TAUNTON MUNICIPAL LIGHTING PLANT
(A COMPONENT UNIT OF THE CITY OF TAUNTON, MASSACHUSETTS)

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

TAUNTON MUNICIPAL LIGHTING PLANT

CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Municipal Lighting Commission
City of Taunton, Massachusetts, Municipal Lighting Plant

Report on the Financial Statements

We have audited the accompanying financial statements of the Taunton Municipal Lighting Plant (the "Plant") (a component unit of the City of Taunton, Massachusetts)**,** which comprise the statements of net position as of December 31, 2018 and 2017, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Taunton Municipal Lighting Plant, as of December 31, 2018 and 2017, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Presentation

As discussed in Note A, the financial statements present the Taunton Municipal Lighting Plant only and do not purport to, and do not present fairly the financial position of the City of Taunton, Massachusetts, as of December 31, 2018 and 2017, the changes in its financial position or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Change in Method of Accounting for Net OPEB Liability

As discussed in Note I to the financial statements, the Taunton Municipal Lighting Plant implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and Schedule of Contributions Other Post-Employment Benefits, Schedule of Changes in the Plant's Net OPEB Liability and Related Ratios, Schedule of Investment Returns for Other Post-Employment Benefits, Schedule of Plant's Contributions – Defined Benefit Pension Plan, and Schedule of Investment Returns – Defined Benefit Pension Plan on Pages 4-7 and 43-47 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 August 21, 2019 on our consideration of the Taunton Municipal Lighting Plant'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 the effectiveness of the Taunton Municipal Lighting Plant's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Taunton Municipal Lighting Plant's internal control over financial reporting and compliance.

Marcum LLP

Providence, RI
August 21, 2019

CITY OF TAUNTON, MASSACHUSETTS
MUNICIPAL LIGHTING PLANT
(AN ENTERPRISE FUND)
MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the City of Taunton, Massachusetts, Municipal Lighting Plant's annual financial report, management provides narrative discussion and analysis of the financial activities of the Municipal Lighting Plant for the year ended December 31, 2018 and 2017. The Plant's performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Overview of the Financial Statements:

The basic financial statements include (1) the statements of net position (2) the statements of revenues, expenses and changes in net position (3) the cash flow statements and (4) notes to the financial statements.

The Statement of Net Position is designed to indicate the Plant's financial position as of a specific point in time. At December 31, 2018, it shows our net position of $93,945,470 which is comprised of $96,870,825 invested in capital assets net of related debt, $13,208,818 restricted for depreciation, $10,510,769 restricted for pensions and $26,644,942 unrestricted net position deficit. The Plant's negative unrestricted net position of $26,644,942 at December 31, 2018 is primarily attributable to the legacy costs related to unfunded pension liabilities and OPEB liabilities which totaled approximately $55,000,000 at December 31, 2018. At December 31, 2017, it shows our net position of $87,218,963 which is comprised of $90,871,746 invested in capital assets net of related debt, $13,208,818 restricted for depreciation, $11,196,054 restricted for pensions and $28,057,655 unrestricted net position deficit. The Plant's negative unrestricted net position of $28,057,655 at December 31, 2017 is primarily attributable to the legacy costs related to unfunded pension liabilities and OPEB liabilities which totaled approximately $67,000,000 at December 31, 2017.

Our net position totaled $93.9 million at December 31, 2018, an increase of $6.7 million from December 31, 2017. The increase is due to net operating income of $9.6 million and payment of $2.9 million in lieu of taxes.

Our net position totaled $87.2 million at December 31, 2017, a decrease of $22.6 million from December 31, 2016. The decrease is the result of recording the net OPEB liability of $34.3 million to reflect implementation of GASB Statement No. 75. Also, reflected in the change to our net position is net operating income of $14.6 million, payment of $2.9 million in lieu of taxes.

The Statements of Revenues, Expenses and Changes in Net Position summarizes our operating results for the years ended December 31, 2018 and 2017. As discussed in more detail below, the Plant's net income for 2018 and 2017, was $9,674,007 and $14,598,787, respectively, before payments in lieu of taxes (PILOT).

The Statement of Cash Flows provides information about the cash receipts and cash payments during the accounting period. It also provides information about the investing and financing activities for the same period. A review of the Plant's Statements of Cash Flows indicates that the cash receipts from operating activities were sufficient to cover the operating expenses and capital projects, as well as contributions to the City.

Summary of Net Position

	2018	2017	2016
Current Assets	$ 38,096,491	$ 37,658,017	$ 37,985,577
Noncurrent Assets	155,879,618	157,310,819	138,107,542
Total Assets	193,976,109	194,968,836	176,093,119
Deferred Outflows of Resources	9,017,291	8,960,013	9,002,763
Total Assets and Deferred Outflows of Resources	$ 202,993,400	$ 203,928,849	$ 185,095,882
Current Liabilities	$ 14,053,011	$ 11,228,733	$ 11,710,230
Noncurrent Liabilities	75,451,518	90,501,908	49,638,886
Total Liabilities	89,504,529	101,730,641	61,349,116
Deferred Inflows of Resources	19,543,401	14,979,245	13,874,512
Net Investment in Capital Assets	96,870,825	90,871,746	92,607,851
Restricted for Depreciation	13,208,818	13,208,818	5,597,455
Restricted for Pension	10,510,769	11,196,054	9,484,494
Unrestricted	(26,644,942)	(28,057,655)	2,182,454
Total Net Position	93,945,470	87,218,963	109,872,254
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 202,993,400	$ 203,928,849	$ 185,095,882

Summary of Changes in Net Position

	2018	2017	2016
Operating Revenues	$ 102,469,567	$ 96,773,156	$ 97,891,540
Operating Expenses	91,397,996	86,451,461	82,253,365
Operating Income	11,071,571	10,321,695	15,638,175
Nonoperating Revenues Less Nonoperating Expenses	(1,397,564)	4,277,092	1,930,983
Increase in Net Position before Transfers	9,674,007	14,598,787	17,569,158
Transfers Out - Payment in Lieu of Taxes	(2,947,500)	(2,900,000)	(2,900,000)
Increase in Net Position	$ 6,726,507	$ 11,698,787	$ 14,669,158

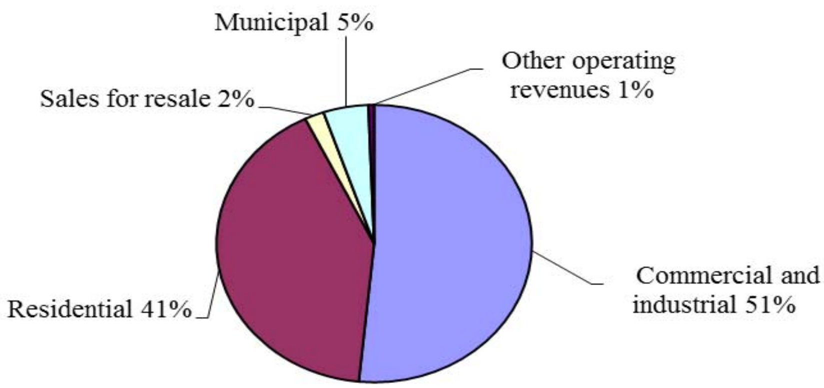
CITY OF TAUNTON, MASSACHUSETTS
MUNICIPAL LIGHTING PLANT
(AN ENTERPRISE FUND)
MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Highlights:

Operating revenues for 2018 increased by $5.7 million or 6% from 2017. The revenue increase was a result of a recognizing deferred income and sales growth. Operating revenues for 2017 decreased by $1.1 million or 1% from 2016. The revenue decrease was a result of a reduction of kWh sales to commercial customers as well as a reduction in demand.

Operating expenses for 2018 increased by $4.9 million or 6% from 2017. The increase in expenses is a result of higher Power and Transmission costs. Operating expenses for 2017 increased by $4.2 million or 5% from 2016. The increase in expenses is a result of higher Power and Transmission costs.

