

TOWN OF HOLDEN, MASSACHUSETTS

**REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS**

JUNE 30, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Selectmen
Town of Holden, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Holden, Massachusetts as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Holden, Massachusetts's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Holden Municipal Light Department, which represents 33%, 34%, and 65%, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Holden Municipal Light Department, is based solely on the report of the other auditor. 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 from material misstatement.

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

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

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, 2014, and the respective changes in financial position and, where applicable cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, retirement system schedules of funding progress and employer contributions and other post-employment benefits – schedules of funding progress and employer contributions on pages 3-17, 67 and 68 – 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

R. E. Brown & Company

February 26, 2015

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, 2014. 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, 2014, the estimated actuarial accrued liability of the Town is \$12,672,314. 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, 2014 the trust fund has a balance of \$780,247 from contributions made by the Holden Municipal Light Department and the Water/Sewer Enterprise fund.

Overall, both revenues and expenditures are higher than they were in the prior year. Expenditures related to the Holden Municipal Light Department increased due to increased purchased power costs. Public works and public safety expenditures increased as a result of capital equipment purchases. Education expenditures increased only slightly as a result of the increased assessment from the Wachuestt Regional School District. Revenues are higher than last year due mainly to increases in property taxes, increases in charges for services from the sale of electricity at the Holden Municipal Light Department, and an increase in capital grants and contributions as a result of grant revenue received from the Massachusetts School Building Authority in connection with the Mount View Middle School Construction project.

Revenues from capital grants and contributions will continue to increase in subsequent years due to the ongoing expenditures related to the Mount View Middle School building project. Construction on the new building began as scheduled in the spring of 2014. The project is estimated to cost approximately \$54,301,695 and it is estimated that the total project, through the demolition phase, will be completed in the spring of 2017. The Town has been awarded a reimbursement grant from the Massachusetts School Building Authority for 57.93% of eligible construction costs. Reimbursements will be received during the construction phase and only the town's portion of the expenses will be permanently financed.

Total revenue for the year for all funds was \$67.6 million - \$4.8 million or 7.7% more than the total revenue for the fiscal year ended June 30, 2013.

	Fiscal Year Ended June 30, 2014	% Total	Fiscal Year Ended June 30, 2013	% Total
Property taxes	\$ 32,959,334	48.73%	\$ 31,372,015	49.95%
Motor vehicle excise	2,357,365	3.49%	2,251,170	3.59%
Penalties and interest	164,245	0.24%	125,819	0.20%
Payments in lieu of taxes	1,160,388	1.72%	1,155,424	1.84%
Charges for services	24,131,920	35.68%	22,567,877	35.93%
Operating grants and contributions	2,090,914	3.09%	1,980,658	3.15%
Capital grants and contributions	2,609,229	3.86%	1,350,405	2.15%
Nonrestricted grants and contributions	1,797,365	2.66%	1,751,555	2.79%
Unrestricted investment income and other	361,426	0.53%	250,788	0.40%
Total revenue	<u>\$ 67,632,186</u>	<u>100.00%</u>	<u>\$ 62,805,711</u>	<u>100.00%</u>

Total expenses for the year for all funds was \$62.4 million - \$2.3 million or 3.9% more than the total expenditures for the fiscal year ended June 30, 2013.

	Fiscal Year Ended June 30, 2014	% Total	Fiscal Year Ended June 30, 2013	% Total
General government	\$ 2,149,224	3.45%	\$ 2,059,066	3.43%
Public safety	5,539,318	8.88%	5,256,758	8.76%
Education	23,283,558	37.33%	23,106,127	38.49%
Public works	4,329,349	6.94%	4,019,995	6.70%
Water and sewer	5,531,365	8.87%	5,514,453	9.19%
Trash	1,084,821	1.74%	1,038,299	1.73%
Electric	13,496,924	21.64%	12,290,912	20.47%
Human services	414,061	0.66%	370,530	0.62%
Culture and recreation	1,578,397	2.53%	1,513,602	2.52%
Employee benefits	3,650,727	5.85%	3,486,995	5.81%
State and county assessments	130,659	0.21%	128,287	0.21%
Interest	1,179,571	1.89%	1,247,863	2.08%
Total expenditures	<u>\$ 62,367,974</u>	<u>100.00%</u>	<u>\$ 60,032,887</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 Position – Presents all of the government's assets and liabilities, with the difference between the two reported as "net position". The amount of net position is widely considered a good measure of the Town's financial health. Over time increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 Position

Net position may serve over time as a useful indicator of a government's financial position. The Town's total net position as of June 30, 2014 was \$107.6 million, of which \$68.7 million related to governmental activities and \$38.9 million related to business-type activities. The components that contributed to the change in net position, along with comparative data for the previous fiscal year are presented on the next page.

The largest portion of the Town's net position (68.5%) 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 its 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 position (6.6%) is subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (24.9%) may be used to meet the government's ongoing obligations to citizens and creditors.

Total current assets within the governmental activities were \$28.4 million and included cash & investments of \$23.2 million and receivables net of allowances of \$5.2 million.

Total current liabilities within the governmental activities were \$15.7 million and included accounts payable of \$1.1 million and bonds and notes payable of \$13.7 million. Noncurrent liabilities within the governmental activities were \$27.2 million and included \$23.5 million of general obligation bonds payable.

Total current assets within the business-type activities were \$9.7 million and included cash & investments of \$5.3 million and receivables net of allowances of \$2.9 million.

Current liabilities within the business-type activities were \$3.4 million and included accounts payable of \$1.8 million and bond and notes payable of \$1.4 million. Noncurrent liabilities within the business-type activities were \$10.7 million and included \$10.3 million of general obligation bonds payable.

Comparative Net Position						
	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013
Assets:						
Current assets	\$ 28,354,699	\$ 20,012,218	\$ 9,722,084	\$ 8,777,572	\$ 38,076,783	\$ 28,789,790
Noncurrent assets	9,354,980	11,228,191	7,946,728	7,992,675	17,301,708	19,220,866
Capital assets	73,951,073	72,986,317	38,240,158	38,676,366	112,191,231	111,662,683
Total assets	111,660,752	104,226,726	55,908,970	55,446,613	167,569,722	159,673,339
Liabilities:						
Current liabilities	15,701,133	8,460,734	3,438,082	3,392,098	19,139,215	11,852,832
Noncurrent liabilities	27,195,622	29,730,314	10,743,953	12,105,403	37,939,575	41,835,717
Total liabilities	42,896,755	38,191,048	14,182,035	15,497,501	57,078,790	53,688,549
Deferred Inflow of Resources:	-	-	2,856,644	3,622,758	2,856,644	3,622,758
Net Position:						
Net investment in capital assets	47,268,180	43,140,228	26,451,263	25,423,715	73,719,443	68,563,943
Restricted	5,742,590	8,026,075	1,345,192	780,000	7,087,782	8,806,075
Unrestricted	15,753,227	14,869,375	11,073,836	10,122,639	26,827,063	24,992,014
Total net position	\$ 68,763,997	\$ 66,035,678	\$ 38,870,291	\$ 36,326,354	\$ 107,634,288	\$ 102,362,032

Governmental activities current assets increased \$8.3 million, as compared with fiscal year 2013 due mainly to increased cash on hand from the bond anticipation note related to the Mt. View School Building project. Business-type activities current assets increased \$0.9 million.

Governmental activities current liabilities increased \$7.2 million as compared with fiscal year 2013 due to a short-term bond anticipation note for the Mount View Middle School building project. Business-type activities current liabilities increased \$0.2 million. Total noncurrent liabilities of the primary government decreased \$2.5 million due mainly to pay down of existing debt service.

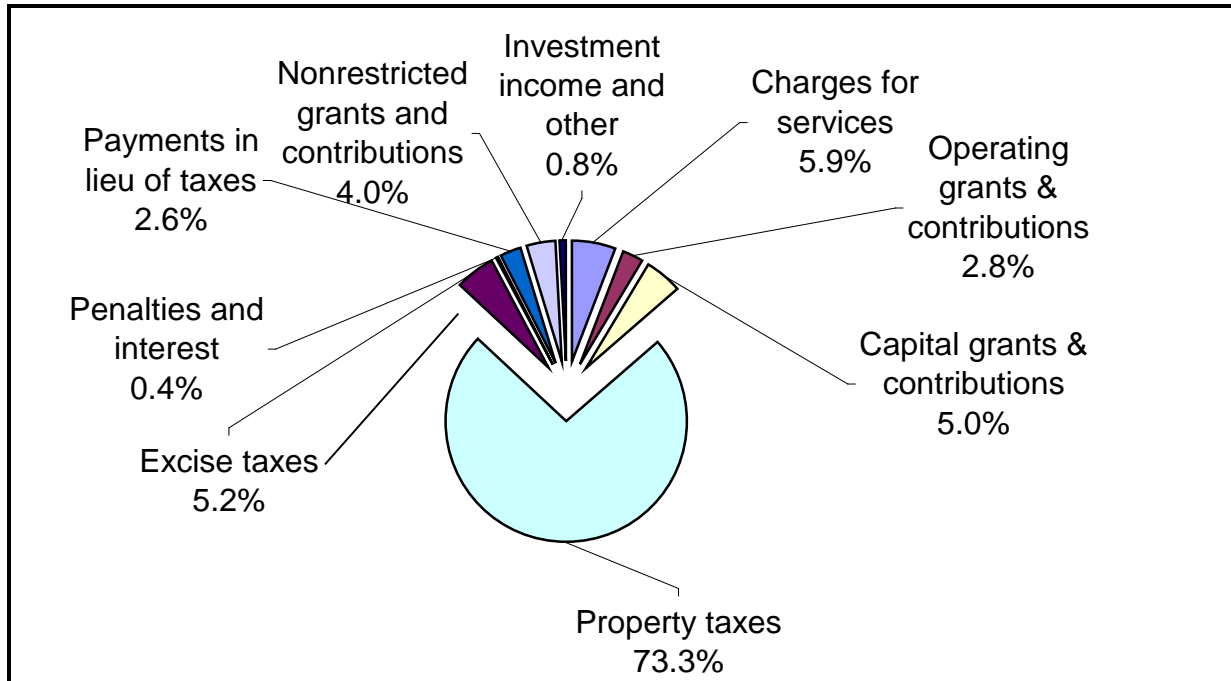
Governmental activities net investment in capital assets increased 9.6%, and unrestricted net position increased 5.9% as compared with the prior year. Business-type net investment in capital assets increased 4.0%, and unrestricted net position increased by 9.4% as compared with the prior year.

