

TOWN OF HOLDEN, MASSACHUSETTS

**REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS**

JUNE 30, 2010

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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, 2010, (except for the financial statements of the Holden Electric Light Department which are as of December 31, 2009) 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. The financial statements of the Holden Electric Light Department were not audited in accordance with *Government Auditing Standards*. 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, 2010, (except for the Holden Electric Light Department which are as of December 31, 2009) and the respective changes in financial position and, where applicable, cash flows 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 4, 2011, 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 **16**, and other post employment benefits information: schedules of funding progress and employer contributions on pages **67** through **68** 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 4, 2011

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, 2010. 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, 2010, 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.

Overall, both revenues and expenditures are lower than they were in the prior year. The FY2009 financial statements reflected expenses and FEMA reimbursements received in connection with the December 2008 ice storm event.

In FY 2010 the Emergency Medical Service (EMS) completed the first full year of operations resulting in an increase in revenue from charges for services. Additionally, a federal assistance to firefighters grant was awarded to assist with the purchase of a new fire truck increasing revenue from capital grants and increasing capital expenditures. The continued construction of the public safety complex and the purchase of a second new fire truck also increased capital expenses and capital assets during FY2010.

Total revenue for the year for all funds was \$58.4 million - \$0.7 million or 1.1% less than the total revenue for the fiscal year ended June 30, 2009.

	Fiscal Year Ended June 30, 2010	% Total	Fiscal Year Ended June 30, 2009	% Total
Property taxes	\$ 27,820,531	47.65%	\$ 27,030,682	45.77%
Motor vehicle excise	1,956,399	3.35%	1,947,206	3.30%
Penalties and interest	128,230	0.22%	116,299	0.20%
Payments in lieu of taxes	1,058,582	1.81%	960,490	1.63%
Charges for services	21,806,985	37.35%	21,359,380	36.17%
Operating grants and contributions	2,463,417	4.22%	3,886,710	6.58%
Capital grants and contributions	970,186	1.66%	1,029,359	1.74%
Nonrestricted grants and contributions	1,850,015	3.17%	2,335,469	3.95%
Unrestricted investment income and other	331,583	0.57%	386,939	0.66%
Total revenue	<u>\$ 58,385,928</u>	<u>100.00%</u>	<u>\$ 59,052,534</u>	<u>100.00%</u>

Total expenses for the year for all funds was \$58.3 million - \$1.7 million or 2.8% less than the total expenditures for the fiscal year ended June 30, 2009.

	Fiscal Year Ended June 30, 2010	% Total	Fiscal Year Ended June 30, 2009	% Total
General government	\$ 2,120,803	3.64%	\$ 1,899,914	3.17%
Public safety	4,098,689	7.03%	3,529,682	5.88%
Education	21,221,699	36.38%	21,339,093	35.57%
Public works	3,575,215	6.13%	3,671,284	6.12%
Water and sewer	4,938,055	8.46%	4,936,315	8.23%
Trash	963,573	1.65%	952,957	1.59%
Electric	14,958,163	25.64%	17,120,022	28.54%
Human services	356,604	0.61%	357,450	0.60%
Culture and recreation	1,499,802	2.57%	1,428,769	2.38%
Employee benefits	3,042,203	5.21%	3,158,251	5.26%
State and county assessments	131,192	0.22%	140,747	0.23%
Interest	1,434,382	2.46%	1,456,866	2.43%
Total expenditures	<u>\$ 58,340,380</u>	<u>100.00%</u>	<u>\$ 59,991,350</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, 2010 were \$95.8 million, of which the governmental activities were \$64.0 million and the business-type activities were \$31.8 million.

The largest portion of the Town's net assets (63.1%) 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 (7.8%) are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (29.1%) may be used to meet the government's ongoing obligations to citizens and creditors.

Total current assets within the governmental activities were \$16.1 million and included cash & investments of \$12.0 million and receivables net of allowances of \$4.2 million.

Total current liabilities within the governmental activities were \$5.4 million and included accounts payable of \$1.6 million and bonds and notes payable of \$2.6 million. Noncurrent liabilities within the governmental activities were \$35.6 million and included \$34.4 million of general obligation bonds payable.

Total current assets within the business-type activities were \$7.5 million and included cash & investments of \$2.3 million and receivables net of allowances of \$2.7 million.

Current liabilities within the business-type activities were \$4.7 million and included accounts payable of \$2.9 million and bond and notes payable of \$1.4 million. Noncurrent liabilities within the business-type activities were \$17.5 million and included \$14.5 million of general obligation bonds payable.

Comparative Net Assets						
	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2010	FY 2009	FY 2010	FY 2009	FY 2010	FY 2009
Assets:						
Current assets	\$ 16,162,117	\$ 19,226,823	\$ 7,531,061	\$ 8,358,146	\$ 23,693,178	\$ 27,584,969
Noncurrent assets	16,847,823	18,723,394	8,343,069	9,053,771	25,190,892	27,777,165
Capital assets	72,032,194	64,401,686	38,122,175	37,902,148	110,154,369	102,303,834
Total assets	105,042,134	102,351,903	53,996,305	55,314,065	159,038,439	157,665,968
Liabilities:						
Current liabilities	5,409,521	5,060,884	4,657,930	5,426,568	10,067,451	10,487,452
Noncurrent liabilities	35,603,412	32,682,761	17,496,296	18,676,510	53,099,708	51,359,271
Total liabilities	41,012,933	37,743,645	22,154,226	24,103,078	63,167,159	61,846,723
Net Assets:						
Invested in capital assets	38,292,972	36,057,127	22,235,627	20,610,855	60,528,599	56,667,982
Restricted	5,872,116	6,738,934	1,560,000	1,825,000	7,432,116	8,563,934
Unrestricted	19,864,113	21,812,197	8,046,452	8,775,132	27,910,565	30,587,329
Total net assets	\$ 64,029,201	\$ 64,608,258	\$ 31,842,079	\$ 31,210,987	\$ 95,871,280	\$ 95,819,245

Governmental activities current assets decreased \$3.1 million, as compared with FY2009 due mainly to expenses associated with the public safety facility. Business-type activities current assets decreased \$0.8 million.

Governmental activities current liabilities are up \$0.3 million as compared with FY2009. Business-type activities current liabilities decreased \$0.8 million. Total noncurrent liabilities of the primary government increased \$1.7 million due to the issuance of new debt for the public safety facility and equipment less the pay down of existing debt service.

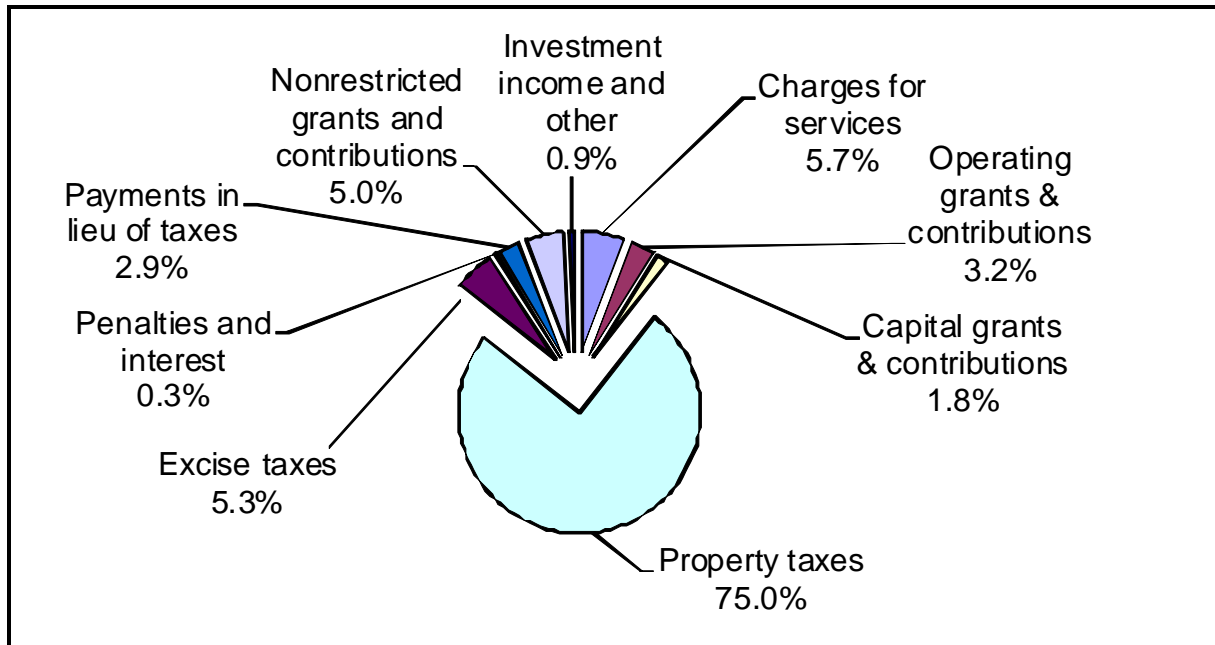
Governmental activities capital assets net of related debt increased 6.2%, and unrestricted net assets are down 8.9% as compared with the prior year. Business-type capital assets net of related debt increased 7.9%, and unrestricted net assets decreased by 8.3% as compared with the prior year.

