

**TOWN OF HOLDEN, MASSACHUSETTS**

**REPORT ON EXAMINATION OF  
BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2013**

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**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Board of Selectmen  
Town of Holden, Massachusetts

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Holden, Massachusetts as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Holden, Massachusetts's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Holden Municipal Light Department, which represents 33%, 34%, and 61%, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Holden Municipal Light Department, is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Holden, Massachusetts, as of June 30, 2013, and the respective changes in financial position and, where applicable cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, retirement system schedules of funding progress and employer contributions and other postemployment benefits – schedules of funding progress and employer contributions on pages 3-16, 68 and 69 – 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***R. E. Brown & Company***

March 20, 2014

## 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, 2013. We encourage readers to consider this information in addition to the statements and notes.

The Town complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). GASB is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Users of these financial statements, such as investors and rating agencies, rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users can assess the financial condition of one government compared to others.

### Financial Highlights

GASB Statement No. 45 (GASB 45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB), was implemented by the Town effective July 1, 2008. The purpose of GASB 45 is to improve the relevance and usefulness of financial reporting by requiring states and municipalities to identify, through actuarial analysis, the true costs of the OPEB earned by employees over their estimated years of active service. OPEB, as with pensions, is a promise made to employees as a condition of their employment that is part of compensation each year. Even though these benefits are not received until after employment, they constitute compensation to attract and retain qualified employees. These costs will be recognized over the working lifetime of employees rather than after their employment has ceased. For the fiscal year ended June 30, 2013, the actuarial accrued liability of the Town is \$12,011,446. The Town benefits provided to retirees and eligible surviving spouses include health and life insurance. GASB 45 does not require current funding of the OPEB and 95% of municipal entities are not currently funding the liability in their communities. However, the Town accepted Chapter 32B Section 20 establishing an OPEB liability trust fund at the May 2009 annual town meeting. As of June 30, 2013 the trust fund has a balance of \$579,600 from contributions made by the Holden Municipal Light Department.

Overall, both revenues and expenditures are higher than they were in the prior year. Education expenditures increased as a result of the increased assessment from the Wachuestt Regional School District and the continuation of the feasibility study on the Mount View Middle School building project through the Massachusetts School Building Authority. Expenditures related to the Mount View Middle School building project will continue to grow in subsequent years as construction on the new building is scheduled to begin in the spring of 2014. The project is estimated to cost approximately \$54,301,695. The Town has been awarded a reimbursement grant from the Massachusetts School Building Authority for 57.93% of eligible construction costs. Reimbursements will be received during the construction phase and only the town's portion of the expenses will be permanently financed. Public safety and water/sewer expenditures increased as a result of capital equipment purchases. Revenues are higher than last

year due mainly to increases in property taxes and charges for services related to the emergency medical services division.

Total revenue for the year for all funds was \$62.9 million - \$1.1 million or 1.9% more than the total revenue for the fiscal year ended June 30, 2012.

	Fiscal Year Ended June 30, 2013	% Total	Fiscal Year Ended June 30, 2012	% Total
Property taxes	\$ 31,372,015	49.91%	\$ 30,337,642	49.17%
Motor vehicle excise	2,251,170	3.58%	2,122,827	3.44%
Penalties and interest	125,819	0.20%	141,484	0.23%
Payments in lieu of taxes	1,155,424	1.84%	1,105,204	1.79%
Charges for services	22,567,877	35.91%	22,202,092	35.98%
Operating grants and contributions	2,027,382	3.23%	2,299,560	3.73%
Capital grants and contributions	1,350,405	2.15%	1,537,448	2.49%
Nonrestricted grants and contributions	1,751,555	2.79%	1,748,777	2.83%
Unrestricted investment income and other	250,788	0.41%	209,175	0.34%
Total revenue	<u>\$ 62,852,435</u>	<u>100.00%</u>	<u>\$ 61,704,209</u>	<u>100.00%</u>

Total expenses for the year for all funds was \$60.0 million - \$0.1 million or .21% more than the total expenditures for the fiscal year ended June 30, 2012.

	Fiscal Year Ended June 30, 2013	% Total	Fiscal Year Ended June 30, 2012	% Total
General government	\$ 2,059,066	3.43%	\$ 1,957,551	3.27%
Public safety	5,256,758	8.76%	5,042,955	8.42%
Education	23,106,127	38.49%	22,143,080	36.96%
Public works	4,019,995	6.70%	4,026,704	6.72%
Water and sewer	5,514,453	9.19%	5,268,391	8.79%
Trash	1,038,299	1.73%	1,046,528	1.75%
Electric	12,290,912	20.47%	13,294,351	22.19%
Human services	370,530	0.62%	417,576	0.70%
Culture and recreation	1,513,602	2.52%	1,582,494	2.64%
Employee benefits	3,486,995	5.81%	3,664,748	6.12%
State and county assessments	128,287	0.21%	124,138	0.21%
Interest	1,247,863	2.08%	1,337,183	2.23%
Total expenditures	<u>\$ 60,032,887</u>	<u>100.00%</u>	<u>\$ 59,905,699</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, 2013 was \$102.4 million, of which \$66.0 million related to governmental activities and \$36.4 million related to business-type activities. The components that contributed to the change in net assets, along with comparative data for the previous fiscal year are presented on the next page.

The largest portion of the Town's net position (67.0%) reflects its investment in capital assets (land, buildings, improvements other than buildings, machinery and equipment, vehicles, infrastructure, and construction in progress); less any related debt used to acquire those assets that remains outstanding. The Town uses these capital assets to provide services to its citizens; therefore, these assets are not available for future spending. It is important to note that other resources are needed to repay the debt because the capital assets cannot be used to finance these liabilities.

A modest amount of the Town's net position (8.6%) is subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (24.4%) may be used to meet the government's ongoing obligations to citizens and creditors.

Total current assets within the governmental activities were \$20.0 million and included cash & investments of \$15.4 million and receivables net of allowances of \$4.6 million.

Total current liabilities within the governmental activities were \$8.5 million and included accounts payable of \$.9 million and bonds and notes payable of \$6.6 million. Noncurrent liabilities within the governmental activities were \$29.7 million and included \$26.7 million of general obligation bonds payable.

Total current assets within the business-type activities were \$8.7 million and included cash & investments of \$4.3 million and receivables net of allowances of \$2.9 million.

Current liabilities within the business-type activities were \$4.3 million and included accounts payable of \$1.6 million and bond and notes payable of \$1.5 million. Noncurrent liabilities within the business-type activities were \$14.8 million and included \$11.8 million of general obligation bonds payable.

Comparative Net Position						
	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012
<b>Assets:</b>						
Current assets	\$ 20,012,218	\$ 15,143,681	\$ 8,777,572	\$ 6,481,079	\$ 28,789,790	\$ 21,624,760
Noncurrent assets	11,228,191	13,101,401	7,992,675	8,492,717	19,220,866	21,594,118
Capital assets	72,986,317	73,318,422	38,676,366	39,334,790	111,662,683	112,653,212
<b>Total assets</b>	<b>104,226,726</b>	<b>101,563,504</b>	<b>55,446,613</b>	<b>54,308,586</b>	<b>159,673,339</b>	<b>155,872,090</b>
<b>Liabilities:</b>						
Current liabilities	8,460,734	4,372,363	4,321,595	3,705,962	12,782,329	8,078,325
Noncurrent liabilities	29,730,314	32,064,776	14,751,940	16,145,252	44,482,254	48,210,028
<b>Total liabilities</b>	<b>38,191,048</b>	<b>36,437,139</b>	<b>19,073,535</b>	<b>19,851,214</b>	<b>57,264,583</b>	<b>56,288,353</b>
<b>Net Position:</b>						
Net investment in capital assets	43,140,228	40,828,007	25,423,715	24,554,730	68,563,943	65,382,737
Restricted	8,026,075	8,246,249	780,000	1,040,000	8,806,075	9,286,249
Unrestricted	14,869,375	16,052,109	10,169,363	8,862,642	25,038,738	24,914,751
<b>Total net position</b>	<b>\$ 66,035,678</b>	<b>\$ 65,126,365</b>	<b>\$ 36,373,078</b>	<b>\$ 34,457,372</b>	<b>\$ 102,408,756</b>	<b>\$ 99,583,737</b>

Governmental activities current assets increased \$4.9 million, as compared with FY2012 due mainly to increased revenue from user charges related to the EMS service. Business-type activities current assets increased \$2.3 million.

Governmental activities current liabilities increased \$4.1 million as compared with FY2012 due to a short-term bond anticipation note for the Mount View Middle School building project. Business-type activities current liabilities increased \$0.6 million. Total noncurrent liabilities of the primary government decreased \$3.7 million due mainly to pay down of existing debt service.

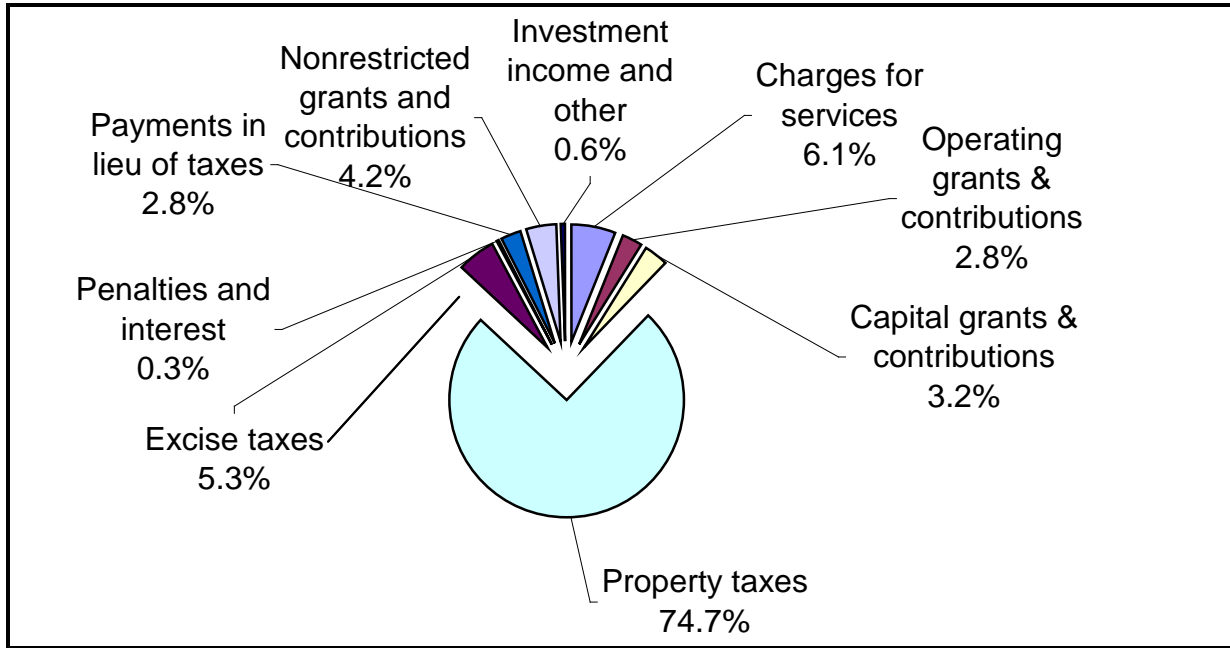
Governmental activities net investment in capital assets increased 5.7%, and unrestricted net position decreased 7.4% as compared with the prior year. Business-type net investment in capital assets increased 3.5%, and unrestricted net position increased by 14.7% as compared with the prior year.

