

TOWN OF HOLDEN, MASSACHUSETTS

**REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS**

JUNE 30, 2012

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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, 2012, 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' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, 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, 2012, and the respective changes in financial position, and, where applicable, cash flow thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages **2** through **15**, and other postemployment benefits information: schedules of funding progress and employer contributions on pages **66** through **67** 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 14, 2013

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, 2012. 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, 2012, the actuarial accrued liability of the Town is \$11,540,300. The Town benefits provided to retirees and eligible surviving spouses include health and life insurance. GASB 45 does not require current funding of the OPEB and 95% of municipal entities are not currently funding the liability in their communities. However, the Town accepted Chapter 32B Section 20 establishing an OPEB liability trust fund at the May 2009 annual town meeting. As of June 30, 2012 the trust fund has a balance of \$537,103.

Overall, both revenues and expenditures are higher than they were in the prior year. Education expenditures increased as a result of the increased assessment from the Wachuestt Regional School District and the commencement of the feasibility study on the Mount View Middle School building project through the Massachusetts School Building Association. Public safety and public works expenditures increased as a result of capital equipment purchases. Revenues are higher than last year due mainly to charges for services related to the emergency medical services division and a change in the rate structure for the water/sewer user fees.

Total revenue for the year for all funds was \$61.7 million - \$1.5 million or 2.5% more than the total revenue for the fiscal year ended June 30, 2011.

	Fiscal Year Ended June 30, 2012	% Total	Fiscal Year Ended June 30, 2011	% Total
Property taxes	\$ 30,337,642	49.17%	\$ 29,080,742	48.34%
Motor vehicle excise	2,122,827	3.44%	2,037,837	3.39%
Penalties and interest	141,484	0.23%	177,227	0.29%
Payments in lieu of taxes	1,105,204	1.79%	1,055,426	1.75%
Charges for services	22,202,092	35.98%	20,666,613	34.35%
Operating grants and contributions	2,299,560	3.73%	2,217,215	3.69%
Capital grants and contributions	1,537,448	2.49%	2,924,075	4.86%
Nonrestricted grants and contributions	1,748,777	2.83%	1,744,869	2.90%
Unrestricted investment income and other	209,175	0.35%	253,848	0.42%
Total revenue	<u>\$ 61,704,209</u>	<u>100.00%</u>	<u>\$ 60,157,852</u>	<u>100.00%</u>

Total expenses for the year for all funds was \$59.9 million - \$1.7 million or 3.0% more than the total expenditures for the fiscal year ended June 30, 2011.

	Fiscal Year Ended June 30, 2012	% Total	Fiscal Year Ended June 30, 2011	% Total
General government	\$ 1,957,551	3.27%	\$ 2,007,246	3.45%
Public safety	5,042,955	8.42%	4,708,527	8.10%
Education	22,143,080	36.96%	21,454,996	36.90%
Public works	4,026,704	6.72%	3,736,626	6.43%
Water and sewer	5,268,391	8.79%	5,334,957	9.17%
Trash	1,046,528	1.75%	1,011,182	1.74%
Electric	13,294,351	22.19%	13,303,339	22.88%
Human services	417,576	0.70%	391,146	0.67%
Culture and recreation	1,582,494	2.64%	1,505,250	2.59%
Employee benefits	3,664,748	6.12%	3,192,640	5.49%
State and county assessments	124,138	0.21%	118,132	0.20%
Interest	1,337,183	2.23%	1,386,693	2.38%
Total expenditures	<u>\$ 59,905,699</u>	<u>100.00%</u>	<u>\$ 58,150,734</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, 2012 were \$99.6 million, of which the governmental activities were \$65.1 million and the business-type activities were \$34.5 million.

The largest portion of the Town's net assets (65.7%) 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 (9.3%) are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (25.0%) may be used to meet the government's ongoing obligations to citizens and creditors.

Total current assets within the governmental activities were \$15.1 million and included cash & investments of \$10.9 million and receivables net of allowances of \$4.2 million.

Total current liabilities within the governmental activities were \$4.4 million and included accounts payable of \$.3 million and bonds and notes payable of \$3.0 million. Noncurrent liabilities within the governmental activities were \$32.1 million and included \$29.5 million of general obligation bonds payable.

Total current assets within the business-type activities were \$6.5 million and included cash & investments of \$2.2 million and receivables net of allowances of \$2.7 million.

Current liabilities within the business-type activities were \$3.7 million and included accounts payable of \$1.4 million and bond and notes payable of \$1.5 million. Noncurrent liabilities within the business-type activities were \$16.1 million and included \$13.3 million of general obligation bonds payable.

Comparative Net Assets						
	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2012	FY 2011	FY 2012	FY 2011	FY 2012	FY 2011
Assets:						
Current assets	\$ 15,143,681	\$ 13,235,053	\$ 6,481,079	\$ 7,440,999	\$ 21,624,760	\$ 20,676,052
Noncurrent assets	13,101,401	14,974,612	8,492,717	9,495,407	21,594,118	24,470,019
Capital assets	73,318,422	74,204,681	39,334,790	38,880,536	112,653,212	113,085,217
Total assets	101,563,504	102,414,346	54,308,586	55,816,942	155,872,090	158,231,288
Liabilities:						
Current liabilities	4,372,363	4,304,219	3,705,962	4,808,986	8,078,325	9,113,205
Noncurrent liabilities	32,064,776	33,249,666	16,145,252	18,091,011	48,210,028	51,340,677
Total liabilities	36,437,139	37,553,885	19,851,214	22,899,997	56,288,353	60,453,882
Net Assets:						
Invested in capital assets	40,828,007	40,255,159	24,554,730	22,753,830	65,382,737	63,008,989
Restricted	8,246,249	7,445,076	1,040,000	1,300,000	9,286,249	8,745,076
Unrestricted	16,052,109	17,160,226	8,862,642	8,863,115	24,914,751	26,023,341
Total net assets	\$ 65,126,365	\$ 64,860,461	\$ 34,457,372	\$ 32,916,945	\$ 99,583,737	\$ 97,777,406

Governmental activities current assets increased \$1.9 million, as compared with FY2011 due mainly to increased revenue from user charges. Business-type activities current assets decreased \$1.0 million.

Governmental activities current liabilities increased \$0.07 million as compared with FY2011. Business-type activities current liabilities decreased \$1.1 million. Total noncurrent liabilities of the primary government decreased \$3.1 million due mainly to pay down of existing debt service.

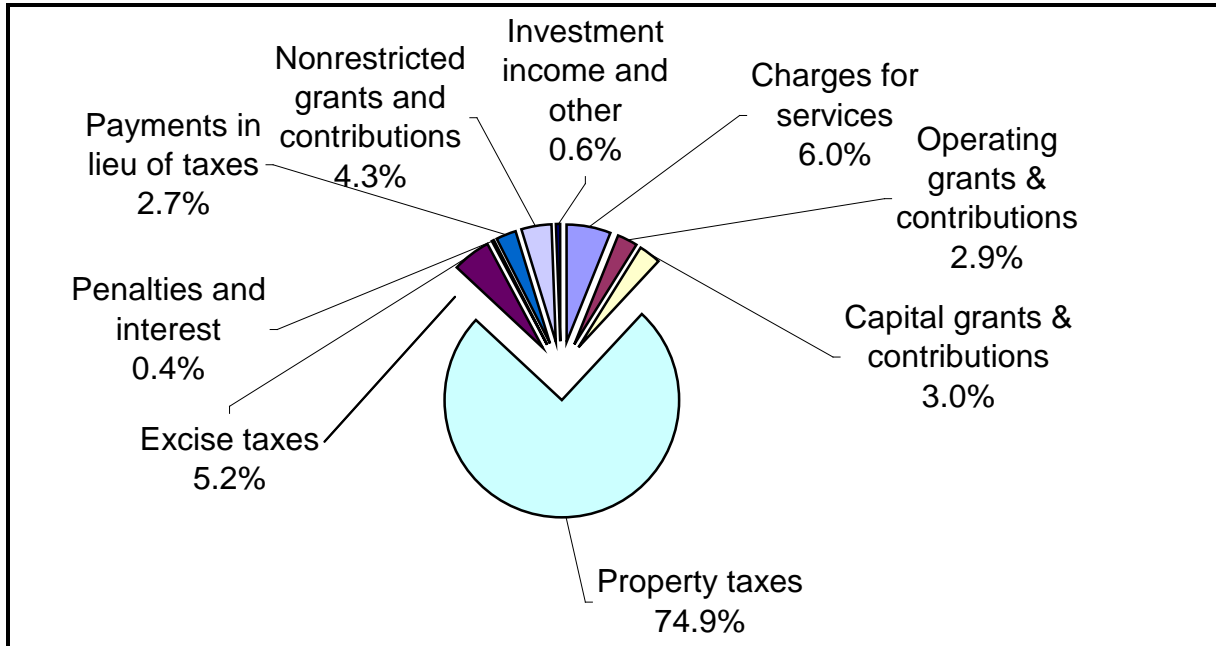
Governmental activities capital assets net of related debt increased 1.4%, and unrestricted net assets decreased 6.5% as compared with the prior year. Business-type capital assets net of related debt increased 7.9%, and unrestricted net assets decreased by 0.01% as compared with the prior year.

