

TOWN OF HOLDEN, MASSACHUSETTS

**REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS**

JUNE 30, 2009

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TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1 – 2
Management's Discussion and Analysis	3 – 15
Basic Financial Statements	
Statement of Net Assets	16
Statement of Activities	17 – 18
Governmental Funds – Balance Sheet	19
Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances	20
Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Assets	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
General Fund – Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	23
Proprietary Funds – Statement of Net Assets	24
Proprietary Funds – Statement of Revenues, Expenses, and Changes in Fund Net Assets	25
Proprietary Funds – Statement of Cash Flows	26
Fiduciary Funds – Statement of Fiduciary Net Assets	27
Fiduciary Funds – Statement of Changes in Fiduciary Net Assets	28
Notes to Basic Financial Statements	29 – 64
Required Supplementary Information:	
Other Post Employment Benefits – Schedules of Funding Progress and Employer Contributions	65

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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, 2009, (except for the financial statements of the Holden Electric Light Department which are as of December 31, 2008) 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 35.30 percent, 36.45 percent, and 76.64 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the 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, 2009, (except for the Holden Electric Light Department which are as of December 31, 2008) 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.

In accordance with ***Government Auditing Standards***, we have also issued our report dated March 2, 2010, on our consideration of the Town of Holden, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** and should be considered in assessing the results of our audit

The management's discussion and analysis on pages **3** through **15**, and other post employment benefits information: schedules of funding progress and employer contributions on page **65** 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

March 2, 2010

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, 2009. 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

GASB Statement No. 45 (GASB 45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB), was implemented by the Town effective July 1, 2008. The purpose of GASB 45 is to improve the relevance and usefulness of financial reporting by requiring states and municipalities to identify, through actuarial analysis, the true costs of the OPEB earned by employees over their estimated years of active service. OPEB, as with pensions, is a promise made to employees as a condition of their employment that is part of compensation each year. Even though these benefits are not received until after employment, they constitute compensation to attract and retain qualified employees. These costs will be recognized over the working lifetime of employees rather than after their employment has ceased. For the fiscal year ended June 30, 2009, the actuarial accrued liability of the Town is \$10,653,000. GASB 45 does not require current funding of the OPEB and 95% of municipal entities are not currently funding the liability in their communities. The Town benefits provided to retirees and eligible surviving spouses include health and life insurance.

The December 2008 Ice Storm had a significant impact on the financial statements for FY2009. The storm heavily damaged and destroyed trees, leaving woody debris scattered throughout the town, left the entire town without power (some parts up to 12 days), did significant damage to the Town's infrastructure, and the area was declared a State of Emergency. Significant costs were incurred by both the Town and the light plant to restore power, protect the health and safety of the citizens and remove debris. Much of these costs were reimbursable by the Federal Emergency Management Agency (FEMA) at the rate of 75% of eligible costs. Both the expenses incurred and the revenues received and anticipated have been recorded in the financial statements.

Total revenue for the year for all funds was \$59.1 million - \$2.5 million or 4.5% more than the total revenue for the fiscal year ended June 30, 2008.

	Fiscal Year Ended June 30, 2009	% Total	Fiscal Year Ended June 30, 2008	% Total
Property taxes	\$ 27,030,682	45.77%	\$ 25,426,032	44.97%
Motor vehicle excise	1,947,206	3.30%	2,168,324	3.84%
Penalties and interest	116,299	0.20%	110,971	0.20%
Payments in lieu of taxes	960,490	1.63%	937,107	1.66%
Charges for services	21,364,366	36.18%	19,851,148	35.11%
Operating grants and contributions	3,886,710	6.58%	1,643,250	2.91%
Capital grants and contributions	1,029,359	1.74%	3,691,640	6.53%
Nonrestricted grants and contributions	2,335,469	3.95%	2,282,812	4.04%
Unrestricted investment income and other	386,939	0.66%	426,473	0.75%
Total revenue	<u>\$ 59,057,520</u>	<u>100.00%</u>	<u>\$ 56,537,757</u>	<u>100.00%</u>

Total expenses for the year for all funds was \$60 million - \$4.8 million or 8.6% more than the total expenditures for the fiscal year ended June 30, 2008.

	Fiscal Year Ended June 30, 2009	% Total	Fiscal Year Ended June 30, 2008	% Total
General government	\$ 1,899,914	3.17%	\$ 1,842,621	3.34%
Public safety	3,529,682	5.88%	3,514,146	6.36%
Education	21,339,093	35.57%	21,370,990	38.69%
Public works	3,671,284	6.12%	3,439,397	6.23%
Water and sewer	4,936,315	8.23%	4,799,402	8.69%
Trash	952,957	1.59%	913,145	1.65%
Electric	17,120,022	28.54%	13,911,605	25.19%
Human services	357,450	0.60%	292,333	0.53%
Culture and recreation	1,428,769	2.38%	1,341,248	2.43%
Employee benefits	3,158,251	5.26%	2,367,277	4.29%
State and county assessments	140,747	0.23%	139,605	0.25%
Interest	1,456,866	2.43%	1,303,080	2.36%
Total expenditures	<u>\$ 59,991,350</u>	<u>100.00%</u>	<u>\$ 55,234,849</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 between the two 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 governmental 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 funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. 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 financial statements 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 funds balance sheet and the governmental funds 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 two major governmental funds that are presented separately in the governmental funds 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, 2009 were \$95.5 million, of which the governmental activities were \$64.6 million and the business-type activities were \$30.9 million.

The largest portion of the Town's net assets (59.3%) 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 (7.1%) are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (33.6%) may be used to meet the government's ongoing obligations to citizens and creditors.

Total current assets within the governmental activities were \$19.2 million and included cash & investments of \$14.9 million and receivables net of allowances of \$4.3 million.

Total current liabilities within the governmental activities were \$5.1 million and included accounts payable of \$0.4 million and bonds and notes payable of \$3.4 million. Noncurrent liabilities within the governmental activities were \$32.7 million and included \$31.7 million of general obligation bonds payable.

Total current assets within the business-type activities were \$8.1 million and included cash & investments of \$1.0 million and receivables net of allowances of \$4.2 million.

Current liabilities within the business-type activities were \$5.4 million and included accounts payable of \$3.7 million and bond and notes payable of \$1.4 million. Noncurrent liabilities within the business-type activities were \$18.7 million and included \$15.9 million of general obligation bonds payable.

Comparative Net Assets						
	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2009	FY 2008	FY 2009	FY 2008	FY 2009	FY 2008
Assets:						
Current assets	\$ 19,226,823	\$ 19,545,658	\$ 8,083,146	\$ 5,438,598	\$ 27,309,969	\$ 24,984,256
Noncurrent assets	18,723,394	20,597,077	9,053,771	9,714,633	27,777,165	30,311,710
Capital assets	64,401,686	63,329,276	37,902,148	38,784,695	102,303,834	102,113,971
Total assets	102,351,903	103,472,011	55,039,065	53,937,926	157,390,968	157,409,937
Liabilities:						
Current liabilities	5,060,884	3,430,136	5,426,568	3,211,780	10,487,452	6,641,916
Noncurrent liabilities	32,682,761	34,717,113	18,676,510	19,572,833	51,359,271	54,289,946
Total liabilities	37,743,645	38,147,249	24,103,078	22,784,613	61,846,723	60,931,862
Net Assets:						
Invested in capital assets	36,057,127	34,641,332	20,610,855	20,463,782	56,667,982	55,105,114
Restricted	6,738,934	7,004,775	-	-	6,738,934	7,004,775
Unrestricted	21,812,197	23,678,655	10,325,132	10,689,531	32,137,329	34,368,186
Total net assets	\$ 64,608,258	\$ 65,324,762	\$ 30,935,987	\$ 31,153,313	\$ 95,544,245	\$ 96,478,075

Governmental activities current assets decreased slightly, \$0.3 million, as compared with FY2008 as a result of normal operations. Business-type activities current assets increased \$2.6 million, as a result of revenue anticipated from the Federal Emergency Management Agency in connection with the December ice storm and miscellaneous deferred revenue.

Governmental activities current liabilities are up \$1.6 million as compared with FY2008 due to the recognition of other postemployment benefits (OPEB), short term-borrowing costs for ice storm related costs and a lease purchase agreement for an ambulance. Business-type activities current liabilities increased \$2.2 million. The majority of this increase is due to the accrual of expenses incurred by the light department during the December 2008 ice storm. Noncurrent liabilities decreased due to pay down of existing debt service.

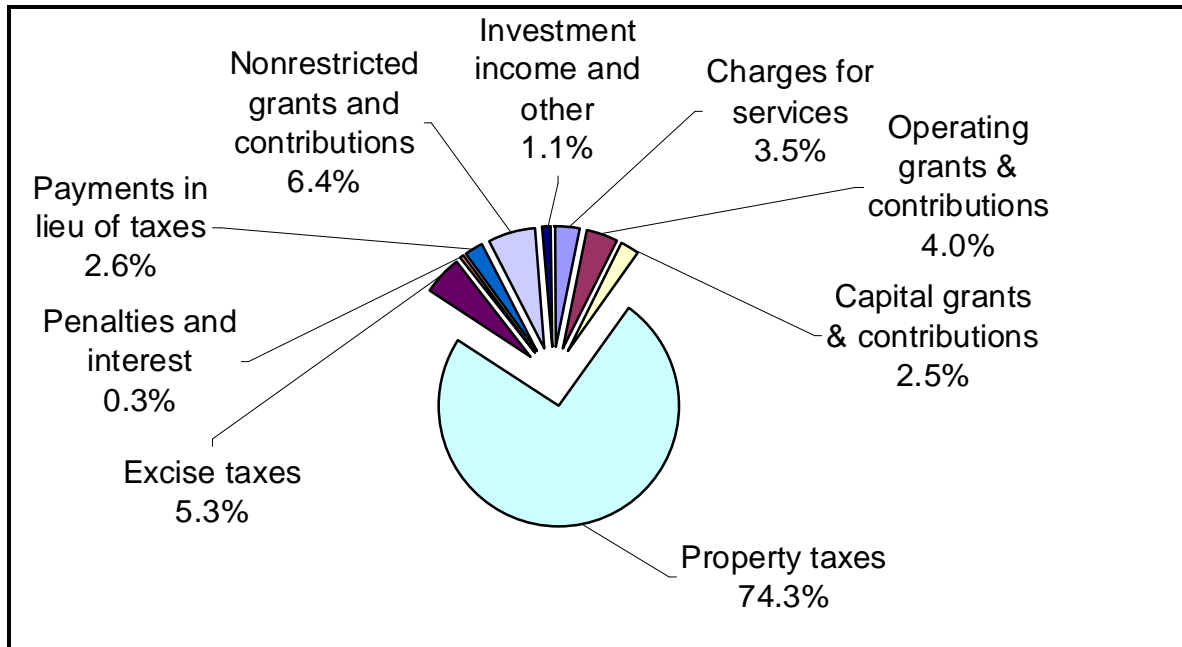
Governmental activities assets net of related debt increased 4.0%, and unrestricted net assets are down 7.9% as compared with the prior year. Business-type capital assets net of related debt increased only slightly, and unrestricted net assets decreased by 3.4% as compared with the prior year.

