

TOWN OF HOLDEN, MASSACHUSETTS

**REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS**

JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Select Board
Town of Holden, Massachusetts

Opinions

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, 2022, 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.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Holden, Massachusetts, as of June 30, 2022, 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.

We did not audit the financial statements of the Holden Municipal Light Department, which is both a major fund and 38%, 27%, and 62%, 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 the business-type activities of the Holden Municipal Light Plant Department is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Holden, Massachusetts, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Holden, Massachusetts's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

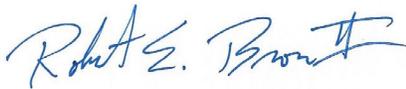
In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Holden, Massachusetts's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Holden, Massachusetts's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and Worcester Regional Retirement System schedules - Town's proportionate share of the net pension liability, and Town's contribution, Other Post-Employment Benefit schedules - Town's Net OPEB Liability and Related Ratios, Light Plant's Net OPEB Liability, Town's contribution, and investment return, Light Plant's Schedules of Net OPEB Liability, Employer Contributions and Investment Returns, and notes to required supplementary information on pages 4 - 18, 90 - 91, 92 - 96 and 97 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.



Robert E. Brown II, CPA

June 14, 2023

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, 2022. 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. 68 (GASB 68), *Accounting and Financial Reporting for Pensions*, was implemented by the Town effective July 1, 2014. The purpose of GASB 68 is to improve accounting and financial reporting by state and local governments for pensions. The statement establishes standards for measuring and reporting liabilities, deferred outflows and inflows of resources, and expenses. Actuarial valuations of the total pension liability are required to be performed at least every two years. The Town is a member of the Worcester Regional Retirement System (the System) which is a multiple-employer, cost sharing contributory defined benefit pension plan. The System provides retirement, disability and death benefits to plan members and beneficiaries. Even though benefits are not received until after employment ends, it is appropriate to recognize the costs of the benefits as they are earned. The Town must recognize a liability for its proportionate share of the System's Net Pension Liability on the balance sheet. For the fiscal year ended June 30, 2022, the estimated actuarial accrued pension liability of the Worcester Regional Retirement System as of the December 31, 2021 actuarial valuation is \$842,013,303 and the Town's proportionate share is \$30,641,099 as of June 30, 2022.

GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB), replaced GASB Statement No. 45 which was implemented by the Town effective July 1, 2008. The purpose of GASB 75 requires municipalities to identify, through actuarial analysis, the true costs of the OPEB earned by employees over their estimated years of active service and requires that the full actuarial obligation be reported on the balance sheet. 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, 2022, the estimated unfunded actuarial accrued liability of the Town (including the water/sewer enterprise fund) is \$10,919,028 as of the July 1, 2020 GASB 75 actuarial valuation. The estimated actuarial accrued net asset of the Holden Municipal Light department is \$156,165 as of the January 1, 2020 GASB 75 actuarial valuation. The benefits provided to retirees and eligible surviving spouses include health and life insurance. GASB 75 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, 2022 the trust fund has a balance of \$5,732,988 from all contributions made by the Town of Holden, the Holden Municipal Light Department and the Water/Sewer Enterprise fund. The balance has decreased slightly from last fiscal year due to market fluctuation.

In March of 2020 the Massachusetts Governor declared a state of emergency in response to the coronavirus outbreak. The United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES) Act and funds were made available to municipalities to fund the immediate expenses to address the pandemic. The Town was eligible to receive up to \$1,689,558 in reimbursements for eligible expenses and through the October 31, 2021 closeout date incurred \$355,032 of expenses.

The town was also awarded \$5,769,798 of American Rescue Plan Act (ARPA) funds and has received \$2,884,899 as of June 30, 2022, and the remaining 50% will be received in the next fiscal year. Funds will be used for a wide variety of projects and studies related to government services including the purchase of an ambulance, hazardous materials mitigation, hazardous building demolition, drainage improvements on Main Street, recreation area improvements including synthetic turf fields, town and school building improvements, and water/sewer infrastructure improvements. All spending must be in accordance with the final rule issued by the US Department of the Treasury.

Overall, revenues decreased and expenditures increased from the prior year. Expenditures related to the water and sewer enterprise fund decreased slightly. Education expenditures increased as a result of increases in the annual assessments paid to the Wachusett Regional School District. Revenues have decreased from last year due mainly to decreases in capital grants and contributions.

Total revenue for the year for all funds was \$86.4 million – \$1.4 million or 1.6% less than the total revenue for the fiscal year ended June 30, 2021.

	Fiscal Year Ended June 30, 2022	% Total	Fiscal Year Ended June 30, 2021	% Total
Property taxes	\$ 46,285,183	53.60%	\$ 44,890,392	51.13%
Motor vehicle excise	3,007,329	3.48%	3,018,538	3.45%
Penalties and interest	185,998	0.22%	189,454	0.22%
Payments in lieu of taxes	1,169,124	1.35%	1,226,933	1.40%
Charges for services	27,291,741	31.60%	25,614,267	29.18%
Operating grants and contributions	4,785,885	5.54%	4,475,697	5.10%
Capital grants and contributions	1,179,008	1.37%	5,527,405	6.30%
Nonrestricted grants and contributions	2,318,845	2.69%	2,190,584	2.50%
Unrestricted investment income and other	130,449	0.15%	660,669	0.75%
Total revenue	\$ 86,353,562	100.00%	\$ 87,793,939	100.00%

Total expenses for the year for all funds was \$84.3 million, \$2.0 million or 2.4% more than the total expenditures for the fiscal year ended June 30, 2021.

	Fiscal Year Ended June 30, 2022	% Total	Fiscal Year Ended June 30, 2021	% Total
General government	\$ 3,283,309	3.89%	\$ 3,412,863	4.15%
Public safety	8,113,563	9.62%	8,534,080	10.37%
Education	35,919,389	42.61%	34,425,747	41.82%
Public works	5,449,139	6.46%	5,103,981	6.20%
Water and sewer	8,025,776	9.52%	9,285,525	11.28%
Trash	1,368,217	1.62%	1,306,411	1.59%
Electric	13,756,328	16.32%	12,943,882	15.72%
Human services	455,237	0.54%	390,862	0.47%
Culture and recreation	2,015,291	2.39%	1,623,439	1.97%
Employee benefits	4,848,638	5.75%	4,559,942	5.54%
State and county assessments	150,970	0.18%	145,879	0.18%
Interest	911,157	1.08%	593,509	0.72%
Total expenditures	\$ 84,297,014	100.00%	\$ 82,326,120	100.00%

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, 2022 was \$121.2 million, of which \$78.3 million related to governmental activities and \$42.9 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 below.

The largest portion of the Town’s net position \$115.5 million or 95.3% reflects its investment in capital assets (land, buildings, improvements other than buildings, machinery and equipment, vehicles, infra-structure, 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, 17.3% is subject to external restrictions on how they may be used. The remaining balance (-12.6%) represents unrestricted net position.

Total current assets within the governmental activities were \$32.6 million and included cash & investments of \$29.2 million and receivables net of allowances of \$3.4 million.

Total current liabilities within the governmental activities were \$5.8 million and included accounts payable of \$1.2 million and bonds and notes payable of \$3.3 million. Noncurrent liabilities within the governmental activities were \$70.0 million and included \$34.3 million of general obligation bonds payable, \$24.2 million of pension liability and \$10.6 million of postemployment benefit liability.

Total current assets within the business-type activities were \$19.1 million and included cash & investments of \$13.6 million and receivables net of allowances of \$3.1 million.

Current liabilities within the business-type activities were \$7.4 million and included accounts payable of \$2.0 million and bond and notes payable of \$4.7 million. Noncurrent liabilities within the business-type activities were \$24.2 million and included \$16.9 million of general obligation bonds payable, \$6.7 million of pension liability, and \$0.3 million of post employment benefit liability.

Comparative Net Position						
	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2022	FY 2021	FY 2022	FY 2021	FY 2022	FY 2021
Assets:						
Current assets	\$ 32,700,821	\$ 34,148,463	\$ 18,991,028	\$ 13,830,661	\$ 51,691,849	\$ 47,979,124
Noncurrent assets	285,950	419,486	11,758,015	11,177,494	12,043,965	11,596,980
Capital assets	121,405,234	111,616,033	50,232,055	49,496,244	171,637,289	161,112,277
Total assets	154,392,005	146,183,982	80,981,098	74,504,399	235,373,103	220,688,381
Deferred Outflows of Resources:	5,465,508	3,395,673	1,254,618	1,212,349	6,720,126	4,608,022
Liabilities:						
Current liabilities	5,754,589	5,617,671	7,431,242	9,422,082	13,185,831	15,039,753
Noncurrent liabilities	69,678,333	61,770,419	24,191,303	16,414,816	93,869,636	78,185,235
Total liabilities	75,432,922	67,388,090	31,622,545	25,836,898	107,055,467	93,224,988
Deferred Inflows of Resources:	6,174,342	5,293,410	7,670,814	7,641,947	13,845,156	12,935,357
Net Position:						
Net investment in capital assets	85,523,153	88,822,239	29,957,156	37,124,542	115,480,309	125,946,781
Restricted	16,475,929	17,912,829	4,536,319	3,515,177	21,012,248	21,428,006
Unrestricted	(23,748,833)	(29,836,913)	8,448,882	1,598,184	(15,299,951)	(28,238,729)
Total net position	\$ 78,250,249	\$ 76,898,155	\$ 42,942,357	\$ 42,237,903	\$ 121,192,606	\$ 119,136,058

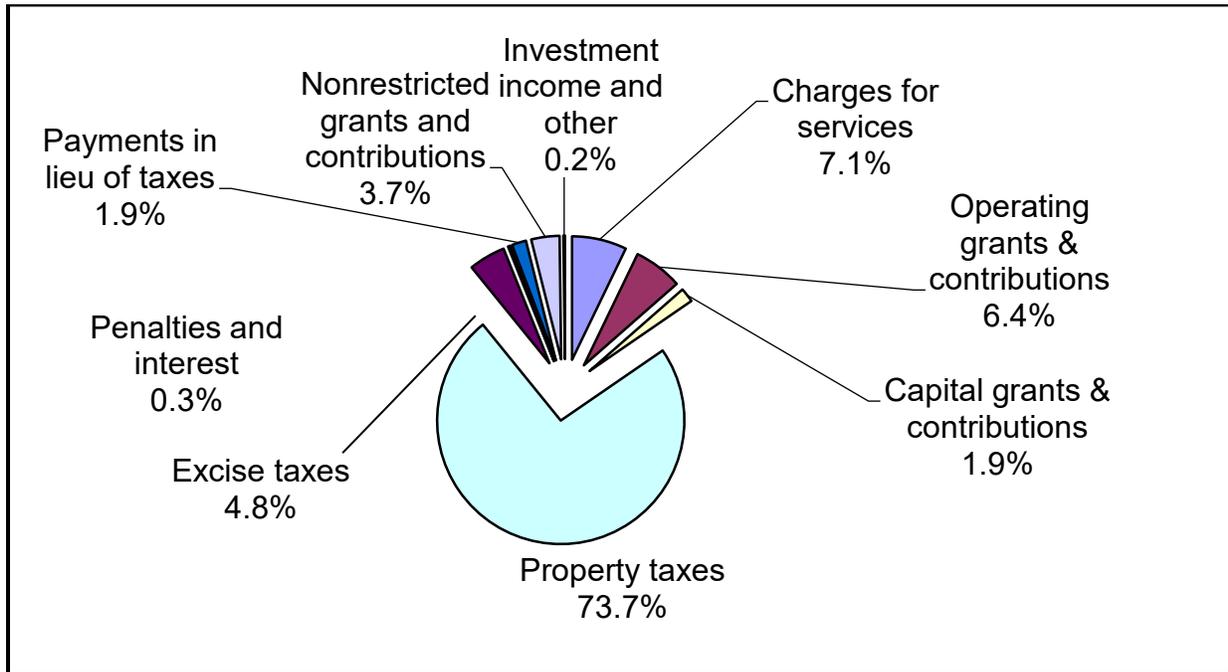
Governmental activities current assets decreased \$1.5 million, as compared with fiscal year 2021 due mainly decreases in cash and investments. Business-type activities current assets increased \$5.2 million due to increases in cash and investments on hand from bonds issued for capital improvements. Governmental activities current liabilities increased \$0.1 million as compared with fiscal year 2021. Business-type activities current liabilities decreased \$2.0 million due mainly to a decrease in notes payable. Total noncurrent liabilities of the primary government increased \$15.7 million due to increases in the bonds payable and post employment benefits.

Governmental activities net investment in capital assets decreased 3.7%. Governmental activities unrestricted net position deficit decreased 20.4% as compared with the prior year due to decreases in deferred revenue and increases/decreases in pension plan resources. Business-type net investment in capital assets decreased 19.3%, and unrestricted net position increased by 428.6% as compared with the prior year due mainly to increases in capital grants and contributions from donated roadways.

Governmental activities increased the Town of Holden's net position by \$1,352,094. 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 2022	FY 2021	
Revenues			
<i>Program Revenues:</i>			
Charges for services	\$ 4,489,564	\$ 3,515,843	\$ 973,721
Operating grants and contributions	4,002,878	3,868,829	134,049
Capital grants and contributions	1,179,008	3,155,808	(1,976,800)
<i>General Revenues:</i>			
Real Estate and personal property taxes	46,285,183	44,890,392	1,394,791
Motor vehicle and other excise taxes	3,007,329	3,018,538	(11,209)
Penalties and interest	185,998	189,454	(3,456)
Payments in lieu of taxes	1,169,124	1,226,933	(57,809)
Nonrestricted grants and contributions	2,318,845	2,190,584	128,261
Unrestricted investment income & other	130,449	660,669	(530,220)
Total Revenues	<u>62,768,378</u>	<u>62,717,050</u>	<u>51,328</u>
Expenses:			
General Government	3,283,309	3,412,863	(129,554)
Public Safety	8,113,563	8,534,080	(420,517)
Education	35,919,389	34,425,747	1,493,642
Public Works	5,449,139	5,103,981	345,158
Human Services	455,237	390,862	64,375
Culture and Recreation	2,015,291	1,623,439	391,852
Employee Benefits	4,848,638	4,559,942	288,696
State and County Assessments	150,970	145,879	5,091
Interest	911,157	593,509	317,648
Total Expenses	<u>61,146,693</u>	<u>58,790,302</u>	<u>2,356,391</u>
Increase/(Decrease) in Net Position before contributions to term and permanent endowments or permanent fund principal, and transfers	1,621,685	3,926,748	(2,305,063)
Contributions to permanent funds	-	1,375,908	(1,375,908)
Transfers	<u>(269,591)</u>	<u>(72,676)</u>	<u>(196,915)</u>
Change in Net Position	<u>1,352,094</u>	<u>5,229,980</u>	<u>(3,877,886)</u>
Prior Period Adjustment - OPEB	-	595,943	
Net Position - beginning	<u>76,898,155</u>	<u>71,072,232</u>	
Net Position - ending	<u>\$ 78,250,249</u>	<u>\$ 76,898,155</u>	

Governmental Activities – FY2022 Revenues



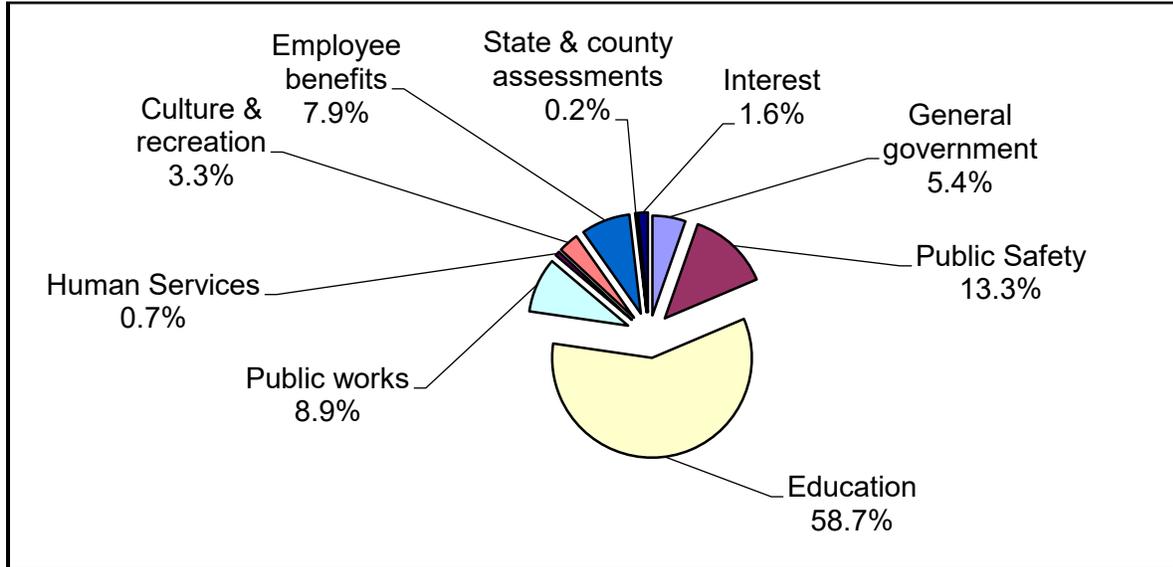
Revenues

Property taxes along with payments in lieu of taxes and excise taxes support approximately 82.5% of the Town’s governmental activities. This is a decrease of .01% from fiscal year 2021.

