money Market Mutual Funds	123,298	-	-	123,298
MMDT	8,021,648	-	-	8,021,648
Subtotal	10,367,514	2,157,405	65,163	8,144,946
Total	\$ 114,108,772	\$ 2,157,405	\$ 65,163	\$ 111,886,204

In addition to the above schedule, the City has \$902,978 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, 2020**

NOTE 3 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, 2019, 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, 2020, 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, 2019, the System had indirect exposure to foreign currency risk for certain pooled equity investments in the amount of approximately \$154,300,000.

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, 2020

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Measurements (Continued)

The City has the following recurring fair value measurements as of June 30, 2020 and December 31, 2019 for the Retirement System:

Investment Type	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 2)
Retirement System:				
Common Stock	\$ 13,370	\$ 13,370	\$ -	\$ -
Money Market Mutual Funds	109,878	109,878	-	-
Equity Mutual Funds	269,420,471	269,420,471	-	-
Fixed Income Mutual Funds	103,631,380	103,631,380	-	-
Total Investments by Fair Value Level	373,175,099	<u>\$ 373,175,099</u>	<u>\$ -</u>	<u>\$ -</u>
Investments Measured at the Net Asset Value (NAV):				
Real Estate Funds	22,174,954			
Private Equity Funds	27,366,793			
Structured Credit Funds	13,355,164			
Total Investments Measured at the NAV	62,896,911			
Subtotal - System	436,072,010			
City:				
Money Market Mutual Funds	123,298	\$ 123,298	\$ -	\$ -
Equities	3,976,336	3,976,336	-	-
Corporate Bonds	942,578	-	942,578	-
Fixed Income Mutual Funds	1,323,287	1,323,287	-	-
Equity Mutual Funds	2,114,486	2,114,486	-	-
U.S. Treasuries	902,978	902,978	-	-
U.S. Agencies	1,279,990	-	1,279,990	-
Total Investments by Fair Value Level	10,662,953	<u>\$ 8,440,385</u>	<u>\$ 2,222,568</u>	<u>\$ -</u>
Investments Measured at Amortized Cost:				
MMDT	8,021,648			
Subtotal - City	18,684,601			
Total	\$ 454,756,611			

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, 2020**

NOTE 3 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 ⁽¹⁾	\$ 22,174,954	\$ 988,674	N/A ⁽¹⁾	N/A ⁽¹⁾
Private Equity Funds ⁽²⁾	27,366,793	2,336,103	N/A ⁽²⁾	N/A ⁽²⁾
Structured Credit Funds ⁽³⁾	13,355,164	-	Annually	65 Days
Total Investments Measured at the NAV	<u>\$ 62,896,911</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 fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the System's ownership interest in partners' capital. There is one investment with an approximate value of \$19,600,000 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 4 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 three investments with an approximate value of \$9,900,000 for which the investment can be redeemed annually, with a redemption notice period of 65 days. The remaining investments can never be redeemed with the funds. Distributions from each of these funds will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 1 to 7 years.
- (3) Structured Credit Funds – This type includes 1 fund that invests in a portfolio comprised of collateralized debt obligations (CDOs) 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. The investment can be redeemed annually, with a redemption notice period of 65 days.

CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	Primary Government		
	Beginning Balance	Increases	Decreases
			Ending Balance
Government Activities:			
Capital Assets, Not Being Depreciated:			
Land	\$ 7,410,698	\$ -	\$ 7,410,698
Construction in Progress	11,917,333	159,810	159,809
Historical Works of Art	1,809,514	-	1,809,514
Total Capital Assets, Not Being Depreciated	21,137,545	159,810	9,380,021
Capital Assets, Being Depreciated:			
Buildings	251,107,018	30,992,192	282,099,210
Land Improvements	15,890,530	33,892	15,924,422
Machinery and Equipment	27,828,894	1,589,850	27,668,088
Infrastructure	114,767,346	3,895,781	118,663,127
Total Capital Assets, Being Depreciated	409,593,788	36,511,715	444,354,847
Less: Accumulated Depreciation For:			
Buildings	116,481,009	7,129,835	123,610,844
Land Improvements	9,282,475	494,651	9,777,126
Machinery and Equipment	21,982,278	1,654,525	21,910,755
Infrastructure	87,512,290	2,869,404	90,381,694
Total Accumulated Depreciation	235,258,052	12,148,415	245,680,419
Total Capital Assets, Being Depreciated, Net	174,335,736	24,363,300	198,674,428
Governmental Capital Assets, Net	\$ 195,473,281	\$ 24,523,110	\$ (11,941,942) \$ 208,054,449

Depreciation expense was charged to governmental functions as follows:

Government Activities:	
General Government	\$ 1,254,524
Public Safety	1,615,368
Education	6,110,895
Public Works	2,780,168
Human Services	115,336
Culture and Recreation	272,124
Total Depreciation Expense - Government Activities	\$ 12,148,415

CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4 CAPITAL ASSETS (CONTINUED)

Business-type activity for the year ended June 30, 2020 was as follows:

	Business-Type Activities			
	Beginning Balance	Increases	Decreases	Ending Balance
Water:				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,929,492	\$ -	\$ -	\$ 2,929,492
Construction in Progress	175,600	1,836,552	(175,600)	1,836,552
Total Capital Assets, Not Being Depreciated	3,105,092	1,836,552	(175,600)	4,766,044
Capital Assets, Being Depreciated:				
Buildings	30,804,138	-	-	30,804,138
Land Improvements	119,700	-	-	119,700
Machinery and Equipment	16,703,473	-	(85,510)	16,617,963
Infrastructure	41,064,444	746,783	-	41,811,227
Total Capital Assets, Being Depreciated	88,691,755	746,783	(85,510)	89,353,028
Less: Accumulated Depreciation For:				
Buildings	8,387,008	730,753	-	9,117,761
Land Improvements	106,400	10,850	-	117,250
Machinery and Equipment	13,510,878	771,210	(85,510)	14,196,578
Infrastructure	20,226,674	695,230	-	20,921,904
Total Accumulated Depreciation	42,230,960	2,208,043	(85,510)	44,353,493
Total Capital Assets, Being Depreciated, Net	46,460,795	(1,461,260)	-	44,999,535
Water Capital Assets, Net	49,565,887	375,292	(175,600)	49,765,579
Sewer:				
Capital Assets, Not Being Depreciated:				
Land	186,327	-	-	186,327
Construction in Progress	1,324,463	2,935,579	(1,302,669)	2,957,373
Total Capital Assets, Not Being Depreciated	1,510,790	2,935,579	(1,302,669)	3,143,700
Capital Assets, Being Depreciated:				
Buildings	145,241,530	-	-	145,241,530
Land Improvements	311,617	-	-	311,617
Machinery and Equipment	45,750,421	1,378,165	(159,821)	46,968,765
Infrastructure	43,588,917	2,545,149	-	46,134,066
Total Capital Assets, Being Depreciated	234,892,485	3,923,314	(159,821)	238,655,978
Less: Accumulated Depreciation For:				
Buildings	48,421,949	3,639,079	-	52,061,028
Land Improvements	259,180	1,618	-	260,798
Machinery and Equipment	43,365,535	492,959	(159,821)	43,698,673
Infrastructure	28,128,991	745,394	-	28,874,385
Total Accumulated Depreciation	120,175,655	4,879,050	(159,821)	124,894,884
Total Capital Assets, Being Depreciated, Net	114,716,830	(955,736)	-	113,761,094
Sewer Capital Assets, Net	116,227,620	1,979,843	(1,302,669)	116,904,794

CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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	-	(44,138)	130,359
Capital Assets, Being Depreciated:				
Buildings	905,875	-	-	905,875
Land Improvements	34,247,848	412,260	-	34,660,108
Machinery and Equipment	3,819,009	183,036	(30,000)	3,972,045
Infrastructure	7,016,403	44,138	-	7,060,541
Total Capital Assets, Being Depreciated	45,989,135	639,434	(30,000)	46,598,569
Less: Accumulated Depreciation For:				
Buildings	621,974	11,290	-	633,264
Land Improvements	32,623,229	186,548	-	32,809,777
Machinery and Equipment	3,186,773	214,172	(30,000)	3,370,945
Infrastructure	3,269,639	64,037	-	3,333,676
Total Accumulated Depreciation	39,701,615	476,047	(30,000)	40,147,662
Total Capital Assets, Being Depreciated, Net	6,287,520	163,387	-	6,450,907
Other Capital Assets, Net	6,462,017	163,387	(44,138)	6,581,266
Business-Type Activities Capital Assets, Net	<u>\$ 172,255,524</u>	<u>\$ 2,518,522</u>	<u>\$ (1,522,407)</u>	<u>\$ 173,251,639</u>

NOTE 5 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.

CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 TEMPORARY BORROWINGS (CONTINUED)

Short-term debt activity for the year ended June 30, 2020 was as follows:

	Outstanding as of June 30, 2019	Additions	Reductions	Outstanding as of June 30, 2020
Bond Anticipation Notes Payable:				
Governmental Activities:				
Various Capital Project Funds:				
Brookfield School Repairs	\$ 312,300	\$ -	\$ 312,300	\$ -
Ashfield School Repairs	188,000	-	188,000	-
Gilmore School Repairs	288,600	-	288,600	-
Street Lighting System Improvements	1,600,000	1,600,000	1,600,000	1,600,000
Energy Conversation	150,000	150,000	150,000	150,000
School Roof Repairs	-	857,900	-	857,900
Melrose Cemetery Land Expansion	-	400,000	-	400,000
Replacement Fire Pumper	-	1,260,000	-	1,260,000
IT Equipment	-	448,000	-	448,000
Subtotal Governmental Activities	<u>\$ 2,538,900</u>	<u>\$ 4,715,900</u>	<u>\$ 2,538,900</u>	<u>\$ 4,715,900</u>
Business-Type Activities:				
Water Capital Project Funds:				
Water Mains	\$ 343,971	\$ 343,971	\$ 343,971	\$ 343,971
Other Nonmajor Capital Project Funds:				
Turf Sweeper	-	35,000	-	35,000
Tractor Mounted Aerator	-	30,000	-	30,000
Sprayer/Fertilizer Spreader	-	15,000	-	15,000
Replacement Tractor/Loader	-	88,000	-	88,000
For F-50 Dump Truck	-	75,000	-	75,000
Extended Cab Pickup Truck	-	30,000	-	30,000
Subtotal Business-Type Activities	<u>343,971</u>	<u>616,971</u>	<u>343,971</u>	<u>616,971</u>
Total Bond Anticipation Notes Payable	<u>\$ 2,882,871</u>	<u>\$ 5,332,871</u>	<u>\$ 2,882,871</u>	<u>\$ 5,332,871</u>

Subsequent Event:

On June 17, 2021, the City issued \$16,493,833 in bond anticipation notes of which \$1,322,900 was used to retire maturing bond anticipation notes and \$15,170,933 were issued for public safety complex, various school repairs, and water and sewer infrastructure.

NOTE 6 LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended June 30, 2020:

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	(1.75% - 5.41%)	\$ 83,425,000	\$ 647,465	\$ 4,875,000	\$ 79,197,465	\$ 5,871,747
General Obligation	2038	(2.00% - 5.00%)	21,817,471	-	3,137,471	18,680,000	1,925,000
Subtotal			<u>105,242,471</u>	<u>647,465</u>	<u>8,012,471</u>	<u>97,877,465</u>	<u>7,796,747</u>
Add (Deduct):							
Unamortized Bond Premium			<u>1,459,962</u>	<u>-</u>	<u>515,440</u>	<u>944,522</u>	<u>101,604</u>
Total Governmental Activities Debt, Net			<u>\$ 106,702,433</u>	<u>\$ 647,465</u>	<u>\$ 8,527,911</u>	<u>\$ 98,821,987</u>	<u>\$ 7,898,351</u>

CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 LONG-TERM OBLIGATIONS (CONTINUED)

During 2020, the City issued \$647,465 in direct borrowings for which the proceeds were utilized to purchase laptops for the school department.