Governmental activities decreased the Town of Holden's net assets by \$716,504. 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

	Governmental Activities		Increase/ (Decrease)	
	FY 2009	FY 2008		
Revenues				
<i>Program Revenues:</i>				
Charges for services	\$ 1,259,685	\$ 1,413,794	\$ (154,109)	
Operating grants and contributions	1,455,150	1,195,862	259,288	
Capital grants and contributions	910,184	2,216,495	(1,306,311)	
<i>General Revenues:</i>				
Real Estate and personal property taxes	27,030,682	25,426,032	1,604,650	
Motor vehicle and other excise taxes	1,947,206	2,168,324	(221,118)	
Penalties and interest	116,299	110,971	5,328	
Payments in lieu of taxes	960,490	937,107	23,383	
Nonrestricted grants and contributions	2,335,469	2,282,812	52,657	
Unrestricted investment income & other	386,939	426,473	(39,534)	
Total Revenues	<u>36,402,104</u>	<u>36,177,870</u>	<u>224,234</u>	
Expenses:				
General Government	1,899,914	1,842,621	57,293	
Public Safety	3,529,682	3,514,146	15,536	
Education	21,339,093	21,370,990	(31,897)	
Public Works	3,671,284	3,439,397	231,887	
Human Services	357,450	292,333	65,117	
Culture and Recreation	1,428,769	1,341,248	87,521	
Employee Benefits	3,158,251	2,367,277	790,974	
State and County Assessments	140,747	139,605	1,142	
Interest	1,456,866	1,303,080	153,786	
Total Expenses	<u>36,982,056</u>	<u>35,610,697</u>	<u>1,371,359</u>	
Excess (deficiency) of revenues over expenditures	(579,952)	567,173	(1,147,125)	
Transfers	<u>(136,552)</u>	<u>(183,010)</u>	<u>46,458</u>	
Change in Net Assets	<u>(716,504)</u>	<u>384,163</u>	<u>(1,100,667)</u>	
Net Assets - beginning	<u>65,324,762</u>	<u>64,940,599</u>		
Net Assets - ending	<u><u>\$ 64,608,258</u></u>	<u><u>\$ 65,324,762</u></u>		

Governmental Activities – FY2009 Revenues



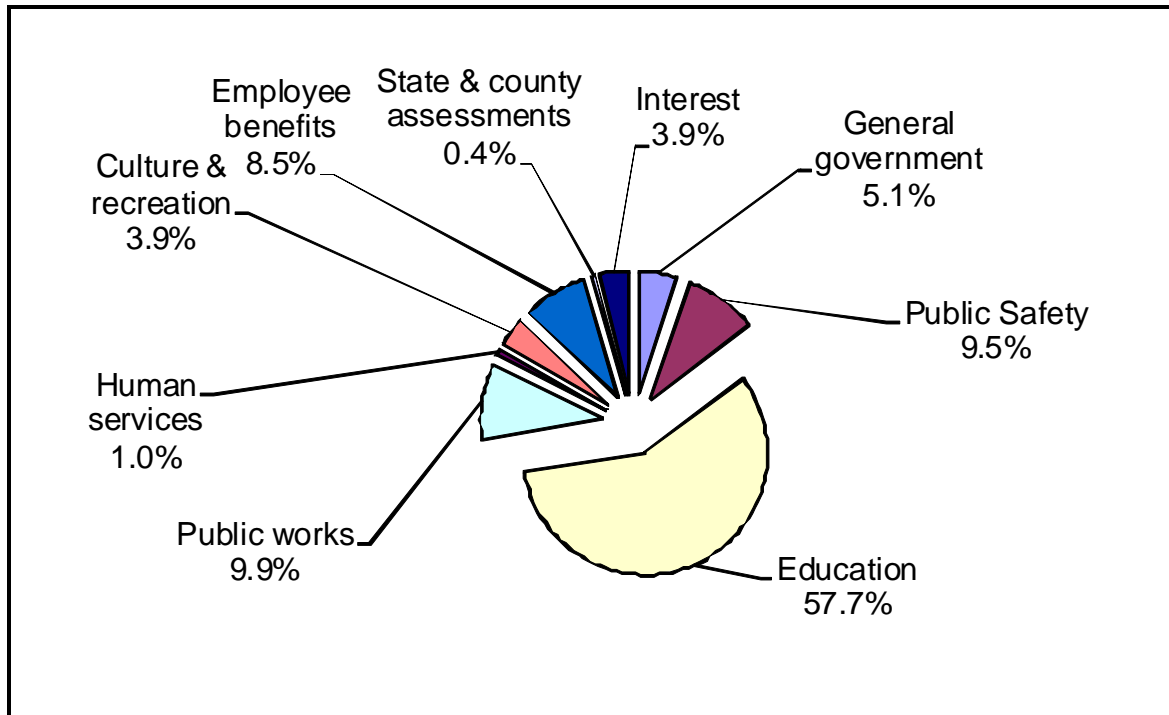
Revenues

Property taxes support approximately 75% of the Town's governmental activities. State aid decreased approximately \$0.2 million or 7% as compared with FY2008, once again shifting pressure to raise property tax revenue to the statutory maximum allowed.

Roughly 38% of the operating grants apply to employee benefits. Nearly 50% of the charges for services revenue was generated by culture and recreation services. Public safety department services represented 25%, and general government services represented more than 18%.

Almost 87% of the capital grants and contribution revenue was received from Mass Highway (Chapter 90) and supported public works projects and infrastructure, and nearly 10% supported public safety equipment purchases

Governmental Activities – FY2009 Expenses



Expenses

Education is by far the largest governmental activity of the Town. Approximately \$21.3 million in taxes and other general revenues were needed to cover the FY2009 operating expenses.

Public safety and public works represent the second and third largest governmental activities of the Town. Approximately \$2.79 million and \$2.65 million of taxes and other general revenues were needed to cover the FY2009 operating expenses.

Expenses are expected to be a budgetary challenge for management over the next few years as a result of decreased state aid and current economic conditions.

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 \$0.2 million as result of general operations. 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/ (Decrease)
	FY 2009	FY 2008	
Revenues			
<i>Program Revenues:</i>			
Charges for services	\$ 20,104,681	\$ 18,437,354	\$ 1,667,327
Operating grants and contributions	2,431,560	447,388	1,984,172
Capital grants and contributions	119,175.00	1,475,145	(1,355,970)
Total Revenues	22,655,416	20,359,887	2,295,529
Expenses:			
Electric	17,120,022	13,911,605	3,208,417
Water/Sewer	4,936,315	4,799,402	136,913
Trash	952,957	913,145	39,812
Total Expenses	23,009,294	19,624,152	3,385,142
Excess (deficiency) of revenues over expenses	(353,878)	735,735	(1,089,613)
Transfers	136,552	183,010	(46,458)
Change in Net Assets	(217,326)	918,745	(1,136,071)
Net Assets - beginning	31,153,313	30,234,568	
Net Assets - ending	\$ 30,935,987	\$ 31,153,313	

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 \$13.8 million, a decrease of \$1.4 million in comparison with the prior fiscal year as a result of expenditures associated with the public safety facility.

The General Fund is the chief operating fund of the Town. At the end of the fiscal year, undesignated fund balance was \$685,874, while total fund balance was \$2,351,403. 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 \$30.9 million; \$20.6 million of which relates to the Town's investment in capital assets.

General Fund Budgetary Highlights

The FY2009 general fund operating budget was amended by -\$219,349 at two town meetings. At the March 2009 Special Town Meeting the budget was amended to reflect the Governor's "9C" local aid reduction (\$207,798), transfers to the water/sewer enterprise fund (\$8,251) and a transfer from the infrastructure investment fund (\$125,000) for the repair of public buildings. At the May 2009 annual town meeting the budget was amended for transfers to the water/sewer enterprise fund (\$128,300). The final operating budget was approximately \$36.4 million. Modest amounts were transferred from general government to public safety, public works, and to culture and recreation.

Revenues exceeded budgetary amounts by \$338,926, and expenditures were less than budgetary amounts by \$1,295,806. Favorable revenue types included property taxes and motor vehicle excise taxes. Public works and public safety expenditures were less than budgetary amounts by \$526,449 and \$474,731 respectively, 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, 2009 amount to \$102,303,834 (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 \$189,863 (a \$1.0 million increase for governmental activities and a \$0.8 million decrease for business-type activities).

