OFFICIAL STATEMENT DATED JANUARY 13, 2016

Rating: See "Rating" herein.
Standard & Poor's Ratings Services: AA

New Issue

In the opinion of Locke Lord LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986 (the "Code"). Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. The Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "Tax Exemption" herein.

CITY OF TAUNTON, MASSACHUSETTS
$5,250,000
GENERAL OBLIGATION STATE QUALIFIED REFUNDING BONDS

DATED	DUE
Date of Delivery	March 1 (as shown below)

The Bonds are issuable only in fully registered form, registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of $5,000, or any integral multiple thereof. See "THE BONDS - Book-Entry Transfer System" herein.

Principal of the Bonds will be paid on March 1 of the years in which the Bonds mature. Interest on the Bonds will be payable semiannually on March 1 and September 1, commencing March 1, 2016, until the principal amount is paid. Principal and semiannual interest on the Bonds will be paid by The Treasurer and Receiver-General of The Commonwealth of Massachusetts, Boston, Massachusetts, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein.

The Bonds are not subject to redemption prior to their stated maturity dates.

The Bonds will be valid general obligations of the City of Taunton, Massachusetts (the "City"), and will be payable as to both principal and interest from taxes that may be levied upon all the taxable property within the territorial limits of the City, subject to the limit imposed by Chapter 59, Section 21C of the General Laws.

MATURITIES, AMOUNTS, RATES, YIELDS AND CUSIPS

Due March 1	Principal Amount	Interest Rate	Yield	Cusip 876672	Due March 1	Principal Amount	Interest Rate	Yield	Cusip 876672
2016	$ 245,000	2.00 %	0.50 %	Y59	2022	$ 565,000	4.00 %	1.30 %	Z33
2017	230,000	3.00	0.75	Y67	2023	375,000	4.00	1.45	Z41
2018	610,000	4.00	0.82	Y75	2024	370,000	2.00	1.60	Z58
2019	605,000	4.00	0.95	Y83	2025	370,000	2.00	1.75	Z66
2020	600,000	4.00	1.10	Y91	2026	365,000	2.00	1.85	Z74
2021	590,000	4.00	1.20	Z25	2027	325,000	2.00	1.95	Z82

The Bonds are offered subject to the final approving opinion of Locke Lord LLP, Boston, Massachusetts, Bond Counsel, as aforesaid, and to certain other conditions referred to herein and in the Notice of Sale. First Southwest Company, LLC, Boston, Massachusetts has acted as Financial Advisor to the City with respect to the Bonds. See "Financial Advisory Services of First Southwest Company, LLC" herein. The Bonds in definitive form will be delivered to the successful bidder at DTC, or its custodial agent, on or about January 28, 2016 for settlement in federal funds.

Janney Montgomery Scott

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The information set forth herein has been obtained from the City and from other sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the Bonds described herein shall, under any circumstances, create any implication that there has been no change in the affairs of the City of Taunton since the date hereof.

SUMMARY STATEMENT

The information set forth below is qualified in its entirety by the information and financial statements appearing elsewhere in the Official Statement.

Date of Sale:	Wednesday, January 13, 2016, 11:00 A.M. (E.T.).
Location of Sale:	First Southwest Company, LLC, 54 Canal Street, 3rd Floor, Boston, Massachusetts 02114.
Issuer:	City of Taunton, Massachusetts.
Issue:	$5,250,000 General Obligation State Qualified Refunding Bonds, see "THE BONDS - Book-Entry Transfer System" herein.
Official Statement Dated:	January 13, 2016.
Dated Date of the Bonds:	Date of delivery.
Principal Due:	Serially March 1, 2016 through March 1, 2027, as detailed herein.
Redemption:	The Bonds are not subject to redemption prior to their stated maturity dates.
Purpose and Authority:	The Bonds are authorized for refunding purposes by the City under provisions of the Massachusetts General Laws as detailed herein.
Security of the Bonds:	The Bonds will be valid general obligations of the City and will be payable as to both principal and interest from taxes that may be levied upon all the taxable property within the territorial limits of the City, subject to the limit imposed by Chapter 59, Section 21C of the General Laws.
Rating:	Standard & Poor's Ratings Services has assigned a "AA" rating to the Bonds.
Bond Insurance:	The City has not contracted for the issuance of any policy of municipal bond insurance or any other credit enhancement facility.
Basis of Award:	Lowest True Interest Cost (TIC), as of the dated date. **BIDS MUST INCLUDE A PREMIUM OF NO LESS THAN $60,000.**
Tax Exemption:	Refer to "THE BONDS – Tax Exemption" herein and Appendix B, "Proposed Form of Legal Opinion of Bond Counsel".
Continuing Disclosure:	Refer to "THE BONDS – Continuing Disclosure" herein and Appendix C, "Proposed Form of Continuing Disclosure Certificate".
Bank Qualification:	The Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.
Paying/Escrow Agent:	The Treasurer and Receiver-General of The Commonwealth of Massachusetts, Boston, Massachusetts.
Verification Agent:	Grant Thornton LLP, Minneapolis, Minnesota.
Bond Counsel:	Locke Lord LLP, Boston, Massachusetts.
Financial Advisor:	First Southwest Company, LLC, Boston, Massachusetts. (See "Financial Advisory Services of FirstSouthwest Company, LLC" herein.)
Delivery and Payment:	It is expected that delivery of the Bonds in book-entry only form will be made to The Depository Trust Company, or to its custodial agent, on or about January 28, 2016 against payment in federal funds.
Issuer Official:	Questions concerning the Official Statement should be addressed to: Ms. Barbara Auger, City of Taunton, Massachusetts. Telephone: (508) 821-1057 or Peter Frazier, Senior Vice President, First Southwest Company, LLC, Boston, Massachusetts. Telephone: (617) 619-4409.

NOTICE OF SALE

CITY OF TAUNTON, MASSACHUSETTS

$5,197,000*

GENERAL OBLIGATION STATE QUALIFIED REFUNDING BONDS

The City of Taunton, Massachusetts (the "City") will receive sealed and electronic (as described herein) proposals until 11:00 A.M., Eastern Time, Wednesday, January 13, 2016, for the purchase of the following described $5,197,000* General Obligation State Qualified Refunding Bonds of the City (the "Bonds"):

$5,197,000* General Obligation State Qualified Refunding Bonds payable March 1 of the years and in the amounts as follows:

Due March 1	Principal Amount*	Due March 1	Principal Amount*
2016	$ 252,000	2022	$ 560,000
2017	235,000	2023	360,000
2018	615,000	2024	360,000
2019	605,000	2025	360,000
2020	600,000	2026	350,000
2021	580,000	2027	320,000

*Preliminary, subject to change.

The Bonds will be dated as of their delivery date. Principal of the Bonds will be payable March 1 of the years in which the Bonds mature. Interest will be payable on March 1 and September 1, commencing March 1, 2016.

The Bonds will be issued by means of a book-entry system with no physical distribution of the Bonds made to the public. One certificate for each maturity of the Bonds will be issued to The Depository Trust Company, New York, New York ("DTC"), and immobilized in its custody. Ownership of the Bonds in principal amounts of $5,000 or integral multiples thereof, with the exception of two $1,000 denominations maturing in 2016, will be evidenced by a book-entry system with transfers of ownership effected on the records of DTC and its Participants pursuant to rules and procedures established by DTC and its Participants. The winning bidder, as a condition to delivery of the Bonds, shall be required to deposit the Bonds with DTC, registered in the name of Cede & Co. Interest and principal on the Bonds will be payable to DTC or its Nominee as Registered Owner of the Bonds. Transfer of principal and interest payments to Participants of DTC will be the responsibility of DTC. Transfer of principal and interest payments to Beneficial Owners will be the responsibility of such Participants and other Nominees of Beneficial Owners. The City will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants.

The original Bonds to be immobilized at DTC will be prepared under the supervision of First Southwest Company, LLC and their legality will be approved by Locke Lord LLP, Boston, Massachusetts, whose opinion will be furnished to the purchaser without charge.

Principal of and semi-annual interest on the Bonds will be paid by The Treasurer and Receiver-General of The Commonwealth of Massachusetts, Boston, Massachusetts, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to DTC. The disbursement of such payments to DTC Participants is the responsibility of DTC, and the disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein.

The Bonds are not subject to redemption prior to their stated maturity dates.

As between proposals which comply with this Notice of Sale, the award will be to the bidder who offers to purchase all the Bonds at the lowest net effective interest rate to the City. Such interest rate shall be determined on a true interest cost (TIC) basis, which shall mean that rate which, as of January 28, 2016, discounts semiannually all future payments on account of principal and interest to the price bid, not including interest accrued to the date of delivery, which accrued interest shall be paid by the successful bidder. In the event there is more than one proposal specifying the lowest such rate, the Bonds will be awarded to the bidder whose proposal is selected by the City Treasurer by lot among all such proposals.

Bidders shall state the rate or rates of interest per annum which the Bonds are to bear in a multiple of 1/20 or 1/8 of one percent, but shall not state (a) more than one interest rate for any Bonds having a like maturity, (b) any interest rate which exceeds the interest rate stated for any other Bonds by more than 3 percent, and (c) any coupon in excess of 4.0% for the Bonds. BIDS MUST INCLUDE A PREMIUM OF AT LEAST $60,000.

The City reserves the right to change the aggregate principal amount of the Bonds and the maturity schedule after the determination of the winning bid by increasing or decreasing the aggregate principal amount and the principal amount of each maturity by such amounts as may be necessary to (a) produce sufficient funds to effect the refunding for which the Bonds are being issued after taking into account the premium received by the City and the actual investment yield at which the proceeds of the Bonds are to be invested, and (b) to account for any changes in the bonds to be refunded with the proceeds of the Bonds based on the actual debt service savings to be realized by the City. The dollar amount bid for the Bonds by the winning bidder will be adjusted, if applicable, to reflect changes in the dollar amount of the amortization schedule. Any price that is adjusted will reflect changes in the dollar amount of the underwriter's discount and original issue premium, but will not change the per bond underwriter's discount (net of insurance premium, if any) provided in such bid. Nor will it change the interest rate specified for each maturity. Any such adjustments will be communicated to the winning bidder by 4 P.M. on the day of the sale.

Bids must be submitted either:

(a) In a sealed envelope marked "Proposal for Bonds" and addressed to Ms. Barbara Auger, Treasurer, City of Taunton, Massachusetts, c/o First Southwest Company, LLC, 54 Canal Street, 3rd Floor, Boston, Massachusetts 02114. Proposals by telegram delivered as specified above will be accepted. Signed blank bid forms may be faxed to (617) 619-4411 prior to submitting bids, and actual bids may be telephoned to First Southwest Company, LLC, telephone (617) 619-4400 at least one-half hour prior to the 11:00 a.m. sale and after receipt of the faxed bid form by First Southwest Company, LLC. First Southwest Company, LLC will act as agent for the bidder, but neither the City nor First Southwest Company, LLC shall be responsible for any errors in connection with bids submitted in this manner.

(b) Electronically via Parity in accordance with this Notice of Sale. To the extent any instructions or directions set forth in Parity conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about Parity, potential bidders may contact the Financial Advisor to the City or Ideal at 40 West 23rd Street, 5th Floor, New York, NY 10010 (212) 404-8102.

The award of the Bonds to the winning bidder will not be effective until the bid has been approved by the Treasurer and the Mayor.

The right is reserved to reject any or all proposals and to reject any proposal not complying with this Notice of Sale and, so far as permitted by law, to waive any irregularity with respect to any proposal.

An electronic bid made in accordance with this Notice of Sale shall be deemed an offer to purchase the Bonds in accordance with the terms provided in this Notice of Sale and shall be binding upon the bidder as if made by a signed and sealed written bid delivered to the City.

On or prior to the date of delivery of the Bonds, the successful bidder shall furnish to the City a certificate acceptable to Bond Counsel generally to the effect that (i) as of January 13, 2016 (the "Sale Date"), the Purchaser had offered or reasonably expected to offer all of the Bonds to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) in a bona fide public offering at the prices set forth in such certificate, plus accrued interest, if any, (ii) such prices represent fair market prices of the Bonds as of the Sale Date, and (iii) as of the date of such certificate, all of the Bonds have been offered to the general public in a bona fide offering at the prices set forth in such certificate, and at least 10% of each maturity of the Bonds actually has been sold to the general public at such prices. To the extent the certifications described in the preceding sentence are not factually accurate with respect to the reoffering of the Bonds, Bond Counsel should be consulted by the bidder as to alternative certifications that will be suitable to establish the "issue price" of the Bonds for federal tax law purposes. If a municipal bond insurance policy or similar credit enhancement is obtained with respect to the Bonds by the successful bidder, such bidder will also be required to certify as to the net present value savings on the Bonds resulting from payment of insurance premiums or other credit enhancement fees.

It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that, contemporaneously with or before accepting the Bonds and paying therefor, it shall be furnished, without cost, with (a) the approving opinion of the firm of Locke Lord LLP, Boston, Massachusetts, substantially in the form presented in Appendix

B to the Preliminary Official Statement dated January 5, 2016; (b) a certificate in form satisfactory to said firm, dated as of the date of delivery of the Bonds and receipt of payment therefor, to the effect that there is no litigation pending or, to the knowledge of the signer or signers thereof, threatened affecting the validity of the Bonds or the power of the City to levy and collect taxes to pay them, (c) a certificate of the City Treasurer to the effect that, to the best of her knowledge and belief, both the Preliminary Official Statement as of the date of sale and the Final Official Statement as of the date of delivery of the Bonds do not contain any untrue statement of a material fact and do not omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading, and (d) a Continuing Disclosure Certificate in the form presented in Appendix C to the Preliminary Official Statement.

The City has not contracted for the issuance of any bond insurance policy for the Bonds. If the Bonds qualify for issuance of any such policy or commitment therefor, any purchase of such insurance or commitment shall be at the sole option and expense of the bidder. Proposals shall not be conditioned upon the issuance of any such policy or commitment. Any failure of the Bonds to be so insured or of any such policy or commitment to be issued shall not in any way relieve the purchaser of its contractual obligations arising from the acceptance of its proposal for the purchase of the Bonds. Should the bidder purchase municipal bond insurance, all expenses associated with such policy or commitment will be borne by the bidder, except for the fee paid to Standard & Poor's Ratings Services for a rating on the Bonds. Any such fee paid to Standard & Poor's Ratings Services would be borne by the City.

Additional information concerning the City and the Bonds is contained in the Preliminary Official Statement dated January 5, 2016, to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Notice of Sale. Said Preliminary Official Statement is deemed final by the City except for the omission of the reoffering price(s), interest rate(s), and the identity of the underwriter(s), and any other pertinent terms of the Bonds depending on such matters, but is subject to change without notice, to completion or amendment in a Final Official Statement. Copies of the Preliminary Official Statement may be obtained from First Southwest Company, LLC, 54 Canal Street, Boston, Massachusetts 02114 (Telephone: 617-619-4400). Within seven (7) business days following the award of the Bonds in accordance herewith, 25 copies of the Final Official Statement will be available from the First Southwest Company, LLC to the successful bidder for use in reoffering the Bonds. Upon request, additional copies will be provided at the expense of the requester.

It is anticipated that CUSIP identification numbers will be printed on the Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid for by the City, provided, however, that the City assumes no responsibility for any CUSIP Service Bureau or other charge that may be imposed for the assignment of such numbers.

The Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986 as amended.

In order to assist bidders in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the City will undertake to provide annual reports and notices of certain significant events. A description of this undertaking is set forth in the Preliminary Official Statement.

The Bonds in definitive form will be delivered to The Depository Trust Company or its custodial agent on or about January 28, 2016 for settlement in federal funds.

CITY OF TAUNTON, MASSACHUSETTS

January 5, 2016

/s/ Ms. Barbara Auger, Treasurer

PRELIMINARY OFFICIAL STATEMENT

CITY OF TAUNTON, MASSACHUSETTS

$5,250,000

GENERAL OBLIGATION STATE QUALIFIED REFUNDING BONDS

This Official Statement is provided for the purpose of presenting certain information relating to the City of Taunton, Massachusetts (the "City"), in connection with the sale of $5,250,000 aggregate principal amount of its General Obligation State Qualified Refunding Bonds (the "Bonds"). The information contained herein has been furnished by the City, except information attributed to another governmental agency or official as the source.

THE BONDS

Description of the Bonds

The Bonds will be dated as of their delivery date and will bear interest payable semiannually on March 1 and September 1, commencing March 1, 2016. The Bonds shall mature on March 1 of the years and in the principal amounts as set forth on the cover page of this Official Statement.

The Bonds are issuable only in fully registered form, without coupons, and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of $5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interests in Bonds purchased. So long as Cede & Co. is the Bondowner, as nominee of DTC, references herein to the Bondowners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. (See "Book-Entry Transfer System" herein.)

Principal of and semiannual interest on the Bonds will be paid by The Treasurer and Receiver-General of The Commonwealth of Massachusetts, Boston, Massachusetts, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

The Bonds are not subject to redemption prior to their stated maturity dates.

State Qualified Bonds

The Bonds constitute "qualified bonds" pursuant to Chapter 44A of the General Laws. Pursuant to Chapter 44A the City Treasurer shall at the delivery date of the Bonds certify to the State Treasurer the maturity schedule, interest rates, and dates of payment of debt service on qualified bonds. The State Treasurer shall pay the debt service on qualified bonds and after payment shall withhold from the distributable aid (as defined in Chapter 44A) payable to the City an amount which will be sufficient to pay the debt service on the qualified bonds or, if the amount of such distributable aid in any year is insufficient for the purpose, from any other amounts payable by The Commonwealth of Massachusetts (the "Commonwealth") to the City under any provision of law. From the time withheld by the State Treasurer, all such distributable aid or amounts so withheld and paid shall be exempt from being levied upon, taken, sequestered, or applied toward paying the debts of the City other than for payment of debt service on such qualified bonds.

The Commonwealth covenants in Section 8 of Chapter 44A with the purchasers, holders and owners, from time to time, of qualified bonds that it will not repeal, revoke, rescind, modify, or amend the above described provisions so as to create any lien or charge on or pledge, assignment, diversion, withholding of payment, or other use of or deduction from any distributable aid or other amounts to be paid to any holder of qualified bonds which is prior in time or superior in right to the payment required by said provisions; provided, however, that nothing therein contained shall be deemed or construed to require the Commonwealth to continue to make payments of distributable aid or other amounts or to limit or prohibit the Commonwealth from repealing or amending any law heretofore or hereafter enacted for the payment or apportionment of such aid or other amounts, or of the manner, time, or amount thereof.

Chapter 44A also provides that the certification to the State Treasurer as to the amount payable in any year for debt service on qualified bonds shall be fully conclusive as to such qualified bonds from and after the time of issuance of such qualified bonds, notwithstanding any irregularity, omission, or failure as to compliance with any of the provisions of Chapter 44A with respect to such qualified bonds.

Chapter 44A further provides that nothing therein shall be construed to relieve the City of the obligation imposed on it by law to appropriate and to include in its annual tax levy amounts necessary to pay, in each year, the principal and interest maturing and becoming due on any qualified bonds issued by the City; provided, however, that to the extent of the amounts of distributable aid or other amounts payable to the City which have been or are to be applied to the payment of such qualified bonds, the State Treasurer shall certify to the City Auditor the amounts so withheld and thereafter such amounts shall be credited to the appropriations of the City for the current fiscal year; and provided, further that to the extent to which distributable aid is not appropriated by the Commonwealth in any fiscal year, such appropriated amounts of the City shall be used to pay the debt service maturing and becoming due in such year on such qualified bonds of the City.

Nothing in Chapter 44A shall be construed to pledge the credit and assets of the Commonwealth to the support of any qualified bonds or to guarantee payment or stand as surety for the payment of any qualified bonds.

See “INDEBTEDNESS–Coverage of Qualified Debt Service” for a discussion of the projected coverage of qualified debt service by state aid.