General Long-Term Obligations	Maturing Through Year Ended June 30	Interest Percentage Range	Outstanding Beginning of Year	Additions	Reductions	Outstanding End of Year	Current Portion
Business-Type Activities:							
Water	2039	(4.75% - 6.45%)	\$ 1,823,529	\$ -	\$ 303,529	\$ 1,520,000	\$ 205,000
Water - Direct Borrowings	2039	(4.75% - 6.45%)	19,653,430	1,402,890	1,622,002	19,434,318	1,728,763
Sewer	2039	(3.00% - 6.75%)	319,000	-	129,000	190,000	95,000
Sewer - Direct Borrowings	2039	(3.00% - 6.75%)	49,183,231	1,500,000	5,455,501	45,227,730	5,594,600
Other	2024	(3.00% - 6.75%)	500,000	-	100,000	400,000	100,000
Subtotal			71,479,190	2,902,890	7,610,032	66,772,048	7,723,363
Add (Deduct):							
Unamortized Bond Premium			616,979	-	267,783	349,196	77,577
MCWT Interim Loans	2021	0.0%	2,193,971	3,272,997	2,083,971	3,382,997	-
Total Business-Type Activities Debt, Net			74,290,140	6,175,887	9,961,786	70,504,241	7,800,940
Total Debt, Net			<u>\$ 180,992,573</u>	<u>\$ 6,823,352</u>	<u>\$ 18,489,697</u>	<u>\$ 169,326,228</u>	<u>\$ 15,699,291</u>
Other Long-Term Obligations:							
Self-Insured Benefit Claims:							
Governmental Activities			\$ 5,164,595	\$ 4,595,514	\$ -	\$ 9,760,109	\$ 5,429,186
Business-Type Activities:							
Water			1,017,517	-	14,407	1,003,110	158,258
Sewer			1,933,693	-	191,811	1,741,882	274,813
Other			1,161,355	-	1,161,355	-	-
Compensated Absences, Net:							
Governmental Activities			13,635,554	776,387	-	14,411,941	2,161,791
Business-Type Activities:							
Water			311,706	43,068	-	354,774	53,216
Sewer			128,231	-	10,826	117,405	17,610
Other			188,716	21,277	-	209,993	31,499
Court Judgments:							
Governmental Activities			4,750,000	950,000	3,000,000	2,700,000	2,700,000
Landfill Closure and Postclosure							
Care Costs:							
Governmental Activities			2,033,937	-	106,827	1,927,110	-
Business-Type Activities:							
Sewer			707,692	17,693	-	725,385	-
Total Other Long-Term Obligations			<u>\$ 31,032,996</u>	<u>\$ 6,403,939</u>	<u>\$ 4,485,226</u>	<u>\$ 32,951,709</u>	<u>\$ 10,826,373</u>

During 2020, the City permanently financed 3 loans with MCWT totaling \$1,402,890 and \$1,500,000 for water and sewer projects, respectively. In addition, the City entered into interim loan agreements with the MCWT to fund water and sewer improvements, which are non-interest bearing, amounts accrued and considered issued under new and existing interim loans during 2020 totaled \$1,232,396 and \$2,040,601 in the water and sewer enterprise funds, respectively.

CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 LONG-TERM OBLIGATIONS (CONTINUED)

Maturity of Bond Indebtedness

Bond indebtedness outstanding at June 30, 2020 matures as follows:

Year Ending June 30	Governmental Activities			
	Bonded Debt		Direct Borrowings	
	Principal	Interest	Principal	Interest
2021	\$ 7,585,000	\$ 4,664,885	\$ 211,747	\$ 10,423
2022	8,005,000	4,255,686	215,957	6,213
2023	8,975,000	3,824,709	219,761	2,409
2024	9,810,000	3,342,204	-	-
2025	10,920,000	2,805,010	-	-
2026-2030	43,390,000	5,295,813	-	-
2031-2035	6,090,000	925,911	-	-
2036-2039	2,455,000	152,703	-	-
Total	<u>\$ 97,230,000</u>	<u>\$ 25,266,921</u>	<u>\$ 647,465</u>	<u>\$ 19,045</u>

Year Ending June 30	Business-Type Activities			
	Water - Bonded Debt		Sewer - Bonded Debt	
	Principal	Interest	Principal	Interest
2021	\$ 205,000	\$ 56,750	\$ 95,000	\$ 7,600
2022	205,000	49,650	95,000	2,850
2023	195,000	168,675	-	-
2024	195,000	35,925	-	-
2025	195,000	29,175	-	-
2026-2030	395,000	59,900	-	-
2031-2035	75,000	14,175	-	-
2036-2039	55,000	3,075	-	-
Total	<u>\$ 1,520,000</u>	<u>\$ 417,325</u>	<u>\$ 190,000</u>	<u>\$ 10,450</u>

Year Ending June 30	Business-Type Activities (Continued)			
	Water - Direct Borrowings		Sewer Direct Borrowings	
	Principal	Interest	Principal	Interest
2021	\$ 1,728,763	\$ 388,827	\$ 5,594,600	\$ 966,588
2022	1,766,038	353,212	5,696,514	824,143
2023	1,799,337	314,479	5,829,740	675,724
2024	1,744,844	277,277	5,959,858	523,012
2025	1,779,535	241,590	6,081,908	376,971
2026-2030	6,958,209	696,717	12,238,076	808,505
2031-2035	2,936,510	231,918	2,510,960	252,072
2036-2039	721,082	30,733	1,316,074	54,186
Total	<u>\$ 19,434,318</u>	<u>\$ 2,534,753</u>	<u>\$ 45,227,730</u>	<u>\$ 4,481,201</u>

Year Ending June 30	Business-Type Activities (Continued)			
	Other - Bonded Debt		Total	
	Principal	Interest	Principal	Interest
2021	\$ 100,000	\$ -	\$ 7,723,363	\$ 1,419,765
2022	100,000	-	7,862,552	1,229,855
2023	100,000	-	7,924,077	1,158,878
2024	100,000	-	7,999,702	836,214
2025	-	-	8,056,443	647,736
2026-2030	-	-	19,591,285	1,565,122
2031-2035	-	-	5,522,470	498,165
2036-2039	-	-	2,092,156	87,994
Total	<u>\$ 400,000</u>	<u>\$ -</u>	<u>\$ 66,772,048</u>	<u>\$ 7,443,729</u>

CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 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 \$88,784 and \$600,203 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
2021	\$ 25,400	\$ 6,021	\$ 9,129	\$ 148,995	\$ 34,529	\$ 155,016
2022	52,658	7,705	10,513	124,801	63,171	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	-
2026	-	-	-	-	-	-
Total	<u>\$ 78,058</u>	<u>\$ 13,726</u>	<u>\$ 191,546</u>	<u>\$ 408,657</u>	<u>\$ 269,604</u>	<u>\$ 422,383</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.

Subsequent Event:

The City issued two interim loan notes with MCWT on September 1, 2020 in the amounts of \$369,500 and \$2,513,039 for sewer improvement projects.

On June 17, 2021, the City issued \$6,800,000 in general obligation bonds of which \$3,325,000 was used to retire maturing bond anticipation notes, \$3,225,000 were issued for a current refunding of general obligation bonds, and \$250,000 was used for land acquisition costs.