Governmental activities increased the Town of Holden's net assets by \$265,904. Presented below are the components that contributed to the change in net assets, along with comparative data for the previous fiscal year:

Comparative Changes in Net Assets

	Governmental Activities		Increase/ (Decrease)
	FY 2012	FY 2011	
Revenues			
<i>Program Revenues:</i>			
Charges for services	\$ 2,432,904	\$ 1,989,027	\$ 443,877
Operating grants and contributions	1,164,893	1,050,282	114,611
Capital grants and contributions	1,218,699	1,919,937	(701,238)
<i>General Revenues:</i>			
Real Estate and personal property taxes	30,337,642	29,080,742	1,256,900
Motor vehicle and other excise taxes	2,122,827	2,037,837	84,990
Penalties and interest	141,484	177,227	(35,743)
Payments in lieu of taxes	1,105,204	1,055,426	49,778
Nonrestricted grants and contributions	1,748,777	1,744,869	3,908
Unrestricted investment income & other	209,175	253,848	(44,673)
Total Revenues	<u>40,481,605</u>	<u>39,309,195</u>	<u>1,172,410</u>
Expenses:			
General Government	1,957,551	2,007,246	(49,695)
Public Safety	5,042,955	4,708,527	334,428
Education	22,143,080	21,454,996	688,084
Public Works	4,026,704	3,736,626	290,078
Human Services	417,576	391,146	26,430
Culture and Recreation	1,582,494	1,505,250	77,244
Employee Benefits	3,664,748	3,192,640	472,108
State and County Assessments	124,138	118,132	6,006
Interest	1,337,183	1,386,693	(49,510)
Total Expenses	<u>40,296,429</u>	<u>38,501,256</u>	<u>1,795,173</u>
Increase/(Decrease) in Net Assets before contributions to term and permanent endowments or permanent fund principal, and transfers	185,176	807,939	(622,763)
Contributions to permanent funds	7,821	-	7,821
Transfers	<u>72,907</u>	<u>23,321</u>	<u>49,586</u>
Change in Net Assets	<u>265,904</u>	<u>831,260</u>	<u>(565,356)</u>
Net Assets - beginning	<u>64,860,461</u>	<u>64,029,201</u>	
Net Assets - ending	<u><u>\$ 65,126,365</u></u>	<u><u>\$ 64,860,461</u></u>	

Governmental Activities – FY2012 Revenues



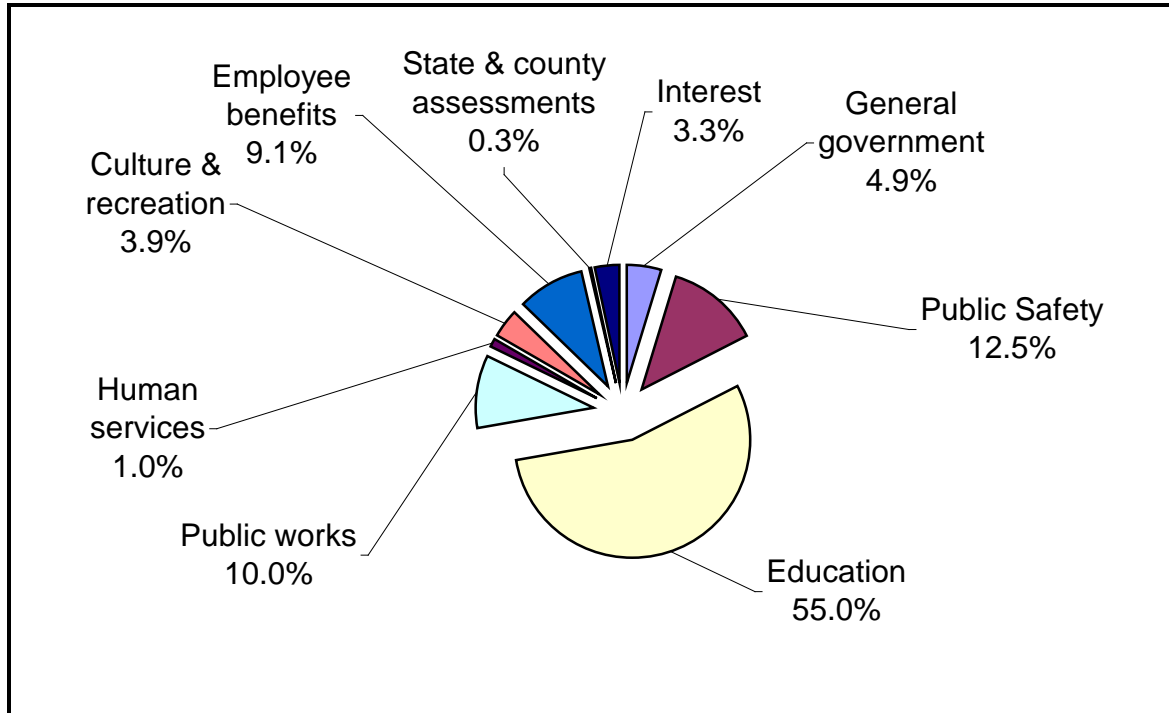
Revenues

Property taxes along with payments in lieu of taxes and excise taxes support approximately 82.8% of the Town's governmental activities. This is an increase of 0.9% from FY2011.

Roughly 39% of the operating grants apply to employee benefits. Approximately 49% of the charges for services revenue was generated by public safety from the EMS service. Culture and recreation services represented 31% and general government services represented more than 14%.

Nearly 95% of the capital grants and contribution revenue supported public works projects and infrastructure and a majority of it was received from Mass Highway (Chapter 90).

Governmental Activities – FY2012 Expenses



Expenses

Education is by far the largest governmental activity of the Town. Approximately \$22.1 million in taxes and other general revenues were needed to cover the FY2012 operating expenses.

Public safety and employee benefits represent the second and third largest governmental activities of the Town. Approximately \$3.66 million and \$3.21 million of taxes and other general revenues were needed to cover the FY2012 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 \$1,540,427 as result of general operations and infrastructure additions and improvements. 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 2012	FY 2011	
Revenues			
<i>Program Revenues:</i>			
Charges for services	\$ 19,769,188	\$ 18,677,586	\$ 1,091,602
Operating grants and contributions	1,134,667	1,166,933	(32,266)
Capital grants and contributions	318,749	1,004,138	(685,389)
Total Revenues	21,222,604	20,848,657	373,947
Expenses:			
Electric	13,294,351	13,404,331	(109,980)
Water/Sewer	5,268,391	5,334,957	(66,566)
Trash	1,046,528	1,011,182	35,346
Total Expenses	19,609,270	19,750,470	(141,200)
Excess (deficiency) of revenues over expenses	1,613,334	1,098,187	515,147
Transfers	(72,907)	(23,321)	(49,586)
Change in Net Assets	1,540,427	1,074,866	465,561
Net Assets - beginning	32,916,945	31,842,079	
Net Assets - ending	\$ 34,457,372	\$ 32,916,945	

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, unassigned 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 \$10.8 million, an increase of \$1.8 million in comparison with the prior fiscal year as a result of increased revenues from charges for services and general operations.

The General Fund is the chief operating fund of the Town. At the end of the fiscal year, unassigned fund balance was \$3,240,922, while total fund balance was \$7,210,644. As a measure of the General fund's liquidity, it may be useful to compare both unassigned 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 \$34.5 million; \$24.6 million or 71% of which relates to the Town's investment in capital assets.

General Fund Budgetary Highlights

The original FY2012 general fund operating budget of \$39.9 million set at the May 2011 annual town meeting. An article at the May 2012 annual town meeting appropriated an additional \$22,654 from receipts reserved for appropriation for the purchase of a photocopier. Modest amounts were transferred from general government to public safety, public works, human services, and culture and recreation.

Revenues exceeded budgetary amounts by \$634,612 and expenditures were less than budgetary amounts by \$2,050,307. Favorable revenue types included motor vehicle excise, intergovernmental, and real estate and personal property taxes. Public works, general government and public safety expenditures were less than budgetary amounts by \$664,672, \$600,882 and \$521,123 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, 2012 amount to \$112,653,212 (net of accumulated depreciation). This investment includes land, buildings, improvements other than buildings, machinery and equipment, vehicles, infrastructure and construction in progress. The total decrease in the Town's investment for the fiscal year was \$432,005 (a \$0.9 million decrease for governmental activities and a \$0.5 million increase for business-type activities).

Capital Assets (Net of Accumulated Depreciation)			
Primary government	FY 2012	FY 2011	Increase/ (Decrease)
Land	\$ 3,141,942	\$ 3,141,942	\$ -
Construction in progress	2,975,580	2,391,743	583,837
Buildings	41,904,934	43,212,517	(1,307,583)
Improvements other than buildings	1,810,729	2,031,697	(220,968)
Machinery and equipment	1,979,268	2,128,034	(148,766)
Vehicles	2,214,537	1,968,953	245,584
Infrastructure	48,830,451	49,209,294	(378,843)
Electric - land	72,500	72,500	-
Electric - construction in progress	92,988	11,669	81,319
Electric - general plant	2,477,212	2,596,904	(119,692)
Electric - distribution plant	7,153,071	6,319,964	833,107
Total Capital Assets	\$ 112,653,212	\$ 113,085,217	\$ (432,005)

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 \$46,255,699. 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, \$19,000,000 or nearly 41% 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 \$870,000 for construction on the public safety building (\$200,000), conducting a feasibility study on the Mount View Middle School (\$300,000) and for the purchase of a dump truck (\$220,000) and self contained breathing apparatus (\$150,000),

Outstanding Debt at Year End		
Governmental Activities	Outstanding June 30, 2012	Outstanding June 30, 2011
Schools	\$ 19,000,000	\$ 20,665,000
Public Safety	12,060,000	12,255,000
Public Works	220,000	-
Swimming Pool	1,205,000	1,375,000
Title V	30,639	34,512
Total Governmental Activities	\$ 32,515,639	\$ 34,329,512
Business-type Activities		
Water Improvements	\$ 8,788,598	\$ 9,728,793
Sewer Construction	4,951,462	5,365,799
Total Business-type Activities	\$ 13,740,060	\$ 15,094,592

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 \$35,675, compared with \$33,460 for the state and \$27,041 for the nation as a whole.

