

TOWN OF HOLDEN, MASSACHUSETTS

**REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS**

JUNE 30, 2008

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R. E. BROWN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
25 CEMETERY STREET – P. O. BOX 230
Mendon, Massachusetts 01756

Phone: (508) 478-3941

Fax: (508) 478-1779

INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Selectmen
Town of Holden, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Holden, Massachusetts, as of and for the year ended June 30, 2008, (except for the financial statements of the Holden Electric Light Department which are as of December 31, 2007) which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Holden, Massachusetts's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Holden Electric Light Department, which represent 32.16 percent, 36.11 percent, and 70.15 percent, respectively, of the assets, net assets, and revenues of the business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Holden Electric Light Department, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of 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, 2008, (except for the Holden Electric Light Department which are as of December 31, 2007) and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 2 through 14, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

R. E. Brown & Company

January 15, 2009

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, 2008. 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

The combined total assets of the Town exceeded the combined total liabilities by \$96.5 million, an increase of \$1.3 million or 1.37% more than the combined net assets for the previous fiscal year. A total of \$55.1 million or 57.1% of this sum represents the Town's investment in capital assets. A total of \$7 million or 7.3% is legally reserved or designated for specific future uses by the Town. A total of \$34.4 million or 35.6% is unrestricted and undesignated for future use.

Total net assets increased by \$1.3 million. Governmental activities' net assets increased by \$0.4 million, while net assets for business-type activities increased by \$0.9 million.

Total revenue for the year for all funds was \$56.5 million - \$1.6 million or 2.9% more than the total revenue for the fiscal year ended June 30, 2007.

	Fiscal Year Ended June 30, 2008	%	Fiscal Year Ended June 30, 2007	%
		Total		Total
Property taxes	\$ 25,426,032	44.97%	\$ 23,770,580	43.27%
Motor vehicle excise	2,168,324	3.84%	2,045,520	3.72%
Penalties and interest	110,971	0.20%	98,426	0.18%
Payments in lieu of taxes	937,107	1.66%	859,247	1.56%
Charges for services	19,851,148	35.11%	19,493,662	35.48%
Operating grants and contributions	1,643,250	2.91%	1,710,035	3.11%
Capital grants and contributions	3,691,640	6.53%	4,170,268	7.59%
Nonrestricted grants and contributions	2,282,812	4.04%	2,237,145	4.07%
Unrestricted investment income and other	426,473	0.75%	552,558	1.01%
Total revenue	\$ 56,537,757	100.00%	\$ 54,937,441	100.00%

Total expenses for the year for all funds was \$55.2 million - \$0.7 million or 1.3% more than the total expenditures for the fiscal year ended June 30, 2007.

	Fiscal Year		Fiscal Year	
	Ended	%	Ended	%
	<u>June 30, 2008</u>	<u>Total</u>	<u>June 30, 2007</u>	<u>Total</u>
General government	\$ 1,842,621	3.34%	\$ 1,762,131	3.23%
Public safety	3,514,146	6.36%	3,351,061	6.14%
Education	21,370,990	38.69%	20,344,185	37.30%
Public works	3,439,397	6.23%	3,396,880	6.23%
Water and sewer	4,799,402	8.69%	5,195,445	9.52%
Trash	913,145	1.65%	920,863	1.69%
Electric	13,911,605	25.19%	13,861,314	25.41%
Human services	292,333	0.53%	234,998	0.43%
Culture and recreation	1,341,248	2.43%	1,370,364	2.51%
Employee benefits	2,367,277	4.29%	2,594,134	4.76%
State and county assessments	139,605	0.25%	135,723	0.25%
Interest	<u>1,303,080</u>	<u>2.36%</u>	<u>1,378,585</u>	<u>2.53%</u>
Total expenditures	<u>\$ 55,234,849</u>	<u>100.00%</u>	<u>\$ 54,545,683</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 Assets – Presents all of the government's assets and liabilities, with the difference being reported as "net assets". The amount of net assets is widely considered a good measure of the Town's financial health. Over time increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 Assets

Net assets may serve over time as a useful indicator of a government's financial position. The Town's total net assets as of June 30, 2008 were \$96.5 million, of which the governmental activities were \$65.3 million and the business-type activities were \$31.2 million.

The largest portion of the Town's net assets (57.1%) 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 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 assets (7.3%) are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (35.6%) may be used to meet the government's ongoing obligations to citizens and creditors.

Total current assets within the governmental activities were \$19.5 million and included cash & investments of \$15.2 million and receivables net of allowances of \$4.3 million.

Total current liabilities within the governmental activities were \$3.4 million and included accounts payable of \$0.2 million and bonds and notes payable of \$2.5 million. Noncurrent liabilities within the governmental activities were \$34.7 million and included \$34.1 million of general obligation bonds payable.

Total current assets within the business-type activities were \$5.4 million and included cash & investments of \$1.4 million and receivables net of allowances of \$2.4 million.

Current liabilities within the business-type activities were \$3.2 million and included accounts payable of \$1.6 million and bond and notes payable of \$1.3 million. Noncurrent liabilities within the business-type activities were \$19.6 million and included \$17 million of general obligation bonds payable.

Comparative Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2008	FY 2007	FY 2008	FY 2007	FY 2008	FY 2007
Assets:						
Current assets	\$ 19,545,658	\$ 12,271,869	\$ 5,438,598	\$ 5,423,057	\$ 24,984,256	\$ 17,694,926
Noncurrent assets	20,597,077	22,470,759	9,714,633	11,993,704	30,311,710	34,464,463
Capital assets	63,329,276	63,350,704	38,784,695	37,236,299	102,113,971	100,587,003
Total assets	103,472,011	98,093,332	53,937,926	54,653,060	157,409,937	152,746,392
Liabilities:						
Current liabilities	3,430,136	3,892,316	3,211,780	3,577,135	6,641,916	7,469,451
Noncurrent liabilities	34,717,113	29,260,417	19,572,833	20,841,357	54,289,946	50,101,774
Total liabilities	38,147,249	33,152,733	22,784,613	24,418,492	60,931,862	57,571,225
Net Assets:						
Invested in capital assets	34,641,332	32,163,628	20,463,782	19,938,308	55,105,114	52,101,936
Restricted	7,004,775	5,563,377	-	-	7,004,775	5,563,377
Unrestricted	23,678,655	27,213,594	10,689,531	10,296,260	34,368,186	37,509,854
Total net assets	\$ 65,324,762	\$ 64,940,599	\$ 31,153,313	\$ 30,234,568	\$ 96,478,075	\$ 95,175,167

Governmental activities current assets are up \$7.3 million as compared with FY2007, primarily due to borrowing associated with the public safety building project. Business-type activities current assets increased slightly, as a result of operations.

Governmental activities current liabilities are down \$0.5 million as compared with FY2007. Business-type activities current liabilities decreased \$0.4 million. Noncurrent liabilities decreased due to pay down of existing debt service.

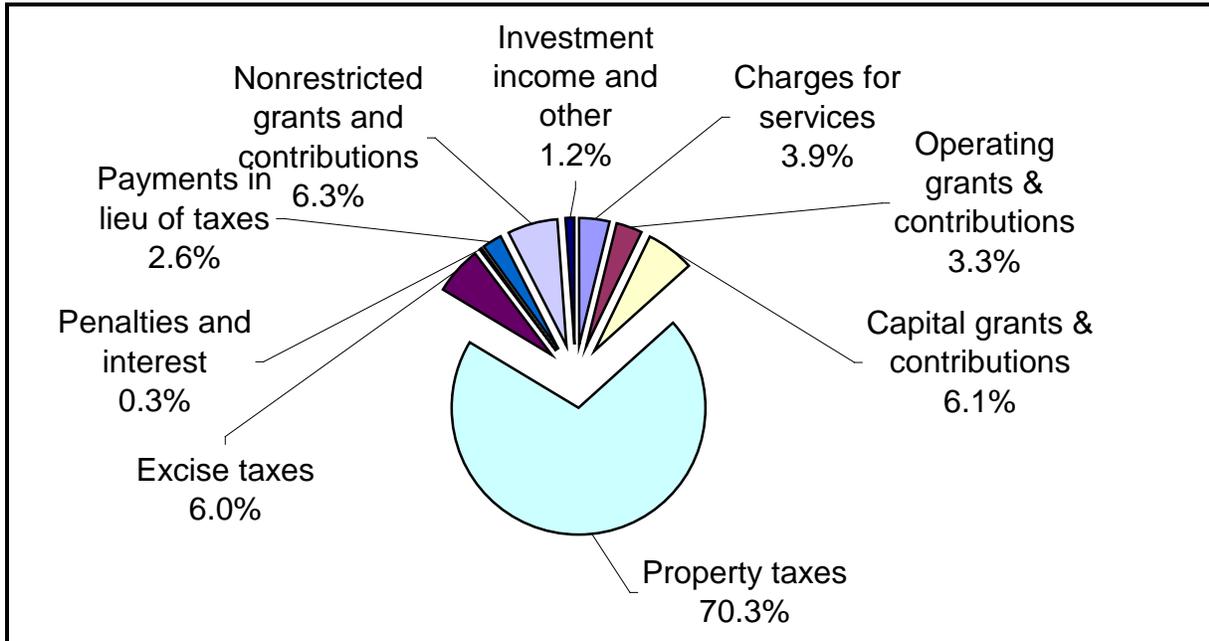
Governmental activities unrestricted net assets are down -13.0% as compared with the prior year. Business-type capital assets net of related debt increased by 2.6%, and unrestricted net assets increased by 3.8% as compared with the prior year.