Governmental activities increased the Town of Holden's net position by \$2,728,319. Presented below are the components that contributed to the change in net position, along with comparative data for the previous fiscal year:

Comparative Changes in Net Position

	Governmental Activities		Increase/ (Decrease)
	FY 2014	FY 2013	
Revenues			
<i>Program Revenues:</i>			
Charges for services	\$ 2,640,582	\$ 2,574,267	\$ 66,315
Operating grants and contributions	1,270,033	1,171,622	98,411
Capital grants and contributions	2,264,401	1,350,405	913,996
<i>General Revenues:</i>			
Real Estate and personal property taxes	32,959,334	31,372,015	1,587,319
Motor vehicle and other excise taxes	2,357,365	2,251,170	106,195
Penalties and interest	164,245	125,819	38,426
Payments in lieu of taxes	1,160,388	1,155,424	4,964
Nonrestricted grants and contributions	1,797,365	1,751,555	45,810
Unrestricted investment income & other	361,426	250,788	110,638
Total Revenues	<u>44,975,139</u>	<u>42,003,065</u>	<u>2,972,074</u>
Expenses:			
General Government	2,149,224	2,059,066	90,158
Public Safety	5,539,318	5,256,758	282,560
Education	23,283,558	23,106,127	177,431
Public Works	4,329,349	4,019,995	309,354
Human Services	414,061	370,530	43,531
Culture and Recreation	1,578,397	1,513,602	64,795
Employee Benefits	3,650,727	3,486,995	163,732
State and County Assessments	130,659	128,287	2,372
Interest	1,179,571	1,247,863	(68,292)
Total Expenses	<u>42,254,864</u>	<u>41,189,223</u>	<u>1,065,641</u>
Increase/(Decrease) in Net Position before contributions to term and permanent endowments or permanent fund principal, and transfers	2,720,275	813,842	1,906,433
Contributions to permanent funds	8,044	5,471	2,573
Transfers	<u>-</u>	<u>90,000</u>	<u>(90,000)</u>
Change in Net Position	<u>2,728,319</u>	<u>909,313</u>	<u>1,819,006</u>
Net Position - beginning	<u>66,035,678</u>	<u>65,126,365</u>	
Net Position - ending	<u><u>\$ 68,763,997</u></u>	<u><u>\$ 66,035,678</u></u>	

Governmental Activities – FY2014 Revenues



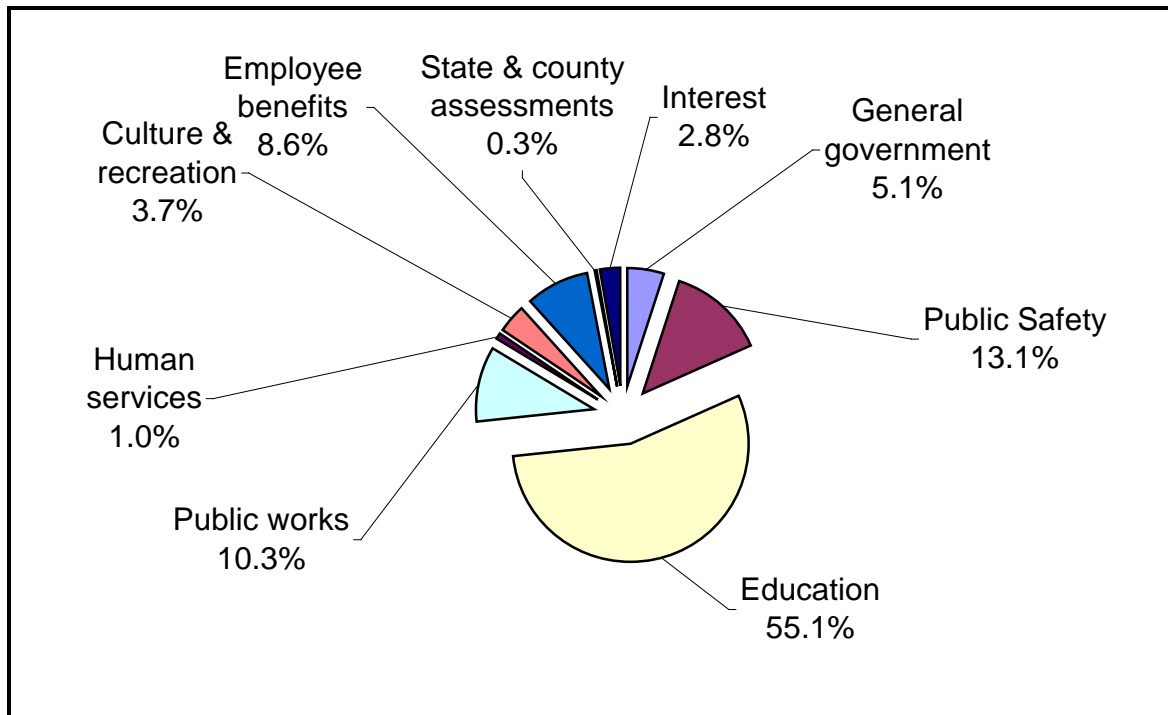
Revenues

Property taxes along with payments in lieu of taxes and excise taxes support approximately 81.1% of the Town's governmental activities. This is consistent with fiscal year 2013.

Roughly 32% of the operating grants apply to employee benefits. Approximately 50% of the charges for services revenue was generated by public safety from the EMS service. Culture and recreation services represented 28% and general government services represented more than 14%.

Nearly 69% of capital grants and contribution revenue was received from the Massachusetts School Building Authority (MSBA) in connection with the Mount View Middle School construction project. Roughly 31% 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 – FY2014 Expenses



Expenses

Education is by far the largest governmental activity of the Town. Approximately \$23.3 million in taxes and other general revenues were needed to cover the fiscal year 2014 school operating expenses. This is an increase of \$0.5 million from the prior year. Additionally, \$1.5 million of capital grants and contributions was used to fund the construction of the Mount View Middle School Building. This is an increase of \$1.3 from the prior year.

Public safety and public works represent the second and third largest governmental activities of the Town. Approximately \$3.97 million and \$3.38 million of taxes and other general revenues were needed to cover the fiscal year 2014 operating expenses.

Business-Type Activities

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

Business-type activities' net position increased by \$2,543,937 as result of general operations and infrastructure additions and improvements. Presented below are the components that contributed to the change in net position, along with comparative data for the previous fiscal year:

Comparative Changes in Net Position			
	Business-type Activities		Increase/ (Decrease)
	FY 2014	FY 2013	
Revenues			
<i>Program Revenues:</i>			
Charges for services	\$ 21,491,338	\$ 19,993,610	\$ 1,497,728
Operating grants and contributions	820,881	809,036	11,845
Capital grants and contributions	344,828	-	344,828
Total Revenues	22,657,047	20,802,646	1,854,401
Expenses:			
Electric	13,496,924	12,290,912	1,206,012
Water/Sewer	5,531,365	5,514,453	16,912
Trash	1,084,821	1,038,299	46,522
Total Expenses	20,113,110	18,843,664	1,269,446
Excess (deficiency) of revenues over expenses	2,543,937	1,958,982	584,955
Transfers	-	(90,000)	90,000
Change in Net Position	2,543,937	1,868,982	674,955
Net Position - beginning	36,326,354	34,457,372	
Net Position - ending	\$ 38,870,291	\$ 36,326,354	

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 \$12.2 million, an increase of \$1.0 million in comparison with the prior fiscal year as a result of increased revenues from property taxes 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 \$6,497,670, while total fund balance was \$10,477,515. 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 position was \$38.9 million; \$26.5 million or 68% of which relates to the Town's net investment in capital assets.

General Fund Budgetary Highlights

The original fiscal year 2014 general fund operating budget of \$41.8 million set at the May 2013 annual town meeting. Modest amounts were transferred from general government and employee benefits to public safety and public works.

Revenues exceeded budgetary amounts by \$1,625,707 and expenditures were less than budgetary amounts by \$1,403,404. Favorable revenue types included departmental fees from the EMS service, motor vehicle excise, and real estate and personal property taxes. Public works, general government and public safety expenditures were less than budgetary amounts by \$678,561, \$361,353 and \$204,183 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, 2014 amount to \$112,191,231 (net of accumulated depreciation). This investment includes land, buildings, improvements other than buildings, machinery and equipment, vehicles, infrastructure and construction in progress. The total increase in the Town's investment for the fiscal year was \$528,548 (a \$0.9 million increase for governmental activities and a \$0.4 million decrease for business-type activities).