The unemployment rate for the Town was 6.3%, compared with the state rate of 6.9% and the national rate of 8.2%.

The average 2012 single family home in Holden was valued at \$266,300 with an average annual tax bill of \$4,402. The overall property values for FY2012 decreased approximately 1.7% as compared with FY2011.

The Town has a balanced budget for FY2013 and expects a minimal increase for FY2014 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, 2012**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
CURRENT:			
CASH AND SHORT-TERM INVESTMENTS	\$ 7,301,311	\$ 2,018,830	\$ 9,320,141
INVESTMENTS	3,589,525	193,836	3,783,361
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES	215,447	-	215,447
TAX LIENS	616,183	-	616,183
MOTOR VEHICLE EXCISE TAXES	189,800	-	189,800
USER FEES	-	2,371,021	2,371,021
DEPARTMENTAL AND OTHER	328,412	-	328,412
INTERGOVERNMENTAL	2,900,788	-	2,900,788
SPECIAL ASSESSMENTS	2,215	322,660	324,875
PREPAID EXPENSES	-	253,447	253,447
OTHER ASSETS	-	1,321,285	1,321,285
NONCURRENT:			
RESTRICTED ASSETS:			
CASH AND SHORT-TERM INVESTMENTS	-	3,632,015	3,632,015
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
SPECIAL ASSESSMENTS	4,429	4,722,297	4,726,726
INTERGOVERNMENTAL	13,096,972	-	13,096,972
OTHER ASSETS	-	138,405	138,405
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	73,318,422	39,334,790	112,653,212
TOTAL ASSETS	101,563,504	54,308,586	155,872,090
<u>LIABILITIES</u>			
CURRENT:			
ACCOUNTS PAYABLE	308,788	1,387,448	1,696,236
ACCRUED LIABILITIES	38,462	-	38,462
OTHER LIABILITIES	14,651	693,059	707,710
ACCRUED INTEREST	346,690	67,831	414,521
CAPITAL LEASE PAYABLE	87,871	-	87,871
BONDS AND NOTES PAYABLE	2,968,873	1,527,409	4,496,282
LANDFILL POSTCLOSURE CARE COSTS	145,000	-	145,000
COMPENSATED ABSENCES	462,028	30,215	492,243
NONCURRENT:			
CUSTOMER DEPOSITS	-	129,131	129,131
RATE STABILIZATION RESERVE	-	2,630,817	2,630,817
CAPITAL LEASE PAYABLE	89,323	-	89,323
BONDS AND NOTES PAYABLE	29,546,766	13,252,651	42,799,417
LANDFILL POSTCLOSURE CARE COSTS	225,000	-	225,000
COMPENSATED ABSENCES	356,087	18,861	374,948
POST EMPLOYMENT BENEFITS	1,847,600	113,792	1,961,392
TOTAL LIABILITIES	36,437,139	19,851,214	56,288,353
<u>NET ASSETS</u>			
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	40,828,007	24,554,730	65,382,737
RESTRICTED FOR:			
DEBT SERVICE	-	1,040,000	1,040,000
STREETS	923,097	-	923,097
PERMANENT FUNDS:			
EXPENDABLE	436,464	-	436,464
NONEXPENDABLE	401,295	-	401,295
OTHER PURPOSES	6,485,393	-	6,485,393
UNRESTRICTED	16,052,109	8,862,642	24,914,751
TOTAL NET ASSETS	\$ 65,126,365	\$ 34,457,372	\$ 99,583,737

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2012**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
PRIMARY GOVERNMENT:					
GOVERNMENTAL ACTIVITIES:					
GENERAL GOVERNMENT	\$ 1,957,551	\$ 360,776	\$ 242,204	\$ 35,385	\$ (1,319,186)
PUBLIC SAFETY	5,042,955	1,193,705	166,235	20,000	(3,663,015)
EDUCATION	22,143,080	-	32,141	-	(22,110,939)
PUBLIC WORKS	4,026,704	77,417	97,938	1,163,314	(2,688,035)
HUMAN SERVICES	417,576	39,539	93,253	-	(284,784)
CULTURE & RECREATION	1,582,494	761,467	76,775	-	(744,252)
EMPLOYEE BENEFITS	3,664,748	-	456,347	-	(3,208,401)
STATE & COUNTY ASSESSMENTS	124,138	-	-	-	(124,138)
INTEREST	1,337,183	-	-	-	(1,337,183)
TOTAL GOVERNMENTAL ACTIVITIES	40,296,429	2,432,904	1,164,893	1,218,699	(35,479,933)
BUSINESS-TYPE ACTIVITIES:					
WATER/SEWER	5,268,391	5,468,708	569,262	318,749	1,088,328
ELECTRIC	13,294,351	13,219,642	564,509	-	489,800
OTHER ENTERPRISE	1,046,528	1,080,838	896	-	35,206
TOTAL BUSINESS-TYPE ACTIVITIES	19,609,270	19,769,188	1,134,667	318,749	1,613,334
TOTAL PRIMARY GOVERNMENT	\$ 59,905,699	\$ 22,202,092	\$ 2,299,560	\$ 1,537,448	\$ (33,866,599)

See accompanying notes to the basic financial statements

(continued)

**TOWN OF HOLDEN, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2012**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
CHANGES IN NET ASSETS:			
NET (EXPENSE) REVENUE FROM PREVIOUS PAGE	\$ (35,479,933)	\$ 1,613,334	\$ (33,866,599)
GENERAL REVENUES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS PAYABLE	30,129,605	-	30,129,605
TAX LIENS	208,037	-	208,037
MOTOR VEHICLE EXCISE TAXES	2,122,827	-	2,122,827
PENALTIES AND INTEREST ON TAXES	141,484	-	141,484
PAYMENTS IN LIEU OF TAXES	1,105,204	-	1,105,204
GRANTS AND CONTRIBUTIONS NOT RESTRICTED TO SPECIFIC PROGRAMS	1,748,777	-	1,748,777
RENTAL INCOME	92,616	-	92,616
UNRESTRICTED INVESTMENT INCOME	93,920	-	93,920
CONTRIBUTIONS TO PERMANENT FUNDS	7,821	-	7,821
MISCELLANEOUS	22,639	-	22,639
TRANSFERS, NET	72,907	(72,907)	-
TOTAL GENERAL REVENUES AND TRANSFERS	35,745,837	(72,907)	35,672,930
CHANGE IN NET ASSETS	265,904	1,540,427	1,806,331
NET ASSETS:			
BEGINNING OF YEAR	64,860,461	32,916,945	97,777,406
END OF YEAR	\$ 65,126,365	\$ 34,457,372	\$ 99,583,737

See accompanying notes to the basic financial statements

(concluded)

**TOWN OF HOLDEN, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2012**

<u>ASSETS</u>	GENERAL	PUBLIC SAFETY BUILDING	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
CASH AND SHORT-TERM INVESTMENTS	\$ 4,927,451	\$ 211,195	\$ 2,162,665	\$ 7,301,311
INVESTMENTS	2,460,524	-	1,129,001	3,589,525
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:				
REAL ESTATE AND PERSONAL PROPERTY TAXES	215,447	-	-	215,447
TAX LIENS	616,183	-	-	616,183
MOTOR VEHICLE EXCISE TAXES	189,800	-	-	189,800
DEPARTMENTAL AND OTHER	328,412	-	-	328,412
INTERGOVERNMENTAL	14,982,084	-	1,015,676	15,997,760
SPECIAL ASSESSMENTS	-	-	6,644	6,644
TOTAL ASSETS	\$ 23,719,901	\$ 211,195	\$ 4,313,986	\$ 28,245,082
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES:				
ACCOUNTS PAYABLE	\$ 262,552	\$ 8,777	\$ 37,459	\$ 308,788
ACCRUED LIABILITIES	38,462	-	-	38,462
OTHER LIABILITIES	14,651	-	-	14,651
DEFERRED REVENUES	16,193,592	-	929,741	17,123,333
TOTAL LIABILITIES	16,509,257	8,777	967,200	17,485,234
FUND BALANCES:				
NONSPENDABLE	-	-	401,295	401,295
RESTRICTED	1,691,898	-	2,945,491	4,637,389
COMMITTED	735,341	-	-	735,341
ASSIGNED	1,542,483	202,418	-	1,744,901
UNASSIGNED	3,240,922	-	-	3,240,922
TOTAL FUND BALANCES	7,210,644	202,418	3,346,786	10,759,848
TOTAL LIABILITIES AND FUND BALANCES	\$ 23,719,901	\$ 211,195	\$ 4,313,986	\$ 28,245,082