Governmental activities increased the Town of Holden's net assets by \$384,163. Presented below are the components that contributed to the change in net assets, along with comparative data for the previous fiscal year:

Comparative Changes in Net Assets

	Governmental Activities		Increase/ (Decrease)
	FY 2008	FY 2007	
Revenues			
<i>Program Revenues:</i>			
Charges for services	\$ 1,413,794	\$ 1,420,349	\$ (6,555)
Operating grants and contributions	1,195,862	1,222,352	(26,490)
Capital grants and contributions	2,216,495	3,638,335	(1,421,840)
<i>General Revenues:</i>			
Real Estate and personal property taxes	25,426,032	23,770,580	1,655,452
Motor vehicle and other excise taxes	2,168,324	2,045,520	122,804
Penalties and interest	110,971	98,426	12,545
Payments in lieu of taxes	937,107	859,247	77,860
Nonrestricted grants and contributions	2,282,812	2,237,145	45,667
Unrestricted investment income & other	426,473	552,558	(126,085)
Total Revenues	36,177,870	35,844,512	333,358
Expenses:			
General Government	1,842,621	1,762,131	80,490
Public Safety	3,514,146	3,351,061	163,085
Education	21,370,990	20,344,185	1,026,805
Public Works	3,439,397	3,396,880	42,517
Human Services	292,333	234,998	57,335
Culture and Recreation	1,341,248	1,370,364	(29,116)
Employee Benefits	2,367,277	2,594,134	(226,857)
State and County Assessments	139,605	135,723	3,882
Interest	1,303,080	1,378,585	(75,505)
Total Expenses	35,610,697	34,568,061	1,042,636
Excess (deficiency) of revenues over expenditures	567,173	1,276,451	(709,278)
Transfers	(183,010)	-	(183,010.00)
Change in Net Assets	384,163	1,276,451	(892,288)
Net Assets - beginning	64,940,599	63,664,148	
Net Assets - ending	\$ 65,324,762	\$ 64,940,599	

Governmental Activities – FY2008 Revenues



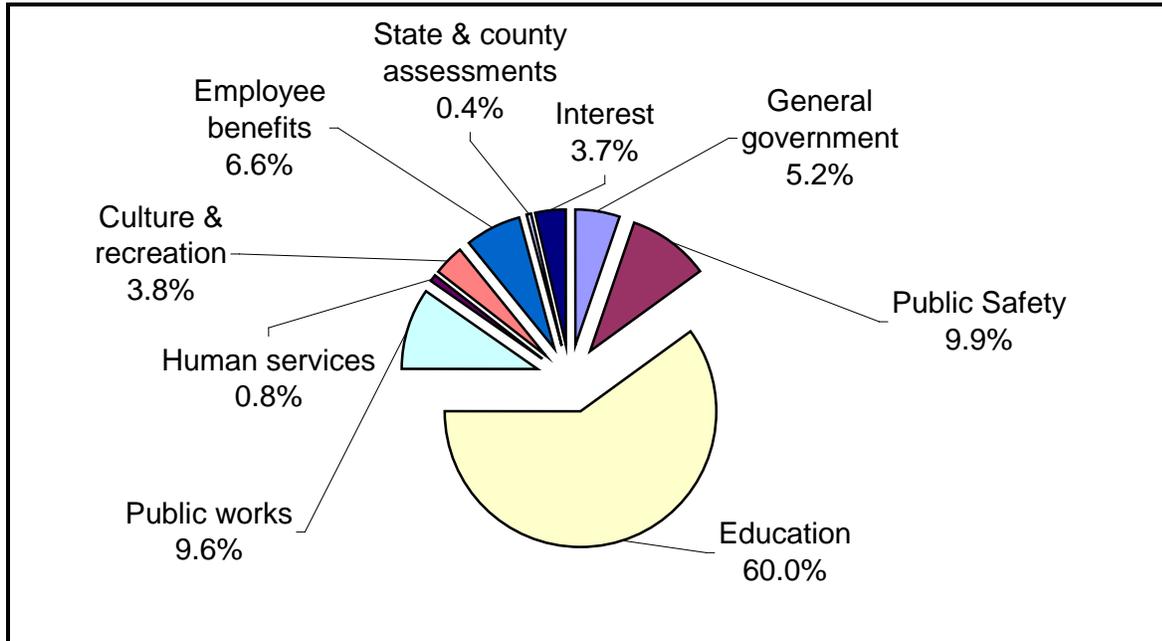
Revenues

Property taxes support approximately 70% of the Town's governmental activities. State aid increased modestly as compared with FY2007, shifting pressure to raise property tax revenue to the statutory maximum allowed.

Roughly 48% of the operating grants apply to employee benefits. Nearly 50% of the charges for services revenue was generated by culture and recreation services. Public safety department services represented 24%, and general government services represented more than 17%.

Almost 100% of the capital grants and contribution revenue supported public works projects and infrastructure.

Governmental Activities – FY2008 Expenses



Expenses

Education is by far the largest governmental activity of the Town. Approximately \$21.4 million in taxes and other general revenues were needed to cover the FY2008 operating expenses.

Public safety and employee benefits represent the second and third largest activities of the Town. Approximately \$2.9 million and \$1.8 million of taxes and other general revenues were needed to cover the FY2008 operating expenses.

Education, public works, employee benefits, and public safety costs continued to rise in FY2008. These expenses are expected to continue to be a budgetary challenge for management over the next few years.

Business-Type Activities

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

Business-type activities' net assets increased by \$0.9 million. Presented below are the components that contributed to the change in net assets, along with comparative data for the previous fiscal year:

Comparative Changes in Net Assets			
	Business-type Activities		Increase/ (Decrease)
	FY 2008	FY 2007	
Revenues			
<i>Program Revenues:</i>			
Charges for services	\$ 18,437,354	\$ 18,073,313	\$ 364,041
Operating grants and contributions	447,388	487,683	(40,295)
Capital grants and contributions	1,475,145	531,933	943,212
Total Revenues	20,359,887	19,092,929	1,266,958
Expenses:			
Electric	(13,911,605)	(13,861,314)	(50,291)
Water/Sewer	(4,799,402)	(5,195,445)	396,043
Trash	(913,145)	(920,863)	7,718
Total Expenses	(19,624,152)	(19,977,622)	353,470
Excess (deficiency) of revenues over expenses	735,735	(884,693)	1,620,428
Transfers	183,010	-	183,010
Change in Net Assets	918,745	(884,693)	1,803,438
Net Assets - beginning	30,234,568	31,119,261	
Net Assets - ending	\$ 31,153,313	\$ 30,234,568	

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, undesignated 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 \$15.2 million, a increase of \$7.5 million in comparison with the prior fiscal year as a result of bonding associated with the public safety facility.

The General Fund is the chief operating fund of the Town. At the end of the fiscal year, undesignated fund balance was \$766,559, while total fund balance was \$1,841,490. As a measure of the General fund's liquidity, it may be useful to compare both undesignated 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 assets were \$31.2 million; \$20.5 million of which relates to the Town's investment in capital assets.

Fiduciary Funds

The Town's fiduciary funds provide the same type of information found in the government-wide financial statements, but in more detail. This reflects activities on resources held for the benefit of parties outside the government.

General Fund Budgetary Highlights

The FY2008 general fund operating budget was amended by \$30,000 at the March 2008 Special Town Meeting and appropriated the sum of \$15,500,000 for the design, construction and equipping of a new public safety facility. The final operating budget was approximately \$35.3 million. Modest amounts were transferred from general government to public safety, public works, and to culture and recreation.

Revenues exceeded budgetary amounts by \$154,371, and expenditures were less than budgetary amounts by \$524,968. Favorable revenue types included property taxes and motor vehicle excise taxes. Public works expenditures were less than budgetary amounts by \$328,578, 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, 2008 amount to \$102,113,971 (net of accumulated depreciation). This investment includes land, buildings, improvements other than buildings, machinery and equipment, vehicles, infrastructure and construction in progress. The total increase in the Town's investment for the fiscal year was approximately \$1.5 million (a minor decrease for governmental activities and a \$1.5 million increase for business-type activities).

Capital Assets (Net of Accumulated Depreciation)

<u>Primary government</u>	<u>FY 2008</u>	<u>FY 2007</u>	<u>Increase/ (Decrease)</u>
Land	\$ 3,120,642	\$ 3,120,642	\$ -
Construction in progress	237,216	-	237,216
Buildings	34,170,094	35,282,402	(1,112,308)
Improvements other than buildings	2,210,828	2,278,110	(67,282)
Machinery and equipment	1,178,983	1,154,920	24,063
Vehicles	1,531,309	1,700,442	(169,133)
Infrastructure	49,914,529	48,739,487	1,175,042
Electric - land	72,500	-	72,500
Electric - construction in progress	28,683	444,513	(415,830)
Electric - general plant	2,394,455	2,393,603	852
Electric - distribution plant	<u>7,254,732</u>	<u>5,472,884</u>	<u>1,781,848</u>
Total Capital Assets	<u><u>\$ 102,113,971</u></u>	<u><u>\$ 100,587,003</u></u>	<u><u>\$ 1,526,968</u></u>

Debt

The Town continued to maintain its "A2" rating from Moody's Investor Services. At the end of the fiscal year the Town (excluding the light plant) had a total bonded debt outstanding of \$52,891,992. The entire amount is classified as general obligation debt and is backed by the full faith and credit of the government. The Town has no revenue bonds outstanding, which are bonds secured solely by specified revenue sources.