Capital Assets (Net of Accumulated Depreciation)			
Primary government	FY 2014	FY 2013	Increase/ (Decrease)
Land	\$ 3,141,942	\$ 3,141,942	\$ -
Construction in progress	3,944,123	1,504,111	2,440,012
Buildings	39,561,012	40,478,041	(917,029)
Improvements other than buildings	1,543,722	1,677,225	(133,503)
Machinery and equipment	2,025,072	2,140,833	(115,761)
Vehicles	2,632,534	2,376,675	255,859
Infrastructure	49,590,814	50,501,073	(910,259)
Electric - land	72,500	72,500	-
Electric - construction in progress	94,895	121,743	(26,848)
Electric - general plant	2,609,451	2,536,205	73,246
Electric - distribution plant	6,975,166	7,112,335	(137,169)
Total Capital Assets	\$ 112,191,231	\$ 111,662,683	\$ 528,548

Debt

As of December 2013, the Town's bond rating was upgraded from AA- to AA 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 \$37,951,788. 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, \$14,719,250 or nearly 38% is for school construction for which the Town receives 70% reimbursement on total project costs from the Massachusetts School Building Authority. The Town issued a bond anticipation note (BAN) in the amount of \$10,500,000 for the Mount View Middle School building project.

Outstanding Debt at Year End		
Governmental Activities	Outstanding June 30, 2014	Outstanding June 30, 2013
Schools	\$ 14,719,250	\$ 16,894,625
Public Safety	10,770,750	11,390,375
Public Works	330,000	420,000
Swimming Pool	840,000	1,025,000
Title V	22,893	26,766
Total Governmental Activities	\$ 26,682,893	\$ 29,756,766
Business-type Activities		
Water Improvements	\$ 7,184,335	\$ 7,946,220
Sewer Construction	4,084,560	4,526,431
Total Business-type Activities	\$ 11,268,895	\$ 12,472,651

Additional information on the Town's debt service can be found in the *Notes to the Financial Statements* (**Note 7** – Short-term financing and **Note 8** – Long-term debt).

Economic Factors and Next Year's Budget and Rates

Fiscal year 2014 was the second consecutive year that the property tax levy was set below the levels authorized by Proposition 2 ½. The average 2014 single family home in Holden was valued at \$264,300 with an average annual tax bill of \$4,691. The overall property values for fiscal year 2014 increased approximately 1.5% as compared with fiscal year 2013. It is expected that property values will continue to increase slightly going forward. Residential and commercial property growth is expected to increase through fiscal year 2015.

As of December 2013, the Town's bond rating was upgraded from AA- to AA from Standard and Poor's. A higher credit rating will positively affect the town's future interest rates on borrowing, and result in lower debt service costs. The Rating Service's outlook is termed "stable" and their report cites the Town's strong budgetary performance, an operating surplus of about 3% in general funds (in 2012), strong budgetary flexibility and strong reserves as positive factors.

The Commonwealth of Massachusetts continues to experience fiscal difficulties which are projected to impact the town's operating budget for the next few years. Despite a decrease in state aid, the Town has a balanced budget for fiscal year 2015 and expects only a minimal increase for fiscal 2016 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 POSITION
JUNE 30, 2014**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
CURRENT:			
CASH AND SHORT-TERM INVESTMENTS	\$ 18,083,136	\$ 5,219,584	\$ 23,302,720
INVESTMENTS	5,095,610	106,412	5,202,022
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES	262,379	-	262,379
TAX LIENS	753,962	-	753,962
MOTOR VEHICLE EXCISE TAXES	190,967	-	190,967
USER FEES	-	2,550,591	2,550,591
DEPARTMENTAL AND OTHER	244,805	-	244,805
INTERGOVERNMENTAL	3,721,040	-	3,721,040
SPECIAL ASSESSMENTS	2,800	307,132	309,932
PREPAID EXPENSES	-	181,610	181,610
OTHER ASSETS	-	1,356,755	1,356,755
NONCURRENT:			
RESTRICTED ASSETS:			
CASH AND SHORT-TERM INVESTMENTS	-	3,887,082	3,887,082
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
SPECIAL ASSESSMENTS	-	3,921,241	3,921,241
INTERGOVERNMENTAL	9,354,980	-	9,354,980
OTHER ASSETS	-	138,405	138,405
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	73,951,073	38,240,158	112,191,231
TOTAL ASSETS	<u>111,660,752</u>	<u>55,908,970</u>	<u>167,569,722</u>
<u>LIABILITIES</u>			
CURRENT:			
ACCOUNTS PAYABLE	1,134,050	1,803,372	2,937,422
ACCRUED LIABILITIES	36,755	120,291	157,046
OTHER LIABILITIES	17,402	1,200	18,602
ACCRUED INTEREST	284,278	54,884	339,162
BONDS AND NOTES PAYABLE	13,678,873	1,427,652	15,106,525
LANDFILL POSTCLOSURE CARE COSTS	50,000	-	50,000
COMPENSATED ABSENCES	499,775	30,683	530,458
NONCURRENT:			
CUSTOMER DEPOSITS	-	166,866	166,866
ACCRUED EXPENSES	-	48,909	48,909
BONDS AND NOTES PAYABLE	23,504,020	10,361,243	33,865,263
LANDFILL POSTCLOSURE CARE COSTS	175,000	-	175,000
COMPENSATED ABSENCES	375,833	13,038	388,871
POST EMPLOYMENT BENEFITS	3,140,769	153,897	3,294,666
TOTAL LIABILITIES	<u>42,896,755</u>	<u>14,182,035</u>	<u>57,078,790</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
MISCELLANEOUS DEFERRED LIABILITIES	-	199,094	199,094
RATE STABILIZATION RESERVE	-	2,657,550	2,657,550
TOTAL DEFERRED INFLOWS OF RESOURCES:	<u>-</u>	<u>2,856,644</u>	<u>2,856,644</u>
<u>NET POSITION</u>			
NET INVESTMENT IN CAPITAL ASSETS	47,268,180	26,451,263	73,719,443
RESTRICTED FOR:			
DEPRECIATION	-	1,345,192	1,345,192
PERMANENT FUNDS:			
EXPENDABLE	440,422	-	440,422
NONEXPENDABLE	414,809	-	414,809
OTHER PURPOSES	4,887,359	-	4,887,359
UNRESTRICTED	15,753,227	11,073,836	26,827,063
TOTAL NET POSITION	<u>\$ 68,763,997</u>	<u>\$ 38,870,291</u>	<u>\$ 107,634,288</u>

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2014**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
PRIMARY GOVERNMENT:					
GOVERNMENTAL ACTIVITIES:					
GENERAL GOVERNMENT	\$ 2,149,224	\$ 371,277	\$ 268,649	\$ -	\$ (1,509,298)
PUBLIC SAFETY	5,539,318	1,332,204	227,124	11,530	(3,968,460)
EDUCATION	23,283,558	-	-	1,547,058	(21,736,500)
PUBLIC WORKS	4,329,349	131,449	109,165	705,813	(3,382,922)
HUMAN SERVICES	414,061	50,144	83,230	-	(280,687)
CULTURE & RECREATION	1,578,397	755,508	180,856	-	(642,033)
EMPLOYEE BENEFITS	3,650,727	-	401,009	-	(3,249,718)
STATE & COUNTY ASSESSMENTS	130,659	-	-	-	(130,659)
INTEREST	1,179,571	-	-	-	(1,179,571)
TOTAL GOVERNMENTAL ACTIVITIES	42,254,864	2,640,582	1,270,033	2,264,401	(36,079,848)
BUSINESS-TYPE ACTIVITIES:					
WATER/SEWER	5,531,365	6,242,779	529,869	344,828	1,586,111
ELECTRIC	13,496,924	14,128,361	291,012	-	922,449
OTHER ENTERPRISE	1,084,821	1,120,198	-	-	35,377
TOTAL BUSINESS-TYPE ACTIVITIES	20,113,110	21,491,338	820,881	344,828	2,543,937
TOTAL PRIMARY GOVERNMENT	\$ 62,367,974	\$ 24,131,920	\$ 2,090,914	\$ 2,609,229	\$ (33,535,911)

See accompanying notes to the basic financial statements

(continued)

**TOWN OF HOLDEN, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2014**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
CHANGES IN NET POSITION:			
NET (EXPENSE) REVENUE FROM PREVIOUS PAGE	\$ (36,079,848)	\$ 2,543,937	\$ (33,535,911)
GENERAL REVENUES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS PAYABLE	32,817,528	-	32,817,528
TAX LIENS	141,806	-	141,806
MOTOR VEHICLE EXCISE TAXES	2,357,365	-	2,357,365
PENALTIES AND INTEREST ON TAXES	164,245	-	164,245
PAYMENTS IN LIEU OF TAXES	1,160,388	-	1,160,388
GRANTS AND CONTRIBUTIONS NOT RESTRICTED TO SPECIFIC PROGRAMS	1,797,365	-	1,797,365
RENTAL INCOME	93,910	-	93,910
UNRESTRICTED INVESTMENT INCOME	212,104	-	212,104
CONTRIBUTIONS TO PERMANENT FUNDS	8,044	-	8,044
MISCELLANEOUS	55,412	-	55,412
 TOTAL GENERAL REVENUES AND TRANSFERS	 38,808,167	 -	 38,808,167
 CHANGE IN NET POSITION	 2,728,319	 2,543,937	 5,272,256
 NET POSITION:			
 BEGINNING OF YEAR	 66,035,678	 36,326,354	 102,362,032
 END OF YEAR	 <u><u>\$ 68,763,997</u></u>	 <u><u>\$ 38,870,291</u></u>	 <u><u>\$ 107,634,288</u></u>

See accompanying notes to the basic financial statements

(concluded)

