

2017

# Town of Holden, Maine Independent Auditors' Report and Financial Statement June 30, 2017

Holden, Me.

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**TOWN OF HOLDEN, MAINE**

**INDEPENDENT AUDITORS' REPORT AND**  
**FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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# Maine Municipal Audit Services, PA

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Mindy J. Cyr, CPA

## Independent Auditors' Report

To the Town Council  
Town of Holden  
Holden, Maine

We have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of Town of Holden, Maine, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

### AUDITOR'S RESPONSIBILITY

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

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

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

### OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate remaining fund information of the Town of Holden, Maine, as of June 30, 2017, and the respective changes in financial position in accordance with accounting principles generally accepted in the United States of America.

## **OTHER MATTERS**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 5-6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison information on page 23 is required by accounting principles generally accepted in the United States of America. This information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The budgetary comparison schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements.

### *Other Information*

The other supplemental information section is the responsibility of management and the schedules were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit to the basic financial statements. In our opinion, the other supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Maine Municipal Audit Services, PA*

Levant, Maine  
September 15, 2017

**Town of Holden**  
**Management's Discussion and Analysis**  
**Fiscal Year ending June 30, 2017**

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*www.holdenmaine.com*

Management of the Town of Holden offers this management's discussion and analysis report that will provide information that should be used in conjunction with the outside audit report for fiscal year ending June 30, 2017.

**Overview of the Financial Statements:**

The discussion and analysis report is intended to serve as an introductory to the full audit report. The audit report consists of three components: government-wide financial statements; fund financial statements, and the notes to the financial statements. This report is intended to explain some of these financial statements in a concise and non-financial terminology.

**Government-wide Financial Statements:**

The government-wide financial statements present the Town's financial position as of a certain date using some common financial reporting tools and using the modified accrual basis of accounting. The governmental activities that are reported include: general government, public safety, public works, health, social services, education and cemetery, parks and recreation activities.

**Fund Financial Statements:**

A fund is a group of related accounts that have been grouped together to maintain control over activities that are segregated for specific purposes and objectives. These funds include: general fund, special revenue fund, and permanent fund accounts.

**Notes to the Financial Statements:**

The notes provide the reader with additional information about the Town that will help understand the financial data provided by our outside audit firm and our financial statements.

**Government Wide Financial Analysis:**

The audit report shows that the Town increased our net position by \$514,578.46 for the year ending June 30, 2017. Ending Net Position is \$5,963,861.25. The Town has long-term debt outstanding of \$1,020,285.07.

**Town of Holden**  
**Management's Discussion and Analysis**  
**Fiscal Year ending June 30, 2017**

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*www.holdenmaine.com*

Differences between the original and final budget for the general fund are typically caused by the usage of assigned and unassigned fund balances along with applied revenues.

All Town departments finished the year under budget. The general fund actual revenues totaled \$5,712,104.85, with actual expenditures totaling \$5,512,641.54.

**Contacting the Town's Management:**

If you have any questions about this report or need additional financial information, contact the Town Office at 570 Main Road, Holden, Maine 04429.

**Town of Holden, Maine**  
**Statement of Net Position**  
**June 30, 2017**

		<u>Total Governmental Activities</u>
<b>ASSETS:</b>		
<i>Current assets:</i>		
Cash and cash equivalents	\$ 1,838,900.29	
Investments	804,946.13	
Accounts receivable	28,875.09	
Inventory	15,519.00	
Prepaid asset - fire truck down payment	100,000.00	
Tax liens receivable	<u>163,349.64</u>	
<i>Total current assets</i>		\$ 2,951,590.15
<i>Non-current assets:</i>		
Capital assets, net of accumulated depreciation	<u>4,318,120.67</u>	
<i>Total non-current assets</i>		<u>4,318,120.67</u>
<b>TOTAL ASSETS</b>		<b>7,269,710.82</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Defined benefit pension plan	<u>185,552.00</u>	
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>		<u>185,552.00</u>
		<u><b>\$ 7,455,262.82</b></u>
<b>LIABILITIES:</b>		
<i>Current liabilities:</i>		
Accounts payable	\$ 28,941.20	
Accrued liabilities	16,303.50	
Accrued interest payable	6,939.31	
Current portion of long-term debt	<u>105,599.10</u>	
<i>Total current liabilities</i>		\$ 157,783.11
<i>Non-current liabilities:</i>		
Non-current portion of long-term debt:		
Bonds payable	914,685.97	
Accrued compensated absences	43,966.02	
Net pension liability	<u>299,867.00</u>	
<i>Total non-current liabilities</i>		<u>1,258,518.99</u>
<b>TOTAL LIABILITIES</b>		<b>1,416,302.10</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Prepaid property taxes	7,433.47	
Defined benefit pension plan	<u>67,666.00</u>	
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>		<b>75,099.47</b>
<b>NET POSITION:</b>		
Invested in capital assets, net of related debt	3,297,835.60	
Restricted	63,166.99	
Unrestricted	<u>2,602,858.66</u>	
<b>TOTAL NET POSITION</b>		<u>5,963,861.25</u>
		<u><b>\$ 7,455,262.82</b></u>