Governmental activities increased the Town of Holden's net position by \$909,313. Presented below are the components that contributed to the change in net position, along with comparative data for the previous fiscal year:

**Comparative Changes in Net Position**

	<b>Governmental Activities</b>		Increase/ (Decrease)	
	FY 2013	FY 2012		
<b>Revenues</b>				
<i>Program Revenues:</i>				
Charges for services	\$ 2,574,267	\$ 2,432,904	\$	141,363
Operating grants and contributions	1,171,622	1,164,893		6,729
Capital grants and contributions	1,350,405	1,218,699		131,706
<i>General Revenues:</i>				
Real Estate and personal property taxes	31,372,015	30,337,642		1,034,373
Motor vehicle and other excise taxes	2,251,170	2,122,827		128,343
Penalties and interest	125,819	141,484		(15,665)
Payments in lieu of taxes	1,155,424	1,105,204		50,220
Nonrestricted grants and contributions	1,751,555	1,748,777		2,778
Unrestricted investment income & other	250,788	209,175		41,613
<b>Total Revenues</b>	<u>42,003,065</u>	<u>40,481,605</u>		<u>1,521,460</u>
<b>Expenses:</b>				
General Government	2,059,066	1,957,551		101,515
Public Safety	5,256,758	5,042,955		213,803
Education	23,106,127	22,143,080		963,047
Public Works	4,019,995	4,026,704		(6,709)
Human Services	370,530	417,576		(47,046)
Culture and Recreation	1,513,602	1,582,494		(68,892)
Employee Benefits	3,486,995	3,664,748		(177,753)
State and County Assessments	128,287	124,138		4,149
Interest	1,247,863	1,337,183		(89,320)
<b>Total Expenses</b>	<u>41,189,223</u>	<u>40,296,429</u>		<u>892,794</u>
<b>Increase/(Decrease) in Net Position before contributions to term and permanent endowments or permanent fund principal, and transfers</b>	813,842	185,176		628,666
<b>Contributions to permanent funds</b>	5,471	7,821		(2,350)
<b>Transfers</b>	<u>90,000</u>	<u>72,907</u>		<u>17,093</u>
<b>Change in Net Position</b>	<u>909,313</u>	<u>265,904</u>		<u>643,409</u>
<b>Net Position - beginning</b>	<u>65,126,365</u>	<u>64,860,461</u>		
<b>Net Position - ending</b>	<u><u>\$ 66,035,678</u></u>	<u><u>\$ 65,126,365</u></u>		

### Governmental Activities – FY2013 Revenues



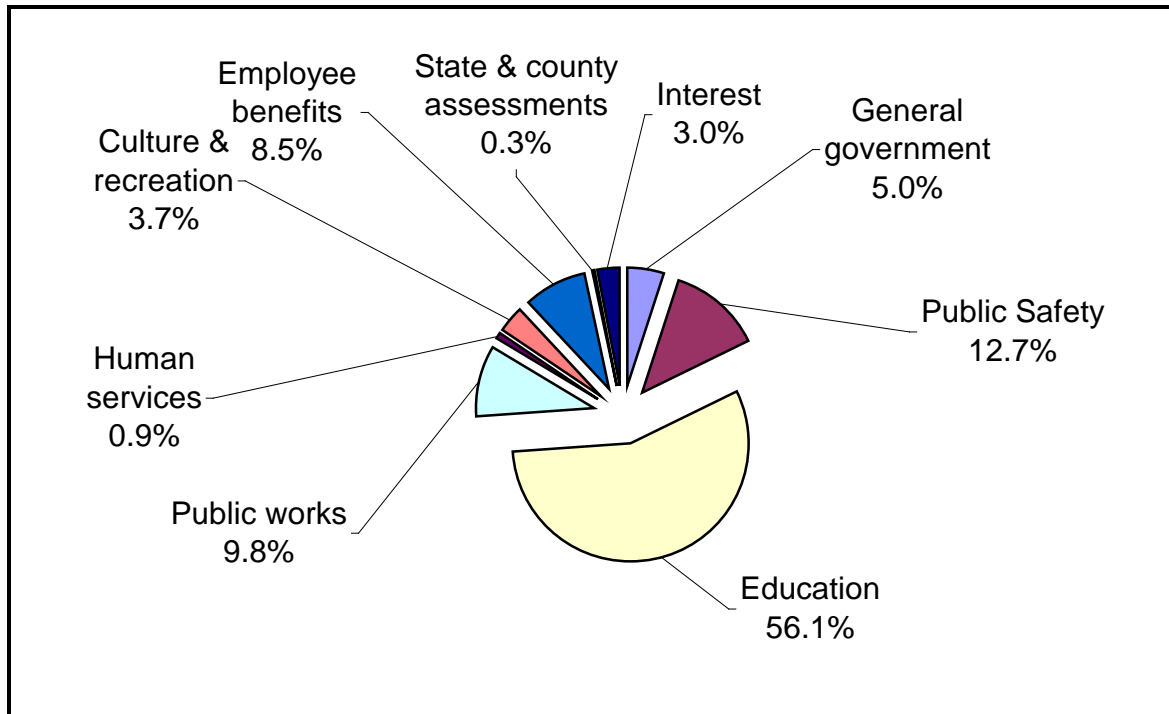
### Revenues

Property taxes along with payments in lieu of taxes and excise taxes support approximately 82.8% of the Town's governmental activities. This is consistent with FY2012.

Roughly 38% of the operating grants apply to employee benefits. Approximately 53% of the charges for services revenue was generated by public safety from the EMS service. Culture and recreation services represented 28% and general government services represented more than 14%.

Nearly 80% of the capital grants and contribution revenue supported public works projects and infrastructure and a majority of it was received from Mass Highway (Chapter 90). Almost 20% of capital grants and contribution revenue was received from the Massachusetts School Building Authority (MSBA) in connection with the Mount View Middle School feasibility study.

### Governmental Activities – FY2013 Expenses



### Expenses

Education is by far the largest governmental activity of the Town. Approximately \$22.8 million in taxes and other general revenues were needed to cover the FY2013 operating expenses. This is an increase of \$0.7 million from the prior year.

Public safety and public works represent the second and third largest governmental activities of the Town. Approximately \$3.67 million and \$2.82 million of taxes and other general revenues were needed to cover the FY2013 operating expenses.

Expenses are expected to be a budgetary challenge for management over the next few years as a result of decreased state aid and current economic conditions.

## Business-Type Activities

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

Business-type activities' net position increased by \$1,915,706 as result of general operations and infrastructure additions and improvements. Presented below are the components that contributed to the change in net position, along with comparative data for the previous fiscal year:

<b>Comparative Changes in Net Position</b>			
	<b>Business-type Activities</b>		<b>Increase/ (Decrease)</b>
	<b>FY 2013</b>	<b>FY 2012</b>	
<b>Revenues</b>			
<i>Program Revenues:</i>			
Charges for services	\$ 19,993,610	\$ 19,769,188	\$ 224,422
Operating grants and contributions	855,760	1,134,667	(278,907)
Capital grants and contributions	-	318,749	(318,749)
<b>Total Revenues</b>	<b>20,849,370</b>	<b>21,222,604</b>	<b>(373,234)</b>
<b>Expenses:</b>			
Electric	12,290,912	13,294,351	(1,003,439)
Water/Sewer	5,514,453	5,268,391	246,062
Trash	1,038,299	1,046,528	(8,229)
<b>Total Expenses</b>	<b>18,843,664</b>	<b>19,609,270</b>	<b>(765,606)</b>
<b>Excess (deficiency) of revenues over expenses</b>	<b>2,005,706</b>	<b>1,613,334</b>	<b>392,372</b>
<b>Transfers</b>	<b>(90,000)</b>	<b>(72,907)</b>	<b>(17,093)</b>
<b>Change in Net Position</b>	<b>1,915,706</b>	<b>1,540,427</b>	<b>375,279</b>
<b>Net Position - beginning</b>	<b>34,457,372</b>	<b>32,916,945</b>	
<b>Net Position - ending</b>	<b>\$ 36,373,078</b>	<b>\$ 34,457,372</b>	

## ***Financial Analysis of the Government's Funds***

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

### **Governmental Funds**

The focus of the Town of Holden's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financial requirements. In particular, unassigned fund balance may serve as a useful measure of the net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the Town's governmental funds reported combined ending fund balances of \$11.2 million, an increase of \$0.4 million in comparison with the prior fiscal year as a result of increased revenues from charges for services and general operations.

The General Fund is the chief operating fund of the Town. At the end of the fiscal year, unassigned fund balance was \$4,256,815, while total fund balance was \$8,204,992. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and the total fund balance to total fund expenditures.

### **Proprietary Funds**

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the fiscal year, the total net position was \$36.4 million; \$25.4 million or 70% of which relates to the Town's net investment in capital assets.

### **General Fund Budgetary Highlights**

The original FY2013 general fund operating budget of \$41.3 million set at the May 2012 annual town meeting. Modest amounts were transferred from general government to public safety, public works, and human services.

Revenues exceeded budgetary amounts by \$811,360 and expenditures were less than budgetary amounts by \$1,692,145. Favorable revenue types included departmental fees from the EMS service, motor vehicle excise, and real estate and personal property taxes. Public works, general government and public safety expenditures were less than budgetary amounts by \$634,592, \$342,578 and \$284,588 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, 2013 amount to \$111,662,683 (net of accumulated depreciation). This investment includes land, buildings, improvements other than buildings, machinery and equipment, vehicles, infrastructure and construction in progress. The total decrease in the Town's investment for the fiscal year was \$990,529 (a \$0.3 million decrease for governmental activities and a \$0.7 million decrease for business-type activities).

<b>Capital Assets</b> <b>(Net of Accumulated Depreciation)</b>			
<b>Primary government</b>	<b>FY 2013</b>	<b>FY 2012</b>	<b>Increase/ (Decrease)</b>
Land	\$ 3,141,942	\$ 3,141,942	\$ -
Construction in progress	1,504,111	2,975,580	(1,471,469)
Buildings	40,478,041	41,904,934	(1,426,893)
Improvements other than buildings	1,677,225	1,810,729	(133,504)
Machinery and equipment	2,140,833	1,979,268	161,565
Vehicles	2,376,675	2,214,537	162,138
Infrastructure	50,501,073	48,830,451	1,670,622
Electric - land	72,500	72,500	-
Electric - construction in progress	121,743	92,988	28,755
Electric - general plant	2,536,205	2,477,212	58,993
Electric - distribution plant	7,112,335	7,153,071	(40,736)
<b>Total Capital Assets</b>	<b>\$ 111,662,683</b>	<b>\$ 112,653,212</b>	<b>\$ (990,529)</b>



## Debt

The Town continued to maintain its “AA-” rating from Standard and Poor’s for FY2013. As of December 2013, the Town’s bond rating was upgraded from AA- to AA from Standard and Poor’s. At the end of the fiscal year the Town (excluding the light plant) had a total bonded debt outstanding of \$42,229,416. 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, \$16,894,625 or nearly 40% is for school construction for which the Town receives 70% reimbursement on total project costs from the Massachusetts School Building Authority. The Town issued new bonds totaling \$210,000 for the purchase of a dump truck and issued a bond anticipation note (BAN) in the amount of \$3,500,000 for the Mount View Middle School building project.

