

TOWN OF HOLDEN, MASSACHUSETTS

**REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS**

JUNE 30, 2016

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TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 – 17
Basic Financial Statements	
Statement of Net Position	18
Statement of Activities	19 – 20
Governmental Funds – Balance Sheet	21
Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances	22
Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Position	23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
General Fund – Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	25
Proprietary Funds - Statement of Net Position	26
Proprietary Funds – Statement of Revenues, Expenses, and Changes in Net Position	27
Proprietary Funds – Statement of Cash Flows	28
Fiduciary Funds – Statement of Fiduciary Net Position	29
Fiduciary Funds – Statement of Changes in Fiduciary Net Position	30
Notes to Basic Financial Statements	31– 74
Required Supplementary Information:	
Worcester Regional Retirement System Schedules:	
Schedules of Funding Progress and Employer Contributions	75

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TABLE OF CONTENTS

	<u>PAGE</u>
Schedule of the Town's Proportionate Share of the Net Pension Liability	76
Schedule of Town's Contribution	77
Other Postemployment Benefit Plan Schedules:	
Schedules of Funding Progress and Employer Contributions	78 – 79
Notes to Required Supplementary Information	80

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Selectmen
Town of Holden, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Holden, Massachusetts, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Holden, Massachusetts, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Worcester Regional Retirement System schedules of funding progress, employer contributions, Town's proportionate share of the net pension liability, Town's contribution, and other post-employment benefits – schedules of funding progress and employer contributions and notes to the retirement system on pages 3 – 17 and 75 – 77, 78 – 79 and 80 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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.

A handwritten signature in blue ink that reads "R. E. Brown + Company". The signature is written in a cursive, flowing style.

March 22, 2017

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, 2016. 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, 2016, the estimated actuarial accrued pension liability of the Worcester Regional Retirement System is \$709,806,971 and the Town's proportionate share is \$22,668,858 and the Municipal Light Department's share is an additional \$4,636,439 for a total liability of \$27,305,297 as of June 30, 2016.

GASB Statement No. 45 (GASB 45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB), was implemented by the Town effective July 1, 2008. The purpose of GASB 45 is to improve the relevance and usefulness of financial reporting by requiring states and municipalities to identify, through actuarial analysis, the true costs of the OPEB earned by employees over their estimated years of active service. OPEB, as with pensions, is a promise made to employees as a condition of their employment that is part of compensation each year. Even though these benefits are not received until after employment, they constitute compensation to attract and retain qualified employees. These costs will be recognized over the working lifetime of employees rather than after their employment has ceased. For the fiscal year ended June 30, 2016, the estimated unfunded actuarial accrued liability of the Town is \$11,200,025. The Town benefits provided to retirees and eligible surviving spouses include health and life insurance. GASB 45 does not require current funding of the OPEB and 95% of municipal entities are not currently funding the liability in their communities. However, the Town accepted Chapter 32B Section 20 establishing an OPEB liability trust fund at the May 2009 annual town meeting. As of June 30, 2016 the trust fund has a balance of \$1,471,687 from contributions made by the Town of Holden, the Holden Municipal Light Department and the Water/Sewer Enterprise fund.

Overall, both revenues and expenditures are higher than they were in the prior year. Expenditures related to the Holden Municipal Light Department increased due to increased purchased power costs. Public Works expenditures increased as a result of capital equipment purchases. Education expenditures increased as a result of the increased depreciation associated with the Mount View Middle School building. Revenues are higher than last year due mainly to increases in capital grants and contributions as a result of grant revenue received from the Massachusetts School Building Authority in connection with the Mount View Middle School Construction project and State Grant funds received in connection with the creation of the Regional Dispatch Center. Revenue from motor vehicle excise taxes also increased.

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

Total revenue for the year for all funds was \$78.9 million - \$2.9 million or 3.8% more than the total revenue for the fiscal year ended June 30, 2015.

	Fiscal Year Ended June 30, 2016	% Total	Fiscal Year Ended June 30, 2015	% Total
Property taxes	\$ 34,138,306	43.26%	\$ 34,119,539	44.89%
Motor vehicle excise	2,727,252	3.46%	2,492,261	3.29%
Penalties and interest	158,447	0.20%	207,461	0.27%
Payments in lieu of taxes	1,180,815	1.50%	1,182,389	1.56%
Charges for services	25,185,994	31.91%	24,130,204	31.75%
Operating grants and contributions	1,695,408	2.15%	1,884,646	2.48%
Capital grants and contributions	11,319,727	14.34%	9,283,756	12.22%
Nonrestricted grants and contributions	1,921,578	2.43%	1,852,944	2.44%
Unrestricted investment income and other	588,543	0.75%	849,631	1.12%
Total revenue	<u>\$ 78,916,070</u>	<u>100.00%</u>	<u>\$ 76,002,831</u>	<u>100.00%</u>

Total expenses for the year for all funds was \$68.5 million - \$3.9 million or 6.0% more than the total expenditures for the fiscal year ended June 30, 2015.

	Fiscal Year Ended June 30, 2016	% Total	Fiscal Year Ended June 30, 2015	% Total
General government	\$ 2,460,277	3.59%	\$ 2,328,834	3.61%
Public safety	5,841,714	8.53%	6,200,219	9.60%
Education	25,044,970	36.58%	23,544,180	36.45%
Public works	4,886,170	7.14%	4,624,882	7.16%
Water and sewer	6,067,511	8.86%	5,725,660	8.87%
Trash	1,074,478	1.57%	1,102,840	1.71%
Electric	14,552,356	21.26%	14,204,107	21.99%
Human services	476,363	0.70%	397,114	0.61%
Culture and recreation	1,765,496	2.58%	1,658,814	2.57%
Employee benefits	5,011,435	7.32%	3,788,940	5.87%
State and county assessments	135,176	0.20%	132,032	0.20%
Interest	1,146,347	1.67%	878,341	1.36%
Total expenditures	<u>\$ 68,462,293</u>	<u>100.00%</u>	<u>\$ 64,585,963</u>	<u>100.00%</u>

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Holden's basic financial statements. The Town of Holden's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The government-wide financial statements provide both short-term and long-term information about the Town. The fund financial statements focus on the individual parts of the Town government, reporting the operations in more detail than the government-wide statements. Both presentations (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison, and improve the Town's accountability.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town of Holden's finances, in a manner similar to private sector business.

Statement of Net Position – Presents all of the government's assets and liabilities, with the difference between the two reported as "net position". The amount of net position is widely considered a good measure of the Town's financial health. Over time increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating. The reader should also consider other non-financial factors, such as the condition of the Town's infrastructure and changes in the property tax base, to assess the overall health of the Town.

Statement of Activities – Presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported for some items that will not result in cash flows until future fiscal periods (i.e. uncollected taxes and earned but unused vacation leave).

In the government-wide statements, financial information is presented in two columns in order to summarize the Town's programs or activities. The types of activities presented are as follows:

Governmental Activities – Taxes and intergovernmental revenues primarily support the functions of the government and are reported in this section. Most of the Town's basic services are reported here including general government, public safety, education, public works, human services, culture, recreation, debt service, state/county charges and assessments, insurance, and employees' benefits.

Business-Type Activities – These functions are normally intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The Water/Sewer, Electric, and Trash operations are considered business-type activities.

Fund Financial Statements

Traditional readers of governmental financial statements will find the fund financial statement presentation to be most familiar. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Holden, like most other local governments, uses a fund accounting system to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories:

Governmental Funds – Most of the basic services provided by the Town are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information is useful in evaluating the Town's near-term financing requirements. This approach reflects the modified accrual basis of accounting, which uses the flow of current financial resources measurement focus. Such statements provide a detailed short-term view of the Town's finances that assist in determining whether there will be adequate financial resources available to meet current needs.

Because the focus of governmental funds financial statements is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This comparison will assist the reader in understanding the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The Town maintains two major governmental funds that are presented separately in the governmental funds financial statements. The remaining non-major funds are combined into a single, aggregated presentation.

The Town adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary Funds – Provides services for which the Town charges customers a fee and operates similar to a commercial business. The proprietary funds provide the same type of information as in the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary funds financial statements use the full accrual basis of accounting. There is no reconciliation needed between the government-wide financial statements and the proprietary funds financial statements.

Fiduciary Funds – Such funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the Town's programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

Statement of Net Position

Net position may serve over time as a useful indicator of a government's financial position. The Town's total net position as of June 30, 2016 was \$106.1 million, of which \$69.4 million related to governmental activities and \$36.7 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 (98.0%) reflects its investment in capital assets (land, buildings, improvements other than buildings, machinery and equipment, vehicles, infrastructure, and construction in progress); less any related debt used to acquire those assets that remains outstanding. The Town uses these capital assets to provide services to its citizens; therefore, these assets are not available for future spending. It is important to note that other resources are needed to repay the debt because the capital assets cannot be used to finance these liabilities.

A modest amount of the Town's net position (9.3%) is subject to external restrictions on how they may be used. The remaining balance (-7.3%) represents unrestricted net position.

Total current assets within the governmental activities were \$28.5 million and included cash & investments of \$23.6 million and receivables net of allowances of \$4.9 million.

Total current liabilities within the governmental activities were \$13.5 million and included accounts payable of \$1.4 million and bonds and notes payable of \$11.2 million. Noncurrent liabilities within the governmental activities were \$58.4 million and included \$32.2 million of general obligation bonds payable and \$21.3 million of pension liability.

Total current assets within the business-type activities were \$13.3 million and included cash & investments of \$8.7 million and receivables net of allowances of \$2.8 million.

Current liabilities within the business-type activities were \$3.2 million and included accounts payable of \$1.4 million and bond and notes payable of \$1.5 million. Noncurrent liabilities within the business-type activities were \$17.1 million and included \$11.2 million of general obligation bonds payable and \$5.4 million of pension liability.

Comparative Net Position						
	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015
Assets:						
Current assets	\$ 28,454,072	\$ 36,781,312	\$ 13,311,481	\$ 10,925,112	\$ 41,765,553	\$ 47,706,424
Noncurrent assets	5,198,367	6,931,156	7,039,361	7,109,887	12,237,728	14,041,043
Capital assets	107,225,515	90,839,687	39,046,873	38,815,158	146,272,388	129,654,845
Total assets	140,877,954	134,552,155	59,397,715	56,850,157	200,275,669	191,402,312
Deferred Outflows of Resources:	1,764,961	11,345	414,112	267,324	2,179,073	278,669
Liabilities:						
Current liabilities	13,527,905	30,001,504	3,204,497	3,924,099	16,732,402	33,925,603
Noncurrent liabilities	58,401,861	43,178,551	17,075,400	15,480,286	75,477,261	58,658,837
Total liabilities	71,929,766	73,180,055	20,279,897	19,404,385	92,209,663	92,584,440
Deferred Inflows of Resources:	1,298,153	740,298	2,804,079	2,674,178	4,102,232	3,414,476
Net Position:						
Net investment in capital assets	75,361,927	78,923,451	28,643,863	26,937,648	104,005,790	105,861,099
Restricted	8,733,863	(53,426)	1,104,095	997,004	9,837,958	943,578
Unrestricted	(14,680,794)	(18,226,878)	6,979,893	7,104,266	(7,700,901)	(11,122,612)
Total net position	\$ 69,414,996	\$ 60,643,147	\$ 36,727,851	\$ 35,038,918	\$ 106,142,847	\$ 95,682,065

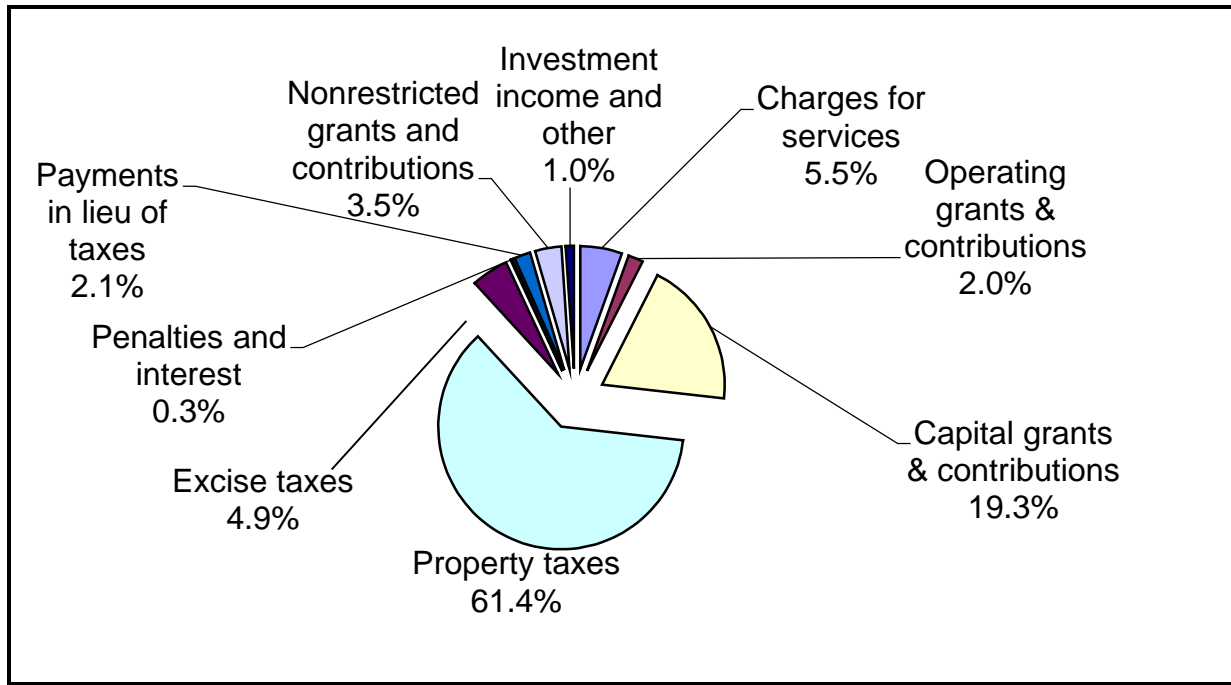
Governmental activities current assets decreased \$8.3 million, as compared with fiscal year 2015 due mainly to decreased cash on hand from the expenditures related to the Mount View Middle School building project. Business-type activities current assets increased \$2.4 million. Governmental activities current liabilities decreased \$16.5 million as compared with fiscal year 2015 due to the issuance of \$15 million of bonds related to the Mount View Middle School building project. Business-type activities current liabilities decreased \$0.7 million. Total noncurrent liabilities of the primary government increased \$16.8 million due mainly to the issuance of \$15 million of bonds for the Mount View Middle School project.