The Town issued new bonds totaling \$8,000,000 for the public safety building project.

Outstanding Debt at Year End

Governmental Activities	Outstanding June 30, 2008	Outstanding June 30, 2007
Schools	\$ 26,222,000	\$ 28,154,000
Public Safety	8,200,000	240,000
Library	48,000	96,000
Senior Center	300,000	450,000
Underground Utilities	-	160,000
Swimming Pool	1,845,000	1,990,000
Title V	46,079	49,926
Total Governmental Activities	\$ 36,661,079	\$ 31,139,926
Business-type Activities		
Water Improvements	\$ 9,675,915	\$ 10,361,604
Sewer Construction	6,554,998	6,936,387
Total Business-type Activities	\$ 16,230,913	\$ 17,297,991

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

The Town's per capita income was \$27,971, compared with \$25,952 for the state and \$21,587 for the nation as a whole.

The unemployment rate for the Town was 3.5%, compared with state and national rate of 4.1%.

The average 2008 single family home in Holden was valued at \$301,800 with an average annual tax bill of \$3,809. The overall property values for FY2008 decreased approximately 3% as compared with FY2007.

The Town has a balanced budget for FY2008 and expects minimal growth for FY2009 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 ASSETS
JUNE 30, 2008**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
CURRENT:			
CASH AND SHORT-TERM INVESTMENTS	\$ 11,567,528	\$ 1,435,048	\$ 13,002,576
INVESTMENTS	3,663,907	-	3,663,907
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES	309,983	-	309,983
TAX LIENS	404,655	-	404,655
MOTOR VEHICLE EXCISE TAXES	130,124	-	130,124
USER FEES	-	2,043,244	2,043,244
INTERGOVERNMENTAL	3,465,135	-	3,465,135
SPECIAL ASSESSMENTS	4,326	354,108	358,434
PREPAID EXPENSES	-	81,374	81,374
OTHER ASSETS	-	1,524,824	1,524,824
NONCURRENT:			
RESTRICTED ASSETS:			
CASH AND SHORT-TERM INVESTMENTS	-	3,240,910	3,240,910
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:			
SPECIAL ASSESSMENTS	16,121	6,375,276	6,391,397
INTERGOVERNMENTAL	20,580,956	-	20,580,956
OTHER ASSETS	-	98,447	98,447
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	63,329,276	38,784,695	102,113,971
TOTAL ASSETS	<u>103,472,011</u>	<u>53,937,926</u>	<u>157,409,937</u>
LIABILITIES			
CURRENT:			
ACCOUNTS PAYABLE	162,812	1,616,824	1,779,636
ACCRUED LIABILITIES	61,991	-	61,991
OTHER LIABILITIES	12,945	187,785	200,730
ACCRUED INTEREST	429,001	68,540	497,541
BONDS AND NOTES PAYABLE	2,533,847	1,329,621	3,863,468
LANDFILL POSTCLOSURE CARE COSTS	20,000	-	20,000
COMPENSATED ABSENCES	209,540	9,010	218,550
NONCURRENT:			
CUSTOMER DEPOSITS	-	112,014	112,014
RATE STABILIZATION RESERVE	-	2,453,690	2,453,690
BONDS AND NOTES PAYABLE	34,127,232	16,991,292	51,118,524
LANDFILL POSTCLOSURE CARE COSTS	260,000	-	260,000
COMPENSATED ABSENCES	329,881	15,837	345,718
TOTAL LIABILITIES	<u>38,147,249</u>	<u>22,784,613</u>	<u>60,931,862</u>
NET ASSETS			
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	34,641,332	20,463,782	55,105,114
RESTRICTED FOR:			
STREETS	1,573,457	-	1,573,457
PERMANENT FUNDS:			
EXPENDABLE	378,163	-	378,163
NONEXPENDABLE	373,854	-	373,854
OTHER PURPOSES	4,679,301	-	4,679,301
UNRESTRICTED	23,678,655	10,689,531	34,368,186
TOTAL NET ASSETS	<u>\$ 65,324,762</u>	<u>\$ 31,153,313</u>	<u>\$ 96,478,075</u>

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2008**

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		<u>NET (EXPENSE) REVENUE</u>	
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>		<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>
PRIMARY GOVERNMENT:					
GOVERNMENTAL ACTIVITIES:					
GENERAL GOVERNMENT	\$ 1,842,621	\$ 248,590	\$ 267,144	\$ -	\$ (1,326,887)
PUBLIC SAFETY	3,514,146	340,066	185,020	14,432	(2,974,628)
EDUCATION	21,370,990	-	4,441	-	(21,366,549)
PUBLIC WORKS	3,439,397	67,956	42,533	2,202,063	(1,126,845)
HUMAN SERVICES	292,333	48,898	23,795	-	(219,640)
CULTURE & RECREATION	1,341,248	708,284	104,192	-	(528,772)
EMPLOYEE BENEFITS	2,367,277	-	568,737	-	(1,798,540)
STATE & COUNTY ASSESSMENTS	139,605	-	-	-	(139,605)
INTEREST	1,303,080	-	-	-	(1,303,080)
TOTAL GOVERNMENTAL ACTIVITIES	<u>35,610,697</u>	<u>1,413,794</u>	<u>1,195,862</u>	<u>2,216,495</u>	<u>(30,784,546)</u>
BUSINESS-TYPE ACTIVITIES:					
WATER/SEWER	4,799,402	3,954,148	62,486	1,475,145	692,377
ELECTRIC	13,911,605	13,548,250	383,829	-	20,474
OTHER ENTERPRISE	913,145	934,956	1,073	-	22,884
TOTAL BUSINESS-TYPE ACTIVITIES	<u>19,624,152</u>	<u>18,437,354</u>	<u>447,388</u>	<u>1,475,145</u>	<u>735,735</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 55,234,849</u>	<u>\$ 19,851,148</u>	<u>\$ 1,643,250</u>	<u>\$ 3,691,640</u>	<u>\$ (30,048,811)</u>

See accompanying notes to the basic financial statements

(continued)

**TOWN OF HOLDEN, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2008**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
CHANGES IN NET ASSETS:			
NET (EXPENSE) REVENUE FROM PREVIOUS PAGE	\$ (30,784,546)	\$ 735,735	\$ (30,048,811)
GENERAL REVENUES:			
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS PAYABLE	25,344,699	-	25,344,699
TAX LIENS	81,333	-	81,333
MOTOR VEHICLE EXCISE TAXES	2,168,324	-	2,168,324
PENALTIES AND INTEREST ON TAXES	110,971	-	110,971
PAYMENTS IN LIEU OF TAXES	937,107	-	937,107
GRANTS AND CONTRIBUTIONS NOT RESTRICTED TO SPECIFIC PROGRAMS	2,282,812	-	2,282,812
RENTAL INCOME	79,241	-	79,241
UNRESTRICTED INVESTMENT INCOME	345,643	-	345,643
MISCELLANEOUS	1,589	-	1,589
TRANSFERS, NET	(183,010)	183,010	-
TOTAL GENERAL REVENUES AND TRANSFERS	31,168,709	183,010	31,351,719
CHANGE IN NET ASSETS	384,163	918,745	1,302,908
NET ASSETS:			
BEGINNING OF YEAR	64,940,599	30,234,568	95,175,167
END OF YEAR	\$ 65,324,762	\$ 31,153,313	\$ 96,478,075

See accompanying notes to the basic financial statements

(concluded)

**TOWN OF HOLDEN, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2008**

<u>ASSETS</u>	<u>GENERAL</u>	<u>PUBLIC SAFETY BUILDING</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
CASH AND SHORT-TERM INVESTMENTS	\$ 1,810,480	\$ 7,952,659	\$ 1,804,389	\$ 11,567,528
INVESTMENTS	-	-	3,663,907	3,663,907
RECEIVABLES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:				
REAL ESTATE AND PERSONAL PROPERTY TAXES	309,983	-	-	309,983
TAX LIENS	404,655	-	-	404,655
MOTOR VEHICLE EXCISE TAXES	130,124	-	-	130,124
INTERGOVERNMENTAL	22,451,952	-	1,594,139	24,046,091
SPECIAL ASSESSMENTS	-	-	20,447	20,447
TOTAL ASSETS	\$ 25,107,194	\$ 7,952,659	\$ 7,082,882	\$ 40,142,735
 <u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES:				
ACCOUNTS PAYABLE	\$ 125,628	\$ 277	\$ 36,907	\$ 162,812
ACCRUED LIABILITIES	61,991	-	-	61,991
OTHER LIABILITIES	12,945	-	-	12,945
DEFERRED REVENUES	23,065,140	-	1,593,904	24,659,044
TOTAL LIABILITIES	23,265,704	277	1,630,811	24,896,792
FUND BALANCES:				
RESERVED FOR:				
ENCUMBRANCES AND CONTINUING APPROPRIATIONS	424,931	-	-	424,931
PERPETUAL PERMANENT FUNDS	-	-	373,854	373,854
UNRESERVED				
DESIGNATED FOR SUBSEQUENT YEARS' EXPENDITURES	650,000	-	-	650,000
UNDESIGNATED, REPORTED IN:				
GENERAL FUND	766,559	-	-	766,559
SPECIAL REVENUE FUNDS	-	-	4,679,301	4,679,301
CAPITAL PROJECTS FUNDS	-	7,952,382	20,753	7,973,135
PERMANENT FUNDS	-	-	378,163	378,163
TOTAL FUND BALANCES	1,841,490	7,952,382	5,452,071	15,245,943
TOTAL LIABILITIES AND FUND BALANCES	\$ 25,107,194	\$ 7,952,659	\$ 7,082,882	\$ 40,142,735