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, 2012**

	GENERAL	PUBLIC SAFETY BUILDING	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 30,293,398	\$ -	\$ -	\$ 30,293,398
MOTOR VEHICLE EXCISE TAXES	2,095,151	-	-	2,095,151
PENALTIES AND INTEREST ON TAXES	141,484	-	-	141,484
INTERGOVERNMENTAL	4,190,630	-	781,839	4,972,469
CHARGES FOR SERVICES	-	-	1,168,713	1,168,713
INVESTMENT INCOME	93,920	-	6,155	100,075
CONTRIBUTIONS & DONATIONS	-	-	79,029	79,029
DEPARTMENTAL AND OTHER	2,523,097	-	84,730	2,607,827
TOTAL REVENUES	39,337,680	-	2,120,466	41,458,146
EXPENDITURES:				
CURRENT:				
GENERAL GOVERNMENT	1,739,096	-	183,910	1,923,006
PUBLIC SAFETY	4,360,763	511,273	302,500	5,174,536
EDUCATION	21,249,850	-	68,975	21,318,825
PUBLIC WORKS	2,679,974	-	593,657	3,273,631
HUMAN SERVICES	322,656	-	49,571	372,227
CULTURE & RECREATION	793,118	-	663,741	1,456,859
EMPLOYEE BENEFITS	2,991,104	-	-	2,991,104
STATE & COUNTY ASSESSMENTS	124,138	-	-	124,138
DEBT SERVICE				
PRINCIPAL	2,683,873	-	-	2,683,873
INTEREST	1,360,712	-	-	1,360,712
TOTAL EXPENDITURES	38,305,284	511,273	1,862,354	40,678,911
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,032,396	(511,273)	258,112	779,235
OTHER FINANCING SOURCES (USES)				
PROCEEDS FROM BONDS AND NOTES	370,000	200,000	300,000	870,000
OPERATING TRANSFERS IN	145,423	-	-	145,423
OPERATING TRANSFERS OUT	-	-	(72,516)	(72,516)
TOTAL OTHER FINANCING SOURCES (USES)	515,423	200,000	227,484	942,907
NET CHANGE IN FUND BALANCES	1,547,819	(311,273)	485,596	1,722,142
FUND BALANCES AT BEGINNING OF YEAR	5,662,825	513,691	2,861,190	9,037,706
FUND BALANCES AT END OF YEAR	\$ 7,210,644	\$ 202,418	\$ 3,346,786	\$ 10,759,848

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, 2012**

TOTAL GOVERNMENTAL FUND BALANCES		\$10,759,848
CAPITAL ASSETS (NET) USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS		73,318,422
ACCOUNTS RECEIVABLE ARE NOT AVAILABLE TO PAY FOR CURRENT-PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS		17,123,333
IN THE STATEMENT OF ACTIVITIES, INTEREST IS ACCRUED ON OUTSTANDING LONG-TERM DEBT, WHEREAS IN GOVERNMENTAL FUNDS INTEREST IS NOT REPORTED UNTIL DUE		(346,690)
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	(32,515,639)	
CAPITAL LEASE PAYABLE	(177,194)	
COMPENSATED ABSENCES	(818,115)	
POST EMPLOYMENT BENEFITS	(1,847,600)	
LANDFILL POSTCLOSURE CARE COSTS	<u>(370,000)</u>	
NET EFFECT OF REPORTING LONG-TERM LIABILITIES		<u>(35,728,548)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u>\$65,126,365</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, 2012**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ 1,722,142**

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	2,587,935	
DEPRECIATION EXPENSE	<u>(3,474,194)</u>	
NET EFFECT OF REPORTING CAPITAL ASSETS		(886,259)

REVENUES IN THE STATEMENT OF ACTIVITIES THAT DO NOT PROVIDE CURRENT FINANCIAL RESOURCES ARE FULLY DEFERRED IN THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES. THEREFORE, THE RECOGNITION OF REVENUE FOR VARIOUS TYPES OF ACCOUNTS RECEIVABLE (I.E. REAL ESTATE AND PERSONAL PROPERTY, MOTOR VEHICLE EXCISE, ETC.) DIFFER BETWEEN THE TWO STATEMENTS. THIS AMOUNT REPRESENTS THE NET CHANGE IN DEFERRED REVENUE (1,595,244)

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	(870,000)	
PROCEEDS FROM CAPITAL LEASE OBLIGATION	141,701	
DEBT SERVICE PRINCIPAL PAYMENTS	<u>2,683,873</u>	
NET EFFECT OF REPORTING LONG-TERM DEBT		1,955,574

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	(185,194)	
NET CHANGE IN COMPENSATED ABSENCES ACCRUAL	(245,765)	
NET CHANGE IN OTHER POSTEMPLOYMENT BENEFITS	(427,879)	
NET CHANGE IN LANDFILL POSTCLOSURE CARE ACCRUAL	(95,000)	
NET CHANGE IN ACCRUED INTEREST ON LONG-TERM DEBT	<u>23,529</u>	
NET EFFECT OF RECORDING LONG-TERM LIABILITIES		<u>(930,309)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 265,904**

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, 2012**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL BUDGET	FINAL BUDGET	BUDGETARY AMOUNTS	OVER(UNDER)
<u>REVENUES:</u>				
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 30,133,565	\$ 30,133,565	\$ 30,293,398	\$ 159,833
MOTOR VEHICLE EXCISE TAXES	1,900,000	1,900,000	2,095,151	195,151
PENALTIES & INTEREST ON TAXES	149,000	149,000	141,484	(7,516)
INTERGOVERNMENTAL	3,549,835	3,549,835	3,733,296	183,461
INVESTMENT INCOME	80,000	80,000	70,635	(9,365)
DEPARTMENTAL AND OTHER	2,410,049	2,410,049	2,523,097	113,048
TOTAL REVENUES	38,222,449	38,222,449	38,857,061	634,612
<u>EXPENDITURES:</u>				
CURRENT:				
GENERAL GOVERNMENT	2,427,869	2,339,978	1,739,096	600,882
PUBLIC SAFETY	4,861,876	4,881,886	4,360,763	521,123
EDUCATION	21,249,850	21,249,850	21,249,850	-
PUBLIC WORKS	3,314,734	3,344,646	2,679,974	664,672
HUMAN SERVICES	303,469	336,138	322,656	13,482
CULTURE & RECREATION	804,302	832,256	793,117	39,139
EMPLOYEE BENEFITS	2,667,234	2,667,234	2,535,577	131,657
STATE & COUNTY ASSESSMENTS	123,038	123,038	124,138	(1,100)
DEBT SERVICE:				
PRINCIPAL	2,756,625	2,756,625	2,683,873	72,752
INTEREST	1,366,604	1,366,604	1,358,904	7,700
TOTAL EXPENDITURES	39,875,601	39,898,255	37,847,948	2,050,307
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,653,152)	(1,675,806)	1,009,113	2,684,919
<u>OTHER FINANCING SOURCES (USES):</u>				
BOND PROCEEDS	370,000	370,000	370,000	-
OPERATING TRANSFERS IN	57,006	79,660	145,423	65,763
TOTAL OTHER FINANCING SOURCES (USES)	427,006	449,660	515,423	65,763
NET CHANGE IN FUND BALANCE	(1,226,146)	(1,226,146)	1,524,536	2,750,682
BUDGETARY FUND BALANCE, BEGINNING OF YEAR	3,462,124	3,462,124	3,462,124	-
BUDGETARY FUND BALANCE, END OF YEAR	\$ 2,235,978	\$ 2,235,978	\$ 4,986,660	\$ 2,750,682

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2012**

<u>ASSETS</u>	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			
	WATER/SEWER	ELECTRIC	OTHER ENTERPRISE	TOTAL
CURRENT:				
CASH AND SHORT-TERM INVESTMENTS	\$ 1,207,152	\$ 623,711	\$ 187,967	\$ 2,018,830
INVESTMENTS	193,836	-	-	193,836
USER FEES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:	763,854	1,532,644	74,523	2,371,021
SPECIAL ASSESSMENTS	322,660	-	-	322,660
OTHER ASSETS	-	1,321,285	-	1,321,285
PREPAID EXPENSES	-	253,447	-	253,447
TOTAL CURRENT ASSETS	2,487,502	3,731,087	262,490	6,481,079
NONCURRENT:				
RESTRICTED CASH AND SHORT-TERM INVESTMENTS:				
DEPRECIATION FUND	-	1,554,593	-	1,554,593
CUSTOMER DEPOSITS	-	129,131	-	129,131
RATE STABILIZATION FUND	-	1,916,225	-	1,916,225
OTHER SPECIAL FUNDS	-	32,066	-	32,066
SPECIAL ASSESSMENTS	4,722,297	-	-	4,722,297
OTHER ASSETS	-	138,405	-	138,405
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	29,539,019	9,795,771	-	39,334,790
TOTAL NONCURRENT ASSETS	34,261,316	13,566,191	-	47,827,507
TOTAL ASSETS	36,748,818	17,297,278	262,490	54,308,586
<u>LIABILITIES</u>				
CURRENT:				
ACCOUNTS PAYABLE	384,723	971,442	31,283	1,387,448
OTHER LIABILITIES	-	693,059	-	693,059
ACCRUED INTEREST	67,831	-	-	67,831
BONDS AND NOTES PAYABLE	1,267,409	260,000	-	1,527,409
COMPENSATED ABSENCES	30,215	-	-	30,215
TOTAL CURRENT LIABILITIES	1,750,178	1,924,501	31,283	3,705,962
NONCURRENT:				
CUSTOMER DEPOSITS	-	129,131	-	129,131
RATE STABILIZATION RESERVE	-	2,630,817	-	2,630,817
BONDS AND NOTES PAYABLE	12,472,651	780,000	-	13,252,651
COMPENSATED ABSENCES	18,861	-	-	18,861
POST EMPLOYMENT BENEFITS	113,792	-	-	113,792
TOTAL NONCURRENT LIABILITIES	12,605,304	3,539,948	-	16,145,252
TOTAL LIABILITIES	14,355,482	5,464,449	31,283	19,851,214
<u>NET ASSETS</u>				
RESTRICTED FOR DEBT SERVICE	-	1,040,000	-	1,040,000
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	15,798,959	8,755,771	-	24,554,730
UNRESTRICTED	6,594,377	2,037,058	231,207	8,862,642
TOTAL NET ASSETS	\$ 22,393,336	\$ 11,832,829	\$ 231,207	\$ 34,457,372