The City may issue other bonds in addition to the Bonds as qualified bonds on a parity basis with the Bonds pursuant to Chapter 44A. In addition to this issue of Bonds, the City has issued the $5,104,000 Qualified Bonds dated June 15, 2009, of which an aggregate of $3,570,000 was outstanding as of June 30, 2015, $23,210,000 Qualified Refunding Bonds dated July 9, 2009, of which an aggregate of $8,435,000 was outstanding as of June 30, 2015, $7,715,000 Qualified Bonds dated June 15, 2010, of which an aggregate of $3,850,000 was outstanding as of June 30, 2015, $9,039,000 Qualified Bonds dated September 26, 2013, of which an aggregate of $8,435,000 was outstanding as of June 30, 2015, $4,590,000 Qualified Bonds dated May 22, 2014, of which an aggregate of $4,275,000 was outstanding as of June 30, 2015 and $5,369,000 Qualified Bonds dated December 10, 2015. See "INDEBTEDNESS--Coverage of Qualified Debt Service" for a discussion of the projected coverage of qualified debt service by state aid.

The Bonds are not subject to redemption prior to their stated maturity dates.

Record Date

The record date for each payment of interest is the fifteenth day of the month preceding the interest payment date, however if such date is not a business day, the record date will be the following business day provided that, with respect to overdue interest, the Paying Agent may establish a special record date. The special record date may not be more than twenty (20) days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondowners at least ten (10) days before the special record date.

Book-Entry Transfer System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued in fully-registered form registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One-fully registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and each such certificate will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing

agencies. DTCC is owned by the users of its regulated securities. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com**.

Purchases of securities deposited with DTC must be made by or through Direct Participants, which will receive a credit for such securities on DTC's records. The ownership interest of each actual purchaser of each security deposited by DTC ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the securities deposited by DTC are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the securities deposited with DTC, except in the event that use of the book-entry system for such securities is discontinued.

To facilitate subsequent transfers, all securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the securities deposited with DTC; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to securities deposited with DTC unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of such securities or its paying agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts such securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on securities deposited with DTC will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer of such securities or its paying agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the issuer of such securities or its paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer of such securities or its paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the securities deposited with DTC at any time by giving reasonable notice to the issuer of such securities or its paying agent. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered to Beneficial Owners.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to Beneficial Owners.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

Authorization of the Bonds and Use of Proceeds

The following sets forth the principal amount, purpose, statutory authorization and date of approval for the current offering of Bonds:

This Issue	Purpose	Statutory (Reference Massachusetts General Laws, as amended)	Date of Authorization
$ 5,250,000	Refunding	C. 44, s. 21A	11/14/2012

Bond proceeds will be used to current refund a portion of the City $4,602,000 General Obligation Municipal Purpose Loan of 2002 Bonds dated May 1, 2002, maturing in the years 2016 through 2022, in the aggregate principal amount of $1,600,000 (the "2002 Bonds"), and to advance refund a portion of the City's $7,917,000 General Obligation Municipal Purpose Loan of 2007 Bonds, dated May 15, 2007, maturing in the years 2018 through 2027, in the aggregate principal amount of $3,765,000 (the "2007 Bonds" and together with the 2002 Bonds, the "Refunded Bonds"), and to pay costs of issuing the Bonds.

Plan of Refunding

Upon delivery of the Bonds, the City will enter into a Refunding Escrow Agreement (the "Refunding Escrow Agreement") with U.S. Bank National Association, as Escrow Agent, to provide for the refunding of the Refunded Bonds. Upon receipt of the portion of the proceeds of the Bonds necessary to refund the Refunded Bonds, the Escrow Agent will deposit in the Refunding Escrow Fund established under the Refunding Escrow Agreement an amount which will be held in cash and an amount which will be invested in direct obligations of the United States of America or obligations unconditionally guaranteed by the United States of America ("Government Obligations") maturing in amounts and bearing interest at rates sufficient without reinvestment, together with the cash on deposit in the Refunding Escrow Fund, to pay when due, interest on, and upon redemption, the outstanding principal of and redemption premium on, the Refunded Bonds. The Refunding Escrow Fund, including the interest earnings on the Government Obligations, will be pledged for the benefit of the holders of the Refunded Bonds.

Verification of Mathematical Computations

The accuracy of the mathematical computations relating to (i) the adequacy of the maturing principal amounts of the Government Obligations together with the interest income thereon and uninvested funds, if any, to provide for the payment of the Refunded Bonds and (ii) the yield on the Bonds and the Government Obligations for purposes of determining compliance with certain requirements of the Internal Revenue Code of 1986, as amended, will be verified by Grant Thornton LLP, independent certified public accountants. Such verification will be based upon information and assumptions supplied by First Southwest Company, LLC on behalf of the City. Grant Thornton LLP has restricted its procedures to recalculating the computations provided by First Southwest Company, LLC and has not evaluated or examined the assumptions or information used in the computations.

Sources and Uses of Bond Proceeds

Proceeds of the Bonds will be applied as follows:

Sources:	
Par Amount of the Bonds	$ 5,250,000.00
Premium	431,764.07
Total Sources	$ 5,681,764.07
Uses:	
Deposit to Refunding Escrow Fund	$ 5,588,267.23
Underwriter's Discount	22,721.88
Costs of Issuance	70,774.96
Total Uses	$ 5,681,764.07

Tax Exemption

In the opinion of Locke Lord LLP, Bond Counsel to the City ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In the opinion of Bond Counsel, the Bonds will be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. Failure to comply with these requirements may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The City has covenanted to comply with such requirements to ensure that interest on the Bonds will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these requirements.

Bond Counsel is also of the opinion that, under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Bonds. Prospective Bondholders should be aware, however, that the Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Bonds and the interest thereon are included in the measure of certain Massachusetts corporate excise and franchise taxes. Bond Counsel expresses no opinion as to the taxability of the Bonds or the income therefrom or any other tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Bondholders should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Bonds, or, in some cases, at the earlier redemption date of such Bonds ("Premium Bonds"), will be treated as having amortizable bond premium for federal income tax purposes and Massachusetts personal income tax purposes. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a Bondholder's basis in a Premium Bond will be reduced by the amount of amortizable bond premium properly allocable to such Bondholder. Holders of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds.

Prospective Bondholders should be aware that from time to time legislation is or may be proposed which, if enacted into law, could result in interest on the Bonds being subject directly or indirectly to federal income taxation, or otherwise prevent Bondholders from realizing the full benefit provided under current federal tax law of the exclusion of interest on the Bonds from gross income. To date, no such legislation has been enacted into law. However, it is not possible to predict whether any such legislation will be enacted into law. Further, no assurance can be given that any pending or

future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the market value and marketability of, or the tax status of interest on, the Bonds. Prospective Bondholders are urged to consult their own tax advisors with respect to any such legislation, interpretation or development.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect the federal or state tax liability of a Bondholder. Among other possible consequences of ownership or disposition of, or the accrual or receipt of interest on, the Bonds, the Code requires recipients of certain social security and certain railroad retirement benefits to take into account receipts or accruals of interest on the Bonds in determining the portion of such benefits that are included in gross income. The nature and extent of all such other tax consequences will depend upon the particular tax status of the Bondholder or the Bondholder's other items of income, deduction or exclusion. Bond Counsel expresses no opinion regarding any such other tax consequences, and Bondholders should consult with their own tax advisors with respect to such consequences.

Rating

Standard & Poor's Ratings Services has assigned a "AA" rating to the Bonds. The rating reflects the rating agency's views and will be subject to revision or withdrawal, which could affect the market price of the Bonds.

Security and Remedies

Full Faith and Credit. General obligation bonds and notes of a Massachusetts city or town constitute a pledge of its full faith and credit. Payment is not limited to a particular fund or revenue source. Except for "qualified bonds" as described below (see "TYPES OF OBLIGATIONS – Serial Bonds and Notes" under "INDEBTEDNESS") and setoffs of state distributions as described below (see "Use of State Distributions to Pay Debt Service" below), no provision is made by the Massachusetts statutes for priorities among bonds and notes and other general obligations, although the use of certain moneys may be restricted.

Tax Levy. The Massachusetts statutes direct the municipal assessors to include annually in the tax levy for the next fiscal year "all debt and interest charges matured and maturing during the next fiscal year and not otherwise provided for [and] all amounts necessary to satisfy final judgments." Specific provision is also made for including in the next tax levy payment of rebate amounts not otherwise provided for and payment of notes in anticipation of federal or state aid if the aid is no longer forthcoming.

The total amount of a tax levy is limited by statute. However, the voters in each municipality may vote to exclude from the limitation any amounts required to pay debt service on indebtedness incurred before November 4, 1980. Local voters may also vote to exempt specific subsequent bond issues from the limitation. (See "Tax Limitations" under "PROPERTY TAXATION" below.) In addition, obligations incurred before November 4, 1980 may be constitutionally entitled to payment from taxes in excess of the statutory limit.

Except for taxes on the increased value of certain property in designated development districts which may be pledged for the payment of debt service on bonds issued to finance economic development projects within such districts, no provision is made for a lien on any portion of the tax levy to secure particular bonds or notes or bonds and notes generally (or judgments on bonds or notes) in priority to other claims. Provision is made, however, for borrowing to pay judgments, subject to the General Debt Limit. (See "Debt Limits" under "INDEBTEDNESS" below.) Subject to the approval of the State Director of Accounts for judgments above $10,000, judgments may also be paid from available funds without appropriation and included in the next tax levy unless other provision is made.

Court Proceedings. Massachusetts cities and towns are subject to suit on their general obligation bonds and notes and courts of competent jurisdiction have power in appropriate proceedings to order payment of a judgment on the bonds or notes from lawfully available funds or, if necessary, to order the city or town to take lawful action to obtain the required money, including the raising of it in the next annual tax levy, within the limits prescribed by law. (See "Tax Limitations" under "PROPERTY TAXATION" below.) In exercising their discretion as to whether to enter such an order, the courts could take into account all relevant factors including the current operating needs of the city or town and the availability and adequacy of other remedies. The Massachusetts Supreme Judicial Court has stated in the past that a judgment against a municipality can be enforced by the taking and sale of the property of any inhabitant. However, there has been no judicial determination as to whether this remedy is constitutional under current due process and equal protection standards.

Restricted Funds Massachusetts statutes also provide that certain water, gas and electric, community antenna television system, telecommunications, sewer, parking meter and passenger ferry, community preservation and affordable housing receipts may be used only for water, gas and electric, community antenna television system, telecommunications, sewer, parking, mitigation of ferry service impacts, and community preservation and affordable housing purposes, respectively; accordingly, moneys derived from these sources may be unavailable to pay general obligation bonds and notes issued for other purposes. A city or town that accepts certain other statutory provisions may establish an enterprise fund for a utility, health care, solid waste, recreational or transportation facility and for police or fire services; under those provisions any surplus in the fund is restricted to use for capital expenditures or reduction of user charges. In addition, subject to certain limits, a city or town may annually authorize the establishment of one or more revolving funds in connection with use of certain revenues for programs that produce those revenues; interest earned on a revolving fund is treated as general fund revenue. A city or town may also establish an energy revolving loan fund to provide loans to owners of privately-held property in the city or town for certain energy conservation and renewable energy projects, and may borrow to establish such a fund. The loan repayments and interest earned on the investment of amounts in the fund shall be credited to the fund. Also, the annual allowance for depreciation of a gas and electric plant or a community antenna television and telecommunications system is restricted to use for plant or system renewals and improvements, for nuclear decommissioning costs, and costs of contractual commitments, or, with the approval of the State Department of Telecommunications and Energy, to pay debt incurred for plant or system reconstruction or renewals. Revenue bonds and notes issued in anticipation of them may be secured by a prior lien on specific revenues. Receipts from industrial users in connection with industrial revenue financings are also not available for general municipal purposes.

State Distributions. State grants and distributions may in some circumstances be unavailable to pay general obligation bonds and notes of a city or town in that the State Treasurer is empowered to deduct from such grants and distributions the amount of any debt service paid on "qualified bonds" (See *"Serial Bonds and Notes"* under "INDEBTEDNESS-TYPES OF OBLIGATIONS" below) and any other sums due and payable by the city or town to the Commonwealth or certain other public entities, including any unpaid assessments for costs of any public transportation authority (such as the Massachusetts Bay Transportation Authority ("MBTA") or a regional transit authority) of which it is a member, for costs of the Massachusetts Water Resources Authority("MWRA") if the city or town is within the territory served by the Authority, for any debt service due on obligations issued to the Massachusetts School Building Authority ("MSBA"), or for charges necessary to meet obligations under the Commonwealth's Water Pollution Abatement or Drinking Water Revolving Loan Programs, including such charges imposed by another local governmental unit that provides wastewater collection or treatment services or drinking water services to the city or town.

If a city or town is (or is likely to be) unable to pay principal or interest on its bonds or notes when due, it is required to notify the State Commissioner of Revenue. The Commissioner shall in turn, after verifying the inability, certify the inability to the State Treasurer. The State Treasurer shall pay the due or overdue amount to the paying agent for the bonds or notes, in trust, within three days after the certification or one business day prior to the due date (whichever is later). This payment is limited, however, to the estimated amount otherwise distributable by the Commonwealth to the city or town during the remainder of the fiscal year (after the deductions mentioned in the foregoing paragraph). If for any reason any portion of the certified sum has not been paid at the end of the fiscal year, the State Treasurer shall pay it as soon as practicable in the next fiscal year to the extent of the estimated distributions for that fiscal year. The sums so paid shall be charged (with interest and administrative costs) against the distributions to the city or town.

The foregoing does not constitute a pledge of the faith and credit of the Commonwealth. The Commonwealth has not agreed to maintain existing levels of state distributions, and the direction to use estimated distributions to pay debt service may be subject to repeal by future legislation. Moreover, adoption of the annual appropriation act has sometimes been delayed beyond the beginning of the fiscal year and estimated distributions which are subject to appropriation may be unavailable to pay local debt service until they are appropriated.

Bankruptcy. Enforcement of a claim for payment of principal or interest on general obligation bonds or notes would be subject to the applicable provisions of Federal bankruptcy laws and to the provisions of other statutes, if any, hereafter enacted by the Congress or the Massachusetts legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. Massachusetts municipalities are not generally authorized by the Massachusetts General Laws to file a petition for bankruptcy under Federal bankruptcy laws. In cases involving significant financial difficulties faced by a single city, town or regional school district, the Commonwealth has enacted special legislation to permit the appointment of a fiscal overseer, finance control board or, in the most extreme cases, a state receiver. In a limited number of these situations, such special legislation has also authorized the filing of federal bankruptcy proceedings, with the prior approval of the Commonwealth. In each case where such authority was granted, it expired at the termination of the Commonwealth's oversight of the financially distressed city, town or regional school district. To date, no such filings have been approved or made.

Opinion of Bond Counsel

The purchaser will be furnished the legal opinion of the firm of Locke Lord LLP, Boston, Massachusetts. The opinion will be dated and given on and will speak only as of the date of original delivery of the Bonds to the successful bidder. The opinion will be substantially in the form presented in Appendix B.

Other than as to matters expressly set forth herein as the opinion of Bond Counsel, Bond Counsel is not passing upon and does not assume any responsibility for the accuracy or adequacy of the statements made in this Official Statement and makes no representation that they have independently verified the same.

Financial Advisory Services of First Southwest Company, LLC

First Southwest Company, LLC, Boston, Massachusetts serves as financial advisor to the City.

First Southwest Company, LLC ("First Southwest") is in the process of merging with its common control affiliate, Hilltop Securities Inc. ("HilltopSecurities"). The merger is expected to be completed at the close of business on January 22, 2016, at which time HilltopSecurities, as the surviving entity, automatically assumes all rights and obligations of FirstSouthwest. The firm's municipal advisory business will continue to operate as FirstSouthwest, a division of Hilltop Securities Inc.

Continuing Disclosure

In order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the "Rule"), the City will covenant for the benefit of the owners of the Bonds to provide certain financial information and operating data relating to the City by not later than 270 days after the end of each fiscal year (the "Annual Report"), and to provide notices of the occurrence of certain significant events. The covenants will be contained in a Continuing Disclosure Certificate, the proposed form of which is provided in Appendix C. The Certificate will be executed by the signers of the Bonds and incorporated by reference in the Bonds.

The City became obligated to file annual reports with each nationally recognized municipal securities information repository ("NRMSIR") in an offering that took place in 2001. Due to an administrative oversight, the financial statements were not timely filed with each NRMSIR for fiscal years ending 2008 through 2011. All information has since been filed including a notice of late filing. The City has implemented procedures to ensure timely filing of all future financial information.

THE CITY OF TAUNTON

General

The City of Taunton (the "City") was incorporated as a town in 1639 and as a city in 1864. It is located in Bristol County, and is bordered by Rehoboth and Norton on the west, Easton on the north, Raynham and Lakeville on the east and Berkley and Dighton on the south. It is approximately 37 miles south of Boston and 16 miles east of Providence. The City has a population of 55,874 persons (2010 federal census) and occupies a land area of 46.62 square miles.

Principal Executive Officers

Office	Name	Manner of Selection	Length of Term	Expiration of Term
Mayor	Thomas C. Hoye, Jr.	Elected	2 years	January 4, 2016
Councilor	Estele C. Borges	Elected	2 years	January 4, 2016
Councilor	Deborah Carr	Elected	2 years	January 4, 2016
Councilor	Donald L. Cleary	Elected	2 years	January 4, 2016
Councilor	Sherry Costa-Hanlon	Elected	2 years	January 4, 2016
Councilor	Gerald A. Croteau	Elected	2 years	January 4, 2016
Councilor	Andrew J. Marshall	Elected	2 years	January 4, 2016
Councilor	John M. McCaul	Elected	2 years	January 4, 2016
Councilor	Jeanne M. Quinn	Elected	2 years	January 4, 2016
Councilor	David W. Pottier	Elected	2 years	January 4, 2016
Budget Director	Gill Enos	Appointed	3 years	December 10, 2016
City Auditor	Ann M. Hebert	Appointed	3 years	January 14, 2017
Treasurer/Collector	Barbara Auger	Appointed	3 years	May 21, 2016
City Clerk	Rose Marie Blackwell	Appointed	3 years	January 14, 2017
City Solicitor	Jason D. Buffington	Appointed	2 years	January 4, 2016

Municipal Services

The City provides general governmental services for the territory within its boundaries, including police and fire protection, industrial development, a municipal airport, disposal of garbage and rubbish, public education in grades pre-school through 12, a nursing home, water and sewer services, streets, parks and recreation. Taunton also has a self-supporting municipal lighting plant.

The Taunton Housing Authority provides public housing and the Taunton Redevelopment Authority is in charge of urban renewal programs. The Housing Authority is a corporate body politic with four elected members and one member appointed by the Executive Office of Communities and Development, which sets policies and establishes goals to ensure well-maintained housing for both the elderly and low-income families in the City.

The principal services provided by Bristol County are registries of deeds and probate, and a jail and house of correction.

Education

The City's school system currently maintains and operates 11 elementary schools, four middle schools and one high school providing education from pre-school through grade 12.

The City is receiving state school construction grants in connection with the East Taunton, Mulcahey, Galligan, Barnum, Friedman and Chamberlain Schools, construction of which is complete, amounting to 83 percent of eligible project costs, including debt service.

Public School Enrollments

The following tables present annual enrollments in the Taunton public schools through the 2015-16 school year:

	Actual					
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Pre-Kindergarten	392	341	304	330	326	336
Kindergarten - 4	3,322	3,222	3,203	3,316	3,206	3,213
Grades 5 - 8	2,471	1,858	1,821	1,918	1,951	1,961
Grades 9 - 12	1,951	2,323	2,397	2,506	2,510	2,494
Total	8,136	7,744	7,725	8,070	7,993	8,004

Source: Superintendent of the City's Schools.

Enrollments in the high school and middle schools are expected to increase over the next five years. At the elementary school level, based on the community's population growth and the continuous home construction trends, it is anticipated that enrollment will experience a continuous increase over the next ten years.