The accompanying notes are an integral part of these statements.



Town of Holden, Maine  
Statement of Activities  
For the Year Ended June 30, 2017

	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Total
<i>Governmental activities:</i>						
General government	\$ 162,624.68	\$ 20,540.80	\$ -	\$ -	\$ (142,083.88)	\$ (142,083.88)
Administration	344,075.35	-	-	-	(344,075.35)	(344,075.35)
Police protection	334,226.45	-	-	-	(334,226.45)	(334,226.45)
Fire protection	402,235.21	-	-	-	(402,235.21)	(402,235.21)
Animal control	6,802.36	-	-	-	(6,802.36)	(6,802.36)
Sanitation	157,994.28	-	-	-	(157,994.28)	(157,994.28)
Public works	398,603.46	-	34,280.00	-	(364,323.46)	(364,323.46)
Health and welfare	16,995.02	-	-	2,366.01	(14,629.01)	(14,629.01)
Education	2,742,141.60	-	-	-	(2,742,141.60)	(2,742,141.60)
County tax	352,939.79	-	-	-	(352,939.79)	(352,939.79)
Other	33,263.87	-	-	78,537.12	45,273.25	45,273.25
Interest on long-term debt	47,286.91	-	-	-	(47,286.91)	(47,286.91)
Depreciation	277,735.33	-	-	-	(277,735.33)	(277,735.33)
<i>Total governmental activities</i>	<i>\$ 5,276,924.31</i>	<i>\$ 20,540.80</i>	<i>\$ 34,280.00</i>	<i>\$ 80,903.13</i>	<i>(5,141,200.38)</i>	<i>(5,141,200.38)</i>

<i>General revenues:</i>	
Property taxes, levied for general purposes	4,398,929.21
Excise taxes	757,840.63
Interest and lien fees	20,832.32
Licenses and permits	38,988.20
<i>Grants and contributions not restricted to specific programs:</i>	
State revenue sharing	147,445.72
Other	113,580.25
Unrestricted investment earnings	10,718.13
Miscellaneous revenues	167,444.38
<i>Total general revenues and transfers</i>	<i>5,655,778.84</i>
<i>Changes in net position</i>	<i>514,578.46</i>
<b>NET POSITION - BEGINNING</b>	<b>5,184,418.79</b>
<b>Prior period adjustment - see footnotes</b>	<b>264,864.00</b>
<b>NET POSITION - ENDING</b>	<b>\$ 5,963,861.25</b>

The accompanying notes are an integral part of these statements.