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, 2012

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	WATER/SEWER	ELECTRIC	OTHER ENTERPRISE	TOTAL
<u>OPERATING REVENUES:</u>				
CHARGES FOR SERVICES	\$ 5,468,708	\$ 13,219,642	\$ 1,080,838	\$ 19,769,188
INTERGOVERNMENTAL	27,737	-	-	27,737
DEPARTMENTALAND OTHER	59,771	206,110	-	265,881
DONATIONS	318,749	-	-	318,749
TOTAL OPERATING REVENUES	5,874,965	13,425,752	1,080,838	20,381,555
<u>OPERATING EXPENSES:</u>				
GENERAL SERVICES	3,798,866	12,518,609	1,046,528	17,364,003
DEPRECIATION	860,622	674,602	-	1,535,224
TOTAL OPERATING EXPENSES	4,659,488	13,193,211	1,046,528	18,899,227
OPERATING INCOME (LOSS)	1,215,477	232,541	34,310	1,482,328
<u>NON-OPERATING REVENUES (EXPENSES):</u>				
INTERGOVERNMENTAL	480,766	327,118	-	807,884
INVESTMENT INCOME	988	31,281	896	33,165
DISASTER RECOVERY EXPENSES	-	(66,072)	-	(66,072)
INTEREST EXPENSE	(608,903)	(35,068)	-	(643,971)
TOTAL NON-OPERATING REVENUES (EXPENSES), NET	(127,149)	257,259	896	131,006
INCOME (LOSS) BEFORE CONTRIBTIONS AND TRANSFERS	1,088,328	489,800	35,206	1,613,334
<u>CAPITAL CONTRIBUTIONS AND TRANSFERS:</u>				
OPERATING TRANSFERS IN	7,668	-	-	7,668
OPERATING TRANSFERS OUT	(80,575)	-	-	(80,575)
TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS	(72,907)	-	-	(72,907)
CHANGE IN NET ASSETS	1,015,421	489,800	35,206	1,540,427
NET ASSETS AT BEGINNING OF YEAR	21,377,915	11,343,029	196,001	32,916,945
NET ASSETS AT END OF YEAR	<u>\$ 22,393,336</u>	<u>\$ 11,832,829</u>	<u>\$ 231,207</u>	<u>\$ 34,457,372</u>

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FISCAL YEAR ENDED JUNE 30, 2012**

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	WATER/SEWER	ELECTRIC	OTHER ENTERPRISE	TOTAL
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
RECEIPTS FROM CUSTOMERS AND USERS	\$ 5,862,473	\$ 13,322,026	\$ 1,057,488	\$ 20,241,987
PAYMENTS TO SUPPLIERS	(3,292,239)	(11,797,429)	(1,001,262)	(16,090,930)
PAYMENTS TO EMPLOYEES	(493,340)	(1,202,408)	(45,752)	(1,741,500)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	2,076,894	322,189	10,474	2,409,557
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
OPERATING TRANSFERS IN	7,668	-	-	7,668
OPERATING TRANSFERS OUT	(80,575)	-	-	(80,575)
DISASTER RECOVERY REVENUE	-	230,222	-	230,222
INTEREST EXPENSE	-	(423)	-	(423)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(72,907)	229,799	-	156,892
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
PROCEEDS FROM THE ISSUANCE OF BONDS AND NOTES	821,480	-	-	821,480
PRINCIPAL PAYMENTS ON BONDS AND NOTES	(1,106,645)	(260,000)	-	(1,366,645)
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(833,269)	(1,469,336)	-	(2,302,605)
INTEREST EXPENSE	(289,746)	(34,645)	-	(324,391)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES:	(1,408,180)	(1,763,981)	-	(3,172,161)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
NET PROCEEDS FROM PURCHASE AND SALE OF INVESTMENT SECURITIES	29,012	-	-	29,012
RATE STABILIZATION RESERVE	-	18,001	-	18,001
INTEREST RECEIVED	988	31,281	896	33,165
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES:	30,000	49,282	896	80,178
NET INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS	625,807	(1,162,711)	11,370	(525,534)
CASH AND SHORT TERM INVESTMENTS - BEGINNING OF YEAR	581,345	5,418,437	176,597	6,176,379
CASH AND SHORT TERM INVESTMENTS - END OF YEAR	\$ 1,207,152	\$ 4,255,726	\$ 187,967	\$ 5,650,845
<u>RECONCILIATION OF OPERATING INCOME (LOSS)</u>				
<u>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>				
OPERATING INCOME (LOSS)	\$ 1,215,477	\$ 232,541	\$ 34,310	\$ 1,482,328
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS)				
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
DEPRECIATION	860,622	674,602	-	1,535,224
DONATED INFRASTRUCTURE	(318,749)	-	-	(318,749)
(INCREASE) DECREASE IN ACCOUNTS RECEIVABLE	(112,812)	328,446	(23,350)	192,284
(INCREASE) DECREASE IN SPECIAL ASSESSMENTS	419,069	-	-	419,069
(INCREASE) DECREASE IN PREPAID EXPENSES	-	(87,341)	-	(87,341)
(INCREASE) DECREASE IN OTHER ASSETS	-	(7,530)	-	(7,530)
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	(37,266)	(48,249)	(486)	(86,001)
INCREASE (DECREASE) IN OTHER LIABILITIES	-	(417,280)	-	(417,280)
INCREASE (DECREASE) IN COMPENSATED ABSENCES PAYABLE	22,115	-	-	22,115
INCREASE (DECREASE) IN POST EMPLOYMENT BENEFITS	28,438	(353,000)	-	(324,562)
TOTAL ADJUSTMENTS	861,417	89,648	(23,836)	927,229
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 2,076,894	\$ 322,189	\$ 10,474	\$ 2,409,557

See accompanying notes to the basic financial statements

TOWN OF HOLDEN, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2012

	POSTEMPLOYMENT BENEFITS TRUST	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS
<u>ASSETS</u>			
CASH AND SHORT-TERM INVESTMENTS	\$ -	\$ 34,383	\$ 198,526
INVESTMENTS	537,103	-	-
TOTAL ASSETS	537,103	34,383	198,526
<u>LIABILITIES</u>			
ACCOUNTS PAYABLE	-	-	8,772
OTHER LIABILITIES	-	-	189,754
TOTAL LIABILITIES	-	-	198,526
<u>NET ASSETS</u>			
HELD IN TRUST FOR PLAN PARTICIPANTS	\$ 537,103	\$ -	\$ -
HELD IN TRUST FOR OTHER PURPOSES	-	34,383	-
TOTAL	\$ 537,103	\$ 34,383	\$ -

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, 2012**

	POSTEMPLOYMENT BENEFITS TRUST	PRIVATE PURPOSE TRUST FUNDS
<u>ADDITIONS:</u>		
CONTRIBUTIONS:		
DEPARTMENTAL	\$ 86,014	\$ -
PRIVATE DONATIONS	-	500
NET INVESTMENT INCOME (LOSS):		
INVESTMENT INCOME	(1,666)	185
TOTAL ADDITIONS	84,348	685
<u>DEDUCTIONS:</u>		
HUMAN SERVICES	-	2,000
CHANGE IN NET ASSETS	84,348	(1,315)
NET ASSETS AT BEGINNING OF YEAR	452,755	35,698
NET ASSETS AT END OF YEAR	\$ 537,103	\$ 34,383

See accompanying notes to the basic financial statements

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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	\$ 20,784,753
Montachusett Regional Vocational Technical School District	To provide grades 9-12 Vocational and Technical Educational Services	1050 Westminster St. Fitchburg, MA 01420	\$ 465,097

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 43.07% equity interest in the joint venture.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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 12.17% 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, 2012

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, 2012

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, 2012

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 Postemployment Benefits Trust fund is used to account for assets held to fund future postemployment benefits of current and retired employees.
- The *Agency fund* is used to account for assets held in a purely custodial capacity.

Government-Wide and Fund Financial Statements

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide, proprietary fund, and fiduciary funds financial statements to the extent that those standards do not conflict with or contradict guidance of the *Governmental Accounting Standards Board*. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

E. Accounts Receivable

Government-Wide and Fund Financial Statements

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

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Real Estate, Personal Property Taxes and Tax Liens

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

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

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

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

Motor Vehicle Excise

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

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

Water and Sewer

User fees are levied 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.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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.

Electricity

The Department carries its accounts receivable at cost less an allowance for doubtful accounts of \$29,000 at December 31, 2011. 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, 2012

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, 2012

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, 2012

- *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)

The Town uses the following criteria for fund balance classification:

- For *nonspendable* fund balance: includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.
- For *restricted* fund balance: when constraints placed on the use of the resources are either (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.
- For *committed* fund balance: (1) the government’s highest level of decision-making authority and (2) the formal action that is required to be taken to establish (and modify or rescind) a fund balance commitment.
- For *assigned* fund balance: (1) the body or official authorized to assign amounts to a specific purpose and (2) the policy established by the governing body pursuant to which the authorization is given.
- For *unassigned* fund balance: is the residual classification for the general fund. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The Town uses the following criteria for fund balance policies and procedures:

- When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the unrestricted amount will be considered to have been spent.
- When an expenditure is incurred for purposes for which committed, assigned, or unassigned fund balance is available, the least restricted amount will be considered to have been spent.

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.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Governmental Fund Financial Statements

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

M. Investment Income

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

N. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

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, 2012 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%, 75% 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.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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.

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 2012 approved budget authorized \$39,171,610 in current year appropriations and other amounts to be raised and \$703,991 in encumbrances and appropriations carried over from previous fiscal years. Supplemental appropriations of \$22,654 were approved at one Town Meeting during fiscal year 2012.