In addition, the City is a member of the Bristol-Plymouth Regional Vocational-Technical School District and the Bristol County Agricultural School District.

Transportation and Utilities

The City has convenient access to a network of major highways, which provides Taunton and the Myles Standish Industrial Park with immediate access to the interstate highway system, as well as direct access to Cape Cod. The City has its own municipal airport and is a short distance from airports in Boston, Providence and New Bedford. It is a junction point of the Conrail Railroad for freight service in Southeastern Massachusetts. Ocean transportation services are available through the ports of Boston, Fall River and Taunton, Massachusetts, and through Providence, Rhode Island. The City is a member of the Greater Attleboro Regional Transit Authority which provides bus service to fourteen communities in the region.

Industry and Development

Myles Standish Industrial Park:

The Myles Standish Industrial Park is conveniently located between the Metropolitan areas of Boston and Providence. The Park is very accessible with a direct exit 9 ramp, Bay Street, off Route 495 and a location that is within 2 miles of Route 24. In addition, the Park is just 10 minutes from Interstate 95 and just 20 minutes from the Massachusetts Turnpike. The Myles Standish Industrial Park is home to approximately 100 companies occupying 5,800,000 square feet of real estate and employing approximately 7,400 area residents. Taunton provides industry with very competitive labor costs drawing from a substantial, well trained labor pool, from a population base of over one million people in Southeastern Massachusetts and Northern Rhode Island.

Phase I – Development of Phase I of the Myles Standish Industrial Park began in 1978 through legislation allowing the City of Taunton and the Taunton Development Corporation to acquire 437 acres. Phase I was completed and sold out as of July 1994, and is home to such companies as General Dynamics, Quad Graphics, Kopin Corporation, the National Weather Service; The United States Post Office, Princess House, and Huttig. In June of 1995, Verizon relocated their Bay Market Area Central/Account Team Center to a facility on Myles Standish Boulevard, bringing 688 additional employees to the Park. Two lots were sold in 2010, Lots 29A and 36C which were purchased for medical offices. Both of these lots are located in the front of the Park at the entrance.

Phase II – In April of 1995, the Taunton Development Corporation, which operates under a management agreement with the City, purchased an additional 217.9 acres of industrial property for expansion of the Myles Standish Industrial Park, known as Phase II. The Taunton Development Corporation was awarded an Economic Development Administration Grant in the amount of $1.655 million for the infrastructure work to be done on Phase II. This property became home to approximately 21 companies including Chadwick's of Boston with over 1,000 employees, AGAR Supply, Graybar Electric, United Refrigeration, and a child care center owned by Triumph Head Start.

Phase III – In August of 2000, the Taunton Development Corporation purchased 154 additional acres from the Department of Mental Retardation which allowed the construction of six new facilities. Perkins Paper Built a 350,000 square foot facility which has now been expanded to 450,000 square feet. V & S Galvanizing, Callico who was located in Phase I of MSIP, built a new facility in Phase III; as well as Tribe Mediterranean, G. Brouillette & Son, and GKI Bethlehem Lighting. The Corporation received a $1.2 million Economic Development Administration Grant from the Department of Commerce for roads and utilities. This new phase allowed for approximately 1,000 employees, and will bring the potential assessed value for Myles Standish Industrial Park well over $180 million and close to $5 million in annual taxes. Phase III has one new company which opened in 2005, thus increasing the assessed value by another $1 million. There is still one buildable lot in Phase III. Two parcels on Industrial Park Road were sold in 2009 and 2010 for new Medical Office buildings of 12,000 and 33,000 sq. ft.

Phases IV and V – The Myles Standish Industrial Park expansion area of 220 industrial acres acquired in January 2012 utilized $9.2 million in State and Federal infrastructure grants to redevelop the area. As a result of these infrastructure grants, 2 new industrial park roadways and utility infrastructure have been completed (Charles F. Colton Road & Pioneer Way). The third and final infrastructure project will commence construction in April 2015 developing the new Dever Drive roadway into the life science business park providing access and new infrastructure to the remaining development sites within the park. More recently, an EPA Brownfield grant for $600,000 was awarded in June 2014 to assist with demolition remediation costs.

The MassDevelopment Corporation has successfully sold several parcels. In 2013, a three acre parcel was sold to Columbia Gas as part of a District Improvement Financing District creating 40 jobs. In 2014, 15 acres sold to Paul Maggiore Companies for a 200,000 square foot planned use for office, warehouse and distribution for Sullivan Tires employing 100. Plans to develop a future site of approximately 30+ developable acres within the new Life Science Business Park is expected to become available in the Spring of 2016 when new roadway/infrastructure is complete.

Liberty and Union Industrial Park, East Taunton

The Liberty and Union Industrial Park is strategically located at the intersections of Routes 24 and 140, just minutes from Route 495. The location gives employers a job market in excess of one million people within a 20 mile radius, and metropolitan areas of Boston and Providence are just 32 and 20 miles away respectively. Liberty and Union Industrial Park is home to 11 companies and 809 employees, currently.

With the great amount of industrial interest in the City, approximately 350 acres of land in East Taunton was purchased by the Taunton Development Corporation for the development of a new industrial park and was zoned industrial. Jordan's Furniture built a 900,000 square foot facility for warehouse/distribution and ADVO (Mail Coups) built a 65,000 square foot manufacturing facility. Skyline Roofing has purchased Lot 3 and their site is under construction. The 138,000 square foot Revolutionary Way Commerce Center has three tenants, of which one is a local company, Columbia Electric, which moved into the facility. Greenscape has purchased Lots 6 and 6A which they will add to their existing property. Condyne purchased Lot 12. They built two buildings totaling 350,000 square feet, of which tenant, Super Dog Pet Food occupies one of the buildings and Summit tire and Pinnacle Distribution are in the other building.

Adjacent to the Liberty and Union Industrial Park, the Maggiore Companies have built two 100,000 square foot industrial buildings with three tenants, Road to Responsibility, Omni Life Science Center, and Work Out World in one and Electrichem in the other. Maggiore Companies has a 9,000 square foot commercial building located on Stevens Street which has a new office tenant.

Over 140 acres of the industrially zoned properties at the junction of Routes 140/24 are under agreement for a proposed resort and casino project, subject to future approvals from the Commonwealth.

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

Silver City Galleria

In 1992, construction was completed on a $92.9 million, two-level mall in East Taunton at the junction of Routes 24 and 140. The "Silver City Galleria Mall" was developed by the Pyramid Companies of Syracuse, New York. One of the few large malls to open in the country in 1992, "Silver City" has 1.1 million square feet of leasable area and is located on a 126 acre site. It has attracted several anchor stores, including Macy's, Sears, J. C. Penney, and Old Navy. The mall accommodates a total of 160 national and local retailers, with a ten unit international food court pavilion and one full restaurant – Bertucci's, a twelve screen cinema and a community room open to the public. The mall has added 2,500 full and part-time jobs to the area, and has produced in excess of $1.5 million in tax revenues to the City annually. The Silver City Galleria was sold for $22.1 million on June 26, 2013 to the Dallas-based MGHerring Group, who together with Tricom Real Estate Group have invested approximately $5.0 million for interior and exterior capital improvements during calendar year 2014.

To meet environmental and traffic concerns, 5.5 acres of restricted conservation area on the site have been reserved, and a raised bridge and southbound off-ramp from Route 140 were built.

Taunton Depot

In 1998, Land Development Northeast, started construction on a multi building plaza to complement the Silver City Galleria. Home Depot constructed and opened the first facility, a 114,000 square foot building. It is home to Home Depot, Target, Petco, Kohl's, Papa Gino's, Starbuck's and Wendy's.

Taunton Crossing

In 2003, the Wilder Companies, a Boston-based national retail real estate developer, constructed the 90,000 square foot Taunton Crossing, located one half mile west of Route 24 on 140. Taunton Crossing is home to T. J. Maxx, Michaels, and Pier 1 Imports which is located behind the Olive Garden, Smokey Bones, TGI Fridays, and Dunkin Donuts.

Mill River Place

This 1960's 180,000 square foot downtown facility has been redeveloped into a modern professional center with medical services, human services, government services and specialty retailers. The Registry of Motor Vehicles, a Kidney Dialysis Center, and Save-A-Lot are currently located in this facility.

Northwoods Project, North Taunton

This site is located on Bay Street adjacent to the Northwoods Medical Center. It is home to BJ's Wholesale Club, Ruby Tuesdays, Wendy's, Dollar Store, and Tractor Sales thus servicing the companies and employees in the Myles Standish Industrial Park and the Greater Taunton area.

Major Employers

In addition to the Silver City Galleria which employs in the vicinity of 1,800 people on a full or part-time basis, the following table presents some of the other major employers in the City.

Name	Nature of Business	Number of Employees
City of Taunton	Government	1,838
Morton Hospital	Hospital	955
General Dynamics	Manufacturing	900
Taunton State Hospital	Hospital	700
Verizon	Communications	688
Perkins Paper	Paper Products	487
AGAR Supply	Food Distribution	415
Quad Graphics Taunton Retail	Manufacturing (Books)	390
Bloom Bus Lines	Transportation	350
Jordan's Furniture	Furniture Distribution	330
The Lopes Companies	Construction	330
Trucchi's Supermarkets	Food Distribution	275
Comcast Cable	Communications	210
Quad Graphics – Taunton	Commercial Printer	175
Princess House	Glassware	175
Taunton Municipal Lighting Plant	Electrical Distribution	155
Keystone Automotive	Automotive Parts	126
Tribe	Food Processing	120
Taunton Inn & Conference Center	Hotel	120
Loomis Fargo	Distribution (Money)	102
Sullivan Tire	Automotive	95
VersaCold	Freezer Warehouse	56
Citizens for Citizens	Outreach Programs	22

Employment by Industry

The U.S. Department of Labor now uses the North American Industry Classification System (NAICS) as the basis for the assignment and tabulation of economic data by industry.

	Calendar Year Average				
Industry	2010	2011	2012	2013	2014
Construction	1,151	1,224	1,309	1,272	1,357
Manufacturing	2,059	2,026	1,961	1,843	1,915
Trade, Transportation & Utilities	7,304	7,097	7,080	7,065	6,923
Information	1,067	1,034	1,042	1,091	1,200
Financial Activities	724	784	761	793	748
Professional & Business Services	2,139	2,201	1,831	1,765	1,655
Education & Health Services	5,320	5,301	5,233	5,302	5,183
Leisure & Hospitality	1,850	1,868	1,922	1,994	1,971
Other Services	772	800	837	593	678
Public Administration	1,146	1,149	1,154	1,282	1,326
Total Employment	23,532	23,484	23,130	23,000	22,956
Number of Establishments	1,456	1,465	1,446	1,448	1,478
Average Weekly Wages	$ 906	$ 923	$ 938	$ 951	$ 976
Total Wages	$ 1,108,769,192	$ 2,237,663,134	$ 1,128,918,803	$ 1,137,552,767	$ 1,165,105,811

Source: Massachusetts Department of Education and Training. Data based upon place of employment, not place of residence.

Labor Force, Employment and Unemployment Rate

According to the Massachusetts Department of Employment and Training, in October 2015, the City had a total labor force of 29,308, of whom 27,749 were employed and 1,559, or 5.3% were unemployed as compared with 4.6% for the Commonwealth. The following table sets forth the City's average labor force and unemployment rates for calendar years 2010 through 2014 in comparison with the unemployment rates for the Commonwealth and the United States for the same period:

	Town of Taunton		Massachusetts	United States
Year	Labor Force	Unemployment Rate	Unemployment Rate	Unemployment Rate
2014	29,637	7.0 %	5.8 %	6.1 %
2013	30,561	7.8	6.1	7.4
2012	30,793	7.7	6.7	8.1
2011	31,151	8.6	6.9	8.5
2010	31,324	9.7	8.3	9.4

Source: Massachusetts Department of Employment and Training. Data based on place of residence.

Age, Income and Wealth Levels

The following table compares age, income and wealth level averages among the City, Bristol County and the Commonwealth:

	Taunton	Bristol County	Massachusetts
Median Age:			
2010	39.3	39.8	39.1
2000	35.7	36.7	36.5
1990	32.8	33.8	33.6
1980	31.1	31.6	31.2
Median Family Income:			
2010	$ 53,600	$ 81,165	$ 51,144
2000	52,433	53,733	61,664
1990	38,534	38,003	44,367
1980	18,675	18,334	21,166
Per Capita Income:			
2010	$ 25,945	$ 33,966	$ 27,344
2000	19,899	20,978	25,952
1990	13,613	13,853	17,224

Source: U.S. Department of Commerce, Bureau of the Census.

Population Trends

2010	2000	1990	1980
55,874	55,976	49,832	45,001

Source: Federal Census.

On the basis of the 2010 Federal Census, the City has a population density of approximately 1,198 persons per square mile.

Building Permits

The following table sets forth the number of building permits issued and the estimated dollar value of new construction and alterations for the current and last four calendar years. The estimated dollar values are builders' estimates and are generally considered to be conservative. Permits issued and estimated valuations shown are for both private construction and City projects.

Fiscal	New Construction											
	Residential			Non-Residential			Additions/Alterations			Total		
Year		No.	Value		No.	Value		No.	Value		No.	Value
2015	(1)	14	$ 3,607,962		1	$ 220,340		42	$ 8,222,895		57	$ 12,051,197
2014		61	10,460,978		6	10,947,597		133	29,314,251		200	50,722,826
2013		74	42,053,416	(2)	7	7,621,410		172	3,727,814		253	53,402,640
2012		40	5,380,500		2	846,000		586	12,648,074		628	18,874,574
2011		34	4,840,910		4	3,395,904		948	21,819,237		986	30,056,051
2010		57	8,194,903		7	3,831,000		756	7,153,851		820	19,179,754

Source: City Building Inspector.
(1) Issued from January 1, 2015 through June 30, 2015.
(2) Increase attributable to a new low income housing development. This development will replace the Fairfax Gardens.

PROPERTY TAXATION

The principal tax of Massachusetts cities and towns is the tax on real and personal property. The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures less estimated receipts from other sources and less appropriations voted from funds on hand. The total amount levied is subject to certain limits prescribed by law; for a description of those limits, see "Property Tax Limitations," below.

The estimated receipts for a fiscal year from sources other than the property tax may not exceed the actual receipts during the preceding fiscal year from the same sources unless approved by the State Commissioner of Revenue. Excepting special funds the use of which is otherwise provided for by law, the deduction for appropriations voted from funds on hand for a fiscal year cannot exceed the "free cash" as of the beginning of the prior fiscal year as certified by the State Director of Accounts plus up to nine months' collections and receipts on account of earlier years' taxes after that date. Subject to certain adjustments, free cash is surplus revenue less uncollected overdue property taxes from earlier years.

Although an allowance is made in the tax levy for abatements (see "Abatements and Overlay," below), no reserve is generally provided for uncollectible real property taxes. Since some of the levy is inevitably not collected, this creates a cash deficiency which may or may not be offset by other items (see "Taxation to Meet Deficits," below).

Tax Levy Computation

The following table illustrates the manner in which the tax levy was determined for the following fiscal years:

	Fiscal Year				
	2012	2013	2014	2015	2016
Gross Amount to be Raised:					
Appropriations	$177,224,482	$185,120,726	$201,770,664	$201,634,357	$215,576,814
Other Local Expenditures	426,350	460,010	590,919	607,940	3,263,603
State and County Charges	1,419,127	1,502,970	1,659,584	1,648,288	1,660,784
Overlay Reserve (1)	1,096,189	1,126,361	1,119,951	1,123,777	815,723
Gross Amount to be Raised	$180,166,148	$188,210,067	$205,141,118	$205,014,362	$221,316,924
Offsets:					
Estimated Receipts from State	56,397,067	59,030,734	58,807,014	61,380,563	64,308,722
Local Estimated Receipts	37,837,245	40,327,922	41,115,675	42,954,344	45,380,026
Appropriated:					
Free Cash	1,121,100	0	9,846,770	0	6,372,917
Other Available Funds	9,127,090	8,529,186	11,754,034	13,181,039	10,415,475
Free Cash and Other Revenue Used to Reduce the Tax Rate	2,900,000	2,900,000	2,900,000	2,900,000	5,607,384
Total Offsets	107,382,502	110,787,842	124,423,493	120,415,946	132,084,524
Tax Levy	$72,783,646	$77,422,225	$80,717,625	$84,598,416	$89,232,400
Property Valuation	$4,610,179,378	$4,430,740,710	$4,422,983,044	$4,452,689,437	$4,514,347,120
Tax Rate per $1,000					
Residential	$12.47	$13.77	$14.61	$15.01	$15.68
Commercial/Industrial	$27.62	$30.58	$31.19	$33.25	$33.94

(1) Allowance for abatements.
Note: Property tax rates may not be set by the local assessors until they have been approved by the Commissioner of Revenue.

Assessed Valuations

Property is classified for the purpose of taxation according to its use. The legislature has in substance created three classes of taxable property: (1) residential real property, (2) open space land, and (3) all other (commercial, industrial and personal property). Within limits, cities and towns are given the option of determining the share of the annual levy to be borne by each of the three categories. The share required to be borne by residential real property is at least 50 per cent of its share of the total taxable valuation; the effective rate for open space must be at least 75 per cent of the effective rate for residential real property; and the share of commercial, industrial and personal property must not exceed 175 percent of their share of the total valuation. A city or town may also exempt up to 20 percent of the valuation of residential real property (where used as the taxpayer's principal residence) and up to 10 percent of the valuation of commercial real property (where occupied by certain small businesses). Property may not be classified in a city or town until the State Commissioner of Revenue certifies that all property in the city or town has been assessed at its fair cash value. Such certification must take place every three years, or pursuant to a revised schedule as may be issued by the Commissioner.

Related statutes provide that certain forest land, agricultural or horticultural land (assessed at the value it has for these purposes) and recreational land (assessed on the basis of its use at a maximum of 25 percent of its fair cash value) are all to be taxed at the rate applicable to commercial property. Land classified as forest land is valued for this purpose at five percent of fair cash value but not less than ten dollars per acre.

Valuation of real and personal property in the City of Taunton is established by the Board of Assessors. The following table sets forth the trend in the City's assessed and equalized valuations:

	Assessed Valuations (1)				
Fiscal Year	Real Property	Personal Property	Total	Equalized Valuation (2)	Assessed Valuation as a Percent of Equalized Valuation
2016	$ 4,358,499,400	$ 155,847,720	$ 4,514,347,120	$ 4,620,384,400	97.7 %
2015	4,296,769,627	155,919,810	4,452,689,437	4,620,384,400	96.4
2014	4,262,404,794	160,578,250	4,422,983,044	4,968,822,500	89.0
2013	4,273,454,520	157,286,460	4,430,740,980	4,968,822,500	89.2
2012	4,454,588,988	155,590,390	4,610,179,378	5,547,522,700	83.1

(1) Source: Massachusetts Department of Revenue.
(2) Source: Massachusetts Department of Revenue - Equalized valuations are established as of January 1 of even-numbered years for the next two years.

Classification of Property

	2014		2015		2016	
Property Type	Amount	% of Total	Amount	% of Total	Amount	% of Total
Residential	$ 3,452,063,689	78.0 %	$ 3,478,810,733	78.1 %	$ 3,504,082,238	77.6 %
Commercial	617,044,305	14.0	626,968,094	14.1	661,857,987	14.7
Industrial	193,296,800	4.4	190,990,800	4.3	192,559,175	4.3
Personal	160,578,250	3.6	155,919,810	3.5	155,847,720	3.5
Total	$ 4,422,983,044	100.0 %	$ 4,452,689,437	100.0 %	$ 4,514,347,120	100.0 %

Source: Massachusetts Department of Revenue.