**TOWN OF HOLDEN, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2014**

<u>ASSETS</u>	GENERAL	MT. VIEW SCHOOL PROJECT	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
CASH AND SHORT-TERM INVESTMENTS	\$ 6,882,599	\$ 9,285,847	\$ 1,914,690	\$ 18,083,136
INVESTMENTS	3,840,082	-	1,255,528	5,095,610
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:				
REAL ESTATE AND PERSONAL PROPERTY TAXES	262,379	-	-	262,379
TAX LIENS	753,962	-	-	753,962
MOTOR VEHICLE EXCISE TAXES	190,967	-	-	190,967
DEPARTMENTAL AND OTHER	244,805	-	-	244,805
INTERGOVERNMENTAL	11,233,070	-	1,842,950	13,076,020
SPECIAL ASSESSMENTS	-	-	2,800	2,800
TOTAL ASSETS	\$ 23,407,864	\$ 9,285,847	\$ 5,015,968	\$ 37,709,679
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
LIABILITIES:				
ACCOUNTS PAYABLE	\$ 350,220	\$ 594,787	\$ 189,043	\$ 1,134,050
ACCRUED LIABILITIES	36,755	-	-	36,755
OTHER LIABILITIES	17,402	-	-	17,402
NOTES PAYABLE	-	10,500,000	-	10,500,000
TOTAL LIABILITIES	404,377	11,094,787	189,043	11,688,207
DEFERRED INFLOWS OF RESOURCES:				
DEFERRED PROPERTY TAXES	1,055,191	-	-	1,055,191
DEFERRED INTERGOVERNMENTAL REVENUE	11,225,976	-	1,255,240	12,481,216
DEFERRED OTHER REVENUE	244,805	-	2,800	247,605
TOTAL DEFERRED INFLOWS OF RESOURCES	12,525,972	-	1,258,040	13,784,012
FUND BALANCES:				
NONSPENDABLE	-	-	414,809	414,809
RESTRICTED	1,517,403	-	3,250,156	4,767,559
COMMITTED	572,511	-	-	572,511
ASSIGNED	1,889,931	-	-	1,889,931
UNASSIGNED	6,497,670	(1,808,940)	(96,080)	4,592,650
TOTAL FUND BALANCES	10,477,515	(1,808,940)	3,568,885	12,237,460
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	\$ 23,407,864	\$ 9,285,847	\$ 5,015,968	\$ 37,709,679

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, 2014**

	GENERAL	MT. VIEW SCHOOL PROJECT	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES:</u>				
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 32,961,318	\$ -	\$ -	\$ 32,961,318
MOTOR VEHICLE EXCISE TAXES	2,425,894	-	-	2,425,894
PENALTIES AND INTEREST ON TAXES	164,245	-	-	164,245
INTERGOVERNMENTAL	4,169,680	1,547,058	803,844	6,520,582
CHARGES FOR SERVICES	-	-	1,247,370	1,247,370
INVESTMENT INCOME	146,689	-	46,558	193,247
CONTRIBUTIONS & DONATIONS	-	-	170,983	170,983
DEPARTMENTAL AND OTHER	3,048,357	-	91,810	3,140,167
TOTAL REVENUES	42,916,183	1,547,058	2,360,565	46,823,806
<u>EXPENDITURES:</u>				
CURRENT:				
GENERAL GOVERNMENT	1,870,888	-	273,291	2,144,179
PUBLIC SAFETY	4,493,782	-	526,455	5,020,237
EDUCATION	22,459,302	2,907,607	-	25,366,909
PUBLIC WORKS	3,514,077	-	555,589	4,069,666
HUMAN SERVICES	305,495	-	58,740	364,235
CULTURE & RECREATION	791,030	-	641,730	1,432,760
EMPLOYEE BENEFITS	2,951,671	-	-	2,951,671
STATE & COUNTY ASSESSMENTS	130,659	-	-	130,659
DEBT SERVICE				
PRINCIPAL	3,073,873	-	-	3,073,873
INTEREST	1,209,197	-	-	1,209,197
TOTAL EXPENDITURES	40,799,974	2,907,607	2,055,805	45,763,386
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,116,209	(1,360,549)	304,760	1,060,420
<u>OTHER FINANCING SOURCES (USES)</u>				
OPERATING TRANSFERS IN	156,314	-	-	156,314
OPERATING TRANSFERS OUT	-	-	(156,314)	(156,314)
TOTAL OTHER FINANCING SOURCES (USES)	156,314	-	(156,314)	-
NET CHANGE IN FUND BALANCES	2,272,523	(1,360,549)	148,446	1,060,420
FUND BALANCES AT BEGINNING OF YEAR	8,204,992	(448,391)	3,420,439	11,177,040
FUND BALANCES AT END OF YEAR	\$ 10,477,515	\$ (1,808,940)	\$ 3,568,885	\$ 12,237,460

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 POSITION
FISCAL YEAR ENDED JUNE 30, 2014**

TOTAL GOVERNMENTAL FUND BALANCES		\$ 12,237,460
CAPITAL ASSETS (NET) USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS		73,951,073
ACCOUNTS RECEIVABLE ARE NOT AVAILABLE TO PAY FOR CURRENT-PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS		13,784,012
IN THE STATEMENT OF ACTIVITIES, INTEREST IS ACCRUED ON OUTSTANDING LONG-TERM DEBT, WHEREAS IN GOVERNMENTAL FUNDS INTEREST IS NOT REPORTED UNTIL DUE		(284,278)
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	(26,682,893)	
COMPENSATED ABSENCES	(875,608)	
POST EMPLOYMENT BENEFITS	(3,140,769)	
LANDFILL POSTCLOSURE CARE COSTS	<u>(225,000)</u>	
NET EFFECT OF REPORTING LONG-TERM LIABILITIES		<u>(30,924,270)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 68,763,997</u></u>

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2014**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ 1,060,420**

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	4,539,781	
DEPRECIATION EXPENSE	<u>(3,575,025)</u>	
NET EFFECT OF REPORTING CAPITAL ASSETS		964,756

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 (1,840,623)

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 CAPITAL LEASE OBLIGATION	141,701	
DEBT SERVICE PRINCIPAL PAYMENTS	<u>3,073,873</u>	
NET EFFECT OF REPORTING LONG-TERM DEBT		3,215,574

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	(52,378)	
NET CHANGE IN COMPENSATED ABSENCES ACCRUAL	(42,270)	
NET CHANGE IN OTHER POSTEMPLOYMENT BENEFITS	(656,786)	
NET CHANGE IN LANDFILL POSTCLOSURE CARE ACCRUAL	50,000	
NET CHANGE IN ACCRUED INTEREST ON LONG-TERM DEBT	<u>29,626</u>	
NET EFFECT OF RECORDING LONG-TERM LIABILITIES		<u>(671,808)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 2,728,319**

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, 2014**

	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	\$ 32,422,291	\$ 32,422,291	\$ 32,961,318	\$ 539,027
MOTOR VEHICLE EXCISE TAXES	2,000,000	2,000,000	2,425,894	425,894
PENALTIES & INTEREST ON TAXES	107,000	107,000	164,245	57,245
INTERGOVERNMENTAL	3,693,135	3,693,135	3,770,879	77,744
INVESTMENT INCOME	60,000	60,000	65,288	5,288
DEPARTMENTAL AND OTHER	2,527,848	2,527,848	3,048,357	520,509
TOTAL REVENUES	40,810,274	40,810,274	42,435,981	1,625,707
<u>EXPENDITURES:</u>				
CURRENT:				
GENERAL GOVERNMENT	2,346,278	2,232,240	1,870,887	361,353
PUBLIC SAFETY	4,697,966	4,697,966	4,493,783	204,183
EDUCATION	22,459,313	22,459,313	22,459,302	11
PUBLIC WORKS	4,042,638	4,192,638	3,514,077	678,561
HUMAN SERVICES	320,571	320,571	305,495	15,076
CULTURE & RECREATION	870,094	870,094	791,030	79,064
EMPLOYEE BENEFITS	2,656,615	2,620,653	2,554,255	66,398
STATE & COUNTY ASSESSMENTS	129,319	129,319	130,659	(1,340)
DEBT SERVICE:				
PRINCIPAL	3,073,971	3,073,971	3,073,873	98
INTEREST	1,207,813	1,207,813	1,207,813	-
TOTAL EXPENDITURES	41,804,578	41,804,578	40,401,174	1,403,404
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(994,304)	(994,304)	2,034,807	3,029,111
<u>OTHER FINANCING SOURCES (USES):</u>				
OPERATING TRANSFERS IN	33,000	33,000	36,866	3,866
NET CHANGE IN FUND BALANCE	(961,304)	(961,304)	2,071,673	3,032,977
BUDGETARY FUND BALANCE, BEGINNING OF YEAR	5,467,917	5,467,917	5,467,917	-
BUDGETARY FUND BALANCE, END OF YEAR	\$ 4,506,613	\$ 4,506,613	\$ 7,539,590	\$ 3,032,977