Governmental activities net investment in capital assets decreased 4.5%, and unrestricted net position deficit decreased 19.5% as compared with the prior year. Business-type net investment in capital assets increased 6.3%, and unrestricted net position decreased by 1.8% as compared with the prior year.

Governmental activities increased the Town of Holden's net position by \$8,771,849. 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 2016	FY 2015	
Revenues			
<i>Program Revenues:</i>			
Charges for services	\$ 3,066,525	\$ 2,835,457	\$ 231,068
Operating grants and contributions	1,089,653	1,192,522	(102,869)
Capital grants and contributions	10,733,686	9,200,649	1,533,037
<i>General Revenues:</i>			
Real Estate and personal property taxes	34,138,306	34,119,539	18,767
Motor vehicle and other excise taxes	2,727,252	2,492,261	234,991
Penalties and interest	158,447	207,461	(49,014)
Payments in lieu of taxes	1,180,815	1,182,389	(1,574)
Nonrestricted grants and contributions	1,921,578	1,852,944	68,634
Unrestricted investment income & other	588,543	756,695	(168,152)
Total Revenues	55,604,805	53,839,917	1,764,888
Expenses:			
General Government	2,460,277	2,328,834	131,443
Public Safety	5,841,714	6,200,219	(358,505)
Education	25,044,970	23,544,180	1,500,790
Public Works	4,886,170	4,624,882	261,288
Human Services	476,363	397,114	79,249
Culture and Recreation	1,765,496	1,658,814	106,682
Employee Benefits	5,011,435	3,788,940	1,222,495
State and County Assessments	135,176	132,032	3,144
Interest	1,146,347	878,341	268,006
Total Expenses	46,767,948	43,553,356	3,214,592
Increase/(Decrease) in Net Position before contributions to term and permanent endowments or permanent fund principal, and transfers	8,836,857	10,286,561	(1,449,704)
Contributions to permanent funds	7,005	8,755	(1,750)
Transfers	(72,013)	-	(72,013)
Change in Net Position	8,771,849	10,295,316	(1,523,467)
Net Position - beginning	60,643,147	50,347,831	
Net Position - ending	\$ 69,414,996	\$ 60,643,147	

Governmental Activities – FY2016 Revenues



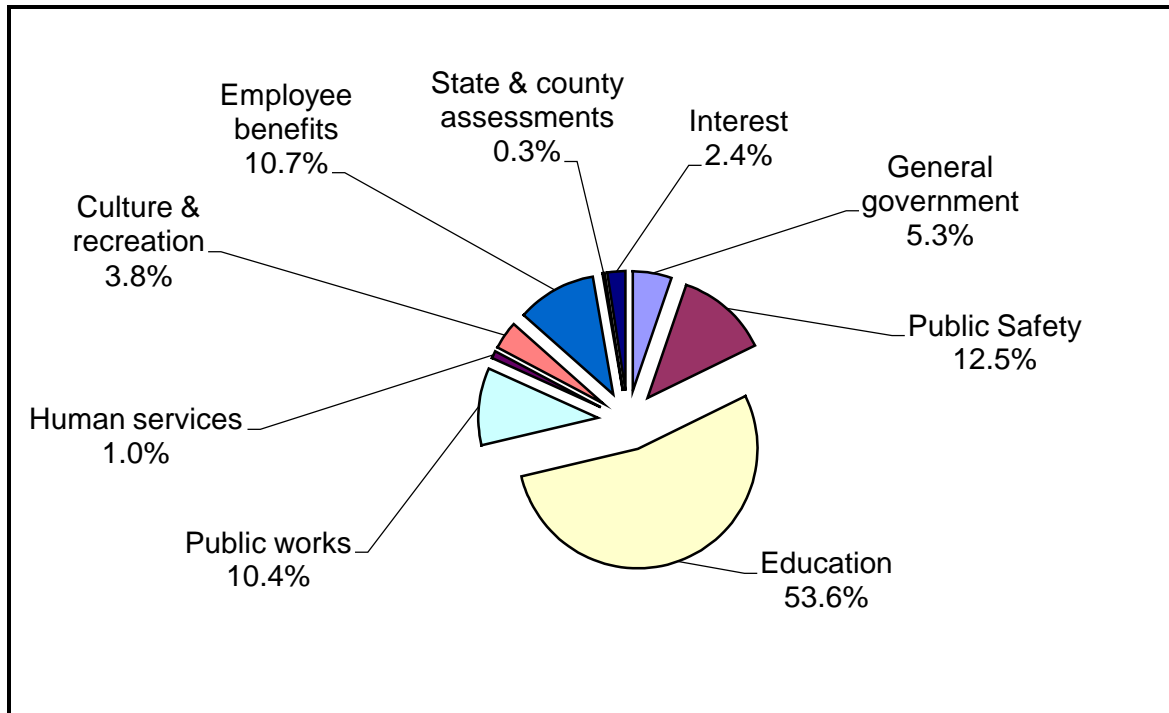
Revenues

Property taxes along with payments in lieu of taxes and excise taxes support approximately 68.4% of the Town's governmental activities. This is a reduction of 1.8% from fiscal year 2015 and is due mostly to the increase in capital grants and contributions.

Roughly 53% of the operating grants apply to public safety and 26% apply to general government. Approximately 50% of the charges for services revenue was generated by public safety from the EMS service. Culture and recreation services represented 29% and general government services represented more than 15%.

Nearly 95% of capital grants and contribution revenue was received from the Massachusetts School Building Authority (MSBA) in connection with the Mount View Middle School construction project. Roughly 4% of the capital grants and contribution revenue supported public works projects and infrastructure and a majority of it was received from Mass Highway (Chapter 90).

Governmental Activities – FY2016 Expenses



Expenses

Education is by far the largest governmental activity of the Town. Approximately \$25.0 million in tax revenues were needed to cover the fiscal year 2016 school operating expenses. This is an increase of \$1.5 million from the prior year. \$10.2 million of capital grants and contributions was used to fund the construction of the Mount View Middle School Building. This is an increase of \$2.3 million from the prior year.

Public safety and employee benefits represent the second and third largest governmental activities of the Town. Approximately \$3.7 million and \$5.0 million of taxes and other general revenues were needed to cover the fiscal year 2016 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 \$1,688,933 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 2016	FY 2015	
Revenues			
<i>Program Revenues:</i>			
Charges for services	\$ 22,119,469	\$ 21,294,747	\$ 824,722
Operating grants and contributions	605,755	692,124	(86,369)
Capital grants and contributions	586,041	83,107	502,934
Other Income	-	92,936	(92,936)
Total Revenues	23,311,265	22,162,914	1,148,351
Expenses:			
Electric	14,552,356	14,204,107	348,249
Water/Sewer	6,067,511	5,725,660	341,851
Trash	1,074,478	1,102,840	(28,362)
Total Expenses	21,694,345	21,032,607	661,738
Excess (deficiency) of revenues over expenses	1,616,920	1,130,307	486,613
Transfers	72,013	-	72,013
Change in Net Position	1,688,933	1,130,307	558,626
Net Position - beginning	35,038,918	33,908,611	
Net Position - ending	\$ 36,727,851	\$ 35,038,918	

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 \$16.3 million, an increase of \$10.2 million in comparison with the prior fiscal year as a result of issuing \$15 million of bonds for the Mount View Middle School construction project and for normal operations.

The General Fund is the chief operating fund of the Town. At the end of the fiscal year, unassigned fund balance was \$8,148,927, while total fund balance was \$16,488,368. 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 \$36.7 million; \$28.6 million or 78% of which relates to the Town's net investment in capital assets.

General Fund Budgetary Highlights

The original fiscal year 2016 general fund operating budget of \$45.0 million was set at the May 2015 annual town meeting. A small amount was transferred from general government reserve fund to human services to cover veterans aid payments.

Revenues exceeded budgetary amounts by \$1,512,285 and expenditures were less than budgetary amounts by \$2,894,177. Favorable revenue types included departmental fees from the EMS service, motor vehicle excise, and real estate and personal property taxes. Public works, public safety and education expenditures were less than budgetary amounts by \$1,035,166, \$650,962 and \$544,978 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, 2016 amount to \$146,272,388 (net of accumulated depreciation). This investment includes land, buildings, improvements other than buildings, machinery and equipment, vehicles, infrastructure and construction in progress. The total increase in the Town's investment for the fiscal year was \$16,617,543 (a \$16.4 million increase for governmental activities and a \$0.2 million increase for business-type activities).

Capital Assets (Net of Accumulated Depreciation)			
Primary government	FY 2016	FY 2015	Increase/ (Decrease)
Land	\$ 3,185,898	\$ 3,141,942	\$ 43,956
Construction in progress	411,641	22,998,868	(22,587,227)
Buildings	76,023,197	38,107,972	37,915,225
Improvements other than buildings	1,512,009	1,598,262	(86,253)
Machinery and equipment	2,206,636	2,022,751	183,885
Vehicles	2,750,555	2,906,196	(155,641)
Infrastructure	50,498,975	49,051,304	1,447,671
Electric - land	72,500	72,500	-
Electric - construction in progress	94,895	150,657	(55,762)
Electric - general plant	2,675,372	2,741,220	(65,848)
Electric - distribution plant	6,840,710	6,863,173	(22,463)
Total Capital Assets	\$ 146,272,388	\$ 129,654,845	\$ 16,617,543

Debt

In June 2015, the Town's bond rating was upgraded from AA to AA+ from Standard and Poor's 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 a total bonded debt outstanding of \$47,392,574. The entire amount is classified as general obligation debt and is backed by the full faith and credit of the government. Of the total bonded debt, \$24,394,000 or nearly 52% is for school construction for which the Town receives an annual reimbursement from the Massachusetts School Building Authority for the elementary school projects. In June 2016 the Town issued bonds in the amount of \$15,000,000 and a bond anticipation note (BAN) in the amount of \$7,000,000 for the Mount View Middle School building project.

Outstanding Debt at Year End		
Governmental Activities	Outstanding June 30, 2016	Outstanding June 30, 2015
Schools	\$ 24,452,500	\$ 11,597,875
Public Safety	9,742,025	10,412,769
Public Works	284,475	413,356
Swimming Pool	411,000	607,000
Title V	15,216	19,020
Total Governmental Activities	\$ 34,905,216	\$ 23,050,020
Business-type Activities		
Water Improvements	\$ 9,051,682	\$ 7,547,554
Electric	-	260,000
Sewer Construction	3,435,676	3,632,689
Total Business-type Activities	\$ 12,487,358	\$ 11,440,243

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

Economic Factors and Next Year's Budget and Rates

Fiscal year 2016 was the fourth consecutive year that the property tax levy was set below the levels authorized by Proposition 2 ½. The average 2016 single family home in Holden was valued at \$278,326 with an average annual tax bill of \$4,801. The overall property values for fiscal year 2016 increased approximately 4.5% as compared with fiscal year 2015. It is expected that property values will continue to increase slightly going forward. Residential and commercial property growth is expected to increase through fiscal year 2017.