Largest Taxpayers

Following are the City's ten largest taxpayers, based on assessed valuations for fiscal 2015, all of whom are current in their tax payments:

Name	Fiscal 2015 Assessed Valuation	2015 Tax Levy	% of Net Tax Levy
Morton Hospital, A Steward Family Hospital	$36,439,100	$1,211,600	1.52 %
Jordan's Furniture Inc.	34,589,000	1,150,084	1.44
Crefii Silver City Mall	29,978,100	997,071	1.25
Columbia Gas	29,855,970	992,711	1.25
Verizon New England Inc.	23,964,300	796,813	1.00
Lone Oak Taunton LLC	18,386,400	611,347	0.77
Teleport Communications	17,555,700	583,727	0.73
Galaper	17,160,100	570,573	0.72
CSHV JQA LLC	16,563,100	550,723	0.69
CSC Northwoods	11,361,700	377,776	0.47
Total	$235,853,470	$7,842,425	9.85 %

Source: Board of Assessors.

State Equalized Valuation

In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes a redetermination of the fair cash value of the taxable property in each municipality as of January 1 of even numbered years. This is known as the "equalized value." The following table sets forth the trend in equalized valuations of the City.

January 1	State Equalized Valuations
2014	$ 4,620,384,400
2012	4,968,822,500
2010	5,547,522,700
2008	6,619,361,800
2006	6,075,770,600
2004	4,540,568,000

Source: Massachusetts Department of Revenue.

Abatements and Overlay

The City is authorized to increase each tax levy by an amount approved by the State Commissioner of Revenue as an "overlay" to provide for tax abatements. If abatements are granted in excess of the applicable overlay, the excess is required to be added to the next tax levy.

Abatements are granted where exempt real or personal property has been assessed or where taxable real or personal property has been overvalued or disproportionately valued. The assessors may also abate uncollectible personal property taxes. They may abate real and personal property taxes on broad grounds (including inability to pay) with the approval of the State Commissioner of Revenue. But uncollected real property taxes are ordinarily not written off until they become municipal "tax titles" by purchase at the public sale or by taking, at which time the tax is written off in full by reserving the amount of the tax and charging surplus.

The following table sets forth the amount of the overlay reserve and abatements granted as of June 30 for the last five fiscal years:

As of 6/30	Net Tax Levy (1)	Overlay Allowance Dollar Amount	Overlay Allowance As a % of Net Levy	Exemptions/ Abatements Granted during Fiscal Year of Levy
2015	$83,474,639	$1,123,777	1.35%	$353,612
2014	79,597,674	1,119,951	1.41	383,666
2013	76,295,864	1,126,391	1.48	333,702
2012	71,687,457	1,096,189	1.53	399,245
2011	68,499,779	1,086,607	1.59	333,962

Source: Board of Assessors.
(1) Net after deduction of overlay for abatements.

Tax Collections

The taxes for each fiscal year are due in two installments, on November 1 (subject to deferral if tax bills are sent out late) and May 1, unless the city or town accepts a statute providing for quarterly tax payments. Under that statute, preliminary tax payments are due on August 1 and November 1, with payment of the actual tax bill (after credit is given for the preliminary payments) in installments on February 1 and May 1 if actual tax bills are mailed by December 31. Interest accrues on delinquent taxes at the rate of 14 percent per annum. The City of Taunton collects taxes on a quarterly basis.

The following table sets forth the trend in the City's tax collections:

Fiscal Year	Tax Rate per $1,000 Res.	Tax Rate per $1,000 C/I/P (1)	Total Tax Levy	Net Tax Levy (2)	% of Net Collected at FY End
2015	$ 15.01	$ 33.25	$ 84,598,416	$ 83,474,639	97.7 %
2014	14.61	31.19	80,717,625	79,597,674	99.9
2013	13.77	30.58	77,422,225	76,295,864	99.9
2012	12.47	27.62	72,783,646	71,687,457	99.9
2011	11.71	25.45	69,586,386	68,499,779	99.9

Source: City Auditor.
(1) Commercial/Industrial/Personal Property.
(2) Net after deduction of overlay for abatements.

Tax Titles and Possessions

Real property (land and buildings) is subject to a lien for the taxes assessed upon it, subject to any paramount federal lien and subject to bankruptcy and insolvency laws. (In addition, real property is subject to a lien for certain unpaid municipal charges or fees.) If the property has been transferred, an unenforced lien expires on the fourth December 31 after the end of the fiscal year to which the tax relates. If the property has not been transferred by the fourth December 31, an unenforced lien expires upon a later transfer of the property. Provision is made, however, for continuation of the lien where it could not be enforced because of a legal impediment.

The persons against whom real or personal property taxes are assessed are personally liable for the tax (subject to bankruptcy and insolvency laws). In the case of real property, this personal liability is effectively extinguished by sale or taking of the property as described below.

Massachusetts law permits a municipality either to sell by public sale (at which the municipality may become the purchaser) or to take real property for nonpayment of taxes. In either case the property owner can redeem the property by paying the unpaid taxes, with interest and other charges, but if the right of redemption is not exercised within six months (which may be extended an additional year in the case of certain installment payments), it can be foreclosed by petition to the Land Court. Upon foreclosure, a tax title purchased or taken by the municipality becomes a "tax possession" and may be held and disposed of in the same manner as other land held for municipal purposes.

Taxes Outstanding

The following table presents aggregate overdue property taxes and tax liens and foreclosures for the last five fiscal years:

As of 6/30	Aggregate Overdue Property Taxes (1)	Tax Liens	Tax Foreclosures
2015	$2,555,570	$1,942,925	$3,869,466
2014	1,695,620	2,810,722	3,673,257
2013	1,585,754	2,981,763	3,189,726
2012	1,466,382	2,466,461	2,943,814
2011	1,267,197	2,453,967	4,177,694

Source: City Auditor
(1) For five prior fiscal years. Excludes abated taxes. Includes taxes and tax liens in litigation if any.

Sale of Tax Receivables

Cities and towns are authorized to sell delinquent property tax receivables, by public sale or auction, either individually or in bulk. The City does not expect to utilize this option at the present time.

Taxation to Meet Deficits

As noted under “Abatements and Overlay,” above, overlay deficits, i.e., tax abatements in excess of the overlay included in the tax levy to cover abatements, are required to be added to the next tax levy. It is generally understood that revenue deficits, i.e., those resulting from non-property tax revenues being less than anticipated, are also required to be added to the tax levy (at least to the extent not covered by surplus revenue).

Amounts lawfully expended since the prior tax levy and not included therein are also required to be included in the annual tax levy. The circumstances under which this can arise are limited since municipal departments are generally prohibited from incurring liabilities in excess of appropriations except for major disasters, mandated items, contracts in aid of housing and renewal projects and other long-term contracts. In addition, utilities must be paid at established rates, and certain established salaries, e.g. civil service, must legally be paid for work actually performed, whether or not covered by appropriations.

Cities and towns are authorized to appropriate sums, and thus to levy taxes, to cover deficits arising from other causes, such as "free cash" deficits arising from a failure to collect taxes. This is not generally understood, however, and it has not been the practice to levy taxes to cover free cash deficits. Except to the extent that such deficits have been reduced or eliminated by subsequent collections of uncollected taxes (including sales of tax titles and tax possessions), lapsed appropriations, non-property tax revenues in excess of estimates, other miscellaneous items or funding loans authorized by special act, they remain in existence.

Property Tax Limitations

Chapter 59, Section 21C of the General Laws, also known as Proposition 2½, imposes two separate limits on the annual tax levy of a city or town.

The primary limitation is that the tax levy cannot exceed 2½ percent of the full and fair cash value. If a city or town exceeds the primary limitation, it must reduce its tax levy by at least 15 percent annually until it is in compliance, provided that the reduction can be reduced in any year to not less than 7½ percent by majority vote of the voters, or to less than 7½ percent by two-thirds vote of the voters.

For cities and towns at or below the primary limit, a secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2½ percent, subject to exceptions for property added to the tax rolls or property which has had an increase, other than as part of a general revaluation, in its assessed valuation over the prior year’s valuation.

This “growth” limit on the tax levy may be exceeded in any year by a majority vote of the voters, but an increase in the secondary or growth limit under this procedure does not permit a tax levy in excess of the primary limitation, since the two limitations apply independently. In addition, if the voters vote to approve taxes in excess of the “growth” limit for the purpose of funding a stabilization fund, such increased amount may only be taken into account for purposes of calculating the maximum

levy limit in each subsequent year if the board of selectmen of a town or the city council of a city votes by a two-thirds vote to appropriate such increased amount in such subsequent year to the stabilization fund.

The applicable tax limits may also be reduced in any year by a majority vote of the voters.

The State Commissioner of Revenue may adjust any tax limit "to counterbalance the effects of extraordinary, non-recurring events which occurred during the base year".

The statute further provides that the voters may exclude from the taxes subject to the tax limits and from the calculation of the maximum tax levy (a) the amount required to pay debt service on bonds and notes issued before November 4, 1980, if the exclusion is approved by a majority vote of the voters, and (b) the amount required to pay debt service on any specific subsequent issue for which similar approval is obtained. Even with voter approval, the holders of the obligations for which unlimited taxes may be assessed do not have a statutory priority or security interest in the portion of the tax levy attributable to such obligations. It should be noted that Massachusetts General Laws Chapter 44, Section 20 requires that the taxes excluded from the levy limit to pay debt service on any such bonds and notes be calculated based on the true interest cost of the issue. Accordingly, the Department of Revenue limits the amount of taxes which may be levied in each year to pay debt service on any such bonds and notes to the amount of such debt service, less a pro rata portion of any original issue premium received by the city or town that was not applied to pay costs of issuance.

Voters may also exclude from the Proposition 2½ limits the amount required to pay specified capital outlay expenditures or for the city or town's apportioned share for certain capital outlay expenditures by a regional governmental unit. In addition, the city council of a city, with the approval of the mayor if required, or the board of selectmen or the town council of a town may vote to exclude from the Proposition 2½ limits taxes raised in lieu of sewer or water charges to pay debt service on bonds or notes issued by the municipality (or by an independent authority, commission or district) for water or sewer purposes, provided that the municipality's sewer or water charges are reduced accordingly.

In addition, Proposition 2½ limits the annual increase in the total assessments on cities and towns by any county, district, authority, the Commonwealth or any other governmental entity (except regional school districts, the MWRA and certain districts for which special legislation provides otherwise) to the sum of (a) 2½ percent of the prior year's assessments and (b) "any increases in costs, charges or fees for services customarily provided locally or for services subscribed to at local option". Regional water districts, regional sewerage districts and regional veterans districts may exceed these limitations under statutory procedures requiring a two-thirds vote of the district's governing body and either approval of the local appropriating authorities (by two-thirds vote in districts with more than two members or by majority vote in two-member districts) or approval of the registered voters in a local election (in the case of two-member districts). Under Proposition 2½ any State law to take effect on or after January 1, 1981 imposing a direct service or cost obligation on a city or town will become effective only if accepted or voluntarily funded by the city or town or if State funding is provided. Similarly, State rules or regulations imposing additional costs on a city or town or laws granting or increasing local tax exemptions are to take effect only if adequate State appropriations are provided. These statutory provisions do not apply to costs resulting from judicial decisions.

On June 23, 2007, the City passed a Proposition 2½ debt exclusion for the debt service related to $112,850,000 bonds authorized to pay the costs of the High School and Parker School project. The City received school construction grants from the MSBA totaling $92,513,021 for this project.

Unused Levy Capacity

The following table sets forth the City's tax levy limits and unused levy capacity for the following fiscal years:

	Fiscal Year				
	2016	2015	2014	2013	2012
Primary Levy Limit (1)	$ 112,858,678	$ 111,317,236	$ 110,574,576	$ 110,768,525	$ 115,254,484
Prior Fiscal Year Levy Limit	83,171,138	79,508,137	76,178,202	71,516,178	68,302,250
2.5% Levy Growth	2,079,278	1,987,703	1,904,455	1,787,904	1,707,556
New Growth (2)	2,583,850	1,675,298	1,425,480	2,874,120	1,506,372
Overrides	-	-	-	-	-
Growth Levy Limit	87,834,266	83,171,138	79,508,137	76,178,202	71,516,178
Debt Exclusions	1,420,396	1,438,338	1,224,375	1,252,500	1,278,750
Other Adjustments	-	-	-	-	-
Tax Levy Limit	89,254,662	84,609,476	80,732,512	77,430,702	72,794,928
Tax Levy	89,232,400	84,598,416	80,717,625	77,422,225	72,783,646
Unused Levy Capacity (3)	$ 22,262	$ 11,060	$ 14,887	$ 8,477	$ 11,282
Unused Primary Levy Capacity (4)	$ 25,024,412	$ 28,146,098	$ 31,066,439	$ 34,590,323	$ 43,738,306

Source: Massachusetts Department of Revenue.
(1) 2.5% of assessed valuation for the given year.
(2) Allowed increase for new valuations - certified by the Department of Revenue.
(3) Tax Levy Limit Less Tax Levy.
(4) Primary Levy Limit Less Growth Levy Limit.

Pledged Taxes

Taxes on certain property in designated development districts may be pledged for the payment of costs of economic development projects within such districts and may therefore be unavailable for other municipal purposes. (See "Tax Increment Financing for Development Districts" below).

Initiative Petitions

Various proposals have been made in recent years for legislative amendments to the Massachusetts Constitution to impose limits on state and local taxes. To be adopted, such amendments must be approved by two successive legislatures and then by the voters at a state election.

Community Preservation Act

The Massachusetts Community Preservation Act (the "CPA") permits cities and towns that accept its provisions to levy a surcharge on its real property tax levy, dedicate revenue (other than state or federal funds), and to receive state matching funds for (i) the acquisition, creation, preservation, rehabilitation and restoration of land for recreational use, open space, and affordable housing and (ii) the acquisition, preservation, rehabilitation and restoration of historic resources. The provisions of the CPA must be accepted by the voters of the city or town at an election after such provisions have first been accepted by either a vote of the legislative body of the city or town or an initiative petition signed by 5% of its registered voters.

A city or town may approve a surcharge of up to 3% (but not less than 1% under certain circumstances) and may make an additional commitment of funds by dedicating revenue other than state or federal funds, provided that the total funds collected do not exceed 3% of the real property tax levy, less any exemptions adopted (such as an exemption for low-income individuals and families and for low and moderate-income senior citizens, an exemption for $100,000 of the value of each taxable parcel of residential real property or $100,000 of the value of each taxable parcel of class three, commercial property, and class four, industrial property as defined in Chapter 59, Section 2A of the General Laws, and an exemption for commercial and industrial properties in cities and towns with classified tax rates). In the event that the municipality shall no longer dedicate all or part of the additional funds to community preservation, the surcharge on the real property tax levy of not less than 1% shall remain in effect, provided that any such change must be approved pursuant to the same process as acceptance of the CPA. The surcharge is not counted in the total taxes assessed for the

purpose of determining the permitted levy amount under Proposition 2½ (see *"Tax Limitations"* under "PROPERTY TAXATION" above). A city or town may revoke its acceptance of the provisions of the CPA at any time after 5 years from the date of such acceptance and may change the amount of the surcharge or the exemptions to the surcharge at any time, including reducing the surcharge to 1% and committing additional municipal funds as outlined above, provided that any such revocation or change must be approved pursuant to the same process as acceptance of the CPA.

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge and dedication of revenue. The state matching funds are raised from certain recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to cities and towns that have accepted the provisions of the CPA, which distributions are not subject to annual appropriation by the state legislature. The amount distributed to each city and town is based on a statutory formula and the total state distribution made to any city or town may not exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

The amounts raised by the surcharge on taxes, the dedication of revenue and received in state matching funds are required to be deposited in a dedicated community preservation fund. Each city or town that accepts the provisions of the CPA is required to establish a community preservation committee to study the community preservation needs of the community and to make recommendations to the legislative body of the city or town regarding the community preservation projects that should be funded from the community preservation fund. Upon the recommendations of the committee, the legislative body of the city or town may appropriate amounts from the fund for permitted community preservation purposes or may reserve amounts for spending in future fiscal years, provided that at least 10% of the total annual revenues to the fund must be spent or set aside for open space purposes, 10% for historic resource purposes and 10% for affordable housing purposes.

The CPA authorizes cities and towns that accept its provisions to issue bonds and notes in anticipation of the receipt of surcharge and dedicated revenues to finance community preservation projects approved under the provisions of the CPA. Bonds and notes issued under the CPA are general obligations of the city or town and are payable from amounts on deposit in the community preservation fund. In the event that a city or town revokes its acceptance of the provisions of the CPA, the surcharge shall remain in effect until all contractual obligations incurred by the city or town prior to such revocation, including the payment of bonds or notes issued under the CPA, have been fully discharged.

The City has not adopted the Community Preservation Act.

CITY FINANCES

The Budget and Appropriation Process

In a city, within 170 days after the annual organization of the city government (which is ordinarily in early January), the mayor or city manager is required to submit a budget of proposed expenditures for the fiscal year beginning on the next July 1. The city council may make appropriations for the recommended purposes and may reduce or reject any item. Without a recommendation of the mayor or manager, the council may not make any appropriation for a purpose not included in the proposed budget, except by a two-thirds vote in the case of a failure of the mayor or manager to recommend an appropriation for such a purpose within 7 days after a request from the council. The council may not increase any item without the recommendation of the mayor (except as provided by legislation, subject to local acceptance, under which the school budget or regional school district assessment can be increased upon recommendation of the school committee or regional district school committee and by two-thirds vote of the council, provided that such increase does not cause the total annual budget to exceed the property tax limitations). If the council fails to act on any item of the proposed budget within 45 days, that item takes effect.

City department heads are generally required to submit their budget requests to the mayor or city manager between November 1 and December 1. This does not apply to the school department, which must submit its requests in time for the mayor or manager to include them in his submission to the council.

If the mayor or manager does not make a timely budget submission, provision is made for preparation of a budget by the council. Provision is also made for supplementary appropriations upon recommendation of the mayor or manager.

Under certain circumstances and subject to certain limits and requirements, the city council of a city, upon the recommendation of the mayor, may transfer amounts appropriated for the use of one department (except for a municipal light department or a school department) to another appropriation for the same department or for the use of any other department.

Water and sewer department expenditures are generally included in the budgets adopted by city councils but electric and gas department funds may be appropriated by the municipal light boards. Under certain legislation any city which accepts the legislation may provide that the appropriation for the operating costs of any department may be offset, in whole or in part, by estimated receipts from fees charged for services provided by the department. It is assumed that this general provision does not alter the pre-existing power of an electric or gas department to appropriate its own receipts.

The school budget is limited to the total amount appropriated by the city council, but the school committee retains full power to allocate the funds appropriated.

State and county assessments, abatements in excess of overlays, principal and interest not otherwise provided for, and final judgments are included in the tax levy whether or not included in the budget. Revenues are not required to be set forth in the budget but estimated non-tax revenues are taken into account by the assessors in fixing the tax levy. (See “PROPERTY TAXATION” above.

Budget Trends

The following table sets forth the trend in the City's operating budgets:

	Fiscal 2016	Fiscal 2015	Fiscal 2014	Fiscal 2013	Fiscal 2012
General Fund:					
General Government	$ 5,553,219	$ 5,738,363	$ 5,458,290	$ 6,306,956	$ 5,426,651
Public Safety	25,098,603	26,508,061	23,145,869	22,215,787	21,109,324
Education	80,014,151	77,353,547	71,325,530	71,140,647	68,703,379
Public Works	10,014,734	9,386,018	8,150,653	7,829,881	7,496,938
Health & Citizen Services	2,578,178	2,601,237	2,229,590	2,240,057	2,182,751
Culture & Recreation	2,628,470	2,533,256	2,402,929	2,365,533	2,154,804
Debt Service	8,309,200	7,499,575	7,689,584	8,089,978	7,951,583
Miscellaneous	9,042	9,042	9,042	9,042	9,042
Employee Benefits	48,807,564	46,195,276	44,484,273	42,095,715	41,279,214
Total	183,013,162	177,824,373	164,895,760	162,293,596	156,313,686
Enterprise:					
Water	9,384,639	8,100,361	7,775,515	7,419,581	6,924,832
Parker Golf Course	15,000	15,000	15,000	15,000	15,000
Nursing Home	6,758,864	6,804,128	6,553,726	6,337,212	6,073,321
Sewer	10,027,231	8,885,496	8,522,808	7,850,337	6,771,543
Total	26,185,734	23,804,984	22,867,049	21,622,130	19,784,696
Total Fiscal Year Budget	209,198,896	201,629,357	187,762,809	183,915,726	176,098,382

Education Reform

State legislation known as the Education Reform Act of 1993, as amended, imposes certain minimum expenditure requirements on municipalities with respect to funding for education and related programs, and may affect the level of state aid to be received for education. The requirements are determined on the basis of formulas affected by various measures of wealth and income, enrollments, prior levels of local spending and state aid, and other factors.