Town of Holden, Maine  
Balance Sheet  
Governmental Funds  
June 30, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,838,900.29	\$ -	\$ 1,838,900.29
Investments	804,946.13	-	804,946.13
Accounts receivable	28,875.09	-	28,875.09
Due from other funds	-	47,647.99	47,647.99
Inventory	15,519.00	-	15,519.00
Prepaid asset - Fire truck down payment	100,000.00	-	100,000.00
Tax liens receivable	163,349.64	-	163,349.64
<b>TOTAL ASSETS</b>	<b>\$ 2,951,590.15</b>	<b>\$ 47,647.99</b>	<b>\$ 2,999,238.14</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<i>Liabilities:</i>			
Accounts payable	\$ 28,941.20	\$ -	\$ 28,941.20
Due to other funds	47,647.99	-	47,647.99
Accrued liabilities	16,303.50	-	16,303.50
<i>Total liabilities</i>	<i>92,892.69</i>	<i>-</i>	<i>92,892.69</i>
<i>Deferred inflows of resources:</i>			
Prepaid property taxes	7,433.47	-	7,433.47
Deferred property tax revenue	130,600.00	-	130,600.00
<i>Total deferred inflows of resources</i>	<i>138,033.47</i>	<i>-</i>	<i>138,033.47</i>
<i>Fund balances:</i>			
Non-spendable	15,519.00	-	15,519.00
Restricted	-	47,647.99	47,647.99
Assigned	641,060.51	-	641,060.51
Unassigned	2,064,084.48	-	2,064,084.48
<i>Total fund balances</i>	<i>2,720,663.99</i>	<i>47,647.99</i>	<i>2,768,311.98</i>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 2,951,590.15</b>	<b>\$ 47,647.99</b>	
<i>Amounts reported for governmental activities in the statement of net position (Stmt. 1) are different because:</i>			
Depreciable and non-depreciable capital assets as reported in Stmt. 1			4,318,120.67
Long-term liabilities, including bonds payable, as reported on Stmt. 1			(1,020,285.07)
Accrued interest on long-term debt as reported on Statement 1			(6,939.31)
Net pension liability, as reported on Stmt. 1			(299,867.00)
Deferred outflows related to pension plans			185,552.00
Deferred inflows related to pension plans			(67,666.00)
Accrued compensated absences			(43,966.02)
Deferred property taxes not reported on Stmt. 1			130,600.00
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>			<b>\$ 5,963,861.25</b>

The accompanying notes are an integral part of these statements.

**Town of Holden, Maine**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2017**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>			
Property taxes	\$ 4,398,929.21	\$ -	\$ 4,398,929.21
Excise taxes	757,840.63	-	757,840.63
Intergovernmental revenue	297,671.98	78,537.12	376,209.10
Charges for services	20,540.80	-	20,540.80
Investment income	9,857.33	860.80	10,718.13
Interest and lien fees	20,832.32	-	20,832.32
Licenses and permits	38,988.20	-	38,988.20
Other revenue	167,444.38	-	167,444.38
<i>Total revenues</i>	5,712,104.85	79,397.92	5,791,502.77
<b>EXPENDITURES:</b>			
General government	119,286.89	-	119,286.89
Administration	344,075.35	-	344,075.35
Police protection	334,226.45	-	334,226.45
Fire protection	425,694.21	-	425,694.21
Animal control	6,802.36	-	6,802.36
Sanitation	157,994.28	-	157,994.28
Public works	693,768.46	-	693,768.46
Health and welfare	16,995.02	-	16,995.02
Education	2,742,141.60	-	2,742,141.60
County tax	352,939.79	-	352,939.79
Debt service	222,259.06	-	222,259.06
Grant expenditures	-	82,657.67	82,657.67
Unclassified	2,601.42	-	2,601.42
Reserve accounts	93,856.65	-	93,856.65
<i>Total expenditures</i>	5,512,641.54	82,657.67	5,595,299.21
<i>Excess (deficiency) of revenues over expenditures</i>	199,463.31	(3,259.75)	196,203.56
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers in	-	585.00	585.00
Operating transfers (out)	(585.00)	-	(585.00)
Unrealized gain (loss) on investments	(11,103.13)	-	(11,103.13)
<i>Total other financing sources (uses)</i>	(11,688.13)	585.00	(11,103.13)
<i>Net change in fund balances</i>	187,775.18	(2,674.75)	185,100.43
<b>FUND BALANCES - BEGINNING</b>	2,532,888.81	50,322.74	2,583,211.55
<b>FUND BALANCES - ENDING</b>	\$ 2,720,663.99	\$ 47,647.99	\$ 2,768,311.98

The accompanying notes are an integral part of these statements.

Town of Holden, Maine  
**Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2017**

<b>Net change in fund balances - total governmental funds (Stmt. 4)</b>	\$	185,100.43
<p>Amounts reported for governmental activities in the Statement of Activities (Stmt. 2) are different due to the following items:</p>		
Depreciation expense recorded on Statement of Activities, yet not required to be recorded as expenditures on governmental funds		(277,735.33)
Capital outlays expensed on the Governmental Funds report (Stmt. 4), yet not considered an expense for the purposes of Statement of Activities (Stmt. 2)		475,579.00
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. More specifically, this represents the net amount of principal reduction in debt service made during the fiscal year.		174,669.78
Change in accrued compensated absences		(6,738.79)
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities the cost of pension benefits earned net of employee contributions is reported as pension expense		(36,599.00)
Change in accrued interest expense		302.37
<hr/>		
<b>Changes in net position of governmental activities (see Stmt. 2)</b>	<b>\$</b>	<b>514,578.46</b>

The accompanying notes are an integral part of these statements.

