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CITY OF FALL RIVER, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2014



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To the Honorable Mayor, Members of the City Council and Management
City of Fall River, Massachusetts

In planning and performing our audit of the financial statements of the City of Fall River, Massachusetts (City) as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

However, during our audit we became aware of deficiencies in internal control (other than significant deficiencies and material weaknesses) that are opportunities to strengthen your internal control and improve the efficiency of your operations. We also want to make you aware of a recently issued accounting standard that will significantly impact your financial statements beginning next year. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. A separate communication dated December 23, 2014 and titled, *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*, contains our written communication of a material weakness and significant deficiency in the City's internal control. This letter does not affect our report dated December 23, 2014, on the financial statements of the City.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and recommendations with City personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

The City's written responses to the matters identified in our audit have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, the City Council and others within the City, and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

New Bedford, Massachusetts
December 23, 2014



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CITY OF FALL RIVER, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2014

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Comments and Recommendations

Risk Assessment and Monitoring

Comment

When internal controls are *initially* implemented, they are usually designed to adequately safeguard assets. However, over time, these controls can become ineffective due to changes in technology, operations, etc. In addition, changes in personnel and structure, as well as the addition of new programs and services, can add risks that previously did not exist. As a result, all municipalities must periodically perform a risk assessment to anticipate, identify, analyze and manage the risk of asset misappropriation. Risk assessment (which includes fraud risk assessment), is one element of internal control.

The risk assessment should be performed by management-level employees who have extensive knowledge of the City's operations. Ordinarily, the management-level employees would conduct interviews or lead group discussions with personnel who have knowledge of the City's operations, its environment, and its processes. The risk assessment process should consider the City's vulnerability to misappropriation of assets. It should also address operations that involve heightened levels of risk. When conducting the assessment, the following questions should be considered:

- What assets are susceptible to misappropriation?
- What departments receive cash receipts?
- What departments have movable inventory?
- What operations are the most complex?
- How could assets be stolen?
- Are there any known internal control weaknesses that would allow misappropriation of assets to occur and remain undetected?
- How could potential misappropriation of assets be concealed?
- What prior internal control issues could still continue to be problematic?

Once the areas vulnerable to risks have been identified, a review of the City's systems, procedures, and existing controls related to these areas should be conducted. The City should consider what additional controls (if any) need to be implemented to reduce risk.

After risk has been assessed, periodic monitoring of the identified risk areas must be performed in order to evaluate the controls that have been implemented to mitigate the risks. Since control-related policies and procedures tend to deteriorate over time, the monitoring process ensures that controls are fully operational and effective.

Recommendation

We recommend that management develop and implement a risk assessment program to periodically anticipate, identify, analyze, and manage the risk of asset misappropriation. The risk assessment program should be formally documented and become part of the City's financial policies and procedures manual.

We recommend that management develop and implement a monitoring program to periodically evaluate the operational effectiveness of internal controls. The monitoring process should be documented in order to facilitate the evaluation of controls and to identify improvements that need to be made.

Management's Response

The Administration is in the process developing and documenting a comprehensive Risk Assessment Policy.

We expect to have initial drafts by April 2015. We also expect it to be a Live document that would be revisited on an annual basis.

Unrecorded Liabilities

Comment

Although procedures exist to identify unrecorded liabilities for the annual GAAP financial statements, such amounts are not recorded in the general ledger until the subsequent fiscal year. Many of the unrecorded liabilities are not encumbered and, as a result, the budgetary expenditures (actual expenditures plus encumbrances) recorded on the general ledger are not recorded in the proper period, which misstates expenditures, fund balance and budget to actual results.

In addition, expenditures related to a prior year, which are not encumbered from a prior year, must be treated as a prior year bill and approved by the City Council prior to payment in accordance with Massachusetts General Law, Chapter 44, Section 64.

Recommendation

We recommend procedures be implemented to record expenditures and encumbrances in the proper accounting period.

Management's Response

The Administration considers this to be a training issue with the city departments on the year-end procedures.

The city departments, as a part of the year-end process, are requested to provide the Auditor's Office with a detailed listing of all expenditures and encumbrances relating to the closing year.

We will review the year-end process and provide more in-depth training workshops to the individual departments, so that the appropriate information can be compiled and provided to the external auditors for the compilation of GAAP based financial statements.

Information Technology

Comment

There is no formal Information Technology (IT) strategic plan that spans and outlines projects over several years. This increases the risk that the IT environment may not be aligned to the strategic goals and mission of the City.

Additionally, IT functions throughout the various city departments are decentralized and inconsistent. This increases the risk that redundant resources are being used throughout the city. Software and hardware costs may be higher as opposed to leveraging bulk purchasing agreements across departments. There is also an increased risk that best practice security standards are not being applied consistently leaving systems vulnerable to attack.

Recommendation

We recommend that management develop and implement a strategic plan that aligns with the goals and mission of the City. The strategic plan should be formally documented and be utilized to identify and prioritize objectives which are targeted for implementation within the next eighteen to thirty six months.

We recommend that management develop and implement consistent IT policies, procedures, and procurement practices to govern IT processes across the City. Decentralized IT departments should communicate and report through a central department allowing for shared resources.

Management's Response

The City Administration agrees with the comment - we live in an IT centric world and it has to be a priority.

We will set up a high-level committee to review and establish an IT strategic plan including the long term software, hardware, and personnel needs and to ensure the IT strategy is aligned with city's mission and we fully leverage the IT capabilities to be effective and efficient in mission achievement.

Likewise IT security is one of the top concerns and will be fully addressed in this plan. At the same time no known IT security lapses were noticed.

The process is expected to take six-twelve months, considering the fact that the IT department is undergoing a major change in its personnel.

Accounts Receivable - Parking Tickets and Ambulance

Comment

Although the City records its parking tickets and ambulance accounts receivable balances on the general ledger at year-end, procedures have not been developed and implemented to record the monthly amounts billed as accounts receivable (and the corresponding deferred revenue) on the general ledger. As a result, monthly reconciliations of outstanding accounts receivable cannot be performed between the respective departments and the general ledger. Proper internal controls require all transactions related to accounts receivable to be accounted for and recorded on the general ledger.

Recommendation

We recommend that procedures be implemented where all billings for parking tickets and ambulance services be forwarded to the City Auditor's Office to enable the recording of the applicable accounts receivable on the general ledger. We recommend that all subsequent transactions related to the billings (cash receipts, write-offs and other adjustments) also be recorded (in summary) by the City Auditor's office on the general ledger. The general ledger should serve as a control account for the parking tickets and ambulance accounts receivable.

Management's Response

The City is required to maintain its books largely on cash basis and in accordance with the Uniform Massachusetts Accounting System (UMAS) as laid down by the state Department of Revenue.

EMS and Parking Tickets are non-committed receipts and the revenues for them are recorded only when the cash is received. The receivables are not booked.

The Administration will review the existing controls over EMS and Parking Tickets write-offs and strengthen them, if necessary.

The Administration will also develop a monthly control procedure to ensure that the cash deposits reconcile with the MUNIS as well as the departmental subsidiary ledger on these receivables.

Debt Refunding Transactions

Comment

The City does not have a process in place to record refunding transactions. Although the net balance of these transactions is typically zero (bonds issued plus premiums; less issuance costs, discounts and payments to bond holders or escrow agent), the activity must be grossed up and recorded on the general ledger to accurately record and report the balance of long-term debt, expenditures and other financing sources (uses).

The financial statements have been properly adjusted to reflect this activity.

Recommendation

We recommend procedures be implemented to record debt refunding transactions to the general ledger.

Management's Response

This was a stand-alone transaction and is not expected to be repeated in the near future. We are cognizant of the external auditors comment and will ensure that these types of transactions are fully reflected on the books.

Permanent Funds

Comment

There is no process in place to track permanent fund corpus and spending amounts. In addition, management could not locate supporting documentation identifying the purpose of each fund and the related corpus amounts.

Recommendation

We recommend management obtain the documentation supporting all permanent funds and implement procedures to monitor each of the permanent funds' requirements (e.g., required corpus amount, purpose, etc.).

Management's Response

The Administration is dealing with some very old accounts here and has followed past-practice in this regard. In FY 14, the Administration undertook a project to research and establish the corpus amounts associated with these old funds. However, the old-existing documentation is far from perfect.

The more recently established permanent funds are properly identified.

Financial Policies and Procedures Manual

Comment

We believe that preparation of a formal policy and procedures manual would improve and standardize the City's financial policies and procedures. Without formalized written policies and procedures, the City is inherently subject to everyday inconsistencies in its operations. It is also difficult to measure performance and efficiencies without a baseline. The number of such inconsistencies can be minimized by the written codification of policies and procedures and insistence on adherence to them.

Such a manual should include policies and procedures relative to all financial functions and processes, including, but not limited to, the following:

- Budgeting
- Cash receipts
- Cash disbursements
- Accounts receivable
- Accounts payable
- Payroll
- Grants administration
- Month-end and year-end closing procedures
- Financial reporting

The manual should also clearly define the objectives, responsibilities and authorizations for all employees/job positions.

The use of written policies, procedures, and job descriptions in conjunction with specific assignment of responsibilities would increase supervisory personnel's effectiveness. Such written documents would decrease the time spent on supervision of clerical personnel and in attempts to define job responsibilities on each occasion of employee turnover.

Recommendation

We recommend management develop and implement a formal financial policies and procedures manual.

Management's Response

While formal policies do exist for most of the financial functions mentioned in the comment, written documents do not exist for most of them. Management will develop written documents in this regard. It is expected to take 12-18 months to complete the project.

The Administration has also undertaken a department-by-department organizational study to review the existing process controls for each department.

Informational Comment

Pension Accounting and Financial Reporting

Comment

In June of 2012, the Governmental Accounting Standards Board (GASB) issued *Statement No. 68*, Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25, which revises and establishes new financial reporting requirements for governments that provide pension benefits to its employees and retirees.

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 in its government-wide financial statements. The implementation of this Statement will also:

- More comprehensively measure the annual costs of pension benefits
- Place conditions on the use of the discount rate used to measure the projected benefit payments to their actuarial present value
- Require the use of the “entry age” actuarial cost allocation method, with each period’s service cost determined by a level percentage of pay (referred to as attribution method)
- Expand pension related note disclosures
- Expand pension related required supplementary information disclosures

The requirements of this Statement will improve the decision-usefulness of pension information in governmental financial statements and will enhance the comparability of pension information between governmental entities.

Given the significance of the pension fund liability, the financial reporting impact under the new standard will significantly affect the City’s financial statements.

It should be noted that the implementation of GASB Statement No. 68 is strictly a financial reporting standard and does not constitute a state or federal mandate regarding the funding of the net pension obligation.

The City’s required implementation date of GASB Statement No. 68 is fiscal year 2015.

Recommendation

We recommend management familiarize itself with GASB Statement No. 68 to prepare for its implementation.

CITY OF FALL RIVER, MASSACHUSETTS

GAO AND OMB A-133 REPORTS

FOR THE YEAR ENDED JUNE 30, 2014

CITY OF FALL RIVER, MASSACHUSETTS
GAO AND OMB A-133 REPORTS
FOR THE YEAR ENDED JUNE 30, 2014

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and City Council
City of Fall River, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fall River, Massachusetts, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Fall River, Massachusetts' basic financial statements, and have issued our report thereon dated December 23, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Fall River, Massachusetts' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Fall River, Massachusetts' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Fall River, Massachusetts' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2014-001 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2014-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Fall River, Massachusetts' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**CliftonLarsonAllen LLP**

New Bedford, Massachusetts
December 23, 2014



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Mayor and City Council
City of Fall River, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited the City of Fall River, Massachusetts' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Fall River, Massachusetts' major federal programs for the year ended June 30, 2014. The City of Fall River, Massachusetts' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Fall River, Massachusetts' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Fall River, Massachusetts' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Fall River, Massachusetts' compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Fall River, Massachusetts complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the City of Fall River, Massachusetts is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Fall River, Massachusetts' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Fall River, Massachusetts' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-003, that we consider to be a significant deficiency.

The City of Fall River, Massachusetts' response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Fall River, Massachusetts' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fall River, Massachusetts, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City of Fall River, Massachusetts'. We issued our report thereon dated December 23, 2014, which contained unmodified opinions on those financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

New Bedford, Massachusetts
December 23, 2014

**CITY OF FALL RIVER, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARD PROGRAMS
YEAR ENDED JUNE 30, 2014**

PROGRAM NAME	CFDA NUMBER	GRANTOR PASS-THROUGH NUMBER	FEDERAL EXPENDITURES
<u>U.S. Department of Agriculture:</u>			
<u>Passed through from the Massachusetts Department of Early and Secondary Education:</u>			
National School Lunch Program Cluster:			
National School Lunch Program - Cash Assistance	10.555	DOENUT0610SL	\$ 4,587,596
National School Lunch Program - Non-Cash Assistance (Commodities)	10.555	DOENUT0610SL	359,210
Fresh Fruit and Vegetable Program	10.582	DOENUT0610SL	274,915
Total U.S. Department of Agriculture			5,221,721
<u>U.S. Department of Housing and Urban Development:</u>			
<u>Direct:</u>			
Community Development Block Grant - 2013	14.218	N/A	373,034
Community Development Block Grant - 2014	14.218	N/A	2,116,252
Community Development Block Grant - 2014 Program Income	14.218	N/A	15,929
HUD - Emergency Shelter - 2012	14.231	N/A	11,765
HUD - Emergency Shelter - 2013	14.231	N/A	79,255
HUD - Emergency Shelter - 2014	14.231	N/A	163,902
Continuum of Care Program - HMIS 2013	14.267	N/A	26,657
Supportive Housing Program - Thresholds	14.235	N/A	31,414
Continuum of Care Program - LOFT	14.267	N/A	152,286
Continuum of Care Program - Project New Beginnings	14.267	N/A	38,520
Supportive Housing Program - A Place Called Home	14.235	N/A	10,253
Continuum of Care Program - A Loving Home	14.267	N/A	136,723
Continuum of Care Program - A New Home	14.267	N/A	104,138
Supportive Housing Program - Starting Home	14.235	N/A	11,660
Continuum of Care Program - Stone Residence	14.267	N/A	363,972
Supportive Housing Program - Francis House	14.235	N/A	65,307
Continuum of Care Program - Francis House	14.267	N/A	87,003
Supportive Housing Program - Second Chances	14.235	N/A	55,826
Continuum of Care Program - CHAOS	14.267	N/A	238,808
Continuum of Care Program - Next Step Home Program	14.267	N/A	287,598
HOME Program - 2012	14.239	N/A	986,087
HOME Program - 2013	14.239	N/A	228,831
HOME Program Income - 2013	14.239	N/A	159,460
Rental Rehab Program	14.239	N/A	34,923
Neighborhood Stabilization Program 3 (NSP-3)	14.264	N/A	100,343
Total Department of Housing and Urban Development			5,879,946
<u>U.S. Department of Justice:</u>			
<u>Direct:</u>			
Justice Department - Seized Assets	16.Unk	N/A	98,922
Sex Offender Operation 2013	16.Unk	N/A	7,961
<u>Passed through from the Bristol County Sheriffs Department:</u>			
Bristol Weed and Seed Program	16.595	SC POL 61653NBRXFR	52,919
<u>Passed through Massachusetts Executive Office of Health and Human Services:</u>			
Safe and Successful Youth Initiative	16.751	ISA 2010 DJ BX0042	68,478
<u>Passed through from the Massachusetts Executive Office of Public Safety & Security:</u>			
FY 13 Pedestrian, Bicycle, and Moped-Type Traffic Enforcement Safety Program	16.Unk	Unknown	3,492
Business Police Partnership	16.738	SCEPBJAG1FY13FALRIV	69,186
Bulletproof Vest Partnership Program	16.738	2010-DJ-BX-0422	38,750
Total U.S. Department of Justice			339,708

CITY OF FALL RIVER, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARD PROGRAMS (CONTINUED)
YEAR ENDED JUNE 30, 2014

PROGRAM NAME	CFDA NUMBER	GRANTOR PASS-THROUGH NUMBER	FEDERAL EXPENDITURES
<u>U.S. Department of Labor:</u>			
<u>Passed through from the Massachusetts Division of</u>			
<u>Employment and Training:</u>			
Employment Services Cluster:			
FY12 EUC REA (62-2)	17.207	CT EOL 325010OSCC13FRIV 02	\$ 11,182
FY13 WP10% (69-3)	17.207	CT EOL 325010OSCC13FRIV 02	3,032
Total Employment and Training			<u>14,214</u>
<u>Passed through from the Massachusetts Department of</u>			
<u>Labor and Workforce Development:</u>			
FY13 TRADE (32-3)	17.245	CT EOL 325010OSCC13FRIV 02	13,474
FY11 ARRA AJ Wright NEG (34-1)	17.277	CT EOL 325010OSCC13FRIV 02	275,970
FY14 Statewide DW Training (35-4)	17.277	CT EOL 325010OSCC14FRIV 02	190,132
FY14 NEG Bristol MFG	17.277	CT EOL 325010OSCC14FRIV 02	150,429
Total Labor and Workforce Development			<u>630,005</u>
<u>Workforce Investment Act Cluster:</u>			
<u>Passed through from the Massachusetts Department of</u>			
<u>Labor and Workforce Development:</u>			
FY14 WIA Adult (21-4)	17.258	CT EOL 325010OSCC14FRIV 02	628,641
FY13 WIA Adult (21-3)	17.258	CT EOL 325010OSCC13FRIV 02	103,614
FY14 WIA Youth (20-4)	17.259	CT EOL 325010OSCC14FRIV02A	784,531
FY13 WIA Youth (20-3)	17.259	CT EOL 325010OSCC13FRIV 02A	44,237
FY14 WIA Dislocated Worker (31-4)	17.278	CT EOL 325010OSCC14FRIV 02	812,201
FY13 WIA Dislocated Worker (31-3)	17.278	CT EOL 325010OSCC13FRIV 02	231,796
Total Workforce Investment Act Cluster			<u>2,605,020</u>
Total U.S. Department of Labor			<u>3,249,239</u>
<u>U.S. Department of Transportation</u>			
<u>Passed through from the Massachusetts DOT</u>			
Highway Planning and Construction - Emergency Relief	20.205	Unknown	1,348,535
<u>Passed through from the Massachusetts DCR</u>			
Bio Reserve Trail	20.219	2CTDCR4600FGRAFALL11	4,733
<u>Passed through from the Massachusetts</u>			
<u>Executive Office of Public Safety & Security:</u>			
Highway Safety Sustained Enforcement Program	20.600	2014FALLRIVERSTEPXXX	46,296
FY2014 Enforcing Underage Drinking Laws	20.600	Unknown	467,702
Total U.S. Department of Transportation			<u>1,867,266</u>
<u>U.S. Department of Environmental Protection Agency:</u>			
<u>Direct:</u>			
ARRA - Brownfield Assessment and Cleanup Coop Agreemen	66.818	N/A	21,845
<u>Passed through from the Massachusetts</u>			
<u>Department of Environmental Protection</u>			
Drinking Water State Revolving Fund	66.468	FS99191412 - DW 12	1,976,073
Total U.S. Department of Environmental Protection Agency			<u>1,997,918</u>