<b>Outstanding Debt at Year End</b>		
<b>Governmental Activities</b>	<b>Outstanding June 30, 2013</b>	<b>Outstanding June 30, 2012</b>
Schools	\$ 16,894,625	\$ 19,000,000
Public Safety	11,390,375	12,060,000
Public Works	420,000	220,000
Swimming Pool	1,025,000	1,205,000
Title V	26,766	30,639
<b>Total Governmental Activities</b>	<b>\$ 29,756,766</b>	<b>\$ 32,515,639</b>
<b>Business-type Activities</b>		
Water Improvements	\$ 7,946,220	\$ 8,788,598
Sewer Construction	4,526,431	4,951,462
<b>Total Business-type Activities</b>	<b>\$ 12,472,651</b>	<b>\$ 13,740,060</b>

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**

FY2013 was the first year that the property tax levy was set below the levels authorized by Proposition 2 ½. The average 2013 single family home in Holden was valued at \$260,400 with an average annual tax bill of \$4,523. The overall property values for FY2013 decreased approximately 2.2% as compared with FY2012. It is expected that property values will start to increase slightly going forward. Residential and commercial property growth is expected to increase through FY2014.

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

The Commonwealth of Massachusetts continues to experience fiscal difficulties which are projected to impact the town's operating budget for the next few years. Despite a decrease in state aid, the Town has a balanced budget for FY2014 and expects only a minimal increase for FY2015 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, 2013**

	<b>PRIMARY GOVERNMENT</b>		
	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b><u>ASSETS</u></b>			
CURRENT:			
CASH AND SHORT-TERM INVESTMENTS	\$ 11,440,427	\$ 4,191,040	\$ 15,631,467
INVESTMENTS	3,944,727	103,947	4,048,674
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES	250,958	-	250,958
TAX LIENS	762,842	-	762,842
MOTOR VEHICLE EXCISE TAXES	262,096	-	262,096
USER FEES	-	2,547,080	2,547,080
DEPARTMENTAL AND OTHER	293,508	-	293,508
INTERGOVERNMENTAL	3,054,860	-	3,054,860
SPECIAL ASSESSMENTS	2,800	316,378	319,178
PREPAID EXPENSES	-	259,519	259,519
OTHER ASSETS	-	1,359,608	1,359,608
NONCURRENT:			
RESTRICTED ASSETS:			
CASH AND SHORT-TERM INVESTMENTS	-	3,526,043	3,526,043
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
SPECIAL ASSESSMENTS	2,215	4,328,227	4,330,442
INTERGOVERNMENTAL	11,225,976	-	11,225,976
OTHER ASSETS	-	138,405	138,405
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	72,986,317	38,676,366	111,662,683
<b>TOTAL ASSETS</b>	<b>104,226,726</b>	<b>55,446,613</b>	<b>159,673,339</b>
<b><u>LIABILITIES</u></b>			
CURRENT:			
ACCOUNTS PAYABLE	892,830	1,636,848	2,529,678
ACCRUED LIABILITIES	31,253	-	31,253
OTHER LIABILITIES	14,651	1,128,775	1,143,426
ACCRUED INTEREST	313,904	61,111	375,015
CAPITAL LEASE PAYABLE	89,323	-	89,323
BONDS AND NOTES PAYABLE	6,573,873	1,463,756	8,037,629
LANDFILL POSTCLOSURE CARE COSTS	50,000	-	50,000
COMPENSATED ABSENCES	494,900	31,105	526,005
NONCURRENT:			
CUSTOMER DEPOSITS	-	141,741	141,741
RATE STABILIZATION RESERVE	-	2,646,537	2,646,537
BONDS AND NOTES PAYABLE	26,682,893	11,788,895	38,471,788
LANDFILL POSTCLOSURE CARE COSTS	225,000	-	225,000
COMPENSATED ABSENCES	338,438	21,023	359,461
POST EMPLOYMENT BENEFITS	2,483,983	153,744	2,637,727
<b>TOTAL LIABILITIES</b>	<b>38,191,048</b>	<b>19,073,535</b>	<b>57,264,583</b>
<b><u>NET POSITION</u></b>			
NET INVESTMENT IN CAPITAL ASSETS	43,140,228	25,423,715	68,563,943
RESTRICTED FOR:			
DEBT SERVICE	-	780,000	780,000
STREETS	1,100,835	-	1,100,835
PERMANENT FUNDS:			
EXPENDABLE	430,256	-	430,256
NONEXPENDABLE	406,766	-	406,766
OTHER PURPOSES	6,088,218	-	6,088,218
UNRESTRICTED	14,869,375	10,169,363	25,038,738
<b>TOTAL NET POSITION</b>	<b>\$ 66,035,678</b>	<b>\$ 36,373,078</b>	<b>\$ 102,408,756</b>

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2013**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
PRIMARY GOVERNMENT:					
GOVERNMENTAL ACTIVITIES:					
GENERAL GOVERNMENT	\$ 2,059,066	\$ 374,623	\$ 248,056	\$ -	\$ (1,436,387)
PUBLIC SAFETY	5,256,758	1,364,978	213,142	4,000	(3,674,638)
EDUCATION	23,106,127	-	-	266,535	(22,839,592)
PUBLIC WORKS	4,019,995	65,564	57,474	1,079,870	(2,817,087)
HUMAN SERVICES	370,530	38,180	117,140	-	(215,210)
CULTURE & RECREATION	1,513,602	730,922	84,967	-	(697,713)
EMPLOYEE BENEFITS	3,486,995	-	450,843	-	(3,036,152)
STATE & COUNTY ASSESSMENTS	128,287	-	-	-	(128,287)
INTEREST	1,247,863	-	-	-	(1,247,863)
TOTAL GOVERNMENTAL ACTIVITIES	41,189,223	2,574,267	1,171,622	1,350,405	(36,092,929)
BUSINESS-TYPE ACTIVITIES:					
WATER/SEWER	5,514,453	6,462,184	523,164	-	1,470,895
ELECTRIC	12,290,912	12,430,159	331,509	-	470,756
OTHER ENTERPRISE	1,038,299	1,101,267	1,087	-	64,055
TOTAL BUSINESS-TYPE ACTIVITIES	18,843,664	19,993,610	855,760	-	2,005,706
TOTAL PRIMARY GOVERNMENT	\$ 60,032,887	\$ 22,567,877	\$ 2,027,382	\$ 1,350,405	\$ (34,087,223)

See accompanying notes to the basic financial statements

(continued)

**TOWN OF HOLDEN, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2013**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>CHANGES IN NET POSITION:</b>			
NET (EXPENSE) REVENUE FROM PREVIOUS PAGE	<b>\$ (36,092,929)</b>	<b>\$ 2,005,706</b>	<b>\$ (34,087,223)</b>
GENERAL REVENUES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS PAYABLE	31,161,219	-	31,161,219
TAX LIENS	210,796	-	210,796
MOTOR VEHICLE EXCISE TAXES	2,251,170	-	2,251,170
PENALTIES AND INTEREST ON TAXES	125,819	-	125,819
PAYMENTS IN LIEU OF TAXES	1,155,424	-	1,155,424
GRANTS AND CONTRIBUTIONS NOT RESTRICTED TO SPECIFIC PROGRAMS	1,751,555	-	1,751,555
RENTAL INCOME	93,788	-	93,788
UNRESTRICTED INVESTMENT INCOME	119,959	-	119,959
CONTRIBUTIONS TO PERMANENT FUNDS	5,471	-	5,471
MISCELLANEOUS	37,041	-	37,041
TRANSFERS, NET	90,000	(90,000)	-
TOTAL GENERAL REVENUES AND TRANSFERS	37,002,242	(90,000)	36,912,242
CHANGE IN NET POSITION	909,313	1,915,706	2,825,019
<b>NET POSITION:</b>			
<b>BEGINNING OF YEAR</b>	65,126,365	34,457,372	99,583,737
<b>END OF YEAR</b>	<b>\$ 66,035,678</b>	<b>\$ 36,373,078</b>	<b>\$ 102,408,756</b>

See accompanying notes to the basic financial statements

(concluded)

**TOWN OF HOLDEN, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2013**

	GENERAL	MT. VIEW SCHOOL PROJECT	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b><u>ASSETS</u></b>				
CASH AND SHORT-TERM INVESTMENTS	\$ 5,745,902	\$ 3,505,949	\$ 2,188,576	\$ 11,440,427
INVESTMENTS	2,737,033	-	1,207,694	3,944,727
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:				
REAL ESTATE AND PERSONAL PROPERTY TAXES	250,958	-	-	250,958
TAX LIENS	762,842	-	-	762,842
MOTOR VEHICLE EXCISE TAXES	262,096	-	-	262,096
DEPARTMENTAL AND OTHER	293,508	-	-	293,508
INTERGOVERNMENTAL	13,109,929	-	1,170,907	14,280,836
SPECIAL ASSESSMENTS	-	-	5,015	5,015
<b>TOTAL ASSETS</b>	<b>\$ 23,162,268</b>	<b>\$ 3,505,949</b>	<b>\$ 4,572,192</b>	<b>\$ 31,240,409</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
LIABILITIES:				
ACCOUNTS PAYABLE	\$ 392,587	\$ 454,340	\$ 45,903	\$ 892,830
ACCRUED LIABILITIES	31,253	-	-	31,253
OTHER LIABILITIES	14,651	-	-	14,651
DEFERRED REVENUES	14,518,785	-	1,105,850	15,624,635
NOTES PAYABLE	-	3,500,000	-	3,500,000
<b>TOTAL LIABILITIES</b>	<b>14,957,276</b>	<b>3,954,340</b>	<b>1,151,753</b>	<b>20,063,369</b>
FUND BALANCES:				
NONSPENDABLE	-	-	406,766	406,766
RESTRICTED	1,585,944	-	3,030,349	4,616,293
COMMITTED	540,641	-	-	540,641
ASSIGNED	1,821,592	-	-	1,821,592
UNASSIGNED	4,256,815	(448,391)	(16,676)	3,791,748
<b>TOTAL FUND BALANCES</b>	<b>8,204,992</b>	<b>(448,391)</b>	<b>3,420,439</b>	<b>11,177,040</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 23,162,268</b>	<b>\$ 3,505,949</b>	<b>\$ 4,572,192</b>	<b>\$ 31,240,409</b>

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FISCAL YEAR ENDED JUNE 30, 2013**

	<u>GENERAL</u>	<u>MT. VIEW SCHOOL PROJECT</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b><u>REVENUES:</u></b>				
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 31,213,218	\$ -	\$ -	\$ 31,213,218
MOTOR VEHICLE EXCISE TAXES	2,178,874	-	-	2,178,874
PENALTIES AND INTEREST ON TAXES	125,819	-	-	125,819
INTERGOVERNMENTAL	4,143,031	266,535	639,965	5,049,531
CHARGES FOR SERVICES	-	-	1,272,086	1,272,086
INVESTMENT INCOME	93,675	-	14,155	107,830
CONTRIBUTIONS & DONATIONS	-	-	80,719	80,719
DEPARTMENTAL AND OTHER	2,867,088	-	122,334	2,989,422
<b>TOTAL REVENUES</b>	<u>40,621,705</u>	<u>266,535.00</u>	<u>2,129,259</u>	<u>43,017,499</u>
<b><u>EXPENDITURES:</u></b>				
CURRENT:				
GENERAL GOVERNMENT	1,786,007	-	254,971	2,040,978
PUBLIC SAFETY	4,552,797	-	435,657	4,988,454
EDUCATION	22,281,872	978,092	-	23,259,964
PUBLIC WORKS	3,206,739	-	507,439	3,714,178
HUMAN SERVICES	278,992	-	40,728	319,720
CULTURE & RECREATION	743,342	-	620,473	1,363,815
EMPLOYEE BENEFITS	2,835,389	-	-	2,835,389
STATE & COUNTY ASSESSMENTS	128,287	-	-	128,287
DEBT SERVICE				
PRINCIPAL	2,968,873	-	-	2,968,873
INTEREST	1,276,275	-	4,374	1,280,649
<b>TOTAL EXPENDITURES</b>	<u>40,058,573</u>	<u>978,092</u>	<u>1,863,642</u>	<u>42,900,307</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>563,132</u>	<u>(711,557)</u>	<u>265,617</u>	<u>117,192</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
PROCEEDS FROM BONDS AND NOTES	210,000	-	-	210,000
OPERATING TRANSFERS IN	221,216	-	-	221,216
OPERATING TRANSFERS OUT	-	-	(131,216)	(131,216)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>431,216</u>	<u>-</u>	<u>(131,216)</u>	<u>300,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	994,348	(711,557)	134,401	417,192
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>7,210,644</u>	<u>263,166</u>	<u>3,286,038</u>	<u>10,759,848</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 8,204,992</u>	<u>\$ (448,391)</u>	<u>\$ 3,420,439</u>	<u>\$ 11,177,040</u>

