

CITY OF BROCKTON, MASSACHUSETTS

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

JUNE 30, 2021



WEALTH ADVISORY | OUTSOURCING
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**CITY OF BROCKTON, MASSACHUSETTS
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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, 2021 (except for the Brockton Contributory Retirement System, which is as of and for the year ended December 31, 2020), 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, 2021 (except for the Brockton Contributory Retirement System, which is as of and for the year ended December 31, 2020), 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 and budgetary comparison of the General Fund and certain pension and other postemployment benefits information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

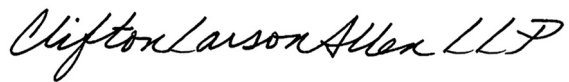
Other Information

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

Honorable Mayor and City Council
City of Brockton, Massachusetts

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2022 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 cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Boston, Massachusetts
June 10, 2022

CITY OF BROCKTON, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021
(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, 2021.

Brockton is a City located in Plymouth County, 20 miles southwest of Boston. The City has a population of approximately 105,643 (April 1, 2020 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 2021 by approximately \$755.0 million (net position).

- The City's total net position decreased in fiscal year 2021 by approximately \$36.7 million, or 5.1%. This is primarily due to the increases in the total OPEB liability.
- At the end of fiscal year 2021, unassigned fund balance for the general fund was approximately \$34.7 million, or 7.9%, of total general fund expenditures.
- The City's total bonded debt decreased by approximately \$5.2 million, or 3.1%, during fiscal year 2021. 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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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 custodial funds.

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 \$755 million at the close of the most recent fiscal year.

A significant portion of the City's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. This amount decreased by approximately \$12 million, or 4.4% 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, \$60.5 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	
	2021	2020	2021	2020	2021	2020
Current and Other Assets	\$ 211,540	\$ 167,977	\$ 54,379	\$ 51,884	\$ 265,919	\$ 219,861
Capital Assets	205,451	208,054	174,107	173,251	379,558	381,305
Total Assets	<u>\$ 416,991</u>	<u>\$ 376,031</u>	<u>\$ 228,486</u>	<u>\$ 225,135</u>	<u>\$ 645,477</u>	<u>\$ 601,166</u>
Deferred Outflows of Resources	<u>\$ 116,407</u>	<u>\$ 63,080</u>	<u>\$ 4,972</u>	<u>\$ 2,988</u>	<u>\$ 121,379</u>	<u>\$ 66,068</u>
Long-Term Debt Outstanding	\$ 94,264	\$ 98,822	\$ 69,895	\$ 70,504	\$ 164,159	\$ 169,326
Other Liabilities	1,250,914	1,130,418	59,892	57,302	1,310,806	1,187,720
Total Liabilities	<u>\$ 1,345,178</u>	<u>\$ 1,229,240</u>	<u>\$ 129,787</u>	<u>\$ 127,806</u>	<u>\$ 1,474,965</u>	<u>\$ 1,357,046</u>
Deferred Outflows of Resources	<u>\$ 45,172</u>	<u>\$ 27,461</u>	<u>\$ 1,700</u>	<u>\$ 977</u>	<u>\$ 46,872</u>	<u>\$ 28,438</u>
Net Position:						
Invested in Capital Assets	\$ 165,226	\$ 180,215	\$ 105,179	\$ 102,576	\$ 270,405	\$ 282,791
Restricted	60,468	60,319	-	-	60,468	60,319
Unrestricted	(1,082,646)	(1,058,124)	(3,208)	(3,236)	(1,085,854)	(1,061,360)
Total Net Position	<u>\$ (856,952)</u>	<u>\$ (817,590)</u>	<u>\$ 101,971</u>	<u>\$ 99,340</u>	<u>\$ (754,981)</u>	<u>\$ (718,250)</u>

Total Net Position

The City's total net position decreased in fiscal year 2021 by approximately \$36.7 million, or 5.1%. This is primarily due to the increase of approximately \$51 million in the Total OPEB liability and related deferred outflows and inflows.

Governmental Activities – Assets

For governmental activities, current and other assets increased by \$43.6 million, coupled with a decrease in capital assets of \$2.6 million, resulting in an increase in total assets of \$41.0 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 decrease in the capital assets was the result of depreciation exceeding capital additions during fiscal year 2021.

Governmental Activities – Liabilities

Liabilities increased by \$115.9 million. There was an increase of \$120.5 million in other liabilities offset by a \$4.6 million decrease in long-term debt outstanding. The increase in other liabilities was due to the increases of the total OPEB and Net Pension liabilities of \$49.8 million and \$5.8 million, respectively, the \$17.3 million increase in unearned revenue related to ARPA, and a \$10.7 million increase in BANs payable. 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 increased by \$2.5 million and capital assets increased by \$0.9 million for a total assets increase of \$3.4 million. The increase in current and other assets was primarily due to the \$1.5 million increase in intergovernmental receivables as a result of the timing of payments received. The increase in the capital assets was the result of capital additions exceeding depreciation during fiscal year 2021.

Business Type Activities – Liabilities

Liabilities increased by \$2.0 million. There was an increase of \$2.6 million in other liabilities offset by a \$0.6 million decrease in long-term debt outstanding. The increase in other liabilities was primarily due to an increase in the total OPEB liability of \$1.6 million. The decrease of the long-term debt was the result of yearly-required debt service payments exceeding new issuances.

Condensed Statements of Changes in Net Position (In Thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues:						
Charge for Services	\$ 14,620	\$ 14,383	\$ 50,825	\$ 46,499	\$ 65,445	\$ 60,882
Operating Grants	317,979	287,920	155	171	318,134	288,091
Capital Grants	3,475	9,787	830	-	4,305	9,787
General Revenues:						
Property Taxes	154,036	147,976	-	-	154,036	147,976
Excise Taxes	10,900	11,149	-	-	10,900	11,149
Intergovernmental	22,698	22,608	-	-	22,698	22,608
Other	5,670	4,012	656	689	6,326	4,701
Total Revenues	529,378	497,835	52,466	47,359	581,844	545,194
Expenses:						
General Government	27,963	26,378	-	-	27,963	26,378
Public Safety	97,656	93,576	-	-	97,656	93,576
Education	388,196	367,329	-	-	388,196	367,329
Public Works	11,990	12,980	-	-	11,990	12,980
Economic Development	3,949	1,979	-	-	3,949	1,979
Human Services	5,094	4,899	-	-	5,094	4,899
Culture and Recreation	4,581	5,128	-	-	4,581	5,128
State and County Assessments	23,720	20,805	-	-	23,720	20,805
Court Judgments	287	108	-	-	287	108
Interest on Long-Term Debt	4,347	4,526	-	-	4,347	4,526
Enterprise Accounts:						
Water	-	-	19,848	18,633	19,848	18,633
Sewer	-	-	18,933	17,671	18,933	17,671
Other	-	-	11,738	9,910	11,738	9,910
Total Expenses	567,783	537,708	50,519	46,214	618,302	583,922
Excess (Deficiency) before Transfers	(38,405)	(39,873)	1,947	1,145	(36,458)	(38,728)
Transfers	(684)	(2,374)	684	2,374	-	-
Total Transfers	(684)	(2,374)	684	2,374	-	-
Change in Net Position	(39,089)	(42,247)	2,631	3,519	(36,458)	(38,728)
Net Position - Beginning of Year (As Restated)	(817,863) *	(775,343)	99,340	95,821	(718,523)	(679,522)
Net Position - End of Year	\$ (856,952)	\$ (817,590)	\$ 101,971	\$ 99,340	\$ (754,981)	\$ (718,250)

*Restatement as a result of implementation of GASB Statement No. 84

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Governmental Activities – Statement of Activities

Gross expenses for governmental activities were \$567.8 million for fiscal year 2021. This reflected an increase of \$30.1 million, or 5.6%. The majority of the increase relates to the change in total OPEB liability.

Total general revenues for governmental activities of \$193.3 million offset total net expenses of \$231.7 million in 2021. Major ongoing general revenue factors for 2021 were the net property tax of \$154.0 million, which resulted in an increase of \$6.0 million over the prior fiscal year. The remaining categories in general revenues: excise taxes of \$10.9 million decreased by \$0.2 million over the prior fiscal year; intergovernmental of \$22.7 million (exclusive of Chapter 70 Funds) increased by \$0.1 million from the prior fiscal year; and other of \$5.7 million increased by \$1.7 million over the prior fiscal year.

In addition, program revenues of \$336.1 million in 2021 assisted in offsetting total governmental expenses of \$567.8 million to arrive at the total net expenses of \$231.7 million in 2021. Charges for services of \$14.6 million and capital grants of \$3.5 million in 2021 experienced a \$0.2 million increase and \$6.3 million decrease, respectively, from the prior year. More notably, operating grants of \$318.0 million in 2021 increased by \$30.1 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 \$529.4 million. Of this total almost \$336.1 million, or 63.5%, 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 \$22.7 million in intergovernmental aid which is classified as general revenue. An additional 29.1% 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 97.0% 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 2021, the City levied a total of \$154.0 million in gross real estate property taxes against an aggregate fair market assessed value of \$8.9 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 \$68.5 million and still remain under the levy ceiling. Accordingly, the taxing capacity exists to substantially improve the City's revenues for financing governmental activities but converting this potential capacity to real revenues would require voter approval.

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Business Type Activities – Statement of Activities

The business-type activities increased the City's net position by approximately \$2.6 million, or 2.6%. The water fund contributed a \$2.1 million increase; the sewer fund contributed a \$0.6 million increase, while the net position for the combination of the nonmajor recreation, refuse, and renewable energy funds decreased \$0.1 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 \$4.8 million and \$6.5 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 2021, the City's governmental funds reported combined fund balances of approximately \$114.0 million, an increase of approximately \$11.1 million, or 10.8% increase, in comparison with the prior year restated balance. The general fund balance increased by \$12.9 million, from \$72.9 million to \$85.8 million; and the combined fund balances for all the other governmental funds decreased by \$1.8 million, from the restated balance \$30.0 million to \$28.2 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 \$11.1 million, compared to its decrease in net position of \$39.1 million, a difference of \$50.2 million, is explained largely by the following factors:

1. \$0.9 million: the positive effect of revenue accruals.
2. \$2.6 million: the negative effect of the amount by which depreciation exceeded capital asset additions.
3. \$55.1 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. \$726 thousand: the negative effect of the amount by which the issuance of new bond premiums exceeded the amortization of bond premiums.
5. \$5.3 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.

Of the total of ending fund balances of \$114.0 million, \$9.8 million constitutes "nonspendable" fund balance, which is not available for spending by the City because fund balance amounts cannot be spent because they are either not in spendable form or they are legally or contractually required to remain intact. \$52.0 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. \$17.9 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. \$12.3 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. \$22.0 million constitutes "unassigned" fund balance, amounts in the general fund that are not otherwise constrained for a specific purpose more narrow than the general operations of the City.

For General Fund Balance

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

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

The total fund balance of \$24.6 million consists of the following:

The FY 2021 General Fund Restricted Fund balance represents the Health Insurance Trust fund in the amount of \$17.8 million. This amount consists of the Health Insurance Trust Fund balance of \$10.2 million and the amount for the FY 2021 Blue Cross and Blue Shield amount held on deposit to pay claims totaling \$7.6 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 2021 General Fund Restricted Fund balance in the amount of \$6.7 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 \$14.2 million consists of the following:

The fund balance includes the Certified Free Cash in the amount \$14.2 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 \$12.3 million consists of the following:

The FY 2021 General Fund Assigned Fund Balance amount represents year-end encumbrances in the amount of \$12.3 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 \$34.7 million consists of the following:

This grouping includes the City's Stabilization fund in the amount of \$9.5 million and the City's undesignated fund balance in the amount of \$25.2 million.

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

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

The total undesignated fund balance of \$25.2 million consists of the following:

This grouping includes the City's accumulated surplus in the amount of \$25.2 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 \$85.8 million, an increase of \$12.9 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 7.9% of total general fund expenditures, while total fund balance represents 19.6% 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 \$102.0 million. Changes in net position of the proprietary funds at the end of the current fiscal year totaled an increase of approximately \$2.6 million, or 2.6%.

The Proprietary Funds of the City are comprised of five (5) enterprise funds: water, sewer, recreation, refuse, and renewable energy. The results for the water and sewer funds are reported separately; the results for the recreation, refuse, and renewable energy funds are combined. The 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 2021 operating income was \$1.8 million, or approximately 8.4% of operating revenues. Nonoperating revenues (expenses) and transfers netted to a positive \$350 thousand, and so net position increased by \$2.1 million. Cash flow from operations was positive at \$4.8 million.

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For the sewer fund, operating income was \$1.7 million, or 8.4% of operating revenues. Nonoperating (expenses) and transfers netted to a negative \$1.1 million, and so net position increased by \$0.6 million. Cash flow from operations was an increase of \$6.5 million.

