

TOWN OF HOLDEN, MASSACHUSETTS

**REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS**

JUNE 30, 2005

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Selectmen
Town of Holden, Massachusetts

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 Town of Holden, Massachusetts, as of and for the year ended June 30, 2005, (except for the financial statements of the Holden Electric Light Department which are as of December 31, 2004) which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Holden, Massachusetts's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Holden Electric Light Department, which represent 29.77 percent, 42.87 percent, and 72.76 percent, respectively, of the assets, net assets, and revenues of the business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Holden Electric Light Department, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our 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 business-type activities, each major fund, and the aggregate remaining fund information of the Town of Holden, Massachusetts, as of June 30, 2005, (except for the Holden Electric Light Department which are as of December 31, 2004) and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 2 through 12, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

R. E. Brown & Company

February 15, 2006

Management's Discussion and Analysis

As management of the Town of Holden (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2005. We encourage readers to consider this information in addition to the statements and notes.

The Town complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). GASB is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with accounting principles generally accepted in the United States of America (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 can assess the financial condition of one government compared to others.

Financial Highlights

The combined total assets of the Town exceeded the combined total liabilities by \$88.7 million, a decrease of \$1.7 million or 1.8% less than the combined net assets for the previous fiscal year. A total of \$44.0 million or 49.6% of this sum represents the Town's investment in capital assets. A total of \$5.1 million or 5.8% is legally reserved or designated for specific future uses by the Town. A total of \$39.6 million or 44.6% is unrestricted and undesignated for future use.

Total net assets decreased by \$1.7 million. Governmental activities' net assets decreased by \$1.2 million, while net assets for business-type activities decreased by \$0.5 million.

Total revenue for the year for all funds was \$47.6 million - \$0.6 million or 1.2% less than the total revenue for the fiscal year ended June 30, 2004.

	Fiscal Year Ended <u>June 30, 2005</u>	%	Fiscal Year Ended <u>June 30, 2004</u>	%
Property taxes	\$ 22,802,631	47.92%	\$ 21,002,505	43.59%
Motor vehicle excise	2,223,997	4.67%	2,088,958	4.34%
Penalties and interest	80,760	0.17%	78,386	0.16%
Payments in lieu of taxes	533,295	1.12%	564,931	1.17%
Charges for services	17,126,101	35.99%	19,990,677	41.49%
Operating grants and contributions	1,625,180	3.42%	1,692,250	3.51%
Capital grants and contributions	960,707	2.02%	868,928	1.80%
Nonrestricted grants and contributions	1,691,645	3.55%	1,508,424	3.13%
Unrestricted investment income and other	541,488	1.14%	383,268	0.80%
Total revenue	\$ <u>47,585,804</u>	<u>100.00%</u>	\$ <u>48,178,327</u>	<u>100.00%</u>

Total expenses for the year for all funds was \$49.2 million - \$1.5 million or 3.2% more than the total expenditures for the fiscal year ended June 30, 2004.

	Fiscal Year Ended		Fiscal Year Ended	
	June 30, 2005	% Total	June 30, 2004	% Total
General government	\$ 1,731,234	3.52%	\$ 1,996,355	4.18%
Public safety	2,873,887	5.84%	2,647,805	5.55%
Education	19,069,342	38.72%	17,395,677	36.45%
Public works	8,635,614	17.54%	8,808,885	18.46%
Electric	11,542,047	23.44%	11,646,498	24.40%
Human services	212,583	0.43%	201,344	0.42%
Culture and recreation	1,253,508	2.55%	1,079,619	2.26%
Employee benefits	2,091,697	4.25%	1,898,407	3.98%
State and county assessments	81,210	0.16%	97,459	0.20%
Interest	1,753,559	3.56%	1,953,650	4.09%
Total expenditures	\$ <u>49,244,681</u>	<u>100.00%</u>	\$ <u>47,725,699</u>	<u>100.00%</u>

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Holden's basic financial statements. The Town of Holden's 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 short-term and long-term information about the Town. The fund financial statements focus on the individual parts of the Town government, reporting the 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 improve the Town's accountability.

Government-Wide Financial Statements

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

Statement of Net Assets – Presents all of the government's assets and liabilities, with the difference being reported as "net assets". The amount of net assets is widely considered a good measure of the Town's financial health. Over time increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating. The reader should also consider other non-financial factors, such as the condition of the Town's infrastructure and changes in the property tax base, to assess the overall health of the Town.

Statement of Activities – Presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the 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 and earned but unused vacation leave).

In the government-wide statements, financial information is presented in two columns in order to summarize the Town's programs or activities. The types of activities presented are as follows:

Governmental Activities – Taxes and intergovernmental revenues primarily support the functions of the government and are reported in this section. Most of the Town's basic services are reported here including general government, public safety, education, public works, human services, culture, recreation, debt service, state/county charges and assessments, insurance, and employees' benefits.

Business-Type Activities – These functions are normally intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The Water/Sewer, Electric, and Trash operations are considered business-type activities.

Fund Financial Statements

Traditional readers 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 maintain control over resources that have been segregated for specific activities or objectives. The Town of Holden, like most other local governments, uses a fund accounting system to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories:

Governmental Funds – Most of the basic services provided by the Town are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide statements. However, unlike the government-wide financial statements, governmental fund 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. This information is useful in evaluating the Town's near-term financing requirements. This approach reflects the modified accrual basis of accounting, which uses the flow of current financial resources measurement focus. Such statements provide a detailed short-term view of the Town's finances that assist in determining whether there will be adequate financial resources available to meet current needs.

Because the focus of governmental funds is narrower than that of 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. This comparison will assist the reader in understanding 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.

The Town maintains one major governmental fund that is presented separately in the governmental fund financial statements. The remaining non-major funds are combined into a single, aggregated presentation.

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

Proprietary Funds – Provides services for which the Town charges customers a fee and operates similar to a commercial business. The proprietary funds provide the same type of information as in the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary funds financial statements use the full accrual basis of accounting. There is no reconciliation needed between the government-wide financial statements and the proprietary funds financial statements.

Fiduciary Funds – Such funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the Town's programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

Statement of Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. The Town's total net assets as of June 30, 2005 were \$88.7 million, of which the governmental activities were \$64.7 million and the business-type activities were \$24.0 million.

The largest portion of the Town's net assets (49.6%) reflects its investment in capital assets (land, buildings, improvements other than buildings, machinery and equipment, vehicles, infrastructure, and construction in progress); less any related debt used to acquire those assets that remains outstanding. The Town uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. It is important to note that other resources are needed to repay the debt because the capital assets cannot be used to finance these liabilities.

A modest amount of the Town's net assets (5.8%) are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (44.6%) may be used to meet the government's ongoing obligations to citizens and creditors.

Total current assets within the governmental activities were \$10.5 million and included cash & investments of \$6.7 million and receivables net of allowances of \$3.8 million.

Total current liabilities within the governmental activities were \$3.2 million and included accounts payable of \$1.0 million and bonds and notes payable of \$2.2 million. Noncurrent liabilities within the governmental activities were \$32.7 million and included \$31.9 million of general obligation bonds payable.

Total current assets within the business-type activities were \$6.3 million and included cash & investments of \$2.7 million and receivables net of allowances of \$2.8 million.

Current liabilities within the business-type activities were \$4.0 million and included accounts payable of \$1.8 million and bond and notes payable of \$2.2 million. Noncurrent liabilities within the business-type activities were \$20.3 million and included \$17.6 million of general obligation bonds payable.

Comparative Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2005	FY 2004	FY 2005	FY 2004	FY 2005	FY 2004
	Assets:					
Current assets	\$ 10,533,678	\$ 10,009,123	\$ 6,301,741	\$ 10,431,855	\$ 16,835,419	\$ 20,440,978
Noncurrent assets	90,083,960	93,752,555	42,031,342	38,313,887	132,115,302	132,066,442
Total assets	100,617,638	103,761,678	48,333,083	48,745,742	148,950,721	152,507,420
Liabilities:						
Current liabilities	3,233,276	3,207,418	3,968,687	2,809,142	7,201,963	6,016,560
Noncurrent liabilities	32,703,445	34,684,718	20,299,809	21,401,761	53,003,254	56,086,479
Total liabilities	35,936,721	37,892,136	24,268,496	24,210,903	60,205,217	62,103,039
Net Assets:						
Invested in capital assets	31,209,907	30,964,477	12,828,217	9,106,613	44,038,124	40,071,090
Restricted	5,116,104	5,061,705	-	-	5,116,104	5,061,705
Unrestricted	28,354,906	29,843,360	11,236,370	15,428,226	39,591,276	45,271,586
Total net assets	\$ 64,680,917	\$ 65,869,542	\$ 24,064,587	\$ 24,534,839	\$ 88,745,504	\$ 90,404,381

Governmental activities current assets increased as compared with FY2004, primarily due to normal operations. Business-type activity (water) current assets decreased, as a result of capital projects activity.

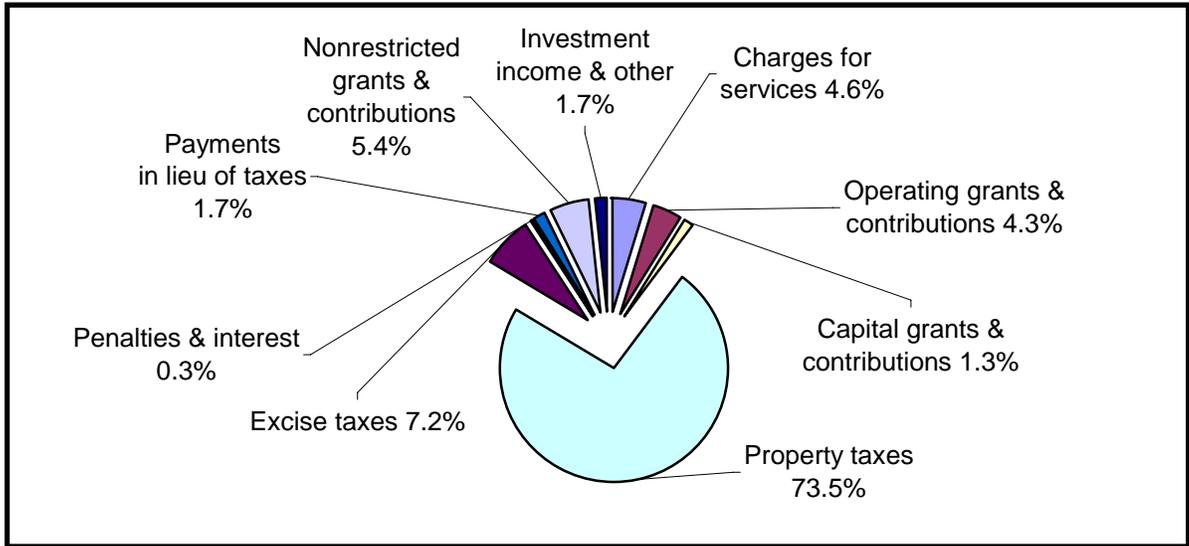
Governmental activities current liabilities remained the same. Business-type activities current liabilities increased modestly. Noncurrent liabilities decreased due to paydown of existing debt service.