In June 2015, the Town's bond rating was upgraded from AA to AA+ from Standard and Poor's and in October 2016, the Town's bond rating was upgraded from Aa3 to Aa2 from Moody's Investor Services. A higher credit rating will positively affect the Town's future interest rates on borrowing, and result in lower debt service costs. The Rating Service's outlook is termed "stable" and their report cites the Town's strong 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 a decrease in state aid, the Town has a balanced budget for fiscal year 2017 and expects only a minimal increase for fiscal 2018 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, 2016**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
CURRENT:			
CASH AND SHORT-TERM INVESTMENTS	\$ 17,082,193	\$ 8,572,312	\$ 25,654,505
INVESTMENTS	6,474,406	182,551	6,656,957
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES	197,781	-	197,781
TAX LIENS	732,651	-	732,651
MOTOR VEHICLE EXCISE TAXES	214,828	-	214,828
USER FEES	-	2,587,883	2,587,883
DEPARTMENTAL AND OTHER	343,437	-	343,437
INTERGOVERNMENTAL	3,408,776	-	3,408,776
SPECIAL ASSESSMENTS	-	287,073	287,073
PREPAID EXPENSES	-	261,021	261,021
OTHER ASSETS	-	1,420,641	1,420,641
NONCURRENT:			
RESTRICTED ASSETS:			
CASH AND SHORT-TERM INVESTMENTS	-	3,911,200	3,911,200
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
SPECIAL ASSESSMENTS	-	3,128,161	3,128,161
INTERGOVERNMENTAL	5,198,367	-	5,198,367
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	107,225,515	39,046,873	146,272,388
TOTAL ASSETS	140,877,954	59,397,715	200,275,669
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
RELATED TO PENSIONS	1,764,961	414,112	2,179,073
<u>LIABILITIES</u>			
CURRENT:			
ACCOUNTS PAYABLE	1,439,755	1,351,166	2,790,921
ACCRUED LIABILITIES	-	150,123	150,123
OTHER LIABILITIES	17,905	118,038	135,943
ACCRUED INTEREST	187,853	47,291	235,144
BONDS AND NOTES PAYABLE	11,182,307	1,506,625	12,688,932
LANDFILL POSTCLOSURE CARE COSTS	236,000	-	236,000
COMPENSATED ABSENCES	464,085	31,254	495,339
NONCURRENT:			
CUSTOMER DEPOSITS	-	227,476	227,476
ACCRUED EXPENSES	-	47,673	47,673
BONDS AND NOTES PAYABLE	32,169,325	11,193,296	43,362,621
LANDFILL POSTCLOSURE CARE COSTS	500,000	-	500,000
COMPENSATED ABSENCES	324,842	9,345	334,187
POST EMPLOYMENT BENEFITS	4,104,101	217,950	4,322,051
NET PENSION LIABILITY	21,303,593	5,379,660	26,683,253
TOTAL LIABILITIES	71,929,766	20,279,897	92,209,663
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
DEFERRED AMOUNT ON REFUNDING	526,441	53,250	579,691
RELATED TO PENSIONS	771,712	49,454	821,166
CONTRIBUTION IN AID OF CONSTRUCTION	-	121,716	121,716
RATE STABILIZATION RESERVE	-	2,579,659	2,579,659
TOTAL DEFERRED INFLOWS OF RESOURCES:	1,298,153	2,804,079	4,102,232
<u>NET POSITION</u>			
NET INVESTMENT IN CAPITAL ASSETS	75,361,927	28,643,863	104,005,790
RESTRICTED FOR:			
DEPRECIATION	-	1,104,095	1,104,095
STREETS	575,865	-	575,865
PERMANENT FUNDS:			
EXPENDABLE	473,793	-	473,793
NONEXPENDABLE	430,567	-	430,567
OTHER PURPOSES	7,253,638	-	7,253,638
UNRESTRICTED	(14,680,794)	6,979,893	(7,700,901)
TOTAL NET POSITION	\$ 69,414,996	\$ 36,727,851	\$ 106,142,847

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2016**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
PRIMARY GOVERNMENT:					
GOVERNMENTAL ACTIVITIES:					
GENERAL GOVERNMENT	\$ 2,460,277	\$ 467,342	\$ 282,410	\$ -	\$ (1,710,525)
PUBLIC SAFETY	5,841,714	1,522,701	577,250	-	(3,741,763)
EDUCATION	25,044,970	-	19,701	10,176,601	(14,848,668)
PUBLIC WORKS	4,886,170	94,802	34,445	471,789	(4,285,134)
HUMAN SERVICES	476,363	102,501	94,818	45,000	(234,044)
CULTURE & RECREATION	1,765,496	879,179	81,029	40,296	(764,992)
EMPLOYEE BENEFITS	5,011,435	-	-	-	(5,011,435)
STATE & COUNTY ASSESSMENTS	135,176	-	-	-	(135,176)
INTEREST	1,146,347	-	-	-	(1,146,347)
TOTAL GOVERNMENTAL ACTIVITIES	46,767,948	3,066,525	1,089,653	10,733,686	(31,878,084)
BUSINESS-TYPE ACTIVITIES:					
WATER/SEWER	6,067,511	6,245,522	410,507	586,041	1,174,559
ELECTRIC	14,552,356	14,725,724	193,460	-	366,828
OTHER ENTERPRISE	1,074,478	1,148,223	1,788	-	75,533
TOTAL BUSINESS-TYPE ACTIVITIES	21,694,345	22,119,469	605,755	586,041	1,616,920
TOTAL PRIMARY GOVERNMENT	\$ 68,462,293	\$ 25,185,994	\$ 1,695,408	\$ 11,319,727	\$ (30,261,164)

See accompanying notes to the basic financial statements

(continued)

**TOWN OF HOLDEN, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2016**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
CHANGES IN NET POSITION:			
NET (EXPENSE) REVENUE FROM PREVIOUS PAGE	\$ (31,878,084)	\$ 1,616,920	\$ (30,261,164)
GENERAL REVENUES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS PAYABLE	34,010,574	-	34,010,574
TAX LIENS	127,732	-	127,732
MOTOR VEHICLE EXCISE TAXES	2,727,252	-	2,727,252
PENALTIES AND INTEREST ON TAXES	158,447	-	158,447
PAYMENTS IN LIEU OF TAXES	1,180,815	-	1,180,815
GRANTS AND CONTRIBUTIONS NOT RESTRICTED TO SPECIFIC PROGRAMS	1,921,578	-	1,921,578
RENTAL INCOME	101,184	-	101,184
UNRESTRICTED INVESTMENT INCOME	249,345	-	249,345
BOND PREMIUM	153,499	-	153,499
CONTRIBUTIONS TO PERMANENT FUNDS	7,005	-	7,005
MISCELLANEOUS	84,515	-	84,515
TRANSFERS, NET	(72,013)	72,013	-
TOTAL GENERAL REVENUES AND TRANSFERS	40,649,933	72,013	40,721,946
CHANGE IN NET POSITION	8,771,849	1,688,933	10,460,782
NET POSITION:			
BEGINNING OF YEAR	60,643,147	35,038,918	95,682,065
END OF YEAR	\$ 69,414,996	\$ 36,727,851	\$ 106,142,847

See accompanying notes to the basic financial statements

(concluded)

**TOWN OF HOLDEN, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016**

<u>ASSETS</u>	GENERAL	MT. VIEW SCHOOL PROJECT	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
CASH AND SHORT-TERM INVESTMENTS	\$ 11,690,839	\$ 3,713,806	\$ 1,677,548	\$ 17,082,193
INVESTMENTS	5,117,559	-	1,356,847	6,474,406
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:				
REAL ESTATE AND PERSONAL PROPERTY TAXES	197,781	-	-	197,781
TAX LIENS	732,651	-	-	732,651
MOTOR VEHICLE EXCISE TAXES	214,828	-	-	214,828
DEPARTMENTAL AND OTHER	343,437	-	-	343,437
INTERGOVERNMENTAL	7,041,017	-	1,566,126	8,607,143
TOTAL ASSETS	\$ 25,338,112	\$ 3,713,806	\$ 4,600,521	\$ 33,652,439
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
LIABILITIES:				
ACCOUNTS PAYABLE	\$ 519,850	\$ 747,978	\$ 171,927	\$ 1,439,755
OTHER LIABILITIES	17,905	-	-	17,905
NOTES PAYABLE	-	7,000,000	-	7,000,000
TOTAL LIABILITIES	537,755	7,747,978	171,927	8,457,660
DEFERRED INFLOWS OF RESOURCES:				
UNAVAILABLE REVENUE	8,311,989	-	575,865	8,887,854
FUND BALANCES:				
NONSPENDABLE	-	-	430,567	430,567
RESTRICTED	2,984,158	-	3,453,160	6,437,318
COMMITTED	1,218,636	-	-	1,218,636
ASSIGNED	4,136,647	-	-	4,136,647
UNASSIGNED	8,148,927	(4,034,172)	(30,998)	4,083,757
TOTAL FUND BALANCES	16,488,368	(4,034,172)	3,852,729	16,306,925
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	\$ 25,338,112	\$ 3,713,806	\$ 4,600,521	\$ 33,652,439

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, 2016**

	GENERAL	MT. VIEW SCHOOL PROJECT	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES:</u>				
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 34,159,906	\$ -	\$ -	\$ 34,159,906
MOTOR VEHICLE EXCISE TAXES	2,695,392	-	-	2,695,392
PENALTIES AND INTEREST ON TAXES	165,447	-	-	165,447
INTERGOVERNMENTAL	3,681,642	10,176,601	1,459,355	15,317,598
CHARGES FOR SERVICES	-	-	1,340,365	1,340,365
INVESTMENT INCOME	243,587	-	47,817	291,404
CONTRIBUTIONS & DONATIONS	-	-	61,227	61,227
DEPARTMENTAL AND OTHER	3,387,015	-	84,016	3,471,031
TOTAL REVENUES	44,332,989	10,176,601	2,992,780	57,502,370
<u>EXPENDITURES:</u>				
CURRENT:				
GENERAL GOVERNMENT	2,097,361	-	313,688	2,411,049
PUBLIC SAFETY	4,819,549	-	515,865	5,335,414
EDUCATION	23,745,160	18,262,424	-	42,007,584
PUBLIC WORKS	3,267,521	-	881,089	4,148,610
HUMAN SERVICES	373,803	-	61,744	435,547
CULTURE & RECREATION	827,608	-	762,217	1,589,825
EMPLOYEE BENEFITS	3,248,034	-	-	3,248,034
STATE & COUNTY ASSESSMENTS	135,176	-	-	135,176
DEBT SERVICE				
PRINCIPAL	3,144,804	-	-	3,144,804
INTEREST	1,357,318	-	-	1,357,318
TOTAL EXPENDITURES	43,016,334	18,262,424	2,534,603	63,813,361
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,316,655	(8,085,823)	458,177	(6,310,991)
<u>OTHER FINANCING SOURCES (USES)</u>				
PROCEEDS FROM BONDS AND NOTES	-	15,000,000	-	15,000,000
BORROWING PREMIUM	1,446,416	-	106,773	1,553,189
OPERATING TRANSFERS IN	163,265	-	-	163,265
OPERATING TRANSFERS OUT	(72,013)	-	(163,265)	(235,278)
TOTAL OTHER FINANCING SOURCES (USES)	1,537,668	15,000,000	(56,492)	16,481,176
NET CHANGE IN FUND BALANCES	2,854,323	6,914,177	401,685	10,170,185
FUND BALANCES AT BEGINNING OF YEAR	13,634,045	(10,948,349)	3,451,044	6,136,740
FUND BALANCES AT END OF YEAR	\$ 16,488,368	\$ (4,034,172)	\$ 3,852,729	\$ 16,306,925

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, 2016**

TOTAL GOVERNMENTAL FUND BALANCES		\$ 16,306,925
CAPITAL ASSETS (NET) USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS		107,225,515
ACCOUNTS RECEIVABLE ARE NOT AVAILABLE TO PAY FOR CURRENT-PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS		8,887,854
IN THE STATEMENT OF ACTIVITIES, INTEREST IS ACCRUED ON OUTSTANDING LONG-TERM DEBT, WHEREAS IN GOVERNMENTAL FUNDS INTEREST IS NOT REPORTED UNTIL DUE		(187,853)
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	(34,905,216)	
NET PENSION LIABILITY	(21,303,593)	
DEFERRED INFLOWS OF RESOURCES:	(771,712)	
DEFERRED OUTFLOWS OF RESOURCES:	1,764,961	
DEFERRED AMOUNT ON REFUNDING	(526,441)	
UNAMORTIZED BOND PREMIUM	(1,446,416)	
COMPENSATED ABSENCES	(788,927)	
POST EMPLOYMENT BENEFITS	(4,104,101)	
LANDFILL POSTCLOSURE CARE COSTS	<u>(736,000)</u>	
NET EFFECT OF REPORTING LONG-TERM LIABILITIES		<u>(62,817,445)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 69,414,996</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, 2016**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ 10,170,185**

GOVERNMENTAL FUNDS REPORT CAPITAL OUTLAYS AS EXPENDITURES. HOWEVER, IN THE STATEMENT OF ACTIVITIES THE COST OF THOSE ASSETS IS ALLOCATED OVER THEIR ESTIMATED USEFUL LIVES AND REPORTED AS DEPRECIATION EXPENSE.