**CITY OF FALL RIVER, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARD PROGRAMS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

PROGRAM NAME	CFDA NUMBER	GRANTOR PASS-THROUGH NUMBER	FEDERAL EXPENDITURES
<u>U.S Department of Education:</u>			
<u>Passed through Massachusetts Department</u>			
<u>of Early and Secondary Education:</u>			
<u>Title I, Part A Cluster:</u>			
Title I - Distribution - 2014	84.010	305-018949-2014-0095	\$ 3,837,683
Title I - Distribution - 2013	84.010	305-000611-2013-0095	437,076
Title I - Distribution - 2013 Carryover	84.010	305-023-3-0095-N	62,732
Title I - Supplemental Support - 2012	84.010	322-028-3-0095-N	31,725
Title I - Supplemental Support - 2013	84.010	320-066-3-0095-N	14,734
Title I - Supplemental Support - 2014	84.010	323-001-4-0095-O	113,705
Total Title I, Part A Cluster			4,497,655
 <u>Passed through Massachusetts Department</u>			
<u>of Early and Secondary Education:</u>			
<u>Special Education Cluster (IDEA):</u>			
SPED 94-142 Allocation - 2014	84.027	240-231-4-0095-O	2,670,366
SPED 94-142 Allocation - 2013	84.027	240-204-3-0095-N	299,956
SPED 94-142 Allocation - 2013 Carryover	84.027	240-204-3-0095-N	92,947
SPED 94-142 Allocation - 2012 Carryover	84.027	240-332-3-0095-N	26,522
SPED /21st Century Endhanced - 2014	84.027	245-014-4-0095-O	17,000
SPED /21st Century Endhanced - 2013	84.027	245-016-3-0095-N	22,455
SPED Program Improvement - 2014	84.027	274-222-4-0095-O	26,668
SPED Program Improvement - 2013	84.027	274-136-3-0095-N	26,657
21st Century Community Learning - 2014	84.027	245-020-4-0095-D	10,110
 <u>Passed through Department of Early Education & Care:</u>			
Early Childhood Special Allocation Grant-2014	84.173	26214FALLRIVERPUBLIC	74,415
Total Special Education Cluster (IDEA)			3,267,096
 <u>Passed through Massachusetts Department</u>			
<u>of Early and Secondary Education:</u>			
Occupational Education - Vocational Skills - 2014	84.048	400-060-4-0095-B	64,979
Occupational Education - Vocational Skills - 2013	84.048	400-068-3-0095-N	33,724
Perkins - Other Equipment and Supplies	84.048	400-060-4-0095-B	5,953
McKinney Homeless - 2014	84.196	310-019-4-0095-O	14,582
McKinney Homeless - 2013	84.196	310-016-3-0095-N	14,350
21st Century Community Learning - 2014	84.287	647-065-4-0095-A	317,000
21st Century Community Learning - 2014	84.287	647-077-4-0095-A	50,000
21st Century Community Learning - 2014	84.287	647-069-4-0095-A	313,350
21st Century Community Learning - 2014	84.287	647-064-4-0095-A	70,000
21st Century Community Learning - 2013	84.287	647-004-3-0095-N	96,119
21st Century Community Learning - 2013	84.287	647-064-3-0095-N	33,583
21st Century Community Learning - 2013	84.287	647-090-3-0095-N	100,311
Mass-Grad - 2014	84.360	1176FALLRIVRMASGRAD	72,863
Mass-Grad - 2013	84.360	1176FALLRIVRMASGRAD	57,190
MassGrad Promising Practices Implementation Grant	84.360	1176FALLRIVRMASGRAD	20,000
LEP Support - 2014	84.365	180-085-4-0095-O	67,558
LEP Support - 2013	84.365	180-004-3-0095-N	30,275
LEP Support - Carryover 2013	84.365	180-085-4-0095-O	18,908
Teacher Quality - 2014	84.367	140-027029-2014-0095	742,502
Teacher Quality - 2013	84.367	140-001714-2013-0095	78,034
Teacher Quality - 2012 Carryover	84.367	140-009-3-0095-N	36,157
ARRA School Improvement - 2014	84.388	767-007-4-0095-O	242,112
ARRA School Improvement - 2013	84.388	767-003-3-0095-N	207,610
ARRA-Race to the Top - 2014	84.395	201-015665-2014-0095	643,944
ARRA-RTTP: Pre-AP Program	84.395	328-004-4-0095-O	23,000
ARRA-Wraparound Zone Initiative - 2014	84.395	209-007-4-0095-O	96,000
Total U.S. Department of Education			11,214,855

**CITY OF FALL RIVER, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARD PROGRAMS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

PROGRAM NAME	CFDA NUMBER	GRANTOR PASS-THROUGH NUMBER	FEDERAL EXPENDITURES
<u>U.S. Department of Health and Human Services:</u>			
<u>Center for Disease Control</u>			
<u>Direct:</u>			
Massachusetts Residential Fire Injury Prevention Program	93.069	N/A	3,239
<u>Substance Abuse and Mental Health</u>			
<u>Services Administration</u>			
<u>Direct:</u>			
Partnership for Success	93.243	N/A	120,000
SAMHSA	93.243	N/A	101,042
<u>Center for Medicare and Medicaid Services</u>			
<u>Direct:</u>			
Medical Assistance Program	93.778	N/A	754,702
Total U.S. Department of Health and Human Services			<u>978,983</u>
<u>U.S. Department of Homeland Security:</u>			
<u>Direct:</u>			
Staffing for Adequate Fire and Emergency Response - SAFER	97.083	N/A	49,169
Staffing for Adequate Fire and Emergency - SAFER	97.044	N/A	7,361,937
<u>Passed through the Massachusetts Department of Emergency Management Agency</u>			
Emergency Management Program - FEMA	97.042	FY13EMPG1100000FRIVE	22,840
<u>Passed through the Massachusetts Department of Homeland Security</u>			
FY08 SHSP	97.067	Unknown	2,554
Total U.S. Department of Homeland Security			<u>7,436,500</u>
Total Federal Expenditures			<u>\$ 38,186,136</u>

The accompanying notes are an integral part of this schedule of expenditures of federal award programs.

**CITY OF FALL RIVER, MASSACHUSETTS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARD PROGRAMS
YEAR ENDED JUNE 30, 2014**

Note 1 - Single Audit Reporting Entity

The accompanying Schedule of Expenditures of Federal Award programs (SEFA) presents the expenditures of all federal award programs of the City of Fall River, Massachusetts (the City) for the year ended June 30, 2014. Federal Financial Assistance received includes funds received directly from federal agencies as well as Federal Financial Assistance passed through other governmental agencies.

Note 2 - Basis of Presentation

The accompanying SEFA is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 3 - Loan Transactions

As of June 30, 2014, net loans receivable outstanding for the HOME program totaled \$7,097,552.

Note 4 - Subrecipients

Of the federal expenditures presented in the schedule of expenditures, the City of Fall River provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amounts Provided to Subrecipients
Community Development Block Grant	14.218	\$ 600,751
Emergency Shelter Grant	14.231	252,175
Supportive Housing Program	14.235	167,409
Continuum Care Program	14.267	1,239,088
WIA Cluster	17.258, 17.259, 17.278	240,778
SAMHSA	93.243	89,319
		\$ 2,589,520

This information is an integral part of the accompanying schedule of expenditures of federal award programs.

**CITY OF FALL RIVER, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ x _____ yes _____ no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ x _____ yes _____ none reported
3. Noncompliance material to financial statements noted? _____ yes _____ x _____ no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes _____ x _____ no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ x _____ yes _____ none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? _____ yes _____ x _____ no

Identification of Major Federal Programs

14.218	Community Development Block Grant
14.239	HOME Investment Partnership Program
14.267	Continuum of Care Program
17.258, 17.259, 17.278	WIA Cluster Program
20.205	Highway Planning and Construction
84.010	Title I, Part A
84.027, 84.173	Special Education Cluster
84.395	Race to the Top Program
66.468	Drinking Water Program
97.044	SAFER Program

CITY OF FALL RIVER, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2014

Section I - Summary of Auditors' Results (Continued)

Dollar threshold used to distinguish between
Type A and Type B programs:

\$ 1,145,584

Auditee qualified as low-risk auditee pursuant
to OMB Circular A-133?

_____ yes x no

Section II - Financial Statement Findings

2014-001 *Procurement*

Type of Finding: Material weakness in internal control over financial reporting.

Condition and context: The City makes thousands of purchases annually for which its required to adhere to the Massachusetts Procurement Law (Massachusetts General Law, Chapter 30B) and its own internal procurement policy. We reviewed the City's internal procurement policy and performed a limited review of approximately 100 disbursements and identified the following:

1. Two instances where quotes appear to have been obtained after the goods or services were received.
2. One instance where the contract (<\$25,000) was executed (signed and dated) after the performance of the work was complete.
3. One instance where there was no documentation as to why the highest bidder was selected as part of a formal bid process.
4. For all non-bid items (< \$25,000), the requisition and purchase orders were initiated and processed after the goods or services were provided. The current process provides no control since it occurs subsequent to the purchase of goods or services, which creates susceptibility to noncompliance with the Massachusetts Procurement Law and a weakness in the City's budgetary controls.
5. Many instances where the previous Purchasing Agent's electronic signature was included on purchase orders subsequent to the previous Purchasing Agent's employment with the City.
6. The City's procurement policy requires, among other things, a requisition and purchase order for every purchase of goods or services and quotes for purchases between \$500 and \$24,999. The current policy is administratively burdensome and significantly more stringent than the Massachusetts Procurement Law (Massachusetts General Law, Chapter 30B), which requires quotes for purchases between \$10,000 and \$34,999).

We also identified, through our inquiry procedures, one instance where windows were installed in a public building without a procurement and contract. Furthermore, the City was never invoiced for the services.

**CITY OF FALL RIVER, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

Criteria or specific requirement: Management is responsible for establishing and maintaining internal controls over procurement that comply with the Massachusetts Procurement Law and the City's internal procurement policies to not only prevent noncompliance with such laws and internal policies, but to prevent a direct and material misstatement to the financial statements.

Effect: Certain purchases were not made in compliance with the Massachusetts Procurement Law and internal policies.

Cause: Procedures are not in place for the procurement of all goods and services in compliance with the Massachusetts Procurement law and the City's internal procurement policies.

Recommendation: We recommend the following:

1. Quotes are obtained prior to the purchase of goods or services.
2. Formal contracts be entered into for all purchases \$10,000 and greater and all contracts be signed and dated prior to the receipt of such goods and services.
3. Requisitions and purchase orders be initiated and processed prior to the purchase of goods or services.
4. For procurements where a vendor other than the lowest bidder is selected, documentation supporting the selection should be maintained.
5. Management considers aligning its procurement policy with the Massachusetts Procurement Law.
6. Management ensure that the applicable Purchasing Agent's electronic signature be in place at all times.

Views of responsible officials and planned corrective actions:

Explanation of disagreement with audit finding: The Administration agrees with the findings and recommendations made by the external auditors.

Actions planned in response to finding: We have undertaken a comprehensive review of the purchasing process along with an internal audit of the issues raised in the findings. We are auditing a sample of purchases made after July 1, 2014. The findings of the internal audit as well as the issues raised by the external auditors will be used to streamline the purchasing process.

We also plan to train the various city departments on this issue.

The issue of electronic signatures on the POs was a software glitch and was resolved in December 2013.

The Administration agrees that the current purchasing policy is burdensome and far more stringent than what is required under the state law. We propose to bring them in alignment with the state procurement laws.

Responsible party: Purchasing Office.

Planned completion date for corrective action plan: April 2015.

Plan to monitor completion of corrective action plan: The City Auditor's Office will audit a sample of purchases made between May and June 2015. The results will be reviewed and corrective actions will be taken, if necessary.

CITY OF FALL RIVER, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2014

2014-002 *Grant Accounting*

Type of Finding: Significant deficiency in internal control over financial reporting

Condition and context: The City receives a significant amount of federal and state financial assistance through the various City departments. We identified several grant funds where accounts receivable or unearned revenue amounts were not posted to the general ledger. Consequently, we proposed adjustments to properly record the grant activity.

Criteria or specific requirement: Management is responsible for establishing and maintaining internal control over financial reporting and for the fair presentation of the financial position, results of operations, cash flows, and disclosures in the financial statements, in conformity with U.S. generally accepted accounting principles (GAAP).

Effect: Certain grant balances and activities were misstated.

Cause: Procedures are not in place to review and record all federal and state grant balances and activity for appropriateness.

Recommendation: We recommend procedures be implemented at year-end, at a minimum, to review all federal and state grant balances and activity for appropriateness, and make the necessary adjustments to comply with GAAP.

Views of responsible officials and planned corrective actions:

Explanation of disagreement with audit finding: The City is required to maintain its books on largely a cash basis in accordance with the Uniform Massachusetts Accounting System (UMAS) as laid down by the state Department of Revenue. We have agreed to provide necessary details on grant accruals that are required for GAAP reporting.

Actions planned in response to finding: The City Auditor's Office will work with the Grant recipient departments and compile a detailed schedule of necessary GAAP based accruals.

Responsible party: Auditor's office.

Planned completion date for corrective action plan: August 2015 (cutoff June 30, 2015).

Plan to monitor completion of corrective action plan: City Auditor's Office will audit the accrual information before being presented for GAAP compilation in September 2015 (cutoff June 30, 2015).

CITY OF FALL RIVER, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2014

Section III - Findings and Questioned Costs - Major Federal Programs

2014-003

Federal agency: U.S. Department of Housing and Urban Development

Federal program: Community Development Block Grant

CFDA Number: 14.218

Award Period: July 1, 2013 – June 30, 2014

Type of Finding: Significant Deficiency in Internal Control over Compliance

Criteria or specific requirement: The Code of Federal Regulations (CFR) Title 2, part 180.220 states that “non-Federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. “Covered transactions” include those procurement contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other criteria as specified in 2 CFR section 180.220. All non-procurement transactions entered into by a recipient (i.e., sub-awards to sub-recipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215.”

Condition: The City’s Purchasing Department did not obtain a debarment certification or check the *System for Award Management* website for vendors contracted with in excess of \$25,000 related to the grant program.

Questioned costs: None

Context: The condition relates to our sample of one (total population of three) vendors contracted with in excess of \$25,000. However, we subsequently determined that the vendor was not suspended or debarred.

Cause: Procedures are not in place to verify that vendors contracted with in excess of \$25,000 related to the grant program are not suspended, debarred or otherwise excluded from doing business.

Effect: Noncompliance with the federal award program’s procurement and suspension and debarment compliance requirements could occur and not be detected and corrected timely.

Recommendation: Procedures must be implemented to ensure that all vendors contracted with have not been suspended or debarred or otherwise excluded from doing business, prior to procuring their services. In order to verify this, program management should either obtain debarment certifications from the vendors or check the *System for Award Management* website. Procedures must also be implemented to maintain documentation supporting the debarment checks performed.

CITY OF FALL RIVER, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2014

Views of responsible officials and planned corrective actions:

Explanation of disagreement with audit finding: The Administration agrees with the findings and recommendations made by the external auditors.

Actions planned in response to finding: We have undertaken a comprehensive review of the purchasing process along with an internal audit of the issues raised in the findings. We are auditing a sample of purchases made after July 1, 2014. The findings of the internal audit as well as the issues raised by the external auditors will be used to streamline the purchasing process.

We also plan to train the various city departments on this issue.

Responsible party: Purchasing office.

Planned completion date for corrective action plan: February 2015.

Plan to monitor completion of corrective action plan: The City Auditor's Office will conduct in May 2015 a sample test on vendors contracted with federal funds between March and April 2015. The results will be reviewed and corrective actions will be taken, if necessary.

Section IV - Prior Year Major Federal Program Findings

2013 - 006 - Time and Effort Certification - Title I - Part A

During this year's testing of allowable costs and activities on the Title I - Part A Program, no instances of noncompliance were noted. Resolved.

CITY OF FALL RIVER, MASSACHUSETTS

**INDEPENDENT AUDITORS' REPORT ON
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2014

**CITY OF FALL RIVER, MASSACHUSETTS
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YEAR ENDED JUNE 30, 2014**

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
City of Fall River, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fall River, Massachusetts (the City), as of and for the year ended June 30, 2014 (except for the Fall River Contributory Retirement System, which is as of and for the fiscal year ended December 31, 2013), and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2014 (except for the Fall River Contributory Retirement System, which is as of and for the fiscal 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 3 through 12) and budgetary comparison of the General Fund and certain pension and other post-employment benefits information (located on pages 62 through 65) 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the City's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

New Bedford, Massachusetts
December 23, 2014

**CITY OF FALL RIVER, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

As management of the City of Fall River, Massachusetts (City), we offer readers of these financial statements this narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2014.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year \$178,140,221 (Net position). The City's governmental activities have an unrestricted net deficit of \$189,926,487 and its business-type activities unrestricted net position total was \$3,869,352. The unrestricted net deficit in the City's governmental activities is primarily due to the OPEB liability of \$203,763,558.
- The City's total Net position decreased by \$31,336,042, primarily due to the net change in the OPEB liability of \$33,688,757.
- At the end of the fiscal year, the general fund unassigned fund balance totaled \$4,033,913, or 1.5% of total general fund expenditures and transfers out.
- The City redeemed \$16,575,552 of long-term debt during the fiscal year. The City issued \$10,019,000 of new debt during the year for various general government improvements, sewer projects, water projects and to refund (current) certain debt obligations. For the year ended June 30, 2014, the City had fully met all its debt service obligations.
- On October 2, 2014, the state Division of Local Services certified free cash as of July 1, 2014 for the City as follows:
 - General Fund - \$3,961,620
 - Water Enterprise Fund - \$216,564
 - Sewer Enterprise Fund - \$766,065
 - Emergency Medical Services Enterprise Fund - \$500,617
 - Sanitation Enterprise Fund - \$212,422

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the *basic financial statements*, which consists of the following three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

This report also contains required supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

**CITY OF FALL RIVER, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

The **statement of net position** presents information on all of the City's non-fiduciary assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The **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 giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, earned but unused vacation leave, etc.).

