

**TOWN OF HOLDEN, MASSACHUSETTS**

**REPORT ON EXAMINATION OF  
BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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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, 2017, (except for the Holden Municipal Light Plant which is as of and for the year ended December 31, 2016), and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Holden Municipal Light Department, which represent 30%, 26%, and 63%, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the business-type activities of the Holden Municipal Light Department, is based solely on the report of the other auditors. 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.

## **Basis for Qualified Opinion on the Major Enterprise Fund and Primary Government Business Type Entities**

The Holden Municipal Light Plant has reported its December 31, 2016 portion of net pension liability (NPL) based on reports provided by the Worcester Regional Retirement System (WRRS) that are not in compliance with GASB standards. *Government Accounting Standards* require that the NPL be reported using actuarial data that is no more than 30 month and one day old. The WRRS provided NPL information to the Holden Municipal Light Plant using data from an actuarial valuation dated January 1, 2014. The amount by which this departure would affect assets, liabilities, net position, and revenues/expenses of the Plant has not been determined.

### **Qualified Opinion**

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on the Major Enterprise Fund and Primary Government Business Type Entities” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and electric enterprise fund of the Town of Holden, Massachusetts, as of June 30, 2017, (except for the Holden Municipal Light Plant which is as for the year ended December 31, 2016), and the 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.

### **Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, general fund, Mt. View school fund, Water/Sewer enterprise fund, and the aggregate remaining fund information of the Town of Holden, Massachusetts, as of June 30, 2017, 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 - Town's proportionate share of the net pension liability, and Town's contribution, other post-employment benefits - schedule of the Town's contribution, schedule of investment return, schedules of funding progress and employer contributions, actuarial methods and assumptions, and notes to the required supplementary information on pages 4 – 19, 81 –82, 83 – 86 and 87 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.

May 16, 2018

## **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, 2017. 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, 2017, the estimated actuarial accrued pension liability of the Worcester Regional Retirement System is \$837,593,763 and the Town's proportionate share is \$26,871,121 and the Municipal Light Department's share is an additional \$4,635,736 for a total liability of \$31,506,857 as of June 30, 2017.

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, 2017, the estimated unfunded actuarial accrued liability of the Town is \$9,239,464 as of the July 1, 2016 GASB 45 actuarial valuation. 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, 2017 the trust fund has a balance of \$2,183,578 from contributions made by the Town of Holden, the Holden Municipal Light Department and the Water/Sewer Enterprise fund.

GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits other the Pensions* will be effective for the fiscal year ending June 30 2018. This will replace the above mentioned GASB 45 and will result in the full unfunded actuarial accrued liability being reported on the balance sheet which will have an impact on the financial statements and footnote disclosure.

Overall, revenues have decreased and expenditures have increased from the prior year. Expenditures related to Public Safety have increased due to capital equipment purchases and costs related to the continued development of the Wachusett Regional Communications Center for regional dispatch functions. Education expenditures increased as a result of the increased depreciation associated with the Mount View Middle School building and significant increases in the annual assessments paid to the Wachusett Regional School District. Revenues are lower than last year due mainly to decreases in capital grants and contributions received from the Massachusetts School Building Authority in connection with the Mount View Middle School Construction project as the building has been completed for some time. State Grant funds received in connection with the creation of the Regional Dispatch Center have increased slightly from the prior year and revenue from motor vehicle excise taxes also increased.

Total revenue for the year for all funds was \$73.9 million - \$5.0 million or 6.3% less than the total revenue for the fiscal year ended June 30, 2016.

	Fiscal Year Ended June 30, 2017	% Total	Fiscal Year Ended June 30, 2016	% Total
Property taxes	\$ 36,830,089	49.82%	\$ 34,138,306	43.26%
Motor vehicle excise	2,828,681	3.83%	2,727,252	3.47%
Penalties and interest	152,352	0.21%	158,447	0.20%
Payments in lieu of taxes	1,187,712	1.61%	1,180,815	1.50%
Charges for services	25,186,750	34.07%	25,185,994	31.91%
Operating grants and contributions	1,999,165	2.70%	1,695,408	2.15%
Capital grants and contributions	3,355,954	4.54%	11,319,727	14.34%
Nonrestricted grants and contributions	2,034,547	2.75%	1,921,578	2.43%
Unrestricted investment income and other	346,439	0.47%	588,543	0.75%
<b>Total revenue</b>	<b>\$ 73,921,689</b>	<b>100.00%</b>	<b>\$ 78,916,070</b>	<b>100.00%</b>

Total expenses for the year for all funds was \$71.3 million - \$2.8 million or 4.1% more than the total expenditures for the fiscal year ended June 30, 2016.

	Fiscal Year Ended June 30, 2017	% Total	Fiscal Year Ended June 30, 2016	% Total
General government	\$ 2,638,158	3.70%	\$ 2,460,277	3.59%
Public safety	6,487,372	9.10%	5,841,714	8.53%
Education	27,435,458	38.50%	25,044,970	36.58%
Public works	4,296,937	6.03%	4,886,170	7.14%
Water and sewer	6,390,920	8.97%	6,067,511	8.86%
Trash	1,167,234	1.64%	1,074,478	1.57%
Electric	14,367,470	20.16%	14,552,356	21.26%
Human services	424,685	0.60%	476,363	0.70%
Culture and recreation	1,784,891	2.50%	1,765,496	2.58%
Employee benefits	5,012,546	7.03%	5,011,435	7.32%
State and county assessments	134,493	0.19%	135,176	0.20%
Interest	1,129,005	1.58%	1,146,347	1.67%
<b>Total expenditures</b>	<b>\$ 71,269,169</b>	<b>100.00%</b>	<b>\$ 68,462,293</b>	<b>100.00%</b>

## 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, 2017 was \$108.8 million, of which \$71.1 million related to governmental activities and \$37.7 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 (95.9%) 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 (10.7%) is subject to external restrictions on how they may be used. The remaining balance (-6.6%) represents unrestricted net position.

Total current assets within the governmental activities were \$23.7 million and included cash & investments of \$20.2 million and receivables net of allowances of \$3.5 million.

Total current liabilities within the governmental activities were \$6.4 million and included accounts payable of \$0.5 million and bonds and notes payable of \$5.1 million. Noncurrent liabilities within the governmental activities were \$62.5 million and included \$32.3 million of general obligation bonds payable and \$25.3 million of pension liability.

Total current assets within the business-type activities were \$14.2 million and included cash & investments of \$8.5 million and receivables net of allowances of \$4.1 million.

Current liabilities within the business-type activities were \$3.6 million and included accounts payable of \$1.7 million and bond and notes payable of \$1.6 million. Noncurrent liabilities within the business-type activities were \$18.4 million and included \$11.7 million of general obligation bonds payable and \$6.3 million of pension liability.

<b>Comparative Net Position</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
<b>Assets:</b>						
Current assets	\$ 23,669,526	\$ 28,454,072	\$ 14,238,615	\$ 13,311,481	\$ 37,908,141	\$ 41,765,553
Noncurrent assets	3,465,578	5,198,367	7,142,074	7,039,361	10,607,652	12,237,728
Capital assets	109,729,032	107,225,515	40,569,900	39,046,873	150,298,932	146,272,388
<b>Total assets</b>	136,864,136	140,877,954	61,950,589	59,397,715	198,814,725	200,275,669
<b>Deferred Outflows of Resources:</b>	4,107,709	1,764,961	1,058,178	414,112	5,165,887	2,179,073
<b>Liabilities:</b>						
Current liabilities	6,598,593	13,527,905	3,572,419	3,204,497	10,171,012	16,732,402
Noncurrent liabilities	62,292,369	58,401,861	18,393,447	17,075,400	80,685,816	75,477,261
<b>Total liabilities</b>	68,890,962	71,929,766	21,965,866	20,279,897	90,856,828	92,209,663
<b>Deferred Inflows of Resources:</b>	989,340	1,298,153	3,332,513	2,804,079	4,321,853	4,102,232
<b>Net Position:</b>						
Net investment in capital assets	75,218,879	75,361,927	29,120,087	28,643,863	104,338,966	104,005,790
Restricted	10,281,362	8,733,863	1,344,164	1,104,095	11,625,526	9,837,958
Unrestricted	(14,408,698)	(14,680,794)	7,246,137	6,979,893	(7,162,561)	(7,700,901)
<b>Total net position</b>	<b>\$ 71,091,543</b>	<b>\$ 69,414,996</b>	<b>\$ 37,710,388</b>	<b>\$ 36,727,851</b>	<b>\$ 108,801,931</b>	<b>\$ 106,142,847</b>

Governmental activities current assets decreased \$4.8 million, as compared with fiscal year 2016 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 \$0.9 million. Governmental activities current liabilities decreased \$7.1 million as compared with fiscal year 2016 due to the receipt of grant funds from the MSBA resulting in the return of Bond Anticipation Note proceeds related to the Mount View Middle School building project. Business-type activities current liabilities increased \$0.4 million. Total noncurrent liabilities of the primary government increased \$5.4 million due mainly to the issuance of \$4 million of bonds for the Mount View Middle School project.

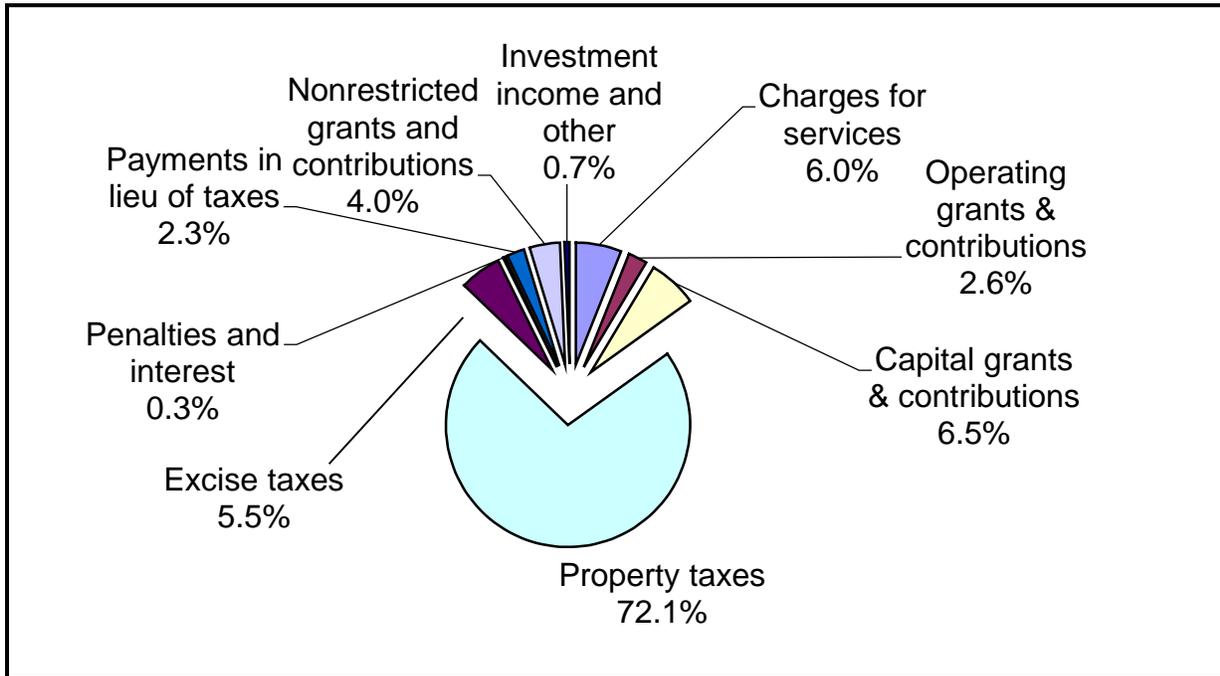
Governmental activities net investment in capital assets decreased 0.2%, and unrestricted net position deficit decreased 1.9% as compared with the prior year. Business-type net investment in capital assets increased 1.7%, and unrestricted net position increased by 3.8% as compared with the prior year.