TOWN OF HOLDEN, MASSACHUSETTS
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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, 2012, is presented below:

Net change in fund balance - budgetary basis	\$ 1,524,536
Basis of accounting differences:	
Net stabilization fund activity	23,283
Increase in revenue for on-behalf payments - MTRS	455,526
Increase in expenditures for on-behalf payments - MTRS	(455,526)
Increase in revenue for the MWPAT subsidy	1,808
Increase in expenditures for the MWPAT subsidy	<u>(1,808)</u>
Net change in fund balance - GAAP basis	<u>\$ 1,547,819</u>

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), the Depositor's Insurance Fund (DIF), or collateralized with securities held by the Town or the Town's agent in the Town's name. The Town also carries deposits that are uninsured, uncollateralized, or collateral held by the pledging bank's trust department not in the Town's name.

TOWN OF HOLDEN, MASSACHUSETTS
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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, 2012:

Total bank balances		<u><u>\$ 9,092,275</u></u>
Bank balances covered by deposit insurance		
Federal Deposit Insurance Corporation (FDIC)	1,251,384	
Depositors Insurance Fund (DIF)	<u>314,829</u>	
Total bank balances covered by deposit insurance		1,566,213
Balances subject to custodial credit risk		
Bank balances uninsured & uncollateralized	<u>7,526,062</u>	
Total bank balances subject to custodial credit risk		<u><u>7,526,062</u></u>
Total bank balances		<u><u>\$ 9,092,275</u></u>

On October 3, 2008, FDIC deposit insurance temporarily increased from \$100,000 to \$250,000 per depositor 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.

TOWN OF HOLDEN, MASSACHUSETTS
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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		
			AA+	BBB+	Unrated
U.S. Government & Agency Securities	\$ 3,164,078	N/A	\$ 3,164,078	\$ -	\$ -
Certificates of Deposit	1,634,594	N/A	-	-	1,634,594
Fixed Income Mutual Funds	136,863	N/A	-	-	136,863
Corporate Bonds	29,894	N/A	15,026	14,868	-
Money Market Mutual Funds	549,846	N/A	-	-	549,846
Equity Mutual Funds	294,670	N/A	-	-	294,670
Asset Backed Securities	848	N/A	-	-	848
Total Investments	\$ 5,810,793		<u>\$ 3,179,104</u>	<u>\$ 14,868</u>	<u>\$ 2,616,821</u>
Less: Electric Light Plant Investments at June 30, 2012	<u>(1,490,329)</u>				
Total Investments per Statement of Net Assets and Fiduciary Net Assets at June 30, 2012	<u>\$ 4,320,464</u>				

- *Custodial Credit Risk*

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in possession of an outside party. The Town has no custodial credit risk exposure related to the certificates of deposit because they are fully insured by the FDIC. The Town has no custodial credit risk exposure related to the U.S. Government and Agency Securities, corporate bonds, or asset backed securities 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.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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- *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
<i>Debt Related Securities:</i>			
U.S. Government & Agency	\$ 3,164,078	\$ -	\$ 3,164,078
Fixed Income Mutual Funds	136,863	136,863	-
Corporate Bonds	29,894	-	29,894
Asset Backed Securities	848	-	848
Total - Debt related securities	\$ 3,331,683	\$ 136,863	\$ 3,194,820
<i>Other Investments:</i>			
Certificates of Deposit	1,634,594	826,706	807,888
Money Market Mutual Funds	549,846	549,846	-
Equity Mutual Funds	294,670	294,670	-
Total Other Investments	2,479,110	1,671,222	807,888
Total Investments at June 30, 2012	\$ 5,810,793	\$ 1,808,085	\$ 4,002,708

- *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, 2012

NOTE 4 – RECEIVABLES

The receivables at June 30, 2012 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	\$ 221,547	\$ (6,100)	\$ 215,447
Tax liens	616,183	-	616,183
Motor vehicle & other excise taxes	209,901	(20,101)	189,800
Special assessments	6,644	-	6,644
Departmental and other	532,381	(203,969)	328,412
Intergovernmental	15,997,760	-	15,997,760
Total	<u>\$ 17,584,416</u>	<u>\$ (230,170)</u>	<u>\$ 17,354,246</u>

The receivables at June 30, 2012, (electric light at December 31, 2011) for the enterprise funds consist of the following:

Receivables:	Gross Amount	Allowance for Uncollectibles	Net Amount
<i>Water and Sewer</i>			
User fees	\$ 763,854	\$ -	\$ 763,854
Special Assessments	5,044,957	-	5,044,957
<i>Other Enterprise - Trash</i>			
User fees	74,523	-	74,523
<i>Electric Light</i>			
User fees	<u>1,561,644</u>	<u>(29,000)</u>	<u>1,532,644</u>
Total	<u>\$ 7,444,978</u>	<u>\$ (29,000)</u>	<u>\$ 7,415,978</u>

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

Deferred Revenue Analysis			
Receivable Type:	General Fund	Nonmajor Governmental Funds	Total
Property Taxes	\$ 91,229	\$ -	\$ 91,229
Tax Liens	616,183	-	616,183
Motor vehicle excise taxes	189,800	-	189,800
Special Assessments	-	6,644	6,644
Departmental and other	328,412	-	328,412
Intergovernmental	<u>14,967,968</u>	<u>923,097</u>	<u>15,891,065</u>
Total	<u>\$ 16,193,592</u>	<u>\$ 929,741</u>	<u>\$ 17,123,333</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 2,709,394	\$ -	\$ -	\$ 2,709,394
Construction in progress	-	448,632	-	448,632
Total capital assets not being depreciated	2,709,394	448,632	-	3,158,026
<i>Capital assets being depreciated:</i>				
Buildings and improvements	52,567,374	119,310	-	52,686,684
Capital improvements (other than buildings)	1,751,396	32,745	-	1,784,141
Machinery and equipment	3,350,947	170,231	-	3,521,178
Vehicles	5,150,796	573,698	(136,472)	5,588,022
Infrastructure	56,482,681	1,243,319	-	57,726,000
Total capital assets being depreciated	119,303,194	2,139,303	(136,472)	121,306,025
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(14,595,967)	(1,260,487)	-	(15,856,454)
Capital improvements (other than buildings)	(503,392)	(197,562)	-	(700,954)
Machinery and equipment	(1,519,034)	(276,817)	-	(1,795,851)
Vehicles	(3,197,381)	(361,800)	136,472	(3,422,709)
Infrastructure	(27,992,133)	(1,377,528)	-	(29,369,661)
Total accumulated depreciation	(47,807,907)	(3,474,194)	136,472	(51,145,629)
Total capital assets being depreciated, net	71,495,287	(1,334,891)	-	70,160,396
Total governmental activities capital assets, net	\$ 74,204,681	\$ (886,259)	\$ -	\$ 73,318,422

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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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	2,391,743	135,204	(2,526,947)	-
Total capital assets not being depreciated	2,824,291	135,204	(2,526,947)	432,548
<i>Capital assets being depreciated:</i>				
Buildings and improvements	7,917,262	-	-	7,917,262
Capital improvements (other than buildings)	1,177,018	-	-	1,177,018
Machinery and equipment	881,865	18,755	172,728	1,073,348
Vehicles	318,071	47,433	(32,239)	333,265
Infrastructure	27,881,844	318,750	2,354,219	30,554,813
Total capital assets being depreciated	38,176,060	384,938	2,494,708	41,055,706
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(2,676,151)	(166,406)	-	(2,842,557)
Capital improvements (other than buildings)	(393,325)	(56,151)	-	(449,476)
Machinery and equipment	(585,744)	(60,935)	-	(646,679)
Vehicles	(302,532)	(13,747)	32,239	(284,040)
Infrastructure	(7,163,100)	(563,383)	-	(7,726,483)
Total accumulated depreciation	(11,120,852)	(860,622)	32,239	(11,949,235)
Total capital assets being depreciated, net	27,055,208	(475,684)	2,526,947	29,106,471
Total business-type activities capital assets, net	\$ 29,879,499	\$ (340,480)	\$ -	\$ 29,539,019

TOWN OF HOLDEN, MASSACHUSETTS
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Capital asset activity for the *electric light plant* at December 31, 2011 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	11,669	92,988	(11,669)	92,988
Total capital assets not being depreciated	84,169	92,988	(11,669)	165,488
<i>Capital assets being depreciated:</i>				
Distribution Plant	17,364,827	1,352,383	(93,854)	18,623,356
General Plant	5,122,004	35,634	-	5,157,638
Total capital assets being depreciated	22,486,831	1,388,017	(93,854)	23,780,994
<i>Less accumulated depreciation for:</i>				
Distribution Plant	(11,044,863)	(519,276)	93,854	(11,470,285)
General Plant	(2,525,100)	(155,326)	-	(2,680,426)
Total accumulated depreciation	(13,569,963)	(674,602)	93,854	(14,150,711)
Total capital assets being depreciated, net	8,916,868	713,415	-	9,630,283
Total business-type activities capital assets, net	\$ 9,001,037	\$ 806,403	\$ (11,669)	\$ 9,795,771

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

Governmental Activities:	
General government	\$ 82,376
Public safety	682,879
Education	824,255
Public works	1,683,338
Human services	51,968
Culture and recreation	149,378
Total depreciation expense - governmental activities	\$ 3,474,194
Business-Type Activities:	
Water and Sewer	\$ 860,622
Electric light - (December 31, 2011)	674,602
Total depreciation expense - business-type activities	\$ 1,535,224

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 6 – CAPITAL LEASES

The Town has entered into several lease agreements as lessee for financing the acquisition of an ambulance 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	\$ 222,940
Machinery & Equipment	82,977
Less: Accumulated depreciation	<u>(40,189)</u>
	<u><u>\$ 265,728</u></u>

The future minimum lease obligations and the net present values of the minimum lease payments as of June 30, 2012, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2013	\$ 92,007
2014	<u>92,007</u>
Total minimum lease payments	184,014
Less: amounts representing interest	<u>(6,820)</u>
Present value of minimum lease payments	<u><u>\$ 177,194</u></u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 7 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2012, are summarized as follows:

Operating Transfers Out:	Operating Transfers In:		
	General Fund	Water/Sewer Enterprise Fund	Total
Nonmajor Governmental Funds	\$ 22,654	\$ -	\$ 22,654 (1)
Nonmajor Governmental Funds	42,194	-	42,194 (2)
Water/Sewer Enterprise Fund	50,575	-	50,575 (1)
Water/Sewer Enterprise Fund	30,000	-	30,000 (2)
Nonmajor Governmental Funds	-	7,668	7,668 (2)
Total	<u>\$ 145,423</u>	<u>\$ 7,668</u>	<u>\$ 153,091</u>

(1) Represents various budgeted transfers to supplement the operating budget.