As of June 30, 2020, the City has total authorized unissued debt of \$82.2 million, which is intended to finance the following:

School Construction/Furnishings	\$ 14,657,326
Pension Funding	47,710,000
Various Departments	1,675,000
Water Projects	4,412,469
Sewer Projects	11,077,094
Turf Field	1,700,000
Economic Development	1,000,000
Total	<u>\$ 82,231,889</u>

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7 PENSION PLANS

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, 2019:

Active Members	1,779
Inactive Members	699
Retirees and Beneficiaries Currently Receiving Benefits	<u>1,293</u>
Total	<u><u>3,771</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, 2020**

NOTE 7 PENSION PLANS (CONTINUED)

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, 2019, active member contributions totaled \$10,625,482 and employer contributions totaled \$28,112,024. Contributions to the System from the City were \$26,354,614 for the year ended June 30, 2020.

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7 PENSION PLANS (CONTINUED)

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, 2019 were as follows:

Total Pension Liability	\$ 718,168,879
Plan Fiduciary Net Position	<u>(437,753,909)</u>
Net Pension Liability	<u><u>\$ 280,414,970</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u><u>61.0%</u></u>

At June 30, 2020, the City reported a liability of \$262,884,960 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020 which was rolled backward 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, 2019, the City's proportion was 93.74855%, which compared to the 93.40333% proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the City recognized pension expense of \$48,111,109. At June 30, 2020, 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	\$ -	\$ 1,893,467
Changes in Assumptions	16,383,264	-
Differences Between Expected and Actual Experience	5,104,006	-
Changes in Proportion	990,650	74,071
Total	<u><u>\$ 22,477,920</u></u>	<u><u>\$ 1,967,538</u></u>

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7 PENSION PLANS (CONTINUED)

BROCKTON CONTRIBUTORY RETIREMENT SYSTEM (SYSTEM) (CONTINUED)

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

<u>Year Ending June 30</u>	<u>Amount</u>
2021	\$ 7,581,854
2022	7,223,167
2023	8,507,239
2024	(3,375,127)
2025	573,249
Total	<u>\$ 20,510,382</u>

Actuarial Assumptions

The total pension liability was determined using the January 1, 2020 actuarial valuation. The following actuarial assumptions apply to all periods included in the measurement.

Assumptions:

Inflation	2.50%
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-2014 Blue Collar Mortality with full generational mortality improvements using Scale MP-2018 Disabled Retiree - RP-2041 Blue Collar Mortality with full generational mortality improvements using Scale MP-2018
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 - 2.0% beginning at age 50 ranging to 100.0% at age 65

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7 PENSION PLANS (CONTINUED)

BROCKTON CONTRIBUTORY RETIREMENT SYSTEM (SYSTEM) (CONTINUED)

Investment Policy and Rates of Return

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

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

The System's annual money-weighted rate of return on pension plan investments, net of investment expenses, was 15.83%. 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, 2019 are summarized on the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	21.0 %	5.5 %
Global Equity	43.5	7.2 %
Domestic Fixed Income	15.5	4.3 %
International Fixed Income	6.0	6.3 %
Real Estate	4.0	3.2 %
Alternatives	6.0	9.1 %
Other	4.0	4.0 %
Totals	100.0 %	

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7 PENSION PLANS (CONTINUED)

BROCKTON CONTRIBUTORY RETIREMENT SYSTEM (SYSTEM) (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. 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	\$ 358,389,566	\$ 280,414,970	\$ 214,106,506

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what City's proportionate share of the net pension liability would be if it were 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	\$ 335,985,021	\$ 262,884,960	\$ 200,721,745

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7 PENSION PLANS (CONTINUED)

BROCKTON CONTRIBUTORY RETIREMENT SYSTEM (SYSTEM) (CONTINUED)

Legally Required Reserve Accounts

The balances in the System's legally required reserves at December 31, 2019 are as follows:

Description	Amount	Purpose
Annuity Savings Fund	\$ 103,271,132	Active members' contribution balance
Annuity Reserve Fund	27,141,105	Retired members' contribution account
Military Service Credit Fund	100,143	Amounts appropriated to fund military service time
Pension Reserve Fund	275,948,082	Amounts appropriated to fund future retirement
Pension Fund	31,293,447	Remaining net position
Total	<u>\$ 437,753,909</u>	

MASSACHUSETTS TEACHERS' 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, 2020**

NOTE 7 PENSION PLANS (CONTINUED)

MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM (MTRS) (CONTINUED)

Contributions

The MTRS's 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, 2020. The Commonwealth's net pension liability associated with the City was \$410,437,717.

The MTRS's net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019.

For the year ended June 30, 2020, the City recognized pension expense of \$49,772,697 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, 2020**

NOTE 7 PENSION PLANS (CONTINUED)

MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM (MTRS) (CONTINUED)

Actuarial Assumptions

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

Investment Rate of Return	7.25%
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). Postretirement - 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 on the first \$13,000 of allowance 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, 2019 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	39.0 %	4.9 %
Core Fixed Income	15.0	1.3 %
Private Equity	13.0	8.2 %
Real Estate	10.0	3.6 %
Value Added Fixed Income	8.0	4.7 %
Portfolio Completion Strategies	11.0	3.9 %
Timber/Natural Resources	4.0	4.1 %
Totals	<u>100.0 %</u>	

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7 PENSION PLANS (CONTINUED)

MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM (MTRS) (CONTINUED)

Discount Rate

The discount rate used to measure the MTRS's total pension liability was 7.25%. 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's fiduciary net position is available in the Commonwealth's audited financial statements.

SUMMARIZED PENSION EXPENSE

The total pension expense recognized under both pension plans is \$97,883,806 for the year ended June 30, 2020.

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (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.

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Employees Covered by Benefit Terms

At June 30, 2020, the following employees were covered by benefit terms.

Active Members	3,176
Retirees and Beneficiaries	<u>2,163</u>
Total	<u><u>5,339</u></u>

Total OPEB Liability

The City's total OPEB liability of \$847,436,964 was measured as of June 30, 2020, and was determined by an actuarial valuation as of July 1, 2019 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, 2019 actuarial valuation and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Discount Rate	2.66% (Municipal Bond Index Rate at June 30, 2020).
Healthcare/Medical Cost Inflation Rate	8.0% decreasing a half percent annually to an ultimate level of 5.0% per year.
Inflation Rate	3% Annually.
Mortality	RP2006 Mortality Table with MP-2019 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.