Source of 2018 Operating Revenues



Utility Plant and Debt Administration:

<u>Utility Plant</u>

There was an increase in net utility plant in service of approximately $1.2 for 2018. This increase is the difference between the current year additions of $9.1 million and the annual depreciation (3% of depreciable gross plant) expense of $7.9 million. Additions to plant consisted principally of approximately $649,000 in production plant, $6.9 million in distribution plant and $1.6 million in general plant. Major items capitalized include general distribution infrastructure upgrades, communication equipment, and generation plant overhaul

There was a decrease in net utility plant in service of $436,000 for 2017. This decrease is the difference between the current year additions of $7.4 million and the annual depreciation (3% of depreciable gross plant) expense of $7.8 million. Additions to plant consisted principally of approximately $1.6 million in production and transmission plant, $4.1 million in distribution plant and $1.7 million in general plant. Major items capitalized include the West Water Street Load Reducing Generator and a dedicated feeder for National Grid.

Debt Administration

The Plant issued bonds totaling $10,113,715 (including premium of $1,038,215) on September 28, 2017. These general obligation bonds are guaranteed in full faith and credit of the City of Taunton. Additional information on the Plant's debt obligations can be found in Note E (pages 27-28) to the financial statements.

Significant Balances and Transactions:

Depreciation Fund

The Plant maintains this fund to pay for capital investments and improvements. These capital items are paid from the operating fund, which is then replenished by funds transferred from the depreciation fund. The depreciation fund is required by state statute. The Light Plant must set aside 3% of its gross depreciable plant annually to be used principally for capital expenditures. Interest earned on the account is kept in the fund.

Sick Leave Trust Fund

The Plant maintains a fully funded Sick Leave Trust Fund ("Trust") for the financing of future sick leave payments. It is the Plant's intention that the Trust be funded to the extent of the Plant's sick leave liability and that future sick leave expense will be paid by the Trust.

Pension Plans

The employees of the Light Plant participate in the City of Taunton Retirement System. In addition to investments made by the System, a separate fiduciary fund (plant retirement trust) has been established by the Plant to provide funding of the Plant's past unfunded service costs. Each year the Light Plant is assessed by the City for its share of such pension costs.

Customer Deposits

The Plant collects deposits from residential and commercial accounts when they come into the system. Deposits can be refunded when a customer has demonstrated a good credit history or upon leaving the system. Interest is paid for as long as the Plant holds the deposit.

Request for Information:

This financial report is designed to provide a general overview of the City of Taunton, Massachusetts, Municipal Lighting Plant's finances for all those with an interest in the Plant's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Office of the Business Manager, 55 Weir Street, Taunton, MA 02780.

TAUNTON MUNICIPAL LIGHTING PLANT

STATEMENTS OF NET POSITION

DECEMBER 31, 2018 AND 2017

	2018	2017
Utility Plant - at Cost		
Plant in service	$ 263,280,600	$ 254,530,527
Less: Accumulated depreciation	173,264,055	165,753,120
Net Utility Plant in Service	90,016,545	88,777,407
Investment in Seabrook	251,229	291,252
Construction work in progress	19,446,239	16,431,802
Total Utility Plant	109,714,013	105,500,461
Other Assets		
Depreciation Fund - designated funds	13,208,818	13,208,818
Rate stabilization - designated funds	2,300,000	6,000,000
Sick leave fund	13,667,348	14,558,170
Sick leave annuities	4,033,815	4,649,559
Plant employees' retirement fund	10,510,769	11,196,054
Other post - employment benefits fund	507,624	507,624
Investment in Hydro Quebec Project	148,663	148,663
Investment in Energy New England LLC	1,788,568	1,541,470
Total Other Assets	46,165,605	51,810,358
Current Assets		
Cash	22,981,681	21,475,904
Customer deposits	1,851,226	1,792,671
Accounts receivable, less allowance for doubtful accounts of $2,173,186 and $1,728,704 in 2018 and 2017, respectively	6,853,553	7,174,570
Accounts receivable - internet services	127,208	80,749
Materials and supplies inventory	5,839,433	5,253,121
Prepaid expenses	443,390	1,881,002
Total Current Assets	38,096,491	37,658,017
Total Assets	193,976,109	194,968,836
Deferred Outflows of Resources		
Deferred outflows for pensions	8,256,197	8,960,013
Deferred outflows for OPEB	761,094	--
Total Deferred Outflows of Resources	9,017,291	8,960,013
Total Assets and Deferred Outflows of Resources	$ 202,993,400	$ 203,928,849

The accompanying notes are an integral part of these financial statements.

TAUNTON MUNICIPAL LIGHTING PLANT

STATEMENTS OF NET POSITION (CONTINUED)

DECEMBER 31, 2018 AND 2017

Liabilities, Deferred Inflows of Resources and Net Position

	2018	2017
Net Position		
Net Investment in capital assets	$ 96,870,825	$ 90,871,746
Restricted for depreciation	13,208,818	13,208,818
Restricted for pensions	10,510,769	11,196,054
Unrestricted net position	(26,644,942)	(28,057,655)
Total Net Position	93,945,470	87,218,963
Non-Current Liabilities		
Bonds payable and bonds premium- excluding current portion	11,108,188	12,878,215
Sick leave - excluding current portion	4,738,224	5,247,433
Sick leave annuities - obligation	4,033,815	4,649,559
Accrued vacation - excluding current portion	277,062	345,454
Net OPEB liability	35,516,592	44,731,943
Net pension liability	19,777,637	22,649,304
Total Non-Current Liabilities	75,451,518	90,501,908
Current Liabilities		
Bonds payable - current portion	1,735,000	1,750,500
Accounts payable	8,063,443	5,271,602
Customer deposits	2,322,443	2,263,541
Accrued liabilities:		
Vacation - current portion	1,169,303	1,110,304
Sick leave - current portion	218,608	282,091
Interest	112,334	112,584
Payroll	337,679	345,497
Other	94,201	92,614
Total Current Liabilities	14,053,011	11,228,733
Total Liabilities	89,504,529	101,730,641
Deferred Inflows of Resources		
Rate stabilization	2,300,000	6,000,000
Deferred inflows for pensions	5,448,696	5,998,058
Deferred inflows for OPEB	8,569,405	--
Contribution in aid of construction	3,225,300	2,981,187
Total Deferred Inflows of Resources	19,543,401	14,979,245
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 202,993,400	$ 203,928,849

The accompanying notes are an integral part of these financial statements.

TAUNTON MUNICIPAL LIGHTING PLANT

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Operating Revenues		
Sales of Electricity		
Commercial and industrial	$ 52,928,287	$ 51,378,585
Residential	44,686,432	41,078,986
Sales for resale	2,081,377	1,987,659
Municipal	4,915,878	4,610,589
Discounts given	(2,813,203)	(2,864,674)
Total Sales of Electricity	101,798,771	96,191,145
Other Operating Revenues	670,796	582,011
Total Operating Revenues	102,469,567	96,773,156
Operating Expenses		
Power production and purchases	56,388,077	47,985,605
Transmission and distribution	20,235,033	18,936,696
Customer accounting	4,497,130	3,811,129
Administrative and general	2,079,992	7,548,893
Depreciation and amortization	7,873,062	7,835,161
Nuclear expense	324,702	333,977
Total Operating Expenses	91,397,996	86,451,461
Earnings from Operations	11,071,571	10,321,695
Other Income (Expenses)		
Interest expense	(456,780)	(281,178)
Interest income	51,843	25,053
Internet income, net	337,097	442,897
Loss on disposal of nonutility property	(717)	(23,581)
Investment income-sick leave fund	(890,822)	2,220,480
Investment income-retirement fund	(685,285)	1,711,560
Investment income other post - employment benefits fund	--	1,034
Bond issuance costs	--	(113,715)
Other income (expenses)	247,100	294,542
Net Other Income (Expenses)	(1,397,564)	4,277,092
Net Income Before Transfers	9,674,007	14,598,787
Transfers Out		
Payment in lieu of taxes	(2,947,500)	(2,900,000)
Change in Net Position	6,726,507	11,698,787
Net Position - Beginning	87,218,963	109,872,254
Prior Period Adjustment - See Note M	--	(34,352,078)
Net Position - Beginning (as restated)	87,218,963	75,520,176
Net Position - Ending	$ 93,945,470	$ 87,218,963

The accompanying notes are an integral part of these financial statements.