Roughly 51% of the operating grants apply to general government and 40% apply to public safety. Approximately 54% of the charges for services revenue was generated by public safety from the EMS service and assessments received from Regional dispatch member communities. General government services represented about 26% and culture and recreation services represented 18%.

98% of capital grants and contribution revenue supported public works projects and infrastructure and was received from Mass Highway (Chapter 90).

Governmental Activities – FY2022 Expenses



Expenses

Education is by far the largest governmental activity of the Town. Approximately \$35.9 million in tax revenues were needed to cover the fiscal year 2022 school operating expenses. This is an increase of \$1.5 million from the prior year and is due to increases assessments from Wachusett Regional School district and Montachusett Vocational High School.

Employee benefits and Public Safety represent the second and third largest governmental activities of the Town. Approximately \$4.8 million and \$4.1 million of taxes and other general revenues were needed to cover the fiscal year 2022 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 \$704,454 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 2022	FY 2021	
Revenues			
<i>Program Revenues:</i>			
Charges for services	\$ 22,802,177	\$ 22,098,424	\$ 703,753
Operating grants and contributions	783,007	606,868	176,139
Capital grants and contributions	-	2,371,597	(2,371,597)
Total Revenues	<u>23,585,184</u>	<u>25,076,889</u>	<u>(1,491,705)</u>
Expenses:			
Electric	13,756,328	12,943,882	812,446
Water/Sewer	8,025,776	9,285,525	(1,259,749)
Trash	1,368,217	1,306,411	61,806
Total Expenses	<u>23,150,321</u>	<u>23,535,818</u>	<u>(385,497)</u>
Excess (deficiency) of revenues over expenses	434,863	1,541,071	(1,106,208)
Transfers	<u>269,591</u>	<u>72,676</u>	<u>196,915.00</u>
Change in Net Position	<u>704,454</u>	<u>1,613,747</u>	<u>(909,293)</u>
Net Position - beginning	<u>42,237,903</u>	<u>40,624,156</u>	
Net Position - ending	<u>\$ 42,942,357</u>	<u>\$ 42,237,903</u>	

Financial Analysis of the Government's Funds

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

Governmental Funds

The focus of the Town of Holden's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financial requirements. In particular, 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 \$28.2 million, a decrease of \$1.4 million in comparison with the prior fiscal year as a result of increased expenditures related to the new DPW facility.

The General Fund is the chief operating fund of the Town. At the end of the fiscal year, unassigned fund balance was \$11,726,107, while total fund balance was \$17,845,498. 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 \$42.9 million; \$30.0 million or 70% of which relates to the Town's net investment in capital assets.

General Fund Budgetary Highlights

The original fiscal year 2022 general fund operating budget of \$58.6 million was set at the May 2021 annual town meeting. A small amount was transferred from employee benefits to general government to cover legal fees.

Revenues exceeded budgetary amounts by \$1,421,492 and expenditures were less than budgetary amounts by \$3,213,708. Favorable revenue types included motor vehicle excise, departmental and other, and penalties and interest on taxes. Public works, public safety, and general government expenditures were less than budgetary amounts by \$1,230,029, \$792,739 and \$785,791 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, 2022 amount to \$171,637,289 (net of accumulated depreciation). This investment includes land, buildings, improvements other than buildings, machinery and equipment, vehicles, infrastructure and construction in progress. The Town's total investment increased by \$10,525,012 from the prior year (a \$9.8 million increase for governmental activities and a \$0.7 million increase for business-type activities).

Capital Assets (Net of Accumulated Depreciation)

Primary government	FY 2022	FY 2021	Increase/ (Decrease)
Land	\$ 3,821,507	\$ 3,821,507	\$ -
Construction in progress	23,000,816	9,940,857	13,059,959
Buildings	66,873,374	68,171,245	(1,297,871)
Improvements other than buildings	1,682,872	1,667,845	15,027
Machinery and equipment	2,021,742	2,118,741	(96,999)
Vehicles	2,004,829	2,435,944	(431,115)
Infrastructure	62,130,299	63,393,480	(1,263,181)
Electric - land	72,500	72,500	-
Electric - construction in progress	1,136,752	509,033	627,719
Electric - general plant	2,694,369	2,505,357	189,012
Electric - distribution plant	6,198,229	6,475,768	(277,539)
Total Capital Assets	<u>\$ 171,637,289</u>	<u>\$ 161,112,277</u>	<u>\$ 10,525,012</u>

Debt

In October 2021, Standard and Poor's affirmed the Town's bond of AA+ and in October 2016, the Town's bond rating was upgraded from Aa3 to Aa2 from Moody's Investor Services. At the end of the fiscal year the Town had total bonded debt outstanding of \$46,437,977. 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, \$13,500,000 or 29% is for school construction. In October 2021 the Town issued bond anticipation notes (BANS) in the amount of \$3,098,142 for school improvement projects and water and/or sewer improvements. In October 2021 the Town also permanently financed the final \$9,195,586 for the DPW Facility and Salt Shed, \$3,870,000 for water and/or sewer infrastructure improvements.

Outstanding Debt at Year End

<u>Governmental Activities</u>	<u>Outstanding June 30, 2022</u>	<u>Outstanding June 30, 2021</u>
Schools	\$ 13,500,000	\$ 14,450,000
Public Safety	4,800,000	5,314,700
Public Works	<u>15,968,800</u>	<u>8,146,300</u>
Total Governmental Activities	<u>\$ 34,268,800</u>	<u>\$ 27,911,000</u>
<u>Business-type Activities</u>		
Water Improvements	\$ 9,841,408	\$ 7,912,094
Sewer Construction	<u>2,327,769</u>	<u>2,464,946</u>
Total Business-type Activities	<u>\$ 12,169,177</u>	<u>\$ 10,377,040</u>

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

Economic Factors and Next Year's Budget and Rates

Fiscal year 2022 was the ninth consecutive year that the property tax levy was set below the levels authorized by Proposition 2 ½. The average 2022 single family home in Holden was valued at \$385,361 with an average annual tax bill of \$6,382. The overall property values for fiscal year 2022 increased approximately 8.5% as compared with fiscal year 2021. It is expected that property values will stabilize with only moderate increases going forward. Residential and commercial property growth is expected to increase through fiscal year 2023.

In October 2021, Standard and Poor's affirmed the Town's bond rating of AA+ and in October 2016, the Town's bond rating from Moody's Investor Services was upgraded from Aa3 to Aa2. These favorable ratings 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 management, good financial management policies, strong budgetary performance, very strong budgetary flexibility and strong reserves as positive factors.

While the Commonwealth of Massachusetts continues to experience fiscal difficulties, with our healthy reserves and conservative approach to budgeting it is not projected to impact the Town's operating budget moving forward. Despite having only minor increase in state aid, the Town has a balanced budget for fiscal year 2023 and expects only a minimal increase for fiscal 2024. 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, 2022

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
CURRENT:			
CASH AND SHORT-TERM INVESTMENTS	\$ 20,132,672	\$ 13,437,381	\$ 33,570,053
INVESTMENTS	9,037,120	195,356	9,232,476
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES	680,933	-	680,933
TAX LIENS	898,230	-	898,230
MOTOR VEHICLE EXCISE TAXES	267,714	-	267,714
USER FEES	-	2,796,448	2,796,448
DEPARTMENTAL AND OTHER	562,361	-	562,361
LEASES	133,536	116,955	250,491
INTERGOVERNMENTAL	988,030	-	988,030
SPECIAL ASSESSMENTS	-	236,032	236,032
PREPAID EXPENSES	-	524,974	524,974
OTHER ASSETS	225	1,683,882	1,684,107
NONCURRENT:			
RESTRICTED ASSETS:			
CASH AND SHORT-TERM INVESTMENTS	-	9,326,312	9,326,312
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
SPECIAL ASSESSMENTS	-	1,171,501	1,171,501
LEASES	285,950	1,260,202	1,546,152
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	<u>121,405,234</u>	<u>50,232,055</u>	<u>171,637,289</u>
TOTAL ASSETS	<u>154,392,005</u>	<u>80,981,098</u>	<u>235,373,103</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
RELATED TO POST EMPLOYMENT BENEFITS	2,749,841	285,311	3,035,152
RELATED TO PENSIONS	<u>2,715,667</u>	<u>969,307</u>	<u>3,684,974</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>5,465,508</u>	<u>1,254,618</u>	<u>6,720,126</u>
<u>LIABILITIES</u>			
CURRENT:			
ACCOUNTS PAYABLE	1,152,298	1,949,496	3,101,794
ACCRUED LIABILITIES	-	501,738	501,738
OTHER LIABILITIES	21,371	76,378	97,749
ACCRUED INTEREST	251,893	118,577	370,470
BONDS AND NOTES PAYABLE	3,312,466	4,743,942	8,056,408
LANDFILL POSTCLOSURE CARE COSTS	297,050	-	297,050
COMPENSATED ABSENCES	719,511	41,111	760,622
NONCURRENT:			
CUSTOMER DEPOSITS	-	269,651	269,651
ACCRUED EXPENSES	-	37,573	37,573
BONDS AND NOTES PAYABLE	34,345,467	16,864,873	51,210,340
LANDFILL POSTCLOSURE CARE COSTS	310,200	-	310,200
COMPENSATED ABSENCES	236,174	11,286	247,460
POST EMPLOYMENT BENEFITS	10,584,771	334,257	10,919,028
NET PENSION LIABILITY	<u>24,201,721</u>	<u>6,673,663</u>	<u>30,875,384</u>
TOTAL LIABILITIES	<u>75,432,922</u>	<u>31,622,545</u>	<u>107,055,467</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
DEFERRED AMOUNT ON REFUNDING	797,637	-	797,637
RELATED TO LEASES	419,486	1,377,157	1,796,643
RELATED TO POST EMPLOYMENT BENEFITS	290,743	229,300	520,043
RELATED TO PENSIONS	4,666,476	1,116,375	5,782,851
CONTRIBUTION IN AID OF CONSTRUCTION	-	427,640	427,640
RATE STABILIZATION RESERVE	-	4,520,342	4,520,342
TOTAL DEFERRED INFLOWS OF RESOURCES:	<u>6,174,342</u>	<u>7,670,814</u>	<u>13,845,156</u>
<u>NET POSITION</u>			
NET INVESTMENT IN CAPITAL ASSETS	85,523,153	29,957,156	115,480,309
RESTRICTED FOR:			
DEPRECIATION	-	4,536,319	4,536,319
PERMANENT FUNDS:			
EXPENDABLE	455,610	-	455,610
NONEXPENDABLE	1,861,886	-	1,861,886
OTHER PURPOSES	14,158,433	-	14,158,433
UNRESTRICTED	<u>(23,748,833)</u>	<u>8,448,882</u>	<u>(15,299,951)</u>
TOTAL NET POSITION	<u>\$ 78,250,249</u>	<u>\$ 42,942,357</u>	<u>\$ 121,192,606</u>

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2022**

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE) REVENUE</u>
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	
PRIMARY GOVERNMENT:					
GOVERNMENTAL ACTIVITIES:					
GENERAL GOVERNMENT	\$ 3,283,309	\$ 1,149,330	\$ 2,037,154	\$ -	\$ (96,825)
PUBLIC SAFETY	8,113,563	2,405,664	1,608,260	-	(4,099,639)
EDUCATION	35,919,389	-	7,125	-	(35,912,264)
PUBLIC WORKS	5,449,139	34,037	27,119	1,151,790	(4,236,193)
HUMAN SERVICES	455,237	94,058	120,039	27,218	(213,922)
CULTURE & RECREATION	2,015,291	806,475	200,365	-	(1,008,451)
EMPLOYEE BENEFITS	4,848,638	-	2,816	-	(4,845,822)
STATE & COUNTY ASSESSMENTS	150,970	-	-	-	(150,970)
INTEREST	911,157	-	-	-	(911,157)
TOTAL GOVERNMENTAL ACTIVITIES	61,146,693	4,489,564	4,002,878	1,179,008	(51,475,243)
BUSINESS-TYPE ACTIVITIES:					
WATER/SEWER	8,025,776	7,307,710	270,637	-	(447,429)
ELECTRIC	13,756,328	14,048,659	512,238	-	804,569
OTHER ENTERPRISE	1,368,217	1,445,808	132	-	77,723
TOTAL BUSINESS-TYPE ACTIVITIES	23,150,321	22,802,177	783,007	-	434,863
TOTAL PRIMARY GOVERNMENT	<u>\$ 84,297,014</u>	<u>\$ 27,291,741</u>	<u>\$ 4,785,885</u>	<u>\$ 1,179,008</u>	<u>\$ (51,040,380)</u>

See accompanying notes to the basic financial statements

(continued)

**TOWN OF HOLDEN, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2022**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
CHANGES IN NET POSITION:			
NET (EXPENSE) REVENUE FROM PREVIOUS PAGE	\$ (51,475,243)	\$ 434,863	\$ (51,040,380)
GENERAL REVENUES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS PAYABLE	46,252,472	-	46,252,472
TAX LIENS	32,711	-	32,711
MOTOR VEHICLE EXCISE TAXES	3,007,329	-	3,007,329
PENALTIES AND INTEREST ON TAXES	185,998	-	185,998
PAYMENTS IN LIEU OF TAXES	1,169,124	-	1,169,124
GRANTS AND CONTRIBUTIONS NOT RESTRICTED TO SPECIFIC PROGRAMS	2,318,845	-	2,318,845
RENTAL INCOME	120,086	-	120,086
UNRESTRICTED INVESTMENT INCOME	(123,624)	-	(123,624)
MISCELLANEOUS	133,987	-	133,987
TRANSFERS, NET	(269,591)	269,591	-
TOTAL GENERAL REVENUES AND TRANSFERS	<u>52,827,337</u>	<u>269,591</u>	<u>53,096,928</u>
CHANGE IN NET POSITION	1,352,094	704,454	2,056,548
NET POSITION:			
BEGINNING OF YEAR	<u>76,898,155</u>	<u>42,237,903</u>	<u>119,136,058</u>
END OF YEAR	<u><u>\$ 78,250,249</u></u>	<u><u>\$ 42,942,357</u></u>	<u><u>\$ 121,192,606</u></u>