Since its passage, the City has complied with the Act and appropriations for education have equaled or exceeded the minimum required level.

Revenues

Property Taxes*:* Property taxes are the major source of revenue for the City. The total amount levied is subject to certain limits prescribed by law; for a description of those limits see "PROPERTY TAXATION – Property Tax Limitations" below.

State Distributions: In addition to grants for specified capital purposes (some of which are payable over the life of the bonds issued for the projects), the Commonwealth provides financial assistance to cities and towns for current purposes. Payments to cities and towns are derived primarily from a percentage of the State's personal income, sales and use, and corporate excise tax receipts together with the net receipts from the State Lottery. A municipality's state aid entitlement is based on a number of different formulas, of which the "schools" and "lottery" formulas are the most important. Both of the major formulas tend to provide more state aid to poorer communities. The formula for determining a municipality's state aid entitlement are subject to amendment by the state legislature and, while a formula might indicate that a particular amount of state aid is owed the amount of state aid actually paid is limited to the amount appropriated by the state legislature. The state annually estimates state aid, but the actual state aid payments may vary from the estimate.

In the fall of 1986, both the State Legislature (by statute repealed as of July 1, 1999) and the voters (by initiative petition) placed limits on the growth of state tax revenues. Although somewhat different in detail, each measure essentially limited the annual growth in state tax revenues to an average rate of growth in wages and salaries in the Commonwealth over the three previous calendar years. If not amended, the remaining law could restrict the amount of state revenues available for state aid to local communities.

The following table sets forth the amount of state aid received by the City for fiscal years 2011 through 2015 and an estimate for 2016.

Fiscal Year		State Aid Receipts
2016	(estimate)	$ 61,937,895
2015		60,755,095
2014		58,086,455
2013		55,820,588
2012		53,251,501
2011		51,981,234

Source: City Auditor.

State School Building Assistance Program

Under its school building assistance program, the Commonwealth provides grants to cities, towns and regional school districts for school construction projects. Until July 26, 2004, the State Board of Education was responsible for approving grants for school projects and otherwise administering the program. Grant amounts ranged from 50% to 90% of approved project costs. Municipalities generally issued bonds to finance the entire project cost, and the Commonwealth disbursed the grants in equal annual installments over the term of the related bonds.

Pursuant to legislation which became effective on July 26, 2004, the state legislature created the Massachusetts School Building Authority (the "Authority") to finance and administer the school building assistance program. The Authority has assumed all powers and obligations of the Board of Education with respect to the program. In addition to certain other amounts, the legislation dedicates a portion of Commonwealth sales tax receipts to the Authority to finance the program.

Projects previously approved for grants by the State Board of Education are entitled to receive grant payments from the Authority based on the approved project cost and reimbursement rate applicable under the prior law. The Authority has paid and is expected to continue to pay the remaining amounts of the grants for such projects either in annual installments to reimburse debt service on bonds issued by the municipalities to finance such projects, or as lump sum payments to contribute to the defeasance of such bonds.

Projects on the priority waiting list as of July 1, 2004 are also entitled to receive grant payments from the Authority based on the eligible project costs and reimbursement rates applicable under the prior law. With limited exceptions, the Authority is required to fund the grants for such projects in the order in which they appear on the waiting list. Grants for any such projects that have been completed or substantially completed have been paid and are expected to continue to be paid by the Authority in lump sum payments, thereby eliminating the need for the Authority to reimburse interest expenses that would otherwise be incurred by the municipalities to permanently finance the Authority's share of such project costs. Interest on debt issued by municipalities prior to July 1, 2004 to finance such project costs, and interest on temporary debt until receipt of the grant, is included in the approved costs of such projects. Grants for any such projects that have not yet commenced or that are underway have been and are expected to continue to be paid by the Authority as project costs are incurred by the municipality pursuant to a project funding agreement between the Authority and the municipality, eliminating the need for the municipality to borrow even on a temporary basis to finance the Authority's share of the project costs in most cases.

The range of reimbursement rates for new project grant applications submitted to the Authority on or after July 1, 2007 has been reduced to between 40% and 80% of approved project costs. The Authority promulgated new regulations with respect to the application and approval process for projects submitted after July 1, 2007. The Authority expects to pay grants for such projects as project costs are incurred pursuant to project funding agreements between the Authority and the municipalities. None of the interest expense incurred on debt issued by municipalities to finance their portion of the costs of new projects will be included in the approved project costs eligible for reimbursement.

Federal Aid: The following table presents a five-year history of federal aid receipts of the City:

Fiscal Year	Offsets to Outlay	Aid to Education	Other Aid	Total Federal Aid
2015	$ 2,566,659	$ 5,189,110	$ 1,934,085	$ 9,689,854
2014	2,680,065	6,706,551	4,333,947	13,720,563
2013	2,051,555	7,250,999	5,334,275	14,636,829
2012	1,773,844	7,652,819	3,545,132	12,971,795
2011	1,783,955	6,057,944	1,338,177	9,180,076

Source: City Auditor

Motor Vehicle Excise Tax: An excise is imposed on the registration of motor vehicles (subject to exemptions) at the rate of $25 per $1,000 of valuation. The excise is collected by and for the benefit of the municipality in which the motor vehicle is customarily kept. Valuations are determined by a statutory formula based on manufacturers' list price and year of manufacture. Bills not paid when due bear interest at 12 percent per annum. Provision is also made, after notice to the owner, for suspension of the owner's operating license or registration by the registrar of motor vehicles.

The following table presents a five-year history of motor vehicle excise tax receipts:

Fiscal Year	Receipts (1)
2015	$ 6,096,128
2014	6,124,976
2013	5,737,823
2012	5,075,244
2011	4,816,091

(1) Net after refunds. Includes receipts from prior years' levies.

Meals Taxes: On July 13, 2009 the City passed the ¾% meals tax.

The following table presents a five-year history of Meal Taxes receipts:

Fiscal Year	Receipts
2015	$ 657,133
2014	617,076
2013	611,729
2012	609,332
2011	528,927

Hotel Taxes: On July 27, 2009 the City passed the hotel tax of 6% which became effective on October 1, 2009.

The following table presents a five-year history of hotel taxes receipts:

Fiscal Year	Receipts
2015	$ 203,399
2014	200,764
2013	194,153
2012	142,313
2011	174,037

Wastewater Treatment Plant*:* On July 1, 2006, the City entered into a public-private partnership with Veolia Water North America – Northeast which has been amended twice, through May 1, 2010, to upgrade and operate the City's wastewater treatment facility. Projections indicate that as a result of this partnership the City will save in operating and maintenance costs over the life of the contract and increase protection of the Taunton River and the Mount Hope Bay estuary. Additional benefits deriving from this partnership include: a guaranteed upgrade to the City's Wastewater Treatment facility; operating savings over the life of the contract; transfer of responsibility for plant maintenance and compliance with environmental standards to Veolia Water North America - Northeast. (See "INDEBTEDNESS - Contracts," below.)

Audits

The City is audited annually, most recently for fiscal 2014 by Hague, Sahady & Co., P.C. A copy which is attached hereto as Appendix A.

The attached report speaks only as of its date, and only to the matters expressly set forth therein. The auditors have not been engaged to review this Official Statement or to perform audit procedures regarding the post-audit period, nor have the auditors been requested to give their consent to the inclusion of their report in Appendix A. Except as stated in their report, the auditors have not been engaged to verify the financial information set out in Appendix A and are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in that appendix.

Financial Statements

Set forth on the following pages are Governmental Funds Balance Sheets for the fiscal years ended 2014, 2013 and 2012, and a Comparative Statement of Revenues and Expenditures (Governmental Funds) for fiscal years ended June 30, 2010 - 2014. Said statements have been extracted from audited financials.

City of Taunton, Massachusetts
Balance Sheet - Governmental Funds
June 30, 2014 (1)

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

(1) Extracted from audited financial statements of the City.

City of Taunton, Massachusetts
Balance Sheet - Governmental Funds
June 30, 2013 (1)

	Major Fund General Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets			
Cash and investments - unrestricted	$ 28,080,463	$ 17,234,583	$ 45,315,046
Cash and investments - restricted (for stabilization purposes)	1,546,405	-	1,546,405
Receivables:			
Property taxes	1,578,659	-	1,578,659
Motor vehicle excise	1,611,054	-	1,611,054
Tax liens and foreclosures	6,165,861	-	6,165,861
User charges	1,913,712	-	1,913,712
Intergovernmental	690,052	6,683,456	7,373,508
Other	20,076	88,410	108,486
Prepaid Expenses	-	44,725	44,725
Total assets	$ 41,606,282	$ 24,051,174	$ 65,657,456
Deferred Outflows of Resources			
None	-	-	-
Total deferred outflows of resources	-	-	-
Total Assets and Deferred Outflows of Revenues	$ 41,606,282	$ 24,051,174	$ 65,657,456
Liabilities			
Warrants payable	$ 6,834,473	$ 1,375,211	$ 8,209,684
Accounts payable and accrued expenses	1,832,388	435,268	2,267,656
Witholdings payable	601,764	-	601,764
Retainage payable	-	223,808	223,808
Notes payable	-	10,725,000	10,725,000
Interim loans payable	-	4,351,263	4,351,263
Guarantee deposits	571,484	-	571,484
Performance bonds	22,200	-	22,200
Other liabilities	530,552	-	530,552
Total liabilities	10,392,861	17,110,550	27,503,411
Deferred Inflows of Resources			
Property taxes paid in advance	$ 60,496	$ -	$ 60,496
Deferred property tax revenues	1,003,739	-	1,003,739
Deferred motor vehicle revenues	1,611,054	-	1,611,054
Deferred other excise revenues	22,269	-	22,269
Deferred liens and foreclosures	2,982,105	-	2,982,105
Deferred revenue - departmental	2,603,764	-	2,603,764
Unearned income	-	615	615
Deferred grant income	-	458,943	458,943
Total deferred inflows of resources	8,283,427	459,558	8,742,985
Fund Balance			
Nonspendable	-	1,350,549	1,350,549
Restricted	-	16,354,045	16,354,045
Committed	1,546,405	1,228,241	2,774,646
Assigned	1,288,797	-	1,288,797
Unassigned	20,094,792	(12,451,769)	7,643,023
Total fund balance	22,929,994	6,481,066	29,411,060
Total liabilities, deferred inflows of resources and fund balance	$ 41,606,282	$ 24,051,174	$ 65,657,456

(1) Extracted from audited financial statements of the City.

City of Taunton, Massachusetts
Balance Sheet - Governmental Funds
June 30, 2012(1)

Assets	General	Water	Sewer	School capital projects	Capital Projects-Other	Other Governmental	Total
Cash and investments	$ 11,879,684	$ 4,683,710	$ 1,227,590	$ -	$ 10,191	$ 15,016,958	$ 32,818,133
Receivables:							
Property taxes	1,408,646	-	-	-	-	-	1,408,646
Motor vehicle excise	839,317	-	-	-	-	-	839,317
Departmental and other	452,905	2,472,192	3,113,030	-	-	158,798	6,196,925
Tax liens and foreclosures	1,850,462	-	-	-	-	-	1,850,462
Intergovernmental	17,148,194	-	-	4,779,541	-	2,024,442	23,952,177
Total receivables	21,699,524	2,472,192	3,113,030	4,779,541	-	2,183,240	34,247,527
Due from other funds	7,188,067	-	-	-	-	-	7,188,067
Total assets	$ 40,767,275	$ 7,155,902	$ 4,340,620	$ 4,779,541	$ 10,191	$ 17,200,198	$ 74,253,727
Liabilities and Fund Balances							
Warrants and accounts payable	$ 1,718,166	$ 318,954	$ 307,560	$ -	$ -	$ 389,658	$ 2,734,338
Due to Other Funds	-	-	-	7,188,067	-	-	7,188,067
Accrued liabilities							-
Accrued payroll	691,612	31,102	-	-	-	127,756	850,470
Other	1,860,683	-	-	-	-	-	1,860,683
Deferred revenue	21,432,402	2,472,192	3,113,030	4,779,541	-	1,678,047	33,475,212
Bond anticipation note payable	-	-	-	-	4,875,000	-	4,875,000
Total liabilities	25,702,863	2,822,248	3,420,590	11,967,608	4,875,000	2,195,461	50,983,770
Fund Balances (deficit):							
Nonspendable	-	-	-	-	-	1,554,732	1,554,732
Restricted	-	-	-	-	-	10,052,413	10,052,413
Committed	1,649,819	4,333,654	920,030	-	-	6,025,404	12,928,907
Assigned	3,076,500	-	-	-	-	1,230,537	4,307,037
Unassigned	10,338,093	-	-	(7,188,067)	(4,864,809)	(3,858,349)	(5,573,132)
Total fund balances (deficit)	15,064,412	4,333,654	920,030	(7,188,067)	(4,864,809)	15,004,737	23,269,957
Total liabilities and fund balances	$ 40,767,275	$ 7,155,902	$ 4,340,620	$ 4,779,541	$ 10,191	$ 17,200,198	$ 74,253,727

(1) Extracted from audited financial statements of the City.

CITY OF TAUNTON, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND (1)

	June 30, 2014
REVENUES	
Real estate and personal property taxes	$80,721,130
Motor vehicle excise	6,090,332
Payment in lieu of taxes	3,014,683
Fines, penalties and interest	1,403,757
Other excise taxes	831,288
Intergovernmental	58,086,455
Licenses and permits	1,445,461
Charges for services	2,496,320
Investment income	148,590
Departmental and other revenue	1,445,417
Miscellaneous	1,461,228
TOTAL REVENUE	157,144,661
EXPENDITURES	
General government	32,770,139
Public safety	23,596,895
Education	72,758,548
Public works	9,547,189
Community and economic development	-
Health and human services	2,472,570
Culture and recreation	2,194,262
Municipal airport	-
Pension benefits	13,891,715
State and county charges	1,540,454
Debt Service	
Principal	3,548,000
Interest	1,541,614
TOTAL EXPENDITURES	163,861,386
Excess (Deficiency) of Revenues Over (Under) expenditures	(6,716,725)
Other Financing Sources (uses):	
Paydown to reduce BAN	(203,894)
Proceeds for long term debt	-
Transfers in	25,827,689
Transfers out	(14,264,037)
Total Other Financing sources	11,359,758
Excess of revenue and other sources over expenditures and other uses	4,643,033
Fund balance, July 1, 2013, restated	23,252,943
Fund balance, June 30, 2014	$27,895,976

(1) Extracted from audited financial statements of the City.

CITY OF TAUNTON, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND (1)

	June 30, 2013
REVENUES	
Real estate and personal property taxes	$77,381,205
Motor vehicle excise	5,737,823
Payment in lieu of taxes	3,097,344
Fines, penalties and interest	1,376,730
Other excise taxes	830,238
Intergovernmental	62,736,296
Licenses and permits	1,812,936
Charges for services	2,586,183
Investment income	114,923
Departmental and other revenue	984,994
Miscellaneous	2,550,651
TOTAL REVENUE	159,209,323
EXPENDITURES	
General government	32,616,689
Public safety	22,227,779
Education	71,638,176
Public works	8,410,944
Community and economic development	-
Health and human services	2,450,630
Culture and recreation	2,062,574
Municipal airport	-
Pension benefits	12,629,099
State and county charges	1,611,671
Debt Service	
Principal	8,283,000
Interest	1,845,370
TOTAL EXPENDITURES	163,775,932
Excess (Deficiency) of Revenues Over (Under) expenditures	(4,566,609)
Other Financing Sources (uses):	
Transfers in	12,764,858
Transfers out	(2,224,506)
Total Other Financing sources	10,540,352
Excess of revenue and other sources over expenditures and other uses	5,973,743
Fund balance, July 1, 2012, restated	16,956,251
Fund balance, June 30, 2013	$22,929,994

(1) Extracted from audited financial statements of the City.

CITY OF TAUNTON, MASSACHUSETTS
STATEMENT OF REVENUES AND EXPENDITURES
GENERAL FUND

	June 30		
	2010 (1)	2011 (1)	2012 (1)
REVENUES			
Real and Personal Property Taxes, Net	$ 66,181,982	$ 68,740,583	$ 72,543,705
Motor Vehicle and Other Excise	4,985,108	4,832,317	5,079,974
Payments in Lieu of Taxes	2,947,687	2,936,345	2,900,850
Penalties and Interest on Taxes	1,100,384	1,036,896	1,202,877
Fees and User Charges	7,996,086	8,686,520	1,966,908
Licenses and Permits	1,229,753	1,175,932	1,190,816
Intergovernmental	56,269,280	55,953,357	56,725,695
Investment Income	151,681	135,573	112,780
Departmental and Other	9,265,540	9,361,808	11,845,906
Contributions	-	33,764	158,194
TOTAL REVENUE	$ 150,127,501	$ 152,893,095	$ 153,727,705
EXPENDITURES			
General Government	$ 4,915,044	$ 4,191,001	$ 4,682,226
Public Safety	20,158,333	21,599,441	21,087,695
Education	65,243,862	65,895,271	67,801,922
Public Works	11,797,219	11,787,500	7,079,744
Human Services	2,177,053	2,372,146	2,302,002
Culture & Recreation	1,960,579	1,956,296	1,982,977
State and County Assessments	1,308,356	1,400,518	1,493,178
Pension and Fringe Benefits	38,608,199	41,743,894	40,452,525
Capital outlays	-	-	-
Debt Service	9,221,714	8,857,754	6,125,258
TOTAL EXPENDITURES	155,390,359	159,803,821	153,007,527
Excess (Deficiency) of Revenues Over (Under) expenditures	(5,262,858)	(6,910,726)	720,178
Other financing Sources (uses):			
Transfers in	3,544,040	3,609,855	4,812,137
Transfers Out	(361,611)	(229,739)	(123,613)
Payments to Escrow Agent	(24,529,277)	-	-
Proceeds of long-term Debt	23,210,000	-	-
Premium on Long-Term Debt	1,532,025	-	-
Total Other Financing sources	3,395,177	3,380,116	4,688,524
Deficiency of Revenues and Other Financing sources under Expenditures and Other Financing Uses	(1,867,681)	(3,530,610)	5,408,702
FUND BALANCE BEGINNING OF YEAR	15,538,292	13,670,611	10,140,001
Residual equity transfer			(484,291)
FUND BALANCE END OF YEAR	$ 13,670,611	$ 10,140,001	$ 15,064,412

(1) Extracted from audited financial statements of the City.

Unassigned General Fund Balance and Free Cash

The following table sets forth the trend in unassigned general fund balances for the last five fiscal years and free cash as certified by the Bureau of Accounts:

Year	GAAP Unassigned Fund Balance (June 30) (1)	Free Cash (Deficit) (July 1)
2015	$ 18,448,194 (est.)	N.A.
2014	16,603,293	$ 6,372,917
2013	20,094,792	9,846,770
2012	10,338,093	(2,096,231) (2)
2011	6,627,783	430,660

(1) Source: Audited Financial Statements.
(2) The negative Free Cash resulted from a capital projects deficit at fiscal year-end for 2012 in connection with the City's ongoing school construction projects. The City reimbursed the General Fund to close the deficit with a portion of note proceeds issued May 2013.