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, 2008**

	<u>GENERAL</u>	<u>PUBLIC SAFETY BUILDING</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>REVENUES:</u>				
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 25,384,906	\$ -	\$ -	\$ 25,384,906
MOTOR VEHICLE EXCISE TAXES	2,153,658	-	-	2,153,658
PENALTIES AND INTEREST ON TAXES	110,971	-	-	110,971
INTERGOVERNMENTAL CHARGES FOR SERVICES	5,156,407	-	180,319	5,336,726
INVESTMENT INCOME	300,054	-	1,074,622	1,074,622
CONTRIBUTIONS & DONATIONS DEPARTMENTAL AND OTHER	-	-	214,383	514,437
	1,534,005	-	128,622	128,622
	<u>1,534,005</u>	<u>-</u>	<u>82,796</u>	<u>1,616,801</u>
TOTAL REVENUES	<u>34,640,001</u>	<u>-</u>	<u>1,680,742</u>	<u>36,320,743</u>
<u>EXPENDITURES:</u>				
CURRENT:				
GENERAL GOVERNMENT	1,609,321	-	231,360	1,840,681
PUBLIC SAFETY	3,224,674	47,618	259,564	3,531,856
EDUCATION	20,546,736	-	-	20,546,736
PUBLIC WORKS	2,721,479	-	137,456	2,858,935
HUMAN SERVICES	200,572	-	43,035	243,607
CULTURE & RECREATION	692,866	-	611,779	1,304,645
EMPLOYEE BENEFITS	2,394,242	-	-	2,394,242
STATE & COUNTY ASSESSMENTS	139,605	-	-	139,605
DEBT SERVICE				
PRINCIPAL	2,478,847	-	-	2,478,847
INTEREST	1,299,280	-	-	1,299,280
	<u>35,307,622</u>	<u>47,618</u>	<u>1,283,194</u>	<u>36,638,434</u>
TOTAL EXPENDITURES	<u>35,307,622</u>	<u>47,618</u>	<u>1,283,194</u>	<u>36,638,434</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(667,621)</u>	<u>(47,618)</u>	<u>397,548</u>	<u>(317,691)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
PROCEEDS FROM BONDS AND NOTES	-	8,000,000	-	8,000,000
OPERATING TRANSFERS IN	741,601	-	1,334,287	2,075,888
OPERATING TRANSFERS OUT	(1,483,525)	-	(775,373)	(2,258,898)
	<u>(741,924)</u>	<u>8,000,000</u>	<u>558,914</u>	<u>7,816,990</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(741,924)</u>	<u>8,000,000</u>	<u>558,914</u>	<u>7,816,990</u>
NET CHANGE IN FUND BALANCES	<u>(1,409,545)</u>	<u>7,952,382</u>	<u>956,462</u>	<u>7,499,299</u>
FUND BALANCES AT BEGINNING OF YEAR	<u>3,251,035</u>	<u>-</u>	<u>4,495,609</u>	<u>7,746,644</u>
FUND BALANCES AT END OF YEAR	<u>\$ 1,841,490</u>	<u>\$ 7,952,382</u>	<u>\$ 5,452,071</u>	<u>\$ 15,245,943</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 ASSETS
FISCAL YEAR ENDED JUNE 30, 2008**

TOTAL GOVERNMENTAL FUND BALANCES		\$15,245,943
CAPITAL ASSETS (NET) USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS		63,329,276
ACCOUNTS RECEIVABLE ARE NOT AVAILABLE TO PAY FOR CURRENT-PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS		24,659,044
IN THE STATEMENT OF ACTIVITIES, INTEREST IS ACCRUED ON OUTSTANDING LONG-TERM DEBT, WHEREAS IN GOVERNMENTAL FUNDS INTEREST IS NOT REPORTED UNTIL DUE		(429,001)
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	(36,661,079)	
COMPENSATED ABSENCES	(539,421)	
LANDFILL POSTCLOSURE CARE COSTS	<u>(280,000)</u>	
NET EFFECT OF REPORTING LONG-TERM LIABILITIES		<u>(37,480,500)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$65,324,762</u></u>

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2008**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$ 7,499,299
<p>GOVERNMENTAL FUNDS REPORT CAPITAL OUTLAYS AS EXPENDITURES. HOWEVER, IN THE STATEMENT OF ACTIVITIES THE COST OF THOSE ASSETS IS ALLOCATED OVER THEIR ESTIMATED USEFUL LIVES AND REPORTED AS DEPRECIATION EXPENSE.</p>		
CAPITAL OUTLAY	2,516,039	
DEPRECIATION EXPENSE	<u>(2,537,467)</u>	
NET EFFECT OF REPORTING CAPITAL ASSETS		(21,428)
<p>REVENUES IN THE STATEMENT OF ACTIVITIES THAT DO NOT PROVIDE CURRENT FINANCIAL RESOURCES ARE FULLY DEFERRED IN THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES. THEREFORE, THE RECOGNITION OF REVENUE FOR VARIOUS TYPES OF ACCOUNTS RECEIVABLE (I.E. REAL ESTATE AND PERSONAL PROPERTY, MOTOR VEHICLE EXCISE, ETC.) DIFFER BETWEEN THE TWO STATEMENTS. THIS AMOUNT REPRESENTS THE NET CHANGE IN DEFERRED REVENUE</p>		
		(1,688,027)
<p>THE ISSUANCE OF LONG-TERM DEBT (E.G., BONDS) PROVIDES CURRENT FINANCIAL RESOURCES TO GOVERNMENTAL FUNDS, WHILE THE REPAYMENT OF THE PRINCIPAL OF LONG-TERM DEBT CONSUMES THE FINANCIAL RESOURCES OF GOVERNMENTAL FUNDS. NEITHER TRANSACTION, HOWEVER, HAS ANY EFFECT ON NET ASSETS. ALSO, GOVERNMENTAL FUNDS REPORT THE EFFECT OF ISSUANCE COSTS, PREMIUMS, DISCOUNTS, AND SIMILAR ITEMS WHEN DEBT IS FIRST ISSUED, WHEREAS THESE AMOUNTS ARE DEFERRED AND AMORTIZED IN THE STATEMENT OF ACTIVITIES.</p>		
PROCEEDS FROM BONDS AND NOTES	(8,000,000)	
DEBT SERVICE PRINCIPAL PAYMENTS	<u>2,478,847</u>	
NET EFFECT OF REPORTING LONG-TEM DEBT		(5,521,153)
<p>SOME EXPENSES REPORTED IN THE STATEMENT OF ACTIVITIES DO NOT REQUIRE THE USE OF CURRENT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED AS EXPENDITURES IN THE GOVERNMENTAL FUNDS.</p>		
NET CHANGE IN CAPITAL LEASE PAYABLE	72,307	
NET CHANGE IN COMPENSATED ABSENCES ACCRUAL	26,965	
NET CHANGE IN LANDFILL POSTCLOSURE CARE ACCRUAL	20,000	
NET CHANGE IN ACCRUED INTEREST ON LONG-TERM DEBT	<u>(3,800)</u>	
NET EFFECT OF RECORDING LONG-TERM LIABILITIES		<u>115,472</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		\$ <u>384,163</u>

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2008**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL BUDGETARY AMOUNTS</u>	<u>VARIANCE OVER(UNDER)</u>
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>		
<u>REVENUES:</u>				
REAL ESTATE AND PERSONAL PROPERTY TAXES, NET OF TAX REFUNDS	\$ 25,311,667	\$ 25,311,667	\$ 25,384,906	\$ 73,239
MOTOR VEHICLE EXCISE TAXES	2,040,000	2,040,000	2,153,658	113,658
PENALTIES & INTEREST ON TAXES	90,000	90,000	110,971	20,971
INTERGOVERNMENTAL	4,592,323	4,592,323	4,590,914	(1,409)
INVESTMENT INCOME	355,000	355,000	300,054	(54,946)
DEPARTMENTAL AND OTHER	1,531,147	1,531,147	1,534,005	2,858
TOTAL REVENUES	33,920,137	33,920,137	34,074,508	154,371
<u>EXPENDITURES:</u>				
CURRENT:				
GENERAL GOVERNMENT	1,873,057	1,732,653	1,609,321	123,332
PUBLIC SAFETY	3,224,616	3,258,718	3,224,674	34,044
EDUCATION	20,643,961	20,546,815	20,546,736	79
PUBLIC WORKS	2,973,048	3,050,057	2,721,479	328,578
HUMAN SERVICES	187,799	219,756	200,572	19,184
CULTURE & RECREATION	700,724	700,224	692,866	7,358
EMPLOYEE BENEFITS	1,864,016	1,839,760	1,831,343	8,417
STATE & COUNTY ASSESSMENTS	143,579	143,579	139,605	3,974
DEBT SERVICE:				
PRINCIPAL	2,478,849	2,478,849	2,478,847	2
INTEREST	1,296,686	1,296,686	1,296,686	-
TOTAL EXPENDITURES	35,386,335	35,267,097	34,742,129	524,968
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,466,198)	(1,346,960)	(667,621)	679,339
<u>OTHER FINANCING SOURCES (USES):</u>				
OPERATING TRANSFERS IN	786,806	786,806	741,601	(45,205)
OPERATING TRANSFERS OUT	(1,334,287)	(1,483,524)	(1,483,525)	(1)
TOTAL OTHER FINANCING SOURCES (USES)	(547,481)	(696,718)	(741,924)	(45,206)
NET CHANGE IN FUND BALANCE	(2,013,679)	(2,043,678)	(1,409,545)	634,133
BUDGETARY FUND BALANCE, BEGINNING OF YEAR	3,251,035	3,251,035	3,251,035	-
BUDGETARY FUND BALANCE, END OF YEAR	\$ 1,237,356	\$ 1,207,357	\$ 1,841,490	\$ 634,133

