

TOWN OF HOLDEN, MASSACHUSETTS

**REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS**

JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Select Board
Town of Holden, Massachusetts

Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Holden, Massachusetts, as of and for the year ended June 30, 2023, (except for the Holden Municipal Light Department which is as of and for the year ended December 31, 2022) and the related notes to the financial statements, which collectively comprise the Town of Holden, Massachusetts's basic financial statements as listed in the table of contents.

Qualified Opinion on the Holden Municipal Light Department

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the Holden Municipal Light Department of the Town of Holden, Massachusetts, as of June 30, 2023, 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 on Governmental Activities, Business-type Activities, Governmental Funds General Fund and Recreation Field, Non Major Governmental Funds, Water/Sewer Enterprise Funds, Non Major Enterprise Fund, and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, Governmental Funds General Fund and Recreation Field, Non Major Governmental Funds, Water/Sewer Enterprise Funds, Non Major Enterprise Fund, and the aggregate remaining fund information of the Town of Holden, Massachusetts, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Holden Municipal Light Department, which represent 39%, 30%, and 64%, respectively, of the assets, net position, and revenues of the business type activities as of June 30, 2023. 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.

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

The Holden Municipal Light Department has reported its December 31, 2022 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 months and one day old. The WRRS provided NPL information to the Holden Municipal Light Department using data from an actuarial valuation dated January 1, 2020. The amount by which this departure would affect assets, liabilities, net position, and revenues/expenses of the Department has not been determined.

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Holden, Massachusetts's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Holden, Massachusetts's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Worcester Regional Retirement System schedules - Town's proportionate share of the net pension liability, and Town's contribution, Other Post-Employment Benefit schedules - Town's Net OPEB Liability and Related Ratios, Light Plant's Net OPEB Liability, Town's contribution, and investment return, Light Plant's Schedules of Net OPEB Liability, Employer Contributions and Investment Returns, and notes to required supplementary information on pages 4 - 18, 90 - 91, 92 - 96 and 97 be presented to supplement the basic financial statements.. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Robert E. Brown II, CPA

March 6, 2024

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, 2023. 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, 2023, the estimated actuarial accrued pension liability of the Worcester Regional Retirement System as of the December 31, 2022 actuarial valuation is \$1,028,277,936 and the Town's proportionate share is \$37,592,749 as of June 30, 2023.

GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB), replaced GASB Statement No. 45 which was implemented by the Town effective July 1, 2008. The purpose of GASB 75 requires municipalities to identify, through actuarial analysis, the true costs of the OPEB earned by employees over their estimated years of active service and requires that the full actuarial obligation be reported on the balance sheet. OPEB, as with pensions, is a promise made to employees as a condition of their employment that is part of compensation each year. Even though these benefits are not received until after employment, they constitute compensation to attract and retain qualified employees. These costs will be recognized over the working lifetime of employees rather than after their employment has ceased. For the fiscal year ended June 30, 2023, the estimated unfunded actuarial accrued liability of the Town (including the water/sewer enterprise fund) is \$9,553,649 as of the July 1, 2022 GASB 75 actuarial valuation. The estimated actuarial accrued liability of the Holden Municipal Light department is \$299,664 as of the January 1, 2022 GASB 75 actuarial valuation. The benefits provided to retirees and eligible surviving spouses include health and life insurance. GASB 75 does not require current funding of the OPEB and 95% of municipal entities are not currently funding the liability in their communities. However, the Town accepted Chapter 32B Section 20 establishing an OPEB liability trust fund at the May 2009 annual town meeting. As of June 30, 2023 the trust fund has a balance of \$6,483,873 from all contributions made by the Town of Holden, the Holden Municipal Light Department and the Water/Sewer Enterprise fund. The balance has increased from last fiscal year due contributions, increases in investment income and positive market fluctuations.

The town has received a total of \$5,769,798 of American Rescue Plan Act (ARPA) funds as of June 30, 2023. Funds continue to be spent and have been used for a wide variety of projects and studies related to government services including the purchase of an ambulance, hazardous materials mitigation, hazardous building demolition, drainage improvements on Main Street, recreation area improvements including synthetic turf fields, town and school building improvements, and water/sewer infrastructure improvements. All spending must be in accordance with the final rule issued by the US Department of the Treasury.

Overall, both revenues and expenditures increased from the prior year. Expenditures related to the water and sewer enterprise fund decreased. Employee benefits increased as a result of increased health costs and Public Works expenditures increased due to investments in capital assets. Revenues have increased from last year due mainly to increases in charges for services and increases in property taxes.

Total revenue for the year for all funds was \$94.6 million – \$8.3 million or 9.6% more than the total revenue for the fiscal year ended June 30, 2022.

	Fiscal Year Ended June 30, 2023	% Total	Fiscal Year Ended June 30, 2022	% Total
Property taxes	\$ 48,022,874	50.75%	\$ 46,285,183	53.60%
Motor vehicle excise	3,061,579	3.24%	3,007,329	3.49%
Penalties and interest	268,759	0.28%	185,998	0.22%
Payments in lieu of taxes	1,145,702	1.21%	1,169,124	1.35%
Charges for services	32,354,222	34.19%	27,291,741	31.60%
Operating grants and contributions	5,167,097	5.46%	4,785,885	5.54%
Capital grants and contributions	1,076,648	1.14%	1,179,008	1.37%
Nonrestricted grants and contributions	2,376,129	2.51%	2,318,845	2.69%
Unrestricted investment income and other	1,144,709	1.21%	130,449	0.15%
Total revenue	<u>\$ 94,617,719</u>	<u>100.00%</u>	<u>\$ 86,353,562</u>	<u>100.00%</u>

Total expenses for the year for all funds was \$86.7 million, \$2.4 million or 2.8% more than the total expenditures for the fiscal year ended June 30, 2022.

	Fiscal Year Ended June 30, 2023	% Total	Fiscal Year Ended June 30, 2022	% Total
General government	\$ 3,354,264	3.87%	\$ 3,283,309	3.89%
Public safety	8,304,396	9.58%	8,113,563	9.62%
Education	37,068,118	42.78%	35,919,389	42.61%
Public works	6,082,783	7.02%	5,449,139	6.46%
Water and sewer	6,376,385	7.36%	8,025,776	9.52%
Trash	1,446,318	1.67%	1,368,217	1.62%
Electric	14,891,338	17.18%	13,756,328	16.32%
Human services	499,632	0.58%	455,237	0.54%
Culture and recreation	2,109,424	2.43%	2,015,291	2.39%
Employee benefits	5,537,443	6.39%	4,848,638	5.75%
State and county assessments	151,678	0.18%	150,970	0.18%
Interest	833,125	0.96%	911,157	1.08%
Total expenditures	<u>\$ 86,654,904</u>	<u>100.00%</u>	<u>\$ 84,297,014</u>	<u>100.00%</u>

Overview of the Financial Statements

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

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

Government-Wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

Notes to Basic Financial Statements

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

Government-Wide Financial Analysis

Statement of Net Position

Net position may serve over time as a useful indicator of a government's financial position. The Town's total net position as of June 30, 2023 was \$129.6 million, of which \$80.9 million related to governmental activities and \$48.7 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 \$120.4 million or 92.9% reflects its investment in capital assets (land, buildings, improvements other than buildings, machinery and equipment, vehicles, infra-structure, and construction in progress); less any related debt used to acquire those assets that remains outstanding. The Town uses these capital assets to provide services to its citizens; therefore, these assets are not available for future spending. It is important to note that other resources are needed to repay the debt because the capital assets cannot be used to finance these liabilities.

A modest amount of the Town's net position, 20.8% is subject to external restrictions on how they may be used. The remaining balance (-13.7%) represents unrestricted net position.

Total current assets within the governmental activities were \$39.3 million and included cash and investments of \$36.1 million and receivables net of allowances of \$3.2 million.

Total current liabilities within the governmental activities were \$5.3 million and included accounts payable of \$1.3 million and bonds and notes payable of \$2.9 million. Noncurrent liabilities within the governmental activities were \$77.7 million and included \$37.2 million of general obligation bonds payable, \$30.6 million of pension liability and \$9.5 million of postemployment benefit liability.

Total current assets within the business-type activities were \$16.9 million and included cash and investments of \$8.6 million and receivables net of allowances of \$4.9 million.

Current liabilities within the business-type activities were \$4.9 million and included accounts payable of \$2.2 million and bond payable of \$2.1 million. Noncurrent liabilities within the business-type activities were \$25.1 million and included \$18.2 million of general obligation bonds payable, \$6.1 million of pension liability, and \$0.4 million of post employment benefit liability.

Comparative Net Position						
	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2023	FY 2022	FY 2023	FY 2022	FY 2023	FY 2022
Assets:						
Current assets	\$ 39,308,039	\$ 32,700,821	\$ 16,932,794	\$ 18,991,028	\$ 56,240,833	\$ 51,691,849
Noncurrent assets	151,521	285,950	9,352,712	11,758,015	9,504,233	12,043,965
Capital assets	120,310,451	121,405,234	57,219,720	50,232,055	177,530,171	171,637,289
Total assets	159,770,011	154,392,005	83,505,226	80,981,098	243,275,237	235,373,103
Deferred Outflows of Resources:	6,674,253	5,465,508	1,976,366	1,254,618	8,650,619	6,720,126
Liabilities:						
Current liabilities	5,277,744	5,754,589	4,898,308	7,431,242	10,176,052	13,185,831
Noncurrent liabilities	77,681,019	69,678,333	25,058,850	24,191,303	102,739,869	93,869,636
Total liabilities	82,958,763	75,432,922	29,957,158	31,622,545	112,915,921	107,055,467
Deferred Inflows of Resources:	2,608,943	6,174,342	6,801,892	7,670,814	9,410,835	13,845,156
Net Position:						
Net investment in capital assets	79,572,077	85,523,153	40,850,590	29,957,156	120,422,667	115,480,309
Restricted	23,231,716	16,475,929	3,700,514	4,536,319	26,932,230	21,012,248
Unrestricted	(21,927,235)	(23,748,833)	4,171,438	8,448,882	(17,755,797)	(15,299,951)
Total net position	\$ 80,876,558	\$ 78,250,249	\$ 48,722,542	\$ 42,942,357	\$ 129,599,100	\$ 121,192,606

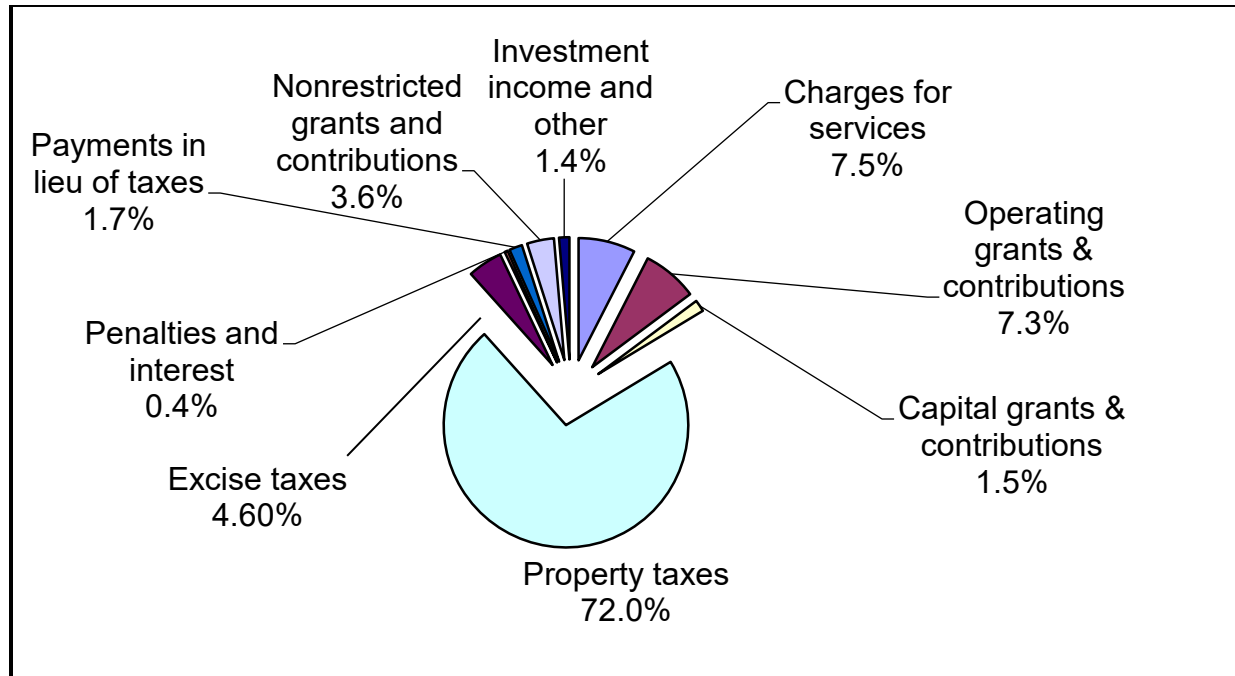
Governmental activities current assets increased \$6.6 million, as compared with fiscal year 2022 due mainly increases in cash and investments from ARPA receipts, investment earnings, and bonds issued for the field project. Business-type activities current assets increased \$2.1 million due to increases in cash and investments on hand from bonds issued for capital improvements. Governmental activities current liabilities decreased \$0.5 million as compared with fiscal year 2022. Business-type activities current liabilities decreased \$2.5 million due mainly to a decrease in notes payable. Total noncurrent liabilities of the primary government increased \$8.8 million due to increases in bonds payable and increases in the pension liability.

Governmental activities net investment in capital assets decreased 7.0%. Governmental activities unrestricted net position deficit decreased 7.7% as compared with the prior year due to a decrease in deferred pension inflows of resources. Business-type net investment in capital assets increased 36.4%, and unrestricted net position decreased by 50.6% as compared with the prior year due mainly to increases in the electric capital acquisition and construction in progress.