Governmental activities decreased the Town of Holden's net assets by \$579,057. 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)
	<u>FY 2010</u>	<u>FY 2009</u>	
Revenues			
<i>Program Revenues:</i>			
Charges for services	\$ 2,122,440	\$ 1,254,699	\$ 867,741
Operating grants and contributions	1,174,285	1,455,150	(280,865)
Capital grants and contributions	655,575	910,184	(254,609)
<i>General Revenues:</i>			
Real Estate and personal property taxes	27,820,531	27,030,682	789,849
Motor vehicle and other excise taxes	1,956,399	1,947,206	9,193
Penalties and interest	128,230	116,299	11,931
Payments in lieu of taxes	1,058,582	960,490	98,092
Nonrestricted grants and contributions	1,850,015	2,335,469	(485,454)
Unrestricted investment income & other	331,583	386,939	(55,356)
Total Revenues	<u>37,097,640</u>	<u>36,397,118</u>	<u>700,522</u>
Expenses:			
General Government	2,120,803	1,899,914	220,889
Public Safety	4,098,689	3,529,682	569,007
Education	21,221,699	21,339,093	(117,394)
Public Works	3,575,215	3,671,284	(96,069)
Human Services	356,604	357,450	(846)
Culture and Recreation	1,499,802	1,428,769	71,033
Employee Benefits	3,042,203	3,158,251	(116,048)
State and County Assessments	131,192	140,747	(9,555)
Interest	1,434,382	1,456,866	(22,484)
Total Expenses	<u>37,480,589</u>	<u>36,982,056</u>	<u>498,533</u>
Increase/(Decrease) in Net Assets before contributions to term and permanent endowments or permanent fund principal, and transfers	(382,949)	(584,938)	201,989
Contributions to permanent funds	6,487	4,986	1,501
Transfers	<u>(202,595)</u>	<u>(136,552)</u>	<u>(66,043)</u>
Change in Net Assets	<u>(579,057)</u>	<u>(716,504)</u>	<u>137,447</u>
Net Assets - beginning	<u>64,608,258</u>	<u>65,324,762</u>	
Net Assets - ending	<u><u>\$ 64,029,201</u></u>	<u><u>\$ 64,608,258</u></u>	

Governmental Activities – FY2010 Revenues



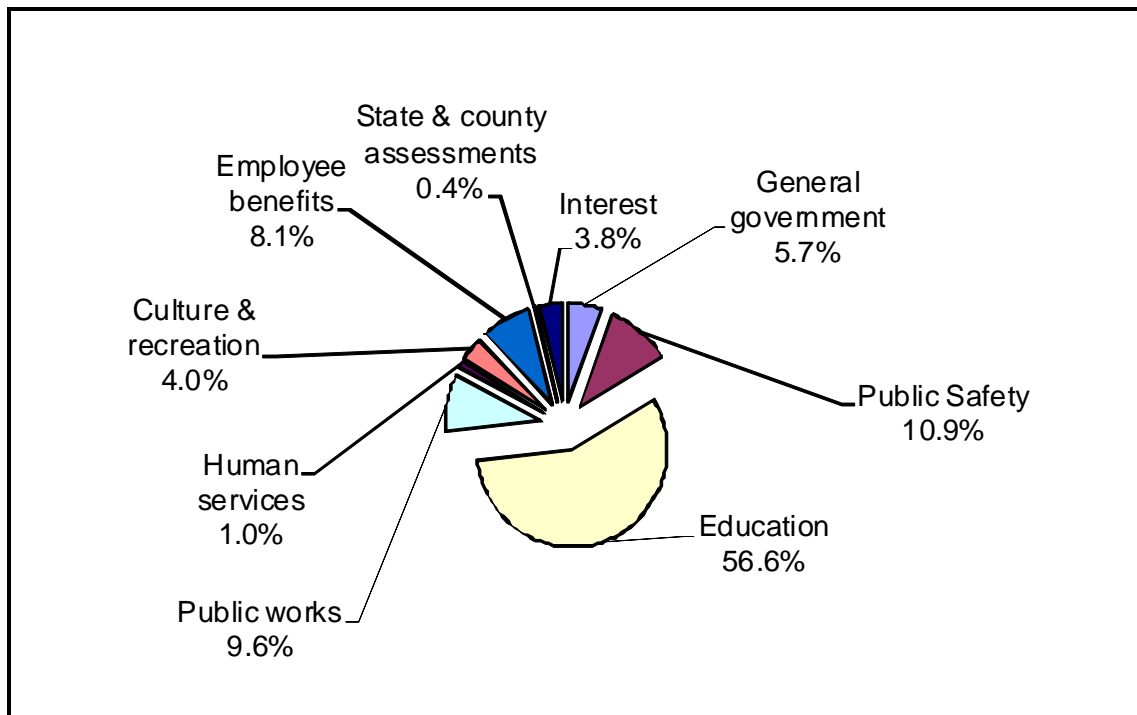
Revenues

Property taxes support approximately 75% of the Town's governmental activities. State aid decreased approximately \$0.3 million or 7% as compared with FY2009, once again shifting pressure to raise property tax revenue to the statutory maximum allowed.

Roughly 44% of the operating grants apply to employee benefits. More than 46% of the charges for services revenue was generated by public safety due to the new EMS service. Culture and recreation services represented 32% and general government services represented more than 13%.

Nearly 60% of the capital grants and contribution revenue was received from Mass Highway (Chapter 90) and supported public works projects and infrastructure, and more than 40% supported public safety equipment purchases.

Governmental Activities – FY2010 Expenses



Expenses

Education is by far the largest governmental activity of the Town. Approximately \$21.2 million in taxes and other general revenues were needed to cover the FY2010 operating expenses.

Public works and public safety represent the second and third largest governmental activities of the Town. Approximately \$3.01 million and \$2.71 million of taxes and other general revenues were needed to cover the FY2010 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 increased by \$0.6 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 2010	FY 2009	
Revenues			
<i>Program Revenues:</i>			
Charges for services	\$ 19,684,545	\$ 20,104,681	\$ (420,136)
Operating grants and contributions	1,289,132	2,431,560	(1,142,428)
Capital grants and contributions	314,611	119,175	195,436
Total Revenues	21,288,288	22,655,416	(1,367,128)
Expenses:			
Electric	14,958,163	17,120,022	(2,161,859)
Water/Sewer	4,938,055	4,936,315	1,740
Trash	963,573	952,957	10,616
Total Expenses	20,859,791	23,009,294	(2,149,503)
Excess (deficiency) of revenues over expenses	428,497	(353,878)	782,375
Transfers	202,595	136,552	66,043
Change in Net Assets	631,092	(217,326)	848,418
Net Assets - beginning	31,210,987	31,428,313	
Net Assets - ending	\$ 31,842,079	\$ 31,210,987	

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 \$10.9 million, a decrease of \$2.9 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 \$1,766,192, while total fund balance was \$2,493,121. 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 \$31.8 million; \$22.2 million or 70% of which relates to the Town's investment in capital assets.

General Fund Budgetary Highlights

The original FY2010 general fund operating budget of \$38.1 million set at the May 2009 annual town meeting was not amended by any additional annual or special town meetings. Modest amounts were transferred from general government to education and public works.

Revenues exceeded budgetary amounts by \$178,757, and expenditures were less than budgetary amounts by \$1,522,843. Favorable revenue types included property taxes and departmental and other. Public safety and public works expenditures were less than budgetary amounts by \$561,183 and \$519,256 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, 2010 amount to \$110,154,369 (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 \$7,850,535 (a \$7.6 million increase for governmental activities and a \$0.2 million increase for business-type activities).