Governmental activities increased the Town of Holden's net position by \$1,676,547. 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**

	<b>Governmental Activities</b>		Increase/ (Decrease)
	FY 2017	FY 2016	
<b>Revenues</b>			
<i>Program Revenues:</i>			
Charges for services	\$ 3,081,454	\$ 3,066,525	\$ 14,929
Operating grants and contributions	1,299,164	1,089,653	209,511
Capital grants and contributions	3,325,103	10,733,686	(7,408,583)
<i>General Revenues:</i>			
Real Estate and personal property taxes	36,830,089	34,138,306	2,691,783
Motor vehicle and other excise taxes	2,828,681	2,727,252	101,429
Penalties and interest	152,352	158,447	(6,095)
Payments in lieu of taxes	1,187,712	1,180,815	6,897
Nonrestricted grants and contributions	2,034,547	1,921,578	112,969
Unrestricted investment income & other	346,439	588,543	(242,104)
<b>Total Revenues</b>	<b>51,085,541</b>	<b>55,604,805</b>	<b>(4,519,264)</b>
<b>Expenses:</b>			
General Government	2,638,158	2,460,277	177,881
Public Safety	6,487,372	5,841,714	645,658
Education	27,435,458	25,044,970	2,390,488
Public Works	4,296,937	4,886,170	(589,233)
Human Services	424,685	476,363	(51,678)
Culture and Recreation	1,784,891	1,765,496	19,395
Employee Benefits	5,012,546	5,011,435	1,111
State and County Assessments	134,493	135,176	(683)
Interest	1,129,005	1,146,347	(17,342)
<b>Total Expenses</b>	<b>49,343,545</b>	<b>46,767,948</b>	<b>2,575,597</b>
<b>Increase/(Decrease) in Net Position before contributions to term and permanent endowments or permanent fund principal, and transfers</b>	<b>1,741,996</b>	<b>8,836,857</b>	<b>(7,094,861)</b>
<b>Contributions to permanent funds</b>	<b>6,564</b>	<b>7,005</b>	<b>(441)</b>
<b>Transfers</b>	<b>(72,013)</b>	<b>(72,013)</b>	<b>-</b>
<b>Change in Net Position</b>	<b>1,676,547</b>	<b>8,771,849</b>	<b>(7,095,302)</b>
<b>Net Position - beginning</b>	<b>69,414,996</b>	<b>60,643,147</b>	
<b>Net Position - ending</b>	<b>\$ 71,091,543</b>	<b>\$ 69,414,996</b>	

### Governmental Activities – FY2017 Revenues



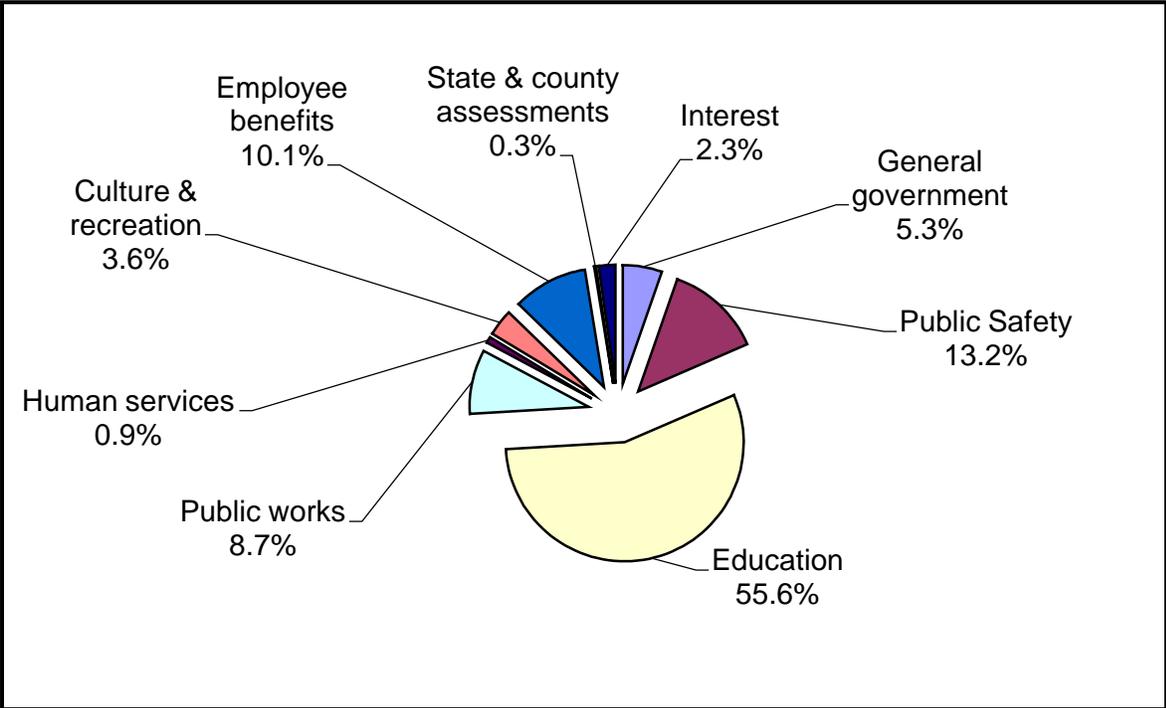
### Revenues

Property taxes along with payments in lieu of taxes and excise taxes support approximately 79.9% of the Town’s governmental activities. This is an increase of 11.5% from fiscal year 2016 and is due mostly to the decrease in capital grants and contributions.

Roughly 58% of the operating grants apply to public safety and 22% 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 almost 15%.

Nearly 78% 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 8% 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). The remaining 15% of the capital grants and contribution revenue related to the donation of land on Industrial Drive.

**Governmental Activities – FY2017 Expenses**



**Expenses**

Education is by far the largest governmental activity of the Town. Approximately \$27.4 million in tax revenues were needed to cover the fiscal year 2017 school operating expenses. This is an increase of \$2.4 million from the prior year. \$2.6 million of capital grants and contributions was used to fund the construction of the Mount View Middle School Building. This is an decrease of \$7.6 million from the prior year as construction has been substantially completed.

Public Safety and employee benefits represent the second and third largest governmental activities of the Town. Approximately \$4.1 million and \$5.0 million of taxes and other general revenues were needed to cover the fiscal year 2017 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 \$982,537 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:

<b>Comparative Changes in Net Position</b>			
	<b>Business-type Activities</b>		Increase/ (Decrease)
	FY 2017	FY 2016	
<b>Revenues</b>			
<i>Program Revenues:</i>			
Charges for services	\$ 22,105,296	\$ 22,119,469	\$ (14,173)
Operating grants and contributions	700,001	605,755	94,246
Capital grants and contributions	30,851	586,041	(555,190)
<b>Total Revenues</b>	<b>22,836,148</b>	<b>23,311,265</b>	<b>(475,117)</b>
<b>Expenses:</b>			
Electric	14,367,470	14,552,356	(184,886)
Water/Sewer	6,390,920	6,067,511	323,409
Trash	1,167,234	1,074,478	92,756
<b>Total Expenses</b>	<b>21,925,624</b>	<b>21,694,345</b>	<b>231,279</b>
<b>Excess (deficiency) of revenues over expenses</b>	<b>910,524</b>	<b>1,616,920</b>	<b>(706,396)</b>
<b>Transfers</b>	<b>72,013</b>	<b>72,013</b>	<b>-</b>
<b>Change in Net Position</b>	<b>982,537</b>	<b>1,688,933</b>	<b>(706,396)</b>
<b>Net Position - beginning</b>	<b>36,727,851</b>	<b>35,038,918</b>	
<b>Net Position - ending</b>	<b>\$ 37,710,388</b>	<b>\$ 36,727,851</b>	

## ***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 \$19.0 million, an increase of \$2.7 million in comparison with the prior fiscal year as a result of issuing \$4 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 \$8,721,222, while total fund balance was \$15,270,670. 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 \$37.7 million; \$29.1 million or 77% of which relates to the Town's net investment in capital assets.

### **General Fund Budgetary Highlights**

The original fiscal year 2017 general fund operating budget of \$49.0 million was set at the May 2016 annual town meeting. A small amount was transferred from employee benefits to general government to cover legal fees.

Revenues exceeded budgetary amounts by \$1,293,721 and expenditures were less than budgetary amounts by \$3,427,629. 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 general government expenditures were less than budgetary amounts by \$1,169,230, \$1,447,035 and \$549,700 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, 2017 amount to \$150,298,932 (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 \$4,026,543 (a \$2.5 million increase for governmental activities and a \$1.5 million increase for business-type activities).

<b>Capital Assets</b>			
<b>(Net of Accumulated Depreciation)</b>			
<b>Primary government</b>	<b>FY 2017</b>	<b>FY 2016</b>	<b>Increase/ (Decrease)</b>
Land	\$ 3,816,824	\$ 3,185,898	\$ 630,926
Construction in progress	3,178,462	411,641	2,766,821
Buildings	77,962,383	76,023,197	1,939,186
Improvements other than buildings	1,677,886	1,512,009	165,877
Machinery and equipment	1,982,703	2,206,636	(223,933)
Vehicles	2,420,660	2,750,555	(329,895)
Infrastructure	49,635,762	50,498,975	(863,213)
Electric - land	72,500	72,500	-
Electric - construction in progress	103,915	94,895	9,020
Electric - general plant	2,839,319	2,675,372	163,947
Electric - distribution plant	6,608,518	6,840,710	(232,192)
<b>Total Capital Assets</b>	<b>\$ 150,298,932</b>	<b>\$ 146,272,388</b>	<b>\$ 4,026,544</b>

## Debt

In May 2017, Standard and Poor's affirmed the Town's bond of AA+ and in October 2016, the Town's bond rating was upgraded from Aa3 to Aa2 from Moody's Investor Services. At the end of the fiscal year the Town had a total bonded debt outstanding of \$47,748,780. 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, \$25,469,000 or nearly 53% 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 2017 the Town issued bonds in the amount of \$4,015,000 for the Mount View Middle School building project and \$1,845,000 for water and/or sewer improvements.

<b>Outstanding Debt at Year End</b>		
<b>Governmental Activities</b>	<b>Outstanding June 30, 2017</b>	<b>Outstanding June 30, 2016</b>
Schools	\$ 25,469,000	\$ 24,452,500
Public Safety	9,050,000	9,742,025
Public Works	160,000	284,475
Swimming Pool	206,000	411,000
Title V	11,412	15,216
<b>Total Governmental Activities</b>	<b>\$ 34,896,412</b>	<b>\$ 34,905,216</b>
<b>Business-type Activities</b>		
Water Improvements	\$ 8,918,707	\$ 9,051,682
Sewer Construction	3,933,662	3,435,676
<b>Total Business-type Activities</b>	<b>\$ 12,852,369</b>	<b>\$ 12,487,358</b>

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 2017 was the fourth consecutive year that the property tax levy was set below the levels authorized by Proposition 2 ½. The average 2017 single family home in Holden was valued at \$293,092 with an average annual tax bill of \$5,155. The overall property values for fiscal year 2017 increased approximately 5.3% as compared with fiscal year 2016. 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 2018.

In May 2017, Standard and Poor's affirmed the Town's bond rating of AA+ and in October 2016, the Town's bond rating from Moody's Investor Services was upgraded from Aa3 to Aa2. These favorable ratings positively affect the Town's future interest rates on borrowing, and result in lower debt service costs. The Rating Service's outlook is termed "stable" and their report cites the Town's strong management, good financial management policies, strong budgetary performance, very strong budgetary flexibility and strong reserves as positive factors.