TAUNTON MUNICIPAL LIGHTING PLANT

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash Flows from Operating Activities		
Cash received from customers	$ 100,586,507	$ 98,153,062
Cash payments to suppliers and employees	(89,356,745)	(84,468,190)
Net Cash Provided by Operating Activities	11,229,762	13,684,872
Cash Flows from Non-Capital Financing Activities:		
Payment to City in lieu of taxes	(2,947,500)	(2,900,000)
Net Cash Used in Non-Capital Financing Activities	(2,947,500)	(2,900,000)
Cash Flows from Capital and Related Financing Activities		
Additions to utility plant, including construction in process	(9,249,420)	(12,146,381)
Proceeds from bond issuance	--	10,113,715
Principal paid on bonds and anticipation notes	(1,750,500)	(2,295,000)
Bond issuance costs	--	(113,715)
Interest paid on bonds	(492,075)	(203,217)
Net Cash Used in Capital and Related Financing Activities	(11,491,995)	(4,644,598)
Cash Flows from Investing Activities		
Interest and dividend income	51,843	26,087
Investment income - sick leave fund	580,642	388,433
Investment income - retirement fund	441,580	289,393
Net Cash Provided by Investing Activities	1,074,065	703,913
Net (Decrease) Increase in Cash and Cash Equivalents	(2,135,668)	6,844,187
Cash and Cash Equivalents - Beginning of Year	42,477,393	35,633,206
Cash and Cash Equivalents - End of Year (Note D)	$ 40,341,725	$ 42,477,393

The accompanying notes are an integral part of these financial statements.

TAUNTON MUNICIPAL LIGHTING PLANT

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 11,071,571	$ 10,321,695
Adjustments to reconcile operating income to net cash provided by operating activities:		
Internet income, net	337,097	442,897
Investment losses (income) on investments in associated companies	40,023	(13,781)
Depreciation and amortization	7,873,062	7,835,161
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	274,558	(129,508)
Increase in sick leave fund	(580,642)	(388,433)
Increase in retirement fund	(441,580)	(289,393)
Increase in other post - employment benefits fund	--	(1,034)
Decrease (increase) in prepaid expenses	1,437,612	(691,447)
(Increase) decrease in deferred outflows of resources	(57,278)	42,750
(Increase) decrease in materials and supplies inventory	(586,312)	381,339
Decrease in deferred inflows of resources for rate stabilization	(3,700,000)	--
Decrease in deferred inflows of resources for pensions	(549,362)	(1,876,454)
Increase in deferred inflows of resources for OPEB	8,569,405	--
(Decrease) increase in net OPEB liability	(9,215,351)	760,983
Decrease in net pension liability	(2,871,667)	(771,095)
Increase (Decrease) in accounts payable	158,022	(147,907)
Increase in customer deposits	58,902	85,779
Decrease in sick leave liability	(572,692)	(1,934,039)
(Decrease) increase in accrued liabilities	(15,606)	57,359
Total Adjustments	158,191	3,363,177
Net Cash Provided by Operating Activities	$ 11,229,762	$ 13,684,872
Non-Cash Investing Activities:		
Change in the fair value of investments-sick leave fund	$ (1,471,464)	$ 1,832,047
Change in the fair value of investments-retirement fund	$ (1,126,865)	$ 1,422,167

The accompanying notes are an integral part of these financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

The Plant is a regulated municipal electric utility located in Taunton, Massachusetts. The Plant is a component unit of the City of Taunton, Massachusetts, and produces, purchases and distributes electricity to approximately 38,000 customers in the City of Taunton and the surrounding areas.

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

These financial statements present only the financial position, results of operations, and cash flows of the Plant and do not present the financial position, results of operations, and cash flows of the City of Taunton as a whole.

BASIS OF ACCOUNTING

The Plant presents its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board (GASB). Under the accrual basis revenues are recognized when earned and expenses when the related liability for goods and services is incurred regardless of the timing of cash flows.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RATES

The Plant is under the charge and control of the Municipal Lighting Plant Commissioners in accordance with Chapter 164, Section 55, of the General Laws of the Commonwealth of Massachusetts. Electric power is both produced and purchased and is distributed to customers within their service area.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RATES (CONTINUED)

The rates charged by the Plant to its customers are filed with the Department of Public Utilities (DPU) and are subject to Chapter 164, Section 58, of the General Laws, which provides that prices shall be fixed to yield not more than 8% per annum on the cost of the plant after repayment of operating expenses, interest on outstanding debt, the requirements of any serial debt and depreciation.

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

DEFERRED OUTFLOWS / INFLOWS OF RESOURCES

In addition to assets, the statement of financial position can report a separate section for deferred outflows of resources. This separate section represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until that later date. At December 31, 2018 and 2017, the Plant reported $9,017,291 and $8,960,013, respectively of deferred outflows of resources related to pension and OPEB (Other Post-Employment Benefits) in the statement of net position. A deferred outflow of resources related to pension and OPEB results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension/OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension and OPEB plans (active employees and inactive employees).

In addition to liabilities, the statement of financial position can report a separate section for deferred inflows of resources. This separate section represents the acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until a later date. At December 31, 2018 and 2017, there was $2,300,000 and $6,000,000 in deferred inflows related to a rate stabilization adjustment. The Plant also reports a deferred inflow of resources related to pension plan and OPEB. At December 31, 2018 and 2017, there was $14,018,101 and $5,998,058, respectively, in deferred inflows due to changes of assumptions related to the pension plan and OPEB. A deferred inflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and include in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees). Additionally at December 31, 2018 and 2017, there was $3,225,300 and $2,981,187, respectively in deferred inflows due to contribution in aid of construction.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

UTILITY PLANT

The provision for depreciation of the utility plant was computed in 2018 and 2017 at 3% of the cost of plant in service at the beginning of the year, exclusive of land and land rights. No depreciation is taken in the year of plant additions and a full year's depreciation is taken in the year of disposal.

Massachusetts law stipulates that the Plant may change its depreciation rate from the statutory 3% only with the approval of the DPU. Depreciation designated cash is used in accordance with state laws for replacements, enlargements and additions to the utility plant in service. The Plant capitalizes individual purchases of $3,000 or more and groups of purchases of similar items of $5,000 or more. Office furniture purchased for more than $1,000 or office equipment, meters, transformers and vehicles purchased for more than $500 are capitalized.

INVESTMENT IN SEABROOK

The Plant's Investment in Seabrook Plant represents a 0.10034% joint ownership share. The Plant records annual depreciation computed at 4% of the initial investment in Seabrook. The Plant's percentage share of new plant additions are capitalized and their share of operating and maintenance expenses, and decommissioning expenses (see Note C) are charged against earnings.

SICK LEAVE FUND

The Plant maintains a fully funded Sick Leave Fund for the financing of future sick leave payments. It is the Plant's intention that the Sick Leave Fund be funded to the extent of the Plant's sick leave liability and that future sick leave expense will be paid by the Sick Leave Fund. The assets of the Sick Leave Fund are shown in the financial statements to provide a more meaningful presentation, as the assets of the Sick Leave Fund are for the sole purpose of satisfying a liability of the Plant.

PLANT EMPLOYEES' RETIREMENT FUND

The Plant has established a separate Employees Retirement Fund for the financing of future contributions to the City's pension plan (see Note H).

CASH EQUIVALENTS

For purposes of the Statement of Cash Flows, the Plant considers all deposits with original maturities of three months or less when purchased to be cash equivalents.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS

The Plant invests in various types of investments, which are stated at fair value in the statement of net position, based on quotations from applicable national securities exchanges. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Realized gains and losses, as well as changes in value of the invested funds, are included in the statement of revenues, expenses and changes in net position. The Plant investments are held in the Sick Leave Fund and Plant Employees' Retirement Fund. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risks associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of net position and activities.

ACCOUNTS RECEIVABLE

The Plant carries its accounts receivable at net realizable value by way of an allowance for doubtful accounts. Collectability of receivables is determined based on historical write offs and collections, on knowledge of specific large accounts, and on current economic conditions.

REVENUE RECOGNITION

The Plant revenues are based on rates established by the Plant as authorized by the Board of Commissioners and filed with the Massachusetts Department of Public Utilities. Revenues from sales of electricity are recorded on the basis of bills rendered from monthly meter readings taken on a cycle basis. Revenues are stated net of discounts and any related bad debts.