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  
JUNE 30 ,2013**

<b>TOTAL GOVERNMENTAL FUND BALANCES</b>		\$ 11,177,040
CAPITAL ASSETS (NET) USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS		72,986,317
ACCOUNTS RECEIVABLE ARE NOT AVAILABLE TO PAY FOR CURRENT-PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS		15,624,635
IN THE STATEMENT OF ACTIVITIES, INTEREST IS ACCRUED ON OUTSTANDING LONG-TERM DEBT, WHEREAS IN GOVERNMENTAL FUNDS INTEREST IS NOT REPORTED UNTIL DUE		(313,904)
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	(29,756,766)	
CAPITAL LEASE PAYABLE	(89,323)	
COMPENSATED ABSENCES	(833,338)	
POST EMPLOYMENT BENEFITS	(2,483,983)	
LANDFILL POSTCLOSURE CARE COSTS	<u>(275,000)</u>	
NET EFFECT OF REPORTING LONG-TERM LIABILITIES		<u>(33,438,410)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>		<u><b>\$ 66,035,678</b></u>

See accompanying notes to the basic financial statements



**TOWN OF HOLDEN, MASSACHUSETTS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2013**

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** **\$ 417,192**

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	3,141,585	
DEPRECIATION EXPENSE	<u>(3,473,690)</u>	
NET EFFECT OF REPORTING CAPITAL ASSETS		(332,105)

REVENUES IN THE STATEMENT OF ACTIVITIES THAT DO NOT PROVIDE CURRENT FINANCIAL RESOURCES ARE FULLY DEFERRED IN THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES. THEREFORE, THE RECOGNITION OF REVENUE FOR VARIOUS TYPES OF ACCOUNTS RECEIVABLE (I.E. REAL ESTATE AND PERSONAL PROPERTY, MOTOR VEHICLE EXCISE, ETC.) DIFFER BETWEEN THE TWO STATEMENTS. THIS AMOUNT REPRESENTS THE NET CHANGE IN DEFERRED REVENUE (1,498,698)

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	(210,000)	
PROCEEDS FROM CAPITAL LEASE OBLIGATION	141,701	
DEBT SERVICE PRINCIPAL PAYMENTS	<u>2,968,873</u>	
NET EFFECT OF REPORTING LONG-TERM DEBT		2,900,574

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

NET CHANGE IN CAPITAL LEASE PAYABLE	(53,830)	
NET CHANGE IN COMPENSATED ABSENCES ACCRUAL	(15,223)	
NET CHANGE IN OTHER POSTEMPLOYMENT BENEFITS	(636,383)	
NET CHANGE IN LANDFILL POSTCLOSURE CARE ACCRUAL	95,000	
NET CHANGE IN ACCRUED INTEREST ON LONG-TERM DEBT	<u>32,786</u>	
NET EFFECT OF RECORDING LONG-TERM LIABILITIES		<u>(577,650)</u>

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 909,313**

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, 2013**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>BUDGETARY AMOUNTS</b>	<b>OVER(UNDER)</b>
<b><u>REVENUES:</u></b>				
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 31,104,564	\$ 31,104,564	\$ 31,213,218	\$ 108,654
MOTOR VEHICLE EXCISE TAXES	1,975,000	1,975,000	2,178,874	203,874
PENALTIES & INTEREST ON TAXES	140,000	140,000	125,819	(14,181)
INTERGOVERNMENTAL	3,682,894	3,682,894	3,690,712	7,818
INVESTMENT INCOME	70,000	70,000	79,038	9,038
DEPARTMENTAL AND OTHER	2,370,931	2,370,931	2,867,088	496,157
<b>TOTAL REVENUES</b>	<b>39,343,389</b>	<b>39,343,389</b>	<b>40,154,749</b>	<b>811,360</b>
<b><u>EXPENDITURES:</u></b>				
CURRENT:				
GENERAL GOVERNMENT	2,308,240	2,128,586	1,786,008	342,578
PUBLIC SAFETY	4,832,130	4,837,385	4,552,797	284,588
EDUCATION	22,460,910	22,460,910	22,281,872	179,038
PUBLIC WORKS	3,669,036	3,841,331	3,206,739	634,592
HUMAN SERVICES	330,071	332,175	278,992	53,183
CULTURE & RECREATION	814,491	814,491	743,342	71,149
EMPLOYEE BENEFITS	2,500,242	2,500,242	2,384,668	115,574
STATE & COUNTY ASSESSMENTS	127,127	127,127	128,287	(1,160)
DEBT SERVICE:				
PRINCIPAL	2,969,075	2,969,075	2,968,873	202
INTEREST	1,287,028	1,287,028	1,274,627	12,401
<b>TOTAL EXPENDITURES</b>	<b>41,298,350</b>	<b>41,298,350</b>	<b>39,606,205</b>	<b>1,692,145</b>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,954,961)	(1,954,961)	548,544	2,503,505
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
BOND PROCEEDS	210,000	210,000	210,000	-
OPERATING TRANSFERS IN	-	-	6,216	6,216
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>210,000</b>	<b>210,000</b>	<b>216,216</b>	<b>6,216</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(1,744,961)</b>	<b>(1,744,961)</b>	<b>764,760</b>	<b>2,509,721</b>
<b>BUDGETARY FUND BALANCE, BEGINNING OF YEAR</b>	<b>4,750,120</b>	<b>4,750,120</b>	<b>4,750,120</b>	<b>-</b>
<b>BUDGETARY FUND BALANCE, END OF YEAR</b>	<b>\$ 3,005,159</b>	<b>\$ 3,005,159</b>	<b>\$ 5,514,880</b>	<b>\$ 2,509,721</b>

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS  
PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2013**

<b><u>ASSETS</u></b>	<b>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</b>			
	<b>WATER/SEWER</b>	<b>ELECTRIC</b>	<b>OTHER ENTERPRISE</b>	<b>TOTAL</b>
CURRENT:				
CASH AND SHORT-TERM INVESTMENTS	\$ 2,733,671	\$ 1,204,630	\$ 252,739	\$ 4,191,040
INVESTMENTS	103,947	-	-	103,947
USER FEES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:	760,981	1,708,353	77,746	2,547,080
SPECIAL ASSESSMENTS	316,378	-	-	316,378
OTHER ASSETS	-	1,359,608	-	1,359,608
PREPAID EXPENSES	-	259,519	-	259,519
TOTAL CURRENT ASSETS	3,914,977	4,532,110	330,485	8,777,572
NONCURRENT:				
RESTRICTED CASH AND SHORT-TERM INVESTMENTS:				
DEPRECIATION FUND	-	1,420,291	-	1,420,291
CUSTOMER DEPOSITS	-	141,741	-	141,741
RATE STABILIZATION FUND	-	1,931,945	-	1,931,945
OTHER SPECIAL FUNDS	-	32,066	-	32,066
SPECIAL ASSESSMENTS	4,328,227	-	-	4,328,227
OTHER ASSETS	-	138,405	-	138,405
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	28,833,583	9,842,783	-	38,676,366
TOTAL NONCURRENT ASSETS	33,161,810	13,507,231	-	46,669,041
TOTAL ASSETS	37,076,787	18,039,341	330,485	55,446,613
<b><u>LIABILITIES</u></b>				
CURRENT:				
ACCOUNTS PAYABLE	562,122	1,039,503	35,223	1,636,848
OTHER LIABILITIES	800	1,127,975	-	1,128,775
ACCRUED INTEREST	61,111	-	-	61,111
BONDS AND NOTES PAYABLE	1,203,756	260,000	-	1,463,756
COMPENSATED ABSENCES	31,105	-	-	31,105
TOTAL CURRENT LIABILITIES	1,858,894	2,427,478	35,223	4,321,595
NONCURRENT:				
CUSTOMER DEPOSITS	-	141,741	-	141,741
RATE STABILIZATION RESERVE	-	2,646,537	-	2,646,537
BONDS AND NOTES PAYABLE	11,268,895	520,000	-	11,788,895
COMPENSATED ABSENCES	21,023	-	-	21,023
POST EMPLOYMENT BENEFITS	153,744	-	-	153,744
TOTAL NONCURRENT LIABILITIES	11,443,662	3,308,278	-	14,751,940
TOTAL LIABILITIES	13,302,556	5,735,756	35,223	19,073,535
<b><u>NET POSITION</u></b>				
RESTRICTED FOR DEBT SERVICE	-	780,000	-	780,000
NET INVESTMENT IN CAPITAL ASSETS	16,360,932	9,062,783	-	25,423,715
UNRESTRICTED	7,413,299	2,460,802	295,262	10,169,363
TOTAL NET POSITION	\$ 23,774,231	\$ 12,303,585	\$ 295,262	\$ 36,373,078

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS  
PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
FISCAL YEAR ENDED JUNE 30, 2013**

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	WATER/SEWER	ELECTRIC	OTHER ENTERPRISE	TOTAL
<b><u>OPERATING REVENUES:</u></b>				
CHARGES FOR SERVICES	\$ 6,462,184	\$ 12,430,159	\$ 1,101,267	\$ 19,993,610
DEPARTMENTAL AND OTHER	61,105	316,852	-	377,957
TOTAL OPERATING REVENUES	6,523,289	12,747,011	1,101,267	20,371,567
<b><u>OPERATING EXPENSES:</u></b>				
GENERAL SERVICES	4,053,282	11,542,033	1,038,299	16,633,614
DEPRECIATION	902,928	713,430	-	1,616,358
TOTAL OPERATING EXPENSES	4,956,210	12,255,463	1,038,299	18,249,972
OPERATING INCOME (LOSS)	1,567,079	491,548	62,968	2,121,595
<b><u>NON-OPERATING REVENUES (EXPENSES):</u></b>				
INTERGOVERNMENTAL	461,948	-	-	461,948
INVESTMENT INCOME	111	14,657	1,087	15,855
DISASTER RECOVERY EXPENSES	-	(8,442)	-	(8,442)
INTEREST EXPENSE	(558,243)	(27,007)	-	(585,250)
TOTAL NON-OPERATING REVENUES (EXPENSES), NET	(96,184)	(20,792)	1,087	(115,889)
INCOME (LOSS) BEFORE TRANSFERS	1,470,895	470,756	64,055	2,005,706
<b><u>TRANSFERS:</u></b>				
OPERATING TRANSFERS OUT	(90,000)	-	-	(90,000)
TOTAL TRANSFERS	(90,000)	-	-	(90,000)
CHANGE IN NET POSITION	1,380,895	470,756	64,055	1,915,706
NET POSITION AT BEGINNING OF YEAR	22,393,336	11,832,829	231,207	34,457,372
NET POSITION AT END OF YEAR	\$ 23,774,231	\$ 12,303,585	\$ 295,262	\$ 36,373,078

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FISCAL YEAR ENDED JUNE 30, 2013**