While the Commonwealth of Massachusetts continues to experience fiscal difficulties, with our healthy reserves and conservative approach to budgeting it is not projected to impact the Town's operating budget moving forward. Despite a decrease in state aid, the Town has a balanced budget for fiscal year 2018 and expects only a minimal increase for fiscal 2019 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, 2017**

	<b>PRIMARY GOVERNMENT</b>		
	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b>ASSETS</b>			
<b>CURRENT:</b>			
CASH AND SHORT-TERM INVESTMENTS	\$ 13,933,095	\$ 8,266,125	\$ 22,199,220
INVESTMENTS	6,283,622	183,502	6,467,124
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES	235,571	-	235,571
TAX LIENS	714,727	-	714,727
MOTOR VEHICLE EXCISE TAXES	280,491	-	280,491
USER FEES	-	3,797,914	3,797,914
DEPARTMENTAL AND OTHER	357,105	-	357,105
INTERGOVERNMENTAL	1,864,915	-	1,864,915
SPECIAL ASSESSMENTS	-	278,772	278,772
PREPAID EXPENSES	-	173,245	173,245
OTHER ASSETS	-	1,539,057	1,539,057
<b>NONCURRENT:</b>			
RESTRICTED ASSETS:			
CASH AND SHORT-TERM INVESTMENTS	-	4,380,754	4,380,754
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
SPECIAL ASSESSMENTS	-	2,761,320	2,761,320
INTERGOVERNMENTAL	3,465,578	-	3,465,578
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	109,729,032	40,569,900	150,298,932
<b>TOTAL ASSETS</b>	<b>136,864,136</b>	<b>61,950,589</b>	<b>198,814,725</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
RELATED TO PENSIONS	4,107,709	1,058,178	5,165,887
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
ACCOUNTS PAYABLE	544,164	1,689,401	2,233,565
ACCRUED LIABILITIES	-	170,806	170,806
OTHER LIABILITIES	21,371	62,201	83,572
ACCRUED INTEREST	151,784	40,446	192,230
BONDS AND NOTES PAYABLE	5,259,016	1,580,338	6,839,354
LANDFILL POSTCLOSURE CARE COSTS	100,000	-	100,000
COMPENSATED ABSENCES	522,258	29,227	551,485
<b>NONCURRENT:</b>			
CUSTOMER DEPOSITS	-	237,186	237,186
ACCRUED EXPENSES	-	35,002	35,002
BONDS AND NOTES PAYABLE	32,159,981	11,654,023	43,814,004
LANDFILL POSTCLOSURE CARE COSTS	425,120	-	425,120
COMPENSATED ABSENCES	279,216	9,752	288,968
POST EMPLOYMENT BENEFITS	4,175,283	203,396	4,378,679
NET PENSION LIABILITY	25,252,769	6,254,088	31,506,857
<b>TOTAL LIABILITIES</b>	<b>68,890,962</b>	<b>21,965,866</b>	<b>90,856,828</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
DEFERRED AMOUNT ON REFUNDING	378,380	44,375	422,755
RELATED TO PENSIONS	610,960	207,406	818,366
CONTRIBUTION IN AID OF CONSTRUCTION	-	166,736	166,736
RATE STABILIZATION RESERVE	-	2,913,996	2,913,996
<b>TOTAL DEFERRED INFLOWS OF RESOURCES:</b>	<b>989,340</b>	<b>3,332,513</b>	<b>4,321,853</b>
<b>NET POSITION</b>			
NET INVESTMENT IN CAPITAL ASSETS	75,218,879	29,120,087	104,338,966
RESTRICTED FOR:			
DEPRECIATION	-	1,344,164	1,344,164
PERMANENT FUNDS:			
EXPENDABLE	473,445	-	473,445
NONEXPENDABLE	437,131	-	437,131
OTHER PURPOSES	9,370,786	-	9,370,786
UNRESTRICTED	(14,408,698)	7,246,137	(7,162,561)
<b>TOTAL NET POSITION</b>	<b>\$ 71,091,543</b>	<b>\$ 37,710,388</b>	<b>\$ 108,801,931</b>

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2017**

<b>FUNCTIONS/PROGRAMS</b>	<b>EXPENSES</b>	<b>PROGRAM REVENUES</b>			<b>NET (EXPENSE) REVENUE</b>
		<b>CHARGES FOR SERVICES</b>	<b>OPERATING GRANTS AND CONTRIBUTIONS</b>	<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>	
<b>PRIMARY GOVERNMENT:</b>					
GOVERNMENTAL ACTIVITIES:					
GENERAL GOVERNMENT	\$ 2,638,158	\$ 461,636	\$ 290,292	\$ 489,400	\$ (1,396,830)
PUBLIC SAFETY	6,487,372	1,550,432	748,284	-	(4,188,656)
EDUCATION	27,435,458	-	7,025	2,579,270	(24,849,163)
PUBLIC WORKS	4,296,937	85,053	45,627	256,433	(3,909,824)
HUMAN SERVICES	424,685	98,322	138,430	-	(187,933)
CULTURE & RECREATION	1,784,891	886,011	69,506	-	(829,374)
EMPLOYEE BENEFITS	5,012,546	-	-	-	(5,012,546)
STATE & COUNTY ASSESSMENTS	134,493	-	-	-	(134,493)
INTEREST	1,129,005	-	-	-	(1,129,005)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>49,343,545</b>	<b>3,081,454</b>	<b>1,299,164</b>	<b>3,325,103</b>	<b>(41,637,824)</b>
BUSINESS-TYPE ACTIVITIES:					
WATER/SEWER	6,390,920	7,094,963	383,632	30,851	1,118,526
ELECTRIC	14,367,470	13,842,367	314,329	-	(210,774)
OTHER ENTERPRISE	1,167,234	1,167,966	2,040	-	2,772
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>21,925,624</b>	<b>22,105,296</b>	<b>700,001</b>	<b>30,851</b>	<b>910,524</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 71,269,169</b>	<b>\$ 25,186,750</b>	<b>\$ 1,999,165</b>	<b>\$ 3,355,954</b>	<b>\$ (40,727,300)</b>

See accompanying notes to the basic financial statements

(continued)

**TOWN OF HOLDEN, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2017**

	<b>PRIMARY GOVERNMENT</b>		
	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b>CHANGES IN NET POSITION:</b>			
NET (EXPENSE) REVENUE FROM PREVIOUS PAGE	<b>\$ (41,637,824)</b>	<b>\$ 910,524</b>	<b>\$ (40,727,300)</b>
<b>GENERAL REVENUES:</b>			
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS PAYABLE	36,754,995	-	36,754,995
TAX LIENS	75,094	-	75,094
MOTOR VEHICLE EXCISE TAXES	2,828,681	-	2,828,681
PENALTIES AND INTEREST ON TAXES	152,352	-	152,352
PAYMENTS IN LIEU OF TAXES	1,187,712	-	1,187,712
GRANTS AND CONTRIBUTIONS NOT RESTRICTED TO SPECIFIC PROGRAMS	2,034,547	-	2,034,547
RENTAL INCOME	108,839	-	108,839
UNRESTRICTED INVESTMENT INCOME	94,272	-	94,272
BOND PREMIUM	65,266	-	65,266
CONTRIBUTIONS TO PERMANENT FUNDS	6,564	-	6,564
MISCELLANEOUS	78,062	-	78,062
TRANSFERS, NET	(72,013)	72,013	-
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>	<b>43,314,371</b>	<b>72,013</b>	<b>43,386,384</b>
CHANGE IN NET POSITION	1,676,547	982,537	2,659,084
<b>NET POSITION:</b>			
<b>BEGINNING OF YEAR</b>	<b>69,414,996</b>	<b>36,727,851</b>	<b>106,142,847</b>
<b>END OF YEAR</b>	<b>\$ 71,091,543</b>	<b>\$ 37,710,388</b>	<b>\$ 108,801,931</b>

See accompanying notes to the basic financial statements

(concluded)

**TOWN OF HOLDEN, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2017**

<b>ASSETS</b>	<b>GENERAL</b>	<b>MT. VIEW SCHOOL PROJECT</b>	<b>NONMAJOR GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
CASH AND SHORT-TERM INVESTMENTS	\$ 10,633,993	\$ 386,246	\$ 2,912,856	\$ 13,933,095
INVESTMENTS	4,924,838	-	1,358,784	6,283,622
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:				
REAL ESTATE AND PERSONAL PROPERTY TAXES	235,571	-	-	235,571
TAX LIENS	714,727	-	-	714,727
MOTOR VEHICLE EXCISE TAXES	280,491	-	-	280,491
DEPARTMENTAL AND OTHER	357,105	-	-	357,105
INTERGOVERNMENTAL	5,306,896	-	23,597	5,330,493
<b>TOTAL ASSETS</b>	<b>\$ 22,453,621</b>	<b>\$ 386,246</b>	<b>\$ 4,295,237</b>	<b>\$ 27,135,104</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
LIABILITIES:				
ACCOUNTS PAYABLE	\$ 469,595	\$ 4,306	\$ 70,263	\$ 544,164
OTHER LIABILITIES	21,371	-	-	21,371
NOTES PAYABLE	-	875,000	-	875,000
<b>TOTAL LIABILITIES</b>	<b>490,966</b>	<b>879,306</b>	<b>70,263</b>	<b>1,440,535</b>
DEFERRED INFLOWS OF RESOURCES:				
UNAVAILABLE REVENUE	6,691,985	-	-	6,691,985
FUND BALANCES:				
NONSPENDABLE	-	-	437,131	437,131
RESTRICTED	1,430,197	-	3,798,035	5,228,232
COMMITTED	2,282,014	-	-	2,282,014
ASSIGNED	2,837,237	-	-	2,837,237
UNASSIGNED	8,721,222	(493,060)	(10,192)	8,217,970
<b>TOTAL FUND BALANCES</b>	<b>15,270,670</b>	<b>(493,060)</b>	<b>4,224,974</b>	<b>19,002,584</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 22,453,621</b>	<b>\$ 386,246</b>	<b>\$ 4,295,237</b>	<b>\$ 27,135,104</b>

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, 2017**

	<u>GENERAL</u>	<u>MT. VIEW SCHOOL PROJECT</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>REVENUES:</b>				
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 36,796,633	\$ -	\$ -	\$ 36,796,633
MOTOR VEHICLE EXCISE TAXES	2,760,619	-	-	2,760,619
PENALTIES AND INTEREST ON TAXES	161,302	-	-	161,302
INTERGOVERNMENTAL	3,810,203	2,579,271	1,426,981	7,816,455
CHARGES FOR SERVICES	-	-	1,402,739	1,402,739
INVESTMENT INCOME	93,424	-	7,022	100,446
CONTRIBUTIONS & DONATIONS	-	-	61,012	61,012
DEPARTMENTAL AND OTHER	3,353,300	-	138,368	3,491,668
<b>TOTAL REVENUES</b>	<b>46,975,481</b>	<b>2,579,271</b>	<b>3,036,122</b>	<b>52,590,874</b>
<b>EXPENDITURES:</b>				
CURRENT:				
GENERAL GOVERNMENT	2,402,414	-	441,732	2,844,146
PUBLIC SAFETY	4,995,051	-	873,022	5,868,073
EDUCATION	25,640,566	4,499,575	-	30,140,141
PUBLIC WORKS	3,478,752	-	736,329	4,215,081
HUMAN SERVICES	323,826	-	51,942	375,768
CULTURE & RECREATION	922,733	-	784,122	1,706,855
EMPLOYEE BENEFITS	3,483,141	-	-	3,483,141
STATE & COUNTY ASSESSMENTS	134,493	-	-	134,493
DEBT SERVICE				
PRINCIPAL	4,023,804	-	-	4,023,804
INTEREST	1,471,638	-	-	1,471,638
<b>TOTAL EXPENDITURES</b>	<b>46,876,418</b>	<b>4,499,575</b>	<b>2,887,147</b>	<b>54,263,140</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>99,063</b>	<b>(1,920,304)</b>	<b>148,975</b>	<b>(1,672,266)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
PROCEEDS FROM BONDS AND NOTES	-	4,015,000	-	4,015,000
BORROWING PREMIUM	-	-	424,938	424,938
OPERATING TRANSFERS IN	201,668	1,446,416	-	1,648,084
OPERATING TRANSFERS OUT	(1,518,429)	-	(201,668)	(1,720,097)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,316,761)</b>	<b>5,461,416</b>	<b>223,270</b>	<b>4,367,925</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,217,698)</b>	<b>3,541,112</b>	<b>372,245</b>	<b>2,695,659</b>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b>16,488,368</b>	<b>(4,034,172)</b>	<b>3,852,729</b>	<b>16,306,925</b>
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 15,270,670</b>	<b>\$ (493,060)</b>	<b>\$ 4,224,974</b>	<b>\$ 19,002,584</b>

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, 2017**

<b>TOTAL GOVERNMENTAL FUND BALANCES</b>		\$ 19,002,584
CAPITAL ASSETS (NET) USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS		109,729,032
ACCOUNTS RECEIVABLE ARE NOT AVAILABLE TO PAY FOR CURRENT-PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS		6,691,985
IN THE STATEMENT OF ACTIVITIES, INTEREST IS ACCRUED ON OUTSTANDING LONG-TERM DEBT, WHEREAS IN GOVERNMENTAL FUNDS INTEREST IS NOT REPORTED UNTIL DUE		(151,784)
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	(34,896,412)	
NET PENSION LIABILITY	(25,252,769)	
DEFERRED INFLOWS OF RESOURCES:	(610,960)	
DEFERRED OUTFLOWS OF RESOURCES:	4,107,709	
DEFERRED AMOUNT ON REFUNDING	(378,380)	
UNAMORTIZED BOND PREMIUM	(1,647,585)	
COMPENSATED ABSENCES	(801,474)	
POST EMPLOYMENT BENEFITS	(4,175,283)	
LANDFILL POSTCLOSURE CARE COSTS	<u>(525,120)</u>	
NET EFFECT OF REPORTING LONG-TERM LIABILITIES		<u>(64,180,274)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>		<u><b>\$ 71,091,543</b></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, 2017**