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2008**

<u>ASSETS</u>	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			
	<u>WATER/SEWER</u>	<u>ELECTRIC</u>	<u>OTHER ENTERPRISE</u>	<u>TOTAL</u>
CURRENT:				
CASH AND SHORT-TERM INVESTMENTS	\$ 429,542	\$ 937,699	\$ 67,807	\$ 1,435,048
USER FEES, NET OF ALLOWANCE FOR UNCOLLECTIBLES:	276,953	1,711,446	54,845	2,043,244
SPECIAL ASSESSMENTS	354,108	-	-	354,108
OTHER ASSETS	-	1,524,824	-	1,524,824
PREPAID EXPENSES	-	81,374	-	81,374
TOTAL CURRENT ASSETS	1,060,603	4,255,343	122,652	5,438,598
NONCURRENT:				
RESTRICTED CASH AND SHORT-TERM INVESTMENTS:				
DEPRECIATION FUND	-	1,112,569	-	1,112,569
CUSTOMER DEPOSITS	-	112,014	-	112,014
RATE STABILIZATION FUND	-	1,614,097	-	1,614,097
CONSTRUCTION FUND	-	402,230	-	402,230
SPECIAL ASSESSMENTS	6,375,276	-	-	6,375,276
OTHER ASSETS	-	98,447	-	98,447
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	29,034,325	9,750,370	-	38,784,695
TOTAL NONCURRENT ASSETS	35,409,601	13,089,727	-	48,499,328
TOTAL ASSETS	36,470,204	17,345,070	122,652	53,937,926
LIABILITIES				
CURRENT:				
ACCOUNTS PAYABLE	337,070	1,251,823	27,931	1,616,824
OTHER LIABILITIES	-	187,785	-	187,785
ACCRUED INTEREST	68,540	-	-	68,540
BONDS AND NOTES PAYABLE	1,064,621	265,000	-	1,329,621
COMPENSATED ABSENCES	9,010	-	-	9,010
TOTAL CURRENT LIABILITIES	1,479,241	1,704,608	27,931	3,211,780
NONCURRENT:				
CUSTOMER DEPOSITS	-	112,014	-	112,014
RATE STABILIZATION RESERVE	-	2,453,690	-	2,453,690
BONDS AND NOTES PAYABLE	15,166,292	1,825,000	-	16,991,292
COMPENSATED ABSENCES	15,837	-	-	15,837
TOTAL NONCURRENT LIABILITIES	15,182,129	4,390,704	-	19,572,833
TOTAL LIABILITIES	16,661,370	6,095,312	27,931	22,784,613
NET ASSETS				
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT UNRESTRICTED	12,803,412	7,660,370	-	20,463,782
	7,005,422	3,589,388	94,721	10,689,531
TOTAL NET ASSETS	\$ 19,808,834	\$ 11,249,758	\$ 94,721	\$ 31,153,313

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 FISCAL YEAR ENDED JUNE 30, 2008**

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	WATER/SEWER	ELECTRIC	OTHER ENTERPRISE	TOTAL
<u>OPERATING REVENUES:</u>				
CHARGES FOR SERVICES	\$ 3,954,148	\$ 13,548,250	\$ 934,956	\$ 18,437,354
DEPARTMENTAL AND OTHER	62,486	284,478	-	346,964
DONATIONS	935,066	-	-	935,066
TOTAL OPERATING REVENUES	<u>4,951,700</u>	<u>13,832,728</u>	<u>934,956</u>	<u>19,719,384</u>
<u>OPERATING EXPENSES:</u>				
GENERAL SERVICES	3,235,081	12,975,714	913,145	17,123,940
DEPRECIATION	826,040	930,339	-	1,756,379
TOTAL OPERATING EXPENSES	<u>4,061,121</u>	<u>13,906,053</u>	<u>913,145</u>	<u>18,880,319</u>
OPERATING INCOME (LOSS)	<u>890,579</u>	<u>(73,325)</u>	<u>21,811</u>	<u>839,065</u>
<u>NON-OPERATING REVENUES (EXPENSES):</u>				
INTERGOVERNMENTAL	540,079	-	-	540,079
INVESTMENT INCOME	-	99,351	1,073	100,424
INTEREST EXPENSE	(738,281)	(5,552)	-	(743,833)
TOTAL NON-OPERATING REVENUES (EXPENSES), NET	<u>(198,202)</u>	<u>93,799</u>	<u>1,073</u>	<u>(103,330)</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	692,377	20,474	22,884	735,735
<u>OPERATING TRANSFERS:</u>				
OPERATING TRANSFERS IN	<u>183,010</u>	<u>-</u>	<u>-</u>	<u>183,010</u>
CHANGE IN NET ASSETS	875,387	20,474	22,884	918,745
NET ASSETS AT BEGINNING OF YEAR	<u>18,933,447</u>	<u>11,229,284</u>	<u>71,837</u>	<u>30,234,568</u>
NET ASSETS AT END OF YEAR	<u>\$ 19,808,834</u>	<u>\$ 11,249,758</u>	<u>\$ 94,721</u>	<u>\$ 31,153,313</u>

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FISCAL YEAR ENDED JUNE 30, 2008**

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS			
	WATER/SEWER	ELECTRIC	OTHER ENTERPRISE	TOTAL
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
RECEIPTS FROM CUSTOMERS AND USERS	\$ 4,428,856	\$ 13,704,564	\$ 934,683	\$ 19,068,103
PAYMENTS TO SUPPLIERS	(2,929,004)	(11,807,326)	(873,653)	(15,609,983)
PAYMENTS TO EMPLOYEES	(482,518)	(1,135,007)	(43,641)	(1,661,166)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,017,334</u>	<u>762,231</u>	<u>17,389</u>	<u>1,796,954</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
OPERATING TRANSFERS IN	<u>183,010</u>	-	-	<u>183,010</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>183,010</u>	-	-	<u>183,010</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
PRINCIPAL PAYMENTS ON BONDS AND NOTES	(948,951)	(265,000)	-	(1,213,951)
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	-	(2,369,709)	-	(2,369,709)
INTEREST EXPENSE	(320,041)	(5,552)	-	(325,593)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES:	<u>(1,268,992)</u>	<u>(2,640,261)</u>	-	<u>(3,909,253)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
RATE STABILIZATION RESERVE	-	68,442	-	68,442
INTEREST RECEIVED	-	99,351	1,073	100,424
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES:	<u>-</u>	<u>167,793</u>	<u>1,073</u>	<u>168,866</u>
NET INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS	(68,648)	(1,710,237)	18,462	(1,760,423)
CASH AND SHORT TERM INVESTMENTS - BEGINNING OF YEAR	<u>498,190</u>	<u>5,888,846</u>	<u>49,345</u>	<u>6,436,381</u>
CASH AND SHORT TERM INVESTMENTS - END OF YEAR	<u>\$ 429,542</u>	<u>\$ 4,178,609</u>	<u>\$ 67,807</u>	<u>\$ 4,675,958</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS)</u>				
<u>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>				
OPERATING INCOME (LOSS)	<u>\$ 890,579</u>	<u>\$ (73,325)</u>	<u>\$ 21,811</u>	<u>\$ 839,065</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS)				
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
DEPRECIATION	826,040	930,339	-	1,756,379
DONATED INFRASTRUCTURE	(935,066)	-	-	(935,066)
(INCREASE) DECREASE IN ACCOUNTS RECEIVABLE	459,510	145,572	(274)	604,808
(INCREASE) DECREASE IN SPECIAL ASSESSMENTS	(47,288)	-	-	(47,288)
(INCREASE) DECREASE IN PREPAID EXPENSES	-	51,430	-	51,430
(INCREASE) DECREASE IN OTHER ASSETS	-	(105,844)	-	(105,844)
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	(177,618)	134,653	(4,148)	(47,113)
INCREASE (DECREASE) IN OTHER LIABILITIES	-	(320,594)	-	(320,594)
INCREASE (DECREASE) IN COMPENSATED ABSENCES PAYABLE	1,177	-	-	1,177
TOTAL ADJUSTMENTS	<u>126,755</u>	<u>835,556</u>	<u>(4,422)</u>	<u>957,889</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 1,017,334</u>	<u>\$ 762,231</u>	<u>\$ 17,389</u>	<u>\$ 1,796,954</u>

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2008**

	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUNDS
<u>ASSETS</u>		
CASH AND SHORT-TERM INVESTMENTS	\$ 37,652	\$ 262,891
<u>LIABILITIES</u>		
ACCOUNTS PAYABLE	-	139,278
OTHER LIABILITIES	-	123,613
TOTAL LIABILITIES	-	262,891
<u>NET ASSETS</u>		
HELD IN TRUST FOR OTHER PURPOSES	\$ 37,652	\$ -

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FISCAL YEAR ENDED JUNE 30, 2008**

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
<u>ADDITIONS:</u>	
CONTRIBUTIONS:	
PRIVATE DONATIONS	\$ 3,525
NET INVESTMENT INCOME (LOSS):	
INVESTMENT INCOME	<u>1,569</u>
TOTAL ADDITIONS	<u>5,094</u>
<u>DEDUCTIONS:</u>	
HUMAN SERVICES	<u>3,615</u>
CHANGE IN NET ASSETS	1,479
NET ASSETS AT BEGINNING OF YEAR	<u>36,173</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 37,652</u></u>

See accompanying notes to the basic financial statements

**TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

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	\$ 19,987,093
Montachusett Regional Vocational Technical School District	To provide grades 9-12 Vocational and Technical Educational Services	1050 Westminster St. Fitchburg, MA 01420	\$ 559,643

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 43.96% equity interest in the joint venture.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

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 10.94% 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 assets 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, 2008

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, 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, 2008

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 *Public Safety Building fund* is a capital project fund used to account for the construction costs of the public safety 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, 2008

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 *Agency fund* is used to account for assets held in a purely custodial capacity.