For the combined results of the other enterprise funds, the value of net position decreased by \$0.1 million. The operating loss for combined other enterprise funds was \$2.0 million in fiscal year 2021 or 20.0% of operating revenues. With the benefit of net transfers in (general fund subsidy) and the nonoperating revenue of \$1.9 million, and so net position decreased by \$0.1 million.

Budgetary Highlights

In fiscal year 2021, the original budget called for \$410.5 million in spending. Of this amount \$181.6 million was for Education spending, \$56.9 million was for Public Safety spending, \$85.4 million was for Fringe Benefit spending and \$86.6 million for all other categories.

Resources totaled \$395.0 million, creating a planned deficit of approximately \$15.4 million. Offsetting this deficit was a contribution from "Free Cash" of \$14.4 million. The remaining deficit of approximately \$1.0 million was contributed from Other Available Funds.

In the final budget, a total of \$421.6 million in spending was authorized, an increase of \$11.1 million. The significant budgets changes that made up this amount were an additional \$10.1 million in education expenses.

On an actual basis, resources were higher than the final budget by \$7.6 million. The majority of revenue categories resulted in a positive variance with the exceptions of investment income and payments in lieu of taxes. The City's revenue estimates normally are conservative and actual results typically exceed budget by 1.5% to 2.0%. For fiscal year 2021, the positive variance was largely driven by the real estate, personal property, motor vehicle and other excise taxes, licenses and permits, and penalties and interest on taxes.

On the expenditure side, a favorable variance of \$13.9 million was achieved. The City has typically achieved 1% to 2% positive variance on spending. For fiscal year 2021, this positive variance was driven by actual budgetary expenditures less than budgeted expenditures in the general government, public safety, public works, and pension and fringe benefits.

As a result of the revenue and expenditure positive variances, the City's fiscal year 2021 general fund operations estimated to create free cash of approximately \$14.2 million to be used in the FY 2022 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, 2021 amounted to approximately \$379.6 million (net of accumulated depreciation). This investment in capital assets includes land, land improvements, construction-in-progress, buildings, machinery and equipment, infrastructure, and historical works of art. The total decrease in the City's investment in capital assets of \$1.7 million for fiscal year 2021 represented a decrease of 0.5%. Capital assets for governmental activities decreased by \$2.6 million, or 1.3%, while capital assets for business-type activities increased by \$0.9 million, or 0.9%. The increase in capital assets for business-type activities was primarily caused by the capital asset additions exceeding depreciation while 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	
	2021	2020	2021	2020	2021	2020
Land	\$ 7,777	\$ 7,411	\$ 3,319	\$ 3,245	\$ 11,096	\$ 10,656
Construction in Progress	2,315	160	7,567	4,794	9,882	4,954
Historical Works of Art	1,809	1,809	-	-	1,809	1,809
Buildings	156,212	158,488	112,856	115,140	269,068	273,628
Land Improvements	2,463	6,147	2,532	1,904	4,995	8,051
Machinery and Equipment	6,880	5,757	4,561	6,292	11,441	12,049
Infrastructure	27,995	28,282	43,272	41,876	71,267	70,158
Total	<u>\$ 205,451</u>	<u>\$ 208,054</u>	<u>\$ 174,107</u>	<u>\$ 173,251</u>	<u>\$ 379,558</u>	<u>\$ 381,305</u>

Long-Term Debt – At the end of the current fiscal year, the City had total bonded debt outstanding of approximately \$164.2 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	
	2021	2020	2021	2020	2021	2020
Long-Term Debt, Net of Unamortized Premiums	<u>\$ 94,264</u>	<u>\$ 98,822</u>	<u>\$ 69,895</u>	<u>\$ 70,504</u>	<u>\$ 164,159</u>	<u>\$ 169,326</u>

The overall net decrease is attributable to the following factors:

The City's bonded debt decreased by approximately \$5.2 million or a decrease of 3.1%.

Total long-term debt of the City represents a claim of about 43.3% of the City's total capital assets, and a claim of about 25.4% of the City's total assets. As a percentage of the fair value of taxable property in the City, the long-term debt comprises only 2.3%.

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

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Economic Factors and Next Year's Budgets

Since the recovery from the recession of 2008/2009, the state has increased its assistance to the City in aid to education. The City received an increase of 11% from \$217,208,746 in FY 2021 to \$240,652,952 in FY 2022. On July 16, 2021, Governor Baker signed the FY 2022 supporting historic investments in local schools: The budget fully funds the Student Opportunity Act as it includes a \$219.6 million increase in the annual Chapter 70 investment. It also provides an additional \$28.2 million for special education circuit breaker reimbursement for local cities and towns, as well as \$34.3 million in additional funding for charter school reimbursement. This funding complements substantial federal resources including \$2.9 billion in Elementary and Secondary School Emergency Relief (ESSER) funding and \$3.4 billion in ARPA direct aid for local governments throughout Massachusetts. The proposed state aid for the City of Brockton in FY 2023 is \$255,936,167.

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. As of the result, the City of Brockton has seen an increase in Charter School Sending Tuition from \$21,448,650 in FY 2021 to \$21,448,650 in FY 2022, and a proposed FY 2023 increase to \$25,248,578. Additionally, overall state and county assessments has risen 12% from FY 2021 (\$27,720,285.34) to FY 2022 (\$26,531,581). The proposed increase for FY 2023 will increase 14% to \$30,308,430.

In FY 2022, the governor's budget increased the chapter 70 by almost \$24 million (\$212,385,531). Therefore, the net, gross increase to the City, before charter school adjustments, will be about \$26.5 million, and continue to increase by 14% in FY 2023. 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 2021, 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 2022, the same categories in the governor's budget, at \$23 million, would remain more than \$5 million below the FY 2008 amount, or about 19%. Finally, in FY2023 we anticipate unrestricted governmental aid to be \$23,633,259.

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 \$451,038 in FY 2021. In FY 2022 collections we provided conservative estimates of \$375,000, or the same as FY 2021. With the uncertainty as it relates to the pandemic continuing in FY 2023, we continued our conservative estimate of \$375,000.

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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 \$1,264,021 in actuals for FY 2021, exceeding expectations as a result of an increase in take-out service during the pandemic. Estimates for FY 2022 remain conservative at \$1,000,000, as well as in FY 2023 (\$1,000,000).

The City has received over \$500,000 in marijuana revenue for FY 2022, and projects \$1,000,000 in revenue for FY 2023.

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 2022 was \$9,968,596,310, an increase from FY 2021 of 8.90%. With this value, the maximum allowable levy ceiling with voter approval is \$249,214,913.

The assessed value increase of over 8.90% for FY 2022. This increase followed similar increases in value of 8.63%, 7.43%, 9.35%, and 7.24% for the previous four 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 2022 assessed value would support a maximum levy under the law, with voter approval, at 2.5 % of value, of \$249,214,913. Of this amount, \$160,629,125 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 fund is 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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To more actively manage this long-term obligation, especially its impact on annual operating budgets, the City issued a Pension Obligation Bond (POB) of \$300 million to pay back its unfunded liability. While not the full unfunded liability, the City borrowed the amount attributed to its obligation and chose an amount that reduces the risk that the system will be fully funded. If more than fully funded, appropriations are not reduced, and therefore surplus assets benefit all other contributing employers in addition to the City. In this manner, the City funded the bulk of its unfunded pension liability, structuring the repayment of the Bonds so that annual debt service payments fit within the City's existing debt repayment structure. The City will enjoy significant budgetary savings by swapping a level debt service amortization schedule on the Bonds, commencing in 2028, for its current ascending funding schedule. The Bonds will fully amortize by the end of fiscal year 2036. This model debt issuance will result in nearly \$90 million in estimated savings. This is four years longer than the current UAAL funding schedule, but four years shorter than is otherwise permitted by state law. The total interest cost (TIC) of the POB for the life of the bond is 2.62%. True interest cost (TIC) is defined as the rate of interest necessary to discount the amounts payable on respective principal and interest payment dates to the purchase price received for the new issue of bonds.

Financial Policies

The issuance of pension obligation debt is also consistent with the Financial Policies of the City of Brockton. A local governments investment policy establishes guidelines and responsibilities in accordance with state law for managing and investing municipal funds. When assessing municipalities for credit quality, rating agencies look for investment management policies that address selection of financial institutions for services and transactions, risk assessment, investment objectives, investment maturities and volatility, and investment performance reporting. Thus, the Treasurer/Collector of the City of Brockton shall invest funds in a manner that meets daily operating cash flow requirements and conforms to state statutes governing public funds, while adhering to prudent investment principals. Our model has addressed both the risks associated with the issuance of pension obligation debt and provided a strategy that has not impacted our overall credit ratings. Our ratings with S&P (AA-) and Moody's (A1) have remained the same during the issuance process.

Risk Mitigation Strategies

Similarly, the issuance of pension bonds is not free from risk. The invested assets of the City's retirement system, including proceeds of the Bonds, are subject to changes in market values, both positive and negative. As such, it is possible that the City's return on pension system assets can be less than the system's assumed rate of return. It is also possible that the rate of return on plan assets can be less than debt service payable on the Bonds. Other factors to be considered in evaluating a pension issue include the potential for increases in unfunded liability through the adoption of different actuarial assumptions by the actuarial community (such as revised investment return and mortality assumptions), the expansion of the City's workforce and overall payroll growth over time.

To address risk, the Bonds are structured so that annual debt service payments will be less than the amounts otherwise scheduled to be paid under the City's current funding schedule, resulting in annual budgetary savings when compared to its existing funding obligation. It is important to emphasize that the repayment of debt service on the Bonds represents a redirection of funds presently applied to amortize the City's unfunded pension liability. This budgetary savings can be available to reduce an unanticipated increase in unfunded liability in the event that assumptions as to return, actuarial experience and payroll growth do not come to pass.

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The City has taken an additional step to mitigate risk by authorizing the establishment of a pension obligation stabilization fund dedicated to managing the City's unfunded pension liability and maintaining as near to a fully funded ratio as possible despite adverse market and/or actuarial assumption changes. The City's current budget includes funds to make its fiscal year 2023 UAAL amortization payment to the Retirement Board. With the issuance of the Bonds, a portion of which will fund the City's obligation to provide for its fiscal year 2022 UAAL amortization payment, the City transferred \$20 million of the funds budgeted to make its fiscal year 2022 UAAL payment to the CRF. These funds would be managed by the City's finance officials and applied, if necessary, to address significant funding shortfalls. Funds in the CRF are not pledged to the payment of the Bonds, or any other general obligation debt of the City.

In addition to the initial deposit of funds in the CRF as described above, the City has added a pension stabilization fund from a portion of budgetary savings realized in each year through the issuance the Bonds. The City's plan is to contribute up to \$5 million of the anticipated budgetary savings in each year, until the balance in the fund reaches \$40 million. Thereafter, the City plans to maintain the lesser of \$40 million or ten percent of the outstanding balance of the Bonds. Thereafter, so long as the balance in the stabilization fund remains, any annual savings would be available to the City for any lawful purpose.

Changes in the pay scale for ordinance employees and completion of collective bargaining agreements, has modest additional increases, but in a manner that is conservative and fiscally responsible. Accordingly, the City will maintain the same level of services with minor impacts from the COVID-19 pandemic in recent years. The City adopted an overall conservative approach to both its revenue projections and appropriations 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 FY 2022, the City took a similar approach, but with the increase in state aid, was able to retain critical services in public safety and throughout the City. Additionally, the City has received American Rescue Plan Act (ARPA) funds in the amount of \$17,295,397, with a second allocation expected in July of 2023. Similarly, the City expects additional funding totaling close to \$16,000,000 from Plymouth County in ARPA funds. This money is made available on a reimbursable basis through the Plymouth County's ARPA portal.