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2014**

ASSETS	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			
	WATER/SEWER	ELECTRIC	OTHER ENTERPRISE	TOTAL
CURRENT:				
CASH AND SHORT-TERM INVESTMENTS	\$ 3,775,544	\$ 1,147,078	\$ 296,962	\$ 5,219,584
INVESTMENTS	106,412	-	-	106,412
USER FEES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:	756,216	1,728,779	65,596	2,550,591
SPECIAL ASSESSMENTS	307,132	-	-	307,132
OTHER ASSETS	-	1,356,755	-	1,356,755
PREPAID EXPENSES	-	181,610	-	181,610
TOTAL CURRENT ASSETS	<u>4,945,304</u>	<u>4,414,222</u>	<u>362,558</u>	<u>9,722,084</u>
NONCURRENT:				
RESTRICTED CASH AND SHORT-TERM INVESTMENTS:				
DEPRECIATION FUND	-	1,345,192	-	1,345,192
CUSTOMER DEPOSITS	-	166,866	-	166,866
RATE STABILIZATION FUND	-	2,342,958	-	2,342,958
OTHER SPECIAL FUNDS	-	32,066	-	32,066
SPECIAL ASSESSMENTS	3,921,241	-	-	3,921,241
OTHER ASSETS	-	138,405	-	138,405
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	28,488,146	9,752,012	-	38,240,158
TOTAL NONCURRENT ASSETS	<u>32,409,387</u>	<u>13,777,499</u>	<u>-</u>	<u>46,186,886</u>
TOTAL ASSETS	<u>37,354,691</u>	<u>18,191,721</u>	<u>362,558</u>	<u>55,908,970</u>
LIABILITIES				
CURRENT:				
ACCOUNTS PAYABLE	471,752	1,299,701	31,919	1,803,372
ACCRUED LIABILITIES	-	120,291	-	120,291
OTHER LIABILITIES	1,200	-	-	1,200
ACCRUED INTEREST	54,884	-	-	54,884
BONDS AND NOTES PAYABLE	1,167,652	260,000	-	1,427,652
COMPENSATED ABSENCES	30,683	-	-	30,683
TOTAL CURRENT LIABILITIES	<u>1,726,171</u>	<u>1,679,992</u>	<u>31,919</u>	<u>3,438,082</u>
NONCURRENT:				
CUSTOMER DEPOSITS	-	166,866	-	166,866
ACCRUED EXPENSES	-	48,909	-	48,909
BONDS AND NOTES PAYABLE	10,101,243	260,000	-	10,361,243
COMPENSATED ABSENCES	13,038	-	-	13,038
POST EMPLOYMENT BENEFITS	153,897	-	-	153,897
TOTAL NONCURRENT LIABILITIES	<u>10,268,178</u>	<u>475,775</u>	<u>-</u>	<u>10,743,953</u>
TOTAL LIABILITIES	<u>11,994,349</u>	<u>2,155,767</u>	<u>31,919</u>	<u>14,182,035</u>
DEFERRED INFLOWS OF RESOURCES:				
MISCELLANEOUS DEFERRED LIABILITIES	-	199,094	-	199,094
RATE STABILIZATION RESERVE	-	2,657,550	-	2,657,550
TOTAL DEFERRED INFLOWS OF RESOURCES:	<u>-</u>	<u>2,856,644</u>	<u>-</u>	<u>2,856,644</u>
NET POSITION				
NET INVESTMENT IN CAPITAL ASSETS	17,219,251	9,232,012	-	26,451,263
RESTRICTED FOR DEPRECIATION	-	1,345,192	-	1,345,192
UNRESTRICTED	8,141,091	2,602,106	330,639	11,073,836
TOTAL NET POSITION	<u>25,360,342</u>	<u>13,179,310</u>	<u>330,639</u>	<u>38,870,291</u>

See accompanying notes to the basic financial statements

TOWN OF HOLDEN, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FISCAL YEAR ENDED JUNE 30, 2014

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	WATER/SEWER	ELECTRIC	OTHER ENTERPRISE	TOTAL
<u>OPERATING REVENUES:</u>				
CHARGES FOR SERVICES	\$ 6,242,779	\$ 14,128,361	\$ 1,120,198	\$ 21,491,338
INTERGOVERNMENTAL	34,980	-	-	34,980
DEPARTMENTAL AND OTHER	55,849	274,306	-	330,155
DONATIONS	<u>344,828</u>	<u>-</u>	<u>-</u>	<u>344,828</u>
TOTAL OPERATING REVENUES	<u>6,678,436</u>	<u>14,402,667</u>	<u>1,120,198</u>	<u>22,201,301</u>
<u>OPERATING EXPENSES:</u>				
GENERAL SERVICES	4,129,181	12,743,979	1,084,821	17,957,981
DEPRECIATION	<u>916,004</u>	<u>732,889</u>	<u>-</u>	<u>1,648,893</u>
TOTAL OPERATING EXPENSES	<u>5,045,185</u>	<u>13,476,868</u>	<u>1,084,821</u>	<u>19,606,874</u>
OPERATING INCOME (LOSS)	<u>1,633,251</u>	<u>925,799</u>	<u>35,377</u>	<u>2,594,427</u>
<u>NON-OPERATING REVENUES (EXPENSES):</u>				
INTERGOVERNMENTAL	436,575	-	-	436,575
INVESTMENT INCOME	2,465	16,706	-	19,171
DISASTER RECOVERY EXPENSES	-	(1,414)	-	(1,414)
INTEREST EXPENSE	<u>(486,180)</u>	<u>(18,642)</u>	<u>-</u>	<u>(504,822)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES), NET	<u>(47,140)</u>	<u>(3,350)</u>	<u>-</u>	<u>(50,490)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>1,586,111</u>	<u>922,449</u>	<u>35,377</u>	<u>2,543,937</u>
CHANGE IN NET POSITION	1,586,111	922,449	35,377	2,543,937
NET POSITION AT BEGINNING OF YEAR	<u>23,774,231</u>	<u>12,256,861</u>	<u>295,262</u>	<u>36,326,354</u>
NET POSITION AT END OF YEAR	<u>\$ 25,360,342</u>	<u>\$ 13,179,310</u>	<u>\$ 330,639</u>	<u>\$ 38,870,291</u>

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FISCAL YEAR ENDED JUNE 30, 2014**

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	WATER/SEWER	ELECTRIC	OTHER ENTERPRISE	TOTAL
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
RECEIPTS FROM CUSTOMERS AND USERS	\$ 6,755,004	\$ 13,630,239	\$ 1,132,347	\$ 21,517,590
PAYMENTS TO SUPPLIERS	(3,716,816)	(11,152,022)	(1,054,054)	(15,922,892)
PAYMENTS TO EMPLOYEES	(510,988)	(1,225,353)	(34,070)	(1,770,411)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>2,527,200</u>	<u>1,252,864</u>	<u>44,223</u>	<u>3,824,287</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
DISASTER RECOVERY REVENUE	-	(1,414)	-	(1,414)
INTEREST EXPENSE	-	(491)	-	(491)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>(1,905)</u>	<u>-</u>	<u>(1,905)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
CAPITAL CONTRIBUTIONS	-	(46,724)	-	(46,724)
PRINCIPAL PAYMENTS ON BONDS AND NOTES	(1,030,634)	(260,000)	-	(1,290,634)
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(225,740)	(642,118)	-	(867,858)
INTEREST EXPENSE	(228,953)	(21,320)	-	(250,273)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES:	<u>(1,485,327)</u>	<u>(970,162)</u>	<u>-</u>	<u>(2,455,489)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
NET PROCEEDS FROM PURCHASE AND SALE OF INVESTMENT SECURITIES	(2,465)	-	-	(2,465)
RATE STABILIZATION RESERVE	-	(313,440)	-	(313,440)
INTEREST RECEIVED	2,465	216	-	2,681
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES:	<u>-</u>	<u>(313,224)</u>	<u>-</u>	<u>(313,224)</u>
NET INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS	1,041,873	(32,427)	44,223	1,053,669
CASH AND SHORT TERM INVESTMENTS - BEGINNING OF YEAR	<u>2,733,671</u>	<u>1,378,437</u>	<u>252,739</u>	<u>4,364,847</u>
CASH AND SHORT TERM INVESTMENTS - END OF YEAR	<u>\$ 3,775,544</u>	<u>\$ 1,346,010</u>	<u>\$ 296,962</u>	<u>\$ 5,418,516</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>				
OPERATING INCOME (LOSS)	<u>\$ 1,633,251</u>	<u>\$ 925,799</u>	<u>\$ 35,377</u>	<u>\$ 2,594,427</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
DEPRECIATION	916,004	732,889	-	1,648,893
DONATED INFRASTRUCTURE	(344,828)	-	-	(344,828)
(INCREASE) DECREASE IN ACCOUNTS RECEIVABLE	4,765	(20,426)	12,149	(3,512)
(INCREASE) DECREASE IN SPECIAL ASSESSMENTS	416,231	-	-	416,231
(INCREASE) DECREASE IN PREPAID EXPENSES	-	77,909	-	77,909
(INCREASE) DECREASE IN OTHER ASSETS	-	7,882	-	7,882
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	(90,369)	280,813	(3,303)	187,141
INCREASE (DECREASE) IN OTHER LIABILITIES	400	(752,002)	-	(751,602)
INCREASE (DECREASE) IN COMPENSATED ABSENCES PAYABLE	(8,407)	-	-	(8,407)
INCREASE (DECREASE) IN POST EMPLOYMENT BENEFITS	153	-	-	153
TOTAL ADJUSTMENTS	<u>893,949</u>	<u>327,065</u>	<u>8,846</u>	<u>1,229,860</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 2,527,200</u>	<u>\$ 1,252,864</u>	<u>\$ 44,223</u>	<u>\$ 3,824,287</u>

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2014**

	POSTEMPLOYMENT BENEFITS TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS
<u>ASSETS</u>			
CASH AND SHORT-TERM INVESTMENTS	\$ -	\$ 36,654	\$ 469,149
INVESTMENTS	<u>780,247</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>780,247</u>	<u>36,654</u>	<u>469,149</u>
<u>LIABILITIES</u>			
ACCOUNTS PAYABLE	-	-	2,168
OTHER LIABILITIES	<u>-</u>	<u>-</u>	<u>466,981</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>469,149</u>
<u>NET POSITION</u>			
HELD IN TRUST FOR PLAN PARTICIPANTS	\$ 780,247	\$ -	\$ -
HELD IN TRUST FOR OTHER PURPOSES	<u>-</u>	<u>36,654</u>	<u>-</u>
TOTAL NET POSITION	<u>\$ 780,247</u>	<u>\$ 36,654</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FISCAL YEAR ENDED JUNE 30, 2014**