Governmental activities unrestricted net assets were down nearly 5% as compared with the prior year; in particular, as a result of expenses exceeding revenues by \$1.2 million. Business-type activities unrestricted net assets decreased by 27% as compared with the prior year; due, in large part, to fixed assets additions of \$3.9 million.

Governmental activities decreased the Town of Holden's net assets by \$1,188,625. Presented below are the components that contributed to the change in net assets, along with comparative data for the previous fiscal year:

	Activities		Increase/ (Decrease)
	<u>FY 2005</u>	<u>FY 2004</u>	
Revenues			
<i>Program Revenues:</i>			
Charges for services	\$ 1,426,729	\$ 1,305,502	\$ 121,227
Operating grants and contributions	1,322,272	1,326,825	(4,553)
Capital grants and contributions	401,832	400,376	1,456
<i>General Revenues:</i>			
Real Estate and personal property taxes	22,802,631	21,002,505	1,800,126
Motor vehicle and other excise taxes	2,223,997	2,088,958	135,039
Penalties and interest	80,760	78,386	2,374
Payments in lieu of taxes	533,295	564,931	(31,636)
Nonrestricted grants and contributions	1,691,645	1,508,424	183,221
Unrestricted investment income & other	541,488	383,268	158,220
Total Revenues	<u>31,024,649</u>	<u>28,659,175</u>	<u>2,365,474</u>
Expenses:			
General Government	(1,731,234)	(1,996,355)	265,121
Public Safety	(2,873,887)	(2,647,805)	(226,082)
Education	(19,069,342)	(17,395,677)	(1,673,665)
Public Works	(3,146,254)	(3,198,393)	52,139
Human Services	(212,583)	(201,344)	(11,239)
Culture and Recreation	(1,253,508)	(1,079,619)	(173,889)
Employee Benefits	(2,091,697)	(1,898,407)	(193,290)
State and County Assessments	(81,210)	(97,459)	16,249
Interest	(1,753,559)	(1,953,650)	200,091
Total Expenses	<u>(32,213,274)</u>	<u>(30,468,709)</u>	<u>(1,744,565)</u>
Transfers	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	<u>(1,188,625)</u>	<u>(1,809,534)</u>	<u>620,909</u>
Net Assets - beginning	<u>65,869,542</u>	<u>67,679,076</u>	
Net Assets - ending	<u>\$ 64,680,917</u>	<u>\$ 65,869,542</u>	

Governmental Activities – FY2005 Revenues

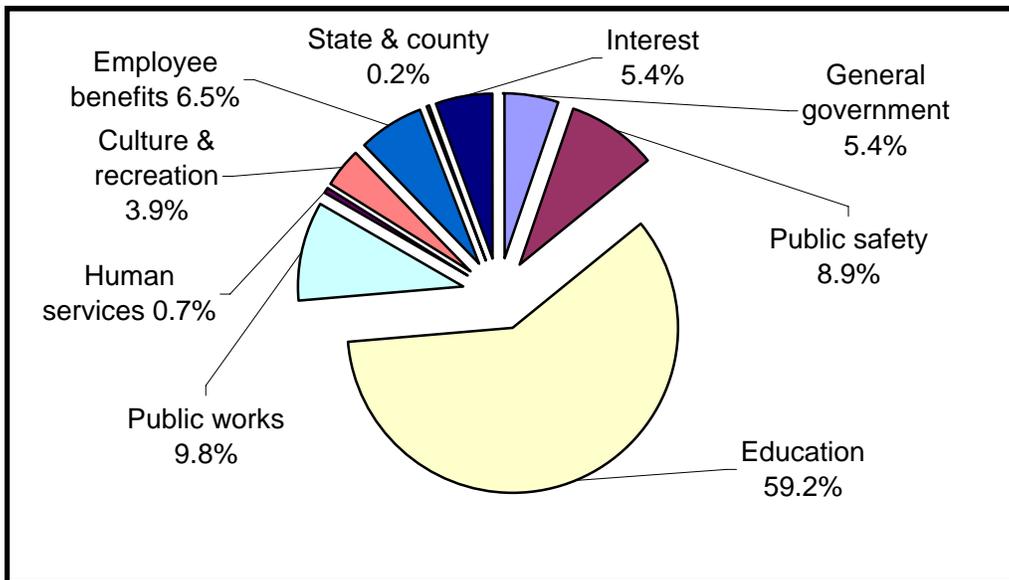


Revenues

Property taxes support over 73% of the Town’s governmental activities. State aid was relatively flat as compared with FY2004, shifting pressure to raise property tax revenue to the statutory maximum allowed.

Over 47% of the operating grants apply to employee benefits. Nearly 28% of the charges for services revenue was generated by public safety department services, culture and recreation services represented nearly 26%, and general government services represented over 21%.

Governmental Activities – FY2005 Expenses



Expenses

Education is by far the largest governmental activity of the Town. Approximately \$18.8 million in taxes and other revenues were needed to cover the FY2005 operating expenses.

Public works and public safety represent the second and third largest activities of the Town. Approximately \$2.5 million and \$2.2 million of taxes and revenues were needed to cover the FY2005 operating expenses.

Education and employee benefits costs continued to rise in FY2005. These expenses are expected to continue to be a budgetary challenge for management over the next few years.

Business-Type Activities

The Water/Sewer, Electric, and Trash operations are the three activities reported as business-type.

Business-type activities' net assets decreased by \$0.5 million. Presented below are the components that contributed to the change in net assets, along with comparative data for the previous fiscal year:

Comparative Changes in Net Assets

	Business-type Activities		Increase/ <u>(Decrease)</u>
	<u>FY 2005</u>	<u>FY 2004</u>	
Revenues			
<i>Program Revenues:</i>			
Charges for services	\$ 15,699,372	\$ 18,685,175	\$ (2,985,803)
Operating grants and contributions	302,908	365,425	(62,517)
Capital grants and contributions	558,875	468,552	90,323
Total Revenues	<u>16,561,155</u>	<u>19,519,152</u>	<u>(2,957,997)</u>
Expenses:			
Electric	(11,542,047)	(11,646,498)	104,451
Water/Sewer	(4,654,210)	(5,235,549)	581,339
Trash	(835,150)	(374,943)	(460,207)
Total Expenses	<u>(17,031,407)</u>	<u>(17,256,990)</u>	<u>225,583</u>
Transfers	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	<u>(470,252)</u>	<u>2,262,162</u>	<u>(2,732,414)</u>
Net Assets - beginning	<u>24,534,839</u>	<u>22,272,677</u>	
Net Assets - ending	<u>\$ 24,064,587</u>	<u>\$ 24,534,839</u>	

Financial Analysis of the Government's Funds

As noted earlier the Town of Holden uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

At the end of the fiscal year, the Town's governmental funds reported combined ending fund balances of \$6.6 million, an increase of \$0.2 million in comparison with the prior fiscal year.

The General Fund is the chief operating fund of the Town. At the end of the fiscal year, undesignated fund balance was \$1,299,119, while total fund balance was \$2,528,039. As a measure of the General fund's liquidity, it may be useful to compare both undesignated fund balance and the total fund balance to total fund expenditures.

Proprietary Funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the fiscal year, the total net assets were \$24.0 million; \$12.8 million of which relates to the Town's investment in capital assets.

Fiduciary Funds

The Town's fiduciary funds provide the same type of information found in the government-wide financial statements, but in more detail. This reflects activities on resources held for the benefit of parties outside the government.

General Fund Budgetary Highlights

The original general fund budget was not increased to the final budget of approximately \$31.5 million. Modest amounts were transferred from general government to public works, and to culture and recreation.

Revenues exceeded budgetary amounts by \$639,639, and expenditures were less than budgetary amounts by \$983,746. Favorable revenue types included property taxes, motor vehicle excise, and intergovernmental. Public works expenditures were less than budgetary amounts by \$544,555, while other departments realized modest budget savings.

Capital Asset and Debt Administration

Capital Assets

The Town's investment in capital assets for its governmental and business type activities as of June 30, 2005 amount to \$98,157,679 (net of accumulated depreciation). This investment includes land, buildings, improvements other than buildings, machinery and equipment, vehicles, infrastructure and construction in progress. The total increase in the Town's investment for the fiscal year was approximately \$1.7 million (a \$1.6 million decrease for governmental activities and a \$3.3 million increase for business-type activities).

Major capital asset events during the fiscal year included: 1) water and sewer line construction; 2) water meter replacement program; 3) fire apparatus; and 4) roadway improvements.

Capital Assets (Net of Accumulated Depreciation)

<u>Primary government</u>	<u>FY 2005</u>	<u>FY 2004</u>	<u>Increase/ (Decrease)</u>
Land	\$ 3,100,247	\$ 3,233,684	\$ (133,437)
Buildings	35,942,854	36,974,136	(1,031,282)
Improvements other than buildings	2,312,542	1,498,278	814,264
Machinery and equipment	1,267,616	1,388,460	(120,844)
Vehicles	1,531,977	1,250,287	281,690
Infrastructure	45,278,136	34,998,715	10,279,421
Construction in progress	-	8,334,277	(8,334,277)
Electric - construction in progress	48,316	14,000	34,316
Electric - general plant	5,463,286	5,390,543	72,743
Electric - distribution plant	3,212,705	3,373,588	(160,883)
Total Capital Assets	<u><u>\$ 98,157,679</u></u>	<u><u>\$ 96,455,968</u></u>	<u><u>\$ 1,701,711</u></u>

Debt

The Town continued to maintain its "A1" rating from Moody's Investor Services. At the end of the fiscal year the Town had a total bonded debt outstanding of \$52,734,172. The entire amount is classified as general obligation debt and is backed by the full faith and credit of the government. The Town has no revenue bonds outstanding, which are bonds secured solely by specified revenue sources.

The Town did not issue bonds during FY2005.

Outstanding Debt at Year End

Governmental Activities	Outstanding June 30, 2005	Outstanding June 30, 2004
Schools	\$ 29,993,000	\$ 31,650,000
Public Safety	320,000	360,000
Library	202,000	255,000
Senior Center	750,000	900,000
Underground Utilities	480,000	640,000
Swimming Pool	2,255,000	2,380,000
Title V	57,620	61,467
Total Governmental Activities	\$ 34,057,620	\$ 36,246,467
Business-type Activities		
Water Improvements	\$ 11,775,949	\$ 12,544,071
Sewer Construction	6,900,603	7,230,451
Total Business-type Activities	\$ 18,676,552	\$ 19,774,522

At the end of the fiscal year the Town's loans authorized/unissued was approximately \$7.9 million, primarily related to water and sewer construction projects.