Governmental activities increased the Town of Holden's net position by \$2,626,309. Presented below are the components that contributed to the change in net position, along with comparative data for the previous fiscal year:

Comparative Changes in Net Position			
	Governmental Activities		Increase/ (Decrease)
	FY 2023	FY 2022	
Revenues			
<i>Program Revenues:</i>			
Charges for services	\$ 5,009,376	\$ 4,489,564	\$ 519,812
Operating grants and contributions	4,859,508	4,002,878	856,630
Capital grants and contributions	1,031,379	1,179,008	(147,629)
<i>General Revenues:</i>			
Real Estate and personal property taxes	48,022,874	46,285,183	1,737,691
Motor vehicle and other excise taxes	3,061,579	3,007,329	54,250
Penalties and interest	268,759	185,998	82,761
Payments in lieu of taxes	1,145,702	1,169,124	(23,422)
Nonrestricted grants and contributions	2,376,129	2,318,845	57,284
Unrestricted investment income & other	909,209	130,449	778,760
Total Revenues	66,684,515	62,768,378	3,916,137
Expenses:			
General Government	3,354,264	3,283,309	70,955
Public Safety	8,304,396	8,113,563	190,833
Education	37,068,118	35,919,389	1,148,729
Public Works	6,082,783	5,449,139	633,644
Human Services	499,632	455,237	44,395
Culture and Recreation	2,109,424	2,015,291	94,133
Employee Benefits	5,537,443	4,848,638	688,805
State and County Assessments	151,678	150,970	708
Interest	833,125	911,157	(78,032)
Total Expenses	63,940,863	61,146,693	2,794,170
Increase/(Decrease) in Net Position before transfers	2,743,652	1,621,685	1,121,967
Transfers	(117,343)	(269,591)	152,248
Change in Net Position	2,626,309	1,352,094	1,274,215
Net Position - beginning	78,250,249	76,898,155	
Net Position - ending	\$ 80,876,558	\$ 78,250,249	

Governmental Activities – FY2023 Revenues



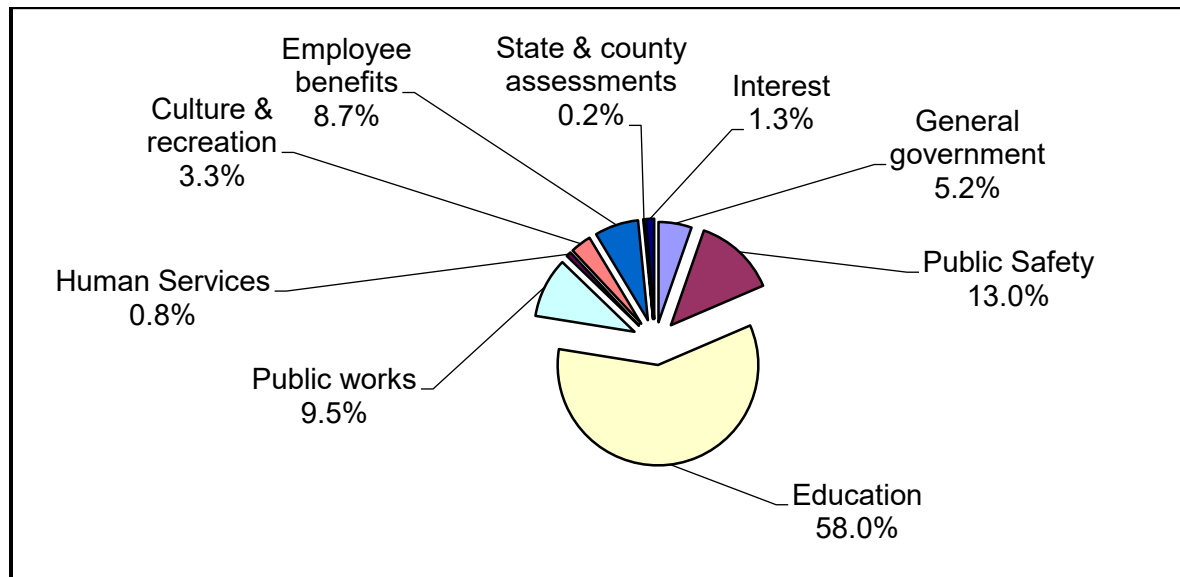
Revenues

Property taxes along with payments in lieu of taxes and excise taxes support approximately 81.7% of the Town's governmental activities. This is a decrease of 0.8% from fiscal year 2022.

Roughly 61% of the operating grants apply to general government and 26% apply to public safety. Approximately 52% of the charges for services revenue was generated by public safety from the EMS service and assessments received from Regional dispatch member communities. General government services represented about 24% and culture and recreation services represented 21%.

100% of capital grants and contribution revenue supported public works projects and infrastructure improvement and was received from Mass Highway (Chapter 90).

Governmental Activities – FY2023 Expenses



Expenses

Education is by far the largest governmental activity of the Town. Approximately \$37.1 million in tax revenues were needed to cover the fiscal year 2023 school operating expenses. This is an increase of \$1.1 million from the prior year and is due to increases assessments from Wachusett Regional School district and Montachusett Vocational High School.

Employee benefits and Public Works represent the second and third largest governmental activities of the Town. Approximately \$5.5 million and \$5.0 million of taxes and other general revenues were needed to cover the fiscal year 2023 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 \$5,336,506 as result of general operations and infrastructure additions and improvements. Presented below are the components that contributed to the change in net position, along with comparative data for the previous fiscal year:

Comparative Changes in Net Position			
	Business-type Activities		Increase/ (Decrease)
	FY 2023	FY 2022	
Revenues			
<i>Program Revenues:</i>			
Charges for services	\$ 27,344,846	\$ 22,802,177	\$ 4,542,669
Operating grants and contributions	307,589	783,007	(475,418)
Capital grants and contributions	45,269	-	45,269
Unrestricted	235,500	-	235,500
Total Revenues	27,933,204	23,585,184	4,348,020
Expenses:			
Electric	14,891,338	13,756,328	1,135,010
Water/Sewer	6,376,385	8,025,776	(1,649,391)
Trash	1,446,318	1,368,217	78,101
Total Expenses	22,714,041	23,150,321	(436,280)
Excess (deficiency) of revenues over expenses	5,219,163	434,863	4,784,300
Transfers	117,343	269,591	(152,248.00)
Change in Net Position	5,336,506	704,454	4,632,052
Prior Period Adjustment - Electric	-	443,679	
Net Position - beginning	43,386,036	42,237,903	
Net Position - ending	\$ 48,722,542	\$ 43,386,036	

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 \$35.7 million, an increase of \$7.5 million in comparison with the prior fiscal year as a result of increased revenue related to the borrowing for the new recreation field project.

The General Fund is the chief operating fund of the Town. At the end of the fiscal year, unassigned fund balance was \$12,459,543, while total fund balance was \$19,062,807. 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 \$48.7 million; \$40.9 million or 84% of which relates to the Town's net investment in capital assets.

General Fund Budgetary Highlights

The original fiscal year 2023 general fund operating budget of \$61.1 million was set at the May 2022 annual town meeting. Amounts were transferred during the year from employee benefits to general government to cover legal fees (\$65,545) and from the Finance Committee Reserve Fund to Snow Removal (\$136,128) and to Out of District Transportation (\$13,872).

Revenues exceeded budgetary amounts by \$2,066,521 and expenditures were less than budgetary amounts by \$3,573,541. Favorable revenue types included departmental and other, motor vehicle excise, and investment income. Public works, public safety, and general government expenditures were less than budgetary amounts by \$1,823,128, \$1,021,390 and \$317,424 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, 2023 amount to \$177,530,171 (net of accumulated depreciation). This investment includes land, buildings, improvements other than buildings, machinery and equipment, vehicles, infrastructure and construction in progress. The Town's total investment increased by \$5,892,881 from the prior year (a \$1.1 million decrease for governmental activities and a \$7.0 million increase for business-type activities).

Capital Assets (Net of Accumulated Depreciation)			
Primary government	FY 2023	FY 2022	Increase/ (Decrease)
Land	\$ 4,071,507	\$ 3,821,507	\$ 250,000
Construction in progress	26,730,727	23,000,816	3,729,911
Buildings	64,297,572	66,873,374	(2,575,802)
Improvements other than buildings	2,215,397	1,682,872	532,525
Machinery and equipment	1,785,892	2,021,742	(235,850)
Vehicles	1,494,759	2,004,829	(510,070)
Infrastructure	60,179,128	62,130,299	(1,951,171)
Electric - land	72,500	72,500	-
Electric - construction in progress	3,083,244	1,136,752	1,946,492
Electric - general plant	2,995,628	2,694,369	301,259
Electric - distribution plant	10,603,817	6,198,229	4,405,588
Total Capital Assets	\$ 177,530,171	\$ 171,637,289	\$ 5,892,882

Debt

In October of 2022 and again in January 2023, Standard and Poor's affirmed the Town's bond of AA+ and in October 2016, the Town's bond rating was upgraded from Aa3 to Aa2 from Moody's Investor Services. At the end of the fiscal year the Town had total bonded debt outstanding of \$51,370,867. The entire amount is classified as general obligation debt and is backed by the full faith and credit of the government. Of the total bonded debt, \$13,351,500 or 26% is for school construction. In October 2022 the Town issued bonds in the amount of \$2,915,000 for school improvement projects (\$801,500) and water and/or sewer capital and/or infrastructure improvements (\$2,113,500). In January 2023 the Town issued bonds in the amount of \$6,035,000 for the recreation turf field project (4,634,000) and for water infrastructure improvements (\$1,401,000) .

Outstanding Debt at Year End

Governmental Activities	Outstanding June 30, 2023	Outstanding June 30, 2022
Schools	\$ 13,351,500	\$ 13,500,000
Public Safety	4,140,000	4,800,000
Public Works	15,490,000	15,968,800
Recreation Turf Field	4,634,000	-
Total Governmental Activities	\$ 37,615,500	\$ 34,268,800
Business-type Activities		
Water Improvements	\$ 11,424,975	\$ 9,841,408
Sewer Construction	2,330,392	2,327,769
Total Business-type Activities	\$ 13,755,367	\$ 12,169,177

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

Economic Factors and Next Year's Budget and Rates

Fiscal year 2023 was the tenth consecutive year that the property tax levy was set below the levels authorized by Proposition 2 ½. The average 2023 single family home in Holden was valued at \$442,480 with an average annual tax bill of \$6,633. The overall property values for fiscal year 2023 increased approximately 14.5% as compared with fiscal year 2022. It is expected that property values will stabilize with only moderate increases going forward. Residential and commercial property growth is expected to increase slightly through fiscal year 2024.

In October 2022 and again in January 2023, Standard and Poor's affirmed the Town's bond rating of AA+ and in October 2016, the Town's bond rating from Moody's Investor Services was upgraded from Aa3 to Aa2. These favorable ratings positively affect the Town's future interest rates on borrowing, and result in lower debt service costs. The Rating Service's outlook is termed "stable" and their report cites the Town's strong management, good financial management policies, strong budgetary performance, very strong budgetary flexibility and strong reserves as positive factors.

While the Commonwealth of Massachusetts continues to experience fiscal difficulties, with our healthy reserves and conservative approach to budgeting it is not projected to impact the Town's operating budget moving forward. Despite having only minor increase in state aid, the Town has a balanced budget for fiscal year 2024 and expects only a minimal increase for fiscal 2025. 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, 2023**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
CURRENT:			
CASH AND SHORT-TERM INVESTMENTS	\$ 23,647,573	\$ 8,447,105	\$ 32,094,678
INVESTMENTS	12,483,686	200,083	12,683,769
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES	748,490	-	748,490
TAX LIENS	833,855	-	833,855
MOTOR VEHICLE EXCISE TAXES	216,033	-	216,033
USER FEES	-	4,538,894	4,538,894
DEPARTMENTAL AND OTHER	790,914	-	790,914
LEASES	134,429	117,661	252,090
INTERGOVERNMENTAL	453,059	-	453,059
SPECIAL ASSESSMENTS	-	226,365	226,365
PREPAID EXPENSES	-	530,620	530,620
OTHER ASSETS	-	2,872,066	2,872,066
NONCURRENT:			
RESTRICTED ASSETS:			
CASH AND SHORT-TERM INVESTMENTS	-	7,314,023	7,314,023
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
SPECIAL ASSESSMENTS	-	896,147	896,147
LEASES	151,521	1,142,542	1,294,063
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	120,310,451	57,219,720	177,530,171
TOTAL ASSETS	<u>159,770,011</u>	<u>83,505,226</u>	<u>243,275,237</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
RELATED TO POST EMPLOYMENT BENEFITS	2,381,739	789,325	3,171,064
RELATED TO PENSIONS	4,292,514	1,187,041	5,479,555
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>6,674,253</u>	<u>1,976,366</u>	<u>8,650,619</u>
<u>LIABILITIES</u>			
CURRENT:			
ACCOUNTS PAYABLE	1,302,928	2,157,049	3,459,977
ACCRUED LIABILITIES	-	398,013	398,013
OTHER LIABILITIES	21,371	100,161	121,532
ACCRUED INTEREST	276,125	125,559	401,684
BONDS AND NOTES PAYABLE	2,914,843	2,081,665	4,996,508
LANDFILL POSTCLOSURE CARE COSTS	81,960	-	81,960
COMPENSATED ABSENCES	680,517	35,861	716,378
NONCURRENT:			
CUSTOMER DEPOSITS	-	284,746	284,746
ACCRUED EXPENSES	-	35,893	35,893
BONDS AND NOTES PAYABLE	37,232,124	18,209,619	55,441,743
LANDFILL POSTCLOSURE CARE COSTS	163,920	-	163,920
COMPENSATED ABSENCES	176,576	10,195	186,771
POST EMPLOYMENT BENEFITS	9,469,579	383,734	9,853,313
NET PENSION LIABILITY	30,638,820	6,134,663	36,773,483
TOTAL LIABILITIES	<u>82,958,763</u>	<u>29,957,158</u>	<u>112,915,921</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
DEFERRED AMOUNT ON REFUNDING	591,407	-	591,407
RELATED TO LEASES	285,950	1,260,203	1,546,153
RELATED TO POST EMPLOYMENT BENEFITS	378,301	367,753	746,054
RELATED TO PENSIONS	1,353,285	1,383,623	2,736,908
CONTRIBUTION IN AID OF CONSTRUCTION	-	461,550	461,550
RATE STABILIZATION RESERVE	-	3,328,763	3,328,763
TOTAL DEFERRED INFLOWS OF RESOURCES:	<u>2,608,943</u>	<u>6,801,892</u>	<u>9,410,835</u>
<u>NET POSITION</u>			
NET INVESTMENT IN CAPITAL ASSETS	79,572,077	40,850,590	120,422,667
RESTRICTED FOR:			
DEPRECIATION	-	3,700,514	3,700,514
PERMANENT FUNDS:			
EXPENDABLE	578,502	-	578,502
NONEXPENDABLE	1,865,519	-	1,865,519
OTHER PURPOSES	20,787,695	-	20,787,695
UNRESTRICTED	(21,927,235)	4,171,438	(17,755,797)
TOTAL NET POSITION	<u>\$ 80,876,558</u>	<u>\$ 48,722,542</u>	<u>\$ 129,599,100</u>

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2023**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
PRIMARY GOVERNMENT:					
GOVERNMENTAL ACTIVITIES:					
GENERAL GOVERNMENT	\$ 3,354,264	\$ 1,202,392	\$ 2,972,965	\$ -	\$ 821,093
PUBLIC SAFETY	8,304,396	2,613,129	1,276,161	-	(4,415,106)
EDUCATION	37,068,118	-	8,227	-	(37,059,891)
PUBLIC WORKS	6,082,783	55,165	19,607	1,031,379	(4,976,632)
HUMAN SERVICES	499,632	103,892	119,060	-	(276,680)
CULTURE & RECREATION	2,109,424	1,034,798	458,093	-	(616,533)
EMPLOYEE BENEFITS	5,537,443	-	5,395	-	(5,532,048)
STATE & COUNTY ASSESSMENTS	151,678	-	-	-	(151,678)
INTEREST	833,125	-	-	-	(833,125)
TOTAL GOVERNMENTAL ACTIVITIES	63,940,863	5,009,376	4,859,508	1,031,379	(53,040,600)
BUSINESS-TYPE ACTIVITIES:					
WATER/SEWER	6,376,385	8,472,471	180,385	45,269	2,321,740
ELECTRIC	14,891,338	17,424,581	127,089	-	2,660,332
OTHER ENTERPRISE	1,446,318	1,447,794	115	-	1,591
TOTAL BUSINESS-TYPE ACTIVITIES	22,714,041	27,344,846	307,589	45,269	4,983,663
TOTAL PRIMARY GOVERNMENT	\$ 86,654,904	\$ 32,354,222	\$ 5,167,097	\$ 1,076,648	\$ (48,056,937)

See accompanying notes to the basic financial statements

(continued)