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, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 159,839,700	\$ 22,414,298	\$ 182,253,998
Receivables, Net:			
Property Taxes, Liens, and Excise			
Taxes (Net of \$2,249,221 Allowance)	17,760,293	-	17,760,293
Intergovernmental	20,966,861	2,449,192	23,416,053
Customer Receivables	-	28,197,090	28,197,090
Departmental and Other	1,483,825	-	1,483,825
Other Assets	9,844,880	1,318,529	11,163,409
Tax Possessions	1,644,429	-	1,644,429
Capital Assets:			
Nondepreciable	11,902,032	10,885,919	22,787,951
Depreciable, Net	193,548,883	163,220,747	356,769,630
Total Assets	<u>416,990,903</u>	<u>228,485,775</u>	<u>645,476,678</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension	26,357,248	2,036,382	28,393,630
OPEB	90,049,813	2,935,462	92,985,275
Total Deferred Outflows of Resources	<u>116,407,061</u>	<u>4,971,844</u>	<u>121,378,905</u>
Total Assets and Deferred Outflows	<u>\$ 533,397,964</u>	<u>\$ 233,457,619</u>	<u>\$ 766,855,583</u>
LIABILITIES			
Warrants and Accounts Payable	\$ 16,303,765	\$ 2,831,913	\$ 19,135,678
Accrued Liabilities:			
Interest	1,671,268	682,751	2,354,019
Payroll and Related Withholdings	19,316,188	114,844	19,431,032
Tax Abatement Refunds	4,600	-	4,600
Bond Anticipation Notes Payable	15,367,600	1,126,233	16,493,833
Other Liabilities	452,514	-	452,514
Noncurrent Liabilities:			
Due Within One Year:			
Compensated Absences and Claims	7,527,174	601,007	8,128,181
Bonds, Note, and Loans Payable	8,658,997	8,440,637	17,099,634
Total OPEB Liability	15,035,858	490,142	15,526,000
Due in More Than One Year:			
Compensated Absences and Claims	16,000,482	3,505,905	19,506,387
Unearned Revenue	17,295,397	1,346,807	18,642,204
Landfill Closure and Postclosure Care Costs	1,022,051	743,077	1,765,128
Bonds, Note, and Loans Payable	85,604,831	61,454,171	147,059,002
Net Pension Liability	252,055,620	19,474,013	271,529,633
Total OPEB Liability	888,861,396	28,975,288	917,836,684
Total Liabilities	<u>1,345,177,741</u>	<u>129,786,788</u>	<u>1,474,964,529</u>
DEFERRED INFLOWS OF RESOURCES			
Pension	5,098,066	393,881	5,491,947
OPEB	40,074,417	1,306,355	41,380,772
Total Deferred Inflows of Resources	<u>45,172,483</u>	<u>1,700,236</u>	<u>46,872,719</u>
NET POSITION			
Net Investment in Capital Assets	165,226,417	105,179,008	270,405,425
Restricted For:			
Permanent Funds:			
Nonexpendable	9,814,418	-	9,814,418
Expendable	1,066,803	-	1,066,803
Statutory Reserve	6,707,616	-	6,707,616
Health Claims	17,848,961	-	17,848,961
Federal, State, and Local Grants	25,029,935	-	25,029,935
Unrestricted	<u>(1,082,646,410)</u>	<u>(3,208,413)</u>	<u>(1,085,854,823)</u>
Total Net Position	<u>\$ (856,952,260)</u>	<u>\$ 101,970,595</u>	<u>\$ (754,981,665)</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF BROCKTON, MASSACHUSETTS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Government Activities:								
General Government	\$ 27,962,784	\$ 7,447,528	\$ 2,220,772	\$ -	\$ (18,294,484)	\$ -	\$ (18,294,484)	
Public Safety	97,655,558	5,505,269	20,170,245	-	(71,980,044)	-	(71,980,044)	
Education	331,384,348	887,942	234,086,378	326,077	(96,083,951)	-	(96,083,951)	
Education - MTRS	56,811,472	-	56,811,472	-	-	-	-	
Public Works	11,990,008	137,555	304,467	3,149,340	(8,398,646)	-	(8,398,646)	
Economic Development	3,948,884	-	3,058,123	-	(890,761)	-	(890,761)	
Human Services	5,094,405	425,944	830,635	-	(3,837,826)	-	(3,837,826)	
Culture and Recreation	4,581,333	1,606	496,667	-	(4,083,060)	-	(4,083,060)	
State and County Assessments	23,720,285	-	-	-	(23,720,285)	-	(23,720,285)	
Court Judgments	286,997	-	-	-	(286,997)	-	(286,997)	
Interest on Long-Term Debt	4,347,386	213,926	-	-	(4,133,460)	-	(4,133,460)	
Total Governmental Activities	567,783,460	14,619,770	317,978,759	3,475,417	(231,709,514)	-	(231,709,514)	
Business-Type Activities:								
Water	19,848,572	21,285,916	6,021	211,285	-	1,654,650	1,654,650	
Sewer	18,932,759	19,753,778	148,994	235,275	-	1,205,288	1,205,288	
Other	11,738,317	9,784,955	-	383,910	-	(1,569,452)	(1,569,452)	
Total Business-Type Activities	50,519,648	50,824,649	155,015	830,470	-	1,290,486	1,290,486	
Total Primary Government	\$ 618,303,108	\$ 65,444,419	\$ 318,133,774	\$ 4,305,887	(231,709,514)	1,290,486	(230,419,028)	
General Revenues:								
Property Taxes, Levied for General Purpose, Net					154,036,186	-	154,036,186	
Excises					10,899,711	-	10,899,711	
Payments in Lieu of Taxes					73,870	-	73,870	
Penalties and Interest on Taxes					2,551,202	-	2,551,202	
Other					597,641	-	597,641	
Unrestricted Grants and Contributions					22,697,694	-	22,697,694	
Investment Income					2,622,687	655,959	3,278,646	
Loss on Disposal of Capital Assets					(174,261)	-	(174,261)	
Transfers, Net					(684,087)	684,087	-	
Total General Revenues and Transfers					192,620,643	1,340,046	193,960,689	
Change in Net Position					(39,088,871)	2,630,532	(36,458,339)	
Net Position - Beginning of Year (As Restated)					(817,863,389)	99,340,063	(718,523,326)	
Net Position - End of Year					\$ (856,952,260)	\$ 101,970,595	\$ (754,981,665)	

See accompanying Notes to Basic Financial Statements.

**CITY OF BROCKTON, MASSACHUSETTS
BALANCE SHEET — GOVERNMENTAL FUNDS
JUNE 30, 2021**

	General	Public Safety Complex	COVID Fund	ARPA Fund	Other Governmental	Total
ASSETS						
Cash and Investments	\$ 92,694,015	\$ 10,578,950	\$ -	\$ 17,295,397	\$ 39,271,338	\$ 159,839,700
Receivables, Net:						
Property Taxes (Net of \$1,098,437 Allowance)	10,862,503	-	-	-	-	10,862,503
Motor Vehicle Excise (Net of \$1,104,281 Allowance)	2,330,758	-	-	-	-	2,330,758
Tax Liens	4,567,032	-	-	-	-	4,567,032
Intergovernmental	7,675,303	-	7,206,932	-	6,084,626	20,966,861
Departmental and Other	735,780	-	-	-	748,045	1,483,825
Total Receivables	26,171,376	-	7,206,932	-	6,832,671	40,210,979
Due from Other Funds	9,109,430	-	-	-	-	9,109,430
Tax Possessions	1,644,429	-	-	-	-	1,644,429
Deposits with Health Claims Agent	7,574,800	-	-	-	-	7,574,800
Total Assets	<u>\$ 137,194,050</u>	<u>\$ 10,578,950</u>	<u>\$ 7,206,932</u>	<u>\$ 17,295,397</u>	<u>\$ 46,104,009</u>	<u>\$ 218,379,338</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES						
Warrants and Accounts Payable	\$ 12,220,618	\$ 208,752	\$ 605,308	\$ -	\$ 3,269,087	\$ 16,303,765
Accrued Liabilities:						
Tax Abatement Refunds	4,600	-	-	-	-	4,600
Payroll and Related Withholdings	17,459,538	-	-	-	1,856,650	19,316,188
Health Claims Payable	3,501,007	-	-	-	-	3,501,007
Other Liabilities	-	-	-	-	452,514	452,514
Due to Other Funds	-	-	9,109,430	-	-	9,109,430
Unearned Revenue	-	-	-	17,295,397	-	17,295,397
Bond Anticipation Notes Payable	-	12,100,000	-	-	3,267,600	15,367,600
Total Liabilities	33,185,763	12,308,752	9,714,738	17,295,397	8,845,851	81,350,501
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue	18,229,413	-	4,822,248	-	-	23,051,661
FUND BALANCES						
Nonspendable	-	-	-	-	9,814,418	9,814,418
Restricted	24,556,577	-	-	-	27,468,940	52,025,517
Committed	14,165,851	-	-	-	3,694,254	17,860,105
Assigned	12,310,859	-	-	-	-	12,310,859
Unassigned	34,745,587	(1,729,802)	(7,330,054)	-	(3,719,454)	21,966,277
Total Fund Balances	85,778,874	(1,729,802)	(7,330,054)	-	37,258,158	113,977,176
Total Liabilities, Deferred Inflows of Sources, and Fund Balances	<u>\$ 137,194,050</u>	<u>\$ 10,578,950</u>	<u>\$ 7,206,932</u>	<u>\$ 17,295,397</u>	<u>\$ 46,104,009</u>	<u>\$ 218,379,338</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, 2021**

Total Fund Balance - Governmental Funds	\$ 113,977,176
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	205,450,915
Other Assets Are Not Available to Pay for Current Period Expenditures and, Therefore, are Reported as Deferred Inflows of Resources in the Governmental Funds	23,051,661
Prepaid Supplies Capitalized in the Government-Wide Statements as Other Assets	2,270,080
Deferred Outflows of Resources - Pension	26,357,248
Deferred Outflows of Resources - OPEB	90,049,813
Deferred Inflows of Resources - Pension	(5,098,066)
Deferred Inflows of Resources - OPEB	(40,074,417)
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	(72,890,000)
Other General Obligation Bonds	(19,703,507)
Unamortized Bond Premiums	(1,670,321)
Total OPEB Liability	(903,897,254)
Net Pension Liability	(252,055,620)
Accrued Interest on Bonds	(1,671,268)
Landfill and Postclosure Care Costs	(1,022,051)
Compensated Absences, Claims, and Judgments	(20,026,649)
Subtotal	<u>(1,272,936,670)</u>
Net Position of Governmental Activities	<u>\$ (856,952,260)</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, 2021**

	General	Public Safety Complex	COVID Fund	ARPA Fund	Other Governmental	Total
Revenues:						
Real and Personal Property Taxes, Net	\$ 154,355,112	\$ -	\$ -	\$ -	\$ -	\$ 154,355,112
Motor Vehicle and Other Excise	10,979,164	-	-	-	-	10,979,164
Penalties and Interest on Taxes	2,551,202	-	-	-	-	2,551,202
Payments in Lieu of Taxes	73,870	-	-	-	-	73,870
User Charges and Other Revenue	1,307,969	-	-	-	4,616,710	5,924,679
Fees	1,997,265	-	-	-	3,305,433	5,302,698
Licenses and Permits	4,602,887	-	-	-	-	4,602,887
Intergovernmental	217,546,718	-	13,629,110	-	52,025,049	283,200,877
Intergovernmental (MTRS On Behalf of Contribution)	56,811,472	-	-	-	-	56,811,472
Fines	455,047	-	-	-	250,449	705,496
Investment Income	549,407	-	-	-	2,073,280	2,622,687
Contributions	-	-	-	-	1,345,522	1,345,522
Total Revenues	451,230,113	-	13,629,110	-	63,616,443	528,475,666
Expenditures:						
Current:						
General Government	14,924,972	-	1,396,870	-	1,207,004	17,528,846
Public Safety	52,747,757	-	6,200,822	-	7,027,271	65,975,850
Education	184,568,198	-	9,688,928	-	42,560,781	236,817,907
Public Works	5,957,027	-	17,049	-	343,989	6,318,065
Economic Development	423,760	-	-	-	3,525,124	3,948,884
Human Services	2,454,547	-	69	-	1,108,181	3,562,797
Culture and Recreation	2,395,834	-	46,249	-	158,916	2,600,999
State and County Assessments	23,720,285	-	-	-	-	23,720,285
Pension and Fringe Benefits	80,723,923	-	-	-	-	80,723,923
Pension (MTRS On Behalf of Payment)	56,811,472	-	-	-	-	56,811,472
Court Judgments	286,997	-	-	-	-	286,997
Capital Outlay	631,681	1,729,802	-	-	7,139,712	9,501,195
Debt Service	12,428,560	-	-	-	192,470	12,621,030
Total Expenditures	438,075,013	1,729,802	17,349,987	-	63,263,448	520,418,250
Excess of Revenues Over Expenditures	13,155,100	(1,729,802)	(3,720,877)	-	352,995	8,057,416
Other Financing Sources (Uses):						
Operating Transfers In	3,657,877	-	-	-	2,425,637	6,083,514
Operating Transfers Out	(4,019,616)	-	-	-	(2,747,985)	(6,767,601)
Proceeds from Issuance of Bonds and Notes Payable	-	-	-	-	2,997,789	2,997,789
Proceeds from Refunding Bonds (Current)	3,225,000	-	-	-	-	3,225,000
Premiums from Issuance of Bonds and Notes Payable	-	-	-	-	631,226	631,226
Premiums from Issuance of Refunding Bonds (Current)	593,944	-	-	-	-	593,944
Debt Service - Principal - Current Refunding	(3,710,000)	-	-	-	-	(3,710,000)
Total Other Financing Sources (Uses)	(252,795)	-	-	-	3,306,667	3,053,872
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	12,902,305	(1,729,802)	(3,720,877)	-	3,659,662	11,111,288
Fund Balance - Beginning of Year (As Restated)	72,876,569	-	(3,609,177)	-	33,598,496	102,865,888
Fund Balance - End of Year	\$ 85,778,874	\$ (1,729,802)	\$ (7,330,054)	\$ -	\$ 37,258,158	\$ 113,977,176

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, 2021**

Net Change in Fund Balances - Total Governmental Funds	\$ 11,111,288
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	9,570,235
Depreciation	(11,999,508)
Loss of Disposal of Capital Assets	(174,261)
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.	33,395,852
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.	2,219,797
Accrual Basis Revenues Can Result in More (Less) Revenues Reported in the Statement of Activities Depending Upon Timing of Billings and Collections.	863,345
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	11,506,747
Amortization of Bond Premiums, Net	(725,799)
Proceeds of Bonds and Notes	(6,222,789)
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	191,451
Benefit Claims, Compensated Absences, and Court Judgements	573,142
Net OPEB Liability	(83,213,123)
Net Pension Liability	(8,024,671)
Landfill Closure	905,059
Prepaid Supplies	934,364
Change in Net Position of Governmental Activities	<u>\$ (39,088,871)</u>

See accompanying Notes to Basic Financial Statements.

