

**CITY OF TAUNTON, MASSACHUSETTS**

**ANNUAL FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

**CITY OF TAUNTON, MASSACHUSETTS**

June 30, 2014

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**CITY OF TAUNTON, MASSACHUSETTS**

June 30, 2014

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Honorable Mayor and  
Members of the City Council  
City of Taunton  
Taunton, Massachusetts

## Independent Auditor's Report

### 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 Taunton, Massachusetts ("the City"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, (except for the pension trust fund and discretely presented component unit, which are as of and for the year ended December 31, 2013), which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Taunton Municipal Lighting Plant, which represents twenty-four percent, thirty-seven percent, and thirty one, respectively, of the assets, net position, and revenues of the City of Taunton's financial statements. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Taunton Municipal Lighting Plant, is based solely on the report of the other auditors. We also did not audit the City's landfill closure and post closure liability. This figure is based solely upon the work of a third party company whose report has been furnished to us. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

*Continued*

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Taunton, Massachusetts, as of June 30, 2014, (except for the pension trust fund and discretely presented component unit, which are as of and for the year ended December 31, 2013) and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter Regarding Annuity GAAP Mistreatment**

The City of Taunton, MA, has purchased annuities for the benefit of certain retired employees designed to fund the accumulated compensated absences earned by retiring employees over time as opposed to the City paying out a lump sum to the retiring employees. These annuities are not recorded on the City books and records. The possible outcome of these matters cannot presently be determined. Accordingly, no provision for any liability that may result has been made in the financial statements.

### **Emphasis of Matter Regarding MWPAT Subsidy Receivables**

As discussed in Note 9 to the financial statements, the City of Taunton, MA has elected to change its method of accounting in relation to future subsidized principal payment to be made by Massachusetts Water Pollution Abatement Trust (MWPAT) bonds. Our opinion is not modified with respect to this matter.

### ***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 information on pages 4 through 17 and 75 through 81 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 of Taunton, Massachusetts' basic financial statements. The supplementary statements and schedules on pages 82 through 89 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary statements and schedules on pages 82 through 89 are the responsibility of management and were 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 supplementary statements and schedules on pages 82 through 89 are fairly stated in all material respects in relation to the basic financial statements as a whole.

The schedule of funding progress and employers' contributions on pages 82 through 83 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2015, on our consideration of the City of Taunton, Massachusetts' 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 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 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 City of Taunton, Massachusetts' internal control over financial reporting and compliance.

*Hague, Sabady & Co. PC*

Fall River, Massachusetts  
March 24, 2015

## CITY OF TAUNTON, MASSACHUSETTS

### Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2014

The management of the **City of Taunton Massachusetts** (herein, City), offers 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, 2014. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements (such as investors and rating agencies) rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users (including citizens, the media, legislators and others) can assess the financial condition of one government compared to others.

#### **Financial Highlights:**

- The assets plus deferred outflows of resources of the City exceeded liabilities plus deferred inflows of resources at June 30, 2014, respectively by \$180,987,019 (net position).
- As of the close of the current fiscal year, the City's governmental funds reported combined ending balances of \$37,265,936. Approximately twenty percent of the total amount, \$7,477,263 is available for spending at the City's discretion (unassigned fund balance).

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City of Taunton's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The government-wide financial statements provide both long-term and short-term information about the City as a whole. The fund financial statements focus the individual components of the City government, reporting the City's operations in more detail than the government-wide statements. Both presentations (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison and enhance the City's accountability. An additional part of the basic financial statements are the notes to the financial statements. The report also contains other required supplementary information in addition to the basic financial statements themselves.

#### **Government-Wide Statement**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business. The statements provide both short-term and long-term information about City's financial position, which assists in assessing the City's economic position at the end of the fiscal year.

The government-wide financial statements include two statements:

*Statement of Net Position* - Presents all of the government's assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources, with the difference being reported as net position. The amount of net position is widely considered a good measure of the City's financial health as increases and decreases in the City's net position serves as a useful indicator of whether the financial position is improving or deteriorating.

*Continued*

## CITY OF TAUNTON, MASSACHUSETTS

### Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2014

#### **Government-Wide Statement (Continued)**

*Statement of Activities* - Presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will not result in cash flows until future fiscal periods, i.e., uncollected taxes or earned but unused sick and vacation time.

Both of the government-wide financial statements distinguish functions and activities of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions and activities that are intended to recover all or a significant portion of their costs through user fees or charges (business-type activities).

The government-wide financial statements of the City are divided into two categories:

- Governmental activities - Governmental activities of the City such as general government, public works, public safety, education, community and economic development, health and human services, municipal airport, and culture and recreation are reported here. Property taxes, state aid, local fees and charges finance most of these activities.
- Business-type activities - Business-type activities of the City such as water, wastewater, nursing home, and golf course are reported here. Charges for services finance most of these activities.

#### **Fund Financial Statements**

Traditional users of government financial statements will find the fund financial statement presentation to be most familiar. A fund is a grouping of related accounts that is used to keep control over resources that have been allocated to specific projects or activities. The City uses fund accounting to ensure and demonstrate compliance with several finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental, proprietary, and fiduciary funds. Fiduciary funds for the City consist of the pension trust fund, the private purpose trust funds and the agency funds. The proprietary funds for the City is the water and wastewater and the medical claims trust funds. All other activities of the City are included in the governmental funds.

All of the funds of the City can be divided into three categories as follows:

**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, government 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 the evaluation of a government's near term financing requirements.

*Continued*



## CITY OF TAUNTON, MASSACHUSETTS

### Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2014

#### **Fund Financial Statements (Continued)**

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 balances provide a reconciliation to facilitate the comparison between *governmental funds* and *governmental activities*.

Most of the basic services provided by the City are financed through governmental funds. These funds are reported using an accounting method called "modified accrual accounting", which measures cash, and all other financial assets that can readily be converted to cash. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund which is considered a major fund and data from all of the other governmental funds, which are considered non-major funds, are combined into a single aggregated presentation. Individual fund data for these nonmajor governmental funds is provided in the form of combining statements, which are not required but are supplementary information.

The City adopts an annual budget for its general fund. A budgetary comparison statement has been provided to demonstrate compliance with the budget.

The governmental fund financial statements can be found on pages 23 through 24 of this report. The budgetary statements can be found on pages 75 through 76 of this report.

**Proprietary funds:** The City maintains two different types of proprietary funds. *Enterprise funds* 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 wastewater operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among various functions. The City uses internal services funds to account for worker's compensation claims. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements. The accrual basis of accounting is used for the proprietary fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the enterprise fund consisting of the water, wastewater, nursing home, and golf course operations as well as the internal service fund which are considered major funds.

The City adopts an annual budget for its water, wastewater, nursing home, and golf course funds. Budgetary comparison statements have been provided to demonstrate compliance with those budgets.

The proprietary fund financial statements can be found on pages 27 through 32 of this report. The budgetary statements can be found on pages 77 through 80 of this report.

**Fiduciary funds:** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City is the trustee, or fiduciary, for certain assets that because of a trust arrangement can be used only for the trust beneficiaries and the agency fund. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of 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. The accounting used for fiduciary funds is the accrual basis of accounting. The fiduciary funds financial statements can be found on pages 33 through 34 of this report.

*Continued*

## **CITY OF TAUNTON, MASSACHUSETTS**

### **Management's Discussion and Analysis (MD&A)**

Year Ended June 30, 2014

#### **Notes to the 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. The notes can be found on pages 35 through 74 of this report.

#### **Other Required Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning all legally adopted budgets and schedules of both funding progress and of employers' contributions for the Taunton Contributory Retirement System on pages 82 and 83. The City appropriates an annual appropriation budget for the general, water, wastewater, and nursing home funds. Budgetary comparison schedules are presented to demonstrate compliance with the budget on pages 75 through 81.

#### **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, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by approximately \$181 million as of June 30, 2014. Key components of the City's activities are presented below. The following table reflects the condensed net position based on the statement of net position found on pages 18 and 19 of the financial statement.

**CITY OF TAUNTON, MASSACHUSETTS**

Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2014

**Government-Wide Financial Analysis (Continued)**

<b>Statement of Net Position - Primary Government</b>						
<b>June 30, 2014</b>						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Assets</b>						
Current assets	\$ 79,215,006	\$ 66,484,007	\$ 22,519,853	\$ 17,583,068	\$ 101,734,859	\$ 84,067,075
Noncurrent assets	<u>239,867,026</u>	<u>243,128,762</u>	<u>127,550,311</u>	<u>121,972,790</u>	<u>367,417,337</u>	<u>365,101,552</u>
Total assets	<u>319,082,032</u>	<u>309,612,769</u>	<u>150,070,164</u>	<u>139,555,858</u>	<u>469,152,196</u>	<u>449,168,627</u>
<b>Deferred outflows of resources</b>						
None	-	-	-	-	-	-
Total deferred outflows of resources	-	-	-	-	-	-
Total assets and deferred outflows of resources	<u>\$ 319,082,032</u>	<u>\$ 309,612,769</u>	<u>\$ 150,070,164</u>	<u>\$ 139,555,858</u>	<u>\$ 469,152,196</u>	<u>\$ 449,168,627</u>
<b>Liabilities</b>						
Current liabilities	\$ 34,314,285	\$ 32,815,690	\$ 6,974,776	\$ 7,188,423	\$ 41,289,061	\$ 40,004,113
Long-term liabilities	<u>145,185,133</u>	<u>132,056,918</u>	<u>89,765,051</u>	<u>93,229,841</u>	<u>234,950,184</u>	<u>225,286,759</u>
Total liabilities	<u>179,499,418</u>	<u>164,872,608</u>	<u>96,739,827</u>	<u>100,418,264</u>	<u>276,239,245</u>	<u>265,290,872</u>
<b>Deferred inflows of resources</b>						
Total governmental activities	3,590,355	60,496	-	-	3,590,355	60,496
Total business-type activities	-	-	<u>8,335,577</u>	<u>6,392,173</u>	<u>8,335,577</u>	<u>6,392,173</u>
Total deferred inflows of resources	<u>3,590,355</u>	<u>60,496</u>	<u>8,335,577</u>	<u>6,392,173</u>	<u>11,925,932</u>	<u>6,452,669</u>
<b>Net Position</b>						
Investment in capital assets, net of related debt	183,216,692	193,628,467	39,097,111	27,491,194	222,313,803	221,119,661
Restricted	18,471,190	23,217,418	1,389,660	761,115	19,860,850	23,978,533
Unrestricted	<u>(65,695,623)</u>	<u>(72,166,220)</u>	<u>4,507,989</u>	<u>4,493,112</u>	<u>(61,187,634)</u>	<u>(67,673,108)</u>
Total net position	<u>135,992,259</u>	<u>144,679,665</u>	<u>44,994,760</u>	<u>32,745,421</u>	<u>180,987,019</u>	<u>177,425,086</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 319,082,032</u>	<u>\$ 309,612,769</u>	<u>\$ 150,070,164</u>	<u>\$ 139,555,858</u>	<u>\$ 469,152,196</u>	<u>\$ 449,168,627</u>

*Continued*

## CITY OF TAUNTON, MASSACHUSETTS

### Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2014

The largest portion of the City's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress, etc.) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its residents; consequently, these assets are *not* available for future spending. 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 must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

An additional portion of the City's net position \$19,860,850 represents resources that are subject to external restrictions on how they may be used.

The strength of the City is dependent upon the willingness of the citizenry to pay their bills when they are due, and the diligence of the Tax Collector to ensure that everyone complies with such dealings. As of June 30, 2014 cash and investments consisted of \$52,917,270.

#### **Discussion on Other Post Employment Benefits**

The City of Taunton utilizes the Management Discussion and Analysis to inform readers of the financial statements about relevant fiscal information which includes the potential liability associated with Other Post Employment Benefits (OPEB) for its employees. The estimated liability associated with OPEB was calculated in compliance with GASB Statement Number 45 (GASB 45), *Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions*, by Sherman Actuarial Services, an actuarial firm hired by the City of Taunton. A number of factors drive the potential cost of OPEB liability. As required by GASB45 an actuarial update is performed every two years. The updated study also performed by Sherman Actuarial Services indicates that for the period ending June 30, 2014, the Unfunded Accrued Liability was \$326.2 million; as the City of Taunton does not fund the annual required contribution into a trust, the actuarial study assumed a closed funding schedule of a 30 year amortization period. The \$92,384,952 in OPEB obligation that appears in these financials on the Statement of Net Position is the cumulative amount of Net OPEB Obligation based on the most recent report and data set; it is a portion of the overall \$326.2 million that is reported in the actuarial study. Accordingly to the June 30, 2014 study, the City's OPEB Cost for fiscal 2014 is \$18,492,238. The City is also able to take credit for the actuarial value of payments it made on behalf of retirees in the amount of \$8,217,344; thus the Net OPEB Obligation is the difference between these figures, \$10,274,894 which is equal to the increase in the liability for OPEB within the FY2014 financial statements.

*Continued*

## **CITY OF TAUNTON, MASSACHUSETTS**

### **Management's Discussion and Analysis (MD&A)**

Year Ended June 30, 2014

#### **Discussion on Other Post Employment Benefits**

A number of factors that impact the results of the actuarial study are within the control of management; thus management's decision can impact the potential future liability. Several key items that contributed to the reduction of the Unfunded Accrued Liability between OPEB studies are worthy of note. The City has benefited from a change in Massachusetts General Law to Section 18 of Chapter 32B in which persons eligible to enroll in Medicare must do so. Readers of these statements must keep in mind that the liability associated with OPEB is based on an actuarial study and represents an estimate for future potential liability based on a set of known factors at the time the study is completed; thus policy changes relative to OPEB would have an effect on the Unfunded Accrued Liability. A copy of the Other Post-Employment Benefit Actuarial Valuation dated June 30, 2014 utilized in these financial statements is available by contacting the Office of the City Auditor, 141 Oak Street, Taunton, MA 02780.

#### **Statement of Changes in Net Position**

The City's total net position increased by \$3,561,933 for the fiscal year ended June 30, 2014 of which the governmental activities decreased by \$8,687,406 and the business-type activities increased by \$12,249,339.

This summary of net changes is based on the Statement of Activities found on pages 20 through 22 of the financial statements.

Key elements of these increases/ (decreases) are documented on the following page:

**CITY OF TAUNTON, MASSACHUSETTS**

Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2014

**Changes in Net Position for the period ending June 30, 2014 (Government-wide level)**

	Changes in Net Position Primary Government					
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues</b>						
Program Revenues						
Charges for service	\$ 7,119,395	\$ 9,116,919	\$ 24,004,670	\$ 20,708,466	\$ 31,124,065	\$ 29,825,385
Operating grants and contributions	66,821,228	59,640,079	6,069,615	5,697,420	72,890,843	65,337,499
Capital grants and contributions	5,498,034	15,364,184	-	-	5,498,034	15,364,184
General Revenues						
Property taxes	80,930,534	77,838,841	-	-	80,930,534	77,838,841
Motor vehicle excise	5,903,036	6,592,877	-	-	5,903,036	6,592,877
Other excise	829,858	852,507	-	-	829,858	852,507
Payments in lieu of taxes	3,014,683	3,097,344	-	-	3,014,683	3,097,344
Fines, penalties and interest	1,403,757	1,376,730	-	-	1,403,757	1,376,730
Intergovernmental	7,592,057	8,205,239	-	-	7,592,057	8,205,239
Earnings on investments	171,269	119,647	-	-	171,269	119,647
Other	1,474,183	1,860,455	27,643	6,963	1,501,826	1,867,418
Total revenue	<u>180,758,034</u>	<u>184,064,822</u>	<u>30,101,928</u>	<u>26,412,849</u>	<u>210,859,962</u>	<u>210,477,671</u>
<b>Expenses</b>						
General government	35,041,771	35,784,998	-	-	35,041,771	35,784,998
Public safety	36,381,346	34,631,903	-	-	36,381,346	34,631,903
Education	96,994,682	94,668,027	-	-	96,994,682	94,668,027
Public works	13,969,918	16,329,376	-	-	13,969,918	16,329,376
Community and economic development	1,515,360	4,454,788	-	-	1,515,360	4,454,788
Health and human services	3,775,996	3,429,809	-	-	3,775,996	3,429,809
Culture and recreation	4,011,933	3,627,431	-	-	4,011,933	3,627,431
Municipal airport	472,992	615,523	-	-	472,992	615,523
Interest on debt	1,588,137	1,978,102	-	-	1,588,137	1,978,102
State and county charges	1,540,454	1,611,671	-	-	1,540,454	1,611,671
Water	-	-	6,228,473	6,394,269	6,228,473	6,394,269
Wastewater	-	-	6,707,211	6,557,594	6,707,211	6,557,594
Nursing home	-	-	7,087,774	7,172,193	7,087,774	7,172,193
Golf course	-	-	14,563	13,622	14,563	13,622
Total expenses	<u>195,292,589</u>	<u>197,131,628</u>	<u>20,038,021</u>	<u>20,137,678</u>	<u>215,330,610</u>	<u>217,269,306</u>
Increase(decrease) in net position before transfers	(14,534,555)	(13,066,806)	10,063,907	6,275,171	(4,470,648)	(6,791,635)
Proceeds from refinancing debt	-	-	174,803	-	174,803	-
Transfers in (out) - operating	11,879,145	19,831,196	(4,457,341)	(13,061,824)	7,421,804	6,769,372
Transfers in (out) - capital	(6,031,996)	(12,965,155)	6,031,996	12,965,155	-	-
Transfers in (out) - state subsidy	-	-	435,974	291,814	435,974	291,814
Increase(decrease) in net position	(8,687,406)	(6,200,765)	12,249,339	6,470,316	3,561,933	269,551
Net position - beginning of year, restated	<u>144,679,665</u>	<u>150,880,430</u>	<u>32,745,421</u>	<u>26,275,105</u>	<u>177,425,086</u>	<u>177,155,535</u>
Net position - end of year	<u>\$ 135,992,259</u>	<u>\$ 144,679,665</u>	<u>\$ 44,994,760</u>	<u>\$ 32,745,421</u>	<u>\$ 180,987,019</u>	<u>\$ 177,425,086</u>

Continued

**CITY OF TAUNTON, MASSACHUSETTS**

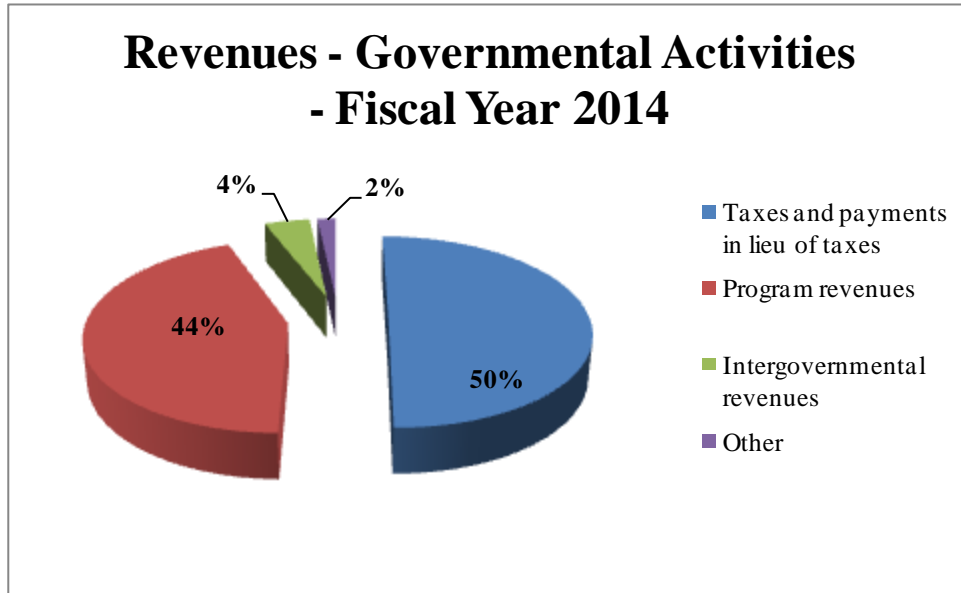
Management’s Discussion and Analysis (MD&A)

Year Ended June 30, 2014

**Revenue**

*Governmental Activities*

Total governmental activities revenues for the City are comprised of general revenues of \$101.3 million, charges for services of \$7.1 million, operating grants and contributions of \$66.8 million and capital grants and contributions of \$5.5 million.



*General Revenues*

The majority of general revenues are tax collections from the City’s taxpayers. This amount represented 85.7% of the total general revenues or \$86.8 million.

Intergovernmental revenue not restricted to a specific program is \$7.6 million representing 7.5% of general revenues and includes state cherry sheet revenue and other unrestricted contributions.

*Program Revenues*

Charges for services are \$7.1 million and represent a variety of departmental revenues. The public safety portion includes several types of permits revenue, traffic and moving violations revenues, and City garage revenues. The public works portion represents the largest percentage of program revenues collected, a large portion of which (approximately \$2.5 million) can be attributed to trash and landfill fees.

The operating grants are also a significant source of revenue for the City. The total operating grants for fiscal year ended June 30, 2014 amounted to \$66.8 million of which \$60.5 million were received for education.

Capital grants and contributions total \$5.5 million. The most significant source was received for education and public works.

## CITY OF TAUNTON, MASSACHUSETTS

### Management's Discussion and Analysis (MD&A)

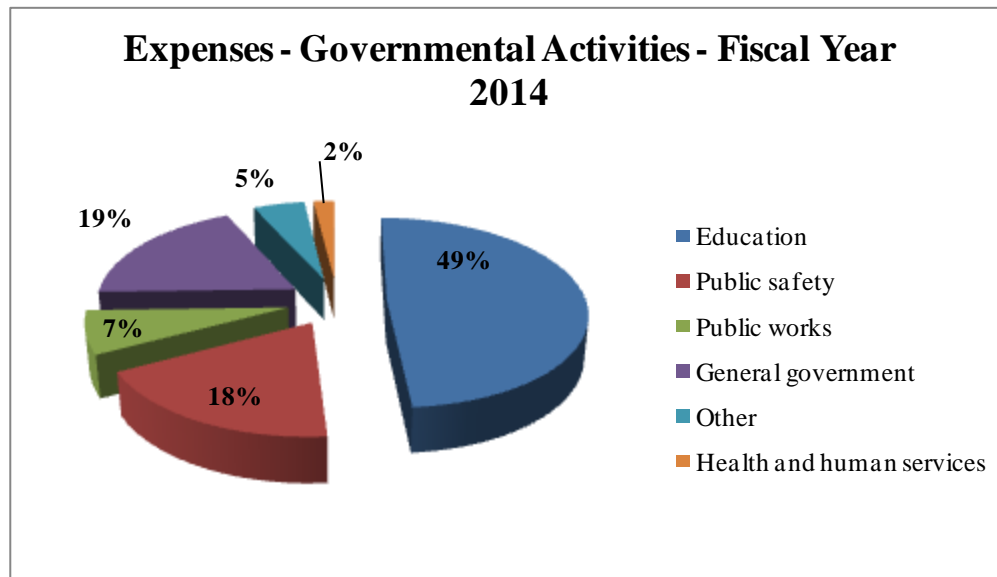
Year Ended June 30, 2014

#### Expenses

##### *Governmental Activities*

For fiscal year ended June 30, 2014, expenses for the governmental activities totaled \$195.3 million, which cover a range of services.

Education continues to be one of the City's highest priorities and commitments representing \$97.0 million or 49.7% of the total governmental activity expenses.