CAPITAL OUTLAY	20,092,003	
DEPRECIATION EXPENSE	<u>(4,263,260)</u>	
NET EFFECT OF REPORTING CAPITAL ASSETS		15,828,743

REVENUES IN THE STATEMENT OF ACTIVITIES THAT DO NOT PROVIDE CURRENT FINANCIAL RESOURCES ARE FULLY DEFERRED IN THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES. THEREFORE, THE RECOGNITION OF REVENUE FOR VARIOUS TYPES OF ACCOUNTS RECEIVABLE (I.E. REAL ESTATE AND PERSONAL PROPERTY, MOTOR VEHICLE EXCISE, ETC.) DIFFER BETWEEN THE TWO STATEMENTS. THIS AMOUNT REPRESENTS THE NET CHANGE IN DEFERRED REVENUE (2,554,418)

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 557,085

THE ISSUANCE OF LONG-TERM DEBT (E.G., BONDS) PROVIDES CURRENT FINANCIAL RESOURCES TO GOVERNMENTAL FUNDS, WHILE THE REPAYMENT OF THE PRINCIPAL OF LONG-TERM DEBT CONSUMES THE FINANCIAL RESOURCES OF GOVERNMENTAL FUNDS. NEITHER TRANSACTION, HOWEVER, HAS ANY EFFECT ON NET ASSETS. ALSO, GOVERNMENTAL FUNDS REPORT THE EFFECT OF ISSUANCE COSTS, PREMIUMS, DISCOUNTS, AND SIMILAR ITEMS WHEN DEBT IS FIRST ISSUED, WHEREAS THESE AMOUNTS ARE DEFERRED AND AMORTIZED IN THE STATEMENT OF ACTIVITIES.

PROCEEDS FROM BONDS AND NOTES	(15,000,000)	
DEBT SERVICE PRINCIPAL PAYMENTS	<u>3,144,804</u>	
NET EFFECT OF REPORTING LONG-TERM DEBT		(11,855,196)

SOME EXPENSES REPORTED IN THE STATEMENT OF ACTIVITIES DO NOT REQUIRE THE USE OF CURRENT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED AS EXPENDITURES IN THE GOVERNMENTAL FUNDS.

NET CHANGE IN COMPENSATED ABSENCES ACCRUAL	42,033	
NET CHANGE IN OTHER POSTEMPLOYMENT BENEFITS	(305,827)	
NET CHANGE IN PENSION LIABILITY	(2,441,215)	
NET CHANGE IN DEFERRED OUTFLOWS OF RESOURCES	1,753,616	
NET CHANGE IN DEFERRED INFLOWS OF RESOURCES	(771,712)	
NET CHANGE IN UNAMORTIZED BOND PREMIUM	(1,446,416)	
NET CHANGE IN LANDFILL POSTCLOSURE CARE ACCRUAL	(416,000)	
NET CHANGE IN DEFERRED AMOUNT ON REFUNDING	213,857	
NET CHANGE IN ACCRUED INTEREST ON LONG-TERM DEBT	<u>(2,886)</u>	
NET EFFECT OF RECORDING LONG-TERM LIABILITIES		<u>(3,374,550)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 8,771,849**

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, 2016**

	BUDGETED AMOUNTS		ACTUAL BUDGETARY AMOUNTS	VARIANCE OVER(UNDER)
	ORIGINAL BUDGET	FINAL BUDGET		
<u>REVENUES:</u>				
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 33,840,480	\$ 33,840,480	\$ 34,159,906	\$ 319,426
MOTOR VEHICLE EXCISE TAXES	2,050,000	2,050,000	2,695,392	645,392
PENALTIES & INTEREST ON TAXES	115,000	115,000	165,447	50,447
INTERGOVERNMENTAL	3,678,052	3,678,052	3,680,677	2,625
INVESTMENT INCOME	60,000	60,000	89,372	29,372
DEPARTMENTAL AND OTHER	2,921,992	2,921,992	3,387,015	465,023
TOTAL REVENUES	42,665,524	42,665,524	44,177,809	1,512,285
<u>EXPENDITURES:</u>				
CURRENT:				
GENERAL GOVERNMENT	2,412,629	2,377,629	2,097,361	280,268
PUBLIC SAFETY	5,470,511	5,470,511	4,819,549	650,962
EDUCATION	24,290,138	24,290,138	23,745,160	544,978
PUBLIC WORKS	4,302,687	4,302,687	3,267,521	1,035,166
HUMAN SERVICES	349,750	384,750	373,803	10,947
CULTURE & RECREATION	932,382	932,382	827,608	104,774
EMPLOYEE BENEFITS	3,382,700	3,382,700	3,248,034	134,666
STATE & COUNTY ASSESSMENTS	135,176	135,176	135,176	-
DEBT SERVICE:				
PRINCIPAL	3,144,806	3,144,806	3,144,804	2
INTEREST	1,488,767	1,488,767	1,356,353	132,414
TOTAL EXPENDITURES	45,909,546	45,909,546	43,015,369	2,894,177
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,244,022)	(3,244,022)	1,162,440	4,406,462
<u>OTHER FINANCING SOURCES (USES):</u>				
OPERATING TRANSFERS IN	130,000	130,000	163,265	33,265
OPERATING TRANSFERS OUT	(72,013)	(72,013)	(72,013)	-
TOTAL OTHER FINANCING SOURCES (USES)	57,987	57,987	91,252	33,265
NET CHANGE IN FUND BALANCE	(3,186,035)	(3,186,035)	1,253,692	4,439,727
BUDGETARY FUND BALANCE, BEGINNING OF YEAR	8,938,701	8,938,701	8,938,701	-
BUDGETARY FUND BALANCE, END OF YEAR	\$ 5,752,666	\$ 5,752,666	\$ 10,192,393	\$ 4,439,727

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2016**

ASSETS	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			
	WATER/SEWER	ELECTRIC	OTHER ENTERPRISE	TOTAL
CURRENT:				
CASH AND SHORT-TERM INVESTMENTS	\$ 6,883,343	\$ 1,308,886	\$ 380,083	\$ 8,572,312
INVESTMENTS	182,551	-	-	182,551
USER FEES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:	838,390	1,688,840	60,653	2,587,883
SPECIAL ASSESSMENTS	287,073	-	-	287,073
OTHER ASSETS	-	1,420,641	-	1,420,641
PREPAID EXPENSES	-	261,021	-	261,021
TOTAL CURRENT ASSETS	<u>8,191,357</u>	<u>4,679,388</u>	<u>440,736</u>	<u>13,311,481</u>
NONCURRENT:				
RESTRICTED CASH AND SHORT-TERM INVESTMENTS:				
DEPRECIATION FUND	-	1,104,095	-	1,104,095
CUSTOMER DEPOSITS	-	227,476	-	227,476
RATE STABILIZATION FUND	-	2,579,629	-	2,579,629
SPECIAL ASSESSMENTS	3,128,161	-	-	3,128,161
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	29,363,396	9,683,477	-	39,046,873
TOTAL NONCURRENT ASSETS	<u>32,491,557</u>	<u>13,594,677</u>	<u>-</u>	<u>46,086,234</u>
TOTAL ASSETS	<u>40,682,914</u>	<u>18,274,065</u>	<u>440,736</u>	<u>59,397,715</u>
DEFERRED OUTFLOWS OF RESOURCES				
RELATED TO PENSIONS	117,895	296,217	-	414,112
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
CURRENT:				
ACCOUNTS PAYABLE	85,846	1,263,332	1,988	1,351,166
ACCRUED LIABILITIES	-	150,123	-	150,123
OTHER LIABILITIES	3,476	114,562	-	118,038
ACCRUED INTEREST	47,291	-	-	47,291
BONDS AND NOTES PAYABLE	1,506,625	-	-	1,506,625
COMPENSATED ABSENCES	31,254	-	-	31,254
TOTAL CURRENT LIABILITIES	<u>1,674,492</u>	<u>1,528,017</u>	<u>1,988</u>	<u>3,204,497</u>
NONCURRENT:				
CUSTOMER DEPOSITS	-	227,476	-	227,476
ACCRUED EXPENSES	-	47,673	-	47,673
BONDS AND NOTES PAYABLE	11,193,296	-	-	11,193,296
COMPENSATED ABSENCES	9,345	-	-	9,345
POST EMPLOYMENT BENEFITS	199,019	18,931	-	217,950
NET PENSION LIABILITY	1,365,265	4,014,395	-	5,379,660
TOTAL NONCURRENT LIABILITIES	<u>12,766,925</u>	<u>4,308,475</u>	<u>-</u>	<u>17,075,400</u>
TOTAL LIABILITIES	<u>14,441,417</u>	<u>5,836,492</u>	<u>1,988</u>	<u>20,279,897</u>
DEFERRED INFLOWS OF RESOURCES:				
RELATED TO PENSIONS	49,454	-	-	49,454
DEFERRED AMOUNT ON REFUNDING	53,250	-	-	53,250
CONTRIBUTION IN AID OF CONSTRUCTION	-	121,716	-	121,716
RATE STABILIZATION RESERVE	-	2,579,659	-	2,579,659
TOTAL DEFERRED INFLOWS OF RESOURCES:	<u>102,704</u>	<u>2,701,375</u>	<u>-</u>	<u>2,804,079</u>
NET POSITION				
NET INVESTMENT IN CAPITAL ASSETS	18,960,386	9,683,477	-	28,643,863
RESTRICTED FOR DEPRECIATION	-	1,104,095	-	1,104,095
UNRESTRICTED	7,296,302	(755,157)	438,748	6,979,893
TOTAL NET POSITION	<u>\$ 26,256,688</u>	<u>\$ 10,032,415</u>	<u>\$ 438,748</u>	<u>\$ 36,727,851</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, 2016**

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	WATER/SEWER	ELECTRIC	OTHER ENTERPRISE	TOTAL
<u>OPERATING REVENUES:</u>				
CHARGES FOR SERVICES	\$ 6,245,522	\$ 14,725,724	\$ 1,148,223	\$ 22,119,469
INTERGOVERNMENTAL	2,183	-	-	2,183
DEPARTMENTALAND OTHER	-	169,782	-	169,782
DONATIONS	586,041	-	-	586,041
TOTAL OPERATING REVENUES	6,833,746	14,895,506	1,148,223	22,877,475
<u>OPERATING EXPENSES:</u>				
GENERAL SERVICES	4,689,806	13,695,374	1,074,478	19,459,658
DEPRECIATION	971,499	774,895	-	1,746,394
TOTAL OPERATING EXPENSES	5,661,305	14,470,269	1,074,478	21,206,052
OPERATING INCOME (LOSS)	1,172,441	425,237	73,745	1,671,423
<u>NON-OPERATING REVENUES (EXPENSES):</u>				
INTERGOVERNMENTAL	401,860	-	-	401,860
INVESTMENT INCOME	6,464	23,678	1,788	31,930
INTEREST EXPENSE	(406,206)	(82,087)	-	(488,293)
TOTAL NON-OPERATING REVENUES (EXPENSES), NET	2,118	(58,409)	1,788	(54,503)
INCOME (LOSS) BEFORE TRANSFERS	1,174,559	366,828	75,533	1,616,920
<u>TRANSFERS:</u>				
OPERATING TRANSFERS IN	72,013	-	-	72,013
CHANGE IN NET POSITION	1,246,572	366,828	75,533	1,688,933
NET POSITION AT BEGINNING OF YEAR	25,010,116	9,665,587	363,215	35,038,918
NET POSITION AT END OF YEAR	\$ 26,256,688	\$ 10,032,415	\$ 438,748	\$ 36,727,851

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FISCAL YEAR ENDED JUNE 30, 2016**