	<b>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</b>			
	<b>WATER/SEWER</b>	<b>ELECTRIC</b>	<b>OTHER ENTERPRISE</b>	<b>TOTAL</b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>				
RECEIPTS FROM CUSTOMERS AND USERS	\$ 6,927,314	\$ 12,952,570	\$ 1,098,044	\$ 20,977,928
PAYMENTS TO SUPPLIERS	(3,321,266)	(10,349,354)	(996,888)	(14,667,508)
PAYMENTS TO EMPLOYEES	(511,614)	(1,177,256)	(37,471)	(1,726,341)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	3,094,434	1,425,960	63,685	4,584,079
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>				
OPERATING TRANSFERS OUT	(90,000)	-	-	(90,000)
DISASTER RECOVERY REVENUE	-	22,382	-	22,382
INTEREST EXPENSE	-	(446)	-	(446)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(90,000)	21,936	-	(68,064)
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>				
CAPITAL CONTRIBUTIONS	-	46,724	-	46,724
PRINCIPAL PAYMENTS ON BONDS AND NOTES	(1,108,227)	(260,000)	-	(1,368,227)
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(197,492)	(760,442)	-	(957,934)
INTEREST EXPENSE	(262,196)	(29,608)	-	(291,804)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES:	(1,567,915)	(1,003,326)	-	(2,571,241)
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>				
NET PROCEEDS FROM PURCHASE AND SALE OF INVESTMENT SECURITIES	89,889	-	-	89,889
RATE STABILIZATION RESERVE	-	15,720	-	15,720
INTEREST RECEIVED	111	14,657	1,087	15,855
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES:	90,000	30,377	1,087	121,464
NET INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS	1,526,519	474,947	64,772	2,066,238
CASH AND SHORT TERM INVESTMENTS - BEGINNING OF YEAR	1,207,152	4,255,726	187,967	5,650,845
CASH AND SHORT TERM INVESTMENTS - END OF YEAR	\$ 2,733,671	\$ 4,730,673	\$ 252,739	\$ 7,717,083
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u></b>				
OPERATING INCOME (LOSS)	\$ 1,567,079	\$ 491,548	\$ 62,968	\$ 2,121,595
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
DEPRECIATION	902,928	713,430	-	1,616,358
DONATED INFRASTRUCTURE	-	(46,724)	-	(46,724)
(INCREASE) DECREASE IN ACCOUNTS RECEIVABLE	2,873	(206,533)	(3,223)	(206,883)
(INCREASE) DECREASE IN SPECIAL ASSESSMENTS	400,352	-	-	400,352
(INCREASE) DECREASE IN PREPAID EXPENSES	-	(6,072)	-	(6,072)
(INCREASE) DECREASE IN OTHER ASSETS	-	(38,323)	-	(38,323)
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	177,398	59,818	3,940	241,156
INCREASE (DECREASE) IN OTHER LIABILITIES	800	458,816	-	459,616
INCREASE (DECREASE) IN COMPENSATED ABSENCES PAYABLE	3,052	-	-	3,052
INCREASE (DECREASE) IN POST EMPLOYMENT BENEFITS	39,952	-	-	39,952
TOTAL ADJUSTMENTS	1,527,355	934,412	717	2,462,484
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 3,094,434	\$ 1,425,960	\$ 63,685	\$ 4,584,079

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2013**

	<b>POSTEMPLOYMENT BENEFITS TRUST</b>	<b>PRIVATE PURPOSE TRUST FUNDS</b>	<b>AGENCY FUNDS</b>
<b><u>ASSETS</u></b>			
CASH AND SHORT-TERM INVESTMENTS	\$ -	\$ 32,623	\$ 586,377
INVESTMENTS	<u>579,600</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>579,600</u>	<u>32,623</u>	<u>586,377</u>
<b><u>LIABILITIES</u></b>			
OTHER LIABILITIES	<u>-</u>	<u>-</u>	<u>586,377</u>
<b><u>NET POSITION</u></b>			
HELD IN TRUST FOR PLAN PARTICIPANTS	\$ 579,600	\$ -	\$ -
HELD IN TRUST FOR OTHER PURPOSES	<u>-</u>	<u>32,623</u>	<u>-</u>
TOTAL NET POSITION	<u><u>\$ 579,600</u></u>	<u><u>\$ 32,623</u></u>	<u><u>\$ -</u></u>

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FISCAL YEAR ENDED JUNE 30, 2013**

	<b>POSTEMPLOYMENT BENEFITS TRUST</b>	<b>PRIVATE PURPOSE TRUST FUNDS</b>
<b><u>ADDITIONS:</u></b>		
NET INVESTMENT INCOME (LOSS):		
INVESTMENT INCOME	\$ 42,497	\$ 27
<b><u>DEDUCTIONS:</u></b>		
HUMAN SERVICES	-	1,787
CHANGE IN NET POSITION	42,497	(1,760)
<b>NET POSITION AT BEGINNING OF YEAR</b>	<b>537,103</b>	<b>34,383</b>
<b>NET POSITION AT END OF YEAR</b>	<b>\$ 579,600</b>	<b>\$ 32,623</b>

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

Primary Government

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

Joint Ventures

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

Name	Purpose	Address	Annual Assessment
Wachusett Regional School District	To provide grades K-12 Educational Services	Jefferson School 1745 Main Street Jefferson, MA 01522	\$ 21,738,184
Montachusett Regional Vocational Technical School District	To provide grades 9-12 Vocational and Technical Educational Services	1050 Westminster St. Fitchburg, MA 01420	\$ 543,688

The Wachusett Regional School District (the District) is governed by a twenty (20) member school committee consisting of eight elected (8) representatives from the Town of Holden. The Town is indirectly liable for debt and other expenditures of the District and is assessed annually for its share of the operating and capital costs. Separate financial statements may be obtained by writing to the Treasurer of the District at the above address. The Town has an approximately 45.07% equity interest in the joint venture.



**TOWN OF HOLDEN, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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The Montachusett Regional Vocational Technical High School (the District) is governed by a twenty-two (22) member school committee which includes one appointed (1) representative from the Town of Holden. The Town is indirectly liable for debt and other expenditures of the District and is assessed annually for its share of the operating and capital costs. Separate financial statements may be obtained by writing to the Treasurer of the District at the above address. The Town has an approximately 12.43% equity interest in the joint venture.

**B. Government-Wide and Fund Financial Statements**

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

*Major Fund Criteria*

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

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

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

Fiduciary funds are reported by fund type.

**TOWN OF HOLDEN, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

*Government-Wide Financial Statements*

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

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

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

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

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

*Fund Financial Statements*

***Governmental Fund Financial Statements***

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

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

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

**TOWN OF HOLDEN, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

The Town reports the following major governmental funds:

- The *General fund* is the primary operating fund of the Town. It is used to account for all financial resources, except those that are required to be accounted for in another fund.
- The *Mt. View School Project fund* is a capital project fund used to account for the construction costs of the Mt. view school building.

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

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

#### ***Proprietary Fund Financial Statements***

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

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

The following major proprietary funds are reported:

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

**TOWN OF HOLDEN, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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***Fiduciary Fund Financial Statements***

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

The following fiduciary fund types are reported:

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

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

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

**D. Cash and Investments**

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

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

**E. Accounts Receivable**

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

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

**TOWN OF HOLDEN, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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*Real Estate, Personal Property Taxes and Tax Liens*

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

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

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

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

*Motor Vehicle Excise*

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

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

*Water and Sewer*

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

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

*Special Assessments*

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

**TOWN OF HOLDEN, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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*Departmental and Other*

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

*Electricity*

The Department carries its accounts receivable at cost less an allowance for doubtful accounts of \$28,000 at December 31, 2012. The Department can place a lien against a property if payment is not made. For non-owners, the Department requires a deposit that can be applied to any unpaid amounts. In addition, the Department has the right to shut off service to customers, subject to certain state regulations, if the customer is not making payments. On a periodic basis, the Department does evaluate its accounts receivables to determine if any write-offs are necessary.

*Intergovernmental*

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

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

**F. Inventories**

*Government-Wide and Fund Financial Statements*

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

**G. Capital Assets**

*Government-Wide and Proprietary Fund Financial Statements*

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

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

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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:

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

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

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

*Governmental Fund Financial Statements*

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

**H. Interfund Receivables and Payables**

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

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

**TOWN OF HOLDEN, MASSACHUSETTS**  
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**I. Interfund Transfers**

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

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

**J. Deferred Revenue**

Deferred revenue at the governmental fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

**K. Net Position and Fund Equity**

*Government-Wide Financial Statements (Net Position)*

Net position is classified into three components:

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

Net position have been “restricted” for the following:

- *Debt Service* represents available resources that may be used for the retirement of debt.
- *Streets* represent amounts committed by the Commonwealth of Massachusetts for the repair and/or construction of streets.
- *Permanent funds -expendable* represents amounts held in trust for which the expenditures are restricted by various trust agreements.
- *Permanent funds -nonexpendable* represents amounts held in trust for which only investment earnings may be expended.



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

*Fund Financial Statements (Fund Balances)*

The Town uses the following criteria for fund balance classification:

- For *nonspendable* fund balance: includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.
- For *restricted* fund balance: when constraints placed on the use of the resources are either (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.
- For *committed* fund balance: (1) the government’s highest level of decision-making authority and (2) the formal action that is required to be taken to establish (and modify or rescind) a fund balance commitment.
- For *assigned* fund balance: (1) the body or official authorized to assign amounts to a specific purpose and (2) the policy established by the governing body pursuant to which the authorization is given.
- For *unassigned* fund balance: is the residual classification for the general fund. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

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

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

**L. Long-term debt**

*Government-Wide and Proprietary Fund Financial Statements*

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

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*Governmental Fund Financial Statements*

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

**M. Investment Income**

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

**N. Compensated Absences**

Employees are granted sick and vacation leave in varying amounts. Upon retirement, termination or death, certain employees are compensated for unused sick and vacation leave (subject to certain limitations) at their then current rates of pay.

*Government-Wide and Proprietary Fund Financial Statements*

The total amount to be paid in future years is presented in the government-wide and proprietary funds statement of net position. The liability for vacation leave is based on the amount earned but not used; for sick leave, it is based on the amount accumulated at the balance sheet date (vesting method).

*Governmental Fund Financial Statements*

The portion of the liability related to unused sick and vacation time that has matured or is due as of June 30, 2013 is recorded in the governmental funds financial statements.

**O. Post Retirement Benefits**

*Government-Wide and Fund Financial Statements*

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

**TOWN OF HOLDEN, MASSACHUSETTS**  
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**P. Use of Estimates**

*Government-Wide and Fund Financial Statements*

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

**Q. Total Column**

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

*A. Budgetary Basis of Accounting*

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

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

Original and supplemental appropriations are enacted upon by a Town Meeting vote. Management may not amend the budget without seeking the approval of the governing body. The Town's Finance Committee can legally transfer funds from its reserve fund to other appropriations within the budget without seeking Town Meeting approvals. The original fiscal year 2013 approved budget authorized \$40,466,810 in current year appropriations and other amounts to be raised and \$831,540 in encumbrances and appropriations carried over from previous fiscal years.