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ 2,695,659

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	6,732,893	
DEPRECIATION EXPENSE	<u>(4,861,210)</u>	
NET EFFECT OF REPORTING CAPITAL ASSETS		1,871,683

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 (2,195,869)

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 631,834

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	(4,015,000)	
DEBT SERVICE PRINCIPAL PAYMENTS	<u>4,023,804</u>	
NET EFFECT OF REPORTING LONG-TEM DEBT		8,804

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	(12,547)	
NET CHANGE IN OTHER POSTEMPLOYMENT BENEFITS	(71,182)	
NET CHANGE IN PENSION LIABILITY	(3,949,176)	
NET CHANGE IN DEFERRED OUTFLOWS OF RESOURCES	2,342,748	
NET CHANGE IN DEFERRED INFLOWS OF RESOURCES	160,752	
NET CHANGE IN UNAMORTIZED BOND PREMIUM	(201,169)	
NET CHANGE IN LANDFILL POSTCLOSURE CARE ACCRUAL	210,880	
NET CHANGE IN DEFERRED AMOUNT ON REFUNDING	148,061	
NET CHANGE IN ACCRUED INTEREST ON LONG-TERM DEBT	<u>36,069</u>	
NET EFFECT OF RECORDING LONG-TERM LIABILITIES		<u>(1,335,564)</u>

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ 1,676,547

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, 2017**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL BUDGETARY AMOUNTS</u>	<u>VARIANCE OVER(UNDER)</u>
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>		
<b><u>REVENUES:</u></b>				
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 36,541,032	\$ 36,541,032	\$ 36,796,633	\$ 255,601
MOTOR VEHICLE EXCISE TAXES	2,050,000	2,050,000	2,760,619	710,619
PENALTIES & INTEREST ON TAXES	107,000	107,000	161,302	54,302
INTERGOVERNMENTAL	3,804,264	3,804,264	3,809,447	5,183
INVESTMENT INCOME	60,000	60,000	68,676	8,676
DEPARTMENTAL AND OTHER	3,093,960	3,093,960	3,353,300	259,340
<b>TOTAL REVENUES</b>	<b>45,656,256</b>	<b>45,656,256</b>	<b>46,949,977</b>	<b>1,293,721</b>
<b><u>EXPENDITURES:</u></b>				
CURRENT:				
GENERAL GOVERNMENT	2,867,234	2,952,114	2,402,414	549,700
PUBLIC SAFETY	6,442,086	6,442,086	4,995,051	1,447,035
EDUCATION	25,704,121	25,704,121	25,640,566	63,555
PUBLIC WORKS	4,647,982	4,647,982	3,478,752	1,169,230
HUMAN SERVICES	398,997	398,997	323,826	75,171
CULTURE & RECREATION	1,044,124	1,044,124	922,733	121,391
EMPLOYEE BENEFITS	3,568,025	3,483,145	3,483,141	4
STATE & COUNTY ASSESSMENTS	136,033	136,033	134,493	1,540
DEBT SERVICE:				
PRINCIPAL	4,138,986	3,998,986	4,023,804	(24,818)
INTEREST	1,355,703	1,495,703	1,470,882	24,821
<b>TOTAL EXPENDITURES</b>	<b>50,303,291</b>	<b>50,303,291</b>	<b>46,875,662</b>	<b>3,427,629</b>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,647,035)	(4,647,035)	74,315	4,721,350
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
OPERATING TRANSFERS IN	201,481	201,481	201,668	187
OPERATING TRANSFERS OUT	(1,518,429)	(1,518,429)	(1,518,429)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,316,948)</b>	<b>(1,316,948)</b>	<b>(1,316,761)</b>	<b>187</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(5,963,983)</b>	<b>(5,963,983)</b>	<b>(1,242,446)</b>	<b>4,721,537</b>
<b>BUDGETARY FUND BALANCE, BEGINNING OF YEAR</b>	<b>11,370,809</b>	<b>11,370,809</b>	<b>11,370,809</b>	<b>-</b>
<b>BUDGETARY FUND BALANCE, END OF YEAR</b>	<b>\$ 5,406,826</b>	<b>\$ 5,406,826</b>	<b>\$ 10,128,363</b>	<b>\$ 4,721,537</b>

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS  
PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2017**

<b>ASSETS</b>	<b>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</b>			
	<b>WATER/SEWER</b>	<b>ELECTRIC</b>	<b>OTHER ENTERPRISE</b>	<b>TOTAL</b>
<b>CURRENT:</b>				
CASH AND SHORT-TERM INVESTMENTS	\$ 7,025,802	\$ 833,895	\$ 406,428	\$ 8,266,125
INVESTMENTS	183,502	-	-	183,502
USER FEES	1,590,666	2,128,375	78,873	3,797,914
SPECIAL ASSESSMENTS	278,772	-	-	278,772
OTHER ASSETS	-	1,539,057	-	1,539,057
PREPAID EXPENSES	-	173,245	-	173,245
TOTAL CURRENT ASSETS	<u>9,078,742</u>	<u>4,674,572</u>	<u>485,301</u>	<u>14,238,615</u>
<b>NONCURRENT:</b>				
RESTRICTED CASH AND SHORT-TERM INVESTMENTS:				
DEPRECIATION FUND	-	1,344,164	-	1,344,164
CUSTOMER DEPOSITS	-	237,186	-	237,186
RATE STABILIZATION FUND	-	2,799,404	-	2,799,404
SPECIAL ASSESSMENTS	2,761,320	-	-	2,761,320
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	30,945,648	9,624,252	-	40,569,900
TOTAL NONCURRENT ASSETS	<u>33,706,968</u>	<u>14,005,006</u>	<u>-</u>	<u>47,711,974</u>
<b>TOTAL ASSETS</b>	<u>42,785,710</u>	<u>18,679,578</u>	<u>485,301</u>	<u>61,950,589</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
RELATED TO PENSIONS	265,464	792,714	-	1,058,178
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>				
<b>CURRENT:</b>				
ACCOUNTS PAYABLE	379,747	1,265,873	43,781	1,689,401
ACCRUED LIABILITIES	-	170,806	-	170,806
OTHER LIABILITIES	4,807	57,394	-	62,201
ACCRUED INTEREST	40,446	-	-	40,446
BONDS AND NOTES PAYABLE	1,580,338	-	-	1,580,338
COMPENSATED ABSENCES	29,227	-	-	29,227
TOTAL CURRENT LIABILITIES	<u>2,034,565</u>	<u>1,494,073</u>	<u>43,781</u>	<u>3,572,419</u>
<b>NONCURRENT:</b>				
CUSTOMER DEPOSITS	-	237,186	-	237,186
ACCRUED EXPENSES	-	35,002	-	35,002
BONDS AND NOTES PAYABLE	11,654,023	-	-	11,654,023
COMPENSATED ABSENCES	9,752	-	-	9,752
POST EMPLOYMENT BENEFITS	203,396	-	-	203,396
NET PENSION LIABILITY	1,618,352	4,635,736	-	6,254,088
TOTAL NONCURRENT LIABILITIES	<u>13,485,523</u>	<u>4,907,924</u>	<u>-</u>	<u>18,393,447</u>
<b>TOTAL LIABILITIES</b>	<u>15,520,088</u>	<u>6,401,997</u>	<u>43,781</u>	<u>21,965,866</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
RELATED TO PENSIONS	39,484	167,922	-	207,406
DEFERRED AMOUNT ON REFUNDING	44,375	-	-	44,375
CONTRIBUTION IN AID OF CONSTRUCTION	-	166,736	-	166,736
RATE STABILIZATION RESERVE	-	2,913,996	-	2,913,996
<b>TOTAL DEFERRED INFLOWS OF RESOURCES:</b>	<u>83,859</u>	<u>3,248,654</u>	<u>-</u>	<u>3,332,513</u>
<b>NET POSITION</b>				
NET INVESTMENT IN CAPITAL ASSETS	19,495,835	9,624,252	-	29,120,087
RESTRICTED FOR DEPRECIATION	-	1,344,164	-	1,344,164
UNRESTRICTED	7,951,392	(1,146,775)	441,520	7,246,137
<b>TOTAL NET POSITION</b>	<u>27,447,227</u>	<u>9,821,641</u>	<u>441,520</u>	<u>37,710,388</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, 2017**

	<b>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</b>			
	<b>WATER/SEWER</b>	<b>ELECTRIC</b>	<b>OTHER ENTERPRISE</b>	<b>TOTAL</b>
<b><u>OPERATING REVENUES:</u></b>				
CHARGES FOR SERVICES	\$ 7,094,963	\$ 13,842,367	\$ 1,167,966	\$ 22,105,296
DEPARTMENTALAND OTHER	-	286,696	-	286,696
DONATIONS	30,851	-	-	30,851
TOTAL OPERATING REVENUES	<u>7,125,814</u>	<u>14,129,063</u>	<u>1,167,966</u>	<u>22,422,843</u>
<b><u>OPERATING EXPENSES:</u></b>				
GENERAL SERVICES	4,963,458	13,575,737	1,167,234	19,706,429
DEPRECIATION	1,019,687	790,973	-	1,810,660
TOTAL OPERATING EXPENSES	<u>5,983,145</u>	<u>14,366,710</u>	<u>1,167,234</u>	<u>21,517,089</u>
OPERATING INCOME (LOSS)	<u>1,142,669</u>	<u>(237,647)</u>	<u>732</u>	<u>905,754</u>
<b><u>NON-OPERATING REVENUES (EXPENSES):</u></b>				
INTERGOVERNMENTAL	382,680	-	-	382,680
INVESTMENT INCOME	952	27,633	2,040	30,625
INTEREST EXPENSE	(407,775)	(760)	-	(408,535)
TOTAL NON-OPERATING REVENUES (EXPENSES), NET	<u>(24,143)</u>	<u>26,873</u>	<u>2,040</u>	<u>4,770</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>1,118,526</u>	<u>(210,774)</u>	<u>2,772</u>	<u>910,524</u>
<b><u>TRANSFERS:</u></b>				
OPERATING TRANSFERS IN	<u>72,013</u>	<u>-</u>	<u>-</u>	<u>72,013</u>
CHANGE IN NET POSITION	1,190,539	(210,774)	2,772	982,537
NET POSITION AT BEGINNING OF YEAR	26,256,688	10,032,415	438,748	36,727,851
NET POSITION AT END OF YEAR	<u>\$ 27,447,227</u>	<u>\$ 9,821,641</u>	<u>\$ 441,520</u>	<u>\$ 37,710,388</u>

See accompanying notes to the basic financial statements

TOWN OF HOLDEN, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FISCAL YEAR ENDED JUNE 30, 2017