Capital Assets (Net of Accumulated Depreciation)

Primary government	FY 2010	FY 2009	Increase/ (Decrease)
Land	\$ 3,141,942	\$ 3,120,642	\$ 21,300
Construction in progress	11,299,507	2,289,794	9,009,713
Buildings	31,966,841	33,059,491	(1,092,650)
Improvements other than buildings	2,122,110	2,200,214	(78,104)
Machinery and equipment	1,694,829	1,426,384	268,445
Vehicles	2,239,014	1,557,054	681,960
Infrastructure	48,577,203	49,096,720	(519,517)
Electric - land	72,500	72,500	-
Electric - construction in progress	146,429	90,673	55,756
Electric - general plant	2,610,450	2,761,765	(151,315)
Electric - distribution plant	6,283,544	6,628,597	(345,053)
Total Capital Assets	\$ 110,154,369	\$ 102,303,834	\$ 7,850,535

Debt

The Town continued to maintain its “AA-” rating from Standard and Poor’s. At the end of the fiscal year the Town (excluding the light plant) had a total bonded debt outstanding of \$51,239,933. 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, \$22,500,000 or nearly 44% is for school construction for which the Town receives 70% reimbursement on total project costs from the Massachusetts School Building Authority. The Town issued new bonds totaling \$5,200,000 for the construction of the public safety building (\$5,000,000) and for the purchase of a fire truck (\$200,000).

Outstanding Debt at Year End		
Governmental Activities	Outstanding June 30, 2010	Outstanding June 30, 2009
Schools	\$ 22,550,000	\$ 24,340,000
Public Safety	12,785,000	7,900,000
Senior Center	-	150,000
Swimming Pool	1,540,000	1,695,000
Title V	38,385	42,232
Total Governmental Activities	\$ 36,913,385	\$ 34,127,232
Business-type Activities		
Water Improvements	\$ 8,555,323	\$ 9,298,748
Sewer Construction	5,771,225	6,167,545
Total Business-type Activities	\$ 14,326,548	\$ 15,466,293

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 7.7%, compared with state rate of 9.3% and the national rate of 9.9%.

The average 2010 single family home in Holden was valued at \$277,156 with an average annual tax bill of \$4,102. The overall property values for FY2010 decreased approximately 4% as compared with FY2009.

The Town has a balanced budget for FY2011 and expects a minimal increase for FY2012 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, 2010**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
CURRENT:			
CASH AND SHORT-TERM INVESTMENTS	\$ 8,693,874	\$ 1,986,565	\$ 10,680,439
INVESTMENTS	3,284,599	281,484	3,566,083
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES	245,138	-	245,138
TAX LIENS	529,644	-	529,644
MOTOR VEHICLE EXCISE TAXES	107,533	-	107,533
USER FEES	-	2,412,832	2,412,832
DEPARTMENTAL AND OTHER	186,488	-	186,488
INTERGOVERNMENTAL	3,112,493	-	3,112,493
SPECIAL ASSESSMENTS	2,348	335,924	338,272
PREPAID EXPENSES	-	357,678	357,678
OTHER ASSETS	-	2,156,578	2,156,578
NONCURRENT:			
RESTRICTED ASSETS:			
CASH AND SHORT-TERM INVESTMENTS	-	2,562,062	2,562,062
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
SPECIAL ASSESSMENTS	8,859	5,529,751	5,538,610
INTERGOVERNMENTAL	16,838,964	-	16,838,964
OTHER ASSETS	-	251,256	251,256
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	72,032,194	38,122,175	110,154,369
TOTAL ASSETS	105,042,134	53,996,305	159,038,439
<u>LIABILITIES</u>			
CURRENT:			
ACCOUNTS PAYABLE	1,574,041	2,892,357	4,466,398
ACCRUED LIABILITIES	52,888	-	52,888
OTHER LIABILITIES	14,656	246,893	261,549
ACCRUED INTEREST	441,776	82,478	524,254
CAPITAL LEASE PAYABLE	94,084	-	94,084
BONDS AND NOTES PAYABLE	2,583,873	1,415,782	3,999,655
LANDFILL POSTCLOSURE CARE COSTS	20,000	-	20,000
COMPENSATED ABSENCES	225,203	9,420	234,623
POST EMPLOYMENT BENEFITS	403,000	11,000	414,000
NONCURRENT:			
CUSTOMER DEPOSITS	-	118,741	118,741
RATE STABILIZATION RESERVE	-	2,603,833	2,603,833
CAPITAL LEASE PAYABLE	133,701	-	133,701
BONDS AND NOTES PAYABLE	34,329,512	14,470,766	48,800,278
LANDFILL POSTCLOSURE CARE COSTS	220,000	-	220,000
COMPENSATED ABSENCES	345,199	16,956	362,155
POST EMPLOYMENT BENEFITS	575,000	286,000	861,000
TOTAL LIABILITIES	41,012,933	22,154,226	63,167,159
<u>NET ASSETS</u>			
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	38,292,972	22,235,627	60,528,599
RESTRICTED FOR:			
DEBT SERVICE	-	1,560,000	1,560,000
STREETS	874,663	-	874,663
PERMANENT FUNDS:			
EXPENDABLE	408,806	-	408,806
NONEXPENDABLE	385,327	-	385,327
OTHER PURPOSES	4,203,320	-	4,203,320
UNRESTRICTED	19,864,113	8,046,452	27,910,565
TOTAL NET ASSETS	\$ 64,029,201	\$ 31,842,079	\$ 95,871,280

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2010**

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	\$ 2,120,803	\$ 285,008	\$ 274,875	\$ -	\$ (1,560,920)
PUBLIC SAFETY	4,098,689	990,487	136,841	264,278	(2,707,083)
EDUCATION	21,221,699	-	-	-	(21,221,699)
PUBLIC WORKS	3,575,215	116,533	56,697	391,107	(3,010,878)
HUMAN SERVICES	356,604	42,648	105,668	190	(208,098)
CULTURE & RECREATION	1,499,802	687,764	84,273	-	(727,765)
EMPLOYEE BENEFITS	3,042,203	-	515,931	-	(2,526,272)
STATE & COUNTY ASSESSMENTS	131,192	-	-	-	(131,192)
INTEREST	1,434,382	-	-	-	(1,434,382)
TOTAL GOVERNMENTAL ACTIVITIES	37,480,589	2,122,440	1,174,285	655,575	(33,528,289)
BUSINESS-TYPE ACTIVITIES:					
WATER/SEWER	4,938,055	4,376,605	583,855	278,775	301,180
ELECTRIC	14,958,163	14,290,465	705,039	35,836	73,177
OTHER ENTERPRISE	963,573	1,017,475	238	-	54,140
TOTAL BUSINESS-TYPE ACTIVITIES	20,859,791	19,684,545	1,289,132	314,611	428,497
TOTAL PRIMARY GOVERNMENT	\$ 58,340,380	\$ 21,806,985	\$ 2,463,417	\$ 970,186	\$ (33,099,792)

See accompanying notes to the basic financial statements

(continued)

**TOWN OF HOLDEN, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2010**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
CHANGES IN NET ASSETS:			
NET (EXPENSE) REVENUE FROM PREVIOUS PAGE	\$ (33,528,289)	\$ 428,497	\$ (33,099,792)
GENERAL REVENUES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS PAYABLE	27,649,433	-	27,649,433
TAX LIENS	171,098	-	171,098
MOTOR VEHICLE EXCISE TAXES	1,956,399	-	1,956,399
PENALTIES AND INTEREST ON TAXES	128,230	-	128,230
PAYMENTS IN LIEU OF TAXES	1,058,582	-	1,058,582
GRANTS AND CONTRIBUTIONS NOT RESTRICTED TO SPECIFIC PROGRAMS	1,850,015	-	1,850,015
RENTAL INCOME	103,126	-	103,126
UNRESTRICTED INVESTMENT INCOME	197,822	-	197,822
CONTRIBUTIONS TO PERMANENT FUNDS	6,487	-	6,487
MISCELLANEOUS	30,635	-	30,635
TRANSFERS, NET	(202,595)	202,595	-
TOTAL GENERAL REVENUES AND TRANSFERS	32,949,232	202,595	33,151,827
CHANGE IN NET ASSETS	(579,057)	631,092	52,035
NET ASSETS:			
BEGINNING OF YEAR	64,608,258	31,210,987	95,819,245
END OF YEAR	\$ 64,029,201	\$ 31,842,079	\$ 95,871,280

See accompanying notes to the basic financial statements

(concluded)