Additional information on the Town's debt service can be found in the *Notes to the Financial Statements* (Note 8 – Short-term financing and Note 9 – Long-term debt).

Economic Factors and Next Year's Budget and Rates

The Commonwealth of Massachusetts continues to experience fiscal difficulties, which are projected to impact the Town's operating budgets for the next few years. Modest residential property growth is expected to continue, while commercial construction has slowed and values are increasing at rates less than the residential class.

Employee benefits, solid waste costs, and education requirements are expected to pressure operating budgets. Increased services are unlikely over the next few years.

Despite the adverse factors mentioned above, the Town has a balanced budget for FY2006 and expects minimal growth for FY2007 operations.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town of Holden's finances. Questions concerning the information provided in this report or requests for additional information should be addressed to the Office of the Town Accountant, 1204 Main Street, Holden, MA 01520.

**TOWN OF HOLDEN, MASSACHUSETTS
STATEMENT OF NET ASSETS
JUNE 30, 2005**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
CURRENT:			
CASH AND SHORT-TERM INVESTMENTS	\$ 4,230,891	\$ 2,655,038	\$ 6,885,929
INVESTMENTS	2,494,878	-	2,494,878
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES	151,553	-	151,553
TAX LIENS	246,083	-	246,083
MOTOR VEHICLE EXCISE TAXES	143,477	-	143,477
USER FEES	-	1,582,238	1,582,238
INTERGOVERNMENTAL	3,261,774	1,171,231	4,433,005
SPECIAL ASSESSMENTS	5,022	-	5,022
PREPAID EXPENSES	-	104,234	104,234
OTHER ASSETS	-	789,000	789,000
NONCURRENT:			
RESTRICTED ASSETS:			
CASH AND SHORT-TERM INVESTMENTS	-	3,178,437	3,178,437
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
USER FEES - SPECIAL ASSESSMENTS	31,781	6,256,261	6,288,042
INTERGOVERNMENTAL	24,491,144	-	24,491,144
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	65,561,035	32,596,644	98,157,679
TOTAL ASSETS	100,617,638	48,333,083	148,950,721
<u>LIABILITIES</u>			
CURRENT:			
WARRANTS PAYABLE	284,276	1,255,984	1,540,260
ACCRUED LIABILITIES	47,047	-	47,047
OTHER LIABILITIES	11,704	444,636	456,340
ACCRUED INTEREST	578,529	69,033	647,562
CAPITAL LEASE PAYABLE	117,873	-	117,873
BONDS AND NOTES PAYABLE	2,153,847	2,199,034	4,352,881
LANDFILL POSTCLOSURE CARE COSTS	20,000	-	20,000
COMPENSATED ABSENCES	20,000	-	20,000
NONCURRENT:			
CUSTOMER DEPOSITS	-	123,584	123,584
RATE STABILIZATION RESERVE	-	2,596,841	2,596,841
CAPITAL LEASE PAYABLE	210,735	-	210,735
BONDS AND NOTES PAYABLE	31,903,773	17,569,393	49,473,166
LANDFILL POSTCLOSURE CARE COSTS	320,000	-	320,000
COMPENSATED ABSENCES	268,937	9,991	278,928
TOTAL LIABILITIES	35,936,721	24,268,496	60,205,217
<u>NET ASSETS</u>			
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	31,209,907	12,828,217	44,038,124
RESTRICTED FOR:			
STREETS	1,035,867	-	1,035,867
PERMANENT FUNDS:			
EXPENDABLE	322,056	-	322,056
NONEXPENDABLE	351,000	-	351,000
OTHER PURPOSES	3,407,181	-	3,407,181
UNRESTRICTED	28,354,906	11,236,370	39,591,276
TOTAL NET ASSETS	\$ 64,680,917	\$ 24,064,587	\$ 88,745,504

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2005**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
PRIMARY GOVERNMENT:					
GOVERNMENTAL ACTIVITIES:					
GENERAL GOVERNMENT	\$ 1,731,234	\$ 302,632	\$ 145,461	\$ -	\$ (1,283,141)
PUBLIC SAFETY	2,873,887	398,674	251,064	-	(2,224,149)
EDUCATION	19,069,342	225,473	-	-	(18,843,869)
PUBLIC WORKS	3,146,254	99,363	99,758	401,832	(2,545,301)
HUMAN SERVICES	212,583	36,717	28,552	-	(147,314)
CULTURE & RECREATION	1,253,508	363,870	174,593	-	(715,045)
EMPLOYEE BENEFITS	2,091,697	-	622,844	-	(1,468,853)
STATE & COUNTY ASSESSMENTS	81,210	-	-	-	(81,210)
INTEREST	1,753,559	-	-	-	(1,753,559)
TOTAL GOVERNMENTAL ACTIVITIES	32,213,274	1,426,729	1,322,272	401,832	(29,062,441)
BUSINESS-TYPE ACTIVITIES:					
WATER/SEWER	4,654,210	3,439,662	51,075	558,875	(604,598)
ELECTRIC	11,542,047	11,397,197	250,489	-	105,639
OTHER ENTERPRISE	835,150	862,513	1,344	-	28,707
TOTAL BUSINESS-TYPE ACTIVITIES	17,031,407	15,699,372	302,908	558,875	(470,252)
TOTAL PRIMARY GOVERNMENT	\$ 49,244,681	\$ 17,126,101	\$ 1,625,180	\$ 960,707	\$ (29,532,693)

See accompanying notes to the basic financial statements

(continued)

**TOWN OF HOLDEN, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2005**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
CHANGES IN NET ASSETS:			
NET (EXPENSE) REVENUE FROM PREVIOUS PAGE	\$ (29,062,441)	\$ (470,252)	\$ (29,532,693)
GENERAL REVENUES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS PAYABLE	22,660,464	-	22,660,464
TAX LIENS	142,167	-	142,167
MOTOR VEHICLE AND OTHER EXCISE TAXES	2,223,997	-	2,223,997
PENALTIES AND INTEREST ON TAXES	80,760	-	80,760
PAYMENTS IN LIEU OF TAXES	533,295	-	533,295
GRANTS AND CONTRIBUTIONS NOT RESTRICTED TO SPECIFIC PROGRAMS	1,691,645	-	1,691,645
RENTAL INCOME	84,006	-	84,006
UNRESTRICTED INVESTMENT INCOME	129,958	-	129,958
GAIN ON SALE OF TOWN ASSETS	325,756	-	325,756
MISCELLANEOUS	1,768	-	1,768
TRANSFERS, NET	-	-	-
TOTAL GENERAL REVENUES AND TRANSFERS	<u>27,873,816</u>	<u>-</u>	<u>27,873,816</u>
CHANGE IN NET ASSETS	(1,188,625)	(470,252)	(1,658,877)
NET ASSETS:			
BEGINNING OF YEAR	<u>65,869,542</u>	<u>24,534,839</u>	<u>90,404,381</u>
END OF YEAR	<u>\$ 64,680,917</u>	<u>\$ 24,064,587</u>	<u>\$ 88,745,504</u>

See accompanying notes to the basic financial statements

(concluded)

**TOWN OF HOLDEN, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2005**

<u>ASSETS</u>	<u>GENERAL</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
CASH AND SHORT-TERM INVESTMENTS	\$ 2,747,011	\$ 1,483,880	\$ 4,230,891
INVESTMENTS	-	2,494,878	2,494,878
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES	151,553	-	151,553
TAX LIENS	246,083	-	246,083
MOTOR VEHICLE EXCISE TAXES	143,477	-	143,477
INTERGOVERNMENTAL	26,541,354	1,211,564	27,752,918
SPECIAL ASSESSMENTS	-	36,803	36,803
TOTAL ASSETS	\$ 29,829,478	\$ 5,227,125	\$ 35,056,603
 <u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES:			
WARRANTS PAYABLE	\$ 245,158	\$ 39,118	\$ 284,276
ACCRUED LIABILITIES	47,047	-	47,047
OTHER LIABILITIES	11,704	-	11,704
DEFERRED REVENUES	26,997,530	1,072,670	28,070,200
TOTAL LIABILITIES	27,301,439	1,111,788	28,413,227
FUND BALANCES:			
RESERVED FOR:			
ENCUMBRANCES AND CONTINUING APPROPRIATIONS	519,239	-	519,239
PERPETUAL PERMANENT FUNDS	-	351,000	351,000
UNRESERVED			
DESIGNATED FOR SUBSEQUENT YEARS' EXPENDITURES	709,681	-	709,681
UNDESIGNATED, REPORTED IN:			
GENERAL FUND	1,299,119	-	1,299,119
SPECIAL REVENUE FUNDS	-	3,407,181	3,407,181
CAPITAL PROJECTS FUNDS	-	35,100	35,100
PERMANENT FUNDS	-	322,056	322,056
TOTAL FUND BALANCES	2,528,039	4,115,337	6,643,376
TOTAL LIABILITIES AND FUND BALANCES	\$ 29,829,478	\$ 5,227,125	\$ 35,056,603

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FISCAL YEAR ENDED JUNE 30, 2005**

	<u>GENERAL</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>REVENUES:</u>			
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 22,729,126	\$ -	\$ 22,729,126
MOTOR VEHICLE AND OTHER EXCISE TAXES	2,178,804	-	2,178,804
PENALTIES AND INTEREST ON TAXES	80,760	-	80,760
INTERGOVERNMENTAL	4,451,303	386,754	4,838,057
CHARGES FOR SERVICES	-	976,628	976,628
INVESTMENT INCOME	129,958	91,614	221,572
CONTRIBUTIONS & DONATIONS	-	152,975	152,975
DEPARTMENTAL AND OTHER	1,517,744	99,630	1,617,374
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	31,087,695	1,707,601	32,795,296
<u>EXPENDITURES:</u>			
CURRENT:			
GENERAL GOVERNMENT	1,454,285	121,269	1,575,554
PUBLIC SAFETY	2,623,689	276,641	2,900,330
EDUCATION	18,214,280	90,307	18,304,587
PUBLIC WORKS	1,973,651	248,384	2,222,035
HUMAN SERVICES	142,814	25,477	168,291
CULTURE & RECREATION	606,432	687,793	1,294,225
EMPLOYEE BENEFITS	2,058,611	-	2,058,611
STATE & COUNTY ASSESSMENTS	81,210	-	81,210
DEBT SERVICE	3,970,275	-	3,970,275
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	31,125,247	1,449,871	32,575,118
	<hr/>	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(37,552)	257,730	220,178
<u>OTHER FINANCING SOURCES (USES)</u>			
OPERATING TRANSFERS IN	951,088	460,163	1,411,251
OPERATING TRANSFERS OUT	(460,163)	(951,088)	(1,411,251)
	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	490,925	(490,925)	-
	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCES	453,373	(233,195)	220,178
	<hr/>	<hr/>	<hr/>
FUND BALANCES AT BEGINNING OF YEAR	2,074,666	4,348,532	6,423,198
	<hr/>	<hr/>	<hr/>
FUND BALANCES AT END OF YEAR	\$ 2,528,039	\$ 4,115,337	\$ 6,643,376
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See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET ASSETS
FISCAL YEAR ENDED JUNE 30, 2005**

TOTAL GOVERNMENTAL FUND BALANCES	\$ 6,643,376
CAPITAL ASSETS (NET) USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS	65,561,035
ACCOUNTS RECEIVABLE ARE NOT AVAILABLE TO PAY FOR CURRENT-PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS	28,070,200
IN THE STATEMENT OF ACTIVITIES, INTEREST IS ACCRUED ON OUTSTANDING LONG-TERM DEBT, WHEREAS IN GOVERNMENTAL FUNDS INTEREST IS NOT REPORTED UNTIL DUE	(578,529)
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	(34,057,620)
CAPITAL LEASE PAYABLE	(328,608)
COMPENSATED ABSENCES	(288,937)
LANDFILL POSTCLOSURE CARE COSTS	<u>(340,000)</u>
NET EFFECT OF REPORTING LONG-TERM LIABILITIES	<u>(35,015,165)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 64,680,917</u>

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2005**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUND \$ 220,178

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.