MATERIAL AND SUPPLIES INVENTORY

Materials and supplies inventory is carried at cost, principally on the average cost method. The cost of inventory is expensed when consumed rather than purchased.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PENSION PLAN

Substantially all employees of the Plant are covered by a contributory defined benefit pension plan administered by the City of Taunton in conformity with State Retirement Board requirements (see Note H).

TAXES

The Plant is exempt from federal and state income taxes as well as local property taxes. The Plant pays an amount to the City of Taunton in lieu of taxes. The amount is voted annually by the Municipal Lighting Commission.

OPERATING REVENUES AND EXPENSES

The Plant distinguishes operating revenues and expenses from non-operating. Operating revenues result from charges to customers for electricity and related services. Operating expenses include the cost of operations, maintenance, sales and service, administrative expenses and depreciation. All revenues and expenses not meeting this definition are reported as other income and expenses.

RESTRICTED VERSUS UNRESTRICTED RESOURCES

When both restricted and unrestricted amounts are available for use, the Plant's practice is to use restricted resources first.

PREPAID EXPENSES

Certain payments to vendors reflect costs applicable to future accounting periods and are reflected as prepaid expenses. Prepaid expenses are expensed when consumed rather than purchased.

NOTE B – PLANT IN SERVICE

Plant in service activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Additions	Retirements & Adjustments	Ending Balance
Production	$ 97,494,112	$ 648,698	$ --	$ 98,142,810
Transmission	7,662,967	--	--	7,662,967
Distribution	108,280,154	6,852,580	--	115,132,734
General	41,093,294	1,606,074	(357,279)	42,342,089
Total Plant in Service	254,530,527	9,107,352	(357,279)	263,280,600
Less Accumulated Depreciation for:				
Production	70,890,654	2,112,152	--	73,002,806
Transmission	7,026,910	27,781	--	7,054,691
Distribution	62,876,783	3,250,887	--	66,127,670
General	24,958,773	2,476,617	(356,502)	27,078,888
Total Accumulated Depreciation	165,753,120	7,867,437	(356,502)	173,264,055
Net Utility Plant in Service	$ 88,777,407	$ 1,239,915	$ (777)	$ 90,016,545

Depreciation expense for utility plant in service of $7,867,437 and for the investment in Seabrook of $5,625 was charged to operating expenses for the year ended December 31, 2018.

Plant in service activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Additions	Retirements & Adjustments	Ending Balance
Production	$ 95,952,652	$ 1,541,460	$ --	$ 97,494,112
Transmission	7,574,894	88,073	--	7,662,967
Distribution	104,181,112	4,099,042	--	108,280,154
General	39,876,265	1,688,237	(471,208)	41,093,294
Total plant in service	247,584,923	7,416,812	(471,208)	254,530,527
Less Accumulated Depreciation for:				
Production	68,687,773	2,202,881	--	70,890,654
Transmission	7,004,177	22,733	--	7,026,910
Distribution	59,822,412	3,054,371	--	62,876,783
General	22,856,900	2,549,500	(447,627)	24,958,773
Total Accumulated Depreciation	158,371,262	7,829,485	(447,627)	165,753,120
Net Utility Plant in Service	$ 89,213,661	$ (412,673)	$ (23,581)	$ 88,777,407

NOTE B – PLANT IN SERVICE (CONTINUED)

Depreciation expense for utility plant in service of $7,829,485 and for the investment in Seabrook of $5,676 was charged to operating expenses for the year ended December 31, 2017.

NOTE C – INVESTMENTS

SEABROOK

The Plant is a 0.10034% joint owner of the Seabrook New Hampshire Unit 1.

The joint owners of Seabrook have established a Decommissioning Fund that is currently held by a Trustee. The Plant's share of the estimated decommissioning liability is approximately $1,287,998 as of December 31, 2018 (the most current valuation date).

Each joint owner is required to make monthly payments into the Nuclear Decommissioning Financing Fund in accordance with the Decommissioning Fund Funding Schedule. The cost is included in nuclear expense on the statement of revenues, expenses and changes in net position as it is paid. No payments into the Nuclear Decommissioning Financing Fund were required for the year ended December 31, 2018.

ENERGY NEW ENGLAND

Energy New England, LLC ("ENE") is an energy services company established to assist publicly owned entities to ensure their continued viability in the deregulated wholesale electric utility markets and to strengthen their competitive position in the retail energy market for the benefit of the municipal entities. ENE functions as an autonomous, entrepreneurial business unit that is free from many of the constraints imposed on traditional municipal utility operations. The Plant owns a 36.35% interest in ENE. Each of the six members has one seat on the Board of Directors along with three outside Directors. The Plant's initial investment in the company in 1998 was $500,000. The Plant records this investment under the equity method.

Included in other income is approximately $247,098 and $294,538 of gains for the years ended December 31, 2018 and 2017, respectively, representing the Plant's share of ENE's results of operations.

NOTE C – INVESTMENTS (CONTINUED)

HYDRO QUEBEC ELECTRIC COMPANY

In 1988, the Plant entered into an agreement with the Massachusetts Municipal Wholesale Electric Company and other New England Utilities and Hydro-Quebec Electric Corporation (“Hydro Quebec”). In connection with the agreement, the Plant advanced approximately $800,000 toward development of the project of which approximately $450,000 was returned after the project obtained financing. In 1991, the Hydro Quebec project was completed. Upon completion of this project, each participant received stock in the New England Hydro Transmission Electric Company and the New England Hydro Transmission Corporation proportional to their advances. The investment is being accounted for on the cost basis. The stock received is not readily marketable, but gives the holder rights to purchase power at a percentage of the fossil fuel rate. During the years ended December 31, 2018 and 2017, the Plant received no dividends from the two companies.

SICK LEAVE FUND AND PLANT EMPLOYEES' RETIREMENT FUND INVESTMENTS

In determining fair value, the Plant uses various valuation approaches, as appropriate in the circumstances. GASB Statement No. 72 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Unadjusted quoted priced in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 – Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 – Unobservable inputs for the asset or liability (supported by little or no market activity). Inputs include management's own assumption about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

Domestic Equities (excluding mutual funds): Valued using prices quoted in active markets for those securities.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plant are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Plant are deemed to be actively traded.

NOTE C – INVESTMENTS (CONTINUED)

SICK LEAVE FUND AND PLANT EMPLOYEES' RETIREMENT FUND INVESTMENTS

Fixed income securities: Valued using active market quotations or prices obtained from independent pricing sources which may employ various pricing methods to value the investments, including matrix pricing based on quoted prices for securities with similar coupons, ratings and maturities. Accordingly, this class of investments is rated within Levels 1 and 2 of hierarchy.

Financial assets and liabilities carried at fair value as of December 31, 2018 are classified in the following tables in one of the three categories described above:

Sick Leave Fund

Description	Level 1	Level 2	Level 3	Fair Value
Domestic Equities (excluding mutual funds)	$ 5,501,205	$ --	$ --	$ 5,501,205
Mutual Funds				
Domestic Equity	3,861,213	--	--	3,861,213
Domestic Fixed Income	637,972	--	--	637,972
International Fixed Income	658,285	--	--	658,285
Fixed Income Securities (excluding mutual funds)	624,912	2,115,459	--	2,740,371
	$ 11,283,587	$ 2,115,459	$ --	13,399,046
Cash and cash equivalents				268,302
Total sick leave fund				$ 13,667,348

Plant Employees' Retirement Fund

Description	Level 1	Level 2	Level 3	Fair Value
Domestic Equities (excluding mutual funds)	$ 4,235,205	$ --	$ --	$ 4,235,205
Mutual Funds				
Domestic Equity	2,968,385	--	--	2,968,385
Domestic Fixed Income	489,949	--	--	489,949
International Fixed Income	505,464	--	--	505,464
Fixed Income Securities (excluding mutual funds)	440,207	1,636,386	--	2,076,593
	$ 8,639,210	$ 1,636,386	$ --	10,275,596
Cash and cash equivalents				235,173
Total Plant employees' retirement fund				$ 10,510,769

NOTE C – INVESTMENTS (CONTINUED)

SICK LEAVE FUND AND PLANT EMPLOYEES' RETIREMENT FUND INVESTMENTS (CONTINUED)

Financial assets and liabilities carried at fair value as of December 31, 2017 are classified in the following tables in one of the three categories described above:

Sick Leave Fund

Description	Level 1	Level 2	Level 3	Fair Value
Domestic Equities (excluding mutual funds)	$ 5,594,369	$ --	$ --	$ 5,594,369
Mutual Funds				
Domestic Equity	4,521,263	--	--	4,521,263
Domestic Fixed Income	686,569	--	--	686,569
International Fixed Income	698,085	--	--	698,085
Fixed Income Securities (excluding mutual funds)	485,794	2,100,756	--	2,586,550
	$ 11,986,080	$ 2,100,756	$ --	14,086,836
Cash and cash equivalents				471,334
Total sick leave fund				$ 14,558,170

Plant Employees' Retirement Fund

Description	Level 1	Level 2	Level 3	Fair Value
Domestic Equities (excluding mutual funds)	$ 4,352,744	$ --	$ --	$ 4,352,744
Mutual Funds				
Domestic Equity	3,476,055	--	--	3,476,055
Domestic Fixed Income	527,376	--	--	527,376
International Fixed Income	537,176	--	--	537,176
Fixed Income Securities (excluding mutual funds)	312,391	1,670,613	--	1,983,004
	$ 9,205,742	$ 1,670,613	$ --	10,876,355
Cash and cash equivalents				319,699
Total Plant employees' retirement fund				$ 11,196,054

NOTE C – INVESTMENTS (CONTINUED)

SICK LEAVE FUND AND PLANT EMPLOYEES' RETIREMENT FUND INVESTMENTS (CONTINUED)

The following are maturities of the Plant's debt related securities, as of December 31, 2018:

Sick Leave Fund

Type of Investment	Fair Value	0-3 Years	3-5 Years	Over 5 Years
Fixed Income Securities	$ 2,740,371	$ 521,218	$ 485,046	$ 1,734,107

Plant Employees' Retirement Fund

Type of Investment	Fair Value	0-3 Years	3-5 Years	Over 5 Years
Fixed Income Securities	$ 2,076,593	$ 384,170	$ 371,710	$ 1,320,713

The following are maturities of the Plant's debt related securities, as of December 31, 2017:

Sick Leave Fund

Type of Investment	Fair Value	0-3 Years	3-5 Years	Over 5 Years
Fixed Income Securities	$ 2,586,550	$ 537,725	$ 461,898	$ 1,586,927

Plant Employees' Retirement Fund

Type of Investment	Fair Value	0-3 Years	3-5 Years	Over 5 Years
Fixed Income Securities	$ 1,983,004	$ 397,903	$ 333,712	$ 1,251,389

NOTE C – INVESTMENTS (CONTINUED)

SICK LEAVE FUND AND PLANT EMPLOYEES' RETIREMENT FUND INVESTMENTS (CONTINUED)

Average ratings of the investments comprising the debt related securities above, as determined by Standards & Poor's as of December 31, 2018 are as follows:

	Sick Leave Fund	Plant Employees' Retirement Fund
	Fixed Income Securities	
United States Treasury	$ 757,712	$ 556,527
Government Agencies	930,356	726,807
AAA	323,364	247,115
AA	21,923	18,689
A	167,163	118,366
BBB	539,853	409,089
Total	$ 2,740,371	$ 2,076,593

Average ratings of the investments comprising the debt related securities above, as determined by Standards & Poor's as of December 31, 2017 are as follows:

	Sick Leave Fund	Plant Employees' Retirement Fund
	Fixed Income Securities	
United States Treasury	$ 754,525	$ 526,124
Government Agencies	814,064	649,268
AAA	253,241	205,818
AA	36,130	35,945
A	148,142	115,965
BBB	575,551	445,976
CCC	4,897	3,908
Total	$ 2,586,550	$ 1,983,004

NOTE C – INVESTMENTS (CONTINUED)

SICK LEAVE FUND AND PLANT EMPLOYEES' RETIREMENT FUND INVESTMENTS (CONTINUED)

Concentrations

At December 31, 2018 and 2017, the Plant had a diversified portfolio in its Sick Leave and Plant Employees' Retirement Funds were invested in various mutual funds and fixed income securities, as detailed above.

Interest Rate Risk

Certain of the Plant's investments are held in mutual funds which do not bear specified interest rates. The rate of return on these investments is dependent on the operating results of the entities included in the portfolio of the mutual funds as well as overall economic conditions.

Custodial Credit Risk

The Plant does not have a formal policy with respect to custodial credit risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plant will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Plant does not believe that it has a significant custodial credit risk as all the investments are registered and held in the name of the Plant.

NOTE D – CASH AND CASH EQUIVALENTS

The Plant's cash is primarily deposited with the City of Taunton Treasurer who commingles it with other City funds. Accordingly, it is not practical to disclose the related bank balance and credit risk of such cash deposits for the Plant. Funds on deposit with financial institutions are subject to the insurance coverage limits imposed by the Federal Deposit Insurance Corporation (FDIC). The amount of insurance coverage for the Plant's deposits is not determinable because the limits of insurance are computed on a City-wide basis.

The City invests the cash and credits the Plant each year with interest earned on the cash deposits.

NOTE D – CASH AND CASH EQUIVALENTS (CONTINUED)

Cash and cash equivalents consist of the following at December 31, 2018 and 2017:

	2018	2017
Cash - operating	$ 21,300,892	$ 19,925,367
Customer deposits	1,851,226	1,792,671
Depreciation - designated funds	13,208,818	13,208,818
Rate stabilization - designated funds	2,300,000	6,000,000
Cash Deposited with City of Taunton	38,660,936	40,926,856
Cash Deposited with Energy New England LLC	1,680,789	1,550,537
	$ 40,341,725	$ 42,477,393

Cash, and cash equivalents at December 31 are reflected on the statements of net position as follows:

	2018	2017
Cash	$ 22,981,681	$ 21,475,904
Customer deposits	1,851,226	1,792,671
Depreciation - designated funds	13,208,818	13,208,818
Rate stabilization - designated funds	2,300,000	6,000,000
	$ 40,341,725	$ 42,477,393

NOTE E – SHORT -TERM AND LONG-TERM DEBT

LONG-TERM DEBT OUTSTANDING AND ACTIVITY

Long-term debt consists of the following:

	2018	2017
$7,250,000 general obligation bonds, issued June 15, 2010, with interest rates ranging from 2.5% to 4% and annual principal and semi-annual interest payments through June 1, 2020.	$ 1,450,000	$ 2,175,000
$2,251,000 general obligation bond, issued September 26, 2013, with interest rates ranging from 2% to 3% and annual principal and semi-annual interest payments through September 1, 2023.	1,125,000	1,350,000
$1,425,000 general obligation bond, issued May 22, 2014, with interest rates ranging from 2% to 4% and annual principal and semi-annual interest payments through March 1, 2024.	845,000	990,000
$9,075,500 general obligation bonds, issued September 28, 2017, with interest rates ranging from 2% to 5% and annual principal and semi-annual interest payments through September 15, 2037.	8,420,000	9,075,500
Bond premiums	1,003,188	1,038,215
Balance of long-term debt, Ending	12,843,188	14,628,715
Less: current installments of long-term debt	(1,735,000)	(1,750,500)
Long-term debt, excluding current installments	$ 11,108,188	$ 12,878,215

NOTE E – SHORT -TERM AND LONG-TERM DEBT (CONTINUED)

LONG-TERM DEBT OUTSTANDING AND ACTIVITY (CONTINUED)

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

Year	Principal	Interest	Total
2019	$ 1,735,000	$ 440,037	$ 2,175,037
2020	1,730,000	372,470	2,102,470
2021	1,005,000	319,469	1,324,469
2022	1,000,000	276,519	1,276,519
2023	1,000,000	233,819	1,233,819
Thereafter	5,370,000	1,033,825	6,403,825
	11,840,000	$ 2,676,139	$ 14,516,139
Add bond premiums	1,003,188		
Total	$ 12,843,188		

These general obligation bonds are guaranteed by the full faith and credit of the City of Taunton.