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	WATER/SEWER	ELECTRIC	OTHER ENTERPRISE	TOTAL
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>				
RECEIPTS FROM CUSTOMERS AND USERS	\$ 6,726,740	\$ 13,756,632	\$ 1,149,746	\$ 21,633,118
PAYMENTS TO SUPPLIERS	(4,286,974)	(11,699,460)	(1,082,592)	(17,069,026)
PAYMENTS TO EMPLOYEES	(595,332)	(1,417,111)	(42,849)	(2,055,292)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,844,434	640,061	24,305	2,508,800
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>				
OPERATING TRANSFERS IN	72,013	-	-	72,013
INTEREST EXPENSE	-	(760)	-	(760)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	72,013	(760)	-	71,253
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>				
NET PROCEEDS FROM THE ISSUANCE OF BONDS AND NOTES	1,845,000	-	-	1,845,000
BOND PREMIUM	196,065	-	-	196,065
CAPITAL CONTRIBUTIONS	-	48,671	-	48,671
PRINCIPAL PAYMENTS ON BONDS AND NOTES	(1,277,977)	-	-	(1,277,977)
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(2,267,613)	(734,460)	-	(3,002,073)
INTEREST EXPENSE	(269,463)	-	-	(269,463)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES:	(1,773,988)	(685,789)	-	(2,459,777)
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>				
NET PROCEEDS FROM PURCHASE AND SALE OF INVESTMENT SECURITIES	(952)	-	-	(952)
NET TRANSFERS FROM OPERATIONS	-	(418,099)	-	(418,099)
INTEREST RECEIVED	952	245	2,040	3,237
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES:	-	(417,854)	2,040	(415,814)
NET INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS	142,459	(464,342)	26,345	(295,538)
CASH AND SHORT TERM INVESTMENTS - BEGINNING OF YEAR	6,883,343	1,536,362	380,083	8,799,788
CASH AND SHORT TERM INVESTMENTS - END OF YEAR	\$ 7,025,802	\$ 1,072,020	\$ 406,428	\$ 8,504,250
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS)</u></b>				
<b><u>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u></b>				
OPERATING INCOME (LOSS)	\$ 1,142,669	\$ (237,647)	\$ 732	\$ 905,754
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS)				
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
DEPRECIATION	1,019,687	790,973	-	1,810,660
DONATED INFRASTRUCTURE	(23,272)	-	-	(23,272)
(INCREASE) DECREASE IN ACCOUNTS RECEIVABLE	(752,276)	(439,535)	(18,219)	(1,210,030)
(INCREASE) DECREASE IN SPECIAL ASSESSMENTS	375,143	-	-	375,143
(INCREASE) DECREASE IN RATE STABILIZATION FUND	-	200,000	-	200,000
(INCREASE) DECREASE IN PREPAID EXPENSES	-	87,776	-	87,776
(INCREASE) DECREASE IN OTHER ASSETS	-	(26,956)	-	(26,956)
(INCREASE) DECREASE IN DEFERRED OUTFLOWS OF RESOURCES	(147,569)	(496,497)	-	(644,066)
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	(17,153)	10,553	41,792	35,192
INCREASE (DECREASE) IN OTHER LIABILITIES	1,330	67,104	-	68,434
INCREASE (DECREASE) IN COMPENSATED ABSENCES PAYABLE	(1,619)	-	-	(1,619)
INCREASE (DECREASE) IN POST EMPLOYMENT BENEFITS	4,377	(104,973)	-	(100,596)
INCREASE (DECREASE) IN DEFERRED INFLOWS OF RESOURCES	(9,970)	167,922	-	157,952
INCREASE (DECREASE) IN NET PENSION LIABILITY	253,087	621,341	-	874,428
TOTAL ADJUSTMENTS	701,765	877,708	23,573	1,603,046
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 1,844,434	\$ 640,061	\$ 24,305	\$ 2,508,800

See accompanying notes to the basic financial statements

TOWN OF HOLDEN, MASSACHUSETTS  
 FIDUCIARY FUNDS  
 STATEMENT OF FIDUCIARY NET POSITION  
 JUNE 30, 2017

	<u>POSTEMPLOYMENT BENEFITS TRUST FUNDS</u>	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUNDS</u>
<b><u>ASSETS</u></b>			
CASH AND SHORT-TERM INVESTMENTS	\$ -	\$ 20,849	\$ 825,331
INVESTMENTS	<u>2,183,578</u>	<u>16,514</u>	<u>-</u>
TOTAL ASSETS	<u>2,183,578</u>	<u>37,363</u>	<u>825,331</u>
<b><u>LIABILITIES</u></b>			
ACCOUNTS PAYABLE	-	-	17,276
OTHER LIABILITIES	<u>-</u>	<u>-</u>	<u>808,055</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>825,331</u>
<b><u>NET POSITION</u></b>			
HELD IN TRUST FOR PLAN PARTICIPANTS	2,183,578	-	-
HELD IN TRUST FOR OTHER PURPOSES	<u>-</u>	<u>37,363</u>	<u>-</u>
TOTAL NET POSITION	<u>\$ 2,183,578</u>	<u>\$ 37,363</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, 2017**

	<b>POSTEMPLOYMENT BENEFITS TRUST FUNDS</b>	<b>PRIVATE PURPOSE TRUST FUNDS</b>
<b><u>ADDITIONS:</u></b>		
CONTRIBUTIONS:		
DEPARTMENTAL	\$ 563,858	\$ -
NET INVESTMENT INCOME (LOSS):		
INVESTMENT INCOME	148,033	194
TOTAL ADDITIONS	711,891	194
<b><u>DEDUCTIONS:</u></b>	-	-
CHANGE IN NET POSITION	711,891	194
<b>NET POSITION AT BEGINNING OF YEAR</b>	1,471,687	37,169
<b>NET POSITION AT END OF YEAR</b>	\$ 2,183,578	\$ 37,363

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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**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	\$ 24,767,733
Montachusett Regional Vocational Technical School District	To provide grades 9-12 Vocational and Technical Educational Services	1050 Westminster St. Fitchburg, MA 01420	\$ 716,012

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 equity interest of approximately 44.34% equity interest in the joint venture.

**TOWN OF HOLDEN, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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The Montachusett Regional Vocational Technical High School (the District) is governed by a twenty-two (22) member school committee which includes one appointed (1) representative from the Town of Holden. The Town is indirectly liable for debt and other expenditures of the District and is assessed annually for its share of the operating and capital costs. Separate financial statements may be obtained by writing to the Treasurer of the District at the above address. The Town has an equity interest of approximately 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, 2017**

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**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.

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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.

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The following major proprietary funds are reported:

- The *Water and Sewer Enterprise fund* is used to account for water and sewer activities.
- The *Electric Light Enterprise fund* is used to account for electric light activities.
- The *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.

**D. Cash and Investments**

*Government-Wide and Fund Financial Statements*

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

**E. Fair Value Measurements**

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

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

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

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

## **F. Accounts Receivable**

### *Government-Wide and Fund Financial Statements*

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

### *Real Estate, Personal Property Taxes and Tax Liens*

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

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

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

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

*Motor Vehicle Excise*

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

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

*Water and Sewer*

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

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

*Special Assessments*

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

*Departmental and Other*

Departmental and other receivables consist primarily of ambulance receivables and are recorded as receivables in the fiscal year accrued. The allowance for uncollectibles for the ambulance receivables is estimated based on historical trends and specific account analysis.

*Electricity*

The Department carries its accounts receivable at cost less an allowance for doubtful accounts of \$18,000 at December 31, 2016. 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.

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*Intergovernmental*

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

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

**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.

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

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

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

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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.

**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.

**TOWN OF HOLDEN, MASSACHUSETTS**  
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**K. Deferred Outflows/Inflows of Resources**

*Government-Wide Financial Statements (Net Position)*

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town reported deferred inflows of resources related to pensions, 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.

**L. Net Position and Fund Equity**

*Government-Wide Financial Statements (Net Position)*

Net position is classified into three components:

- a. *Net investment in capital assets* – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. *Restricted net position* – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Net position have been “restricted” for the following:

- *Depreciation* represents available resources (cash) that may be used for replacements, enlargements and additions to the utility plant.
- *Permanent funds -expendable* represents amounts held in trust for which the expenditures are restricted by various trust agreements.

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- *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.
- 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.

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**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.

*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, 2017 is recorded in the governmental funds financial statements.

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**P. Pension**

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

**Q. Post Retirement Benefits**

*Government-Wide and Fund Financial Statements*

In addition to providing pension benefits, health and life insurance coverage is provided for retired employees and their survivors in accordance with 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.

**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.

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**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 2017 approved budget authorized \$49,003,363 in current year appropriations and other amounts to be raised and \$1,299,928 in encumbrances and appropriations carried over from previous fiscal years.

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

*B. Budgetary – GAAP Reconciliation*

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2017, is presented below:

Net change in fund balance - budgetary basis	\$ (1,242,446)
Basis of accounting differences:	
Net Stabilization fund activity	24,748
Increase in revenue for the MWPAT subsidy	756
Increase in expenditures for the MWPAT subsidy	<u>(756)</u>
Net change in fund balance - GAAP basis	<u>\$ (1,217,698)</u>

*C. Deficit Fund Balance*

An individual fund deficit exists within the special revenue and 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.

**TOWN OF HOLDEN, MASSACHUSETTS**  
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**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.

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, collateral held by the pledging banks’ trust department not in the Town’s name, or uncollateralized as of June 30, 2017:

Total bank balances		\$ 22,895,388
		<u>                    </u>
Bank balances covered by deposit insurance		
Federal Deposit Insurance Corporation (FDIC)	1,000,000	
Depositors Insurance Fund (DIF)	<u>6,340,782</u>	
Total bank balances covered by deposit insurance		7,340,782
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	15,457,269	
Bank balances uninsured & uncollateralized	<u>97,337</u>	
Total bank balances subject to custodial credit risk		<u>15,554,606</u>
Total bank balances		<u>\$ 22,895,388</u>

**TOWN OF HOLDEN, MASSACHUSETTS**  
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*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).

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

Investment type	Fair value	Minimum Legal Rating	Rating as of Year End			
			Aaa	A2	BBB+	Unrated
U.S. Government & Agency Securities	\$ 3,767,650	N/A	\$ 3,767,650	\$ -	\$ -	\$ -
Certificates of Deposit	1,949,561	N/A	-	-	-	1,949,561
Fixed Income Mutual Funds	1,129,419	N/A	-	-	-	1,129,419
Corporate Bonds	888,511	N/A	-	341,646	546,865	-
Money Market Mutual Funds	302,805	N/A	-	-	-	302,805
Equity Mutual Funds	1,392,311	N/A	-	-	-	1,392,311
Common Stock	703,721		-	-	-	703,721
<b>Total Investments</b>	<b>\$ 10,133,978</b>		<b>\$ 3,767,650</b>	<b>\$ 341,646</b>	<b>\$ 546,865</b>	<b>\$ 5,477,817</b>
Less: Electric Light Plant Investments at June 30, 2017	<u>(1,466,762)</u>					
Total Investments per Statement of Net Position and Fiduciary Net Position at June 30, 2017	<u>\$ 8,667,216</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, common stock, 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.

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**NOTES TO BASIC FINANCIAL STATEMENTS**  
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Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows:

Investment type	Fair value	Investment maturities (in years)	
		Less than 1	1-5
<b><i>Debt Related Securities:</i></b>			
U.S. Government & Agency	\$ 3,767,650	\$ -	\$ 3,767,650
Fixed Income Mutual Funds	1,129,419	1,129,419	-
Corporate Bonds	888,511	150,020	738,491
Total - Debt related securities	<u>5,785,580</u>	<u>1,279,439</u>	<u>4,506,141</u>
<b><i>Other Investments:</i></b>			
Certificates of Deposit	1,949,561	392,572	1,556,989
Money Market Mutual Funds	302,805	302,805	-
Equity Mutual Funds	1,392,311	1,392,311	-
Common Stock	703,721	703,721	-
Total Other Investments	<u>4,348,398</u>	<u>2,791,409</u>	<u>1,556,989</u>
Total Investments at June 30, 2017	<u>\$ 10,133,978</u>	<u>\$ 4,070,848</u>	<u>\$ 6,063,130</u>

- *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, 2017**

The Town has the following recurring fair value measurement as of June 30, 2017.