Government-Wide and Fund Financial Statements

For the government-wide financial statements, and proprietary and fiduciary fund accounting, all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, are applied, unless those pronouncements conflict with or contradict GASB pronouncements.

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.

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.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

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 quarterly 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 penalties and interest if they are not paid by the respective due 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

Governmental 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.

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.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

F. Inventories

Government-Wide and Fund Financial Statements

Inventories of the governmental funds and the 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.

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.

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

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

Capital assets of the Municipal Light Plant are depreciated at an annual rate of 5%.

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.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

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 assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net assets 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.

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 assets. 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.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

K. Net Assets and Fund Equity

Government-Wide Financial Statements (Net Assets)

Net assets are classified into three components:

- a. *Invested in capital assets, net of related debt* – 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 assets* – Consists of net assets 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 assets have been “restricted” for the following:

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

Fund Financial Statements (Fund Balances)

- a. *Fund balances* consist of funds that are reserved for amounts, that are not available for appropriation, that are legally restricted by outside parties for a specific future use, and designations of fund balances that represent tentative management plans that are subject to change.

Fund balances have been reserved for the following:

- *Encumbrances and continuing appropriations* represents amounts obligated under purchase orders, contracts and other commitments for expenditures that are being carried over to the ensuing fiscal year.
- *Perpetual permanent funds* represent amounts held in trust for which only investment earnings may be expended.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

Fund balances have been designated for the following:

- 1) *Subsequent year's expenditures* represents amounts appropriated for the fiscal year 2009 operating budget.
 - b. *Undesignated fund balances* – all other fund balances that do not meet the definition of “reserved” or “designated”.

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 assets. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Fund Financial Statements

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

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 assets. 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, 2008 is recorded in the governmental fund financial statement.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

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%, 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. For the fiscal year ended June 30, 2008, this expense/expenditure totaled approximately \$363,732. There were approximately 88 participants receiving both health and life insurance benefits as of June 30, 2008. There were also an additional 17 participants receiving life insurance benefits only.

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.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

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 department or undertaking in the following categories: (1) salaries and wages; (2) ordinary maintenance; and (3) capital outlays.

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 2008 approved budget authorized \$34,642,687 in current year appropriations and other amounts to be raised and \$743,648 in encumbrances and appropriations carried over from previous fiscal years. Supplemental appropriations and transfers of \$119,237 were approved at one Special Town Meeting during fiscal year 2008.

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, 2008, is presented below:

Net change in fund balance - budgetary basis	\$ (1,409,545)
Basis of accounting differences:	
Increase in revenue for on-behalf payments - MTRS	562,899
Increase in expenditures for on-behalf payments - MTRS	(562,899)
Increase in revenue for the MWPAT subsidy	2,593
Increase in expenditures for the MWPAT subsidy	<u>(2,593)</u>
Net change in fund balance - GAAP basis	<u>\$ (1,409,545)</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

C. Deficit Fund Balances

A deficit exists in the special revenue fund. This deficit will be eliminated through a subsequent fiscal year budget transfer or grant proceeds during fiscal year 2009.

NOTE 3 – DEPOSITS AND INVESTMENTS

1) Deposits

a) 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 deposit policy for custodial credit risk.

As of June 30, 2008, \$1,567,496 of the Town’s bank balances of \$1,937,164 was exposed to custodial credit risk as uninsured, uncollateralized, or collateral held by the pledging bank’s trust department not in the Town’s name.

2) Investments

a) 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	Exempt from Disclosure	Rating as of Year end		
				AAA	A1	A3
Debt related securities						
U.S. Treasury/Agency Securities	\$ 2,848,093	N/A	\$ -	\$ 2,848,093	\$ -	\$ -
Corporate bonds	231,573	N/A	-	-	181,221	50,352
Common Stocks	111,359	N/A	111,359	-	-	-
Certificates of Deposit (1)	263,633	N/A	263,633	-	-	-
Asset Backed Securities	8,784	N/A	8,784	-	-	-
Mutual Funds	200,465	N/A	200,465	-	-	-
Total Investments	<u>\$ 3,663,907</u>		<u>\$ 584,241</u>	<u>\$ 2,848,093</u>	<u>\$ 181,221</u>	<u>\$ 50,352</u>

1) The certificates of deposit noted above are fully insured by the FDIC

TOWN OF HOLDEN, MASSACHUSETTS
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2) *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. Of the investments in debt and equity (common stock) securities listed above, the Town does not have any custodial credit risk exposure 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.

3) *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	6-10	
<u>Debt Related Securities:</u>					
U.S. Treasury/Agency Securities	\$ 2,848,093	78%	\$ -	\$ 2,468,350	\$379,743
Corporate Bonds	231,573	6%	-	231,573	-
Certificates of Deposit	263,633	7%	-	263,633	-
Asset backed securities	8,784	0%	-	-	8,784
	<u>\$ 3,352,083</u>	91%	\$ -	\$ 2,963,556	\$388,527
<u>Other Investments:</u>					
Mutual Funds	200,465	5%	200,465		
Common Stocks	111,358	3%	111,358		
Total Other Investments	<u>311,823</u>		<u>311,823</u>		
Total Investments	<u>\$ 3,663,906</u>	100%	<u>\$ 311,823</u>	<u>\$ 2,963,556</u>	<u>\$388,527</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
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4) *Concentration of Credit Risk*

The Town places no limit on the amount the government may invest in any one issuer. More than 5% of the Town's investments are in the following securities:

Issuer	Percentage of Total Investments
U S Treasury/Agency Securities	85%

NOTE 4 – RECEIVABLES

The receivables at June 30, 2008 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	\$ 320,983	\$ (11,000)	\$ 309,983
Tax liens	404,655	-	404,655
Motor vehicle excise taxes	153,563	(23,439)	130,124
Special assessments	20,447	-	20,447
Intergovernmental	24,046,091	-	24,046,091
Total	\$ 24,945,739	\$ (34,439)	\$ 24,911,300

TOWN OF HOLDEN, MASSACHUSETTS
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The receivables at June 30, 2008, (electric light at December 31, 2007) for the enterprise funds consist of the following:

Receivables:	Gross Amount	Allowance for Uncollectibles	Net Amount
<i>Water and Sewer</i>			
User fees	\$ 276,953	\$ -	\$ 276,953
Special Assessments	6,729,384	-	6,729,384
<i>Other Enterprise - Trash</i>			
User fees	54,845	-	54,845
<i>Electric Light</i>			
User fees	<u>1,794,446</u>	<u>(83,000)</u>	<u>1,711,446</u>
 Total	 <u>\$ 8,855,628</u>	 <u>\$ (83,000)</u>	 <u>\$ 8,772,628</u>

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	\$ 78,409	\$ -	\$ 78,409
Tax Liens	404,655	-	404,655
Motor vehicle excise taxes	130,124	-	130,124
Special Assessments	-	20,447	20,447
Intergovernmental	<u>22,451,952</u>	<u>1,573,457</u>	<u>24,025,409</u>
 Total	 <u>\$ 23,065,140</u>	 <u>\$ 1,593,904</u>	 <u>\$ 24,659,044</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

<u>Governmental Activities:</u>	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land	\$ 2,688,094	\$ -	\$ -	\$ 2,688,094
Construction in progress	-	237,216	-	237,216
Total capital assets not being depreciated	<u>2,688,094</u>	<u>237,216</u>	<u>-</u>	<u>2,925,310</u>
<u>Capital assets being depreciated:</u>				
Buildings and improvements	40,036,011	-	-	40,036,011
Capital improvements (other than buildings)	1,579,782	32,138	-	1,611,920
Machinery and equipment	1,527,275	210,466	(80,000)	1,657,741
Vehicles	3,741,442	100,801	-	3,842,243
Infrastructure	<u>50,547,600</u>	<u>2,015,418</u>	<u>-</u>	<u>52,563,018</u>
Total capital assets being depreciated	<u>97,432,110</u>	<u>2,358,823</u>	<u>(80,000)</u>	<u>99,710,933</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements	(10,662,393)	(943,854)	-	(11,606,247)
Capital improvements (other than buildings)	(289,662)	(44,172)	-	(333,834)
Machinery and equipment	(920,593)	(120,847)	80,000	(961,440)
Vehicles	(2,119,270)	(243,291)	-	(2,362,561)
Infrastructure	<u>(22,777,582)</u>	<u>(1,265,303)</u>	<u>-</u>	<u>(24,042,885)</u>
Total accumulated depreciation	<u>(36,769,500)</u>	<u>(2,617,467)</u>	<u>80,000</u>	<u>(39,306,967)</u>
Total capital assets being depreciated, net	<u>60,662,610</u>	<u>(258,644)</u>	<u>-</u>	<u>60,403,966</u>
Total governmental activities capital assets, net	<u>\$ 63,350,704</u>	<u>\$ (21,428)</u>	<u>\$ -</u>	<u>\$ 63,329,276</u>