Capital Assets (Net of Accumulated Depreciation)

Primary government	FY 2009	FY 2008	Increase/ (Decrease)
Land	\$ 3,120,642	\$ 3,120,642	\$ -
Construction in progress	2,289,794	237,216	2,052,578
Buildings	33,059,491	34,170,094	(1,110,603)
Improvements other than buildings	2,200,214	2,210,828	(10,614)
Machinery and equipment	1,426,384	1,178,983	247,401
Vehicles	1,557,054	1,531,309	25,745
Infrastructure	49,096,720	49,914,529	(817,809)
Electric - land	72,500	72,500	-
Electric - construction in progress	90,673	28,683	61,990
Electric - general plant	2,761,765	2,394,455	367,310
Electric - distribution plant	6,628,597	7,254,732	(626,135)
Total Capital Assets	\$ 102,303,834	\$ 102,113,971	\$ 189,863

Debt

The Town's bond rating from Standard and Poor's was upgraded one full step to a "AA-" At the end of the fiscal year the Town (excluding the light plant) had a total bonded debt outstanding of \$49,593,525. The entire amount is classified as general obligation debt and is backed by the full faith and credit of the government. Of the total bonded debt, \$24,340,000 or nearly 50% is for school construction for which the Town receives 70% reimbursement on total project costs from the Massachusetts School Building Authority. The Town had a \$1,000,000 of revenue bonds outstanding in anticipation of grant proceeds from the Federal Emergency Management Agency.

Outstanding Debt at Year End		
Governmental Activities	Outstanding June 30, 2009	Outstanding June 30, 2008
Schools	\$ 24,340,000	\$ 26,222,000
Public Safety	7,900,000	8,200,000
Library	-	48,000
Senior Center	150,000	300,000
Swimming Pool	1,695,000	1,845,000
Title V	42,232	46,079
Total Governmental Activities	\$ 34,127,232	\$ 36,661,079
Business-type Activities		
Water Improvements	\$ 9,298,748	\$ 9,675,915
Sewer Construction	6,167,545	6,554,998
Total Business-type Activities	\$ 15,466,293	\$ 16,230,913

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 Town's per capita income was \$27,971, compared with \$25,952 for the state and \$21,587 for the nation as a whole.

The unemployment rate for the Town was 5.0%, compared with state rate of 6.4% and the national rate of 7.4%.

The average 2009 single family home in Holden was valued at \$292,652 with an average annual tax bill of \$3,992. The overall property values for FY2009 decreased approximately 3% as compared with FY2008.

The Town has a balanced budget for FY2010 and expects a minimal increase for FY2011 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, 2009**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
CURRENT:			
CASH AND SHORT-TERM INVESTMENTS	\$ 11,263,928	\$ 998,635	\$ 12,262,563
INVESTMENTS	3,611,612	-	3,611,612
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES	298,187	-	298,187
TAX LIENS	450,487	-	450,487
MOTOR VEHICLE EXCISE TAXES	104,236	-	104,236
USER FEES	-	2,462,313	2,462,313
DEPARTMENTAL AND OTHER	17,219	-	17,219
INTERGOVERNMENTAL	3,478,467	1,426,528	4,904,995
SPECIAL ASSESSMENTS	2,687	348,244	350,931
PREPAID EXPENSES	-	311,924	311,924
OTHER ASSETS	-	2,535,502	2,535,502
NONCURRENT:			
RESTRICTED ASSETS:			
CASH AND SHORT-TERM INVESTMENTS	-	2,957,817	2,957,817
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
SPECIAL ASSESSMENTS	13,434	5,957,549	5,970,983
INTERGOVERNMENTAL	18,709,960	-	18,709,960
OTHER ASSETS	-	138,405	138,405
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	64,401,686	37,902,148	102,303,834
TOTAL ASSETS	102,351,903	55,039,065	157,390,968
<u>LIABILITIES</u>			
CURRENT:			
ACCOUNTS PAYABLE	429,236	3,674,272	4,103,508
ACCRUED LIABILITIES	63,489	-	63,489
OTHER LIABILITIES	13,618	264,348	277,966
ACCRUED INTEREST	394,251	66,193	460,444
CAPITAL LEASE PAYABLE	95,996	-	95,996
BONDS AND NOTES PAYABLE	3,413,847	1,404,745	4,818,592
LANDFILL POSTCLOSURE CARE COSTS	20,000	-	20,000
COMPENSATED ABSENCES	239,447	9,010	248,457
POST EMPLOYMENT BENEFITS	391,000	8,000	399,000
NONCURRENT:			
CUSTOMER DEPOSITS	-	118,116	118,116
RATE STABILIZATION RESERVE	-	2,507,628	2,507,628
CAPITAL LEASE PAYABLE	227,785	-	227,785
BONDS AND NOTES PAYABLE	31,713,385	15,886,548	47,599,933
LANDFILL POSTCLOSURE CARE COSTS	240,000	-	240,000
COMPENSATED ABSENCES	397,591	16,218	413,809
POST EMPLOYMENT BENEFITS	104,000	148,000	252,000
TOTAL LIABILITIES	37,743,645	24,103,078	61,846,723
<u>NET ASSETS</u>			
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	36,057,127	20,610,855	56,667,982
RESTRICTED FOR:			
STREETS	1,393,344	-	1,393,344
PERMANENT FUNDS:			
EXPENDABLE	358,109	-	358,109
NONEXPENDABLE	378,840	-	378,840
OTHER PURPOSES	4,608,641	-	4,608,641
UNRESTRICTED	21,812,197	10,325,132	32,137,329
TOTAL NET ASSETS	\$ 64,608,258	\$ 30,935,987	\$ 95,544,245

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2009**

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	\$ 1,899,914	\$ 238,903	\$ 221,425	\$ -	\$ (1,439,586)
PUBLIC SAFETY	3,529,682	313,901	336,410	92,206	(2,787,165)
EDUCATION	21,339,093	-	-	-	(21,339,093)
PUBLIC WORKS	3,671,284	62,015	174,040	787,978	(2,647,251)
HUMAN SERVICES	357,450	30,116	60,226	30,000	(237,108)
CULTURE & RECREATION	1,428,769	614,750	107,407	-	(706,612)
EMPLOYEE BENEFITS	3,158,251	-	555,642	-	(2,602,609)
STATE & COUNTY ASSESSMENTS	140,747	-	-	-	(140,747)
INTEREST	1,456,866	-	-	-	(1,456,866)
TOTAL GOVERNMENTAL ACTIVITIES	36,982,056	1,259,685	1,455,150	910,184	(33,357,037)
BUSINESS-TYPE ACTIVITIES:					
WATER/SEWER	4,936,315	3,659,778	787,314	119,175	(370,048)
ELECTRIC	17,120,022	15,503,487	1,644,057	-	27,522
OTHER ENTERPRISE	952,957	941,416	189	-	(11,352)
TOTAL BUSINESS-TYPE ACTIVITIES	23,009,294	20,104,681	2,431,560	119,175	(353,878)
TOTAL PRIMARY GOVERNMENT	\$ 59,991,350	\$ 21,364,366	\$ 3,886,710	\$ 1,029,359	\$ (33,710,915)

See accompanying notes to the basic financial statements

(continued)

**TOWN OF HOLDEN, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2009**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
CHANGES IN NET ASSETS:			
NET (EXPENSE) REVENUE FROM PREVIOUS PAGE	\$ (33,357,037)	\$ (353,878)	\$ (33,710,915)
GENERAL REVENUES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS PAYABLE	26,898,314	-	26,898,314
TAX LIENS	132,368	-	132,368
MOTOR VEHICLE EXCISE TAXES	1,947,206	-	1,947,206
PENALTIES AND INTEREST ON TAXES	116,299	-	116,299
PAYMENTS IN LIEU OF TAXES	960,490	-	960,490
GRANTS AND CONTRIBUTIONS NOT RESTRICTED TO SPECIFIC PROGRAMS	2,335,469	-	2,335,469
RENTAL INCOME	78,671	-	78,671
UNRESTRICTED INVESTMENT INCOME	294,542	-	294,542
MISCELLANEOUS	13,726	-	13,726
TRANSFERS, NET	(136,552)	136,552	-
TOTAL GENERAL REVENUES AND TRANSFERS	32,640,533	136,552	32,777,085
CHANGE IN NET ASSETS	(716,504)	(217,326)	(933,830)
NET ASSETS:			
BEGINNING OF YEAR	65,324,762	31,153,313	96,478,075
END OF YEAR	\$ 64,608,258	\$ 30,935,987	\$ 95,544,245

See accompanying notes to the basic financial statements

(concluded)

**TOWN OF HOLDEN, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2009**

ASSETS	GENERAL	PUBLIC SAFETY BUILDING	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
CASH AND SHORT-TERM INVESTMENTS	\$ 2,368,234	\$ 6,286,126	\$ 2,609,568	\$ 11,263,928
INVESTMENTS	-	-	3,611,612	3,611,612
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:				
REAL ESTATE AND PERSONAL PROPERTY TAXES	298,187	-	-	298,187
TAX LIENS	450,487	-	-	450,487
MOTOR VEHICLE EXCISE TAXES	104,236	-	-	104,236
DEPARTMENTAL AND OTHER	17,219	-	-	17,219
INTERGOVERNMENTAL	20,580,956	-	1,607,471	22,188,427
SPECIAL ASSESSMENTS	-	-	16,121	16,121
TOTAL ASSETS	\$ 23,819,319	\$ 6,286,126	\$ 7,844,772	\$ 37,950,217
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
ACCOUNTS PAYABLE	\$ 159,847	\$ 200,425	\$ 68,964	\$ 429,236
ACCRUED LIABILITIES	63,489	-	-	63,489
OTHER LIABILITIES	13,618	-	-	13,618
DEFERRED REVENUES	21,230,962	-	1,409,465	22,640,427
NOTES PAYABLE	-	-	1,000,000	1,000,000
TOTAL LIABILITIES	21,467,916	200,425	2,478,429	24,146,770
FUND BALANCES:				
RESERVED FOR:				
ENCUMBRANCES AND CONTINUING APPROPRIATIONS	1,096,083	-	-	1,096,083
PERPETUAL PERMANENT FUNDS	-	-	378,840	378,840
UNRESERVED				
DESIGNATED FOR SUBSEQUENT YEARS' EXPENDITURES	569,446	-	-	569,446
UNDESIGNATED, REPORTED IN:				
GENERAL FUND	685,874	-	-	685,874
SPECIAL REVENUE FUNDS	-	-	4,608,641	4,608,641
CAPITAL PROJECTS FUNDS	-	6,085,701	20,753	6,106,454
PERMANENT FUNDS	-	-	358,109	358,109
TOTAL FUND BALANCES	2,351,403	6,085,701	5,366,343	13,803,447
TOTAL LIABILITIES AND FUND BALANCES	\$ 23,819,319	\$ 6,286,126	\$ 7,844,772	\$ 37,950,217