CITY OF BROCKTON, MASSACHUSETTS
STATEMENT OF NET POSITION — PROPRIETARY FUNDS
JUNE 30, 2021

ASSETS	Enterprise Funds			Total
	Water	Sewer	Nonmajor	
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 13,938,497	\$ 4,293,185	\$ 4,182,616	\$ 22,414,298
Customer Receivables, Net	10,596,360	13,106,454	4,494,276	28,197,090
Intergovernmental Receivable	761,809	1,565,400	121,983	2,449,192
Other	582,820	548,119	187,590	1,318,529
Total Current Assets	25,879,486	19,513,158	8,986,465	54,379,109
NONCURRENT ASSETS				
Capital Assets:				
Nondepreciable	5,908,083	4,773,949	203,887	10,885,919
Depreciable, Net	44,264,322	111,681,109	7,275,316	163,220,747
Total Noncurrent Assets	50,172,405	116,455,058	7,479,203	174,106,666
Total Assets	76,051,891	135,968,216	16,465,668	228,485,775
DEFERRED OUTFLOWS OF RESOURCES				
Pension	1,087,613	393,392	555,377	2,036,382
OPEB	1,646,886	503,461	785,115	2,935,462
Total Deferred Outflows of Resources	2,734,499	896,853	1,340,492	4,971,844
Total Assets and Deferred Outflows of Resources	78,786,390	136,865,069	17,806,160	233,457,619
LIABILITIES				
CURRENT LIABILITIES				
Warrants and Accounts Payable	1,337,113	784,689	710,111	2,831,913
Accrued Expenses	285,303	445,812	66,480	797,595
Compensated Absences and Claims	187,846	291,256	121,905	601,007
Total OPEB Liability - Due within One Year	274,985	84,064	131,093	490,142
Bond Anticipation Notes	1,126,233	-	-	1,126,233
Bonds, Note, and Loans Payable	2,201,059	6,083,994	155,584	8,440,637
Total Current Liabilities	5,412,539	7,689,815	1,185,173	14,287,527
NONCURRENT LIABILITIES				
Compensated Absences and Claims	1,091,695	1,705,106	709,104	3,505,905
Unearned Revenue	712,526	634,281	-	1,346,807
Landfill Closure and Postclosure Care Costs	-	743,077	-	743,077
Total OPEB Liability	16,256,045	4,969,548	7,749,695	28,975,288
Net Pension Liability	10,400,895	3,762,023	5,311,095	19,474,013
Bonds, Note, and Loans Payable	20,770,051	40,273,493	410,627	61,454,171
Total Noncurrent Liabilities	49,231,212	52,087,528	14,180,521	115,499,261
Total Liabilities	54,643,751	59,777,343	15,365,694	129,786,788
DEFERRED INFLOWS OF RESOURCES				
Pension	210,368	76,091	107,422	393,881
OPEB	732,906	224,053	349,396	1,306,355
Total Deferred Inflows	943,274	300,144	456,818	1,700,236
NET POSITION				
Net Investment in Capital Assets	26,784,213	71,480,554	6,914,241	105,179,008
Unrestricted	(3,584,848)	5,307,028	(4,930,593)	(3,208,413)
Total Net Position	\$ 23,199,365	\$ 76,787,582	\$ 1,983,648	\$ 101,970,595

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, 2021**

	Enterprise Funds			
	Water	Sewer	Nonmajor	Total
Operating Revenues:				
Charges	\$ 19,970,251	\$ 18,661,552	\$ 9,140,152	\$ 47,771,955
Fees	1,315,665	1,092,226	631,668	3,039,559
Other	-	-	13,135	13,135
Total Operating Revenues	21,285,916	19,753,778	9,784,955	50,824,649
Operating Expenses:				
Salaries and Benefits	5,651,015	2,643,631	3,830,031	12,124,677
Utilities	543,197	1,317,169	68,527	1,928,893
Repairs and Maintenance	1,165,420	3,620,206	423,531	5,209,157
Contractual Services	9,378,966	5,297,616	6,701,607	21,378,189
Other Supplies and Expenses	644,225	267,507	129,008	1,040,740
Depreciation	2,123,176	4,945,042	585,613	7,653,831
Total Operating Expenses	19,505,998	18,091,171	11,738,317	49,335,486
Total Operating Income (Loss)	1,779,918	1,662,607	(1,953,362)	1,489,163
Nonoperating Revenue (Expense):				
Interest Income	262,965	219,340	173,654	655,959
Interest Expense	(342,574)	(841,588)	-	(1,184,162)
Debt Subsidies	6,021	148,994	-	155,015
Total Nonoperating Revenue (Expense)	(73,588)	(473,254)	173,654	(373,188)
Income (Loss) Before Transfers	1,706,330	1,189,353	(1,779,708)	1,115,975
Capital Contributions	211,285	235,275	383,910	830,470
Transfers In	387,722	15,672	1,332,229	1,735,623
Transfers Out	(175,017)	(876,519)	-	(1,051,536)
Total Transfers, Net	423,990	(625,572)	1,716,139	1,514,557
Change in Net Position	2,130,320	563,781	(63,569)	2,630,532
Net Position - Beginning of Year	21,069,045	76,223,801	2,047,217	99,340,063
Net Position - End of Year	<u>\$ 23,199,365</u>	<u>\$ 76,787,582</u>	<u>\$ 1,983,648</u>	<u>\$ 101,970,595</u>

See accompanying Notes to Basic Financial Statements.

CITY OF BROCKTON, MASSACHUSETTS
STATEMENT OF CASH FLOWS — PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2021

	Enterprise Funds			
	Water	Sewer	Nonmajor	Total
CASH FLOWS FROM OPERATIONS				
Cash Received from Customers	\$ 20,971,406	\$ 19,080,781	\$ 10,019,513	\$ 50,071,700
Cash Paid to Employees	(4,580,339)	(2,150,146)	(2,646,206)	(9,376,691)
Cash Paid to Vendors	(11,618,177)	(10,433,175)	(8,875,701)	(30,927,053)
Net Cash Provided (Used) by Operations	4,772,890	6,497,460	(1,502,394)	9,767,956
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers In	387,722	15,672	1,332,229	1,735,623
Transfers Out	(175,017)	(876,519)	-	(1,051,536)
Net Cash Provided (Used) by Noncapital Financing Activities	212,705	(860,847)	1,332,229	684,087
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and Construction of Capital Assets	(3,166,021)	(5,125,967)	(584,054)	(8,876,042)
Interest Paid on Debt	(414,502)	(812,025)	-	(1,226,527)
Bond and Loan Proceeds Received	3,024,683	6,187,517	-	9,212,200
Bond Premiums Received	38,551	-	-	38,551
Capital Contributions	-	-	383,910	383,910
Repayment of Long-Term Debt	(2,252,334)	(7,950,485)	(106,789)	(10,309,608)
Net Cash Used by Capital and Related Financing Activities	(2,769,623)	(7,700,960)	(306,933)	(10,777,516)
CASH FLOWS FROM INVESTING ACTIVITY				
Interest Income	262,965	219,340	173,654	655,959
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,478,937	(1,845,007)	(303,444)	330,486
Cash and Cash Equivalents - Beginning of Year	11,459,560	6,138,192	4,486,060	22,083,812
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 13,938,497</u>	<u>\$ 4,293,185</u>	<u>\$ 4,182,616</u>	<u>\$ 22,414,298</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATIONS:				
Operating Income (Loss)	\$ 1,779,918	\$ 1,662,607	\$ (1,953,362)	\$ 1,489,163
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operations:				
Depreciation Expense	2,123,176	4,945,042	585,613	7,653,831
Reclassification of Capital Assets	234,754	-	(899,496)	(664,742)
Change in Net Pension Liability	331,141	119,773	169,088	620,002
Change in Deferred Outflows - Pension	(226,601)	(81,962)	(115,711)	(424,274)
Change in Deferred Inflows - Pension	135,002	48,831	68,937	252,770
Change in Total OPEB Liability	1,521,852	465,237	725,508	2,712,597
Change in Deferred Inflows - OPEB	264,085	80,732	125,896	470,713
Change in Deferred Outflows - OPEB	(874,848)	(267,445)	(417,064)	(1,559,357)
Changes in Operating Assets and Liabilities:				
Accounts Receivable	(314,510)	(672,997)	234,558	(752,949)
Warrants and Accounts Payable	(89,870)	60,018	(652,246)	(682,098)
Other Assets and Liabilities	(111,209)	137,624	625,885	652,300
Net Cash Provided (Used) by Operations	<u>\$ 4,772,890</u>	<u>\$ 6,497,460</u>	<u>\$ (1,502,394)</u>	<u>\$ 9,767,956</u>
NONCASH ACTIVITIES				
Intergovernmental Debt Subsidies (MCWT)	<u>\$ 31,421</u>	<u>\$ 158,123</u>	<u>\$ -</u>	<u>\$ 189,544</u>

See accompanying Notes to Basic Financial Statements.

CITY OF BROCKTON, MASSACHUSETTS
STATEMENT OF NET POSITION — FIDUCIARY FUNDS
JUNE 30, 2021
(EXCEPT FOR PENSION TRUST, WHICH IS AS OF DECEMBER 31, 2020)

	Pension Trust Fund	Custodial Funds
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 1,010,810	\$ 8,614
RECEIVABLES		
Interest and Dividends	151,951	-
Member Deductions	211,924	-
Other	159,310	-
Total Receivables	<u>523,185</u>	<u>-</u>
OTHER ASSETS	916	-
INVESTMENTS		
Fixed Income Mutual Funds	95,385,457	-
Equities and Equity Mutual Funds	293,120,766	-
Real Estate Funds	40,366,901	-
Private Equity Funds	26,326,050	-
Structured Credit Funds	14,108,667	-
Total Investments	<u>469,307,841</u>	<u>-</u>
Total Assets	470,842,752	8,614
LIABILITIES		
Accounts Payable and Accrued Expenses	18,595	-
Total Liabilities	<u>18,595</u>	<u>-</u>
NET POSITION		
Restricted for:		
Pensions	470,824,157	-
Individuals, Organizations and Other Governments	-	8,614
Total Net Position	<u>\$ 470,824,157</u>	<u>\$ 8,614</u>

See accompanying Notes to Basic Financial Statements.

CITY OF BROCKTON, MASSACHUSETTS
STATEMENT OF CHANGES IN NET POSITION — FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2021
(EXCEPT FOR PENSION TRUST, WHICH IS YEAR ENDED DECEMBER 31, 2020)

	Pension Trust Fund	Custodial Fund
ADDITIONS		
Contributions:		
Employers	\$ 30,360,985	\$ -
Plan Members	10,718,455	-
Total Contributions	<u>41,079,440</u>	<u>-</u>
Investment Income:		
Net Appreciation in Fair Value of Investments	29,338,177	-
Interest and Dividends	12,449,239	-
Total Investment Income	<u>41,787,416</u>	<u>-</u>
Less: Investment Expenses	<u>(2,614,458)</u>	<u>-</u>
Net Investment Income	39,172,958	-
Taxes and Fees Collected for Other Governments	<u>-</u>	<u>85,938</u>
Total Additions	80,252,398	85,938
DEDUCTIONS		
Retirement Benefits and Refunds	46,474,714	-
Administration	707,436	-
Payments of Taxes and Fees to Other Governments	<u>-</u>	<u>97,276</u>
Total Deductions	<u>47,182,150</u>	<u>97,276</u>
Change in Net Position	33,070,248	(11,338)
Net Position - Beginning of Year (As Restated)	<u>437,753,909</u>	<u>19,952</u>
NET POSITION - END OF YEAR	<u><u>\$ 470,824,157</u></u>	<u><u>\$ 8,614</u></u>

See accompanying Notes to Basic Financial Statements.