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

*B. Budgetary – GAAP Reconciliation*

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2013, is presented below:

Net change in fund balance - budgetary basis	\$ 764,760
Basis of accounting differences:	
Net stabilization fund activity	229,588
Increase in revenue for on-behalf payments - MTRS	450,721
Increase in expenditures for on-behalf payments - MTRS	(450,721)
Increase in revenue for the MWPAT subsidy	1,598
Increase in expenditures for the MWPAT subsidy	<u>(1,598)</u>
Net change in fund balance - GAAP basis	<u>\$ 994,348</u>

*C. Deficit Fund Balances*

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

**NOTE 3 – DEPOSITS AND INVESTMENTS**

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

*Deposits*

▪ *Custodial Credit Risk – Deposits*

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

**TOWN OF HOLDEN, MASSACHUSETTS**  
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The following table illustrates how much of the Town's bank deposits are insured or collateralized, and how much of the Town's bank deposits are uninsured, uncollateralized, or collateral held by the pledging bank's trust department not in the Town's name as of June 30, 2013:

Total bank balances		<u><u>\$ 15,650,484</u></u>
Bank balances covered by deposit insurance		
Federal Deposit Insurance Corporation (FDIC)	1,032,530	
Depositors Insurance Fund (DIF)	<u>3,577,615</u>	
Total bank balances covered by deposit insurance		4,610,145
Balances subject to custodial credit risk		
Bank balances uninsured & uncollateralized	<u>11,040,339</u>	
Total bank balances subject to custodial credit risk		<u>11,040,339</u>
Total bank balances		<u><u>\$ 15,650,484</u></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.

**TOWN OF HOLDEN, MASSACHUSETTS**  
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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).

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

Investment type	Fair value	Minimum Legal Rating	Rating as of Year End		
			AA+	Aaa	Unrated
U.S. Government & Agency Securities	\$ 978,605	N/A	\$ 717,390	\$ 261,215	\$ -
Certificates of Deposit	3,378,412	N/A	-	-	3,378,412
Fixed Income Mutual Funds	257,325	N/A	-	-	257,325
Corporate Bonds	117,058	N/A	117,058	-	-
Money Market Mutual Funds	597,803	N/A	-	-	597,803
Equity Mutual Funds	668,172	N/A	-	-	668,172
Asset Backed Securities	184	N/A	-	-	184
Total Investments	\$ 5,997,559		<u>\$ 834,448</u>	<u>\$ 261,215</u>	<u>\$ 4,901,896</u>
Less: Electric Light Plant Investments at June 30, 2013	<u>(1,369,285)</u>				
Total Investments per Statement of Net Position and Fiduciary Net Position at June 30, 2013	<u>\$ 4,628,274</u>				

- *Custodial Credit Risk*

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in possession of an outside party. The Town has no custodial credit risk exposure related to the certificates of deposit because they are fully insured by the FDIC. The Town has no custodial credit risk exposure related to the U.S. Government and Agency Securities, corporate bonds, or asset backed securities 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.

**TOWN OF HOLDEN, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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- *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.

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	5-10
<b><i>Debt Related Securities:</i></b>				
U.S. Government & Agency	\$ 978,605	-	\$ 686,366	\$ 292,239
Fixed Income Mutual Funds	257,325	257,325	-	-
Corporate Bonds	117,058	-	117,058	-
Asset Backed Securities	184	184	-	-
Total - Debt related securities	\$ 1,353,172	\$ 257,509	\$ 803,424	\$ 292,239
<b><i>Other Investments:</i></b>				
Certificates of Deposit	3,378,412	702,567	2,675,845	-
Money Market Mutual Funds	597,803	597,803	-	-
Equity Mutual Funds	668,172	668,172	-	-
Total Other Investments	4,644,387	1,968,542	2,675,845	-
Total Investments at June 30, 2013	\$ 5,997,559	\$ 2,226,051	\$ 3,479,269	\$ 292,239

- *Concentration of Credit Risk*

The Town places no limit on the amount the government may invest in any one issuer. The Town did not hold more than 5% of its investments in any one issuer.

**TOWN OF HOLDEN, MASSACHUSETTS**  
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**NOTE 4 – RECEIVABLES**

The receivables at June 30, 2013 for the Town’s individual major and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Receivables:	Gross Amount	Allowance for Uncollectibles	Net Amount
Real estate and personal property taxes	\$ 261,858	\$ (10,900)	\$ 250,958
Tax liens	762,842	-	762,842
Motor vehicle & other excise taxes	304,697	(42,601)	262,096
Special assessments	5,015	-	5,015
Departmental and other	535,592	(242,084)	293,508
Intergovernmental	14,280,836	-	14,280,836
Total	<u>\$ 16,150,840</u>	<u>\$ (295,585)</u>	<u>\$ 15,855,255</u>

The receivables at June 30, 2013, (electric light at December 31, 2012) for the enterprise funds consist of the following:

Receivables:	Gross Amount	Allowance for Uncollectibles	Net Amount
<i>Water and Sewer</i>			
User fees	\$ 760,981	\$ -	\$ 760,981
Special Assessments	4,644,605	-	4,644,605
<i>Other Enterprise - Trash</i>			
User fees	77,746	-	77,746
<i>Electric Light</i>			
User fees	<u>1,736,353</u>	<u>(28,000)</u>	<u>1,708,353</u>
Total	<u>\$ 7,219,685</u>	<u>\$ (28,000)</u>	<u>\$ 7,191,685</u>



**TOWN OF HOLDEN, MASSACHUSETTS**  
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Governmental funds report deferred revenue 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 revenue reported in the governmental funds were as follows:

Deferred Revenue Analysis			
Receivable Type:	General Fund	Nonmajor Governmental Funds	Total
Property Taxes	\$ 103,367	\$ -	\$ 103,367
Tax Liens	762,842	-	762,842
Motor vehicle excise taxes	262,096	-	262,096
Special Assessments	-	5,015	5,015
Departmental and other	293,508	-	293,508
Intergovernmental	<u>13,096,972</u>	<u>1,100,835</u>	<u>14,197,807</u>
Total	<u>\$ 14,518,785</u>	<u>\$ 1,105,850</u>	<u>\$ 15,624,635</u>

**TOWN OF HOLDEN, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

<b>Governmental Activities:</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b><i>Capital assets not being depreciated:</i></b>				
Land	\$ 2,709,394	\$ -	\$ -	\$ 2,709,394
Construction in progress	448,632	1,339,385	(283,906)	1,504,111
Total capital assets not being depreciated	3,158,026	1,339,385	(283,906)	4,213,505
<b><i>Capital assets being depreciated:</i></b>				
Buildings and improvements	52,686,684	-	-	52,686,684
Capital improvements (other than buildings)	1,784,141	-	-	1,784,141
Machinery and equipment	3,521,178	366,151	(42,800)	3,844,529
Vehicles	5,588,022	424,063	(231,316)	5,780,769
Infrastructure	57,726,000	1,011,986	283,906	59,021,892
Total capital assets being depreciated	121,306,025	1,802,200	9,790	123,118,015
<b><i>Less accumulated depreciation for:</i></b>				
Buildings and improvements	(15,856,454)	(1,260,487)	-	(17,116,941)
Capital improvements (other than buildings)	(700,954)	(77,353)	-	(778,307)
Machinery and equipment	(1,795,851)	(323,520)	42,800	(2,076,571)
Vehicles	(3,422,709)	(410,946)	231,316	(3,602,339)
Infrastructure	(29,369,661)	(1,401,384)	-	(30,771,045)
Total accumulated depreciation	(51,145,629)	(3,473,690)	274,116	(54,345,203)
Total capital assets being depreciated, net	70,160,396	(1,671,490)	283,906	68,772,812
Total governmental activities capital assets, net	\$ 73,318,422	\$ (332,105)	\$ -	\$ 72,986,317

**TOWN OF HOLDEN, MASSACHUSETTS**  
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<b>Business-Type Activities: (Water &amp; Sewer Enterprise)</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<i>Capital assets not being depreciated:</i>				
Land	\$ 432,548	\$ -	\$ -	\$ 432,548
Total capital assets not being depreciated	432,548	-	-	432,548
<i>Capital assets being depreciated:</i>				
Buildings and improvements	7,917,262	-	-	7,917,262
Capital improvements (other than buildings)	1,177,018	-	-	1,177,018
Machinery and equipment	1,073,348	-	-	1,073,348
Vehicles	333,265	171,305	(73,917)	430,653
Infrastructure	30,554,813	26,187	-	30,581,000
Total capital assets being depreciated	41,055,706	197,492	(73,917)	41,179,281
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(2,842,557)	(166,406)	-	(3,008,963)
Capital improvements (other than buildings)	(449,476)	(56,151)	-	(505,627)
Machinery and equipment	(646,679)	(53,794)	-	(700,473)
Vehicles	(284,040)	(22,284)	73,917	(232,407)
Infrastructure	(7,726,483)	(604,293)	-	(8,330,776)
Total accumulated depreciation	(11,949,235)	(902,928)	73,917	(12,778,246)
Total capital assets being depreciated, net	29,106,471	(705,436)	-	28,401,035
Total business-type activities capital assets, net	\$ 29,539,019	\$ (705,436)	\$ -	\$ 28,833,583

**TOWN OF HOLDEN, MASSACHUSETTS**  
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Capital asset activity for the *electric light plant* at December 31, 2012 was as follows:

<b>Business-Type Activities: (Light Plant Enterprise)</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b><i>Capital assets not being depreciated:</i></b>				
Land	\$ 72,500	\$ -	\$ -	\$ 72,500
Construction in progress	92,988	121,743	(92,988)	121,743
Total capital assets not being depreciated	165,488	121,743	(92,988)	194,243
<b><i>Capital assets being depreciated:</i></b>				
Distribution Plant	18,623,356	516,294	(15,515)	19,124,135
General Plant	5,157,638	215,393	(67,984)	5,305,047
Total capital assets being depreciated	23,780,994	731,687	(83,499)	24,429,182
<b><i>Less accumulated depreciation for:</i></b>				
Distribution Plant	(11,470,285)	(557,028)	15,515	(12,011,798)
General Plant	(2,680,426)	(156,402)	67,984	(2,768,844)
Total accumulated depreciation	(14,150,711)	(713,430)	83,499	(14,780,642)
Total capital assets being depreciated, net	9,630,283	18,257	-	9,648,540
Total business-type activities capital assets, net	<u>\$ 9,795,771</u>	<u>\$ 140,000</u>	<u>\$ (92,988)</u>	<u>\$ 9,842,783</u>

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

<b>Governmental Activities:</b>	
General government	\$ 82,991
Public safety	750,670
Education	824,254
Public works	1,615,176
Human services	50,811
Culture and recreation	149,788
Total depreciation expense - governmental activities	<u>\$ 3,473,690</u>
<b>Business-Type Activities:</b>	
Water and Sewer	\$ 902,928
Electric light - ( December 31, 2012)	713,430
Total depreciation expense - business-type activities	<u>\$ 1,616,358</u>

**TOWN OF HOLDEN, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 6 – CAPITAL LEASES**

The Town has entered into several lease agreements as lessee for financing the acquisition of an ambulance and a tractor for the public works department. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception dates. The assets acquired through the capital leases are as follows:

	<u>Governmental Activities</u>
Assets:	
Vehicle	\$ 222,940
Machinery & Equipment	82,977
Less: Accumulated depreciation	<u>(70,781)</u>
	<u><u>\$ 235,136</u></u>

The future minimum lease obligations and the net present values of the minimum lease payments as of June 30, 2013, are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2014	<u>92,007</u>
Total minimum lease payments	92,007
Less: amounts representing interest	<u>(2,684)</u>
Present value of minimum lease payments	<u><u>\$ 89,323</u></u>

**TOWN OF HOLDEN, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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**NOTE 7 – INTERFUND TRANSFERS**

Interfund transfers for the fiscal year ended June 30, 2013, are summarized as follows:

<u>Operating Transfers In:</u>		
<u>Operating Transfers Out:</u>	<u>General Fund</u>	<u>Total</u>
Nonmajor Governmental Funds	\$ 131,216	\$ 131,216 (1)
Water/Sewer Enterprise Fund	<u>90,000</u>	<u>90,000 (1)</u>
Total	<u>\$ 221,216</u>	<u>\$ 221,216</u>

(1) Represents other transfers to various funds.