See accompanying notes to the basic financial statements

(concluded)

**TOWN OF HOLDEN, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2022**

<u>ASSETS</u>	GENERAL	DPW BUILDING	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
CASH AND SHORT-TERM INVESTMENTS	\$ 12,060,764	\$ 2,940,059	\$ 5,131,849	\$ 20,132,672
INVESTMENTS	6,249,572	-	2,787,548	9,037,120
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:				
REAL ESTATE AND PERSONAL PROPERTY TAXES	680,933	-	-	680,933
TAX LIENS	898,230	-	-	898,230
MOTOR VEHICLE EXCISE TAXES	267,714	-	-	267,714
DEPARTMENTAL AND OTHER	562,361	-	-	562,361
INTERGOVERNMENTAL	-	-	988,030	988,030
OTHER ASSETS	225	-	-	225
TOTAL ASSETS	\$ 20,719,799	\$ 2,940,059	\$ 8,907,427	\$ 32,567,285
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
LIABILITIES:				
ACCOUNTS PAYABLE	\$ 509,492	\$ 371,600	\$ 271,206	\$ 1,152,298
OTHER LIABILITIES	21,371	-	-	21,371
NOTES PAYABLE	-	-	848,142	848,142
TOTAL LIABILITIES	530,863	371,600	1,119,348	2,021,811
DEFERRED INFLOWS OF RESOURCES:				
UNAVAILABLE REVENUE	2,343,438	-	-	2,343,438
FUND BALANCES:				
NONSPENDABLE	-	-	1,861,886	1,861,886
RESTRICTED	4,169	-	6,944,703	6,948,872
COMMITTED	1,656,718	-	-	1,656,718
ASSIGNED	4,458,504	-	-	4,458,504
UNASSIGNED	11,726,107	2,568,459	(1,018,510)	13,276,056
TOTAL FUND BALANCES	17,845,498	2,568,459	7,788,079	28,202,036
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	\$ 20,719,799	\$ 2,940,059	\$ 8,907,427	\$ 32,567,285

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, 2022**

	GENERAL	DPW BUILDING	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 46,103,166	\$ -	\$ -	\$ 46,103,166
MOTOR VEHICLE EXCISE TAXES	3,159,662	-	-	3,159,662
PENALTIES AND INTEREST ON TAXES	197,173	-	-	197,173
INTERGOVERNMENTAL CHARGES FOR SERVICES	2,353,141	-	4,800,431	7,153,572
INVESTMENT INCOME	-	-	1,791,592	1,791,592
CONTRIBUTIONS & DONATIONS DEPARTMENTAL AND OTHER	(116,611)	-	(112,847)	(229,458)
	-	-	58,754	58,754
	3,899,628	-	166,310	4,065,938
TOTAL REVENUES	55,596,159	-	6,704,240	62,300,399
EXPENDITURES:				
CURRENT:				
GENERAL GOVERNMENT	2,477,223	-	868,013	3,345,236
PUBLIC SAFETY	5,813,834	-	1,811,514	7,625,348
EDUCATION	33,960,230	-	702,748	34,662,978
PUBLIC WORKS	3,775,192	11,688,350	1,157,634	16,621,176
HUMAN SERVICES	304,263	-	104,450	408,713
CULTURE & RECREATION	916,568	-	1,120,440	2,037,008
EMPLOYEE BENEFITS	4,700,998	-	-	4,700,998
STATE & COUNTY ASSESSMENTS	150,970	-	-	150,970
DEBT SERVICE				
PRINCIPAL	1,926,000	-	-	1,926,000
INTEREST	1,314,442	-	-	1,314,442
TOTAL EXPENDITURES	55,339,720	11,688,350	5,764,799	72,792,869
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	256,439	(11,688,350)	939,441	(10,492,470)
OTHER FINANCING SOURCES (USES)				
PROCEEDS FROM BONDS AND NOTES	-	8,283,800	-	8,283,800
BORROWING PREMIUM	-	911,786	124,108	1,035,894
OPERATING TRANSFERS IN	40,455	-	-	40,455
OPERATING TRANSFERS OUT	(39,527)	-	(270,519)	(310,046)
TOTAL OTHER FINANCING SOURCES (USES)	928	9,195,586	(146,411)	9,050,103
NET CHANGE IN FUND BALANCES	257,367	(2,492,764)	793,030	(1,442,367)
FUND BALANCES AT BEGINNING OF YEAR	17,588,131	5,061,223	6,995,049	29,644,403
FUND BALANCES AT END OF YEAR	\$ 17,845,498	\$ 2,568,459	\$ 7,788,079	\$ 28,202,036

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, 2022**

TOTAL GOVERNMENTAL FUND BALANCES		\$ 28,202,036
CAPITAL ASSETS (NET) USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS		121,405,234
ACCOUNTS RECEIVABLE ARE NOT AVAILABLE TO PAY FOR CURRENT-PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS		2,343,438
IN THE STATEMENT OF ACTIVITIES, INTEREST IS ACCRUED ON OUTSTANDING LONG-TERM DEBT, WHEREAS IN GOVERNMENTAL FUNDS INTEREST IS NOT REPORTED UNTIL DUE		(251,893)
LONG-TERM LIABILITIES ARE NOT DUE AND PAYABLE IN THE CURRENT PERIOD AND, THEREFORE, ARE NOT REPORTED IN THE GOVERNMENTAL FUNDS		
BONDS AND NOTES PAYABLE	(34,268,800)	
NET PENSION LIABILITY	(24,201,721)	
DEFERRED INFLOWS OF RESOURCES - RELATED TO PENSIONS	(4,666,476)	
DEFERRED OUTFLOWS OF RESOURCES - RELATED TO PENSIONS	2,715,667	
DEFERRED AMOUNT ON REFUNDING	(797,637)	
UNAMORTIZED BOND PREMIUM	(2,540,991)	
COMPENSATED ABSENCES	(955,685)	
DEFERRED INFLOWS OF RESOURCES - RELATED TO OPEB	(290,743)	
DEFERRED OUTFLOWS OF RESOURCES - RELATED TO OPEB	2,749,841	
POST EMPLOYMENT BENEFITS	(10,584,771)	
LANDFILL POSTCLOSURE CARE COSTS	<u>(607,250)</u>	
NET EFFECT OF REPORTING LONG-TERM LIABILITIES		<u>(73,448,566)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 78,250,249</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, 2022**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$ (1,442,367)
<p>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.</p>		
CAPITAL OUTLAY	14,679,310	
DEPRECIATION EXPENSE	<u>(5,132,649)</u>	
NET EFFECT OF REPORTING CAPITAL ASSETS		9,546,661
<p>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</p>		
		225,439
<p>REVENUES IN THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES DO NOT PROVIDE FOR THE RECOGNITION OF REVENUE FOR DONATED INFRASTRUCTURE AND IS RECOGNIZED ONLY IN THE GOVERNMENT WIDE STATEMENT OF ACTIVITIES</p>		
		242,540
<p>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.</p>		
PROCEEDS FROM BONDS AND NOTES	(8,283,800)	
DEBT SERVICE PRINCIPAL PAYMENTS	<u>1,926,000</u>	
NET EFFECT OF REPORTING LONG-TEM DEBT		(6,357,800)
<p>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.</p>		
NET CHANGE IN COMPENSATED ABSENCES ACCRUAL	38,816	
NET CHANGE IN OTHER POSTEMPLOYMENT BENEFITS	(1,962,108)	
NET CHANGE IN DEFERRED OUTFLOWS OF RESOURCES - RELATED TO OPEB	1,122,067	
NET CHANGE IN DEFERRED INFLOWS OF RESOURCES - RELATED TO OPEB	683,122	
NET CHANGE IN PENSION LIABILITY	655,472	
NET CHANGE IN DEFERRED OUTFLOWS OF RESOURCES - RELATED TO PENSIONS	947,768	
NET CHANGE IN DEFERRED INFLOWS OF RESOURCES - RELATED TO PENSIONS	(1,632,777)	
NET CHANGE IN UNAMORTIZED BOND PREMIUM	(668,146)	
NET CHANGE IN LANDFILL POSTCLOSURE CARE ACCRUAL	(82,130)	
NET CHANGE IN DEFERRED AMOUNT ON REFUNDING	37,502	
NET CHANGE IN ACCRUED INTEREST ON LONG-TERM DEBT	<u>(1,965)</u>	
NET EFFECT OF RECORDING LONG-TERM LIABILITIES		<u>(862,379)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		\$ <u>1,352,094</u>

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, 2022**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL BUDGETARY AMOUNTS</u>	<u>VARIANCE OVER(UNDER)</u>
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>		
<u>REVENUES:</u>				
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 46,140,630	\$ 46,140,630	\$ 46,103,166	\$ (37,464)
MOTOR VEHICLE EXCISE TAXES	2,375,000	2,375,000	3,159,662	784,662
PENALTIES & INTEREST ON TAXES	135,000	135,000	197,173	62,173
INTERGOVERNMENTAL	2,306,389	2,306,389	2,353,141	46,752
INVESTMENT INCOME	30,000	30,000	27,506	(2,494)
DEPARTMENTAL AND OTHER	3,331,765	3,331,765	3,899,628	567,863
TOTAL REVENUES	54,318,784	54,318,784	55,740,276	1,421,492
<u>EXPENDITURES:</u>				
CURRENT:				
GENERAL GOVERNMENT	3,185,245	3,263,014	2,477,223	785,791
PUBLIC SAFETY	6,606,573	6,606,573	5,813,834	792,739
EDUCATION	33,991,774	33,991,774	33,960,230	31,544
PUBLIC WORKS	5,005,221	5,005,221	3,775,192	1,230,029
HUMAN SERVICES	540,041	540,041	304,263	235,778
CULTURE & RECREATION	939,782	939,782	916,568	23,214
EMPLOYEE BENEFITS	4,895,929	4,818,160	4,700,998	117,162
STATE & COUNTY ASSESSMENTS	148,390	148,390	150,970	(2,580)
DEBT SERVICE:				
PRINCIPAL	1,926,000	1,926,000	1,926,000	-
INTEREST	1,314,473	1,314,473	1,314,442	31
TOTAL EXPENDITURES	58,553,428	58,553,428	55,339,720	3,213,708
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,234,644)	(4,234,644)	400,556	4,635,200
<u>OTHER FINANCING SOURCES (USES):</u>				
OPERATING TRANSFERS IN	30,000	30,000	40,455	10,455
OPERATING TRANSFERS OUT	(39,527)	(39,527)	(39,527)	-
TOTAL OTHER FINANCING SOURCES (USES)	(9,527)	(9,527)	928	10,455
NET CHANGE IN FUND BALANCE	(4,244,171)	(4,244,171)	401,484	4,645,655
BUDGETARY FUND BALANCE, BEGINNING OF YEAR	11,569,442	11,569,442	11,569,442	-
BUDGETARY FUND BALANCE, END OF YEAR	\$ 7,325,271	\$ 7,325,271	\$ 11,970,926	\$ 4,645,655

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2022**

ASSETS	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			
	WATER/SEWER	ELECTRIC	NONMAJOR ENTERPRISE	TOTAL
CURRENT:				
CASH AND SHORT-TERM INVESTMENTS	\$ 5,425,390	\$ 7,131,596	\$ 880,395	\$ 13,437,381
INVESTMENTS	195,356	-	-	195,356
USER FEES	896,427	1,819,259	80,762	2,796,448
SPECIAL ASSESSMENTS	236,032	-	-	236,032
LEASES	116,955	-	-	116,955
OTHER ASSETS	-	1,683,882	-	1,683,882
PREPAID EXPENSES	-	524,974	-	524,974
TOTAL CURRENT ASSETS	<u>6,870,160</u>	<u>11,159,711</u>	<u>961,157</u>	<u>18,991,028</u>
NONCURRENT:				
RESTRICTED CASH AND SHORT-TERM INVESTMENTS:				
DEPRECIATION FUND	-	4,536,319	-	4,536,319
CUSTOMER DEPOSITS	-	269,651	-	269,651
RATE STABILIZATION FUND	-	4,520,342	-	4,520,342
SPECIAL ASSESSMENTS	1,171,501	-	-	1,171,501
LEASES	1,260,202	-	-	1,260,202
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	40,130,205	10,101,850	-	50,232,055
TOTAL NONCURRENT ASSETS	<u>42,561,908</u>	<u>19,428,162</u>	<u>-</u>	<u>61,990,070</u>
TOTAL ASSETS	<u>49,432,068</u>	<u>30,587,873</u>	<u>961,157</u>	<u>80,981,098</u>
DEFERRED OUTFLOWS OF RESOURCES				
RELATED TO POST EMPLOYMENT BENEFITS	86,837	198,474	-	285,311
RELATED TO PENSIONS	171,911	797,396	-	969,307
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>258,748</u>	<u>995,870</u>	<u>-</u>	<u>1,254,618</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
CURRENT:				
ACCOUNTS PAYABLE	377,652	1,526,866	44,978	1,949,496
ACCRUED LIABILITIES	-	501,738	-	501,738
OTHER LIABILITIES	13,884	62,494	-	76,378
ACCRUED INTEREST	118,577	-	-	118,577
BONDS AND NOTES PAYABLE	4,362,621	381,321	-	4,743,942
COMPENSATED ABSENCES	41,111	-	-	41,111
TOTAL CURRENT LIABILITIES	<u>4,913,845</u>	<u>2,472,419</u>	<u>44,978</u>	<u>7,431,242</u>
NONCURRENT:				
CUSTOMER DEPOSITS	-	269,651	-	269,651
ACCRUED EXPENSES	-	37,573	-	37,573
BONDS AND NOTES PAYABLE	10,940,329	5,924,544	-	16,864,873
COMPENSATED ABSENCES	11,286	-	-	11,286
POST EMPLOYMENT BENEFITS	334,257	-	-	334,257
NET PENSION LIABILITY	1,532,055	5,141,608	-	6,673,663
TOTAL NONCURRENT LIABILITIES	<u>12,817,927</u>	<u>11,373,376</u>	<u>-</u>	<u>24,191,303</u>
TOTAL LIABILITIES	<u>17,731,772</u>	<u>13,845,795</u>	<u>44,978</u>	<u>31,622,545</u>
DEFERRED INFLOWS OF RESOURCES:				
RELATED TO LEASES	1,377,157	-	-	1,377,157
RELATED TO POST EMPLOYMENT BENEFITS	9,181	220,119	-	229,300
RELATED TO PENSIONS	295,404	820,971	-	1,116,375
CONTRIBUTION IN AID OF CONSTRUCTION	-	427,640	-	427,640
RATE STABILIZATION RESERVE	-	4,520,342	-	4,520,342
TOTAL DEFERRED INFLOWS OF RESOURCES:	<u>1,681,742</u>	<u>5,989,072</u>	<u>-</u>	<u>7,670,814</u>
NET POSITION				
NET INVESTMENT IN CAPITAL ASSETS RESTRICTED FOR DEPRECIATION	26,161,171	3,795,985	-	29,957,156
UNRESTRICTED	4,116,131	3,416,572	916,179	8,448,882
TOTAL NET POSITION	<u>\$ 30,277,302</u>	<u>\$ 11,748,876</u>	<u>\$ 916,179</u>	<u>\$ 42,942,357</u>