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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, 2020 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 2021:

Joint Venture and Address	Purpose	Annual Assessment
Brockton Area Transit Authority 45 School Street Brockton, MA 02301	To Provide Public Transportation	\$ 2,547,363
Southeastern Regional School District 250 Foundry Street South Easton, MA 02375	To Provide educational services as a Regional Vocational Technical High School	\$ 3,954,521

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, 2021**

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, 2021, except for the System, which is presented as of and for the year ended December 31, 2020.

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, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The City reports the following major governmental funds:

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.

Public Safety Complex – This is a capital project fund used to account for and report construction of the public safety complex.

COVID Fund – This is a special revenue fund used to account for the Corona Virus Relief Fund (CRF) funding received by the City.

ARPA Fund – This is a special revenue fund used to account for the American Rescue Plan Act (ARPA) funding received by the City.

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 fiduciary 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.

Custodial Funds – These funds account for assets held by the City in a custodial capacity.

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, 2021**

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, 2021**

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, 2021**

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, 2021

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 retirements 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, 2021**

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 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 effective interest method. Such amounts are presented as part of the bond, notes and mortgages payable 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, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Bond Discounts, Premiums, 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, 2021, the City implemented the following pronouncements issued by the GASB:

- GASB Statement No. 84, *Fiduciary Activities*
- GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statement No. 14 and No. 61*

The implementation of GASB Statement No. 84 resulted in certain activities formerly reported in the agency fund to be reported in the custodial fund of the fiduciary funds, the nonmajor governmental funds of the governmental funds and the governmental activities of the government-wide statements. As a result, the City has restated its 2021 beginning net position and fund balance to reflect the implementation of the statement. The effect of the change in accounting principle is as follows:

	Governmental Activities	Nonmajor Governmental Fund	Custodial Funds
Net Position, June 30, 2020, as Previously Reported	\$(817,590,141)	\$ 33,871,744	\$ -
Implementation of GASB No. 84	(273,248)	(273,248)	19,952
Net Position, June 30, 2020, as Restated	<u><u>\$(817,863,389)</u></u>	<u><u>\$ 33,598,496</u></u>	<u><u>\$ 19,952</u></u>

The implementation of GASB Statement No. 90 has no reporting impact for the City.

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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, 2021, the City's bank balances of uninsured and uncollateralized deposits totaled \$157,037,607. The carrying amount of the City's deposits totaled \$163,458,555 at June 30, 2021.

The System's bank balances of uninsured and uncollateralized deposits totaled \$930,233. The carrying amount of the System's deposits totaled \$1,010,810 at December 31, 2020.

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. There are no withdrawal restrictions or unfunded commitments related to this investment.

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.

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2021 for the primary government and December 31, 2020 for the Retirement System:

Investment Type	Total Amount	Less Than 1 Year	1 - 5 Years	6 - 10 Years
Retirement System:				
Fixed Income Mutual Funds	\$ 95,385,457	\$ 95,385,457	\$ -	\$ -
City:				
U.S. Treasury Notes and Bonds	1,301,366	102,305	661,589	537,472
U.S. Agencies	1,066,678	253,248	813,430	-
Corporate Bonds	1,068,079	254,424	591,761	221,894
Fixed Income Mutual Funds	1,781,775	1,781,775	-	-
Money Market Mutual Funds	1,365,253	1,365,253	-	-
MMDT	4,858,843	4,858,843	-	-
Subtotal	<u>11,441,994</u>	<u>8,615,848</u>	<u>2,066,780</u>	<u>759,366</u>
Total	<u>\$ 106,827,451</u>	<u>\$ 104,001,305</u>	<u>\$ 2,066,780</u>	<u>\$ 759,366</u>

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, 2021 for the primary government and December 31, 2020 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:

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk (Continued)

<u>Investment Type</u>	<u>Total Amount</u>	<u>AAA to A</u>	<u>BBB to B</u>	<u>Not Rated</u>
Retirement System:				
Fixed Income Mutual Funds	\$ 95,385,457	\$ -	\$ -	\$ 95,385,457
City:				
U.S. Agencies	1,066,678	1,066,678	-	-
Corporate Bonds	1,068,079	927,762	140,317	-
Fixed Income Mutual Funds	1,781,775	-	-	1,781,775
Money Market Mutual Funds	1,365,253	-	-	1,365,253
MMDT	4,858,843	-	-	4,858,843
Subtotal	<u>10,140,628</u>	<u>1,994,440</u>	<u>140,317</u>	<u>8,005,871</u>
Total	<u>\$ 105,526,085</u>	<u>\$ 1,994,440</u>	<u>\$ 140,317</u>	<u>\$ 103,391,328</u>

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, 2020, 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, 2021, 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, 2020, the System had indirect exposure to foreign currency risk for certain pooled equity investments in the amount of approximately \$164,000,000.

CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Measurements

The System and the City categorize its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of June 30, 2021 and December 31, 2020 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	\$ 17,519	\$ 17,519	\$ -	\$ -
Equity Mutual Funds	293,103,247	293,103,247	-	-
Fixed Income Mutual Funds	95,385,457	95,385,457	-	-
Total Investments by Fair Value Level	388,506,223	<u>\$ 388,506,223</u>	<u>\$ -</u>	<u>\$ -</u>
Investments Measured at the Net Asset Value (NAV):				
Real Estate Funds	40,366,901			
Private Equity Funds	26,326,050			
Structured Credit Funds	14,108,667			
Total Investments Measured at the NAV	80,801,618			
Subtotal - System	469,307,841			
City:				
Money Market Mutual Funds	1,365,253	\$ 1,365,253	\$ -	\$ -
Equities	4,856,840	4,856,840	-	-
Corporate Bonds	1,068,080	-	1,068,080	-
Fixed Income Mutual Funds	1,781,775	1,781,775	-	-
Equity Mutual Funds	2,505,222	2,505,222	-	-
U.S. Treasuries	1,301,366	1,301,366	-	-
U.S. Agencies	1,066,678	-	1,066,678	-
Total Investments by Fair Value Level	13,945,214	<u>\$ 11,810,456</u>	<u>\$ 2,134,758</u>	<u>\$ -</u>
Investments Measured at Amortized Cost:				
MMDT	4,858,843			
Subtotal - City	18,804,057			
Total	<u>\$ 488,111,898</u>			

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

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

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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⁾	\$ 40,366,901	\$ 988,674	N/A ⁽¹⁾	N/A ⁽¹⁾
Private Equity Funds ⁽²⁾	26,326,050	2,336,103	N/A ⁽²⁾	N/A ⁽²⁾
Structured Credit Funds ⁽³⁾	14,108,667	-	Annually	65 Days
Total Investments Measured at the NAV	<u>\$ 80,801,618</u>			

- (1) Real Estate Funds – This type includes 5 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 \$38,200,000 for which the investment can be redeemed annually, with a redemption notice period of 65 days. The remaining investments can never be redeemed with the funds. Distributions from each of these funds will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 1 to 5 years.
- (2) Private Equity Funds – This type includes 13 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 \$10,000,000 for which the investment can be redeemed annually, with a redemption notice period of 65 days. The remaining investments can never be redeemed with the funds. Distributions from each of these funds will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 1 to 9 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, 2021**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Reconciliation of Cash and Investments to the Statements of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net positions as of June 30, 2021 for the City and December 31, 2020 for the Retirement System:

Cash and Investments - Per Note

Carrying Amount of Deposits - City	\$ 163,458,555
Carrying Amount of Deposits - System	1,010,810
Investments - City	18,804,057
Investments - System	469,307,841
Total	<u><u>\$ 652,581,263</u></u>

Cash and Investments - Per Statement of Net Position

Governmental Activities	\$ 159,839,700
Business-Type Activities	22,414,298
Pension Trust Fund	470,318,651
Custodial Funds	8,614
Total	<u><u>\$ 652,581,263</u></u>

CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

	Primary Government				
	Beginning Balance	Increases	Reclassifications	Decreases	Ending Balance
Government Activities:					
Capital Assets, Not Being Depreciated:					
Land	\$ 7,410,698	\$ 440,000	\$ (73,528)	\$ -	\$ 7,777,170
Construction in Progress	159,809	2,155,539	-	-	2,315,348
Historical Works of Art	1,809,514	-	-	-	1,809,514
Total Capital Assets, Not Being Depreciated	9,380,021	2,595,539	(73,528)	-	11,902,032
Capital Assets, Being Depreciated:					
Buildings	282,099,210	1,490,598	5,379,119	-	288,968,927
Land Improvements	15,924,422	335,425	(1,327,346)	-	14,932,501
Machinery and Equipment	27,668,088	2,973,121	(1,759,769)	(276,310)	28,605,130
Infrastructure	118,663,127	2,840,294	(3,549,740)	-	117,953,681
Total Capital Assets, Being Depreciated	444,354,847	7,639,438	(1,257,736)	(276,310)	450,460,239
Less: Accumulated Depreciation For:					
Buildings	123,610,844	7,334,783	1,811,355	-	132,756,982
Land Improvements	9,777,126	268,269	2,424,952	-	12,470,347
Machinery and Equipment	21,910,755	1,550,978	(1,635,120)	(102,049)	21,724,564
Infrastructure	90,381,694	2,845,478	(3,267,709)	-	89,959,463
Total Accumulated Depreciation	245,680,419	11,999,508	(666,522)	(102,049)	256,911,356
Total Capital Assets, Being Depreciated, Net	198,674,428	(4,360,070)	(591,214)	(174,261)	193,548,883
Governmental Capital Assets, Net	<u>\$ 208,054,449</u>	<u>\$ (1,764,531)</u>	<u>\$ (664,742)</u>	<u>\$ (174,261)</u>	<u>\$ 205,450,915</u>

Depreciation expense was charged to governmental functions as follows:

Government Activities:	
General Government	\$ 1,180,934
Public Safety	1,680,240
Education	6,013,658
Public Works	2,777,962
Human Services	73,304
Culture and Recreation	273,410
Total Depreciation Expense - Government Activities	<u>\$ 11,999,508</u>

CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 CAPITAL ASSETS (CONTINUED)

Business-type activity for the year ended June 30, 2021 was as follows:

	Business-Type Activities				Ending Balance
	Beginning Balance	Increases	Reclassifications	Decreases	
Water:					
Capital Assets, Not Being Depreciated:					
Land	\$ 2,929,492	\$ -	\$ -	\$ -	\$ 2,929,492
Construction in Progress	1,836,552	1,142,039	-	-	2,978,591
Total Capital Assets, Not Being Depreciated	4,766,044	1,142,039	-	-	5,908,083
Capital Assets, Being Depreciated:					
Buildings	30,804,138	226,770	251,091	-	31,281,999
Land Improvements	119,700	-	27,500	-	147,200
Machinery and Equipment	16,617,963	227,635	(252,332)	-	16,593,266
Infrastructure	41,811,227	1,168,312	(1,648,738)	-	41,330,801
Total Capital Assets, Being Depreciated	89,353,028	1,622,717	(1,622,479)	-	89,353,266
Less: Accumulated Depreciation For:					
Buildings	9,117,761	737,826	169,963	-	10,025,550
Land Improvements	117,250	1,250	3,025	-	121,525
Machinery and Equipment	14,196,578	721,090	(215,777)	-	14,701,891
Infrastructure	20,921,904	663,010	(1,344,936)	-	20,239,978
Total Accumulated Depreciation	44,353,493	2,123,176	(1,387,725)	-	45,088,944
Total Capital Assets, Being Depreciated, Net	44,999,535	(500,459)	(234,754)	-	44,264,322
Water Capital Assets, Net	49,765,579	641,580	(234,754)	-	50,172,405
Sewer:					
Capital Assets, Not Being Depreciated:					
Land	186,327	-	-	-	186,327
Construction in Progress	2,957,373	1,630,249	-	-	4,587,622
Total Capital Assets, Not Being Depreciated	3,143,700	1,630,249	-	-	4,773,949
Capital Assets, Being Depreciated:					
Buildings	145,241,530	842,503	1,482,657	-	147,566,690
Land Improvements	311,617	-	-	-	311,617
Machinery and Equipment	46,968,765	211,838	(1,482,657)	-	45,697,946
Infrastructure	46,134,066	1,810,716	-	-	47,944,782
Total Capital Assets, Being Depreciated	238,655,978	2,865,057	-	-	241,521,035
Less: Accumulated Depreciation For:					
Buildings	52,061,028	3,774,384	392,796	-	56,228,208
Land Improvements	260,798	1,340	-	-	262,138
Machinery and Equipment	43,698,673	400,299	(392,796)	-	43,706,176
Infrastructure	28,874,385	769,019	-	-	29,643,404
Total Accumulated Depreciation	124,894,884	4,945,042	-	-	129,839,926
Total Capital Assets, Being Depreciated, Net	113,761,094	(2,079,985)	-	-	111,681,109
Sewer Capital Assets, Net	116,904,794	(449,736)	-	-	116,455,058