**TOWN OF HOLDEN, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2023**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
CHANGES IN NET POSITION:			
NET (EXPENSE) REVENUE FROM PREVIOUS PAGE	\$ (53,040,600)	\$ 4,983,663	\$ (48,056,937)
GENERAL REVENUES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS PAYABLE	48,022,634	-	48,022,634
TAX LIENS	240	-	240
MOTOR VEHICLE EXCISE TAXES	3,061,579	-	3,061,579
PENALTIES AND INTEREST ON TAXES	268,759	-	268,759
PAYMENTS IN LIEU OF TAXES	1,145,702	-	1,145,702
GRANTS AND CONTRIBUTIONS NOT RESTRICTED TO SPECIFIC PROGRAMS	2,376,129	-	2,376,129
RENTAL INCOME	119,245	-	119,245
UNRESTRICTED INVESTMENT INCOME	554,002	-	554,002
BOND PREMIUM	176,724	235,500	412,224
MISCELLANEOUS	59,238	-	59,238
TRANSFERS, NET	(117,343)	117,343	-
TOTAL GENERAL REVENUES AND TRANSFERS	55,666,909	352,843	56,019,752
CHANGE IN NET POSITION	2,626,309	5,336,506	7,962,815
NET POSITION:			
BEGINNING OF YEAR	78,250,249	43,386,036	121,636,285
END OF YEAR	\$ 80,876,558	\$ 48,722,542	\$ 129,599,100

See accompanying notes to the basic financial statements

(concluded)

**TOWN OF HOLDEN, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2023**

<u>ASSETS</u>	GENERAL	RECREATION FIELD	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
CASH AND SHORT-TERM INVESTMENTS	\$ 10,076,790	\$ 5,000,000	\$ 8,570,783	\$ 23,647,573
INVESTMENTS	9,538,247	-	2,945,439	12,483,686
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:				
REAL ESTATE AND PERSONAL PROPERTY TAXES	748,490	-	-	748,490
TAX LIENS	833,855	-	-	833,855
MOTOR VEHICLE EXCISE TAXES	216,033	-	-	216,033
DEPARTMENTAL AND OTHER	453,347	-	337,567	790,914
INTERGOVERNMENTAL	1,434	-	451,625	453,059
TOTAL ASSETS	\$ 21,868,196	\$ 5,000,000	\$ 12,305,414	\$ 39,173,610
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
LIABILITIES:				
ACCOUNTS PAYABLE	\$ 625,966	\$ -	\$ 676,962	\$ 1,302,928
OTHER LIABILITIES	21,371	-	-	21,371
TOTAL LIABILITIES	647,337	-	676,962	1,324,299
DEFERRED INFLOWS OF RESOURCES:				
UNAVAILABLE REVENUE	2,158,052	-	-	2,158,052
FUND BALANCES:				
NONSPENDABLE	-	-	1,865,519	1,865,519
RESTRICTED	3,145	5,000,000	9,981,488	14,984,633
COMMITTED	2,059,459	-	-	2,059,459
ASSIGNED	4,540,660	-	-	4,540,660
UNASSIGNED	12,459,543	-	(218,555)	12,240,988
TOTAL FUND BALANCES	19,062,807	5,000,000	11,628,452	35,691,259
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	\$ 21,868,196	\$ 5,000,000	\$ 12,305,414	\$ 39,173,610

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, 2023**

	GENERAL	RECREATION FIELD	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
REAL ESTATE AND PERSONAL PROPERTY TAXES,				
NET OF TAX REFUNDS	\$ 48,047,110	\$ -	\$ -	\$ 48,047,110
MOTOR VEHICLE EXCISE TAXES	3,110,710	-	-	3,110,710
PENALTIES AND INTEREST ON TAXES	281,169	-	-	281,169
INTERGOVERNMENTAL	2,414,237	-	5,411,991	7,826,228
CHARGES FOR SERVICES	-	-	2,172,324	2,172,324
INVESTMENT INCOME	555,185	-	165,446	720,631
CONTRIBUTIONS & DONATIONS	-	-	89,218	89,218
DEPARTMENTAL AND OTHER	4,257,213	-	97,150	4,354,363
TOTAL REVENUES	58,665,624	-	7,936,129	66,601,753
EXPENDITURES:				
CURRENT:				
GENERAL GOVERNMENT	2,785,701	-	807,993	3,593,694
PUBLIC SAFETY	5,980,678	-	1,759,953	7,740,631
EDUCATION	35,099,388	-	54,800	35,154,188
PUBLIC WORKS	4,019,964	-	3,451,018	7,470,982
HUMAN SERVICES	311,433	-	141,675	453,108
CULTURE & RECREATION	969,227	-	1,211,950	2,181,177
EMPLOYEE BENEFITS	4,748,506	-	-	4,748,506
STATE & COUNTY ASSESSMENTS	151,678	-	-	151,678
DEBT SERVICE				
PRINCIPAL	2,088,800	-	-	2,088,800
INTEREST	1,390,647	-	-	1,390,647
TOTAL EXPENDITURES	57,546,022	-	7,427,389	64,973,411
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,119,602	-	508,740	1,628,342
OTHER FINANCING SOURCES (USES)				
PROCEEDS FROM BONDS AND NOTES	-	4,634,000	801,500	5,435,500
BORROWING PREMIUM	-	366,000	176,724	542,724
OPERATING TRANSFERS IN	137,234	-	-	137,234
OPERATING TRANSFERS OUT	(39,527)	-	(215,050)	(254,577)
TOTAL OTHER FINANCING SOURCES (USES)	97,707	5,000,000	763,174	5,860,881
NET CHANGE IN FUND BALANCES	1,217,309	5,000,000	1,271,914	7,489,223
FUND BALANCES AT BEGINNING OF YEAR	17,845,498	-	10,356,538	28,202,036
FUND BALANCES AT END OF YEAR	\$ 19,062,807	\$ 5,000,000	\$ 11,628,452	\$ 35,691,259

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, 2023**

TOTAL GOVERNMENTAL FUND BALANCES		\$ 35,691,259
CAPITAL ASSETS (NET) USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS		120,310,451
ACCOUNTS RECEIVABLE ARE NOT AVAILABLE TO PAY FOR CURRENT-PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS		2,158,052
IN THE STATEMENT OF ACTIVITIES, INTEREST IS ACCRUED ON OUTSTANDING LONG-TERM DEBT, WHEREAS IN GOVERNMENTAL FUNDS INTEREST IS NOT REPORTED UNTIL DUE		(276,125)
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	(37,615,500)	
NET PENSION LIABILITY	(30,638,820)	
DEFERRED INFLOWS OF RESOURCES - RELATED TO PENSIONS	(1,353,285)	
DEFERRED OUTFLOWS OF RESOURCES - RELATED TO PENSIONS	4,292,514	
DEFERRED AMOUNT ON REFUNDING	(591,407)	
UNAMORTIZED BOND PREMIUM	(2,531,467)	
COMPENSATED ABSENCES	(857,093)	
DEFERRED INFLOWS OF RESOURCES - RELATED TO OPEB	(378,301)	
DEFERRED OUTFLOWS OF RESOURCES - RELATED TO OPEB	2,381,739	
POST EMPLOYMENT BENEFITS	(9,469,579)	
LANDFILL POSTCLOSURE CARE COSTS	<u>(245,880)</u>	
NET EFFECT OF REPORTING LONG-TERM LIABILITIES		<u>(77,007,079)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 80,876,558</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, 2023**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ 7,489,223**

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	3,892,134	
DEPRECIATION EXPENSE	<u>(5,078,341)</u>	
NET EFFECT OF REPORTING CAPITAL ASSETS		(1,186,207)

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 (185,386)

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 91,424

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	(5,435,500)	
DEBT SERVICE PRINCIPAL PAYMENTS	<u>2,088,800</u>	
NET EFFECT OF REPORTING LONG-TEM DEBT		(3,346,700)

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	98,592	
NET CHANGE IN OTHER POSTEMPLOYMENT BENEFITS	1,115,192	
NET CHANGE IN DEFERRED OUTFLOWS OF RESOURCES - RELATED TO OPEB	(368,102)	
NET CHANGE IN DEFERRED INFLOWS OF RESOURCES - RELATED TO OPEB	(87,558)	
NET CHANGE IN PENSION LIABILITY	(6,437,099)	
NET CHANGE IN DEFERRED OUTFLOWS OF RESOURCES - RELATED TO PENSIONS	1,576,847	
NET CHANGE IN DEFERRED INFLOWS OF RESOURCES - RELATED TO PENSIONS	3,313,191	
NET CHANGE IN UNAMORTIZED BOND PREMIUM	9,524	
NET CHANGE IN LANDFILL POSTCLOSURE CARE ACCRUAL	361,370	
NET CHANGE IN DEFERRED AMOUNT ON REFUNDING	206,230	
NET CHANGE IN ACCRUED INTEREST ON LONG-TERM DEBT	<u>(24,232)</u>	
NET EFFECT OF RECORDING LONG-TERM LIABILITIES		<u>(236,045)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 2,626,309**

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, 2023**

	BUDGETED AMOUNTS		ACTUAL BUDGETARY AMOUNTS	VARIANCE OVER(UNDER)
	ORIGINAL BUDGET	FINAL BUDGET		
<u>REVENUES:</u>				
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 47,866,078	\$ 47,866,078	\$ 48,047,110	\$ 181,032
MOTOR VEHICLE EXCISE TAXES	2,600,000	2,600,000	3,110,710	510,710
PENALTIES & INTEREST ON TAXES	165,000	165,000	281,169	116,169
INTERGOVERNMENTAL	2,438,007	2,438,007	2,414,237	(23,770)
INVESTMENT INCOME	20,000	20,000	403,570	383,570
DEPARTMENTAL AND OTHER	3,358,403	3,358,403	4,257,213	898,810
TOTAL REVENUES	56,447,488	56,447,488	58,514,009	2,066,521
<u>EXPENDITURES:</u>				
CURRENT:				
GENERAL GOVERNMENT	3,187,580	3,103,125	2,785,701	317,424
PUBLIC SAFETY	7,002,068	7,002,068	5,980,678	1,021,390
EDUCATION	35,085,516	35,099,388	35,099,388	-
PUBLIC WORKS	5,706,964	5,843,092	4,019,964	1,823,128
HUMAN SERVICES	559,904	559,904	311,433	248,471
CULTURE & RECREATION	1,057,352	1,057,352	969,227	88,125
EMPLOYEE BENEFITS	4,882,511	4,816,966	4,748,506	68,460
STATE & COUNTY ASSESSMENTS	158,218	158,218	151,678	6,540
DEBT SERVICE:				
PRINCIPAL	2,088,800	2,088,800	2,088,800	-
INTEREST	1,390,650	1,390,650	1,390,647	3
TOTAL EXPENDITURES	61,119,563	61,119,563	57,546,022	3,573,541
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,672,075)	(4,672,075)	967,987	5,640,062
<u>OTHER FINANCING SOURCES (USES):</u>				
OPERATING TRANSFERS IN	108,056	108,056	137,234	29,178
OPERATING TRANSFERS OUT	(39,527)	(39,527)	(39,527)	-
TOTAL OTHER FINANCING SOURCES (USES)	68,529	68,529	97,707	29,178
NET CHANGE IN FUND BALANCE	(4,603,546)	(4,603,546)	1,065,694	5,669,240
BUDGETARY FUND BALANCE, BEGINNING OF YEAR	11,595,926	11,595,926	11,595,926	-
BUDGETARY FUND BALANCE, END OF YEAR	\$ 6,992,380	\$ 6,992,380	\$ 12,661,620	\$ 5,669,240

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2023**

ASSETS	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			
	WATER/SEWER	ELECTRIC	NONMAJOR ENTERPRISE	TOTAL
CURRENT:				
CASH AND SHORT-TERM INVESTMENTS	\$ 6,124,378	\$ 1,464,923	\$ 857,804	\$ 8,447,105
INVESTMENTS	200,083	-	-	200,083
USER FEES	1,174,872	3,256,879	107,143	4,538,894
SPECIAL ASSESSMENTS	226,365	-	-	226,365
LEASES	117,661	-	-	117,661
OTHER ASSETS	-	2,872,066	-	2,872,066
PREPAID EXPENSES	-	530,620	-	530,620
TOTAL CURRENT ASSETS	7,843,359	8,124,488	964,947	16,932,794
NONCURRENT:				
RESTRICTED CASH AND SHORT-TERM INVESTMENTS:				
DEPRECIATION FUND	-	3,700,514	-	3,700,514
CUSTOMER DEPOSITS	-	284,746	-	284,746
RATE STABILIZATION FUND	-	3,328,763	-	3,328,763
SPECIAL ASSESSMENTS	896,147	-	-	896,147
LEASES	1,142,542	-	-	1,142,542
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	40,464,531	16,755,189	-	57,219,720
TOTAL NONCURRENT ASSETS	42,503,220	24,069,212	-	66,572,432
TOTAL ASSETS	50,346,579	32,193,700	964,947	83,505,226
DEFERRED OUTFLOWS OF RESOURCES				
RELATED TO POST EMPLOYMENT BENEFITS	21,145	768,180	-	789,325
RELATED TO PENSIONS	210,671	976,370	-	1,187,041
TOTAL DEFERRED OUTFLOWS OF RESOURCES	231,816	1,744,550	-	1,976,366
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
CURRENT:				
ACCOUNTS PAYABLE	68,424	2,041,448	47,177	2,157,049
ACCRUED LIABILITIES	-	398,013	-	398,013
OTHER LIABILITIES	13,883	86,278	-	100,161
ACCRUED INTEREST	125,559	-	-	125,559
BONDS AND NOTES PAYABLE	1,690,105	391,560	-	2,081,665
COMPENSATED ABSENCES	35,861	-	-	35,861
TOTAL CURRENT LIABILITIES	1,933,832	2,917,299	47,177	4,898,308
NONCURRENT:				
CUSTOMER DEPOSITS	-	284,746	-	284,746
ACCRUED EXPENSES	-	35,893	-	35,893
BONDS AND NOTES PAYABLE	12,764,724	5,444,895	-	18,209,619
COMPENSATED ABSENCES	10,195	-	-	10,195
POST EMPLOYMENT BENEFITS	84,070	299,664	-	383,734
NET PENSION LIABILITY	1,503,710	4,630,953	-	6,134,663
TOTAL NONCURRENT LIABILITIES	14,362,699	10,696,151	-	25,058,850
TOTAL LIABILITIES	16,296,531	13,613,450	47,177	29,957,158
DEFERRED INFLOWS OF RESOURCES:				
RELATED TO LEASES	1,260,203	-	-	1,260,203
RELATED TO POST EMPLOYMENT BENEFITS	3,359	364,394	-	367,753
RELATED TO PENSIONS	66,417	1,317,206	-	1,383,623
CONTRIBUTION IN AID OF CONSTRUCTION	-	461,550	-	461,550
RATE STABILIZATION RESERVE	-	3,328,763	-	3,328,763
TOTAL DEFERRED INFLOWS OF RESOURCES:	1,329,979	5,471,913	-	6,801,892
NET POSITION				
NET INVESTMENT IN CAPITAL ASSETS	29,931,856	10,918,734	-	40,850,590
RESTRICTED FOR DEPRECIATION	-	3,700,514	-	3,700,514
UNRESTRICTED	3,020,029	233,639	917,770	4,171,438
TOTAL NET POSITION	\$ 32,951,885	\$ 14,852,887	\$ 917,770	\$ 48,722,542