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 FISCAL YEAR ENDED JUNE 30, 2022**

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	WATER/SEWER	ELECTRIC	NONMAJOR ENTERPRISE	TOTAL
<u>OPERATING REVENUES:</u>				
CHARGES FOR SERVICES	\$ 7,307,710	\$ 14,048,659	\$ 1,445,808	\$ 22,802,177
DEPARTMENTAL AND OTHER	86,960	182,097	-	269,057
TOTAL OPERATING REVENUES	<u>7,394,670</u>	<u>14,230,756</u>	<u>1,445,808</u>	<u>23,071,234</u>
<u>OPERATING EXPENSES:</u>				
GENERAL SERVICES	6,351,237	12,743,104	1,368,217	20,462,558
DEPRECIATION	1,295,558	876,304	-	2,171,862
TOTAL OPERATING EXPENSES	<u>7,646,795</u>	<u>13,619,408</u>	<u>1,368,217</u>	<u>22,634,420</u>
OPERATING INCOME (LOSS)	<u>(252,125)</u>	<u>611,348</u>	<u>77,591</u>	<u>436,814</u>
<u>NON-OPERATING REVENUES (EXPENSES):</u>				
INTERGOVERNMENTAL	188,388	197,609	-	385,997
INVESTMENT INCOME	(4,711)	132,532	132	127,953
INTEREST EXPENSE	(378,981)	(136,920)	-	(515,901)
TOTAL NON-OPERATING REVENUES (EXPENSES), NET	<u>(195,304)</u>	<u>193,221</u>	<u>132</u>	<u>(1,951)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(447,429)</u>	<u>804,569</u>	<u>77,723</u>	<u>434,863</u>
<u>TRANSFERS:</u>				
OPERATING TRANSFERS IN	<u>269,591</u>	<u>-</u>	<u>-</u>	<u>269,591</u>
CHANGE IN NET POSITION	(177,838)	804,569	77,723	704,454
NET POSITION AT BEGINNING OF YEAR	<u>30,455,140</u>	<u>10,944,307</u>	<u>838,456</u>	<u>42,237,903</u>
NET POSITION AT END OF YEAR	<u>\$ 30,277,302</u>	<u>\$ 11,748,876</u>	<u>\$ 916,179</u>	<u>\$ 42,942,357</u>

See accompanying notes to the basic financial statements

TOWN OF HOLDEN, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FISCAL YEAR ENDED JUNE 30, 2022

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	WATER/SEWER	ELECTRIC	NONMAJOR ENTERPRISE	TOTAL
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
RECEIPTS FROM CUSTOMERS AND USERS	\$ 7,626,434	\$ 14,002,491	\$ 1,445,907	\$ 23,074,832
PAYMENTS TO SUPPLIERS	(5,955,074)	(10,881,310)	(1,318,696)	(18,155,080)
PAYMENTS TO EMPLOYEES	(693,840)	(1,628,872)	(45,998)	(2,368,710)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	977,520	1,492,309	81,213	2,551,042
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
OPERATING TRANSFERS IN	269,591	-	-	269,591
INTEREST EXPENSE	-	(1,144)	-	(1,144)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	269,591	(1,144)	-	268,447
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
NET PROCEEDS FROM THE ISSUANCE OF BONDS AND NOTES	1,121,200	6,433,586	-	7,554,786
BOND PREMIUM	458,800	-	-	458,800
CAPITAL CONTRIBUTIONS	-	51,316	-	51,316
PRINCIPAL PAYMENTS ON BONDS AND NOTES	(1,473,599)	-	-	(1,473,599)
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(1,779,302)	(1,425,490)	-	(3,204,792)
INTEREST EXPENSE	(420,743)	(69,360)	-	(490,103)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES:	(2,093,644)	4,990,052	-	2,896,408
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
NET PROCEEDS FROM PURCHASE AND SALE OF INVESTMENT SECURITIES	4,711	-	-	4,711
NET TRANSFERS FROM OPERATIONS	-	(888,724)	-	(888,724)
INTEREST RECEIVED	(4,711)	-	132	(4,579)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES:	-	(888,724)	132	(888,592)
NET INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS	(846,533)	5,592,493	81,345	4,827,305
CASH AND SHORT TERM INVESTMENTS - BEGINNING OF YEAR	6,271,923	1,808,754	799,050	8,879,727
CASH AND SHORT TERM INVESTMENTS - END OF YEAR	\$ 5,425,390	\$ 7,401,247	\$ 880,395	\$ 13,707,032
<u>RECONCILIATION OF OPERATING INCOME (LOSS)</u>				
<u>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>				
OPERATING INCOME (LOSS)	\$ (252,125)	\$ 611,348	\$ 77,591	\$ 436,814
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS)				
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
DEPRECIATION	1,295,558	876,304	-	2,171,862
DONATED INFRASTRUCTURE	(86,960)	-	-	(86,960)
(INCREASE) DECREASE IN ACCOUNTS RECEIVABLE	25,182	(221,390)	99	(196,109)
(INCREASE) DECREASE IN SPECIAL ASSESSMENTS	296,042	-	-	296,042
(INCREASE) DECREASE IN PREPAID EXPENSES	-	(1,838)	-	(1,838)
(INCREASE) DECREASE IN OTHER ASSETS	-	13,509	-	13,509
(INCREASE) DECREASE IN DEFERRED OUTFLOWS OF RESOURCES	(107,909)	-	-	(107,909)
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	(366,699)	244,881	3,523	(118,295)
INCREASE (DECREASE) IN OTHER LIABILITIES	(2,500)	(6,875)	-	(9,375)
INCREASE (DECREASE) IN COMPENSATED ABSENCES PAYABLE	4,702	-	-	4,702
INCREASE (DECREASE) IN POST EMPLOYMENT BENEFITS	130,272	(68,400)	-	61,872
INCREASE (DECREASE) IN DEFERRED INFLOWS OF RESOURCES	88,786	-	-	88,786
INCREASE (DECREASE) IN NET PENSION LIABILITY	(46,829)	44,770	-	(2,059)
TOTAL ADJUSTMENTS	1,229,645	880,961	3,622	2,114,228
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 977,520	\$ 1,492,309	\$ 81,213	\$ 2,551,042

See accompanying notes to the basic financial statements

TOWN OF HOLDEN, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2022

	POSTEMPLOYMENT BENEFITS TRUST FUNDS	ELECTRIC POSTEMPLOYMENT BENEFITS TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS
<u>ASSETS</u>			
INVESTMENTS	\$ 3,854,335	\$ 2,245,324	\$ 39,776
<u>LIABILITIES</u>			
	-	-	-
<u>NET POSITION</u>			
HELD IN TRUST FOR PLAN PARTICIPANTS	3,854,335	2,245,324	-
HELD IN TRUST FOR OTHER PURPOSES	-	-	39,776
TOTAL NET POSITION	<u>\$ 3,854,335</u>	<u>\$ 2,245,324</u>	<u>\$ 39,776</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, 2022**

	POSTEMPLOYMENT BENEFITS TRUST FUNDS	ELECTRIC POSTEMPLOYMENT BENEFITS TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS
<u>ADDITIONS:</u>			
CONTRIBUTIONS:			
EMPLOYER CONTRIBUTIONS	\$ 528,853	\$ -	\$ -
EMPLOYER CONTRIBUTIONS TO PAY FOR OPEB BENEFITS	526,345	125,696	-
EMPLOYEE CONTRIBUTIONS	12,223	-	-
NET INVESTMENT INCOME (LOSS):			
INVESTMENT INCOME	(584,739)	205,662	(960)
TOTAL ADDITIONS	<u>482,682</u>	<u>331,358</u>	<u>(960)</u>
<u>DEDUCTIONS:</u>			
BENEFIT PAYMENTS	<u>526,345</u>	<u>125,696</u>	<u>-</u>
CHANGE IN NET POSITION	(43,663)	205,662	(960)
NET POSITION AT BEGINNING OF YEAR	<u>3,897,998</u>	<u>2,039,662</u>	<u>40,736</u>
NET POSITION AT END OF YEAR	<u>\$ 3,854,335</u>	<u>\$ 2,245,324</u>	<u>\$ 39,776</u>

See accompanying notes to the basic financial statements

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

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 Select Board (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	\$ 32,969,402
Montachusett Regional Vocational Technical School District	To provide grades 9-12 Vocational and Technical Educational Services	1050 Westminster St. Fitchburg, MA 01420	\$ 990,828

The Wachusett Regional School District (the District) is governed by a twenty (22) 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 equity interest of approximately 47% equity interest in the joint venture.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

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 equity interest of approximately 13.35% 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 and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets and deferred outflows of resources, liabilities and deferred inflows of resources, etc.) for all funds of that category or type (total governmental or total enterprise funds), and
- b. If the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, 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, 2022

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*), net pension liability, and landfill postclosure care costs which are recognized when the obligations are expected to be liquidated with current expendable available resources.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

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

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

The Town reports the following major governmental 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 *DPW Building fund* is a capital project fund used to account for the construction costs of the DPW 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.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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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 *Non Major Enterprise fund* is the solid waste fund which is presented in the Non Major enterprise fund column on the proprietary funds financial statements.

Fiduciary Fund Financial Statements

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

The following fiduciary fund types are reported:

- The *Private-Purpose Trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund (nonmajor governmental funds), under which principal and investment income exclusively benefit individuals, private organizations, or other governments.
- The *Postemployment Benefits Trust fund* is used to account for assets held to fund future postemployment benefits of current and retired employees.

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. Fair Value Measurements

The Town reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds. Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

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Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation. In some instances the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement. Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the Town's financial instruments, see Note 3 – Fair Market Value of Investments.

F. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate, Personal Property Taxes and Tax Liens

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

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.

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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.

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 \$41,387 at December 31, 2021. 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.

TOWN OF HOLDEN, MASSACHUSETTS
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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.

Leases Receivables

The Town determines if an arrangement is a lease at inception. Leases are included in lease receivables and deferred inflows of resources in the statement of net position.

Lease receivables represents the Town's claim to lease payments over the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease receivables are recognized at the commencement date. Interest revenue is recognized ratably over the contract term.

Deferred inflows of resources related to leases are recognized at the commencement date based on the initial measurement of the lease receivable, plus any payments received from the lease before the commencement of the lease term. The deferred inflows related leases are recognized as lease revenue in a systematic and rational manner over the lease term.

The Town has elected to recognize payments received for short-term leases with a lease term of 12 months or less as revenue as the payments are received. These leases are not included as lease receivables or deferred inflows on the statements of net position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Town has elected to use their borrowing rate at the time of the contract to calculate the present value of expected lease payments.

G. 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.

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H. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

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

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

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

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

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.

I. 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.

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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.

J. 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.

K. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The Town reported deferred outflows of resources related to pensions, and postemployment benefits in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town reported deferred inflows of resources related to pensions, postemployment benefits, leases, refunding, contribution in aid of construction, and rate stabilization reserve in this category.

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Governmental Funds Financial Statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents assets that have been recorded in the governmental fund financial statements but the revenue is not available and so will not be recognized as an inflow of resources (revenue) until it becomes available. The Town has recorded unavailable revenue as deferred inflows of resources in the governmental funds balance sheet. Unavailable revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

L. 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.
 - *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.

TOWN OF HOLDEN, MASSACHUSETTS
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- 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.

M. 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.

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.

N. Investment Income

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

TOWN OF HOLDEN, MASSACHUSETTS
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O. 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, 2022 is recorded in the governmental funds financial statements.

P. Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Worcester Regional Retirement System (WRRS) additions to/deductions from the System's fiduciary net position has been determined on the same basis as it is reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Q. 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 MGL 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
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R. 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.

S. 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 2022 approved budget authorized \$56,605,081 in current year appropriations and other amounts to be raised and \$1,948,347 in encumbrances and appropriations carried over from previous fiscal years.

TOWN OF HOLDEN, MASSACHUSETTS
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The Town Accountant has the responsibility to ensure that budgetary controls are maintained and monitored through the accounting system.

B. Budgetary – GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2022, is presented below:

Net change in fund balance - budgetary basis	\$ 401,484
Basis of accounting differences:	
Net Stabilization fund activity	<u>(144,117)</u>
Net change in fund balance - GAAP basis	<u>\$ 257,367</u>

C. Deficit Fund Balance

Several individual fund deficits exist within the special revenue funds and the general capital project fund which will be eliminated through subsequent fiscal year budget transfers, grants and/or proceeds from long-term debt during fiscal year 2023.

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) and the Depositor’s Insurance Fund (DIF). The Town also carries deposits that are uninsured, uncollateralized or collateral held by the pledging banks trust department not in the Town’s name.

TOWN OF HOLDEN, MASSACHUSETTS
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The following table illustrates how much of the Town's bank deposits are insured and how much of the Town's bank deposits are uninsured, uncollateralized, or collateral held by the pledging bank's trust department not in the Town's name as of June 30, 2022:

Total bank balances		\$ 25,496,218
Bank balances covered by deposit insurance		
Federal Deposit Insurance Corporation (FDIC)	1,000,000	
Depositors Insurance Fund (DIF)	<u>10,531,929</u>	
Total bank balances covered by deposit insurance		11,531,929
Balances subject to custodial credit risk		
Bank Balances Collateralized with Securities Held by the Pledging Financial Institution's Trust Department or Agent but not in the Town's Name	9,603,904	
Bank balances uninsured & uncollateralized	<u>4,360,385</u>	
Total bank balances subject to custodial credit risk		<u>13,964,289</u>
Total bank balances		<u>\$ 25,496,218</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
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Presented below is the actual rating as of year-end for each investment type of the Town.

Investment type	Fair value	Minimum Legal Rating	Rating as of Year End									
			Aaa	Aa1	Aa3	A1	A2	A3	Baa1	Baa2	Unrated	
U.S. Government, Agency & Securities	\$ 3,659,986	N/A	\$ 3,659,986	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Certificates of Deposit	323,082	N/A	-	-	-	-	-	-	-	-	-	323,082
Fixed Income Mutual Funds	4,421,992	N/A	50,532	50,472	75,678	-	-	-	-	-	-	4,245,310
Corporate Bonds	5,428,402	N/A	531,796	-	-	599,097	2,037,118	224,485	780,346	1,255,560	-	-
Money Market Mutual Funds	354,400	N/A	-	-	-	-	-	-	-	-	-	354,400
Equity Mutual Funds	4,614,851	N/A	-	-	-	-	-	-	-	-	-	4,614,851
Fixed Income Asset Backed Securities	212,805		-	-	-	-	-	-	-	-	-	212,805
Total Investments	19,015,518		\$ 4,242,314	\$ 50,472	\$ 75,678	\$ 599,097	\$ 2,037,118	\$ 224,485	\$ 780,346	\$ 1,255,560		\$ 9,750,448
Add: Electric Light Plant Investments at December 31, 2021	2,245,324											
Less: Electric Light Plant Investments at June 30, 2022	(5,888,931)											
Total Investments per Statement of Net Position and Fiduciary Net Position at June 30, 2022	\$ 15,371,911											

- *Custodial Credit Risk*

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in possession of an outside party. The Town has no custodial credit risk exposure related to the U.S. Government Agency and Securities, certificates of deposit, 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
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Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows:

Investment type	Fair value	Investment maturities (in years)		
		Less than 1	1-5	6-10
<i>Debt Related Securities:</i>				
U.S. Government Agency & Securities	\$ 3,659,986	\$ 1,740,424	\$ 1,699,400	\$ 220,162
Fixed Income Mutual Funds	4,421,992	4,245,310	50,532	126,150
Fixed Income Asset Backed Securities	212,805	212,805	-	-
Certificates of Deposit	323,082	123,174	199,908	-
Corporate Bonds	5,428,402	1,363,574	3,548,647	516,181
Total - Debt related securities	14,046,267	7,685,287	5,498,487	862,493
<i>Other Investments:</i>				
Money Market Mutual Funds	354,400	354,400	-	-
Equity Mutual Funds	4,614,851	4,614,851	-	-
Total Other Investments	4,969,251	4,969,251	-	-
Total Investments at June 30, 2022	\$ 19,015,518	\$ 12,654,538	\$ 5,498,487	\$ 862,493

- *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.