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

Governmental activities include general government, public safety, education, public works, community and economic development, health and human services, culture and recreation and debt service (interest). Business-type activities include the City's sewer, water, emergency medical services and sanitation operations.

The government-wide financial statements can be found on pages 14-16 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into the following categories and are described below:

1. Governmental funds
2. Proprietary funds
3. Fiduciary funds

Governmental Funds

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

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

**CITY OF FALL RIVER, MASSACHUSETTS
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The City maintains 978 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the other 977 governmental funds are combined into a single, aggregated presentation titled *nonmajor governmental funds*.

The basic governmental funds financial statements can be found on pages 17-20 of this report.

Proprietary funds

The City maintains two 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 sewer, water, emergency medical services and sanitation operations, for which sewer and water are considered to be major funds.

The Internal service fund is an accounting device used to accumulate and allocate costs internally among the City's various functions for health care costs. As this service predominately benefits governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

The basic proprietary funds financial statements can be found on pages 21-23 of this report.

Fiduciary Funds

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

The fiduciary funds provide separate information for the City's pension trust fund. Private-purpose trust funds and agency funds are reported and combined into a single, aggregate presentation in the fiduciary funds financial statements under the captions "private purpose trust funds" and "agency funds", respectively.

The basic fiduciary funds financial statements can be found on pages 24-25 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-61 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Presented in this information is the budget comparison for the general fund and certain pension and other post-employment benefits information, which can be found on pages 62-65.

**CITY OF FALL RIVER, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
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GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following tables present current and prior year data on the government-wide financial statements.

Net position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$178,140,221 at the close of the fiscal year and are summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
ASSETS						
Current Assets	\$ 68,950,902	\$ 70,739,755	\$ 22,066,222	\$ 25,803,350	\$ 91,017,124	\$ 96,543,105
Noncurrent Assets	363,816,659	363,514,857	250,388,506	245,162,475	614,205,165	608,677,332
Total assets	<u>432,767,561</u>	<u>434,254,612</u>	<u>272,454,728</u>	<u>270,965,825</u>	<u>705,222,289</u>	<u>705,220,437</u>
LIABILITIES						
Current Liabilities	49,326,964	49,470,410	34,176,600	30,146,227	83,503,564	79,616,637
Noncurrent Liabilities	281,509,994	253,914,278	162,068,510	162,213,259	443,578,504	416,127,537
Total Liabilities	<u>330,836,958</u>	<u>303,384,688</u>	<u>196,245,110</u>	<u>192,359,486</u>	<u>527,082,068</u>	<u>495,744,174</u>
NET ASSETS						
Net Investment in Capital Assets	272,374,089	269,220,786	72,340,266	66,785,961	344,714,355	336,006,747
Restricted	19,483,001	16,043,135	-	-	19,483,001	16,043,135
Unrestricted	<u>(189,926,487)</u>	<u>(154,393,997)</u>	<u>3,869,352</u>	<u>11,820,378</u>	<u>(186,057,135)</u>	<u>(142,573,619)</u>
Total Net Position	<u>\$ 101,930,603</u>	<u>\$ 130,869,924</u>	<u>\$ 76,209,618</u>	<u>\$ 78,606,339</u>	<u>\$ 178,140,221</u>	<u>\$ 209,476,263</u>

The largest portion of the City's Net position, \$344,714,355, reflects its investment in capital assets (e.g., land, construction in progress, buildings, improvements, machinery and equipment, vehicles, other and infrastructure) less any related outstanding debt used to acquire those assets. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the 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.

An additional portion of the City's Net position, \$19,483,001, represents resources that are subject to external restrictions on how they may be used. The remaining balance represents a net deficit of \$186,057,135. Of this amount, \$3,869,352 may be used to support business-type activities and \$189,926,487 represents an unrestricted net deficit in governmental activities.

At the end of the current fiscal year, the City reports positive balances for the Sewer and Water funds in all three categories of net position for business-type activities. The Sanitation and EMS funds currently have unrestricted net deficits of \$1,640,077 and 2,342,757, respectively. For governmental activities, positive balances are reported in each category except for unrestricted net position. Such resources have been consumed with the recognition of other postemployment benefits.

As of July 1, 2014, the Water, Sewer, EMS and Sanitation Enterprise funds have certified free cash of \$216,564, \$766,065, \$500,617 and \$212,422, respectively.

**CITY OF FALL RIVER, MASSACHUSETTS
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Changes in Net Position

For the fiscal year ended June 30, 2014, the City's total net position decreased \$31,336,042 primarily due to the net change in the OPEB liability of \$33,688,757 and is summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
REVENUE						
Program Revenue:						
Charges for service	\$ 6,433,387	\$ 4,876,925	\$ 33,605,356	\$ 32,018,474	\$ 40,038,743	\$ 36,895,399
Operating Grants and Contributions	186,203,212	181,652,447	3,296,161	2,572,466	189,499,373	184,224,913
Capital Grants and Contributions	4,840,924	23,447,015	-	439,960	4,840,924	23,886,975
General Revenue:						
Real Estate and Personal Property Taxes	80,227,290	76,628,640	-	-	80,227,290	76,628,640
Motor Vehicle and Other Excise Taxes	7,404,071	6,591,808	-	-	7,404,071	6,591,808
Tax Liens and Foreclosures	1,669,473	1,729,129	-	-	1,669,473	1,729,129
Penalties and Interest on Taxes	1,064,779	1,059,101	-	-	1,064,779	1,059,101
Grants and Contributions Not Restricted to Specific Purposes	21,265,048	30,527,666	-	-	21,265,048	30,527,666
Unrestricted investment income	180,137	149,478	11,921	-	192,058	149,478
Payments in Lieu of Taxes	361,136	334,991	-	-	361,136	334,991
Contributions and Donations	-	-	-	19,703	-	19,703
Gain on Sale of Capital Assets	592,110	-	-	-	592,110	-
Miscellaneous	5,112,725	4,950,563	-	-	5,124,646	4,950,563
Total Revenue	<u>315,354,292</u>	<u>331,947,763</u>	<u>36,913,438</u>	<u>35,050,603</u>	<u>352,267,730</u>	<u>366,998,366</u>
EXPENSES						
General Government	11,621,260	10,585,854	-	-	11,621,260	10,585,854
Public Safety	67,867,061	66,477,401	-	-	67,867,061	66,477,401
Education	162,581,337	158,259,891	-	-	162,581,337	158,259,891
Public Works	11,900,203	10,612,554	-	-	11,900,203	10,612,554
Community and Economic Development	12,551,659	13,436,416	-	-	12,551,659	13,436,416
Health and Human Services	7,217,754	6,928,001	-	-	7,217,754	6,928,001
Culture and Recreation	2,059,343	2,756,208	-	-	2,059,343	2,756,208
State and County Charges	10,528,441	9,878,556	-	-	10,528,441	9,878,556
Property and Liability Insurance	2,874,206	1,975,894	-	-	2,874,206	1,975,894
Pension Benefits	19,309,967	18,910,531	-	-	19,309,967	18,910,531
Employee Benefits	34,830,573	39,301,535	-	-	34,830,573	39,301,535
Claims and Judgments	357,894	805,994	-	-	357,894	805,994
Interest on Debt	2,907,607	3,560,373	-	-	2,907,607	3,560,373
Sewer	-	-	19,855,991	17,843,903	19,855,991	17,843,903
Water	-	-	7,195,330	6,587,353	7,195,330	6,587,353
EMS	-	-	3,290,267	3,255,957	3,290,267	3,255,957
Sanitation	-	-	6,654,879	6,554,876	6,654,879	6,554,876
Total Expenses	<u>346,607,305</u>	<u>343,489,208</u>	<u>36,996,467</u>	<u>34,242,089</u>	<u>383,603,772</u>	<u>377,731,297</u>
INCREASE (DECREASE) IN NET POSITION BEFORE TRANSFERS	(31,253,013)	(11,541,445)	(83,029)	808,514	(31,336,042)	(10,732,931)
Transfers, net	<u>2,313,692</u>	<u>1,513,060</u>	<u>(2,313,692)</u>	<u>(1,513,060)</u>	<u>-</u>	<u>-</u>
INCREASE (DECREASE) IN NET POSITION	(28,939,321)	(10,028,385)	(2,396,721)	(704,546)	(31,336,042)	(10,732,931)
Net Position - Beginning of Year	<u>130,869,924</u>	<u>140,898,309</u>	<u>78,606,339</u>	<u>79,310,885</u>	<u>209,476,263</u>	<u>220,209,194</u>
NET POSITION - END OF YEAR	<u>\$ 101,930,603</u>	<u>\$ 130,869,924</u>	<u>\$ 76,209,618</u>	<u>\$ 78,606,339</u>	<u>\$ 178,140,221</u>	<u>\$ 209,476,263</u>

Governmental activities decreased the City's Net position by \$28,939,321. In the prior year, governmental activities decreased the City's Net position by \$10,028,385. The key elements of this change is the reduction in capital grants and contributions totaling approximately \$18.6 million, which primarily relates to grants from the MSBA for the Morton Middle School project (\$16.5 million) and North End School (\$9.5 million). In addition, current year health claims declined by approximately \$5 million.

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Business-type activities decreased the City's Net position by \$2,396,721. In the prior year, business-type activities decreased the City's Net position by \$704,546. The key elements of this change are a current year claims accrual (\$1.35 million), increased interest costs (\$700k), professional services (\$300k) and electricity (\$100k) expense for the Sewer fund.

FUND FINANCIAL STATEMENT ANALYSIS

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

Governmental funds

The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City's financing requirements.

At the end of the current fiscal year, the governmental funds reported combined ending fund balances totaling \$6,831,517, a decrease of \$4,317,389 in comparison with the prior year. \$9,722,946 represents an unassigned fund deficit, primarily due to the short term (BAN) borrowings on capital projects. These deficits plan to be resolved when the short term debt is converted to long term debt upon project completion. The remainder of fund balance includes the following constraints:

- Nonspendable (\$893,656)
- Restricted (\$11,510,568)
- Committed (\$4,095,994)
- Assigned (\$54,245)

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the general fund's unassigned fund balance totaled \$4,033,913 while total fund balance was \$7,931,869. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures and transfers out. Unassigned fund balance represents 1.5% of total general fund expenditures and transfers out, while total fund balance represents 3% of that same amount.

The balance of the City's general fund decreased by \$642,538 during fiscal year 2014.

Proprietary funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the sewer, water, and non-major enterprise funds at the end of the year amounted to \$5,397,224 and \$2,454,962, and (\$3,982,834). The water, sewer and non-major enterprise funds had a decrease in net position for the year of \$434,656, \$22,109 and \$1,939,956, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

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General Fund Budgetary Highlights

The original general fund budget of \$234,536,552 was increased by \$1,565,344 during the year. The following table summarizes the increase:

<u>Purpose of Increase (Decrease):</u>	<u>Amount</u>
Reserve Fund	\$ 473,000
Insurance	588,832
Community Maintenance Expenses	30,000
Financial Services Expenses	175,000
Veterans' Benefits	40,000
City Clerk Expenses	5,900
Debt Service	(220,900)
Community Protection Expenses	265,000
Capital Projects	208,512
Total Increase	<u>\$ 1,565,344</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets

The City's investment in capital assets for its governmental and business type activities at the end of the fiscal year totaled \$597,433,414 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, infrastructure, machinery and equipment, automobiles and other transportation and other capital assets. The total increase in the investment in capital assets for the current fiscal year totaled \$4,591,591.

Major capital asset events that occurred during the current fiscal year included the following:

- Sewer projects construction in progress (\$6,533,856)
- Morton middle school (\$4,693,646)
- Water projects construction in progress (\$5,013,877)

The following table summarizes the City's capital assets (net of accumulated depreciation):

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land and Construction in Progress	\$ 19,250,689	\$ 67,173,343	\$ 11,473,471	\$ 29,051,263	\$ 30,724,160	\$ 96,224,606
Land Improvements, Net	279,638,758	232,321,682	-	-	279,638,758	2,541,446
Buildings and Improvements, Net	47,575,734	46,769,767	591,897	642,699	48,167,631	232,964,381
Infrastructure, Net	2,849,608	2,541,446	223,695,176	200,364,168	226,544,784	247,133,935
Machinery and Equipment, Net	2,513,941	2,567,422	3,807,976	4,046,352	6,321,917	6,613,774
Automobiles and Other Transportation, Net	1,743,611	2,507,226	1,145,787	1,131,843	2,889,398	3,639,069
Boats, Net	42,499	88,882	-	-	42,499	88,882
Office Equipment and Furniture, Net	515,624	365,750	-	-	515,624	365,750
Student Equipment, Net	1,456,531	1,772,835	-	-	1,456,531	1,772,835
Information Systems, Net	160,117	185,510	-	-	160,117	185,510
Library Books and Textbooks, Net	971,995	1,311,635	-	-	971,995	1,311,635
Total Capital Assets	<u>\$ 356,719,107</u>	<u>\$ 357,605,498</u>	<u>\$ 240,714,307</u>	<u>\$ 235,236,325</u>	<u>\$ 597,433,414</u>	<u>\$ 592,841,823</u>

Additional information on the City's capital assets can be found in Note 5 on pages 42-46 of this report.

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Short and Long-Term Debt

At the end of the current fiscal year, total debt outstanding was \$262,215,765, which is backed by the full faith and credit of the City, and is summarized as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2014	2013	2014	2013	2014	2013
Short-Term Debt	\$ 16,035,000	\$ 14,250,000	\$ 17,620,972	\$ 17,175,000	\$ 33,655,972	\$ 31,425,000
Long-Term Debt	68,283,157	74,134,712	160,276,636	160,981,633	228,559,793	235,116,345
Total	<u>\$ 84,318,157</u>	<u>\$ 88,384,712</u>	<u>\$ 177,897,608</u>	<u>\$ 178,156,633</u>	<u>\$ 262,215,765</u>	<u>\$ 266,541,345</u>

The City redeemed \$16,575,552 of long-term debt during the fiscal year. The City issued \$10,019,000 of new debt during the year for various general government improvements, sewer projects, water projects and to refund (current) certain debt obligations.

Additional information on the City's long-term debt can be found in Note 9 on page 50-53 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET RATES

The City of Fall River has four enterprise funds - Sewer, Water, Sanitation, and the Emergency Medical Services (EMS).

Water and Sewer Enterprise Funds

Both the sewer department and water department operate as an enterprise funds. The budgets are fully supported through the water and sewer rates.

The City is continuing construction of the Combined Sewer Overflow project (CSO), with the President Avenue CSO Screening and Disinfection Facility slated to be completed during fiscal year 2016. The objective of the CSO project is to comply with the Federal Clean Water Act, the City's Federal/State National Pollutant Discharge Elimination System (NPDES) permit, and the Federal Court Order issued for the CSO project. The project will help to control pollution and its effects from CSO's to the Mt. Hope Bay/Taunton and Quequechan River in compliance with Federal and State regulations.

The CSO project has approved costs of \$10,605,708 for the planning and design phases and an additional \$185,000,000 for the construction phase. As of the current date, the city has spent over \$165,000,000 on the construction phase of the project. The updated Court approved schedule has a completion date of 2025.

The city voters by referendum have also approved a \$10 million dollar loan order to start to address flooding related to intense rainstorms including development of a Master Plan following the new EPA Integrated Municipal Storm-water and Wastewater Planning Approach Framework.

The City is utilizing a federally subsidized financing vehicle (MWPAT) to fund eligible costs for water and sewer projects.

CSO and flood control projects are part of Water & Sewer enterprise funds and will be supported by the water and sewer rates. Even with the impact of these projects the sewer rates will remain comparable to the average in the state. The water rates will remain below the state average.

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Sanitation Enterprise Fund

Revenues generated from the host and recycling fees are deposited into the Sanitation Fund and the remaining sanitation expenditures are supported by subsidy from the General Fund.

In August 2014, the city introduced a Pay As You Throw (PAYT) program, to reduce General Fund subsidies and create incentives for reducing the municipal solid waste and increase recycling. In fiscal year 2014, the General Fund subsidy for the Sanitation fund was \$5,453,222. For fiscal year 2015, the General Fund subsidy is budgeted at \$1,526,641.

In addition, the Sanitation department staffing was re-organized as of July 1, 2014, to make its operations more cost efficient. Over the last three years, the entire fleet of refuse vehicles & carts has been modernized with an investment of almost \$6 million dollars to make its operations more efficient and cost effective.

The BFI owned and operated landfill located within the City bounds has closed as of October 10, 2014 and, as a result, the Sanitation Fund will not be receiving any future host fees.

EMS Enterprise Fund

Ambulance service receipts are deposited in the Emergency Medical Services Fund to support the EMS fund.

New Property Growth

In October 2014, the state DOR certified \$1,682,440 as new growth in Tax Revenue (Tax-Levy) due to new construction in fiscal year 2014.

Amazon has signed a Tax Increment Financing Agreement with the City of Fall River, with plans at this time to construct a \$200,000,000 distribution facility on 60 acres of land in Fall River, in partnership with the Town of Freetown utilizing 30 acres of land in Freetown. The plan includes creation of 1,000 jobs, with new taxes of \$100,000 in the first year of plan execution.

Future Planning

The Administration has undertaken a review of the staffing and organization of all municipal departments. The process includes updating job descriptions and qualifications, the creation of reporting and supervisory organizational charts, designation of authority to sign in the absence of the department head, and the completion of a Policies and Procedures Manual for all routine tasks within each department.

The Administration uses a five-year horizon budgeting tool for forecasting the operating as well as capital budgets. This budget forecasting tool is monitored and reviewed regularly along with the current the current operations.

Other

State provided revenues (local aid) account for 47% of the total operating budget. Over the years the state has provided following amounts:

Unrestricted Local Aid – FY 2010 - \$20,996,063; FY 2011 - \$20,156,220; FY 2012 - \$18,698,842; FY 2013- \$20,156,220; FY 2014 - \$20,632,671; FY 15 - 21,204,854

Additional Assistance – FY 2010 - \$0; FY 2011 - \$0; FY 2012 - \$1,457,378; FY 2013 - \$0; FY 2014 - \$0; FY 15 - 0

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On October 2, 2014, the state Division of Local Services certified free cash as of July 1, 2014 for the City of Fall River as follows:

General Fund	\$3,961,620
Water Enterprise Fund	\$216,564
Sewer Enterprise Fund	\$766,065
Emergency Medical Services Enterprise Fund	\$500,617
Sanitation Enterprise Fund	\$212,422

On November 25, 2014, the state Division of Local Services approved the tax rates for the fiscal year 2015, with a balanced budget of \$277,734,409.