##### *Business-Type Activity*

Business-type activity increased net position by \$12,249,339 for the fiscal year ended June 30, 2014. Factors contributing to these results are as follows:

- The water fund had operating income of \$5.39 million.
- The wastewater fund had an operating income of \$6.22 million.
- The nursing home fund had an operating income of \$1.24 million.
- Total transfers out of the enterprise funds totaled \$4.76 million.
- The city is required to record an increase in OPEB liability in accordance with GASB 45 of \$833 thousand.

##### **Financial Analysis of the Government's 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 the near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.



## CITY OF TAUNTON, MASSACHUSETTS

### Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2014

#### **Financial Analysis of Government's Funds (Continued)**

The City's governmental funds reported combined ending fund balance of \$37,265,936 for fiscal year ended June 30, 2014.

Fiscal year 2011 was the City's initial year of implementation of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The implementation of this standard has changed the fund balance components into nonspendable, restricted, committed, assigned and unassigned. These components depicts the relative strength of the spending constraints placed on the purposes for which resources can be used. Please refer to Note 1 "Summary of Significant Accounting Policies" for additional information.

Additionally, under the new standard, the City's stabilization funds are reported within the general fund as committed for economic stabilization purposes upon approval of the City Council. During fiscal year 2014, the City's stabilization fund earned \$67,312 of investment income, and had net transfers in of \$6,612,215. Total stabilization fund balance at June 30, 2014 was \$8,225,932. Please refer to the Supplementary Information on pages 86 and 87 for more information.

During 2014, total governmental funds reported amounts of \$1,350,855 within the nonspendable fund balance category, \$17,120,335 within the restricted fund balance category, \$8,250,732 within the committed fund category, \$3,066,751 within the assigned fund balance category, and \$7,477,263 within the unassigned fund balance category. Please refer to Note 11 "Fund Balance Classification Details" for a detailed breakdown of the components within each category.

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The Internal Service Fund is categorized as a governmental activity because it services primarily governmental-type funds. The water, wastewater, nursing home, and golf course funds had net position of \$12,117,833, \$34,069,095, \$(1,305,367) and \$113,199 as of June 30, 2014, respectively.

The City of Taunton continues to operate under the policy that the rates for the Water and Wastewater enterprises are established to cover all operating and debt expenses. In fiscal year 2014, the Water and Wastewater Enterprise Fund received \$286,696 and \$428,894, respectively in subsidies for principal and interest from the Massachusetts Water Pollution Abatement Trust for debt financed through the Trust.

#### **Budgetary Highlights**

The City of Taunton submits its budget to the Taunton Municipal Council in May and six months later sets the tax rate at the Massachusetts Department of Revenue. During this process, the City reviews and revises its revenue and expenditure plan for final adoption before setting the tax rate.

#### **General Fund Budgetary Highlights**

Local receipts were \$824,714 greater than anticipated for the year. The largest gains were in the motor vehicle excise receipts, and trash and landfill charges for services.

The City carried over \$3,066,751 in general fund encumbrances of which \$1,278,345 is set aside for education and \$982,527 for public works.

*Continued*

**CITY OF TAUNTON, MASSACHUSETTS**

Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2014

**Financial Analysis of Government's Funds (Continued)**

**Capital Asset and Debt Administration**

**Capital Assets**

The City's investment in capital assets for governmental and business - type activities as of June 30, 2014 amounts to \$360,532,963 net of accumulated depreciation. The investment in capital assets includes land, buildings, improvements, infrastructure, construction in progress, vehicles, machinery and equipment, office equipment, and technology equipment and books. The following is a summary of capital assets as of June 30, 2014.

	<b>Capital Asset Administration</b>					
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Land and land easements	\$ 9,026,608	\$ 8,811,718	\$ 3,260,000	\$ 3,260,000	\$ 12,286,608	\$ 12,071,718
Construction in progress	3,987,760	1,044,625	29,749,083	36,493,526	33,736,843	37,538,151
Infrastructure, net	150,713,629	154,061,831	90,569,294	75,592,085	241,282,923	229,653,916
Building and improvements, net	71,845,837	73,467,070	3,560,070	3,652,220	75,405,907	77,119,290
Vehicles, net	1,235,822	1,280,122	-	-	1,235,822	1,280,122
Equipment and machinery, net	1,257,080	881,723	405,719	46,584	1,662,799	928,307
Office equipment, net	334,591	344,766	6,145	119	340,736	344,885
Textbooks and library books, net	<u>1,465,699</u>	<u>1,596,574</u>	<u>-</u>	<u>-</u>	<u>1,465,699</u>	<u>1,596,574</u>
<b>Total</b>	<u>\$ 239,867,026</u>	<u>\$ 241,488,429</u>	<u>\$ 127,550,311</u>	<u>\$ 119,044,534</u>	<u>\$ 367,417,337</u>	<u>\$ 360,532,963</u>

Major capital projects that took place during the current fiscal year include the following:

- Taunton High School Project
- Galligan School Roof
- Water and Wastewater Infrastructure Improvements
- Parker Middle School

Additional information on the City's capital assets may be found on pages 47 to 49 of the notes to the financial statements.

**Debt**

At June 30, 2014, the City had a total long-term debt outstanding of \$123,930,663 and short-term debt outstanding of \$18,157,145 totaling \$142,087,808. Of this amount \$79,586,292 was funded by the Massachusetts Water Pollution Abatement Trust bonding.

Additional information on the City's debt can be found starting on page 57 of the notes to the financial statements.

## CITY OF TAUNTON, MASSACHUSETTS

### Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2014

#### **Economic Outlook**

Founded in 1637, Taunton is one of the oldest towns in the United States. Taunton's economy was historically based on the silversmith and iron-making industries. Taunton was home to several textile mills, such as Reed & Barton; which produced the 1996 Summer Olympics medals and silverware used exclusively for the White House. The iron industry in Taunton produced the anchor for the *USS Constitution*.

Today, the city's economy has many emphases on semiconductor, silicon, and electronics manufacturing. It is home to the corporate headquarters of many leading businesses in various industries. More recently, the city has worked to attract biotechnology research companies to its industrial parks.

The Myles Standish Industrial Park (MSIP) is conveniently located between the Metropolitan areas of Boston and Providence. The MSIP is accessible with a direct exit 9 ramp, Bay Street, off Route 495 and a location that is within 2 miles of Route 24. In addition, the Park is just 10 minutes from Interstate 95 and 20 minutes from the Massachusetts Turnpike. The Myles Standish Industrial Park is home to 98 companies employing 6,225 Greater Taunton residents. Taunton provides industry with very competitive labor costs drawing from a substantial, well trained, labor pool from a population base of over one million people in Southeastern Massachusetts and Northern Rhode Island. The Myles Standish Industrial Park is an 809 acre Industrial Campus with businesses ranging from office users, technology, manufacturing, warehousing and distribution Centers.

Development of the Myles Standish Industrial Park (MSIP) began in 1978 through legislation following the City of Taunton and the Taunton Development Corporation's efforts to acquire 437 acres and is ongoing with various phases operational in 1995, 2000, 2005 and 2009. Current efforts include the MSIP expansion area of 220 industrial acres, redeveloping the former Paul A. Dever State School, which was acquired in January 2012, to become Phase 4 of the MSIP and utilized \$9.2 million in State and Federal infrastructure grants to redevelop the area. As a result of these infrastructure grants, two new industrial park roadways and utility infrastructures have been completed (Charles F. Colton Road & Pioneer Way). The third and final infrastructure project will commence construction in April 2015 developing the new Dever Drive roadway into the life science business park providing access and new infrastructure to the remaining development sites within the park. In addition, an EPA Brownfield grant for \$600,000 was awarded in June 2014 to assist with demolition remediation costs. Recently, the City of Taunton reached an agreement with the Martignetti Company, one of the largest distributors of wine and spirits in the Country, to build a 1 million square foot state of the art distribution center. The company will bring with it over 800 much needed jobs and important tax and excise revenue to the city.

Given the level of industrial interest in the City of Taunton, approximately 350 acres of land in East Taunton was purchased by the Taunton Development Corporation for the development of a new industrial park and was zoned industrial. The Liberty and Union Industrial Park is strategically located at the intersections of Routes 24 and 140, just minutes from Route 495. The location gives employers a job market in excess of one million people within a 20 mile radius, and metropolitan areas of Boston and Providence are just 32 and 20 miles away respectively. The Liberty and Union Industrial Park is currently home to 11 companies and 809 employees. Businesses include Jordan's Furniture which built a 900,000 square foot facility for warehouse/distribution and ADVO (Mail Coups) which built a 65,000 square foot manufacturing facility. The 138,000 square foot Revolutionary Way Commerce Center has three tenants, one of which is a local company, Columbia Electric. Greenscape has purchased Lots 6 and 6A which they will add to their existing property. Condyne purchased Lot 12. They built two buildings totaling 350,000 square feet, of which tenant, Super Dog Pet Food occupies one of the buildings and Summit tire and Pinnacle Distribution are in the other building.

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## **CITY OF TAUNTON, MASSACHUSETTS**

### **Management's Discussion and Analysis (MD&A)**

Year Ended June 30, 2014

#### **Economic Outlook (Continued)**

Adjacent to the Liberty and Union Industrial Park, the Maggiore Companies have built two 100,000 square foot industrial buildings with three tenants, Road to Responsibility, and Work Out World in one and Electricchem in the other. Maggiore Companies has a 9,000 square foot commercial building located on Stevens Street which has a new office tenant. Over 140 acres of the industrially zoned properties at the junction of Routes 140/24 are under agreement for the proposed resort and casino project.

The Liberty and Union Industrial Park is also the location of a potential casino development. The City has signed an Intergovernmental Agreement (IGA) with the Mashpee Wampanoag Tribe. On August 17, 2012 the City received an initial \$1.5 million payment. In accordance with the IGA, the City would receive a minimum of \$8 million per year at the commencement of gaming. The IGA also requires over \$15 million in one-time mitigation improvements and \$4.79 million in annual recurring mitigation payments to the City.

The Silver City Galleria is a large shopping mall in Taunton catering to the local City and to the neighboring communities of Raynham, Berkley, Rehoboth, Dighton, New Bedford and Norton. In 1992 construction was completed on a \$92.9 million, two-level mall in East Taunton at the junction of Routes 24 and 140. The "Silver City Galleria Mall" was developed by the Pyramid Companies of Syracuse, New York. One of the few large malls to open in the country in 1992, the Silver City Galleria has 1.1 million square feet of leasable area and is located on a 126 acre site. It has attracted several anchor stores, including Macy's, Sears, and Best Buy. The mall accommodates a total of 160 national and local retailers, with a ten unit international food court pavilion and one full restaurant – Bertucci's, a twelve screen cinema and a community room open to the public. The mall has added 2,500 full and part-time jobs to the area, and has produced in excess of \$1.5 million in tax revenues to the City annually. The Silver City Galleria was sold for \$22.1 million on June 26, 2013 to the Dallas-based MGHerring Group.

The City is focusing on revitalizing properties in the historic downtown area through the establishment of the Downtown Façade Program, which according the Mayor Thomas C. Hoye, Jr., "...is another step to stimulate investment and make a sustainable commitment to Downtown Taunton." The program seeks to improve the overall aesthetics of the City's Downtown, and encourage support for the retail and service sector businesses and property owners in the downtown area. The program will provide owners of retail and service sector businesses and/or the owners of properties which contain retail and/or service sector businesses, with financial assistance, in the form of reimbursement or partial reimbursement grant, to help defray the costs associated with the rehabilitation or restoration of a commercial storefront. Only costs associated with actual construction are eligible.

#### **Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions on this report or need additional information, your inquires should be addressed to City of Taunton, Attn: Office of the City Auditor, Government Center 141 Oak Street, Taunton, MA 02780.

**CITY OF TAUNTON, MASSACHUSETTS**

Statement of Net Position

June 30, 2014

(Except for the Taunton Municipal Light Plant which is as of December 31, 2013)

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Taunton Municipal Lighting Plant</u>
<b>Assets</b>				
Cash and investments, unrestricted	\$ 38,199,674	\$ 6,484,245	\$ 44,683,919	\$ 29,375,662
Cash and investments, restricted (for stabilization purposes)	8,225,932	7,419	8,233,351	-
Customer deposits	-	-	-	1,414,865
Receivables, net:				
Personal property taxes	1,270,501	-	1,270,501	-
Motor vehicle and excise	1,423,758	-	1,423,758	-
Tax liens and foreclosures	6,779,270	-	6,779,270	-
User charges	491,085	2,363,415	2,854,500	7,430,159
Intermunicipal agreements	-	542,069	542,069	-
Intergovernmental	16,790,050	-	16,790,050	-
Nursing home receivable	-	2,149,091	2,149,091	-
Loan receivable	5,656,625	-	5,656,625	-
Departmental and other	333,386	8,342,052	8,675,438	-
MWPAT subsidy	-	304,842	304,842	-
Prepaid expenses	44,725	-	44,725	2,383,441
Due from plant retirement trust	-	-	-	536,927
Inventory	-	-	-	4,689,101
Noncurrent assets				
Sick leave trust fund	-	-	-	11,444,204
Sick leave annuities	-	-	-	3,728,755
MWPAT subsidy receivable	-	2,326,720	2,326,720	-
Capital assets				
Land and land easements	9,026,608	3,260,000	12,286,608	-
Plant in service, net	-	-	-	71,001,602
Construction in progress	3,987,760	29,749,083	33,736,843	15,434,227
Infrastructure, net	150,713,629	90,569,294	241,282,923	-
Buildings and building improvements, net	71,845,837	3,560,070	75,405,907	-
Vehicles, net	1,235,822	-	1,235,822	-
Equipment and machinery, net	1,257,080	405,719	1,662,799	-
Office equipment, net	334,591	6,145	340,736	-
Textbooks and library books, net	1,465,699	-	1,465,699	-
Total capital assets	<u>239,867,026</u>	<u>127,550,311</u>	<u>367,417,337</u>	<u>86,435,829</u>
Total assets	<u>319,082,032</u>	<u>150,070,164</u>	<u>469,152,196</u>	<u>147,438,943</u>
<b>Deferred outflows of resources</b>				
None	-	-	-	-
Total deferred outflows of resources	-	-	-	-
Total assets and deferred outflows of resources	<u>\$ 319,082,032</u>	<u>\$ 150,070,164</u>	<u>\$ 469,152,196</u>	<u>\$ 147,438,943</u>

The accompanying notes are an integral part of this statement

**CITY OF TAUNTON, MASSACHUSETTS**

Statement of Net Position

June 30, 2014

(Except for the Taunton Municipal Light Plant which is as of December 31, 2013)

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Taunton Municipal Lighting Plant</b>
<b>Liabilities</b>				
Warrants payable	\$ 4,169,277	\$ 164,704	\$ 4,333,981	\$ -
Accounts payable and accrued liabilities	2,389,657	257,324	2,646,981	8,055,374
Retainage payable	102,129	-	102,129	-
Accrued interest	179,255	848,466	1,027,721	28,939
Withholding payable	852,774	-	852,774	-
Deposits held	533,984	-	533,984	1,595,490
Other liabilities	433,784	-	433,784	57,751
Performance bonds	22,200	-	22,200	-
Current portion of capital leases	152,791	-	152,791	-
Short-term notes payable	1,200,000	-	1,200,000	-
Interim loan payable	18,157,145	-	18,157,145	-
Worker's compensation payable	625,000	-	625,000	-
Current portion of HUD loan payable	70,000	-	70,000	-
Current portion of bonds and notes payable	3,931,000	5,649,204	9,580,204	951,000
Current portion of compensated absences	1,495,289	55,078	1,550,367	-
Portion due or payable in more than one year				
Capital leases	374,143	-	374,143	-
HUD loan payable	1,865,000	-	1,865,000	-
Bonds and notes payable	30,721,000	83,629,459	114,350,459	6,375,000
Worker's compensation payable	237,774	-	237,774	-
Compensated absences	20,653,247	865,309	21,518,556	12,472,343
Landfill closure and post closure liability	4,219,300	-	4,219,300	-
Other long term liabilities	-	-	-	6,000,000
Other post-employment benefit obligation	87,114,669	5,270,283	92,384,952	6,814,257
<b>Total liabilities</b>	<b>179,499,418</b>	<b>96,739,827</b>	<b>276,239,245</b>	<b>42,350,154</b>
<b>Deferred inflows of resources</b>				
Unearned loan income	3,590,355	-	3,590,355	-
Unearned income - intermunicipal agreements	-	116,663	116,663	-
Unearned income - special assessments	-	8,101,036	8,101,036	-
Unearned income - tax liens	-	115,478	115,478	-
Unearned income - departmental	-	2,400	2,400	-
<b>Total deferred inflows of resources</b>	<b>3,590,355</b>	<b>8,335,577</b>	<b>11,925,932</b>	<b>-</b>
<b>Net position</b>				
Invested in capital assets, net of related debt	183,216,692	39,097,111	222,313,803	79,788,053
Restricted	18,471,190	1,389,660	19,860,850	2,308,818
Unrestricted	(65,695,623)	4,507,989	(61,187,634)	22,991,918
<b>Total net position</b>	<b>135,992,259</b>	<b>44,994,760</b>	<b>180,987,019</b>	<b>105,088,789</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 319,082,032</b>	<b>\$ 150,070,164</b>	<b>\$ 469,152,196</b>	<b>\$ 147,438,943</b>

The accompanying notes are an integral part of this statement

**CITY OF TAUNTON, MASSACHUSETTS**

Statement of Activities

For the Year Ended June 30, 2014

(Except for the Taunton Municipal Light Plant which is as of December 31, 2013)

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental Activities</b>				
General government	\$ 35,041,771	\$ 835,477	\$ 1,445,294	\$ 240,802
Public safety	36,381,346	976,948	818,193	603,972
Education	96,994,682	2,077,328	60,489,014	2,396,718
Public works	13,969,918	2,240,858	-	2,112,324
Community and economic development	1,515,360	159,597	2,694,880	-
Health and human services	3,775,996	288,252	945,725	-
Culture and recreation	4,011,933	249,953	428,122	-
Municipal airport	472,992	290,982	-	144,218
Interest on debt	1,588,137	-	-	-
State and county charges	1,540,454	-	-	-
Total governmental activities	<u>195,292,589</u>	<u>7,119,395</u>	<u>66,821,228</u>	<u>5,498,034</u>
<b>Business-Type Activities</b>				
Water	6,228,473	10,383,824	-	-
Wastewater	6,707,211	11,347,179	-	-
Nursing home	7,087,774	2,258,667	6,069,615	-
Golf course	14,563	15,000	-	-
Total business-type activities	<u>20,038,021</u>	<u>24,004,670</u>	<u>6,069,615</u>	<u>-</u>
Total primary government	<u>215,330,610</u>	<u>31,124,065</u>	<u>72,890,843</u>	<u>5,498,034</u>
<b>Component Unit</b>				
Taunton Municipal Lighting Plant	<u>89,292,272</u>	<u>95,041,466</u>	<u>-</u>	<u>-</u>
Total City of Taunton	<u>\$ 304,622,882</u>	<u>\$ 126,165,531</u>	<u>\$ 72,890,843</u>	<u>\$ 5,498,034</u>

The accompanying notes are an integral part of this statement

*Continued*  
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**CITY OF TAUNTON, MASSACHUSETTS**

Statement of Activities

For the Year Ended June 30, 2014

(Except for the Taunton Municipal Light Plant which is as of December 31, 2013)

	<b>Net (Expense) Revenue and Changes in Net Position</b>			
	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Taunton Municipal Lighting Plant</b>
<b>Governmental Activities</b>				
General government	\$ (32,520,198)	\$ -	\$ (32,520,198)	\$ -
Public safety	(33,982,233)	-	(33,982,233)	-
Education	(32,031,622)	-	(32,031,622)	-
Public works	(9,616,736)	-	(9,616,736)	-
Community and economic development	1,339,117	-	1,339,117	-
Health and human services	(2,542,019)	-	(2,542,019)	-
Culture and recreation	(3,333,858)	-	(3,333,858)	-
Municipal airport	(37,792)	-	(37,792)	-
Interest on debt	(1,588,137)	-	(1,588,137)	-
State and county charges	(1,540,454)	-	(1,540,454)	-
<b>Total governmental activities</b>	<b>(115,853,932)</b>	<b>-</b>	<b>(115,853,932)</b>	<b>-</b>
<b>Business-Type Activities</b>				
Water	-	4,155,351	4,155,351	-
Wastewater	-	4,639,968	4,639,968	-
Nursing home	-	1,240,508	1,240,508	-
Golf course	-	437	437	-
<b>Total business-type activities</b>	<b>-</b>	<b>10,036,264</b>	<b>10,036,264</b>	<b>-</b>
<b>Total primary government</b>	<b>(115,853,932)</b>	<b>10,036,264</b>	<b>(105,817,668)</b>	<b>-</b>
<b>Component Unit</b>				
Taunton Municipal Lighting Plant	-	-	-	5,749,194
<b>Total City of Taunton</b>	<b>\$ (110,104,738)</b>	<b>\$ 10,036,264</b>	<b>\$ (105,817,668)</b>	<b>\$ 5,749,194</b>

The accompanying notes are an integral part of this statement



**CITY OF TAUNTON, MASSACHUSETTS**

Statement of Activities

For the Year Ended June 30, 2014

(Except for the Taunton Municipal Light Plant which is as of December 31, 2013)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Taunton Municipal Lighting Plant
<b>General revenues</b>				
Real estate and personal property, net of reserve for abatements	\$ 80,930,534	\$ -	\$ 80,930,534	\$ -
Motor vehicle excise	5,903,036	-	5,903,036	-
Other excise tax	829,858	-	829,858	-
Payments in lieu of taxes	3,014,683	-	3,014,683	-
Abatements to the elderly	78,314	-	78,314	-
Abatements to the blind	15,561	-	15,561	-
Fines, penalties and interest	1,403,757	-	1,403,757	-
Earnings on investments	171,269	-	171,269	8,611
Sick leave trust investment income	-	-	-	1,625,069
Lottery, beano and charity	7,282,284	-	7,282,284	-
Miscellaneous municipal revenue	215,898	-	215,898	-
Miscellaneous	1,474,183	27,643	1,501,826	-
<b>Total general revenues</b>	<u>101,319,377</u>	<u>27,643</u>	<u>101,347,020</u>	<u>1,633,680</u>
Special item - proceeds from refinance of long term debt	-	174,803	174,803	-
Special item - state subsidy for various long term bonds	-	435,974	435,974	-
Special item - transfer of capital asset net of debt from governmental activities - water	(1,033,363)	1,033,363	-	-
Special item - transfer of capital asset net of debt from governmental activities - wastewater	(4,998,633)	4,998,633	-	-
Transfers between funds - operating	<u>11,879,145</u>	<u>(4,457,341)</u>	<u>7,421,804</u>	<u>(7,426,804)</u>
<b>Total general revenues, special items, and transfers</b>	<u>107,166,526</u>	<u>2,213,075</u>	<u>109,379,601</u>	<u>(5,793,124)</u>
Changes in net position	(8,687,406)	12,249,339	3,561,933	(43,930)
Net position - July 1, 2013, beginning of year, restated	<u>144,679,665</u>	<u>32,745,421</u>	<u>177,425,086</u>	<u>105,132,719</u>
Net position - June 30, 2014, end of year	<u>\$ 135,992,259</u>	<u>\$ 44,994,760</u>	<u>\$ 180,987,019</u>	<u>\$ 105,088,789</u>