**TOWN OF HOLDEN, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2010**

<u>ASSETS</u>	GENERAL	PUBLIC SAFETY BUILDING	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
CASH AND SHORT-TERM INVESTMENTS	\$ 2,531,010	\$ 4,692,970	\$ 1,469,894	\$ 8,693,874
INVESTMENTS	-	-	3,284,599	3,284,599
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:				
REAL ESTATE AND PERSONAL PROPERTY TAXES	245,138	-	-	245,138
TAX LIENS	529,644	-	-	529,644
MOTOR VEHICLE EXCISE TAXES	107,533	-	-	107,533
DEPARTMENTAL AND OTHER	186,488	-	-	-
INTERGOVERNMENTAL	18,762,045	-	1,189,412	19,951,457
SPECIAL ASSESSMENTS	-	-	11,207	11,207
TOTAL ASSETS	\$ 22,361,858	\$ 4,692,970	\$ 5,955,112	\$ 33,009,940
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES:				
ACCOUNTS PAYABLE	\$ 211,230	\$ 1,311,775	\$ 51,036	\$ 1,574,041
ACCRUED LIABILITIES	52,888	-	-	52,888
OTHER LIABILITIES	14,656	-	-	14,656
DEFERRED REVENUES	19,589,963	-	885,870	20,475,833
TOTAL LIABILITIES	19,868,737	1,311,775	936,906	22,117,418
FUND BALANCES:				
RESERVED FOR:				
ENCUMBRANCES AND CONTINUING APPROPRIATIONS	626,605	-	-	626,605
PERPETUAL PERMANENT FUNDS	-	-	385,327	385,327
UNRESERVED				
DESIGNATED FOR SUBSEQUENT YEARS' EXPENDITURES	100,324	-	-	100,324
UNDESIGNATED, REPORTED IN:				
GENERAL FUND	1,766,192	-	-	1,766,192
SPECIAL REVENUE FUNDS	-	-	4,203,320	4,203,320
CAPITAL PROJECTS FUNDS	-	3,381,195	20,753	3,401,948
PERMANENT FUNDS	-	-	408,806	408,806
TOTAL FUND BALANCES	2,493,121	3,381,195	5,018,206	10,892,522
TOTAL LIABILITIES AND FUND BALANCES	\$ 22,361,858	\$ 4,692,970	\$ 5,955,112	\$ 33,009,940

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, 2010**

	<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	\$ 27,763,099	\$ -	\$ -	\$ 27,763,099
MOTOR VEHICLE EXCISE TAXES	1,951,876	-	-	1,951,876
PENALTIES AND INTEREST ON TAXES	128,230	-	-	128,230
INTERGOVERNMENTAL	4,294,848	-	1,232,184	5,527,032
CHARGES FOR SERVICES	-	-	1,092,475	1,092,475
INVESTMENT INCOME	123,538	-	165,403	288,941
CONTRIBUTIONS & DONATIONS	-	-	88,820	88,820
DEPARTMENTAL AND OTHER	2,336,472	-	91,776	2,428,248
TOTAL REVENUES	<u>36,598,063</u>	<u>-</u>	<u>2,670,658</u>	<u>39,268,721</u>
<u>EXPENDITURES:</u>				
CURRENT:				
GENERAL GOVERNMENT	1,905,496	-	230,619	2,136,115
PUBLIC SAFETY	4,291,953	7,704,506	534,707	12,531,166
EDUCATION	20,397,444	-	-	20,397,444
PUBLIC WORKS	2,916,678	-	916,863	3,833,541
HUMAN SERVICES	266,749	-	82,924	349,673
CULTURE & RECREATION	722,402	-	648,975	1,371,377
EMPLOYEE BENEFITS	2,625,839	-	-	2,625,839
STATE & COUNTY ASSESSMENTS	131,192	-	-	131,192
DEBT SERVICE				
PRINCIPAL	2,413,847	-	-	2,413,847
INTEREST	1,386,857	-	-	1,386,857
TOTAL EXPENDITURES	<u>37,058,457</u>	<u>7,704,506</u>	<u>2,414,088</u>	<u>47,177,051</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(460,394)</u>	<u>(7,704,506)</u>	<u>256,570</u>	<u>(7,908,330)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
PROCEEDS FROM BONDS AND NOTES	200,000	5,000,000	-	5,200,000
OPERATING TRANSFERS IN	1,248,975	-	594,268	1,843,243
OPERATING TRANSFERS OUT	(846,863)	-	(1,198,975)	(2,045,838)
TOTAL OTHER FINANCING SOURCES (USES)	<u>602,112</u>	<u>5,000,000</u>	<u>(604,707)</u>	<u>4,997,405</u>
NET CHANGE IN FUND BALANCES	141,718	(2,704,506)	(348,137)	(2,910,925)
FUND BALANCES AT BEGINNING OF YEAR	<u>2,351,403</u>	<u>6,085,701</u>	<u>5,366,343</u>	<u>13,803,447</u>
FUND BALANCES AT END OF YEAR	<u>\$ 2,493,121</u>	<u>\$ 3,381,195</u>	<u>\$ 5,018,206</u>	<u>\$ 10,892,522</u>

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, 2010**

TOTAL GOVERNMENTAL FUND BALANCES		\$ 10,892,522
CAPITAL ASSETS (NET) USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS		72,032,194
ACCOUNTS RECEIVABLE ARE NOT AVAILABLE TO PAY FOR CURRENT-PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS		20,475,833
IN THE STATEMENT OF ACTIVITIES, INTEREST IS ACCRUED ON OUTSTANDING LONG-TERM DEBT, WHEREAS IN GOVERNMENTAL FUNDS INTEREST IS NOT REPORTED UNTIL DUE		(441,776)
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	(36,913,385)	
CAPITAL LEASE PAYABLE	(227,785)	
COMPENSATED ABSENCES	(570,402)	
POST EMPLOYMENT BENEFITS	(978,000)	
LANDFILL POSTCLOSURE CARE COSTS	<u>(240,000)</u>	
NET EFFECT OF REPORTING LONG-TERM LIABILITIES		<u>(38,929,572)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 64,029,201</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, 2010**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ (2,910,925)**

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	10,458,604	
DEPRECIATION EXPENSE	<u>(2,828,096)</u>	
NET EFFECT OF REPORTING CAPITAL ASSETS		7,630,508

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

(2,164,594)

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.

PROCEEDS FROM BONDS AND NOTES	(5,200,000)	
DEBT SERVICE PRINCIPAL PAYMENTS	<u>2,413,847</u>	
NET EFFECT OF REPORTING LONG-TERM DEBT		(2,786,153)

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	95,996	
NET CHANGE IN COMPENSATED ABSENCES ACCRUAL	66,636	
NET CHANGE IN OTHER POSTEMPLOYMENT BENEFITS	(483,000)	
NET CHANGE IN LANDFILL POSTCLOSURE CARE ACCRUAL	20,000	
NET CHANGE IN ACCRUED INTEREST ON LONG-TERM DEBT	<u>(47,525)</u>	
NET EFFECT OF RECORDING LONG-TERM LIABILITIES		<u>(347,893)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ (579,057)**

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, 2010**

	BUDGETED AMOUNTS		ACTUAL BUDGETARY AMOUNTS	VARIANCE OVER(UNDER)
	ORIGINAL BUDGET	FINAL BUDGET		
<u>REVENUES:</u>				
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 27,704,759	\$ 27,704,759	\$ 27,763,099	\$ 58,340
MOTOR VEHICLE EXCISE TAXES	1,925,000	1,925,000	1,951,876	26,876
PENALTIES & INTEREST ON TAXES	100,000	100,000	128,230	28,230
INTERGOVERNMENTAL	3,765,455	3,765,455	3,778,755	13,300
INVESTMENT INCOME	200,000	200,000	123,538	(76,462)
DEPARTMENTAL AND OTHER	2,207,999	2,207,999	2,336,472	128,473
TOTAL REVENUES	35,903,213	35,903,213	36,081,970	178,757
<u>EXPENDITURES:</u>				
CURRENT:				
GENERAL GOVERNMENT	2,375,646	2,154,774	1,905,495	249,279
PUBLIC SAFETY	4,853,136	4,853,136	4,291,953	561,183
EDUCATION	20,360,065	20,405,937	20,397,444	8,493
PUBLIC WORKS	3,260,934	3,435,934	2,916,678	519,256
HUMAN SERVICES	291,694	291,694	266,749	24,945
CULTURE & RECREATION	737,930	737,930	722,402	15,528
EMPLOYEE BENEFITS	2,192,772	2,192,772	2,111,953	80,819
STATE & COUNTY ASSESSMENTS	129,572	129,572	131,192	(1,620)
DEBT SERVICE:				
PRINCIPAL	2,428,807	2,428,807	2,413,847	14,960
INTEREST	1,434,651	1,434,651	1,384,651	50,000
TOTAL EXPENDITURES	38,065,207	38,065,207	36,542,364	1,522,843
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,161,994)	(2,161,994)	(460,394)	1,701,600
<u>OTHER FINANCING SOURCES (USES):</u>				
BOND PROCEEDS	200,000	200,000	200,000	-
OPERATING TRANSFERS IN	1,129,595	1,129,595	1,248,975	119,380
OPERATING TRANSFERS OUT	(833,130)	(833,130)	(846,863)	(13,733)
TOTAL OTHER FINANCING SOURCES (USES)	496,465	496,465	602,112	105,647
NET CHANGE IN FUND BALANCE	(1,665,529)	(1,665,529)	141,718	1,807,247
BUDGETARY FUND BALANCE, BEGINNING OF YEAR	2,351,403	2,351,403	2,351,403	-
BUDGETARY FUND BALANCE, END OF YEAR	\$ 685,874	\$ 685,874	\$ 2,493,121	\$ 1,807,247