Investment Type	June 30, 2017	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)
<b>Debt securities</b>				
U.S. Government and Agency	\$ 3,767,650	\$ 3,767,650	\$ -	\$ -
Certificates of Deposit	1,949,561	1,949,561	-	-
Fixed Income Mutual Funds	1,129,419	-	1,129,419	-
Corporate Bonds	888,511	-	888,511	-
Total debt securities	7,735,141	5,717,211	2,017,930	-
<b>Other Investments</b>				
Equity Mutual Funds	1,392,311	1,392,311	-	-
Money Market Mutual Funds	302,805	302,805	-	-
Common Stock	703,721	703,721	-	-
Total other investments	2,398,837	2,398,837	-	-
Total investments measured at fair value	10,133,978	\$ 8,116,048	\$ 2,017,930	\$ -
<b>Investments measured at amortized cost</b>				
Massachusetts Municipal Depository Trust - (MMDT)	1,094,649			
<b>Total Investments</b>	\$ 11,228,627			

U.S. Government and Agency, Equity Mutual Funds, Certificates of Deposit, Common Stock, 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, 2017**

**NOTE 4 – RECEIVABLES**

The receivables at June 30, 2017 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	\$ 252,771	\$ (17,200)	\$ 235,571
Tax liens	714,727	-	714,727
Motor vehicle & other excise taxes	318,186	(37,695)	280,491
Departmental and other	905,294	(548,189)	357,105
Intergovernmental	5,330,493	-	5,330,493
<b>Total</b>	<b>\$ 7,521,471</b>	<b>\$ (603,084)</b>	<b>\$ 6,918,387</b>

The receivables at June 30, 2017, (electric light at December 31, 2016) for the enterprise funds consist of the following:

Receivables:	Gross Amount	Allowance for Uncollectibles	Net Amount
<i>Water and Sewer</i>			
User fees	\$ 1,590,666	\$ -	\$ 1,590,666
Special Assessments	3,040,092	-	3,040,092
<i>Other Enterprise - Trash</i>			
User fees	78,873	-	78,873
<i>Electric Light</i>			
User fees	2,146,375	(18,000)	2,128,375
<b>Total</b>	<b>\$ 6,856,006</b>	<b>\$ (18,000)</b>	<b>\$ 6,838,006</b>

**TOWN OF HOLDEN, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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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

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<u>Deferred Inflows:</u>	<u>General Fund</u>
Deferred Property Taxes	\$ 856,023
Deferred Other Revenue	637,595
Deferred Intergovernmental Revenue	<u>5,198,367</u>
Total Unavailable Revenue	<u><u>\$ 6,691,985</u></u>

**TOWN OF HOLDEN, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ 2,709,394	\$ 489,400	\$ -	\$ 3,198,794
Construction in progress	40,000	379,679	(50,000)	369,679
Total capital assets not being depreciated	<u>2,749,394</u>	<u>869,079</u>	<u>(50,000)</u>	<u>3,568,473</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	93,075,318	4,499,574	-	97,574,892
Capital improvements (other than buildings)	2,047,745	338,644	-	2,386,389
Machinery and equipment	4,872,521	301,619	(75,664)	5,098,476
Vehicles	6,327,805	226,733	(294,942)	6,259,596
Infrastructure	62,898,262	1,129,078	50,000	64,077,340
Total capital assets being depreciated	<u>169,221,651</u>	<u>6,495,648</u>	<u>(320,606)</u>	<u>175,396,693</u>
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(21,461,199)	(2,393,981)	-	(23,855,180)
Capital improvements (other than buildings)	(1,038,673)	(116,616)	-	(1,155,289)
Machinery and equipment	(3,046,546)	(458,489)	75,664	(3,429,371)
Vehicles	(4,118,929)	(458,736)	294,942	(4,282,723)
Infrastructure	(35,080,183)	(1,433,388)	-	(36,513,571)
Total accumulated depreciation	<u>(64,745,530)</u>	<u>(4,861,210)</u>	<u>370,606</u>	<u>(69,236,134)</u>
Total capital assets being depreciated, net	<u>104,476,121</u>	<u>1,634,438</u>	<u>50,000</u>	<u>106,160,559</u>
Total governmental activities capital assets, net	<u>\$ 107,225,515</u>	<u>\$ 2,503,517</u>	<u>\$ -</u>	<u>\$ 109,729,032</u>

**TOWN OF HOLDEN, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

<b>Business-Type Activities:</b> <b>(Water &amp; Sewer Enterprise)</b>	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated :</i>				
Land	\$ 432,548	\$ -	\$ -	\$ 432,548
Construction in progress	415,598	2,578,667	-	2,994,265
Total capital assets not being depreciated	848,146	2,578,667	-	3,426,813
<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	1,255,015	-	-	1,255,015
Vehicles	795,215	-	-	795,215
Infrastructure	32,822,840	23,272	-	32,846,112
Total capital assets being depreciated	43,967,350	23,272	-	43,990,622
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(3,508,183)	(166,406)	-	(3,674,589)
Capital improvements (other than buildings)	(674,080)	(56,151)	-	(730,231)
Machinery and equipment	(874,355)	(67,063)	-	(941,418)
Vehicles	(253,535)	(97,892)	-	(351,427)
Infrastructure	(10,141,947)	(632,175)	-	(10,774,122)
Total accumulated depreciation	(15,452,100)	(1,019,687)	-	(16,471,787)
Total capital assets being depreciated, net	28,515,250	(996,415)	-	27,518,835
Total business-type activities capital assets, net	\$ 29,363,396	\$ 1,582,252	\$ -	\$ 30,945,648

**TOWN OF HOLDEN, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

Capital asset activity for the *electric light plant* at December 31, 2016 was as follows:

<b>Business-Type Activities: (Light Plant Enterprise)</b>	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 72,500	\$ -	\$ -	\$ 72,500
Construction in progress	94,895	67,996	(58,976)	103,915
Total capital assets not being depreciated	167,395	67,996	(58,976)	176,415
<i>Capital assets being depreciated:</i>				
Distribution Plant	20,480,885	352,576	(33,764)	20,799,697
General Plant	6,006,577	373,803	(130,451)	6,249,929
Total capital assets being depreciated	26,487,462	726,379	(164,215)	27,049,626
<i>Less accumulated depreciation for:</i>				
Distribution Plant	(13,640,173)	(584,768)	33,764	(14,191,177)
General Plant	(3,331,207)	(209,856)	130,451	(3,410,612)
Total accumulated depreciation	(16,971,380)	(794,624)	164,215	(17,601,789)
Total capital assets being depreciated, net	9,516,082	(68,245)	-	9,447,837
Total business-type activities capital assets, net	<u>\$ 9,683,477</u>	<u>\$ (249)</u>	<u>\$ (58,976)</u>	<u>\$ 9,624,252</u>

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

<b>Governmental Activities:</b>	
General government	\$ 123,209
Public safety	738,177
Education	1,951,713
Public works	1,824,788
Human services	48,917
Culture and recreation	174,406
Total depreciation expense - governmental activities	<u>\$ 4,861,210</u>
<b>Business-Type Activities:</b>	
Water and Sewer	\$ 1,019,687
Electric light - ( December 31, 2016)	794,624
Total depreciation expense - business-type activities	<u>\$ 1,814,311</u>

**TOWN OF HOLDEN, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

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**NOTE 6 – INTERFUND TRANSFERS**

Interfund transfers for the fiscal year ended June 30, 2017, are summarized as follows:

	Operating Transfers In:			
Operating Transfers Out:	General Fund	MT View School Project	Water/Sewer Enterprise Fund	Total
Nonmajor Governmental Funds	\$ 201,481	\$ -	\$ -	\$ 201,481 (1)
Nonmajor Governmental Funds	187	-	-	187 (2)
General Fund	-	1,446,416	72,013	1,518,429 (1)
Total	\$ 201,668	\$ 1,446,416	\$ 72,013	\$ 1,720,097

- (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 for short-term borrowings are accounted for in the general fund.

**TOWN OF HOLDEN, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2017**

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The following is a summary of changes in short-term debt for the year ended June 30, 2017:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2016	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2017
<u>Governmental Funds:</u>							
BAN	Mt. View School	2.25%	6/16/2017	\$ 4,000,000	\$ -	\$ (4,000,000)	\$ -
BAN	Mt. View School	0.85%	6/16/2017	3,000,000	-	(3,000,000)	-
BAN	Mt. View School	1.50%	6/15/2018	-	875,000	-	875,000
Total Governmental Funds				<u>\$ 7,000,000</u>	<u>\$ 875,000</u>	<u>\$ (7,000,000)</u>	<u>\$ 875,000</u>

**TOWN OF HOLDEN, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 8 – LONG-TERM DEBT**

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

The following is a summary of the changes in long-term debt for the year ended June 30, 2017:

**Bonds and Notes Payable Schedule -Governmental Funds**

Project	Interest Rate (%)	Outstanding at June 30, 2016	Issued	Redeemed	Outstanding at June 30, 2017
General Obligation	3.75	\$ 3,910,000	\$ -	\$ 210,000	\$ 3,700,000
Title V	Var.	15,216	-	3,804	11,412
School - Refunding	4.12	9,135,000	-	2,130,000	7,005,000
School	3.64	259,000	-	60,000	199,000
Outdoor Recreation	3.64	411,000	-	205,000	206,000
Public Safety Building	3.90	5,565,000	-	365,000	5,200,000
General Obligation	2.30	170,000	-	170,000	-
DPW Truck	2.00	80,000	-	40,000	40,000
Ambulance		200,000	-	50,000	150,000
Loader		160,000	-	40,000	120,000
Middle School	2.40	15,000,000	-	750,000	14,250,000
Mt. View School	2.57	-	4,015,000	-	4,015,000
<b>Total Bonds and Notes Payable</b>		<b>\$ 34,905,216</b>	<b>\$ 4,015,000</b>	<b>\$ 4,023,804</b>	<b>\$ 34,896,412</b>
<b>Add: Unamortized Bond Premium</b>		<b>1,446,416</b>	<b>359,672</b>	<b>158,503</b>	<b>1,647,585</b>
<b>Total Bonds and Notes Payable, Net</b>		<b>\$ 36,351,632</b>	<b>\$ 4,374,672</b>	<b>\$ 4,182,307</b>	<b>\$ 36,543,997</b>

**TOWN OF HOLDEN, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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The annual debt service requirements for principal and interest for Governmental bonds and notes outstanding at June 30, 2017 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 4,198,804	\$ 1,318,987	\$ 5,517,791
2019	4,073,804	1,139,619	5,213,423
2020	4,198,804	969,730	5,168,534
2021	1,630,000	846,125	2,476,125
2022	1,660,000	771,425	2,431,425
2023-2027	8,775,000	2,694,025	11,469,025
2028-2032	6,360,000	1,080,250	7,440,250
2033-2037	<u>4,000,000</u>	<u>315,000</u>	<u>4,315,000</u>
<b>Total</b>	<b><u>\$ 34,896,412</u></b>	<b><u>\$ 9,135,161</u></b>	<b><u>\$ 44,031,573</u></b>

**TOWN OF HOLDEN, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Bonds and Notes Payable Schedule -Water and Sewer Enterprise Fund**

The annual debt service requirements for principal and interest for water and sewer enterprise fund bonds and notes outstanding at June 30, 2017 are as follows:

Project	Interest Rate (%)	Outstanding at June 30, 2016	Issued	Redeemed	Outstanding at June 30, 2017
MWPAT Drinking Water	Var.	\$ 1,429,479	\$ -	\$ 82,592	\$ 1,346,887
Water Wells	4.98	90,000	-	90,000	-
MWPAT Drinking Water	Var.	611,587	-	113,440	498,147
Water	3.64	330,000	-	50,000	280,000
Water	3.64	860,000	-	125,000	735,000
MWPAT Drinking Water	Var.	325,000	-	40,000	285,000
MWPAT Drinking Water	Var.	330,316	-	42,469	287,847
MWPAT Drinking Water	Var.	1,185,515	-	131,724	1,053,791
MWPAT Drinking Water	2.00	509,785	-	46,514	463,271
MWPAT Sewer Construction	Var.	975,000	-	185,000	790,000
MWPAT Sewer Construction	Var.	1,675,000	-	220,000	1,455,000
MWPAT Sewer Connections	Var.	163,094	-	32,486	130,608
MWPAT Sewer Connections	Var.	352,582	-	39,527	313,055
Watermains		540,000	-	60,000	480,000
Water Tank		495,000	-	55,000	440,000
Sewer Pump Station	3.80	270,000	-	20,000	250,000
Water Main	2.40	1,600,000	-	80,000	1,520,000
Water Equipment	1.25	220,000	-	45,000	175,000
Mass Cleanwater DW 13-12	2.00	525,000	-	21,237	503,763
Water Mains	2.55	-	850,000	-	850,000
Infiltration Removal	2.51	-	365,000	-	365,000
Princeton St Sewer Pump Station	2.52	-	280,000	-	280,000
Lincoln Ave Sewer Pump Station	1.83	-	350,000	-	350,000
<b>Total Bonds and Notes Payable</b>		<u>12,487,358</u>	<u>1,845,000</u>	<u>1,479,989</u>	<u>12,852,369</u>
<b>Sewer Pump Station</b>					
Add: Unamortized Premium	16.6	35,201	-	4,422	30,779
<b>Water Main</b>					
Add: Unamortized Premium	72.5	154,284	-	19,338	134,946
<b>Water Equipment</b>					
Add: Unamortized Premium	10.8	23,078	-	2,876	20,202
<b>Water Main</b>					
Add: Unamortized Premium	46.1	-	90,386	-	90,386
<b>Infiltration Removal</b>					
Add: Unamortized Premium	19.8	-	38,821	-	38,821
<b>Princeton Street Sewer Pump Station</b>					
Add: Unamortized Premium	15.2	-	29,802	-	29,802
<b>Lincoln Ave Sewer Main</b>					
Add: Unamortized Premium	18.9	-	37,056	-	37,056
<b>Total Unamortized Premium</b>		<u>212,563</u>	<u>196,065</u>	<u>26,636</u>	<u>381,992</u>
<b>Total Bonds and Notes Payable, net</b>		<u>\$ 12,699,921</u>	<u>\$ 2,041,065</u>	<u>\$ 1,506,625</u>	<u>\$ 13,234,361</u>