(2) Represents other transfers to various funds.

NOTE 8 – SHORT-TERM FINANCING

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

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

Short-term loans are general obligations of the Town and maturity dates are governed by statute.

There was no short-term borrowing during fiscal year 2012.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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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, 2012:

Bonds and Notes Payable Schedule -Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2011	Issued	Redeemed	Outstanding at June 30, 2012
General Obligation	3.75	\$ 4,995,000	\$ -	\$ 210,000	\$ 4,785,000
General Obligation	4.75	80,000	-	40,000	40,000
Title V	Var.	34,512	-	3,873	30,639
School - Refunding	4.12	20,060,000	-	1,895,000	18,165,000
School	3.64	575,000	-	55,000	520,000
Outdoor Recreation	3.64	1,375,000	-	170,000	1,205,000
School Construction	2.67	30,000	-	15,000	15,000
Public Safety Building	3.90	7,180,000	-	295,000	6,885,000
General Obligation	2.30	-	870,000	-	870,000
Total		<u>\$ 34,329,512</u>	<u>\$ 870,000</u>	<u>\$ 2,683,873</u>	<u>\$ 32,515,639</u>

The annual debt service requirements for principal and interest for Governmental bonds and notes outstanding at June 30, 2012 are as follows:

Fiscal Year	Principal	Interest	Total
2013	\$ 2,968,873	\$ 1,279,101	\$ 4,247,974
2014	3,028,873	1,170,095	4,198,968
2015	3,133,873	1,057,714	4,191,587
2016	3,218,804	929,404	4,148,208
2017	3,333,804	807,872	4,141,676
2018-2022	11,196,412	2,186,600	13,383,012
2023-2027	4,025,000	818,400	4,843,400
2028-2030	1,610,000	107,000	1,717,000
Total	<u>\$ 32,515,639</u>	<u>\$ 8,356,186</u>	<u>\$ 40,871,825</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Bonds and Notes Payable Schedule -Water and Sewer Enterprise Fund

Project	Interest Rate (%)	Outstanding at June 30, 2011	Issued	Redeemed	Outstanding at June 30, 2012
MWPAT Drinking Water	Var.	\$ 1,923,826	\$ -	\$ 179,945	\$ 1,743,881
Water Wells	4.98	560,000	-	85,000	475,000
MWPAT Drinking Water	Var.	1,134,396	-	98,643	1,035,753
Water	3.64	600,000	-	50,000	550,000
Water	3.64	1,560,000	-	130,000	1,430,000
Water Meters	2.67	220,000	-	110,000	110,000
MWPAT Drinking Water	Var.	517,913	-	36,042	481,871
MWPAT Drinking Water	Var.	526,752	-	36,450	490,302
MWPAT Drinking Water	Var.	1,777,008	-	112,028	1,664,980
MWPAT Drinking Water	2.00	728,898	-	42,087	686,811
MWPAT Sewer Construction	Var.	1,815,000	-	155,000	1,660,000
MWPAT Sewer Construction	Var.	2,675,627	-	187,466	2,488,161
MWPAT Sewer Connections	Var.	325,525	-	32,486	293,039
MWPAT Sewer Connections	Var.	549,647	-	39,385	510,262
Water/Engineering	4.25	180,000	-	60,000	120,000
Total		<u>\$ 15,094,592</u>	<u>\$ -</u>	<u>\$ 1,354,532</u>	<u>\$ 13,740,060</u>

The annual debt service requirements for principal and interest for water and sewer enterprise fund bonds and notes outstanding at June 30, 2012 are as follows:

Fiscal Year	Principal	Interest	Total
2013	\$ 1,267,409	\$ 564,963	\$ 1,832,372
2014	1,203,756	492,407	1,696,163
2015	1,167,652	440,282	1,607,934
2016	1,193,885	386,852	1,580,737
2,017	1,203,752	330,225	1,533,977
2018-2022	5,596,081	887,657	6,483,738
2023-2027	1,683,673	105,141	1,788,814
2028-2031	423,852	17,165	441,017
Total	<u>\$ 13,740,060</u>	<u>\$ 3,224,692</u>	<u>\$ 16,964,752</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Bonds and Notes Payable Schedule – Electric Light Plant Enterprise Fund (December 31, 2011)

<u>Project</u>	<u>Interest Rate (%)</u>	<u>Outstanding at December 31, 2010</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at December 31, 2011</u>
Substation	3.375/3.50	<u>\$ 1,300,000</u>	<u>\$ -</u>	<u>\$ 260,000</u>	<u>\$ 1,040,000</u>

The annual debt service requirements for principal and interest for electric light plant enterprise fund bond outstanding at December 31, 2011 are as follows:

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 1,040,000</u>	<u>\$ 68,249</u>	<u>\$ 1,108,249</u>

Loan Authorized and Unissued

As of June 30, 2012, 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	\$ 2,300,000
Water System Projects	3/31/2009	164,376
Mountview Elementary Feasibility Study	11/8/2010	325,000
Capital Equipment	5/21/2012	<u>310,000</u>
Total		<u>\$ 3,099,376</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2012 (electric light as of December 31, 2011):

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable	\$ 34,329,512	\$ 870,000	\$ (2,683,873)	\$ 32,515,639	\$ 2,968,873
Compensated absences	572,350	245,765	-	818,115	462,028
Landfill postclosure care costs	275,000	95,000	-	370,000	145,000
Capital lease payable	133,701	213,694	(170,201)	177,194	87,871
OPEB (Note 12)	1,419,721	427,879	-	1,847,600	-
Total governmental activities long-term liabilities	<u>\$ 36,730,284</u>	<u>\$ 1,852,338</u>	<u>\$ (2,854,074)</u>	<u>\$ 35,728,548</u>	<u>\$ 3,663,772</u>

Business-Type Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable - water/sewer	\$ 15,094,592	\$ -	\$ (1,354,532)	\$ 13,740,060	\$ 1,267,409
Bonds and notes payable - electric light	1,300,000	-	(260,000)	1,040,000	260,000
Compensated absences	26,961	22,115	-	49,076	30,215
Customer deposits - electric light	127,341	1,790	-	129,131	-
Rate stabilization reserve - electric light	2,612,816	18,001	-	2,630,817	-
OPEB - water/sewer (Note 12)	85,354	28,438	-	113,792	-
OPEB - electric light (Note 12)	353,000	86,822	(439,822)	-	-
Total business-type activities long-term liabilities	<u>\$ 19,600,064</u>	<u>\$ 157,166</u>	<u>\$ (2,054,354)</u>	<u>\$ 17,702,876</u>	<u>\$ 1,557,624</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, 2012

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 2012 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, 2012:

<u>Agency</u>	<u>Total Long-Term Debt Outstanding</u>	<u>Town's Estimated Share</u>	<u>Town's Indirect Debt</u>
Wachusett Regional School District			
Bonds	\$ 26,630,000	43.93%	\$ 11,698,559
Montachusett Regional Vocational Technical School District			
Bonds	<u>8,105,000</u>	12.17%	<u>986,379</u>
	<u>\$ 34,735,000</u>		<u>\$ 12,684,938</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 10 – STABILIZATION ARRANGEMENTS

The Town has established several funds where the town has set aside amounts for emergency and capital needs. These funds consist of the following;

- The *Infrastructure Investment Fund* is used to account for any appropriation, as approved by a 2/3 vote of Annual or Special Town Meeting, for any purpose for which the Town would be authorized to borrow under sections seven or eight of Chapter 44 of the Massachusetts General Laws (**MGL**), other than clause (1) and (2) of section 8 of said Chapter 44, and to pay debt service on said projects, and which is approved by the Infrastructure Board established in accordance with this act. The Town may appropriate into the fund at Annual or Special Town Meeting by majority vote. This fund was established by special legislation (House #5497) in October 1993.
- The *DPW Depreciation Fund* is used to account for appropriations which are only for renewals in excess of ordinary repairs, extensions, reconstructions, enlargements and additions to the capital equipment of the public works department of the Town of Holden. So much of the fund as the Town may from time to time approve at an annual or special town meeting may also be used to pay notes, bonds or certificates of indebtedness, issued to pay for the cost of such renewals in excess of ordinary repairs, extensions, reconstructions, enlargements and additions to the capital equipment of the department when such notes, bonds or certificates of indebtedness become due. Funds may be appropriated for any lawful purpose at an ATM by 4/5 vote or at a STM by 9/10 vote. The Town may appropriate into the fund at Annual or Special Town Meeting by majority vote. This fund was established by special legislation (Chapter 328, Acts 2000) on December 7, 2000.
- The *Fire Department Vehicles, Apparatus and Capital Equipment Stabilization Fund* is used to account for appropriations funding the acquisition, repair, replacement, extension, reconstruction, enlarging and/or additions to capital equipment, vehicles, and apparatus of the fire department and pay notes, bonds, or certificates of indebtedness issued to pay for the cost of such acquisition, repair, replacement, extension, reconstruction, enlarging and additions. The Town may appropriate into and out of the fund at Annual or Special Town Meeting by 2/3 vote. This fund was established 5/21/2007 under Chapter 40 sub-section 5B of **MGL**.
- The *Water/Sewer Stabilization Fund*: is used to account for appropriations for the purpose of funding water-sewer projects, and the acquisition, repair, replacement, extension, reconstruction, enlarging, and/or additions to the capital equipment and vehicles used in connection with Water-Sewer projects, and to pay notes, bonds, or certificates of indebtedness issued to pay for the cost of such projects, acquisition, repair, replacement, extension, reconstruction, enlarging, and additions. The Town may appropriate into and out of the fund at Annual or Special Town Meeting by 2/3 vote. This fund was established May 18, 2009 under Chapter 40, sub-section 5B of **MGL**.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 11 – 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 \$34,808,921. 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 2012.