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2010**

<u>ASSETS</u>	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			
	WATER/SEWER	ELECTRIC	OTHER ENTERPRISE	TOTAL
CURRENT:				
CASH AND SHORT-TERM INVESTMENTS	\$ 301,969	\$ 1,565,179	\$ 119,417	\$ 1,986,565
INVESTMENTS	281,484	-	-	281,484
USER FEES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:	607,304	1,752,071	53,457	2,412,832
SPECIAL ASSESSMENTS	335,924	-	-	335,924
OTHER ASSETS	-	2,156,578	-	2,156,578
PREPAID EXPENSES	-	357,678	-	357,678
TOTAL CURRENT ASSETS	1,526,681	5,831,506	172,874	7,531,061
NONCURRENT:				
RESTRICTED CASH AND SHORT-TERM INVESTMENTS:				
DEPRECIATION FUND	-	1,121,642	-	1,121,642
CUSTOMER DEPOSITS	-	118,741	-	118,741
RATE STABILIZATION FUND	-	1,014,241	-	1,014,241
CONSTRUCTION FUND	-	213,938	-	213,938
OTHER SPECIAL FUNDS	-	93,500	-	93,500
SPECIAL ASSESSMENTS	5,529,751	-	-	5,529,751
OTHER ASSETS	-	251,256	-	251,256
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	29,009,252	9,112,923	-	38,122,175
TOTAL NONCURRENT ASSETS	34,539,003	11,926,241	-	46,465,244
TOTAL ASSETS	36,065,684	17,757,747	172,874	53,996,305
<u>LIABILITIES</u>				
CURRENT:				
ACCOUNTS PAYABLE	1,219,169	1,637,823	35,365	2,892,357
OTHER LIABILITIES	-	246,893	-	246,893
ACCRUED INTEREST	82,478	-	-	82,478
BONDS AND NOTES PAYABLE	1,155,782	260,000	-	1,415,782
COMPENSATED ABSENCES	9,420	-	-	9,420
POST EMPLOYMENT BENEFITS	11,000	-	-	11,000
TOTAL CURRENT LIABILITIES	2,477,849	2,144,716	35,365	4,657,930
NONCURRENT:				
CUSTOMER DEPOSITS	-	118,741	-	118,741
RATE STABILIZATION RESERVE	-	2,603,833	-	2,603,833
BONDS AND NOTES PAYABLE	13,170,766	1,300,000	-	14,470,766
COMPENSATED ABSENCES	16,956	-	-	16,956
POST EMPLOYMENT BENEFITS	46,000	240,000	-	286,000
TOTAL NONCURRENT LIABILITIES	13,233,722	4,262,574	-	17,496,296
TOTAL LIABILITIES	15,711,571	6,407,290	35,365	22,154,226
<u>NET ASSETS</u>				
RESTRICTED FOR DEBT SERVICE	-	1,560,000	-	1,560,000
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	14,682,704	7,552,923	-	22,235,627
UNRESTRICTED	5,671,409	2,237,534	137,509	8,046,452
TOTAL NET ASSETS	\$ 20,354,113	\$ 11,350,457	\$ 137,509	\$ 31,842,079

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, 2010

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	WATER/SEWER	ELECTRIC	OTHER ENTERPRISE	TOTAL
<u>OPERATING REVENUES:</u>				
CHARGES FOR SERVICES	\$ 4,376,605	\$ 14,290,465	\$ 1,017,475	\$ 19,684,545
INTERGOVERNMENTAL	6,494	-	-	6,494
DEPARTMENTAL AND OTHER	60,787	150,803	-	211,590
DONATIONS	123,088	-	-	123,088
TOTAL OPERATING REVENUES	4,566,974	14,441,268	1,017,475	20,025,717
<u>OPERATING EXPENSES:</u>				
GENERAL SERVICES	3,415,285	13,550,229	963,573	17,929,087
DEPRECIATION	825,736	650,225	-	1,475,961
TOTAL OPERATING EXPENSES	4,241,021	14,200,454	963,573	19,405,048
OPERATING INCOME (LOSS)	325,953	240,814	53,902	620,669
<u>NON-OPERATING REVENUES (EXPENSES):</u>				
INTERGOVERNMENTAL	668,372	565,731	-	1,234,103
INVESTMENT INCOME	3,889	24,341	238	28,468
DISASTER RECOVERY EXPENSES	-	(703,886)	-	(703,886)
INTEREST EXPENSE	(697,034)	(53,823)	-	(750,857)
TOTAL NON-OPERATING REVENUES (EXPENSES), NET	(24,773)	(167,637)	238	(192,172)
INCOME (LOSS) BEFORE OPERATING TRANSFERS	301,180	73,177	54,140	428,497
<u>OPERATING TRANSFERS:</u>				
OPERATING TRANSFERS IN	252,595	-	-	252,595
OPERATING TRANSFERS OUT	(50,000)	-	-	(50,000)
TOTAL OPERATING TRANSFERS	202,595	-	-	202,595
CHANGE IN NET ASSETS	503,775	73,177	54,140	631,092
NET ASSETS AT BEGINNING OF YEAR	19,850,338	11,277,280	83,369	31,210,987
NET ASSETS AT END OF YEAR	<u>\$ 20,354,113</u>	<u>\$ 11,350,457</u>	<u>\$ 137,509</u>	<u>\$ 31,842,079</u>

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FISCAL YEAR ENDED JUNE 30, 2010**

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	WATER/SEWER	ELECTRIC	OTHER ENTERPRISE	TOTAL
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
RECEIPTS FROM CUSTOMERS AND USERS	\$ 4,873,520	\$ 15,325,245	\$ 1,022,068	\$ 21,220,833
PAYMENTS TO SUPPLIERS	(2,428,464)	(12,180,865)	(918,571)	(15,527,900)
PAYMENTS TO EMPLOYEES	(512,296)	(1,176,663)	(35,896)	(1,724,855)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,932,760	1,967,717	67,601	3,968,078
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
OPERATING TRANSFERS IN (OUT)	252,595	-	-	252,595
OPERATING TRANSFERS OUT	(50,000)	-	-	(50,000)
DISASTER RECOVERY REVENUE	155,687	-	-	155,687
INTEREST EXPENSE	-	(3,228)	-	(3,228)
DISASTER RECOVERY EXPENSES	-	(812,459)	-	(812,459)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	358,282	(815,687)	-	(457,405)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
PRINCIPAL PAYMENTS ON BONDS AND NOTES	(1,008,720)	(265,000)	-	(1,273,720)
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(928,670)	(209,613)	-	(1,138,283)
INTEREST EXPENSE	(299,089)	(50,595)	-	(349,684)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES:	(2,236,479)	(525,208)	-	(2,761,687)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
NET PROCEEDS FROM PURCHASE AND SALE OF INVESTMENT SECURITIES	(281,484)	-	-	(281,484)
RATE STABILIZATION RESERVE	-	96,205	-	96,205
INTEREST RECEIVED	3,889	24,341	238	28,468
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES:	(277,595)	120,546	238	(156,811)
NET INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS	(223,032)	747,368	67,839	592,175
CASH AND SHORT TERM INVESTMENTS - BEGINNING OF YEAR	525,001	3,379,873	51,578	3,956,452
CASH AND SHORT TERM INVESTMENTS - END OF YEAR	\$ 301,969	\$ 4,127,241	\$ 119,417	\$ 4,548,627
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>				
OPERATING INCOME (LOSS)	\$ 325,953	\$ 240,814	\$ 53,902	\$ 620,669
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
DEPRECIATION	825,736	650,225	-	1,475,961
DONATED INFRASTRUCTURE	(123,088)	-	-	(123,088)
(INCREASE) DECREASE IN ACCOUNTS RECEIVABLE	484,936	375,190	4,593	864,719
(INCREASE) DECREASE IN SPECIAL ASSESSMENTS	(55,303)	-	-	(55,303)
(INCREASE) DECREASE IN PREPAID EXPENSES	-	(45,754)	-	(45,754)
(INCREASE) DECREASE IN OTHER ASSETS	-	266,073	-	266,073
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	446,378	383,999	9,106	839,483
INCREASE (DECREASE) IN OTHER LIABILITIES	-	(16,830)	-	(16,830)
INCREASE (DECREASE) IN COMPENSATED ABSENCES PAYABLE	1,148	114,000	-	115,148
INCREASE (DECREASE) IN POST EMPLOYMENT BENEFITS	27,000	-	-	27,000
TOTAL ADJUSTMENTS	1,606,807	1,726,903	13,699	3,347,409
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 1,932,760	\$ 1,967,717	\$ 67,601	\$ 3,968,078