**TOWN OF HOLDEN, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,531,643	\$ 453,278	\$ 1,984,921
2019	1,558,077	390,994	1,949,071
2020	1,583,516	311,251	1,894,767
2021	1,596,092	254,921	1,851,013
2022	1,215,064	204,871	1,419,935
2023-2027	3,204,845	517,056	3,721,901
2028-2032	1,389,343	202,119	1,591,462
2033-2037	773,789	59,656	833,445
Total	<u>\$ 12,852,369</u>	<u>\$ 2,394,146</u>	<u>\$ 15,246,515</u>

**Loans Authorized and Unissued**

As of June 30, 2017, 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	10,084,392
Capital Equipment	5/19/2014	45,000
Ambulance	5/15/2017	300,000
DPW Loader w/Wing Plow	5/15/2017	270,000
Water Main Replacement	5/15/2017	825,000
Heritage Lane Sewer Pump Station	5/15/2017	840,000
Total		<u>\$ 12,390,510</u>

**TOWN OF HOLDEN, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**Changes in Long-term Liabilities**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2017 (electric light as of December 31, 2016):

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable	\$ 34,905,216	\$ 4,015,000	\$ (4,023,804)	\$ 34,896,412	\$ 4,198,804
Add: Unamortized Premiums	1,446,416	359,672	(158,503)	1,647,585	185,212
Total Bond Payable	36,351,632	4,374,672	(4,182,307)	36,543,997	4,384,016
Compensated absences	788,921	12,553	-	801,474	522,258
Landfill postclosure care costs	736,000	-	(210,880)	525,120	100,000
Net pension liability (Note 13)	21,303,593	3,949,176	-	25,252,769	-
OPEB (Note 12)	4,104,101	71,182	-	4,175,283	-
Total governmental activities long-term liabilities	<u>\$ 63,284,247</u>	<u>\$ 8,407,583</u>	<u>\$ (4,393,187)</u>	<u>\$ 67,298,643</u>	<u>\$ 5,006,274</u>

Business-Type Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable - water/sewer	\$ 12,487,358	\$ 1,845,000	\$ (1,479,989)	\$ 12,852,369	\$ 1,531,643
Add: Unamortized Premiums	212,563	196,065	(26,636)	381,992	48,695
Total Bond Payable	12,699,921	2,041,065	(1,506,625)	13,234,361	1,580,338
Compensated absences	40,599	-	(1,620)	38,979	29,227
Customer deposits - electric light	227,476	9,710	-	237,186	-
Rate stabilization reserve - electric light	2,579,659	334,337	-	2,913,996	-
OPEB - water/sewer (Note 12)	199,019	4,377	-	203,396	-
OPEB - electric light	18,931	-	(18,931)	-	-
Net Pension Liability (Note 13)	1,365,265	253,087	-	1,618,352	-
Net pension Liability - electrical light	4,014,395	621,341	-	4,635,736	-
Customer advances for construction	-	57,394	-	57,394	-
Contribution in aid of construction - electrical light	121,716	45,020	-	166,736	-
Total business-type activities long-term liabilities	<u>\$ 21,266,981</u>	<u>\$ 3,366,331</u>	<u>\$ (1,527,176)</u>	<u>\$ 23,106,136</u>	<u>\$ 1,609,565</u>

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

**TOWN OF HOLDEN, MASSACHUSETTS**  
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**Massachusetts School Building Authority Reimbursements**

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

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

The Town has been approved for a 70% percent state school construction grant through the Massachusetts School Building Authority (MSBA) to cover eligible project costs, including debt service associated with the financing of these projects, subject to annual appropriation by the state legislature. The Town received \$1,732,788 from scheduled annual payments in FY 2017 from the MSBA for completed school construction projects. The Town also received progress payments of \$2,579,271 for the ongoing construction of the Mt. View School Building as of June 30, 2017.

**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, 2017:

Agency	Total Long-Term Debt Outstanding	Town's Estimated Share	Town's Indirect Debt
Wachusett Regional School District Bonds	\$ 20,318,003	44.34%	\$ 9,009,003
Montachusett Regional Vocational Technical School District Bonds	<u>3,315,000</u>	12.53%	<u>415,370</u>
	<u>\$ 23,633,003</u>		<u>\$ 9,424,372</u>

**TOWN OF HOLDEN, MASSACHUSETTS**  
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**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
<b>Fund Balances</b>				
<b>Nonspendable:</b>				
Permanent Fund Principal	\$ -	\$ -	\$ 437,131	\$ 437,131
<b>Restricted For:</b>				
General Government	-	-	1,087,114	1,087,114
Public Safety	-	-	297,235	297,235
Public Works	-	-	469,297	469,297
Human Services	-	-	342,250	342,250
Culture & Recreation	-	-	1,369,805	1,369,805
Employee Benefits	-	-	232,334	232,334
Debt Service	72,454	-	-	72,454
Bond Premium	10,809	-	-	10,809
Infrastructure Fund	1,346,934	-	-	1,346,934
	<u>1,430,197</u>	<u>-</u>	<u>3,798,035</u>	<u>5,228,232</u>
<b>Committed To:</b>				
<b>Continuing Appropriations</b>				
General Government	215,555	-	-	215,555
Public Safety	947,267	-	-	947,267
Education	55,858	-	-	55,858
Public Works	919,186	-	-	919,186
Human Services	55,118	-	-	55,118
Culture & Recreation	89,030	-	-	89,030
	<u>2,282,014</u>	<u>-</u>	<u>-</u>	<u>2,282,014</u>
<b>Assigned To:</b>				
<b>Encumbered For:</b>				
General Government	23,278	-	-	23,278
Public Safety	75,132	-	-	75,132
Public Works	87,178	-	-	87,178
Human Services	347	-	-	347
Subsequent Years Expenditures	2,322,511	-	-	2,322,511
DPW Depreciation Fund	231,404	-	-	231,404
Regional Dispatch Stabilization	5,167	-	-	5,167
Office Space Perservation Stabilization	51,674	-	-	51,674
Fire Vehicle & Equipment Stabilization	40,546	-	-	40,546
	<u>2,837,237</u>	<u>-</u>	<u>-</u>	<u>2,837,237</u>
<b>Unassigned</b>				
General Fund	5,472,108	-	-	5,472,108
General Stabilization Fund	3,249,114	-	-	3,249,114
Mount View School	-	(493,060)	-	(493,060)
Town Grants	-	-	(10,192)	(10,192)
	<u>8,721,222</u>	<u>(493,060)</u>	<u>(10,192)</u>	<u>8,217,970</u>
<b>Total Governmental Fund Balances</b>	<u>\$ 15,270,670</u>	<u>\$ (493,060)</u>	<u>\$ 4,224,974</u>	<u>\$ 19,002,584</u>

**TOWN OF HOLDEN, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**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**  
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- Regional Dispatch Stabilization Fund is used to account for is used to account for appropriations funding the acquisition, repair, upgrading, and replacing information technology, office communications or other equipment and related appurtenances necessary for the Wachusett Regional Emergency Communications Center. The Town may appropriate into and out of the fund at Annual or Special Town Meeting by 2/3 vote. This fund was established May 16, 2016 under Chapter 40, sub-section 5B of **MGL**.
  
- Open Space Preservation Stabilization Fund is used to account for appropriations funding the acquisition of real property within the Town of Holden to be held and maintained as open space for the citizens of Holden. The Town may appropriate into and out of the fund at Annual or Special Town Meeting by 2/3 vote. This fund was established May 16, 2016 under Chapter 40, sub-section 5B of **MGL**.

**NOTE 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 \$47,329,514. 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 2017.

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 114 active employees and 68 retirees (24 retiree spouses) who participate in the Town's health care programs. For active employees hired prior to July 1, 2009, the Town contributes 80% of the premium costs for both family and individual HMO plans. For all 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 2017.

**NOTE 12 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

The GASB Standards for *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires the following disclosures in the financial statements related to the retiree medical, dental, and life insurance benefits:

**TOWN OF HOLDEN, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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***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, dental, and life insurance benefits to eligible retirees and their spouses. The Town ordinances vote is the authority to establish and amend benefit provisions to the Town. The Town has accepted various sections of Massachusetts General Laws Chapter 32B to provide 50% of the premium cost of retirees' health, dental and life insurance costs.

***Funding Policy.*** The contribution requirements of plan members and the Town are established and may be amended through Town ordinances. The required contribution is based on projected pay-as-you-go financing requirements. For Fiscal Year 2017, total Town premiums plus implicit costs for the retiree medical program are \$1,044,150.

The Commonwealth of Massachusetts passed special legislation that has allowed the Town to establish a postemployment benefit trust fund and to enable the Town to begin pre-funding its other postemployment benefit (OPEB) liabilities.

*Plan Membership* – The following table represents the Plan's membership as June 30, 2016:

Active Members	154
Inactive members currently receiving benefits	<u>107</u>
Total	<u><u>261</u></u>

**TOWN OF HOLDEN, MASSACHUSETTS**  
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*Significant Actuarial Methods and Assumptions* – The plan’s total OPEB liability, actuarial valuation was determined using the following actuarial methods and assumptions.

Valuation Date:	Actuarially Determined Contribution was calculated as of June 30, 2016.
Actuarial Cost Method:	Individual Entry Age Normal
Asset-Valuation Method:	Market value of assets as of the measurement date June 30, 2016
Investment Rate of Return	7.41%, net of OPEB plan investment expense, including inflation.
Medical Trend	5.00% as of June 30, 2016 and future periods
Single Equivalent Discount Rate:	7.00% net of OPEB plan investment expense, including inflation.
Inflation:	2.75% as of June 30, 2016 and for future periods
Salary Increases:	3.00% annually as of June 30, 2016 and for future periods
Cost of Living Adjustment	Not Applicable
Pre-Retirement Mortality:	RP-2000 Mortality Table projected generationally with scale BB and a base year 2009 for males and females
Post-Retirement Mortality:	RP-2000 Mortality Table projected generationally with scale BB and a base year 2009 for males and females
Disabled Mortality:	RP-2000 Mortality Table set forward 2 years.

*Investment Policy*

The OPEB plan’s assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan.

**TOWN OF HOLDEN, MASSACHUSETTS**  
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The long-term real rate of return on OPEB investments was determined using the Town's investment policy. Best estimates of real rates of returns for each major asset class included in the OPEB plans target asset allocation as of June 30, 2016 are summarized in the following table.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	36.25%	5.50%
International equity	13.75%	6.50%
Domestic fixed income	40.00%	2.00%
International fixed income	0.00%	3.00%
Alternatives	10.00%	7.00%
Real Estate	0.00%	6.50%
Cash	0.00%	0.00%
	<u>100.00%</u>	

*Sensitivity of the net OPEB liability to changes in the discount rate* – The following table presents the Plan's total OPEB liability, calculated using the discount rate of 7.00% as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.00%) or 1 percentage-point higher (8.00%) than the current rate, as of June 30, 2016

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Total OPEB liability	\$ 12,249,523	\$ 10,711,151	\$ 9,299,087
Service Cost	\$ 477,620	\$ 370,482	\$ 291,592

*Sensitivity of the net OPEB liability to changes in the healthcare trend* – The following table presents the total other postemployment benefit liability, calculated the healthcare trend rate if it was 1 percentage-point lower or 1 percentage-point higher than the current rate, as of June 30, 2016

	1% Decrease (4.00%)	Current Trend (5.00%)	1% Increase (6.00%)
Total OPEB liability	\$ 8,897,571	\$ 10,711,151	\$ 13,121,945
Service Cost	\$ 259,828	\$ 370,482	\$ 518,780

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***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, 2016.