Fair Market Value of Investments

The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town's mission, the Town determines that the disclosures related to these investments only need to be disaggregated by the major type. The Town chooses a tabular format for disclosing the levels within the fair value hierarchy.

The Town categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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The Town has the following recurring fair value measurement as of June 30, 2022.

Investment Type	June 30, 2022	Fair Value Measurements Using		
		Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
U.S. Government Agency and Securities	\$ 3,659,986	\$ 3,659,986	\$ -	\$ -
Certificates of Deposit	323,082	323,082	-	-
Fixed Income Asset Back Securities	212,805	-	212,805	-
Fixed Income Mutual Funds	4,421,992	-	4,421,992	-
Corporate Bonds	5,428,402	-	5,428,402	-
Total debt securities	14,046,267	3,983,068	10,063,199	-
Other Investments				
Equity Mutual Funds	4,614,851	4,614,851	-	-
Money Market Mutual Funds	354,400	354,400	-	-
Total other investments	4,969,251	4,969,251	-	-
Total investments measured at fair value	19,015,518	\$ 8,952,319	\$ 10,063,199	\$ -
Investments measured at amortized cost				
Massachusetts Municipal Depository Trust - (MMDT)	1,132,113			
Total Investments	\$ 20,147,631			

U.S. Government Agency and Securities, Equity Mutual Funds, Certificates of Deposit, and Money Market mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Fixed income mutual funds and corporate bonds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities relationship to benchmark quoted prices.

Massachusetts Municipal Depository Trust (MMDT) investments are valued at amortized cost. Under the amortized cost method an investment is valued initially at its cost and adjusted for the amount of interest income accrued each day over the term of the investment to account for any difference between the initial cost and the amount payable at its maturity. If amortized cost is determined not to approximate fair value, the value of the portfolio securities will be determined under procedures established by the Advisor.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 – RECEIVABLES

The receivables at June 30, 2022 for the Town’s governmental activities 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	\$ 729,833	\$ (48,900)	\$ 680,933
Tax liens	898,230	-	898,230
Motor vehicle & other excise taxes	328,909	(61,195)	267,714
Leases	419,486	-	419,486
Departmental and other	1,328,774	(766,413)	562,361
Intergovernmental	988,030	-	988,030
Total	\$ 4,693,262	\$ (876,508)	\$ 3,816,754

The receivables at June 30, 2022, (electric light at December 31, 2021) for the enterprise funds consist of the following:

Receivables:	Gross Amount	Allowance for Uncollectibles	Net Amount
<i>Water and Sewer</i>			
User fees	\$ 896,427	\$ -	\$ 896,427
Special Assessments	1,407,533	-	1,407,533
Leases	1,377,157	-	1,377,157
<i>Other Enterprise - Trash</i>			
User fees	80,762	-	80,762
<i>Electric Light</i>			
User fees	1,860,646	(41,387)	1,819,259
Total	\$ 5,622,525	\$ (41,387)	\$ 5,581,138

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

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 Inflows of Resources Analysis

<u>Deferred Inflows:</u>	<u>General Fund</u>
Deferred Property Taxes	\$ 1,513,363
Deferred Other Revenue	830,075
Total Unavailable Revenue	<u>\$ 2,343,438</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 3,388,959	\$ -	\$ -	\$ 3,388,959
Construction in progress	6,439,949	13,196,388	(101,593)	19,534,744
Total capital assets not being depreciated	<u>9,828,908</u>	<u>13,196,388</u>	<u>(101,593)</u>	<u>22,923,703</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	97,869,795	-	27,643	97,897,438
Capital improvements (other than buildings)	3,145,706	216,791	31,787	3,394,284
Machinery and equipment	5,978,783	383,420	(29,200)	6,333,003
Vehicles	7,283,366	189,588	(99,057)	7,373,897
Infrastructure	75,392,497	961,943	-	76,354,440
Total capital assets being depreciated	<u>189,670,147</u>	<u>1,751,742</u>	<u>(68,827)</u>	<u>191,353,062</u>
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(33,434,389)	(2,391,153)	42,163	(35,783,379)
Capital improvements (other than buildings)	(1,712,435)	(175,494)	-	(1,887,929)
Machinery and equipment	(4,814,614)	(370,836)	2,920	(5,182,530)
Vehicles	(5,085,182)	(549,675)	99,057	(5,535,800)
Infrastructure	(42,836,402)	(1,645,491)	-	(44,481,893)
Total accumulated depreciation	<u>(87,883,022)</u>	<u>(5,132,649)</u>	<u>144,140</u>	<u>(92,871,531)</u>
Total capital assets being depreciated, net	<u>101,787,125</u>	<u>(3,380,907)</u>	<u>75,313</u>	<u>98,481,531</u>
Total governmental activities capital assets, net	<u>\$ 111,616,033</u>	<u>\$ 9,815,481</u>	<u>\$ (26,280)</u>	<u>\$ 121,405,234</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

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	3,500,907	1,143,210	(1,178,045)	3,466,072
Total capital assets not being depreciated	3,933,455	1,143,210	(1,178,045)	3,898,620
<i>Capital assets being depreciated:</i>				
Buildings and improvements	8,080,516	31,943	1,083,045	9,195,504
Capital improvements (other than buildings)	1,196,080	-	-	1,196,080
Machinery and equipment	2,205,450	-	-	2,205,450
Vehicles	963,568	-	-	963,568
Infrastructure	44,676,481	317,024	-	44,993,505
Total capital assets being depreciated	57,122,095	348,967	1,083,045	58,554,107
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(4,344,675)	(186,514)	95,000	(4,436,189)
Capital improvements (other than buildings)	(961,506)	(58,057)	-	(1,019,563)
Machinery and equipment	(1,250,878)	(83,303)	-	(1,334,181)
Vehicles	(725,806)	(71,030)	-	(796,836)
Infrastructure	(13,839,099)	(896,654)	-	(14,735,753)
Total accumulated depreciation	(21,121,964)	(1,295,558)	95,000	(22,322,522)
Total capital assets being depreciated, net	36,000,131	(946,591)	1,178,045	36,231,585
Total business-type activities capital assets, net	\$ 39,933,586	\$ 196,619	\$ -	\$ 40,130,205

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

Capital asset activity for the *electric light plant* at December 31, 2021 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	509,033	932,991	(305,272)	1,136,752
Total capital assets not being depreciated	581,533	932,991	(305,272)	1,209,252
<i>Capital assets being depreciated:</i>				
Distribution Plant	22,894,098	377,682	(103,390)	23,168,390
General Plant	6,746,607	422,524	-	7,169,131
Total capital assets being depreciated	29,640,705	800,206	(103,390)	30,337,521
<i>Less accumulated depreciation for:</i>				
Distribution Plant	(16,418,330)	(655,221)	103,390	(16,970,161)
General Plant	(4,241,250)	(233,512)	-	(4,474,762)
Total accumulated depreciation	(20,659,580)	(888,733)	103,390	(21,444,923)
Total capital assets being depreciated, net	8,981,125	(88,527)	-	8,892,598
Total business-type activites capital assets, net	<u>\$ 9,562,658</u>	<u>\$ 844,464</u>	<u>\$ (305,272)</u>	<u>\$10,101,850</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

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

Governmental Activities:	
General government	\$ 115,128
Public safety	816,911
Education	1,959,159
Public works	2,017,316
Human services	46,524
Culture and recreation	177,611
Total depreciation expense - governmental activities	<u>\$ 5,132,649</u>
Business-Type Activities:	
Water and Sewer	\$ 1,295,558
Electric light - (December 31, 2020)	888,733
Total depreciation expense - business-type activities	<u>\$ 2,184,291</u>

NOTE 6 – LEASES (LESSOR)

The Town leases space on existing Water Towers located in the Town to various cell companies and building space to various companies for various terms under long-term, lease agreements. The leases expire at various dates through 2036.

The future governmental activities minimum lease receipts under the lease agreements are as follows:

Year Ending June 30	Total Payemnt	Less Interest	Principal
2023	\$ 136,265	\$ (2,729)	\$ 133,536
2024	139,154	(4,726)	134,428
2025	142,106	(6,778)	135,328
2026	17,447	(1,253)	16,194
Total minimum lease payments	<u>\$ 434,972</u>	<u>\$ (15,486)</u>	<u>\$ 419,486</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

The future proprietary minimum lease receipts under the lease agreements are as follows:

<u>Year Ending June 30</u>	<u>Total Payemnt</u>	<u>Less Interest</u>	<u>Principal</u>
2023	\$ 140,541	\$ (23,586)	\$ 116,955
2024	144,262	(26,601)	117,661
2025	148,083	(29,706)	118,377
2026	152,009	(32,907)	119,102
2027	156,041	(36,202)	119,839
2028-2032	744,137	(205,940)	538,197
2033-2036	<u>375,671</u>	<u>(128,645)</u>	<u>247,026</u>
Total minimum lease payments	<u>\$ 1,860,744</u>	<u>\$ (483,587)</u>	<u>\$ 1,377,157</u>

NOTE 7 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2022, are summarized as follows:

<u>Operating Transfers Out:</u>	<u>Operating Transfers In:</u>		
	<u>General Fund</u>	<u>Water/Sewer Enterprise Fund</u>	<u>Total</u>
Nonmajor Governmental Funds	\$ 10,455	\$ 230,064	\$ 240,519 (2)
Nonmajor Governmental Funds	30,000	-	30,000 (1)
General Fund	-	39,527	39,527 (1)
Total	<u>\$ 40,455</u>	<u>\$ 269,591</u>	<u>\$ 310,046</u>

(1) Represents various budgeted transfers

(2) Represents other transfers

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 – SHORT-TERM FINANCING

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

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

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

The following is a summary of changes in short-term debt for the year ended June 30, 2022:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2021	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2022
<u>Governmental Funds:</u>							
BAN	School Buildings	1.25%	10/28/2021	\$ 848,142	\$ -	\$ (848,142)	\$ -
BAN	School Buildings	1.50%	10/28/2022	-	848,142	-	848,142
Total Governmental Funds				<u>\$ 848,142</u>	<u>\$ 848,142</u>	<u>\$ (848,142)</u>	<u>\$ 848,142</u>
<u>Business Type Activities:</u>							
BAN	Water Mains & SCADA	1.25%	10/28/2021	\$ 2,400,000	\$ -	\$ (2,400,000)	\$ -
BAN	Water Various	1.25%	10/28/2021	2,140,000	-	(2,140,000)	-
BAN	Water Various	1.50%	10/28/2022	-	2,250,000	-	2,250,000
Total Business Type Activities Funds				<u>\$ 4,540,000</u>	<u>\$ 2,250,000</u>	<u>\$ (4,540,000)</u>	<u>\$ 2,250,000</u>
Total				<u>\$ 5,388,142</u>	<u>\$ 3,098,142</u>	<u>\$ (5,388,142)</u>	<u>\$ 3,098,142</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 9 – LONG-TERM DEBT

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

The following is a summary of the changes in long-term debt for the year ended June 30, 2022:

Bonds and Notes Payable Schedule -Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2021	Issued	Redeemed	Outstanding at June 30, 2022
Middle School	2.40	\$ 11,250,000	\$ -	\$ 750,000	\$ 10,500,000
Mt. View School	2.57	3,200,000	-	200,000	3,000,000
DPW Loader	1.88	100,000	-	50,000	50,000
Ambulance	1.88	110,000	-	55,000	55,000
Public Safety Building (08) Refunding	0.47	2,974,300	-	304,300	2,670,000
Public Safety Building (10) Refunding	0.74	2,230,400	-	155,400	2,075,000
DPW Building	1.63	8,046,300	-	411,300	7,635,000
DPW Facility	2.00 - 5.00	-	8,283,800	-	8,283,800
Total Bonds and Notes Payable		27,911,000	8,283,800	1,926,000	34,268,800
Add: Unamortized Bond Premium		1,872,845	911,786	243,640	2,540,991
Total Bonds and Notes Payable, Net		\$ 29,783,845	\$ 9,195,586	\$ 2,169,640	\$ 36,809,791

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

The annual debt service requirements for principal and interest for Governmental bonds and notes outstanding at June 30, 2022 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 2,088,800	\$ 1,377,960	\$ 3,466,760
2024	2,430,000	1,128,269	3,558,269
2025	2,465,000	1,005,894	3,470,894
2026	2,500,000	881,769	3,381,769
2027	2,535,000	755,894	3,290,894
2028-2032	10,320,000	2,374,144	12,694,144
2033-2037	8,175,000	921,418	9,096,418
2038-2042	3,755,000	178,272	3,933,272
Total	<u>\$ 34,268,800</u>	<u>\$ 8,623,620</u>	<u>\$ 42,892,420</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

Bonds and Notes Payable Schedule -Water and Sewer Enterprise Fund

Project	Interest Rate (%)	Outstanding at June 30, 2021	Issued	Redeemed	Outstanding at June 30, 2022
MWPAT Drinking Water	Var.	\$ 999,567	\$ -	\$ 91,240	\$ 908,327
Water	3.64	90,000	-	45,000	45,000
Water	3.64	240,000	-	120,000	120,000
MWPAT Drinking Water	Var.	100,000	-	50,000	50,000
MWPAT Drinking Water	Var.	103,814	-	51,907	51,907
MWPAT Drinking Water	Var.	482,987	-	157,336	325,651
MWPAT Drinking Water	2.00	267,627	-	51,406	216,221
MWPAT Sewer Construction	Var.	515,000	-	255,000	260,000
MWPAT Sewer Connections	Var.	154,946	-	39,527	115,419
Watermains		240,000	-	60,000	180,000
Water Tank		220,000	-	55,000	165,000
Sewer Pump Station	3.80	170,000	-	20,000	150,000
Water Main	2.40	1,200,000	-	80,000	1,120,000
Mass Cleanwater DW 13-12	2.00	414,099	-	23,647	390,452
Water Mains	2.55	670,000	-	45,000	625,000
Infiltration Removal	2.51	285,000	-	20,000	265,000
Princeton St Sewer Pump Station	2.52	220,000	-	15,000	205,000
Lincoln Ave Sewer Pump Station	1.83	210,000	-	35,000	175,000
Watermain Replacement	2.92	680,000	-	40,000	640,000
Heritage Lane Sewer Pump	2.92	683,000	-	45,000	638,000
Sycamore Drive Sewer Pump	2.86	227,000	-	15,000	212,000
Water Mains	1.62	626,300	-	36,300	590,000
Water SCADA	0.33	371,000	-	126,000	245,000
Jefferson Water Tank	0.70	831,700	-	96,700	735,000
SCADA Plan Design	0.70	375,000	-	45,000	330,000
Jefferson Water Tank	0.00	-	69,550	-	69,550
Water Main Replacements	0.00	-	904,150	-	904,150
Inflow & Infiltration	0.00	-	854,200	-	854,200
Water Meters	0.00	-	850,600	-	850,600
Water Meter Replacement	0.00	-	425,350	-	425,350
Sewer Pump Station Repairs	0.00	-	307,350	-	307,350
Total Bonds and Notes Payable		10,377,040	3,411,200	1,619,063	12,169,177
General Obligation Bond 2016					
Add: Unamortized Premium		101,910	-	15,378	86,532
General Obligation Bond 2017					
Add: Unamortized Premium		105,784	-	18,324	87,460
General Obligation Bond 2022					
Add: Unamortized Premium		309,261	-	58,280	250,981
General Obligation Bond 2022					
Add: Unamortized Premium		-	458,800	-	458,800
Total Unamortized Premium		516,955	458,800	91,982	883,773
Total Bonds and Notes Payable, net		\$ 10,893,995	\$ 3,870,000	\$ 1,711,045	\$ 13,052,950