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT DISCLOSURES (OPEB) (CONTINUED)

Changes in Total OPEB Liability

	Total OPEB Liability
Balances at June 30, 2019	\$ 780,710,847
Changes for the Year:	
Service Cost	29,541,390
Interest	21,583,105
Difference Between Expected and Actual Experience	12,669,693
Changes of Assumptions	17,177,657
Benefit Payments	(14,245,728)
Net Changes	<u>66,726,117</u>
Balances at June 30, 2020	<u>\$ 847,436,964</u>

Changes of assumptions and other inputs reflects a change in the discount rate from 2.79% to 2.66% as well as a change in mortality tables used from RP2014 with an MP-2016 Projection to RP2006 with an MP-2019 Projection.

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 (1.66%) or 1 percentage-point higher (3.66%) than the current rate:

	1% Decrease (1.66%)	Current Discount Rate (2.66%)	1% Increase (3.66%)
Total OPEB Liability	\$ 979,618,024	\$ 847,436,964	\$ 715,255,904

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

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

	1% Decrease	Current Trend Rates	1% Increase
Total OPEB Liability	\$ 685,905,336	\$ 847,436,964	\$ 1,044,390,257

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT DISCLOSURES (OPEB) (CONTINUED)

OPEB Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2020, the City recognized OPEB expense of \$53,995,911. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 32,730,506	\$ -
Net Difference Between Expected and Actual Experience	10,859,737	26,470,236
Total	<u>\$ 43,590,243</u>	<u>\$ 26,470,236</u>

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

<u>Year Ending June 30</u>	<u>Amount</u>
2021	\$ 2,871,416
2022	2,871,416
2023	2,871,416
2024	2,871,416
2025	2,871,416
2026	2,871,416
2027	(108,489)
Total	<u>\$ 17,120,007</u>

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, 2020:

	Governmental Activities	Business-Type Activities Sewer Fund
Closure and Postclosure Care Costs	\$ 1,927,110	\$ 725,385
Percentage Used (Filled)	100.00 %	30.80 %

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 9 LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS (CONTINUED)

It is estimated that an additional \$1,574,615 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 2020, 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, 2020. 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.

NOTE 10 FUND DEFICITS

The following funds had deficit fund balances at June 30, 2020:

	Total	Funding Source
Capital Projects:		
Street Light Improvements	\$ 1,359,226	Long-Term Debt
School Repairs	870,893	Long-Term Debt
Fire Truck Replacement	687,176	Long-Term Debt
Melrose Cemetery Expansion	126,313	Long-Term Debt
IT Equipment	119,150	Long-Term Debt
Energy Improvements	64,000	Long-Term Debt
Special Revenue:		
COVID Cares	3,609,178	State/Federal Grants
Public Works Grants	137,180	State/Federal Grants
Education Grants	48,326	State/Federal Grants
Public Safety Grants	30,823	State/Federal Grants
Culture and Recreation Grants	35,000	State/Federal Grants
Community Development Grants	25,662	State/Federal Grants
Total	<u>\$ 7,112,927</u>	

CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 11 FUND BALANCE CLASSIFICATION DETAILS

The components of fund balances for the City's governmental funds as of June 30, 2020 are as follows:

	<u>General</u>	<u>Other Governmental</u>	<u>Total</u>
Nonspendable:			
Permanent Fund Principal	\$ -	\$ 8,133,202	\$ 8,133,202
Restricted For:			
General Government	25,988,195	3,427,634	29,415,829
Human Services	-	448,957	448,957
Public Safety	-	5,259,589	5,259,589
Public Works	-	910,858	910,858
Culture/Recreation	-	1,096,892	1,096,892
Education	-	15,553,975	15,553,975
Subtotal	<u>25,988,195</u>	<u>26,697,905</u>	<u>52,686,100</u>
Committed To:			
General Government	14,372,698	-	14,372,698
Human Services	-	600,139	600,139
Public Safety	-	1,944,248	1,944,248
Subtotal	<u>14,372,698</u>	<u>2,544,387</u>	<u>16,917,085</u>
Assigned To:			
General Government	946,651	-	946,651
Human Services	3,090	-	3,090
Public Safety	79,136	-	79,136
Public Works	976,292	-	976,292
Culture/Recreation	79,034	-	79,034
Education	4,028,377	-	4,028,377
Subtotal	<u>6,112,580</u>	<u>-</u>	<u>6,112,580</u>
Unassigned	<u>26,403,096</u>	<u>(7,112,927)</u>	<u>19,290,169</u>
Total Fund Balances	<u>\$ 72,876,569</u>	<u>\$ 30,262,567</u>	<u>\$ 103,139,136</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 \$8.4 million at June 30, 2020.

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, 2020, totaled \$6.6 million, and is reported as restricted in the general fund.

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 12 OPERATING TRANSFERS AND INTERFUND RECEIVABLES, PAYABLE

Operating transfers and their purposes during the year ended June 30, 2020 were as follows:

	Governmental Funds		Enterprise Funds		
	General	Other	Water	Sewer	Other
General Fund Revenue - Water Subsidy	\$ (841,892)	\$ -	\$ 841,892	\$ -	\$ -
Sewer Receipts - in Lieu of Taxes	1,688,668	-	-	(1,688,668)	-
General Fund Revenue - Sewer Subsidy	(700,000)	-	-	700,000	-
Renewable Energy and Recreation - in Lieu of Taxes	(989,702)	-	-	-	989,702
General Fund Revenue - Renewable Energy and Recreation Subsidy	(762,768)	-	-	-	762,768
General Fund Revenue - Sewer, Renewable Energy, and Recreation - Debt Service Costs	(402,301)	-	359,251	143,050	(100,000)
Sewer Enterprise - Debt Service Costs	-	-	125,828	(125,828)	-
Parking Authority Reserve - Parking Authority	1,089,226	(1,089,226)	-	-	-
Weights and Measures - Personal Services	8,700	(8,700)	-	-	-
Transfer of Ambulance Fees	399,482	(399,482)	-	-	-
Various Transfers to Special Revenue	(181,000)	181,000	-	-	-
Various Transfers from Special Revenue Fund	10,147	(375,720)	-	-	365,573
Total	<u>\$ (681,440)</u>	<u>\$ (1,692,128)</u>	<u>\$ 1,326,971</u>	<u>\$ (971,446)</u>	<u>\$ 2,018,043</u>

Receivables and payables between funds at June 30, 2020 are summarized as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental Funds	\$ 3,263,972 (A)

(A) Represents advances from general fund to nonmajor funds in advance of grant reimbursements

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.

CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 RISK MANAGEMENT (CONTINUED)

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, 2020, that deposit was \$6,766,400, 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.

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, 2020 and 2019 were as follows:

	Workers' Compensation Plan	Health Care Plans	Total
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	6,576,160	2,701,000	9,277,160
Provision for Losses/Change in Estimate	3,998,029	56,007,305	60,005,334
Payments for Claims	<u>(1,641,347)</u>	<u>(55,136,046)</u>	<u>(56,777,393)</u>
Balance - June 30, 2020	<u><u>\$ 8,932,842</u></u>	<u><u>\$ 3,572,259</u></u>	<u><u>\$ 12,505,101</u></u>

The liability for claims consists of governmental and business-type activities in the amount of \$9,760,109 and \$2,744,992, 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.

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 14 COMMITMENTS (CONTINUED)

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 (2028).

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 began in the fourth year of the contract, which was at the end of 2013. Fixed and variable charges are recorded in the major Water fund when incurred, which totaled \$7.0 million in fiscal year 2020.

As of June 30, 2020, based on the current fixed annual charge, the City expects to pay \$53.5 million for its Firm Commitment as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2021	\$ 6,380,988
2022	6,380,988
2023	6,380,988
2024	6,380,988
2025	6,380,988
2026 - 2029	21,571,286
Total	<u>\$ 53,476,226</u>

On January 1, 2020, the City issued a letter of intent to purchase the water treatment and desalination facility. Discussions regarding the purchase continue, however, no additional agreements have been made.

CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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. The remaining liability of \$1,750,000 pertained to a class action settlement and has been reflected in the accompanying governmental fund 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, 2020, 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 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, 2020, the City had tax abatement agreements with 11 entities, all of which received abatements in fiscal year 2020. 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 2020, taxes abated under these agreements totaled \$757,098.

- 540 Westgate Drive – A 50% 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 2020 amounted to \$240,918.
- 14 E. Union St. - A 100% 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 2020 amounted to \$126,274.

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 16 TAX ABATEMENTS (CONTINUED)

- 160 Pleasant St - A 95% 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 2020 amounted to \$113,646.
- 309 Battles St. – A 95% 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 2020 amounted to \$113,669.

NOTE 17 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 2021. Management is evaluating the Statement's future impact on the basic financial statements.

Statement No. 87, *Leases*, which is required to be implemented during fiscal year 2022. Management is evaluating the Statement's future impact on the basic financial statements.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented during fiscal year 2022. Management is currently evaluating the Statement's impact on the basic financial statements.

Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, which is required to be implemented during fiscal year 2021. Management is currently evaluating the Statement's impact on the basic financial statements.

Statement No. 91, *Conduit Debt Obligations*, which is required to be implemented during fiscal year 2023. Management is currently evaluating the Statement's impact on the basic financial statements.

Statement No. 92, *Omnibus 2020*, which is required to be implemented during fiscal year 2022. Management is currently evaluating the Statement's future impact on the basic financial statements.

Statement No. 93, *Replacement of Interbank Offered Rates*, which is required to be implemented during fiscal year 2022. Management is currently evaluating the Statement's future impact on the basic financial statements.

CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 17 FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS (CONTINUED)

Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, which is required to be implemented during fiscal year 2023. Management is currently evaluating the Statement's future impact on the basic financial statements.

Statement No. 96, Subscription-Based Information Technology Arrangements, which is required to be implemented during fiscal year 2023. Management is currently evaluating the Statement's future impact on the basic financial statements.

Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a suppression of GASB Statement No. 32, which is required to be implemented during fiscal year 2022. Management is currently evaluating the Statement's future impact on the basic financial statements.

These pronouncements will be implemented by their respective implementation dates.

CITY OF BROCKTON, MASSACHUSETTS
BUDGETARY COMPARISON SCHEDULE — GENERAL FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)
(UNAUDITED)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Resources (Inflows):				
Real and Personal Property Taxes, Net	\$ 147,555,845	\$ 147,555,845	\$ 146,209,473	\$ (1,346,372)
Motor Vehicle and Other Excise	10,400,000	10,400,000	10,799,879	399,879
Penalties and Interest on Taxes	1,950,000	1,950,000	1,754,083	(195,917)
Payments in Lieu of Taxes	160,000	160,000	74,200	(85,800)
User Charges and Other Revenue	1,270,000	1,270,000	2,358,122	1,088,122
Fees	1,260,000	1,260,000	1,968,953	708,953
Licenses and Permits	3,110,000	3,110,000	3,457,803	347,803
Intergovernmental	213,142,981	213,142,981	214,541,227	1,398,246
Fines	350,000	350,000	442,146	92,146
Investment Income	400,000	400,000	945,118	545,118
Transfers In	3,878,870	3,951,983	3,962,130	10,147
Amounts Available for Appropriation	383,477,696	383,550,809	386,513,134	2,962,325
Charges to Appropriations (Outflows):				
Current:				
General Government	16,933,027	17,020,893	13,932,526	3,088,367
Public Safety	57,321,467	57,147,155	52,809,210	4,337,945
Education	186,246,285	184,246,285	183,628,306	617,979
Public Works	8,550,433	7,070,198	5,738,516	1,331,682
Economic Development	591,726	733,407	400,936	332,471
Human Services	2,777,640	2,825,040	2,410,342	414,698
Culture and Recreation	3,133,706	3,133,706	2,673,435	460,271
State and County Assessments	21,090,206	21,090,206	20,804,863	285,343
Pension and Fringe Benefits	82,890,021	82,890,021	82,307,634	582,387
Court Judgments	250,000	5,000,000	4,857,761	142,239
Capital Outlay	1,516,367	1,767,080	1,645,392	121,688
Debt Service	14,215,011	14,215,011	13,510,630	704,381
Transfers Out	1,814,731	5,314,731	5,314,731	-
Total Charges to Appropriations	397,330,620	402,453,733	390,034,282	12,419,451
Excess (Deficiency) of Resources Over Charges to Appropriations	(13,852,924)	(18,902,924)	\$ (3,521,148)	\$ 15,381,776
Other Budget Items:				
Free Cash	14,000,472	14,000,472		
Other Available Funds	(147,548)	(147,548)		
Overlay Release	-	5,050,000		
Total Other Budget Items	13,852,924	18,902,924		
Net Budget	\$ -	\$ -		

CITY OF BROCKTON, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)
(UNAUDITED)