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	WATER/SEWER	ELECTRIC	OTHER ENTERPRISE	TOTAL
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
RECEIPTS FROM CUSTOMERS AND USERS	\$ 6,613,442	\$ 15,010,134	\$ 1,154,978	\$ 22,778,554
PAYMENTS TO SUPPLIERS	(4,100,300)	(12,480,963)	(1,080,582)	(17,661,845)
PAYMENTS TO EMPLOYEES	(647,192)	(1,341,783)	(25,796)	(2,014,771)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,865,950	1,187,388	48,600	3,101,938
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
OPERATING TRANSFERS IN	72,013	-	-	72,013
INTEREST EXPENSE	-	(80,990)	-	(80,990)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	72,013	(80,990)	-	(8,977)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
NET PROCEEDS FROM THE ISSUANCE OF BONDS AND NOTES	2,177,733	-	-	2,177,733
BOND PREMIUM	212,563	-	-	212,563
CAPITAL CONTRIBUTIONS	-	121,716	-	121,716
PRINCIPAL PAYMENTS ON BONDS AND NOTES	(1,117,073)	(260,000)	-	(1,377,073)
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(779,017)	(630,822)	-	(1,409,839)
INTEREST EXPENSE	(209,729)	(4,388)	-	(214,117)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES:	284,477	(773,494)	-	(489,017)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
NET PROCEEDS FROM PURCHASE AND SALE OF INVESTMENT SECURITIES	(6,464)	-	1,788	(4,676)
NET TRANSFERS FROM OPERATIONS	-	(288,665)	-	(288,665)
INTEREST RECEIVED	6,464	306	-	6,770
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES:	-	(288,359)	1,788	(286,571)
NET INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS	2,222,440	44,545	50,388	2,317,373
CASH AND SHORT TERM INVESTMENTS - BEGINNING OF YEAR	4,660,903	1,491,817	329,695	6,482,415
CASH AND SHORT TERM INVESTMENTS - END OF YEAR	\$ 6,883,343	\$ 1,536,362	\$ 380,083	\$ 8,799,788
<u>RECONCILIATION OF OPERATING INCOME (LOSS)</u>				
<u>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>				
OPERATING INCOME (LOSS)	\$ 1,172,441	\$ 425,237	\$ 73,745	\$ 1,671,423
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS)				
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
DEPRECIATION	971,499	774,895	-	1,746,394
DONATED INFRASTRUCTURE	(586,041)	-	-	(586,041)
(INCREASE) DECREASE IN ACCOUNTS RECEIVABLE	(38,317)	98,849	6,754	67,286
(INCREASE) DECREASE IN SPECIAL ASSESSMENTS	406,554	-	-	406,554
(INCREASE) DECREASE IN PREPAID EXPENSES	-	(91,716)	-	(91,716)
(INCREASE) DECREASE IN OTHER ASSETS	-	(42,051)	-	(42,051)
(INCREASE) DECREASE IN DEFERRED OUTFLOWS OF RESOURCES	(117,171)	-	-	(117,171)
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	(147,903)	(63,405)	(31,899)	(243,207)
INCREASE (DECREASE) IN OTHER LIABILITIES	(2,500)	15,779	-	13,279
INCREASE (DECREASE) IN COMPENSATED ABSENCES PAYABLE	(7,592)	-	-	(7,592)
INCREASE (DECREASE) IN POST EMPLOYMENT BENEFITS	4,294	4,452	-	8,746
INCREASE (DECREASE) IN DEFERRED INFLOWS OF RESOURCES	49,454	(29,617)	-	19,837
INCREASE (DECREASE) IN NET PENSION LIABILITY	161,232	94,965	-	256,197
TOTAL ADJUSTMENTS	693,509	762,151	(25,145)	1,430,515
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 1,865,950	\$ 1,187,388	\$ 48,600	\$ 3,101,938

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016**

	POSTEMPLOYMENT BENEFITS TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS
<u>ASSETS</u>			
CASH AND SHORT-TERM INVESTMENTS	\$ -	\$ 37,169	\$ 702,718
INVESTMENTS	<u>1,471,687</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>1,471,687</u>	<u>37,169</u>	<u>702,718</u>
<u>LIABILITIES</u>			
ACCOUNTS PAYABLE	-	-	2,880
OTHER LIABILITIES	<u>-</u>	<u>-</u>	<u>699,838</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>702,718</u>
<u>NET POSITION</u>			
HELD IN TRUST FOR PLAN PARTICIPANTS	1,471,687	-	-
HELD IN TRUST FOR OTHER PURPOSES	<u>-</u>	<u>37,169</u>	<u>-</u>
TOTAL NET POSITION	<u>\$ 1,471,687</u>	<u>\$ 37,169</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FISCAL YEAR ENDED JUNE 30, 2016**

	POSTEMPLOYMENT BENEFITS TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS
<u>ADDITIONS:</u>		
CONTRIBUTIONS:		
DEPARTMENTAL	\$ 538,878	\$ -
NET INVESTMENT INCOME (LOSS):		
INVESTMENT INCOME	38,795	1,316
TOTAL ADDITIONS	577,673	1,316
<u>DEDUCTIONS:</u>	-	-
CHANGE IN NET POSITION	577,673	1,316
NET POSITION AT BEGINNING OF YEAR	894,014	35,853
NET POSITION AT END OF YEAR	\$ 1,471,687	\$ 37,169

See accompanying notes to the basic financial statements

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Holden, Massachusetts (the Town) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant Town accounting policies:

A. Reporting Entity

Primary Government

The Town is a municipal corporation that is governed by an elected five member Board of Selectmen (the Board). The Board is responsible for appointing a Town Manager whose responsibility is to manage the day to day operations. For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential component units, blended or discretely presented, for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are, in substance, part of the government's operations and discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. It has been determined that there are no component units (blended or discretely presented) for inclusion in the primary government's financial reporting entity.

Joint Ventures

Municipal joint ventures pool resources to share the costs, risks and rewards of providing services to their participants, the general public or others. The Town is a participant in the following joint ventures:

Name	Purpose	Address	Annual Assessment
Wachusett Regional School District	To provide grades K-12 Educational Services	Jefferson School 1745 Main Street Jefferson, MA 01522	\$ 22,892,165
Montachusett Regional Vocational Technical School District	To provide grades 9-12 Vocational and Technical Educational Services	1050 Westminster St. Fitchburg, MA 01420	\$ 825,922

The Wachusett Regional School District (the District) is governed by a twenty (20) member school committee consisting of eight elected (8) representatives from the Town of Holden. The Town is indirectly liable for debt and other expenditures of the District and is assessed annually for its share of the operating and capital costs. Separate financial statements may be obtained by writing to the Treasurer of the District at the above address. The Town has an approximately 44.18% equity interest in the joint venture.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

The Montachusett Regional Vocational Technical High School (the District) is governed by a twenty-two (22) member school committee which includes one appointed (1) representative from the Town of Holden. The Town is indirectly liable for debt and other expenditures of the District and is assessed annually for its share of the operating and capital costs. Separate financial statements may be obtained by writing to the Treasurer of the District at the above address. The Town has an approximately 12.53% equity interest in the joint venture.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

Major Fund Criteria

A fund is considered major if it is the primary operating fund of the Town or it meets the following criteria:

- a. If the total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), and
- b. If the total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Fiduciary funds are reported by fund type.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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 post-closure 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, 2016

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

The *Nonmajor Governmental funds* consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the nonmajor governmental funds column on the governmental funds financial statements. The following describes the general use of these fund types:

- The *Special Revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.
- The *Capital Projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by enterprise and trust funds).
- The *Permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Proprietary Fund Financial Statements

Proprietary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

The following major proprietary funds are reported:

- The *Water and Sewer Enterprise fund* is used to account for water and sewer activities.
- The *Electric Light Enterprise fund* is used to account for electric light activities.
- The *Other Enterprise fund* which is not a major proprietary fund is the solid waste fund which is presented in the other enterprise fund column on the proprietary funds financial statements.

Fiduciary Fund Financial Statements

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

The following fiduciary fund types are reported:

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

Government-Wide and Fund Financial Statements

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

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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:

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.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

Real Estate, Personal Property Taxes and Tax Liens

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

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

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

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

Motor Vehicle Excise

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

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

Water and Sewer

User fees are levied monthly based on residential and commercial meter readings, which are now billed through the light department by utilizing the utility billing/receivable software, and are subject to a 10% discount if paid within 15 days of the billing date. Water and sewer liens may be processed in December of every year and included as a lien on the property owner's tax bill. Water and sewer charges and related liens (if any) are recorded as receivables in the fiscal year of the levy.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Special Assessments

Business-type activities special assessments consist primarily of apportioned sewer betterments and are recorded as receivables in the fiscal years accrued. Since the receivables are secured via the lien process, these assets are considered 100% collectible and therefore do not report an allowance for uncollectibles.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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 \$18,000 at December 31, 2015. The Department can place a lien against a property if payment is not made. For non-owners, the Department requires a deposit that can be applied to any unpaid amounts. In addition, the Department has the right to shut off service to customers, subject to certain state regulations, if the customer is not making payments. On a periodic basis, the Department does evaluate its accounts receivables to determine if any write-offs are necessary.

Intergovernmental

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recognized when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

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.

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.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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:

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

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

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the fiscal year of purchase for the various funds.

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.

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as "internal balances".

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are not eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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 resource related to pensions 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 resource related to pensions, refunding, contribution in aid of construction, and rate stabilization reserve in this category.

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.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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.
 - *Streets* represents amounts committed by the Commonwealth of Massachusetts for the repair and/or construction of streets.
 - *Permanent funds -expendable* represents amounts held in trust for which the expenditures are restricted by various trust agreements.
 - *Permanent funds -nonexpendable* represents amounts held in trust for which only investment earnings may be expended.
 - *Other specific purposes* represent restrictions placed on assets from outside parties.
- c. *Unrestricted net position* – All other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

Fund Financial Statements (Fund Balances)

The Town uses the following criteria for fund balance classification:

- For *nonspendable* fund balance: includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.
- For *restricted* fund balance: when constraints placed on the use of the resources are either (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.
- For *committed* fund balance: (1) the government’s highest level of decision-making authority and (2) the formal action that is required to be taken to establish (and modify or rescind) a fund balance commitment.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

- 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).

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.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016 is recorded in the governmental funds financial statements.

P. Net Pension Liability

Governmental Accounting Standards Board (GASB) Statement #68 requires employers participating in a cost-sharing pension plan to recognize pension liabilities as employees provide services to the government and earn their pension benefits. Employers participating in cost-sharing plans are required to recognize their proportionate share of the plan's collective pension amounts for all benefits provided through the plan including the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense.

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 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.

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.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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 2016 approved budget authorized \$45,004,031 in current year appropriations and other amounts to be raised and \$905,515 in encumbrances and appropriations carried over from previous fiscal years.

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

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016, is presented below:

Net change in fund balance - budgetary basis	\$ 1,253,692
Basis of accounting differences:	
Net Stabilization fund activity	154,215
Borrowing Premium	1,446,416
Increase in revenue for the MWPAT subsidy	965
Increase in expenditures for the MWPAT subsidy	<u>(965)</u>
Net change in fund balance - GAAP basis	<u>\$ 2,854,323</u>

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

NOTE 3 – DEPOSITS AND INVESTMENTS

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

Deposits

▪ *Custodial Credit Risk – Deposits*

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

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

The following table illustrates how much of the Town's bank deposits are insured and how much of the Town's bank deposits are uninsured and uncollateralized as of June 30, 2016:

Total bank balances		\$ 25,857,828
Bank balances covered by deposit insurance		
Federal Deposit Insurance Corporation (FDIC)	925,652	
Depositors Insurance Fund (DIF)	<u>10,603,154</u>	
Total bank balances covered by deposit insurance		11,528,806
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	13,059,163	
Bank balances uninsured & uncollateralized	<u>1,270,859</u>	
Total bank balances subject to custodial credit risk		<u>14,329,022</u>
Total bank balances		<u>\$ 25,857,828</u>

Investments

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

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

- *Credit Risk*

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

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

Presented below is the actual rating as of year end for each investment type of the Town.

Investment type	Fair value	Minimum Legal Rating	Rating as of Year End				
			AA+	A	Aaa	BBB+	Unrated
U.S. Government & Agency Securities	\$ 3,485,779	N/A	\$ 2,515,921	\$ -	\$ 969,858	\$ -	\$ -
Certificates of Deposit	1,750,274	N/A	-	-	-	-	1,750,274
Fixed Income Mutual Funds	886,970	N/A	-	-	-	-	886,970
Corporate Bonds	1,390,981	N/A	116,618	303,743	-	970,620	-
Money Market Mutual Funds	289,246	N/A	-	-	-	-	289,246
Equity Mutual Funds	1,619,359	N/A	-	-	-	-	1,619,359
Total Investments	\$ 9,422,609		<u>\$ 2,632,539</u>	<u>\$ 303,743</u>	<u>\$ 969,858</u>	<u>\$ 970,620</u>	<u>\$ 4,545,849</u>
Less: Electric Light Plant Investments at June 30, 2016	<u>(1,293,965)</u>						
Total Investments per Statement of Net Position and Fiduciary Net Position at June 30, 2016	<u>\$ 8,128,644</u>						

- *Custodial Credit Risk*

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

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

- *Interest Rate Risk*

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

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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

Investment type	Fair value	Investment maturities (in years)	
		Less than 1	1-5
<i>Debt Related Securities:</i>			
U.S. Government & Agency	\$ 3,485,779	\$ -	\$ 3,485,779
Fixed Income Mutual Funds	886,970	886,970	-
Corporate Bonds	1,390,981	116,618	1,274,363
Total - Debt related securities	\$ 5,763,730	\$ 1,003,588	\$ 4,760,142
<i>Other Investments:</i>			
Certificates of Deposit	1,750,274	85,399	1,664,875
Money Market Mutual Funds	289,246	289,246	-
Equity Mutual Funds	1,619,359	1,619,359	-
Total Other Investments	3,658,879	1,994,004	1,664,875
Total Investments at June 30, 2016	\$ 9,422,609	\$ 2,997,592	\$ 6,425,017

- *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
JUNE 30, 2016

The Town has the following recurring fair value measurement as of June 30, 2016.