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, 2009**

	<u>GENERAL</u>	<u>PUBLIC SAFETY BUILDING</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>REVENUES:</u>				
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 26,985,196	\$ -	\$ -	\$ 26,985,196
MOTOR VEHICLE EXCISE TAXES	1,971,896	-	-	1,971,896
PENALTIES AND INTEREST ON TAXES	116,299	-	-	116,299
INTERGOVERNMENTAL	4,607,261	-	1,062,951	5,670,212
CHARGES FOR SERVICES	-	-	972,712	972,712
INVESTMENT INCOME	291,362	-	87,180	378,542
CONTRIBUTIONS & DONATIONS	-	-	209,542	209,542
DEPARTMENTAL AND OTHER	1,771,117	-	100,370	1,871,487
TOTAL REVENUES	35,743,131	-	2,432,755	38,175,886
<u>EXPENDITURES:</u>				
CURRENT:				
GENERAL GOVERNMENT	1,682,692	-	200,232	1,882,924
PUBLIC SAFETY	3,406,896	1,866,681	283,801	5,557,378
EDUCATION	20,514,836	-	-	20,514,836
PUBLIC WORKS	2,351,155	-	787,632	3,138,787
HUMAN SERVICES	267,399	-	41,325	308,724
CULTURE & RECREATION	719,303	-	628,034	1,347,337
EMPLOYEE BENEFITS	2,565,634	-	-	2,565,634
STATE & COUNTY ASSESSMENTS	140,747	-	-	140,747
DEBT SERVICE				
PRINCIPAL	2,533,847	-	-	2,533,847
INTEREST	1,491,616	-	-	1,491,616
TOTAL EXPENDITURES	35,674,125	1,866,681	1,941,024	39,481,830
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	69,006	(1,866,681)	491,731	(1,305,944)
<u>OTHER FINANCING SOURCES (USES)</u>				
OPERATING TRANSFERS IN	1,280,588	-	703,129	1,983,717
OPERATING TRANSFERS OUT	(839,681)	-	(1,280,588)	(2,120,269)
TOTAL OTHER FINANCING SOURCES (USES)	440,907	-	(577,459)	(136,552)
NET CHANGE IN FUND BALANCES	509,913	(1,866,681)	(85,728)	(1,442,496)
FUND BALANCES AT BEGINNING OF YEAR	1,841,490	7,952,382	5,452,071	15,245,943
FUND BALANCES AT END OF YEAR	\$ 2,351,403	\$ 6,085,701	\$ 5,366,343	\$ 13,803,447

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, 2009**

TOTAL GOVERNMENTAL FUND BALANCES		\$ 13,803,447
CAPITAL ASSETS (NET) USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS		64,401,686
ACCOUNTS RECEIVABLE ARE NOT AVAILABLE TO PAY FOR CURRENT-PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS		22,640,427
IN THE STATEMENT OF ACTIVITIES, INTEREST IS ACCRUED ON OUTSTANDING LONG-TERM DEBT, WHEREAS IN GOVERNMENTAL FUNDS INTEREST IS NOT REPORTED UNTIL DUE		(394,251)
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	(34,127,232)	
CAPITAL LEASE PAYABLE	(323,781)	
COMPENSATED ABSENCES	(637,038)	
POST EMPLOYMENT BENEFITS	(495,000)	
LANDFILL POSTCLOSURE CARE COSTS	<u>(260,000)</u>	
NET EFFECT OF REPORTING LONG-TERM LIABILITIES		<u>(35,843,051)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 64,608,258</u></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, 2009**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ (1,442,496)**

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	3,769,180	
DEPRECIATION EXPENSE	<u>(2,696,770)</u>	
NET EFFECT OF REPORTING CAPITAL ASSETS		1,072,410

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 (2,018,617)

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>2,533,847</u>	
NET EFFECT OF REPORTING LONG-TEM DEBT		2,533,847

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	(323,781)	
NET CHANGE IN COMPENSATED ABSENCES ACCRUAL	(97,617)	
NET CHANGE IN OTHER POSTEMPLOYMENT BENEFITS	(495,000)	
NET CHANGE IN LANDFILL POSTCLOSURE CARE ACCRUAL	20,000	
NET CHANGE IN ACCRUED INTEREST ON LONG-TERM DEBT	<u>34,750</u>	
NET EFFECT OF RECORDING LONG-TERM LIABILITIES		<u>(861,648)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ (716,504)**

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
FISCAL YEAR ENDED JUNE 30, 2009**

	BUDGETED AMOUNTS		ACTUAL	
	ORIGINAL BUDGET	FINAL BUDGET	BUDGETARY AMOUNTS	VARIANCE OVER(UNDER)
<u>REVENUES:</u>				
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 26,919,994	\$ 26,919,994	\$ 26,985,196	\$ 65,202
MOTOR VEHICLE EXCISE TAXES	1,900,000	1,900,000	1,971,896	71,896
PENALTIES & INTEREST ON TAXES	95,000	95,000	116,299	21,299
INTERGOVERNMENTAL	4,249,212	4,041,414	4,053,383	11,969
INVESTMENT INCOME	350,000	350,000	291,362	(58,638)
DEPARTMENTAL AND OTHER	1,594,579	1,594,579	1,771,117	176,538
TOTAL REVENUES	35,108,785	34,900,987	35,189,253	288,266
<u>EXPENDITURES:</u>				
CURRENT:				
GENERAL GOVERNMENT	1,988,524	1,857,483	1,682,692	174,791
PUBLIC SAFETY	3,937,587	3,881,627	3,406,896	474,731
EDUCATION	20,526,137	20,516,138	20,514,836	1,302
PUBLIC WORKS	2,934,954	2,877,604	2,351,155	526,449
HUMAN SERVICES	269,750	319,750	267,398	52,352
CULTURE & RECREATION	737,022	722,022	719,303	2,719
EMPLOYEE BENEFITS	2,076,456	2,076,456	2,014,157	62,299
STATE & COUNTY ASSESSMENTS	141,907	141,907	140,747	1,160
DEBT SERVICE:				
PRINCIPAL	2,533,850	2,533,850	2,533,847	3
INTEREST	1,489,216	1,489,216	1,489,216	-
TOTAL EXPENDITURES	36,635,403	36,416,053	35,120,247	1,295,806
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,526,618)	(1,515,066)	69,006	1,584,072
<u>OTHER FINANCING SOURCES (USES):</u>				
OPERATING TRANSFERS IN	1,154,816	1,279,816	1,280,588	772
OPERATING TRANSFERS OUT	(703,129)	(839,681)	(839,681)	-
TOTAL OTHER FINANCING SOURCES (USES)	451,687	440,135	440,907	772
NET CHANGE IN FUND BALANCE	(1,074,931)	(1,074,931)	509,913	1,584,844
BUDGETARY FUND BALANCE, BEGINNING OF YEAR	1,841,490	1,841,490	1,841,490	-
BUDGETARY FUND BALANCE, END OF YEAR	\$ 766,559	\$ 766,559	\$ 2,351,403	\$ 1,584,844

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2009**

<u>ASSETS</u>	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			
	WATER/ SEWER	ELECTRIC	OTHER ENTERPRISE	TOTAL
CURRENT:				
CASH AND SHORT-TERM INVESTMENTS	\$ 525,001	\$ 422,056	\$ 51,578	\$ 998,635
USER FEES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:	277,001	2,127,261	58,051	2,462,313
INTERGOVERNMENTAL	44,818	1,381,710	-	1,426,528
SPECIAL ASSESSMENTS	348,244	-	-	348,244
OTHER ASSETS	-	2,535,502	-	2,535,502
PREPAID EXPENSES	-	311,924	-	311,924
TOTAL CURRENT ASSETS	1,195,064	6,778,453	109,629	8,083,146
NONCURRENT:				
RESTRICTED CASH AND SHORT-TERM INVESTMENTS:				
DEPRECIATION FUND	-	1,055,474	-	1,055,474
CUSTOMER DEPOSITS	-	118,116	-	118,116
RATE STABILIZATION FUND	-	1,418,036	-	1,418,036
CONSTRUCTION FUND	-	269,191	-	269,191
OTHER SPECIAL FUNDS	-	97,000	-	97,000
SPECIAL ASSESSMENTS	5,957,549	-	-	5,957,549
OTHER ASSETS	-	138,405	-	138,405
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	28,348,613	9,553,535	-	37,902,148
TOTAL NONCURRENT ASSETS	34,306,162	12,649,757	-	46,955,919
TOTAL ASSETS	35,501,226	19,428,210	109,629	55,039,065
<u>LIABILITIES</u>				
CURRENT:				
ACCOUNTS PAYABLE	338,174	3,309,838	26,260	3,674,272
OTHER LIABILITIES	-	264,348	-	264,348
ACCRUED INTEREST	66,193	-	-	66,193
BONDS AND NOTES PAYABLE	1,139,745	265,000	-	1,404,745
COMPENSATED ABSENCES	9,010	-	-	9,010
POST EMPLOYMENT BENEFITS	8,000	-	-	8,000
TOTAL CURRENT LIABILITIES	1,561,122	3,839,186	26,260	5,426,568
NONCURRENT:				
CUSTOMER DEPOSITS	-	118,116	-	118,116
RATE STABILIZATION RESERVE	-	2,507,628	-	2,507,628
BONDS AND NOTES PAYABLE	14,326,548	1,560,000	-	15,886,548
COMPENSATED ABSENCES	16,218	-	-	16,218
POST EMPLOYMENT BENEFITS	22,000	126,000	-	148,000
TOTAL NONCURRENT LIABILITIES	14,364,766	4,311,744	-	18,676,510
TOTAL LIABILITIES	15,925,888	8,150,930	26,260	24,103,078
<u>NET ASSETS</u>				
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	12,882,320	7,728,535	-	20,610,855
UNRESTRICTED	6,693,018	3,548,745	83,369	10,325,132
TOTAL NET ASSETS	\$ 19,575,338	\$ 11,277,280	\$ 83,369	\$ 30,935,987