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2010**

	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS
<u>ASSETS</u>		
CASH AND SHORT-TERM INVESTMENTS	\$ 45,901	\$ 306,188
<u>LIABILITIES</u>		
ACCOUNTS PAYABLE	-	164,965
OTHER LIABILITIES	-	141,223
TOTAL LIABILITIES	-	306,188
<u>NET ASSETS</u>		
HELD IN TRUST FOR OTHER PURPOSES	\$ 45,901	\$ -

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, 2010**

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
<u>ADDITIONS:</u>	
CONTRIBUTIONS:	
PRIVATE DONATIONS	\$ 9,600
NET INVESTMENT INCOME (LOSS):	
INVESTMENT INCOME	<u>622</u>
TOTAL ADDITIONS	<u>10,222</u>
<u>DEDUCTIONS:</u>	
HUMAN SERVICES	<u>8,600</u>
CHANGE IN NET ASSETS	1,622
NET ASSETS AT BEGINNING OF YEAR	<u>44,279</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 45,901</u></u>

See accompanying notes to the basic financial statements

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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	\$ 19,755,095
Montachusett Regional Vocational Technical School District	To provide grades 9-12 Vocational and Technical Educational Services	1050 Westminster St. Fitchburg, MA 01420	\$ 642,349

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 43.38% equity interest in the joint venture.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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 11.05% 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, 2010

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, 2010

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, 2010

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, 2010

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 a 10% discount if paid within 15 days of the billing 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, 2010

Electricity

The Department carries its accounts receivable at cost less an allowance for doubtful accounts of \$83,000 at December 31, 2009. The Department can place a lien against a property if payment is not made. For non-owners, the Department requires a deposit that can be applied to any unpaid amounts. In addition, the Department has the right to shut off service to customers, subject to certain state regulations, if the customer is not making payments. On a periodic basis, the Department does evaluate its accounts receivables to determine if any write-offs are necessary.

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 water and sewer, and solid waste 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. Materials and supplies inventories of the electric light enterprise fund are valued using the average cost method.

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.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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:

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

Capital assets of the Municipal Light Plant, Distribution Plant, and General 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.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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.

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:

- *Debt Service* represents available resources that may be used for the retirement of debt.
- *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.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

- *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.

Fund balances have been designated for the following:

- *Subsequent year's expenditures* represents amounts appropriated for the fiscal year 2011 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).

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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).

Governmental Fund Financial Statements

The portion of the liability related to unused sick and vacation time that has matured or is due as of June 30, 2010 is recorded in the governmental funds financial statements.

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.

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, 2010

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 2010 approved budget authorized \$36,969,124 in current year appropriations and other amounts to be raised and \$1,096,083 in encumbrances and appropriations carried over from previous fiscal years.

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

B. Budgetary – GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2010, is presented below:

Net change in fund balance - budgetary basis	\$ 141,718
Basis of accounting differences:	
Increase in revenue for on-behalf payments - MTRS	513,886
Increase in expenditures for on-behalf payments - MTRS	(513,886)
Increase in revenue for the MWPAT subsidy	2,207
Increase in expenditures for the MWPAT subsidy	<u>(2,207)</u>
Net change in fund balance - GAAP basis	<u><u>\$ 141,718</u></u>

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2010, actual expenditures exceeded appropriations for the Town Counsel expenditures account. This over-expenditure will be funded by available funds during fiscal year 2011.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

D. Deficit Fund Balances

Several individual fund deficits exist within the special revenue fund and the enterprise fund capital projects. These deficits will be eliminated through subsequent fiscal year budget transfers or grant proceeds during fiscal year 2011.

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, 2010:

Total bank balances		<u>\$ 10,954,944</u>
Bank balances covered by deposit insurance		
Federal Deposit Insurance Corporation (FDIC)	<u>1,086,552</u>	
Total bank balances covered by deposit insurance		1,086,552
Balances subject to custodial credit risk		
Bank balances uninsured & uncollateralized	<u>9,868,392</u>	
Total bank balances subject to custodial credit risk		<u>9,868,392</u>
Total bank balances		<u>\$ 10,954,944</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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	A	BB+	Unrated
U.S. Government & Agency Securities	\$ 3,400,928	N/A	\$ 3,400,928	\$ -	\$ -	\$ -
Corporate Bonds	150,528	N/A	-	52,917	97,611	-
Certificate of Deposit	936,028	N/A	-	-	-	936,028
Mutual Funds	481,104	N/A	-	-	-	481,104
Common stock	8,411	N/A	-	-	-	8,411
Asset Backed Securities	3,980	N/A	-	-	-	3,980
Total Investments	\$ 4,980,979		<u>\$ 3,400,928</u>	<u>\$ 52,917</u>	<u>\$ 97,611</u>	<u>\$ 1,429,523</u>
Less: Electric Light Plant Investments at June 30, 2010	<u>(1,414,896)</u>					
Total Investments per Statement of Net Assets at June 30, 2010	<u>\$ 3,566,083</u>					

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

- *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. Of the \$4,980,979 in total investments, the Town has custodial credit risk exposure equal to \$103,291 in certificates of deposit (\$832,737 is insured by the FDIC). 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 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	\$ 3,400,928	\$ -	\$ 2,770,795	\$ 630,133
Corporate Bonds	150,528	-	150,528	-
Asset Backed Securities	3,980	-	3,980	-
Total - Debt related securities	\$ 3,555,436	\$ -	\$ 2,925,303	\$ 630,133
<i>Other Investments:</i>				
Certificate of Deposit	936,028	81,277	854,751	-
Mutual Funds	481,104	481,104	-	-
Common Stock	8,411	8,411	-	-
Total Other Investments	1,425,543	570,792	854,751	-
Total Investments at June 30, 2010	\$ 4,980,979	\$ 570,792	\$ 3,780,054	\$ 630,133

- *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, 2010

NOTE 4 – RECEIVABLES

The receivables at June 30, 2010 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	\$ 251,238	\$ (6,100)	\$ 245,138
Tax liens	529,644	-	529,644
Motor vehicle excise taxes	126,533	(19,000)	107,533
Special assessments	11,207	-	11,207
Departmental and other	242,660	(56,172)	186,488
Intergovernmental	19,951,457	-	19,951,457
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 21,112,739</u>	<u>\$ (81,272)</u>	<u>\$ 21,031,467</u>

The receivables at June 30, 2010, (electric light at December 31, 2009) for the enterprise funds consist of the following:

Receivables:	Gross Amount	Allowance for Uncollectibles	Net Amount
<i>Water and Sewer</i>			
User fees	\$ 607,304	\$ -	\$ 607,304
Special Assessments	5,865,675	-	5,865,675
<i>Other Enterprise - Trash</i>			
User fees	53,457	-	53,457
<i>Electric Light</i>			
User fees	<u>1,835,071</u>	<u>(83,000)</u>	<u>1,752,071</u>
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 8,361,507</u>	<u>\$ (83,000)</u>	<u>\$ 8,278,507</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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	\$ 56,338	\$ -	\$ 56,338
Tax Liens	529,644	-	529,644
Motor vehicle excise taxes	107,533	-	107,533
Special Assessments	-	11,207	11,207
Departmental and other	186,488	-	186,488
Intergovernmental	18,709,960	874,663	19,584,623
Total	<u>\$ 19,589,963</u>	<u>\$ 885,870</u>	<u>\$ 20,475,833</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 2,688,094	\$ 21,300	\$ -	\$ 2,709,394
Construction in progress	2,289,794	8,013,107	(348,631)	9,954,270
Total capital assets not being depreciated	4,977,888	8,034,407	(348,631)	12,663,664
<i>Capital assets being depreciated:</i>				
Buildings and improvements	40,036,011	18,191	-	40,054,202
Capital improvements (other than buildings)	1,710,102	16,825	-	1,726,927
Machinery and equipment	2,094,615	517,670	-	2,612,285
Vehicles	4,098,713	845,959	134,596	5,079,268
Infrastructure	53,438,151	1,025,552	167,059	54,630,762
Total capital assets being depreciated	101,377,592	2,424,197	301,655	104,103,444
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(12,550,443)	(944,435)	-	(13,494,878)
Capital improvements (other than buildings)	(387,381)	(57,279)	-	(444,660)
Machinery and equipment	(1,100,504)	(181,149)	-	(1,281,653)
Vehicles	(2,577,915)	(335,212)	46,976	(2,866,151)
Infrastructure	(25,337,551)	(1,310,021)	-	(26,647,572)
Total accumulated depreciation	(41,953,794)	(2,828,096)	46,976	(44,734,914)
Total capital assets being depreciated, net	59,423,798	(403,899)	348,631	59,368,530
Total governmental activities capital assets, net	<u>\$ 64,401,686</u>	<u>\$ 7,630,508</u>	<u>\$ -</u>	<u>\$ 72,032,194</u>