TOWN OF HOLDEN, MASSACHUSETTS
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JUNE 30, 2008

Business-Type Activities: (Water & Sewer Enterprise)	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land	\$ 432,548	\$ -	\$ -	\$ 432,548
Total capital assets not being depreciated	<u>432,548</u>	<u>-</u>	<u>-</u>	<u>432,548</u>
<u>Capital assets being depreciated:</u>				
Buildings and improvements	7,917,262	-	-	7,917,262
Capital improvements (other than buildings)	1,158,968	-	-	1,158,968
Machinery and equipment	866,195	-	-	866,195
Vehicles	318,071	-	-	318,071
Infrastructure	<u>26,031,164</u>	<u>935,066</u>	<u>-</u>	<u>26,966,230</u>
Total capital assets being depreciated	<u>36,291,660</u>	<u>935,066</u>	<u>-</u>	<u>37,226,726</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,008,478)	(168,454)	-	(2,176,932)
Capital improvements (other than buildings)	(170,977)	(55,248)	-	(226,225)
Machinery and equipment	(317,957)	(65,556)	-	(383,513)
Vehicles	(239,801)	(26,643)	-	(266,444)
Infrastructure	<u>(5,061,696)</u>	<u>(510,139)</u>	<u>-</u>	<u>(5,571,835)</u>
Total accumulated depreciation	<u>(7,798,909)</u>	<u>(826,040)</u>	<u>-</u>	<u>(8,624,949)</u>
Total capital assets being depreciated, net	<u>28,492,751</u>	<u>109,026</u>	<u>-</u>	<u>28,601,777</u>
Total business-type activities capital assets, net	<u>\$ 28,925,299</u>	<u>\$ 109,026</u>	<u>\$ -</u>	<u>\$ 29,034,325</u>

TOWN OF HOLDEN, MASSACHUSETTS
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Capital asset activity for the *electric light plant* at December 31, 2007 was as follows:

Business-Type Activities: (Light Plant Enterprise)	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land	\$ -	\$ 72,500	\$ -	\$ 72,500
Construction in progress	444,513	(415,830.0)	-	28,683
Total capital assets not being depreciated	444,513	(343,330)	-	101,183
<u>Capital assets being depreciated:</u>				
Distribution Plant	13,892,365	2,474,630	(6,025)	16,360,970
General Plant	4,714,411	238,409	-	4,952,820
Total capital assets being depreciated	18,606,776	2,713,039	(6,025)	21,313,790
<u>Less accumulated depreciation for:</u>				
Distribution Plant	(8,419,481)	(692,782)	6,025	(9,106,238)
General Plant	(2,320,808)	(237,557)	-	(2,558,365)
Total accumulated depreciation	(10,740,289)	(930,339)	6,025	(11,664,603)
Total capital assets being depreciated, net	7,866,487	1,782,700	-	9,649,187
Total business-type activities capital assets, net	<u>\$ 8,311,000</u>	<u>\$ 1,439,370</u>	<u>\$ -</u>	<u>\$ 9,750,370</u>

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

Governmental Activities:	
General government	\$ 58,785
Public safety	157,574
Education	824,254
Public works	1,402,249
Human services	48,726
Culture and recreation	125,879
Total depreciation expense - governmental activities	<u>\$ 2,617,467</u>
Business-Type Activities:	
Water and Sewer	\$ 826,040
Electric light - (December 31, 2007)	930,339
Total depreciation expense - business-type activities	<u>\$ 1,756,379</u>

**TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 6 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2008, are summarized as follows:

<u>Operating Transfers Out:</u>	<u>Operating Transfers In:</u>			<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Water/Sewer Enterprise Fund</u>	
No major Governmental Funds	\$ 741,601	\$ -	\$ -	\$ 741,601 (1)
No major Governmental Funds	-	-	33,772	33,772 (3)
General Fund	-	1,334,287	149,238	1,483,525 (2)
Total	<u>\$ 741,601</u>	<u>\$ 1,334,287</u>	<u>\$ 183,010</u>	<u>\$ 2,258,898</u>

- (1) Represents various budgeted transfers to supplement the operating budget
- (2) Represents various budgeted transfers from the general fund to various funds.
- (3) Represents other transfers to the water/sewer enterprise fund.

NOTE 7 – SHORT-TERM FINANCING

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

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

Short-term loans are general obligations of the Town and maturity dates are governed by statute. There was no short-term financing activity during fiscal year 2008.

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 8 – LONG-TERM DEBT

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

The following is a summary of the changes in long-term debt for the year ended June 30, 2008:

Bonds and Notes Payable Schedule -Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2007	Issued	Redeemed	Outstanding at June 30, 2008
General Obligation	4.75	\$ 980,000	\$ -	\$ 555,000	\$ 425,000
Title V	Var.	49,926	-	3,847	46,079
Senior Center	5.15	450,000	-	150,000	300,000
School	5.64	4,330,000	-	1,365,000	2,965,000
School - Refunding	4.12	22,445,000	-	180,000	22,265,000
School	3.64	765,000	-	45,000	720,000
Outdoor Recreation	3.64	1,990,000	-	145,000	1,845,000
School Construction	2.67	90,000	-	15,000	75,000
School Construction	3.00	40,000	-	20,000	20,000
Public Safety Building	3.90	-	8,000,000	-	8,000,000
Total		\$ 31,139,926	\$ 8,000,000	\$ 2,478,847	\$ 36,661,079

The annual debt service requirements for principal and interest for Governmental bonds and notes outstanding at June 30, 2008 are as follows:

Fiscal Year	Principal	Interest	Total
2009	\$ 2,533,847	\$ 1,491,616	\$ 4,025,463
2010	2,413,847	1,379,816	3,793,663
2011	2,378,873	1,266,925	3,645,798
2012	2,473,873	1,175,537	3,649,410
2013	2,578,873	1,080,271	3,659,144
2014-2018	14,224,158	3,810,103	18,034,261
2019-2023	7,397,608	1,131,492	8,529,100
2024-2028	2,660,000	327,800	2,987,800
Total	\$ 36,661,079	\$ 11,663,560	\$ 48,324,639

**TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

Bonds and Notes Payable Schedule -Water and Sewer Enterprise Fund

Project	Interest Rate (%)	Outstanding at June 30, 2007	Issued	Redeemed	Outstanding at June 30, 2008
Water Wells	4.98	\$ 915,000	\$ -	\$ 100,000	\$ 815,000
MWPAT Drinking Water	Var.	1,491,636	-	85,230	1,406,406
Water	3.64	800,000	-	50,000	750,000
Water	3.64	2,080,000	-	130,000	1,950,000
Water Meters	2.67	660,000	-	110,000	550,000
MWPAT Drinking Water	Var.	652,494	-	32,131	620,363
MWPAT Drinking Water	Var.	662,826	-	32,482	630,344
MWPAT Drinking Water	Var.	2,210,573	-	106,996	2,103,577
MWPAT Drinking Water	2.00	889,076	-	38,851	850,225
MWPAT Sewer Construction	Var.	2,398,141	-	139,786	2,258,355
MWPAT Sewer Construction	Var.	3,376,022	-	169,663	3,206,359
MWPAT Sewer Connections	Var.	455,040	-	32,557	422,483
MWPAT Sewer Connections	Var.	707,183	-	39,382	667,801
Total		<u>\$ 17,297,991</u>	<u>\$ -</u>	<u>\$ 1,067,078</u>	<u>\$ 16,230,913</u>

The annual debt service requirements for principal and interest for water and sewer enterprise fund bonds and notes outstanding at June 30, 2008 are as follows:

Fiscal Year	Principal	Interest	Total
2009	\$ 1,064,621	\$ 707,160	\$ 1,771,781
2010	1,079,745	667,998	1,747,743
2011	1,095,781	627,726	1,723,507
2012	1,114,588	581,757	1,696,345
2013	1,131,141	530,020	1,661,161
2014-2018	5,444,009	1,809,367	7,253,376
2019-2023	4,896,704	588,505	5,485,209
2024-2026	404,324	16,512	420,836
Total	<u>\$ 16,230,913</u>	<u>\$ 5,529,045</u>	<u>\$ 21,759,958</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

Bonds and Notes Payable Schedule – Electric Light Plant Enterprise Fund (December 31, 2007)

<u>Project</u>	<u>Interest Rate (%)</u>	<u>Outstanding at December 31, 2006</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at December 31, 2007</u>
Substation	3.375/3.50	\$ 2,355,000	\$ -	\$ 265,000	\$ 2,090,000

The annual debt service requirements for principal and interest for electric light plant enterprise fund bond outstanding at December 31, 2007 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 265,000	\$ 61,195	\$ 326,195
2009	265,000	53,245	318,245
2010	265,000	45,370	310,370
2011	265,000	37,570	302,570
2012	265,000	29,607	294,607
2013-2015	<u>765,000</u>	<u>38,640</u>	<u>803,640</u>
Total	<u>\$ 2,090,000</u>	<u>\$ 265,627</u>	<u>\$ 2,355,627</u>