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

The annual debt service requirements for principal and interest for water and sewer enterprise fund bonds and notes outstanding at June 30, 2022 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,928,310	\$ 491,737	\$ 2,420,047
2024	1,380,738	353,418	1,734,156
2025	1,084,610	303,453	1,388,063
2026	925,264	259,590	1,184,854
2027	867,123	219,397	1,086,520
2028-2032	3,404,343	616,207	4,020,550
2033-2037	1,883,789	216,143	2,099,932
2038-2042	<u>695,000</u>	<u>33,169</u>	<u>728,169</u>
Total	<u>\$ 12,169,177</u>	<u>\$ 2,493,114</u>	<u>\$ 14,662,291</u>

Loans Authorized and Unissued

As of June 30, 2022, the Town has loans authorized and unissued as follows:

<u>Description</u>	<u>Date Authorized</u>	<u>Amount</u>
Jefferson Tank Water Rehab	5/20/2019	\$ 220,000
Water Main Replacement	5/16/2022	1,500,000
Sewer Pump Station Upgrades	5/16/2022	700,000
Chapin/Avery Storage Tank Mix	5/16/2022	<u>250,000</u>
Total		<u>\$ 2,670,000</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2022 (electric light as of December 31, 2021):

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable	\$ 27,911,000	\$ 8,283,800	\$ (1,926,000)	\$ 34,268,800	\$ 2,088,800
Add: Unamortized Premiums	1,872,845	911,786	(243,640)	2,540,991	375,524
Total Bond Payable	29,783,845	9,195,586	(2,169,640)	36,809,791	2,464,324
Compensated absences	994,501	-	(38,816)	955,685	719,511
Landfill postclosure care costs	525,120	82,130	-	607,250	297,050
Net pension liability	24,857,193	-	(655,472)	24,201,721	-
OPEB	8,622,663	1,962,108	-	10,584,771	-
Total governmental activities long-term liabilities	\$ 64,783,322	\$ 11,239,824	\$ (2,863,928)	\$ 73,159,218	\$ 3,480,885

Business-Type Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable - water/sewer	\$ 10,377,040	\$ 3,411,200	\$ (1,619,063)	\$ 12,169,177	\$ 1,928,310
Add: Unamortized Premiums	516,955	458,800	(91,982)	883,773	184,311
Total Bond Payable	10,893,995	3,870,000	(1,711,045)	13,052,950	2,112,621
Compensated absences	47,694	4,703	-	52,397	41,111
Customer deposits - electric light	276,526	-	(6,875)	269,651	-
Rate stabilization reserve - electric light	4,549,511	-	(29,169)	4,520,342	-
OPEB - water/sewer	203,985	130,272	-	334,257	-
Net Pension Liability	1,578,884	-	(46,829)	1,532,055	-
Net pension Liability - electrical light	5,124,755	16,853	-	5,141,608	-
Customer advances for construction - electric Light	71,081	-	(8,587)	62,494	-
Contribution in aid of construction - electrical light	380,165	47,475	-	427,640	-
Total business-type activities long-term liabilities	\$ 23,126,596	\$ 4,069,303	\$ (1,802,505)	\$ 25,393,394	\$ 2,153,732

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

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

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, 2022:

Agency	Total Long-Term Debt Outstanding	Town's Estimated Share	Town's Indirect Debt
Wachusett Regional School District Bonds	\$ 6,915,000	47.00%	\$ 3,250,050

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 10 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

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

	General Fund	DPW Building	Nonmajor Governmental Funds	Total
Fund Balances				
Nonspendable:				
Permanent Fund Principal	\$ -	\$ -	\$ 1,861,886	\$ 1,861,886
Restricted For:				
General Government	-	-	4,196,460	4,196,460
Public Safety	-	-	382,032	382,032
Public Works	-	-	534,589	534,589
Human Services	-	-	471,474	471,474
Culture & Recreation	-	-	1,117,252	1,117,252
Employee Benefits	-	-	242,896	242,896
Bond Premium	4,169	-	-	4,169
	<u>4,169</u>	<u>-</u>	<u>6,944,703</u>	<u>6,948,872</u>
Committed To:				
Continuing Appropriations				
General Government	313,654	-	-	313,654
Public Safety	143,165	-	-	143,165
Public Works	1,039,021	-	-	1,039,021
Human Services	155,156	-	-	155,156
Culture & Recreation	5,722	-	-	5,722
	<u>1,656,718</u>	<u>-</u>	<u>-</u>	<u>1,656,718</u>
Assigned To:				
Encumbered For:				
General Government	33,465	-	-	33,465
Public Safety	71,829	-	-	71,829
Public Works	129,872	-	-	129,872
Subsequent Years Expenditures	2,796,662	-	-	2,796,662
DPW Depreciation Fund	738,899	-	-	738,899
Regional Dispatch Stabilization	66,977	-	-	66,977
Open Sapce Preservation Stabilization	215,520	-	-	215,520
Fire Vehicle & Equipment Stabilization	405,280	-	-	405,280
	<u>4,458,504</u>	<u>-</u>	<u>-</u>	<u>4,458,504</u>
Unassigned				
General Fund	6,903,211	-	-	6,903,211
General Stabilization Fund	4,822,896	-	-	4,822,896
DPW Building	-	2,568,459	-	2,568,459
Town Capital Projects	-	-	(658,291)	(658,291)
Town Grants	-	-	(360,219)	(360,219)
	<u>11,726,107</u>	<u>2,568,459</u>	<u>(1,018,510)</u>	<u>13,276,056</u>
Total Governmental Fund Balances	<u>\$ 17,845,498</u>	<u>\$ 2,568,459</u>	<u>\$ 7,788,079</u>	<u>\$ 28,202,036</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 11 – 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 *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.
- Regional Dispatch Stabilization Fund is used to account for is used to account for appropriations funding the acquisition, repair, upgrading, and replacing information technology, office communications or other equipment and related appurtenances necessary for the Wachusett Regional Emergency Communications Center. 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 16, 2016 under Chapter 40, sub-section 5B of **MGL**.

TOWN OF HOLDEN, MASSACHUSETTS
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- Open Space Preservation Stabilization Fund is used to account for appropriations funding the acquisition of real property within the Town of Holden to be held and maintained as open space for the citizens of Holden. 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 16, 2016 under Chapter 40, sub-section 5B of MGL.

NOTE 12 – 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 \$52,494,269. 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 2022.

The Town offers benefit-eligible employees contributory health care options through Fallon Health. The non-Medicare HMO plans offered are Fallon Select and Fallon Direct and the Fallon Preferred PPO/indemnity plan. Beginning in January 2022, the Town offers Medicare-eligible retirees two supplemental health care options including Blue Cross/Blue Shield Medex-2 with Blue Medicare Rx and Managed Blue for Seniors’ with Blue Medicare Rx. There are 146 active employees and non-Medicare eligible retirees as well as 106 Medicare-eligible retirees and spouses 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 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 2022.

Effective on 7/1/22 plans for active employees changed from Fallon to Blue Cross/Blue Shield. Plans offered as of 7/1/22 are Blue Cross/Blue Shield Blue New England, Blue Cross/Blue Shield Select and PPO Blue Care Elect.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 13 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

The GASB Standards for *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires the following disclosures in the financial statements related to the retiree medical, dental, 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 ordinances vote is the authority to establish and amend benefit provisions to the Town. The Town has accepted various sections of Massachusetts General Laws Chapter 32B to provide 50% of the premium cost of retirees’ health, dental and life insurance costs.

Funding Policy. The contribution requirements of plan members and the Town are established and may be amended through Town ordinances. For the period ending on the June 30, 2022 measurement date total Town premiums plus implicit costs for the retiree medical program are \$526,345. The Town also made a contribution to an OPEB Trust of \$528,853 for a total contribution during the measurement period of \$1,055,198 to be reported on the financial statement for the fiscal year ending June 30, 2022.

The Commonwealth of Massachusetts passed special legislation that has allowed the Town to establish a postemployment benefit trust fund and to enable the Town to begin pre-funding its other postemployment benefit (OPEB) liabilities. During 2022, the Town pre-funded future OPEB liabilities totaling \$528,853 by contributing funds to the Other Postemployment Benefit Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2022, the balance of this fund totaled \$3,854,335.

GASB Statement #75 – OPEB Employer Financial Reporting

Summary of Significant Accounting Policies – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expenses, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Measurement Date - GASB #75 requires the net OPEB liability to be measured as of the OPEB plans most recent fiscal year end. Accordingly, the net OPEB liability was measured as of June 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2020.

Plan Membership – The following table represents the Plan’s membership as July 1, 2020:

Active Employees	137
Inactive employees or beneficiaries currently receiving benefits	<u>107</u>
Total	<u><u>244</u></u>

TOWN OF HOLDEN, MASSACHUSETTS
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Components of OPEB Liability – The following table represents the components of the Plan’s OPEB liability as of June 30, 2022:

Total OPEB Liability	\$ 14,773,363
Less: OPEB plan's fiduciary net position	<u>(3,854,335)</u>
Net OPEB Liability	<u>\$ 10,919,028</u>
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability	26.09%

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

Significant Actuarial Methods and Assumptions – The plan’s total OPEB liability and actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, that was updated to June 30, 2022 to be in accordance with GASB Statement #75.

Valuation Date:	Actuarially Determined Contribution was calculated as of July 1, 2020
Actuarial Cost Method:	Individual Entry Age Normal
Asset-Valuation Method:	Market value of assets as of the measurement date, June 30, 2022
Investment Rate of Return	5.53%, net of OPEB plan investment expense, including inflation.
Municipal Bond Rate	4.09% as of June 30, 2022 (source: S&P Municipal Bond 20-Year High Grade Index - SAPIHG)
Single Equivalent Discount Rate:	5.42% net of OPEB plan investment expense, including inflation.
Inflation:	2.50% as of June 30, 2022 and for future periods
Salary Increases:	3.00% annually as of June 30, 2022 and for future periods
Cost of Living Adjustment	Not Applicable
Pre-Retirement Mortality:	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward one year for females. Teacher: RP-2014 Mortality Table for White Collar employees projected generationally with scale MP-2016 for males and females
Post-Retirement Mortality:	General: RP-2014 Mortality Table for Blue Collar healthy annuitants projected generationally with scale MP-2016 for males and females, set forward one year for females. Teacher: RP-2014 Mortality Table for White Collar healthy annuitants projected generationally with scale MP-2016 for males and females
Disabled Mortality:	General: RP-2014 Mortality Table for Blue Collar healthy annuitants projected generationally with scale MP-2016 for males and females, set forward one year. Teacher: RP-2014 Mortality Table for White Collar healthy annuitants projected generationally with scale MP-2016 for males and females

TOWN OF HOLDEN, MASSACHUSETTS
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Rate of Return – For the year ended June 30, 2022 the annual money-weighted rate on investments, net of investments expense, was -14.47%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

The long-term real rate of return on OPEB investments was determined using the Town’s investment policy. Best estimates of real rates of returns for each major asset class included in the OPEB plans target asset allocation as of June 30, 2022 are summarized in the following table.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity - large cap	21.00%	4.42%
Domestic equity - small/mid cap	14.00%	4.81%
International equity - developed market	10.50%	4.91%
International equity - emerging market	6.50%	5.58%
Domestic fixed income	34.50%	1.00%
International fixed income	6.50%	1.04%
Alternatives	6.50%	5.98%
Real Estate	0.00%	6.25%
Cash	<u>0.50%</u>	0.00%
Total	<u><u>100.00%</u></u>	

Discount Rate – The discount rate used to measure the total OPEB liability was 5.42% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan’s funding policy.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2021	\$ 12,724,646	\$ 3,897,998	\$ 8,826,648
Charges for the year:			
Service cost	374,192	-	374,192
Interest on Total OPEB Liability, Service Cost, and Benefit Payments	802,478	-	802,478
Change in assumptions	1,398,392	-	1,398,392
Net Investment Income	-	(584,739)	584,739
Employer Contributions to Trust	-	1,067,421	(1,067,421)
Benefit payments withdrawn from trust	-	(526,345)	526,345
Total Benefit payments including Implicit Costs	(526,345)	-	(526,345)
Net Changes	2,048,717	(43,663)	2,092,380
Balance at June 30, 2022	\$ 14,773,363	\$ 3,854,335	\$ 10,919,028

Sensitivity of the net OPEB liability to changes in the discount rate – The following table presents the Plan’s net OPEB liability calculated using the discount rate of 5.42% as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage- point lower (4.42%) or 1 percentage-point higher (6.42%) than the current rate.

	1% Decrease (4.42%)	Current Trend (5.42%)	1% Increase (6.42%)
Net OPEB liability	\$ 13,051,805	\$ 10,919,028	\$ 9,207,766

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

Sensitivity of the net OPEB liability to changes in the healthcare trend – The following table presents the net other postemployment benefit liability calculated using the current healthcare trend rate of 4.50% as well as what the net OPEB liability would be if it were calculated using a healthcare trend rate that is 1 percentage-point lower or 1 percentage-point higher.

	1% Decrease (3.50%)	Current Discount Rate (4.50%)	1% Increase (5.50%)
Net OPEB liability	\$ 8,929,711	\$ 10,919,028	\$ 13,408,242

Deferred Outflows/Inflows of Resources

At June 30, 2022 the Town reported deferred outflows and inflows of resources related to other postemployment benefits of \$2,836,678 and \$299,924 respectively.

The balances of deferred outflows and inflows as of June 30, 2022 consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between actual and expected experience	\$ 100,797	\$ (299,924)	\$ (199,127)
Changes of Assumptions	2,304,410	-	2,304,410
Net difference between projected and actual earnings	431,471	-	431,471
Total Deferred Outflows (Inflows) of Resources	\$ 2,836,678	\$ (299,924)	\$ 2,536,754

The Town's net deferred outflows/inflows of resources related to other postemployment benefits will be recognized in future years other postemployment benefits are as follows:

Period Year ended June 30	Amount
2023	\$ 372,442
2024	538,355
2025	530,747
2026	637,283
2027	346,397
Thereafter	111,530
Total Deferred Outflows/(Inflows) Recognized in Future Years	\$ 2,536,754

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

Changes of Assumption – The Discount rate has changed from 6.25% to 5.42%

Changes in Plan Provisions - None

NOTE 14 – LIGH PLANT OTHER POSTEMPLOYMENT BENEFITS (OPEB) TRUST FUND

The Other Postemployment Benefits Liability Trust Fund was authorized at the Annual Town Meeting on May 18, 2009 and the fund was established on April 20, 2011. The Trust Fund was established to reduce the unfunded actuarial liability of health care and other postemployment benefits to zero as of an actuarially acceptable period of years and to meet the normal cost of all future benefits for which the government unit is obligated. The Fund is held to maturity and are recorded at the estimated fair market value. Fair values are based on the quoted market price of the investments. The balance in the Trust as of December 30, 2021 was \$2,245,324.

Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application, provides a definition of fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are described below.

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Department has the ability to access.

Level 2

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in active markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3

Inputs to valuation methodology are unobservable and significant to the fair value measurement.

The assets or liabilities fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation technique's used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured as fair value.

- Equities and Mutual Funds;
Valued at closing price as reported on the active market on which the individual securities are traded.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Department management believes its valuations methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The table below sets forth, by level within the fair value hierarchy, the Department's OPEB Trust Fund investments at fair value at December 31, 2021. As of December 31, 2021 the Department did not have any investments that were measured using Level 2 or Level 3 inputs

Description	December 31, 2021 Quoted Prices in Active Markets for Identical Assets (Level 1)
<u>Investment at FMV:</u>	
Equities	\$ 75,862
Mutual Funds	<u>2,164,893</u>
Total Investments	<u>2,240,755</u>
<u>Other Securities:</u>	
Money Market	<u>4,569</u>
Total	<u><u>\$ 2,245,324</u></u>

As of December 31, 2021 there were no investments in any one issuer (excluding U.S. Treasury securities and mutual funds) that represented 5% or more of the total investments.

Governmental Accounting Standards Board (GASB Statement No. 74, Financial Reporting for Postemployment Benefits Plans Other than Pensions Plans, provides actuarial costs method and discount rate as well as disclosures and methodologies for reporting Plan liabilities and OPEB expenses.

Plan Administration

The Town of Holden administers the retiree health care benefits program-a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all permanent full-time employees.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

Plan Membership

At December 31, 2021, OPEB plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	16
Active plan members	<u>18</u>
Total	<u><u>34</u></u>

Benefits provided

The Town provides health care, dental and life insurance benefits for retirees and their dependents. Benefits are provided through the Group Insurance Commission in full cost of benefits is shared between the Town and retirees.

Contributions

The Town annual contributes actuarially determined contribution based on the results of the most recent actuarial valuation.

Investment Policy

The Trust has a long-term approach which enables the Town of Holden to purchase certain investments which are limited to: Cash 0-10%, Alternative Investments 0-20%, Fixed Income 30-50%, and Equities 30-70%. The Trust has also adopted the M.G.L. Chapter 203C section Massachusetts Prudent Investor Act which allows the trustee to invest and manage Trust assets as a prudent investor would, considering the purposes, terms and other circumstances of the Trust.

Rate of Return

The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of OPEB plan investments by the proportion of time they are available to earn a return during that period. The rate of return is then calculated by solving, through an iterative process, for the rate that equates to the sum of the weighted external cash flows into and out of the OPEB plan investments to the ending fair value of OPEB plan investments.

Net OPEB Liability of the Plan

The components of the net OPEB liability at December 31, 2021 are as follows:

	2021
Total OPEB Liability	<u>\$ 2,089,159</u>
Fiduciary Net Position	<u>(2,245,324)</u>
Net OPEB Liability (Asset)	<u><u>\$ (156,165)</u></u>

Fiduciary net position as a percentage of the total OPEB liability was 107.48% for the year ended December 31, 2021.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2020 using the following assumptions, applied to all periods included in the measurement:

Inflation:	2.50%
Investment Rate of Return	5.92%, net of investment expense, including inflation.
Discount Rate	6.00% net of OPEB plan investment expense, including inflation
Salary Increases:	3.00% annually as of December 31, 2021 and for future periods
Healthcare cost trend rate	4.50%
Pre-Retirement Mortality:	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward one year for females.
Post-Retirement Mortality:	General: RP-2014 Mortality Table for Blue Collar healthy annuitants projected generationally with scale MP-2016 for males and females, set forward one year for females.
Disabled Mortality:	General: RP-2014 Mortality Table for Blue Collar healthy annuitants projected generationally with scale MP-2016 for males and females, set forward one year.

The long-term real rate of return on OPEB investments was determined using a building – block method in which best-estimate ranges of expected future real rates of return (expected return, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce long-term expected rate return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of December 31, 2021 are summarized in the table below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity - Large Cap	20.75%	4.42%
Domestic Equity - Small/Mid Cap	16.50%	4.81%
International Equity - Developed Market	10.50%	4.91%
International Equity - Emerging Market	7.00%	5.58%
Domestic Fixed Income	27.50%	1.00%
International Fixed Income	5.50%	1.04%
Alternatives	12.00%	5.98%
Real Estate	0.00%	6.25%
Cash	0.25%	0.00%
Total	<u>100.00%</u>	

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

Discount Rate

The discount rate used to measure the total OPEB liability was 6.00%. The projection of cash flows used to determine the discount rate assumed that contributions from the Town will be made in accordance with the Plan’s funding policy. Based on those assumptions, the OPEB’s Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability calculated using the discount rate of 6.00% as well as what the net OPEB liability would be if it were calculated using a discount rate 1 percentage- point lower (5.00%) or 1 percentage-point higher (7.00%) than the current rate.

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Net OPEB Liability (Asset)	\$ (109,653)	\$ (156,165)	\$ (366,346)

Sensitivity of the net OPEB liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability calculated using the current healthcare cost trend rates as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rates that are 1 percentage-point lower (3.5%) or 1 percentage-point higher (5.5%) than the current healthcare cost trend rate:.

	1% Decrease (3.50%)	Current Discount Rate (4.50%)	1% Increase (5.50%)
Net OPEB liability	\$ (390,953)	\$ (156,165)	\$ (132,742)

NOTE 15 – LIGH PLANT OTHER POST-EMPLOYMENT BENEFITS:

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, provides actuarial costs method and discount rate as well as disclosures and methodologies for reporting employer liabilities and OPEB expenses.

Plan Description

The Department participates in the Town sponsored single employer defined benefit health plan. The Department provides certain health care and life insurance benefits for eligible retirees and their spouses. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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Plan Membership

At the measurement date of December 31, 2021, OPEB plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	16
Active plan members	<u>18</u>
Total	<u><u>34</u></u>

Contributions

The Department's Actuarial Determined Contribution (ADC) is an amount actuarially determined in accordance with the parameters of GASB Statement No. 74/75 which represents a level of funding that, if paid on an ongoing basis, is projected to cover the service cost each year and amortize any unfunded actuarial liabilities (or funding excess). The contribution requirements of plan members and the Department are established and may be amended through Department ordinances. For the year ending on the measurement date of December 31, 2021, total premiums plus implicit costs for the retiree medical program was \$125,696.

OPEB Liabilities

At December 31, 2021, the Department reported a liability/(asset) of (\$156,165) for its net OPEB liability(asset). The 2021 net OPEB liability (asset) was measured as of December 31, 2021 and was determined by an actuarial valuation as of January 1, 2020.

OPEB Expenses

For the year ended December 31, 2021 the Department recognized OPEB Expense of \$57,296. At December 31, 2021 the Department reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Deferred Outflows of Resources Related to OPEB</u>	<u>2021</u>
Difference between projected and actual earnings on OPEB plan investments	\$ 34,958
Difference between expected and actual Experience	69,700
Change of Assumptions	<u>93,816</u>
Total Deferred Outflows of Resources	<u>\$ 198,474</u>
 <u>Deferred Inflows of Resources Related to OPEB</u>	
Difference between expected and actual Experience	\$ 35,364
Difference between projected and actual earnings on OPEB plan investments	<u>184,755</u>
Total Deferred Inflows of Resources	<u>\$ 220,119</u>

**TOWN OF HOLDEN, MASSACHUSETTS
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JUNE 30, 2022**

OPEB Expenses (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the Department's OPEB expense as follows:

<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
Year Ended December 31:		Year Ended December 31:	
2022	\$ 87,736	2022	\$ 93,142
2023	46,564	2023	71,001
2024	38,703	2024	38,994
2025	<u>25,471</u>	2025	<u>16,982</u>
Total	<u>\$ 198,474</u>	Total	<u>\$ 220,119</u>

GASB 75 requires the disclosure of actuarial assumptions, the discounted rate, and sensitivity of the net OPEB liability to the changes in the discount rate and healthcare cost trend rates. Refer to the previous note, "Other Postemployment Benefits Trust Fund" for those disclosures.

NOTE 16 – PENSION PLAN

A. Plan Description

The Town is a member of the Worcester Regional Retirement System (The System), a cost-sharing multiple-employer, contributory defined benefit pension plan covering eligible employees of the 99 member units deemed eligible by the system. Chapter 32 of the Massachusetts General Law assigns authority to establish and amend benefit provisions of the system. Substantially all employees are members of the system except for public school teachers and certain school administrators.

The System issues a publically available audited financial statement that may be obtained by contacting the system at 23 Midstate Drive, Suite 106 Midstate Office Park, Auburn, Massachusetts 01501. The statement can also be obtained online at <http://worcesterregionalretirement.org/>.

The "System" is a contributory defined benefit plan and membership in "System" is mandatory upon commencement of employment for all permanent, full-time employees.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

B. Benefits Provided

The System provides retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are with certain minor exceptions, uniform from system to system. For employee's who become members prior to April 2, 2012, the annual amount of retirement allowance is based on the member's final three-year average salary multiplied by (1) the number of years and full months of creditable service at the time of retirement and (2) a percentage based on age at retirement in accordance with a schedule provided by state law. Assuming normal retirement at age 65, this percentage is 2.5%, which is reduced for individuals who retire prior to age 65 to reflect the longer pay out period. The employees final three-year average salary is defined as the greater of the highest consecutive three-year average annual rate of regular compensation and the average annual rate of regular compensation received during the last three years of creditable service prior to retirement. For employees who become members on or after April 2, 2012, the annual amount of the retirement allowance is based on the member's final five-year average salary multiplied by (1) the number of years and full months of creditable service at the time of retirement and (2) a percentage based on age at retirement in accordance with a schedule provided by the state law. Assuming normal retirement at age 67, this percentage is 2.5%. An employee's final five-year average salary is defined as the greater of the highest consecutive five-year average annual rate of regular compensation and the average annual rate of regular compensation received during the last five-years of creditable service prior to retirement. Employees become vested after ten years of creditable service.

Employees who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received depends on several factors, including whether or not disability is work related, the employees' age, years of creditable service, level of compensation, and veterans' status.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost-of living adjustments granted between 1981 and 1997, and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited in to the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the system and all costs are borne by the system.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

C. Contributions

Worcester Regional Retirement System

Chapter 32 of MGL governs the contributions of plan members and member employees. Active plan members are required to contribute to the system at rates ranging from 5 to 9% of their gross regular compensation. Members joining the system after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30,000. The rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the system, its share of system wide actuarial determined contribution, in accordance with Chapter 32, section 22D and 22F of MGL. The Town's proportionate share of the required contribution equaled its actual contribution for the year ended December 31, 2021 which was \$2,690,938 and 25.86% of covered payroll, actuarially determined as an amount that when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

D. Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

Pension Liabilities

At June 30, 2022 the Town reported a liability of \$30,641,099 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. Accordingly, updated procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members actuarially determined. At December 31, 2021, the Town's proportion was 3.64%.

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2022 the Town recognized pension expense of \$2,615,648. At June 30, 2022 the Town reported deferred outflows and inflows of resources related to pensions of \$3,438,227 and \$5,908,090 respectively.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

The balances of deferred outflows and inflows as June 30, 2022 consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Net Differences between expected and actual experience	\$ -	\$ (640,854)	\$ (640,854)
Assumption Changes	2,634,757	-	2,634,757
Change in allocated proportion	803,470	(944,279)	(140,809)
Net difference between projected and actual investment earnings	-	(4,322,957)	(4,322,957)
Total Deferred Outflows (Inflows) of Resources	<u>\$ 3,438,227</u>	<u>\$ (5,908,090)</u>	<u>\$ (2,469,863)</u>

The Town's net deferred outflows/inflows of resources related to pensions will be recognized in future years are as follows:

Year ended June 30	Amount
2022	\$ (751,457)
2023	(1,115,163)
2024	(645,173)
2025	(275,200)
2026	317,130
Total deferred outflows/(inflows) of resources recognized in future years	<u>\$ (2,469,863)</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

E. Actuarial assumptions

The total pension liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2021.

Valuation date	January 1, 2020
Actuarial cost method	Entry age normal
Amortization method	Payment increases 4% per year
Asset valuation method	market value
Inflation rate	2.4% per year
Salary increases	Group 1: 4.25% - 6% based on service Group 4: 4.75% - 7% based on service
Mortality rates:	Based on the RP-2014 blue collar mortality table with full generational mortality improvement using scale MP-2020. For disabled lives, the mortality rates were based on the RP – 2014 blue collar mortality table set forward one year with full generational mortality improvement using scale MP-2020.
Investment rate of return	7.25%, net of pension plan investment expense, including inflation

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

F. Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	38%	4.22%
Fixed income	23%	0.70%
Private equity	15%	7.70%
Real estate	10%	3.60%
Timberland - natural resources	4%	4.20%
Portfolio completion strategies	10%	3.00%
Total	<u>100%</u>	

For the year ended December 31, 2021 the System's annual money-weighted rate of return on pension plan investments net of pension plan investment expense was 19.74%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

G. Discount Rate

The discount rate used to measure the total pension liability as of December 31, 2021 was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that member employer contributions will be made in accordance with sections 22D and 22F of Chapter 32 of Massachusetts General Laws. Based on those assumptions, the system's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

H. Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the system, as of December 31, 2021 calculated using the discount rate of 7.25%, as well as what the system's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
	<u> </u>	<u> </u>	<u> </u>
The Towns proportionate share of the net pension liability	\$ 38,651,445	\$ 30,641,099	\$ 23,872,542
	<u> </u>	<u> </u>	<u> </u>

Detailed information about the pension plan's fiduciary net position is available in a separately issued Worcester Regional Retirement System financial report.

NOTE 17 – 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 \$750,000 of federal awards during the period ended June 30, 2022. 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 (4 years remaining), and the estimated liability has been recorded in the Statement of Net Position, Governmental Activities. The \$607,250 reported as landfill post-closure liability at June 30, 2022 is based on what it would cost to perform all post-closure care costs at June 30, 2022. 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, 2022, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2022.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 18 - MMWEC PARTICIPATION AND CONTINGENT LIABILITIES

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

MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts, created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in, and to issue revenue bonds to finance, electric facilities (Projects). MMWEC has acquired ownership interests in electric facilities operated by other entities and also owns and operates its own electric facilities. MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other utilities (Project Participants) under Power Sales Agreements (PSAs). The Light Department has entered into PSAs with MMWEC. Under the PSAs the Department is required to make certain payments to MMWEC payable solely from Municipal Light Department revenues. 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. 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. Project Participants have covenanted to fix, revise and collect rates at least sufficient to meet their obligations 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 19 – PURCHASED POWER WORKING CAPITAL

The purchased power working capital is an amount held by MMWEC, our power supply agent. The implementation of the Working Capital Program began in August 1, 1985. MMWEC Participants approved certain working capital amendments to the various power purchase agreements. MMWEC requires that the department hold a set amount of capital from which it may pay the Department's power obligations when they are due. MMWEC replenishes 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, 2021 was \$1,165,356.

NOTE 20 – DEPRECIATION FUND

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

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 21 – RATE STABILIZATION

The Rate Stabilization Fund is held at MMWEC and 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, 2020 was \$4,520,342. The balance in the fund is offset by a deferred inflow of resources for the accumulated provision for rate refund. These funds are commingled and deposited in external investment pools. The total amount of these investment pools as of December 31, 2021 was \$87,646,556 of which Holden Municipal Light Department's ownership was approximately 5.2%.