	POSTEMPLOYMENT BENEFITS TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS
<u>ADDITIONS:</u>		
CONTRIBUTIONS:		
DEPARTMENTAL	\$ 121,845	\$ -
PRIVATE DONATIONS	-	4,413
NET INVESTMENT INCOME (LOSS):		
INVESTMENT INCOME	<u>78,802</u>	<u>818</u>
TOTAL ADDITIONS	<u>200,647</u>	<u>5,231</u>
<u>DEDUCTIONS:</u>		
EDUCATION	<u>-</u>	<u>1,200</u>
CHANGE IN NET POSITION	200,647	4,031
NET POSITION AT BEGINNING OF YEAR	<u>579,600</u>	<u>32,623</u>
NET POSITION AT END OF YEAR	<u><u>\$ 780,247</u></u>	<u><u>\$ 36,654</u></u>

See accompanying notes to the basic financial statements

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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	\$ 21,880,455
Montachusett Regional Vocational Technical School District	To provide grades 9-12 Vocational and Technical Educational Services	1050 Westminster St. Fitchburg, MA 01420	\$ 578,847

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 43.77% equity interest in the joint venture.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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 12.21% 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 position 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, 2014

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, other postemployment 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, 2014

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 *Mt. View School Project fund* is a capital project fund used to account for the construction costs of the Mt. View School 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, 2014

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, 2014

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

Business-type 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, 2014

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 \$28,000 at December 31, 2013. 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, 2014

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 position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position 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, 2014

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 position. 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 Inflows of Resources

Although certain revenues are measurable, they are not available. Available means collected within the current period, or expected to be collected soon enough thereafter, to be used to pay liabilities of the current period. Deferred inflows of resources at the fund level, represents the amount of assets that have been recognized, but the related revenue has not been recognized since it is not available.

Deferred inflows of resources at the fund level consist of the succeeding year property tax revenue, Intergovernmental revenue, and other revenue not collected within sixty days after year-end.

K. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

Net position is classified into three components:

- a. *Net investment in capital assets* – 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 position* – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Net position have been “restricted” for the following:

- *Depreciation* represents available resources (cash) that may be used for replacements, enlargements and additions to the utility plant.
- *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, 2014

- *Other specific purposes* represent restrictions placed on assets from outside parties.
- c. *Unrestricted net position* – All other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

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 position. 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
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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 position. 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, 2014 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, 2014

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 2014 approved budget authorized \$41,013,270 in current year appropriations and other amounts to be raised and \$791,308 in encumbrances and appropriations carried over from previous fiscal years.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014, is presented below:

Net change in fund balance - budgetary basis	\$ 2,071,673
Basis of accounting differences:	
Net stabilization fund activity	200,850
Increase in revenue for on-behalf payments - MTRS	397,416
Increase in expenditures for on-behalf payments - MTRS	(397,416)
Increase in revenue for the MWPAT subsidy	1,385
Increase in expenditures for the MWPAT subsidy	<u>(1,385)</u>
Net change in fund balance - GAAP basis	<u>\$ 2,272,523</u>

C. Deficit Fund Balances

Several individual fund deficits exist within the special revenue funds and an individual deficit exists in the general capital projects fund which will be eliminated through fiscal year budget transfers, grants or proceeds from long-term debt during the next few fiscal years.

NOTE 3 – DEPOSITS AND INVESTMENTS

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

Deposits

▪ *Custodial Credit Risk – Deposits*

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

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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The following table illustrates how much of the Town's bank deposits are insured and how much of the Town's bank deposits are uninsured and uncollateralized as of June 30, 2014:

Total bank balances		\$ 22,402,446
Bank balances covered by deposit insurance		
Federal Deposit Insurance Corporation (FDIC)	1,023,535	
Depositors Insurance Fund (DIF)	<u>12,953,352</u>	
Total bank balances covered by deposit insurance		13,976,887
Balances subject to custodial credit risk		
Bank balances uninsured & uncollateralized	<u>8,425,559</u>	
Total bank balances subject to custodial credit risk		<u>8,425,559</u>
Total bank balances		<u>\$ 22,402,446</u>

Investments

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

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

- *Credit Risk*

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

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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+	Aaa	Unrated
U.S. Government & Agency Securities	\$ 3,282,943	N/A	\$ 2,870,228	\$ 412,715	\$ -
Certificates of Deposit	2,406,202	N/A	-	-	2,406,202
Fixed Income Mutual Funds	279,155	N/A	-	-	279,155
Corporate Bonds	119,249	N/A	119,249	-	-
Money Market Mutual Funds	87,497	N/A	-	-	87,497
Equity Mutual Funds	1,026,705	N/A	-	-	1,026,705
Total Investments	\$ 7,201,751		<u>\$ 2,989,477</u>	<u>\$ 412,715</u>	<u>\$ 3,799,559</u>
Less: Electric Light Plant Investments at June 30, 2014	<u>(1,219,482)</u>				
Total Investments per Statement of Net Position and Fiduciary Net Position at June 30, 2014	<u>\$ 5,982,269</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 and corporate bonds because the related securities are registered in the name of the Town. The mutual fund investments are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

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

- *Interest Rate Risk*

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

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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	\$ 3,282,943	\$ -	\$ 3,282,943
Fixed Income Mutual Funds	279,155	279,155	-
Corporate Bonds	119,249	-	119,249
Total - Debt related securities	\$ 3,681,347	\$ 279,155	\$ 3,402,192
<i>Other Investments:</i>			
Certificates of Deposit	2,406,202	929,610	1,476,592
Money Market Mutual Funds	87,497	87,497	-
Equity Mutual Funds	1,026,705	1,026,705	-
Total Other Investments	3,520,404	2,043,812	1,476,592
Total Investments at June 30, 2014	\$ 7,201,751	\$ 2,322,967	\$ 4,878,784

- 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, 2014

NOTE 4 – RECEIVABLES

The receivables at June 30, 2014 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	\$ 276,679	\$ (14,300)	\$ 262,379
Tax liens	753,962	-	753,962
Motor vehicle & other excise taxes	226,268	(35,301)	190,967
Special assessments	2,800	-	2,800
Departmental and other	579,092	(334,287)	244,805
Intergovernmental	13,076,020	-	13,076,020
Total	<u>\$ 14,914,821</u>	<u>\$ (383,888)</u>	<u>\$ 14,530,933</u>

The receivables at June 30, 2014, (electric light at December 31, 2013) for the enterprise funds consist of the following:

Receivables:	Gross Amount	Allowance for Uncollectibles	Net Amount
<i>Water and Sewer</i>			
User fees	\$ 756,216	\$ -	\$ 756,216
Special Assessments	4,228,373	-	4,228,373
<i>Other Enterprise - Trash</i>			
User fees	65,596	-	65,596
<i>Electric Light</i>			
User fees	<u>1,756,779</u>	<u>(28,000)</u>	<u>1,728,779</u>
Total	<u>\$ 6,806,964</u>	<u>\$ (28,000)</u>	<u>\$ 6,778,964</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Governmental funds report deferred inflows of resources 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 inflows of resources reported in the governmental funds were as follows:

Deferred Inflow of Resources Analysis

Deferred Inflows:	General Fund	Nonmajor Governmental Funds	Total
Deferred Property Taxes	\$ 1,055,191	\$ -	\$ 1,055,191
Deferred Other Revenue	244,805	2,800	247,605
Deferred Intergovernmental Revenue	11,225,976	1,255,240	12,481,216
Total	<u>\$ 12,525,972</u>	<u>\$ 1,258,040</u>	<u>\$ 13,784,012</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, 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	1,504,111	2,963,113	(581,526)	3,885,698
Total capital assets not being depreciated	4,213,505	2,963,113	(581,526)	6,595,092
<i>Capital assets being depreciated:</i>				
Buildings and improvements	52,686,684	-	522,939	53,209,623
Capital improvements (other than buildings)	1,784,141	-	-	1,784,141
Machinery and equipment	3,844,529	283,536	-	4,128,065
Vehicles	5,780,769	599,194	(235,700)	6,144,263
Infrastructure	59,021,892	693,938	58,587	59,774,417
Total capital assets being depreciated	123,118,015	1,576,668	345,826	125,040,509
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(17,116,941)	(1,273,560)	-	(18,390,501)
Capital improvements (other than buildings)	(778,307)	(77,352)	-	(855,659)
Machinery and equipment	(2,076,571)	(375,447)	-	(2,452,018)
Vehicles	(3,602,339)	(441,797)	235,700	(3,808,436)
Infrastructure	(30,771,045)	(1,406,869)	-	(32,177,914)
Total accumulated depreciation	(54,345,203)	(3,575,025)	235,700	(57,684,528)
Total capital assets being depreciated, net	68,772,812	(1,998,357)	581,526	67,355,981
Total governmental activities capital assets, net	\$ 72,986,317	\$ 964,756	\$ -	\$ 73,951,073

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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	-	58,425	-	58,425
Total capital assets not being depreciated	432,548	58,425	-	490,973
<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	1,073,348	30,974	-	1,104,322
Vehicles	430,653	136,341	(96,486)	470,508
Infrastructure	30,581,000	344,827	-	30,925,827
Total capital assets being depreciated	41,179,281	512,142	(96,486)	41,594,937
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(3,008,963)	(166,406)	-	(3,175,369)
Capital improvements (other than buildings)	(505,627)	(56,151)	-	(561,778)
Machinery and equipment	(700,473)	(54,826)	-	(755,299)
Vehicles	(232,407)	(37,879)	96,486	(173,800)
Infrastructure	(8,330,776)	(600,742)	-	(8,931,518)
Total accumulated depreciation	(12,778,246)	(916,004)	96,486	(13,597,764)
Total capital assets being depreciated, net	28,401,035	(403,862)	-	27,997,173
Total business-type activities capital assets, net	\$ 28,833,583	\$ (345,437)	\$ -	\$ 28,488,146