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 CAPITAL ASSETS (CONTINUED)

	Business-Type Activities				Ending Balance
	Beginning Balance	Increases	Decreases	Decreases	
Other:					
Capital Assets, Not Being Depreciated:					
Land	\$ 130,359	\$ -	\$ 73,528	\$ -	\$ 203,887
Total Capital Assets, Not Being Depreciated	130,359	-	73,528	-	203,887
Capital Assets, Being Depreciated:					
Buildings	905,875	-	1,240	-	907,115
Land Improvements	34,660,108	355,572	1,707,285	-	36,722,965
Machinery and Equipment	3,972,045	228,482	(449,556)	-	3,750,971
Infrastructure	7,060,541	-	1,621,242	-	8,681,783
Total Capital Assets, Being Depreciated	46,598,569	584,054	2,880,211	-	50,062,834
Less: Accumulated Depreciation For:					
Buildings	633,264	11,292	1,240	-	645,796
Land Improvements	32,809,777	240,943	1,215,158	-	34,265,878
Machinery and Equipment	3,370,945	250,559	(548,641)	-	3,072,863
Infrastructure	3,333,676	82,819	1,386,486	-	4,802,981
Total Accumulated Depreciation	40,147,662	585,613	2,054,243	-	42,787,518
Total Capital Assets, Being Depreciated, Net	6,450,907	(1,559)	825,968	-	7,275,316
Other Capital Assets, Net	6,581,266	(1,559)	899,496	-	7,479,203
Business-Type Activities Capital Assets, Net	<u>\$ 173,251,639</u>	<u>\$ 190,285</u>	<u>\$ 664,742</u>	<u>\$ -</u>	<u>\$ 174,106,666</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, 2021

NOTE 5 TEMPORARY BORROWINGS (CONTINUED)

Short-term debt activity for the year ended June 30, 2021 was as follows:

	Outstanding as of June 30, 2020	Additions	Reductions	Outstanding as of June 30, 2021
Bond Anticipation Notes Payable:				
Governmental Activities:				
Various Capital Project Funds:				
Street Lighting System Improvements	\$ 1,600,000	\$ -	\$ 1,600,000	\$ -
Energy Conversation	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	-
Various School Roof Repairs	-	2,768,600	-	2,768,600
Energy Conversation	-	145,000	-	145,000
IT - GIS	-	240,000	-	240,000
Radio Dispatch	-	54,000	-	54,000
Seamless Government ADA Software	-	60,000	-	60,000
Public Safety Complex	-	12,100,000	-	12,100,000
Subtotal Governmental Activities	4,715,900	15,367,600	4,715,900	15,367,600
Business-Type Activities:				
Water Capital Project Funds:				
Water Mains	343,971	-	343,971	-
Water Main Replacement	-	500,000	-	500,000
US Filter CPL Treatment Plant	-	626,233	-	626,233
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	616,971	1,126,233	616,971	1,126,233
Total Bond Anticipation Notes Payable	\$ 5,332,871	\$ 16,493,833	\$ 5,332,871	\$ 16,493,833

NOTE 6 LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended June 30, 2021:

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	(3.00% - 5.41%)	\$ 78,550,000	\$ -	\$ 5,660,000	\$ 72,890,000	\$ 6,510,000
Direct Borrowings	2023	1.75%	647,465	-	211,747	435,718	215,957
General Obligation	2038	(2.00% - 5.00%)	18,680,000	6,222,789	5,635,000	19,267,789	1,703,416
Subtotal			97,877,465	6,222,789	11,506,747	92,593,507	8,429,373
Add (Deduct):							
Unamortized Bond Premium			944,522	1,011,245	285,446	1,670,321	229,624
Total Governmental Activities Debt, Net			\$ 98,821,987	\$ 7,234,034	\$ 11,792,193	\$ 94,263,828	\$ 8,658,997

CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 LONG-TERM OBLIGATIONS (CONTINUED)

General Long-Term Obligations	Maturing Through Year Ended June 30	Interest Percentage Range	Outstanding Beginning of Year	Additions	Reductions	Outstanding End of Year	Current Portion
Business-Type Activities:							
Water	2039	(4.75% - 6.45%)	\$ 1,520,000	\$ 311,000	\$ 205,000	\$ 1,626,000	\$ 231,000
Water - Direct Borrowings	2039	(4.75% - 6.45%)	19,434,318	3,482,199	1,728,763	21,187,754	1,940,148
Sewer	2039	(3.00% - 6.75%)	190,000	-	95,000	95,000	95,000
Sewer - Direct Borrowings	2039	(3.00% - 6.75%)	45,227,730	5,412,841	5,824,013	44,816,558	5,956,606
Other	2024	(3.00% - 6.75%)	400,000	266,211	100,000	566,211	155,584
Subtotal			66,772,048	9,472,251	7,952,776	68,291,523	8,378,338
Add (Deduct):							
Unamortized Bond Premium			349,196	38,551	141,108	246,639	62,299
MCWT Interim Loans	2022	0.0%	3,382,997	1,356,646	3,382,997	1,356,646	-
Total Business-Type Activities Debt, Net			70,504,241	10,867,448	11,476,881	69,894,808	8,440,637
Total Debt, Net			<u>\$ 169,326,228</u>	<u>\$ 18,101,482</u>	<u>\$ 23,269,074</u>	<u>\$ 164,158,636</u>	<u>\$ 17,099,634</u>
Other Long-Term Obligations:							
Self-Insured Benefit Claims:							
Governmental Activities			\$ 9,760,109	\$ 167,907	\$ 71,252	\$ 9,856,764	\$ 5,476,540
Business-Type Activities:							
Water			1,003,110	-	73,170	929,940	135,406
Sewer			1,741,882	124,535	-	1,866,417	271,764
Other			-	625,026	-	625,026	91,008
Compensated Absences, Net:							
Governmental Activities			14,411,941	-	741,049	13,670,892	2,050,634
Business-Type Activities:							
Water			354,774	-	5,174	349,600	52,440
Sewer			117,405	12,540	-	129,945	19,492
Other			209,993	-	4,009	205,984	30,897
Court Judgments:							
Governmental Activities			2,700,000	-	2,700,000	-	-
Landfill Closure and Postclosure Care Costs:							
Governmental Activities			1,927,110	-	905,059	1,022,051	-
Business-Type Activities:							
Sewer			725,385	17,693	-	743,078	-
Total Other Long-Term Obligations			<u>\$ 32,951,709</u>	<u>\$ 947,701</u>	<u>\$ 4,499,713</u>	<u>\$ 29,399,697</u>	<u>\$ 8,128,181</u>

On June 17, 2021, the City issued \$6,800,000 of General Obligation Bonds. \$3,225,000 of the proceeds were used to refund \$3,710,000 of previously issued and outstanding bonds. The net proceeds from the refunding were used to redeem the outstanding bonds and related accrued interest. The refunding resulted in an economic gain of \$516,234 with total savings of \$570,645. The remaining proceeds were used to retire BAN's outstanding.

During 2021, the City permanently financed three loans with MCWT totaling \$3,482,199 and \$5,412,841 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 noninterest bearing, amounts accrued and considered issued under new and existing interim loans during 2021 totaled \$1,356,646 in the sewer enterprise fund.

CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 LONG-TERM OBLIGATIONS (CONTINUED)

Maturity of Bond Indebtedness

Bond indebtedness outstanding at June 30, 2021 matures as follows:

Year Ending June 30	Governmental Activities			
	Bonded Debt		Direct Borrowings	
	Principal	Interest	Principal	Interest
2022	\$ 8,213,416	\$ 4,297,911	\$ 215,957	\$ 6,213
2023	9,139,572	3,931,774	219,761	2,409
2024	9,973,267	3,435,136	-	-
2025	11,083,267	2,883,960	-	-
2026	12,283,267	2,272,541	-	-
2027-2031	33,635,000	3,501,399	-	-
2032-2036	6,150,000	759,829	-	-
2037-2039	1,680,000	81,120	-	-
Total	<u>\$ 92,157,789</u>	<u>\$ 21,163,670</u>	<u>\$ 435,718</u>	<u>\$ 8,622</u>

Year Ending June 30	Business-Type Activities			
	Water - Bonded Debt		Sewer - Bonded Debt	
	Principal	Interest	Principal	Interest
2022	\$ 231,000	\$ 49,650	\$ 95,000	\$ 2,850
2023	220,000	168,675	-	-
2024	215,000	35,925	-	-
2025	215,000	29,175	-	-
2026	115,000	21,425	-	-
2027-2031	415,000	42,375	-	-
2032-2036	175,000	11,700	-	-
2037-2039	40,000	1,650	-	-
Total	<u>\$ 1,626,000</u>	<u>\$ 360,575</u>	<u>\$ 95,000</u>	<u>\$ 2,850</u>

Year Ending June 30	Business-Type Activities (Continued)			
	Water - Direct Borrowings		Sewer Direct Borrowings	
	Principal	Interest	Principal	Interest
2022	\$ 1,940,148	\$ 408,337	\$ 5,956,606	\$ 893,034
2023	1,973,447	390,866	6,089,602	774,299
2024	1,918,954	349,057	6,219,486	616,392
2025	1,953,645	308,888	6,341,296	465,160
2026	1,989,057	268,008	5,315,070	359,527
2027-2031	6,736,577	813,103	9,424,820	940,507
2032-2036	3,337,629	316,749	3,252,387	413,962
2037-2041	1,338,297	67,887	2,217,291	109,600
Total	<u>\$ 21,187,754</u>	<u>\$ 2,922,895</u>	<u>\$ 44,816,558</u>	<u>\$ 4,572,481</u>

Year Ending June 30	Business-Type Activities (Continued)			
	Other - Bonded Debt		Total	
	Principal	Interest	Principal	Interest
2022	\$ 155,584	\$ 8,002	\$ 8,378,338	\$ 1,361,873
2023	155,428	9,146	8,438,477	1,342,986
2024	151,733	6,467	8,505,173	1,007,841
2025	51,733	3,880	8,561,674	807,103
2026	51,733	1,293	7,470,860	650,253
2027-2031	-	-	16,576,397	1,795,985
2032-2036	-	-	6,765,016	742,411
2037-2039	-	-	3,595,588	179,137
Total	<u>\$ 566,211</u>	<u>\$ 28,788</u>	<u>\$ 68,291,523</u>	<u>\$ 7,887,589</u>

CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 LONG-TERM OBLIGATIONS (CONTINUED)

Maturity of Bond Indebtedness (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 \$60,363 and \$442,079 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
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	-
Total	<u>\$ 52,658</u>	<u>\$ 7,705</u>	<u>\$ 182,417</u>	<u>\$ 259,662</u>	<u>\$ 235,075</u>	<u>\$ 267,367</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 Events

On September 15, 2021 and November 2, 2021, the City entered into four interim loan agreements with MCWT to finance water and sewer projects for \$1,471,261, \$1,355,227, \$939,000 and \$277,000.

On October 25, 2021, the City authorized a HUD Section 108 Loan in the amount of \$1,500,000 for downtown Brockton restaurant infrastructure.

On November 19, 2021, the City issued \$301,835,000 of pension obligation bonds.

As of June 30, 2021, the City has total authorized unissued debt of \$100.2 million, which is intended to finance the following:

Public Safety Complex	\$ 85,900,000
Sewer Projects	5,935,526
Water Projects	4,073,250
School Roof Replacement	2,192,058
Turf Field	1,700,000
Energy Conservation	285,000
Elevator Repairs	50,000
Voting Machines	35,000
Total	<u>\$ 100,170,834</u>

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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, 2020:

Active Members	1,935
Inactive Members	601
Retirees and Beneficiaries Currently Receiving Benefits	<u>1,322</u>
Total	<u><u>3,858</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 10 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, 2021**

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, 2020, active member contributions totaled \$10,718,455 and employer contributions totaled \$30,360,985. Contributions to the System from the City were \$28,451,613 for the year ended June 30, 2021.