Investment Type	June 30, 2016	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 and Agency	\$ 3,485,779	\$ 3,485,779	\$ -	\$ -
Certificates of Deposit	1,750,274	1,750,274	-	-
Fixed Income Mutual Funds	886,970	-	886,970	-
Corporate Bonds	1,390,981	-	1,390,981	-
Total debt securities	7,514,004	5,236,053	2,277,951	-
Other Investments				
Equity Mutual Funds	1,619,359	1,619,359	-	-
Money Market Mutual Funds	289,246	289,246	-	-
Total other investments	1,908,605	1,908,605	-	-
Total investments measured at fair value	9,422,609	\$ 7,144,658	\$ 2,277,951	\$ -
Investments measured at amortized cost				
Massachusetts Municipal Depository Trust - (MMDT)	1,098,405			
Total Investments	\$ 10,521,014			

U.S. Government and Agency, 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, 2016

NOTE 4 – RECEIVABLES

The receivables at June 30, 2016 for the Town's individual major and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Receivables:	Gross Amount	Allowance for Uncollectibles	Net Amount
Real estate and personal property taxes	\$ 220,981	\$ (23,200)	\$ 197,781
Tax liens	732,651	-	732,651
Motor vehicle & other excise taxes	250,923	(36,095)	214,828
Departmental and other	873,184	(529,747)	343,437
Intergovernmental	8,607,143	-	8,607,143
Total	<u>\$ 10,684,882</u>	<u>\$ (589,042)</u>	<u>\$ 10,095,840</u>

The receivables at June 30, 2016, (electric light at December 31, 2015) for the enterprise funds consist of the following:

Receivables:	Gross Amount	Allowance for Uncollectibles	Net Amount
<i>Water and Sewer</i>			
User fees	\$ 838,390	\$ -	\$ 838,390
Special Assessments	3,415,234	-	3,415,234
<i>Other Enterprise - Trash</i>			
User fees	60,653	-	60,653
<i>Electric Light</i>			
User fees	<u>1,706,840</u>	<u>(18,000)</u>	<u>1,688,840</u>
Total	<u>\$ 6,021,117</u>	<u>\$ (18,000)</u>	<u>\$ 6,003,117</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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

Deferred Inflows:	General Fund	Nonmajor Governmental Funds	Total
Deferred Property Taxes	\$ 822,568	\$ -	\$ 822,568
Deferred Other Revenue	558,265	-	558,265
Deferred Intergovernmental Revenue	6,931,156	575,865	7,507,021
Total Unavailable Revenue	<u>\$ 8,311,989</u>	<u>\$ 575,865</u>	<u>\$ 8,887,854</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 2,709,394	\$ -	\$ -	\$ 2,709,394
Construction in progress	21,677,789	18,860,174	(40,497,963)	40,000
Total capital assets not being depreciated	24,387,183	18,860,174	(40,497,963)	2,749,394
<i>Capital assets being depreciated:</i>				
Buildings and improvements	53,209,623	-	39,865,695	93,075,318
Capital improvements (other than buildings)	1,980,376	67,369	-	2,047,745
Machinery and equipment	4,442,653	442,867	(12,999)	4,872,521
Vehicles	6,373,140	108,885	(154,220)	6,327,805
Infrastructure	61,178,478	1,169,793	549,991	62,898,262
Total capital assets being depreciated	127,184,270	1,788,914	40,248,467	169,221,651
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(19,677,135)	(1,784,064)	-	(21,461,199)
Capital improvements (other than buildings)	(941,202)	(97,471)	-	(1,038,673)
Machinery and equipment	(2,720,882)	(420,940)	95,276	(3,046,546)
Vehicles	(3,788,644)	(484,505)	154,220	(4,118,929)
Infrastructure	(33,603,903)	(1,476,280)	-	(35,080,183)
Total accumulated depreciation	(60,731,766)	(4,263,260)	249,496	(64,745,530)
Total capital assets being depreciated, net	66,452,504	(2,474,346)	40,497,963	104,476,121
Total governmental activities capital assets, net	\$ 90,839,687	\$ 16,385,828	\$ -	\$ 107,225,515

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

Business-Type Activities: (Water & Sewer Enterprise)	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated :</i>				
Land	\$ 432,548	\$ -	\$ -	\$ 432,548
Construction in progress	1,321,079	411,396	(1,316,877)	415,598
Total capital assets not being depreciated	1,753,627	411,396	(1,316,877)	848,146
<i>Capital assets being depreciated:</i>				
Buildings and improvements	7,917,262	-	-	7,917,262
Capital improvements (other than buildings)	1,177,018	-	-	1,177,018
Machinery and equipment	1,113,005	52,998	89,012	1,255,015
Vehicles	498,363	296,852	-	795,215
Infrastructure	31,008,934	586,041	1,227,865	32,822,840
Total capital assets being depreciated	41,714,582	935,891	1,316,877	43,967,350
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(3,341,776)	(166,407)	-	(3,508,183)
Capital improvements (other than buildings)	(617,929)	(56,151)	-	(674,080)
Machinery and equipment	(812,026)	(62,329)	-	(874,355)
Vehicles	(176,662)	(76,873)	-	(253,535)
Infrastructure	(9,532,208)	(609,739)	-	(10,141,947)
Total accumulated depreciation	(14,480,601)	(971,499)	-	(15,452,100)
Total capital assets being depreciated, net	27,233,981	(35,608)	-	28,515,250
Total business-type activities capital assets, net	\$ 28,987,608	\$ 375,788	\$ -	\$ 29,363,396

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

Capital asset activity for the *electric light plant* at December 31, 2015 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	150,657	-	(55,762)	94,895
Total capital assets not being depreciated	223,157	-	(55,762)	167,395
<i>Capital assets being depreciated:</i>				
Distribution Plant	19,963,289	546,758	(29,162)	20,480,885
General Plant	5,866,751	139,826	-	6,006,577
Total capital assets being depreciated	25,830,040	686,584	(29,162)	26,487,462
<i>Less accumulated depreciation for:</i>				
Distribution Plant	(13,100,114)	(569,221)	29,162	(13,640,173)
General Plant	(3,125,533)	(205,674)	-	(3,331,207)
Total accumulated depreciation	(16,225,647)	(774,895)	29,162	(16,971,380)
Total capital assets being depreciated, net	9,604,393	(88,311)	-	9,516,082
Total business-type activities capital assets, net	<u>\$ 9,827,550</u>	<u>\$ (88,311)</u>	<u>\$ (55,762)</u>	<u>\$ 9,683,477</u>

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

Governmental Activities:	
General government	\$ 101,588
Public safety	744,601
Education	1,326,883
Public works	1,833,405
Human services	85,816
Culture and recreation	170,967
Total depreciation expense - governmental activities	<u>\$ 4,263,260</u>
Business-Type Activities:	
Water and Sewer	\$ 971,499
Electric light - (December 31, 2015)	774,895
Total depreciation expense - business-type activities	<u>\$ 1,746,394</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2016, are summarized as follows:

Operating Transfers Out:	Operating Transfers In:		
	General Fund	Water/Sewer Enterprise Fund	Total
Nonmajor Governmental Funds	\$ 130,000	\$ -	\$ 130,000 (1)
Nonmajor Governmental Funds	33,265	-	33,265 (2)
General Fund	-	72,013	72,013 (1)
Total	<u>163,265</u>	<u>72,013</u>	<u>235,278</u>

(1) Represents various budgeted transfers

(2) Represents other transfer

NOTE 7 – SHORT-TERM FINANCING

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

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

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

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

The following is a summary of changes in short-term debt for the year ended June 30, 2016:

<u>Purpose</u>	<u>Rate (%)</u>	<u>Due Date</u>	<u>Balance at June 30, 2015</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance at June 30, 2016</u>
<u>Governmental Funds:</u>						
Mt. View School	2.00%	6/17/2016	\$ 22,000,000	\$ -	\$ (22,000,000)	\$ -
Mt. View School	2.25%	6/16/2017	-	4,000,000	-	4,000,000
Mt. View School	0.85%	6/16/2017	-	3,000,000	-	3,000,000
Total Governmental Funds			<u>\$ 22,000,000</u>	<u>\$ 7,000,000</u>	<u>\$ (22,000,000)</u>	<u>\$ 7,000,000</u>
<u>Business Type Activities:</u>						
Mass Clean Water Loan DW-13-12			<u>\$ 437,267</u>	<u>\$ -</u>	<u>\$ (437,267)</u>	<u>\$ -</u>
Total			<u>\$ 22,437,267</u>	<u>\$ 7,000,000</u>	<u>\$ (22,437,267)</u>	<u>\$ 7,000,000</u>

NOTE 8 – LONG-TERM DEBT

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

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

The following is a summary of the changes in long-term debt for the year ended June 30, 2016:

Bonds and Notes Payable Schedule -Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2015	Issued	Redeemed	Outstanding at June 30, 2016
General Obligation	3.75	\$ 4,110,000	\$ -	\$ 200,000	\$ 3,910,000
Title V	Var.	19,020	-	3,804	15,216
School - Refunding	4.12	11,160,000	-	2,025,000	9,135,000
School	3.64	319,000	-	60,000	259,000
Outdoor Recreation	3.64	607,000	-	196,000	411,000
Public Safety Building	3.90	5,915,000	-	350,000	5,565,000
General Obligation	2.30	345,000	-	175,000	170,000
DPW Truck	2.00	120,000	-	40,000	80,000
Ambulance		250,000	-	50,000	200,000
Loader		205,000	-	45,000	160,000
Middle School	2.40	-	15,000,000	-	15,000,000
Total Bonds and Notes Payable		<u>\$ 23,050,020</u>	<u>\$ 15,000,000</u>	<u>\$ 3,144,804</u>	<u>\$ 34,905,216</u>
Add: Unamortized Bond Premium		<u>-</u>	<u>1,532,758</u>	<u>86,342</u>	<u>1,446,416</u>
Total Bonds and Notes Payable, Net		<u>\$ 23,050,020</u>	<u>\$ 16,532,758</u>	<u>\$ 3,231,146</u>	<u>\$ 36,351,632</u>

The annual debt service requirements for principal and interest for Governmental bonds and notes outstanding at June 30, 2016 are as follows:

Fiscal Year	Principal	Interest	Total
2017	\$ 4,023,804	\$ 1,356,459	\$ 5,380,263
2018	3,993,804	1,168,537	5,162,341
2019	3,868,804	993,269	4,862,073
2020	3,993,804	829,530	4,823,334
2021	1,430,000	714,125	2,144,125
2022-2026	7,610,000	2,575,925	10,185,925
2027-2031	6,235,000	1,033,275	7,268,275
2032-2036	<u>3,750,000</u>	<u>337,500</u>	<u>4,087,500</u>
Total	<u>\$ 34,905,216</u>	<u>\$ 9,008,620</u>	<u>\$ 43,913,836</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

Bonds and Notes Payable Schedule -Water and Sewer Enterprise Fund

Project	Interest Rate (%)	Outstanding at June 30, 2015	Issued	Redeemed	Outstanding at June 30, 2016
MWPAT Drinking Water	Var.	\$ 1,510,443	\$ -	\$ 80,964	\$ 1,429,479
Water Wells	4.98	190,000	-	100,000	90,000
MWPAT Drinking Water	Var.	725,027	-	113,440	611,587
Water	3.64	380,000	-	50,000	330,000
Water	3.64	989,000	-	129,000	860,000
MWPAT Drinking Water	Var.	365,000	-	40,000	325,000
MWPAT Drinking Water	Var.	372,786	-	42,470	330,316
MWPAT Drinking Water	Var.	1,309,920	-	124,405	1,185,515
MWPAT Drinking Water	2.00	555,378	-	45,593	509,785
MWPAT Sewer Construction	Var.	1,155,000	-	180,000	975,000
MWPAT Sewer Construction	Var.	1,890,000	-	215,000	1,675,000
MWPAT Sewer Connections	Var.	195,580	-	32,486	163,094
MWPAT Sewer Connections	Var.	392,109	-	39,527	352,582
Watermains		600,000	-	60,000	540,000
Water Tank		550,000	-	55,000	495,000
Sewer Pump Station	3.80	-	270,000	-	270,000
Water Main	2.40	-	1,600,000	-	1,600,000
Water Equipment	1.25	-	220,000	-	220,000
Mass Cleanwater DW 13-12	2.00	-	525,000	-	525,000
Total Bonds and Notes Payable		11,180,243	2,615,000	1,307,885	12,487,358
Sewer Pump Station					
Add: Unamortized Premium		-	36,755	1,554	35,201
Water Main					
Add: Unamortized Premium		-	163,494	9,210	154,284
Water Equipment					
Add: Unamortized Premium		-	24,344	1,266	23,078
Total Unamortized Premium		-	224,593	12,030	212,563
Total Bonds and Notes Payable, net		\$ 11,180,243	\$ 2,839,593	\$ 1,319,915	\$ 12,699,921

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

The annual debt service requirements for principal and interest for water and sewer enterprise fund bonds and notes outstanding at June 30, 2016 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,479,990	\$ 447,243	\$ 1,927,233
2018	1,416,643	381,078	1,797,721
2019	1,443,077	321,094	1,764,171
2020	1,468,516	244,802	1,713,318
2021	1,481,092	193,071	1,674,163
2022-2026	3,507,786	432,167	3,939,953
2027-2031	1,137,146	143,817	1,280,963
2032-2036	<u>553,108</u>	<u>45,318</u>	<u>598,426</u>
Total	<u>\$ 12,487,358</u>	<u>\$ 2,208,590</u>	<u>\$ 14,695,948</u>