Construction Commitment

The Town has an active construction project as of June 30, 2010. At year end the Town's commitment was as follows:

Project	Spent to Date	Remaining Commitment
Public Safety Facility	<u>\$ 7,686,885</u>	<u>\$ 1,903,989</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, 2010

Business-Type Activities: (Water & Sewer Enterprise)	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated :</i>				
Land	\$ 432,548	\$ -	\$ -	\$ 432,548
Construction in progress	-	1,345,237	-	1,345,237
Total capital assets not being depreciated	432,548	1,345,237	-	1,777,785
<i>Capital assets being depreciated:</i>				
Buildings and improvements	7,917,262	-	-	7,917,262
Capital improvements (other than buildings)	1,158,968	18,050	-	1,177,018
Machinery and equipment	881,865	-	-	881,865
Vehicles	318,071	-	-	318,071
Infrastructure	27,085,405	123,088	-	27,208,493
Total capital assets being depreciated	37,361,571	141,138	-	37,502,709
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(2,343,338)	(166,407)	-	(2,509,745)
Capital improvements (other than buildings)	(281,474)	(55,700)	-	(337,174)
Machinery and equipment	(449,592)	(68,076)	-	(517,668)
Vehicles	(281,815)	(10,358)	-	(292,173)
Infrastructure	(6,089,287)	(525,195)	-	(6,614,482)
Total accumulated depreciation	(9,445,506)	(825,736)	-	(10,271,242)
Total capital assets being depreciated, net	27,916,065	(684,598)	-	27,231,467
Total business-type activities capital assets, net	\$ 28,348,613	\$ 660,639	\$ -	\$ 29,009,252

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Capital asset activity for the *electric light plant* at December 31, 2009 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	90,673	55,756	-	146,429
Total capital assets not being depreciated	163,173	55,756	-	218,929
<i>Capital assets being depreciated:</i>				
Distribution Plant	16,741,623	140,982	(12,952)	16,869,653
General Plant	4,950,038	12,875	-	4,962,913
Total capital assets being depreciated	21,691,661	153,857	(12,952)	21,832,566
<i>Less accumulated depreciation for:</i>				
Distribution Plant	(10,113,026)	(486,035)	12,952	(10,586,109)
General Plant	(2,188,273)	(164,190)	-	(2,352,463)
Total accumulated depreciation	(12,301,299)	(650,225)	12,952	(12,938,572)
Total capital assets being depreciated, net	9,390,362	(496,368)	-	8,893,994
Total business-type activities capital assets, net	\$ 9,553,535	\$ (440,612)	\$ -	\$ 9,112,923

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

Governmental Activities:	
General government	\$ 80,235
Public safety	259,538
Education	824,255
Public works	1,467,893
Human services	50,925
Culture and recreation	145,250
Total depreciation expense - governmental activities	<u>\$ 2,828,096</u>
Business-Type Activities:	
Water and Sewer	\$ 825,736
Electric light - (December 31, 2009)	<u>650,225</u>
Total depreciation expense - business-type activities	<u>\$ 1,475,961</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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	158,227
Less: Accumulated depreciation	<u>(48,891)</u>
	<u><u>\$ 274,890</u></u>

The future minimum lease obligations and the net present values of the minimum lease payments as of June 30, 2010, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2011	\$ 104,014
2012	104,014
2013	19,150
2014	<u>19,150</u>
Total minimum lease payments	246,328
Less: amounts representing interest	<u>(18,543)</u>
Present value of minimum lease payments	<u><u>\$ 227,785</u></u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 7 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2010, are summarized as follows:

Operating Transfers Out:	Operating Transfers In:			
	General Fund	Nonmajor Governmental Funds	Water/Sewer Enterprise Fund	Total
Nonmajor Governmental Funds	\$ 1,079,845	\$ -	\$ -	\$ 1,079,845 (1)
Nonmajor Governmental Funds	119,130	-	-	119,130 (3)
Water/Sewer Enterprise Fund	50,000	-	-	50,000 (1)
General Fund	-	580,535	252,595	833,130 (2)
General Fund	-	13,733	-	13,733 (4)
Total	<u>\$ 1,248,975</u>	<u>\$ 594,268</u>	<u>\$ 252,595</u>	<u>\$ 2,095,838</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.
- (4) Represents other transfers from the general fund.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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 (SAANS).

Short-term loans are general obligations of the Town and maturity dates are governed by statute. Interest expenditures for short-term borrowing is accounted for in the general fund.

The following is a summary of changes in short-term debt for the year ended June 30, 2010:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2009	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2010
BAN	2008 Ice Storm	1.50%	12/15/2009	<u>\$ 1,000,000</u>	<u>\$ -</u>	<u>\$ 1,000,000</u>	<u>\$ -</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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, 2010:

Bonds and Notes Payable Schedule -Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2009	Issued	Redeemed	Outstanding at June 30, 2010
General Obligation	3.75	\$ -	\$ 5,200,000	\$ -	\$ 5,200,000
General Obligation	4.75	160,000	-	40,000	120,000
Title V	Var.	42,232	-	3,847	38,385
Senior Center	5.15	150,000	-	150,000	-
School	5.64	1,525,000	-	1,525,000	-
School - Refunding	4.12	22,080,000	-	200,000	21,880,000
School	3.64	675,000	-	50,000	625,000
Outdoor Recreation	3.64	1,695,000	-	155,000	1,540,000
School Construction	2.67	60,000	-	15,000	45,000
Public Safety Building	3.90	7,740,000	-	275,000	7,465,000
Total		<u>\$ 34,127,232</u>	<u>\$ 5,200,000</u>	<u>\$ 2,413,847</u>	<u>\$ 36,913,385</u>

The annual debt service requirements for principal and interest for Governmental bonds and notes outstanding at June 30, 2010 are as follows:

Fiscal Year	Principal	Interest	Total
2011	\$ 2,583,873	\$ 1,458,250	\$ 4,042,123
2012	2,683,873	1,360,712	4,044,585
2013	2,793,873	1,259,146	4,053,019
2014	2,853,873	1,154,109	4,007,982
2015	2,958,873	1,045,754	4,004,627
2016-2020	16,014,020	3,377,232	19,391,252
2021-2025	3,705,000	1,121,000	4,826,000
2026-2030	3,320,000	339,200	3,659,200
Total	<u>\$ 36,913,385</u>	<u>\$ 11,115,403</u>	<u>\$ 48,028,788</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Bonds and Notes Payable Schedule -Water and Sewer Enterprise Fund

Project	Interest Rate (%)	Outstanding at June 30, 2009	Issued	Redeemed	Outstanding at June 30, 2010
Water Wells	4.98	\$ 730,000	\$ -	\$ 85,000	\$ 645,000
MWPAT Drinking Water	Var.	1,318,419	-	90,605	1,227,814
Water	3.64	700,000	-	50,000	650,000
Water	3.64	1,820,000	-	130,000	1,690,000
Water Meters	2.67	440,000	-	110,000	330,000
MWPAT Drinking Water	Var.	587,108	-	34,140	552,968
MWPAT Drinking Water	Var.	596,722	-	34,520	562,202
MWPAT Drinking Water	Var.	1,995,910	-	108,724	1,887,186
MWPAT Drinking Water	2.00	810,589	-	40,437	770,152
MWPAT Sewer Construction	Var.	2,115,061	-	147,803	1,967,258
MWPAT Sewer Construction	Var.	3,034,141	-	176,575	2,857,566
MWPAT Sewer Connections	Var.	389,927	-	32,557	357,370
MWPAT Sewer Connections	Var.	628,416	-	39,384	589,032
Water/Engineering	4.25	300,000	-	60,000	240,000
Total		<u>\$ 15,466,293</u>	<u>\$ -</u>	<u>\$ 1,139,745</u>	<u>\$ 14,326,548</u>

The annual debt service requirements for principal and interest for water and sewer enterprise fund bonds and notes outstanding at June 30, 2010 are as follows:

Fiscal Year	Principal	Interest	Total
2011	\$ 1,155,782	\$ 637,926	\$ 1,793,708
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	1,088,284	413,774	1,502,058
2016-2020	5,477,918	1,299,567	6,777,485
2021-2025	3,057,194	237,830	3,295,024
2026	55,688	557	56,245
Total	<u>\$ 14,326,548</u>	<u>\$ 4,179,387</u>	<u>\$ 18,505,935</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Bonds and Notes Payable Schedule – Electric Light Plant Enterprise Fund (December 31, 2009)