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, 2009

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	WATER/ SEWER	ELECTRIC	OTHER ENTERPRISE	TOTAL
<u>OPERATING REVENUES:</u>				
CHARGES FOR SERVICES	\$ 3,659,778	\$ 15,503,487	\$ 941,416	\$ 20,104,681
DEPARTMENTAL AND OTHER	66,385	200,408	-	266,793
DONATIONS	119,175	-	-	119,175
TOTAL OPERATING REVENUES	<u>3,845,338</u>	<u>15,703,895</u>	<u>941,416</u>	<u>20,490,649</u>
<u>OPERATING EXPENSES:</u>				
GENERAL SERVICES	3,261,677	14,293,522	952,957	18,508,156
DEPRECIATION	<u>820,557</u>	<u>639,414</u>	<u>-</u>	<u>1,459,971</u>
TOTAL OPERATING EXPENSES	<u>4,082,234</u>	<u>14,932,936</u>	<u>952,957</u>	<u>19,968,127</u>
OPERATING INCOME (LOSS)	<u>(236,896)</u>	<u>770,959</u>	<u>(11,541)</u>	<u>522,522</u>
<u>NON-OPERATING REVENUES (EXPENSES):</u>				
INTERGOVERNMENTAL	720,929	1,381,710	-	2,102,639
INVESTMENT INCOME	-	61,939	189	62,128
DISASTER RECOVERY EXPENSES	(149,268)	(2,125,708)	-	(2,274,976)
INTEREST EXPENSE	<u>(704,813)</u>	<u>(61,378)</u>	<u>-</u>	<u>(766,191)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES), NET	<u>(133,152)</u>	<u>(743,437)</u>	<u>189</u>	<u>(876,400)</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	(370,048)	27,522	(11,352)	(353,878)
<u>OPERATING TRANSFERS:</u>				
OPERATING TRANSFERS IN	<u>136,552</u>	<u>-</u>	<u>-</u>	<u>136,552</u>
CHANGE IN NET ASSETS	(233,496)	27,522	(11,352)	(217,326)
NET ASSETS AT BEGINNING OF YEAR	<u>19,808,834</u>	<u>11,249,758</u>	<u>94,721</u>	<u>31,153,313</u>
NET ASSETS AT END OF YEAR	<u>\$ 19,575,338</u>	<u>\$ 11,277,280</u>	<u>\$ 83,369</u>	<u>\$ 30,935,987</u>

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FISCAL YEAR ENDED JUNE 30, 2009**

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	WATER/ SEWER	ELECTRIC	OTHER ENTERPRISE	TOTAL
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
RECEIPTS FROM CUSTOMERS AND USERS	\$ 4,149,707	\$ 14,314,527	\$ 938,210	\$ 19,402,444
PAYMENTS TO SUPPLIERS	(2,679,159)	(11,201,904)	(921,659)	(14,802,722)
PAYMENTS TO EMPLOYEES	(431,858)	(1,132,571)	(32,969)	(1,597,398)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,038,690	1,980,052	(16,418)	3,002,324
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
OPERATING TRANSFERS IN	136,552	-	-	136,552
DISASTER RECOVERY REVENUE	149,268	-	-	149,268
INTEREST EXPENSE	(149,268)	(5,549)	-	(154,817)
DISASTER RECOVERY EXPENSES		(2,125,708)	-	(2,125,708)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	136,552	(2,131,257)	-	(1,994,705)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
PROCEEDS FROM THE ISSUANCE OF BONDS AND NOTES	300,000	-	-	300,000
PRINCIPAL PAYMENTS ON BONDS AND NOTES	(941,937)	(265,000)	-	(1,206,937)
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(134,845)	(442,579)	-	(577,424)
INTEREST EXPENSE	(303,001)	(55,829)	-	(358,830)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES:	(1,079,783)	(763,408)	-	(1,843,191)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
RATE STABILIZATION RESERVE	-	53,938	-	53,938
INTEREST RECEIVED	-	61,939	189	62,128
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES:	-	115,877	189	116,066
NET INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS	95,459	(798,736)	(16,229)	(719,506)
CASH AND SHORT TERM INVESTMENTS - BEGINNING OF YEAR	429,542	4,178,609	67,807	4,675,958
CASH AND SHORT TERM INVESTMENTS - END OF YEAR	<u>\$ 525,001</u>	<u>\$ 3,379,873</u>	<u>\$ 51,578</u>	<u>\$ 3,956,452</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS)</u>				
<u>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>				
OPERATING INCOME (LOSS)	<u>\$ (236,896)</u>	<u>\$ 770,959</u>	<u>\$ (11,541)</u>	<u>\$ 522,522</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS)				
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
DEPRECIATION	820,557	639,414	-	1,459,971
(INCREASE) DECREASE IN ACCOUNTS RECEIVABLE	423,590	(415,815)	(3,206)	4,569
(INCREASE) DECREASE IN SPECIAL ASSESSMENTS	(47)	-	-	(47)
(INCREASE) DECREASE IN PREPAID EXPENSES	-	(166,485)	-	(166,485)
(INCREASE) DECREASE IN OTHER ASSETS	-	(1,050,636)	-	(1,050,636)
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	1,105	1,993,940	(1,671)	1,993,374
INCREASE (DECREASE) IN OTHER LIABILITIES	-	82,675	-	82,675
INCREASE (DECREASE) IN COMPENSATED ABSENCES PAYABLE	381	-	-	381
INCREASE (DECREASE) IN POST EMPLOYMENT BENEFITS	30,000	126,000	-	156,000
TOTAL ADJUSTMENTS	1,275,586	1,209,093	(4,877)	2,479,802
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 1,038,690</u>	<u>\$ 1,980,052</u>	<u>\$ (16,418)</u>	<u>\$ 3,002,324</u>

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2009**

	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS
<u>ASSETS</u>		
CASH AND SHORT-TERM INVESTMENTS	\$ 44,279	\$ 210,550
<u>LIABILITIES</u>		
ACCOUNTS PAYABLE	-	155,670
OTHER LIABILITIES	-	54,880
TOTAL LIABILITIES	-	210,550
<u>NET ASSETS</u>		
HELD IN TRUST FOR OTHER PURPOSES	\$ 44,279	\$ -

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, 2009**

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
<u>ADDITIONS:</u>	
CONTRIBUTIONS:	
PRIVATE DONATIONS	\$ 12,427
NET INVESTMENT INCOME (LOSS):	
INVESTMENT INCOME	<u>1,116</u>
TOTAL ADDITIONS	<u>13,543</u>
<u>DEDUCTIONS:</u>	
EDUCATION	1,000
HUMAN SERVICES	<u>5,916</u>
TOTAL DEDUCTIONS	<u>6,916</u>
CHANGE IN NET ASSETS	6,627
NET ASSETS AT BEGINNING OF YEAR	<u>37,652</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 44,279</u></u>

See accompanying notes to the basic financial statements

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

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	\$ 19,988,593
Montachusett Regional Vocational Technical School District	To provide grades 9-12 Vocational and Technical Educational Services	1050 Westminster St. Fitchburg, MA 01420	\$ 526,243

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 44.02% equity interest in the joint venture.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

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 11.11% 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 activities) 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, 2009

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, capital leases, other post-employment benefits (*OPEB*), and landfill post-closure care costs which are recognized when the obligations are expected to be liquidated with current expendable available resources.

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.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

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 funds:

- 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 *Public Safety Building fund* is a capital project fund used to account for the construction costs of the public safety building.

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.

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.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

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.

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.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

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 monthly 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.

Special Assessments

Governmental activities special assessments consist primarily of apportioned sewer betterments and are recorded as receivables in the fiscal years 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.

Departmental and Other

Departmental and other receivables consist primarily of ambulance receivables and are recorded as receivables in the fiscal year accrued. The allowance for uncollectibles for the ambulance receivables is estimated based on historical trends and specific account analysis.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

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, infrastructure (e.g., water mains, sewer mains, roadways, and similar items), and construction in progress 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, 2009

Capital assets of the Municipal Light Plant are depreciated at an annual rate of 3%.

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.

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.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

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 of Massachusetts 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 purposes* represent 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.

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.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Fund balances have been designated for the following:

- *Subsequent year's expenditures* represents amounts appropriated for the fiscal year 2010 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.

Government-Wide and Proprietary Fund Financial Statements

The total amount to be paid in future years is presented in the government-wide and proprietary funds 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).

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

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%, or 80% 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, 2009, this expense/expenditure totaled approximately \$406,787. There were approximately 112 retirees receiving health and/or life insurance benefits as of June 30, 2009.

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, 2009

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 governmental activity, i.e.; general government, public safety, education, public works etc...

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 2009 approved budget authorized \$36,210,472 in current year appropriations and other amounts to be raised and \$424,931 in encumbrances and appropriations carried over from previous fiscal years. Supplemental budget reductions of \$219,350 were approved at two Special Town Meetings during fiscal year 2009.

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, 2009, is presented below:

Net change in fund balance - budgetary basis	\$ 509,913
Basis of accounting differences:	
Increase in revenue for on-behalf payments - MTRS	551,478
Increase in expenditures for on-behalf payments - MTRS	(551,478)
Increase in revenue for the MWPAT subsidy	2,400
Increase in expenditures for the MWPAT subsidy	<u>(2,400)</u>
Net change in fund balance - GAAP basis	<u><u>\$ 509,913</u></u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

C. Deficit Fund Balances

Several individual fund deficits exist within the special revenue funds. These deficits will be eliminated through subsequent fiscal year budget transfers or grant proceeds during fiscal year 2010.

NOTE 3 – DEPOSITS AND INVESTMENTS

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.