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, 2023**

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	WATER/SEWER	ELECTRIC	NONMAJOR ENTERPRISE	TOTAL
<u>OPERATING REVENUES:</u>				
CHARGES FOR SERVICES	\$ 8,472,471	\$ 17,424,581	\$ 1,447,794	\$ 27,344,846
DEPARTMENTAL AND OTHER	-	264,511	-	264,511
DONATIONS	45,269	-	-	45,269
TOTAL OPERATING REVENUES	8,517,740	17,689,092	1,447,794	27,654,626
<u>OPERATING EXPENSES:</u>				
GENERAL SERVICES	4,730,375	13,875,293	1,446,318	20,051,986
DEPRECIATION	1,297,946	895,412	-	2,193,358
TOTAL OPERATING EXPENSES	6,028,321	14,770,705	1,446,318	22,245,344
OPERATING INCOME (LOSS)	2,489,419	2,918,387	1,476	5,409,282
<u>NON-OPERATING REVENUES (EXPENSES):</u>				
INTERGOVERNMENTAL	175,658	-	-	175,658
BOND PREMIUM	235,500	-	-	235,500
INVESTMENT INCOME	4,727	(137,422)	115	(132,580)
INTEREST EXPENSE	(348,064)	(120,633)	-	(468,697)
TOTAL NON-OPERATING REVENUES (EXPENSES), NET	67,821	(258,055)	115	(190,119)
INCOME (LOSS) BEFORE TRANSFERS	2,557,240	2,660,332	1,591	5,219,163
<u>TRANSFERS:</u>				
OPERATING TRANSFERS IN	117,343	-	-	117,343
CHANGE IN NET POSITION	2,674,583	2,660,332	1,591	5,336,506
NET POSITION AT BEGINNING OF YEAR	30,277,302	12,192,555	916,179	43,386,036
NET POSITION AT END OF YEAR	\$ 32,951,885	\$ 14,852,887	\$ 917,770	\$ 48,722,542

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FISCAL YEAR ENDED JUNE 30, 2023**

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	WATER/SEWER	ELECTRIC	NONMAJOR ENTERPRISE	TOTAL
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
RECEIPTS FROM CUSTOMERS AND USERS	\$ 8,479,046	\$ 16,734,030	\$ 1,421,413	\$ 26,634,489
PAYMENTS TO SUPPLIERS	(4,835,026)	(12,987,549)	(1,414,820)	(19,237,395)
PAYMENTS TO EMPLOYEES	(704,752)	(1,983,635)	(29,299)	(2,717,686)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	2,939,268	1,762,846	(22,706)	4,679,408
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
OPERATING TRANSFERS IN	117,343	-	-	117,343
INTEREST EXPENSE	-	(2,182)	-	(2,182)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	117,343	(2,182)	-	115,161
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
NET PROCEEDS FROM THE ISSUANCE OF BONDS AND NOTES	1,264,500	-	-	1,264,500
BOND PREMIUM	235,500	-	-	235,500
CAPITAL CONTRIBUTIONS	-	48,136	-	48,136
PRINCIPAL PAYMENTS ON BONDS AND NOTES	(1,579,578)	(469,410)	-	(2,048,988)
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(1,774,242)	(7,562,977)	-	(9,337,219)
INTEREST EXPENSE	(503,803)	(118,451)	-	(622,254)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES:	(2,357,623)	(8,102,702)	-	(10,460,325)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
NET PROCEEDS FROM PURCHASE AND SALE OF INVESTMENT SECURITIES	(4,727)	-	-	(4,727)
NET TRANSFERS FROM OPERATIONS	-	690,460	-	690,460
INTEREST RECEIVED	4,727	-	115	4,842
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES:	-	690,460	115	690,575
NET INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS	698,988	(5,651,578)	(22,591)	(4,975,181)
CASH AND SHORT TERM INVESTMENTS - BEGINNING OF YEAR	5,425,390	7,401,247	880,395	13,707,032
CASH AND SHORT TERM INVESTMENTS - END OF YEAR	\$ 6,124,378	\$ 1,749,669	\$ 857,804	\$ 8,731,851
<u>RECONCILIATION OF OPERATING INCOME (LOSS)</u>				
<u>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>				
OPERATING INCOME (LOSS)	\$ 2,489,419	\$ 2,918,387	\$ 1,476	\$ 5,409,282
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS)				
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
DEPRECIATION	1,297,946	895,412	-	2,193,358
DONATED INFRASTRUCTURE	(45,269)	-	-	(45,269)
(INCREASE) DECREASE IN ACCOUNTS RECEIVABLE	(278,446)	(993,941)	(26,381)	(1,298,768)
(INCREASE) DECREASE IN SPECIAL ASSESSMENTS	285,021	-	-	285,021
(INCREASE) DECREASE IN RATE STABILIZATION FUND	-	(915,620)	-	(915,620)
(INCREASE) DECREASE IN CONTRIBUTION IN AID OF CONSTRUCTION	-	23,784	-	23,784
(INCREASE) DECREASE IN PREPAID EXPENSES	-	(5,646)	-	(5,646)
(INCREASE) DECREASE IN OTHER ASSETS	-	(420,806)	-	(420,806)
(INCREASE) DECREASE IN DEFERRED OUTFLOWS OF RESOURCES	26,932	-	-	26,932
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	(316,653)	409,177	2,199	94,723
INCREASE (DECREASE) IN OTHER LIABILITIES	-	15,095	-	15,095
INCREASE (DECREASE) IN COMPENSATED ABSENCES PAYABLE	(6,341)	-	-	(6,341)
INCREASE (DECREASE) IN POST EMPLOYMENT BENEFITS	(250,187)	30,398	-	(219,789)
INCREASE (DECREASE) IN DEFERRED INFLOWS OF RESOURCES	(234,809)	-	-	(234,809)
INCREASE (DECREASE) IN NET PENSION LIABILITY	(28,345)	(193,394)	-	(221,739)
TOTAL ADJUSTMENTS	449,849	(1,155,541)	(24,182)	(729,874)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 2,939,268	\$ 1,762,846	\$ (22,706)	\$ 4,679,408

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2023**

	POSTEMPLOYMENT BENEFITS TRUST FUNDS	ELECTRIC POSTEMPLOYMENT BENEFITS TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS
<u>ASSETS</u>			
INVESTMENTS	\$ 4,457,771	\$ 1,883,855	\$ 40,788
<u>LIABILITIES</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>NET POSITION</u>			
HELD IN TRUST FOR PLAN PARTICIPANTS	4,457,771	1,883,855	-
HELD IN TRUST FOR OTHER PURPOSES	-	-	40,788
TOTAL NET POSITION	<u>\$ 4,457,771</u>	<u>\$ 1,883,855</u>	<u>\$ 40,788</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, 2023

	POSTEMPLOYMENT BENEFITS TRUST FUNDS	ELECTRIC POSTEMPLOYMENT BENEFITS TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS
<u>ADDITIONS:</u>			
CONTRIBUTIONS:			
EMPLOYER CONTRIBUTIONS	\$ 295,000	\$ -	\$ -
EMPLOYER CONTRIBUTIONS TO PAY FOR OPEB BENEFITS	570,548	126,771	-
EMPLOYEE CONTRIBUTIONS	19,135	-	-
NET INVESTMENT INCOME (LOSS):			
INVESTMENT INCOME	289,301	(361,469)	1,012
TOTAL ADDITIONS	1,173,984	(234,698)	1,012
<u>DEDUCTIONS:</u>			
BENEFIT PAYMENTS	570,548	126,771	-
CHANGE IN NET POSITION	603,436	(361,469)	1,012
NET POSITION AT BEGINNING OF YEAR	3,854,335	2,245,324	39,776
NET POSITION AT END OF YEAR	<u>\$ 4,457,771</u>	<u>\$ 1,883,855</u>	<u>\$ 40,788</u>

See accompanying notes to the basic financial statements

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

Primary Government

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

Joint Ventures

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

Name	Purpose	Address	Annual Assessment
Wachusett Regional School District	To provide grades K-12 Educational Services	Jefferson School 1745 Main Street Jefferson, MA 01522	\$ 33,806,436
Montachusett Regional Vocational Technical School District	To provide grades 9-12 Vocational and Technical Educational Services	1050 Westminster St. Fitchburg, MA 01420	\$ 1,292,952

The Wachusett Regional School District (the District) is governed by a twenty (22) member school committee consisting of eight elected (8) representatives from the Town of Holden. The Town is indirectly liable for debt and other expenditures of the District and is assessed annually for its share of the operating and capital costs. Separate financial statements may be obtained by writing to the Treasurer of the District at the above address. The Town has an equity interest of approximately 47.48% equity interest in the joint venture.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

The Montachusett Regional Vocational Technical High School (the District) is governed by a twenty-two (22) member school committee which includes one appointed (1) representative from the Town of Holden. The Town is indirectly liable for debt and other expenditures of the District and is assessed annually for its share of the operating and capital costs. Separate financial statements may be obtained by writing to the Treasurer of the District at the above address. The Town has an equity interest of approximately 13.51% equity interest in the joint venture.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

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

Major Fund Criteria

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

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

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

Fiduciary funds are reported by fund type.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- a. *Charges to customers or applicants* who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- b. *Grants and contributions* that are restricted to meeting the operational requirements of a particular function or segment.
- c. *Grants and contributions* that are restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions are charges between the general fund and the various enterprise funds. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

Governmental Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Expenditures are recorded when the related fund liability is incurred, except for interest on general long-term debt which is recognized when due, and the non current portion of compensated absences, other postemployment benefits (*OPEB*), net pension liability, and landfill postclosure care costs which are recognized when the obligations are expected to be liquidated with current expendable available resources.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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 *Recreation Field fund* is a capital project fund used to account for the construction costs of the recreational facilities.

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

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

Proprietary Fund Financial Statements

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

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

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

The following major proprietary funds are reported:

- The *Water and Sewer Enterprise fund* is used to account for water and sewer activities.
- The *Electric Light Enterprise fund* is used to account for electric light activities.
- The *Non Major Enterprise fund* is the solid waste fund which is presented in the Non Major enterprise fund column on the proprietary funds financial statements.

Fiduciary Fund Financial Statements

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

The following fiduciary fund types are reported:

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

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

E. Fair Value Measurements

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

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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.

TOWN OF HOLDEN, MASSACHUSETTS
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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 Charter Comm 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 \$40,280 at December 31, 2022. The Department can place a lien against a property if payment is not made. For non-owners, the Department requires a deposit that can be applied to any unpaid amounts. In addition, the Department has the right to shut off service to customers, subject to certain state regulations, if the customer is not making payments. On a periodic basis, the Department does evaluate its accounts receivables to determine if any write-offs are necessary.

TOWN OF HOLDEN, MASSACHUSETTS
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Intergovernmental

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

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

Leases Receivables

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

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

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

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

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

G. Inventories

Government-Wide and Fund Financial Statements

Inventories of the governmental funds and the water and sewer, and solid waste enterprise funds are recorded as expenditures at the time of purchase. Such inventories are not material in total to the basic financial statements, and therefore are not reported. Materials and supplies inventories of the electric light enterprise fund are valued using the average cost method.

TOWN OF HOLDEN, MASSACHUSETTS
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H. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

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

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

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

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

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

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

Governmental Fund Financial Statements

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

I. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

TOWN OF HOLDEN, MASSACHUSETTS
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Government-Wide Financial Statements

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

Fund Financial Statements

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

J. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as operating transfers in and operating transfers out.

Government-Wide Financial Statements

Operating transfers between and within governmental funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

Fund Financial Statements

Operating transfers between and within funds are not eliminated from the individual fund statements and are reported as operating transfers in and operating transfers out.

K. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

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

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

TOWN OF HOLDEN, MASSACHUSETTS
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Governmental Funds Financial Statements

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

L. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

Net position is classified into three components:

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

Net position have been “restricted” for the following:

- *Depreciation* represents available resources (cash) that may be used for replacements, enlargements and additions to the utility plant.
 - *Permanent funds -expendable* represents amounts held in trust for which the expenditures are restricted by various trust agreements.
 - *Permanent funds -nonexpendable* represents amounts held in trust for which only investment earnings may be expended.
 - *Other specific purposes* represent restrictions placed on assets from outside parties.
- c. *Unrestricted net position* – All other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

Fund Financial Statements (Fund Balances)

The Town uses the following criteria for fund balance classification:

- For *nonspendable* fund balance: includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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- For *restricted* fund balance: when constraints placed on the use of the resources are either (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.
- For *committed* fund balance: (1) the government's highest level of decision-making authority and (2) the formal action that is required to be taken to establish (and modify or rescind) a fund balance commitment.
- For *assigned* fund balance: (1) the body or official authorized to assign amounts to a specific purpose and (2) the policy established by the governing body pursuant to which the authorization is given.
- For *unassigned* fund balance: is the residual classification for the general fund. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

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

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

M. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Fund Financial Statements

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

N. Investment Income

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

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023 is recorded in the governmental funds financial statements.

P. Pension

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

Q. Post Retirement Benefits

Government-Wide and Fund Financial Statements

In addition to providing pension benefits, health and life insurance coverage is provided for retired employees and their survivors in accordance with MGL Chapter 32B, of Massachusetts General Laws, under various contributory plans. The cost of providing health and life insurance is recognized by recording the employer's 50%, 74%, 75% or 80% share of insurance premium costs (depending on the plan selected) in the general fund in the fiscal year paid. All benefits are provided through third-party insurance carriers and health maintenance organizations that administer, assume, and pay all claims.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

R. Use of Estimates

Government-Wide and Fund Financial Statements

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could vary from estimates that were used.

S. Total Column

Government-Wide Financial Statements

The total column presented on the government-wide financial statements represents consolidated financial information.

Fund Financial Statements

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not comparable to the consolidated financial information.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Basis of Accounting

Pursuant to Chapter 44, Section 32 of the Massachusetts General Laws, the Town adopts an annual budget for the general fund as well as for those special revenue funds for which the provisions of Chapter 44, Section 53f 1/2 have been adopted. The budgets for all departments and operations of the Town, except that of the public school districts, are prepared under the direction of the Town Manager. The School Districts' budgets are prepared under the direction of the School Committees. The level of expenditures may not legally exceed appropriations for each governmental activity, i.e.; general government, public safety, education, public works etc.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year. These carry forwards are included as part of the subsequent fiscal year's original budget.

Original and supplemental appropriations are enacted upon by a Town Meeting vote. Management may not amend the budget without seeking the approval of the governing body. The Town's Finance Committee can legally transfer funds from its reserve fund to other appropriations within the budget without seeking Town Meeting approvals. The original fiscal year 2023 approved budget authorized \$59,227,679 in current year appropriations and other amounts to be raised and \$1,891,884 in encumbrances and appropriations carried over from previous fiscal years.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023, is presented below:

Net change in fund balance - budgetary basis	\$ 1,065,694
Basis of accounting differences:	
Net Stabilization fund activity	<u>151,615</u>
Net change in fund balance - GAAP basis	<u>\$ 1,217,309</u>

C. Deficit Fund Balance

Several individual fund deficits exist within the special revenue funds which will be eliminated through subsequent fiscal year budget transfers, grants and/or proceeds from long-term debt during fiscal year 2024.