Long-term debt activity for the years ended December 31, 2018 and 2017 were as follows:

	2018				
Description	Outstanding December 31, 2017	Additions	Retirements	Outstanding December 31, 2018	Due Within One Year
General obligation bonds	$ 13,590,500	$ --	$ (1,750,500)	$ 11,840,000	$ 1,735,000
Bond Premium	1,038,215	--	(35,027)	1,003,188	57,734
Compensated absences	6,985,282	805,826	(1,387,911)	6,403,197	1,387,911
Other post - employment benefits obligation	44,731,943	528,944	(9,744,295)	35,516,592	--
Net pension liability	22,649,304	14,562,260	(17,433,927)	19,777,637	--
Sick leave annuities - obligation	4,649,559	--	(615,744)	4,033,815	--
Long-Term Liabilities	$ 93,644,803	$ 15,897,030	$ (30,967,404)	$ 78,574,429	$ 3,180,645

	2017				
Description	Outstanding December 31, 2016	Additions	Retirements	Outstanding December 31, 2017	Due Within One Year
General obligation bonds	$ 5,610,000	$ 9,075,500	$ (1,095,000)	$ 13,590,500	$ 1,750,500
Bond Premium	--	1,038,215	--	1,038,215	20,163
Compensated absences	8,861,943	(484,266)	(1,392,395)	6,985,282	1,392,395
Other post - employment benefits obligation	9,618,882	36,637,190	(1,524,129)	44,731,943	--
Net pension liability	23,420,399	9,584,797	(10,355,892)	22,649,304	--
Sick leave annuities - obligation	4,567,867	81,692	--	4,649,559	--
Long-Term Liabilities	$ 52,079,091	$ 55,933,128	$ (14,367,416)	$ 93,644,803	$ 3,163,058

NOTE F – LEASE OBLIGATION

The Plant leases certain equipment under monthly operating leases. Rental expense was $51,297 and $0 for the years ended December 31, 2018 and 2017, respectively. As of December 31, 2018, the remaining operating lease obligations are as follows:

2019	$	73,576
2020		73,576
2021		73,576
2022		73,576
2023		22,280
Total	$	316,584

NOTE G – COMMITMENTS AND CONTINGENCIES

LITIGATION AND OTHER MATTERS

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

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

The Plant has a program for insurance coverage provided by the Massachusetts Municipal Utility Self-Insurance Trust Fund ("Trust"). The insurance coverage provided by the Trust is in excess of a $50,000 self-retention up to a maximum of $500,000 per occurrence. Additionally, coverage for certain environmental claims is provided by the Trust through a separate policy for which the plant is responsible for a $50,000 self-retention and the Trust covers the next $50,000. Above this combined $100,000 self-retention, the separate pollution liability policy provides coverage for certain claims up to $1 million per occurrence and $10 million aggregate. There have been no settlements exceeding the insurance coverage in the past three years.

NOTE G – COMMITMENTS AND CONTINGENCIES (CONTINUED)

OPTION CONTRACTS

The Plant manages risk associated with power supply commitments and excess capacity by entering into forward contracts for the purchase and sale of electricity and fuel in the normal course of business. It also uses put and call option contracts to reduce the price risk associated with its power supply portfolio.

Put and call options are reflected at fair value as determined by actively quoted prices and are recorded on the statement of net position with changes in fair value included in purchased power and transmission expense. No option contracts were open as of December 31, 2018 and 2017.

Forward contracts to purchase electricity and fuel at set prices and other contracts to sell electricity at fixed prices qualify for the normal purchases and sales exception and are not accounted for as derivatives.

The objectives of the Plant's risk management procedures for option contract and power and fuel purchase and sale forward contract activities are to optimize power supply resources, control costs, and manage price volatility to customers while avoiding speculative positions in the commodities markets.

POWER CONTRACTS

The Plant has commitments under contracts for the purchase of electricity from various suppliers. These wholesale contracts are generally for fixed periods and require payment of demand and energy charges. The total costs under these contracts are included in purchased power in the statements of revenues, expenses and changes in net position and are normally recoverable in revenues under cost recovery mechanisms mandated by the Commonwealth of Massachusetts.

NOTE G – COMMITMENTS AND CONTINGENCIES (CONTINUED)

POWER CONTRACTS (CONTINUED)

The status of these contracts is as follows:

Counter Party	Fuel	2019 KW Entitlements	Contract End Date	Estimated Annual Minimum Payments
Seabrook Nuclear Power Plant	Nuclear	1,170	2022	$ 571,000
New York Power Authority	Hydro	3,840	2025	868,000
MM Taunton Energy, LLC	Methane	1,630-1,900	2025	1,873,000
Fortistar Methane Group-GRS Fall River	Methane	5,000	2023	2,574,000
Brown Bear II Hydro, Inc.	Water	2,700	2021	1,214,000
Braintree Electric Light Department	Methane	10,000	2029	3,606,000
Granite Reliable Power LLC	Wind	30,000	2037	17,947,000
Southern Sky Renewable Energy County Street, LLC	Solar	3,000	2038	1,813,000
Manheim Remarketing, Inc.	Solar	3,000	2037	1,759,000
GLC-(MA) Taunton, LLC	Solar	3,000	2032	1,645,000
Berkley East Solar LLC	Solar	3,000	2036	1,398,000
GWE Taunton Solar RT, LLC	Solar	432	2035	234,000
Southern Sky Renewable Energy Berkley, LLC	Solar	3,000	2041	1,707,000
GSPP Raynham TMLP, LLC	Solar	2,280	2043	1,212,000
Shell Energy of North America (US), L.P.	Unspecified	10,000	2019-2023	4,801,000
Exelon Generation Company, LLC	Unspecified	7,800	2020	3,106,000
Firstlight Power Resources Management, LLC	Water	12,000	2020	1,721,000
Total				$ 48,049,000

NOTE H – PENSION PLAN

DEFINED BENEFIT PLAN

The Plant contributes to the City of Taunton Retirement System (the "System"), a public employee retirement system that acts as the investment and administrative agent for the City. The System is a contributory cost-sharing multiple employer defined benefit plan. All full-time employees participate in the System.

Instituted in 1937, the System is a member of the Massachusetts Contributory System and is governed by Massachusetts General Laws Chapter 32. Membership in the System is mandatory upon the commencement of employment for all permanent, full-time employees.

NOTE H – PENSION PLAN (CONTINUED)

DEFINED BENEFIT PLAN (CONTINUED)

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

Members of the System become vested after 10 years of creditable service. A retirement allowance may be received upon reaching age 65 or upon attaining twenty years of service. The System also provides for early retirement at age 55 if the participant (1) has a record of 10 years of creditable service, (2) was on the City's payroll on January 1, 1978, (3) voluntarily left City employment on or after that date, and (4) left accumulated annuity deductions in the fund. Active members contribute either 5%, 7%, 8%, 9% of their regular compensation or 2% of salary in excess of $30,000, depending on the date upon which their membership began. The System also provides death and disability benefits.

The System assesses the City each fiscal year an amount determined in accordance with its current funding schedule. The City allocates a portion of its obligation to the Plant based on the relative number of participants and the amount of payroll. The Plant's contributions to the System for 2018, 2017 and 2016 were $4,181,168, $4,086,064 and $3,996,685, respectively, and were equivalent to the required payments.

The current funding schedule includes the amount required to pay the employer normal cost (in addition to member contributions) plus the amortization of the prior unfunded actuarial accrued liability. The current funding schedule projects that the Plan will be fully funded in 2027. The funding schedule has been approved by the Public Employees Retirement Association.

At December 31, 2018, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	175
Inactive members entitled to but not yet receiving benefits	5
Active plan members	148
Total	328

Copies of the System's audited financial statements can be obtained by writing to The City of Taunton Retirement System, 104 Dean Street, Suite 203, Taunton, MA 02780.

NOTE H – PENSION PLAN (CONTINUED)

DEFINED BENEFIT PLAN (CONTINUED)

The Plan's investment policy in regard to the allocation of invested assets is established by the Retirement System Pension Board of Trustees. To diversify plan assets so as to minimize the risk associated with dependence of the success on one enterprise, the Board of Trustees decided to employ a multi-manager team approach to investing plan assets. Investment managers are employed to utilize individual expertise within their area of responsibility. Each manager is governed by individual investment guidelines. Separate manager guidelines for each investment manager shall serve as addenda to this Policy. Commingled funds will be governed by the guidelines adopted by said fund and reviewed during the contract negotiation process.