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Capital asset activity for the *electric light plant* at December 31, 2013 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	121,743	57,046	(83,894)	94,895
Total capital assets not being depreciated	194,243	57,046	(83,894)	167,395
<i>Capital assets being depreciated:</i>				
Distribution Plant	19,124,135	434,883	(10,197)	19,548,821
General Plant	5,305,047	234,083	-	5,539,130
Total capital assets being depreciated	24,429,182	668,966	(10,197)	25,087,951
<i>Less accumulated depreciation for:</i>				
Distribution Plant	(12,011,798)	(572,052)	10,197	(12,573,653)
General Plant	(2,768,844)	(160,837)	-	(2,929,681)
Total accumulated depreciation	(14,780,642)	(732,889)	10,197	(15,503,334)
Total capital assets being depreciated, net	9,648,540	(63,923)	-	9,584,617
Total business-type activities capital assets, net	<u>\$ 9,842,783</u>	<u>\$ (6,877)</u>	<u>\$ (83,894)</u>	<u>\$ 9,752,012</u>

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

Governmental Activities:	
General government	\$ 90,408
Public safety	788,409
Education	824,255
Public works	1,676,490
Human services	49,826
Culture and recreation	145,637
Total depreciation expense - governmental activities	<u>\$ 3,575,025</u>
Business-Type Activities:	
Water and Sewer	\$ 916,004
Electric light - (December 31, 2013)	732,889
Total depreciation expense - business-type activities	<u>\$ 1,648,893</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Construction Commitments

The Town has one active major fund construction project for the Mount View Middle School as of June 30, 2014. At year end the Town's project commitments for the general contractor and architect are as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Mount View Middle School	<u>\$ 3,623,075</u>	<u>\$ 35,675,561</u>

These commitments for the renovation of the Mount View Middle School project will be funded by a reimbursement grant from the Massachusetts School Building Authority for 57.93% of eligible construction costs and the issuance of long-term debt.

NOTE 6 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2014, are summarized as follows:

<u>Operating Transfers In:</u>		
<u>Operating Transfers Out:</u>	<u>General Fund</u>	<u>Total</u>
Nonmajor Governmental Funds	<u>\$ 156,314</u>	<u>\$ 156,314 (1)</u>

(1) Represents other transfers to various funds.

NOTE 7 – 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).

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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

The following is a summary of changes in short-term debt for the year ended June 30, 2014:

Purpose	Rate (%)	Due Date	Balance at June 30, 2013	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2014
Governmental Funds:						
Mt. View School	0.75%	6/19/2015	<u>\$ 3,500,000</u>	<u>\$ 10,500,000</u>	<u>\$ (3,500,000)</u>	<u>\$10,500,000</u>

NOTE 8 – 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, 2014:

Bonds and Notes Payable Schedule -Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2013	Issued	Redeemed	Outstanding at June 30, 2014
General Obligation	3.75	\$ 4,570,000	\$ -	\$ 225,000	\$ 4,345,000
Title V	Var.	26,766	-	3,873	22,893
School - Refunding	4.12	16,190,000	-	2,055,000	14,135,000
School	3.64	465,000	-	60,000	405,000
Outdoor Recreation	3.64	1,025,000	-	185,000	840,000
Public Safety Building	3.90	6,575,000	-	325,000	6,250,000
General Obligation	2.30	695,000	-	175,000	520,000
DPW Truck	2.00	210,000	-	45,000	165,000
Total		<u>\$ 29,756,766</u>	<u>\$ -</u>	<u>\$ 3,073,873</u>	<u>\$ 26,682,893</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

The annual debt service requirements for principal and interest for Governmental bonds and notes outstanding at June 30, 2014 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 3,178,873	\$ 1,061,014	\$ 4,239,887
2016	3,258,804	931,804	4,190,608
2017	3,373,804	809,472	4,183,276
2018	3,333,804	681,283	4,015,087
2019	3,188,804	552,369	3,741,173
2020-2024	6,223,804	1,374,948	7,598,752
2025-2029	3,765,000	489,800	4,254,800
2030	360,000	14,400	374,400
Total	<u>\$ 26,682,893</u>	<u>\$ 5,915,090</u>	<u>\$ 32,597,983</u>

Bonds and Notes Payable Schedule -Water and Sewer Enterprise Fund

<u>Project</u>	<u>Interest Rate (%)</u>	<u>Outstanding at June 30, 2013</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at June 30, 2014</u>
MWPAT Drinking Water	Var.	\$ 1,667,613	\$ -	\$ 77,802	\$ 1,589,811
Water Wells	4.98	390,000	-	100,000	290,000
MWPAT Drinking Water	Var.	937,110	-	103,576	833,534
Water	3.64	500,000	-	50,000	450,000
Water	3.64	1,300,000	-	130,000	1,170,000
MWPAT Drinking Water	Var.	445,000	-	40,000	405,000
MWPAT Drinking Water	Var.	453,005	-	37,750	415,255
MWPAT Drinking Water	Var.	1,549,619	-	118,952	1,430,667
MWPAT Drinking Water	2.00	643,873	-	43,805	600,068
MWPAT Sewer Construction	Var.	1,500,000	-	170,000	1,330,000
MWPAT Sewer Construction	Var.	2,295,000	-	200,000	2,095,000
MWPAT Sewer Connections	Var.	260,553	-	32,487	228,066
MWPAT Sewer Connections	Var.	470,878	-	39,384	431,494
Water/Engineering	4.25	60,000	-	60,000	-
Total		<u>\$ 12,472,651</u>	<u>\$ -</u>	<u>\$ 1,203,756</u>	<u>\$ 11,268,895</u>

TOWN OF HOLDEN, MASSACHUSETTS
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JUNE 30, 2014

The annual debt service requirements for principal and interest for water and sewer enterprise fund bonds and notes outstanding at June 30, 2014 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,167,652	\$ 440,282	\$ 1,607,934
2016	1,193,885	386,852	1,580,737
2017	1,203,752	330,225	1,533,977
2,018	1,139,945	278,310	1,418,255
2,019	1,165,907	231,951	1,397,858
2020-2024	4,529,230	444,970	4,974,200
2025-2029	652,379	50,389	702,768
2030-2031	216,145	4,344	220,489
Total	<u>\$ 11,268,895</u>	<u>\$ 2,167,323</u>	<u>\$ 13,436,218</u>

Bonds and Notes Payable Schedule – Electric Light Plant Enterprise Fund (December 31, 2013)

<u>Project</u>	<u>Interest Rate (%)</u>	<u>Outstanding at December 31, 2012</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at December 31, 2013</u>
Substation	3.375/3.50	<u>\$ 780,000</u>	<u>\$ -</u>	<u>\$ 260,000</u>	<u>\$ 520,000</u>

The annual debt service requirements for principal and interest for electric light plant enterprise fund bond outstanding at December 31, 2013 are as follows:

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 260,000	\$ 12,935	\$ 272,935
2015	260,000	4,387	264,387
Total	<u>\$ 520,000</u>	<u>\$ 17,322</u>	<u>\$ 537,322</u>

TOWN OF HOLDEN, MASSACHUSETTS
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JUNE 30, 2014

Loan Authorized and Unissued

As of June 30, 2014, the Town has loans authorized and unissued as follows:

Description	Date Authorized	Amount
Mountview Elementary Feasibility Study	11/8/2010	\$ 26,118
Mountview Elementary School Building	4/8/2013	52,754,843
Capital Equipment	5/19/2014	500,000
Water Infrastructure Improvements	5/19/2014	<u>1,650,000</u>
Total		<u>\$ 54,930,961</u>

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2014 (electric light as of December 31, 2013):

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable	\$ 29,756,766	\$ -	\$ (3,073,873)	\$ 26,682,893	\$ 3,178,873
Compensated absences	833,338	42,270	-	875,608	499,775
Landfill postclosure care costs	275,000	-	(50,000)	225,000	50,000
Capital lease payable	89,323	-	(89,323)	-	-
OPEB (Note 12)	<u>2,483,983</u>	<u>656,786</u>	<u>-</u>	<u>3,140,769</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 33,438,410</u>	<u>\$ 699,056</u>	<u>\$ (3,213,196)</u>	<u>\$ 30,924,270</u>	<u>\$ 3,728,648</u>

Business-Type Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable - water/sewer	\$ 12,472,651	\$ -	\$ (1,203,756)	\$ 11,268,895	\$ 1,167,652
Bonds and notes payable - electric light	780,000	-	(260,000)	520,000	260,000
Compensated absences	52,128	-	(8,407)	43,721	30,683
Customer deposits - electric light	141,741	25,125	-	166,866	-
Rate stabilization reserve - electric light	2,646,537	11,013	-	2,657,550	-
OPEB - water/sewer (Note 12)	<u>153,744</u>	<u>153</u>	<u>-</u>	<u>153,897</u>	<u>-</u>
Total business-type activities long-term liabilities	<u>\$ 16,246,801</u>	<u>\$ 36,291</u>	<u>\$ (1,472,163)</u>	<u>\$ 14,810,929</u>	<u>\$ 1,458,335</u>

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

TOWN OF HOLDEN, MASSACHUSETTS
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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 2014 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, 2014:

Agency	Total Long-Term Debt Outstanding	Town's Estimated Share	Town's Indirect Debt
Wachusett Regional School District			
Bonds	\$ 23,220,000	43.77%	\$ 10,163,394
Montachusett Regional Vocational Technical School District			
Bonds	6,296,000	12.21%	768,742
	<u>\$ 29,516,000</u>		<u>\$ 10,932,136</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The Town has classified its governmental fund balances with the following hierarchy.