All short and long-term debt service obligations have been met through December 2014 and are fully budgeted for the fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Auditor, City Hall, One Government Center, Fall River, Massachusetts 02722.

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**CITY OF FALL RIVER, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2014**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Investments	\$ 13,095,055	\$ 5,157,135	\$ 18,252,190
Restricted Cash and Investments	23,294,528	6,672,994	29,967,522
Receivables, Net	24,588,439	9,633,182	34,221,621
Working Capital Deposit	7,461,139	-	7,461,139
Due From Fiduciary Funds	492,966	-	492,966
Employee advances	18,775	-	18,775
Inventory	-	602,911	602,911
Total Current Assets	<u>68,950,902</u>	<u>22,066,222</u>	<u>91,017,124</u>
Noncurrent Assets:			
Receivables, Net	7,097,552	9,674,199	16,771,751
Capital Assets Not Being Depreciated	19,250,689	11,473,471	30,724,160
Capital Assets, Net of Accumulated Depreciation	<u>337,468,418</u>	<u>229,240,836</u>	<u>566,709,254</u>
Total Noncurrent Assets	<u>363,816,659</u>	<u>250,388,506</u>	<u>614,205,165</u>
Total Assets	<u>432,767,561</u>	<u>272,454,728</u>	<u>705,222,289</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Expenses	18,744,477	2,603,686	21,348,163
Unearned Revenue	2,718,108	2,231,047	4,949,155
Accrued Interest	1,121,106	2,351,838	3,472,944
Other Liabilities	394,113	-	394,113
Claims Payable	2,408,553	1,350,000	3,758,553
Notes Payable	16,035,000	17,620,972	33,655,972
Capital Leases	25,222	72,612	97,834
Compensated Absences	777,127	55,578	832,705
Bonds and Notes Payable	<u>7,103,258</u>	<u>7,890,867</u>	<u>14,994,125</u>
Total Current Liabilities	<u>49,326,964</u>	<u>34,176,600</u>	<u>83,503,564</u>
Noncurrent Liabilities:			
Bonds and Notes Payable	61,179,899	152,385,769	213,565,668
Capital Leases	26,861	78,020	104,881
Workers' Compensation Claims	2,110,990	-	2,110,990
Net Other Post-Employment Benefit Obligation	203,763,558	8,572,785	212,336,343
Compensated Absences	<u>14,428,686</u>	<u>1,031,936</u>	<u>15,460,622</u>
Total Noncurrent Liabilities	<u>281,509,994</u>	<u>162,068,510</u>	<u>443,578,504</u>
Total Liabilities	<u>330,836,958</u>	<u>196,245,110</u>	<u>527,082,068</u>
NET POSITION			
Net Investment in Capital Assets	272,374,089	72,340,266	344,714,355
Restricted for:			
Loans	7,097,552	-	7,097,552
Other Specific Purposes	11,510,568	-	11,510,568
Nonexpendable Permanent Funds	874,881	-	874,881
Unrestricted	<u>(189,926,487)</u>	<u>3,869,352</u>	<u>(186,057,135)</u>
Total Net Position	<u>\$ 101,930,603</u>	<u>\$ 76,209,618</u>	<u>\$ 178,140,221</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF FALL RIVER, MASSACHUSETTS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

Functions/Programs	Expenses	Indirect Allocation	Program Revenues			Net (Expense) Revenue
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:						
Governmental Activities:						
General Government	\$ 11,621,260	\$ 7,031,460	\$ 2,529,337	\$ 13,125	\$ 1,634,836	\$ (14,475,422)
Public Safety	67,867,061	33,073,272	1,511,774	10,530,112	310,020	(88,588,427)
Education	162,581,337	21,163,535	101,053	163,414,457	2,763,668	(17,465,694)
Public Works	11,900,203	4,451,934	1,583,779	-	132,400	(14,635,958)
Community and Economic Development	12,551,659	1,361,289	558,459	2,229,510	-	(11,124,979)
Health and Human Services	7,217,754	804,493	55,257	9,770,752	-	1,803,762
Culture and Recreation	2,059,343	15,098	93,728	-	-	(1,980,713)
State and County Charges	10,528,441	(10,528,441)	-	-	-	-
Property and Liability Insurance	2,874,206	(2,874,206)	-	-	-	-
Pension Benefits	19,309,967	(19,309,967)	-	-	-	-
Employee Benefits	34,830,573	(34,830,573)	-	-	-	-
Claims and Judgments	357,894	(357,894)	-	-	-	-
Debt Service Interest	2,907,607	-	-	245,256	-	(2,662,351)
Total Governmental Activities	346,607,305	-	6,433,387	186,203,212	4,840,924	(149,129,782)
Business-Type Activities:						
Sewer	19,855,991	-	17,736,991	3,076,359	-	957,359
Water	7,195,330	-	9,497,863	219,802	-	2,522,335
EMS	3,290,267	-	4,722,784	-	-	1,432,517
Sanitation	6,654,879	-	1,647,718	-	-	(5,007,161)
Total Business-Type Activities	36,996,467	-	33,605,356	3,296,161	-	(94,950)
Total Primary Government	\$ 383,603,772	\$ -	\$ 40,038,743	\$ 189,499,373	\$ 4,840,924	\$ (149,224,732)

See accompanying Notes to Basic Financial Statements.

**CITY OF FALL RIVER, MASSACHUSETTS
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2014**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Net (Expense) Revenue (from Previous Page)	<u>\$ (149,129,782)</u>	<u>\$ (94,950)</u>	<u>\$ (149,224,732)</u>
General Revenues:			
Real Estate and Personal Property	80,227,290	-	80,227,290
Motor Vehicle and Other Excise Taxes	7,404,071	-	7,404,071
Tax Liens and Foreclosures	1,669,473	-	1,669,473
Penalties and Interest on Taxes	1,064,779	-	1,064,779
Grants and Contributions Not Restricted to Specific Purposes	21,265,048	-	21,265,048
Unrestricted Investment Income	180,137	11,921	192,058
Payments in Lieu of Taxes	361,136	-	361,136
Gain on sale of capital assets	592,110	-	592,110
Miscellaneous	5,112,725	-	5,112,725
Total General Revenues	<u>117,876,769</u>	<u>11,921</u>	<u>117,888,690</u>
Transfers, Net	<u>2,313,692</u>	<u>(2,313,692)</u>	<u>-</u>
Total General Revenues and Transfers	<u>120,190,461</u>	<u>(2,301,771)</u>	<u>117,888,690</u>
Change in Net Position	(28,939,321)	(2,396,721)	(31,336,042)
Net Position - Beginning of Year	<u>130,869,924</u>	<u>78,606,339</u>	<u>209,476,263</u>
Net Position - End of Year	<u>\$ 101,930,603</u>	<u>\$ 76,209,618</u>	<u>\$ 178,140,221</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF FALL RIVER, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2014**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 13,095,055	\$ -	\$ 13,095,055
Restricted Cash and Investments	-	10,440,817	10,440,817
Receivables, Net of Allowance for Uncollectible:			
Real Estate and Personal Property Taxes	1,995,977	-	1,995,977
Tax Liens and Foreclosures	6,750,399	-	6,750,399
Motor Vehicle and Boat Excise	1,876,997	-	1,876,997
Intergovernmental	2,056,923	9,976,475	12,033,398
Loans	-	7,097,552	7,097,552
Departmental and Other	1,370,825	560,843	1,931,668
Due from Fiduciary Funds	492,966	-	492,966
Employee advances	18,775	-	18,775
Total Assets	<u>\$ 27,657,917</u>	<u>\$ 28,075,687</u>	<u>\$ 55,733,604</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts Payable and Accrued Expenditures	\$ 5,649,999	\$ 3,848,982	\$ 9,498,981
Due to Other Funds	-	14,059	14,059
Other Liabilities	393,871	242	394,113
Unearned Revenue	-	2,180,204	2,180,204
Notes Payable	-	16,035,000	16,035,000
Total Liabilities	<u>6,043,870</u>	<u>22,078,487</u>	<u>28,122,357</u>
Deferred Inflows of Resources:			
Unavailable revenue	13,682,178	7,097,552	20,779,730
Fund Balances:			
Non-Spendable	18,775	874,881	893,656
Restricted	-	11,510,568	11,510,568
Committed	3,824,936	271,058	4,095,994
Assigned	54,245	-	54,245
Unassigned	4,033,913	(13,756,859)	(9,722,946)
Total Fund Balances (Deficit)	<u>7,931,869</u>	<u>(1,100,352)</u>	<u>6,831,517</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 27,657,917</u>	<u>\$ 28,075,687</u>	<u>\$ 55,733,604</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF FALL RIVER, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2014**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Real Estate and Personal Property Taxes	\$ 80,227,290	\$ -	\$ 80,227,290
Motor Vehicle and Other Excise Taxes	7,404,071	-	7,404,071
Tax Liens and Foreclosures	1,669,473	-	1,669,473
Payments in Lieu of Taxes	361,136	-	361,136
Penalties and Interest on Taxes	1,064,779	-	1,064,779
Licenses and Permits	1,998,315	-	1,998,315
Fines and Forfeitures	1,667,583	-	1,667,583
Intergovernmental	161,173,435	50,890,494	212,063,929
Charges for Services	5,456	423,717	429,173
Departmental and Other	2,338,316	5,112,725	7,451,041
Investment Income	74,134	106,003	180,137
Total Revenues	<u>257,983,988</u>	<u>56,532,939</u>	<u>314,516,927</u>
EXPENDITURES			
Current:			
General Government	5,459,750	4,125,070	9,584,820
Public Safety	30,956,627	11,648,484	42,605,111
Education	128,231,253	29,567,971	157,799,224
Public Works	8,988,370	2,252,433	11,240,803
Community and Economic Development	-	12,523,915	12,523,915
Health and Human Services	5,266,672	12,240	5,278,912
Culture and Recreation	1,117,229	1,423,952	2,541,181
Pension Benefits	19,309,967	-	19,309,967
Property and Liability Insurance	2,874,206	-	2,874,206
Employee Benefits	38,581,738	-	38,581,738
Claims and Judgments	357,894	-	357,894
State and County Charges	10,528,441	-	10,528,441
Debt Service:			
Principal	9,281,306	-	9,281,306
Interest	2,907,607	-	2,907,607
Total Expenditures	<u>263,861,060</u>	<u>61,554,065</u>	<u>325,415,125</u>
(DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(5,877,072)</u>	<u>(5,021,126)</u>	<u>(10,898,198)</u>
OTHER FINANCING SOURCES			
Premiums from Issuance of Bonds and Notes	245,256	-	245,256
Proceeds from Issuance of Bonds	-	1,229,751	1,229,751
Proceeds from Refunding Bonds	2,200,000	-	2,200,000
Proceeds from Sale of Assets	-	592,110	592,110
Transfers in	8,576,375	373,875	8,950,250
Transfers out	(5,787,097)	(849,461)	(6,636,558)
Total Other Financing Sources	<u>5,234,534</u>	<u>1,346,275</u>	<u>6,580,809</u>
NET CHANGE IN FUND BALANCES	(642,538)	(3,674,851)	(4,317,389)
Fund Balances - Beginning of Year	8,574,407	2,574,499	11,148,906
FUND BALANCES - END OF YEAR	<u>\$ 7,931,869</u>	<u>\$ (1,100,352)</u>	<u>\$ 6,831,517</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF FALL RIVER, MASSACHUSETTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

Total Governmental Fund Balances (Page 17)	\$ 6,831,517
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	356,719,107
Other assets are not available to pay for current-period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.	20,779,730
An Internal service fund is used by management to account for health insurance activities. The assets and liabilities of the internal service fund is reported in the governmental activities in the Statement of Net Position.	8,136,956
In the statement of net position, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(1,121,106)
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	(68,283,157)
Capital Leases	(52,083)
Net Other Post-Employment Benefit Obligations	(203,763,558)
Workers' Compensation Claims	(2,110,990)
Compensated Absences	(15,205,813)
Net Position of Governmental Activities (Page 14)	\$ 101,930,603

See accompanying Notes to Basic Financial Statements.

**CITY OF FALL RIVER, MASSACHUSETTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

Net Change in Fund Balances - Total Governmental Funds (Page 18) \$ (4,317,389)

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. These amounts represent the related activity of the current period:

Capital outlays	13,430,112
Depreciation	(14,290,078)

In the statement of activities, the loss on the disposal of capital assets is reported, whereas in governmental funds the disposal is not reported as financial resources. As a result, the change in net position differs from the change in fund balance by the net book value of the capital assets disposed.

(26,425)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the net change in deferred inflows of resources.

434,661

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 position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items in the Statement of Activities. These amounts represent the related activity of the current period:

Proceeds from Issuance of Bonds	(1,229,751)
Proceeds from Refunding Bonds	(2,200,000)
Bond Maturities	9,281,306
Capital Lease Obligations	(52,083)

In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds, interest is not reported until due. This amount represents the net change in accrued interest payable.

(52,174)

Some expenses reported in the statement of activities do not require current financial resources and, therefore, are not reported as expenditures in the governmental funds. These amounts represent the net changes:

Compensated absences	(739,148)
Workers' compensation claims	759,240
Net OPEB obligation	(33,688,757)

An Internal service fund is used by management to account for health insurance activities. The net activity of internal service funds is reported with Governmental Activities.

3,751,165

Change in Net Position of Governmental Activities (Page 16) \$ (28,939,321)

**CITY OF FALL RIVER, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF FUND NET POSITION
JUNE 30, 2014**

	Business-Type Activities Enterprise Funds				Governmental Activities - Internal Service Fund
	Sewer	Water	Nonmajor Business-Type Activities	Total	
ASSETS					
Current Assets:					
Cash and Investments	\$ 2,864,508	\$ 644,192	\$ 1,648,435	\$ 5,157,135	\$ -
Restricted Cash and Investments	4,477,255	2,195,300	439	6,672,994	12,853,711
Receivables, Net of Allowance for Uncollectibles:					
User Fees	3,677,929	3,767,022	508,328	7,953,279	-
Utility Liens	995,606	446,225	-	1,441,831	-
Intergovernmental	186,642	51,430	-	238,072	-
Other Receivables	-	-	-	-	69
Inventory	403,826	199,085	-	602,911	-
Working Capital Deposit	-	-	-	-	7,461,070
Due from Other Funds	-	-	-	-	14,059
Total Current Assets	<u>12,605,766</u>	<u>7,303,254</u>	<u>2,157,202</u>	<u>22,066,222</u>	<u>20,328,909</u>
Noncurrent Assets:					
Intergovernmental Receivable	9,098,199	576,000	-	9,674,199	-
Capital Assets Not Being Depreciated	2,283,026	9,190,445	-	11,473,471	-
Capital Assets, Net of Accumulated Depreciation	172,234,734	51,939,645	5,066,457	229,240,836	-
Total Noncurrent Assets	<u>183,615,959</u>	<u>61,706,090</u>	<u>5,066,457</u>	<u>250,388,506</u>	<u>-</u>
Total Assets	<u>196,221,725</u>	<u>69,009,344</u>	<u>7,223,659</u>	<u>272,454,728</u>	<u>20,328,909</u>
LIABILITIES					
Current Liabilities:					
Accounts Payable and Accrued Expenses	1,101,049	1,126,365	376,272	2,603,686	9,245,496
Accrued Interest	1,886,525	465,313	-	2,351,838	-
Unearned Revenue	2,231,047	-	-	2,231,047	537,904
Notes Payable	3,749,371	7,101,601	6,770,000	17,620,972	-
Capital Leases	-	-	72,612	72,612	-
Bonds Payable	5,392,736	2,498,131	-	7,890,867	-
Compensated Absences	4,231	20,305	31,042	55,578	-
Claims Payable	1,350,000	-	-	1,350,000	2,408,553
Total Current Liabilities	<u>15,714,959</u>	<u>11,211,715</u>	<u>7,249,926</u>	<u>34,176,600</u>	<u>12,191,953</u>
Noncurrent Liabilities:					
Compensated Absences	78,563	377,011	576,362	1,031,936	-
Capital Leases	-	-	78,020	78,020	-
Net Other Post-Employment Benefit Obligation	557,127	2,859,298	5,156,360	8,572,785	-
Bonds Payable	118,203,674	34,182,095	-	152,385,769	-
Total Noncurrent Liabilities	<u>118,839,364</u>	<u>37,418,404</u>	<u>5,810,742</u>	<u>162,068,510</u>	<u>-</u>
Total Liabilities	<u>134,554,323</u>	<u>48,630,119</u>	<u>13,060,668</u>	<u>196,245,110</u>	<u>12,191,953</u>
FUND NET POSITION					
Net Investment in Capital Assets	56,270,178	17,924,263	(1,854,175)	72,340,266	-
Unrestricted	5,397,224	2,454,962	(3,982,834)	3,869,352	8,136,956
Total Fund Net Position	<u>\$ 61,667,402</u>	<u>\$ 20,379,225</u>	<u>\$ (5,837,009)</u>	<u>\$ 76,209,618</u>	<u>\$ 8,136,956</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF FALL RIVER, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
YEAR ENDED JUNE 30, 2014**