Loan Authorized and Unissued

As of June 30, 2008, the Town has one loan authorized and unissued as follows:

<u>Description</u>	<u>Date Authorized</u>	<u>Amount</u>
Land Acquisition	9/20/2004	<u>\$ 325,000</u>

TOWN OF HOLDEN, MASSACHUSETTS
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JUNE 30, 2008

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2008 (electric light as of December 31, 2007):

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

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds and notes payable	\$ 31,139,926	\$ 8,000,000	\$ (2,478,847)	\$ 36,661,079	\$ 2,533,847
Compensated absences	566,386	-	(26,965)	539,421	209,540
Landfill postclosure care costs	300,000	-	(20,000)	280,000	20,000
Capital lease payable	72,307	-	(72,307)	-	-
 Total governmental activities long-term liabilities	 <u>\$ 32,078,619</u>	 <u>\$ 8,000,000</u>	 <u>\$ (2,598,119)</u>	 <u>\$ 37,480,500</u>	 <u>\$ 2,763,387</u>
 <u>Business-Type Activities:</u>	 <u>Beginning Balance</u>	 <u>Additions</u>	 <u>Reductions</u>	 <u>Ending Balance</u>	 <u>Current Portion</u>
Bonds and notes payable - water/sewer	\$ 17,297,991	\$ -	\$ (1,067,078)	\$ 16,230,913	\$ 1,064,621
Bonds and notes payable - electric light	2,355,000	-	(265,000)	2,090,000	265,000
Compensated absences	23,670	1,177	-	24,847	9,010
Customer deposits - electric light	120,274	-	(8,260)	112,014	-
Rate stabilization reserve - electric light	2,385,248	68,442	-	2,453,690	-
 Total business-type activities long-term liabilities	 <u>\$ 22,182,183</u>	 <u>\$ 69,619</u>	 <u>\$ (1,340,338)</u>	 <u>\$ 20,911,464</u>	 <u>\$ 1,338,631</u>

**TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

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 \$2,221,984 from scheduled annual payments in FY 2008 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, 2008:

<u>Agency</u>	<u>Total Long- Term Debt Outstanding</u>	<u>Town's Estimated Share</u>	<u>Town's Indirect Debt</u>
Wachusett Regional School District			
Bonds	\$ 20,565,000	43.96%	\$ 9,040,374
Bond Anticipation Notes	<u>8,761,456</u>	43.96%	<u>3,851,536</u>
	<u>29,326,456</u>		<u>12,891,910</u>
Montachusett Regional Vocational Technical School District	<u>11,182,000</u>	10.94%	<u>1,223,311</u>
	<u>\$ 40,508,456</u>		<u>\$ 14,115,221</u>

TOWN OF HOLDEN, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 9 – 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 \$28,121,823. 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 2008.

The Town has two contributory health care options for its employees. There are 96 active employees and 88 retirees who participate in the Town's health care programs. For active employees, the Town contributes 80% of the premium costs for both family and individual plans. For retirees, the Town contributes 74% of the premium costs for the senior HMO plans (Fallon Senior Plan and Medicare HMO Blue) and 50% of the premium costs for the Blue Cross Medex and Fallon Major Medical 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 2008.

NOTE 10 – 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.

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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 contributions to the "System" for years ended June 30, 2008, 2007, and 2006 were \$523,789, \$498,342, and \$510,160, 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 \$562,899 for fiscal year 2008. 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 11 – 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 expand more than \$500,000 of federal awards during the period ended June 30, 2008. 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 (14 years remaining), and the estimated liability has been recorded in the Statement of Net Assets, Governmental Activities. The \$280,000 reported as landfill post-closure liability at June 30, 2008 is based on what it would cost to perform all post-closure care costs at June 30, 2008. 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, 2008, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2008.

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NOTE 12 - MMWEC PARTICIPATION AND CONTINGENT LIABILITIES

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

MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts, created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in, and to issue revenue bonds to finance, electric facilities (Projects). MMWEC has acquired ownership interests in electric facilities operated by other 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.

Holden Municipal Light Department has entered into PSAs and Power Purchase Agreements (PPAs) with MMWEC. Under both the PSAs and PPAs, the Department is required to make certain payments to MMWEC payable solely from 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).

Though it's membership in MMWEC, the Department is contingently liable on various projects in which they participated as detailed below.

MMWEC has issued separate issues of 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.

MMWEC operates the Stony Brook Intermediate Project and the Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has a 3.7% interest in the W.F. Wyman Unit No.4 plant, which is operated and owned by its majority owner, FPL Energy Wyman IV, LLC a subsidiary of FPL Energy, LLC. and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit, operated by Dominion Nuclear Connecticut, Inc. (DNCI), the majority owner and a subsidiary of Dominion Resources, Inc. DNCI also owns and operates Millstone Unit 2 nuclear unit. In November 2005, the Nuclear Regulatory Commission (NRC) renewed the operating licenses for the Millstone Unit 2 and Unit 3 nuclear units for an additional twenty years. The license for Unit 2 was extended to July 31, 2035 and the license for Unit 3 was extended to November 25, 2045.

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A substantial portion of MMWEC's plant investment and financing program is an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by FPL Energy Seabrook, LLC (FPLE Seabrook), the majority owner and an indirect subsidiary of FPL Group, Inc. In December 2005, the NRC issued an amendment to the operating license that extends the expiration date from October 2026 to March 2030, to recapture the period 1986 to 1990 during which time Seabrook had an operating license, but did not operate. FPLE Seabrook, LLC has stated its intention to request an extension of the Seabrook Station operating license beyond March 2030.

Pursuant to the PSAs the MMWEC Seabrook and Millstone Project Participants are liable for their proportionate share of the costs associated with decommissioning the plants, which costs are being funded through monthly Project billings. Also the Project Participants are liable for their proportionate share of the uninsured costs of a nuclear incident that might be imposed under the Price-Anderson Act. Originally enacted in 1957, the Act has been renewed several times. In July 2005, as part of the Energy Policy Act of 2005, Congress extended the Act until the end of 2025.

MMWEC is involved in various legal actions. In the opinion of MMWEC management, the outcome of such litigation or claims will not have a material adverse effect on the financial position of the department.

As of December 31, 2007, total Projects(s) capital expenditures amounted to \$1,538,931,000 of which \$48,007,000 represents the amount associated with the Department's share of Project Capability. MMWEC's debt outstanding for the Projects includes Power Supply System Revenue Bonds totaling \$641,630,000, of which \$19,314,000 is associated with the Department's share of Project Capability.

As of December 31, 2007, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$763,040,000 of which \$23,122,000 is anticipated to be billed to the Department in the future.

The estimated aggregate amount of Holden Municipal Light Department's required payments under the PSAs and PPAs, exclusive of the Reserve and Contingency Fund billings, to MMWEC at December 31, 2007 and estimated for future years is shown below.

<u>For years ended December 31,</u>	<u>Annual Costs</u>
2008	\$ 3,000,000
2009	2,686,000
2010	2,436,000
2011	2,416,000
2012	2,410,000
2013 - 2017	9,734,000
2018 - 2019	<u>440,000</u>
	<u><u>\$ 23,122,000</u></u>

In addition, the Department is required to pay its share of the Operation and Maintenance (O&M) costs of the Projects in which they participate. The Department's total O&M costs including debt service under the PSAs were \$5,705,000 and \$5,619,000 for the years ended December 31, 2007 and 2006, respectively.

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NOTE 13 – PURCHASED POWER WORKING CAPITAL

The purchased power working capital is an amount held by Massachusetts Municipal Wholesale Electric Company (MMWEC), our power supply agent. The implementation of the Working Capital Program began August 1, 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 our power obligations when they are due. They replenish the fund as needed from our 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, 2007 and 2006 is \$1,319,671 and \$1,286,023 respectively.

NOTE 14 – DEPRECIATION FUND

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

NOTE 15 – RATE STABILIZATION

The rate stabilization fund was created as an aftermath of deregulation. 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. We will also use this fund to help us maintain our competitive position when the investor-owned utilities are no longer collecting their stranded costs several years down the line. Our rate stabilization fund balances at December 31, 2007 and 2006 was \$1,614,097 and \$1,353,734.

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NOTE 16 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2008, the following GASB pronouncements were implemented:

The GASB issued **Statement #43**, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was implemented in Fiscal 2008. Since there is no legally established separate trust for the postemployment benefit plan this pronouncement did not impact the basic financial statements.

The GASB issued **Statement #48**, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* was implemented in FY2008. Since the Town does not sell or pledge receivable or future revenues, this pronouncement did not impact the basic financial statements.

The GASB issued **Statement #50**, *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27*. was implemented in FY2008. Since the Town does not operate its' own pension plan, this pronouncement will not impact the basic financial statements.

Future GASB Pronouncements:

The GASB issued **Statement #45**, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which is required to be implemented in Fiscal 2009. Management believes this pronouncement will require additional disclosure and impact the basic financial statements.

The GASB issued **Statement #49**, *Accounting and Financial Reporting for Pollution Remediation Obligations* which is required to be implemented in FY2009. Management does not believe that there are any pollution remediation obligations that will require disclosure and this pronouncement will not have an impact on the basic financial statements.

The GASB issued **Statement #51**, *Accounting and Financial Reporting for Intangible Assets* which is required to be implemented in FY2010. Management believes this pronouncement will require additional disclosure, but will not have a material impact on the basic financial statements.