The accompanying notes are an integral part of this statement

**CITY OF TAUNTON, MASSACHUSETTS**

Balance Sheets - Governmental Funds

June 30, 2014

	<u>Major Fund</u>	<u>Non-Major</u>	<u>Total</u>
	<u>General</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
<b>Assets</b>			
Cash and investments - unrestricted	\$ 20,462,455	\$ 16,989,129	\$ 37,451,584
Cash and investments - restricted (for stabilization purposes)	8,225,932	-	8,225,932
Receivables:			
Property taxes	1,270,501	-	1,270,501
Motor vehicle excise	1,423,758	-	1,423,758
Tax liens and foreclosures	6,779,270	-	6,779,270
User charges	491,085	-	491,085
Intergovernmental	706,397	16,083,653	16,790,050
Loan receivable	-	5,656,625	5,656,625
Other	20,839	312,547	333,386
Prepaid expenses	-	44,725	44,725
	<u>39,380,237</u>	<u>39,086,679</u>	<u>78,466,916</u>
<b>Total assets</b>			
<b>Deferred outflows of resources</b>			
None	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total deferred outflows of resources</b>			
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total assets and deferred outflows of resources</b>	<u>\$ 39,380,237</u>	<u>\$ 39,086,679</u>	<u>\$ 78,466,916</u>
<b>Liabilities</b>			
Warrants payable	\$ 1,205,431	\$ 2,948,349	\$ 4,153,780
Accounts payable and accrued expenses	1,598,762	790,895	2,389,657
Withholdings payable	852,774	-	852,774
Retainage payable	-	102,129	102,129
Notes payable	-	1,200,000	1,200,000
Interim loans payable	-	18,157,145	18,157,145
Guarantee deposits	533,984	-	533,984
Performance bonds	22,200	-	22,200
Other liabilities	433,784	-	433,784
	<u>4,646,935</u>	<u>23,198,518</u>	<u>27,845,453</u>
<b>Total liabilities</b>			
<b>Deferred inflows of resources</b>			
Property taxes paid in advance	12,325	-	12,325
Deferred property tax revenues	1,076,910	-	1,076,910
Deferred motor vehicle revenues	1,423,758	-	1,423,758
Deferred other excise revenues	20,839	-	20,839
Deferred liens and foreclosures	3,106,013	-	3,106,013
Deferred revenue - departmental	1,197,481	-	1,197,481
Deferred loan revenue	-	5,656,625	5,656,625
Deferred grant income	-	861,576	861,576
	<u>6,837,326</u>	<u>6,518,201</u>	<u>13,355,527</u>
<b>Total deferred inflows of resources</b>			
<b>Fund balance</b>			
Nonspendable	-	1,350,855	1,350,855
Restricted	-	17,120,335	17,120,335
Committed	8,225,932	24,800	8,250,732
Assigned	3,066,751	-	3,066,751
Unassigned	16,603,293	(9,126,030)	7,477,263
	<u>27,895,976</u>	<u>9,369,960</u>	<u>37,265,936</u>
<b>Total fund balance</b>			
	<u>27,895,976</u>	<u>9,369,960</u>	<u>37,265,936</u>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<u>\$ 39,380,237</u>	<u>\$ 39,086,679</u>	<u>\$ 78,466,916</u>

The accompanying notes are an integral part of this statement

**CITY OF TAUNTON, MASSACHUSETTS**

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

For the Year Ended June 30, 2014

	<u>Major Fund</u>	<u>Non-Major</u>	<u>Total</u>
	<u>General</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
<b>Revenues</b>			
Real estate and personal property taxes	\$ 80,721,130	\$ -	\$ 80,721,130
Motor vehicle excise	6,090,332	-	6,090,332
Payment in lieu of taxes	3,014,683	-	3,014,683
Fines, penalties and interest	1,403,757	-	1,403,757
Other excise taxes	831,288	-	831,288
Intergovernmental	58,086,455	17,877,287	75,963,742
Licenses and permits	1,445,461	-	1,445,461
Charges for services	2,496,320	2,902,895	5,399,215
Investment Income	148,590	22,445	171,035
Departmental and other revenue	1,445,417	3,355,208	4,800,625
Miscellaneous	<u>1,461,228</u>	<u>-</u>	<u>1,461,228</u>
Total revenue	<u>157,144,661</u>	<u>24,157,835</u>	<u>181,302,496</u>
<b>Expenditures</b>			
General government	32,770,139	517,038	33,287,177
Public safety	23,596,895	1,092,853	24,689,748
Education	72,758,548	14,303,828	87,062,376
Public works	9,547,189	9,786,061	19,333,250
Community and economic development	-	2,793,826	2,793,826
Health and human services	2,472,570	493,154	2,965,724
Culture and recreation	2,194,262	608,059	2,802,321
Municipal airport	-	449,746	449,746
Pension benefits	13,891,715	-	13,891,715
State and county charges	1,540,454	-	1,540,454
Debt service:			
Principal	3,548,000	-	3,548,000
Interest	<u>1,541,614</u>	<u>-</u>	<u>1,541,614</u>
Total expenditures	<u>163,861,386</u>	<u>30,044,565</u>	<u>193,905,951</u>
Excess (deficiency) of revenues over expenditures	(6,716,725)	(5,886,730)	(12,603,455)
<b>Other financing sources (uses)</b>			
Paydown to reduce BAN	(203,894)	-	(203,894)
Proceeds for long term debt	-	10,065,921	10,065,921
Transfers in	25,827,689	748,062	26,575,751
Transfers out	<u>(14,264,037)</u>	<u>(1,182,569)</u>	<u>(15,446,606)</u>
Other financing sources (uses)	<u>11,359,758</u>	<u>9,631,414</u>	<u>20,991,172</u>
Excess of revenue and other sources over expenditures and other uses	4,643,033	3,744,684	8,387,717
Fund balance, July 1, 2013, restated	<u>23,252,943</u>	<u>5,625,276</u>	<u>28,878,219</u>
Fund balance, June 30, 2014	<u>\$ 27,895,976</u>	<u>\$ 9,369,960</u>	<u>\$ 37,265,936</u>

The accompanying notes are an integral part of this statement

**CITY OF TAUNTON, MASSACHUSETTS**

Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position

June 30, 2014

Total governmental fund balances	\$ 37,265,936
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	239,867,026
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	9,765,172
Internal service funds are used by management to account for health insurance and workers' compensation activities.	732,593
In the statement of activities, interest is accrued on outstanding long-term debt, debt, whereas in governmental funds interest is not reported until due.	(179,255)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Bonds and notes payable	(34,652,000)
HUD 108 Loan Program	(1,935,000)
Capital leases	(526,934)
Worker's compensation liability	(862,774)
Compensated absences	(22,148,536)
Landfill closure and post closure liability	(4,219,300)
Other postemployment benefits	<u>(87,114,669)</u>
Net position of governmental activities	<u>\$ 135,992,259</u>

The accompanying notes are an integral part of this statement

**CITY OF TAUNTON, MASSACHUSETTS**

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and  
Changes in Fund Balances to the Statement of Activities

For the Year Ended June 30, 2014

Net change in fund balances - total governmental funds	\$ 8,387,717
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(1,621,404)
Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.	(557,650)
The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(4,804,855)
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest, is not reported until due.	(46,523)
The other postemployment benefit expense reported in the statement of activities requires the use of current financial resources and is not reported as an expenditure in the governmental funds.	(9,688,741)
Some expenses reported in the Statement of Activities, such as compensated absences does not require the current financial resources, and therefore, are not reported as expenditures in the governmental funds.	(302,697)
The worker's compensation liability reported in the statement of activities requires the use of the current financial resources and is not reported as an expenditure in the governmental funds.	(138,242)
The net activity of internal service funds is reported with Governmental Activities	<u>84,989</u>
Change in net position of governmental activities	<u>\$ (8,687,406)</u>

The accompanying notes are an integral part of this statement

**CITY OF TAUNTON, MASSACHUSETTS**

Statement of Net Position - Proprietary Funds

June 30, 2014

	Business-type Activities Enterprise Funds				Governmental Activities - Internal Service Fund			
	Water	Wastewater	Taunton Nursing Home	Golf Course	Total Enterprise	Health Insurance Depository	Worker's Compensation	Total
<b>Assets</b>								
Current assets								
Cash and short-term investments, unrestricted	\$ 3,195,925	\$ 4,111,566	\$ (928,266)	\$ 105,020	\$ 6,484,245	\$ -	\$ 748,090	\$ 748,090
Cash and short-term investments, restricted (for stabilization purposes)	-	-	7,419	-	7,419	-	-	-
Receivables, net:								
User fees	1,219,497	1,143,918	-	-	2,363,415	-	-	-
Utility liens and other receivables	115,478	8,186,126	-	-	8,301,604	-	-	-
Intermunicipal agreements	-	542,069	-	-	542,069	-	-	-
Betterments paid in advance and deferred	-	40,448	-	-	40,448	-	-	-
MWPAT subsidy receivable	66,794	238,048	-	-	304,842	-	-	-
Nursing home receivable	-	-	2,149,091	-	2,149,091	-	-	-
Total current assets	<u>4,597,694</u>	<u>14,262,175</u>	<u>1,228,244</u>	<u>105,020</u>	<u>20,193,133</u>	<u>-</u>	<u>748,090</u>	<u>748,090</u>
Non-current assets								
MWPAT subsidy receivable	652,791	1,673,929	-	-	2,326,720	-	-	-
Land	600,000	2,660,000	-	-	3,260,000	-	-	-
Construction in progress	2,698,003	27,051,080	-	-	29,749,083	-	-	-
Infrastructure, net	40,902,094	48,701,668	953,116	12,416	90,569,294	-	-	-
Building and improvements, net	2,494,469	212,528	777,770	75,303	3,560,070	-	-	-
Machinery and equipment, net	358,595	18,450	28,674	-	405,719	-	-	-
Office equipment, net	6,145	-	-	-	6,145	-	-	-
Total non-current assets	<u>47,712,097</u>	<u>80,317,655</u>	<u>1,759,560</u>	<u>87,719</u>	<u>129,877,031</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>52,309,791</u>	<u>94,579,830</u>	<u>2,987,804</u>	<u>192,739</u>	<u>150,070,164</u>	<u>-</u>	<u>748,090</u>	<u>748,090</u>
<b>Deferred outflows of resources</b>								
None	-	-	-	-	-	-	-	-
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 52,309,791</u>	<u>\$ 94,579,830</u>	<u>\$ 2,987,804</u>	<u>\$ 192,739</u>	<u>\$ 150,070,164</u>	<u>\$ -</u>	<u>\$ 748,090</u>	<u>\$ 748,090</u>

The accompanying notes are an integral part of this statement

**CITY OF TAUNTON, MASSACHUSETTS**

Statement of Net Position - Proprietary Funds (Continued)

June 30, 2014

	Business-type Activities Enterprise Funds				Governmental Activities - Internal Service Fund			
	Water	Wastewater	Taunton Nursing Home	Golf Course	Total Enterprise	Health Insurance Depository	Worker's Compensation	Total
<b>Liabilities</b>								
Current liabilities								
Warrants payable	\$ 94,364	\$ 29,572	\$ 39,128	\$ 1,640	\$ 164,704	\$ -	\$ 15,497	\$ 15,497
Accounts payable and accrued liabilities	45,248	-	134,176	77,900	257,324	-	-	-
Current portion of serial bonds payable	2,381,913	3,267,291	-	-	5,649,204	-	-	-
Current portion of compensated absences	38,514	-	16,564	-	55,078	-	-	-
Accrued interest payable	366,869	481,597	-	-	848,466	-	-	-
Total current liabilities	<u>2,926,908</u>	<u>3,778,460</u>	<u>189,868</u>	<u>79,540</u>	<u>6,974,776</u>	<u>-</u>	<u>15,497</u>	<u>15,497</u>
Non-current liabilities								
Serial bonds payable	35,117,283	48,512,176	-	-	83,629,459	-	-	-
Compensated absences	378,867	-	486,442	-	865,309	-	-	-
Other postemployment benefit obligation	1,653,422	-	3,616,861	-	5,270,283	-	-	-
Total non-current liabilities	<u>37,149,572</u>	<u>48,512,176</u>	<u>4,103,303</u>	<u>-</u>	<u>89,765,051</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>40,076,480</u>	<u>52,290,636</u>	<u>4,293,171</u>	<u>79,540</u>	<u>96,739,827</u>	<u>-</u>	<u>15,497</u>	<u>15,497</u>
<b>Deferred inflows of resources</b>								
Unearned revenue - special assessments	-	8,101,036	-	-	8,101,036	-	-	-
Unearned revenue - intermunicipal agreements	-	116,663	-	-	116,663	-	-	-
Unearned revenue - tax liens	115,478	-	-	-	115,478	-	-	-
Unearned revenue - departmental	-	2,400	-	-	2,400	-	-	-
Total deferred inflows of resources	<u>115,478</u>	<u>8,220,099</u>	<u>-</u>	<u>-</u>	<u>8,335,577</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net position</b>								
Invested in capital assets, net of related debt	9,193,241	28,056,591	1,759,560	87,719	39,097,111	-	-	-
Restricted	572,305	586,607	213,249	17,499	1,389,660	-	-	-
Unrestricted	2,352,287	5,425,897	(3,278,176)	7,981	4,507,989	-	732,593	732,593
Total net position	<u>12,117,833</u>	<u>34,069,095</u>	<u>(1,305,367)</u>	<u>113,199</u>	<u>44,994,760</u>	<u>-</u>	<u>732,593</u>	<u>732,593</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 52,309,791</u>	<u>\$ 94,579,830</u>	<u>\$ 2,987,804</u>	<u>\$ 192,739</u>	<u>\$ 150,070,164</u>	<u>\$ -</u>	<u>\$ 748,090</u>	<u>\$ 748,090</u>

The accompanying notes are an integral part of this statement

**CITY OF TAUNTON, MASSACHUSETTS**

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

For the Year Ended June 30, 2014

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Service Fund</b>			
	<b>Water</b>	<b>Wastewater</b>	<b>Taunton Nursing Home</b>	<b>Golf Course</b>	<b>Total Enterprise</b>	<b>Health Insurance Depository</b>	<b>Worker's Compensation</b>	<b>Total</b>
<b>Operating revenues</b>								
Charges for services	\$ 10,383,824	\$ 11,347,179	\$ 2,258,667	\$ 15,000	\$ 24,004,670	\$ -	\$ -	\$ -
Intergovernmental	163,961	272,013	6,069,615	-	6,505,589	-	-	-
Miscellaneous	-	1,925	3,856	-	5,781	-	12,954	12,954
<b>Total operating revenues</b>	<b>10,547,785</b>	<b>11,621,117</b>	<b>8,332,138</b>	<b>15,000</b>	<b>30,516,040</b>	<b>-</b>	<b>12,954</b>	<b>12,954</b>
<b>Operating expenses</b>								
Salaries and benefits	2,190,896	-	4,583,946	-	6,774,842	-	-	-
Purchased services	935,287	4,225,616	1,165,671	11,643	6,338,217	-	74,535	74,535
Supplies and materials	984,339	229	7,153	-	991,721	-	-	-
Health and other insurance	-	-	-	-	-	-	603,664	603,664
Fixed and other charges	90,886	18,849	1,277,317	-	1,387,052	-	-	-
Depreciation	958,238	1,153,470	53,687	2,920	2,168,315	-	-	-
<b>Total operating expenses</b>	<b>5,159,646</b>	<b>5,398,164</b>	<b>7,087,774</b>	<b>14,563</b>	<b>17,660,147</b>	<b>-</b>	<b>678,199</b>	<b>678,199</b>
<b>Operating income (loss)</b>	<b>5,388,139</b>	<b>6,222,953</b>	<b>1,244,364</b>	<b>437</b>	<b>12,855,893</b>	<b>-</b>	<b>(665,245)</b>	<b>(665,245)</b>

The accompanying notes are an integral part of this statement



**CITY OF TAUNTON, MASSACHUSETTS**

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

For the Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund			
	Water	Wastewater	Taunton Nursing Home	Golf Course	Total Enterprise	Health Insurance Depository	Worker's Compensation	Total
<b>Nonoperating revenues (expenses)</b>								
Investment earnings	-	-	-	-	-	-	234	234
Prior year settlement	15,099	6,763	-	-	21,862	-	-	-
Debt Service:								
Interest - long term debt	(999,521)	(1,207,122)	-	-	(2,206,643)	-	-	-
Interest - short term debt	(69,306)	(101,925)	-	-	(171,231)	-	-	-
<b>Total nonoperating revenue (expenses)</b>	<b>(1,053,728)</b>	<b>(1,302,284)</b>	<b>-</b>	<b>-</b>	<b>(2,356,012)</b>	<b>-</b>	<b>234</b>	<b>234</b>
<b>Income (loss) before transfers</b>	<b>4,334,411</b>	<b>4,920,669</b>	<b>1,244,364</b>	<b>437</b>	<b>10,499,881</b>	<b>-</b>	<b>(665,011)</b>	<b>(665,011)</b>
<b>Transfers</b>								
Proceeds from refinancing of debt	172,389	2,414	-	-	174,803	-	-	-
Transfer in - capital, net of related debt	1,033,363	4,998,633	-	-	6,031,996	-	-	-
Transfers in - operating	-	190,000	83,457	32,331	305,788	-	750,000	750,000
Transfers out - operating	(2,229,442)	(998,534)	(1,502,822)	(32,331)	(4,763,129)	-	-	-
<b>Total transfers</b>	<b>(1,023,690)</b>	<b>4,192,513</b>	<b>(1,419,365)</b>	<b>-</b>	<b>1,749,458</b>	<b>-</b>	<b>750,000</b>	<b>750,000</b>
<b>Change in net position</b>	<b>3,310,721</b>	<b>9,113,182</b>	<b>(175,001)</b>	<b>437</b>	<b>12,249,339</b>	<b>-</b>	<b>84,989</b>	<b>84,989</b>
<b>Total net position, July 1, 2013, restated</b>	<b>8,807,112</b>	<b>24,955,913</b>	<b>(1,130,366)</b>	<b>112,762</b>	<b>32,745,421</b>	<b>-</b>	<b>647,604</b>	<b>647,604</b>
<b>Total net position, June 30, 2014</b>	<b>\$ 12,117,833</b>	<b>\$ 34,069,095</b>	<b>\$ (1,305,367)</b>	<b>\$ 113,199</b>	<b>\$ 44,994,760</b>	<b>\$ -</b>	<b>\$ 732,593</b>	<b>\$ 732,593</b>

The accompanying notes are an integral part of this statement

**CITY OF TAUNTON, MASSACHUSETTS**

Statement of Cash Flows - Proprietary Funds

For the Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund			
	Water	Wastewater	Taunton Nursing Home	Golf Course	Total Enterprise	Health Insurance Depository	Worker's Compensation	Total
<b>Cash flows from operating activities</b>								
Cash received from customers	\$ 10,518,591	\$ 10,894,443	\$ 1,826,057	\$ 15,000	\$ 23,254,091	\$ -	\$ -	\$ -
Cash received from governments	53,378	311,560	5,580,888	-	5,945,826	-	-	-
Payments to suppliers and employees	(4,402,322)	(4,215,703)	(6,759,936)	66,613	(15,311,348)	(300,591)	(732,010)	(1,032,601)
Other receipts	-	-	-	-	-	-	12,954	12,954
Net cash provided (used) by operating activities	<u>6,169,647</u>	<u>6,990,300</u>	<u>647,009</u>	<u>81,613</u>	<u>13,888,569</u>	<u>(300,591)</u>	<u>(719,056)</u>	<u>(1,019,647)</u>
<b>Cash flows from noncapital financing activities</b>								
Transfers in (out)	<u>(2,057,053)</u>	<u>(2,106,120)</u>	<u>(1,419,365)</u>	<u>-</u>	<u>(5,582,538)</u>	<u>-</u>	<u>750,000</u>	<u>750,000</u>
Net cash provided by noncapital financing activities	<u>(2,057,053)</u>	<u>(2,106,120)</u>	<u>(1,419,365)</u>	<u>-</u>	<u>(5,582,538)</u>	<u>-</u>	<u>750,000</u>	<u>750,000</u>
<b>Cash flows from capital and related financing activities</b>								
Purchases and construction of capital assets	(3,204,184)	-	(60,012)	(77,900)	(3,342,096)	-	-	-
Acquisition of new debt	357,611	1,297,586	-	-	1,655,197	-	-	-
Principal paid on capital debt	(2,366,814)	(3,124,301)	-	-	(5,491,115)	-	-	-
Interest paid on short term debt	(69,306)	(101,925)	-	-	(171,231)	-	-	-
Interest paid on capital debt	<u>(1,007,218)</u>	<u>(1,200,566)</u>	<u>-</u>	<u>-</u>	<u>(2,207,784)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(6,289,911)</u>	<u>(3,129,206)</u>	<u>(60,012)</u>	<u>(77,900)</u>	<u>(9,557,029)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash flows from investing activities</b>								
Interest and dividends	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>234</u>	<u>234</u>
Net cash used by investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>234</u>	<u>234</u>
Net increase in cash and cash equivalents	(2,177,317)	1,754,974	(832,368)	3,713	(1,250,998)	(300,591)	31,178	(269,413)
Balances - beginning of the year	<u>5,373,242</u>	<u>2,356,592</u>	<u>(88,479)</u>	<u>101,307</u>	<u>7,742,662</u>	<u>300,591</u>	<u>716,912</u>	<u>1,017,503</u>
Balances - end of the year	<u>\$ 3,195,925</u>	<u>\$ 4,111,566</u>	<u>\$ (920,847)</u>	<u>\$ 105,020</u>	<u>\$ 6,491,664</u>	<u>\$ -</u>	<u>\$ 748,090</u>	<u>\$ 748,090</u>
Displayed as:								
Cash and short-term investments	<u>\$ 3,195,925</u>	<u>\$ 4,111,566</u>	<u>\$ (920,847)</u>	<u>\$ 105,020</u>	<u>\$ 6,491,664</u>	<u>\$ -</u>	<u>\$ 748,090</u>	<u>\$ 748,090</u>

The accompanying notes are an integral part of this statement

**CITY OF TAUNTON, MASSACHUSETTS**

Statement of Cash Flows - Proprietary Funds

For the Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund		
	<u>Water</u>	<u>Wastewater</u>	<u>Taunton Nursing Home</u>	<u>Golf Course</u>	<u>Total Enterprise</u>	<u>Health Insurance Depository</u>	<u>Worker's Compensation</u>	<u>Total</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>								
Operating income (loss)	\$ 5,388,139	\$ 6,222,953	\$ 1,244,364	\$ 437	\$ 12,855,893	\$ -	\$ (665,245)	\$ -
Adjustments to reconcile operating income to net cash provided (used) by operating activities:								
Depreciation expense	958,238	1,153,470	53,687	2,920	2,168,315	-	-	-
Change in assets and liabilities:								
(Increase) decrease in user charges receivables, net	(38,283)	(100,797)	-	-	(139,080)	-	-	-
(Increase) decrease in betterment receivables	-	5,758,320	-	-	5,758,320	-	-	-
(Increase) decrease in utility lien and other receivables	(115,478)	(8,134,789)	-	-	(8,250,267)	-	-	-
(Increase) decrease in MWPAT subsidy receivables	62,467	234,227	-	-	296,694	-	-	-
(Increase) decrease in nursing home receivable	-	-	(925,194)	-	(925,194)	-	-	-
Increase (decrease) warrants payable	(383,378)	28,990	(43,281)	356	(397,313)	-	14,123	14,123
Increase (decrease) accounts payable and accrued expenses	7,891	-	(92,289)	77,900	(6,498)	-	(67,934)	(67,934)
Increase (decrease) in deposits held in custody	-	-	-	-	-	(300,591)	-	(300,591)
Increase (decrease) in deferred revenue	115,478	1,827,926	-	-	1,943,404	-	-	-
Increase (decrease) compensated absences	(9,318)	-	7,461	-	(1,857)	-	-	-
Increase (decrease) in other postemployment benefits	183,891	-	402,261	-	586,152	-	-	-
Net cash provided (used) by operating activities	<u>\$ 6,169,647</u>	<u>\$ 6,990,300</u>	<u>\$ 647,009</u>	<u>\$ 81,613</u>	<u>\$ 13,888,569</u>	<u>\$ (300,591)</u>	<u>\$ (719,056)</u>	<u>\$ (1,019,647)</u>