NOTE 3 – DEPOSITS AND INVESTMENTS

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

Deposits

- *Custodial Credit Risk – Deposits*

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

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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The following table illustrates how much of the Town's bank deposits are insured and how much of the Town's bank deposits are uninsured and uncollateralized as of June 30, 2023:

Total bank balances		<u>\$ 32,539,083</u>
Bank balances covered by deposit insurance		
Federal Deposit Insurance Corporation (FDIC)	13,804,953	
Depositors Insurance Fund (DIF)	<u>17,107,214</u>	
Total bank balances covered by deposit insurance		30,912,167
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	1,626,590	
Bank balances uninsured & uncollateralized	<u>326</u>	
Total bank balances subject to custodial credit risk		<u>1,626,916</u>
Total bank balances		<u>\$ 32,539,083</u>

Investments

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

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

- *Credit Risk*

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

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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Presented below is the actual rating as of year-end for each investment type of the Town.

Investment type	Fair value	Minimum Legal Rating	Rating as of Year End								
			Aaa	Aa1	Aa3	A1	A2	A3	Baa1	Baa2	Unrated
U.S. Government, Agency & Securities	\$ 7,994,388	N/A	\$ 7,994,388	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Certificates of Deposit	1,703,530	N/A	-	-	-	-	-	-	-	-	1,703,530
Fixed Income Mutual Funds	2,264,325	N/A	-	-	-	-	-	-	-	-	2,264,325
Corporate Bonds	5,542,391	N/A	526,426	-	-	1,893,603	1,022,573	613,255	221,311	1,265,223	-
Money Market Mutual Funds	465,350	N/A	-	-	-	-	-	-	-	-	465,350
Municipal Bonds	5,192,147	N/A	-	-	-	-	-	-	-	-	5,192,147
Equity Mutual Funds	176,550	N/A	50,441	50,440	75,669	-	-	-	-	-	-
Fixed Income Asset Backed Securities	95,294	N/A	-	-	-	-	-	-	-	-	95,294
Total Investments	23,433,975		<u>\$ 8,571,255</u>	<u>\$ 50,440</u>	<u>\$ 75,669</u>	<u>\$ 1,893,603</u>	<u>\$ 1,022,573</u>	<u>\$ 613,255</u>	<u>\$ 221,311</u>	<u>\$ 1,265,223</u>	<u>\$ 9,720,646</u>
Add: Electric Light Plant Investments at December 31, 2022	<u>1,883,855</u>										
Less: Electric Light Plant Investments at June 30, 2023	<u>(6,251,647)</u>										
Total Investments per Statement of Net Position and Fiduciary Net Position at June 30, 2023	<u>\$ 19,066,183</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 U.S. Government Agency and Securities, common stock, municipal bonds, and corporate bonds because the related securities are registered in the name of the Town. The mutual fund investments are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

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

- *Interest Rate Risk*

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

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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

Investment type	Fair value	Investment maturities (in years)		
		Less than 1	1-5	6-10
<i>Debt Related Securities:</i>				
U.S. Government Agency & Securities	\$ 7,994,388	\$ 3,320,987	\$ 4,673,401	\$ -
Fixed Income Mutual Funds	2,264,325	2,264,325	-	-
Fixed Income Asset Backed Securities	95,294	95,294	-	-
Municipal Bonds	176,550	-	126,110	50,440
Corporate Bonds	5,542,391	1,526,095	3,387,475	628,821
Total - Debt related securities	16,072,948	7,206,701	8,186,986	679,261
<i>Other Investments:</i>				
Money Market Mutual Funds	465,350	465,350	-	-
Equity Mutual Funds	5,192,147	5,192,147	-	-
Common Stock	1,703,530	1,703,530	-	-
Total Other Investments	7,361,027	7,361,027	-	-
Total Investments at June 30, 2023	\$ 23,433,975	\$ 14,567,728	\$ 8,186,986	\$ 679,261

- Concentration of Credit Risk***

The Town places no limit on the amount the government may invest in any one issuer. The Town did hold more than 5% of its investments in the following security:

Issuer	Percentage of Total Investments
US Treasury Ser BH - 2023	12.97%

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.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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.

The Town has the following recurring fair value measurement as of June 30, 2023.

Investment Type	June 30, 2023	Fair Value Measurements Using		
		Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
U.S. Government Agency and Securities	\$ 7,994,388	\$ 7,994,388	\$ -	\$ -
Municipal Bonds	176,550	-	176,550	-
Fixed Income Asset Back Securities	95,294	-	95,294	-
Fixed Income Mutual Funds	2,264,325	-	2,264,325	-
Corporate Bonds	5,542,391	-	5,542,391	-
Total debt securities	16,072,948	7,994,388	8,078,560	-
Other Investments				
Equity Mutual Funds	5,192,147	5,192,147	-	-
Money Market Mutual Funds	465,350	465,350	-	-
Common Stock	1,703,530	1,703,530	-	-
Total other investments	7,361,027	7,361,027	-	-
Total investments measured at fair value	23,433,975	\$ 15,355,415	\$ 8,078,560	\$ -
Investments measured at amortized cost				
Massachusetts Municipal Depository Trust - (MMDT)	1,177,917			
Total Investments	\$ 24,611,892			

U.S. Government Agency and Securities, Equity Mutual Funds, 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, 2023

NOTE 4 – RECEIVABLES

The receivables at June 30, 2023 for the Town’s governmental activities in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Receivables:	Gross Amount	Allowance for Uncollectibles	Net Amount
Real estate and personal property taxes	\$ 796,190	\$ (47,700)	\$ 748,490
Tax liens	833,855	-	833,855
Motor vehicle & other excise taxes	280,228	(64,195)	216,033
Leases	285,950	-	285,950
Departmental and other	1,512,427	(721,513)	790,914
Intergovernmental	453,059	-	453,059
Total	<u>\$ 4,161,709</u>	<u>\$ (833,408)</u>	<u>\$ 3,328,301</u>

The receivables at June 30, 2023, (electric light at December 31, 2022) for the enterprise funds consist of the following:

Receivables:	Gross Amount	Allowance for Uncollectibles	Net Amount
<i>Water and Sewer</i>			
User fees	\$ 1,174,872	\$ -	\$ 1,174,872
Special Assessments	1,122,512	-	1,122,512
Leases	1,260,203	-	1,260,203
<i>Other Enterprise - Trash</i>			
User fees	107,143	-	107,143
<i>Electric Light</i>			
User fees	<u>3,297,159</u>	<u>(40,280)</u>	<u>3,256,879</u>
Total	<u>\$ 6,961,889</u>	<u>\$ (40,280)</u>	<u>\$ 6,921,609</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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

Deferred Inflows of Resources Analysis

Deferred Inflows:	General Fund
Deferred Property Taxes	\$ 1,488,887
Deferred Other Revenue	669,165
Total Unavailable Revenue	<u>\$ 2,158,052</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2023, was as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 3,388,959	\$ 250,000	\$ -	\$ 3,638,959
Construction in progress	19,534,744	2,845,657	(702,748)	21,677,653
Total capital assets not being depreciated	22,923,703	3,095,657	(702,748)	25,316,612
<i>Capital assets being depreciated:</i>				
Buildings and improvements	97,897,438	-	-	97,897,438
Capital improvements (other than buildings)	3,394,284	84,145	702,748	4,181,177
Machinery and equipment	6,333,003	172,760	-	6,505,763
Vehicles	7,373,897	69,132	(27,346)	7,415,683
Infrastructure	76,354,440	561,864	-	76,916,304
Total capital assets being depreciated	191,353,062	887,901	675,402	192,916,365
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(35,783,379)	(2,379,780)	-	(38,163,159)
Capital improvements (other than buildings)	(1,887,929)	(196,311)	-	(2,084,240)
Machinery and equipment	(5,182,530)	(330,737)	-	(5,513,267)
Vehicles	(5,535,800)	(526,174)	27,346	(6,034,628)
Infrastructure	(44,481,893)	(1,645,339)	-	(46,127,232)
Total accumulated depreciation	(92,871,531)	(5,078,341)	27,346	(97,922,526)
Total capital assets being depreciated, net	98,481,531	(4,190,440)	702,748	94,993,839
Total governmental activities capital assets, net	\$ 121,405,234	\$ (1,094,783)	\$ -	\$ 120,310,451

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Business-Type Activities: (Water & Sewer Enterprise)	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated :</i>				
Land	\$ 432,548	\$ -	\$ -	\$ 432,548
Construction in progress	3,466,072	1,587,002	-	5,053,074
Total capital assets not being depreciated	3,898,620	1,587,002	-	5,485,622
<i>Capital assets being depreciated:</i>				
Buildings and improvements	9,195,504	-	-	9,195,504
Capital improvements (other than buildings)	1,196,080	-	-	1,196,080
Machinery and equipment	2,205,450	-	-	2,205,450
Vehicles	963,568	-	-	963,568
Infrastructure	44,993,505	45,270	-	45,038,775
Total capital assets being depreciated	58,554,107	45,270	-	58,599,377
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(4,436,189)	(196,022)	-	(4,632,211)
Capital improvements (other than buildings)	(1,019,563)	(58,057)	-	(1,077,620)
Machinery and equipment	(1,334,181)	(77,872)	-	(1,412,053)
Vehicles	(796,836)	(53,026)	-	(849,862)
Infrastructure	(14,735,753)	(912,969)	-	(15,648,722)
Total accumulated depreciation	(22,322,522)	(1,297,946)	-	(23,620,468)
Total capital assets being depreciated, net	36,231,585	(1,252,676)	-	34,978,909
Total business-type activities capital assets, net	\$ 40,130,205	\$ 334,326	\$ -	\$ 40,464,531

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Capital asset activity for the *electric light plant* at December 31, 2022 was as follows:

Business-Type Activities: (Light Plant Enterprise)	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated:</i>				
Land	\$ 72,500	\$ -	\$ -	\$ 72,500
Construction in progress	1,136,752	6,554,882	(4,608,390)	3,083,244
Total capital assets not being depreciated	1,209,252	6,554,882	(4,608,390)	3,155,744
<i>Capital assets being depreciated:</i>				
Distribution Plant	23,168,390	5,101,347	(2,131,390)	26,138,347
General Plant	7,169,131	515,138	-	7,684,269
Total capital assets being depreciated	30,337,521	5,616,485	(2,131,390)	33,822,616
<i>Less accumulated depreciation for:</i>				
Distribution Plant	(16,970,161)	(695,759)	2,131,390	(15,534,530)
General Plant	(4,474,762)	(213,879)	-	(4,688,641)
Total accumulated depreciation	(21,444,923)	(909,638)	2,131,390	(20,223,171)
Total capital assets being depreciated, net	8,892,598	4,706,847	-	13,599,445
Total business-type activites capital assets, net	<u>\$ 10,101,850</u>	<u>\$ 11,261,729</u>	<u>\$ (4,608,390)</u>	<u>\$ 16,755,189</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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

Governmental Activities:	
General government	\$ 48,056
Public safety	817,831
Education	1,968,730
Public works	2,007,180
Human services	46,524
Culture and recreation	<u>190,020</u>
Total depreciation expense - governmental activities	<u>\$ 5,078,341</u>
Business-Type Activities:	
Water and Sewer	\$ 1,297,946
Electric light - (December 31, 2022)	<u>909,638</u>
Total depreciation expense - business-type activities	<u>\$ 2,207,584</u>

NOTE 6 – LEASES (LESSOR)

The Town leases space on existing Water Towers located in the Town to various cell companies and building space to various companies for various terms under long-term, lease agreements. The leases expire at various dates through 2026.

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

<u>Year Ending June 30</u>	<u>Total Payment</u>	<u>Less Interest</u>	<u>Principal</u>
2024	\$ 139,154	\$ (4,725)	\$ 134,429
2025	142,106	(6,779)	135,327
2026	<u>17,447</u>	<u>(1,253)</u>	<u>16,194</u>
Total minimum lease payments	<u>\$ 298,707</u>	<u>\$ (12,757)</u>	<u>\$ 285,950</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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

<u>Year Ending June 30</u>	<u>Total Payment</u>	<u>Less Interest</u>	<u>Principal</u>
2024	\$ 144,262	\$ (26,601)	\$ 117,661
2025	148,083	(29,705)	118,378
2026	152,009	(32,907)	119,102
2027	156,041	(36,202)	119,839
2028-2032	744,137	(205,940)	538,197
2033-2036	<u>375,671</u>	<u>(128,645)</u>	<u>247,026</u>
Total minimum lease payments	<u>\$ 1,720,203</u>	<u>\$ (460,000)</u>	<u>\$ 1,260,203</u>

NOTE 7 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2023, are summarized as follows:

	Operating Transfers In:			
		Water/Sewer		
	General	Enterprise		
Operating Transfers Out:	Fund	Funds	Total	
Nonmajor Governmental Funds	\$ 82,234	\$ 77,816	\$ 160,050	(2)
Nonmajor Governmental Funds	55,000	-	55,000	(1)
General Fund	-	39,527	39,527	(1)
Total	\$ 137,234	\$ 117,343	\$ 254,577	

(1) Represents various budgeted transfers

(2) Represents other transfers

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – SHORT-TERM FINANCING

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

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

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

The following is a summary of changes in short-term debt for the year ended June 30, 2023:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2022	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2023
<u>Governmental Funds:</u>							
BAN	School Buildings	1.50%	10/28/2022	\$ 848,142	\$ -	\$ (848,142)	\$ -
<u>Business Type Activities:</u>							
BAN	Water Various	1.50%	10/28/2022	\$ 2,250,000	\$ -	\$ (2,250,000)	\$ -
	Total			<u>\$ 3,098,142</u>	<u>\$ -</u>	<u>\$ (3,098,142)</u>	<u>\$ -</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 9 – LONG-TERM DEBT

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

The following is a summary of the changes in long-term debt for the year ended June 30, 2023:

Bonds and Notes Payable Schedule -Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2022	Issued	Redeemed	Outstanding at June 30, 2023
Middle School	2.40	\$ 10,500,000	\$ -	\$ 750,000	\$ 9,750,000
Mt. View School	2.57	3,000,000	-	200,000	2,800,000
DPW Loader	1.88	50,000	-	50,000	-
Ambulance	1.88	55,000	-	55,000	-
Public Safety Building (08) Refunding	0.47	2,670,000	-	390,000	2,280,000
Public Safety Building (10) Refunding	0.74	2,075,000	-	215,000	1,860,000
DPW Building	1.63	7,635,000	-	405,000	7,230,000
DPW Facility	2.00 - 5.00	8,283,800	-	23,800	8,260,000
Elementary School Improvement	4.00-5.00	-	801,500	-	801,500
Recreational Facilities	3.00-5.00	-	4,634,000	-	4,634,000
Total Bonds and Notes Payable		34,268,800	5,435,500	2,088,800	37,615,500
Add: Unamortized Bond Premium		2,540,991	366,000	375,524	2,531,467
Total Bonds and Notes Payable, Net		\$ 36,809,791	\$ 5,801,500	\$ 2,464,324	\$ 40,146,967

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

The annual debt service requirements for principal and interest for Governmental bonds and notes outstanding at June 30, 2023 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 2,565,500	\$ 1,378,336	\$ 3,943,836
2025	2,870,000	1,236,631	4,106,631
2026	2,925,000	1,092,257	4,017,257
2027	2,970,000	945,131	3,915,131
2028	3,010,000	803,131	3,813,131
2029-2033	11,480,000	2,541,656	14,021,656
2034-2038	8,875,000	868,697	9,743,697
2039-2042	<u>2,920,000</u>	<u>109,100</u>	<u>3,029,100</u>
Total	<u>\$ 37,615,500</u>	<u>\$ 8,974,939</u>	<u>\$ 46,590,439</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Bonds and Notes Payable Schedule -Water and Sewer Enterprise Fund