**TOWN OF HOLDEN, MAINE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Town of Holden, Maine (the Town) was incorporated on April 13, 1852. The Town operates under a town council – town manager form of government and is incorporated under the laws of the State of Maine.

The accounting policies of the Town conform to U.S. generally accepted accounting principles (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments*, and its amendments, established new financial reporting requirements for governments and caused the Town to restructure much of the information presented in the past. The more significant of the government’s accounting policies are described below.

In evaluating how to define the Town for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GASB Statement No. 14 *The Financial Reporting Entity* as amended by GASB Statement No. 39. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. Based on the criteria, it was determined that no other entities should be included in the Town’s financial statements.

**B. Basis of Presentation**

The Town’s basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town’s major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type.

Government-Wide Financial Statements

The Government-wide financial statements consist of a Statement of Net Position and a Statement of Activities and reports information on all of the non-fiduciary activities of the Town as a whole.

The Statement of Net Position reports all financial and capital resources of the Town and reports the difference between assets and liabilities, as “net position” not fund balance or equity. The Statement of Activities shows the degree to which the direct expenses of a given function or segment are offset by program revenue and reflects the “net (expense) revenue” of the Town’s individual functions before applying general revenues. The Town has elected not to allocate indirect costs among programs. Program revenues include 1) charges to customers for services and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

**TOWN OF HOLDEN, MAINE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. The focus of governmental and proprietary fund financial statements is on major funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with non-major funds being aggregated and displayed in a single column. The General Fund is always a major fund.

Because of the basis of accounting and reporting differences, summary reconciliations to the Government-wide financial statements are presented at the end of each applicable fund financial statement.

**C. Measurement Focus and Basis of Accounting**

Governmental Fund Types

*General Fund* – The general fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

*Special Revenue Fund* – Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for a specified purpose.

*Permanent Fund* – This 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. A permanent fund would be used, for example, to account for the perpetual care endowment of a municipal cemetery.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting is a conceptual description of the timing of the accounting measurements made.

The Government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, in accordance with GASB #34. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

**TOWN OF HOLDEN, MAINE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

As a general rule, the effect of interfund activity has been eliminated from the Government-wide 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 concept, revenues are recognized when they become measurable (estimable as to the net amount to be collected) and available as current assets. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

When both restricted and unrestricted resources are available, it is the government's policy to use restricted resources first and then unrestricted resources as they are needed.

**D. Budgets and Budgetary Accounting**

Formal budgetary accounting is employed as a management control for the general fund only. Annual operating budgets are adopted each fiscal year by the registered voters of the Town at their annual Town meeting. Budgets are established in accordance with generally accepted accounting principles. Budgetary control is exercised at the town council level. All unencumbered budget appropriations lapse at the end of the year unless specifically designated by the Town Council or required by law.

**E. Assets, Liabilities, Fund Equity, Revenue, Expenditures and Expenses**

Cash and Cash Equivalents

Cash and cash equivalents include currency on hand, demand deposits with financial institutions, and other accounts with an original maturity of three months or less when purchased. Investments are recorded at fair value.

Interfund Receivables and Payables

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts.

Capital Assets and Depreciation

Capital assets, which include property, plant, equipment and infrastructure assets (roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Town defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical costs or estimated historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**TOWN OF HOLDEN, MAINE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	20-40
Infrastructure	30-50
Machinery and Equipment	3-15

Net Position and Fund Balances

In the Government-wide financial statements, the difference between the Town's total assets and total liabilities represents net position. Net position displays three components – invested in capital assets, net of related debt; restricted (distinguished between major categories of restrictions); and unrestricted. Unrestricted net position represents the net assets available for future operations.

In the Fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. These designations are categorized as follows:

*Non-spendable* – Funds that are not in spendable form, such as funds that are legally required to be maintained in tact (corpus of a permanent fund).

*Restricted* – Funds that are restricted for use by an external group, the federal government, or other governing documents.

*Assigned* – Funds intended to be used for specific purposes set by the Town Council.

*Unassigned* – Funds available for any purpose.

Deferred Revenue

Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue arises when the Town receives resources before it has legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.



**TOWN OF HOLDEN, MAINE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Property Taxes

Property taxes for the current year were committed on July 28, 2016, on the assessed value listed as of April 1, 2016, for all real and personal property located in the Town. Payment of taxes was due on September 8, 2016 and March 8, 2017, with interest at 7% on all tax bills unpaid as of the due date.