The accompanying notes are an integral part of this statement

**CITY OF TAUNTON, MASSACHUSETTS**

Statement of Net Position - Fiduciary Funds

June 30, 2014

	<b>Pension Trust Fund (As of December 31, 2013)</b>	<b>Private Purpose Trust Funds</b>	<b>Agency Funds</b>	<b>Total</b>
<b>Assets</b>				
Cash and investments	\$ 248,552,545	\$ 206,959	\$ (636,938)	\$ 248,122,566
Receivables:				
Interest and dividends	339,416	-	-	339,416
Other	8,497,680	-	784,643	9,282,323
Other assets	<u>2,084</u>	<u>-</u>	<u>-</u>	<u>2,084</u>
Total assets	<u>257,391,725</u>	<u>206,959</u>	<u>147,705</u>	<u>257,746,389</u>
<b>Deferred outflows of resources</b>				
None	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 257,391,725</u>	<u>\$ 206,959</u>	<u>\$ 147,705</u>	<u>\$ 257,746,389</u>
<b>Liabilities</b>				
Warrants payable	\$ -	\$ -	\$ 15,595	\$ 15,595.00
Accounts payable and accrued liabilities	1,313,076	-	222,263	1,535,339
Other liabilities	-	-	-	-
Due to other funds	-	-	-	-
Deposits held	<u>836,486</u>	<u>-</u>	<u>(90,153)</u>	<u>746,333</u>
Total liabilities	<u>2,149,562</u>	<u>-</u>	<u>147,705</u>	<u>2,297,267</u>
<b>Deferred inflows of resources</b>				
None	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Position</b>				
Restricted - Scholarships and Awards	-	2,775	-	2,775
Restricted - Non Expendable Bequests	-	204,184	-	204,184
Restricted - Pension Benefits	<u>255,242,163</u>	<u>-</u>	<u>-</u>	<u>255,242,163</u>
Total net position	<u>255,242,163</u>	<u>206,959</u>	<u>-</u>	<u>255,449,122</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 257,391,725</u>	<u>\$ 206,959</u>	<u>\$ 147,705</u>	<u>\$ 257,746,389</u>

The accompanying notes are an integral part of this statement

**CITY OF TAUNTON, MASSACHUSETTS**

Statement of Changes in Net Position - Fiduciary Funds

For the Year Ended June 30, 2014

	<b>Pension Trust Fund (As of December 31, 2013)</b>	<b>Private Purpose Trust Funds</b>	<b>Total</b>
<b>Additions</b>			
Contributions			
Employee contributions	\$ 5,790,402	\$ -	\$ 5,790,402
Employer contributions	13,518,523	-	13,518,523
Intergovernmental	401,223	-	401,223
Other	<u>491,861</u>	<u>-</u>	<u>491,861</u>
Total contributions	<u>20,202,009</u>	<u>-</u>	<u>20,202,009</u>
Net investment income			
Dividends and interest	3,798,031	2,768	3,800,799
Capital gains/(losses)	11,152,931	-	11,152,931
Net appreciation in fair value of investments	<u>25,038,142</u>	<u>-</u>	<u>25,038,142</u>
Total investment income	<u>39,989,104</u>	<u>2,768</u>	<u>39,991,872</u>
Less: investment expense	<u>1,566,896</u>	<u>-</u>	<u>1,566,896</u>
Net investment income	<u>38,422,208</u>	<u>2,768</u>	<u>38,424,976</u>
Total additions	<u>58,624,217</u>	<u>2,768</u>	<u>58,626,985</u>
<b>Deductions</b>			
Retirement benefits	20,005,121	-	20,005,121
Administration	194,397	-	194,397
Transfers, reimbursements and refunds	875,379	-	875,379
Other expenditures	180,365	-	180,365
Scholarship expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Total deductions	<u>21,255,262</u>	<u>-</u>	<u>21,255,262</u>
<b>Change in net position</b>	37,368,955	2,768	37,371,723
Net position - beginning, restated	<u>217,873,208</u>	<u>204,191</u>	<u>218,077,399</u>
Net position - ending	<u>\$ 255,242,163</u>	<u>\$ 206,959</u>	<u>\$ 255,449,122</u>

The accompanying notes are an integral part of this statement

# CITY OF TAUNTON, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2014

### **NOTE 1: Summary of Significant Accounting Policies:**

The accompanying basic financial statements of the City of Taunton (the City) are presented in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The City maintains its accounting records in accordance with practices prescribed by the Uniform Municipal Accounting System (Uniform Systems) promulgated by the Commonwealth of Massachusetts Department of Revenue. The following is a summary of significant accounting policies.

#### **A. Reporting Entity**

The City of Taunton was incorporated under the laws of the Commonwealth of Massachusetts and operates under an elected Mayor - Council form of government. As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include these of the City of Taunton (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

#### ***Component Units***

In conformity with accounting principles generally accepted in the United States of America, management has evaluated each potential component unit being considered for inclusion in the financial reporting entity.

GASB Statement No. 61 modified existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity and applicable financial reporting entity disclosure requirements.

Based on GASB Statement No. 61 guidance, organizations that previously were required to be included as a component units by meeting the fiscal dependence criterion, a "financial benefit or burden relationship" also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. As such, management feels that there is a material "financial benefit or burden relationship" between the City and the Taunton Municipal Lighting Plant.

Upon further review of existing GASB guidance, management concludes that the Taunton Municipal Lighting Plant should continue to be reported as a discretely presented component unit.

#### **B. Basic Financial Statements - Government-Wide Statements**

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's public safety, education, parks, health and human services, community and economic development, municipal airport, library, recreation, public works, and general administrative services are classified as governmental activities. The City's water, wastewater, nursing home, and golf course funds are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position are reported in three parts - invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

# CITY OF TAUNTON, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2014

### NOTE 1: Summary of Significant Accounting Policies (Continued):

#### B. Basic Financial Statements - Government-Wide Statements (Continued)

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with function (police, public works, community and economic development, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. However, fiduciary funds are not included in government-wide statements since these assets are held for the benefit of private parties and pension participants, and cannot be used to satisfy obligations of the primary government. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The net costs (by function or business type-activity) are normally covered by general revenue (property, excise taxes, intergovernmental revenues, interest income, etc.)

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

GASB 63 amends GASB 34 to incorporate deferred outflows of resources and deferred inflows of resources into the financial reporting model. Deferred outflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period. It has a positive effect on net position, similar to assets. Deferred inflows of resources are defined as an acquisition of net assets by the government that is applicable to a future reporting period. It has negative effect on net position, similar to liabilities.

#### C. Basic Financial Statements - Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by general classification within the financial statements.

The following funds are used by the City:

##### 1. Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of the financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

- a. **The general fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. **Special revenue funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c. **Capital projects funds** are used to account financial resources to be used for the acquisition or construction of major capital facilities or equipment purchases.
- d. **Permanent trust funds** are restricted to the extent that only earnings and not principal may be used for purposes that support the reporting government programs for the benefit of the government or its citizenry.

*Continued*

# CITY OF TAUNTON, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2014

### NOTE 1: Summary of Significant Accounting Policies (Continued):

#### C. Basic Financial Statements - Fund Financial Statements (Continued)

##### 2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The accounting principles generally accepted in the United States applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

- a. **Enterprise funds** are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues, has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or establishes fees and charges based on a pricing policy designed to recover similar costs.
- b. **Internal service funds** are used to account for the financing of goods or services provided by an activity to other departments and funds within the City.

##### 3. Fiduciary Funds

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of assets plus deferred outflows, liabilities plus deferred inflows, revenues or expenditures/expenses of either fund category of the governmental and enterprise combined) for the determination of major funds.

The City's internal service fund is presented in the proprietary fund financial statements. Because the principal users of the internal services are the City's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government-wide financial statements.

The City's fiduciary funds are presented in the fiduciary fund financial statements by type (private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.



# CITY OF TAUNTON, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2014

### NOTE 1: Summary of Significant Accounting Policies (Continued)

#### D. Measurement Focus and Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

##### 1. *Accrual*

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Under this basis of accounting and measurement focus, the City applies (a) all GASB pronouncements and (b) FASB statements and interpretations, APB Opinions, and Accounts Research Bulletins issued on or before November 30, 1989 except those that conflict with a GASB pronouncements.

##### 2. *Modified Accrual*

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

#### E. Implementation of New Accounting Principles

For the year ending June 30, 2014, the City implemented the following pronouncements issued by the GASB:

- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*
- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

GASB Statement No. 63 identifies net position as the residual of all other elements presented in a statement of financial position, which amends the net asset reporting requirements of Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, and other pronouncements, by renaming net assets to net position.

GASB Statement No. 65, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

#### F. Financial Statement Amounts

##### 1. *Cash and Cash Equivalents*

The City has defined cash and cash equivalents to include cash on hand, demand deposits and highly liquid investments with a maturity of three months or less when purchased.

##### 2. *Investments*

Investments including deferred compensation and pension funds, are stated at fair value. Fair values are based on quotations from national securities exchange. The City accounts for the carrying value of investments by utilizing the specific identification method.

*Continued*

CITY OF TAUNTON, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

**F. Financial Statement Amounts (Continued)**

**3. Inventory**

The cost of supplies and other inventoriable items as recorded is an expenditure at the time of purchase (purchase method).

**4. Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., water and sewer mains, piping, and drainage systems, etc.) are reported in the applicable governmental or business type activities column in the government-wide financial statements. Capital assets purchased or acquired with the cost thresholds listed below are reported at historical or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Net interest costs related to construction projects are capitalized during the construction period if material. Such costs were not considered material during fiscal 2014. Donated capital assets are valued at their estimated fair value at the time recorded.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not included in capital assets.

The City of Taunton's capitalization thresholds are as follows:

Land	\$	1
Land improvements		1
Buildings		10,000
Building improvements		10,000
Computer equipment and peripherals		10,000
Equipment		10,000
Vehicles		10,000
Library books, textbooks and digital media		10,000
and digital media		10,000
Highways		10,000
Water and sewer systems		10,000
Drainage		10,000
Easements		10,000
Waterways		10,000

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Infrastructure	10-50 years
Building and improvements	20-50 years
Water and wastewater	30-50 years
Machinery and equipment	5-10 years
Improvements	10-20 years
Vehicles	5-10 years
Library books and textbooks	3-10 years

GASB No. 34 required the City to report and depreciate new infrastructure assets effective June 30, 2003. Infrastructure assets include roads, bridges, underground pipe, traffic signals, etc.

# CITY OF TAUNTON, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2014

### **NOTE 1: Summary of Significant Accounting Policies (Continued)**

#### **F. Financial Statement Amounts (Continued)**

##### **5. *Compensated Absences***

Vacation and sick pay is accumulated for various groups of employees based upon their respective collective bargaining agreements or the Personnel Rules and Regulations for individuals not covered by the collective bargaining agreements. The liability for future payments of vacation and sick pay is reflected in the long-term debt account group. The City's policy is to record vacation and sick pay as follows:

**Vacation Pay:** Vacation days are earned and credited to employees on a monthly basis consistent with collective bargaining agreements or the Personnel Rules and Regulations. Accumulated vacation carryovers are on a calendar year basis when in excess of the equivalent of two weeks with the approval of the department head and the Mayor.

**Sick Pay:** Sick pay is accumulated and can be carried forward in accordance with the limits established by collective bargaining agreements or the Personnel Rules and Regulations.

##### **6. *Long-Term Liabilities***

For long-term liabilities, only that portion, which is matured, is reported as a fund liability of a governmental fund. All long-term liabilities are reported in government-wide financial statement of net position.

##### **7. *Deferred Inflows of Resources (formerly known as 'deferred revenue')***

In the governmental fund financial statement, deferred inflows of resources represent funds received in advance of being owed or receivables which will be collected and included in revenues of future fiscal years.

In the General fund, deferred inflows of resources relate to revenue that is measurable, but not available.

In the Special Revenue funds, deferred inflows of revenues represents amounts received in advance of expenditures incurred for certain grants.

In the government-wide financial statements revenue is recorded when earned. Therefore, for these statements deferred inflows of resources represents only unearned revenues.

##### **8. *Encumbrances***

Encumbrance accounting, under which purchase orders, contracts and other commitments for fund expenditures and/or expense are recorded in order to reserve portions of applicable appropriations, is employed in the governmental and business-type funds.

##### **9. *Fund Balances/Net Position***

###### **Government-Wide Statements**

Net Position is displayed in three components;

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated and reduced by the outstanding balances of any bonds, mortgages, notes, or borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

# CITY OF TAUNTON, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2014

### NOTE 1: Summary of Significant Accounting Policies (Continued)

#### F. Financial Statement Amounts (Continued)

##### 9. Fund Balances/Net Position (Continued)

###### *Fund Statements*

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for restricted purpose. In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* fund balance will be displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable fund balance* - amounts that are not in spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund).
- *Restricted fund balance* - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- *Committed fund balance* - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- *Assigned fund balance* - amounts 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.
- *Unassigned fund balance* - amounts that are available for any purpose; these amounts are reported only in the general fund.

The Retirement System's net position constitutes both earned and unearned funds received. The following is a description of those funds:

Annuity Savings - This fund contains accumulated participants' contributions plus earnings of active employees and of terminated employees who have not withdrawn their balances. Accumulated deductions are paid or transferred upon participant's withdrawal, death, or retirement.

Annuity Reserve - This fund is provided to pay all annuities and other benefits payable from the accumulated total deductions transferred to such from the Annuity Savings Fund as retirement allowances become effective.

Pension - This fund is provided for the payment of all pensions payable to members for contributions made by any governmental unit.

Special Funds for Military Service - This fund is provided for the accumulation of special contributions by any governmental unit for the purpose of establishing retirement allowance credits for any member who is a qualified veteran.

Pension Reserve - This fund includes amounts appropriated for the purpose of funding future retirement benefits. Additionally, investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and special Military Service Credit Fund is credited to the Reserve Fund.

Expense Reserve - This fund is provided to pay all administrative expenses of the system.

The City first utilizes restricted resources to finance qualifying activities prior to utilizing unrestricted resources.

*Continued*

# CITY OF TAUNTON, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2014

### **NOTE 1: Summary of Significant Accounting Policies (Continued)**

#### **F. Financial Statement Amounts (Continued)**

##### **10. Claims and Judgments**

The City is no longer self-insured with respect to risks including, but not limited to, property damages, personal injury and workers' compensation. In the fund financial statements, expenditures for claims and judgments are recorded on the basis of whether the liability has matured in the current period. Expenditures for workers' compensation are recorded when paid. Settlements relating to condemnation proceedings are reported when the liability is estimable. In the government-wide financial statements the estimated liability for all claims and judgments is recorded as a liability and as an expense.

##### **11. Property Taxes**

Real and personal property taxes are based on values levied (assessed) and liened in accordance with Massachusetts General Laws. By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% of fair cash value. Once levied, these taxes are recorded as receivables, net of estimated uncollectibles. In the government fund financial statements, property tax revenues have been recorded using the modified accrual basis of accounting. Under the modified basis real estate, personal property and other excise taxes levied are recorded as receivables in the fiscal year of the levy and as revenue when collected within the current year or expected to be collected within 60 days after the end of the current year. Taxes not collected within this time period are classified as a deferred inflow of resources. Deferred inflows of resources are those for which asset recognition has been met but revenue recognition criteria has not been met. The government-wide financial statements recognize property tax revenue when taxes are levied net of estimated abatements and exemptions.

##### **12. Revenues**

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as nonoperating revenues based on GASB No. 33. In applying GASB No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred inflows of resources by the recipient.

##### **13. Expenditures/Expenses**

Expenditures/expenses are recognized when the related fund liability is incurred. Indirect expenses such as retirement, pension and health insurance are allocated based on direct charges and the remainder is allocated based on a percentage of payroll costs by function.

##### **14. Interfund Activity**

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefitting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

# CITY OF TAUNTON, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2014

### **NOTE 1: Summary of Significant Accounting Policies (Continued)**

#### **F. Financial Statement Amounts (Continued)**

Internal activities (such as revenues received by the Internal Service fund from the primary government) are eliminated to avoid duplication.

#### **15. Use of Estimates**

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America 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/expenses during the period. Actual results could differ from those estimates.

#### **G. Operating Revenues and Expenses**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

### **NOTE 2: Compliance and Accountability**

#### **Budget Requirements, Accounting and Reporting**

Actual revenues and expenditures or expenses in the Budgetary Basis Statements of Revenues and Expenditures or Expenses for the General and Enterprise Funds are presented on the budgetary basis which includes the net effect of not budgeting for certain other items. Thus, the budgetary revenues and expenditures (expenses) differ from those presented in the Governmental and Proprietary fund statements which are presented in accordance with accounting principles generally accepted in the United States of America. The notes to the schedule of revenues, expenditures/expenses and change in fund balance - budget and actual (non-GAAP budgetary basis) describes the differences.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the general fund and the enterprise funds.

# CITY OF TAUNTON, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2014

### NOTE 3: Cash, Cash Equivalents and Investments

Cash and investments as of June 30, 2014 (with the exception of pension trust funds which are measured as of December 31, 2013) are classified in the accompanying financial statements as follows:

	<u>Cash</u>	<u>Investment</u>	<u>Total</u>
Governmental activities	\$ 39,886,959	\$ 6,538,647	\$ 46,425,606
Business - type activities	6,491,664	-	6,491,664
Pension trust funds	11,067,638	237,484,907	248,552,545
Private purpose trust funds	-	206,959	206,959
Agency funds	<u>(636,938)</u>	<u>-</u>	<u>(636,938)</u>
Total cash and investments	<u>\$ 56,809,323</u>	<u>\$ 244,230,513</u>	<u>\$ 301,039,836</u>

### Cash and Cash Equivalents

Deposits are in various financial institutions and are carried at cost or fair value in the case of pooled deposits for trust funds. The carrying value is separately displayed on the state of net assets as "Cash and Investments". Petty cash is included in the presentation of cash on the statement of net assets in the amount of \$4,000 on June 30, 2014.

Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The City's carrying amount of deposits as of June 30, 2014 is \$69,965,941, including \$52,487,291 of primary government cash and \$17,478,650 of TMLP cash. The bank balance was \$75,616,727, of the bank balance \$1,693,288 was covered by Federal Depository Insurance and \$27,193,072 was covered by Depositors Insurance Fund. The remaining balance of \$46,730,367 was held in uncollateralized accounts.

The City's carrying amount of deposits as of December 31, 2013 for the pension trust fund was \$10,687,094 and the bank balance was \$10,860,028. Of the bank balance \$250,000 was covered by Federal Depository Insurance and \$270,463 was covered by Depositor Insurance Fund. The remaining balance of \$10,339,565 was held in uncollateralized accounts.

The City has not experienced any losses of funds in excess of federally insured limits held in any financial institutions. Management feels that the City is not exposed to any significant credit risk related to cash.

### Investments

Investments are stated at fair value for investment pools and historical costs for all other investments. The majority of investment activity is conducted through contracted investment management firms and held in pooled trust fund accounts in the City's name.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. See below for ratings of the investments held by the City of Taunton as of June 30, 2014.

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The investments listed below were issued by various financial institutions. See below for investments that represent 5% or more of the total investments held by the City of Taunton as of June 30, 2014.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

*Continued*

**CITY OF TAUNTON, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2014

**NOTE 3: Cash, Cash Equivalents and Investments (Continued)**

**Investments (Continued)**

Foreign currency risk is the risk that exchange rates effect the valuation of an investment. Although these investments are not denominated in a foreign currency, the underlying securities are denominated in various foreign currencies. The amount of investments which include foreign investments are listed below.

Information about the sensitivity of the fair values of the City's investments to market rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity utilizing the specific identification method:

Total Investments by Investment Type and Moody Ratings:

*Pension Trust Fund (Taunton Contributory Retirement System as of December 31, 2013)*

<u>Investment Type</u>	<u>Security Name</u>	<u>Total Amount</u>	<u>Maximum Maturity</u>	<u>Maximum Percent Investment in One Issuer</u>	<u>S&amp;P Rating (Max/Min)</u>
<i>Equities:</i>					
Mutual Funds	SSGA S+P 500 Flagship NLFD	\$ 23,695,210	N/A	9.96%	N/A
Mutual Funds	Earnest Int Pooled Group Trust	12,927,553	N/A	5.43%	N/A
Mutual Funds	Various	38,831,293	N/A	N/A	N/A
Common Stock	Various	102,484,878	N/A	N/A	A/D
Despository Receipts (Foreign)	Various	744,026	N/A	N/A	N/A
LTMD Partnrship Unts	Various	9,948,035	N/A	N/A	N/A
Real Estate Inv Trust	Various	9,892,759	N/A	N/A	B/B-
<i>Fixed Income:</i>					
CMO	Various	1,430,263	5/10/2063	N/A	AAA/AAA
Corporate Bonds	Various	15,887,319	9/15/2043	N/A	AA+/BBB-
FHLMC	FED HM LC PC Pool	2,084,083	10/1/2043	N/A	N/A
FNMA	FNMA Pool	4,713,654	6/1/2043	N/A	N/A
GNMA I	GNMA Pool	843,294	1/15/2042	N/A	N/A
Government Issues	Various	13,626,895	8/15/2043	N/A	AA+/BBB+
Municipals	Various	<u>375,645</u>	6/1/2040	N/A	AA/AA-
Total Pension Trust Fund		<u>\$ 237,484,907</u>			



**CITY OF TAUNTON, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2014

**NOTE 4: Receivables**

Real and personal property taxes are based on values assessed as of each January 1. Taxes due and unpaid after the respective dates are subject to interest and penalties. The City has the right to begin the lien process on property on which taxes haven't been paid after one year following the due date and subsequently foreclose on each property.

Real estate, personal property and other excise tax levies are recorded as receivables and revenue in the fiscal year of the levy. Also, any amounts collected within 60 days after year-end are considered revenue. Taxes collected in advance are considered deferred revenue.