Project	Interest Rate (%)	Outstanding at June 30, 2022	Issued	Redeemed	Outstanding at June 30, 2023
MWPAT Drinking Water	Var.	\$ 908,327	\$ -	\$ 93,075	\$ 815,252
Water	3.64	45,000	-	45,000	-
Water	3.64	120,000	-	120,000	-
MWPAT Drinking Water	Var.	50,000	-	50,000	-
MWPAT Drinking Water	Var.	51,907	-	51,907	-
MWPAT Drinking Water	Var.	325,651	-	160,996	164,655
MWPAT Drinking Water	2.00	216,221	-	52,444	163,777
MWPAT Sewer Construction	Var.	260,000	-	260,000	-
MWPAT Sewer Connections	Var.	115,419	-	39,527	75,892
Watermains		180,000	-	60,000	120,000
Water Tank		165,000	-	55,000	110,000
Sewer Pump Station	3.80	150,000	-	20,000	130,000
Water Main	2.40	1,120,000	-	80,000	1,040,000
Mass Cleanwater DW 13-12	2.00	390,452	-	24,161	366,291
Water Mains	2.55	625,000	-	45,000	580,000
Infiltration Removal	2.51	265,000	-	20,000	245,000
Princeton St Sewer Pump Station	2.52	205,000	-	15,000	190,000
Lincoln Ave Sewer Pump Station	1.83	175,000	-	35,000	140,000
Watermain Replacement	2.92	640,000	-	40,000	600,000
Heritage Lane Sewer Pump	2.92	638,000	-	40,000	598,000
Sycamore Drive Sewer Pump	2.86	212,000	-	15,000	197,000
Water Mains	1.62	590,000	-	35,000	555,000
Water SCADA	0.33	245,000	-	125,000	120,000
Jefferson Water Tank	0.70	735,000	-	95,000	640,000
SCADA Plan Design	0.70	330,000	-	45,000	285,000
Jefferson Water Tank	0.00	69,550	-	14,550	55,000
Water Main Replacement	0.00	904,150	-	49,150	855,000
Inflow & infiltration	0.00	854,200	-	49,200	805,000
Water Meters	0.00	850,600	-	115,600	735,000
Water Meter Replacement	0.00	425,350	-	55,350	370,000
Sewer Pump Station Repairs	0.00	307,350	-	22,350	285,000
Sewer Pump Station Repairs	4.00-5.00%	-	469,500	-	469,500
Water Main Replacement	4.00-5.00%	-	938,000	-	938,000
Water Replacement	4.00-5.00%	-	280,000	-	280,000
SCADA Plan Design	4.00-5.00%	-	426,000	-	426,000
Water Mains	3.00-5.00%	-	1,401,000	-	1,401,000
Total Bonds and Notes Payable		12,169,177	3,514,500	1,928,310	13,755,367
General Obligation Bond 2016					
Add: Unamortized Premium		86,532	-	13,805	72,727
General Obligation Bond 2017					
Add: Unamortized Premium		87,460	-	16,199	71,261
General Obligation Bond 2022					
Add: Unamortized Premium		250,981	-	53,215	197,766
General Obligation Bond 2022					
Add: Unamortized Premium		458,800	-	101,092	357,708
Total Unamortized Premium		883,773	-	184,311	699,462
Total Bonds and Notes Payable, net		\$ 13,052,950	\$ 3,514,500	\$ 2,112,621	\$ 14,454,829

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

The annual debt service requirements for principal and interest for water and sewer enterprise fund bonds and notes outstanding at June 30, 2023 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 1,560,238	\$ 559,264	\$ 2,119,502
2025	1,304,610	453,097	1,757,707
2026	1,160,264	397,984	1,558,248
2027	1,102,123	346,041	1,448,164
2028	1,064,723	295,803	1,360,526
2029-2033	4,229,576	884,879	5,114,455
2034-2038	2,853,833	287,043	3,140,876
2039-2042	480,000	18,956	498,956
Total	<u>\$ 13,755,367</u>	<u>\$ 3,243,067</u>	<u>\$ 16,998,434</u>

Loans Authorized and Unissued

As of June 30, 2023, the Town has loans authorized and unissued as follows:

<u>Description</u>	<u>Date Authorized</u>	<u>Amount</u>
Sewer Pump Station Upgrades	5/16/2022	\$ 700,000
Chapin/Avery Storage Tank Mix	5/16/2022	250,000
Tower Truck	5/15/2023	1,450,000
Water Main Replacement	5/15/2023	892,184
Water Inflow & Infiltration	5/15/2023	800,000
Total		<u>\$ 4,092,184</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2023 (electric light as of December 31, 2022):

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable	\$ 34,268,800	\$ 5,435,500	\$ (2,088,800)	\$ 37,615,500	\$ 2,565,500
Add: Unamortized Premiums	2,540,991	366,000	(375,524)	2,531,467	349,343
Total Bond Payable	36,809,791	5,801,500	(2,464,324)	40,146,967	2,914,843
Compensated absences	955,685	-	(98,592)	857,093	680,517
Landfill postclosure care costs	607,250	-	(361,370)	245,880	81,960
Net pension liability	24,201,721	6,437,099	-	30,638,820	-
OPEB	10,584,771	-	(1,115,192)	9,469,579	-
Total governmental activities long-term liabilities	<u>\$ 73,159,218</u>	<u>\$ 12,238,599</u>	<u>\$ (4,039,478)</u>	<u>\$ 81,358,339</u>	<u>\$ 3,677,320</u>

Business-Type Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable - water/sewer	\$ 12,169,177	\$ 3,514,500	\$ (1,928,310)	\$ 13,755,367	\$ 1,560,238
Add: Unamortized Premiums	883,773	-	(184,311)	699,462	129,867
Total Bond Payable	13,052,950	3,514,500	(2,112,621)	14,454,829	1,690,105
Compensated absences	52,397	-	(6,341)	46,056	35,861
Customer deposits - electric light	269,651	15,095	-	284,746	-
Rate stabilization reserve - electric light	4,520,342	-	(1,191,579)	3,328,763	-
OPEB - water/sewer	334,257	-	(250,187)	84,070	-
OPEB - electric light	-	299,664	-	299,664	-
Net Pension Liability	1,532,055	-	(28,345)	1,503,710	-
Net pension Liability - electrical light	5,141,608	-	(510,655)	4,630,953	-
Customer advances for construction - electric Light	62,494	23,784	-	86,278	-
Contribution in aid of construction - electrical light	427,640	33,910	-	461,550	-
Total business-type activities long-term liabilities	<u>\$ 25,393,394</u>	<u>\$ 3,886,953</u>	<u>\$ (4,099,728)</u>	<u>\$ 25,180,619</u>	<u>\$ 1,725,966</u>

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

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023:

<u>Agency</u>	<u>Total Long- Term Debt Outstanding</u>	<u>Town's Estimated Share</u>	<u>Town's Indirect Debt</u>
Wachusett Regional School District Bonds	<u>\$ 4,865,000</u>	47.48%	<u>\$ 2,309,902</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

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

	General Fund	Recreation Field	Nonmajor Governmental Funds	Total
Fund Balances				
Nonspendable:				
Permanent Fund Principal	\$ -	\$ -	\$ 1,865,519	\$ 1,865,519
Restricted For:				
General Government	-	-	6,130,306	6,130,306
Public Safety	-	-	321,375	321,375
Public Works	-	-	1,153,187	1,153,187
Human Services	-	-	470,029	470,029
Culture & Recreation	-	-	1,659,484	1,659,484
Employee Benefits	-	-	247,107	247,107
Recreation Fields	-	5,000,000	-	5,000,000
Bond Premium	3,145	-	-	3,145
	<u>3,145</u>	<u>5,000,000</u>	<u>9,981,488</u>	<u>14,984,633</u>
Committed To:				
Continuing Appropriations				
General Government	51,761	-	-	51,761
Public Safety	246,513	-	-	246,513
Public Works	1,534,166	-	-	1,534,166
Human Services	155,547	-	-	155,547
Culture & Recreation	71,472	-	-	71,472
	<u>2,059,459</u>	<u>-</u>	<u>-</u>	<u>2,059,459</u>
Assigned To:				
Encumbered For:				
General Government	30,673	-	-	30,673
Public Safety	44,510	-	-	44,510
Public Works	175,202	-	-	175,202
Subsequent Years Expenditures	2,829,076	-	-	2,829,076
DPW Depreciation Fund	756,779	-	-	756,779
Regional Dispatch Stabilization	68,598	-	-	68,598
Open Space Preservation Stabilization	220,735	-	-	220,735
Fire Vehicle & Equipment Stabilization	415,087	-	-	415,087
	<u>4,540,660</u>	<u>-</u>	<u>-</u>	<u>4,540,660</u>
Unassigned				
General Fund	7,434,554	-	-	7,434,554
General Stabilization Fund	5,024,989	-	-	5,024,989
Town Grants	-	-	(218,555)	(218,555)
	<u>12,459,543</u>	<u>-</u>	<u>(218,555)</u>	<u>12,240,988</u>
 Total Governmental Fund Balances	 <u>\$ 19,062,807</u>	 <u>\$ 5,000,000</u>	 <u>\$ 11,628,452</u>	 <u>\$ 35,691,259</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 11 – STABILIZATION ARRANGEMENTS

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

- The *DPW Depreciation Fund* is used to account for appropriations which are only for renewals in excess of ordinary repairs, extensions, reconstructions, enlargements and additions to the capital equipment of the public works department of the Town of Holden. So much of the fund as the Town may from time to time approve at an annual or special town meeting may also be used to pay notes, bonds or certificates of indebtedness, issued to pay for the cost of such renewals in excess of ordinary repairs, extensions, reconstructions, enlargements and additions to the capital equipment of the department when such notes, bonds or certificates of indebtedness become due. Funds may be appropriated for any lawful purpose at an ATM by 4/5 vote or at a STM by 9/10 vote. The Town may appropriate into the fund at Annual or Special Town Meeting by majority vote. This fund was established by special legislation (Chapter 328, Acts 2000) on December 7, 2000.
- The *Fire Department Vehicles, Apparatus and Capital Equipment Stabilization Fund* is used to account for appropriations funding the acquisition, repair, replacement, extension, reconstruction, enlarging and/or additions to capital equipment, vehicles, and apparatus of the fire department and pay notes, bonds, or certificates of indebtedness issued to pay for the cost of such acquisition, repair, replacement, extension, reconstruction, enlarging and additions. The Town may appropriate into and out of the fund at Annual or Special Town Meeting by 2/3 vote. This fund was established 5/21/2007 under Chapter 40 sub-section 5B of **MGL**.
- The *Water/Sewer Stabilization Fund*: is used to account for appropriations for the purpose of funding water-sewer projects, and the acquisition, repair, replacement, extension, reconstruction, enlarging, and/or additions to the capital equipment and vehicles used in connection with Water-Sewer projects, and to pay notes, bonds, or certificates of indebtedness issued to pay for the cost of such projects, acquisition, repair, replacement, extension, reconstruction, enlarging, and additions. The Town may appropriate into and out of the fund at Annual or Special Town Meeting by 2/3 vote. This fund was established May 18, 2009 under Chapter 40, sub-section 5B of **MGL**.
- The *Stabilization Fund* is used to account for any appropriation, as approved by a 2/3 vote at the annual or special town meeting for additions or reductions to the fund. Any interest shall be added to and become part of the fund. The fund was established under chapter 40, sub-section 5B of the Massachusetts General Law.
- Regional Dispatch Stabilization Fund is used to account for is used to account for appropriations funding the acquisition, repair, upgrading, and replacing information technology, office communications or other equipment and related appurtenances necessary for the Wachusett Regional Emergency Communications Center. The Town may appropriate into and out of the fund at Annual or Special Town Meeting by 2/3 vote. This fund was established May 16, 2016 under Chapter 40, sub-section 5B of **MGL**.

TOWN OF HOLDEN, MASSACHUSETTS
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- Open Space Preservation Stabilization Fund is used to account for appropriations funding the acquisition of real property within the Town of Holden to be held and maintained as open space for the citizens of Holden. The Town may appropriate into and out of the fund at Annual or Special Town Meeting by 2/3 vote. This fund was established May 16, 2016 under Chapter 40, sub-section 5B of MGL.

NOTE 12 – RISK FINANCING

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

Non-school buildings are fully insured against fire, theft, and natural disaster to the extent that losses exceed \$1,000 per incident. The fully insurable value of the Town buildings is \$74,560,667. 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 2023.

The Town offers benefit-eligible employees contributory health care options through Blue Cross Blue Shield. The non-Medicare HMO plans offered are BCBS HMO Blue New England and BCBS HMO Blue Select. The Town also offers a BCBS Preferred Blue PPO plan and High Deductible plans, BCBS Access Blue New England Saver and BCBS Blue Select Saver. The Town offers Medicare-eligible retirees two supplemental health care options including Blue Cross Blue Shield Medex-2 with Blue Medicare Rx and Managed Blue for Seniors' with Blue Medicare Rx. There are 122 active employees and non-Medicare eligible retirees as well as 113 Medicare-eligible retirees and spouses who participate in the Town's health care programs. For active employees hired prior to July 1, 2009, the Town contributes 80% of the premium costs for both family and individual HMO and High Deductible plans. For all active employees hired after July 1, 2009, the Town contributes 75% of the premium costs for both family and individual HMO and High Deductible 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 Managed Blue for Senior Plan and 50% of the premium for the Medex – 2 Plan.

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 2023.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 13 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

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

Funding Policy. The contribution requirements of plan members and the Town are established and may be amended through Town ordinances. For the period ending on the June 30, 2023 measurement date total Town premiums plus implicit costs for the retiree medical program are \$570,548. The Town also made a contribution to an OPEB Trust of \$295,000 for a total contribution during the measurement period of \$865,548 to be reported on the financial statement for the fiscal year ending June 30, 2023.

The Commonwealth of Massachusetts passed special legislation that has allowed the Town to establish a postemployment benefit trust fund and to enable the Town to begin pre-funding its other postemployment benefit (OPEB) liabilities. During 2023, the Town pre-funded future OPEB liabilities totaling \$295,000 by contributing funds to the Other Postemployment Benefit Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2023, the balance of this fund totaled \$4,457,771.

GASB Statement #75 – OPEB Employer Financial Reporting

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

Measurement Date - GASB #75 requires the net OPEB liability to be measured as of the OPEB plans most recent fiscal year end. Accordingly, the net OPEB liability was measured as of June 30, 2023 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2022.

Plan Membership – The following table represents the Plan's membership as July 1, 2022:

Active Employees	137
Inactive employees or beneficiaries currently receiving benefits	<u>118</u>
Total	<u><u>255</u></u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Components of OPEB Liability – The following table represents the components of the Plan's OPEB liability as of June 30, 2023:

Total OPEB Liability	\$ 14,011,420
Less: OPEB plan's fiduciary net position	<u>(4,457,771)</u>
Net OPEB Liability	<u><u>\$ 9,553,649</u></u>

The OPEB plan's fiduciary net position as a percentage of the total OPEB liability	31.82%
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TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Significant Actuarial Methods and Assumptions – The plan’s total OPEB liability and actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, that was updated to June 30, 2023 to be in accordance with GASB Statement #75.