NOTE 22 – COVID-19

On March 10, 2020, the Massachusetts Governor declared a state of emergency in response to the coronavirus outbreak. The World Health Organization officially declared the novel Coronavirus (COVID-19) a pandemic the following day. In an attempt to slow the spread of COVID-19, governments issued various stay at home orders that caused global economic shutdowns and substantial financial market impact. Starting in March 2020, the Governor continued to issue orders allowing governments to operate and carry out essential functions safely. These included modifying the state's Open Meeting Law, issuing a stay-at-home order, and introducing a phased approach to reopening State businesses. The Town is considered an essential business and although it closed its doors to the public, departments remained operational and employees continued to perform their daily duties in-person or remotely.

In Fiscal Year 2022 the Town has incurred unanticipated costs specifically related to the pandemic. On March 27, 2020 the United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the economic downfall caused by the COVID-19 pandemic. This Act requires that the payment of funds be used only to cover expenses that; are necessary expenditures incurred due to the public health emergency with respect to COVID-19. The Commonwealth and communities throughout the Commonwealth were awarded a portion of the federal funding. In addition to the funding from the CARES Act, there are several other federal and state grants available to help offset these unanticipated costs.

The full extent of the financial impact cannot be determined as of the date of the financial statements.

NOTE 23 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2022, the following GASB pronouncements were implemented:

The GASB issued **Statement #87**, *Leases*, which was implemented in 2022. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #89**, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which was implemented in 2022. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #92**, *Omnibus 2020*, which was implemented in 2022. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

The GASB issued **Statement #93**, *Replacement of Interbank Offered Rates*, which was implemented in 2022. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #97**, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Service Code 457 Deferred Compensation Plans*, which was implemented in 2022. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statements #98**, *The Annual Comprehensive Financial Report*. The requirements of this Statement was implemented for fiscal year ended June 30, 2022. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

Future GASB Pronouncements:

The GASB issued **Statement #91**, *Conduit Debt Obligations* – which is required to be implemented in 2023. Earlier application is encouraged. The primary objectives of this statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. . Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #94**, *Public-Private and Public Partnerships and Availability Payment Arrangements*, which is required to be implemented in 2023. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #96**, *Subscription-Based Information Technology Arrangements*, which is required to be implemented in 2023. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #100**, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*, which is required to be implemented in 2024. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #101**, *Compensated Absences*, which is required to be implemented in 2025. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

**TOWN OF HOLDEN, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
WORCESTER REGIONAL RETIREMENT SYSTEM
JUNE 30, 2022**

Schedule of the Town's Proportionate Share of the Net Pension Liability

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Town's proportion of the net pension liability	3.64%	3.55%	3.53%	3.73%	3.71%	3.86%	3.85%	4.05%
Town's proportionate share of the net pension liability	\$ 30,641,099	\$ 31,577,686	\$ 31,423,132	\$ 33,802,409	\$ 30,268,102	\$ 32,367,046	\$ 27,305,297	\$ 24,080,656
Town's covered-employee payroll	\$ 10,404,562	\$ 10,400,639	\$ 10,532,682	\$ 9,206,279	\$ 8,715,703	\$ 9,160,825	\$ 8,576,726	\$ 8,246,852
Town's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	294.50%	303.61%	298.34%	367.17%	347.28%	353.32%	318.37%	292.00%
Plan fiduciary net position as a percentage of the total pension liability	56.20%	50.30%	47.36%	43.05%	46.40%	42.00%	44.52%	47.94%

Note: This schedule is intended to present information for 10 years. Until a 10 year trend is compiled, information is presented for those years for which the information is available.

See notes to Required Supplementary Information

**TOWN OF HOLDEN, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
WORCESTER REGIONAL RETIREMENT SYSTEM
JUNE 30, 2022**

SCHEDULE OF TOWN'S CONTRIBUTION

	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
Actuarily determined contribution	\$ 2,690,938	\$ 2,391,040	\$ 2,149,451	\$ 2,075,442	\$ 1,878,211	\$ 1,877,072	\$ 1,730,551	\$ 1,599,220
Contribution in relation to the actuarially determined contribution	<u>(2,690,938)</u>	<u>(2,391,040)</u>	<u>(2,149,451)</u>	<u>(2,075,442)</u>	<u>(1,878,211)</u>	<u>(1,877,072)</u>	<u>(1,730,551)</u>	<u>(1,599,220)</u>
Contribution deficiency (excess)	<u>\$ -</u>							
Town's covered-employee payroll	\$ 10,404,562	\$ 10,400,639	\$ 10,532,682	\$ 9,206,279	\$ 8,715,703	\$ 9,160,825	\$ 8,576,726	\$ 8,246,852
Contribution as a percentage of covered - employee payroll	25.86%	22.99%	20.41%	22.54%	21.55%	20.49%	20.18%	19.39%

Note: This schedule is intended to present information for 10 years. Until a 10 year trend is compiled, information is presented for those years for which the information is available.

See notes to Required Supplementary Information

**TOWN OF HOLDEN, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2022**

Schedule of the Town's Net OPEB Liability and Related Ratios

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Total OPEB Liability						
Service Cost	\$ 374,192	\$ 318,426	\$ 355,817	\$ 329,006	\$ 414,308	\$ 367,661
Interest on total OPEB liability, service costs, and benefit payments	802,478	715,231	797,427	845,649	777,171	758,695
Differences between expected and actual plan experience	-	145,395	(27,968)	(1,356,871)	-	-
Changes of assumptions	1,398,392	1,508,581	-	-	444,318	-
Benefit Payments	<u>(526,345)</u>	<u>(490,728)</u>	<u>(561,144)</u>	<u>(556,913)</u>	<u>(515,752)</u>	<u>(480,292)</u>
Net Change in OPEB liability	2,048,717	2,196,905	564,132	(739,129)	1,120,045	646,064
Total OPEB liability-beginning	12,724,646	12,298,037	<u>11,733,905</u>	<u>12,473,034</u>	<u>11,352,989</u>	<u>10,706,925</u>
Removal of Prior Year Electric Balance	<u>-</u>	<u>(1,770,296)</u>				
Revised Balance at June 30, 2020	<u>12,724,646</u>	<u>10,527,741</u>				
Total OPEB liability-ending (a)	<u><u>14,773,363</u></u>	<u><u>12,724,646</u></u>	<u><u>12,298,037</u></u>	<u><u>11,733,905</u></u>	<u><u>12,473,034</u></u>	<u><u>11,352,989</u></u>
Plan fiduciary net position						
Earning from Plan Investments	(584,739)	713,429	97,568	178,750	142,004	148,033
Employer Contribution to Trust	1,067,421	1,007,355	1,194,819	1,115,149	1,071,436	1,044,150
Benefit payments from trust, including refunds of member contributions	<u>(526,345)</u>	<u>(490,728)</u>	<u>(561,144)</u>	<u>(556,913)</u>	<u>(515,752)</u>	<u>(480,292)</u>
Net change in plan fiduciary net position	(43,663)	1,230,056	731,243	736,986	697,688	711,891
Plan fiduciary net position - beginning	3,897,998	4,349,495	<u>3,618,252</u>	<u>2,881,266</u>	<u>2,183,578</u>	<u>1,471,687</u>
Removal of Prior Year Electric Balance	<u>-</u>	<u>(1,681,553)</u>				
Revised Balance at June 30, 2020	<u>-</u>	<u>2,667,942</u>				
Plan fiduciary net position - ending (b)	<u><u>3,854,335</u></u>	<u><u>3,897,998</u></u>	<u><u>4,349,495</u></u>	<u><u>3,618,252</u></u>	<u><u>2,881,266</u></u>	<u><u>2,183,578</u></u>
Town's net OPEB liability-ending (a)-(b)	<u><u>\$ 10,919,028</u></u>	<u><u>\$ 8,826,648</u></u>	<u><u>\$ 7,948,542</u></u>	<u><u>\$ 8,115,653</u></u>	<u><u>\$ 9,591,768</u></u>	<u><u>\$ 9,169,411</u></u>
Plan fiduciary net position as a percentage of total OPEB liability	26.09%	30.63%	35.37%	30.84%	23.10%	19.23%
Covered-employee payroll	\$ 12,178,963	\$ 11,824,236	\$ 10,094,000	\$ 9,800,000	\$ 9,514,563	\$ 9,137,872
Plan's net OPEB liability as a percentage of covered-employee payroll	89.65%	74.65%	78.75%	82.81%	100.81%	100.35%

Note: This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available

See notes to required supplementary information.

**TOWN OF HOLDEN, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2022**

Schedule of the Light Plant's Net OPEB Liability

	2021	2020	2019	2018	2017
Total OPEB Liability:					
Service Cost	\$ 61,584	\$ 54,056	\$ 57,072	\$ 51,162	\$ 57,336
Interest	121,864	114,807	112,904	115,925	114,771
Changes of assumptions	-	102,540	40,774	42,224	-
Differences Between Actual and Expected Experiences	-	107,476	-	(150,372)	-
Benefit Payments	(125,696)	(117,510)	(110,777)	(108,490)	(68,333)
Net Change in Total OPEB Liability	<u>57,752</u>	<u>261,369</u>	<u>99,973</u>	<u>(49,551)</u>	<u>103,774</u>
Total OPEB Liability-Beginning	<u>2,031,407</u>	<u>1,770,038</u>	<u>1,670,065</u>	<u>1,719,616</u>	<u>1,615,842</u>
Total OPEB Liability-Ending	<u>\$ 2,089,159</u>	<u>\$ 2,031,407</u>	<u>\$ 1,770,038</u>	<u>\$ 1,670,065</u>	<u>\$ 1,719,616</u>
Plan fiduciary Net Position:					
Contributions-Employer	\$ 125,696	\$ 225,197	\$ 216,580	\$ 210,490	\$ 194,158
Contributions-Employee	-	2,988	-	-	-
Net Investment Income	205,662	215,596	220,797	(80,791)	105,867
Benefit Payments	(125,696)	(117,510)	(110,777)	(108,490)	(68,333)
Net change in Plan Fiduciary Net Position	<u>205,662</u>	<u>326,271</u>	<u>326,600</u>	<u>21,209</u>	<u>231,692</u>
Plan Fiduciary Net Position - Beginning	<u>2,039,662</u>	<u>1,713,391</u>	<u>1,386,791</u>	<u>1,365,582</u>	<u>1,133,890</u>
Plan Fiduciary Net Position - Ending	<u>\$ 2,245,324</u>	<u>\$ 2,039,662</u>	<u>\$ 1,713,391</u>	<u>\$ 1,386,791</u>	<u>\$ 1,365,582</u>
Net OPEB Liability (Asset)- Ending	<u>\$ (156,165)</u>	<u>\$ (8,255)</u>	<u>\$ 56,647</u>	<u>\$ 283,274</u>	<u>\$ 354,034</u>

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 years trend is compiled OPEB plans should present information for those years for which information is available.

**TOWN OF HOLDEN, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2022**

Schedule of the Town's Contribution

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Actuarial determined contribution	\$ 873,730	\$ 763,792	\$ 940,861	\$ 926,831	\$ 1,089,212	\$ 1,066,347
Contributions in relation to the actuarially determined contribution	<u>(1,067,421)</u>	<u>(998,566)</u>	<u>(1,194,819)</u>	<u>(1,108,606)</u>	<u>(1,071,436)</u>	<u>(1,044,150)</u>
Contribution deficiency (excess)	<u>\$ (193,691)</u>	<u>\$ (234,774)</u>	<u>\$ (253,958)</u>	<u>\$ (181,775)</u>	<u>\$ 17,776</u>	<u>\$ 22,197</u>
Covered-employee payroll	\$ 12,178,963	\$ 11,824,236	\$ 10,094,000	\$ 9,800,000	\$ 9,514,563	\$ 9,137,872
Contributions as a percentage of covered-employee payroll	8.76%	8.45%	11.84%	11.31%	11.26%	11.43%

Note: This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**TOWN OF HOLDEN, MASSACHUSETTS
 REQUIRED SUPPLEMENTARY INFORMATION
 OTHER POSTEMPLOYMENT BENEFITS
 JUNE 30, 2022**

Schedule of Investment Return

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Annual money-weighted rate of return, net of investment expense	-14.47%	24.18%	2.48%	5.28%	5.47%	7.14%

Note: This schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**TOWN OF HOLDEN, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2022**

Light Department - Schedules of Net OPEB Liability, Employer Contributions and Investment Returns

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedules of Net OPEB Liability					
Total OPEB Liability	\$ 2,089,159	\$ 2,031,407	\$ 1,770,038	\$ 1,670,065	\$ 1,719,616
Plan Fiduciary Net Position	<u>(2,245,324)</u>	<u>(2,039,662)</u>	<u>(1,713,391)</u>	<u>1,386,791</u>	<u>1,365,582</u>
Net OPEB Liability (Asset)	<u>\$ (156,165)</u>	<u>\$ (8,255)</u>	<u>\$ 56,647</u>	<u>\$ 3,056,856</u>	<u>\$ 3,085,198</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	107.48%	100.41%	96.80%	83.04%	79.41%
Covered Payroll	\$ 1,677,738	\$ 1,628,872	\$ 1,658,037	\$ 1,609,745	\$ 1,730,037
Net OPEB Liability as a percentage of Covered Payroll	-9.31%	-0.51%	3.42%	17.60%	20.76%
Schedule of Employer Contributions:					
Acuarial Determined Contribution	\$ 61,584	\$ 53,651	\$ 61,145	\$ 72,012	\$ 93,634
Less: Contributions in Relation to the actuarially determined contribution	<u>(125,696)</u>	<u>(228,185)</u>	<u>(216,580)</u>	<u>(210,490)</u>	<u>(194,158)</u>
Contribution Deficiency (Excess)	<u>\$ (64,112)</u>	<u>\$ (174,534)</u>	<u>\$ (155,435)</u>	<u>\$ (138,478)</u>	<u>\$ (100,524)</u>
Covered-employee payroll	\$ 1,677,738	\$ 1,628,872	\$ 1,658,037	\$ 1,609,745	\$ 1,730,037
Contributions as a percentage of covered payroll	7.49%	14.01%	13.06%	13.08%	11.22%
Schedule of Investment Returns:					
Annual Money-Weighted rate of Return, net of investment expenses	10.08%	12.52%	15.73%	-5.73%	8.63%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, OPEB plans should present information for those years for which information is available.

TOWN OF HOLDEN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022

Pension Plan Schedules

A. Schedule of the Town's Proportionate Share of the Net Pension Liability

The Schedule of Town's Proportionate Share of the Net Pension Liability details the allocated percentage of the net pension liability; the proportionate share of the net pension liability, and the covered employee payroll. It also demonstrates the net position as a percentage of the pension liability and the net pension liability as a percentage of covered payroll.

B. Schedule of Town's Contribution

Governmental employees are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the System's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1, and January 1. The Town may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the Town based on covered payroll.

C. Changes in Plan Provisions – None

Other Postemployment Benefits Schedules

A. Schedule of the Town's Net OPEB Liability and Related Ratios

The Schedule of the Town's Net OPEB Liability and Related Ratios presents multi-year trend information on changes in the plan's total OPEB liability, changes in the plan's net position, and ending net OPEB liability. It also demonstrates the plan's net position as a percentage of the total liability and the plan's net OPEB liability as a percentage of covered-employee payroll.

B. Schedule of the Town's Contribution

The Schedule of the Town's contributions includes the Town's annual required contribution to the plan, along with the contribution made in relation to the actuarially determined contribution. The Town is not required to fully fund this contribution.

C. Schedule of Investment Return

The Schedule of Investment Return includes the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

D. Changes in Provisions - None