Stabilization Fund

The City maintains a stabilization fund which is accounted for in the General Fund. The Stabilization Fund plus interest may be appropriated at any city council meeting for any municipal purpose. The table below sets forth the Stabilization Fund balances at year end for the last five fiscal years and an estimate for the current fiscal year.

As of June 30	Stabilization Fund Balance
2015	$ 10,261,992
2014	8,163,890
2013	1,546,405
2012	346,390
2011	1,261,365

Source: City Treasurer.

Tax Increment Financing for Development Districts

Under recent legislation, cities and towns are authorized to establish development districts to encourage increased residential, industrial and commercial activity. All or a portion of the taxes on growth in assessed value in such districts may be pledged and used solely to finance economic development projects pursuant to the city or town's development program for the district. This includes pledging such "tax increments" for the payment of bonds issued to finance such projects. As a result of any such pledge, tax increments raised from new growth properties in development districts are not available for other municipal purposes. Tax increments are taken into account in determining the total taxes assessed for the purpose of calculating the maximum permitted tax levy under Proposition 2 ½ (see "Property Tax Limitation" under "PROPERTY TAXATION" above.)

The City has one TIF District referred to as the Industrial Improvement District.

Investment of City Funds

Investments of funds of cities and towns, except for trust funds, are generally restricted by Massachusetts General Laws, Chapter 44, Section 55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposits of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

MMDT is an investment pool created by the Commonwealth. The State Treasurer is the sole trustee, and the funds are managed under contract by an investment firm under the supervision of the State Treasurer's office. According to the State Treasurer the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U.S. Government obligations and highly-rated corporate securities with maturities of one year or less.

Trust funds, unless otherwise provided by the donor, may be invested in accordance with Section 54 of Chapter 44, which permits a broader range of investments than Section 55, including any bonds or notes that are legal investments for savings banks in the Commonwealth. The restrictions imposed by Sections 54 and 55 do not apply to city and town retirement systems.

INDEBTEDNESS

Authorization of General Obligation Bonds and Notes

Serial bonds and notes are authorized by a two-thirds vote of the City Council. Provision is made for a referendum on the borrowing authorization if there is a timely filing of a petition bearing the requisite number of signatures. Refunding bonds and notes are authorized by the City Council. Borrowings for some purposes require state administrative approval. When serial bonds or notes have been authorized, bond anticipation notes may be issued by the officers authorized to issue the serial bonds or notes. Temporary debt in anticipation of the revenue of the fiscal year in which the debt is incurred or in anticipation of authorized federal and state aid generally may be incurred by the Treasurer with the approval of the Mayor.

Debt Limits

General Debt Limit. The General Debt Limit of the City consists of a Normal Debt Limit and a Double Debt Limit. The Normal Debt Limit is 5 percent of the valuation of taxable property as last equalized by the State Department of Revenue. The City can authorize debt up to this amount without State approval. It can authorize debt up to twice this amount (the Double Debt Limit) with the approval of a state Municipal Finance Oversight Board consisting of the Attorney General, the State Treasurer, the State Auditor and the Director of Accounts.

There are many categories of general obligation debt which are exempt from and do not count against the General Debt Limit. Among others, these exempt categories include revenue anticipation notes and grant anticipation notes; emergency loans; loans exempted by special laws; certain school bonds, sewer bonds, solid waste disposal facility bonds and economic development bonds supported by tax increment financing; and subject to special debt limits, bonds for water (limited to 10 percent of equalized valuation), housing, urban renewal and economic development (subject to various debt limits), and electric, gas, community antenna television systems, and telecommunications systems (subject to separate limits). Revenue bonds are not subject to these debt limits. The General Debt Limit and the special debt limit for water bonds apply at the time the debt is authorized. The other special debt limits generally apply at the time the debt is incurred.

Revenue Anticipation Notes. The amount borrowed in each fiscal year by the issue of revenue anticipation notes is limited to the tax levy of the prior fiscal year, together with the net receipts in the prior fiscal year from the motor vehicle excise and certain payments made by the Commonwealth in lieu of taxes. The fiscal year ends on June 30. Notes may mature in the following fiscal year, and notes may be refunded into the following fiscal year to the extent of the uncollected, unabated current tax levy and certain other items, including revenue deficits, overlay deficits, final judgments and lawful unappropriated expenditures, which are to be added to the next tax levy, but excluding deficits arising from a failure to collect taxes of earlier years. (See “Taxation to Meet Deficits” under "PROPERTY TAXATION" above). In any event, the period from an original borrowing to its final maturity cannot exceed one year.

Types of Obligations

General Obligations. Massachusetts cities and towns are authorized to issue general obligation indebtedness of these types:

Serial Bonds and Notes. These are generally required to be payable in annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. A level debt service schedule, or a schedule that provides for a more rapid amortization of principal than level debt service, is permitted. The principal amounts of certain economic development bonds supported by tax increment financing may be payable in equal, diminishing or increasing amounts beginning within 5 years after the date of issue. The maximum terms of serial bonds and notes vary from one year to 40 years, depending on the purpose of the issue. The maximum terms permitted are set forth in the statutes. In addition, for many projects, the maximum term may be determined in accordance with useful life guidelines promulgated by the State Department of Revenue (“DOR”). Serial bonds and notes may be issued for the purposes set forth in the statutes. In addition, serial bonds and notes may be issued for any other public work improvement or asset not specifically listed in the Statutes that has a useful life of at least 5 years. Bonds or notes may be made callable and redeemed prior to their maturity, and a redemption premium may be paid. Refunding bonds or notes may be issued subject to the maximum applicable term measured from the date of the original bonds or notes and must produce present value savings over the debt service of the refunded bonds. Generally, the first required annual payment of principal of the refunding bonds cannot be later than the first principal payment of any of the bonds or notes being refunded thereby, however, principal payments made before the first principal payment of any of the bonds or notes being refunded thereby may be in any amount.

Serial bonds may be issued as “qualified bonds” with the approval of the state Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts, subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the Board. Qualified bonds may mature not

less than 10 nor more than 30 years from their dates and are not subject to the amortization requirements described above. The State Treasurer is required to pay the debt service on qualified bonds and thereafter to withhold the amount of the debt service paid by the State from state aid or other state payments; administrative costs and any loss of interest income to the State are to be assessed upon the city or town.

Tax Credit Bonds or Notes. Subject to certain provisions and conditions, the officers authorized to issue bonds or notes may designate any duly authorized issue of bonds or notes as "tax credit bonds" to the extent such bonds and notes are otherwise permitted to be issued with federal tax credits or other similar subsidies for all or a portion of the borrowing costs. Tax credit bonds may be made payable without regard to the annual installments required by any other law, and a sinking fund may be established for the payment of such bonds. Any investment that is part of such a sinking fund may mature not later than the date fixed for payment or redemption of the applicable bonds.

Bond Anticipation Notes. These generally must mature within two years of their original dates of issuance but may be refunded from time to time for a period not to exceed five years from their original dates of issuance, provided that for each year that the notes are refunded beyond the second year they must be paid in part from revenue funds in an amount at least equal to the minimum annual payment that would have been required if the bonds had been issued at the end of the second year. For certain school projects, however, notes may be refunded from time to time for a period not to exceed seven years without having to pay any portion of the principal of the notes from revenue funds. The maximum term of bonds issued to refund bond anticipation notes is measured (except for certain school projects) from the date of the original issue of the notes.

Revenue Anticipation Notes. These are issued to meet current expenses in anticipation of taxes and other revenues. They must mature within one year but, if payable in less than one year, may be refunded from time to time up to one year from the original date of issue.

Grant Anticipation Notes. These are issued for temporary financing in anticipation of federal grants and state and county reimbursements. Generally they must mature within two years, but may be refunded from time to time as long as the municipality remains entitled to the grant or reimbursement.

Revenue Bonds. Cities and towns may issue revenue bonds for solid waste disposal facilities and for projects financed under the Commonwealth's Clean Water Programs and for certain economic development projects supported by tax increment financing. In addition, cities and towns having electric departments may issue electric revenue bonds, and notes in anticipation of such bonds, subject to the approval of the State Department of Telecommunications and Energy.

Trend in Revenue Anticipation Note Borrowing

The City has not borrowed in anticipation of current revenues since 1976.

Direct Debt Summary (1)
As of June 30, 2015
Including Subsequent Issues but Excludes Refundings

Long-Term Indebtedness:		
Inside the General Debt Limit		
School (2)	$ 13,358,000	
Other Building	4,583,000	
General	5,780,000	
Sewer	2,970,000	
Water	2,170,000	
MCWT (3)	41,712,949	
Other	3,625,000	
Total:		$ 74,198,949
Outside the General Debt Limit:		
School (2)	9,100,000	
Sewer	164,000	
Water	1,315,000	
MCWT (3)	38,285,284	
Other	3,305,000	
Total:		52,169,284
Total Long-Term Indebtedness:		$ 126,368,233
Bonds dated December 11, 2015		5,369,000
Short Term Indebtedness		
Bond Anticipation Notes Outstanding	5,369,000	
Less:		
To Be Retired with 12/11/15 Bond Proceeds	(5,369,000)	
Total Short Term Indebtedness (4):		-
Total Direct Debt:		$ 131,737,233

(1) Principal amount only. Excludes lease and installment purchase obligations, overlapping debt, unfunded pension liability and other post-employment benefits liability.
(2) The unpaid balance of state school construction grants payable over the life of outstanding school bonds as of June 30, 2015 is $6,115,362. Grant payments are applicable to both principal and interest.
(3) Does not reflect subsidy from MCWT.
(4) Payable December 11, 2015.

Key Debt Ratios

	As of June 30				
	2015	2014	2013	2012	2011
Long-Term Debt Outstanding (1)	$ 126,368,233	$ 131,956,666	$ 128,288,445	$ 132,663,575	$ 125,267,728
Per Capita (2)	$ 2,261.66	$ 2,361.68	$ 2,296	$ 2,374	$ 2,242
Percent of Assessed Valuation (3)	2.84%	2.98%	2.90%	2.82%	2.66%
Percent of Equalized Valuation (4)	2.74%	2.66%	2.58%	2.39%	2.26%
Per Capita as a Percent of Per Capita Income (2)	8.72%	9.10%	8.85%	9.15%	8.64%

(1) Excludes overlapping debt, lease and installment purchase obligations, unfunded pension liability and other post-employment benefits liability.
(2) Source: U.S. Department of Commerce, Bureau of the Census - latest applicable actuals or estimates.
(3) Source: Board of Assessors - assessed valuation as of prior January 1.
(4) Source: Massachusetts Department of Revenue - equalized valuation in effect for that fiscal year (equalized valuations are established as of January 1 of each even-numbered year).

Annual Debt Service as of June 30, 2015 (1)

Fiscal	Outstanding		Bonds dated 12/11/15		Less MCWT	Less State	Net	Cumulative % Principal
Year	Principal	Interest	Principal	Interest	Subsidy	Aid	Debt Service	Retired
2016	$ 11,043,634	$ 3,620,094		$ 73,327	$ (662,488)	$ (1,851,793)	$ 12,222,774	8.4 %
2017	11,156,583	3,224,887	$ 354,000	151,740	(630,348)	(1,851,793)	12,405,068	17.1
2018	10,882,088	2,836,545	350,000	144,700	(598,912)	(1,205,888)	12,408,533	25.6
2019	10,812,742	2,448,890	350,000	137,700	(572,066)	(1,205,888)	11,971,378	34.1
2020	9,155,524	2,108,450	350,000	130,700	(530,877)	-	11,213,797	41.3
2021	8,119,313	1,827,058	350,000	123,700	(418,629)	-	10,001,442	47.8
2022	7,666,400	1,600,903	350,000	114,950	(230,215)	-	9,502,038	53.8
2023	7,558,144	1,374,742	350,000	104,450	(213,803)	-	9,173,533	59.9
2024	7,249,000	1,168,198	350,000	92,200	(72,943)	-	8,786,455	65.6
2025	6,351,215	1,000,327	275,000	79,700	-	-	7,706,242	70.7
2026	6,439,058	838,249	275,000	68,700	-	-	7,621,007	75.7
2027	6,303,691	674,412	275,000	57,700	-	-	7,310,803	80.7
2028	5,972,573	509,738	275,000	48,075	-	-	6,805,386	85.5
2029	4,592,630	364,453	270,000	39,900	-	-	5,266,983	89.2
2030	3,690,740	266,517	265,000	31,875	-	-	4,254,132	92.2
2031	3,746,468	185,794	155,000	25,575	-	-	4,112,837	95.1
2032	2,308,994	117,493	155,000	20,925	-	-	2,602,413	97.0
2033	2,348,200	63,190	155,000	16,275	-	-	2,582,665	98.9
2034	639,725	18,925	155,000	11,625	-	-	825,275	99.5
2035	331,510	6,380	155,000	6,975	-	-	499,865	99.9
2036			155,000	2,325			157,325	100.0
Total	$126,368,233	$24,255,243	$5,369,000	$1,424,992	$ (3,930,281)	$ (6,115,362)	$147,429,950	

(1) Excludes the Bonds, short-term debt, lease and installment purchase obligations, overlapping debt, unfunded pension liability and other post-employment benefits liability.

Coverage of Qualified Debt Service

It is projected that state aid distributions from the Commonwealth to the City will provide ample coverage of outstanding qualified debt service. The following table presents debt service on the City's State Qualified Bonds and the coverage ratio of total state aid to projected qualified debt service.

Fiscal Year	Outstanding Qualified Bond Debt Service (1)	Total State Aid (2)	Coverage Ratio
2016	$ 5,303,626	$ 59,528,770	11.22 %
2017	5,120,726	59,528,770	11.63
2018	4,583,651	59,528,770	12.99
2019	4,242,951	59,528,770	14.03
2020	2,349,414	59,528,770	25.34
2021	1,511,689	59,528,770	39.38
2022	1,474,320	59,528,770	40.38
2023	1,436,633	59,528,770	41.44
2024	1,369,395	59,528,770	43.47
2025	960,750	59,528,770	61.96
2026	934,575	59,528,770	63.70
2027	903,200	59,528,770	65.91
2028	869,900	59,528,770	68.43
2029	841,150	59,528,770	70.77
2030	557,400	59,528,770	106.80
2031	540,200	59,528,770	110.20
2032	522,200	59,528,770	114.00
2033	504,200	59,528,770	118.07
2034	321,300	59,528,770	185.27
Total	$ 34,347,280		

(1) As of June 30, 2015 and excluding debt service on the Bonds.
(2) Includes total state aid available for coverage based on the FY 2015 Cherry Sheet. The State aid figures above do not reflect school building assistance grants as such grants are not paid by the Commonwealth and are paid by the Massachusetts School Building Authority. Such payments do not constitute as "distributable aid" of the Commonwealth under the Qualified Bond Act.

Authorized Unissued Debt and Prospective Financing

Currently, the City has approximately $32.6 million of authorized unissued debt, of which approximately $8,169,627 is for sewer purposes, $11,196,927 is for school construction and $13,220,000 is for Municipal Light Plant improvements. Electric, water and sewer operations, including debt service, are self–supporting.

The City intends to fund sewer treatment facilities through the Massachusetts Clean Water Trust at an effective interest rate of 2% and the remainder of the school projects will be funded through bonds and grants within the next two years.

Overlapping Debt (1)

The following are the principal entities whose indebtedness is chargeable to the City or payable from taxation of property within the City:

	Outstanding Bonded Debt as of 6/30/15	Fiscal 2016 Assessment
Bristol County (2)	$ 1,004,653	$ 507,139
Bristol-Plymouth Technical School District (3)	0	3,913,532
Bristol County Agricultural High School	0	77,265

(1) Excludes temporary loans in anticipation of revenue. Omits debt of the Commonwealth.

(2) Source: Bristol County Treasurer's Office. Assessment includes debt service and other County expenses assessed upon the City in proportion to its equalized valuation. Legislation enacted in 1997 abolished the county governments of Franklin and Middlesex counties as of July 1, 1997, with their assets, functions, debts and other obligations being assumed by the Commonwealth. The abolishment of the Middlesex County government was in part in response to a default by the County in the payment of general obligation notes of the County. The legislation also abolished the county governments of Hampden and Worcester counties as of July 1, 1998. Legislation enacted in 1998 abolished the county governments of Hampshire, Essex and Berkshire counties as of January 1, 1999, July 1, 1999 and July 1, 2000, respectively. The legislation requires the state secretary for administration and finance to establish a plan to recover the Commonwealth's expenditures for the liabilities and other debts assumed and paid by the Commonwealth on behalf of an abolished county. Unless these provisions are changed by further legislation, the state treasurer shall assess upon each city or town within the jurisdiction of an abolished county an amount not exceeding or equal to the county tax paid by each such city and town for the fiscal year immediately prior to the abolishment of the county (or two years prior in the case of Essex County) until such expenditures by the Commonwealth are recovered. It is possible that similar legislation will be sought to provide for the abolishment of county government in all remaining counties.

(3) Source: Superintendent, Bristol-Plymouth Technical School District. Operating expenses and debt service of the District are apportioned among the member municipalities in accordance with the agreement establishing the District. In addition to assessments collected from the members of the District, the district's budget is supplemented with any surplus funds, as well as state reimbursement moneys.

In addition to the above, the City is a member of the Greater Attleboro Transit Authority. Other members of the Authority include the City of Attleboro and the Towns of Carver, Dighton, Kingston, Lakeville, Mansfield, Middleborough, North Attleborough, Plainville, Plymouth, Rehoboth and Seekonk. The City as a municipality served by the Authority, is assessed by the Commonwealth for services provided by the Greater Attleboro Transit Authority; i.e., a percentage of the cost of the Authority's operations, which is limited to the sum of (a) 2 ½ percent of the prior year's assessments and (b) any increase in costs, charges or fees for services customarily provided locally or for services subscribed to at local option.

Contractual Obligations

Municipal contracts are generally limited to currently available appropriations. A city or town generally has authority to enter into contracts for the exercise of any of its corporate powers for any period of time deemed to serve its best interests, but generally only when funds are available for the first fiscal year; obligations for succeeding fiscal years generally are expressly subject to availability and appropriation of funds. Municipalities have specific authority in relatively few cases to enter long-term contractual obligations that are not subject to annual appropriation, including contracts for refuse disposal and sewage treatment and disposal. Municipalities may also enter into long-term contracts in aid of housing and renewal projects. There may be implied authority to make other long-term contracts required to carry out authorized municipal functions, such as contracts to purchase water from private water companies.

Municipal contracts relating to solid waste disposal facilities may contain provisions requiring the delivery of minimum amounts of waste and payments based thereon and requiring payments in certain circumstances without regard to the operational status of the facilities.

Municipal electric departments have statutory power to enter into long-term contracts for joint ownership and operation of generating and transmission facilities and for the purchase or sale of capacity, including contracts requiring payments without regard to the operational status of the facilities.

Pursuant to the Home Rule Amendment to the Massachusetts Constitution, cities and towns may also be empowered to make other contracts and leases.

The following are current contractual and lease purchase obligations of the City of Taunton:

Vendor	Description	Contract Expiration Date	Annual Cost Fiscal 2016
We Care Environmental LLC	Trash Disposal	06/30/16	$1,008,808
H&L Bloom Bus Co.	School Buses	06/30/16	6,301,999
READS	Special Education	06/30/16	1,494,761
South Coast Education Collaborative	Special Education	06/30/16	2,659,368
Peterson Oil	Gasoline	06/30/16	250,000
We Care Environmental LLC	Recycling	06/30/16	618,302
Veolia Water North America – Northeast	Operation and Maintenance - Wastewater Treatment Plant	07/01/18	2,733,782
Peterson Oil	Diesel	06/30/16	100,000

With respect to contractual obligations of the Taunton Municipal Light Plant, please refer to Appendix A (Audited Financial Statements), Note 9.