Bonds and Notes Payable Schedule – Electric Light Plant Enterprise Fund (December 31, 2015)

<u>Project</u>	<u>Interest Rate (%)</u>	<u>Outstanding at December 31, 2014</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at December 31, 2015</u>
Substation	3.375/3.50	<u>\$ 260,000</u>	<u>\$ -</u>	<u>\$ 260,000</u>	<u>\$ -</u>

Loan Authorized and Unissued

As of June 30, 2016, the Town has loans authorized and unissued as follows:

<u>Description</u>	<u>Date Authorized</u>	<u>Amount</u>
Mountview Elementary Feasibility Study	11/8/2010	\$ 26,118
Mountview Elementary School Building	4/8/2014	12,000,079
Capital Equipment	5/19/2014	45,000
Water Main Replacement	5/16/2016	850,000
W/S Inflow/Filtration Removal	5/16/2016	365,000
W/S Lincoln Ave. Main Cleaning	5/16/2016	350,000
Princeton St. Sewer Pump Station	5/16/2016	<u>280,000</u>
Total		<u>\$ 13,916,197</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2016 (electric light as of December 31, 2015):

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable	\$ 23,050,020	\$ 15,000,000	\$ (3,144,804)	\$ 34,905,216	\$ 4,023,804
Add: Unamortized Premiums	-	1,532,758	(86,342)	1,446,416	158,503
Total Bond Payable	23,050,020	16,532,758	(3,231,146)	36,351,632	4,182,307
Compensated absences	830,960	-	(42,039)	788,921	464,085
Landfill postclosure care costs	320,000	416,000	-	736,000	236,000
Net pension liability (note 13)	18,862,378	2,441,215	-	21,303,593	-
OPEB (Note 12)	3,798,274	305,827	-	4,104,101	-
Total governmental activities long-term liabilities	<u>\$ 46,861,632</u>	<u>\$ 19,695,800</u>	<u>\$ (3,273,185)</u>	<u>\$ 63,284,247</u>	<u>\$ 4,882,392</u>

Business-Type Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable - water/sewer	\$ 11,180,243	\$ 2,615,000	\$ (1,307,885)	\$ 12,487,358	\$ 1,479,990
Add: Unamortized Premiums	-	224,593	(12,030)	212,563	26,635
Total Bond Payable	11,180,243	2,839,593	(1,319,915)	12,699,921	1,506,625
Bonds and notes payable - electric light	260,000	-	(260,000)	-	-
Compensated absences	48,190	-	(7,591)	40,599	31,254
Customer deposits - electric light	211,697	15,779	-	227,476	-
Rate stabilization reserve - electric light	2,674,178	-	(94,519)	2,579,659	-
OPEB - water/sewer (Note 12)	194,725	4,294	-	199,019	-
OPEB - electric light	14,479	4,452	-	18,931	-
Net Pension Liability (Note 13)	1,204,033	161,232	-	1,365,265	-
Net pension Liability - electrical light	-	4,014,395	-	4,014,395	-
Contribution in aid of construction - electrical light	-	121,716	-	121,716	-
Total business-type activities long-term liabilities	<u>\$ 15,787,545</u>	<u>\$ 7,161,461</u>	<u>\$ (1,682,025)</u>	<u>\$ 21,266,981</u>	<u>\$ 1,537,879</u>

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

Massachusetts School Building Authority Reimbursements

Chapter 645 of the Act of 1948 as amended ("Chapter 645") created a statewide school building assistance program. Pursuant to this program, cities and towns issued bonds for eligible school building projects and were reimbursed over a period of years by the Commonwealth according to a statutory percentage for such city or town.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

Legislation enacted as part of the Commonwealth's Fiscal 2001 budget repealed 645 and created a new school building assistance program codified as Chapter 70B of the Massachusetts General Laws. Among other changes, the new program includes grants for alternatives to construction and calculates grants for each project based on a number of factors. The new legislation does not affect the reimbursement percentages for bonds previously issued under Chapter 645, and the grants for certain "grandfathered" projects will be based on the statutory percentages provided for in Chapter 645.

The Town has been approved for a 70% percent state school construction grant through the Massachusetts School Building Authority (MSBA) to cover eligible project costs, including debt service associated with the financing of these projects, subject to annual appropriation by the state legislature. The Town received \$1,732,789 from scheduled annual payments in FY 2016 from the MSBA for completed school construction projects. The Town also received progress payments of \$10,176,601 for the ongoing construction of the Mt. View School Building as of June 30, 2016.

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, 2016:

<u>Agency</u>	<u>Total Long-Term Debt Outstanding</u>	<u>Town's Estimated Share</u>	<u>Town's Indirect Debt</u>
Wachusett Regional School District			
Bonds	\$ 22,871,059	44.18%	\$ 10,104,434
Montachusett Regional Vocational Technical School District			
Bonds	<u>4,345,000</u>	12.53%	<u>544,429</u>
	<u>\$ 27,216,059</u>		<u>\$ 10,648,862</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

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

	General Fund	Mt. View School Proj. Fund	Nonmajor Governmental Funds	Total
Fund Balances				
Nonspendable:				
Permanent Fund Principal	\$ -	\$ -	\$ 430,567	\$ 430,567
Restricted For:				
General Government	-	-	822,290	822,290
Public Safety	-	-	325,088	325,088
Public Works	-	-	458,500	458,500
Human Services	-	-	307,397	307,397
Culture & Recreation	-	-	1,308,398	1,308,398
Employee Benefits	-	-	231,487	231,487
Debt Service	132,413	-	-	132,413
Bond Premium	1,505,578	-	-	1,505,578
Infrastructure Fund	1,346,167	-	-	1,346,167
	<u>2,984,158</u>	<u>-</u>	<u>3,453,160</u>	<u>6,437,318</u>
Committed To:				
Continuing Appropriations				
General Government	30,673	-	-	30,673
Public Safety	288,476	-	-	288,476
Education	52,680	-	-	52,680
Public Works	767,680	-	-	767,680
Human Services	118	-	-	118
Culture & Recreation	77,009	-	-	77,009
Debt Service	2,000	-	-	2,000
	<u>1,218,636</u>	<u>-</u>	<u>-</u>	<u>1,218,636</u>
Assigned To:				
Encumbered For:				
General Government	17,751	-	-	17,751
Public Safety	34,395	-	-	34,395
Public Works	25,847	-	-	25,847
Human Services	4,254	-	-	4,254
Culture and Recreation	1,045	-	-	1,045
Subsequent Years Expenditures	3,000,170	-	-	3,000,170
DPW Depreciation Fund	455,323	-	-	455,323
Fire Vehicle & Equipment Stabilization	597,862	-	-	597,862
	<u>4,136,647</u>	<u>-</u>	<u>-</u>	<u>4,136,647</u>
Unassigned				
General Fund	5,430,720	-	-	5,430,720
General Stabilization Fund	2,718,207	-	-	2,718,207
Mount View School	-	(4,034,172)	-	(4,034,172)
Town Grants	-	-	(30,998)	(30,998)
	<u>8,148,927</u>	<u>(4,034,172)</u>	<u>(30,998)</u>	<u>4,083,757</u>
Total Governmental Fund Balances	<u>\$ 16,488,368</u>	<u>\$ (4,034,172)</u>	<u>\$ 3,852,729</u>	<u>\$ 16,306,925</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 – STABILIZATION ARRANGEMENTS

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

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

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 11 – RISK FINANCING

The Town is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; injuries to employees; employee's health and life; and natural disasters.

Non-school buildings are fully insured against fire, theft, and natural disaster to the extent that losses exceed \$1,000 per incident. The fully insurable value of the Town buildings is \$46,401,485. 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 2016.

The Town joined the Massachusetts Group Insurance Commission (GIC) in fiscal 2013. The Town now offers twelve contributory health care options for its employees, six HMO and 6 PPO/indemnity plans, and seven contributory health care options for seniors, four HMO and three PPO/indemnity plans. There are 110 active employees and 69 retirees who participate in the Town's health care programs. For active employees hired prior to July 1, 2009, the Town contributes 80% of the premium costs for both family and individual HMO plans. For all new hires and active employees hired after July 1, 2009, the Town contributes 75% of the premium costs for both family and individual HMO plans. For all employees enrolled in a PPO/indemnity plan, the Town contributes 50% of the premium costs. For retirees, the Town contributes 74% of the premium costs for the senior HMO plans and 50% of the premium costs for PPO/indemnity plans.

The Town is insured for general liability; however, Chapter 258 of the Massachusetts General Laws limits the Town's liability to a maximum of \$100,000 per claim in all matters except in actions relating to federal civil rights, eminent domain and breach of contract. Such claims are charged to the general fund. There were no such claims in 2016.

NOTE 12 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

Plan Description. Town of Holden Other Postemployment Benefits Plan ("the Plan") is a single-employer defined benefit healthcare plan administered by the Town of Holden. The plan provides medical and life insurance benefits to eligible retirees and their spouses. The Town Manager has the authority to establish and amend benefit provisions to the Town. Town Meeting has accepted various sections of Massachusetts General Laws Chapter 32B to provide 50% of the premium cost of indemnity plans for retirees' health and life insurance costs.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

As of July 1, 2014, the plan's membership consisted of the following:

Current retirees, beneficiaries, and dependents	71
Current active members	<u>146</u>
Totals	<u><u>217</u></u>

Funding Policy. The contribution requirements of plan members and the Town are established and may be amended through Town ordinances. The required contribution is based on projected pay-as-you-go financing requirements. For Fiscal Year 2016, total Town premiums plus implicit costs for the retiree medical program were approximately \$961,981.

Annual OPEB Cost and Net OPEB Obligation. The Town's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost, according to the actuarial report dated July 1, 2014.

	Governmental Activities	Business-Type activities - Enterprise Funds			Primary Government Total
		Water/Sewer	Light	Total	
Annual Required Contribution (ARC)	\$ 1,010,138	\$ 50,787	\$ 170,274	\$ 221,061	\$ 1,231,199
Interest on Net OPEB Obligation	154,678	9,634	10,308	19,942	174,620
Amortization of Actual (Gains)/Losses	93,895	4,621	14,965	19,586	113,481
Adjustments to the ARC	<u>(215,022)</u>	<u>(13,394)</u>	<u>(14,330)</u>	<u>(27,724)</u>	<u>(242,746)</u>
Annual OPEB Cost	1,043,689	51,648	181,217	232,865	1,276,554
Expected Employer Contributions	<u>(737,862)</u>	<u>(47,354)</u>	<u>(176,765)</u>	<u>(224,119)</u>	<u>(961,981)</u>
Increase in net OPEB obligation	305,827	4,294	4,452	8,746	314,573
Net OPEB obligation - beginning of year	<u>3,798,274</u>	<u>194,725</u>	<u>14,479</u>	<u>209,204</u>	<u>4,007,478</u>
Net OPEB obligation - end of year	<u><u>\$ 4,104,101</u></u>	<u><u>\$ 199,019</u></u>	<u><u>\$ 18,931</u></u>	<u><u>\$ 217,950</u></u>	<u><u>\$ 4,322,051</u></u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the seven preceding years were as follows:

Year Ended June 30	Annual OPEB Cost	Expected Employer Payments	Increase in OPEB Obligation	Percentage of Annual OPEB Cost Contributed *	Increase in Net OPEB Obligation	Net OPEB Obligation
2009	\$ 1,101,000	\$ 450,000	\$ 651,000	40.9%	\$ 651,000	\$ 651,000
2010	\$ 1,101,000	\$ 477,000	\$ 624,000	43.3%	\$ 624,000	\$ 1,275,000
2011	\$ 1,054,340	\$ 495,353	\$ 558,987	47.0%	\$ 558,987	\$ 1,833,987
2012	\$ 1,073,118	\$ 945,713	\$ 127,405	88.1%	\$ 127,405	\$ 1,961,392
2013	\$ 1,149,008	\$ 472,673	\$ 676,335	41.1%	\$ 676,335	\$ 2,637,727
2014	\$ 1,212,944	\$ 556,005	\$ 656,939	45.8%	\$ 656,939	\$ 3,294,666
2015	\$ 1,224,547	\$ 511,735	\$ 712,812	41.8%	\$ 712,812	\$ 4,007,478
2016	\$ 1,276,554	\$ 961,981	\$ 314,573	75.4%	\$ 314,573	\$ 4,322,051

Funded Status and Funding Progress- The funded status of the Plan as of the most recent actuarial valuation date, July 1, 2014, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b - a)/c]
7/1/2008	\$ -	\$ 10,653,000	\$ 10,653,000	0.0%	\$ 8,105,000	131.4%
7/1/2009 est.	\$ -	\$ 11,153,000	\$ 11,153,000	0.0%	\$ 8,105,000	137.6%
7/1/2010	\$ -	\$ 11,540,300	\$ 11,540,300	0.0%	\$ 7,401,961	155.9%
7/1/2012	\$ 439,822	\$ 12,011,446	\$ 11,571,624	3.7%	\$ 8,004,133	144.6%
7/1/2014	\$ 780,248	\$ 11,980,273	\$ 11,200,025	6.5%	\$ 8,251,111	135.7%

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

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

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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

Actuarial Assumptions and Actuarial Cost Method

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

NOTE 13 – PENSION PLANS

A. Plan Descriptions

The Town is a member of the Worcester Regional Retirement System (The System), a multiple-employer, cost sharing contributory defined benefit pension plan covering eligible employees of the 97 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.