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

	2019	2018	2017	2016	2015	2014
Total Pension Liability:						
Service Cost	\$ 14,492,874	\$ 13,935,456	\$ 13,782,419	\$ 13,252,326	\$ 11,641,512	\$ 10,817,393
Interest	52,029,811	50,477,295	48,362,463	46,791,714	44,359,746	41,739,197
Changes of Benefit Terms	5,353,051	-	-	-	-	-
Differences Between Expected and Actual Experience	2,838,635	-	4,943,799	-	11,431,816	-
Changes in Assumptions	9,631,778	-	22,366,074	-	-	17,356,197
Benefit Payments, Including Refunds of Member Contributions	(46,073,596)	(43,801,798)	(41,835,507)	(39,288,216)	(38,024,658)	(37,937,119)
Net Change in Total Pension Liability	38,272,553	20,610,953	47,619,248	20,755,824	29,408,416	31,975,668
Total Pension Liability - Beginning	679,896,326	659,285,373	611,666,125	590,910,301	561,501,885	529,526,217
Total Pension Liability - Ending ^(a)	<u>\$ 718,168,879</u>	<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	\$ 28,112,024	\$ 26,029,652	\$ 25,014,425	\$ 20,072,463	\$ 19,247,619	\$ 19,332,315
Contributions - Member	10,625,482	9,578,961	9,184,633	8,825,940	8,302,780	8,467,701
Net Investment Income	60,222,097	(23,618,417)	55,086,280	30,472,468	(7,554,439)	15,837,436
Benefit Payments, Including Refunds of Member Contributions	(46,073,596)	(43,801,798)	(41,835,507)	(39,288,216)	(38,024,658)	(37,937,119)
Other, Net	9,279	-	-	(366,882)	(798,475)	(406,376)
Administrative Expense	(732,902)	(675,515)	(785,306)	(779,411)	(686,453)	(677,927)
Net Change in Plan Fiduciary Net Position	52,162,384	(32,487,117)	46,664,525	18,936,362	(19,513,626)	4,616,030
Plan Fiduciary Net Position - Beginning	385,591,525	418,078,642	371,414,117	352,477,755	371,991,381	367,375,351
Plan Fiduciary Net Position - Ending ^(b)	<u>\$ 437,753,909</u>	<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 ^{(a) (b)}	<u>\$ 280,414,970</u>	<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	60.95%	56.71%	63.41%	60.72%	59.65%	66.25%
Covered Payroll	\$ 96,399,155	\$ 97,380,339	\$ 90,223,109	\$ 93,327,963	\$ 89,738,426	\$ 76,707,094
Net Pension Liability as a Percentage of Covered Payroll	290.89%	302.22%	267.34%	257.43%	265.70%	247.06%

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

**CITY OF BROCKTON, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)
(UNAUDITED)**

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially Determined Contribution	\$ 28,112	\$ 26,029	\$ 25,014	\$ 20,072	\$ 19,290	\$ 19,290	\$ 17,239	\$ 16,597	\$ 13,788	\$ 11,517
Contributions in Relation to the Actuarially Determined Contribution	28,112	26,029	25,014	20,072	19,248	19,332	17,283	16,639	13,834	11,618
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ 42	\$ (42)	\$ (44)	\$ (42)	\$ (46)	\$ (101)
Covered Payroll	\$ 96,399	\$ 97,380	\$ 90,223	\$ 93,328	\$ 89,738	\$ 76,707	\$ 76,378	\$ 74,417	\$ 74,417	\$ 75,433
Contributions as a Percentage of Covered Payroll	29.16%	26.73%	27.72%	21.51%	21.45%	25.20%	22.63%	22.36%	18.59%	15.40%

**CITY OF BROCKTON, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)
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**Schedule of Investment Returns
Brockton Contributory Retirement System ⁽¹⁾**

	2020	2019	2018	2017	2016	2015
Annual Money-Weighted Rate of Return, Net of Investment Income	15.83%	-5.71%	15.05%	8.80%	-2.06%	4.38%

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

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

	2020	2019	2018	2017	2016	2015
City's Proportion of the Net Pension Liability	93.74855%	93.40333%	93.40333%	93.03000%	93.02878%	93.50853%
City's Proportionate Share of the Net Pension Liability	262,884,960	274,880,684	225,295,129	223,506,439	221,810,876	177,208,481
City's Covered Payroll	90,372,810	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	290.9%	302.2%	267.3%	257.4%	306.1%	254.3%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	60.95%	56.71%	63.41%	60.72%	59.65%	66.25%

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

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

**CITY OF BROCKTON, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)
(UNAUDITED)**

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially Determined Contribution	\$ 26,355	\$ 24,312	\$ 23,364	\$ 18,673	\$ 17,945	\$ 18,038	\$ 16,075	\$ 15,477	\$ 12,732	\$ 10,342
Contributions in Relation to the Actuarially Determined Contribution	<u>26,355</u>	<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>
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	\$ 90,373	\$ 90,956	\$ 84,271	\$ 86,823	\$ 72,465	\$ 69,675	\$ 71,795	\$ 69,952	\$ 69,952	\$ 70,907
Contributions as a Percentage of Covered Payroll	29.16%	26.73%	27.72%	21.51%	24.76%	25.89%	22.39%	22.13%	18.20%	14.59%

**CITY OF BROCKTON, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)
(UNAUDITED)**

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

	2020	2019	2018	2017	2016	2015
City's Share of Net Pension Liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commonwealth's Share of the City's Net Pension Liability	410,437,717	390,765,228	406,936,492	389,967,839	372,391,598	293,063,758
Total	<u>\$ 410,437,717</u>	<u>\$ 390,765,228</u>	<u>\$ 406,936,492</u>	<u>\$ 389,967,839</u>	<u>\$ 372,391,598</u>	<u>\$ 293,063,758</u>
City's Expense and Revenue Recognized for the Commonwealth's Support	\$ 49,772,697	\$ 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	53.95%	54.84%	54.25%	52.73%	55.38%	61.64%

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

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

CITY OF BROCKTON, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)
(UNAUDITED)

Schedule of Changes in the Total OPEB Liability ⁽¹⁾

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability:			
Service Cost	\$ 29,541,390	\$ 28,624,196	\$ 28,647,015
Interest	21,583,105	22,281,379	21,275,694
Differences Between Expected and Actual Experience	12,669,693	(34,281,080)	(1,084,896)
Changes of Assumptions	17,177,657	24,009,068	-
Benefit Payments, Including Refunds of Member Contributions	<u>(14,245,728)</u>	<u>(15,240,000)</u>	<u>(14,940,000)</u>
Net Change in Total Pension Liability	66,726,117	25,393,563	33,897,813
 Total OPEB Liability - Beginning	 <u>780,710,847</u>	 <u>755,317,284</u>	 <u>721,419,471</u>
 Total OPEB Liability - Ending	 <u><u>\$ 847,436,964</u></u>	 <u><u>\$ 780,710,847</u></u>	 <u><u>\$ 755,317,284</u></u>
 Covered Payroll	 \$ 230,996,000	 \$ 222,200,000	 \$ 216,000,000
 Total OPEB Liability as a Percentage of Covered Payroll	 366.86%	 351.36%	 349.68%

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

CITY OF BROCKTON, MASSACHUSETTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020
(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).