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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, 2020 were as follows:

Total Pension Liability	\$ 760,575,993
Plan Fiduciary Net Position	<u>(470,824,157)</u>
Net Pension Liability	<u><u>\$ 289,751,836</u></u>

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u><u>61.9%</u></u>
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At June 30, 2021, the City reported a liability of \$271,529,633 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020, 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 forward to the measurement date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2020, the City's proportion was 93.71110%, which compared to the 93.74855% proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the City recognized pension expense of \$34,704,986. At June 30, 2021, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ -	\$ 5,410,232
Changes in Assumptions	24,927,109	-
Differences Between Expected and Actual Experience	2,774,563	-
Changes in Proportion	691,958	81,715
Total	<u><u>\$ 28,393,630</u></u>	<u><u>\$ 5,491,947</u></u>

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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>
2022	\$ 9,514,638
2023	10,798,169
2024	(1,079,603)
2025	2,867,176
2026	801,303
Total	<u>\$ 22,901,683</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	7.50%, net of investment expenses, previously 7.75%
Cost of Living Adjustments	3.0% of the first \$13,000, effective July 1, 2021 and \$14,000 effective July 1, 2022, annually
Mortality	Healthy Retiree - RP-2014 Blue Collar Mortality with full generational mortality improvements using Scale MP-2018 Disabled Retiree - RP-2014 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, 2021**

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 9.05%. 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, 2020 are summarized on the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
World Equity	37.0 %	5.7 %
S&P 500 Index	16.0	4.3 %
Core Fixed Income	12.0	1.7 %
World Equity ex-US	6.5	5.4 %
Emerging Markets Debt	6.0	4.9 %
US Small/Mid Cap Equity Index	5.0	5.2 %
Private Real Estate	4.0	3.2 %
Multi-Strategy Real Assets	4.0	1.6 %
US High Yield	3.5	3.6 %
Global Private Assets	3.0	8.9 %
Structured Credit	3.0	5.6 %
Totals	100.0 %	

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 PENSION PLANS (CONTINUED)

BROCKTON CONTRIBUTORY RETIREMENT SYSTEM (SYSTEM) (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. 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 7.50%, 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 (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability	\$ 373,089,524	\$ 289,751,836	\$ 218,980,791

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, 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 (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability	\$ 349,626,297	\$ 271,529,633	\$ 205,209,308

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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, 2020 are as follows:

Description	Amount	Purpose
Annuity Savings Fund	\$ 108,029,783	Active members' contribution balance
Annuity Reserve Fund	26,496,801	Retired members' contribution account
Military Service Credit Fund	100,243	Amounts appropriated to fund military service time
Pension Reserve Fund	204,047,364	Amounts appropriated to fund future retirement
Pension Fund	132,149,966	Remaining net position
Total	<u>\$ 470,824,157</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 10 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 10 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, 2021**

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, 2021. The Commonwealth's net pension liability associated with the City was \$459,958,558.

The MTRS's net pension liability was measured as of June 30, 2020, 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, 2020.

For the year ended June 30, 2021, the City recognized pension expense of \$56,811,472 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, 2021**

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	7.15%
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 Pub-2010 Teachers Employees mortality table projected generationally with Scale MP-2018 (gender distinct). Postretirement - reflects Pub-2010 Teachers Retirees mortality table projected generationally with Scale MP-2018 (gender distinct) Disability - assumed to be in accordance with the Pub-2010 Teachers Retirees mortality table projected generationally with Scale MP-2018 (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, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	39.0 %	4.8 %
Core Fixed Income	15.0	0.7 %
Private Equity	13.0	8.2 %
Real Estate	10.0	3.2 %
Value Added Fixed Income	8.0	3.5 %
Portfolio Completion Strategies	11.0	4.2 %
Timber/Natural Resources	4.0	4.1 %
Totals	100.0 %	

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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 7.15%. 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 \$91,516,458 for the year ended June 30, 2021.

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, 2021**

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Employees Covered by Benefit Terms

At June 30, 2021, the following employees were covered by benefit terms.

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

Total OPEB Liability

The City's total OPEB liability of \$933,362,684 was measured as of June 30, 2021, and was determined by an actuarial valuation as of July 1, 2020 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, 2020 actuarial valuation and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Assumptions:

Discount Rate	2.18% (Municipal Bond Index Rate at June 30, 2021).
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, 2021**

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

Changes in Total OPEB Liability

	Total OPEB Liability
Balances at June 30, 2020	\$ 847,436,964
Changes for the Year:	
Service Cost	34,872,071
Interest	22,344,022
Difference Between Expected and Actual Experience	(22,521,520)
Changes of Assumptions	66,103,419
Benefit Payments	(14,872,272)
Net Changes	<u>85,925,720</u>
Balances at June 30, 2021	<u>\$ 933,362,684</u>

Changes of assumptions and other inputs reflects a change in the discount rate from 2.66% to 2.18%.

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 (1.18%) or 1 percentage-point higher (3.18%) than the current rate:

	1% Decrease (1.18%)	Current Discount Rate (2.18%)	1% Increase (3.18%)
Total OPEB Liability	\$ 1,071,026,984	\$ 933,362,684	\$ 795,698,385

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	\$ 751,448,646	\$ 933,362,684	\$ 1,156,103,711

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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

OPEB Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2021, the City recognized OPEB expense of \$66,313,495. At June 30, 2021, 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	\$ 83,935,494	\$ -
Net Difference Between Expected and Actual Experience	9,049,781	41,380,772
Total	<u>\$ 92,985,275</u>	<u>\$ 41,380,772</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>
2022	\$ 9,097,402
2023	9,097,402
2024	9,097,402
2025	9,097,402
2026	9,097,402
2027	6,117,493
Total	<u>\$ 51,604,503</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, 2021:

	Governmental Activities	Business-Type Activities Sewer Fund
Closure and Postclosure Care Costs	\$ 1,022,051	\$ 743,077
Percentage Used (Filled)	100.00 %	30.80 %

CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS (CONTINUED)

It is estimated that an additional \$1,566,923 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 2021, 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, 2021. 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, 2021:

	Total	Funding Source
Major Funds:		
Public Safety Complex	\$ 1,729,802	Long-Term Debt
COVID Fund	7,330,054	State/Federal Grants
Capital Projects:		
School Repairs	1,501,216	Long-Term Debt
Huntington Day Therapy	715,738	Long-Term Debt
IT Equipment	69,801	Long-Term Debt
Energy Improvements	64,000	Long-Term Debt
Special Revenue:		
Public Works Grants	899,658	State/Federal Grants
Education Grants	164,868	State/Federal Grants
Public Safety Grants	231,711	State/Federal Grants
Community Development Grants	72,462	State/Federal Grants
Total	<u>\$ 12,779,310</u>	

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 11 FUND BALANCE

The components of fund balances for the City's governmental funds as of June 30, 2021 are as follows:

	General	Public Safety Complex	COVID Fund	ARPA Fund	Other Governmental	Total
Nonspendable:						
Permanent Fund Principal	\$ -	\$ -	\$ -	\$ -	\$ 9,814,418	\$ 9,814,418
Restricted For:						
General Government	24,556,577	-	-	-	4,204,089	28,760,666
Capital	-	-	-	-	1,121,774	1,121,774
Human Services	-	-	-	-	691,677	691,677
Public Safety	-	-	-	-	4,989,258	4,989,258
Public Works	-	-	-	-	800,993	800,993
Culture/Recreation	-	-	-	-	1,110,861	1,110,861
Education	-	-	-	-	14,550,288	14,550,288
Subtotal	24,556,577	-	-	-	27,468,940	52,025,517
Committed To:						
General Government	14,165,851	-	-	-	-	14,165,851
Human Services	-	-	-	-	706,033	706,033
Public Safety	-	-	-	-	1,998,936	1,998,936
Capital	-	-	-	-	989,285	989,285
Subtotal	14,165,851	-	-	-	3,694,254	17,860,105
Assigned To:						
General Government	7,144,930	-	-	-	-	7,144,930
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	12,310,859	-	-	-	-	12,310,859
Unassigned	34,745,587	(1,729,802)	(7,330,054)	-	(3,719,454)	21,966,277
Total Fund Balances	\$ 85,778,874	\$ (1,729,802)	\$ (7,330,054)	\$ -	\$ 37,258,158	\$ 113,977,176

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 \$9.5 million at June 30, 2021.

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, 2021, totaled \$6.7 million, and is reported as restricted in the general fund.

**CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 12 OPERATING TRANSFERS AND INTERFUND RECEIVABLES, PAYABLE

Operating transfers and their purposes during the year ended June 30, 2021 were as follows:

Transfers Out:	Transfers In:					Total	
	General Fund	Nonmajor Governmental Funds	Water Fund	Sewer Fund	Nonmajor Enterprise Funds		
General Fund	\$ -	\$ 2,425,637	\$ 261,750	\$ -	\$ 1,332,229	\$ 4,019,616	(1)
Nonmajor Governmental Funds	2,732,521	-	-	15,464	-	2,747,985	(2)
Water Fund	174,809	-	-	208	-	175,017	(3)
Sewer Fund	750,547	-	125,972	-	-	876,519	(4)
Total	<u>\$ 3,657,877</u>	<u>\$ 2,425,637</u>	<u>\$ 387,722</u>	<u>\$ 15,672</u>	<u>\$ 1,332,229</u>	<u>\$ 7,819,137</u>	

- (1) Various budgeted transfers to special revenue funds (\$2,425,637), debt service costs paid by general fund (\$261,750), and renewal energy and recreation budgeted reimbursements (\$1,332,229),
- (2) Various budgeting transfers from special revenue funds (\$2,732,521), and transfer from capital projects (\$15,464),
- (3) Water Subsidy, net of indirect costs (\$174,809), and transfer from capital projects (\$208),
- (4) Sewer Subsidy, net of indirect costs (\$750,547), and debt service costs paid by sewer fund (\$125,972).

Receivables and payables between funds at June 30, 2021 are summarized as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 9,109,430 (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.

CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 13 RISK MANAGEMENT (CONTINUED)

Both employees and the City contribute to the Health Care Plans based upon a percentage formula, 75% City, and 25% employee. The retirees' contribution rate is 25%, except for those retirees who were 65 or older as of July 1, 2003 and whose annual household income was \$22,340 or less for a single person over 65 years of age, or \$30,260 for a two person household with one person over 65 years of age. For these retirees, the contribution rate is 10% for BCBS Medex II. The 10% rate was established through a Home Rule Petition voted and approved by the City Council and the Massachusetts General Court.

Stop loss insurance is carried on the Health Care Plans for claims in excess of \$350,000 per covered person. The City maintains a working deposit with the administrator of its Blue Cross Blue Shield Health Care Plans. At June 30, 2021, that deposit was \$7,574,800, which includes Dental insurance. The financial arrangement with Harvard Pilgrim is monthly level funding 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, 2021 and 2020 were as follows:

	Workers' Compensation Plan	Health Care Plans	Total
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	8,932,842	3,572,259	12,505,101
Provision for Losses/Change in Estimate	2,224,546	60,044,767	62,269,313
Payments for Claims	<u>(1,380,247)</u>	<u>(60,116,019)</u>	<u>(61,496,266)</u>
Balance - June 30, 2021	<u><u>\$ 9,777,141</u></u>	<u><u>\$ 3,501,007</u></u>	<u><u>\$ 13,278,148</u></u>

The liability for claims consists of governmental and business-type activities in the amount of \$9,856,764 and \$3,421,383, respectively.

CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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 10 MGD.

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

Aquaria makes available to the City a minimum of the Firm Commitment of water on a daily and yearly average basis. The Firm Commitment begins at 1.9 MGD and increases over the 20 years to 4.07 MGD. On September 1, 2018, the City amended the agreement to extend when the required minimum MGD was increased to 4.07 MGD, as a result the future commitments under the agreement were adjusted. During 2019, the City amended the agreement again to extend the term and reduce the required minimum MGD to 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 \$7.4 million in fiscal year 2021.

CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 14 COMMITMENTS (CONTINUED)

As of June 30, 2021, based on the current fixed annual charge, the City expects to pay \$47.1 million for its Firm Commitment as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2022	\$ 6,380,988
2023	6,380,988
2024	6,380,988
2025	6,380,988
2025	6,380,988
2026 - 2029	15,190,298
Total	<u>\$ 47,095,238</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.

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.

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, 2021, 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.

CITY OF BROCKTON, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021, the City had tax abatement agreements with 9 entities, all of which received abatements in fiscal year 2021. 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 2021, taxes abated under these agreements totaled \$1,252,998.

- 540 Westgate Drive – A 100% 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 2021 amounted to \$797,520.
- 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 2021 amounted to \$126,274.