Valuation Date:	Actuarially Determined Contribution was calculated as of July 1, 2022
Actuarial Cost Method:	Individual Entry Age Normal
Asset-Valuation Method:	Market value of assets as of the measurement date, June 30, 2023
Investment Rate of Return	5.65%, net of OPEB plan investment expense, including inflation.
Municipal Bond Rate	4.13% as of June 30, 2023 (source: S&P Municipal Bond 20-Year High Grade Index - SAPIHG)
Single Equivalent Discount Rate:	5.56% net of OPEB plan investment expense, including inflation.
Inflation:	2.50% as of June 30, 2023 and for future periods
Salary Increases:	3.00% annually as of June 30, 2023 and for future periods
Cost of Living Adjustment	Not Applicable
Pre-Retirement Mortality:	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward one year for females. Teacher: RP-2014 Mortality Table for White Collar employees projected generationally with scale MP-2016 for males and females
Post-Retirement Mortality:	General: RP-2014 Mortality Table for Blue Collar healthy annuitants projected generationally with scale MP-2016 for males and females, set forward one year for females. Teacher: RP-2014 Mortality Table for White Collar healthy annuitants projected generationally with scale MP-2016 for males and females
Disabled Mortality:	General: RP-2014 Mortality Table for Blue Collar healthy annuitants projected generationally with scale MP-2016 for males and females, set forward one year. Teacher: RP-2014 Mortality Table for White Collar healthy annuitants projected generationally with scale MP-2016 for males and females

TOWN OF HOLDEN, MASSACHUSETTS
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Rate of Return – For the year ended June 30, 2023 the annual money-weighted rate on investments, net of investments expense, was 7.22%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

The long-term 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, 2023 are summarized in the following table.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity - large cap	26.25%	4.10%
Domestic equity - small/mid cap	14.25%	4.55%
International equity - developed market	12.75%	4.64%
International equity - emerging market	7.50%	5.45%
Domestic fixed income	27.00%	1.05%
International fixed income	6.25%	0.96%
Alternatives	5.50%	5.95%
Real Estate	0.00%	6.25%
Cash	0.50%	0.00%
Total	<u>100.00%</u>	

Discount Rate – The discount rate used to measure the total OPEB liability was 5.56% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Town's funding policy.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2022	\$ 14,773,363	\$ 3,854,335	\$ 10,919,028
Charges for the year:			
Service cost	473,580	-	473,580
Interest on Total OPEB Liability, Service Cost, and Benefit Payments	811,126	-	811,126
Change in assumptions	311,739	-	311,739
Change in Benefit Terms	(1,371,443)	-	(1,371,443)
Difference between actual and expected experience	(416,397)	-	(416,397)
Net Investment Income	-	289,302	(289,302)
Employer Contributions to Trust	-	884,682	(884,682)
Benefit payments withdrawn from trust	-	(570,548)	570,548
Total Benefit payments including Implicit Costs	(570,548)	-	(570,548)
Net Changes	(761,943)	603,436	(1,365,379)
Balance at June 30, 2023	<u>\$ 14,011,420</u>	<u>\$ 4,457,771</u>	<u>\$ 9,553,649</u>

Sensitivity of the net OPEB liability to changes in the discount rate – The following table presents the Plan’s net OPEB liability calculated using the discount rate of 5.56% as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage- point lower (4.56%) or 1 percentage-point higher (6.56%) than the current rate.

	1% Decrease (4.56%)	Current Trend (5.56%)	1% Increase (6.56%)
Net OPEB liability	\$ 11,487,332	\$ 9,553,649	\$ 7,970,527

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Sensitivity of the net OPEB liability to changes in the healthcare trend – The following table presents the net other postemployment benefit liability calculated using the current healthcare trend rate of 6.50% as well as what the net OPEB liability would be if it were calculated using a healthcare trend rate that is 1 percentage-point lower or 1 percentage-point higher.

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Net OPEB liability	\$ 7,761,190	\$ 9,553,649	\$ 11,781,837

Deferred Outflows/Inflows of Resources

At June 30, 2023 the Town reported deferred outflows and inflows of resources related to other postemployment benefits of \$2,402,884 and \$381,660 respectively.

The balances of deferred outflows and inflows as of June 30, 2023 consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between actual and expected experience	\$ 78,498	\$ (381,660)	\$ (303,162)
Changes of Assumptions	2,049,907	-	2,049,907
Net difference between projected and actual earnings	274,479	-	274,479
Total Deferred Outflows (Inflows) of Resources	<u>\$ 2,402,884</u>	<u>\$ (381,660)</u>	<u>\$ 2,021,224</u>

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

Period Year ended June 30	Amount
2024	\$ 509,251
2025	501,643
2026	608,179
2027	317,289
2028	95,932
Thereafter	(11,070)
Total Deferred Outflows/(Inflows) Recognized in Future Years	<u>\$ 2,021,224</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Changes of Assumption – The Discount rate has changed from 5.42% to 5.56%

Changes in Plan Provisions - None

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

The Other Postemployment Benefits Liability Trust Fund was authorized at the Annual Town Meeting on May 18, 2009 and the fund was established on April 20, 2011. The Trust Fund was established to reduce the unfunded actuarial liability of health care and other postemployment benefits to zero as of an actuarially acceptable period of years and to meet the normal cost of all future benefits for which the government unit is obligated. The Fund is held under the custodianship of the Town of Holden. The Department's investments are classified as held to maturity and are recorded at the estimated fair market value. Fair values are based on the quoted market price of the investments. The balance in the Trust as of December 30, 2022 was \$1,883,855.

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

Level 1

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

Level 2

Inputs to the valuation methodology include:

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

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

Level 3

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

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

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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The following is a description of the valuation methodologies used for assets measured as fair value.

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

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

The table below sets forth, by level within the fair value hierarchy, the Department's OPEB Trust Fund investments at fair value at December 31, 2022. As of December 31, 2022 the Department did not have any investments that were measured using Level 2 or Level 3 inputs

Description	December 31, 2022 Quoted Prices in Active Markets for Identical Assets (All Level 1)
<u>Investment at FMV:</u>	
Equities	\$ 65,716
Mutual Funds	<u>1,808,767</u>
Total Investments	<u>1,874,483</u>
<u>Other Securities:</u>	
Money Market	<u>9,372</u>
Total	<u><u>\$ 1,883,855</u></u>

As of December 31, 2022 there were no investments in any one issuer (excluding U.S. Treasury securities and mutual funds) that represented 5% or more of the total investments.

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

Plan Administration

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

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Plan Membership

At December 31, 2022, OPEB plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits payments	17
Active plan members	<u>10</u>
Total	<u><u>27</u></u>

Benefits provided

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

Contributions

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

Investment Policy

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

Rate of Return

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

Net OPEB Liability of the Plan

The components of the net OPEB liability at December 31, 2022 are as follows:

	<u>2022</u>
Total OPEB Liability	\$ 2,183,519
Fiduciary Net Position	<u>(1,883,855)</u>
Net OPEB Liability (Asset)	<u><u>\$ 299,664</u></u>

Fiduciary net position as a percentage of the total OPEB liability was 86.28% for the year ended December 31, 2022.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2022 using the following assumptions, applied to all periods included in the measurement:

Inflation:	2.50%
Investment Rate of Return	5.49%, net of investment expense, including inflation.
Discount Rate	5.38% net of OPEB plan investment expense, including inflation
Salary Increases:	3.00% annually as of December 31, 2022 and for future periods
Healthcare cost trend rate	8.00% for 2022, decreasing to an ultimate rate of 3.63% utilizing the society of actuaries medical trend model. The ultimate medical inflation rate is reached in 2060.
Pre-Retirement Mortality:	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward one year for females.
Post-Retirement Mortality:	General: RP-2014 Mortality Table for Blue Collar healthy annuitants projected generationally with scale MP-2016 for males and females, set forward one year for females.
Disabled Mortality:	General: RP-2014 Mortality Table for Blue Collar healthy annuitants projected generationally with scale MP-2016 for males and females, set forward one year.

The long-term real rate of return on OPEB plan investments was determined using a building – block method in which best-estimate ranges of expected future real rates of returns (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce long-term expected rate return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of December 31, 2022 are summarized in the table below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity - Large Cap	22.50%	4.10%
Domestic Equity - Small/Mid Cap	14.00%	4.55%
International Equity - Developed Market	11.25%	4.64%
International Equity - Emerging Market	7.25%	5.45%
Domestic Fixed Income	31.50%	1.05%
International Fixed Income	6.75%	0.96%
Alternatives	6.25%	5.95%
Real Estate	0.00%	6.25%
Cash	0.50%	0.00%
Total	<u>100.00%</u>	

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Discount Rate

The discount rate used to measure the total OPEB liability was 5.38%. The projection of cash flows used to determine the discount rate assumed that contributions from the Town will be made in accordance with the Plan's funding policy. Based on those assumptions, the OPEB's Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liability calculated using the discount rate of 5.38% as well as what the net OPEB liability would be if it were calculated using a discount rate 1 percentage-point lower (4.38%) or 1 percentage-point higher (6.38%) than the current rate.

	1% Decrease (4.38%)	Current Discount Rate (5.38%)	1% Increase (6.38%)
Net OPEB Liability	\$ 603,880	\$ 299,664	\$ 54,622

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

The following presents the net OPEB liability calculated using the current healthcare cost trend rates as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rates that are 1 percentage-point lower (7% year 1 decreasing to 3.63%) or 1 percentage-point higher (9% year 1 decreasing to 4.63%) than the current healthcare cost trend rate:

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
Net OPEB liability	\$ 31,728	\$ 299,664	\$ 632,803

NOTE 15 – LIGH PLANT OTHER POST-EMPLOYMENT BENEFITS:

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

Plan Description

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

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

At the measurement date of December 31, 2022, OPEB plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	17
Active plan members	<u>10</u>
Total	<u><u>27</u></u>

Contributions

The Department's Actuarial Determined Contribution (ADC) is an amount actuarially determined in accordance with the parameters of GASB Statement No. 74/75 which represents a level of funding that, if paid on an ongoing basis, is projected to cover the service cost each year and amortize any unfunded actuarial liabilities (or funding excess). The contribution requirements of plan members and the Department are established and may be amended through Department ordinances. For the year ending on the measurement date of December 31, 2022, total premiums plus implicit costs for the retiree medical program was \$126,771.

OPEB Liabilities

At December 31, 2022, the Department reported a liability/(asset) of (\$299,664) for its net OPEB liability(asset). The 2022 net OPEB liability (asset) was measured as of December 31, 2021 and was determined by an actuarial valuation as of January 1, 2022.

OPEB Expenses

For the year ended December 31, 2022 the Department recognized OPEB Expense of \$157,169. At December 31, 2022 the Department reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Deferred Outflows of Resources Related to OPEB</u>	<u>2022</u>
Difference between projected and actual earnings on OPEB plan investments	\$ 395,459
Difference between expected and actual Experiences	50,812
Change of Assumptions	<u>321,909</u>
Total Deferred Outflows of Resources	<u><u>\$ 768,180</u></u>
<u>Deferred Inflows of Resources Related to OPEB</u>	
Difference between expected and actual Experiences	\$ 244,029
Difference between projected and actuals earnings on OPEB plan investments	<u>120,365</u>
Total Deferred Inflows of Resources	<u><u>\$ 364,394</u></u>

TOWN OF HOLDEN, MASSACHUSETTS
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JUNE 30, 2023

OPEB Expenses (continued)

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

<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
Year Ended December 31:		Year Ended December 31:	
2023	\$ 210,923	2023	\$ 130,355
2024	203,062	2024	98,348
2025	189,830	2025	76,336
2026	<u>164,365</u>	2026	<u>59,355</u>
Total	<u>\$ 768,180</u>	Total	<u>\$ 364,394</u>

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

NOTE 16 – PENSION PLAN

A. Plan Description

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

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

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

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

B. Benefits Provided

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

Employees who become permanently and totally disabled 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 service, level of compensation, and veterans' status.

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

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

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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C. Contributions

Worcester Regional Retirement System

Chapter 32 of MGL governs the contributions of plan members and member employees. Active plan members are required to contribute to the system at rates ranging from 5 to 9% of their gross regular compensation. Members joining the system after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30,000. The rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the system, its share of system wide actuarial determined contribution, in accordance with Chapter 32, section 22D and 22F of MGL. The Town's proportionate share of the required contribution equaled its actual contribution for the year ended December 31, 2022 which was \$2,972,584 and 26.23% 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, 2023 the Town reported a liability of \$37,592,749 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. 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, 2022, the Town's proportion was 3.66%.

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2023 the Town recognized pension expense of \$3,848,041. At June 30, 2023 the Town reported deferred outflows and inflows of resources related to pensions of \$5,266,763 and \$1,660,433 respectively.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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The balances of deferred outflows and inflows as June 30, 2023 consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Net Differences between expected and actual experience	\$ -	\$ (1,150,434)	\$ (1,150,434)
Assumption Changes	1,992,136	-	1,992,136
Change in allocated proportion	737,669	(509,999)	227,670
Net difference between projected and actual investment earnings	2,536,958	-	2,536,958
Total Deferred Outflows (Inflows) of Resources	<u>\$ 5,266,763</u>	<u>\$ (1,660,433)</u>	<u>\$ 3,606,330</u>

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

Year ended June 30	Amount
2023	\$ 230,358
2024	702,401
2025	1,073,059
2026	1,668,438
2027	(67,926)
Total deferred outflows/(inflows) of resources recognized in future years	<u>\$ 3,606,330</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

E. Actuarial assumptions

The total pension liability in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2022.

Valuation date	January 1, 2022
Actuarial cost method	Individual entry age normal
Amortization method	Payment increases 4% per year
Asset valuation method	market value
Inflation rate	2.4% per year
Salary increases	Group 1: 4.25% - 6% based on service Group 4: 4.75% - 7% based on service
Mortality rates:	Based on the RP-2014 blue collar mortality table with full generational mortality improvement using scale MP-2020. For disabled lives, the mortality rates were based on the RP – 2014 blue collar mortality table set forward one year with full generational mortality improvement using scale MP-2020.
Investment rate of return	7.25%, net of pension plan investment expense, including inflation

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

F. Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	37%	4.74%
Core Fixed income	15%	2.10%
Value Added fixed income	8%	5.20%
Private equity	16%	7.60%
Real estate	10%	3.10%
Timberland - natural resources	4%	4.40%
Portfolio completion strategies	10%	3.90%
Total	<u>100%</u>	

For the year ended December 31, 2022 the System's annual money-weighted rate of return on pension plan investments net of pension plan investment expense was 12.36%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

G. Discount Rate

The discount rate used to measure the total pension liability as of December 31, 2022 was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that member employer contributions will be made in accordance with sections 22D and 22F of Chapter 32 of Massachusetts General Laws. Based on those assumptions, the system's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2022 calculated using the discount rate of 7.25%, as well as what the system's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
The Towns proportionate share of the net pension liability	\$ 45,873,283	\$ 37,592,749	\$ 30,592,086

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

NOTE 17 – COMMITMENTS AND CONTINGENCIES

The Town participates in a number of federal award programs. However the Town is subject to the provisions of the Single Audit Act Amendments of 1996, since the Town did expend more than \$750,000 of federal awards during the period ended June 30, 2023. However, due to the fact that the only reason the Town exceeded the \$750,000 was due to the Coronavirus State and Local Fiscal Recovery Funds the Town has decided to have an Alternative Compliance Examination performed on Coronavirus State and Local Fiscal Recovery Funds program. 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 (3 years remaining), and the estimated liability has been recorded in the Statement of Net Position, Governmental Activities. The \$245,880 reported as landfill post-closure liability at June 30, 2023 is based on what it would cost to perform all post-closure care costs at June 30, 2023. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2023, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2023.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 18 - MMWEC PARTICIPATION AND CONTINGENT LIABILITIES

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

MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts, created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in, and to issue revenue bonds to finance, electric facilities (Projects). MMWEC has acquired ownership interests in electric facilities operated by other entities and also owns and operates its own electric facilities. MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other utilities (Project Participants) under Power Sales Agreements (PSAs). The Light Department has entered into PSAs with MMWEC. Under the PSAs the Department is required to make certain payments to MMWEC payable solely from Municipal Light Department revenues. Among other things, the PSAs require each Project Participant to pay its *pro rata* share of MMWEC's costs related to the Project, which costs include debt service on the revenue bonds issued by MMWEC to finance the Project. In addition, should a Project Participant fail to make any payment when due, other Project Participants of that Project may be required to increase (step-up) their payments and correspondingly their Participant's share of that Project's Project Capability. Project Participants have covenanted to fix, revise and collect rates at least sufficient to meet their obligations under the PSAs. Each Participant is unconditionally obligated to make payments due to MMWEC whether or not the Project(s) is completed or operating and notwithstanding the suspension or interruption of the output of the Project(s).