	Business-Type Activities Enterprise Funds			Total	Governmental Activities - Internal Service Fund
	Sewer	Water	Nonmajor Business- Type Activities		
OPERATING REVENUES					
Charges for Services	\$ 17,736,991	\$ 9,464,730	\$ 6,370,502	\$ 33,572,223	\$ -
Employer Contributions	-	-	-	-	40,910,761
Employee Contributions	-	-	-	-	14,531,783
Other	-	33,133	-	33,133	1,252,534
Total Operating Revenues	<u>17,736,991</u>	<u>9,497,863</u>	<u>6,370,502</u>	<u>33,605,356</u>	<u>56,695,078</u>
OPERATING EXPENSES					
Salaries and Benefits	640,474	2,593,942	5,509,189	8,743,605	-
Services, Supplies, and Other Expenses	8,728,699	2,032,118	3,364,480	14,125,297	-
Claims Paid	-	-	-	-	52,953,368
Depreciation	4,441,639	1,275,222	1,071,477	6,788,338	-
Bad Debt Expense	573,969	-	-	573,969	-
Total Operating Expenses	<u>14,384,781</u>	<u>5,901,282</u>	<u>9,945,146</u>	<u>30,231,209</u>	<u>52,953,368</u>
OPERATING INCOME (LOSS)	<u>3,352,210</u>	<u>3,596,581</u>	<u>(3,574,644)</u>	<u>3,374,147</u>	<u>3,741,710</u>
NONOPERATING REVENUES (EXPENSES)					
Investment Earnings	5,382	-	6,539	11,921	9,455
Intergovernmental Revenue	3,076,359	219,802	-	3,296,161	-
Interest Expense	(5,471,210)	(1,294,048)	-	(6,765,258)	-
Total Nonoperating Revenue (Expenses), Net	<u>(2,389,469)</u>	<u>(1,074,246)</u>	<u>6,539</u>	<u>(3,457,176)</u>	<u>9,455</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>962,741</u>	<u>2,522,335</u>	<u>(3,568,105)</u>	<u>(83,029)</u>	<u>3,751,165</u>
TRANSFERS					
Transfers in	-	-	5,453,222	5,453,222	-
Transfers out	(1,397,397)	(2,544,444)	(3,825,073)	(7,766,914)	-
Total Transfers	<u>(1,397,397)</u>	<u>(2,544,444)</u>	<u>1,628,149</u>	<u>(2,313,692)</u>	<u>-</u>
CHANGE IN FUND NET POSITION	(434,656)	(22,109)	(1,939,956)	(2,396,721)	3,751,165
Fund Net Position - Beginning of Year	<u>62,102,058</u>	<u>20,401,334</u>	<u>(3,897,053)</u>	<u>78,606,339</u>	<u>4,385,791</u>
FUND NET POSITION - END OF YEAR	<u>\$ 61,667,402</u>	<u>\$ 20,379,225</u>	<u>\$ (5,837,009)</u>	<u>\$ 76,209,618</u>	<u>\$ 8,136,956</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF FALL RIVER, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014**

	Business-Type Activities Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Nonmajor Business- Type Activities	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users	\$ 18,291,748	\$ 9,710,689	\$ 6,700,943	\$ 34,703,380	\$ -
Payments to Suppliers and Employees	(7,798,641)	(3,872,553)	(8,362,090)	(20,033,284)	-
Payments for Interfund Services Provided	-	-	-	-	(53,749,047)
Receipts from Interfund Services Provided	-	-	-	-	56,696,843
Net Cash Provided (Used) by Operating Activities	<u>10,493,107</u>	<u>5,838,136</u>	<u>(1,661,147)</u>	<u>14,670,096</u>	<u>2,947,796</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Receipts from grants	1,348,533	-	-	1,348,533	-
Transfers in/(out), net	(1,397,397)	(2,544,444)	1,628,149	(2,313,692)	-
	<u>(48,864)</u>	<u>(2,544,444)</u>	<u>1,628,149</u>	<u>(965,159)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and Construction of Capital Assets	(5,183,856)	(5,059,044)	(673,420)	(10,916,320)	-
Principal Paid on Bonds	(9,471,934)	(7,951,388)	(6,770,000)	(24,193,322)	-
Interest Paid on Bonds	(3,743,386)	(1,074,246)	-	(4,817,632)	-
Proceeds from Bonds and Notes	8,368,620	9,071,601	6,770,000	24,210,221	-
Principal Paid on Capital Leases	-	-	(69,249)	(69,249)	-
Net Cash Used by Capital and Related Financing Activities	<u>(10,030,556)</u>	<u>(5,013,077)</u>	<u>(742,669)</u>	<u>(15,786,302)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and Dividends	5,382	-	6,539	11,921	9,455
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>419,069</u>	<u>(1,719,385)</u>	<u>(769,128)</u>	<u>(2,069,444)</u>	<u>2,957,251</u>
Cash and Cash Equivalents - Beginning of Year (Including \$2,778,856, \$3,667,938, and \$9,896,460 reported as restricted in the sewer, water and internal service funds, respectively)	6,922,694	4,558,877	2,418,002	13,899,573	9,896,460
CASH AND CASH EQUIVALENTS - END OF YEAR (Including \$4,477,255, \$2,195,300, \$439 and \$12,853,711 reported as restricted in the sewer, water, nonmajor and internal service funds, respectively)	<u>\$ 7,341,763</u>	<u>\$ 2,839,492</u>	<u>\$ 1,648,874</u>	<u>\$ 11,830,129</u>	<u>\$ 12,853,711</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating Income (Loss)	\$ 3,352,210	\$ 3,596,581	\$ (3,574,644)	\$ 3,374,147	\$ 3,741,710
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation Expense	4,441,639	1,275,222	1,071,477	6,788,338	-
Effects of Changes in Operating Assets and Liabilities:					
Accounts Receivable	1,184,346	(5,566)	330,441	1,509,221	1,765
User Charge Receivable	216,558	(286,323)	-	(69,765)	-
Utility Lien Receivables	146,180	94,821	-	241,001	-
Tax Title Receivables	207,563	123,607	-	331,170	-
Accounts Receivable Other	614,045	62,329	330,441	1,006,815	-
Inventory	(48,286)	182,778	-	134,492	-
Prepaid	-	-	-	-	113,863
Accounts Payable and Accrued Expenses	1,539,909	200,767	(45,841)	1,694,835	(371,637)
Compensated Absences	17,299	48,736	(2,605)	63,430	-
Unearned Revenue	(55,620)	-	-	(55,620)	(537,905)
Other Post-Employment Benefits	61,610	539,618	560,025	1,161,253	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 10,493,107</u>	<u>\$ 5,838,136</u>	<u>\$ (1,661,147)</u>	<u>\$ 14,670,096</u>	<u>\$ 2,947,796</u>
NONCASH TRANSACTIONS					
MWPAT Debt Subsidies	\$ 1,916,462	\$ 261,907	\$ -	\$ 2,178,369	\$ -

See accompanying Notes to Basic Financial Statements.

**CITY OF FALL RIVER, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2014**

	Pension Trust Fund (as of December 31, 2013)	Private Purpose Trust Funds	Agency
ASSETS			
Cash and Short-Term Investments	\$ 9,007,278	\$ 63,196	\$ 477,705
Investments	214,250,375	-	-
Receivables, Net of Allowance for Uncollectible:			
Employers	11,708,304	-	-
Other	-	-	496,519
Prepaid Expenses	4,324	-	-
Total Assets	<u>234,970,281</u>	<u>63,196</u>	<u>974,224</u>
LIABILITIES			
Accounts Payable and Accrued Expenses	6,039	-	101,068
Due to the General Fund	-	-	492,966
Deposits Held	-	-	380,190
Total Liabilities	<u>6,039</u>	<u>-</u>	<u>\$ 974,224</u>
NET POSITION			
Restricted for Pension Benefits and Other Purposes	<u>\$ 234,964,242</u>	<u>\$ 63,196</u>	

See accompanying Notes to Basic Financial Statements.

**CITY OF FALL RIVER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Description

The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

B. Reporting Entity

The City of Fall River, Massachusetts (City) is a municipal corporation that is governed by an elected City Council.

For financial reporting purposes, the basic financial statements include all funds, organizations, agencies, boards, commissions and institutions that are not legally separate from the City.

The City has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and/or significance of their relationship with the City are such that exclusion would cause the City's basic financial statements to be misleading or incomplete.

The City has included the Fall River Contributory Retirement System (System) as a fiduciary fund in the reporting entity because of the significance of its operational and financial relationship with the City.

The System was established to provide retirement benefits to City employees and their beneficiaries. The System is governed by a five-member board comprised of the City Auditor (ex-officio), two members elected by the System's participants, one member appointed by the City's Council and one member appointed by the System's four other Board members. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary funds financial statements.

The System does not issue a separate audited financial statement. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System located at 30 Third Street, Suite 301, Fall River, Massachusetts 02720.

C. Implementation of New Accounting Principles

The City has implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Statement No. 65 establishes accounting and financial reporting standards that (a) reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that previously were reported as assets and liabilities; and (b) recognize, as revenues or expenses, certain items that previously were reported as assets and liabilities. GASB Statement No. 65 had no retrospective reporting impact for the City.

**CITY OF FALL RIVER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (statement of net position and the statement of activities) report information on all non-fiduciary activities of the primary government and its discretely presented component units. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are primarily supported by user fees.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

Internal service funds and fiduciary funds are reported by fund type.

E. Measurement Focus, Basis of Accounting and Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a specific function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a specific function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues. Except for charges between the general fund and enterprise funds, the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

**CITY OF FALL RIVER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Fund Financial Statements

Governmental funds financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60-days after the end of the fiscal year. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental fund is reported:

The *general fund* is used to account for and report all financial resources not accounted for and reported in another fund.

The nonmajor governmental funds consist of special revenue, capital projects and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs and benefit the government or its citizenry.

**CITY OF FALL RIVER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Fund Financial Statements (Continued)

Proprietary funds financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major proprietary funds are reported:

The *sewer enterprise fund* is used to account for the City's sewer activities.

The *water enterprise fund* is used to account for the City's water activities.

The following nonmajor proprietary funds are reported:

The *EMS enterprise fund* is used to account for the City's emergency medical services activities.

The *sanitation enterprise fund* is used to account for the City's sanitation activities.

Fiduciary funds financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the government's programs.

The following fiduciary fund types are reported:

The *pension trust fund* is used to account for the activities of the System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefits individuals, private organizations, or other governments.

The *agency fund* is used to account for assets held in a custodial capacity. Such assets consist primarily of planning board performance deposits and student activity funds. Agency funds do not present the results of operations or have a measurement focus.

**CITY OF FALL RIVER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Deposits and Investments

Government-Wide and Fund Financial Statements

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less at the date of acquisition.

Investments are carried at fair value. Fair value is based on quotations from a national securities and exchange except for pooled funds, alternative investments and real estate, for which fair value is determined as follows:

Pooled Funds

The fair value of shares in managed investment pools is based on unit value reported by the funds.

Alternative Investments

Alternative investments are recorded at fair value as determined in good faith by the general partners of the venture capital firms after consideration of pertinent information, including current financial position and operating results, price-earnings multiples and available market prices of similar companies' securities, the nature of securities, marketability, restrictions on disposition and other appropriation and do not necessarily represent amounts which might ultimately be realized, since such amounts depend on future circumstances and cannot reasonably be determined until individual securities are liquidated.

Real Estate

The fair value of real estate funds is based on independent third-party appraisals. The investment managers of the funds are responsible for the reported value of those investments. However, the structure, risk profile, return potential and marketability of those investments differ from traditional equity and fixed income investments. Determination of the value of these investments involves subjective judgment because the actual market value can be determined only by negotiation between the parties to a sales transaction. As a result, the estimated values may differ significantly from the values that would have been used had a ready market for the real estate existed, and the differences could be material.

G. Accounts Receivable

The recognition of revenue related to accounts receivable reported in the government-wide, proprietary and fiduciary funds' financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

**CITY OF FALL RIVER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Accounts Receivable (Continued)

Real Estate Taxes, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1st, November 1st, February 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date.

Real estate tax liens are processed two months after the close of the valuation year on delinquent properties and are recorded as receivables in the fiscal year they are processed.

Motor Vehicle Excise Taxes

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

User Charges (Water, Sewer, EMS and Sanitation)

Water and Sewer

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

EMS

EMS user fees consist of ambulance charges and are recorded as receivables when services are performed.

Sanitation

Sanitation user fees consist of fees charged for refuse and recycling services and are recorded as receivables when services are performed.

Loans

The City administers various loan programs related to housing assistance to residents and capital needs assistance for small business. Loans are recorded as receivables upon issuance.

Departmental and Other

Departmental and other receivables consist primarily of parking tickets and public safety fines and are recorded as receivables when accrued.

**CITY OF FALL RIVER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Accounts Receivable (Continued)

Intergovernmental

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

H. Allowance for Uncollectible Amounts

The allowance for uncollectible amounts is estimated based on historical trends and specific account analysis for the following accounts receivable:

- Personal property taxes
- Motor vehicle and other excise taxes
- Departmental and other
- EMS user fees

The following types of accounts receivable are secured via the lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible amounts is not reported.

- Real estate taxes and tax liens
- User fees (excluding EMS)
- Loans

Intergovernmental receivables are considered 100% collectible.

I. Inventories

Government-Wide and Fund Financial Statements

Excluding the water and sewer enterprise funds, inventories of the governmental activities, governmental funds and proprietary funds are recorded as expenditures at the time of purchase. Such inventories are not material in total to the respective financial statements and therefore are not reported.

Inventories of the sewer and water enterprise funds are stated on a first-in, first-out basis.

J. Restricted Assets

Government-Wide and Funds Financial Statements

Assets are reported as restricted when limitations on their use change the nature of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

**CITY OF FALL RIVER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets

Government-Wide and Proprietary Funds Financial Statements

Capital assets, which consist of land, construction in progress, buildings and improvements, infrastructure (e.g., roads, water mains, sewer mains, and similar items), land improvements, machinery and equipment, automobiles and trucks, boat, office equipment, student furniture, information systems, library books and textbooks, are reported in the applicable governmental or business-type activities column of the government-wide financial statements.

Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation.

All individual asset purchases and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

Capital Asset Type	Estimated Useful Life (in Years)
Buildings and Improvements	40
Infrastructure	50
Machinery and Equipment	5-10
Other Assets	3-10

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Governmental Funds Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the fiscal year of the purchase.

L. Interfund Receivables and Payables

During the course of its operations, transactions occur between funds that may result in amounts owed between funds.

Government-Wide Financial Statements

Transactions of a buyer/seller nature between governmental funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as "internal balances."

**CITY OF FALL RIVER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Interfund Receivables and Payables (Continued)

Fund Financial Statements

Transactions of a buyer/seller nature between funds are not eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

M. Interfund Transfers

During the course of its operations, resources are permanently reallocated between funds.

Government-Wide Financial Statements

Transfers between governmental funds are eliminated from the governmental activities in the Statement of Activities. Any residual balances outstanding between the governmental activities and business-type activities are reported in the Statement of Activities as "Transfers, net."

Fund Financial Statements

Transfers between funds are not eliminated from the individual fund statements and are reported as transfers in and transfers out.

N. Unearned Revenue

Unearned revenue represents amounts collected in advance related to health insurance contributions and federal and state grants, and amounts billed and collected for sewer user charges.

O. Deferred inflows of resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Unavailable revenue is reported in the governmental funds balance sheet. Unavailable revenue represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting.

P. Net Position and Fund Balances

Government-Wide Financial Statements and Proprietary Funds Financial Statements (Net Position)

Net position is reported as restricted when amounts are restricted by outside parties for a specific future use.

**CITY OF FALL RIVER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Net Position and Fund Balances (Continued)

Net position has been “restricted” for the following:

“Loans” represents outstanding community development loans.

“Nonexpendable permanent funds” represents amounts held in trust for which the expenditures are restricted by various trust agreements.

“Other specific purposes” represents restrictions placed on the City’s assets from outside parties.

Governmental Funds Financial Statements (Fund Balances)

The following fund balance classifications describe the relative strength of the spending constraints:

Nonspendable — represents amounts that cannot be spent either because they are in nonspendable form (i.e., prepaid amounts) or because they are legally or contractually required to be maintained intact (i.e., principal of permanent fund).

Restricted — represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — represents amounts that can be used only for specific purposes imposed by a formal action of City Council, which is the highest level of decision-making authority for the City. Committed amounts may be established, modified, or rescinded only through actions approved by City Council.

Assigned — represents amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. Under the City’s structure, only authorized assignments for non-contractual encumbrances can be made by individual department heads.

Unassigned – represents the residual fund balance for the General Fund and the negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned and unassigned.

Encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

**CITY OF FALL RIVER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Long-Term Debt

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary funds statements of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources when the debt is issued. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

R. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL). Investment income derived from the permanent, proprietary and fiduciary funds is retained in the respective funds.

S. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Government-Wide and Proprietary Fund Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon employee retirements and resignations.

T. Post Retirement Benefits

Government-Wide and Fund Financial Statements

In addition to providing pension benefits and as more fully described in Note 10, the City provides health insurance coverage for current and future retirees and their spouses.

**CITY OF FALL RIVER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Use of Estimates

Government-Wide and Fund Financial Statements

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

V. Total Column

Government-Wide Financial Statements

The total column presented on the government-wide financial statements represents consolidated financial information.

Fund Financial Statements

The total column presented on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Municipal Law requires the adoption of a balanced budget that is approved by City Council. The Mayor presents an annual budget to the City Council, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. City Council, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year.

Generally, expenditures may not exceed the level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the City is statutorily required to pay debt service, regardless of whether such amounts are appropriated.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2014 approved budget for the general fund authorized approximately \$234,536,552 in appropriations. During fiscal year 2014, an increase in appropriations totaling approximately \$1,565,344 was authorized.

The Auditor's office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

**CITY OF FALL RIVER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

B. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2014, expenditures exceeded appropriations for public works (snow and ice). In accordance with Massachusetts Municipal Finance Laws, the snow and ice deficit will be raised on the fiscal year 2015 tax recapitulation.

C. Fund Deficits

As of June 30, 2014, the following fund deficits exist:

	Fund Deficit	Funding Source
Special Revenue Funds:		
Fall River Housing Authority	\$ 237,952	General Fund/Unassigned Fund Balance
McKinney Vento Homeless Transportation	133,066	General Fund/Unassigned Fund Balance
FY 14 Training 911	59,990	Grant Proceeds
Bullet Proof II	29,723	Grant Proceeds
GHSB	24,741	Grant Proceeds
Walking Beat Grant	21,699	Grant Proceeds
BCTC DTA Skills	19,664	Grant Proceeds
FY 12 Byrne Justice Assistance	16,363	Grant Proceeds
FY14 Business Police Partners	12,901	Grant Proceeds
Capital Project Funds:		
Morton Middle School	7,085,172	Issuance of Long-Term Debt
Energy and Building Improvements	4,900,000	Issuance of Long-Term Debt
Departmental and City Vehicles	885,732	Issuance of Long-Term Debt
City Building Improvements	335,369	Issuance of Long-Term Debt

NOTE 3 DEPOSITS AND INVESTMENTS

City (Excluding the Pension Trust Fund)

The municipal finance laws of the Commonwealth authorize the City to invest temporarily idle cash in bank term deposits and certificates of deposits, and treasury and agency obligations of the United States government, with maturities of one year or less; U.S. treasury or agency repurchase agreements with maturities of not more than 90 days; money market accounts; and the state treasurer's investment pool – the Massachusetts Municipal Depository Trust (MMDT). In addition, the City may invest certain trust funds in certain securities under the laws of the Commonwealth.