<u>Project</u>	<u>Interest Rate (%)</u>	<u>Outstanding at December 31, 2008</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at December 31, 2009</u>
Substation	3.375/3.50	<u>\$ 1,825,000</u>	<u>\$ -</u>	<u>\$ 265,000</u>	<u>\$ 1,560,000</u>

The annual debt service requirements for principal and interest for electric light plant enterprise fund bond outstanding at December 31, 2009 are as follows:

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	260,000	12,935	272,935
2015	<u>260,000</u>	<u>4,387</u>	<u>264,387</u>
Total	<u>\$ 1,560,000</u>	<u>\$ 151,189</u>	<u>\$ 1,711,189</u>

Loan Authorized and Unissued

As of June 30, 2010, the Town has loans authorized and unissued as follows:

<u>Description</u>	<u>Date Authorized</u>	<u>Amount</u>
Public Safety Building	3/10/2008	\$ 2,500,000
Water System Projects	3/31/2009	<u>2,473,750</u>
Total		<u>\$ 4,973,750</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2010 (electric light as of December 31, 2009):

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable	\$ 34,127,232	\$ 5,200,000	\$ (2,413,847)	\$ 36,913,385	\$ 2,583,873
Compensated absences	637,038	-	(66,636)	570,402	225,203
Landfill postclosure care costs	260,000	-	(20,000)	240,000	20,000
Capital lease payable	323,781	-	(95,996)	227,785	94,084
OPEB (Note 11)	495,000	483,000	-	978,000	403,000
Total governmental activities long-term liabilities	<u>\$ 35,843,051</u>	<u>\$ 5,683,000</u>	<u>\$ (2,596,479)</u>	<u>\$ 38,929,572</u>	<u>\$ 3,326,160</u>

Business-Type Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable - water/sewer	\$ 15,466,293	\$ -	\$ (1,139,745)	\$ 14,326,548	\$ 1,155,782
Bonds and notes payable - electric light	1,825,000	-	(265,000)	1,560,000	260,000
Compensated absences	25,228	1,148	-	26,376	9,420
Customer deposits - electric light	118,116	625	-	118,741	-
Rate stabilization reserve - electric light	2,507,628	96,205	-	2,603,833	-
OPEB - water/sewer (Note 11)	30,000	27,000	-	57,000	11,000
OPEB - electric light (Note 11)	126,000	114,000	-	240,000	-
Total business-type activities long-term liabilities	<u>\$ 20,098,265</u>	<u>\$ 238,978</u>	<u>\$ (1,404,745)</u>	<u>\$ 18,932,498</u>	<u>\$ 1,436,202</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, 2010

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 2010 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, 2010:

Agency	Total Long-Term Debt Outstanding	Town's Estimated Share	Town's Indirect Debt
Wachusett Regional School District			
Bonds	\$ 26,619,000	43.38%	\$ 11,548,147
Bond Anticipation Notes	<u>3,094,275</u>	43.38%	<u>1,342,392</u>
	<u>29,713,275</u>		<u>12,890,539</u>
Montachusett Regional Vocational Technical School District	<u>9,774,000</u>	11.05%	<u>1,080,027</u>
	<u>\$ 39,487,275</u>		<u>\$ 13,970,566</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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 2010.

The Town has two contributory health care options for its employees. There are 109 active employees and 98 retirees who participate in the Town's health care programs. For active employees hired prior to July 1, 2009, the Town contributes 80% of the premium costs for both family and individual plans. For all new hires and active employees hired after July 1, 2009, the Town contributes 75% 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 2010.

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 and life insurance benefits to eligible retirees and their spouses. The Town Manager has the authority to establish and amend benefit provisions to the Town. Town Meeting has accepted various sections of Massachusetts General Laws Chapter 32B to provide 50% of the premium cost of indemnity plans for 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>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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 2010, total Town premiums plus implicit costs for the retiree medical program were approximately \$477,000.

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	(403,000)	(11,000)	(63,000)	(74,000)	(477,000)
Increase in net OPEB obligation	483,000	27,000	114,000	141,000	624,000
Net OPEB obligation - beginning of year	495,000	30,000	126,000	156,000	651,000
Net OPEB obligation - end of year	\$ 978,000	\$ 57,000	\$ 240,000	\$ 297,000	\$ 1,275,000

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2008	N/A	N/A	N/A
6/30/2009	\$ 1,101,000	41%	\$ 651,000
6/30/2010	\$ 1,101,000	43%	\$ 1,275,000

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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.

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	July 1, 2008
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

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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.

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, 2010, 2009, and 2008 were \$631,711, \$591,126, and \$523,789 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 \$513,886 for fiscal year 2010. In accordance with GASB Statement No. 24, these on-behalf” payments have been recorded in the general fund as intergovernmental revenues and pension expenditures.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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, 2010, 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 (12 years remaining), and the estimated liability has been recorded in the Statement of Net Assets, Governmental Activities. The \$240,000 reported as landfill post-closure liability at June 30, 2010 is based on what it would cost to perform all post-closure care costs at June 30, 2010. 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, 2010, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2010.

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.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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.

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.

As of December 31, 2009, total capital expenditures for MMWEC's Projects amounted to \$1,566,416,000, of which \$48,841,000 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 \$502,245,000 of which \$15,157,000 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. As of December 31, 2009, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$573,581,000, of which \$17,439,000 is anticipated to be billed to the Department in the future.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

The estimated aggregate amount of Holden Municipal Light Department's required payments under the PSAs and PPAs, exclusive of the Reserve and Contingency Fund billings, to MMWEC at December 31, 2009 and estimated for future years is shown below.

For years ended December 31,	Annual Costs
2010	2,437,000
2011	2,415,000
2012	2,410,000
2013	2,350,000
2014	2,228,000
2015 to 2019	<u>5,599,000</u>
	<u>\$ 17,439,000</u>

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 \$5,772,000 for the year ended December 31, 2009.

NOTE 15 – PURCHASED POWER WORKING CAPITAL

The purchased power working capital is an amount held by Massachusetts Municipal Wholesale Electric Company (MMWEC). The implementation of the Working Capital Program began 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 the Department's power obligations when they are due. They replenish the fund as needed from the Department's 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, 2009 was \$1,350,861.

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. The fund is managed by the Town Treasurer and is used to pay for large capital investments such as new trucks and other long-term assets.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 17 – RATE STABILIZATION

The rate stabilization fund was created as an aftermath of the Massachusetts Electricity Act of 1997. 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. In 2009, a transfer of \$500,000 was needed to pay for debris removal following the 2008 ice storm that was not reimbursed by FEMA. The Rate Stabilization Fund balance at December 31, 2009 is \$1,014,241.

NOTE 18 – PRIOR PERIOD ADJUSTMENT – UNBILLED REVENUE

The following Net Assets have been restated to reflect the recording of unbilled revenue in the Water/Sewer enterprise fund at June 30, 2009.

Description	Business-Type Activities Major Fund
	Water/Sewer Enterprise
Total Net Assets at June 30, 2009, as previously reported	\$ 19,575,338
To record unbilled revenue	<u>275,000</u>
Total Net Assets at June 30, 2009, as restated	<u><u>\$ 19,850,338</u></u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 19 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2010, the following GASB pronouncements were implemented:

The GASB issued **Statement #51** *Accounting and Financial Reporting for Intangible Assets* was implemented in FY2010. This pronouncement did not require additional disclosure or impact the basic financial statements.

The GASB issued **Statement #53** *Accounting and Financial Reporting for Derivative Instruments* was implemented in FY2010. The Town does not invest in derivative instruments. Therefore, this pronouncement did not require additional disclosure or impact the basic financial statements.

The GASB issued **Statement #58** *Accounting and Financial Reporting for Chapter 9 Bankruptcies* was implemented in FY2010. This pronouncement did not require additional disclosure or impact the basic financial statements.

Future GASB Pronouncements:

The GASB issued **Statement #54** *Fund Balance Reporting and Governmental Fund Type Definitions* which is required to be implemented in FY2011. Management believes this pronouncement will require additional disclosure and reclassify/redefine some fund balances in the basic financial statements.

The GASB issued **Statement #57** *OPEB Measurement by Agent Employers and Agent Multiple-Employer Plans* which is required to be implemented in FY2012. Management does not believe that this pronouncement will require additional disclosure or impact the basic financial statements.

The GASB issued **Statement #59** *Financial Instruments Omnibus* which is required to be implemented in FY2012. Management does not believe that this pronouncement will require additional disclosure or impact 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
2010	\$1,101,000	43.0%	\$ 1,275,000

(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

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

Plan Membership:

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