Deposits

▪ *Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of bank failure, the Town's deposits may not be returned. Massachusetts General Law Chapter 44, Section 55, limits the deposits "in a bank or trust company, or banking company to an amount not exceeding sixty percent (60%) of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The Town does not have a formal deposit policy for custodial credit risk. The Town carries deposits that are fully insured by the Federal Deposit Insurance Corporation (FDIC) or are collateralized with securities held by the Town or the Town's agent in the Town's name. The Town also carries deposits that are uninsured, uncollateralized, or collateral held by the pledging bank's trust department not in the Town's name.

The following table illustrates how much of the Town's bank deposits are insured or collateralized, and how much of the Town's bank deposits are uninsured, uncollateralized, or collateral held by the pledging bank's trust department not in the Town's name as of June 30, 2009:

Total bank balances		<u><u>\$ 8,575,991</u></u>
Bank balances covered by deposit insurance		
Federal Deposit Insurance Corporation (FDIC)	<u>828,830</u>	
Total bank balances covered by deposit insurance		828,830
Balances subject to custodial credit risk		
Bank balances uninsured & uncollateralized	<u>7,747,161</u>	
Total bank balances subject to custodial credit risk		<u><u>7,747,161</u></u>
Total bank balances		<u><u>\$ 8,575,991</u></u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

On October 3, 2008, FDIC deposit insurance temporarily increased from \$100,000 to \$250,000 per depositor through December 31, 2009. This temporary increase in coverage has recently been extended through December 31, 2013.

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.

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.

- *Credit Risk*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Law Chapter 44, Section 55, limits the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs). Presented below is the actual rating as of year end for each investment type of the Town.

Investment type	Fair value	Minimum Legal Rating	Rating as of Year End				
			AAA	AA+	A	BBB+	Unrated
U.S. Government & Agency Securities	\$ 2,391,436	N/A	\$ 2,391,436	\$ -	\$ -	\$ -	\$ -
Corporate Bonds	372,313	N/A	-	155,402	52,747	164,164	-
Certificate of Deposit	725,665	N/A	-	-	-	-	725,665
Mutual Funds	107,668	N/A	-	-	-	-	107,668
Common stock	9,262	N/A	-	-	-	-	9,262
Asset Backed Securities	5,268	N/A	-	-	-	-	5,268
Total Investments	<u>\$ 3,611,612</u>		<u>\$ 2,391,436</u>	<u>\$ 155,402</u>	<u>\$ 52,747</u>	<u>\$ 164,164</u>	<u>\$ 847,863</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

- *Custodial Credit Risk*

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in possession of an outside party. The Town has no custodial credit risk exposure related to the U.S. Government and Agency Securities, asset backed securities, or the corporate equities because the related securities are registered in the name of the Town. The mutual fund investments are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The certificates of deposit are not exposed to custodial credit risk as they are fully insured by the FDIC.

The Town does not have an investment policy for custodial credit risk.

- *Interest Rate Risk*

Interest rate risk is the risk of changes in market interest rates which will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the risk of its fair value to change with the market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows:

Investment type	Fair value	Investment maturities (in years)		
		Less than 1	1-5	6-10
<i>Debt Related Securities:</i>				
U.S. Government & Agency	\$ 2,391,436	\$ -	\$ 2,289,401	\$ 102,035
Corporate Bonds	372,313	-	372,313	-
Asset Backed Securities	5,268	-	5,268	-
Total - Debt related securities	\$ 2,769,017	\$ -	\$ 2,666,982	\$ 102,035
<i>Other Investments:</i>				
Certificate of Deposit	725,665	224,710	500,955	-
Mutual Funds	107,668	107,668	-	-
Common Stock	9,262	9,262	-	-
Total Other Investments	842,595	341,640	500,955	-
Total Investments	\$ 3,611,612	\$ 341,640	\$ 3,167,937	\$ 102,035

- *Concentration of Credit Risk*

The Town places no limit on the amount the government may invest in any one issuer. The Town did not hold more than 5% of its investments in any one issuer.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 4 – RECEIVABLES

The receivables at June 30, 2009 for the Town's individual major and nonmajor governmental 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	\$ 308,687	\$ (10,500)	\$ 298,187
Tax liens	450,487	-	450,487
Motor vehicle excise taxes	122,736	(18,500)	104,236
Special assessments	16,121	-	16,121
Departmental and other	17,219	-	17,219
Intergovernmental	22,188,427	-	22,188,427
 Total	 <u>\$ 23,103,677</u>	 <u>\$ (29,000)</u>	 <u>\$ 23,074,677</u>

The receivables at June 30, 2009, (electric light at December 31, 2008) for the enterprise funds consist of the following:

Receivables:	Gross Amount	Allowance for Uncollectibles	Net Amount
<i>Water and Sewer</i>			
User fees	\$ 277,001	\$ -	\$ 277,001
Special Assessments	6,305,793	-	6,305,793
Intergovernmental	44,818	-	44,818
 <i>Other Enterprise - Trash</i>			
User fees	58,051	-	58,051
 <i>Electric Light</i>			
User fees	2,210,261	(83,000)	2,127,261
Intergovernmental	1,381,710	-	1,381,710
 Total	 <u>\$ 10,277,634</u>	 <u>\$ (83,000)</u>	 <u>\$ 10,194,634</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

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	\$ 78,064	\$ -	\$ 78,064
Tax Liens	450,487	-	450,487
Motor vehicle excise taxes	104,236	-	104,236
Special Assessments	-	16,121	16,121
Departmental and other	17,219	-	17,219
Intergovernmental	20,580,956	1,393,344	21,974,300
Total	<u>\$ 21,230,962</u>	<u>\$ 1,409,465</u>	<u>\$ 22,640,427</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 2,688,094	\$ -	\$ -	\$ 2,688,094
Construction in progress	237,216	2,052,578	-	2,289,794
Total capital assets not being depreciated	2,925,310	2,052,578	-	4,977,888
<i>Capital assets being depreciated:</i>				
Buildings and improvements	40,036,011	-	-	40,036,011
Capital improvements (other than buildings)	1,611,920	98,182	-	1,710,102
Machinery and equipment	1,657,741	436,874	-	2,094,615
Vehicles	3,842,243	306,413	(49,943)	4,098,713
Infrastructure	52,563,018	875,133	-	53,438,151
Total capital assets being depreciated	99,710,933	1,716,602	(49,943)	101,377,592
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(11,606,247)	(944,196)	-	(12,550,443)
Capital improvements (other than buildings)	(333,834)	(53,547)	-	(387,381)
Machinery and equipment	(961,440)	(139,064)	-	(1,100,504)
Vehicles	(2,362,561)	(265,297)	49,943	(2,577,915)
Infrastructure	(24,042,885)	(1,294,666)	-	(25,337,551)
Total accumulated depreciation	(39,306,967)	(2,696,770)	49,943	(41,953,794)
Total capital assets being depreciated, net	60,403,966	(980,168)	-	59,423,798
Total governmental activities capital assets, net	<u>\$ 63,329,276</u>	<u>\$ 1,072,410</u>	<u>\$ -</u>	<u>\$ 64,401,686</u>

Construction Commitment

The Town has an active construction project as of June 30, 2009. At year end the Town's commitment was as follows:

Project	Spent to Date	Remaining Commitment
Public Safety Facility	<u>\$ 966,095</u>	<u>\$ 9,244,405</u>

The Public Safety Facility Project has been funded through the issuance of long term debt. The amount spent to date and the remaining commitment relate only to contracts with the general contractor and the architect.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Business-Type Activities: (Water & Sewer Enterprise)	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 432,548	\$ -	\$ -	\$ 432,548
Total capital assets not being depreciated	432,548	-	-	432,548
<i>Capital assets being depreciated:</i>				
Buildings and improvements	7,917,262	-	-	7,917,262
Capital improvements (other than buildings)	1,158,968	-	-	1,158,968
Machinery and equipment	866,195	15,670	-	881,865
Vehicles	318,071	-	-	318,071
Infrastructure	26,966,230	119,175	-	27,085,405
Total capital assets being depreciated	37,226,726	134,845	-	37,361,571
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(2,176,932)	(166,406)	-	(2,343,338)
Capital improvements (other than buildings)	(226,225)	(55,249)	-	(281,474)
Machinery and equipment	(383,513)	(66,079)	-	(449,592)
Vehicles	(266,444)	(15,371)	-	(281,815)
Infrastructure	(5,571,835)	(517,452)	-	(6,089,287)
Total accumulated depreciation	(8,624,949)	(820,557)	-	(9,445,506)
Total capital assets being depreciated, net	28,601,777	(685,712)	-	27,916,065
Total business-type activities capital assets, net	\$ 29,034,325	\$ (685,712)	\$ -	\$ 28,348,613

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Capital asset activity for the *electric light plant* at December 31, 2008 was as follows:

Business-Type Activities: (Light Plant Enterprise)	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 72,500	\$ -	\$ -	\$ 72,500
Construction in progress	28,683	90,673	(28,683)	90,673
Total capital assets not being depreciated	101,183	90,673	(28,683)	163,173
<i>Capital assets being depreciated:</i>				
Distribution Plant	16,379,874	335,783	25,966	16,741,623
General Plant	4,933,915	16,123	-	4,950,038
Total capital assets being depreciated	21,313,789	351,906	25,966	21,691,661
<i>Less accumulated depreciation for:</i>				
Distribution Plant	(9,626,017)	(489,726)	2,717	(10,113,026)
General Plant	(2,038,585)	(149,688)	-	(2,188,273)
Total accumulated depreciation	(11,664,602)	(639,414)	2,717	(12,301,299)
Total capital assets being depreciated, net	9,649,187	(287,508)	28,683	9,390,362
Total business-type activities capital assets, net	\$ 9,750,370	\$ (196,835)	\$ -	\$ 9,553,535

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

Governmental Activities:	
General government	\$ 68,775
Public safety	200,430
Education	824,257
Public works	1,413,556
Human services	48,726
Culture and recreation	141,026
Total depreciation expense - governmental activities	\$ 2,696,770
Business-Type Activities:	
Water and Sewer	\$ 820,557
Electric light - (December 31, 2008)	639,414
Total depreciation expense - business-type activities	\$ 1,459,971

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 6 – CAPITAL LEASES

The Town has entered into several lease agreements as lessee for financing the acquisition of an ambulance and related equipment and a tractor for the public works department. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception dates.