**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, 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.

**TOWN OF HOLDEN, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

The following is a summary of changes in short-term debt for the year ended June 30, 2013:

<u>Purpose</u>	<u>Rate (%)</u>	<u>Due Date</u>	<u>Balance at June 30, 2012</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance at June 30, 2013</u>
Governmental Funds:						
Mt. View School	1.00%	6/20/2014	<u>\$ -</u>	<u>\$ 3,500,000</u>	<u>\$ -</u>	<u>\$3,500,000</u>

**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, 2013:

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

<u>Project</u>	<u>Interest Rate (%)</u>	<u>Outstanding at June 30, 2012</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at June 30, 2013</u>
General Obligation	3.75	\$ 4,785,000	\$ -	\$ 215,000	\$ 4,570,000
General Obligation	4.75	40,000	-	40,000	-
Title V	Var.	30,639	-	3,873	26,766
School - Refunding	4.12	18,165,000	-	1,975,000	16,190,000
School	3.64	520,000	-	55,000	465,000
Outdoor Recreation	3.64	1,205,000	-	180,000	1,025,000
School Construction	2.67	15,000	-	15,000	-
Public Safety Building	3.90	6,885,000	-	310,000	6,575,000
General Obligation	2.30	870,000	-	175,000	695,000
DPW Truck	2.00	-	210,000	-	210,000
Total		<u>\$ 32,515,639</u>	<u>\$ 210,000</u>	<u>\$ 2,968,873</u>	<u>\$ 29,756,766</u>

**TOWN OF HOLDEN, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

The annual debt service requirements for principal and interest for Governmental bonds and notes outstanding at June 30, 2013 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 3,073,873	\$ 1,174,295	\$ 4,248,168
2015	3,178,873	1,061,014	4,239,887
2016	3,258,804	931,804	4,190,608
2017	3,373,804	809,472	4,183,276
2018	3,333,804	681,283	4,015,087
2019-2023	8,642,608	1,927,317	10,569,925
2024-2028	4,190,000	657,400	4,847,400
2029-2030	<u>705,000</u>	<u>42,600</u>	<u>747,600</u>
Total	<u>\$ 29,756,766</u>	<u>\$ 7,285,185</u>	<u>\$ 37,041,951</u>

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

<u>Project</u>	<u>Interest Rate (%)</u>	<u>Outstanding at June 30, 2012</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at June 30, 2013</u>
MWPAT Drinking Water	Var.	\$ 1,743,881	\$ -	\$ 76,268	\$ 1,667,613
Water Wells	4.98	475,000	-	85,000	390,000
MWPAT Drinking Water	Var.	1,035,753	-	98,643	937,110
Water	3.64	550,000	-	50,000	500,000
Water	3.64	1,430,000	-	130,000	1,300,000
Water Meters	2.67	110,000	-	110,000	-
MWPAT Drinking Water	Var.	481,871	-	36,871	445,000
MWPAT Drinking Water	Var.	490,302	-	37,297	453,005
MWPAT Drinking Water	Var.	1,664,980	-	115,361	1,549,619
MWPAT Drinking Water	2.00	686,811	-	42,938	643,873
MWPAT Sewer Construction	Var.	1,660,000	-	160,000	1,500,000
MWPAT Sewer Construction	Var.	2,488,161	-	193,161	2,295,000
MWPAT Sewer Connections	Var.	293,039	-	32,486	260,553
MWPAT Sewer Connections	Var.	510,262	-	39,384	470,878
Water/Engineering	4.25	<u>120,000</u>	<u>-</u>	<u>60,000</u>	<u>60,000</u>
Total		<u>\$ 13,740,060</u>	<u>\$ -</u>	<u>\$ 1,267,409</u>	<u>\$ 12,472,651</u>



**TOWN OF HOLDEN, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

The annual debt service requirements for principal and interest for water and sewer enterprise fund bonds and notes outstanding at June 30, 2013 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,203,756	\$ 492,407	\$ 1,696,163
2015	1,167,652	440,282	1,607,934
2016	1,193,885	386,852	1,580,737
2017	1,203,752	330,225	1,533,977
2,018	1,139,945	278,310	1,418,255
2019-2023	5,344,085	676,920	6,021,005
2024-2028	898,544	65,959	964,503
2029-2031	321,032	9,716	330,748
Total	<u>\$ 12,472,651</u>	<u>\$ 2,680,671</u>	<u>\$ 15,153,322</u>

**Bonds and Notes Payable Schedule – Electric Light Plant Enterprise Fund (December 31, 2012)**

<u>Project</u>	<u>Interest Rate (%)</u>	<u>Outstanding at December 31, 2011</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at December 31, 2012</u>
Substation	3.375/3.50	<u>\$ 1,040,000</u>	<u>\$ -</u>	<u>\$ 260,000</u>	<u>\$ 780,000</u>

The annual debt service requirements for principal and interest for electric light plant enterprise fund bond outstanding at December 31, 2012 are as follows:

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 260,000	\$ 21,320	\$ 281,320
2014	260,000	12,935	272,935
2015	<u>260,000</u>	<u>4,387</u>	<u>264,387</u>
Total	<u>\$ 780,000</u>	<u>\$ 38,642</u>	<u>\$ 818,642</u>

**TOWN OF HOLDEN, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**Loan Authorized and Unissued**

As of June 30, 2013, the Town has loans authorized and unissued as follows:

Description	Date Authorized	Amount
Mountview Elementary Feasibility Study	11/8/2010	\$ 26,324
Mountview Elementary School Building	4/8/2013	54,301,695
Capital Equipment	5/20/2013	525,000
Total		<u>\$ 54,853,019</u>

**Changes in Long-term Liabilities**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2013 (electric light as of December 31, 2012):

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable	\$ 32,515,639	\$ 210,000	\$ (2,968,873)	\$ 29,756,766	\$ 3,073,873
Compensated absences	818,115	15,223	-	833,338	494,900
Landfill postclosure care costs	370,000	-	(95,000)	275,000	50,000
Capital lease payable	177,194	-	(87,871)	89,323	89,323
OPEB (Note 13)	1,847,600	636,383	-	2,483,983	-
Total governmental activities long-term liabilities	<u>\$ 35,728,548</u>	<u>\$ 861,606</u>	<u>\$ (3,151,744)</u>	<u>\$ 33,438,410</u>	<u>\$ 3,708,096</u>

Business-Type Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable - water/sewer	\$ 13,740,060	\$ -	\$ (1,267,409)	\$ 12,472,651	\$ 1,203,756
Bonds and notes payable - electric light	1,040,000	-	(260,000)	780,000	260,000
Compensated absences	49,076	3,052	-	52,128	31,105
Customer deposits - electric light	129,131	12,610	-	141,741	-
Rate stabilization reserve - electric light	2,630,817	15,720	-	2,646,537	-
OPEB - water/sewer (Note 13)	113,792	39,952	-	153,744	-
Total business-type activities long-term liabilities	<u>\$ 17,702,876</u>	<u>\$ 71,334</u>	<u>\$ (1,527,409)</u>	<u>\$ 16,246,801</u>	<u>\$ 1,494,861</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, 2013**

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**Massachusetts School Building Authority Reimbursements**

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

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

The Town has been approved for a 70% percent state school construction grant through the Massachusetts School Building Authority (MSBA) to cover eligible project costs, including debt service associated with the financing of these projects, subject to annual appropriation by the state legislature. The Town received \$1,870,996 from scheduled annual payments in FY 2013 from the MSBA for completed school construction projects.

**Overlapping Debt**

The Town pays assessments under formulas which include debt service payments to other governmental agencies providing services to the Town, (commonly referred to as overlapping debt). The following summary sets forth the long-term debt of such governmental agencies and the estimated share being financed by the Town as of June 30, 2013:

Agency	Total Long-Term Debt Outstanding	Town's Estimated Share	Town's Indirect Debt
Wachusett Regional School District			
Bonds	\$ 24,945,000	45.07%	\$ 11,242,712
Montachusett Regional Vocational Technical School District			
Bonds	7,219,000	12.43%	897,322
	<u>\$ 32,164,000</u>		<u>\$ 12,140,033</u>

**TOWN OF HOLDEN, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 10 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

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

	General Fund	Mt. View School Proj. Fund	Nonmajor Governmental Funds	Total
<b>Fund Balances</b>				
Nonspendable:				
Permanent Fund Principal	\$ -	\$ -	\$ 406,766	\$ 406,766
Restricted For:				
General Government	-	-	624,059	624,059
Public Safety	-	-	367,453	367,453
Education	-	-	20,753	20,753
Public Works	-	-	447,338	447,338
Human Services	-	-	227,292	227,292
Culture & Recreation	-	-	1,123,103	1,123,103
Employee Benefits	-	-	220,351	220,351
Bond Premium	32,261	-	-	32,261
Infrastructure Fund	1,553,683	-	-	1,553,683
	<u>1,585,944</u>	<u>-</u>	<u>3,030,349</u>	<u>4,616,293</u>
Committed To:				
Continuing Appropriations				
General Government	60,961	-	-	60,961
Public Safety	104,977	-	-	104,977
Public Works	332,246	-	-	332,246
Culture & Recreation	42,457	-	-	42,457
	<u>540,641</u>	<u>-</u>	<u>-</u>	<u>540,641</u>
Assigned To:				
Encumbered For:				
General Government	68,579	-	-	68,579
Public Safety	32,629	-	-	32,629
Public Works	146,358	-	-	146,358
Culture & Recreation	2,601	-	-	2,601
Employee Benefits	500	-	-	500
Subsequent Years Expenditures	1,065,215	-	-	1,065,215
DPW Depreciation Fund	349,934	-	-	349,934
Fire Vehicle & Equipment Stabilization	155,776	-	-	155,776
	<u>1,821,592</u>	<u>-</u>	<u>-</u>	<u>1,821,592</u>
Unassigned				
General Fund	3,579,133	-	-	3,579,133
General Stabilization Fund	677,682	-	-	677,682
Mount View School	-	(448,391)	-	(448,391)
Town Grants	-	-	(16,676)	(16,676)
	<u>4,256,815</u>	<u>(448,391)</u>	<u>(16,676)</u>	<u>3,791,748</u>
Total Governmental Fund Balances	<u>\$ 8,204,992</u>	<u>\$ (448,391)</u>	<u>\$ 3,420,439</u>	<u>\$ 11,177,040</u>

**TOWN OF HOLDEN, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

**TOWN OF HOLDEN, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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**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 \$35,626,345. 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 2013.

The Town joined the Massachusetts Group Insurance Commission (GIC) in fiscal 2013. The Town now offers twelve contributory health care options for its employees, six HMO and 6 PPO/indemnity plans, and seven contributory health care options for seniors, four HMO and three PPO/indemnity plans. There are 104 active employees and 73 retirees who participate in the Town's health care programs. For active employees hired prior to July 1, 2009, the Town contributes 80% of the premium costs for both family and individual HMO plans. For all new hires and active employees hired after July 1, 2009, the Town contributes 75% of the premium costs for both family and individual HMO plans. For all employees enrolled in a PPO/indemnity plan, the Town contributes 50% of the premium costs. For retirees, the Town contributes 74% of the premium costs for the senior HMO plans and 50% of the premium costs for PPO/indemnity plans.

The Town is insured for general liability; however, Chapter 258 of the Massachusetts General Laws limits the Town's liability to a maximum of \$100,000 per claim in all matters except in actions relating to federal civil rights, eminent domain and breach of contract. Such claims are charged to the general fund. There were no such claims in 2013.