RETIREMENT PLANS

The Massachusetts General Laws provide for the establishment of contributory retirement systems for state employees, for teachers and for county, city and town employees other than teachers. Teachers are assigned to a separate statewide teachers' system and not to the city and town systems. For all employees other than teachers, this law is subject to acceptance in each city and town. Substantially all employees of an accepting city or town are covered. If a town has a population of less than 10,000 when it accepts the statute, its non-teacher employees participate through the county system and its share of the county cost is proportionate to the aggregate annual rate of regular compensation of its covered employees. In addition to the contributory systems, cities and towns provide non-contributory pensions to a limited number of employees, primarily persons who entered service prior to July 1, 1937 and their dependents. The Public Employee Retirement Administration Commission ("PERAC") provides oversight and guidance for and regulates all state and local retirement systems.

The obligations of a city or town, whether direct or through a county system, are contractual legal obligations and are required to be included in the annual tax levy. If a city or town, or the county system of which it is a member, has not established a retirement system funding schedule as described below, the city or town is required to provide for the payment of the portion of its current pension obligations which is not otherwise covered by employee contributions and investment income. "Excess earnings," or earnings on individual employees' retirement accounts in excess of a predetermined rate, are required to be set aside in a pension reserve fund for future, not current, pension liabilities. Cities and towns may voluntarily appropriate to their system's pension reserve fund in any given year up to five percent of the preceding year's tax levy. The aggregate amount in the fund may not exceed ten percent of the equalized valuation of the city or town.

If a city or town, or each member city and town of a county retirement system, has accepted the applicable law, it is required to annually appropriate an amount sufficient to pay not only its current pension obligations, but also a portion of its future pension liability. The portion of each such annual payment allocable to future pension obligations is required to be deposited in the pension reserve fund. The amount of the annual city or town appropriation for each such system is prescribed by a retirement system funding schedule which is periodically reviewed and approved by PERAC. Each system's retirement funding schedule is designed to reduce the unfunded actuarial pension liability of the system to zero by not later than June 30, 2030, with annual increases in the scheduled payment amounts of not more than 4.5 percent. The funding schedule must provide that payment in any year of the schedule is not less than 95 percent of the amount appropriated in the previous fiscal year. City, town and county systems which have an approved retirement funding schedule receive annual pension funding grants from the Commonwealth for the first 16 years of such funding schedule. Pursuant to recent legislation, a system (other than the state employees' retirement system and the teachers' retirement system) which conducts an actuarial valuation as of January 1, 2009, or later, may establish a revised schedule which reduces the unfunded actuarial liability to zero by not later than June 30, 2040, subject to certain conditions. If the schedule is so extended under such provisions and a later

updated valuation allows for the development of a revised schedule with reduced payments, the revised schedule shall be adjusted to provide that the appropriation for each year shall not be less than that for such year under the prior schedule, thus providing for a shorter schedule rather than reduced payments.

City, town and county systems may choose to participate in the Pension Reserves Investment Trust Fund (the "PRIT Fund"), which receives additional state funds to offset future pension costs of participating state and local systems. If a local system participates in the PRIT Fund, it must transfer ownership and control of all assets of its system to the Pension Reserves Investment Management Board, which manages the investment and reinvestment of the PRIT Fund. Cities and towns with systems participating in the PRIT Fund continue to be obligated to fund their pension obligations in the manner described above. The additional state appropriations to offset future pension liabilities of state and local systems participating in the PRIT Fund are required to total at least 1.3 percent of state payroll. Such additional state appropriations are deposited in the PRIT Fund and shared by all participating systems in proportion to their interests in the assets of the PRIT Fund as of July 1 for each fiscal year.

Cost-of-living increases for each local retirement system may be granted and funded only by the local system, and only if it has established a funding schedule. Those statutory provisions are subject to acceptance by the local retirement board and approval by the local legislative body, which acceptance may not be revoked.

The City has a contributory retirement system that is partially funded by employee contributions. The City meets its share of the cost by contributing annually an amount determined by a funding schedule. (The City previously paid costs on a pay-as-you-go basis as determined by the State Public Employee Retirement Administration Commission or "PERAC.") The City also has a noncontributory plan with costs met on a pay-as-you-go basis. The noncontributory plan will eventually be eliminated as retirees and survivors are deceased. There are no current employees eligible to retire under this plan. Costs for both plans are legal obligations of the City and are required to be included in its annual tax levy. The retirement system covers substantially all municipal employees except school teachers, whose pensions are paid by the Commonwealth, and eligible part-time employees who are employed at least 20 hours per week on a regular basis.

The City voted on May 5, 1992 to file a home rule petition to amend and adopt Section 22D of Chapter 32 of the Massachusetts General Laws. This legislation became law on September 14, 1992 (Chapter 185, Acts of 1992). The City has been placed on a funding schedule which eliminates the unfunded pension liability by the year 2030. Upon becoming completely funded, the City would then be liable for only the normal cost of active members as they earned their pension benefit. (Normal cost equals the present value of the active members' future retirement benefit).

The annual pension contributions of the City to the retirement system for fiscal years 2011 through 2016 are as follows:

Fiscal Year Ending 6/30	Contributory	Number of Pensioners	Non-Contributory	Number of Pensioners
2016	$14,567,593	833	$14,491	1
2015	14,396,132	827	14,069	1
2014	13,854,812	805	13,261	1
2013	12,547,095	783	15,061	1
2012	12,248,832	767	15,786	1
2011	12,932,285	767	18,041	1

As of January 1, 2014, the actuarial accrued liability of the City's retirement system was $364,926,837 and the actuarial value of assets available for plan benefits was $209,808,060, leaving an unfunded accrued actuarial liability of $129,395,520 assuming an 8% rate of return. The plan is 65.9 percent funded. Please see following the funding schedule.

Funding Schedule (As of January 1, 2014)

Fiscal Year Ending	Payroll*	Employee Contribution	Employer Normal Cost with Interest	Amortization Payments with Interest	Employer Total Cost with Interest	Employer Total Cost % of Payroll	Funded Ratio %**
2015	$55,498,644	$4,815,844	$3,551,032	$11,202,124	$14,753,156	26.6	65.8
2016	$57,996,083	$5,085,409	$3,654,308	$11,289,598	$14,943,906	25.8	67.6
2017	$60,605,907	$5,369,482	$3,759,688	$11,605,377	$15,365,065	25.4	69.5
2018	$63,333,173	$5,668,824	$3,867,153	$12,127,619	$15,994,772	25.3	71.5
2019	$66,183,165	$5,984,233	$3,976,676	$12,673,362	$16,650,038	25.2	73.4
2020	$69,161,408	$6,316,550	$4,088,225	$13,243,663	$17,331,888	25.1	75.4
2021	$72,273,671	$6,666,658	$4,201,761	$13,839,628	$18,041,389	25.0	77.4
2022	$75,525,986	$7,035,484	$4,317,236	$14,325,456	$18,642,692	24.7	79.5
2023	$78,924,656	$7,424,004	$4,434,595	$14,970,101	$19,404,696	24.6	81.6
2024	$82,476,265	$7,833,245	$4,553,775	$15,643,756	$20,197,531	24.5	83.8
2025	$86,187,697	$8,264,283	$4,674,700	$16,347,725	$21,022,425	24.4	86.0
2026	$90,066,143	$8,718,253	$4,797,288	$17,083,373	$21,880,661	24.3	88.2
2027	$94,119,120	$9,196,345	$4,921,442	$17,612,407	$22,533,849	23.9	90.5
2028	$98,354,480	$9,699,810	$5,047,055	$18,404,966	$23,452,021	23.8	92.8
2029	$102,780,432	$10,229,965	$5,174,008	$19,233,189	$24,407,197	23.7	95.2
2030	$107,405,551	$10,788,192	$5,302,166	$20,098,683	$25,400,849	23.6	97.6
2031	$112,238,801	$11,375,943	$5,431,381	$0	$5,431,381	4.8	100.0
2032	$117,289,547	$11,994,746	$5,561,489	$0	$5,561,489	4.7	100.0
2033	$122,567,577	$12,646,205	$5,692,307	$0	$5,692,307	4.6	100.0
2034	$128,083,118	$13,332,006	$5,823,637	$0	$5,823,637	4.5	100.0
2035	$133,846,858	$14,053,920	$5,955,261	$0	$5,955,261	4.4	100.0
2036	$139,869,967	$14,686,347	$6,223,247	$0	$6,223,247	4.4	100.0
2037	$146,164,115	$15,347,232	$6,503,293	$0	$6,503,293	4.4	100.0
2038	$152,741,500	$16,037,858	$6,795,942	$0	$6,795,942	4.4	100.0
2039	$159,614,868	$16,759,561	$7,101,759	$0	$7,101,759	4.4	100.0
2040	$166,797,537	$17,513,741	$7,421,338	$0	$7,421,338	4.4	100.0
2041	$174,303,426	$18,301,860	$7,755,298	$0	$7,755,298	4.4	100.0
2042	$182,147,080	$19,125,443	$8,104,287	$0	$8,104,287	4.4	100.0
2043	$190,343,699	$19,986,088	$8,468,980	$0	$8,468,980	4.4	100.0
2044	$198,909,165	$20,885,462	$8,850,084	$0	$8,850,084	4.4	100.0
2045	$207,860,078	$21,825,308	$9,248,338	$0	$9,248,338	4.4	100.0
2046	$217,213,781	$22,807,447	$9,664,513	$0	$9,664,513	4.4	100.0

* Calendar basis ** Beginning of Fiscal Year

Source: Actuarial Valuation Report of the Taunton Retirement System, PERAC.
*Calendar basis.
**Beginning of fiscal year.

For additional information see Appendix A.

Other Post-Employment Benefits

In addition to pension benefits, cities and towns may provide retired employees with health care and life insurance benefits. The portion of the cost of such benefits paid by cities or towns is generally provided on a pay-as-you-go basis. The pay-as-you-go cost to the City for such benefits in recent years has been as follows:

Fiscal Year		Benefit Costs
2016	(Budget)	$ 9,450,000
2015		9,133,929
2014		9,066,339
2013		8,817,948
2012		8,705,009
2011		8,430,556

The Governmental Accounting Standards Board ("GASB") promulgated its Statement Nos. 43 and 45, which require public sector entities to report the future costs of these non-pension, post-employment benefits in their financial statements. These accounting standards do not require pre-funding the payment of these costs as the liability for such costs accrues, but the basis applied by the standards for measurement of costs and liabilities for these benefits is conservative if they continue to be funded on a pay-as-you-go basis and will result in larger yearly cost and liability accruals than if the cost of such benefits were pre-funded in a trust fund in the same manner as traditional pension benefits. Cities and towns that choose to self-insure all or a portion of the cost of the health care benefits they provide to employees and retirees may establish a trust fund for the purpose of paying claims. In addition, cities and towns may establish a trust fund for the purpose of pre-funding other post-employment benefits liability in the same manner as traditional pension benefits.

Retirees of the City under age 65 and their survivors are eligible for the same health benefits as active employees. Retirees over the age of 65 are eligible for Medex. The costs are borne 75 percent by the City and 25 percent by the retirees or their survivors.

The City implemented the GASB reporting requirements for other post-employment benefits beginning in fiscal year 2008. The results for the actuarial valuation of these post-retirement benefits were completed in June 30, 2014 by Sherman Actuarial Services, LLC. The results show an unfunded liability of $326,165,463 (pay-as-go) for the City and included in that total is the Taunton Municipal Light Plant with an unfunded liability of $43,686,973 assuming a discount rate of 8.0%. For fiscal year 2014, the Annual Required Contribution was $20,293,918. The City has adopted M.G.L. Ch.32B, section 20 to establish an OPEB Trust Fund and plans to begin funding OPEB after the pension system is fully funded in 2030.

COLLECTIVE BARGAINING

City employees (other than managerial and confidential employees) are entitled to join unions and to bargain collectively on questions of wages, hours and other terms and conditions of employment.

The City has approximately 1,900 full-time employees, including those in the School Department. Approximately 85 percent belong to unions or other collective bargaining groups as shown below:

Employee Category	Represented by	Number of Employees	Contract Expires (1)
Police Officers	Taunton Police Supervisory Personnel	26	6/30/17
Patrolmen	Taunton Patrolmen's Association	78	6/30/17
Firemen	IAFF Local #1391	118	6/30/17
City Hall and Public Works:			
	Unit A: DPW	66	6/30/15
	Unit B: Clerks	35	6/30/17
	Unit C: Nursing Home	72	6/30/15
Department Heads	City of Taunton Management Association	81	6/30/15
School:			
Teachers	Taunton Educators Association	574	8/31/17
Nurses	Massachusetts Nurses Association	16	6/30/16
Clerks, Teacher's Aides, Secretaries	Taunton Aides & Clerks Association	240	6/30/15
Administrators	Taunton School Administrators Association	32	6/30/16
Custodians & Cafeteria Workers	Laborers Inter Union of North America Local #1144	111	6/30/16
Library	AFSCME Local 1701	15	6/30/16
Taunton Municipal Light Plant	AFSCME Locals 462 & 1729	154	12/31/15
Total		1,618	

Source: City Treasurer.
(1) Expired contracts are currently in negotiations.

LITIGATION

In the opinion of the City Solicitor, no litigation is pending, or to his knowledge threatened, which is likely to result, either individually or in the aggregate, in final judgments against the City materially affecting its financial position.

CITY OF TAUNTON, MASSACHUSETTS
/s/ Ms. Barbara Auger, Treasurer/Collector

January 13, 2016

APPENDIX A

CITY OF TAUNTON, MASSACHUSETTS

ANNUAL FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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CITY OF TAUNTON, MASSACHUSETTS

June 30, 2014

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CITY OF TAUNTON, MASSACHUSETTS

June 30, 2014

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

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Taunton, Massachusetts ('the City"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, (except for the pension trust fund and discretely presented component unit, which are as of and for the year ended December 31, 2013), which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Continued

Opinions

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

Emphasis of Matter Regarding Annuity GAAP Mistreatment

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

Emphasis of Matter Regarding MWPAT Subsidy Receivables

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 17 and 75 through 81 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Taunton, Massachusetts' basic financial statements. The supplementary statements and schedules on pages 82 through 89 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary statements and schedules on pages 82 through 89 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary statements and schedules on pages 82 through 89 are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2015, on our consideration of the City of Taunton, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Taunton, Massachusetts' internal control over financial reporting and compliance.

Hague, Sahady & Co. PC

Fall River, Massachusetts
March 24, 2015

The management of the **City of Taunton Massachusetts** (herein, City), offers readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

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

Financial Highlights:

- The assets plus deferred outflows of resources of the City exceeded liabilities plus deferred inflows of resources at June 30, 2014, respectively by $180,987,019 (net position).

- As of the close of the current fiscal year, the City's governmental funds reported combined ending balances of $37,265,936. Approximately twenty percent of the total amount, $7,477,263 is available for spending at the City's discretion (unassigned fund balance).

Overview of the Financial Statements

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

Government-Wide Statement

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

The government-wide financial statements include two statements:

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

Continued

Government-Wide Statement (Continued)

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

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

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

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

- Business-type activities - Business-type activities of the City such as water, wastewater, nursing home, and golf course are reported here. Charges for services finance most of these activities.

Fund Financial Statements

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

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

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

Continued

Fund Financial Statements (Continued)

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

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

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

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

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

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

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

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

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City is the trustee, or fiduciary, for certain assets that because of a trust arrangement can be used only for the trust beneficiaries and the agency fund. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These activities are excluded from the City's governmental-wide financial statements because the City cannot use these assets to finance its operations. The accounting used for fiduciary funds is the accrual basis of accounting. The fiduciary funds financial statements can be found on pages 33 through 34 of this report.

Continued

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 35 through 74 of this report.

Other Required Information

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by approximately $181 million as of June 30, 2014. Key components of the City's activities are presented below. The following table reflects the condensed net position based on the statement of net position found on pages 18 and 19 of the financial statement.

Continued

Government-Wide Financial Analysis (Continued)

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

Continued

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

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

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

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

Discussion on Other Post Employment Benefits

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

Continued

Discussion on Other Post Employment Benefits

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

Statement of Changes in Net Position

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

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

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

Continued

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

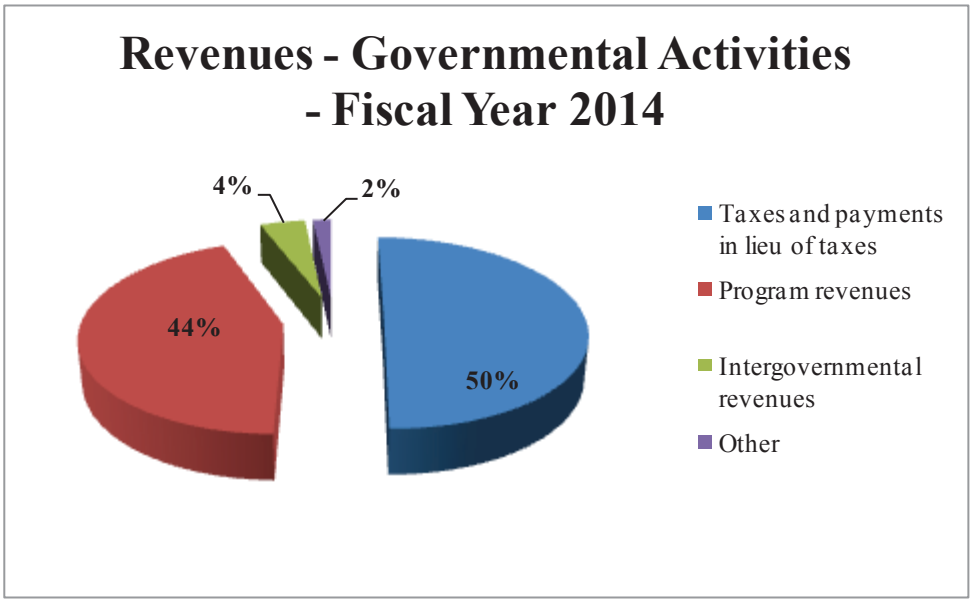
	Changes in Net Position Primary Government					
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues						
Charges for service	$ 7,119,395	$ 9,116,919	$ 24,004,670	$ 20,708,466	$ 31,124,065	$ 29,825,385
Operating grants and contributions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

Continued

Revenue

Governmental Activities

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



General Revenues

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

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

Program Revenues

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

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

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

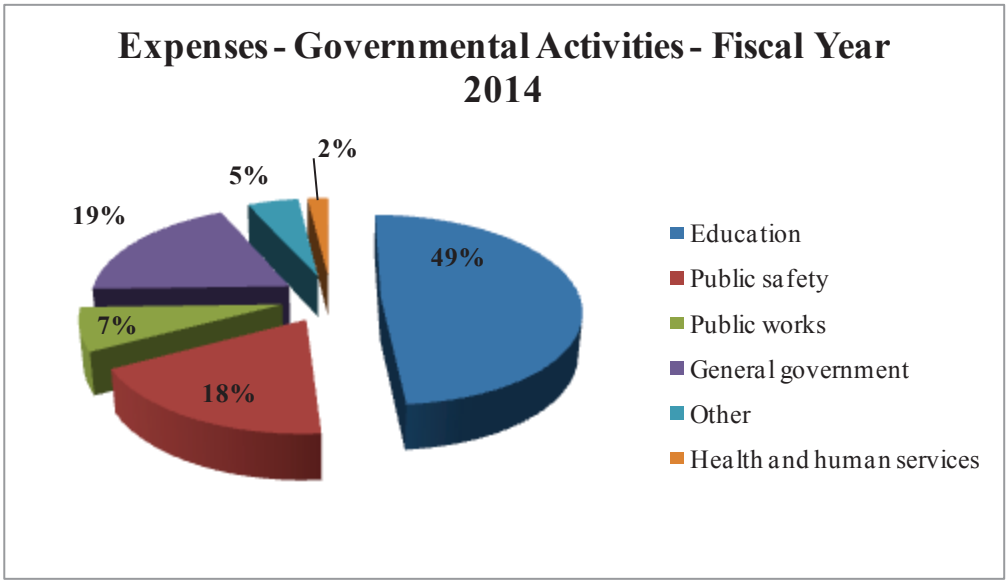
Continued

Expenses

Governmental Activities

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

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



Business-Type Activity

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

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

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City's governmental funds is to provide information on the near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Continued