The assets acquired through the capital leases are as follows:

	<u>Governmental Activities</u>
Assets:	
Vehicles	\$ 165,554
Machinery & Equipment	138,682
Less: Accumulated depreciation	<u>(15,972)</u>
	<u><u>\$ 288,264</u></u>

The future minimum lease obligations and the net present values of the minimum lease payments as of June 30, 2009, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2010	\$ 104,015
2011	104,014
2012	104,014
2013	19,150
2014	<u>19,150</u>
Total minimum lease payments	350,343
Less: amounts representing interest	<u>(26,562)</u>
Present value of minimum lease payments	<u><u>\$ 323,781</u></u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 7 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2009, are summarized as follows:

Operating Transfers Out:	Operating Transfers In:			Total
	General Fund	Nonmajor Governmental Funds	Water/Sewer Enterprise Fund	
Nonmajor Governmental Funds	\$ 1,279,816	\$ -	\$ -	\$ 1,279,816 (1)
Nonmajor Governmental Funds	772	-	-	772 (3)
General Fund	-	703,129	136,552	839,681 (2)
Total	<u>\$ 1,280,588</u>	<u>\$ 703,129</u>	<u>\$ 136,552</u>	<u>\$ 2,120,269</u>

- (1) Represents various budgeted transfers to supplement the operating budget
(2) Represents various budgeted transfers from the general fund to various funds.
(3) Represents other transfers to the general fund.

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.

The following is a summary of changes in short-term debt for the year ended June 30, 2009:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2008	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2009
BAN	2008 Ice Storm	1.50%	12/15/2009	<u>\$ -</u>	<u>\$ 1,000,000</u>	<u>\$ -</u>	<u>\$ 1,000,000</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

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, 2009:

Bonds and Notes Payable Schedule -Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2008	Issued	Redeemed	Outstanding at June 30, 2009
General Obligation	4.75	\$ 425,000	\$ -	\$ 265,000	\$ 160,000
Title V	Var.	46,079	-	3,847	42,232
Senior Center	5.15	300,000	-	150,000	150,000
School	5.64	2,965,000	-	1,440,000	1,525,000
School - Refunding	4.12	22,265,000	-	185,000	22,080,000
School	3.64	720,000	-	45,000	675,000
Outdoor Recreation	3.64	1,845,000	-	150,000	1,695,000
School Construction	2.67	75,000	-	15,000	60,000
School Construction	3.00	20,000	-	20,000	-
Public Safety Building	3.90	8,000,000	-	260,000	7,740,000
Total		<u>\$ 36,661,079</u>	<u>\$ -</u>	<u>\$ 2,533,847</u>	<u>\$ 34,127,232</u>

The annual debt service requirements for principal and interest for Governmental bonds and notes outstanding at June 30, 2009 are as follows:

Fiscal Year	Principal	Interest	Total
2010	\$ 2,413,847	\$ 1,379,816	\$ 3,793,663
2011	2,378,873	1,266,925	3,645,798
2012	2,473,873	1,175,537	3,649,410
2013	2,578,873	1,080,271	3,659,144
2014	2,628,873	981,685	3,610,558
2015-2019	14,554,089	3,242,162	17,796,251
2020-2024	4,928,804	824,148	5,752,952
2025-2028	2,170,000	221,400	2,391,400
Total	<u>\$ 34,127,232</u>	<u>\$ 10,171,944</u>	<u>\$ 44,299,176</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Bonds and Notes Payable Schedule -Water and Sewer Enterprise Fund

Project	Interest Rate (%)	Outstanding at June 30, 2008	Issued	Redeemed	Outstanding at June 30, 2009
Water Wells	4.98	\$ 815,000	\$ -	\$ 85,000	\$ 730,000
MWPAT Drinking Water	Var.	1,406,406	-	87,987	1,318,419
Water	3.64	750,000	-	50,000	700,000
Water	3.64	1,950,000	-	130,000	1,820,000
Water Meters	2.67	550,000	-	110,000	440,000
MWPAT Drinking Water	Var.	620,363	-	33,255	587,108
MWPAT Drinking Water	Var.	630,344	-	33,622	596,722
MWPAT Drinking Water	Var.	2,103,577	-	107,667	1,995,910
MWPAT Drinking Water	2.00	850,225	-	39,636	810,589
MWPAT Sewer Construction	Var.	2,258,355	-	143,294	2,115,061
MWPAT Sewer Construction	Var.	3,206,359	-	172,218	3,034,141
MWPAT Sewer Connections	Var.	422,483	-	32,556	389,927
MWPAT Sewer Connections	Var.	667,801	-	39,385	628,416
Water/Engineering	4.25	-	300,000	-	300,000
Total		<u>\$ 16,230,913</u>	<u>\$ 300,000</u>	<u>\$ 1,064,620</u>	<u>\$ 15,466,293</u>

The annual debt service requirements for principal and interest for water and sewer enterprise fund bonds and notes outstanding at June 30, 2009 are as follows:

Fiscal Year	Principal	Interest	Total
2010	\$ 1,139,745	\$ 680,749	\$ 1,820,494
2011	1,155,781	637,925	1,793,706
2012	1,174,588	589,407	1,763,995
2013	1,191,141	535,120	1,726,261
2014	1,125,953	465,206	1,591,159
2015-2019	5,458,015	1,562,068	7,020,083
2020-2024	4,072,850	386,495	4,459,345
2025-2026	148,220	3,165	151,385
Total	<u>\$ 15,466,293</u>	<u>\$ 4,860,135</u>	<u>\$ 20,326,428</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Bonds and Notes Payable Schedule – Electric Light Plant Enterprise Fund (December 31, 2008)

<u>Project</u>	<u>Interest Rate (%)</u>	<u>Outstanding at December 31, 2007</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at December 31, 2008</u>
Substation	3.375/3.50	<u>\$ 2,090,000</u>	<u>\$ -</u>	<u>\$ 265,000</u>	<u>\$ 1,825,000</u>

The annual debt service requirements for principal and interest for electric light plant enterprise fund bond outstanding at December 31, 2008 are as follows:

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 265,000	\$ 53,245	\$ 318,245
2010	260,000	45,370	305,370
2011	260,000	37,570	297,570
2012	260,000	29,607	289,607
2013	260,000	21,320	281,320
2014-2015	<u>520,000</u>	<u>17,320</u>	<u>537,320</u>
Total	<u>\$ 1,825,000</u>	<u>\$ 204,432</u>	<u>\$ 2,029,432</u>

Loan Authorized and Unissued

As of June 30, 2009, the Town has loans authorized and unissued as follows:

<u>Description</u>	<u>Date Authorized</u>	<u>Amount</u>
Land Acquisition	9/20/2004	\$ 325,000
Public Safety Building	3/10/2008	7,500,000
Water System Projects	3/31/2009	2,473,750
Ice Storm Costs	3/31/2009	3,600,000
Fire Truck Purchase	5/18/2009	<u>200,000</u>
		<u>\$ 14,098,750</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2009 (electric light as of December 31, 2008):

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable	\$ 36,661,079	\$ -	\$ (2,533,847)	\$ 34,127,232	\$ 2,413,847
Compensated absences	539,421	97,617	-	637,038	239,447
Landfill postclosure care costs	280,000	-	(20,000)	260,000	20,000
Capital lease payable	-	323,781		323,781	95,996
OPEB (Note 11)	-	495,000	-	495,000	391,000
Total governmental activities long-term liabilities	<u>\$ 37,480,500</u>	<u>\$ 916,398</u>	<u>\$ (2,553,847)</u>	<u>\$ 35,843,051</u>	<u>\$ 3,160,290</u>
Business-Type Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable - water/sewer	\$ 16,230,913	\$ 300,000	\$ (1,064,620)	\$ 15,466,293	\$ 1,139,745
Bonds and notes payable - electric light	2,090,000	-	(265,000)	1,825,000	265,000
Compensated absences	24,847	381	-	25,228	9,010
Customer deposits - electric light	112,014	6,102	-	118,116	-
Rate stabilization reserve - electric light	2,453,690	53,938	-	2,507,628	-
OPEB - water/sewer (Note 11)	-	30,000	-	30,000	8,000
OPEB - electric light (Note 11)	-	126,000	-	126,000	-
Total business-type activities long-term liabilities	<u>\$ 20,911,464</u>	<u>\$ 516,421</u>	<u>\$ (1,329,620)</u>	<u>\$ 20,098,265</u>	<u>\$ 1,421,755</u>

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

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

Massachusetts School Building Authority 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 2001 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 Massachusetts School Building Authority (MSBA) 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 \$1,870,996 from scheduled annual payments in FY 2009 from the MSBA for completed school construction projects.

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, 2009:

<u>Agency</u>	<u>Total Long-Term Debt Outstanding</u>	<u>Town's Estimated Share</u>	<u>Town's Indirect Debt</u>
Wachusett Regional School District			
Bonds	\$ 25,745,000	44.02%	\$ 11,332,949
Bond Anticipation Notes	3,661,456	44.02%	1,611,773
	<u>29,406,456</u>		<u>12,944,722</u>
Montachusett Regional Vocational Technical School District	<u>10,537,000</u>	11.11%	<u>1,170,661</u>
	<u>\$ 39,943,456</u>		<u>\$ 14,115,383</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

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 \$28,295,312. 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 2009.