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

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

B. Benefits Provided

The System provides retirement, disability and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are with certain minor exceptions, uniform from system to system. For persons 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 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. For persons 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%. Members become vested after ten years of creditable service.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

Members 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 in such cases is dependent on several factors, including whether or not disability is work related, the employee's age, years of creditable service, level of compensation, veterans' status and group classification.

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 through June 30, 1998, 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 subsequent to June 30, 1998 must be approved by the system and all costs are borne by the system.

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 compensation. The rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the system, a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The Town's proportionate share of the required contribution equaled its actual contribution for the year ended June 30, 2016 which was \$1,730,551 and 20.18% 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, 2016 the Town reported a liability of \$27,305,297 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014. 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. At December 31, 2015, the Town's proportion was 3.85% which was a minor decrease from its proportion measured as of December 31, 2014.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2016 the Town recognized pension expense of \$3,600,863. At June 30, 2016 the Town reported deferred outflows/inflows of resources related to pensions of \$1,368,812 from the net difference between projected and actual investment earnings on pension plan investments. Since the system performs an actuarial valuation bi-annually, there are no reported differences between expected and actual experience or changes of assumptions as of December 31, 2015.

The deferred outflows/inflows of resources related to pensions will be recognized in future pension expense are as follows:

<u>Year ended June 30</u>	<u>Amount</u>
2017	\$ 314,279
2018	314,279
2019	314,279
2020	312,363
Thereafter	<u>113,612</u>
Totals	<u><u>\$ 1,368,812</u></u>

E. Actuarial assumptions

The total pension liability in the January 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2015.

Valuation date	January 1, 2014
Actuarial cost method	Entry age normal
Amortization method	Payment increases 4.0% per year, except for early retirement incentive (ERI) programs for 2002 and 2003 (4.5%) and 2010 (level dollar).
Remaining amortization period	20 years, except for ERI for 2002 and 2003 (13 years) and 2010 (7 years)
Asset valuation method	5 year smoothed market value
Inflation rate	not explicitly assumed for the update to December 31, 2015 (3.5% per year for the actuarial valuation as of January 1, 2014)
Salary increases	3.0% per year, including longevity

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

Mortality rates:

Pre-retirement	Based on the RP-2000 mortality table projected to 2014 with scale AA.
Post-retirement	For disabled lives, the mortality rates were based on the RP – 2000 mortality table set forward two years

Investment rate of return	7.75%, net of pension plan investment expense, including inflation
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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, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	23%	5.09%
Global equity	40%	8.02%
Private equity	10%	9.50%
Real estate	10%	6.50%
Timber/Natural Resources	4%	7.07%
Hedge funds	9%	6.50%
Other	4%	6.18%
Total	<u>100%</u>	

For the year ended December 31, 2015 the System's annual money-weighted rate of return on pension plan investments net of pension plan investment expense was 7.80%. The money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested.

F. Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rates and that member employer contributions will be made in accordance with section 22D and 22F of Chapter 32 of Massachusetts General Laws. Based on those assumptions, the pension 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 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, 2016

G. Sensitivity of the net pension liability to changes on the discount rate

The following presents the net pension liability of the system, calculated using the discount rate of 7.75%, 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 (6.75%) or 1 percentage point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
The Towns proportionate share of the net pension liability	\$ 32,876,288	\$ 27,305,297	\$ 22,575,374

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

NOTE 14 – COMMITMENTS AND CONTINGENCIES

The Town participates in a number of federal award programs. However the Town is not subject to the provisions of the Single Audit Act Amendments of 1996, since the Town did not expend more than \$500,000 of federal awards during the period ended June 30, 2015. 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 (8 years remaining), and the estimated liability has been recorded in the Statement of Net Position, Governmental Activities. The \$736,000 reported as landfill post-closure liability at June 30, 2016 is based on what it would cost to perform all post-closure care costs at June 30, 2016. 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, 2016, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2016.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 15 - MMWEC PARTICIPATION AND CONTINGENT LIABILITIES

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

MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts, created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in, and to issue revenue bonds to finance, electric facilities (Projects). MMWEC has acquired ownership interests in electric facilities operated by other entities and also owns and operates its own electric facilities. MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other utilities (Project Participants) under Power Sales Agreements (PSAs). Among other things, the PSAs require each Project Participant to pay its *pro rata* share of MMWEC's costs related to the Project, which costs include debt service on the revenue bonds issued by MMWEC to finance the Project, plus 10% of MMWEC's debt service to be paid into a Reserve and Contingency Fund.

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

MMWEC has issued separate issues of revenue bonds for each of its eight Projects, which are payable solely from, and secured solely by, the revenues derived from the Project to which the bonds relate, plus available funds pledged under MMWEC's Amended and Restated General Bond Resolution (GBR) with respect to the bonds of that Project. The MMWEC revenues derived from each Project are used solely to provide for the payment of the bonds of any bond issue relating to such Project and to pay MMWEC's cost of owning and operating such Project and are not used to provide for the payment of the bonds of any bond issue relating to any other Project.

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

NOTE 16 – PURCHASED POWER WORKING CAPITAL

The purchased power working capital is an amount held by Massachusetts Municipal Wholesale Electric Company (MMWEC). The implementation of the Working Capital Program began 1985. MMWEC Participants approved certain working capital amendments to the various power purchase agreements. MMWEC requires that they hold a set amount of capital from which it may pay the Department's power obligations when they are due. They replenish the fund as needed from the Department's monthly invoice payments. The income earned allocated to the Light Department will be applied as a credit to MMWEC Power Sales Billing. The balance in the Fund as of December 31, 2015 was \$1,098,859.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 17 – DEPRECIATION FUND

Pursuant to provisions of the Commonwealth's General Laws, cash in an amount equivalent to the annual depreciation expense is transferred from unrestricted funds to the depreciation fund. Interest earned on the balance of the fund must also remain in the fund. The fund is managed by the Town Treasurer and is used to pay for large capital investments such as new trucks and other long-term assets.

NOTE 18 – RATE STABILIZATION

The rate stabilization fund was created as an aftermath of the Massachusetts Electricity Restructuring Act of 1997. These funds are for unexpected escalation in costs, such as the decommissioning of nuclear power plants before the end of their operating license, unusual price spikes in fuel prices and transmission cost increases. The Rate Stabilization Fund balance at December 31, 2015 is \$2,579,659. 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 investment pools. Accordingly it is not practical to disclose the credit risk of such funds.

NOTE 19 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2016, the following GASB pronouncements were implemented:

The GASB issued **Statement #72**, *Fair Value Measurement and Application*, which is required to be implemented in 2016. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #76**, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which is required to be implemented in 2016. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #79**, *Tax Abatement Disclosures* which is required to be implemented in 2015. 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 #73**, *Accounting and Financial Reporting for Pension and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*. The provisions of this Statement are effective for 2016 – except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statements 68, which are effective for 2017. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #74**, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is required to be implemented in 2017. 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, 2016

The GASB issued **Statement #75**, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in 2018. Management's current assessment is that this pronouncement will have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #77**, *Tax Abatement Disclosures* which is required to be implemented in 2017. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #78**, *Pension Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which is required to be implemented in 2017. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #80**, *Blending Requirements for Certain Component Units – an amendment of GASB Statement #14*, which is required to be implemented in 2017. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #81**, *Irrevocable Split-Interest Agreements*, which is required to be implemented in 2018. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #82**, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, which is required to be implemented in 2017. 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, 2016**

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

Schedules of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b - a)/c]
1/1/2014	\$ 488,346,471	\$ 1,087,769,903	\$ 599,423,432	44.9%	\$ 252,829,591	237.1%
1/1/2012	\$ 436,671,982	\$ 982,796,782	\$ 546,124,800	44.4%	\$ 238,952,079	228.5%
1/1/2010	\$ 413,976,785	\$ 863,002,067	\$ 449,025,282	48.0%	\$ 241,992,607	185.6%
1/1/2007	\$ 389,758,785	\$ 692,768,325	\$ 303,009,540	56.3%	\$ 211,518,755	143.3%

Schedule of Employer Contributions

Fiscal Year Ended June 30	System Wide			Town of Holden	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) Town's Percentage of System Wide Actual Contributions
2016	\$ 44,986,040	\$ 44,986,040	100%	\$ 1,730,551	3.85%
2015	\$ 39,519,038	\$ 39,519,038	100%	\$ 1,599,220	4.05%
2014	\$ 37,510,266	\$ 37,510,266	100%	\$ 1,063,564	2.84%
2013	\$ 35,056,320	\$ 35,056,320	100%	\$ 931,617	2.66%
2012	\$ 33,072,000	\$ 33,072,000	100%	\$ 804,019	2.43%
2011	\$ 31,200,000	\$ 31,200,000	100%	\$ 687,705	2.20%

**TOWN OF HOLDEN, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
WORCESTER REGIONAL RETIREMENT SYSTEM
JUNE 30, 2016**

The following schedules are presented in accordance with GASB Statement No. 68

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

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Town's proportion of the net pension liability	3.85%	4.05%
Town's proportionate share of the net pension liability	\$ 27,305,297	\$ 24,080,656
Town's covered-employee payroll	\$ 8,576,726	\$ 8,246,852
Town's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	318.37%	292.00%
Plan fiduciary net position as a percentage of the total pension liability	44.52%	47.94%

Note: This schedule is intended to present information for 10 years. Until a 10 year trend is compiled by the (System), 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, 2016**

SCHEDULE OF TOWN'S CONTRIBUTION

	<u>December 31 ,2015</u>	<u>December 31 ,2014</u>
Actuarily determined contribution	\$ 1,730,551	\$ 1,599,220
Contribution in relation to the actuarilly determined contribution	<u>(1,730,551)</u>	<u>(1,599,220)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Town's covered-employee payroll	\$ 8,576,726	\$ 8,246,852
Contribution as a percentage of covered - employee payroll	20.18%	19.39%

Note: This Town schedule is intended to present information for 10 years. Until a 10 year trend is compiled by the (System), 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, 2016**

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

Schedules of Funding Progress and Employer Contributions

Projected Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b - a)/c]
7/1/2008	\$ -	\$ 10,653,000	\$ 10,653,000	0.0%	\$ 8,105,000	131.4%
7/1/2009 est.	\$ -	\$ 11,153,000	\$ 11,153,000	0.0%	\$ 8,105,000	137.6%
7/1/2010	\$ -	\$ 11,540,300	\$ 11,540,300	0.0%	\$ 7,401,961	155.9%
7/1/2012	\$ 439,822	\$ 12,011,446	\$ 11,571,624	3.7%	\$ 8,004,133	144.6%
7/1/2014	\$ 780,248	\$ 11,980,273	\$ 11,200,025	6.5%	\$ 8,251,111	135.7%

Schedule of Employer Contributions:

Year Ended June 30	Annual OPEB Cost	Expected Employer Payments	Increase in OPEB Obligation	Percentage of Annual OPEB Cost Contributed	Increase in Net OPEB Obligation	Net OPEB Obligation
2009	\$ 1,101,000	\$ 450,000	\$ 651,000	40.9%	\$ 651,000	\$ 651,000
2010	\$ 1,101,000	\$ 477,000	\$ 624,000	43.3%	\$ 624,000	\$ 1,275,000
2011	\$ 1,054,340	\$ 495,353	\$ 558,987	47.0%	\$ 558,987	\$ 1,833,987
2012	\$ 1,073,118	\$ 945,713	\$ 127,405	88.1%	\$ 127,405	\$ 1,961,392
2013	\$ 1,149,008	\$ 472,673	\$ 676,335	41.1%	\$ 676,335	\$ 2,637,727
2014	\$ 1,212,944	\$ 556,005	\$ 656,939	45.8%	\$ 656,939	\$ 3,294,666
2015	\$ 1,224,457	\$ 511,735	\$ 712,812	41.8%	\$ 712,812	\$ 4,007,478
2016	\$ 1,276,554	\$ 961,981	\$ 314,573	75.4%	\$ 314,373	\$ 4,322,051

**TOWN OF HOLDEN, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2016**

Actuarial Methods:

Actuarial Assumptions and Actuarial Cost Method

Valuation date	July 1, 2014
Actuarial cost method	Projected Unit Credit
Amortization period	30 years, open
Asset valuation method	Market value
Actuarial assumptions:	
Investment Rate of return	4.00%
Medical Trend	5.00% from year 2014 and thereafter

Plan Membership:

Current retirees, beneficiaries, and dependants	71
Current Active members	146
Total	<u>217</u>

**TOWN OF HOLDEN, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
WORCESTER REGIONAL RETIREMENT SYSTEM
JUNE 30, 2016**

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 total 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 in covered payroll.