	Governmental Activities	Business-Type activities - Enterprise Funds			Primary Government Total
		Water/Sewer	Light	Total	
Annual Required Contribution (ARC)	\$ 902,015	\$ 57,055	\$ 210,506	\$ 267,561	\$ 1,169,576
Interest on Net OPEB Obligation	287,288	13,931	1,325	15,256	302,544
Amortization of Actual (Gains)/Losses	(13,233)	(677)	(2,524)	(3,201)	(16,434)
Adjustments to the ARC	<u>(309,097)</u>	<u>(14,989)</u>	<u>(1,426)</u>	<u>(16,415)</u>	<u>(325,512)</u>
Annual OPEB Cost	866,973	55,320	207,881	263,201	1,130,174
Expected Employer Contributions	<u>(795,791)</u>	<u>(50,943)</u>	<u>(197,416)</u>	<u>(248,359)</u>	<u>(1,044,150)</u>
Increase in net OPEB obligation	71,182	4,377	10,465	14,842	86,024
Net OPEB obligation - beginning of year	<u>4,104,101</u>	<u>199,019</u>	<u>18,931</u>	<u>217,950</u>	<u>4,322,051</u>
Net OPEB obligation - end of year	<u>\$ 4,175,283</u>	<u>\$ 203,396</u>	<u>\$ 29,396</u>	<u>\$ 232,792</u>	<u>\$ 4,408,075</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the eight 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
2017	\$ 1,130,174	\$ 1,044,150	\$ 86,024	92.4%	\$ 86,024	\$ 4,408,075

**TOWN OF HOLDEN, MASSACHUSETTS**  
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**Funded Status and Funding Progress**- The funded status of the Plan as of the most recent actuarial valuation date, July 1, 2016, 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%
7/1/2016	\$ 1,471,687	\$ 10,711,151	\$ 9,239,464	13.7%	\$ 8,871,721	104.1%

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

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

In the June 30, 2016, actuarial valuation, the individual entry age normal actuarial cost method was used. Under this method, the annual normal cost and actuarial liability are both based on an accrual of projected benefits over the period for which benefits are accrued. The normal cost is the actuarial present value of one year's benefit accrual on this basis. The actuarial accrued liability is the actuarial present value of the projected benefit times the ratio of past service to expected total service at retirement/termination. The actuarial assumptions included a 7.14% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 5.00% percent and thereafter. This rate included a 2.75% inflation assumption. The actuarial value of assets was determined using market value. The UAAL is being amortized as a level dollar amount over 30 years at transition. The remaining amortization period at July 1, 2017, was 21 years.

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**NOTE 13 – PENSION PLAN**

**A. Plan Descriptions**

The Town is a member of the Worcester Regional Retirement System (The System), a cost-sharing multiple-employer, contributory defined benefit pension plan covering eligible employees of the 96 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 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/>.

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

**B. Benefits Provided**

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

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 depends on several factors, including whether or not disability is work related, the employees’ age, years of creditable service, level of compensation, and veterans’ status.

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

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

**C. Contributions**

*Worcester Regional Retirement System*

Chapter 32 of MGL governs the contributions of plan members and member employees. Active plan members are required to contribute to the system at rates ranging from 5 to 9% of their gross regular compensation. Members joining the system after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30,000. The rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the system, 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 December 31, 2016 which was \$1,877,072 and 20.49% 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, 2017 the Town reported a liability of \$32,367,046 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. Accordingly, updated procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members actuarially determined. At December 31, 2016, the Town's proportion was 3.86% which had no increase from its proportion measured as of December 31, 2015.

*Pension Expense and Deferred Outflows/Inflows of Resources*

For the year ended June 30, 2017 the Town recognized pension expense of \$3,788,029. At June 30, 2017 the Town reported deferred outflows and inflows of resources related to pensions of \$5,309,279 and \$789,675 respectively.

**TOWN OF HOLDEN, MASSACHUSETTS**  
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The balances of deferred outflows and inflows as June 30, 2017 consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience	\$ 263,926	\$ -	\$ 263,926
Changes of Assumptions	3,828,471	-	3,828,471
Net difference between projected and actual earnings	1,123,152	-	1,123,152
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>93,730</u>	<u>(789,675)</u>	<u>(695,945)</u>
Total Deferred Outflows (Inflows) of Resources	<u>\$ 5,309,279</u>	<u>\$ (789,675)</u>	<u>\$ 4,519,604</u>

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

Year ended June 30	Amount
2017	\$ 1,066,315
2018	1,066,315
2019	1,062,857
2020	726,637
2021	<u>597,480</u>
Totals	<u>\$ 4,519,604</u>

**E. Actuarial assumptions**

The total pension liability in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2016.

Valuation date	January 1, 2016
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	19 years, except for ERI for 2002 and 2003 (12 years) and 2010 (6 years)
Asset valuation method	5 year smoothed market value

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**NOTES TO BASIC FINANCIAL STATEMENTS**  
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Inflation rate	3.0% per year
Salary increases	Group 1: 6% - 4.25% based on service Group 4: 7% - 4.75% based on service
Mortality rates:	Based on the RP-2000 mortality table (base year 2009) with full generational mortality improvement using scale BB. For disabled lives, the mortality rates were based on the RP – 2000 mortality table (base year 2012) with full generational mortality improvement using scale BB.
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

**F. Long-Term Expected Rate of Return**

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real 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 real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of December 31, 2016 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	22%	2.29%
Global equity	40%	4.97%
Private equity	11%	6.50%
Real estate	10%	3.50%
Timber/Natural Resources	4%	3.00%
Hedge funds	13%	3.48%
Total	<u>100%</u>	

For the year ended December 31, 2016 the System’s annual money-weighted rate of return on pension plan investments net of pension plan investment expense was 7.06%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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**G. Discount Rate**

The discount rate used to measure the total pension liability as of December 31, 2016 was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that employer contributions will be made in accordance with sections 22D and 22F of Chapter 32 of Massachusetts General Laws. Employers are required to make the necessary contributions such that the plan reaches full funding status by 2040. 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.

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

The following presents the net pension liability of the system, as of December 31, 2016 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%)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
The Towns proportionate share of the net pension liability	\$ 38,986,488	\$ 32,367,046	\$ 26,779,140
	<u>                    </u>	<u>                    </u>	<u>                    </u>

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

**NOTE 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 \$750,000 of federal awards during the period ended June 30, 2017. 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 (7 years remaining), and the estimated liability has been recorded in the Statement of Net Position, Governmental Activities. The \$525,120 reported as landfill post-closure liability at June 30, 2017 is based on what it would cost to perform all post-closure care costs at June 30, 2017. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

**TOWN OF HOLDEN, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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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, 2017, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2017.

**NOTE 15 - MMWEC PARTICIPATION AND CONTINGENT LIABILITIES**

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

MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts, created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in, and to issue revenue bonds to finance, electric facilities (Projects). MMWEC has acquired ownership interests in electric facilities operated by other entities and also owns and operates its own electric facilities. MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other utilities (Project Participants) under Power Sales Agreements (PSAs). 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.

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

MMWEC 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.

**NOTE 16 – PURCHASED POWER WORKING CAPITAL**

The purchased power working capital is an amount held by MMWEC. The implementation of the Working Capital Program began in 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

**TOWN OF HOLDEN, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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of December 31, 2016 and 2015 is \$1,104,277 and \$1,098,859, respectively.

**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. Such case may be used for the cost of the plant, nuclear decommissioning costs, the costs of contractual commitments and deferred costs related to such commitments which the Board of Selectmen determines are above market value.

**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, 2016 and 2015 was \$2,799,404 and \$2,579,629, respectively. The balance in the fund is offset by a deferred inflow of resources for the accumulated provision for rate refund. These funds are commingled and deposited in external investment pools. The total amount of these investment pools as of December 31, 2016 was \$75,376,417 of which Holden Municipal Light Department's ownership was approximately 3.71%.

**NOTE 19 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During fiscal year 2017, the following GASB pronouncements were implemented:

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*, was 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 #77**, *Tax Abatement Disclosures* was 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*, was 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*, was 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 #82**, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, was implemented in 2017. Management's current assessment is that this pronouncement will

**TOWN OF HOLDEN, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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not have a significant impact on the Basic Financial Statements.

*Future GASB Pronouncements:*

The GASB issued **Statement #75**, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, this 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 #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 #83**, *Certain Asset Retirement Obligations*, which is required to be implemented in 2019. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #84**, *Fiduciary Activities*, which is required to be implemented in 2020. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

The GASB issued **Statement #85**, *Omnibus 2017*, 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 #86**, *Certain Debt Extinguishment Issues*, 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 #87**, *Leases*, which is required to be implemented in 2021. 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, 2017**

**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, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Town's proportion of the net pension liability	3.86%	3.85%	4.05%
Town's proportionate share of the net pension liability	\$ 32,367,046	\$ 27,305,297	\$ 24,080,656
Town's covered-employee payroll	\$ 9,160,825	\$ 8,576,726	\$ 8,246,852
Town's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	353.32%	318.37%	292.00%
Plan fiduciary net position as a percentage of the total pension liability	42.00%	44.52%	47.94%

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

See notes to Required Supplementary Information

**TOWN OF HOLDEN, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
WORCESTER REGIONAL RETIREMENT SYSTEM  
JUNE 30, 2017**

**SCHEDULE OF TOWN'S CONTRIBUTION**

	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Actuarially determined contribution	\$ 1,877,072	\$ 1,730,551	\$ 1,599,220
Contribution in relation to the actuarially determined contribution	<u>(1,877,072)</u>	<u>(1,730,551)</u>	<u>(1,599,220)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 9,160,825	\$ 8,576,726	\$ 8,246,852
Contribution as a percentage of covered - employee payroll	20.49%	20.18%	19.39%

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

See notes to Required Supplementary Information

**TOWN OF HOLDEN, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
OTHER POSTEMPLOYMENT BENEFITS  
JUNE 30, 2017**

**Schedule of the Town's Contribution**

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	<u>June 30, 2017</u>
Actuarially determined contribution	\$ 1,066,347
Contributions in relation to the actuarially determined contribution	<u>(1,044,150)</u>
Contribution deficiency (excess)	<u>\$ 22,197</u>
Covered-employee payroll	\$ 9,137,872
Contributions as a percentage of covered- employee payroll	11.43%

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

See notes to required supplementary information.

**TOWN OF HOLDEN, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
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**Schedule of Investment Return**

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	<u>June 30, 2017</u>
Annual money-weighted rate of return, net of investment expense	7.14%

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

See notes to required supplementary information.

**TOWN OF HOLDEN, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
OTHER POSTEMPLOYMENT BENEFITS  
JUNE 30, 2017**

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

**Schedules of Funding Progress and Employer Contributions**

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%
7/1/2016	\$ 1,471,687	\$ 10,711,151	\$ 9,239,464	13.7%	\$ 8,871,721	104.1%

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
2017	\$ 1,130,174	\$ 1,044,150	\$ 86,024	92.4%	\$ 86,024	\$ 4,408,075

**TOWN OF HOLDEN, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
OTHER POSTEMPLOYMENT BENEFITS  
JUNE 30, 2017**

*Actuarial Methods and Assumptions* – The plan’s total OPEB liability, actuarial valuation was determined using the following actuarial methods and assumptions.

Valuation Date:	Actuarially Determined Contribution was calculated as of June 30, 2016.
Actuarial Cost Method:	Individual Entry Age Normal
Asset-Valuation Method:	Market value of assets as of the measurement date June 30, 2016
Investment Rate of Return	7.41%, net of OPEB plan investment expense, including inflation.
Medical Trend	5.00% as of June 30, 2016 and future periods
Single Equivalent Discount Rate:	7.00% net of OPEB plan investment expense, including inflation.
Inflation:	2.75% as of June 30, 2016 and for future periods
Salary Increases:	3.00% annually as of June 30, 2016 and for future periods
Cost of Living Adjustment	Not Applicable
Pre-Retirement Mortality:	RP-2000 Mortality Table projected generationally with scale BB and a base year 2009 for males and females
Post-Retirement Mortality:	RP-2000 Mortality Table projected generationally with scale BB and a base year 2009 for males and females
Disabled Mortality:	RP-2000 Mortality Table set forward 2 years.

Active Members	154
Inactive members currently receiving benefits	<u>107</u>
Total	<u><u>261</u></u>

**TOWN OF HOLDEN**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2017**

**Pension Plan Schedules**

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

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

**B. Schedule of Town's Contribution**

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

**Other Postemployment Benefits Schedules**

**A. Schedule of the Town's Contribution**

The Schedule of the Town's contributions includes the Town's annual required contribution to the plan, along with the contribution made in relation to the actuarially determined contribution and the covered employee payroll. The Town is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered payroll.

**B. Schedule of Investment Return**

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

**C. Schedules of Funding Progress and Employer Contributions**

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated assets and the Schedule of Employer Contributions presents multi-year trend information for the Town's required and actual contributions relating to the plan.

**D. Actuarial Methods and Assumptions**

The actuarial methods and assumptions presents factors that significantly affect the identification of trends in the amount reported.