CITY OF BROCKTON, MASSACHUSETTS
BUDGETARY COMPARISON SCHEDULE — GENERAL FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2021
(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	\$ 153,631,041	\$ 153,631,041	\$ 154,359,712	\$ 728,671
Motor Vehicle and Other Excise	8,975,000	8,975,000	10,979,164	2,004,164
Penalties and Interest on Taxes	1,350,000	1,350,000	2,551,202	1,201,202
Payments in Lieu of Taxes	74,200	74,200	73,870	(330)
User Charges and Other Revenue	985,000	985,000	1,307,969	322,969
Fees	1,125,000	1,125,000	1,997,265	872,265
Licenses and Permits	2,837,000	2,837,000	4,602,887	1,765,887
Intergovernmental	216,561,026	216,561,026	217,546,718	985,692
Fines	110,000	110,000	455,047	345,047
Investment Income	800,000	800,000	203,488	(596,512)
Transfers In	8,591,390	19,917,572	19,917,572	-
Amounts Available for Appropriation	395,039,657	406,365,839	413,994,894	7,629,055
Charges to Appropriations (Outflows):				
Current:				
General Government	17,001,274	17,502,726	15,244,176	2,258,550
Public Safety	56,936,563	56,964,972	52,892,220	4,072,752
Education	181,584,906	191,661,227	191,661,227	-
Public Works	8,970,876	7,870,876	5,241,440	2,629,436
Economic Development	649,895	649,895	423,760	226,135
Human Services	2,893,455	2,893,455	2,457,843	435,612
Culture and Recreation	2,914,503	2,959,503	2,454,974	504,529
State and County Assessments	23,351,315	23,351,315	23,720,285	(368,970)
Pension and Fringe Benefits	85,387,341	85,762,341	82,342,036	3,420,305
Court Judgments	250,000	250,000	250,000	-
Capital Outlay	343,000	343,000	22,522	320,478
Debt Service	12,983,052	12,886,818	12,469,619	417,199
Transfers Out	17,191,577	18,537,812	18,537,812	-
Total Charges to Appropriations	410,457,757	421,633,940	407,717,914	13,916,026
Excess (Deficiency) of Resources Over Charges to Appropriations	(15,418,100)	(15,268,101)	\$ 6,276,980	\$ 21,545,081
Other Budget Items:				
Free Cash	14,372,698	14,372,698		
Other Available Funds	1,045,402	895,403		
Total Other Budget Items	15,418,100	15,268,101		
Net Budget	\$ -	\$ -		

**CITY OF BROCKTON, MASSACHUSETTS
PENSION PLAN SCHEDULES AND OPEB SCHEDULE
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)
(UNAUDITED)**

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

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability:							
Service Cost	\$ 15,082,781	\$ 14,492,874	\$ 13,935,456	\$ 13,782,419	\$ 13,252,326	\$ 11,641,512	\$ 10,817,393
Interest	55,026,108	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	18,772,939	9,631,778	-	22,366,074	-	-	17,356,197
Benefit Payments, Including Refunds of Member Contributions	(46,474,714)	(46,073,596)	(43,801,798)	(41,835,507)	(39,288,216)	(38,024,658)	(37,937,119)
Net Change in Total Pension Liability	42,407,114	38,272,553	20,610,953	47,619,248	20,755,824	29,408,416	31,975,668
Total Pension Liability - Beginning	718,168,879	679,896,326	659,285,373	611,666,125	590,910,301	561,501,885	529,526,217
Total Pension Liability - Ending ^(a)	<u>\$ 760,575,993</u>	<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	\$ 30,360,985	\$ 28,112,024	\$ 26,029,652	\$ 25,014,425	\$ 20,072,463	\$ 19,247,619	\$ 19,332,315
Contributions - Member	10,718,455	10,625,482	9,578,961	9,184,633	8,825,940	8,302,780	8,467,701
Net Investment Income	39,172,958	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	(46,474,714)	(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	(707,436)	(732,902)	(675,515)	(785,306)	(779,411)	(686,453)	(677,927)
Net Change in Plan Fiduciary Net Position	33,070,248	52,162,384	(32,487,117)	46,664,525	18,936,362	(19,513,626)	4,616,030
Plan Fiduciary Net Position - Beginning	437,753,909	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>\$ 470,824,157</u>	<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>\$ 289,751,836</u>	<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	61.90%	60.95%	56.71%	63.41%	60.72%	59.65%	66.25%
Covered Payroll	\$ 102,496,821	\$ 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	282.69%	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
PENSION PLAN SCHEDULES AND OPEB SCHEDULE
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)
(UNAUDITED)**

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarially Determined Contribution	\$ 30,361	\$ 28,112	\$ 26,029	\$ 25,014	\$ 20,072	\$ 19,290	\$ 19,290	\$ 17,239	\$ 16,597	\$ 13,788
Contributions in Relation to the Actuarially Determined Contribution	<u>30,361</u>	<u>28,112</u>	<u>26,029</u>	<u>25,014</u>	<u>20,072</u>	<u>19,248</u>	<u>19,332</u>	<u>17,283</u>	<u>16,639</u>	<u>13,834</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42</u>	<u>\$ (42)</u>	<u>\$ (44)</u>	<u>\$ (42)</u>	<u>\$ (46)</u>
Covered Payroll	\$ 102,497	\$ 96,399	\$ 97,380	\$ 90,223	\$ 93,328	\$ 89,738	\$ 76,707	\$ 76,378	\$ 74,417	\$ 74,417
Contributions as a Percentage of Covered Payroll	29.62%	29.16%	26.73%	27.72%	21.51%	21.45%	25.20%	22.63%	22.36%	18.59%

**CITY OF BROCKTON, MASSACHUSETTS
PENSION PLAN SCHEDULES AND OPEB SCHEDULE
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)
(UNAUDITED)**

**Schedule of Investment Returns
Brockton Contributory Retirement System ⁽¹⁾**

	2020	2019	2018	2017	2016	2015	2014
Annual Money-Weighted Rate of Return, Net of Investment Income	9.05%	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⁾**

	2021	2020	2019	2018	2017	2016	2015
City's Proportion of the Net Pension Liability	93.73111%	93.74855%	93.40333%	93.40333%	93.03000%	93.02878%	93.50853%
City's Proportionate Share of the Net Pension Liability	271,529,633	262,884,960	274,880,684	225,295,129	223,506,439	221,810,876	177,208,481
City's Covered Payroll	96,071,408	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	282.6%	290.9%	302.2%	267.3%	257.4%	306.1%	254.3%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	61.90%	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
PENSION PLAN SCHEDULES AND OPEB SCHEDULE
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)
(UNAUDITED)**

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarially Determined Contribution	\$ 28,452	\$ 26,355	\$ 24,312	\$ 23,364	\$ 18,673	\$ 17,945	\$ 18,038	\$ 16,075	\$ 15,477	\$ 12,732
Contributions in Relation to the Actuarially Determined Contribution	<u>28,452</u>	<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>
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	\$ 96,071	\$ 90,373	\$ 90,956	\$ 84,271	\$ 86,823	\$ 72,465	\$ 69,675	\$ 71,795	\$ 69,952	\$ 69,952
Contributions as a Percentage of Covered Payroll	29.62%	29.16%	26.73%	27.72%	21.51%	24.76%	25.89%	22.39%	22.13%	18.20%

**CITY OF BROCKTON, MASSACHUSETTS
PENSION PLAN SCHEDULES AND OPEB SCHEDULE
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)
(UNAUDITED)**

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

	2021	2020	2019	2018	2017	2016	2015
City's Share of Net Pension Liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commonwealth's Share of the City's Net Pension Liability	<u>459,958,558</u>	<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>
Total	<u><u>\$ 459,958,558</u></u>	<u><u>\$ 410,437,717</u></u>	<u><u>\$ 390,765,228</u></u>	<u><u>\$ 406,936,492</u></u>	<u><u>\$ 389,967,839</u></u>	<u><u>\$ 372,391,598</u></u>	<u><u>\$ 293,063,758</u></u>
City's Expense and Revenue Recognized for the Commonwealth's Support	\$ 56,811,472	\$ 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	50.67%	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
PENSION PLAN SCHEDULES AND OPEB SCHEDULE
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)
(UNAUDITED)**

Schedule of Changes in the Total OPEB Liability ⁽¹⁾

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability:				
Service Cost	\$ 34,872,071	\$ 29,541,390	\$ 28,624,196	\$ 28,647,015
Interest	22,344,022	21,583,105	22,281,379	21,275,694
Differences Between Expected and Actual Experience	(22,521,520)	12,669,693	(34,281,080)	(1,084,896)
Changes of Assumptions	66,103,419	17,177,657	24,009,068	-
Benefit Payments, Including Refunds of Member Contributions	<u>(14,872,272)</u>	<u>(14,245,728)</u>	<u>(15,240,000)</u>	<u>(14,940,000)</u>
Net Change in Total Pension Liability	85,925,720	66,726,117	25,393,563	33,897,813
 Total OPEB Liability - Beginning	 <u>847,436,964</u>	 <u>780,710,847</u>	 <u>755,317,284</u>	 <u>721,419,471</u>
 Total OPEB Liability - Ending	 <u><u>\$ 933,362,684</u></u>	 <u><u>\$ 847,436,964</u></u>	 <u><u>\$ 780,710,847</u></u>	 <u><u>\$ 755,317,284</u></u>
 Covered Payroll	 \$ 231,901,626	 \$ 230,996,000	 \$ 222,200,000	 \$ 216,000,000
 Total OPEB Liability as a Percentage of Covered Payroll	 402.48%	 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, 2021
(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, 2021
(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	\$ 413,994,894
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	(4,600)
Stabilization Fund Earnings	345,919
MTRS On-Behalf Payments	56,811,472
Transfers from Other Funds are Inflows of Budgetary Resources But Are Not Revenues for Financial Reporting Purposes	<u>(19,917,572)</u>
Total Revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	<u><u>\$ 451,230,113</u></u>

Budgetary Outflows and GAAP Expenditures:

Actual Amounts (Budgetary Basis) "Total Charges to Appropriation" from the Budgetary Comparison Schedule	\$ 407,717,914
Differences - Budget to GAAP:	
Enterprise Fund Related Budgetary Expenditures are Recorded as Reductions to Transfers for GAAP Purposes	(3,084,355)
Health Claims Expenditures and Accruals Are Not reported as Charges to Appropriations on a Budgetary Basis	1,581,867
Adjustments for Expenditures, Encumbrances, and Accruals, Net	(6,414,073)
MTRS On-Behalf Payments	56,811,472
Transfers to Other Funds are Outflows of Budgetary Appropriations But Are Not Expenditures for Financial Reporting Purposes	<u>(18,537,812)</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances	<u><u>\$ 438,075,013</u></u>

CITY OF BROCKTON, MASSACHUSETTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
JUNE 30, 2021
(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 Assumptions (2020): Investment rate of return was reduced to 7.50% from 7.75%.

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, 2021
(UNAUDITED)

NOTE 5 OPEB PLAN

There are currently no assets accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Changes of Assumptions (2021): Discount rate was adjusted to 2.18% from 2.66%.

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 (2019): 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, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Resources:				
Charges for Services	\$ 19,376,120	\$ 19,376,120	\$ 19,655,742	\$ 279,622
Departmental Charges and Fees	-	-	1,469,580	1,469,580
Miscellaneous	-	-	31,421	31,421
Amounts Available for Appropriation	19,376,120	19,376,120	21,156,743	1,780,623
Charges to Appropriations:				
Salaries and Benefits	3,287,525	3,287,525	2,911,093	376,432
Ordinary Maintenance	13,695,213	13,695,213	11,121,197	2,574,016
Debt Service	2,064,489	2,064,489	2,007,725	56,764
Capital Outlay	3,000,000	3,558,250	706,937	2,851,313
Total Charges to Appropriations	22,047,227	22,605,477	16,746,952	5,858,525
Excess (Deficiency) of Resources Over Charges to Appropriations	(2,671,107)	(3,229,357)	4,409,791	7,639,148
Other Financing Sources:				
Certified Retained Earnings	3,885,240	3,885,240	3,885,240	-
Transfers In	628,309	1,901,355	1,901,355	-
Transfers Out	(1,842,442)	(2,557,238)	(2,557,446)	(208)
Total Other Financing Sources (Uses)	2,671,107	3,229,357	3,229,149	(208)
Net Changes in Fund Balance	\$ -	\$ -	\$ 7,638,940	\$ 7,638,940

CITY OF BROCKTON, MASSACHUSETTS
BUDGETARY COMPARISON SCHEDULE — SEWER ENTERPRISE FUND
ADDITIONAL INFORMATION
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Resources:				
Charges for Services	\$ 20,135,000	\$ 20,135,000	\$ 17,988,555	\$ (2,146,445)
Departmental Charges and Fees	-	-	1,291,826	1,291,826
Miscellaneous	-	-	158,123	158,123
Amounts Available for Appropriation	20,135,000	20,135,000	19,438,504	(696,496)
Charges to Appropriations:				
Salaries and Benefits	1,657,759	1,657,759	1,521,415	136,344
Ordinary Maintenance	11,874,457	11,874,457	10,475,528	1,398,929
Debt Service	6,918,328	6,918,328	6,867,517	50,811
Capital Outlay	-	250,000	250,000	-
Total Charges to Appropriations	20,450,544	20,700,544	19,114,460	1,586,084
Excess (Deficiency) of Resources Over Charges to Appropriations	(315,544)	(565,544)	324,044	889,588
Other Financing Sources:				
Certified Retained Earnings	632,514	632,514	632,514	-
Transfers In	1,032,253	1,441,725	1,441,725	-
Transfers Out	(1,349,223)	(1,508,695)	(1,513,850)	(5,155)
Total Other Financing Sources (Uses)	315,544	565,544	560,389	(5,155)
Net Changes in Fund Balance	\$ -	\$ -	\$ 884,433	\$ 884,433