Utility receivables charged for both water and sewer usage is recorded based on billings of the cycle which the sections of the City's meters are read. Utility billing occurs quarterly and when unpaid is added to the property owners tax bill as a water and/or sewer lien.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>			<u>Fiduciary Funds</u>
	<u>General</u>	<u>Non-Major Governmental</u>	<u>Water</u>	<u>Wastewater</u>	<u>Taunton Nursing Home</u>	<u>Agency</u>
Receivables:						
Real estate and personal property taxes	\$ 1,270,501	\$ -	\$ -	\$ -	\$ -	\$ -
Tax lien foreclosures	6,779,270	-	-	-	-	-
Motor vehicle excise	1,423,758	-	-	-	-	-
User charges receivables	491,085	-	1,219,497	1,143,918	-	-
Utility lien receivables	-	-	115,478	8,186,126	-	-
Intermunicipal agreements	-	-	-	542,069	-	-
Betterments paid in advance and deferred	-	-	-	40,448	-	-
Private billing receivables	-	-	-	-	525,308	-
Interest and dividends receivable	-	-	-	-	-	339,416
Loan receivables	-	5,656,625	-	-	-	9,282,323
Other receivables	20,839	312,547	-	-	-	-
MWPAT subsidy receivable	-	-	719,585	1,911,977	-	-
Due from federal or state government	<u>706,397</u>	<u>16,083,653</u>	<u>-</u>	<u>-</u>	<u>1,657,128</u>	<u>-</u>
Gross receivables	10,691,850	22,052,825	2,054,560	11,824,538	2,182,436	9,621,739
Less: allowance for uncollectable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,345</u>	<u>-</u>
Net total receivables	<u>\$ 10,691,850</u>	<u>\$ 22,052,825</u>	<u>\$ 2,054,560</u>	<u>\$ 11,824,538</u>	<u>\$ 2,149,091</u>	<u>\$ 9,621,739</u>

**CITY OF TAUNTON, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2014

**NOTE 5: Capital Assets and Depreciation**

Capital asset activities for the year ended June 30, 2014 are as follows:

	<u>Balance July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2014</u>
<b><u>Governmental activities</u></b>				
Not being depreciated				
Land	\$ 8,811,718	\$ 214,890	\$ -	\$ 9,026,608
Construction in progress	<u>1,044,625</u>	<u>3,904,576</u>	<u>961,441</u>	<u>3,987,760</u>
Subtotal	<u>9,856,343</u>	<u>4,119,466</u>	<u>961,441</u>	<u>13,014,368</u>
Other capital assets				
Infrastructure	214,826,682	1,072,367	-	215,899,049
Land improvements	-	-	-	-
Buildings and improvements	123,533,763	778,400	-	124,312,163
Machinery and equipment	7,284,466	577,270	881,981	6,979,755
Office equipment and furniture	1,154,178	73,991	230,736	997,433
Library books and textbooks	1,773,971	235,704	-	2,009,675
Automobiles and vessels	<u>6,190,526</u>	<u>227,765</u>	<u>-</u>	<u>6,418,291</u>
Subtotal	<u>354,763,586</u>	<u>2,965,497</u>	<u>1,112,717</u>	<u>356,616,366</u>
Accumulated depreciation				
Infrastructure	60,764,851	4,420,569	-	65,185,420
Land improvements	-	-	-	-
Buildings and improvements	50,066,693	2,399,633	-	52,466,326
Machinery and equipment	6,402,743	201,913	881,981	5,722,675
Office equipment and furniture	809,412	84,166	230,736	662,842
Library books and textbooks	177,397	366,579	-	543,976
Automobiles and vessels	<u>4,910,404</u>	<u>272,065</u>	<u>-</u>	<u>5,182,469</u>
Subtotal	<u>123,131,500</u>	<u>7,744,925</u>	<u>1,112,717</u>	<u>129,763,708</u>
Net other capital assets	<u>231,632,086</u>	<u>(4,779,428)</u>	<u>-</u>	<u>226,852,658</u>
Net capital assets	<u>\$ 241,488,429</u>	<u>\$ (659,962)</u>	<u>\$ 961,441</u>	<u>\$ 239,867,026</u>

**CITY OF TAUNTON, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2014

**NOTE 5: Capital Assets and Depreciation (Continued)**

	<u>Balance July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2014</u>
<b><u>Business-type activities</u></b>				
Not being depreciated				
Land	\$ 3,260,000	\$ -	\$ -	\$ 3,260,000
Construction in progress	<u>36,493,528</u>	<u>8,992,176</u>	<u>15,736,621</u>	<u>29,749,083</u>
Subtotal	<u>39,753,528</u>	<u>8,992,176</u>	<u>15,736,621</u>	<u>33,009,083</u>
Other capital assets				
Infrastructure	86,999,271	16,921,312	-	103,920,583
Land improvements	-	-	-	-
Buildings and improvements	9,434,607	27,055	-	9,461,662
Machinery and equipment	111,013	89,596	-	200,609
Office equipment and furniture	10,310	-	-	10,310
Library books and textbooks	-	-	-	-
Automobiles and vessels	<u>-</u>	<u>380,576</u>	<u>-</u>	<u>380,576</u>
Subtotal	<u>96,555,201</u>	<u>17,418,539</u>	<u>-</u>	<u>113,973,740</u>
Accumulated depreciation				
Infrastructure	11,407,188	1,944,101	-	13,351,289
Land improvements	-	-	-	-
Buildings and improvements	5,782,388	194,508	-	5,976,896
Machinery and equipment	64,430	7,606	-	72,036
Office equipment and furniture	10,190	120	-	10,310
Library books and textbooks	-	-	-	-
Automobiles and vessels	<u>-</u>	<u>21,981</u>	<u>-</u>	<u>21,981</u>
Subtotal	<u>17,264,196</u>	<u>2,168,316</u>	<u>-</u>	<u>19,432,512</u>
Net other capital assets	<u>79,291,005</u>	<u>15,250,223</u>	<u>-</u>	<u>94,541,228</u>
Net capital assets	<u>\$ 119,044,533</u>	<u>\$ 24,242,399</u>	<u>\$ 15,736,621</u>	<u>\$ 127,550,311</u>

CITY OF TAUNTON, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

**NOTE 5: Capital Assets and Depreciation (Continued)**

Depreciation as charged to functions as follows:

Governmental Activities:

General government	\$	264,589
Public safety		317,114
Public works		2,161,305
Education		4,862,645
Health and human services		2,014
Culture and recreation		104,636
Municipal airport		23,246
Economic development		<u>27,545</u>
Total Governmental Activities	\$	<u><u>7,763,094</u></u>

Business-Type Activities:

Water	\$	958,238
Wastewater		1,153,470
Taunton nursing home		53,687
Golf		<u>2,920</u>
Total Business-Type Activities	\$	<u><u>2,168,315</u></u>

**CITY OF TAUNTON, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2014

**NOTE 6: Pension**

**A. Plan Description**

The City contributes to the System, a cost sharing multiple-employer, public employee retirement system that acts as the investment and administrative agent for the City, the Housing Authority, the Taunton Municipal Lighting Plant, and the GATRA. The System provides retirement, disability, and death benefits to plan members and beneficiaries. With the exception of teachers, the Plan covers all permanent, full-time city employees. The Commonwealth of Massachusetts Teachers' Retirement System, to which the City does not contribute, covers public school teachers and school nurses. The System is a member of the Massachusetts Contributory System, which is governed by Chapter 32 of the MGL.

**B. Basis of Accounting**

The System's financial statements are prepared using the full accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Investment income is recognized as earned by the pension plan. The net appreciation (depreciation) in the fair value of investments held by the pension plan is recorded as an increase (decrease) to investment income based on the valuation of investments as of the balance sheet date.

Investments of the System are stated as follows:

- (a) Equity securities are stated at quoted market value.
- (b) Real estate funds are stated at appraised value or partner's account value.
- (c) Alternative investments are stated at partner's account value.
- (d) Other pooled funds are stated at unit value.

**C. Membership**

Membership in the System consisted of the following at January 1, 2012, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	714
Terminated plan members entitled to but not receiving benefits	209
Disabled members	92
Active plan members	<u>1,069</u>
Total membership	<u>2,084</u>
Total number of participating employers	4

The four participating employers are the City, the Housing Authority, the Taunton Municipal Lighting Plant, and the GATRA.

**CITY OF TAUNTON, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2014

**NOTE 6: Pension (Continued)**

***D. Contributions***

Plan members are required to contribute to the System, depending on their employment date. Active members contribute 5%, 7%, 8%, or 9% of their regular gross compensation depending on the date upon which their membership began. Members hired after January 1, 1979 must contribute an additional 2% of regular compensation in excess of \$30,000. Participating employers are required to pay into the System their share of the remaining system wide actuarially determined contribution. The contributions of plan members and the participating employers are governed by Chapter 32 of the MGL. The City's contributions (including TMLP) to the System for the years ended June 30, 2014, 2013, and 2012, were \$13,819,976, \$12,682,037 and \$12,248,832, respectively, which equaled its required contribution for each fiscal year.

The System's Retirement Board, the City Council, and the Mayor approved the option for local funding of cost-of-living adjustments. The System's funding schedule has been updated to reflect the increased liabilities resulting from the adoption of this option. These cost-of-living adjustments will be awarded automatically each year, except in years in which the Retirement Board determines that such an adjustment would substantially impair the funding schedule.

***E. Legally Required Reserve Accounts***

The balances in the System's legally required reserves at December 31, 2013 are as follows:

<u>Description</u>	<u>Amount</u>	<u>Purpose</u>
Annuity Savings Fund	\$ 56,821,209	Active members' contribution balance
Annuity Reserve Fund	21,910,430	Retired members' contribution account
Military Service Credit	26,494	Members' contribution account while on military leave
Pension Reserve Fund	126,299,066	Amounts to fund future retirement benefits
Pension Fund	<u>12,816,007</u>	Remaining net assets
 Total	 <u>\$ 217,873,206</u>	

All reserve accounts are funded at levels required by state statute.

***F. Funded Status and Funding Progress***

The funded status of the pension plan administered by the System as of January 1, 2014, the most recent actuarial valuation date, is as follows:

Actuarially accrued liability (AAL)	\$ 364,926,837
Actuarial value of plan assets	<u>239,531,317</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 125,395,520</u>
Funded ratio (actuarial value of plan assets/AAL)	65.6%
Covered payroll (active plan members)	\$ 55,498,644
UAAL as a percentage of covered payroll	225.9%

*Continued*

**CITY OF TAUNTON, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2014

**NOTE 6: Pension (Continued)**

***F. Funded Status and Funding Progress***

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL's for benefits.

In the January 1, 2014 actuarial valuation, the individual entry age normal actuarial cost method was used. The actuarial assumptions included an 8.0% investment rate of return, projected salary increases of 3.5%, and cost-of-living adjustments of 3.0% up to \$420 annually. The actuarial value of assets was determined using the fair value of investments. The System's UAAL is being amortized as a level percentage of pay on an open basis. The remaining amortization period at January 1, 2014 was 17 years.

**NOTE 7: Other Employee Benefits**

**A. Other Postemployment Benefits**

*Plan Description*

In addition to the pension benefits described above, the City provides health and life insurance benefits to retirees, their dependents and beneficiaries in accordance with Chapter 32B of Massachusetts General Laws under various contributory plans. Specific benefit provisions and contribution rates are established by collective-bargaining agreements, state laws, and City ordinance. All benefits are provided through third-party insurance carriers and health maintenance organizations that administer, assume, and pay all claims for specific plans. The Plan does not issue a standalone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan. The TMLP, a discretely presented component unit, also participates in the City's OPEB plan.

As of June 30, 2012, the valuation date, 1,415 retirees and 1,610 active members meet the eligibility requirements as put forth in Chapter 32B of MGL as follows:

	<u>Retirees</u>	<u>Active</u>	<u>Total</u>
City	1,369	1,302	2,671
TMLP	<u>220</u>	<u>130</u>	<u>350</u>
	<u>1,589</u>	<u>1,432</u>	<u>3,021</u>

The remaining OPEB disclosures (including required supplementary information) relate to the City only as TMLP separately reports on its OPEB activity. OPEB disclosures for TMLP are contained in TMLP's separately issued financial statements.

*Funding Policy*

The contribution requirements of Plan members and the City are established and may be amended by the City. Depending on the retirement date twenty-three or twenty-five percent of the calculated contribution is paid by the retirees through pension benefit deductions. The remainder of such cost is funded by the City. The City contributes \$4.60 per month for each retiree receiving \$5,000 basic life insurance. The City currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the City.

**CITY OF TAUNTON, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2014

**NOTE 7: Other Employee Benefits (Continued)**

**A. Other Postemployment Benefits (Continued)**

*Annual OPEB and Net OPEB Obligation*

The City's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an actuarially determined amount that is calculated in accordance with the parameters set forth in GASB Statement 45. The amount that was actuarially determined by using the Projected Unit Credit Cost Method. Under this method the annual contribution consists of two pieces: Normal Cost plus a payment towards the unfunded accrued liability. The normal cost is similarly determined as the present value of the projected benefit attributable to the current year. The unfunded accrued liability is the accrued liability less the value of any plan assets. The level percent amortization method was utilized to determine the current year ARC. The following table shows the elements of the City's annual OPEB cost for the year, the amount actually paid on behalf of the Plan, and changes in the City's net OPEB obligation to the Plan for the year ended June 30, 2014.

Annual required contribution	\$ 17,944,838
Interest on net OPEB obligation	3,284,402
Amortization credit on NOO	<u>(2,737,002)</u>
Annual OPEB cost (expense)	18,492,238
Contributions made	<u>8,217,344</u>
Increase in net OPEB obligations	10,274,894
Net OPEB obligation at beginning of year	<u>82,110,058</u>
Net OPEB obligation at end of year	<u>\$ 92,384,952</u>

The projection of benefits is based on the types of benefits provided under the substantive plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point. The projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

The actuarial calculations reflect a long-term perspective, actuarial method and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Trend information regarding annual OPEB cost, the percentage of the annual OPEB cost contributed and the net OPEB obligation is as follows:

Fiscal Year <u>Ending</u>	Annual OPEB Costs <u>(AOPEC)</u>	Percentage Of AOPEBC <u>Contributed</u>	Net OPEB <u>Obligation</u>
June 30, 2014	\$ 17,944,838	45.79%	\$ 92,384,952
June 30, 2013	20,788,507	38.89%	82,110,059
June 30, 2012	20,225,537	29.61%	68,304,572
June 30, 2011	19,823,224	36.12%	54,876,951

*Continued*



**CITY OF TAUNTON, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2014

**NOTE 7: Other Employee Benefits (Continued)**

**A. Other Postemployment Benefits (Continued)**

*Funded Status and Funding Progress*

As of July 30, 2014, the most recent actuarial valuation date, the Plan was 0% funded. The actuarial accrued liability for benefits was \$326,165,463. Amounts determined regarding the funded status of the Plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, shows as required supplementary information disclosures required by GASB-43 for the OPEB Plan. This schedule presents the results of OPEB valuations as of June 30, 2014 and go-forward basis. The schedule will eventually provide additional multi-year trend information about whether the actuarial values of Plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The required schedule of funding progress (presented in the required supplementary information section) presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The funded status of the Plan at June 30, 2014, the most recent actuarial valuation, was as follows:

		(A)	(B)	(B-A)	(A/B)	(C)	((B-A)/C)
<u>Actuarial Valuation Date</u>	<u>Reporting Year</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability (AAL) Individual Entry Age</u>	<u>Unfunded (Overfunded) AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
06/30/08	2008	\$ 0	\$ 369,686,477	\$ 369,686,477	0.0%	\$ 100,920,885	366.03%
06/30/10	2010	\$ 0	\$ 322,826,984	\$ 322,826,984	0.0%	\$ 90,713,287	355.09%
06/30/12	2012	\$ 0	\$ 343,752,067	\$ 343,752,067	0.0%	\$ 108,589,531	316.06%
06/30/14	2014	\$ 0	\$ 326,165,463	\$ 326,165,463	0.0%	\$ 97,480,359	334.60%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subjected to continual revision as actual results are compared with past expectations and new estimates are made about the future.

*Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and plan member) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

CITY OF TAUNTON, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2014

**NOTE 7: Other Employee Benefits (Continued)**

**A. Other Postemployment Benefits (Continued)**

*Methods and Assumptions*

The significant methods and assumptions as of the latest actuarial valuation are as follows:

Valuation date:	June 30, 2014
Actuarial cost method:	Projected Unit Credit
Amortization period:	30-year level percent of pay assuming 4.0% aggregate annual payroll growth, open basis (pay as you go)
Remaining amortization period:	30 years as of July 1, 2014
Interest discount rate	Funded: 8.00% per year, net of investment expenses Unfunded: 4.0% per year, net of investment expenses
Participation:	90% of future retirees are assumed to participate in the retiree medical plan. 100% of future retirees are expected to elect dental insurance and 100% of future retirees are expected to elect life insurance.

Allocation of AOPEBC

AOPEBC costs were allocated to the City's functions as follows:

Governmental Activities:	
General government	\$ 2,239,009
Public Safety	18,600,997
Public Works	3,513,522
Education	59,385,405
Health and human services	1,343,405
Community and Economic Development	172,231
Culture and recreation	<u>1,860,100</u>
Total AOPEBC - governmental activities	<u>\$ 87,114,669</u>
Business-Type Activities:	
Water	\$ 1,653,422
Nursing Home	<u>3,616,861</u>
Total APEBC - business-type activities	<u>\$ 5,270,283</u>
Total AOPEBC - government-wide	<u>\$ 92,384,952</u>

**CITY OF TAUNTON, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2014

**NOTE 8: 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 30 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 landfill sites no longer accept waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill site capacities used during the year. The estimated liability for landfill closure and postclosure care costs is based on the percentage usage (filled) of the landfill sites and is as follows at June 30, 2014:

	<b>Governmental Activities</b>
Closure and postclosure care costs	<u>\$ 4,219,300</u>

The landfill liability recorded by the governmental activities, \$4,219,300, as the current operating expenses and closure costs have been contractually assumed by a third party, Waste Management of Massachusetts (Waste Management), in exchange for the future use of the landfill sites. Until such time as the landfill is closed and capped by Waste Management, the City shall receive 18.2% of related tipping fees. The landfill is currently expected to be filled to capacity in the year 2015.

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, 2014. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

**CITY OF TAUNTON, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2014

**NOTE 9: Debt**

**Primary Government**

Under state law and by authorization of the City Council, the City is authorized to borrow on a temporary basis to fund the following:

- Special Revenue, capital projects and enterprise fund costs incurred prior to obtaining permanent financing through the issuance of bond anticipation notes (BANS) and
- Federal and state aided capital projects and other program expenditures prior to receiving reimbursement through the issuance of federal and state aid anticipation notes (FAANS and SAANS.)

Debt Service requirements to maturity for long-term debt are as follows:

<u>City Wide Debt</u>	<u>Principal</u>	<u>Total Interest</u>	<u>Total Debt Service</u>
2015	\$ 9,664,354	\$ 3,659,908	\$ 13,324,262
2016	9,740,152	3,307,896	13,048,048
2017	9,848,841	2,947,972	12,796,813
2018	9,569,995	2,570,913	12,140,908
2019	9,496,202	2,209,320	11,705,522
2020	7,839,441	1,872,993	9,712,434
2021	7,523,588	1,745,803	9,269,391
2022	7,065,932	1,523,941	8,589,873
2023	6,952,828	1,302,166	8,254,994
2024	6,638,735	1,100,104	7,738,839
2025	6,100,891	936,812	7,037,703
2026	6,183,565	779,413	6,962,978
2027	6,042,916	620,357	6,663,273
2028	5,706,402	460,567	6,166,969
2029	4,320,947	320,367	4,641,314
2030	3,413,424	227,627	3,641,051
2031	3,463,397	152,118	3,615,515
2032	2,005,585	89,144	2,094,729
2033	2,038,468	42,619	2,081,087
2034	<u>315,000</u>	<u>6,300</u>	<u>321,300</u>
	<u>\$ 123,930,663</u>	<u>\$ 25,876,340</u>	<u>\$ 149,807,003</u>

Reference Note 18 for additional outstanding debt related to the Taunton Municipal Light Plant.

The issuance of future Sewer Bonds issued through the Commonwealth of Massachusetts Water Pollution Abatement Trust, which prior to October 21, 2007 were subsidized through the application of loan subsidy amounts received by the Trust for the benefit of the City. The subsidy resulted in the financial equivalent of a 0% loan. Bonds issued by the Trust for the benefit of the City after and including the October 21, 2007 bond issue are no longer subsidized and are at a cost of 2% interest. Changes to accounting methods to record future subsidy receivables from MWPAT bonds were made in the current year. See restatement Note 13 which shows a water subsidy restatement of \$2,287,453.

The City is schedule to be subsidized by the MWPAT on a periodic basis for principal in the amount of \$2,631,562 and interest costs for \$1,936,314. The principal subsidies are guaranteed and therefore a \$2,631,562 intergovernmental receivable has been reported in the business-type financial statements. Since the City is legally obligated for the total amount of debt, such amounts have been reported in the accompanying basic financial statements. The fiscal year 2014 principal and interest subsidies totaled \$286,696 and \$428,894 respectively.

**CITY OF TAUNTON, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2014

**NOTE 9: Debt (Continued)**

**Primary Government (Continued)**

**Authorized and Unissued Debt:**

The City has authorized unissued debt in the amount of \$16,609,514 at June 30, 2014:

	<b>Authorized and Issued July 1, 2013</b>	<b>Authorized</b>	<b>Issued</b>	<b>Grant Paydowns</b>	<b>Rescinded/ Paydowns</b>	<b>Authorized and Unissued June 30, 2014</b>
HS & Parker School Repairs	\$ 3,986,979	\$ -	\$ 3,257,285	\$ -	\$ 729,694	\$ -
Elizabeth Pole School Project	1,781,927	-	-	-	-	1,781,927
Winthrop Street Sewer	2,983,511	-	-	-	2,983,511	-
Matthews Landing Septic	300,000	-	-	-	300,000	-
Elizabeth Pole School Project II	215,000	-	-	-	-	215,000
Sewer Project V	2,040,969	-	459,984	-	-	1,580,985
Water Planning and Engineering	530,000	-	530,000	-	-	-
Sewer Planning	650,000	-	650,000	-	-	-
Land Acquisition	4,875,000	-	4,700,000	-	175,000	-
Sewer and Stormwater Replacement	294,335	-	252,593	-	41,742	-
Phase 8 Sewer Planning	400,000	-	400,000	-	-	-
Additional Water	51,981	-	-	-	-	51,981
Phase 9 Sewer	4,000,000	841,742	4,841,742	-	-	-
Phase 9 Sewer Planning	250,000	-	250,000	-	-	-
Galligan School Roof Repairs	270,000	-	209,899	60,101	-	-
Housing	2,000,000	-	2,000,000	-	-	-
Municipal Light Plant	3,676,200	-	3,676,000	-	200	-
Additional Galligan School Roof	486,741	-	-	410,149	76,592	-
Sewer Planning Phase 10	-	600,000	-	-	-	600,000
Sewer Phase 10 SSES	-	6,000,000	6,000,000	-	-	-
Sewer Phase 10-12 SSES	-	9,000,000	548,241	-	-	8,451,759
Water Planning - Harris St	-	600,000	-	-	-	600,000
Water - Harris St	-	8,000,000	6,241,138	-	-	1,758,862
Leonard Street Parking Deck	-	1,369,000	-	-	-	1,369,000
Hopewell Spray Park	-	200,000	-	-	-	200,000
	<u>\$ 28,792,643</u>	<u>\$ 26,610,742</u>	<u>\$ 34,016,882</u>	<u>\$ 470,250</u>	<u>\$ 4,306,739</u>	<u>\$ 16,609,514</u>

**CITY OF TAUNTON, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2014

**NOTE 9: Debt (Continued)**

**Short-Term Debt**

**Governmental Activities:**

	<b>Maturity Dates</b>	<b>Balance 7/1/2013</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 6/30/2014</b>	<b>Interest Rate</b>	<b>Interest Paid</b>
Bond Anticipation Note - Land Acquisition	9/27/2013	\$ 4,875,000	\$ -	\$ 4,875,000	\$ -	0.85%	\$ 16,690
Bond Anticipation Note - High School / Parker	9/27/2013	4,000,000	-	4,000,000	-	0.85%	13,695
Bond Anticipation Note - Galligan School Roof	9/27/2013	270,000	-	270,000	-	0.85%	924
Bond Anticipation Note - Phase 8 Sewer Planning	9/27/2013	400,000	-	400,000	-	0.85%	1,369
Bond Anticipation Note - Sewer Planning	9/27/2013	650,000	-	650,000	-	0.85%	2,225
Bond Anticipation Note - Water Meters and Mains	9/27/2013	530,000	-	530,000	-	0.85%	1,815
Bond Anticipation Note - School Project Loan Ch 70B	5/23/2014	-	3,688,878	3,688,878	-	1.00%	19,367
Bond Anticipation Note - Sewer SSES Ph 10	6/26/2015	-	600,000	-	600,000	1.00%	-
Bond Anticipation Note - Water Harris Street	6/26/2015	-	600,000	-	600,000	1.00%	-
		<u>\$ 10,725,000</u>	<u>\$ 4,888,878</u>	<u>\$ 14,413,878</u>	<u>\$ 1,200,000</u>	NA	<u>\$ 56,085</u>