CAPITAL OUTLAY	830,502	
DEPRECIATION EXPENSE	<u>(2,444,300)</u>	
NET EFFECT OF REPORTING CAPITAL ASSETS		(1,613,798)

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 (1,770,647)

THE ISSUANCE OF LONG-TERM DEBT (E.G., BONDS) 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.

DEBT SERVICE PRINCIPAL PAYMENTS	<u>2,188,847</u>	
NET EFFECT OF REPORTING LONG-TEM DEBT		2,188,847

SOME EXPENSES REPORTED IN THE STATEMENT OF ACTIVITIES DO NOT REQUIRE THE USE OF CURRENT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED AS EXPENDITURES IN THE GOVERNMENTAL FUNDS.

NET CHANGE IN CAPITAL LEASE PAYABLE	(227,988)	
NET CHANGE IN COMPENSATED ABSENCES ACCRUAL	(33,086)	
NET CHANGE IN LANDFILL POSTCLOSURE CARE ACCRUAL	20,000	
NET CHANGE IN ACCRUED INTEREST ON LONG-TERM DEBT	<u>27,869</u>	
NET EFFECT OF RECORDING LONG-TERM LIABILITIES		<u>(213,205)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (\$1,188,625)

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2005**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL BUDGETARY AMOUNTS</u>	<u>VARIANCE OVER(UNDER)</u>
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>		
<u>REVENUES:</u>				
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 22,480,840	\$ 22,480,840	\$ 22,729,126	\$ 248,286
MOTOR VEHICLE AND OTHER EXCISE TAXES	2,000,000	2,000,000	2,178,804	178,804
PENALTIES & INTEREST ON TAXES	72,000	72,000	80,760	8,760
INTERGOVERNMENTAL	3,655,117	3,655,117	3,832,966	177,849
INVESTMENT INCOME	100,000	100,000	129,958	29,958
DEPARTMENTAL AND OTHER	1,521,761	1,521,761	1,517,743	(4,018)
TOTAL REVENUES	29,829,718	29,829,718	30,469,357	639,639
<u>EXPENDITURES:</u>				
CURRENT:				
GENERAL GOVERNMENT	1,640,720	1,600,720	1,454,285	146,435
PUBLIC SAFETY	2,745,588	2,745,588	2,623,688	121,900
EDUCATION	18,246,006	18,246,006	18,214,280	31,726
PUBLIC WORKS	2,488,206	2,518,206	1,973,651	544,555
HUMAN SERVICES	151,074	151,074	142,814	8,260
CULTURE & RECREATION	613,354	623,354	606,432	16,922
EMPLOYEE BENEFITS	1,527,056	1,527,056	1,443,427	83,629
STATE & COUNTY ASSESSMENTS	111,526	111,526	81,210	30,316
DEBT SERVICE:	3,967,125	3,967,125	3,967,122	3
TOTAL EXPENDITURES	31,490,655	31,490,655	30,506,909	983,746
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,660,937)	(1,660,937)	(37,552)	1,623,385
<u>OTHER FINANCING SOURCES (USES):</u>				
OPERATING TRANSFERS IN	951,088	951,088	951,088	-
OPERATING TRANSFERS OUT	(460,163)	(460,163)	(460,163)	-
TOTAL OTHER FINANCING SOURCES (USES)	490,925	490,925	490,925	-
NET CHANGE IN FUND BALANCE	(1,170,012)	(1,170,012)	453,373	1,623,385
BUDGETARY FUND BALANCE, BEGINNING OF YEAR	2,074,666	2,074,666	2,074,666	-
BUDGETARY FUND BALANCE, END OF YEAR	\$ 904,654	\$ 904,654	\$ 2,528,039	\$ 1,623,385

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2005**

<u>ASSETS</u>	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			
	<u>WATER/SEWER</u>	<u>ELECTRIC</u>	<u>OTHER ENTERPRISE</u>	<u>TOTAL</u>
CURRENT:				
CASH AND SHORT-TERM INVESTMENTS	\$ 2,042,084	\$ 518,121	\$ 94,833	\$ 2,655,038
USER FEES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:	466,900	1,073,338	42,000	1,582,238
INTERGOVERNMENTAL	1,171,231	-	-	1,171,231
OTHER ASSETS	-	789,000	-	789,000
PREPAID EXPENSES	-	104,234	-	104,234
TOTAL CURRENT ASSETS	<u>3,680,215</u>	<u>2,484,693</u>	<u>136,833</u>	<u>6,301,741</u>
NONCURRENT:				
RESTRICTED CASH AND SHORT-TERM INVESTMENTS:				
DEPRECIATION FUND	-	1,188,502	-	1,188,502
CUSTOMER DEPOSITS	-	123,584	-	123,584
RATE STABILIZATION FUND	-	1,866,351	-	1,866,351
USER FEES - SPECIAL ASSESSMENTS	6,256,261	-	-	6,256,261
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	<u>23,872,337</u>	<u>8,724,307</u>	<u>-</u>	<u>32,596,644</u>
TOTAL NONCURRENT ASSETS	<u>30,128,598</u>	<u>11,902,744</u>	<u>-</u>	<u>42,031,342</u>
TOTAL ASSETS	<u>33,808,813</u>	<u>14,387,437</u>	<u>136,833</u>	<u>48,333,083</u>
<u>LIABILITIES</u>				
CURRENT:				
WARRANTS PAYABLE	326,107	906,056	23,821	1,255,984
OTHER LIABILITIES	-	444,636	-	444,636
ACCRUED INTEREST	69,033	-	-	69,033
BONDS AND NOTES PAYABLE	<u>2,199,034</u>	<u>-</u>	<u>-</u>	<u>2,199,034</u>
TOTAL CURRENT LIABILITIES	<u>2,594,174</u>	<u>1,350,692</u>	<u>23,821</u>	<u>3,968,687</u>
NONCURRENT:				
CUSTOMER DEPOSITS	-	123,584	-	123,584
RATE STABILIZATION RESERVE	-	2,596,841	-	2,596,841
BONDS AND NOTES PAYABLE	17,569,393	-	-	17,569,393
COMPENSATED ABSENCES	<u>9,991</u>	<u>-</u>	<u>-</u>	<u>9,991</u>
TOTAL NONCURRENT LIABILITIES	<u>17,579,384</u>	<u>2,720,425</u>	<u>-</u>	<u>20,299,809</u>
TOTAL LIABILITIES	<u>20,173,558</u>	<u>4,071,117</u>	<u>23,821</u>	<u>24,268,496</u>
<u>NET ASSETS</u>				
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	4,103,910	8,724,307	-	12,828,217
UNRESTRICTED	<u>9,531,345</u>	<u>1,592,013</u>	<u>113,012</u>	<u>11,236,370</u>
TOTAL NET ASSETS	<u>\$ 13,635,255</u>	<u>\$ 10,316,320</u>	<u>\$ 113,012</u>	<u>\$ 24,064,587</u>

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 FISCAL YEAR ENDED JUNE 30, 2005**

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	WATER/SEWER	ELECTRIC	OTHER ENTERPRISE	TOTAL
<u>OPERATING REVENUES:</u>				
CHARGES FOR SERVICES	\$ 3,439,662	\$ 11,397,197	\$ 862,513	\$ 15,699,372
DEPARTMENTALAND OTHER	<u>51,075</u>	<u>232,438</u>	<u>-</u>	<u>283,513</u>
TOTAL OPERATING REVENUES	<u>3,490,737</u>	<u>11,629,635</u>	<u>862,513</u>	<u>15,982,885</u>
<u>OPERATING EXPENSES:</u>				
GENERAL SERVICES	3,384,414	10,687,611	835,150	14,907,175
DEPRECIATION	<u>561,469</u>	<u>847,404</u>	<u>-</u>	<u>1,408,873</u>
TOTAL OPERATING EXPENSES	<u>3,945,883</u>	<u>11,535,015</u>	<u>835,150.00</u>	<u>16,316,048</u>
OPERATING INCOME (LOSS)	(455,146)	94,620	27,363	(333,163)
<u>NON-OPERATING REVENUES (EXPENSES):</u>				
INTERGOVERNMENTAL	558,875	-	-	558,875
INVESTMENT INCOME	-	18,051	1,344	19,395
INTEREST EXPENSE	<u>(708,327)</u>	<u>(7,032)</u>	<u>-</u>	<u>(715,359)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES), NET	<u>(149,452)</u>	<u>11,019</u>	<u>1,344</u>	<u>(137,089)</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	(604,598)	105,639	28,707	(470,252)
<u>OPERATING TRANSFERS:</u>				
OPERATING TRANSFERS IN	-	-	-	-
OPERATING TRANSFERS OUT	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OPERATING TRANSFERS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	(604,598)	105,639	28,707	(470,252)
NET ASSETS AT BEGINNING OF YEAR	<u>14,239,853</u>	<u>10,210,681</u>	<u>84,305</u>	<u>24,534,839</u>
NET ASSETS AT END OF YEAR	<u>\$ 13,635,255</u>	<u>\$ 10,316,320</u>	<u>\$ 113,012</u>	<u>\$ 24,064,587</u>

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FISCAL YEAR ENDED JUNE 30, 2005**