The following was the asset allocation as of December 31, 2018:

Asset Class	Target Allocation
Large Cap	25%
Mid Cap	10%
Small Cap	10%
International Equity	15%
Alternative Assets	5%
Real Assets	15%
Fixed Income	20%
Total	100%

For the year ended December 31, 2018 the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 14.97 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The total pension liability was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3 Percent
Salary increases	3.5 Percent
Investment rate of return	7.75 Percent, net of pension plan investment expense

NOTE H – PENSION PLAN (CONTINUED)

DEFINED BENEFIT PLAN (CONTINUED)

It is assumed that both pre-retirement mortality and beneficiary mortality is represented by the RP-2014 Blue Collar Mortality with Scale MP-2014, fully generational. Mortality for retired members is represented by the RP-2014 Blue Collar Mortality Table set forward three years for males, and six years for females, fully generational. Mortality for disabled members is represented by the RP-2000 Mortality Table set forward two years. Generational adjusting is based on Scale MP-2014.

The long-term expected rate of return on Plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target allocation as of December 31, 2018 are summarized as follows:

Asset Class	Long-Term Expected Real Rate of Return
Large Cap	6.4%
Mid Cap	8.9%
Small Cap	7.0%
International Equity	3.0%
Alternative Assets	6.5%
Real Assets	7.8%
Fixed Income	1.6%

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made as the current contribution rate and that the Plant's contributions will be made as the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE H – PENSION PLAN (CONTINUED)

NET PENSION LIABILITY

The Plant's net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018.

The components of the net pension liability at December 31, 2018 and 2017, were as follows:

	December 31, 2018	December 31, 2017
Total pension liability	$ 103,340,132	$ 96,388,134
Plan fiduciary net position	83,562,495	73,738,830
Net pension liability	$ 19,777,637	$ 22,649,304
Plan fiduciary net position as a percentage of the total pension liability	80.9%	76.5%

SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN DISCOUNT RATE

The following presents the net pension liability of the System calculated using the discount rate of 7.75 percent, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.75 percent) or 1 percentage point higher (8.75 percent) than the current rate:

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Net pension liability	$ 30,806,234	$ 19,777,637	$ 10,374,512

NOTE H – PENSION PLAN (CONTINUED)

PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the years ended December 31, 2018 and 2017, the Plant recognized pension expenses of $1,472,543 and $1,498,225, respectively. At December 31, 2018 and 2017, the Plant reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made subsequent to December 31, 2017	$ 4,181,168	$ --
Net asset loss		1,084,849
Employer contributions and proportionate share of contributions	--	304,913
Changes in proportion and difference between employer contributions and proportionate share of contributions	108,430	--
Changes of assumptions	2,825,849	2,591,646
Difference between expected and actual experience	1,140,750	1,467,288
Total	$ 8,256,197	$ 5,448,696

	2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made subsequent to December 31, 2016	$ 4,086,064	$ --
Net difference between projected and actual earnings on pension plan investments	4,716,296	--
Changes in proportion and difference between employer contributions and proportionate share of contributions	157,653	--
Changes of assumptions	--	3,829,786
Difference between expected and actual experience	--	2,168,272
Total	$ 8,960,013	$ 5,998,058

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

2019	$ 3,755,924
2020	(688,627)
2021	(198,305)
2022	(89,221)
2023	27,730
	$ 2,807,501

NOTE H – PENSION PLAN (CONTINUED)

RETIREMENT FUND

The Plant has established a separate Plant Employees' Retirement Fund for the financing of future pension plan contributions. Net position at December 31, 2018 and 2017, was approximately $10,511,000 and $11,196,000, respectively. These funds are invested in money market funds, fixed income securities including government and corporate bonds and other equity securities. The Plant made no contributions to the Plant Employees Retirement Fund in 2018 and 2017.

NOTE I – OTHER POST-EMPLOYMENT BENEFITS

The Plant has adopted GASB Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* These changes enhance the Plant's accounting and disclosure for the OPEB and expand the Required Supplemental Information (RSI). The following provides information required to be disclosed under GASB Statement No. 75.

PLAN DESCRIPTION

The Plant participates in The Post Retirement Benefits Plan of The City of Taunton, an agent multi-employer defined benefit healthcare plan administered by the City of Taunton. The Plant provides post-employment health care benefits to retirees that meet certain requirements. Retirees of the Plant under age 65 are eligible for the same health benefits as active employees, while retirees over the age of 65 are eligible for MEDEX. Chapter 32B of the Massachusetts General Laws assigns authority to establish and amend benefit provisions of the Plan. The Plan does not issue a publicly available financial report.

At June 30, 2018, the most recent actuarial valuation date, the Plant's membership consisted of the following:

At June 30, 2018 the Plant's membership consisted of the following:

Current active members	144
Current retirees and beneficiaries	231
Total	375

FUNDING POLICY

The contribution requirements of the Plan members and the Plant are established and may be amended through collective bargaining. The cost of the benefits provided to retirees are borne 75% by the Plant, and 25% by the retiree. The Plant currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis.

NOTE I – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

ACTUARIAL METHODS AND ASSUMPTIONS

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and the 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 the effect of 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:	June 30, 2018
Actuarial cost method:	Entry Age Normal
Asset valuation method:	Market value of Assets
Investment rate of return:	3.75% net of OPEB plan investment expense
Medical inflation:	4.50% as of June 30, 2018 and for future periods
Dental trend rate:	4.00% as of June 30, 2018 and for future periods
Preretirement mortality:	It is assumed that both pre-retirement mortality and beneficiary mortality is represented by the RP-2014 Blue Collar Mortality with Scale MP-2015, fully generational. Mortality for retired members is represented by the RP-2014 Blue Collar Mortality Table set forward five years for males and 3 years for females, fully generational. Mortality for disabled members is represented by the RP-2000 Mortality Table set forward six years.
Marriage Assumptions:	80% of males and 60% of females assumed to be married with wives to be three years younger than their husband

INVESTMENT POLICY

The Plant's policy in regard to the allocation of invested assets is established and may be amended by the committee by a majority vote of its members. It is the policy of the Plant to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes.

NOTE I – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

INVESTMENT POLICY (CONTINUED)

The following was the asset allocation as of December 31, 2018.

Asset Class	2018 Target Allocation
Large Cap	25%
Mid Cap	10%
Small Cap	10%
International Equities	15%
Alternative Assets	5%
Real Assets	15%
Fixed income	20%
Total	100%

RATE OF RETURN

For the year ended December 31, 2018, the annual money-weighted rate of return on investment, net of investment expense, was 5.44%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Asset Class	Long-Term Expected Real Rate of Return
Large Cap	6.40%
Mid Cap	8.90%
Small Cap	7.00%
International Equities	3.00%
Alternative Assets	6.50%
Real Assets	7.80%
Fixed income	1.60%

NOTE I – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

NET OPEB LIABILITY

The components of the net OPEB liability of the Plant at December 31, 2018, were as follows:

	2018
Total OPEB liability	$ 35,563,309
Plans fiduciary net position	46,717
Plant's net OPEB liability	$ 35,516,592

SENSITIVITY OF THE NET OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the net OPEB liability of the system calculated using the discount rate of 3.75%, as well as what the system's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.75%) or 1-percentage-point higher (4.75%) than the current rate. The Plan Fiduciary Net Position as a percentage of the Total OPEB Liability is 0.1%.

	Impact of 1% Change in Discount Rate		
	1% Decrease 2.75%	Current Discount Rate 3.75%	1% Increase 4.75%
Total OPEB liability	$ 41,379,436	$ 35,516,592	$ 30,833,256

The following presents the net OPEB liability of the system calculated using the current trend rates, as well as what the system's net OPEB liability would be if it were calculated using trend rates 1-percentage-point lower for all years or 1-percentage-point higher than the current rates:

	Impact of 1% Change in Healthcare Trend Rate		
	1% Decrease 3.50%	Current Trend Rate 4.50%	1% Increase 5.50%
Total OPEB liability	$ 30,051,302	$ 35,516,592	$ 42,576,476

NOTE I – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

OPEB FUND

In March 2015 the Plant established an OPEB Trust Fund for the purpose of accumulating assets to fund future payments of OPEB obligations. The initial funding of the Trust was $500,000 made in February 2016. Net position at December 31, 2018 and 2017, was approximately $508,000.