The Town has two contributory health care options for its employees. There are 109 active employees and 80 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 Preferred Care (PPO) 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 2012.

NOTE 12 – 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, 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.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

As of July 1, 2010, the plan's membership consisted of the following:

Current retirees, beneficiaries, and dependents	96
Current active members	<u>146</u>
Totals	<u><u>242</u></u>

Funding Policy. The contribution requirements of plan members and the Town are established and may be amended by local by-law. The required contribution is based on projected pay-as-you-go financing requirements. For Fiscal Year 2012, total Town premiums plus implicit costs for the retiree medical program were approximately \$945,713.

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 July 1, 2010.

	Governmental Activities	Business-Type activities - Enterprise Funds			Primary Government Total
		Water/Sewer	Light	Total	
Annual Required Contribution (ARC)	\$ 895,907	\$ 38,415	\$ 167,418	\$ 205,833	\$ 1,101,740
Interest on Net OPEB Obligation	56,788	3,414	13,157	16,571	73,359
Adjustments to the ARC	<u>(78,946)</u>	<u>(4,746)</u>	<u>(18,289)</u>	<u>(23,035)</u>	<u>(101,981)</u>
Annual OPEB Cost	873,749	37,083	162,286	199,369	1,073,118
Expected Employer Contributions	<u>(445,870)</u>	<u>(8,645)</u>	<u>(491,198)</u>	<u>(499,843)</u>	<u>(945,713)</u>
Increase in net OPEB obligation	427,879	28,438	(328,912)	(300,474)	127,405
Net OPEB obligation - beginning of year	<u>1,419,721</u>	<u>85,354</u>	<u>328,912</u>	<u>414,266</u>	<u>1,833,987</u>
Net OPEB obligation - end of year	<u><u>\$ 1,847,600</u></u>	<u><u>\$ 113,792</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 113,792</u></u>	<u><u>\$ 1,961,392</u></u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the three preceding years were as follows:

Year Ended June 30	Annual OPEB Cost	Expected Employer Payments	Increase in OPEB Obligation	Percentage of Annual OPEB Cost Contributed *	Increase in Net OPEB Obligation	Net OPEB Obligation
2009	\$ 1,101,000	\$ 450,000	\$ 651,000	40.9%	\$ 651,000	\$ 651,000
2010	\$ 1,101,000	\$ 477,000	\$ 624,000	43.3%	\$ 624,000	\$ 1,275,000
2011	\$ 1,054,340	\$ 495,353	\$ 558,987	47.0%	\$ 558,987	\$ 1,833,987
2012	\$ 1,073,118	\$ 945,713	\$ 127,405	88.1%	\$ 127,405	\$ 1,961,392

Funded Status and Funding Progress- The funded status of the Plan as of the most recent actuarial valuation date, July 1, 2010, 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	131.4%
7/1/2009 est.	\$ -	\$ 11,153,000	\$ 11,153,000	0.0%	\$ 8,105,000	137.6%
7/1/2010	\$ -	\$ 11,540,300	\$ 11,540,300	0.0%	\$ 7,401,961	155.9%

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.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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

Actuarial Assumptions and Actuarial Cost Method

Valuation date	July 1, 2010
Actuarial cost method	Projected Unit Credit
Amortization period	30 years, open
Asset valuation method	Market value
Actuarial assumptions:	
Investment Rate of return	4.00%
Medical Trend	8% grading down to 5.00% in year 2014 and thereafter
Mortality rates:	
Males	RP-2000 Table for Males
Females	RP-2000 Table for Females

NOTE 13 – PENSION PLANS

A. Plan Descriptions

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

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

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

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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, 2012, 2011, and 2010 were \$804,019, \$687,705, and \$631,711, and 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 \$455,526 for fiscal year 2012. In accordance with GASB Statement No. 24, these on-behalf” payments have been recorded in the general fund as intergovernmental revenues and pension expenditures.

NOTE 14 – 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, 2012, 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 (10 years remaining), and the estimated liability has been recorded in the Statement of Net Assets, Governmental Activities. The \$370,000 reported as landfill post-closure liability at June 30, 2012 is based on what it would cost to perform all post-closure care costs at June 30, 2012. 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, 2012, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2012.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 15 - 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 utilities and also owns and operates its own electric facilities. MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other utilities (Project Participants) under Power Sales Agreements (PSAs). Among other things, the PSAs require each Project Participant to pay its *pro rata* share of MMWEC's costs related to the Project, which costs include debt service on the revenue bonds issued by MMWEC to finance the Project, plus 10% of MMWEC's debt service to be paid into a Reserve and Contingency Fund.

In addition, should a Project Participant fail to make any payment when due, other Project Participants of that Project may be required to increase (step- up) their payments and correspondingly their Participant's share of that Project's Project Capability to an additional amount not to exceed 25% of their original Participant's share of that Project's Project Capability. Project Participants have covenanted to fix, revise and collect rates at least sufficient to meet their obligations under the PSAs.

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.

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

NOTE 16 – 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, 2011 was \$1,076,664.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 17 – 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.

NOTE 18 – RATE STABILIZATION

The rate stabilization fund was created as an aftermath of the Massachusetts Electricity Restructuring 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. The Rate Stabilization Fund balance at December 31, 2011 is \$1,916,225.

NOTE 19 – RESTATEMENT OF THE ELECTRIC ENTERPRISE FUND DECEMBER 31, 2010 FINANCIAL STATEMENTS

The Electric Enterprise Fund financial statements for December 31, 2010 have been restated to include compensated absences. The restatement has reduced the December 31, 2010 net assets by \$107,412 and increased the accrued expenses liability. The December 31, 2010 restatement adjustment has increased the accrued expenses liability and income before contributions and transfers by \$6,420.

NOTE 20 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2012, the following GASB pronouncements were implemented:

The GASB issued **Statement #57** *OPEB Measurement by Agent Employers and Agent Multiple-Employer Plans*. This pronouncement required no additional disclosure and did not impact the basic financial statements.

The GASB issued **Statement #59** *Financial Instruments Omnibus*. This pronouncement required no additional disclosure and did not impact the basic financial statements.

The GASB issued **Statement #62**, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This pronouncement required no additional disclosure and did not impact the basic financial statements.

The GASB issued **Statement #64**, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*, an amendment of GASB Statement No. 53. This pronouncement required no additional disclosure and did not impact the basic financial statements.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Future GASB Pronouncements:

The GASB issued **Statement #60**, *Accounting and Financial Reporting for Service Concession Arrangements*, which is required to be implemented in fiscal year 2013.

The GASB issued **Statement #61**, *The Financial Reporting Entity: Omnibus*, which is required to be implemented in fiscal year 2013.

The GASB issued **Statement #63**, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is required to be implemented in fiscal year 2013.

The GASB issued **Statement #65**, *Items previously reported as Assets and Liabilities*, which is required to be implemented in fiscal year 2014.

The GASB issued **Statement #66**, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, which is required to be implemented in fiscal year 2014.

The GASB issued **Statement #67**, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, which is required to be implemented in fiscal year 2014.

The GASB issued **Statement #68**, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, which is required to be implemented in fiscal year 2015.

Management is reviewing the impact of these pronouncements will have on 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	131.4%
7/1/2009 est.	\$ -	\$ 11,153,000	\$ 11,153,000	0.0%	\$ 8,105,000	137.6%
7/1/2010	\$ -	\$ 11,540,300	\$ 11,540,300	0.0%	\$ 7,401,961	155.9%

Schedule of Employer Contributions

Year Ended June 30	Annual OPEB Cost	Expected Employer Payments	Increase in OPEB Obligation	Percentage of Annual OPEB Cost Contributed *	Increase in Net OPEB Obligation	Net OPEB Obligation
2009	\$ 1,101,000	\$ 450,000	\$ 651,000	40.9%	\$ 651,000	\$ 651,000
2010	\$ 1,101,000	\$ 477,000	\$ 624,000	43.3%	\$ 624,000	\$ 1,275,000
2011	\$ 1,054,340	\$ 495,353	\$ 558,987	47.0%	\$ 558,987	\$ 1,833,987
2012	\$ 1,073,118	\$ 945,713	\$ 127,405	88.1%	\$ 127,405	\$ 1,961,392

* Based on expected premium payments.

Actuarial Methods:

Actuarial Assumptions and Actuarial Cost Method

Valuation date	July 1, 2010
Actuarial cost method	Projected Unit Credit
Amortization period	30 years, open
Asset valuation method	Market value

Actuarial assumptions:

Investment Rate of return	4.00%
Medical Trend	8.00% grading down to 5.00% in year 2014 and thereafter

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

Plan Membership:

Current retirees, beneficiaries, and dependants	96
Current Active members	<u>146</u>
Total	<u><u>242</u></u>