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	WATER/SEWER	ELECTRIC	OTHER ENTERPRISE	TOTAL
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
RECEIPTS FROM CUSTOMERS AND USERS	\$ 3,505,592	\$ 12,033,822	\$ 854,668	\$ 16,394,082
PAYMENTS TO EMPLOYEES	(3,083,461)	(10,588,241)	(833,127)	(14,504,829)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>422,131</u>	<u>1,445,581</u>	<u>21,541</u>	<u>1,889,253</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
PROCEEDS FROM THE ISSUANCE OF BONDS AND NOTES	2,129,198	-	-	2,129,198
RATE STABILIZATION RESERVE	-	(68,642)	-	(68,642)
PRINCIPAL PAYMENTS ON BONDS AND NOTES	(985,062)	-	-	(985,062)
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(3,930,802)	(793,580)	-	(4,724,382)
INTEREST EXPENSE	(369,918)	(7,032)	-	(376,950)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES:	<u>(3,156,584)</u>	<u>(869,254)</u>	<u>-</u>	<u>(4,025,838)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
INTEREST RECEIVED	-	18,051	1,344	19,395
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES:	<u>-</u>	<u>18,051</u>	<u>1,344</u>	<u>19,395</u>
NET INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS	(2,734,453)	594,378	22,885	(2,117,190)
CASH AND SHORT TERM INVESTMENTS - BEGINNING OF YEAR	<u>4,776,537</u>	<u>3,102,180</u>	<u>71,948</u>	<u>7,950,665</u>
CASH AND SHORT TERM INVESTMENTS - END OF YEAR	<u>\$ 2,042,084</u>	<u>\$ 3,696,558</u>	<u>\$ 94,833</u>	<u>\$ 5,833,475</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>				
OPERATING INCOME (LOSS)	<u>\$ (455,146)</u>	<u>\$ 94,620</u>	<u>\$ 27,363</u>	<u>\$ (333,163)</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
DEPRECIATION	561,469	847,404	-	1,408,873
(INCREASE) DECREASE IN ACCOUNTS RECEIVABLE	14,565	258,136	(7,845)	264,856
(INCREASE) DECREASE IN PREPAID EXPENSES	-	27,872	-	27,872
(INCREASE) DECREASE IN OTHER ASSETS	-	(139,311)	-	(139,311)
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	300,953	199,004	2,023	501,980
INCREASE (DECREASE) IN OTHER LIABILITIES	-	157,856	-	157,856
INCREASE (DECREASE) IN COMPENSATED ABSENCES PAYABLE	290	-	-	290
TOTAL ADJUSTMENTS	<u>877,277</u>	<u>1,350,961</u>	<u>(5,822)</u>	<u>2,222,416</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 422,131</u>	<u>\$ 1,445,581</u>	<u>\$ 21,541</u>	<u>\$ 1,889,253</u>

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2005**

	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUNDS</u>
<u>ASSETS</u>		
CASH AND SHORT-TERM INVESTMENTS	\$ 22,788	\$ 92,810
<u>LIABILITIES</u>		
WARRANTS PAYABLE	-	10,051
OTHER LIABILITIES	-	82,759
TOTAL LIABILITIES	-	92,810
<u>NET ASSETS</u>		
HELD IN TRUST FOR OTHER PURPOSES	\$ 22,788	\$ -

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FISCAL YEAR ENDED JUNE 30, 2005**

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
<u>ADDITIONS:</u>	
CONTRIBUTIONS:	
PRIVATE DONATIONS	\$ 527
NET INVESTMENT INCOME (LOSS):	
INVESTMENT INCOME	<u>878</u>
TOTAL ADDITIONS	<u>1,405</u>
<u>DEDUCTIONS:</u>	
EDUCATION	1,007
HUMAN SERVICES	<u>700</u>
TOTAL DEDUCTIONS	<u>1,707</u>
CHANGE IN NET ASSETS	(302)
NET ASSETS AT BEGINNING OF YEAR	<u>23,090</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 22,788</u></u>

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Holden, Massachusetts (the Town) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant Town accounting policies:

A. Reporting Entity

Primary Government

The Town is a municipal corporation that is governed by an elected five member Board of Selectmen (the Board). The Board is responsible for appointing a Town Manager whose responsibility is to manage the day to day operations. For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential component units, blended or discretely presented, for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are, in substance, part of the government’s operations and discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. It has been determined that there are no component units (blended or discretely presented) for inclusion in the primary government’s financial reporting entity.

Joint Ventures

Municipal joint ventures pool resources to share the costs, risks and rewards of providing services to their participants, the general public or others. The Town is a participant in the following joint ventures:

Name	Purpose	Address	Annual Assessment
Wachusett Regional School District	To provide grades K-12 Educational Services	Jefferson School 1745 Main Street Jefferson, MA 01522	\$ 17,742,596
Montachusett Regional Vocational Technical High School	To provide grades 9-12 Vocational and Technical Educational Services	1050 Westminster St. Fitchburg, MA 01420	\$ 471,684

The Wachusett Regional School District (the District) is governed by a twenty (20) member school committee consisting of eight elected (8) representatives from the Town of Holden. The Town is indirectly liable for debt and other expenditures of the District and is assessed annually for its share of the operating and capital costs. Separate financial statements may be obtained by writing to the Treasurer of the District at the above address. The Town has an approximately 47.67% equity interest in the joint venture.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

The Montachusett Regional Vocational Technical High School (the District) is governed by a twenty-two (22) member school committee which includes one appointed (1) representative from the Town of Holden. The Town is indirectly liable for debt and other expenditures of the District and is assessed annually for its share of the operating and capital costs. Separate financial statements may be obtained by writing to the Treasurer of the District at the above address. The Town has an approximately 10.71% equity interest in the joint venture.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

Fund Financial Statements

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

Major Fund Criteria

A fund is considered major if it is the primary operating fund of the Town or it meets the following criteria:

- a. If the total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), and
- b. If the total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Fiduciary funds are reported by fund type.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements

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

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

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

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions are charges between the general fund and the various enterprise funds. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

Governmental Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Expenditures are recorded when the related fund liability is incurred, except for interest on general long-term debt which is recognized when due, and the non current portion of compensated absences, and landfill post closure care costs which are recognized when the obligations are expected to be liquidated with current expendable available resources.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

In applying the susceptible to accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one, moneys must be expended on the specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon the expenditures incurred. In the other, moneys are virtually unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

The Town considers property taxes as available if they are due and collected within 60 days after fiscal year-end. Licenses and permits, user charges, fines and forfeitures, and miscellaneous revenues are recorded as revenues when received. Investment earnings are recorded as earned.

The Town reports the following major governmental fund:

- The *General fund* is the primary operating fund of the Town. It is used to account for all financial resources, except those that are required to be accounted for in another fund.
- The *Nonmajor Governmental funds* consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the nonmajor governmental funds column on the governmental funds financial statements. The following describes the general use of these fund types:
 - The *Special Revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.
 - The *Capital Projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by enterprise and trust funds).
 - The *Permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Proprietary Fund Financial Statements

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

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

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

The following major proprietary funds are reported:

- The *Water and Sewer Enterprise fund* is used to account for water and sewer activities.
- The *Electric Light Enterprise fund* is used to account for electric light activities.
- The *Other Enterprise fund* which is not a major proprietary fund is the solid waste fund which is presented in the other enterprise fund column on the proprietary funds financial statements.

Fiduciary Fund Financial Statements

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

The following fiduciary fund types are reported:

The *Private-Purpose Trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund (nonmajor governmental funds), under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

The *Agency fund* is used to account for assets held in a purely custodial capacity.

Government-Wide and Fund Financial Statements

For the government-wide financial statements, and proprietary and fiduciary fund accounting, all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, are applied, unless those pronouncements conflict with or contradict GASB pronouncements.

D. Cash and Investments

Government-Wide and Fund Financial Statements

Cash and short term investments are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair value.

E. Accounts Receivable

Government-Wide and Fund Financial Statements

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

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are based on values assessed as of each January 1 and are normally due on the subsequent August 1, November 1, February 1, and May 1. Property taxes that remain unpaid after the respective due dates are subject to penalties and interest charges. By law, all taxable property in the Commonwealth must be assessed at 100% of fair market value. Once levied, which is required to be at least 30 days prior to the due date, these taxes are recorded as receivables in the fiscal year of levy. Based on the Town's experience, most property taxes are collected during the year in which they are assessed. Liening of properties on which taxes remain unpaid occurs annually. The Town ultimately has the right to foreclose on all properties where the taxes remain unpaid.

A statewide property tax limitation statute known as "Proposition 2 ½" limits the amount of increase in property tax levy in any fiscal year. Generally, Proposition 2 ½ limits the total levy to an amount not greater than 2 ½ % of the total assessed value of all taxable property within the Town. Secondly, the tax levy cannot increase by more than 2 ½ % of the prior year's levy plus the taxes on property newly added to the tax rolls. Certain provisions of Proposition 2 ½ can be overridden by a Town-wide referendum.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Personal property taxes cannot be secured through the lien process. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

Motor Vehicle Excise

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

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Water and Sewer

User fees are levied quarterly based on residential and commercial meter readings, which are now billed through the light department by utilizing the utility billing/receivable software, and are subject to penalties and interest if they are not paid by the respective due date. Water and sewer liens may be processed in December of every year and included as a lien on the property owner's tax bill. Water and sewer charges and related liens (if any) are recorded as receivables in the fiscal year of the levy.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Departmental and Other

Departmental and other receivables consist primarily of title V receivables and are recorded as receivables in the fiscal year accrued. Since the receivables are secured via the lien process, these assets are considered 100% collectible and therefore do not report an allowance for uncollectibles.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

Intergovernmental

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

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

F. Inventories

Government-Wide and Fund Financial Statements

Inventories of the governmental funds and the enterprise funds are recorded as expenditures at the time of purchase. Such inventories are not material in total to the basic financial statements, and therefore are not reported.

G. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which include land, vehicles, buildings and improvements, capital improvements, machinery and equipment, and infrastructure (e.g., water mains, sewer mains, roadways, and similar items), are reported in the applicable governmental or business-type activities column of the government-wide financial statements, and the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets if material.

All purchases and construction costs in excess of \$15,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of five years or greater.

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

<u>Asset Class</u>	<u>Estimated Useful Life (in years)</u>
Buildings and Improvements	40-50
Capital Improvements (other than buildings)	20-25
Machinery and Equipment	10-15
Vehicles	5-10
Infrastructure	20-50

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

Capital assets of the Municipal Light Plant are depreciated at an annual rate of 4%.

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

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the fiscal year of purchase for the various funds.

H. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

I. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as operating transfers in and operating transfers out.

Government-Wide Financial Statements

Operating transfers between and within governmental funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

Fund Financial Statements

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

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

J. Deferred Revenue

Deferred revenue at the governmental fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

K. Net Assets and Fund Equity

Government-Wide Financial Statements (Net Assets)

Net assets are classified into three components:

- a. *Invested in capital assets, net of related debt* – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. *Restricted net assets* – Consists of net assets 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.

