

CITY OF BROCKTON, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2014

(Unaudited)

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 2014, the City levied a total of \$116.7 million in gross real estate property taxes against an aggregate fair market assessed value of \$5.4 billion. This levy left only a small amount in unused levy capacity without the approval of the voters. However, the levy comprised only 2.1% of the City's aggregate assessed value. With voter approval, the City could levy an additional \$17.3 million and still remain under the levy ceiling. Accordingly, the taxing capacity exists to substantially improve the City's revenues for financing governmental activities, but converting this potential capacity to real revenues would require voter approval.

Business Type Activities – Statement of Activities

The business-type activities increased the City's net position by approximately \$3.3 million, or 3.1%.

The water fund incurred a \$622 thousand increase; the sewer fund contributed a \$2.1 million increase, while the net position for the combination of the nonmajor recreation, refuse and renewable energy funds increased \$592 thousand. The nonmajor refuse fund is self-sufficient. The nonmajor recreation and renewable energy funds require a transfer of general fund revenues to support its programs. Most of the recreation fund's revenues derive from the golf course, but those revenues are not sufficient to pay for both the golf course operations and other park and recreation programs. For this reason, a transfer of other revenues is required. The Solar Energy facility generates and sells electricity.

The operations of the water fund and sewer fund are self-sufficient. The water and sewer funds are designed to recover the costs of operations of those funds. In the water fund the operating income totaled \$436 thousand. In the sewer fund the operating income totaled \$4.3 million. In the water and sewer funds, cash flow from operations of \$2.4 million and \$10.0 million, respectively. In both of these funds a major upgrade to the wastewater and water treatment plants is ongoing and required a major contribution of resources to finance both the construction itself and the impact of construction in increased plant operating costs.

CITY OF BROCKTON, MASSACHUSETTS

Budgetary Comparison Schedule – Water Enterprise Fund
Additional Information

Year Ended June 30, 2014

(Unaudited)

	Budgeted amounts		Actual amounts (budgetary basis)	Variance with final budget positive negative
	Original	Final		
Resources:				
Charges for services	\$ 14,743,829	14,258,104	16,193,881	1,935,777
Departmental charges and fees	—	240,874	223,664	(17,210)
Miscellaneous	—	544,851	39,026	(505,825)
Amounts available for appropriation	<u>14,743,829</u>	<u>15,043,829</u>	<u>16,456,571</u>	<u>1,412,742</u>
Charges to appropriations:				
Salaries and benefits	3,001,913	3,001,913	2,831,452	170,461
Ordinary maintenance	9,921,529	9,921,529	9,506,405	415,124
Debt service	2,143,586	2,143,586	2,078,087	65,499
Capital outlay	—	—	27,033	(27,033)
Total charges to appropriations	<u>15,067,028</u>	<u>15,067,028</u>	<u>14,442,977</u>	<u>624,051</u>
Excess (deficiency) of resources over charges to appropriations	<u>(323,199)</u>	<u>(23,199)</u>	<u>\$ 2,013,594</u>	<u>2,036,793</u>
Other financing sources (uses):				
Certified retained earnings	923,199	923,199	923,199	—
Transfers out	(600,000)	(900,000)	(900,000)	—
Total other financing sources (uses)	<u>323,199</u>	<u>23,199</u>	<u>23,199</u>	<u>—</u>
Net changes in fund balance	<u>\$ —</u>	<u>—</u>	<u>2,036,793</u>	<u>2,036,793</u>

See accompanying independent auditors' report.

CITY OF BROCKTON, MASSACHUSETTS

Budgetary Comparison Schedule – Sewer Enterprise Fund
Additional Information

Year Ended June 30, 2014

(Unaudited)

	Budgeted amounts		Actual amounts (budgetary basis)	Variance with final budget positive (negative)
	Original	Final		
Resources:				
Charges for services	\$ 17,284,729	16,911,591	18,621,050	1,709,459
Departmental charges and fees	—	—	18,792	18,792
Miscellaneous	—	373,138	400,709	27,571
Amounts available for appropriation	<u>17,284,729</u>	<u>17,284,729</u>	<u>19,040,551</u>	<u>1,755,822</u>
Charges to appropriations :				
Salaries and benefits	1,474,609	1,474,609	1,304,276	170,333
Ordinary maintenance	7,851,813	7,851,813	7,303,346	548,467
Debt service	7,331,472	7,331,472	7,041,331	290,141
Capital outlay	1,896,510	1,896,510	1,920,091	(23,581)
Total charges to appropriations	<u>18,554,404</u>	<u>18,554,404</u>	<u>17,569,044</u>	<u>985,360</u>
Excess (deficiency) of resources over charges to appropriations	<u>(1,269,675)</u>	<u>(1,269,675)</u>	<u>\$ 1,471,507</u>	<u>2,741,182</u>
Other financing sources (uses):				
Certified retained earnings	3,078,216	3,078,216	3,078,216	—
Transfers in	—	—	39,995	39,995
Transfers out	<u>(1,808,541)</u>	<u>(1,808,541)</u>	<u>(1,808,541)</u>	<u>—</u>
Total other financing sources (uses)	<u>1,269,675</u>	<u>1,269,675</u>	<u>1,309,670</u>	<u>39,995</u>
Net changes in fund balance	<u>\$ —</u>	<u>—</u>	<u>2,781,177</u>	<u>2,781,177</u>

See accompanying independent auditors' report.