NOTE J – INTERNET ACCESS BUSINESS UNIT

The Plant also operates an internet access business unit and provides services to approximately 700 customers. Revenue and expense for this business unit are combined and presented as a single line item in other income (expense) in the statement of revenues, expenses and changes in net position, as this activity is not the Plant's primary operating activity. Internet services generated revenues of approximately $1,483,000 and $1,423,000 for the years ended December 31, 2018 and 2017, respectively. Expenses were approximately $1,146,000 and $980,000 for the same periods, respectively.

The business unit utilizes certain assets of the Plant. For the years ended December 31, 2018 and 2017, other operating revenue for the Plant and internet expense includes approximately $133,000, relating to this cost allocation.

NOTE K – SALE OF EMISSION ALLOWANCES

The Plant receives emission allowances in connection with the operation of its generation facilities. The Plant may from time to time purchase or sell excess emission allowances on the open market. The income from the sale or the expense from the expiration of allowances are recorded as other income or expense on the statement of revenues, expenses and changes in net position.

NOTE L – SICK LEAVE ANNUITIES

If an employee is terminated for any reason, other than for cause, the Taunton Municipal Lighting Plant purchases a single premium annuity for the employees benefit. The value of the annuity is the value of the employee's unused sick leave at the time of termination. The Taunton Municipal Lighting Plant retains ownership of said annuity with the terminated employee being the designated annuitant on the policy.

NOTE M – RESTATEMENT

The net position has been restated as of December 31, 2017 to reflect the implementation of GASB Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The following reflects the effect of implementation of GASB Statement No. 75:

Net position as reported, December 31, 2017	$ 121,571,041
Removal of net OPEB Obligation under GASB 45	10,379,865
Addition of OPEB Liability for adoption of GASB 75	(44,731,943)
Net position as restated, December 31, 2017	$ 87,218,963

REQUIRED SUPPLEMENTARY INFORMATION

TAUNTON MUNICIPAL LIGHTING PLANT

SCHEDULE OF CONTRIBUTIONS

OTHER POST-EMPLOYMENT BENEFITS PLAN

LAST TWO FISCAL YEARS

	2018	2017
Actuarially determined contribution	$ 2,168,581	$ 2,220,423
Contributions in relation to the actuarially determined contribution	1,071,674	1,524,129
Contribution deficiency (excess)	$ 1,096,907	$ 696,294
Covered-employee payroll	$ 18,773,557	$ 18,314,060
Contributions as a percentage or covered-employee payroll	5.71%	8.32%

Notes to Schedule

Valuation Date:	Actuarially Determined Contribution was calculated as of June 30, 2018.
Actuarial Cost Method:	Entry Age Normal Actuarial Cost Method
Asset-Valuation Method:	Market Value of Assets as of the Measurement Date, June 30, 2018.
Investment Rate of Return:	3.75%, net of OPEB plan investment expense
Medical inflation	4.50% as of June 30, 2018 and for future periods
Dental Trend Rate	4.00% as of June 30, 2018 and for future periods
Mortality:	It is assumed that both pre-retirement mortality and beneficiary mortality is represented by the RP-2014 Blue Collar Mortality with Scale MP-2015, fully generational. Mortality for retired members is represented by the RP-2014 Blue Collar Mortality Table set forward five years for males and 3 years for females, fully generational. Mortality for disabled members is represented by the RP-2000 Mortality Table set forward six years.
Marriage assumptions	80% of males and 60% of females assumed to be married with wives to be three years younger than their husbands

1.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

TAUNTON MUNICIPAL LIGHTING PLANT

SCHEDULE OF CHANGES IN THE PLANT'S NET OPEB LIABILITY

AND RELATED RATIOS

LAST TWO FISCAL YEARS

	2018	2017
Total OPEB Liability		
Service cost	$ 984,013	$ 1,119,811
Interest on net OPEB liability and service cost	1,693,987	1,647,602
Experience (gain) and loss	(10,716,777)	-
Benefit payments, including refunds	(1,163,103)	(1,633,318)
Net Change in Total OPEB Liability	(9,201,880)	1,134,095
Total OPEB Liability - Beginning	44,754,375	43,620,280
Total OPEB Liability - Ending (a)	$ 35,552,495	$ 44,754,375
OPEB Fiduciary Net Position		
Benefit payments, including refund	$ (1,060,013)	$ (1,512,864)
Contributions - employer	1,071,674	1,524,129
Net investment income	1,810	188
Net Change in Plan Fiduciary Net Position	13,471	11,453
Plan Fiduciary Net Position - Beginning	22,432	10,979
Plan Fiduciary Net Position - Ending (b)	$ 35,903	$ 22,432
Net OPEB Liability - Ending (a) - (b)	$ 35,516,592	$ 44,731,943
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.10%	0.05%
Covered Employee Payroll	$ 18,773,557	$ 18,314,060
Net OPEB Liability as a Percentage of Covered-Employee Payroll	189.18%	244.25%

1.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

TAUNTON MUNICIPAL LIGHTING PLANT

SCHEDULE OF INVESTMENT RETURNS

FOR OTHER POST-EMPLOYMENT BENEFITS PLAN

LAST TWO FISCAL YEARS

	2018	2017
Annual money-weighted rate of return, net of investment expense	5.44%	1.17%

1.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

TAUNTON MUNICIPAL LIGHTING PLANT

DEFINED BENEFIT PENSION PLAN

SCHEDULE OF PLANT'S CONTRIBUTIONS

LAST FOUR FISCAL YEARS

	2018	2017	2016	2015
Actuarially determined contribution	$ 4,181,168	$ 4,086,064	$ 3,996,685	$ 3,913,709
Contributions in relation to the actuarially determined contribution	4,181,168	4,086,064	3,996,685	3,913,709
Contribution deficiency (excess)	$ --	$ --	$ --	$ --
Covered-employee payroll	$ 18,773,557	$ 18,314,060	$ 17,055,663	$ 17,416,747
Contributions as a percentage or covered-employee payroll	22.27%	22.31%	23.43%	22.47%

Notes to Schedule

Valuation date: January 1, 2018

Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level % of payroll on an open basis
Remaining amortization period	9 years
Asset valuation method	Market Value
Inflation	3.0%
Salary increases	3.5%
Investment rate of return	7.75%
Cost of living adjustments	3% of the lesser of the pension amount and $15,000 per year
Retirement age	65
Mortality	It is assumed that both pre-retirement mortality and beneficiary mortality is represented by the RP-2014 Blue Collar Mortality with Scale MP-2014, fully generational. Mortality for retired members is represented by the RP-2014 Blue Collar Mortality Table set forward three years for males, and six years for females, fully generational. Mortality for disabled members is represented by the RP-2000 Mortality Table set forward two years. Generational adjusting is based on Scale MP-2014.
Family composition	It is assumed that 80% of all members will be survived by a spouse and that females (males) are three years younger (older) than members.
Administrative expenses	The normal cost is increased by an amount equal to the anticipated administrative expenses for the upcoming fiscal year. The amount for plan year 2018 is $600,000 and is anticipated to increase at 4.0% per year.

1.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

TAUNTON MUNICIPAL LIGHTING PLANT

DEFINED BENEFIT PENSION PLAN

SCHEDULE OF INVESTMENT RETURNS

LAST FOUR FISCAL YEARS

	2018	2017	2016	2015
Annual money-weighted rate of return, net of investment expense	14.97%	6.10%	0.79%	5.88%

1.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

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 Municipal Lighting Commission
Taunton Municipal Lighting Plant

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 Taunton Municipal Lighting Plant (the "Plant") (a component unit of the City of Taunton, Massachusetts) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Plant's basic financial statements, and have issued our report thereon dated August 21, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plant's 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 Plant's internal control. Accordingly, we do not express an opinion on the effectiveness of the Taunton Municipal Lighting Plant's internal control.

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. A *significant deficiency* is a deficiency, or 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.

MARCUMGROUP
MEMBER
Marcum LLP ■ 155 South Main Street ■ Suite 100 ■ Providence, Rhode Island 02903 ■ **Phone** 401.457.6700 ■ **Fax** 401.457.6701 ■ **www.marcumllp.com**

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plant's 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.*

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 results 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.

Marcum LLP

Providence, RI
August 21, 2019