CITY OF BROCKTON, MASSACHUSETTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
JUNE 30, 2020
(UNAUDITED)

NOTE 2 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	\$ 386,513,134
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	134,161
Stabilization Fund Earnings	233,565
MTRS On-Behalf Payments	49,772,697
Transfers from Other Funds are Inflows of Budgetary Resources But Are Not Revenues for Financial Reporting Purposes	<u>(3,962,130)</u>
Total Revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	<u><u>\$ 432,691,427</u></u>

Budgetary Outflows and GAAP Expenditures:

Actual Amounts (Budgetary Basis) "Total Charges to Appropriation" from the Budgetary Comparison Schedule	\$ 390,034,282
Differences - Budget to GAAP:	
Enterprise Fund Related Budgetary Expenditures are Recorded as Reductions to Transfers for GAAP Purposes	(2,870,567)
Health Claims Expenditures and Accruals Are Not reported as Charges to Appropriations on a Budgetary Basis	(1,815,651)
Claims and Judgements Expenditures and Accruals Are Not reported as Charges to Appropriations on a Budgetary Basis	(2,050,000)
Adjustments for Expenditures, Encumbrances, and Accruals, Net	(1,125,800)
MTRS On-Behalf Payments	49,772,697
Transfers to Other Funds are Outflows of Budgetary Appropriations But Are Not Expenditures for Financial Reporting Purposes	<u>(5,314,731)</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	<u><u>\$ 426,630,230</u></u>

CITY OF BROCKTON, MASSACHUSETTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
JUNE 30, 2020
(UNAUDITED)

NOTE 3 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% per year
Salary Increases	Based on service, 6% graded down to 4.25% for Group 1 Based on service, 7% graded down to 4.7% 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 three 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 - 2.0% beginning at age 50 ranging to 100.0% at age 65

NOTE 4 PENSION PLAN – BROCKTON CONTRIBUTORY RETIREMENT SYSTEM

Changes of Benefit Terms (2019): COLA base was increased from \$12,000 to \$13,000 effective July 1, 2021 and increased to \$14,000 effective July 1, 2022.

Changes of Assumptions (2019): Inflation rate was reduced to 2.5% from 3.5%. Mortality Tables were updated to RP-2014 Blue Collar Mortality Table using Scale MP-2018 from RP-2000 Mortality Table using Scale BB.

Changes of Assumptions (2017): Investment rate of return was reduced to 7.75% from 8%.

Changes of Assumptions (2017): Mortality Tables were updated to use RP-2000 Mortality Table projected generationally with Scale BB for males and females from RP-2000 Mortality Table with projections specified by IRS Regulation §1.430(h)(3)-1.

CITY OF BROCKTON, MASSACHUSETTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
JUNE 30, 2020
(UNAUDITED)

NOTE 5 OPEB PLAN

Changes of Assumptions (2020): Discount rate was adjusted to 2.66% from 2.79%, as well as a change in mortality tables used from RP2014 with a MP-2016 projection to RP2006 with an MP-2019 projection.

Changes of Assumptions (2020): Discount rate was adjusted to 2.79% from 2.98%.

CITY OF BROCKTON, MASSACHUSETTS
BUDGETARY COMPARISON SCHEDULE — WATER ENTERPRISE FUND
ADDITIONAL INFORMATION
YEAR ENDED JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Resources:				
Charges for Services	\$ 16,868,863	\$ 16,868,863	\$ 17,549,938	\$ 681,075
Departmental Charges and Fees	649,380	649,380	687,331	37,951
Miscellaneous	32,036	32,036	32,036	-
Amounts Available for Appropriation	17,550,279	17,550,279	18,269,305	719,026
Charges to Appropriations:				
Salaries and Benefits	3,290,233	3,290,233	2,887,793	402,440
Ordinary Maintenance	13,172,405	13,172,405	11,981,017	1,191,388
Debt Service	2,042,157	2,042,157	1,921,046	121,111
Capital Outlay	-	-	(26,601)	26,601
Total Charges to Appropriations	18,504,795	18,504,795	16,763,255	1,741,540
Excess (Deficiency) of Resources Over Charges to Appropriations	(954,516)	(954,516)	1,506,050	2,460,566
Other Financing Sources:				
Transfers In	954,516	954,516	954,516	-
Net Changes in Fund Balance	\$ -	\$ -	\$ 2,460,566	\$ 2,460,566

CITY OF BROCKTON, MASSACHUSETTS
BUDGETARY COMPARISON SCHEDULE — SEWER ENTERPRISE FUND
ADDITIONAL INFORMATION
YEAR ENDED JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Resources:				
Charges for Services	\$ 18,218,684	\$ 18,218,684	\$ 17,405,153	\$ (813,531)
Departmental Charges and Fees	593,191	593,191	483,263	(109,928)
Miscellaneous	190,647	190,647	190,647	-
Amounts Available for Appropriation	19,002,522	19,002,522	18,079,063	(923,459)
Charges to Appropriations:				
Salaries and Benefits	1,804,818	1,804,818	1,541,003	263,815
Ordinary Maintenance	13,757,213	13,757,213	11,447,702	2,309,511
Debt Service	6,880,592	6,880,592	6,743,791	136,801
Capital Outlay	901,350	901,350	826,673	74,677
Total Charges to Appropriations	23,343,973	23,343,973	20,559,169	2,784,804
Excess (Deficiency) of Resources Over Charges to Appropriations	(4,341,451)	(4,341,451)	(2,480,106)	1,861,345
Other Financing Sources:				
Certified Retained Earnings	4,341,451	4,341,451	4,341,451	-
Net Changes in Fund Balance	\$ -	\$ -	\$ 1,861,345	\$ 1,861,345