Net assets have been “restricted” for the following:

- *Streets* represent amounts committed by the Commonwealth for the repair and/or construction of streets.
 - *Permanent funds -expendable* represents amounts held in trust for which the expenditures are restricted by various trust agreements.
 - *Permanent funds -nonexpendable* represents amounts held in trust for which only investment earnings may be expended.
 - *Other specific purpose* represents restrictions placed on assets from outside parties.
- c. *Unrestricted net assets* – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Fund Financial Statements (Fund Balances)

- a. *Fund balances* consist of funds that are reserved for amounts, that are not available for appropriation, that are legally restricted by outside parties for a specific future use, and designations of fund balances that represent tentative management plans that are subject to change.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

Fund balances have been reserved for the following:

- *Encumbrances and continuing appropriations* represents amounts obligated under purchase orders, contracts and other commitments for expenditures that are being carried over to the ensuing fiscal year.
- *Perpetual permanent funds* represent amounts held in trust for which only investment earnings may be expended.

Fund balances have been designated for the following:

- *Subsequent year's expenditures* represents amounts appropriated for the fiscal year 2006 operating budget.
- b. *Undesignated fund balances* – all other fund balances that do not meet the definition of “reserved” or “designated”.

L. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net assets. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Fund Financial Statements

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

M. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Laws (MGL).

N. Compensated Absences

Employees are granted sick and vacation leave in varying amounts. Upon retirement, termination or death, certain employees are compensated for unused sick and vacation leave (subject to certain limitations) at their then current rates of pay.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

Government-Wide and Proprietary Fund Financial Statements

The total amount to be paid in future years is presented in the government-wide and proprietary fund statement of net assets. The liability for vacation leave is based on the amount earned but not used; for sick leave, it is based on the amount accumulated at the balance sheet date (vesting method).

Governmental Fund Financial Statements

The portion of the liability related to unused sick and vacation time that has matured or is due as of June 30, 2005 is recorded in the governmental fund financial statement.

O. Post Retirement Benefits

Government-Wide and Fund Financial Statements

In addition to providing pension benefits, health and life insurance coverage is provided for retired employees and their survivors in accordance with Chapter 32B, of Massachusetts General Laws, under various contributory plans. The cost of providing health and life insurance is recognized by recording the employer's 50%, 74%, 80%, or 90% share of insurance premium costs (depending on the plan selected) in the general fund in the fiscal year paid. All benefits are provided through third-party insurance carriers and health maintenance organizations that administer, assume, and pay all claims. For the fiscal year ended June 30, 2005, this expense/expenditure totaled approximately \$338,841. There were approximately 86 participants receiving benefits as of June 30, 2005.

P. Use of Estimates

Government-Wide and Fund Financial Statements

The preparation of the accompanying 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 reporting period. Actual results could vary from estimates that were used.

Q. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Basis of Accounting

Pursuant to Chapter 44, Section 32 of the Massachusetts General Laws, the Town adopts an annual budget for the general fund as well as for those special revenue funds for which the provisions of Chapter 44, Section 53f 1/2 have been adopted. The budgets for all departments and operations of the Town, except that of the public school districts, are prepared under the direction of the Town Manager. The School Districts' budgets are prepared under the direction of the School Committees. The level of expenditures may not legally exceed appropriations for each department or undertaking in the following categories: (1) salaries and wages; (2) ordinary maintenance; and (3) capital outlays.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year. These carry forwards are included as part of the subsequent fiscal year's original budget.

Original and supplemental appropriations are enacted upon by a Town Meeting vote. Management may not amend the budget without seeking the approval of the governing body. The Town's Finance Committee can legally transfer funds from its reserve fund to other appropriations within the budget without seeking Town Meeting approvals. The original fiscal year 2005 approved budget authorized \$30,883,141 in current year appropriations and other amounts to be raised and \$607,514 in encumbrances and appropriations carried over from previous fiscal years.

The Town Accountant has the responsibility to ensure that budgetary controls are maintained and monitored through the accounting system.

B. Budgetary – GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2005, is presented below:

Net change in fund balance - budgetary basis	\$ 453,373
Basis of accounting differences:	
Increase in revenue for on-behalf payments - MTRS	615,184
Increase in expenditures for on-behalf payments - MTRS	(615,184)
Increase in revenue for the MWPAT subsidy	3,154
Increase in expenditures for the MWPAT subsidy	<u>(3,154)</u>
Net change in fund balance - GAAP basis	<u>\$ 453,373</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2005, actual expenditures exceeded appropriations for snow removal and town counsel expenses. These over-expenditures will be funded by available funds during fiscal year 2006.

D. Deficit Fund Balances

Several individual fund deficits exist within the special revenue funds and the sewer capital projects funds. These individual deficits will be eliminated through subsequent fiscal year budget transfers, grants and proceeds of long term debt during fiscal year 2006.

NOTE 3 – DEPOSITS AND INVESTMENTS

In fiscal 2005, the Town adopted Government Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*.

a. Deposits

State and local statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain levels unless collateralized by the financial institutions involved.

i. Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the Town's deposits may not be returned. The Town carries deposits that are fully insured by FDIC insurance, DIF insurance or collateralized with securities held by the Town or the Town's agent in the Town's name. The Town also carries deposits that are not collateralized and are uninsured. As of June 30, 2005, the bank balances of uninsured and uncollateralized deposits are \$8,925,165.

b. Investments

Investments can also be made in securities issued by or unconditionally guaranteed by the U.S. government or agencies that have a maturity of less than one year from the date of purchase, repurchase agreement guaranteed by the U.S. government or agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase, and units in the Massachusetts Municipal Depository Trust (MMDT). The Treasurer of the Commonwealth of Massachusetts oversees the financial management of the MMDT, a local investment pool for cities, towns, and other state and local agencies within the Commonwealth. The Town's fair value of its investment in MMDT represents their value of the pool's shares. The Town's Trust Funds have expanded investment powers including the ability to invest in equity securities, corporate bonds, annuities and other specified investments.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

The composition of the Town's bank recorded deposits and investments fluctuates depending primarily on the timing of property tax receipts, proceeds from borrowings, collections of state and federal aid, and capital outlays throughout the year.

i) Interest Rate Risk

The following is a listing of the primary government's fixed income investments and related maturity schedule (in years) as of June 30, 2005:

Investment Type	Fair value	Less than 1	1-5	6-10
Money Markets	\$ 8,140,035	\$ 8,140,035	\$ -	\$ -
MMDT	1,338,276	1,338,276	-	-
Mutual Funds	243,795	243,795	-	-
U.S. Agency Bonds & Notes	2,222,281	-	1,899,765	322,517
U.S. Asset Backed Security	20,042	-	-	20,042
	<u>\$ 11,964,429</u>	<u>\$ 9,722,106</u>	<u>\$ 1,899,765</u>	<u>\$ 342,559</u>

The Town's guidelines do not specifically address limits on maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

ii) Credit Risk

The Town's fixed income investments as of June 30, 2005 were rated by Moody's and/or equivalent national rating organization and the ratings are presented below using the Moody's rating scale:

Investment Type	Fair Value	Aaa	Not rated
Money Markets	\$ 8,140,035	\$ -	\$ 8,140,035
MMDT	1,338,276	-	1,338,276
Mutual Funds	243,795	-	243,795
U.S. Agency Bonds & Notes	2,222,281	2,222,281	-
U.S. Agency Asset Backed Security	20,042	-	20,042
Total	<u>\$ 11,964,429</u>	<u>\$ 2,222,281</u>	<u>\$ 9,742,148</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 4 – RECEIVABLES

The receivables at June 30, 2005 for the Town’s individual major and nonmajor governmental funds, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Receivables:	Gross Amount	Allowance for Uncollectibles	Net Amount
Real estate and personal property taxes	\$ 160,505	\$ (8,952)	\$ 151,553
Tax liens	246,083	-	246,083
Motor vehicle excise taxes	168,796	(25,319)	143,477
Special assessments	36,803	-	36,803
Intergovernmental	27,752,918	-	27,752,918
 Total	 <u>\$ 28,365,105</u>	 <u>\$ (34,271)</u>	 <u>\$ 28,330,834</u>

The receivables at June 30, 2005, (electric light at December 31, 2004) for the enterprise funds consist of the following:

Receivables:	Gross Amount	Allowance for Uncollectibles	Net Amount
<i>Water and Sewer</i>			
User fees - includes betterments	\$ 6,723,161	\$ -	\$ 6,723,161
Intergovernmental	1,171,231	-	1,171,231
<i>Trash</i>			
User fees	42,000	-	42,000
<i>Electric Light</i>			
User fees	1,083,338	(10,000)	1,073,338
 Total	 <u>\$ 9,019,730</u>	 <u>\$ (10,000)</u>	 <u>\$ 9,009,730</u>

TOWN OF HOLDEN, MASSACHUSETTS
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Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with revenues that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

Deferred Revenue Analysis

Receivable Type:	General Fund	Nonmajor Governmental Funds	Total
Property Taxes	\$ 66,616	\$ -	\$ 66,616
Tax Liens	246,083	-	246,083
Motor vehicle excise taxes	143,477	-	143,477
Departmental and other	-	36,803	36,803
Intergovernmental	26,541,354	1,035,867	27,577,221
Total	<u>\$ 26,997,530</u>	<u>\$ 1,072,670</u>	<u>\$ 28,070,200</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated:</u>				
Land	\$ 2,821,531	\$ -	\$ (133,437)	\$ 2,688,094
Total capital assets not being depreciated	<u>2,821,531</u>	<u>-</u>	<u>(133,437)</u>	<u>2,688,094</u>
<u>Capital assets being depreciated:</u>				
Buildings and improvements	40,372,013	90,000	-	40,462,013
Capital improvements (other than buildings)	1,173,921	249,706	-	1,423,627
Machinery and equipment	1,318,049	41,238	-	1,359,287
Vehicles	2,849,329	527,091	(117,313)	3,259,107
Infrastructure	48,225,121	173,217	-	48,398,338
Total capital assets being depreciated	<u>93,938,433</u>	<u>1,081,252</u>	<u>(117,313)</u>	<u>94,902,372</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements	(8,064,348)	(984,244)	-	(9,048,592)
Capital improvements (other than buildings)	(154,694)	(38,814)	-	(193,508)
Machinery and equipment	(591,701)	(99,346)	-	(691,047)
Vehicles	(1,710,314)	(215,556)	117,313	(1,808,557)
Infrastructure	(19,064,074)	(1,223,653)	-	(20,287,727)
Total accumulated depreciation	<u>(29,585,131)</u>	<u>(2,561,613)</u>	<u>117,313</u>	<u>(32,029,431)</u>
Total capital assets being depreciated, net	<u>64,353,302</u>	<u>(1,480,361)</u>	<u>-</u>	<u>62,872,941</u>
Total governmental activities capital assets, net	<u>\$ 67,174,833</u>	<u>\$ (1,480,361)</u>	<u>\$ (133,437)</u>	<u>\$ 65,561,035</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