The MMDT meets the criteria of an external investment pool and operates in accordance with applicable state laws and regulations. The Treasurer of the Commonwealth serves as Trustee. The reported value of the pool is the same as the fair value of pool shares.

**CITY OF FALL RIVER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

A cash and investment pool is maintained that is available for use by all funds with unrestricted cash and investments. The deposits and investments of permanent funds, private purpose trust funds and the pension trust fund are held separately from other City funds.

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits may not be recovered. The City does not have a policy for custodial credit risk of deposits. As of June 30, 2014, \$15,705,992 of the City's bank balance of \$48,589,106 was uninsured and uncollateralized.

Investments Summary

The City's investments (including short-term investments) at June 30, 2014 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Total Amount	Investment Maturities (in Years)	
		Less than 1 year	1 to 5 Years
<u>Debt Securities:</u>			
Certificates of Deposit	\$ 1,074,591	\$ 1,969	\$ 1,072,622
Fixed Income Funds	1,446,448	-	1,446,448
Mutual Funds	1,005,210	-	-
Total Debt Securities	3,526,249	\$ 1,969	\$ 2,519,070
<u>Other Investments:</u>			
Equities	539,333		
Hedge Funds	39,145		
Real Estate	24,772		
Total Investments	\$ 4,129,499		

Investments - Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The City does not have a policy for interest rate risk of debt securities.

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk of investments. The City's investments are held by a counterparty and are exposed to custodial credit risk.

**CITY OF FALL RIVER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The City does not have a policy for credit risk of debt securities and the investments held by the City as of June 30, 2014 were not rated.

Pension Trust Fund (The System)

The System has expanded investment powers, including the ability to invest in equity securities, corporate bonds and other specified investments.

The System participates in the Pension Reserve Investment Trust (PRIT), which meets the criteria of an external investment pool and operates in accordance with applicable state laws and regulations. The Treasurer of the Commonwealth serves as Trustee and provides regulatory oversight. The reported value of the pool is the same as the fair value of the System's position in pool shares.

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the System's deposits may not be recovered. The System does not have a policy for custodial credit risk of deposits. As of December 31, 2013, the System was not exposed to custodial credit risk.

Investments Summary

The System's investments at December 31, 2013 are presented below. All investments are presented by investment type.

Investment Type	Total Amount
Pooled Alternative Investments	\$ 6,067,135
PRIT	211,683,281
Total Pension Trust Fund	\$ 217,750,416

Investments - Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The System does not have a policy for interest rate risk of debt securities.

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System does not have a policy for custodial credit risk of investments. As of December 31, 2013, the System's investments were not exposed to custodial credit risk.

**CITY OF FALL RIVER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The System does not have a policy for credit risk of debt securities. As of December 31, 2013, the System's investments in debt securities were unrated by a national credit rating organization.

NOTE 4 ACCOUNTS RECEIVABLE

At June 30, 2014, receivables for the individual major governmental funds and nonmajor governmental and internal service funds in the aggregate, including the applicable allowances for uncollectible amounts, were as follows:

	<u>Gross Amount</u>	<u>Allowance</u>	<u>Net</u>
Real Estate and Personal Property Taxes	\$ 1,995,977	\$ -	\$ 1,995,977
Tax Liens and Foreclosures	6,750,399	-	6,750,399
Motor Vehicle and Boat Excise	3,077,786	(1,200,789)	1,876,997
Departmental and Other	3,681,552	(1,749,815)	1,931,737
Intergovernmental	12,033,398	-	12,033,398
Loans (CDBG)	17,935,890	(10,838,338)	7,097,552
Total	<u>\$ 45,475,002</u>	<u>\$ (13,788,942)</u>	<u>\$ 31,686,060</u>

At June 30, 2014, receivables for the enterprise funds consisted of the following:

	<u>Gross Amount</u>	<u>Allowance</u>	<u>Net</u>
Enterprise Funds:			
User Fees	\$ 11,377,215	\$ (3,423,936)	\$ 7,953,279
Utility Liens	1,441,831	-	1,441,831
Intergovernmental	9,912,271	-	9,912,271
Total	<u>\$ 22,731,317</u>	<u>\$ (3,423,936)</u>	<u>\$ 19,307,381</u>

The Commonwealth has approved grants for school construction assistance. The assistance program, which is administered by the Massachusetts School Building Authority (MSBA), provides resources for allowable costs related to the school construction costs. The MSBA has approved a maximum grant totaling approximately \$36,986,309 for construction costs related to the Morton Middle School totaling approximately \$52,000,000. At June 30, 2014, approximately \$33,300,000 in MSBA grant revenue has been recorded. At June 30, 2014, a \$953,112 intergovernmental receivable has been reported in the Morton Middle School (capital project) nonmajor governmental fund's financial statements for reimbursable costs incurred to date, but not yet reimbursed.

**CITY OF FALL RIVER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 19,008,853	\$ 175,000	\$ -	\$ 19,183,853
Construction in Progress	48,164,490	59,237	48,156,891	66,836
Total Capital Assets Not Being Depreciated	<u>67,173,343</u>	<u>234,237</u>	<u>48,156,891</u>	<u>19,250,689</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	360,103,646	56,942,232	-	417,045,878
Infrastructure	56,476,045	2,111,000	-	58,587,045
Land Improvements	3,640,213	613,567	-	4,253,780
Machinery and Equipment	15,216,328	752,339	-	15,968,667
Automobiles and Trucks	17,125,472	271,831	(31,947)	17,365,356
Boat	273,446	-	-	273,446
Office Equipment	8,165,924	315,892	-	8,481,816
Student Furniture	3,987,968	-	-	3,987,968
Information Systems	8,140,933	-	-	8,140,933
Library Books	6,941,877	81,453	-	7,023,330
Textbooks	8,326,360	264,452	-	8,590,812
Total Capital Assets Being Depreciated	<u>488,398,212</u>	<u>61,352,766</u>	<u>(31,947)</u>	<u>549,719,031</u>
Accumulated Depreciation:				
Buildings and Improvements	127,781,964	9,625,156	-	137,407,120
Infrastructure	9,706,278	1,305,033	-	11,011,311
Land Improvements	1,098,767	305,405	-	1,404,172
Machinery and Equipment	12,648,906	805,820	-	13,454,726
Automobiles and Trucks	14,618,246	1,009,021	(5,522)	15,621,745
Boat	184,564	46,383	-	230,947
Office Equipment	7,800,174	166,018	-	7,966,192
Student Furniture	2,215,133	316,304	-	2,531,437
Information Systems	7,955,423	25,393	-	7,980,816
Library Books	6,580,875	135,118	-	6,715,993
Textbooks	7,375,727	550,427	-	7,926,154
Total Accumulated Depreciation	<u>197,966,057</u>	<u>14,290,078</u>	<u>(5,522)</u>	<u>212,250,613</u>
Total Capital Assets Being Depreciated, Net	<u>290,432,155</u>	<u>47,062,688</u>	<u>(26,425)</u>	<u>337,468,418</u>
Total Capital Assets	<u>\$ 357,605,498</u>	<u>\$ 47,296,925</u>	<u>\$ 48,130,466</u>	<u>\$ 356,719,107</u>

**CITY OF FALL RIVER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 CAPITAL ASSETS (CONTINUED)

<u>Business-Type Activity (Water)</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:				
Land	\$ 4,229,433	\$ -	\$ -	\$ 4,229,433
Construction in Progress	15,515,379	5,013,877	15,568,244	4,961,012
Total Capital Assets Not Being Depreciated	<u>19,744,812</u>	<u>5,013,877</u>	<u>15,568,244</u>	<u>9,190,445</u>
Capital Assets Being Depreciated:				
Infrastructure	52,572,993	15,493,117	-	68,066,110
Buildings and Improvements	2,522,816	-	-	2,522,816
Machinery and Equipment	572,365	31,468	-	603,833
Information Systems	24,013	-	-	24,013
Automobiles and Trucks	1,098,796	88,826	-	1,187,622
Office Equipment	48,761	-	-	48,761
Total Capital Assets Being Depreciated	<u>56,839,744</u>	<u>15,613,411</u>	<u>-</u>	<u>72,453,155</u>
Accumulated Depreciation:				
Infrastructure	15,327,189	1,161,048	-	16,488,237
Buildings and Improvements	2,392,850	56,161	-	2,449,011
Machinery and Equipment	406,983	35,729	-	442,712
Information Systems	24,013	-	-	24,013
Automobiles and Trucks	1,038,492	22,284	-	1,060,776
Office Equipment	48,761	-	-	48,761
Total Accumulated Depreciation	<u>19,238,288</u>	<u>1,275,222</u>	<u>-</u>	<u>20,513,510</u>
Total Capital Assets Being Depreciated, Net	<u>37,601,456</u>	<u>14,338,189</u>	<u>-</u>	<u>51,939,645</u>
Total Capital Assets	<u>\$ 57,346,268</u>	<u>\$ 19,352,066</u>	<u>\$ 15,568,244</u>	<u>\$ 61,130,090</u>

**CITY OF FALL RIVER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 CAPITAL ASSETS (CONTINUED)

<u>Business-Type Activity (Sewer)</u>	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 933,026	\$ -	\$ -	\$ 933,026
Construction in Progress	8,373,425	6,533,856	13,557,281	1,350,000
Total Capital Assets Not Being Depreciated	<u>9,306,451</u>	<u>6,533,856</u>	<u>13,557,281</u>	<u>2,283,026</u>
Capital Assets Being Depreciated:				
Infrastructure	216,793,716	13,434,366	-	230,228,082
Buildings and Improvements	4,632	-	-	4,632
Machinery and Equipment	1,439,792	122,915	-	1,562,707
Information Systems	7,202	-	-	7,202
Automobiles and Trucks	589,413	-	-	589,413
Office Equipment	17,541	-	-	17,541
Total Capital Assets Being Depreciated	<u>218,852,296</u>	<u>13,557,281</u>	<u>-</u>	<u>232,409,577</u>
Accumulated Depreciation:				
Infrastructure	53,675,352	4,435,427	-	58,110,779
Buildings and Improvements	3,904	66	-	3,970
Machinery and Equipment	1,439,792	6,146	-	1,445,938
Information Systems	7,202	-	-	7,202
Automobiles and Trucks	589,413	-	-	589,413
Office Equipment	17,541	-	-	17,541
Total Accumulated Depreciation	<u>55,733,204</u>	<u>4,441,639</u>	<u>-</u>	<u>60,174,843</u>
Total Capital Assets Being Depreciated, Net	<u>163,119,092</u>	<u>9,115,642</u>	<u>-</u>	<u>172,234,734</u>
Total Capital Assets	<u>\$ 172,425,543</u>	<u>\$ 15,649,498</u>	<u>\$ 13,557,281</u>	<u>\$ 174,517,760</u>

**CITY OF FALL RIVER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 CAPITAL ASSETS (CONTINUED)

Non-Major Enterprise Funds

<u>Business-Type Activity (Sanitation)</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Machinery and Equipment	\$ 4,199,283	\$ 320,380	\$ -	\$ 4,519,663
Buildings and Improvements	525,133	32,494	-	557,627
Automobiles and Trucks	<u>1,239,231</u>	<u>320,546</u>	<u>-</u>	<u>1,559,777</u>
Total Capital Assets Being Depreciated	<u>5,963,647</u>	<u>673,420</u>	<u>-</u>	<u>6,637,067</u>
Accumulated Depreciation:				
Machinery and Equipment	434,639	639,391	-	1,074,030
Buildings and Improvements	13,128	27,069	-	40,197
Automobiles and Trucks	<u>371,769</u>	<u>285,924</u>	<u>-</u>	<u>657,693</u>
Total Accumulated Depreciation	<u>819,536</u>	<u>952,384</u>	<u>-</u>	<u>1,771,920</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 5,144,111</u>	<u>\$ (278,964)</u>	<u>\$ -</u>	<u>\$ 4,865,147</u>
<u>Business-Type Activity (EMS)</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 159,365	\$ -	\$ -	\$ 159,365
Information Systems	18,207	-	-	18,207
Automobiles and Trucks	<u>436,103</u>	<u>-</u>	<u>-</u>	<u>436,103</u>
Total Capital Assets Being Depreciated	<u>613,675</u>	<u>-</u>	<u>-</u>	<u>613,675</u>
Accumulated Depreciation:				
Machinery and Equipment	43,039	31,873	-	74,912
Information Systems	18,207	-	-	18,207
Automobiles and Trucks	<u>232,026</u>	<u>87,220</u>	<u>-</u>	<u>319,246</u>
Total accumulated depreciation	<u>293,272</u>	<u>119,093</u>	<u>-</u>	<u>412,365</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 320,403</u>	<u>\$ (119,093)</u>	<u>\$ -</u>	<u>\$ 201,310</u>
Total Non-Major Enterprise Funds	<u>\$ 5,464,514</u>	<u>\$ (398,057)</u>	<u>\$ -</u>	<u>\$ 5,066,457</u>

**CITY OF FALL RIVER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:		
General Government	\$	18,964
Public Safety		1,427,976
Public Works		3,275,060
Education		9,290,892
Community and Economic Development		27,744
Culture and Recreation		249,442
Total Governmental Activities		<u>14,290,078</u>
Depreciation Expense	\$	<u>14,290,078</u>
Business-Type Activities:		
Water	\$	1,275,222
Sewer		4,441,639
Sanitation		952,384
EMS		119,093
Total Business-Type Activities		<u>6,788,338</u>
Depreciation Expense	\$	<u>6,788,338</u>

NOTE 6 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Receivables and payables between funds at June 30, 2014, are summarized as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Police Detail Agency Fund	\$ 492,966 (1)
Internal Service Fund	Nonmajor Governmental Funds	<u>14,059 (1)</u>
		<u>\$ 507,025</u>

(1) Represents funding of cash deficits in the respective funds

**CITY OF FALL RIVER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 6 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

Interfund transfers for the fiscal year ended June 30, 2014 are summarized as follows:

Transfers Out:	Transfers In:			Total	
	General Fund	Nonmajor Governmental Funds	Sanitation Enterprise Fund		
General Fund	\$ -	\$ 333,875	\$ 5,453,222	\$ 5,787,097	(1)
Nonmajor Governmental Funds	849,461	-	-	849,461	(2)
Sewer	1,397,397	-	-	1,397,397	(3)
Water	2,504,444	40,000	-	2,544,444	(3)
Sanitation	2,043,357	-	-	2,043,357	(3)
EMS	1,781,716	-	-	1,781,716	(3)
Total	<u>\$ 8,576,375</u>	<u>\$ 373,875</u>	<u>\$ 5,453,222</u>	<u>\$ 14,403,472</u>	

- (1) Represents transfer from the general fund for sanitation operating subsidy and transfer of cash balances reserved for HUD.
- (2) Represents transfers to the general fund from capital projects for MEMA receipts, special revenue funds for debt service and administrative fees and transfer from the community and urban development fund for debt service.
- (3) Represents transfer for indirect costs.

NOTE 7 SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue anticipation notes (RAN) or tax anticipation notes (TAN).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BAN) or grant anticipation notes (GAN).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and enterprise funds, respectively.

**CITY OF FALL RIVER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 7 SHORT-TERM FINANCING (CONTINUED)

Details related to the short-term debt activity for the fiscal year ended June 30, 2014, is as follows:

Notes Payable – Governmental Funds

<u>Purpose</u>	<u>Issuance Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>
Flood Damages	2/14/2013	2/14/2014	.65-1.25%	\$ 270,000	\$ -	\$ 270,000	\$ -
Morton Middle School	6/24/2014	2/13/2015	1.00%	8,000,000	9,000,000	8,000,000	9,000,000
Britland Park	2/14/2013	2/14/2014	1.25%	655,000	-	655,000	-
City Building Improvement	2/14/2014	2/13/2015	1.00%	560,000	560,000	560,000	560,000
Department & City Vehicle	2/14/2014	2/13/2015	1.00%	890,000	890,000	890,000	890,000
Park Improvements	2/14/2013	2/14/2014	1.25%	875,000	-	875,000	-
Energy & Building Improvements	2/14/2014	2/13/2015	1.00%	2,500,000	4,900,000	2,500,000	4,900,000
Police Cruisers	6/24/2014	2/13/2015	1.00%	-	185,000	-	185,000
Chapter 90 Transportation Aid	6/24/2014	2/13/2015	0.65%	500,000	500,000	500,000	500,000
Total Governmental Funds				<u>\$ 14,250,000</u>	<u>\$ 16,035,000</u>	<u>\$ 14,250,000</u>	<u>\$ 16,035,000</u>

Notes Payable – Enterprise Funds

<u>Purpose</u>	<u>Issuance Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>
CSO Project	2/14/2013	2/14/2014	.65-1.25%	\$ 4,700,000	\$ -	\$ 4,700,000	\$ -
MWPAT Interim Loan	11/15/2013	12/31/2014	0.11%	-	3,749,371	-	3,749,371
Total Sewer				<u>\$ 4,700,000</u>	<u>\$ 3,749,371</u>	<u>\$ 4,700,000</u>	<u>\$ 3,749,371</u>

<u>Purpose</u>	<u>Issuance Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>
Water Dam Repairs	2/14/2014	2/13/2015	1.00%	\$ 3,580,000	\$ 3,440,000	\$ 3,580,000	\$ 3,440,000
Phase 10 Water Project	2/14/2014	2/13/2015	1.00%	450,000	450,000	450,000	450,000
Phase 11 Water Project	2/14/2014	2/13/2015	1.00%	100,000	55,000	100,000	55,000
Phase 12 Water Project	2/14/2014	2/13/2015	1.00%	1,500,000	-	1,500,000	-
Phase 13 Water Project	2/14/2014	2/13/2015	1.00%	75,000	75,000	75,000	75,000
MWPAT Interim Loan	6/15/2014	12/31/2014	0.10%	-	3,081,601	-	3,081,601
Total Water				<u>\$ 5,705,000</u>	<u>\$ 7,101,601</u>	<u>\$ 5,705,000</u>	<u>\$ 7,101,601</u>

<u>Purpose</u>	<u>Issuance Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>
Recycling Bins	2/14/2013	2/14/2014	1.20-1.375%	\$ 2,400,000	\$ -	\$ 2,400,000	\$ -
Sanitation Trucks & Police Cruisers	2/14/2013	2/14/2014	1.20-1.375%	4,370,000	-	4,370,000	-
Recycling Bins	2/14/2014	2/13/2015	1.00%	-	2,400,000	-	2,400,000
Sanitation Trucks & Police Cruisers	2/14/2014	2/13/2015	1.00%	-	4,370,000	-	4,370,000
Total Sanitation				<u>\$ 6,770,000</u>	<u>\$ 6,770,000</u>	<u>\$ 6,770,000</u>	<u>\$ 6,770,000</u>

**CITY OF FALL RIVER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 8 LONG-TERM OBLIGATIONS

The following represents a summary of changes that occurred in long-term obligations during the fiscal year ended June 30, 2014:

	Beginning Balance	Additions	Payments	Ending Balance	Current Portion
<u>Governmental Activities</u>					
Bond and Notes Payable	\$ 74,134,712	\$ 3,429,751	\$ 9,281,306	\$ 68,283,157	\$ 7,103,258
Net OPEB Obligations	170,074,801	51,262,884	17,574,127	203,763,558	-
Capital Leases	-	80,690	28,607	52,083	25,222
Compensated Absences	14,466,665	1,678,825	939,677	15,205,813	777,127
Workers Compensation and Contingency Claims	2,870,230	181,798	941,038	2,110,990	-
Total Governmental Activities	<u>261,546,408</u>	<u>56,633,948</u>	<u>28,764,755</u>	<u>289,415,601</u>	<u>7,905,607</u>
<u>Business-Type Activities</u>					
Bond and Notes Payable	160,981,633	6,589,249	7,294,246	160,276,636	7,890,867
Net OPEB Obligations	7,411,532	1,767,035	605,782	8,572,785	-
Capital Leases	219,681	-	69,049	150,632	72,612
Compensated Absences	1,024,084	177,045	113,615	1,087,514	55,578
Total Business-Type Activities	<u>169,636,930</u>	<u>8,533,329</u>	<u>8,082,692</u>	<u>170,087,567</u>	<u>8,019,057</u>
Total	<u>\$ 431,183,338</u>	<u>\$ 65,167,277</u>	<u>\$ 36,847,447</u>	<u>\$ 459,503,168</u>	<u>\$ 15,924,664</u>

The governmental activities long-term liabilities are generally liquidated by the general fund.