Financial Analysis of Government's Funds (Continued)

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

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

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

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

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

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

Budgetary Highlights

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

General Fund Budgetary Highlights

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

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

Continued

Financial Analysis of Government's Funds (Continued)

Capital Asset and Debt Administration

Capital Assets

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

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

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

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

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

Debt

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

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

Continued

Economic Outlook

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

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

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

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

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

Continued

Economic Outlook (Continued)

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

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

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

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

Contacting the City's Financial Management

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

CITY OF TAUNTON, MASSACHUSETTS

Statement of Net Position

June 30, 2014
(Except for the Taunton Municipal Light Plant which is as of December 31, 2013)

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

The accompanying notes are an integral part of this statement

Continued

CITY OF TAUNTON, MASSACHUSETTS

Statement of Net Position

June 30, 2014
(Except for the Taunton Municipal Light Plant which is as of December 31, 2013)

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

The accompanying notes are an integral part of this statement

CITY OF TAUNTON, MASSACHUSETTS

Statement of Activities

For the Year Ended June 30, 2014
(Except for the Taunton Municipal Light Plant which is as of December 31, 2013)

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

The accompanying notes are an integral part of this statement

Continued

CITY OF TAUNTON, MASSACHUSETTS

Statement of Activities

For the Year Ended June 30, 2014
(Except for the Taunton Municipal Light Plant which is as of December 31, 2013)

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

The accompanying notes are an integral part of this statement

Continued

CITY OF TAUNTON, MASSACHUSETTS

Statement of Activities

For the Year Ended June 30, 2014
(Except for the Taunton Municipal Light Plant which is as of December 31, 2013)

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

The accompanying notes are an integral part of this statement

CITY OF TAUNTON, MASSACHUSETTS

Balance Sheets - Governmental Funds

June 30, 2014

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

The accompanying notes are an integral part of this statement

CITY OF TAUNTON, MASSACHUSETTS

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

For the Year Ended June 30, 2014

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

The accompanying notes are an integral part of this statement

CITY OF TAUNTON, MASSACHUSETTS

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

June 30, 2014

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

The accompanying notes are an integral part of this statement

CITY OF TAUNTON, MASSACHUSETTS

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

For the Year Ended June 30, 2014

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

The accompanying notes are an integral part of this statement

CITY OF TAUNTON, MASSACHUSETTS

Statement of Net Position - Proprietary Funds

June 30, 2014

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

The accompanying notes are an integral part of this statement

Continued

CITY OF TAUNTON, MASSACHUSETTS

Statement of Net Position - Proprietary Funds (Continued)

June 30, 2014

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

The accompanying notes are an integral part of this statement

CITY OF TAUNTON, MASSACHUSETTS

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

For the Year Ended June 30, 2014

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

The accompanying notes are an integral part of this statement

Continued

CITY OF TAUNTON, MASSACHUSETTS

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

For the Year Ended June 30, 2014

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

The accompanying notes are an integral part of this statement

CITY OF TAUNTON, MASSACHUSETTS

Statement of Cash Flows - Proprietary Funds

For the Year Ended June 30, 2014

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

The accompanying notes are an integral part of this statement

Continued

CITY OF TAUNTON, MASSACHUSETTS

Statement of Cash Flows - Proprietary Funds

For the Year Ended June 30, 2014

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

The accompanying notes are an integral part of this statement

CITY OF TAUNTON, MASSACHUSETTS

Statement of Net Position - Fiduciary Funds

June 30, 2014

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

The accompanying notes are an integral part of this statement

CITY OF TAUNTON, MASSACHUSETTS

Statement of Changes in Net Position - Fiduciary Funds

For the Year Ended June 30, 2014

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

The accompanying notes are an integral part of this statement

NOTE 1: Summary of Significant Accounting Policies:

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

A. Reporting Entity

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

Component Units

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

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

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

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

B. Basic Financial Statements - Government-Wide Statements

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

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

Continued

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

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

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

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

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

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

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

C. Basic Financial Statements - Fund Financial Statements

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

The following funds are used by the City:

1. *Governmental Funds*

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

a. **The general fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

b. **Special revenue funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

c. **Capital projects funds** are used to account financial resources to be used for the acquisition or construction of major capital facilities or equipment purchases.

d. **Permanent trust funds** are restricted to the extent that only earnings and not principal may be used for purposes that support the reporting government programs for the benefit of the government or its citizenry.

Continued

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

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

2. ***Proprietary Funds***

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

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

b. **Internal service funds** are used to account for the financing of goods or services provided by an activity to other departments and funds within the City.

3. ***Fiduciary Funds***

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

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

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

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

Continued

NOTE 1: Summary of Significant Accounting Policies (Continued)

D. Measurement Focus and Basis of Accounting

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

1. *Accrual*

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

2. *Modified Accrual*

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

E. Implementation of New Accounting Principles

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

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

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

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

F. Financial Statement Amounts

1. *Cash and Cash Equivalents*

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

2. *Investments*

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

Continued

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Financial Statement Amounts (Continued)

3. *Inventory*

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

4. *Capital Assets*

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

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

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

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

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

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

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

Continued

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Financial Statement Amounts (Continued)

5. *Compensated Absences*

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

> **Vacation Pay:** Vacation days are earned and credited to employees on a monthly basis consistent with collective bargaining agreements or the Personnel Rules and Regulations. Accumulated vacation carryovers are on a calendar year basis when in excess of the equivalent of two weeks with the approval of the department head and the Mayor.
>
> **Sick Pay:** Sick pay is accumulated and can be carried forward in accordance with the limits established by collective bargaining agreements or the Personnel Rules and Regulations.

6. *Long-Term Liabilities*

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

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

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

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

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

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

8. *Encumbrances*

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

9. *Fund Balances/Net Position*

Government-Wide Statements

Net Position is displayed in three components;

a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated and reduced by the outstanding balances of any bonds, mortgages, notes, or borrowings that are attributable to the acquisition, construction, or improvements of those assets.

b. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted net position - All other net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Continued

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Financial Statement Amounts (Continued)

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

Fund Statements

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

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

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

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

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

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

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

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

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

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

Continued

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Financial Statement Amounts (Continued)

10. *Claims and Judgments*

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

11. *Property Taxes*

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

12. *Revenues*

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

13. *Expenditures/Expenses*

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

14. *Interfund Activity*

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

Continued

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Financial Statement Amounts (Continued)

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

15. ***Use of Estimates***

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

G. Operating Revenues and Expenses

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

NOTE 2: Compliance and Accountability

Budget Requirements, Accounting and Reporting

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

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

Continued

NOTE 3: Cash, Cash Equivalents and Investments

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

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

Cash and Cash Equivalents

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

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

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

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

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

Investments

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

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

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

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

Continued

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

Investments (Continued)

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

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

Total Investments by Investment Type and Moody Ratings:

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

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

Continued

NOTE 4: Receivables

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

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

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

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

Continued

NOTE 5: Capital Assets and Depreciation

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

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

Continued

NOTE 5: Capital Assets and Depreciation (Continued)

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

Continued

NOTE 5: Capital Assets and Depreciation (Continued)

Depreciation as charged to functions as follows:

Governmental Activities:		
General government	$	264,589
Public safety		317,114
Public works		2,161,305
Education		4,862,645
Health and human services		2,014
Culture and recreation		104,636
Municipal airport		23,246
Economic development		27,545
Total Governmental Activities	$	7,763,094
Business-Type Activities:		
Water	$	958,238
Wastewater		1,153,470
Taunton nursing home		53,687
Golf		2,920
Total Business-Type Activities	$	2,168,315

Continued

NOTE 6: Pension

A. Plan Description

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

B. Basis of Accounting

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

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

Investments of the System are stated as follows:

(a) Equity securities are stated at quoted market value.

(b) Real estate funds are stated at appraised value or partner's account value.

(c) Alternative investments are stated at partner's account value.

(d) Other pooled funds are stated at unit value.

C. Membership

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

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

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

Continued

NOTE 6: Pension (Continued)

D. Contributions

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

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

E. Legally Required Reserve Accounts

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

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

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

F. Funded Status and Funding Progress

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

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

Continued

NOTE 6: Pension (Continued)

F. Funded Status and Funding Progress

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

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

NOTE 7: Other Employee Benefits

A. Other Postemployment Benefits

Plan Description

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

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

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

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

Funding Policy

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

Continued

NOTE 7: Other Employee Benefits (Continued)

A. Other Postemployment Benefits (Continued)

Annual OPEB and Net OPEB Obligation

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

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

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

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

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

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

Continued

NOTE 7: Other Employee Benefits (Continued)

A. Other Postemployment Benefits (Continued)

Funded Status and Funding Progress

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

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

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

Actuarial Valuation Date	Reporting Year	(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
06/30/08	2008	$ 0	$ 369,686,477	$ 369,686,477	0.0%	$ 100,920,885	366.03%
06/30/10	2010	$ 0	$ 322,826,984	$ 322,826,984	0.0%	$ 90,713,287	355.09%
06/30/12	2012	$ 0	$ 343,752,067	$ 343,752,067	0.0%	$ 108,589,531	316.06%
06/30/14	2014	$ 0	$ 326,165,463	$ 326,165,463	0.0%	$ 97,480,359	334.60%

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

Methods and Assumptions

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

Continued

NOTE 7: Other Employee Benefits (Continued)

A. Other Postemployment Benefits (Continued)

Methods and Assumptions

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

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

Allocation of AOPEBC

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

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

Continued

NOTE 8: Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require that the City place a final cover on its landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of 30 years after closure. In addition to operating expenses related to current activities of the landfill sites, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill sites no longer accept waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill site capacities used during the year. The estimated liability for landfill closure and postclosure care costs is based on the percentage usage (filled) of the landfill sites and is as follows at June 30, 2014:

	Governmental Activities
Closure and postclosure care costs	$ 4,219,300

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

The estimated total current cost of the landfill closure and postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfills were acquired as of June 30, 2014. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

Continued

NOTE 9: Debt

Primary Government

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

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

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

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

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

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

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

Continued

NOTE 9: Debt (Continued)

Primary Government (Continued)

Authorized and Unissued Debt:

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

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

Continued

NOTE 9: Debt (Continued)

Short-Term Debt

Governmental Activities:

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

Interim loans:

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

Continued

NOTE 9: Debt (Continued)

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

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

Continued

NOTE 9: Debt (Continued)

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

Continued

NOTE 9: Debt (Continued)

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

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

Continued

NOTE 10: Other Commitments

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

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

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

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

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

Continued

NOTE 11: Fund Balance Classification Details

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

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

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

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

Continued

NOTE 11: Fund Balance Classification Details (Continued)

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

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

Continued

NOTE 12: Fund Deficit

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

School Grants

Fund #	Fund Name	Amount	
21-3142	Title IIA Carryover	$ 740	*
	Total School Grants	**$ 740**	

City Grants

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

Other Special Revenue Funds

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

* The deficit will require a future administrative plan.

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

Continued

NOTE 12: Fund Deficit (Continued)

Capital Project Funds

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

Enterprise Funds

Fund #	Fund Name	Amount	
64	Taunton Nursing Home	$ 1,305,367	*
	Total Enterprise Funds	**$ 1,305,367**	

Fiduciary Funds

Agency

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

* The deficit will require a future administrative plan.

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

Continued

NOTE 13: Restatement

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

Governmental Funds:

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

Proprietary Funds:

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

Fiduciary funds:

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

Continued

NOTE 13: Restatement (Continued)

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

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

NOTE 14: Joint Ventures

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

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

Continued

NOTE 15: Interfund Transactions

Interfund transactions at June 30, 2014 were as follows:

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

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

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

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

Continued

NOTE 16: Contingencies

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

NOTE 17:. Risk Management and Litigation

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

NOTE 18: Taunton Municipal Light Plant

A. Nature of Business

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

B. Rates

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

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

Continued

NOTE 18: Taunton Municipal Light Plant (Continued)

C. Long-Term Debt

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

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

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

D. Investments

Investment in Seabrook

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

Energy New England

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

Hydro-Quebec Agreement

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

Continued

NOTE 18: Taunton Municipal Light Plant (Continued)

E. Sick Leave Trust Fund

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

F. Retirement Trust Fund

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

G. Commitments and Contingencies

Power Contracts

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

Litigation and Other Matters

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

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

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

Continued

NOTE 19: Subsequent Events

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

NOTE 20: Future Implementation of GASB Pronouncements

The GASB has issued the following statements:

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

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

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

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

These pronouncements will be implemented by their respective implementation dates.

CITY OF TAUNTON, MASSACHUSETTS

Required Supplementary Information

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

For the Year Ended June 30, 2014

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

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

Continued

CITY OF TAUNTON, MASSACHUSETTS

Required Supplementary Information

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

For the Year Ended June 30, 2014

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

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

CITY OF TAUNTON, MASSACHUSETTS

Required Supplementary Information

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

For the Year Ended June 30, 2014

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

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

CITY OF TAUNTON, MASSACHUSETTS

Required Supplementary Information

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

For the Year Ended June 30, 2014

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

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

CITY OF TAUNTON, MASSACHUSETTS

Required Supplementary Information

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

For the Year Ended June 30, 2014

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

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

CITY OF TAUNTON, MASSACHUSETTS

Required Supplementary Information

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

For the Year Ended June 30, 2014

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

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

Continued

CITY OF TAUNTON, MASSACHUSETTS

Required Supplementary Information

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

For the Year Ended June 30, 2014

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

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

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

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

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

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

See accompanying independent auditors' report

CITY OF TAUNTON, MASSACHUSETTS

Required Supplementary Information

Contributory Retirement System - Schedule of Funding Progress

For the Year Ended December 31, 2013

(UNAUDITED)

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

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

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

* Amounts shown are in millions

See accompanying independent auditors' report

CITY OF TAUNTON, MASSACHUSETTS

Supplementary Information

Required Supplementary Information - Contributory Retirement System

For the Year Ended December 31, 2013

(UNAUDITED)

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

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

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

* Amounts shown are in millions

See accompanying independent auditors' report

CITY OF TAUNTON, MASSACHUSETTS

Supplementary Information

Combining Balance Sheet - Non Major Governmental Funds

June 30, 2014

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

See accompanying independent auditors' report

CITY OF TAUNTON, MASSACHUSETTS

Supplementary Information

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

For the Year Ended June 30, 2014

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

See accompanying independent auditors' report

CITY OF TAUNTON, MASSACHUSETTS

Supplementary Information

Balance Sheet - General and Stabilization Fund Detail

June 30, 2014

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

See accompanying independent auditors' report

CITY OF TAUNTON, MASSACHUSETTS

Supplementary Information

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

For the Year Ended June 30, 2014

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

See accompanying independent auditors' report

CITY OF TAUNTON, MASSACHUSETTS

Supplementary Information

Statement of Property and Excise Tax Receivables

For the Year Ended June 30, 2014

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

See accompanying independent auditors' report

Continued

CITY OF TAUNTON, MASSACHUSETTS

Supplementary Information

Statement of Property and Excise Tax Receivables

For the Year Ended June 30, 2014

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

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See accompanying independent auditors' report

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Locke Lord LLP

111 Huntington Avenue
Boston, MA 02199
Telephone: 617-239-0100
Fax: 617-227-4420
www.lockelord.com

(Date of Delivery)

Barbara Auger, Treasurer
City of Taunton
Taunton, Massachusetts

$5,250,000
City of Taunton, Massachusetts
General Obligation State Qualified Refunding Bonds
Dated January 28, 2016

We have acted as bond counsel to the City of Taunton, Massachusetts (the "City") in connection with the issuance by the City of the above-referenced bonds (the "Bonds"). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations and covenants of the City contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Bonds are valid and binding general obligations of the City and, except to the extent they are paid from other sources, the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the City, subject to the limit imposed by Chapter 59, Section 21C of the General Laws.

2. The Bonds are qualified bonds as defined in Chapter 44A of the General Laws and are entitled to the benefits of the provisions thereof.

3. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In rendering the opinions set forth in this paragraph, we have assumed compliance by the City with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The City

Atlanta | Austin | Boston | Chicago | Dallas | Hartford | Hong Kong | Houston | Istanbul | London | Los Angeles | Miami | Morristown | New Orleans
New York | Orange County | Providence | Sacramento | San Francisco | Stamford | Tokyo | Washington DC | West Palm Beach

has covenanted to comply with all such requirements. Failure by the City to comply with certain of such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. Except as expressed in paragraph 5 below, we express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

4. Interest on the Bonds is exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion regarding any other Massachusetts tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts.

5. The Bonds are qualified tax-exempt obligations within the meaning of Section 265(b)(3) of the Code.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

LOCKE LORD LLP

APPENDIX C

PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Taunton, Massachusetts (the "Issuer") in connection with the issuance of its $5,250,000 General Obligation State Qualified Refunding Bonds dated January 28, 2016 (the "Bonds"). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule.

SECTION 2. Definitions. For purposes of this Disclosure Certificate the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board as established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate. Filing information relating to the MSRB is set forth in Exhibit A attached hereto.

"Obligated Person" shall mean the Issuer.

"Owners of the Bonds" shall mean the registered owners, including beneficial owners, of the Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, not later than 270 days after the end of each fiscal year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted when available separately from the balance of the Annual Report.

(b) If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the MSRB, in substantially the form attached as Exhibit B.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

(a) quantitative information for the preceding fiscal year of the type presented in the Issuer's Official Statement dated January 13, 2016 relating to the Bonds regarding (i) the revenues and expenditures of the Issuer relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension obligations of the Issuer, and (vii) other post-employment benefits liability of the Issuer, and

(b) the most recently available audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles, with certain exceptions permitted by the Massachusetts Uniform Municipal Accounting System promulgated by the Department of Revenue of the Commonwealth. If audited financial statements for the preceding fiscal year are not available when the Annual Report is submitted, the Annual Report will include unaudited financial statements for the preceding fiscal year and audited financial statements for such fiscal year shall be submitted when available.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which (i) are available to the public on the MSRB internet website or (ii) have been filed with the Securities and Exchange Commission. The Issuer shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) The Issuer shall give notice, in accordance with the provisions of this Section 5, of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies.

2. Non-payment related defaults, if material.

3. Unscheduled draws on debt service reserves reflecting financial difficulties.

4. Unscheduled draws on credit enhancements reflecting financial difficulties.

5. Substitution of credit or liquidity providers, or their failure to perform.

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

7. Modifications to rights of the Owners of the Bonds, if material.

8. Bond calls, if material, and tender offers.

9. Defeasances.

10. Release, substitution or sale of property securing repayment of the Bonds, if material.

11. Rating changes.

12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person.*

13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Upon the occurrence of a Listed Event, the Issuer shall, in a timely manner not in excess of ten (10) business days after the occurrence of the event, file a notice of such occurrence with the MSRB.

SECTION 6. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as

* As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

evidenced by an opinion of counsel expert in federal securities law (which may include bond counsel to the Issuer), to the effect that such amendment or waiver would not cause the Disclosure Certificate to violate the Rule. The first Annual Report filed after enactment of any amendment to or waiver of this Disclosure Certificate shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of information being provided in the Annual Report.

If the amendment provides for a change in the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Issuer to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB.

SECTION 9. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Owner of the Bonds may seek a court order for specific performance by the Issuer of its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not constitute a default with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action for specific performance of the Issuer's obligations hereunder and not for money damages in any amount.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Owners of the Bonds from time to time, and shall create no rights in any other person or entity.

Date: January 28, 2016 CITY OF TAUNTON, MASSACHUSETTS

By_____
Treasurer

_____
Mayor

[EXHIBIT A: Filing Information for the MSRB]
[EXHIBIT B: Form of Notice of Failure to File Annual Report]