Business-Type Activities: (Water & Sewer Enterprise)	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land	\$ 412,153	\$ -	\$ -	\$ 412,153
Construction in progress	8,334,277	-	(8,334,277)	-
Total capital assets not being depreciated	8,746,430	-	(8,334,277)	412,153
<u>Capital assets being depreciated:</u>				
Buildings and improvements	6,188,369	-	-	6,188,369
Capital improvements (other than buildings)	516,411	642,557	-	1,158,968
Machinery and equipment	787,022	-	-	787,022
Vehicles	273,286	-	-	273,286
Infrastructure	9,595,736	3,288,245	8,334,277	21,218,258
Total capital assets being depreciated	17,360,824	3,930,802	8,334,277	29,625,903
<u>Less accumulated depreciation for:</u>				
Buildings and improvements	(1,521,898)	(137,037)	-	(1,658,935)
Capital improvements (other than buildings)	(37,360)	(39,185)	-	(76,545)
Machinery and equipment	(124,910)	(62,737)	-	(187,647)
Vehicles	(162,014)	(29,845)	-	(191,859)
Infrastructure	(3,758,068)	(292,665)	-	(4,050,733)
Total accumulated depreciation	(5,604,250)	(561,469)	-	(6,165,719)
Total capital assets being depreciated, net	11,756,574	3,369,333	8,334,277	23,460,184
Total business-type activites capital assets, net	<u>\$ 20,503,004</u>	<u>\$ 3,369,333</u>	<u>\$ -</u>	<u>\$ 23,872,337</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

Capital asset activity for the *electric light plant* at December 31, 2004 was as follows:

Business-Type Activities: (Light Plant Enterprise)	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Construction in progress	\$ 14,000	\$ 34,316	\$ -	\$ 48,316
Total capital assets not being depreciated	14,000	34,316	-	48,316
<u>Capital assets being depreciated:</u>				
Distribution Plant	12,395,642	684,597	(20,785)	13,059,454
General Plant	4,555,352	74,667	-	4,630,019
Total capital assets being depreciated	16,950,994	759,264	(20,785)	17,689,473
<u>Less accumulated depreciation for:</u>				
Distribution Plant	(7,005,099)	(611,854)	20,785	(7,596,168)
General Plant	(1,181,764)	(235,550)	-	(1,417,314)
Total accumulated depreciation	(8,186,863)	(847,404)	20,785	(9,013,482)
Total capital assets being depreciated, net	8,764,131	(88,140)	-	8,675,991
Total business-type activities capital assets, net	\$ 8,778,131	\$ (53,824)	\$ -	\$ 8,724,307

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

Governmental Activities:	
General government	\$ 40,522
Public safety	138,819
Education	854,755
Public works	1,365,656
Human services	44,292
Culture and recreation	117,569
Total depreciation expense - governmental activities	<u>\$ 2,561,613</u>
Business-Type Activities:	
Water and Sewer	\$ 561,469
Electric light - (December 31, 2004)	847,404
Total depreciation expense - business-type activities	<u>\$ 1,408,873</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

Construction Commitments

The Town has active water projects as of June 30, 2005. At year end the Town's commitments are as follows:

Project	Spent to Date	Remaining Commitments
Water projects	<u>\$ 3,201,992</u>	<u>\$ 495,397</u>

The commitments for the water projects are being funded by bonds proceeds.

NOTE 6 – CAPITAL LEASES

The Town has entered into a lease agreement as lessee for financing the acquisition of a rubber-tired excavator with a down payment of \$49,000. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The assets acquired through the capital lease are as follows:

	Governmental Activities
Asset:	
Vehicles	\$ 149,620
Less: Accumulated depreciation	<u>(11,221)</u>
	<u>\$ 138,399</u>

The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2005, were as follows:

Year Ending June 30	Governmental Activities
2006	<u>\$ 53,509</u>
Total minimum lease payments	53,509
Less: amount representing interest	<u>(2,262)</u>
Present value of minimum lease payments	<u>\$ 51,247</u>

**TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 7 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2005, are summarized as follows:

	Operating Transfers In:		
Operating Transfers Out:	General Fund	Nonmajor Governmental Funds	Total
Nonmajor Governmental Funds	\$ 951,088	\$ -	\$ 951,088 (1)
General Fund	-	460,163	460,163 (2)
Total	\$ 951,088	\$ 460,163	\$ 1,411,251

(1) Represents budgeted transfer to supplement the operating budget

(2) Represents budgeted transfers from the general fund to various funds.

NOTE 8 – SHORT-TERM FINANCING

Under state law, and with the appropriate authorization, the Town is authorized to borrow funds on a temporary basis as follows:

- To fund current operations prior to the collection of revenues by issuing revenue anticipation notes (RANS).
- To fund grants prior to reimbursement by issuing grant anticipation notes (GANS).
- To fund Capital project costs incurred prior to selling permanent debt by issuing bond anticipation notes (BANS).
- To fund current project costs and other approved expenditures incurred, that are anticipated to be reimbursed by the Commonwealth, through the issuance of State Aid anticipation notes (SANS).

Short-term loans are general obligations of the Town and maturity dates are governed by statute. Interest expenses for short-term borrowings are accounted for in the enterprise fund.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

The following is a summary of changes in short-term debt for the year ended June 30, 2005:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2004	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2005
MWPAT	Sewer Connections	VAR.	10/3/2006	\$ 400,000	\$ 340,000	\$ -	\$ 740,000
MWPAT	Sewer Connections	VAR.	10/3/2006	-	351,875	-	351,875
Total Sewer Enterprise Funds				<u>\$ 400,000</u>	<u>\$ 691,875</u>	<u>\$ -</u>	<u>\$ 1,091,875</u>

NOTE 9 – LONG-TERM DEBT

The Town is subject to a dual-level, general debt limit: the normal debt limit and the double debt limit. Such limits are equal to 5% and 10%, respectively, of the valuation of taxable property in the Town as last equalized by the Commonwealth's Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit, however require the approval of the Commonwealth's Emergency Finance Board. Additionally, there are many categories of general long-term debt which are exempt from the debt limit but are subject to other limitations.

The following is a summary of the changes in long-term debt for the year ended June 30, 2005:

Bonds and Notes Payable Schedule -Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2004	Issued	Redeemed	Outstanding at June 30, 2005
General Obligation	4.75	\$ 2,700,000	\$ -	\$ 580,000	\$ 2,120,000
Title V	Var.	61,467	-	3,847	57,620
Land Acquisition	Var.	100,000	-	100,000	-
General Obligation	5.66	29,885,000	-	1,305,000	28,580,000
School	3.64	885,000	-	40,000	845,000
Outdoor Recreation	3.64	2,380,000	-	125,000	2,255,000
School Construction	2.67	135,000	-	15,000	120,000
School Construction	3.00	100,000	-	20,000	80,000
Total		<u>\$ 36,246,467</u>	<u>\$ -</u>	<u>\$ 2,188,847</u>	<u>\$ 34,057,620</u>

**TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

The annual debt service requirements for principal and interest for Governmental bonds and notes outstanding at June 30, 2005 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 2,153,847	\$ 1,784,132	\$ 3,937,979
2007	2,218,847	1,683,372	3,902,219
2008	2,298,847	1,578,626	3,877,473
2009	2,088,847	1,476,575	3,565,422
2010	1,938,847	1,380,624	3,319,471
2011-2015	10,394,365	5,389,058	15,783,423
2016-2020	<u>12,964,020</u>	<u>2,173,225</u>	<u>15,137,245</u>
Total	<u>\$ 34,057,620</u>	<u>\$ 15,465,612</u>	<u>\$ 49,523,232</u>

Bonds and Notes Payable Schedule - Water and Sewer Enterprise Fund

<u>Project</u>	<u>Interest Rate (%)</u>	<u>Outstanding at June 30, 2004</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at June 30, 2005</u>
Water	6.44	\$ 200,000	\$ -	\$ 100,000	\$ 100,000
Water Wells	4.98	1,215,000	-	100,000	1,115,000
MWPAT Drinking Water	Var.	1,730,773	-	76,314	1,654,459
Water	3.64	950,000	-	50,000	900,000
Water	3.64	2,470,000	-	130,000	2,340,000
Water Meters	2.67	990,000	-	110,000	880,000
MWPAT Drinking Water	Var.	743,694	-	29,863	713,831
MWPAT Drinking Water	Var.	799,991	-	31,978	768,013
MWPAT Drinking Water	Var.	3,444,613	-	139,967	3,304,646
MWPAT Sewer Construction	Var.	2,802,700	-	132,597	2,670,103
MWPAT Sewer Construction	Var.	3,875,041	-	164,695	3,710,346
MWPAT Sewer Connections	Var.	<u>552,710</u>	<u>-</u>	<u>32,556</u>	<u>520,154</u>
Total		<u>\$ 19,774,522</u>	<u>\$ -</u>	<u>\$ 1,097,970</u>	<u>\$ 18,676,552</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

The annual debt service requirements for principal and interest for water and sewer enterprise fund bonds and notes outstanding at June 30, 2005 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 1,107,159	\$ 806,378	\$ 1,913,537
2007	1,017,999	768,958	1,786,957
2008	1,029,992	730,024	1,760,016
2009	1,027,064	696,705	1,723,769
2010	1,041,827	658,928	1,700,755
2011-2015	5,306,904	2,565,936	7,872,840
2016-2020	5,304,222	1,259,417	6,563,639
2021-2024	2,841,385	203,955	3,045,340
Total	<u>\$ 18,676,552</u>	<u>\$ 7,690,301</u>	<u>\$ 26,366,853</u>

Loans Authorized and Unissued

As of June 30, 2005, the Town has loans authorized and unissued as follows:

<u>Description</u>	<u>Date Authorized</u>	<u>Amount</u>
Sewer Construction	10/23/1995	3,841,770
Water System	5/17/1999	646,134
Water System	5/15/2000	1,608,385
Water System	5/17/2004	<u>1,800,000</u>
Total		<u>\$ 7,896,289</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2005 (electric light as of December 31, 2004):

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable	\$ 36,246,467	\$ -	\$ (2,188,847)	\$ 34,057,620	\$ 2,153,847
Compensated absences	255,851	33,086	-	288,937	20,000
Landfill postclosure care costs	360,000	-	(20,000)	340,000	20,000
Capital lease payable	100,620	-	(49,373)	51,247	51,247
Total governmental activity long-term liabilities	<u>\$ 36,962,938</u>	<u>\$ 33,086</u>	<u>\$ (2,258,220)</u>	<u>\$ 34,737,804</u>	<u>\$ 2,245,094</u>

Business-Type Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable	\$ 19,774,522	\$ -	\$ (1,097,970)	\$ 18,676,552	\$ 1,107,159
Compensated absences	9,701	290	-	9,991	-
Customer deposits - electric light	123,459	125	-	123,584	-
Rate stabilization reserve - electric light	1,814,991	781,850	-	2,596,841	-
Total business-type activity long-term liabilities	<u>\$ 21,722,673</u>	<u>\$ 782,265</u>	<u>\$ (1,097,970)</u>	<u>\$ 21,406,968</u>	<u>\$ 1,107,159</u>

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

School Building Assistance Bureau Reimbursements

Chapter 645 of the Act of 1948 as amended (“Chapter 645”) created a statewide school building assistance program. Pursuant to this program, cities and towns issued bonds for eligible school building projects and were reimbursed over a period of years by the Commonwealth according to a statutory percentage for such city or town.