**CITY OF FALL RIVER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 9 LONG-TERM DEBT

Details related to the outstanding indebtedness at June 30, 2014, and the debt service requirements are as follows:

Bonds and Notes Payable – Governmental Funds

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u>	<u>Current Portion</u>
<u>Governmental Activities</u>							
FY98 General Obligation Bonds Section 108	03/01/15	4.00%	\$ 975,000	\$ -	\$ 490,000	\$ 485,000	\$ 485,000
FY01 General Obligations Bonds	08/01/16	1.50%	1,405,000	-	320,000	1,085,000	340,000
FY03 General Obligation Bonds	03/01/21	5.00%	5,358,300	-	722,400	4,635,900	749,600
FY07 General Obligation Bonds	03/01/23	3.54-4.86%	6,969,900	-	3,071,000	3,898,900	561,000
FY09 General Obligation Bonds	07/15/26	4.13-4.33%	13,275,000	-	2,405,000	10,870,000	2,305,000
FY09 General Obligation Bonds	07/15/28	4.37%	28,740,000	-	1,230,000	27,510,000	1,285,000
FY09 MSBA Loans	11/01/28	2.00%	5,566,512	-	347,906	5,218,606	347,906
FY12 General Obligation Bonds	09/01/31	2.00%	11,845,000	-	695,000	11,150,000	695,000
FY14 General Obligation Bonds	12/01/27	2.86-3.32%	-	3,429,751	-	3,429,751	334,752
Total			\$ 74,134,712	\$ 3,429,751	\$ 9,281,306	\$ 68,283,157	\$ 7,103,258

Debt service requirements for principal and interest for governmental bonds and notes payable in future fiscal years were as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 7,103,258	\$ 2,519,907	\$ 9,623,165
2016	5,898,508	2,240,683	8,139,191
2017	5,360,907	2,034,030	7,394,937
2018	4,822,707	1,886,222	6,708,929
2019	4,535,207	1,746,118	6,281,325
2020	4,597,107	1,568,386	6,165,493
2021	4,679,207	1,383,929	6,063,136
2022	4,221,907	1,200,188	5,422,095
2023	3,631,907	1,037,944	4,669,851
2024	3,727,907	885,359	4,613,266
2025	3,822,907	741,271	4,564,178
2026	3,807,907	591,934	4,399,841
2027	3,817,907	439,828	4,257,735
2028	3,372,907	289,123	3,662,030
2029	3,382,907	139,708	3,522,615
2030	500,000	52,500	552,500
2031	500,000	35,000	535,000
2032	500,000	17,500	517,500
Total	\$ 68,283,157	\$ 18,809,630	\$ 87,092,787

**CITY OF FALL RIVER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 9 LONG-TERM DEBT (CONTINUED)

Bonds and Notes Payable – Enterprise Funds

Sewer Enterprise

<u>Business-Type Activities</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Sewer							
Federal Loan Agreement 91-74	6/30/2014	5.53%	\$ 28,140	\$ -	\$ 28,140	\$ -	\$ -
FY98 General Obligation Bonds	3/1/2015	4.00%	195,000	-	100,000	95,000	95,000
Federal Loan Agreement 94-20	2/1/2015	5.68%	461,091	-	223,624	237,467	237,467
Federal Loan Agreement 95-03	2/1/2015	5.68%	481,151	-	233,354	247,797	247,797
FY09 General Obligation Bonds	7/15/2028	4.38%	760,000	-	35,000	725,000	35,000
FY01 General Obligations Bonds	3/1/2021	3.52%	914,800	-	100,000	814,800	105,000
FY03 General Obligation Bonds	3/1/2023	380.00%	1,422,000	-	156,600	1,265,400	154,400
FY12 SQ General Obligation Bonds	3/1/2032	3.49 & 3.50 %	1,550,000	-	85,000	1,465,000	85,000
Pool Program Bonds CW-03-10-A	7/15/2033	2.35%	2,097,871	-	78,225	2,019,646	80,081
FY07 General Obligation Bonds	7/15/2026	425.00%	3,030,000	-	220,000	2,810,000	220,000
Pool Program Bonds CW-06-32A	7/15/2038	2.42%	3,641,048	-	101,785	3,539,263	104,279
Pool Program Bonds CW-02-37-A	2/1/2031	512.00%	4,366,983	-	176,754	4,190,229	184,486
Federal Loan Agreement 96-05	8/1/2029	494.00%	8,990,000	-	395,000	8,595,000	410,000
Pool Program Bonds CW-02-37	8/1/2033	500.00%	9,351,933	-	306,002	9,045,931	319,321
Pool Program Bonds CW-06-32	7/15/2036	2.30%	14,258,137	-	450,169	13,807,968	460,652
Pool Program Bonds CW-01-34	8/1/2032	500.00%	15,045,000	-	530,000	14,515,000	550,000
Pool Program Bonds CW-03-10	8/1/2033	5.00%	22,886,210	-	738,137	22,148,073	767,970
Pool Program Bonds CW-07-04	7/15/2038	2.37 & 2.42 %	31,258,369	-	873,339	30,385,030	894,777
MWPAT Water Bonds CW-07-04-A	1/15/2033	2.00%	3,200,000	-	129,443	3,070,557	132,257
FY14 General Obligation Bonds	12/1/2033	3.61%	-	4,619,249	-	4,619,249	309,249

Total \$ 123,937,733 \$ 4,619,249 \$ 4,960,572 \$ 123,596,410 \$ 5,392,736

Debt service requirements for principal and interest for sewer enterprise fund bonds and notes payable in future fiscal years are as follows:

	Principal	Interest	Total (Gross)	Less:		Total (Net)
				Subsidized Payments MWPAT		
2015	\$ 5,392,736	\$ 4,555,481	\$ 9,948,217	\$ 1,859,847	\$ -	\$ 8,088,370
2016	4,633,614	4,299,400	8,933,014	1,807,414	-	7,125,600
2017	4,939,500	4,110,554	9,050,054	1,766,244	-	7,283,810
2018	5,061,220	3,936,156	8,997,376	1,728,149	-	7,269,227
2019	5,188,475	3,777,279	8,965,754	1,696,496	-	7,269,258
2020	5,337,130	3,540,806	8,877,936	1,640,885	-	7,237,051
2021	5,477,054	3,318,081	8,795,135	1,591,366	-	7,203,769
2022	5,495,091	3,096,810	8,591,901	1,556,287	-	7,035,614
2023	5,658,102	2,761,939	8,420,041	1,594,740	-	6,825,301
2024	5,685,929	2,521,891	8,207,820	1,507,435	-	6,700,385
2025	5,860,915	2,327,886	8,188,801	1,457,033	-	6,731,768
2026	6,050,987	2,140,188	8,191,175	1,379,987	-	6,811,188
2027	6,227,180	1,891,482	8,118,662	1,323,637	-	6,795,025
2028	6,194,712	1,640,752	7,835,464	1,265,300	-	6,570,164
2029	6,383,519	1,384,848	7,768,367	1,204,875	-	6,563,492
2030	6,507,875	1,123,149	7,631,024	1,130,983	-	6,500,041
2031	6,009,821	872,260	6,882,081	862,993	-	6,019,088
2032	5,877,935	635,506	6,513,441	719,281	-	5,794,160
2033	5,970,451	447,818	6,418,269	715,030	-	5,703,239
2034	4,881,909	293,062	5,174,971	395,308	-	4,779,663
2035	2,352,553	229,700	2,582,253	-	-	2,582,253
2036	2,409,375	172,967	2,582,342	-	-	2,582,342
2037	2,467,573	114,862	2,582,435	-	-	2,582,435
2038	1,744,963	64,356	1,809,319	-	-	1,809,319
2039	1,787,791	21,625	1,809,416	-	-	1,809,416
Total	<u>\$ 123,596,410</u>	<u>\$ 49,278,858</u>	<u>\$ 172,875,268</u>	<u>\$ 27,203,290</u>	<u>\$ -</u>	<u>\$ 145,671,978</u>

**CITY OF FALL RIVER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 9 LONG-TERM DEBT (CONTINUED)

Water Enterprise

<u>Business-Type Activities</u> <u>Water</u>	<u>Maturity</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending</u> <u>Balance</u>	<u>Current</u> <u>Portion</u>
FY01 General Obligations Bonds	3/1/2021	3.45%	\$ 65,000	\$ -	\$ 5,000	\$ 60,000	\$ 5,000
Pool Program Bonds DW-06-06-A	7/15/2028	2.00%	222,424	-	11,914	210,510	12,155
FY03 General Obligation Bonds	3/1/2023	3.79-3.80%	630,000	-	65,000	565,000	65,000
Pool Program Bonds DW-07-20	7/15/2028	2.00%	907,530	-	48,613	858,917	49,595
Pool Program Bonds DW-06-06	7/15/2027	2.00%	1,042,855	-	60,216	982,639	61,432
Pool Program Bonds DW-04-10	7/15/2025	2.00%	1,652,766	-	112,443	1,540,323	114,715
Pool Program Bonds DW-01-18	8/1/2022	5.02%	1,780,503	-	150,590	1,629,913	159,448
MWPAT Water Bonds DW-09-09	7/15/2030	2.00%	1,882,776	-	87,772	1,795,004	89,546
Pool Program Bonds DW-10-04	7/15/2032	2.00%	2,039,154	-	82,486	1,956,668	84,278
FY07 General Obligation Bonds	7/15/2026	4.20-4.25%	2,150,000	-	295,000	1,855,000	295,000
MWPAT Water Bonds DW-08-15	7/15/2030	2.00%	2,434,428	-	113,490	2,320,938	115,782
Pool Program Bonds DW-03-09	8/1/2024	4.91%	2,639,320	-	179,515	2,459,805	185,004
MWPAT Water Bonds DW-05-08	7/15/2027	2.00%	3,272,800	-	188,975	3,083,825	192,793
Pool Program Bonds DW-02-19	8/1/2024	4.91%	5,833,804	-	396,991	5,436,813	409,114
FY12 SQ General Obligation Bonds	3/1/2032	3.20-4.00%	6,395,000	-	370,000	6,025,000	360,000
MWPAT Water Bonds DW-11-14	1/15/2033	2.00%	4,095,540	-	165,669	3,929,871	169,269
FY14 General Obligation Bonds	12/1/2033	2.00-4.00%	-	1,970,000	-	1,970,000	130,000
Total			\$ 37,043,900	\$ 1,970,000	\$ 2,333,674	\$ 36,680,226	\$ 2,498,131
Total Enterprise Funds			\$ 160,981,633	\$ 6,589,249	\$ 7,294,246	\$ 160,276,636	\$ 7,890,867

Debt service requirements for principal and interest for water enterprise fund bonds and notes payable in future fiscal years are as follows:

	Principal	Interest	Total (Gross)	Less: Subsidized		Total (Net)
				Payments MWPAT		
2015	\$ 2,498,131	\$ 1,143,112	\$ 3,641,243	\$ 251,159	\$ -	\$ 3,390,084
2016	2,403,887	1,041,287	3,445,174	240,786	-	3,204,388
2017	2,351,042	944,725	3,295,767	228,009	-	3,067,758
2018	2,403,278	872,152	3,275,430	218,323	-	3,057,107
2019	2,455,515	801,577	3,257,092	209,604	-	3,047,488
2020	2,503,550	708,425	3,211,975	194,051	-	3,017,924
2021	2,551,734	623,285	3,175,019	183,288	-	2,991,731
2022	2,590,598	537,088	3,127,686	172,890	-	2,954,796
2023	2,639,894	441,926	3,081,820	158,698	-	2,923,122
2024	2,436,457	345,563	2,782,020	79,871	-	2,702,149
2025	2,477,696	269,377	2,747,073	58,367	-	2,688,706
2026	1,658,734	228,945	1,887,679	-	-	1,887,679
2027	1,535,890	188,992	1,724,882	-	-	1,724,882
2028	1,446,412	152,032	1,598,444	-	-	1,598,444
2029	1,130,983	120,238	1,251,221	-	-	1,251,221
2030	1,067,212	92,068	1,159,280	-	-	1,159,280
2031	1,080,420	63,818	1,144,238	-	-	1,144,238
2032	810,427	37,861	848,288	-	-	848,288
2033	503,366	14,226	517,592	-	-	517,592
2034	135,000	2,700	137,700	-	-	137,700
Total	\$ 36,680,226	\$ 8,629,397	\$ 45,309,623	\$ 1,995,046	\$ -	\$ 43,314,577

During fiscal year 2014, the City issued \$10,019,000 of General Obligation State Qualified Bonds for general government, water and sewer projects, and to refund (current) certain debt obligations.

**CITY OF FALL RIVER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 9 LONG-TERM DEBT (CONTINUED)

The City participates in a program with the Massachusetts Water Pollution Abatement Trust that provides payments for future debt service of bonds outstanding. During fiscal year 2014, approximately \$2,178,369 of such assistance was received. Approximately \$29,214,839 (\$27,219,854 and \$1,994,985, for the sewer and water enterprise funds, respectively) will be received in future fiscal years. Of this amount, \$19,288,688 and \$9,926,151 represents interest and principal subsidies, respectively. Accordingly, a \$9,926,151 intergovernmental receivable has been reported in the enterprise funds' financial statements.

The City is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2014, the City had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
Sewer Projects	\$ 13,006,094
School Projects	25,177,728
Water Projects	9,539,918
Governmental Projects	26,805,250
Total	<u>\$ 74,528,990</u>

Current Refunding – February 2014

On February 13, 2014, the City issued \$2,200,000 in General Obligation State Qualified current refunding bonds to refund \$2,245,000 of previously issued and outstanding bonds with interest rates ranging from 4.5% to 5.25%. The interest rates of the refunding bonds range from 2.0% to 4.0%.

The net proceeds of the current refunding transaction totaled approximately \$2,264,000 (after payment of approximately \$49,000 in bond issuance costs and premium of approximately \$113,000) were used to retire the outstanding bonds and the related accrued interest. The City refunded the debt to reduce its total debt service payments by approximately \$290,000. There was no gain or loss on the refunding transaction.

NOTE 10 OTHER POST EMPLOYMENT BENEFITS

Plan Description – The City provides health, dental and life insurance coverage for its retirees and their survivors (hereinafter referred to as the “Plan”) as a single-employer defined benefit Other Post Employment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions. Changes to plan design and contribution rates must be accomplished through the collective bargaining process, state law or City ordinance. 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.

**CITY OF FALL RIVER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 10 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

The number of participants as of July 1, 2013, the latest actuarial valuation, was as follows:

Active Employees	2,362
Retired Employees and Surviving Spouses	2,025
Total	4,387

Funding Policy – The contribution requirements of Plan members and the City are established and may be amended by the City. The required health and dental insurance contribution rates of Plan members and the City are 25% and 75%, respectively. The City contributes 75% towards a \$5,000 term life insurance premium. 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.

Annual OPEB Cost and Net OPEB Obligation – The City’s annual OPEB cost (expense) (AOPEBC) 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 ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City’s annual OPEB cost for the year, the actual amount contributed to the plan, and changes in the City’s net OPEB obligation:

	Amount
Annual Required Contribution	\$ 55,152,277
Interest on Net OPEB Obligation	8,874,317
Adjustment to Annual Required Contribution	(10,996,675)
Annual OPEB Cost (Expense)	53,029,919
Contributions Made	18,179,909
Increase in Net OPEB Obligations	34,850,010
Net OPEB Obligation at Beginning of Year	177,486,333
Net OPEB Obligation at End of Year	\$ 212,336,343

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

Fiscal Year Ending	AOPEBC Beginning of Year	Annual OPEB Costs (AOPEBC)	Amount Contributed	Percentage of AOPEBC Contributed	Net OPEB Obligation
June 30, 2014	\$ 177,486,333	\$ 53,029,919	\$ 18,179,909	34.28%	\$ 212,336,343
June 30, 2013	143,398,947	52,533,024	18,445,638	35.11%	177,486,333
June 30, 2012	113,984,000	52,023,331	22,608,384	43.46%	143,398,947

**CITY OF FALL RIVER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 10 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Funded Status and Funding Progress – The funded status of the Plan at July 1, 2013, the most recent actuarial valuation, was as follows:

	(A)	(B)	(B-A)	(A/B)	(C)	
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) Individual Entry Age	Unfunded (Overfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2013	\$ -	\$ 609,007,615	\$ 609,007,615	\$ -	\$ 119,748,945	509%

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 healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 members) 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.