**Interim loans:**

	<b>Maturity Dates</b>	<b>Balance 7/1/2013</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 6/30/2014</b>	<b>Interest Rate</b>	<b>Interest Paid</b>
MWPAT CWP 10-36 Winthrop	MWPAT	\$ 459,984	\$ -	\$ -	\$ 459,984	N/A	\$ -
MWPAT Phase 9 SSES CWP 12-27	MWPAT	3,596,944	1,091,725	-	4,688,669	N/A	-
MWPAT Phase 8 SSES CWP 11-17A	MWPAT	-	252,593	-	252,593	N/A	-
MWPAT Phase 8 SSES CWSRF 3580	MWPAT	294,335	-	294,335	-	N/A	-
MWPAT Phase 10 CW 13-18	MWPAT	-	6,548,241	-	6,548,241	N/A	-
MWPAT DWP 08-26	MWPAT	-	226,889	-	226,889	N/A	-
MWPAT DWP 13-07 3845	MWPAT	-	6,241,138	260,369.00	5,980,769	N/A	-
		<u>\$ 4,351,263</u>	<u>\$ 14,360,586</u>	<u>\$ 554,704</u>	<u>\$ 18,157,145</u>	NA	<u>\$ -</u>

**CITY OF TAUNTON, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2014

**NOTE 9: Debt (Continued)**

Changes in balance of long-term liabilities including current portions are as follows:

	<b>Balance</b>				<b>Outstanding</b>	
	<b>July 1, 2013</b>	<b>Increases</b>	<b>Decreases</b>	<b>Refunding</b>	<b>Balance</b>	<b>Balance</b>
					<b>June 30, 2014</b>	<b>Due in 2015</b>
<b>Governmental Activities</b>						
Public Works Facility	\$ 350,000	\$ -	\$ 50,000	\$ -	\$ 300,000	\$ 50,000
Police Station	210,000	-	30,000	-	180,000	30,000
Fire Station	105,000	-	15,000	-	90,000	15,000
City Hall	85,000	-	15,000	-	70,000	15,000
City Hall Expansion	216,000	-	24,000	-	192,000	24,000
Pole School	324,000	-	36,000	-	288,000	36,000
City Hall Expansion (II)	675,000	-	75,000	-	600,000	75,000
High School	477,000	-	53,000	-	424,000	53,000
Walker School	94,000	-	11,000	-	83,000	11,000
Parker School	126,000	-	14,000	-	112,000	14,000
Pole School	2,980,000	-	215,000	-	2,765,000	215,000
Fire Station	700,000	-	50,000	-	650,000	50,000
High School / Parker School	11,250,000	-	750,000	-	10,500,000	750,000
Fire Station	825,000	-	55,000	-	770,000	55,000
Solved Uniform Norton Ave Schl Plans	155,000	-	40,000	-	115,000	40,000
Solved Uni - DPW Complex	1,635,000	-	295,000	-	1,340,000	290,000
Solved Uni - Fire Station	360,000	-	80,000	-	280,000	70,000
Solved Uniform School	1,405,000	-	365,000	-	1,040,000	355,000
Norton Ave Elem School	2,490,000	-	420,000	-	2,070,000	415,000
Norton Ave Middle School	5,615,000	-	955,000	-	4,660,000	940,000
Land Acquisition	-	4,700,000	-	-	4,700,000	235,000
Gilligan School Roof Repairs	-	209,899	-	-	209,899	19,899
High School / Parker School Repairs	-	2,915,000	-	-	2,915,000	155,000
Additional HS - Parker	-	298,101	-	-	298,101	18,101
<b>Total Governmental Activities</b>	<b>\$ 30,077,000</b>	<b>\$ 8,123,000</b>	<b>\$ 3,548,000</b>	<b>\$ -</b>	<b>\$ 34,652,000</b>	<b>\$ 3,931,000</b>
<b>Business-Type Activities</b>						
<b>Water</b>						
Water Planning 1	\$ 365,000	\$ -	\$ 30,000	\$ -	\$ 335,000	\$ 30,000
Water Planning 2	275,000	-	20,000	-	255,000	20,000
Water Planning 3	200,000	-	15,000	-	185,000	15,000
Water Planning 4	80,000	-	20,000	-	60,000	20,000
GOMPL Water	475,000	-	30,000	-	445,000	30,000
GO State Qual Water Planning	600,000	-	37,500	-	562,500	37,500
MWPAT DW-01-24	2,625,000	-	225,000	-	2,400,000	230,000
MWPAT DW-02-03D	1,200,990	-	90,990	-	1,110,000	95,000
MWPAT DW-02-03A	1,130,718	-	85,718	-	1,045,000	90,000
MWPAT DW-02-03B	259,561	-	19,561	-	240,000	20,000
MWPAT DW-02-03C	1,379,726	-	104,726	-	1,275,000	110,000
GOB - Water	265,000	-	25,000	-	240,000	25,000
Owens Parkway Water	70,000	-	5,000	-	65,000	5,000
MWPAT DW-02-03E	554,187	-	37,703	-	516,484	38,465
MWPAT DW-01-24A	49,273	-	3,790	-	45,483	3,790
MWPAT DW-06-11	3,544,120	-	204,641	-	3,339,479	208,776
Solved Uni Water	1,565,000	-	265,000	-	1,300,000	260,000
MWPAT DW-08-26	105,457	-	4,916	-	100,541	5,016
MWPAT DW-06-11A	5,482,788	-	293,691	-	5,189,097	299,624
MWPAT DW-07-19	7,923,736	-	369,597	-	7,554,139.00	377,041
MWPAT DW-08-26	4,676,589	-	218,261	-	4,458,328	222,643
MWPAT DW-10-10	2,417,360	-	97,785	2,319,575	-	-
MWPAT DW-08-26A	964,290	-	39,007	925,283	-	-
MWPAT DW-06-11B	215,824	-	11,424	204,400	-	-
MWPAT DW-08-26A	406,451	-	18,692	-	387,759	19,099
MWPAT DWP-10-10A	2,692,428	-	108,911	-	2,583,517	111,278
Water Planning and Engineering	-	530,000	-	-	530,000	50,000
DW-10-10 Refinanced	-	2,278,751	-	-	2,278,751	98,152
DW-08-26A Refinanced	-	877,453	-	-	877,453	37,794
DW-06-11B Refinanced	-	120,665	-	-	120,665	6,890
<b>Total Water</b>	<b>\$ 39,523,498</b>	<b>\$ 3,806,869</b>	<b>\$ 2,381,913</b>	<b>\$ 3,449,258</b>	<b>\$ 37,499,196</b>	<b>\$ 2,466,068</b>

*Continued*

**CITY OF TAUNTON, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2014

**NOTE 9: Debt (Continued)**

	<b>Balance</b>				<b>Outstanding</b>	
	<b>July 1, 2013</b>	<b>Increases</b>	<b>Decreases</b>	<b>Refunding</b>	<b>Balance</b>	<b>Balance</b>
					<b>June 30, 2014</b>	<b>Due in 2015</b>
<b>Wastewater</b>						
MWPAT CW-00-29	\$ 95,531	\$ -	\$ 9,553	\$ -	\$ 85,978	\$ 9,553
MWPAT Series 7 Ch. 44	281,946	-	29,679	-	252,267	34,625
MWPAT CW-01-26B	795,296	-	61,176	-	734,120	61,176
MWPAT CW-04-21	891,511	-	60,653	-	830,858	61,878
MWPAT CW-00-29A	53,980	-	5,398	-	48,582	5,398
MWPAT CW-05-15A	665,771	-	41,622	-	624,149	42,463
Pole School Sewer	490,000	-	35,000	-	455,000	35,000
MWPAT CW-05-15B	887,930	-	51,270	-	836,660	52,306
GOMPL Sewer	180,000	-	15,000	-	165,000	15,000
MWPAT CW-07-31	4,028,721	-	215,803	-	3,812,918	220,162
GOB State Qual Sewer	1,000,000	-	62,500	-	937,500	62,500
SW Disposal Facility	2,400,000	-	150,000	-	2,250,000	150,000
Sewer - Pole School	80,000	-	5,000	-	75,000	5,000
MWPAT CW-06-06	3,549,779	-	204,968	-	3,344,811	209,109
Sewer Planning	315,000	-	45,000	-	270,000	45,000
MWPAT CWS 09-13	3,832,047	-	178,645	-	3,653,402	182,254
MWPAT CW-01-26-C	249,182	-	13,844	-	235,338	13,844
MWPAT CW-00-29-B	235,518	-	14,720	-	220,798	14,720
MWPAT CW-07-31A	515,625	-	24,059	-	491,566	24,543
MWPAT CWS-08-21	4,745,482	-	221,339	-	4,524,143	225,797
MWPAT CWP-10-36	5,786,098	-	234,053	-	5,552,045	239,140
MWPAT CWP-09-38	4,500,000	-	182,029	4,317,971	-	-
MWPAT CWP-10-37	3,676,954	-	148,739	-	3,528,215	151,969
MWPAT CWS-08-21-R	183,515	-	8,440	-	175,075	8,623
MWPAT CWP-11-17	4,845,150	-	195,991	-	4,649,159	200,251
MWPAT CW-09-13	613,889	-	24,832	-	589,057	25,372
Gen Ob Bonds Sewer	70,000	-	10,000	-	60,000	10,000
Title V Series No. 97-1057	54,996	-	7,958	-	47,038	7,958
Gen Ob Bonds Sewer	148,000	-	17,000	-	131,000	17,000
Title V Series 97-1057-1	26,811	-	2,476	-	24,335	2,512
MWPAT CW-01-26	546,759	-	47,478	-	499,281	49,009
MWPAT Series 6 98-129	416,131	-	47,288	-	368,843	47,288
MWPAT Series 6 99-34	3,350,542	-	374,502	-	2,976,040	384,488
MWPAT Series 5 98-119	1,650,000	-	215,000	-	1,435,000	220,000
MWPAT Program Bonds	32,500	-	2,500	-	30,000	2,500
MWPAT CW-01-26	1,335,572	-	100,762	-	1,234,810	104,445
MWPAT CW-03-05	361,263	-	26,263	-	335,000	30,000
MWPAT Series 13 T5-97-1057-3C	112,500	-	7,500	-	105,000	7,500
MWPAT Series 15 T5-97-1057-E	180,000	-	10,000	-	170,000	10,000
MWPAT Series 15 T5-97-1057-D	178,948	-	10,526	-	168,422	10,526
MWPAT 97-1057-F	250,000	-	12,500	-	237,500	12,500
CW-09-38 Refinanced	-	4,315,557	-	-	4,315,557	185,882
Sewer Planning Phase 9	-	250,000	-	-	250,000	15,000
Sewer Planning	-	650,000	-	-	650,000	35,000
Sewer Planning Phase 8 SSES	-	400,000	-	-	400,000	20,000
<b>Total Wastewater</b>	<b>\$ 53,612,947</b>	<b>\$ 5,615,557</b>	<b>\$ 3,131,066</b>	<b>\$ 4,317,971</b>	<b>\$ 51,779,467</b>	<b>\$ 3,267,291</b>
Total Business-Type Activities	\$ 93,136,445	\$ 9,422,426	\$ 5,512,979	\$ 7,767,229	\$ 89,278,663	\$ 5,733,359
<b>Total City of Taunton</b>	<b>\$ 123,213,445</b>	<b>\$ 17,545,426</b>	<b>\$ 9,060,979</b>	<b>\$ 7,767,229</b>	<b>\$ 123,930,663</b>	<b>\$ 9,664,359</b>



**CITY OF TAUNTON, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2014

**NOTE 9: Debt (Continued)**

The City of Taunton's Office of Economic and Community Development entered into a loan agreement with the U.S. Department of Housing and Urban Development in December 2012 related to a Hope VI Housing Redevelopment Project. Repayments will occur as follows:

<u>HUD Loan</u>	<u>Principal</u>
2015	70,000
2016	75,000
2017	75,000
2018	80,000
2019	80,000
2020	85,000
2021	90,000
2022	90,000
2023	95,000
2024	105,000
2025	105,000
2026	110,000
2027	110,000
2028	115,000
2029	120,000
2030	125,000
2031	130,000
2032	135,000
2033	<u>140,000</u>
	<u>\$ 1,935,000</u>

**CITY OF TAUNTON, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2014

**NOTE 10: Other Commitments**

The City of Taunton has entered into various capital leases for machinery and equipment. The following is a schedule of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2014:

	<b><u>Beginning</u></b>		<b><u>Principal</u></b>	<b><u>Ending</u></b>	<b><u>Interest</u></b>
	<b><u>Balance</u></b>	<b><u>Additions</u></b>	<b><u>Payments</u></b>	<b><u>Balance</u></b>	<b><u>Payments</u></b>
<b><u>Governmental Activities</u></b>					
E-One Fire Apparatus	\$ -	\$ 425,082	\$ -	\$ 425,082	\$ -
GE Capital	36,996	-	36,996	-	-
Apple Inc.	44,725	-	44,725	-	-
TYMCO, Inc.	<u>150,358</u>	<u>-</u>	<u>48,506</u>	<u>101,852</u>	<u>4,947</u>
<b><u>Total Governmental Activities</u></b>	<b><u>\$ 232,079</u></b>	<b><u>\$ 425,082</u></b>	<b><u>\$ 130,227</u></b>	<b><u>\$ 526,934</u></b>	<b><u>\$ 4,947</u></b>

<b><u>Year Ending</u></b>	<b><u>Governmental</u></b>
<b><u>June 30,</u></b>	<b><u>Activities</u></b>
2015	\$ 152,791
2016	156,791
2017	107,446
2018	<u>109,907</u>
Present value of net minimum lease payments	<b><u>\$ 526,934</u></b>

The City has entered into various operating leases for rentals of office equipment. Operating leases totaled \$201,903 for 2014 governmental funds and \$4,550 for enterprise funds (nursing home). The following is a schedule of minimum lease payments:

<b><u>Year Ending</u></b>	<b><u>Governmental</u></b>	<b><u>Nursing Home</u></b>
<b><u>June 30,</u></b>	<b><u>Funds</u></b>	<b><u>Funds</u></b>
2015	\$ 123,410	\$ 2,757
2016	40,672	360
2017	<u>8,906</u>	<u>-</u>
	<b><u>\$ 172,988</u></b>	<b><u>\$ 3,117</u></b>

**CITY OF TAUNTON, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2014

**NOTE 11: Fund Balance Classification Details**

The components of fund balance for the City's governmental funds as of June 30, 2014 are as follows:

	<u>Major Funds</u>		<u>Non-Major Funds</u>		<u>Total</u>
	<u>General Fund</u>	<u>Special Revenue</u>	<u>Permanent Trust</u>	<u>Capital Projects</u>	
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Corpus of endowment funds	\$ -	\$ -	\$ 1,350,855	\$ -	\$ 1,350,855
<b>Restricted for:</b>					
General government activity	-	3,641,708	-	-	3,641,708
Public safety operations	-	690,179	374,471	-	1,064,650
Educational purposes	-	5,435,268	24,432	-	5,459,700
Public works	-	2,824,306	-	-	2,824,306
Community housing and development	-	292,940	245,319	-	538,259
Health and human services	-	277,632	101,986	-	379,618
Recreational and other purposes	-	1,310,394	112,694	-	1,423,088
Municipal airport purposes	-	96,434	-	-	96,434
School lunch operations	-	1,692,572	-	-	1,692,572
<b>Committed to:</b>					
Economic stabilization	8,225,932	-	-	-	8,225,932
Water and wastewater related projects	-	-	-	24,800	24,800
<b>Assigned to:</b>					
General government activity	401,566	-	-	-	401,566
Public safety	228,483	-	-	-	228,483
Education	1,278,345	-	-	-	1,278,345
Public works	982,527	-	-	-	982,527
Health and human services	33,332	-	-	-	33,332
Culture and recreation	117,497	-	-	-	117,497
Pension benefits	25,001	-	-	-	25,001
<b>Unassigned:</b>	<u>16,603,293</u>	<u>(218,570)</u>	<u>-</u>	<u>(8,907,460)</u>	<u>7,477,263</u>
	<u>\$ 27,895,976</u>	<u>\$ 16,042,863</u>	<u>\$ 2,209,757</u>	<u>\$ (8,882,660)</u>	<u>\$ 37,265,936</u>

At June 30, 2014, the balance of the stabilization fund is \$8,225,932 and is reported as committed fund balance within the general fund. The stabilization fund balance can be used for economic stabilization purposes upon approval of the City Council.

At June 30, 2014, significant negative unassigned balances are reported within the capital project funds. This can be attributed to the city's short-term borrowing within those funds combined with the changes in fund balance classifications required by GASB 54. These negative balances will be alleviated by the proceeds from future long-term borrowings that relate to these projects.

CITY OF TAUNTON, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

**NOTE 11: Fund Balance Classification Details (Continued)**

Net position was restricted at the government-wide financial statement level as follows:

**Net Position:**

**Restricted:**

Corpus of endowment funds	\$	1,350,855
General government activity		3,641,708
Public safety operations		1,064,650
Educational purposes		5,459,700
Public works		2,824,306
Community housing and development		538,259
Health and human services		379,618
Recreational and other purposes		1,423,088
Municipal airport		96,434
School lunch operations		<u>1,692,572</u>
Total restricted net position - governmental activities	\$	<u>18,471,190</u>
Water enterprise - restricted for encumbrances	\$	572,305
Wastewater enterprise - restricted for encumbrances		586,607
Nursing home enterprise - restricted for encumbrances		205,830
Nursing home enterprise - restricted for stabilization		7,419
Golf course enterprise - restricted for encumbrances		<u>17,499</u>
Total restricted net position - business-type activities	\$	<u>1,389,660</u>
Total restricted net position	\$	<u>19,860,850</u>

**CITY OF TAUNTON, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2014

**NOTE 12: Fund Deficit**

The following individual funds had deficit fund equity balances as of June 30, 2014:

*School Grants*

<u>Fund #</u>	<u>Fund Name</u>	<u>Amount</u>
21-3142	Title IIA Carryover	\$ 740 *
<b>Total School Grants</b>		<b>\$ 740</b>

*City Grants*

<u>Fund #</u>	<u>Fund Name</u>	<u>Amount</u>
20-6005	CDBG	\$ 128,989 *
20-6008	Law Enforcement Block Grant	59,042 *
22-6220	SAFER Grant	13,538 *
22-6220-12	Shannon Grant 12	1,597 *
22-6220-13	Shannon Grant 13	11 *
22-6253	Massachusetts Decontamination Unit	1,597 *
22-6239	EOEA Service Incentive	2,550 *
22-6240-12	CDBG Elder Care Program 12	22 *
22-6243-13	EOEA Formula Grant 13	691 *
<b>Total Federal and State Grants</b>		<b>\$ 208,037</b>

*Other Special Revenue Funds*

<u>Fund #</u>	<u>Fund Name</u>	<u>Amount</u>
25-6538	Boston Ed Train Reim	\$ 879 *
27-6722	Police Equipment Gift	307 *
26-3611	Infant Toddler	7,435 *
26-3614	Full Day Kindergarten	3,262 *
30-0209	Highway Improvement	10,889 *
<b>Total Other Special Revenue Funds</b>		<b>\$ 21,586</b>

\* The deficit will require a future administrative plan.

\*\* The deficit will be eliminated by future bond issuance.

**CITY OF TAUNTON, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2014

**NOTE 12: Fund Deficit (Continued)**

***Capital Project Funds***

<u>Fund #</u>	<u>Fund Name</u>	<u>Amount</u>	
31-0209	School Capital Project	\$ 526,331	**
32-0209	Sewer Capital Project	8,206,292	**
34-0209	Other CP Central Fire Station	<u>174,837</u>	**
<b>Total Capital Project Funds</b>		<b><u>\$ 8,907,460</u></b>	

***Enterprise Funds***

<u>Fund #</u>	<u>Fund Name</u>	<u>Amount</u>	
64	Taunton Nursing Home	<u>\$ 1,305,367</u>	*
<b>Total Enterprise Funds</b>		<b><u>\$ 1,305,367</u></b>	

***Fiduciary Funds***

Agency

<u>Fund #</u>	<u>Fund Name</u>	<u>Amount</u>	
89-8901	Police Off Duty Detail	\$ 239,371	*
89-8902	Fire Off Duty Detail	<u>135,023</u>	*
Total Agency Funds		<u>239,371</u>	
<b>Total Fiduciary Funds</b>		<b><u>\$ 239,371</u></b>	

\* The deficit will require a future administrative plan.

\*\* The deficit will be eliminated by future bond issuance.

**CITY OF TAUNTON, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2014

**NOTE 13: Restatement**

In some instances beginning fund balances/net assets have been restated as a result of adjustments made to correct or reclassify prior year balances. Such adjustments by fund type are as follows:

**Governmental Funds:**

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Beginning balance, July 1, 2013	\$ 22,929,994	\$ 15,352,775	\$ (10,854,898)
To restate prior year revenue for bond premiums which were recorded in special revenue funds and should have been posted to the general fund in accordance with the UMAS guide	322,949	(322,949)	-
To restate revenue recorded in prior years which is actually MWPAT interim loan forgiveness proceeds which had not been previously recognized	-	-	(341,889)
To restate fund balance for student activity funds which were being maintained as other special revenue, but should have been agency funds	-	(190,952)	-
Beginning balance, July 1, 2013, restated	<u>\$ 23,252,943</u>	<u>\$ 14,838,874</u>	<u>\$ (11,196,787)</u>

**Proprietary Funds:**

	<u>Enterprise Funds</u>	
	<u>Water</u>	<u>Wastewater</u>
Beginning balance, July 1, 2013	\$ 5,953,631	\$ 20,522,256
To restate for serial bonds which double recorded principal payments in the prior year	2,071,429	2,287,453
To restate for MWPAT subsidy receivable to net against gross outstanding debt liability	<u>782,052</u>	<u>2,146,204</u>
Beginning balance, July 1, 2013, restated	<u>\$ 8,807,112</u>	<u>\$ 24,955,913</u>

**Fiduciary funds:**

	<u>Agency Funds</u>
Beginning balance, July 1, 2013	\$ (17,089)
To restate fund balance for student activity funds which were being maintained as other special revenue, but should have been agency funds	190,952
Beginning balance, July 1, 2013, restated	<u>\$ 173,863</u>

**CITY OF TAUNTON, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2014

**NOTE 13: Restatement (Continued)**

The following were the restatements that occurred at the government-wide level. This includes the adjustments above plus any additional adjustments.