**NOTE 13 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

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

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

**TOWN OF HOLDEN, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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As of July 1, 2012, the plan's membership consisted of the following:

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

**Funding Policy.** The contribution requirements of plan members and the Town are established and may be amended through Town ordinances. The required contribution is based on projected pay-as-you-go financing requirements. For Fiscal Year 2013, total Town premiums plus implicit costs for the retiree medical program were approximately \$472,673.

**Annual OPEB Cost and Net OPEB Obligation.** The Town's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost, according to the actuarial report dated July 1, 2012.

	Governmental Activities	Business-Type activities - Enterprise Funds			Primary Government Total
		Water/Sewer	Light	Total	
Annual Required Contribution (ARC)	\$ 915,634	\$ 45,422	\$ 156,753	\$ 202,175	\$ 1,117,809
Interest on Net OPEB Obligation	73,906	4,551	-	4,551	78,457
Amortization of Actual (Gains)/Losses	50,378	2,024	9,405	11,429	61,807
Adjustments to the ARC	<u>(102,737)</u>	<u>(6,328)</u>	<u>-</u>	<u>(6,328)</u>	<u>(109,065)</u>
Annual OPEB Cost	937,181	45,669	166,158	211,827	1,149,008
Expected Employer Contributions	<u>(300,798)</u>	<u>(5,717)</u>	<u>(166,158)</u>	<u>(171,875)</u>	<u>(472,673)</u>
Increase in net OPEB obligation	636,383	39,952	-	39,952	676,335
Net OPEB obligation - beginning of year	<u>1,847,600</u>	<u>113,792</u>	<u>-</u>	<u>113,792</u>	<u>1,961,392</u>
Net OPEB obligation - end of year	<u><u>\$ 2,483,983</u></u>	<u><u>\$ 153,744</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 153,744</u></u>	<u><u>\$ 2,637,727</u></u>

**TOWN OF HOLDEN, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the four preceding years were as follows:

Year Ended June 30	Annual OPEB Cost	Expected Employer Payments	Increase in OPEB Obligation	Percentage of Annual OPEB Cost Contributed *	Increase in Net OPEB Obligation	Net OPEB Obligation
2009	\$ 1,101,000	\$ 450,000	\$ 651,000	40.9%	\$ 651,000	\$ 651,000
2010	\$ 1,101,000	\$ 477,000	\$ 624,000	43.3%	\$ 624,000	\$ 1,275,000
2011	\$ 1,054,340	\$ 495,353	\$ 558,987	47.0%	\$ 558,987	\$ 1,833,987
2012	\$ 1,073,118	\$ 945,713	\$ 127,405	88.1%	\$ 127,405	\$ 1,961,392
2013	\$ 1,149,008	\$ 472,673	\$ 676,335	41.1%	\$ 676,335	\$ 2,637,727

**Funded Status and Funding Progress-** The funded status of the Plan as of the most recent actuarial valuation date, July 1, 2012, is as follows:

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

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

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



**TOWN OF HOLDEN, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

**Actuarial Assumptions and Actuarial Cost Method**

Valuation date	July 1, 2012
Actuarial cost method	Projected Unit Credit
Amortization period	30 years, open
Asset valuation method	Market value
Actuarial assumptions:	
Investment Rate of return	4.00%
Medical Trend	7% grading down to 5.00% in year 2014 and thereafter
Mortality rates:	
	Mal RP-2000 Table for Males
	Fem RP-2000 Table for Females

**NOTE 14 – PENSION PLANS**

*A. Plan Descriptions*

The Town contributes to the Worcester Regional Retirement System (the “System”), a cost sharing, multiple-employer, defined benefit pension plan administered by the Worcester Regional Retirement Board. Substantially, all full-time employees are members of the “System.” Public school teachers and certain school administrators formerly employed by the Town of Holden, and now employed by the Wachusett Regional School District, are members of the Massachusetts Teachers’ Retirement System (MTRS) to which the Town does not contribute.

The “System” and the MTRS are contributory defined benefit plans and membership in both the “System” and the MTRS is mandatory upon commencement of employment for all permanent, full-time employees. The “System” and the MTRS provide retirement, disability and death benefits to plan members and beneficiaries.

Chapter 32 of the Massachusetts General Laws assigns authority to establish and amend benefit provisions of the plan, and grant cost-of-living increases, to the State legislature. The “System” issues a publicly available financial report, which can be obtained through the Commonwealth of Massachusetts, Public Employee Retirement Administration Commission (“PERAC”), One Ashburton Place, Boston, Massachusetts 02108.

**TOWN OF HOLDEN, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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*B. Funding Policies*

Worcester Regional Retirement System

Plan members are required to contribute to the “System” at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the “System”, its share of the remaining system-wide, actuarially determined, contribution plus administration costs, which are apportioned among the employers, based on active covered payroll. The Commonwealth of Massachusetts reimburses the “system” for a portion of the benefit payments for the cost of living increases. The Town’s contributions to the “System” for years ended June 30, 2013, 2012, and 2011 were \$931,617, \$804,019, and \$687,705, and respectively, which were equal to its required contributions for each of these years.

Massachusetts Teachers’ Retirement System

Plan members (at varying rates of annual covered compensation) and the Commonwealth of Massachusetts fund contributions to the MTRS. The Commonwealth of Massachusetts contributed “on-behalf” payments to the MTRS totaling \$450,721 for fiscal year 2013. In accordance with GASB Statement No. 24, these on-behalf” payments have been recorded in the general fund as intergovernmental revenues and pension expenditures.

**NOTE 15 – COMMITMENTS AND CONTINGENCIES**

The Town participates in a number of federal award programs. However the Town is not subject to the provisions of the Single Audit Act Amendments of 1996, since the Town did not expend more than \$500,000 of federal awards during the period ended June 30, 2013. These programs may still be subject to financial and compliance audits. Accordingly, the amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is believed the amount, if any, would not be material.

The Town’s landfill was closed in 1986 by order of the Department of Environmental Protection (DEP). The DEP approved the capping of the landfill site in April 1992. The Town is responsible for post-closure monitoring of the site for thirty years (9 years remaining), and the estimated liability has been recorded in the Statement of Net Position, Governmental Activities. The \$275,000 reported as landfill post-closure liability at June 30, 2013 is based on what it would cost to perform all post-closure care costs at June 30, 2013. 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, 2013, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2013.

**TOWN OF HOLDEN, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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**NOTE 16 - MMWEC PARTICIPATION AND CONTINGENT LIABILITIES**

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

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

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

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

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

**NOTE 17 – PURCHASED POWER WORKING CAPITAL**

The purchased power working capital is an amount held by Massachusetts Municipal Wholesale Electric Company (MMWEC). The implementation of the Working Capital Program began 1985. MMWEC Participants approved certain working capital amendments to the various power purchase agreements. MMWEC requires that they hold a set amount of capital from which it may pay the Department's power obligations when they are due. They replenish the fund as needed from the Department's monthly invoice payments. The income earned allocated to the Light Department will be applied as a credit to MMWEC Power Sales Billing. The balance in the Fund as of December 31, 2012 was \$1,084,805.

**TOWN OF HOLDEN, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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**NOTE 18 – DEPRECIATION FUND**

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

**NOTE 19 – RATE STABILIZATION**

The rate stabilization fund was created as an aftermath of the Massachusetts Electricity Restructuring Act of 1997. These funds are for unexpected escalation in costs, such as the decommissioning of nuclear power plants before the end of their operating license, unusual price spikes in fuel prices and transmission cost increases. The Rate Stabilization Fund balance at December 31, 2012 is \$1,931,945.

**NOTE 20 – MAJOR FUND RECLASSIFICATIONS**

The Mt. View School Project fund is a capital project that has been reclassified to a major fund and the Public Safety Building major fund has been reclassified to the non-major governmental fund for the fiscal year ended June 30, 2012. The schedule below displays the effect of these reclassifications on the beginning fund balances.

Description	Governmental Funds		
	Major Public Safety Bldg Fund	Major Mt. View School Project Fund	Nonmajor Governmental Funds
Balances at June 30, 2012, as previously reported	\$ 202,418	\$ -	\$ 3,346,786
To Reclassify the Major Mt. View School Project Fund From the NonMajor Governmental Funds	-	263,166	(263,166)
To Reclassify the Major Public Safety Building Fund to the Nonmajor Governmental Funds	(202,418)	-	202,418
Balances at June 30, 2012, as restated	<u>-</u>	<u>\$ 263,166</u>	<u>\$ 3,286,038</u>

**TOWN OF HOLDEN, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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**NOTE 21 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During fiscal year 2013, the following GASB pronouncements were implemented:

The GASB issued **Statement #60**, *Accounting and Financial Reporting for Service Concession Arrangements*, was implemented in fiscal year 2013. Management believes that this pronouncement requires no additional disclosure and will not impact the basic financial statements.

The GASB issued **Statement #61**, *The Financial Reporting Entity: Omnibus*, was implemented in fiscal year 2013. Management believes that this pronouncement requires no additional disclosure and will not impact the basic financial statements.

The GASB issued **Statement #62**, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, was implemented in fiscal year 2013. Management believes that this pronouncement requires no additional disclosure and will not impact the basic financial statements.

The GASB issued **Statement #63**, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was implemented in fiscal year 2013. Management believes that this pronouncement requires no additional disclosure and will not impact the basic financial statements.

*Future GASB Pronouncements:*

The GASB issued **Statement #65**, *Items previously reported as Assets and Liabilities*, which is required to be implemented in fiscal year 2014. Management's current assessment is that this pronouncement will not have a significant impact on the basic financial statements.

The GASB issued **Statement #66**, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, which is required to be implemented in fiscal year 2014. Management's current assessment is that this pronouncement will not have a significant impact on the basic financial statements.

The GASB issued **Statement #67**, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 27*, which is required to be implemented in fiscal year 2014. Management's current assessment is that this pronouncement will not have a significant impact on the basic financial statements.

The GASB issued **Statement #68**, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the basic financial statements.

**TOWN OF HOLDEN, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
WORCESTER COUNTY REGIONAL RETIREMENT SYSTEM  
JUNE 30, 2013**

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

**Schedules of Funding Progress**

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

**Schedule of Employer Contributions**

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

**TOWN OF HOLDEN, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
OTHER POSTEMPLOYMENT BENEFITS  
JUNE 30, 2013**

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

**Schedules of Funding Progress and Employer Contributions**

**Projected Schedule of Funding Progress:**

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

**Schedule of Employer Contributions:**

Year Ended June 30	Annual OPEB Cost	Expected Employer Payments	Increase in OPEB Obligation	Percentage of Annual OPEB Cost Contributed *	Increase in Net OPEB Obligation	Net OPEB Obligation
2009	\$ 1,101,000	\$ 450,000	\$ 651,000	40.9%	\$ 651,000	\$ 651,000
2010	\$ 1,101,000	\$ 477,000	\$ 624,000	43.3%	\$ 624,000	\$ 1,275,000
2011	\$ 1,054,340	\$ 495,353	\$ 558,987	47.0%	\$ 558,987	\$ 1,833,987
2012	\$ 1,073,118	\$ 945,713	\$ 127,405	88.1%	\$ 127,405	\$ 1,961,392
2013	\$ 1,149,008	\$ 472,673	\$ 676,335	41.1%	\$ 676,335	\$ 2,637,727

\* Based on expected premium payments.

**TOWN OF HOLDEN, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
OTHER POSTEMPLOYMENT BENEFITS  
JUNE 30, 2013**

Actuarial Methods:

**Actuarial Assumptions and Actuarial Cost Method**

Valuation date	July 1,2012
Actuarial cost method	Projected Unit Credit
Amortization period	30 years, open
Asset valuation method	Market value

Actuarial assumptions:

Investment Rate of return	4.00%
Medical Trend	7.00% grading down to 5.00% in year 2014 and thereafter

Plan Membership:

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