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

Valuation date:	July 1, 2013
Actuarial cost method:	Projected Unit Credit
Amortization method:	Level percentage of projected payroll
Remaining amortization period:	30 years (open)
Interest discount rate:	5.0%
Healthcare/Medical cost trend rate:	10.0% decreasing by 1.0% per year, to an ultimate level of 5.0% per year for 2017 and later

**CITY OF FALL RIVER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 10 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Allocation of AOPEBC – AOPEBC costs were allocated to the City’s functions as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
General Government	\$ 14,923,893	\$ 4,765,159	\$ 1,633,609	\$ 18,055,443
Culture and Recreation	2,919,950	1,023,951	351,035	3,592,866
Education	5,643,961	1,625,575	557,285	6,712,251
Public Safety	124,132,420	35,689,508	12,235,206	147,586,722
Public Works	13,822,568	5,208,430	1,785,573	17,245,425
Health and Human Services	8,632,009	2,950,261	1,011,419	10,570,851
Total AOPEBC - Governmental Activities	<u>170,074,801</u>	<u>51,262,884</u>	<u>17,574,127</u>	<u>203,763,558</u>
Business-Type Activities:				
Water	2,319,680	821,116	281,498	2,859,298
Sewer	495,517	93,750	32,140	557,127
Sanitation	2,446,552	464,718	159,316	2,751,954
Emergency Medical Services	2,149,783	387,451	132,828	2,404,406
Total AOPEBC - Business-Type Activities	<u>7,411,532</u>	<u>1,767,035</u>	<u>605,782</u>	<u>8,572,785</u>
Total AOPEBC	<u>\$ 177,486,333</u>	<u>\$ 53,029,919</u>	<u>\$ 18,179,909</u>	<u>\$ 212,336,343</u>

NOTE 11 RISK FINANCING

General

The City is exposed to various risks of loss related to general liability, property and casualty, workers’ compensation, unemployment, and employee health insurance claims. The City is self-insured for these activities and carries a stop loss insurance plan that limits the City’s exposure to \$150,000 per claim.

Health Insurance

The City has medical plans with Blue Cross Blue Shield of Massachusetts, under which it makes actual claims payments. The medical plan provider acts as a claims processor and a transfer of risk does not occur. City employees and retirees currently contribute 25% of the cost of health care and the remainder is funded by the City.

At June 30, 2014, the City’s health claims liability totaled \$2,408,553 and is based on approximate 2 months claims paid average. The table below shows the changes in the liabilities for claims.

	2014	2013
Claims Liability	\$ 3,021,940	\$ 2,897,453
Claims incurred	52,339,981	57,467,351
Payments	52,953,368	57,342,864
Claims Liability	<u>\$ 2,408,553</u>	<u>\$ 3,021,940</u>

**CITY OF FALL RIVER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 11 RISK FINANCING (CONTINUED)

Workers' Compensation

Workers' compensation claims are administered by a third party administrator and are funded on a pay-as-you-go basis from annual appropriations. The estimated future liability is based on history and injury type. The estimated liability at June 30, 2014 totaled \$2,110,990.

	2014	2013
Claims Liability	\$ 2,870,230	\$ 2,597,351
Claims incurred	181,798	693,879
Payments	941,038	421,000
Claims Liability	\$ 2,110,990	\$ 2,870,230

Unemployment Insurance

The City is self-insured for its unemployment compensation. The City's liability for unemployment claims is immaterial at June 30, 2014 and, therefore, is not reported.

NOTE 12 FUND BALANCES

The constraints on fund balances as listed in aggregate in the Governmental Funds Balance Sheet are detailed as follows:

Fund Balances	Non-Major Funds					Total
	General Fund	Special Revenue	Capital Projects	Permanent Trust	Total Non-Major Funds	
Non-Spendable:						
Prepaid Items	\$ 18,775	\$ -	\$ -	\$ -	\$ -	\$ 18,775
Permanent Fund Principal for:						
Education	-	-	-	43,814	43,814	43,814
Culture and Recreation	-	-	-	196,356	196,356	196,356
General Government	-	-	-	5,500	5,500	5,500
Cemetery	-	-	-	629,211	629,211	629,211
Total Non-Spendable	18,775	-	-	874,881	874,881	893,656
Restricted for:						
Education	-	954,005	630,735	189,847	1,774,587	1,774,587
Library	-	-	-	372,734	372,734	372,734
General Government	-	277,965	351,379	154,099	783,443	783,443
Cemetery	-	17,212	-	1,111,379	1,128,591	1,128,591
Historical Preservation	-	-	-	107,902	107,902	107,902
Public Safety	-	491,550	69,825	58,150	619,525	619,525
Other Capital Improvements	-	783,647	34,664	-	818,311	818,311
Public Parks and Conservation	-	-	6,669	-	6,669	6,669
Athletics	-	15,400	-	-	15,400	15,400
Bristol County Training Consortium	-	1,018,810	-	-	1,018,810	1,018,810
Circuit Breaker (SPED)	-	64,443	-	-	64,443	64,443
Conservation	-	209,002	-	-	209,002	209,002
Culture and Recreation	-	30,053	-	-	30,053	30,053
Health and Human Services	-	62,332	-	-	62,332	62,332
Community Development	-	2,019,346	-	-	2,019,346	2,019,346
School Lunch	-	10,165	-	-	10,165	10,165
Public Works	-	438,805	-	-	438,805	438,805
Public Access TV	-	2,030,450	-	-	2,030,450	2,030,450
Total Restricted	-	8,423,185	1,093,272	1,994,111	11,510,568	11,510,568
Committed for:						
Public Works	-	271,058	-	-	271,058	271,058
Next Years' Expenditures	3,824,936	-	-	-	-	3,824,936
Total Committed	3,824,936	271,058	-	-	271,058	4,095,994
Assigned to:						
General Government	27,120	-	-	-	-	27,120
Public Safety	13,160	-	-	-	-	13,160
Public Works	13,965	-	-	-	-	13,965
Total Assigned	54,245	-	-	-	-	54,245
Unassigned	4,033,913	(550,586)	(13,206,273)	-	(13,756,859)	(9,722,946)
Total Fund Balances	\$ 7,931,869	\$ 8,143,657	\$ (12,113,001)	\$ 2,868,992	\$ (1,100,352)	\$ 6,831,517

**CITY OF FALL RIVER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 13 STABILIZATION FUNDS

The City maintains a municipal purpose stabilization fund and an emergency medical services stabilization fund that were established under MGL Chapter 40, Section 5B. Appropriations in and out of these stabilization funds require two-thirds vote of City Council. Investment income is retained by the funds.

The balances of the municipal purpose stabilization fund and the emergency medical services stabilization fund at June 30, 2014 total \$3,602,096 and \$16,681, respectively. The municipal purpose stabilization fund balance is reported in the general fund as unassigned and the emergency medical services stabilization fund is reported as unrestricted net position in the EMS enterprise fund.

NOTE 14 CAPITAL LEASES

The City of Fall River has entered into various capital leases for certain equipment totaling \$561,512. Capital assets acquired through capital leases had a cost and net book value of \$561,512 and \$211,838, respectively. Depreciation expense for the year ended June 30, 2014 was \$104,233. The following schedule presents future minimum lease payments as of June 30, 2014:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 108,828
2016	70,537
2017	41,930
Net Minimum Lease Payments	<u>221,295</u>
Less: Amount Representing Interest	<u>(18,580)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 202,715</u></u>

NOTE 15 PENSION PLAN

Plan Description – The City contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Fall River Contributory Retirement System. Substantially all employees of the City are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System.

Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The System provides retirement, disability and death benefits to plan members and beneficiaries. Cost-of-living adjustments granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be authorized by the Fall River Contributory Retirement System and are borne by the System. The System issues a publicly available report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at 30 Third Street, Suite 301, Fall River, Massachusetts 02720.

**CITY OF FALL RIVER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 15 PENSION PLAN (CONTINUED)

Plan Membership - At December 31, 2013, the System's membership consisted of the following:

	<u>Group 1</u>	<u>Group 2 and 4</u>	<u>Total</u>
Active Members	1,200	485	1,685
Inactive Members	244	19	263
Retired Members	<u>1,016</u>	<u>521</u>	<u>1,537</u>
Total	<u><u>2,460</u></u>	<u><u>1,025</u></u>	<u><u>3,485</u></u>

Funding Policy – Chapter 32 of MGL governs the contributions of plan members and the City. Plan members are required to contribute to the System at rates ranging from 5% to 9% of annual covered compensation, there is an additional contribution of 2% of salary in excess of \$30,000 for employees hired on or after January 1, 1979. The City is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on annual covered payroll.

Contributions are recognized as additions in the period when they become due pursuant to formal commitments, statutory or contractual requirements. Benefits and refunds are recognized as deductions when incurred and administrative expenses are funded through investment earnings.

Annual Pension Cost – The City's contributions are actuarially determined based upon membership tier and plan provisions. Contributions to the System for the fiscal years ended June 30, 2014, 2013 and 2012 were \$21,142,195, \$20,341,360 and \$19,709,368, respectively, which equaled the City's annual required contribution. The current and two preceding fiscal years apportionment of the annual pension cost between the employers required the City to contribute approximately 92% of the total. At June 30, 2014, the City did not have a net pension obligation.

Funded Status and Funding Progress – The funded status of the plan at January 1, 2013, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/2013	\$ 209,774,679	\$ 522,108,817	\$ 312,334,138	40.18%	\$ 71,991,123	434%

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL for benefits.

**CITY OF FALL RIVER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 15 PENSION PLAN (CONTINUED)

Additional information as of the latest actuarial valuation is as follows: -

Valuation date:	January 1, 2013
Actuarial cost method:	Entry age normal
Amortization method:	Level dollar for the 2002 and 2003 ERIs and increasing amortization for the remaining unfunded liability
Remaining amortization period:	As of January 1, 2010, 8 years on 2002 and 2003 ERI and 27 years for remaining unfunded liability; the period is closed
Asset valuation method:	4-year smoothing of investment returns greater (less) than expected

Actuarial assumptions:

Investment rate of return:	7.75%
Projected salary increases:	3.00% in 2010, 3.50% in 2011, 4.00% in 2012 and 4.5% for 2013 and later
Cost of living adjustments:	3.00% of first \$14,000 of retirement income

Legally Required Reserve Accounts – The balances in the System’s legally required reserves as of December 31, 2013 were as follows:

	<u>Amount</u>
Annuity Savings Fund	\$ 74,568,223
Annuity Reserve Fund	28,694,378
Military Service Fund	71,159
Pension Fund	15,475,106
Pension Reserve Fund	116,155,376
Total	<u>\$ 234,964,242</u>

NOTE 16 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM

Public school teachers and certain administrators are members of the Massachusetts Teachers Retirement System, to which the City does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled \$33,933,028 for the fiscal year ended June 30, 2014 and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

**CITY OF FALL RIVER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 17 CONTINGENCIES

Various legal actions and claims are pending against the City. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2014, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the City at June 30, 2014.

The City participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2014, these programs are still subject to financial and compliance audits by federal agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

NOTE 18 FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS

In June 2012, GASB issued Statement No 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*. The implementation of this Statement, among other things, expands note disclosures and required supplementary information related to the Pension Trust.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made to the Measurement Date*. Statement No. 68 and 71 will require the City to recognize its long-term obligation for pension benefits. Although the City has not determined the amount of the pension liability, the amount is expected to be significant and have a detrimental effect on its financial statements. The required implementation date is fiscal year 2015.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, which established accounting and financial reporting standards related to government combinations and disposals of government operations. Management does not believe implementation of this Statement will impact the basic financial statements.

**CITY OF FALL RIVER, MASSACHUSETTS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
(NON-GAAP BUDGETARY BASIS)
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2014**

	Original Budget		Appropriation Transfers and Additions	Final Budget	Actual	Encumbrances Carried Forward	Positive (Negative) Variance
	Encumbrances Carried Forward	Budget as Adopted					
REVENUE							
Real Estate and Personal Property Taxes	\$ -	\$ 82,250,557	\$ (595,994)	\$ 81,654,563	\$ 81,896,763	\$ -	\$ 242,200
Motor Vehicle and Other Excise Taxes	-	7,015,000	(64,000)	6,951,000	7,404,071	-	453,071
Payments in Lieu of Taxes	-	395,500	14,000	409,500	361,136	-	(48,364)
Penalties and Interest on Taxes	-	991,000	-	991,000	1,064,779	-	73,779
Licenses and Permits	-	1,988,900	-	1,988,900	1,998,315	-	9,415
Fines and Forfeitures	-	1,233,000	-	1,233,000	1,667,583	-	434,583
Intergovernmental	-	126,961,437	365,786	127,327,223	127,240,407	-	(86,816)
Charges for Services	-	16,400	-	16,400	5,456	-	(10,944)
Departmental and Other	-	1,185,200	546,357	1,731,557	2,338,316	-	606,759
Investment Income	-	125,000	-	125,000	67,932	-	(57,068)
Total Revenue	-	222,161,994	266,149	222,428,143	224,044,758	-	1,616,615
EXPENDITURES							
General Government:	24,618	5,394,413	180,900	5,599,931	5,459,750	27,120	113,061
Public Safety	218,708	30,777,624	265,000	31,261,332	30,956,627	13,160	291,545
Public Works	-	6,884,348	30,000	6,914,348	8,988,370	13,965	(2,087,987) (a)
Education	11,208	94,326,126	-	94,337,334	94,298,225	-	39,109
Community Services	12,480	6,527,692	40,000	6,580,172	6,383,901	-	196,271
Debt Service	-	10,224,468	167,932	10,392,400	9,943,913	-	448,487
Pension Benefits	-	19,433,195	-	19,433,195	19,309,967	-	123,228
Health and Other Insurance	-	41,459,844	200,000	41,659,844	41,455,944	-	203,900
Claims and Judgments	-	400,000	-	400,000	357,894	-	42,106
Reserve Fund	-	100,000	473,000	573,000	-	-	573,000
State and County Charges	-	10,555,620	-	10,555,620	10,528,441	-	27,179
Total Expenditures	267,014	226,083,330	1,356,832	227,707,176	227,683,032	54,245	(30,101)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(267,014)	(3,921,336)	(1,090,683)	(5,279,033)	(3,638,274)	(54,245)	1,586,514
Other Financing Sources (Uses):							
Premium from issuance of bonds and notes	-	-	-	-	245,256	-	245,256
Transfers to Other Funds	-	(8,453,222)	(208,512)	(8,661,734)	(8,787,097)	-	(125,363)
Transfers from Other Funds	-	632,579	-	632,579	849,462	-	216,883
Transfers from Enterprise Funds - Indirect	-	7,726,914	-	7,726,914	7,726,913	-	(1)
Total Other Financing Sources (Uses)	-	(93,729)	(208,512)	(302,241)	34,534	-	336,775
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$ (267,014)	\$ (4,015,065)	\$ (1,299,195)	\$ (5,581,274)	(3,603,740)	\$ (54,245)	\$ 1,923,289
Budgetary Fund Balance - Beginning of Year					8,233,513		
BUDGETARY FUND BALANCE - END OF YEAR					\$ 4,629,773		

(a) Deficit the result of snow and ice deficit. In accordance with Massachusetts Municipal Finance Laws, the snow and ice deficit will be raised on the fiscal year 2015 tax recapitulation.

**CITY OF FALL RIVER, MASSACHUSETTS
PENSION PLAN SCHEDULES
YEAR ENDED JUNE 30, 2014**

PENSION PLAN SCHEDULES

The following schedules provide information related to the System as a whole, for which the City is one participating employer:

SCHEDULES OF FUNDING PROGRESS

Actuarial Valuation Date	(A) Actuarial Value of Assets	(B) Actuarial Accrued Liability (AAL) Individual Entry Age	(B-A) Unfunded (Overfunded) AAL (UAAL)	(A/B) Funded Ratio	(C) Covered Payroll	((B-A)/C) UAAL as a Percentage of Covered Payroll
1/1/2013	\$ 209,774,679	\$ 522,108,817	\$ 312,334,138	40%	\$ 71,991,123	434%
1/1/2011	221,384,455	480,334,238	258,949,783	46%	69,236,199	374%
1/1/2009	193,429,859	422,942,762	229,512,903	46%	70,178,061	327%
1/1/2007	217,828,844	381,777,665	163,948,821	57%	64,728,351	253%
1/1/2006	208,579,459	349,707,630	141,128,171	60%	53,802,705	262%
1/1/2005	218,685,230	269,517,661	50,832,431	81%	55,558,018	91%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended December 31,	Annual Required Contributions (ARC)	Percentage Contributed
2013	\$ 23,075,000	100%
2012	22,205,000	100%
2011	21,470,000	100%
2010	17,992,000	100%
2009	17,770,000	100%
2008	15,750,000	100%

The following schedule provides information related to the City's portion of the System's ARC:

CITY SHARE OF SYSTEM ARC

Year Ended June 30,	Annual Required Contributions (ARC)	Percentage of ARC Contributed	City ARC as a Percentage of System (ARC)
2014	\$ 21,142,195	100%	92%
2013	20,341,360	100%	92%
2012	19,709,368	100%	92%
2011	16,500,000	100%	92%
2010	15,740,762	100%	89%
2009	14,775,000	100%	94%

**CITY OF FALL RIVER, MASSACHUSETTS
OPEB PLAN SCHEDULE
YEAR ENDED JUNE 30, 2014**

SCHEDULES OF FUNDING PROGRESS

Actuarial Valuation Date	(A) Actuarial Value of Assets	(B) Actuarial Accrued Liability (AAL) Individual Entry Age	(B-A) Unfunded (Overfunded) AAL (UAAL)	(A/B) Funded Ratio	(C) Covered Payroll	((B-A)/C) UAAL as a Percentage of Covered Payroll
7/1/2013	\$ -	\$ 609,007,615	\$ 609,007,615	-	\$ 119,748,945	509%
7/1/2011*	-	569,388,842	569,388,842	-	114,445,000	498%

**CITY OF FALL RIVER, MASSACHUSETTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014**

NOTE A BUDGETARY – GAAP RECONCILIATION

For budgetary financial reporting purposes, the Uniform Massachusetts Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2014 is presented below:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>	<u>Fund Balance</u>
Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual	\$ 224,044,758	\$ 227,683,032	\$ 34,534	\$ 4,629,773
<u>Adjustments and Reclassifications</u>				
To record tax refunds payable	-	-	-	(300,000)
To record MTRS on-behalf payments	33,933,028	33,933,028	-	-
To record current refunding transaction	-	2,245,000	2,200,000	-
Stabilization fund to the general fund for GAAP purposes	<u>6,202</u>	<u>-</u>	<u>3,000,000</u>	<u>3,602,096</u>
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances	<u>\$ 257,983,988</u>	<u>\$ 263,861,060</u>	<u>\$ 5,234,534</u>	<u>\$ 7,931,869</u>