	General Fund	Mt. View School Proj. Fund	Nonmajor Governmental Funds	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balances				
Nonspendable:				
Permanent Fund Principal	\$ -	\$ -	\$ 414,809	\$ 414,809
Restricted For:				
General Government	-	-	635,433	635,433
Public Safety	-	-	376,912	376,912
Education	-	-	20,753	20,753
Public Works	-	-	474,232	474,232
Human Services	-	-	245,323	245,323
Culture & Recreation	-	-	1,273,558	1,273,558
Employee Benefits	-	-	223,945	223,945
Bond Premium	62,582	-	-	62,582
Infrastructure Fund	1,454,821	-	-	1,454,821
	<u>1,517,403</u>	<u>-</u>	<u>3,250,156</u>	<u>4,767,559</u>
Committed To:				
Continuing Appropriations				
General Government	55,104	-	-	55,104
Public Safety	20,381	-	-	20,381
Public Works	422,960	-	-	422,960
Hymman Services	56	-	-	56
Culture & Recreation	74,010	-	-	74,010
	<u>572,511</u>	<u>-</u>	<u>-</u>	<u>572,511</u>
Assigned To:				
Encumbered For:				
General Government	26,034	-	-	26,034
Public Safety	60,775	-	-	60,775
Public Works	32,356	-	-	32,356
Culture & Recreation	3,595	-	-	3,595
Employee Benefits	2,500	-	-	2,500
Subsequent Years Expenditures	838,341	-	-	838,341
DPW Depreciation Fund	511,390	-	-	511,390
Fire Vehicle & Equipment Stabilization	414,940	-	-	414,940
	<u>1,889,931</u>	<u>-</u>	<u>-</u>	<u>1,889,931</u>
Unassigned				
General Fund	5,038,740	-	-	5,038,740
General Stabilization Fund	1,458,930	-	-	1,458,930
Mount View School	-	(1,808,940)	-	(1,808,940)
Town Grants	-	-	(96,080)	(96,080)
	<u>6,497,670</u>	<u>(1,808,940)</u>	<u>(96,080)</u>	<u>4,592,650</u>
Total Governmental Fund Balances	<u>\$ 10,477,515</u>	<u>\$ (1,808,940)</u>	<u>\$ 3,568,885</u>	<u>\$ 12,237,460</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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**.
- The *Stabilization Fund* is used to account for any appropriation, as approved by a 2/3 vote at the annual or special town meeting for additions or reductions to the fund. Any interest shall be added to and become part of the fund. The fund was established under chapter 40, sub-section 5B of the Massachusetts General Law.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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 \$36,338,871. 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 2014.

The Town joined the Massachusetts Group Insurance Commission (GIC) in fiscal 2013. The Town now offers twelve contributory health care options for its employees, six HMO and 6 PPO/indemnity plans, and seven contributory health care options for seniors, four HMO and three PPO/indemnity plans. There are 104 active employees and 73 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 HMO 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 HMO plans. For all employees enrolled in a PPO/indemnity plan, the Town contributes 50% of the premium costs. For retirees, the Town contributes 74% of the premium costs for the senior HMO plans and 50% of the premium costs for PPO/indemnity 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 2014.

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 Other Postemployment 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, 2014

As of July 1, 2012, the plan's membership consisted of the following:

Current retirees, beneficiaries, and dependents	93
Current active members	<u>140</u>
Totals	<u><u>233</u></u>

Funding Policy. The contribution requirements of plan members and the Town are established and may be amended through Town ordinances. The required contribution is based on projected pay-as-you-go financing requirements. For Fiscal Year 2014, total Town premiums plus implicit costs for the retiree medical program were approximately \$556,005.

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 GASB Statement 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, 2012.

	Governmental Activities	Business-Type activities - Enterprise Funds			Primary Government Total
		Water/Sewer	Light	Total	
Annual Required Contribution (ARC)	\$ 942,460	\$ 46,753	\$ 161,346	\$ 208,099	\$ 1,150,559
Interest on Net OPEB Obligation	103,283	6,360	-	6,360	109,643
Amortization of Actual (Gains)/Losses	87,164	3,940	14,058	17,998	105,162
Adjustments to the ARC	<u>(143,577)</u>	<u>(8,843)</u>	<u>-</u>	<u>(8,843)</u>	<u>(152,420)</u>
Annual OPEB Cost	989,330	48,210	175,404	223,614	1,212,944
Expected Employer Contributions	<u>(332,544)</u>	<u>(48,057)</u>	<u>(175,404)</u>	<u>(223,461)</u>	<u>(556,005)</u>
Increase in net OPEB obligation	656,786	153	-	153	656,939
Net OPEB obligation - beginning of year	<u>2,483,983</u>	<u>153,744</u>	<u>-</u>	<u>153,744</u>	<u>2,637,727</u>
Net OPEB obligation - end of year	<u><u>\$ 3,140,769</u></u>	<u><u>\$ 153,897</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 153,897</u></u>	<u><u>\$ 3,294,666</u></u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the five 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
2013	\$ 1,149,008	\$ 472,673	\$ 676,335	41.1%	\$ 676,335	\$ 2,637,727
2014	\$ 1,212,944	\$ 556,005	\$ 656,939	45.8%	\$ 656,939	\$ 3,294,666

Funded Status and Funding Progress- The funded status of the Plan as of the most recent actuarial valuation date, July 1, 2012, 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%
7/1/2012	\$ 439,822	\$ 12,011,446	\$ 11,571,624	3.7%	\$ 8,004,133	144.6%

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 in the 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
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JUNE 30, 2014

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

Actuarial Assumptions and Actuarial Cost Method

Valuation date	July 1, 2012
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	7% grading down to 5.00% in year 2014 and thereafter
Mortality rates:	
	RP-2000 Table for Males
	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, 2014

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, 2014, 2013, and 2012 were \$1,063,564, \$931,617 and \$804,019 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 \$397,416 for fiscal year 2014. 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. However the Town is not subject to the provisions of the Single Audit Act Amendments of 1996, since the Town did not expend more than \$500,000 of federal awards during the period ended June 30, 2014. These programs may still be subject to financial and compliance audits. Accordingly, the amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is believed the amount, if any, would not be material.

The Town’s landfill was closed in 1986 by order of the Department of Environmental Protection (DEP). The DEP approved the capping of the landfill site in April 1992. The Town is responsible for post-closure monitoring of the site for thirty years (9 years remaining), and the estimated liability has been recorded in the Statement of Net Position, Governmental Activities. The \$225,000 reported as landfill post-closure liability at June 30, 2014 is based on what it would cost to perform all post-closure care costs at June 30, 2014. 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, 2014, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2014.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

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, and 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, 2013 was \$1,089,834.

TOWN OF HOLDEN, MASSACHUSETTS
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JUNE 30, 2014

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, 2013 is \$2,342,958.

NOTE 19 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2014, the following GASB pronouncements were implemented:

The GASB issued **Statement #65**, *Items previously reported as Assets and Liabilities*, was implemented in fiscal year 2014. This pronouncement requires no additional disclosure and will not impact the basic financial statements.

The GASB issued **Statement #66**, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, was implemented in fiscal year 2014. This pronouncement requires no additional disclosure and will not impact the basic financial statements.

The GASB issued **Statement #67**, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 27*, was implemented in fiscal year 2014. This pronouncement requires no additional disclosure and will not impact the basic financial statements.

Future GASB Pronouncements:

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's current assessment is that this pronouncement will have a significant impact on the basic financial statements.

The GASB issued **Statement #69**, *Government Combinations and Disposals of Government Operations*, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will not have a significant impact on the basic financial statements.

The GASB issued **Statement #70**, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will not have a significant impact on the basic financial statements.

The GASB issued **Statement #71**, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the basic financial statements.

**TOWN OF HOLDEN, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
WORCESTER COUNTY REGIONAL RETIREMENT SYSTEM
JUNE 30, 2014**

The following schedules are presented in accordance with GASB Statement No. 27:

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]
1/1/2012	\$ 436,671,982	\$ 982,796,782	\$ 546,124,800	44.4%	\$238,952,079	228.5%
1/1/2010	\$ 413,976,785	\$ 863,002,067	\$ 449,025,282	48.0%	\$241,992,607	185.6%
1/1/2007	\$ 389,758,785	\$ 692,768,325	\$ 303,009,540	56.3%	\$211,518,755	143.3%

Schedule of Employer Contributions

Fiscal Year Ended June 30	System Wide			Town of Holden	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) Town's Percentage of System Wide Actual Contributions
2014	\$ 37,510,266	\$ 37,510,266	100%	\$ 1,063,564	2.84%
2013	\$ 35,056,320	\$ 35,056,320	100%	\$ 931,617	2.66%
2012	\$ 33,072,000	\$ 33,072,000	100%	\$ 804,019	2.43%
2011	\$ 31,200,000	\$ 31,200,000	100%	\$ 687,705	2.20%

**TOWN OF HOLDEN, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2014**

The following schedules are presented in accordance with GASB Statement No. 45:

Schedules of Funding Progress and Employer Contributions

Projected Schedule 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%
7/1/2012	\$ 439,822	\$ 12,011,446	\$ 11,571,624	3.7%	\$ 8,004,133	144.6%

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
2013	\$ 1,149,008	\$ 472,673	\$ 676,335	41.1%	\$ 676,335	\$ 2,637,727
2014	\$ 1,212,944	\$ 556,005	\$ 656,939	45.8%	\$ 656,939	\$ 3,294,666

* Based on expected premium payments.

**TOWN OF HOLDEN, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2014**

Actuarial Methods:

Actuarial Assumptions and Actuarial Cost Method

Valuation date	July 1, 2012
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	7.00% grading down to 5.00% in year 2014 and thereafter

Plan Membership:

Current retirees, beneficiaries, and dependants	93
Current Active members	140
Total	<u>233</u>