	<b>Government-Wide Financial Statements</b>	
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Beginning balance, July 1, 2013	\$ 144,296,705	\$ 25,458,284
Restatements, per above	(532,841)	7,287,137
Restatement of OECD loan balances which should be held as receivable balances	1,640,333	-
To restate prior year workers compensation outstanding liability	(724,532)	-
Beginning balance, July 1, 2013, restated	<u>\$ 144,679,665</u>	<u>\$ 32,745,421</u>

**NOTE 14: Joint Ventures**

The City has entered into a joint venture with other municipalities to pool resources and share the costs, risk and rewards of providing goods or services to venture participants directly, or for the benefit of the general public or specified recipients. The following is the City's joint venture, the address where the joint venture financial statements are available, its purpose, and the annual assessment paid by the City in 2014:

<u>Joint venture and address</u>	<u>Purpose</u>	<u>Annual assessment</u>
Bristol Plymouth Regional Technical School District - 940 County Street Taunton, Massachusetts 02780	To provide education services	\$ 4,326,730



**CITY OF TAUNTON, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2014

**NOTE 15: Interfund Transactions**

Interfund transactions at June 30, 2014 were as follows:

	<u>Other Financing Sources</u>	<u>Other Financing Uses</u>
<b><u>Major Governmental Funds</u></b>		
General fund	\$ 25,827,689	\$ 14,264,037
<b><u>Non-Major Governmental Funds</u></b>		
Special revenue funds	748,062	1,182,569
<b><u>Proprietary Funds</u></b>		
Water	-	2,229,442
Wastewater	190,000	998,534
Nursing home	83,457	1,502,822
Golf	32,331	32,331
Workers' compensation	750,000	-
<b><u>Fiduciary Funds</u></b>		
Agency	5,000	-
<b><u>Component Unit</u></b>		
Taunton Municipal Light Plant	<u>-</u>	<u>7,426,804</u>
Totals	<u>\$ 27,636,539</u>	<u>\$ 27,636,539</u>

In addition to the sources and uses above, transfers of \$1,033,363 and \$4,998,633 were recorded as a financing source for the water and wastewater enterprise funds (respectively) for capital assets purchased from governmental funds, net of related debt (thus resulting in an increase in net position with the water and wastewater enterprise funds).

The capital asset transfers paid out of the governmental activities are required to convert the city's balances to the full-accrual basis of accounting as required by GASB 34.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Transfers in - capital - water enterprise	\$ -	\$ 1,033,363
Transfers in - capital - wastewater enterprise	-	4,998,633
Transfers out - capital - governmental activities	<u>6,031,996</u>	<u>-</u>
	<u>\$ 6,031,996</u>	<u>\$ 6,031,996</u>

# CITY OF TAUNTON, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2014

### **NOTE 16: Contingencies**

Various lawsuits are pending against the City. A number of lawsuits are being defended by the City's insurers and the claims are within the limits of coverage and, therefore, pose no risk of loss. The outcome of the remaining lawsuits cannot be evaluated at this time, and accordingly, the City has not established a reserve for loss contingencies.

### **NOTE 17: Risk Management and Litigation**

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has obtained coverage from commercial insurance companies and has effectively managed risk through various employee education and prevention programs. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. Both the City Solicitor and the City's legal counsel are unable to express an opinion as to the ultimate outcome of the cases, and no provision for loss has been made in accompanying financial statements. The City Solicitor estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial position of the City as of June 30, 2014.

### **NOTE 18: Taunton Municipal Light Plant**

#### **A. Nature of Business**

The TMLP is a regulated municipal electric utility located in Taunton, Massachusetts. The TMLP produces, purchases, and distributes electricity to approximately 35,900 customers in the City and the surrounding areas and also operates an Internet access business unit that provides services to approximately 1,700 customers.

#### **B. Rates**

TMLP is under the charge and control of the Municipal Light Plan Commissioners in accordance with Chapter 164, Section 55 of the General Laws of the Commonwealth of Massachusetts. The rates charged by TMLP to its customers are filed with the Massachusetts Department of Public Utilities and are subject to Chapter 164, Section 58 of the General Laws of the Commonwealth of Massachusetts, which provides that prices shall be fixed to yield not more than 8% per annum on the cost of the plant after repayment of operating expenses, interest on outstanding debt, the requirements of any serial debt, and depreciation.

TMLP's rates include a Purchased Power Cost Adjustment (PPCA), which allows an adjustment of rates charged to customers in order to recover all changes in power costs from stipulated base costs. The PPCA provides for a quarterly reconciliation of total power costs billed with the actual cost of power incurred.

CITY OF TAUNTON, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2014

**NOTE 18: Taunton Municipal Light Plant (Continued)**

**C. Long-Term Debt**

At December 31, 2013, TMLP has \$7,326,000 of long-term debt outstanding.

The future payments on the long-term debt are as follows:

<u>Calendar year ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 951,000	\$ 205,519	\$ 1,156,519
2015	950,000	175,906	1,125,906
2016	950,000	147,844	1,097,844
2018-2023	<u>4,475,000</u>	<u>367,591</u>	<u>4,842,591</u>
Total	<u>\$ 7,326,000</u>	<u>\$ 896,860</u>	<u>\$ 8,222,860</u>

**D. Investments**

**Investment in Seabrook**

The TMLP is a 0.10034% joint owner of the Seabrook, New Hampshire Unit 1. The joint owners of Seabrook have established a Decommissioning Fund that is currently held by a trustee. TMLP's share of the estimated decommissioning liability is approximately \$1,107,203 as of December 31, 2013 (the most current valuation date). TMLP is contributing, based on a present value formula, \$1,005 per month over 25 years.

**Energy New England**

Energy New England, LLC (ENE) is an energy services company established to assist publicly owned entities to ensure their continued viability in the deregulated wholesale electric utility markets and to strengthen their competitive position in the retail energy market for the benefit of the municipal entities. ENE functions as an autonomous, entrepreneurial business unit that is free from many of the constraints imposed on traditional municipal utility operations. TMLP owns a 28.33% interest in ENE. Each of the six members has one seat on the board of directors along with three outside directors. TMLP's initial investment in the company in 1998 was \$500,000. TMLP records this investment under the equity method.

**Hydro-Quebec Agreement**

In 1988, the TMLP entered into an agreement with the Massachusetts Municipal Wholesale Electric Company and other New England utilities to support the operation of a transmission line to permit the interchange of electricity between such utilities and Hydro-Quebec Electric Corporation (HydroQuebec). In connection with the agreement, the TMLP advanced approximately \$800,000 toward development of the project, of which approximately \$450,000 was returned after the project had obtained financing. In 1991, the HydroQuebec project was completed. Upon completion of this project, each participant received stock in the New England Hydro Transmission Electric Company and The New England Hydro Transmission Corporation proportional to their advances. The investment is being accounted for on the cost basis. The stock received is not readily marketable, but gives the holder rights to purchase power at a percentage of the fossil fuel rate.

# CITY OF TAUNTON, MASSACHUSETTS

## Notes to the Basic Financial Statements

June 30, 2014

### **NOTE 18: Taunton Municipal Light Plant (Continued)**

#### **E. Sick Leave Trust Fund**

The TMLP established a Sick Leave Trust Fund (the Trust) for the financing of future sick leave payments. It is the TMLP's intention that the Trust be funded to the extent of the TMLP's sick leave liability and that future sick leave expense will be paid by the Trust. The assets of the Trust are reported at fair value and are shown in the financial statements to provide a more meaningful presentation, as the assets of the Trust are for the sole benefit of the TMLP.

#### **F. Retirement Trust Fund**

TMLP has established a separate Employees Retirement Trust Fund (the Retirement Trust) for the financing of future pension payments. The Retirement Trust had net assets (fair value) of approximately \$9,123,000 at December 31, 2013. These funds, which are invested in money market funds, are not in the custody of the City Treasurer and are not included in TMLP's financial statements.

#### **G. Commitments and Contingencies**

##### **Power Contracts**

The TMLP has commitments under long-term contracts for the purchase of electricity from various suppliers. These wholesale contracts are generally for fixed periods and require payment of demand and energy charges. The total costs under these contracts are normally recoverable in revenues under cost recovery mechanisms mandated by the Commonwealth of Massachusetts.

##### **Litigation and Other Matters**

The TMLP is involved in various legal matters incidental to its business, none of which is believed by management to be significant to the financial condition or the results of operations of the TMLP.

The TMLP is also involved in proceedings relating to environmental matters. Although it is difficult to estimate the liability, if any, of the TMLP related to these environmental matters, the TMLP believes that these matters will not have a material adverse effect upon its financial condition or the results of operations.

The TMLP has a program for insurance coverage provided by the Massachusetts Municipal Utility Self-Insurance Trust Fund (the SJ Trust). The insurance coverage provided by the SI Trust is in excess of a \$50,000 self-retention, up to a maximum of \$500,000 per occurrence. Additionally, coverage for certain environmental claims is provided by the SI Trust through a separate policy for which the TMLP is responsible for a \$50,000 self-retention and the SJ Trust covers the next \$50,000. Above this combined \$100,000 self-retention, the separate pollution liability policy provides coverage for certain claims up to \$1 million per occurrence and \$10 million aggregate.

**CITY OF TAUNTON, MASSACHUSETTS**

Notes to the Basic Financial Statements

June 30, 2014

**NOTE 19: Subsequent Events**

For purposes of determining the effects of subsequent events on these financial statements, management has evaluated events which have occurred subsequent to June 30, 2014 and through March 24, 2015, the date on which the financial statements were available to be issued. Management did not disclose any subsequent events through this date.

**NOTE 20: Future Implementation of GASB Pronouncements**

The GASB has issued the following statements:

GASB Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*, which is required to be implemented during fiscal year 2014. The implementation of this statement will require expanded note disclosures and required supplementary information.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, which is required to be implemented during fiscal year 2015. The implementation of this Statement will represent a significant change in the accounting and reporting of pension expense and the related liability. For the first time, the City will be required to recognize its long-term obligation for pension benefits as a liability and to more comprehensively measure the annual costs of pension benefits. The implementation of this Statement also expands pension related note disclosures and required supplementary information.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented during fiscal year 2015. Management does not believe the implementation of this Statement will impact the basic financial statements.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which is required to be implemented during fiscal year 2014. Management does not believe the implementation of this Statement will impact the basic financial statements.

These pronouncements will be implemented by their respective implementation dates.

**CITY OF TAUNTON, MASSACHUSETTS**

Required Supplementary Information

Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund

For the Year Ended June 30, 2014

	<u>Original Budget</u>						
	<u>Encumbrances Carried Forward</u>	<u>Budget As Adopted</u>	<u>Appropriations and Transfers</u>	<u>Recap Total Available</u>	<u>Actual</u>	<u>Encumbrances Carried Forward</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>							
Property taxes, net	\$ -	\$ 79,172,194	\$ 1,441,167	\$ 80,613,361	\$ 80,613,361	\$ -	\$ -
Motor vehicle excise	-	5,338,263	361,737	5,700,000	6,090,332	-	390,332
Other excise	-	755,776	31,253	787,029	831,288	-	44,259
Payment in lieu of taxes	-	3,102,404	-	3,102,404	3,014,683	-	(87,721)
Penalties and interest	-	580,000	-	580,000	902,513	-	322,513
Charges for services	-	2,214,800	(193,800)	2,021,000	2,496,320	-	475,320
Intergovernmental	-	58,045,468	761,546	58,807,014	58,086,455	-	(720,559)
Other Departmental	-	1,661,500	(95,205)	1,566,295	1,538,477	-	(27,818)
Licenses and permits	-	1,180,000	320,000	1,500,000	1,445,461	-	(54,539)
Fines and forfeitures	-	275,000	25,000	300,000	501,244	-	201,244
Investment Income	-	110,000	(10,000)	100,000	81,278	-	(18,722)
Miscellaneous - Non-recurring	-	-	-	-	213,184	-	213,184
Miscellaneous - recurring	-	1,000,000	(100,000)	900,000	987,221	-	87,221
<b>Total revenues</b>	<b>-</b>	<b>153,435,405</b>	<b>2,541,698</b>	<b>155,977,103</b>	<b>156,801,817</b>	<b>-</b>	<b>824,714</b>
<b>Expenditures</b>							
General government	379,707	36,041,756	(1,222,409)	35,199,054	32,631,239	401,566	2,166,249
Public safety	104,512	23,145,869	1,449,753	24,700,134	23,596,895	228,483	874,756
Education	963,142	71,325,530	1,781,901	74,070,573	72,758,548	1,278,345	33,680
Public works	373,984	7,650,653	1,234,345	9,258,982	7,931,587	982,527	344,868
Snow & Ice	-	500,000	1,115,602	1,615,602	1,615,602	-	-
Human services	17,832	2,229,589	378,131	2,625,552	2,472,570	33,332	119,650
Culture and recreation	56,188	2,402,929	98,591	2,557,708	2,194,262	117,497	245,949
Pension benefits	27,118	13,900,808	1,572	13,929,498	13,891,715	25,001	12,782
Debt service	-	7,689,584	(83,457)	7,606,127	6,400,392	-	1,205,735
State and county assessments	-	1,660,753	-	1,660,753	1,540,454	-	120,299
<b>Total expenditures</b>	<b>1,922,483</b>	<b>166,547,471</b>	<b>4,754,029</b>	<b>173,223,983</b>	<b>165,033,264</b>	<b>3,066,751</b>	<b>5,123,968</b>
Excess (deficiency) of revenues over expenditures	<b>(1,922,483)</b>	<b>(13,112,066)</b>	<b>(2,212,331)</b>	<b>(17,246,880)</b>	<b>(8,231,447)</b>	<b>(3,066,751)</b>	<b>5,948,682</b>

See notes to required supplementary information  
See accompanying independent auditors' report

**CITY OF TAUNTON, MASSACHUSETTS**

Required Supplementary Information

Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund

For the Year Ended June 30, 2014

	<u>Original Budget</u>						
	<u>Encumbrances Carried Forward</u>	<u>Budget As Adopted</u>	<u>Appropriations and Transfers</u>	<u>Recap Total Available</u>	<u>Actual</u>	<u>Encumbrances Carried Forward</u>	<u>Variance Favorable (Unfavorable)</u>
Other financing sources and (uses):							
Transfers to city stabilization fund	-	-	(9,096,770)	(9,096,770)	(9,846,770)	-	(750,000)
Transfers to internal service fund	-	-	(750,000)	(750,000)	(750,000)	-	-
Transfers to agency funds	-	(5,000)	(154,255)	(159,255)	(159,255)	-	-
Transfers to nursing home	-	-	(83,457)	(83,457)	-	-	83,457
Transfers from free cash	-	-	9,846,770	9,846,770	-	-	(9,846,770)
Transfers from stabilization	-	-	2,400,000	2,400,000	3,234,555	-	834,555
Transfers from special revenue	-	549,287	(11,000)	538,287	588,763	-	50,476
Transfers from water	-	2,244,932	(154,389)	2,090,543	2,090,542	-	(1)
Transfers from wastewater	-	784,776	213,758	998,534	998,534	-	-
Transfers from nursing home	-	1,504,166	(1,344)	1,502,822	1,502,822	-	-
Transfers from TMLP	-	8,812,729	3,018	8,815,747	8,815,747	-	-
Appropriation for deficits	-	(778,824)	-	(778,824)	-	-	778,824
	<u>-</u>	<u>13,112,066</u>	<u>2,212,331</u>	<u>15,324,397</u>	<u>6,474,938</u>	<u>-</u>	<u>(8,849,459)</u>
Total financing sources and uses (net):							
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ (1,922,483)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,922,483)</u>	(1,756,509)	<u>\$ (3,066,751)</u>	<u>\$ (2,900,777)</u>
Adjustments of budgetary basis for US GAAP basis					<u>(279,985)</u>		
Excess of revenues and other source over expenditures and other financing uses, US GAAP basis					(2,036,494)		
Fund balance, beginning of year					<u>21,383,589.00</u>		
Fund balance, end of year					<u>\$ 19,347,095</u>		

See notes to required supplementary information  
See accompanying independent auditors' report

**CITY OF TAUNTON, MASSACHUSETTS**

Required Supplementary Information

Statement of Revenues and Expenses - Budget and Actual (Non-GAAP Budgetary Basis) - Water Enterprise

For the Year Ended June 30, 2014

	<u>Original Budget</u>						
	<u>Encumbrances Carried Forward</u>	<u>Budget As Adopted</u>	<u>Additional Appropriations and Transfers</u>	<u>Total Available</u>	<u>Actual</u>	<u>Encumbrances Carried Forward</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenue</b>							
Charges for services	\$ -	\$ 10,020,447	\$ (154,389)	\$ 9,866,058	\$ 10,352,529	\$ -	\$ 486,471
Total revenues	<u>-</u>	<u>10,020,447</u>	<u>(154,389)</u>	<u>9,866,058</u>	<u>10,352,529</u>	<u>-</u>	<u>486,471</u>
<b>Expenses</b>							
Personnel services	995	1,989,491	26,742	2,017,228	2,007,005	-	10,223
Purchase of services	603,376	1,060,000	-	1,663,376	1,515,871	123,630	23,875
Supplies & materials	73,326	1,183,000	(37,841)	1,218,485	984,339	32,983	201,163
Indirect costs		2,244,932	(154,389)	2,090,543	2,090,543	-	-
Other charges and expenditures	-	193,400	(28,557)	164,843	90,887	-	73,956
Capital outlay	2,050,197	-	584,915	2,635,112	2,219,420	415,692	-
Debt service	-	3,349,624	1,815	3,351,439	3,231,391	-	120,048
Total expenses	<u>2,727,894</u>	<u>10,020,447</u>	<u>392,685</u>	<u>13,141,026</u>	<u>12,139,456</u>	<u>572,305</u>	<u>429,265</u>
Excess (deficiency) of revenues over expenses	(2,727,894)	-	(547,074)	(3,274,968)	(1,786,927)	(572,305)	915,736
<b>Other financing sources (uses)</b>							
Transfers from free cash	-	-	547,074	547,074	-	-	547,074
Transfers from other funds	-	-	-	-	-	-	-
Transfers to other funds	-	-	-	-	-	-	-
Excess (deficiency) of revenues and other sources over expenses and other uses	<u>\$ (2,727,894)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,727,894)</u>	(1,786,927)	<u>\$ (572,305)</u>	<u>\$ 1,462,810</u>
Adjustments of budgetary basis for US GAAP basis					5,097,648		
Excess of revenues and other source over expenses and other financing uses, US GAAP basis					<u>3,310,721</u>		
Fund balance, beginning of year					<u>8,807,112</u>		
Fund balance, end of year					<u>\$ 12,117,833</u>		

See notes to required supplementary information

See accompanying independent auditors' report



**CITY OF TAUNTON, MASSACHUSETTS**

Required Supplementary Information

Statement of Revenues and Expenses - Budget and Actual (Non-GAAP Budgetary Basis) - Wastewater Enterprise

For the Year Ended June 30, 2014

	<u>Original Budget</u>		<u>Additional Appropriations and Transfers</u>	<u>Total Available</u>	<u>Actual</u>	<u>Encumbrances Carried Forward</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Encumbrances Carried Forward</u>	<u>Budget As Adopted</u>					
<b>Revenue</b>							
Charges for services	\$ -	\$ 9,307,584	\$ 213,758	\$ 9,521,342	\$ 10,699,764	\$ -	\$ 1,178,422
Total Revenue	-	9,307,584	213,758	9,521,342	10,699,764	-	1,178,422
<b>Expenses</b>							
Purchased services	470,047	4,584,832	(3,595)	5,051,284	4,225,113	586,336	239,835
Utility Charges	-	750	-	750	503	-	247
Supplies and Material	-	700	-	700	229	271	200
Fixed and other charges	-	18,849	-	18,849	18,849	-	-
Indirect Cost	-	784,776	213,758	998,534	998,534	-	-
Debt service	-	3,917,677	3,595	3,921,272	3,842,201	-	79,071
Total expenses	470,047	9,307,584	213,758	9,991,389	9,085,429	586,607	319,353
Excess(deficiency) of revenues over expenses	(470,047)	-	-	(470,047)	1,614,335	(586,607)	1,497,775
<b>Other financing sources (uses)</b>							
Proceeds from long term debt	-	-	-	-	-	-	-
Transfers from other funds	-	-	-	-	-	-	-
Transfers to other funds	-	-	-	-	-	-	-
Excess (deficiency) of revenues and other sources over expenses and other uses	\$ (470,047)	\$ -	\$ -	\$ (470,047)	1,614,335	\$ (586,607)	\$ 1,497,775
Adjustments of budgetary basis for US GAAP basis					7,498,847		
Excess of revenues and other source over expenses and other financing uses, US GAAP basis					9,113,182		
Fund balance, beginning of year					24,955,913		
Fund balance, end of year					\$ 34,069,095		

See notes to required supplementary information  
See accompanying independent auditors' report

**CITY OF TAUNTON, MASSACHUSETTS**

Required Supplementary Information

Statement of Revenues and Expenses - Budget and Actual (Non-GAAP Budgetary Basis) –  
Nursing Home Enterprise

For the Year Ended June 30, 2014

	<u>Original Budget</u>		<u>Additional</u>	<u>Total</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance</u>
	<u>Encumbrances</u>	<u>Budget</u>					
	<u>Carried</u>	<u>As</u>	<u>and Transfers</u>			<u>Forward</u>	<u>(Unfavorable)</u>
	<u>Forward</u>	<u>Adopted</u>					
<b>Revenue</b>							
Charges for services	\$ -	\$ 8,057,892	\$ (1,344)	\$ 8,056,548	\$ 8,124,890	\$ -	\$ 68,342
Investment Income	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Total revenues	<u>-</u>	<u>8,057,892</u>	<u>(1,344)</u>	<u>8,056,548</u>	<u>8,124,890</u>	<u>-</u>	<u>68,342</u>
<b>Expenses</b>							
Salary and wages	-	4,342,826	(180,000)	4,162,826	4,181,685	-	(18,859)
Purchased services	91,715	828,550	180,000	1,100,265	1,011,598	118,992	(30,325)
Utility charges	9,725	153,000	-	162,725	154,073	9,465	(813)
Supplies and materials	299	10,850	-	11,149	7,153	957	
Fixed and other charges	132,420	1,218,500	-	1,350,920	1,167,998	61,416	121,506
Indirect costs	-	1,504,166	(1,344)	1,502,822	1,502,822	-	
Capital outlay	-	-	153,000	153,000	134,991	15,000	3,009
Debt service	-	-	-	-	-	-	-
Total expenses	<u>234,159</u>	<u>8,057,892</u>	<u>151,656</u>	<u>8,443,707</u>	<u>8,160,320</u>	<u>205,830</u>	<u>74,518</u>
Excess (deficiency) of revenues over expenses	(234,159)	-	(153,000)	(387,159)	(35,430)	(205,830)	142,860
<b>Other financing sources (uses)</b>							
Transfers from free cash	-	-	153,000	153,000	-	-	153,000
Transfers from other funds	-	-	-	-	-	-	-
Transfers to other funds	-	-	-	-	-	-	-
Excess (deficiency) of revenues and other sources over expenses and other uses	<u>\$ (234,159)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (234,159)</u>	(35,430)	<u>\$ (205,830)</u>	<u>\$ 295,860</u>
Adjustment of budgetary basis to U.S. GAAP					(139,571)		
Excess (deficiency) of revenues and other sources over expenses and other uses, GAAP basis					(175,001)		
Fund Balance, beginning of the year					<u>(1,137,785)</u>		
Fund Balance, end of the year					<u>\$ (1,312,786)</u>		
			See notes to required supplementary information See accompanying independent auditors' report				

**CITY OF TAUNTON, MASSACHUSETTS**

Required Supplementary Information

Statement of Revenues and Expenses - Budget and Actual (Non-GAAP Budgetary Basis) –  
Taunton Golf Course

For the Year Ended June 30, 2014

	<u>Original Budget</u>		<u>Additional Appropriations and Transfers</u>	<u>Total Available</u>	<u>Actual</u>	<u>Encumbrances Carried Forward</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Encumbrances Carried Forward</u>	<u>Budget As Adopted</u>					
<b>Revenue</b>							
Charges for services	\$ -	\$ 15,000	\$ -	\$ 15,000	\$ 15,000	\$ -	\$ -
Total revenues	-	15,000	-	15,000	15,000	-	-
<b>Expenses</b>							
Supplies		15,000		15,000	11,643		3,357
Capital outlay	764	-	94,240	95,004	77,900	17,499	(395)
Total expenses	764	15,000	94,240	110,004	89,543	17,499	2,962
Excess (deficiency) of revenues over expenses	(764)	-	(94,240)	(95,004)	(74,543)	(17,499)	2,962
<b>Other financing sources (uses)</b>							
Transfers from stabilization			32,331	32,331	32,331		-
Transfer from free cash	-	-	61,909	61,909	-	-	(61,909)
Excess (deficiency) of revenues and other sources over expenses and other uses, budgetary basis	<u>\$ (764)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (764)</u>	\$ (42,212)	<u>\$ (17,499)</u>	<u>\$ (58,947)</u>
Adjustment of budgetary basis to U.S. GAAP					74,980		
Excess (deficiency) of revenues and other sources over expenses and other uses, GAAP basis					<u>32,768</u>		
Fund Balance, beginning of the year					<u>80,431</u>		
Fund Balance, end of the year					<u>\$ 113,199</u>		

See notes to required supplementary information  
See accompanying independent auditors' report

*Continued*  
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**CITY OF TAUNTON, MASSACHUSETTS**

Required Supplementary Information

Notes to the Required Supplementary Information - Explanation of Differences  
Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

For the Year Ended June 30, 2014

The City's budget is prepared on a basis other than generally accepted accounting principles (GAAP). The "actual" results column of the Statement of Revenues and Expenditures - Budgetary Basis is presented on a "budget basis" to provide a meaningful comparison with the budget. The major differences between the budget and GAAP basis are that:

- (a) Real estate and personal property taxes are recorded as revenue when levied (budget), as opposed to when susceptible to accrual (GAAP.)