The Town has two contributory health care options for its employees. There are 125 active employees and 112 retirees who participate in the Town's health care programs. For active employees, the Town contributes 80% of the premium costs for both family and individual plans. For retirees, the Town contributes 74% of the premium costs for the senior HMO plans (Fallon Senior Plan and Medicare HMO Blue) and 50% of the premium costs for the Blue Cross Medex and Fallon 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 2009.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 11 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, requires the following disclosures with regard to the retiree medical, dental, and life insurance benefits:

Plan Description. Town of Holden Post Retirement Benefits Plan (“the Plan”) is a single-employer defined benefit healthcare plan administered by the Town of Holden. The plan provides medical, dental and life insurance benefits to eligible retirees and their spouses. Town meeting vote is the authority to establish and amend benefit provisions to the Town. The Town has accepted various sections of Massachusetts General laws Chapter 32B to provide ½ of the premium cost of retirees’ health and life insurance costs.

As of July 1, 2008, the plan’s membership consisted of the following:

Current retirees, beneficiaries, and dependents	108
Current active members	<u>134</u>
Totals	<u><u>242</u></u>

Funding Policy. The contribution requirements of plan members and the Town are established and may be amended by local by-law. The required contribution is based on projected pay-as-you-go financing requirements. For Fiscal Year 2009, total Town premiums plus implicit costs for the retiree medical program were approximately \$450,000.

Annual OPEB Cost and Net OPEB Obligation. The Town’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASBS No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town’s annual OPEB cost, according to the actuarial report dated November 2008.

	Governmental Activities	Business-Type activities - Enterprise Funds			Primary Government Total
		Water/Sewer	Light	Total	
Annual required contribution	\$ 886,000	\$ 38,000	\$ 177,000	\$ 215,000	\$ 1,101,000
Contributions made	(391,000)	(8,000)	(51,000)	(59,000)	(450,000)
Increase in net OPEB obligation	495,000	30,000	126,000	156,000	651,000
Net OPEB obligation - beginning of year	-	-	-	-	-
Net OPEB obligation - end of year	<u>\$ 495,000</u>	<u>\$ 30,000</u>	<u>\$ 126,000</u>	<u>\$ 156,000</u>	<u>\$ 651,000</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2007	N/A	N/A	N/A
6/30/2008	N/A	N/A	N/A
6/30/2009	\$ 1,101,000	41.00%	\$ 651,000

Funded Status and Funding Progress- The funded status of the Plan as of the most recent actuarial valuation date, July 1, 2008, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b - a)/c]
7/1/2008	\$ -	\$ 10,653,000	\$ 10,653,000	0.0%	\$ 8,105,000	131.0%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

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

The following additional information is provided as of the latest actuarial valuation:

Actuarial Assumptions and Actuarial Cost Method

Valuation date	December 31, 2007
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	level dollar amount
Amortization period	30 years, open
Asset valuation method	Market value
Actuarial assumptions:	
Investment Rate of return	5.00%
Medical Trend	10.5% grading down to 5.00% in year 2013 and thereafter

NOTE 12 – 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.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

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 Town’s contributions to the “System” for years ended June 30, 2009, 2008, and 2007 were \$669,521, \$523,789, and \$498,342 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 \$551,478 for fiscal year 2009. In accordance with GASB Statement No. 24, these on-behalf” payments have been recorded in the general fund as intergovernmental revenues and pension expenditures.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2009, these programs are still subject to financial and compliance audits. The amount, if any, 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 (13 years remaining), and the estimated liability has been recorded in the Statement of Net Assets, Governmental Activities. The \$260,000 reported as landfill post-closure liability at June 30, 2009 is based on what it would cost to perform all post-closure care costs at June 30, 2009. 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, 2009, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2009.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 14 - MMWEC PARTICIPATION AND CONTINGENT LIABILITIES

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 entities 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.

MMWEC has issued separate issues of revenue 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.F. Wyman Unit No.4 plant, which is operated and owned by its majority owner, FPL Energy Wyman IV, LLC, an indirect subsidiary of NextEra Energy Resources LLC (formerly FPL Energy LLC), and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit, operated by Dominion Nuclear Connecticut, Inc. (DNCI), the majority owner and an indirect subsidiary of Dominion Resources, Inc. DNCI also owns and operates the Millstone Unit 2 nuclear unit. The operating license for the Millstone Unit 3 nuclear unit extends to November 25, 2045.

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 NextEra Energy Seabrook, LLC (NextEra Seabrook) (formerly FPL Energy Seabrook LLC), the majority owner and an indirect subsidiary of NextEra Energy Resources LLC (formerly FPL Energy LLC). The operating license for Seabrook Station extends to March, 2030. NextEra Seabrook has stated its intention to request an extension of the Seabrook Station operating license beyond March 2030.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

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 (Act). Originally enacted in 1957, the Act has been renewed several times. In July 2005, as part of the Energy Policy Act of 2005, Congress extended the Act until the end of 2025.

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 all 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).

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

Seven municipal light departments that are Participants under PSAs with MMWEC have submitted a demand for arbitration of a dispute relating to charges under the PSAs. MMWEC cannot predict the outcome of the arbitration demand, but in the opinion of MMWEC management, it will not have a material adverse effect on the financial position of MMWEC.

After the July 1, 2009 principal payment, total capital expenditures for MMWEC's Projects amounted to \$1,553,974,000, of which \$48,366,000 represents the amount associated with the Department's share of Project Capability of the Projects in which it participates, although such amount is not allocated to the Department. MMWEC's debt outstanding for the Projects includes Power Supply System Revenue Bonds totaling \$570,245,000, of which \$17,211,000 is associated with the Department's share of Project Capability of the Projects in which it participates, although such amount is not allocated to the Department. After the July 1, 2009 principal payment, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$614,973,000, of which \$18,666,000 is anticipated to be billed to the Department in the future.

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 June 30, 2009 and estimated for future years is shown below.

<u>For years ended June 30,</u>	<u>Annual Costs</u>
2010	\$ 2,455,000
2011	2,419,000
2012	2,415,000
2013	2,406,000
2014	2,295,000
2015 to 2019	<u>6,676,000</u>
	<u>\$ 18,666,000</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

In addition, under the PSAs, the Department is required to pay to MMWEC its share of the Operation and Maintenance (O&M) costs of the Projects in which it participates. The Department's total O&M costs including debt service under the PSAs were \$5,873,000 and \$5,620,000 for the years ended June 30, 2009 and 2008, respectively.

NOTE 15 – PURCHASED POWER WORKING CAPITAL

The purchased power working capital is an amount held by Massachusetts Municipal Wholesale Electric Company (MMWEC), our power supply agent. The implementation of the Working Capital Program began August 1, 1985. MMWEC Participants approved certain working capital amendments to the various power purchase agreements. MMWEC requires that they hold a set amount of capital from which it may pay our power obligations when they are due. They replenish the fund as needed from our monthly invoice payments. The income earned allocated to the Light Department will be applied as a credit to MMWEC Power Sales Billing. The balance in the Fund as of December 31, 2008 and 2007 is \$1,336,047 and \$1,319,671, respectively.

NOTE 16 – DEPRECIATION FUND

Pursuant to provisions of the Commonwealth's General Laws, cash in an amount equivalent to the annual depreciation expense is transferred from unrestricted funds to the depreciation fund. Interest earned on the balance of the fund must also remain in the fund. Such cash may be used for the cost of plant, nuclear decommissioning costs, the costs of contractual commitments, and deferred costs related to such commitments which the Municipal Light Board determines are above market value.

NOTE 17 – RATE STABILIZATION

The rate stabilization fund was created as an aftermath of deregulation. These funds are for unexpected escalation in costs, such as the decommissioning of nuclear power plants before the end of their operating license, unusual price spikes in fuel prices and transmission cost increases. We will also use this fund to help us maintain our competitive position when the investor-owned utilities are no longer collecting their stranded costs several years down the line. Our rate stabilization fund balances at December 31, 2008 and 2007 were \$1,418,036 and \$1,614,097, respectively.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 18 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2009, the following GASB pronouncements were implemented:

The GASB issued **Statement #45**, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was implemented in Fiscal 2009. This pronouncement requires additional disclosure and does impact the basic financial statements (See **Note 11** and required supplementary information (RSI)).

The GASB issued **Statement #49**, *Accounting and Financial Reporting for Pollution Remediation Obligations* was implemented in FY2009. Since the Town does not have any pollution remediation obligations, this pronouncement does not impact the basic financial statements.

The GASB issued **Statement #52**, *Land and Other Real Estate Held as Investments by Endowments* was implemented in FY2009. The standards in this statement require all investments in land and real estate in permanent and similar funds to be reported at fair value. Since the Town does not possess any assets covered by this standard, this pronouncement does not impact the basic financial statements.

Future GASB Pronouncements:

The GASB issued **Statement #51**, *Accounting and Financial Reporting for Intangible Assets* which is required to be implemented in FY2010. Management believes this pronouncement will require additional disclosure, but will not have a material impact on the basic financial statements.

The GASB issued **Statement #53**, *Accounting and Financial Reporting for Derivative Instruments* which is required to be implemented in FY2010. The Town does not invest in derivative instruments. Therefore, management believes this pronouncement will not require additional disclosure and will not have a material impact on the basic financial statements.

The GASB issued **Statement #54**, *Fund Balance Reporting and Governmental Fund Type Definitions* which is required to be implemented in FY2011. This standard provides definitions and guidance in order to provided clearer fund balance classifications. Management believes this pronouncement will require additional disclosure and reclassify/redefine some fund balances in the basic financial statements.

**TOWN OF HOLDEN, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS**

Schedules of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b - a)/c]
7/1/2008	\$ -	\$ 10,653,000	\$ 10,653,000	0.0%	\$ 8,105,000	131.0%

Schedule of Employer Contributions

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed *	Net OPEB Obligation
2009	\$1,101,000	41.0%	\$ 651,000

(1) A three-year display will be shown on a go forward basis.

* Based on expected premium payments.

Actuarial Methods:

Actuarial assumptions:

Investment Rate of return	5.00%
Medical Trend	10.5% grading down to 5.00% in year 2013 and thereafter

Mortality rates:

Males	RP-2000 Table for Males
Females	RP-2000 Table for Females

Plan Membership:

Current retirees, beneficiaries, and dependents	108
Current active members	<u>134</u>
Total	<u><u>242</u></u>