Legislation enacted as part of the Commonwealth’s Fiscal 2002 budget repealed 645 and created a new school building assistance program codified as Chapter 70B of the Massachusetts General Laws. Among other changes, the new program includes grants for alternatives to construction and calculates grants for each project based on a number of factors. The new legislation does not affect the reimbursement percentages for bonds previously issued under Chapter 645, and the grants for certain “grandfathered” projects will be based on the statutory percentages provided for in Chapter 645.

The Town has been approved for a 70% percent state school construction grant through the School Building Assistance Bureau (SBAB) to cover eligible project costs, including debt service associated with the financing of these projects, subject to annual appropriation by the state legislature. The Town received \$2,050,210 in FY 2005 from the SBAB for completed school construction projects.

**TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005**

Overlapping Debt

The Town pays assessments under formulas which include debt service payments to other governmental agencies providing services to the Town, (commonly referred to as overlapping debt). The following summary sets forth the long-term debt of such governmental agencies and the estimated share being financed by the Town as of June 30, 2005:

Agency	Total Long- Term Debt Outstanding	Town's Estimated Share	Town's Indirect Debt
Wachusett Regional School District	\$ 24,993,000	47.67%	\$ 11,914,163
Montachusett Regional Vocational Technical School District	<u>12,310,000</u>	10.71%	<u>1,318,401</u>
	<u>\$ 37,303,000</u>		<u>\$ 13,232,564</u>

NOTE 10 – RISK FINANCING

The Town is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; injuries to employees; employee's health and life; and natural disasters.

Non-school buildings are fully insured against fire, theft, and natural disaster to the extent that losses exceed \$1,000 per incident. The fully insurable value of the Town buildings is \$28,767,400. School buildings are insured by the Wachusett Regional School District.

The Town purchases accident policies for uniformed police and fire personnel. The limits vary depending on the nature of the injury and the personnel involved. Accident claims paid to uniformed police and fire personnel was not material in fiscal year 2005.

The Town has two contributory health care options for its employees. There are 95 active employees and 86 retirees who participate in the Town's health care programs. For active employees, the Town contributes 90% of the premium costs for individual plans and 80% of the premium costs for the family plans. For retirees, the Town contributes 74% of the premium costs for the senior HMO plans and 50% of the premium costs for the Medex and Blue Cross/Blue Shield Major Medical plans.

The Town is insured for general liability; however, Chapter 258 of the Massachusetts General Laws limits the Town's liability to a maximum of \$100,000 per claim in all matters except in actions relating to federal civil rights, eminent domain and breach of contract. Such claims are charged to the general fund. There were no such claims in 2005.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 11 – PENSION PLANS

A. Plan Descriptions

The Town contributes to the Worcester Regional Retirement System (the “System”), a cost sharing, multiple-employer, defined benefit pension plan administered by the Worcester Regional Retirement Board. Substantially, all full-time employees are members of the “System.” Public school teachers and certain school administrators formerly employed by the Town of Holden, and now employed by the Wachusett Regional School District, are members of the Massachusetts Teachers’ Retirement System (MTRS) to which the Town does not contribute.

The “System” and the MTRS are contributory defined benefit plans and membership in both the “System” and the MTRS is mandatory upon commencement of employment for all permanent, full-time employees. The “System” and the MTRS provide retirement, disability and death benefits to plan members and beneficiaries.

Chapter 32 of the Massachusetts General Laws assigns authority to establish and amend benefit provisions of the plan, and grant cost-of-living increases, to the State legislature. The “System” issues a publicly available financial report, which can be obtained through the Commonwealth of Massachusetts, Public Employee Retirement Administration Commission (“PERAC”), One Ashburton Place, Boston, Massachusetts 02108.

B. Funding Policies

Worcester Regional Retirement System

Plan members are required to contribute to the “System” at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the “System”, its share of the remaining system-wide, actuarially determined, contribution plus administration costs, which are apportioned among the employers, based on active covered payroll. The Commonwealth of Massachusetts reimburses the “system” for a portion of the benefit payments for the cost of living increases. The contributions to the “System” for years ended June 30, 2005, 2004, and 2003 were \$451,625, \$458,369, and \$458,499, respectively, which were equal to its required contributions for each of these years.

Massachusetts Teachers’ Retirement System

Plan members (at varying rates of annual covered compensation) and the Commonwealth of Massachusetts fund contributions to the MTRS. The Commonwealth of Massachusetts contributed “on-behalf” payments to the MTRS totaling \$615,184 for fiscal year 2005. In accordance with GASB Statement No. 24, these on-behalf” payments have been recorded in the general fund as intergovernmental revenues and pension expenditures.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 12 – COMMITMENTS AND CONTINGENCIES

The Town participates in a number of federal award programs. However the Town is not subject to the provisions of the Single Audit Act Amendments of 1996 since the Town did not expand more than \$500,000 of federal awards during the period ended June 30, 2005. These programs may still be subject to financial and compliance audits. Accordingly, the amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is believed the amount, if any, would not be material.

The Town's landfill was closed in 1986 by order of the Department of Environmental Protection (DEP). The DEP approved the capping of the landfill site in April 1992. The Town is responsible for post-closure monitoring of the site for thirty years (17 years remaining), and the estimated liability has been recorded in the Statement of Net Assets, Governmental Activities. The \$340,000 reported as landfill post-closure liability at June 30, 2005 is based on what it would cost to perform all post-closure care costs at June 30, 2005. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2005, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2005.

NOTE 13 – MMWEC PARTICIPATION AND CONTINGENT LIABILITIES – ELECTRIC LIGHT PLANT ENTERPRISE

The Town of Holden, acting through its Light Department, is a Participant in certain Projects of the Massachusetts Municipal Wholesale Electric Company (MMWEC).

MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts, created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in, and to issue revenue bonds to finance, electric facilities (Projects). MMWEC has acquired ownership interests in electric facilities operated by other utilities and also owns and operates its own electric facilities. MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other utilities (Project Participants) under Power Sales Agreements (PSAs). Among other things, the PSAs require each Project Participant to pay its pro rata share of MMWEC's costs related to the Project, which costs include debt service on the revenue bonds issued by MMWEC to finance the Project, plus 10% of MMWEC's debt service to be paid into a Reserve and Contingency Fund. In addition, should a Project Participant fail to make any payment when due, other Project Participants of that Project may be required to increase (step-up) their payments and correspondingly their Participant's share of that Project's Project Capability to an additional amount not to exceed 25% of their original Participant's share of that Project's Project Capability. Project participants have covenanted to fix, revise, and collect rates at least sufficient to meet their obligations under the PSAs.

Holden Municipal Light Department has entered into PSAs and Power Purchase Agreements (PPAs) with MMWEC. Under both the PSAs and PPAs, the Department is required to make certain payments to MMWEC payable solely from Department revenues. Under the PSAs, each Participant is unconditionally obligated to make payments due to MMWEC whether or not the Project(s) is completed or operating and notwithstanding the suspension or interruption of the output of the Project(s).

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Through its membership in MMWEC, the Department is contingently liable on various projects in which they participated as detailed below.

MMWEC has issued separate issues of bonds for each of its eight Projects, which are payable solely from, and secured solely by, the revenues derived from the Project to which the bonds relate, plus available funds pledged under MMWEC's Amended and Restated General Bond Resolution (GBR) with respect to the bonds of that Project. The MMWEC revenues derived from each Project are used solely to provide for the payment of the bonds of any bond issue relating to such Project and to pay MMWEC's cost of owning and operating such Project and are not used to provide for the payment of the bonds of any bond issue relating to any other Project.

MMWEC operates the Stony Brook Intermediate Project and the Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has a 3.7% interest in the W.J. Wyman Unit No.4 plant, which is operated and owned by its majority owner, FPL Energy Wyman IV, a subsidiary of FPL Energy, Inc. and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit, operated by Dominion Nuclear Connecticut, Inc. (DNCI), the majority owner and a subsidiary of Dominion Resources, Inc. DNCI also owns and operates Millstone Unit 2.

DNCI requested and received an exemption from the NRC enabling it to submit an application earlier than 20 years before the expiration of the operating license for Unit 3 thereby enabling DNCI to submit an application to renew the operating licenses for both Unit 2 and Unit 3 simultaneously. In January 2004, DNCI filed the application to renew the operating licenses. The Unit 3 license currently will expire in 2025.

A substantial portion of MMWEC's plant investment and financing program is an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by FPL Energy Seabrook, LLC, the majority owner and an indirect subsidiary of FPL Group, Inc. FPL Energy Seabrook, LLC plans to file an application with the NRC to recapture the period 1986 to 1990 during which time Seabrook had an operating license, but did not operate. FPL Energy Seabrook, LLC also intends to extend the Seabrook Station operating license, which currently will expire in 2026.

Pursuant to the PSAs the MMWEC Seabrook and Millstone Project Participants are liable for their proportionate share of the costs associated with decommissioning the plants, which costs are being funded through monthly Project billings. Also the Project Participants are liable for their proportionate share of the uninsured costs of a nuclear incident that might be imposed under the Price-Anderson Act. In February 2003, Congress extended the Price-Anderson Act through the end of 2003. Congress, as part of comprehensive energy legislation, has considered extension of the Price-Anderson Act.

MMWEC is involved in various legal actions. In the opinion of MMWEC management, the outcome of such litigation or claims will not have a material adverse effect on the financial position of the department.

As of December 31, 2004, total Projects(s) capital expenditures amounted to \$1,513,322,000, of which \$47,222,000 represents the amount associated with the Department's share of Project Capability. MMWEC's debt outstanding for the Projects includes Power Supply System Revenue Bonds totaling \$856,295,000, of which \$25,582,000 is associated with the Department's share of Project Capability. As of December 31, 2004, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$1,090,063,000, of which \$32,800,000 is anticipated to be billed to the Department in the future.

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The estimated aggregate amount of Holden Municipal Light Department's required payments under the PSAs and PPAs, exclusive of the Reserve and Contingency Fund billings, to MMWEC at December 31, 2004 and estimated for future years is shown below.

<u>For years ended December 31,</u>	<u>Annual Costs</u>
2005	\$ 3,302,000
2006	3,226,000
2007	3,147,000
2008	3,000,000
2009	2,686,000
2010 to 2014	11,841,000
2015 to 2019	<u>5,598,000</u>
	<u>\$ 32,800,000</u>

In addition, the Department is required to pay its share of the Operation and Maintenance (O&M) costs of the Projects in which they participate. The Department's total O&M costs including debt service under the PSAs were \$5,431,000 and \$5,764,000 for the years ended December 31, 2004 and 2003, respectively.