In addition, there are certain differences in classifications between revenues, expenditures\expenses and transfers.

The following reconciliation summarizes the differences between budgetary and GAAP basis accounting principles for the year ended June 30, 2014:

	<u>General Fund</u>	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Nursing Home Fund</u>	<u>Golf Fund</u>
Excess (deficiency) of revenues and other sources over expenditures/expenses and other uses (Non-GAAP Budgetary Basis)	\$ (1,756,509)	\$ (1,786,927)	\$ 1,614,335	\$ (35,430)	\$ (42,212)
Budgetary adjustment to full accrual for real estate and personal property excise	(766,342)	-	-	-	-
Unbudgeted tax foreclosure revenue	587,458	-	-	-	-
Adjustment of budgetary tax revenue to modified accrual	193,592	-	-	-	-
Unbudgeted gain on sale of tax foreclosures	30,660	-	-	-	-
Unbudgeted miscellaneous non-recurring revenue	230,162	-	-	-	-
Budgeted TMLP long term debt payments	916,884	-	-	-	-
Unbudgeted depreciation	-	(958,238)	(1,153,470)	(53,687)	(2,920)
Capital assets budgeted as expenses	-	2,800,006	-	25,673	77,900
Capital asset transfers from capital projects	-	1,563,363	6,488,633	-	-
Unbudgeted long term bond subsidies, net	-	(62,467)	(234,227)	-	-
Budgeted bond principal payments	-	2,381,913	3,039,394	-	-
Change in prior year receivable leading to unbudgeted revenue	-	38,373	649,340	290,704	-
Unbudgeted prior year settlement	-	15,100	6,763	-	-
Unbudgeted proceeds from refinancing	-	172,389	2,414	-	-
Change in OPEB liability	-	(183,891)	-	(402,261)	-
Unbudgeted transfers	<u>(1,472,399)</u>	<u>(668,900)</u>	<u>(1,300,000)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses (GAAP)	<u>\$ (2,036,494)</u>	<u>\$ 3,310,721</u>	<u>\$ 9,113,182</u>	<u>\$ (175,001)</u>	<u>\$ 32,768</u>

\*Budget versus actual reconciliations for the General Fund, Nursing Home Fund, and Golf Fund are exclusive of each funds respective stabilization funds.

**CITY OF TAUNTON, MASSACHUSETTS**

Required Supplementary Information

Contributory Retirement System - Schedule of Funding Progress

For the Year Ended December 31, 2013

(UNAUDITED)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded (b-a)</u>	<u>Funded Ratio (a-b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll</u>
01/01/14	\$ 239,531	\$ 364,927	\$ 125,395	65.6%	\$ 55,499	225.9%
01/01/12	209,808	339,007	129,199	61.9%	\$ 55,614	232.3%
01/01/10	197,520	293,304	95,784	67.3%	53,543	178.9%
01/01/08	192,018	281,787	89,769	68.1%	51,022	175.9%
01/01/06	159,374	239,916	80,542	66.4%	47,704	168.8%
01/01/04	134,563	202,034	67,471	66.6%	44,752	150.8%
01/01/03	115,023	191,994	76,971	59.9%	46,332	166.1%

Isolated analysis of the dollar amounts of net position available for benefits, actuarial accrued liability, and unfunded actuarial accrued liability can be misleading. Expressing the net position available for benefits as a percentage of the actuarial accrued liability provides one indication of the Plans' funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Plan. Trends in unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Plan.

Note: Actuarial valuations are performed at least every other year. Accordingly, the information presented above is not comparative between years.

\* Amounts shown are in millions

**CITY OF TAUNTON, MASSACHUSETTS**

Supplementary Information

Required Supplementary Information - Contributory Retirement System

For the Year Ended December 31, 2013

**(UNAUDITED)**

<b>Year Ended <u>June 30</u></b>	<b>Annual Required <u>Contributions</u></b>	<b>Percentage <u>Contributed</u></b>
2014	\$ 13,820	100%
2013	12,834	100%
2012	12,529	100%
2011	13,189	100%
2010	12,679	100%
2009	11,006	100%
2008	10,588	100%
2007	9,834	100%

Although annual required contributions are calculated on a fiscal year basis, the City of Taunton Contributory Retirement System reports on a calendar year basis, therefore, some disparity may exist between required contributions and actual contributions due to this timing difference. It should be noted, however, that the City always contributes its required contribution and that the net pension obligation when regarded on a fiscal year basis is \$-0-.

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

\* Amounts shown are in millions

**CITY OF TAUNTON, MASSACHUSETTS**

Supplementary Information

Combining Balance Sheet - Non Major Governmental Funds

June 30, 2014

	<u>Special Revenue</u>	<u>Permanent Trust Funds</u>	<u>Capital Projects</u>	<u>Total Non-Major Governmental Funds</u>
<b>Assets</b>				
Cash and investments	\$ 15,420,788	\$ 2,209,757	\$ (641,416)	\$ 16,989,129
Receivables:				
Federal and state governments	2,558,381	-	13,525,272	16,083,653
Other	312,547	-	-	312,547
Loan receivable	5,656,625	-	-	5,656,625
Prepaid expenses	44,725	-	-	44,725
	<u>23,993,066</u>	<u>2,209,757</u>	<u>12,883,856</u>	<u>39,086,679</u>
<b>Total assets</b>				
	<u>23,993,066</u>	<u>2,209,757</u>	<u>12,883,856</u>	<u>39,086,679</u>
<b>Deferred outflows of resources</b>				
None	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total deferred outflows of resources</b>				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total assets and deferred outflows of resources</b>				
	<u>\$ 23,993,066</u>	<u>\$ 2,209,757</u>	<u>\$ 12,883,856</u>	<u>\$ 39,086,679</u>
<b>Liabilities</b>				
Warrants payable	\$ 641,107	\$ -	\$ 2,307,242	\$ 2,948,349
Accounts payable and accrued expenses	790,895	-	-	790,895
Retainage payable	-	-	102,129	102,129
Notes payable	-	-	1,200,000	1,200,000
Interim loan payable	-	-	18,157,145	18,157,145
	<u>1,432,002</u>	<u>-</u>	<u>21,766,516</u>	<u>23,198,518</u>
<b>Total liabilities:</b>				
	<u>1,432,002</u>	<u>-</u>	<u>21,766,516</u>	<u>23,198,518</u>
<b>Deferred inflows of resources</b>				
Deferred loan revenue	5,656,625	-	-	5,656,625
Deferred grant income	861,576	-	-	861,576
	<u>6,518,201</u>	<u>-</u>	<u>-</u>	<u>6,518,201</u>
<b>Total deferred inflows of resources</b>				
	<u>6,518,201</u>	<u>-</u>	<u>-</u>	<u>6,518,201</u>
<b>Fund balance</b>				
Nonspendable	-	1,350,855	-	1,350,855
Restricted	16,261,433	858,902	-	17,120,335
Committed	-	-	24,800	24,800
Unassigned	(218,570)	-	(8,907,460)	(9,126,030)
	<u>16,042,863</u>	<u>2,209,757</u>	<u>(8,882,660)</u>	<u>9,369,960</u>
<b>Total fund balance</b>				
	<u>16,042,863</u>	<u>2,209,757</u>	<u>(8,882,660)</u>	<u>9,369,960</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>				
	<u>\$ 23,993,066</u>	<u>\$ 2,209,757</u>	<u>\$ 12,883,856</u>	<u>\$ 39,086,679</u>

See accompanying independent auditors' report

**CITY OF TAUNTON, MASSACHUSETTS**

Supplementary Information

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balance - Non Major Governmental Funds

For the Year Ended June 30, 2014

	<u>Special Revenue</u>	<u>Permanent Trust Funds</u>	<u>Capital Projects</u>	<u>Total Non-Major Governmental Funds</u>
<b>Revenues</b>				
Federal and state grant income	\$ 17,190,802	\$ -	\$ 260,369	\$ 17,451,171
Departmental and other revenue	3,081,729	273,479	-	3,355,208
Intergovernmental	-	-	426,116	426,116
Charges for services	2,902,895	-	-	2,902,895
Investment income	<u>3,620</u>	<u>18,825</u>	<u>-</u>	<u>22,445</u>
Total revenue	<u>23,179,046</u>	<u>292,304</u>	<u>686,485</u>	<u>24,157,835</u>
<b>Expenditures</b>				
General government	517,038	-	-	517,038
Public safety	1,052,117	40,736	-	1,092,853
Public works	1,924,066	-	7,861,995	9,786,061
Education	13,727,544	-	576,284	14,303,828
Health and human services	468,154	25,000	-	493,154
Culture & recreation	608,059	-	-	608,059
Municipal airport	449,746	-	-	449,746
Economic development	<u>2,793,826</u>	<u>-</u>	<u>-</u>	<u>2,793,826</u>
Total expenditures	<u>21,540,550</u>	<u>65,736</u>	<u>8,438,279</u>	<u>30,044,565</u>
Excess (deficiency) of revenues over expenditures	1,638,496	226,568	(7,751,794)	(5,886,730)
<b>Other financing sources (uses)</b>				
Proceeds for long term debt	-	-	10,065,921	10,065,921
Transfers in	748,062	-	-	748,062
Transfers out	<u>(1,182,569)</u>	<u>-</u>	<u>-</u>	<u>(1,182,569)</u>
Total Other financing sources (uses)	<u>(434,507)</u>	<u>-</u>	<u>10,065,921</u>	<u>9,631,414</u>
Excess of revenue and other sources over expenditures and other uses	1,203,989	226,568	2,314,127	3,744,684
Fund balance, July 1, 2013, restated	<u>14,838,874</u>	<u>1,983,189</u>	<u>(11,196,787)</u>	<u>5,625,276</u>
Fund balance, June 30, 2014	<u>\$ 16,042,863</u>	<u>\$ 2,209,757</u>	<u>\$ (8,882,660)</u>	<u>\$ 9,369,960</u>

See accompanying independent auditors' report



**CITY OF TAUNTON, MASSACHUSETTS**

Supplementary Information

Balance Sheet - General and Stabilization Fund Detail

June 30, 2014

	<u>General Fund</u>	<u>City Stabilization</u>	<u>Major Fund General Fund</u>
<b>Assets</b>			
Cash and investments - unrestricted	\$ 20,462,455	\$ -	\$ 20,462,455
Cash and investments - restricted (for stabilization purposes)	-	8,225,932	8,225,932
Receivables:			
Property taxes	1,270,501	-	1,270,501
Motor vehicle excise	1,423,758	-	1,423,758
Tax liens and foreclosures	6,779,270	-	6,779,270
User charges	491,085	-	491,085
Departmental	706,397	-	706,397
Other	20,839	-	20,839
	<u>31,154,305</u>	<u>8,225,932</u>	<u>39,380,237</u>
Total assets			
	<u>31,154,305</u>	<u>8,225,932</u>	<u>39,380,237</u>
<b>Deferred outflows of resources</b>			
None	-	-	-
Total deferred outflows of resources	-	-	-
Total assets and deferred outflows of resources	<u>\$ 31,154,305</u>	<u>\$ 8,225,932</u>	<u>\$ 39,380,237</u>
<b>Liabilities</b>			
Warrants payable	\$ 1,205,431	\$ -	\$ 1,205,431
Accounts payable and accrued expenses	1,598,762	-	1,598,762
Withholdings payable	852,774	-	852,774
Guarantee deposits	533,984	-	533,984
Performance bonds	22,200	-	22,200
Other liabilities	433,784	-	433,784
	<u>4,646,935</u>	<u>-</u>	<u>4,646,935</u>
Total liabilities:			
	<u>4,646,935</u>	<u>-</u>	<u>4,646,935</u>
<b>Deferred inflows of resources</b>			
Property taxes paid in advance	12,325	-	12,325
Deferred property tax revenues	1,076,910	-	1,076,910
Deferred motor vehicle revenues	1,423,758	-	1,423,758
Deferred other excise revenues	20,839	-	20,839
Deferred liens and foreclosures	3,106,013	-	3,106,013
Deferred revenue - departmental	1,197,481	-	1,197,481
	<u>6,837,326</u>	<u>-</u>	<u>6,837,326</u>
Total deferred inflows of resources			
	<u>6,837,326</u>	<u>-</u>	<u>6,837,326</u>
<b>Fund balance</b>			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	-	8,225,932	8,225,932
Assigned	3,066,751	-	3,066,751
Unassigned	16,603,293	-	16,603,293
	<u>19,670,044</u>	<u>8,225,932</u>	<u>27,895,976</u>
Total fund balance			
	<u>19,670,044</u>	<u>8,225,932</u>	<u>27,895,976</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 31,154,305</u>	<u>\$ 8,225,932</u>	<u>\$ 39,380,237</u>

See accompanying independent auditors' report

**CITY OF TAUNTON, MASSACHUSETTS**

Supplementary Information

Statement of Revenues, Expenditures and  
Changes in Fund Balance - General and Stabilization Fund Detail

For the Year Ended June 30, 2014

	<u>General Fund</u>	<u>City Stabilization</u>	<u>Major Fund General Fund</u>
<b>Revenues</b>			
Real estate and personal property taxes	\$ 80,721,130	\$ -	\$ 80,721,130
Motor vehicle excise	6,090,332	-	6,090,332
Payment in lieu of taxes	3,014,683	-	3,014,683
Fines, penalties and interest	1,403,757	-	1,403,757
Other excise taxes	831,288	-	831,288
Intergovernmental	58,086,455	-	58,086,455
Licenses and permits	1,445,461	-	1,445,461
Charges for services	2,496,320	-	2,496,320
Investment income	81,278	67,312	148,590
Departmental and other revenue	1,445,417	-	1,445,417
Miscellaneous	<u>1,461,228</u>	<u>-</u>	<u>1,461,228</u>
Total revenue	<u>157,077,349</u>	<u>67,312</u>	<u>157,144,661</u>
<b>Expenditures</b>			
General government	32,770,139	-	32,770,139
Public safety	23,596,895	-	23,596,895
Education	72,758,548	-	72,758,548
Public works	9,547,189	-	9,547,189
Health and human services	2,472,570	-	2,472,570
Culture and recreation	2,194,262	-	2,194,262
Pension benefits	13,891,715	-	13,891,715
State and county charges	1,540,454	-	1,540,454
Debt service:			
Principal	3,548,000	-	3,548,000
Interest	<u>1,541,614</u>	<u>-</u>	<u>1,541,614</u>
Total Expenditures	<u>163,861,386</u>	<u>-</u>	<u>163,861,386</u>
Excess (deficiency) of revenues over expenditures	(6,784,037)	67,312	(6,716,725)
<b>Other financing sources (uses)</b>			
Transfers in	15,980,919	9,846,770	25,827,689
Transfers out	(11,029,482)	(3,234,555)	(14,264,037)
Paydown to reduce BAN	<u>(203,894)</u>	<u>-</u>	<u>(203,894)</u>
Other financing sources (uses)	<u>4,747,543</u>	<u>6,612,215</u>	<u>11,359,758</u>
Excess of revenue and other sources over expenditures and other uses	(2,036,494)	6,679,527	4,643,033
Fund balance, July 1, 2013, restated	<u>21,706,538</u>	<u>1,546,405</u>	<u>23,252,943</u>
Fund balance, June 30, 2014	<u>\$ 19,670,044</u>	<u>\$ 8,225,932</u>	<u>\$ 27,895,976</u>

See accompanying independent auditors' report

**CITY OF TAUNTON, MASSACHUSETTS**

Supplementary Information

Statement of Property and Excise Tax Receivables

For the Year Ended June 30, 2014

	Beginning Balance 7/1/2013	Commitments	Exemptions / Abatements	Disclaimed	Transfer to Tax Title	Transfer to Tax Foreclosure	Tax Taking	Refunds	Collections	Ending Balance 6/30/2014
Pers Prop Levy of 2014	\$ -	\$ 5,006,572	\$ (4,927)	\$ -	\$ -	\$ -	\$ -	\$ (69,126)	\$ (4,959,415)	\$ (26,896)
Pers Prop Levy of 2013	40,311	-	-	-	-	-	-	-	(20,107)	20,204.00
Pers Prop Levy of 2012	27,069	-	-	-	-	-	-	-	-	27,069.00
Pers Prop Levy of 2011	32,297	-	-	-	-	-	-	-	-	32,297.00
Pers Prop Levy of 2010	18,939	-	-	-	-	-	-	-	-	18,939.00
Pers Prop Levy of 2009	22,093	-	-	-	-	-	-	-	-	22,093.00
Pers Prop Levy of 2008	24,278	-	-	-	-	-	-	-	-	24,278.00
Pers Prop Levy of 2007	31,009	-	-	-	-	-	-	-	-	31,009.00
Pers Prop Levy of 2006	25,541	-	-	-	-	-	-	-	-	25,541.00
Pers Prop Levy of 2005	15,127	-	-	-	-	-	-	-	-	15,127.00
Pers Prop Levy of 2004	16,102	-	-	-	-	-	-	-	-	16,102.00
Pers Prop Levy of 2001	1,366	-	-	-	-	-	-	-	-	1,366.00
<b>Total PP Taxes</b>	<u>254,132</u>	<u>5,006,572.00</u>	<u>(4,927.00)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(69,126.00)</u>	<u>(4,979,522.00)</u>	<u>207,129.00</u>
Real Estate Levy of 2014	-	75,709,165	(372,244)	1,549	(591,040)	(29,934)	-	(265,311)	(73,378,562)	1,073,623
Real Estate Levy of 2013	1,323,544	-	(24,769)	3,247	-	-	(297,889)	-	(1,003,042)	1,091
Real Estate Levy of 2012	1,000	-	-	-	-	-	-	-	-	1,000
<b>Total RE Taxes</b>	<u>1,324,544</u>	<u>75,709,165</u>	<u>(397,013)</u>	<u>4,796</u>	<u>(591,040)</u>	<u>(29,934)</u>	<u>(297,889)</u>	<u>(265,311)</u>	<u>(74,381,604)</u>	<u>1,075,714</u>
<b>Total PP and RE Taxes</b>	<u>\$ 1,578,676</u>	<u>\$ 80,715,737</u>	<u>\$ (401,940)</u>	<u>\$ 4,796</u>	<u>\$ (591,040)</u>	<u>\$ (29,934)</u>	<u>\$ (297,889)</u>	<u>\$ (334,437)</u>	<u>\$ (79,361,126)</u>	<u>\$ 1,282,843</u>

See accompanying independent auditors' report

*Continued*

**CITY OF TAUNTON, MASSACHUSETTS**

Supplementary Information

Statement of Property and Excise Tax Receivables

For the Year Ended June 30, 2014

	Beginning Balance 7/1/2013	Commitments	Exemptions / Abatements	Disclaimed	Transfer to Tax Title	Transfer to Tax Foreclosure	Tax Taking	Refunds	Collections	Ending Balance 6/30/2014
MVE Levy of 2014	\$ -	\$ 5,557,645	\$ (98,528)	\$ -	\$ -	\$ -	\$ -	\$ (33,842)	\$ (4,708,915)	\$ 716,360
MVE Levy of 2013	956,303	530,679	(50,663)	-	-	-	-	(675)	(1,235,050)	200,594
MVE Levy of 2012	177,771	-	(3,991)	-	-	-	-	(118)	(91,586)	82,076
MVE Levy of 2011	76,044	-	(1,288)	-	-	-	-	-	(22,023)	52,733
MVE Levy of 2010	55,952	-	(397)	-	-	-	-	-	(8,774)	46,781
MVE Levy of 2009	46,428	-	(89)	-	-	-	-	-	(7,140)	39,199
MVE Levy of 2008	51,570	-	(41)	-	-	-	-	-	(5,069)	46,460
MVE Levy of 2007	46,736	-	(7)	-	-	-	-	-	(3,937)	42,792
MVE Levy of 2006	48,778	-	-	-	-	-	-	-	(1,399)	47,379
MVE Levy of 2005	44,063	-	-	-	-	-	-	-	(883)	43,180
MVE Levy of 2004	52,726	-	-	-	-	-	-	-	(715)	52,011
MVE Levy of 2003	54,683	-	-	-	-	-	-	-	(437)	54,246
<b>Total MVE Taxes</b>	<u>1,611,054</u>	<u>6,088,324</u>	<u>(155,004)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(34,635)</u>	<u>(6,085,928)</u>	<u>1,423,811</u>
Boat Levy of 2013	-	10,058	(854)	-	-	-	-	-	(8,220)	984
Boat Levy of 2012	677	-	(145)	-	-	-	-	-	(76)	456
Boat Levy of 2011	911	-	-	-	-	-	-	-	-	911
Boat Levy of 2010	1,033	-	-	-	-	-	-	-	-	1,033
Boat Levy of 2009	829	-	-	-	-	-	-	-	-	829
Boat Levy of 2008	708	-	-	-	-	-	-	-	-	708
Boat Levy of 2007	3,178	-	-	-	-	-	-	-	-	3,178
Boat Levy of 2006	4,200	-	-	-	-	-	-	-	-	4,200
Boat Levy of 2005	3,322	-	-	-	-	-	-	-	-	3,322
Boat Levy of 2004	1,702	-	-	-	-	-	-	-	-	1,702
Boat Levy of 2003	2,036	-	-	-	-	-	-	-	-	2,036
Boat Levy of 2002	1,480	-	-	-	-	-	-	-	-	1,480
<b>Total Boat Ex Taxes</b>	<u>20,076</u>	<u>10,058</u>	<u>(999)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,296)</u>	<u>20,839</u>
<b>Total MVE and Boat</b>	<u>1,631,130</u>	<u>6,098,382</u>	<u>(156,003)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(34,635)</u>	<u>(6,094,224)</u>	<u>1,444,650</u>
<b>Total Property and Other</b>	<u>\$ 3,209,806</u>	<u>\$ 86,814,119</u>	<u>\$ (557,943)</u>	<u>\$ 4,796</u>	<u>\$ (591,040)</u>	<u>\$ (29,934)</u>	<u>\$ (297,889)</u>	<u>\$ (369,072)</u>	<u>\$ (85,455,350)</u>	<u>\$ 2,727,493</u>

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See accompanying independent auditors' report