NOTE 19 – PURCHASED POWER WORKING CAPITAL

The purchased power working capital is an amount held by MMWEC, our power supply agent. The implementation of the Working Capital Program began in August 1, 1985. MMWEC Participants approved certain working capital amendments to the various power purchase agreements. MMWEC requires that the department hold a set amount of capital from which it may pay the Department's power obligations when they are due. MMWEC replenishes the fund as needed from the Department's monthly invoice payments. The income earned allocated to the Light Department will be applied as a credit to MMWEC Power Sales Billing. The balance in the Fund as of December 31, 2022 was \$2,468,358. These funds are commingled and deposited in external investment pools. The total amount of these investment pools as of December 31, 2022 was \$38,085,022 of which Holden Municipal Light Department's ownership was approximately 6.5%.

NOTE 20 – DEPRECIATION FUND

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

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 21 – RATE STABILIZATION

The Rate Stabilization Fund is held at MMWEC and was created as an aftermath of the Massachusetts Electricity Restructuring Act of 1997. These funds are for unexpected escalation in costs, such as the decommissioning of nuclear power plants before the end of their operating license, unusual price spikes in fuel prices and transmission cost increases. The Rate Stabilization Fund balance at December 31, 2022 was \$3,328,763. The balance in the fund is offset by a deferred inflow of resources for the accumulated provision for rate refund.

NOTE 22 – RECLASS OF THE MAJOR GOVERNMENTAL FUND AS PREVIOUSLY REPORTED

Beginning governmental funds DPW Building Major fund has been reclassified to the Non Major governmental funds. The reclass fund balances are summarized in the table shown below:

	6/30/2022 Previously Reported Balances	Reclass of DPW Building Fund	6/30/2022 Revised Balances
Governmental Funds			
<i>DPW Building (Major Fund)</i>	\$ 2,568,459	\$ (2,568,459)	\$ -
Governmental Funds			
<i>Non Major Governmental funds</i>	\$ 7,788,079	\$ 2,568,459	\$ 10,356,538

NOTE 23 – RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS – ELECTRICAL

During preparation of the 2022 financial statements, the Department discovered an error relating to discount being applied to a customer when they were ineligible for that discount. The Department has restated the 2021 financial statements to reflect this correction. The impact of these modifications on the 2021 financial statements was to increase Other Accounts Receivable, Net by \$443,679, increase the Net Income by \$18,970 and increase January 1, 2021 Net Position by \$424,709.

NOTE 24 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2023, the following GASB pronouncements were implemented:

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

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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

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

Future GASB Pronouncements:

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

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

The GASB issued **Statement #102**, *Certain Risk Disclosures*, which is required to be implemented in 2025. Management's current assessment is that this pronouncement will not have a significant impact on the Basic Financial Statements.

**TOWN OF HOLDEN, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
WORCESTER REGIONAL RETIREMENT SYSTEM
JUNE 30, 2023**

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

	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
Town's proportion of the net pension liability	3.66%	3.64%	3.55%	3.53%	3.73%	3.71%	3.86%	3.85%	4.05%
Town's proportionate share of the net pension liability	\$ 37,592,749	\$ 30,641,099	\$ 31,577,686	\$ 31,423,132	\$ 33,802,409	\$ 30,268,102	\$ 32,367,046	\$ 27,305,297	\$ 24,080,656
Town's covered-employee payroll	\$ 11,333,737	\$ 10,404,562	\$ 10,400,639	\$ 10,532,682	\$ 9,206,279	\$ 8,715,703	\$ 9,160,825	\$ 8,576,726	\$ 8,246,852
Town's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	331.69%	294.50%	303.61%	298.34%	367.17%	347.28%	353.32%	318.37%	292.00%
Plan fiduciary net position as a percentage of the total pension liability	48.20%	56.20%	50.30%	47.36%	43.05%	46.40%	42.00%	44.52%	47.94%

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

See notes to Required Supplementary Information

**TOWN OF HOLDEN, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
WORCESTER REGIONAL RETIREMENT SYSTEM
JUNE 30, 2023**

SCHEDULE OF TOWN'S CONTRIBUTION

	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
Actuarily determined contribution	\$ 2,972,584	\$ 2,690,938	\$ 2,391,040	\$ 2,149,451	\$ 2,075,442	\$ 1,878,211	\$ 1,877,072	\$ 1,730,551	\$ 1,599,220
Contribution in relation to the actuarially determined contribution	(2,972,584)	(2,690,938)	(2,391,040)	(2,149,451)	(2,075,442)	(1,878,211)	(1,877,072)	(1,730,551)	(1,599,220)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 11,333,727	\$ 10,404,562	\$ 10,400,639	\$ 10,532,682	\$ 9,206,279	\$ 8,715,703	\$ 9,160,825	\$ 8,576,726	\$ 8,246,852
Contribution as a percentage of covered - employee payroll	26.23%	25.86%	22.99%	20.41%	22.54%	21.55%	20.49%	20.18%	19.39%

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

See notes to Required Supplementary Information

**TOWN OF HOLDEN, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2023**

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

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability							
Service Cost	\$ 473,580	\$ 374,192	\$ 318,426	\$ 355,817	\$ 329,006	\$ 414,308	\$ 367,661
Interest on total OPEB liability, service costs, and benefit payments	811,126	802,478	715,231	797,427	845,649	777,171	758,695
Changes in benefits term	(1,371,443)	-	-	-	-	-	-
Differences between expected and actual plan experience	(416,397)	-	145,395	(27,968)	(1,356,871)	-	-
Changes of assumptions	311,739	1,398,392	1,508,581	-	-	444,318	-
Benefit Payments	(570,548)	(526,345)	(490,728)	(561,144)	(556,913)	(515,752)	(480,292)
Net Change in OPEB liability	(761,943)	2,048,717	2,196,905	564,132	(739,129)	1,120,045	646,064
 Total OPEB liability-beginning	 14,773,363	 12,724,646	 12,298,037	 11,733,905	 12,473,034	 11,352,989	 10,706,925
Removal of Prior Year Electric Balance	-	-	(1,770,296)				
Revised Balance at June 30, 2020	14,773,363	12,724,646	10,527,741				
Total OPEB liability-ending (a)	14,011,420	14,773,363	12,724,646	12,298,037	11,733,905	12,473,034	11,352,989
 Plan fiduciary net position							
Earning from Plan Investments	289,302	(584,739)	713,429	97,568	178,750	142,004	148,033
Employer Contribution to Trust	884,682	1,067,421	1,007,355	1,194,819	1,115,149	1,071,436	1,044,150
Benefit payments from trust, including refunds of member contributions	(570,548)	(526,345)	(490,728)	(561,144)	(556,913)	(515,752)	(480,292)
Net change in plan fiduciary net position	603,436	(43,663)	1,230,056	731,243	736,986	697,688	711,891
 Plan fiduciary net position - beginning	 3,854,335	 3,897,998	 4,349,495	 3,618,252	 2,881,266	 2,183,578	 1,471,687
Removal of Prior Year Electric Balance	-	-	(1,681,553)				
Revised Balance at June 30, 2020	-	-	2,667,942				
Plan fiduciary net position - ending (b)	4,457,771	3,854,335	3,897,998	4,349,495	3,618,252	2,881,266	2,183,578
 Town's net OPEB liability-ending (a)-(b)	 \$ 9,553,649	 \$ 10,919,028	 \$ 8,826,648	 \$ 7,948,542	 \$ 8,115,653	 \$ 9,591,768	 \$ 9,169,411
 Plan fiduciary net position as a percentage of total OPEB liability	 31.82%	 26.09%	 30.63%	 35.37%	 30.84%	 23.10%	 19.23%
 Covered-employee payroll	\$ 12,090,472	\$ 12,178,963	\$ 11,824,236	\$ 10,094,000	\$ 9,800,000	\$ 9,514,563	\$ 9,137,872
 Plan's net OPEB liability as a percentage of covered-employee payroll	 79.02%	 89.65%	 74.65%	 78.75%	 82.81%	 100.81%	 100.35%

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

See notes to required supplementary information.

**TOWN OF HOLDEN, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2023**

Schedule of the Light Department's Net OPEB Liability

	2022	2021	2020	2019	2018	2017
Total OPEB Liability:						
Service Cost	\$ 64,927	\$ 61,584	\$ 54,056	\$ 57,072	\$ 51,162	\$ 57,336
Interest	125,497	121,864	114,807	112,904	115,925	114,771
Changes of assumptions	327,478	-	102,540	40,774	42,224	-
Differences Between Actual and Expected Experiences	(296,771)	-	107,476	-	(150,372)	-
Benefit Payments	(126,771)	(125,696)	(117,510)	(110,777)	(108,490)	(68,333)
Net Change in Total OPEB Liability	94,360	57,752	261,369	99,973	(49,551)	103,774
Total OPEB Liability-Beginning	2,089,159	2,031,407	1,770,038	1,670,065	1,719,616	1,615,842
Total OPEB Liability-Ending	<u>\$ 2,183,519</u>	<u>\$ 2,089,159</u>	<u>\$ 2,031,407</u>	<u>\$ 1,770,038</u>	<u>\$ 1,670,065</u>	<u>\$ 1,719,616</u>
Plan fiduciary Net Position:						
Contributions-Employer	\$ 126,771	\$ 125,696	\$ 225,197	\$ 216,580	\$ 210,490	\$ 194,158
Contributions-Employee	-	-	2,988	-	-	-
Net Investment Income	(361,469)	205,662	215,596	220,797	(80,791)	105,867
Benefit Payments	(126,771)	(125,696)	(117,510)	(110,777)	(108,490)	(68,333)
Net change in Plan Fiduciary Net Position	(361,469)	205,662	326,271	326,600	21,209	231,692
Plan Fiduciary Net Position - Beginning	2,245,324	2,039,662	1,713,391	1,386,791	1,365,582	1,133,890
Plan Fiduciary Net Position - Ending	<u>\$ 1,883,855</u>	<u>\$ 2,245,324</u>	<u>\$ 2,039,662</u>	<u>\$ 1,713,391</u>	<u>\$ 1,386,791</u>	<u>\$ 1,365,582</u>
Net OPEB Liability (Asset)- Ending	<u>\$ 299,664</u>	<u>\$ (156,165)</u>	<u>\$ (8,255)</u>	<u>\$ 56,647</u>	<u>\$ 283,274</u>	<u>\$ 354,034</u>

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

**TOWN OF HOLDEN, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2023**

Schedule of the Town's Contribution							
	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Actuarial determined contribution	\$ 918,097	\$ 873,730	\$ 763,792	\$ 940,861	\$ 926,831	\$ 1,089,212	\$ 1,066,347
Contributions in relation to the actuarially determined contribution	<u>(884,682)</u>	<u>(1,067,421)</u>	<u>(998,566)</u>	<u>(1,194,819)</u>	<u>(1,108,606)</u>	<u>(1,071,436)</u>	<u>(1,044,150)</u>
Contribution deficiency (excess)	<u>\$ 33,415</u>	<u>\$ (193,691)</u>	<u>\$ (234,774)</u>	<u>\$ (253,958)</u>	<u>\$ (181,775)</u>	<u>\$ 17,776</u>	<u>\$ 22,197</u>
Covered-employee payroll	\$ 12,090,472	\$ 12,178,963	\$ 11,824,236	\$ 10,094,000	\$ 9,800,000	\$ 9,514,563	\$ 9,137,872
Contributions as a percentage of covered- employee payroll	7.32%	8.76%	8.45%	11.84%	11.31%	11.26%	11.43%

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

See notes to required supplementary information.

**TOWN OF HOLDEN, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2023**

Schedule of Investment Return

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Annual money-weighted rate of return, net of investment expense	7.22%	-14.47%	24.18%	2.48%	5.28%	5.47%	7.14%

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

See notes to required supplementary information.

**TOWN OF HOLDEN, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS
JUNE 30, 2023**

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedules of Net OPEB Liability						
Total OPEB Liability	\$ 2,183,519	\$ 2,089,159	\$ 2,031,407	\$ 1,770,038	\$ 1,670,065	\$ 1,719,616
Plan Fiduciary Net Position	<u>(1,883,855)</u>	<u>(2,245,324)</u>	<u>(2,039,662)</u>	<u>(1,713,391)</u>	<u>1,386,791</u>	<u>1,365,582</u>
Net OPEB Liability (Asset)	<u>\$ 299,664</u>	<u>\$ (156,165)</u>	<u>\$ (8,255)</u>	<u>\$ 56,647</u>	<u>\$ 3,056,856</u>	<u>\$ 3,085,198</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	86.28%	107.48%	100.41%	96.80%	83.04%	79.41%
Covered Payroll	\$ 1,936,309	\$ 1,677,738	\$ 1,628,872	\$ 1,658,037	\$ 1,609,745	\$ 1,730,037
Net OPEB Liability as a percentage of Covered Payroll	15.48%	-9.31%	-0.51%	3.42%	17.60%	20.76%
Schedule of Employer Contributions:						
Acuarial Determined Contribution	\$ 78,570	\$ 61,584	\$ 53,651	\$ 61,145	\$ 72,012	\$ 93,634
Less: Contributions in Relation to the actuarially determined contribution	<u>(126,771)</u>	<u>(125,696)</u>	<u>(228,185)</u>	<u>(216,580)</u>	<u>(210,490)</u>	<u>(194,158)</u>
Contribution Deficiency (Excess)	<u>\$ (48,201)</u>	<u>\$ (64,112)</u>	<u>\$ (174,534)</u>	<u>\$ (155,435)</u>	<u>\$ (138,478)</u>	<u>\$ (100,524)</u>
Covered-employee payroll	\$ 1,936,309	\$ 1,677,738	\$ 1,628,872	\$ 1,658,037	\$ 1,609,745	\$ 1,730,037
Contributions as a percentage of covered payroll	6.55%	7.49%	14.01%	13.06%	13.08%	11.22%
Schedule of Investment Returns:						
Annual Money-Weighted rate of Return, net of investment expenses	-16.10%	10.08%	12.52%	15.73%	-5.73%	8.63%

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

TOWN OF HOLDEN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023

Pension Plan Schedules

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

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

B. Schedule of Town's Contribution

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

C. Changes in Plan Provisions – None

Other Postemployment Benefits Schedules

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

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

B. Schedule of the Town's Contribution

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

C. Schedule of Investment Return

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

D. Changes in Provisions - None