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$56,423.56 for the year ended June 30, 2017.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the lien if tax liens and associated costs remain unpaid.

Risk Management

The Town pays insurance premiums to certain agencies to cover risks that may occur in normal operations. The Town purchases employee fidelity bond coverage. There have been no significant reductions in insurance coverage from the prior year. No settlements of claims have exceeded insurance coverage in the current year.

The Town is a member of the Maine Municipal Association – Worker Compensation Trust Fund (“Fund”). The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund’s membership, obtain lower costs for worker compensation coverage and develop a comprehensive loss control program. The Town pays an annual premium to the Fund for its workers compensation coverage. The Town’s agreement with the Fund provides that the Fund will be self-sustaining through member premiums and will provide, through commercial companies reinsurance contracts, individual stop loss coverage for member Towns’ claims in excess of \$400,000, with an excess limit of \$2,000,000.

The Town is a member of the Maine Municipal Association – Property Casualty Pool (“Pool”). The Pool was created to obtain lower rates for its members. The Town pays an annual premium for its property and liability coverage. Under the property coverage portion of the Pool, coverage is provided, after the deductible is met, to \$200,000,000. Under the liability portion of the Pool, coverage is provided, after the deductible is met, to \$1,000,000.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates are used to determine depreciation expense. Actual results could differ from those estimates.

**TOWN OF HOLDEN, MAINE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**2. DEPOSITS AND INVESTMENTS**

Deposits

Custodial credit risk of deposits is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a formal policy with respect to custodial credit risk.

GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized or collateralized by securities held by the pledging financial institution's trust department but not in the Town's name. At June 30, 2017, cash deposits had a carrying value of \$1,838,900.29. Of the deposited amounts, \$250,000 per bank was protected by depository insurance with additional protection provided by securities held in the Town's name through the financial institution. Accordingly, the Town was not exposed to custodial credit risk at June 30, 2017.

Investments

The Town's investment policies follow state statutes. At June 30, 2017, the Town had invested funds of \$804,946.13, all of which were US Government Obligations and certificates of deposit through People's United Bank.

**3. CAPITAL ASSETS**

<b>Governmental activities:</b>	<b>Balance 7/1/16</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/17</b>
Capital assets not being depreciated:				
Land	\$ 762,150.00	\$ -	\$ -	\$ 762,150.00
Capital assets being depreciated:				
Buildings & improvements	1,454,808.00	55,467.00	-	1,604,233.00
Equipment	428,051.00	63,989.00	(25,270.00)	466,770.00
Vehicles	1,413,115.00	80,738.00	(5,200.00)	1,488,653.00
Infrastructure	1,868,695.00	275,385.00	-	2,144,080.00
 Total capital assets	 6,020,777.00	 475,579.00	 (30,470.00)	 6,465,886.00
 Less accumulated depreciation				
Buildings/impr.	(586,786.00)	(42,722.00)	-	(629,508.00)
Equipment	(303,851.00)	(45,455.00)	1,005.00	(348,301.00)
Vehicles	(822,394.00)	(103,795.00)	294,329.00	(631,860.00)
Infrastructure	(452,333.00)	(85,763.00)	-	(538,096.00)
Total accumulated depreciation	(2,165,364.00)	(277,735.00)	295,334.00	(2,147,765.00)
Total capital assets, net	3,855,413.00	197,844.00	264,864.00	4,318,121.00
 <b>Governmental activities Capital assets, net</b>	 <b>\$ 3,855,413.00</b>	 <b>\$ 197,844.00</b>	 <b>\$ 264,864.00</b>	 <b>\$ 4,318,121.00</b>

**TOWN OF HOLDEN, MAINE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**3. CAPITAL ASSETS (CONTINUED)**

Depreciation expense can be allocated to departments as follows:

Public safety	\$ 79,060.00
Public works	191,009.00
Town wide	<u>7,666.00</u>
	\$ <u>277,735.00</u>

**4. LONG-TERM DEBT**

Long-term liability activity for the year ended June 30, 2017, was as follows:

Description	Balance 7/1/2016	Additions	(Reductions)	Balance 6/30/2017
<b>Governmental activities:</b>				
General obligation bonds payable:				
Camden National Bank, 2.63% dated 10/20/14, payable annually Due 2024	\$ 364,977.90	\$ -	\$ (40,553.10)	\$ 324,424.80
Bond issued 5/27/99, annual payments, varied interest 4.039%-5.289%	691,132.00	-	(37,930.00)	653,202.00
People's United Bank, 2.8%, dated 2010, due monthly until 2019	45,260.05	-	(12,156.78)	33,103.27
People's United Bank, 2.25%, dated 2/28/2012, due annually until 2016	49,069.77	-	(49,069.77)	-
People's United Bank, 1.75%, 3-year Dated 9/5/2014, annually	19,110.00	-	(9,555.00)	9,555.00
People's United Bank, 1.68%, 3-year Dated 7/24/13, annually	25,405.13	-	(25,405.13)	-
<b>Total</b>	<b>\$ 1,194,954.85</b>	<b>\$ -</b>	<b>\$ (174,669.78)</b>	<b>\$ 1,020,285.07</b>

The Town entered into a lease/purchase agreement in March 2017 with Tax-Exempt Leasing Corp for a fire truck to be built in fiscal year 2018. A prepayment of \$100,000 was made in fiscal year 2017 and has been reported on the financial statements as a prepaid asset. The financed amount is \$300,000, payable over five-years at an interest rate of 3.041%.

**TOWN OF HOLDEN, MAINE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**4. LONG-TERM DEBT (CONTINUED)**

The annual future principal payment requirement for bonds payable outstanding as of June 30, 2017, is as follows:

Year ending June 30,	Governmental Activities
2018	\$ 105,599.10
2019	100,208.37
2020	84,889.10
2021	87,267.10
2022	89,786.10
2023-2027	410,621.30
2028-2030	<u>141,914.00</u>
<b>Total</b>	<b><u>\$ 1,020,285.07</u></b>

**5. PENDING LITIGATION**

According to Town management, there are no matters that would result in adverse losses, claims, or assessments against the Town through the date of the audit report.

**6. ASSIGNED BALANCES**

The Town Council has the authority to assign amounts for specific future purposes. Approved assigned balances at June 30, 2017 consist of:

Account	Balance 7/1/2016	Total Revenue/ Receipts	Total Appropriations/Uses	Balance 6/30/2017
Fire department	\$ 49,530.58	\$ 120,667.57	\$ (118,527.73)	\$ 51,670.42
Revaluation	426.93	6.13	-	433.06
Admin department	10,052.99	1,655.62	-	11,708.61
Police department	16,505.50	16,356.60	-	32,862.10
Highway department	155,580.46	92,614.05	(61,287.56)	186,906.93
General reserve	52,131.64	670.66	(9,182.42)	43,619.88
Municipal building	192,220.16	20,394.52	(66,280.50)	146,334.18
Conservation/recreation	5,194.84	25.86	(5,000.00)	220.70
Economic development	136,882.50	1,917.70	(5,000.00)	133,800.20
Old town hall	2,097.50	10,000.00	(12,097.50)	-
Cemetery interest	3,743.58	53.78	-	3,797.36
Cemetery reserve	12,744.39	11,546.05	-	24,290.44
Holden veteran's memorial	5,306.09	110.54	-	5,416.63
Totals	<b><u>\$ 642,417.16</u></b>	<b><u>\$ 276,019.08</u></b>	<b><u>\$ (277,375.71)</u></b>	<b><u>\$ 641,060.53</u></b>

**TOWN OF HOLDEN, MAINE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**7. EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2017, there were no expenditures that exceeded appropriations for the Town.

**8. PERC JOINT VENTURE**

The Town owns a minority interest in a joint venture managed by the Municipal Review Committee, Inc. (MRC). The assets of the joint venture include cash and future interests relating to the PERC plant in Orrington, Maine. The value of the Town's interest in the joint venture as of June 30, 2017, cannot be determined.

**9. SUBSEQUENT EVENTS**

Management has made an evaluation of subsequent events to and including the audit report date, which was the date the financial statements were available to be issued, and determined that any subsequent events that would require recognition or disclosure have been considered in the preparation of the financial statements.

**10. PRIOR PERIOD ADJUSTMENT**

After a physical inventory of the Town's capital assets, a prior period adjustment was required to account for assets that were omitted from the prior period financial statements. The result of this adjustment is an increase to beginning net position on statement 2 of \$264,864.

**11. DEFINED BENEFIT PENSION PLAN**

Plan Description

Full-time Town employees are eligible to participate in the MainePERS. Benefits vest after five years of service. Town employees who retire at or after age 60 with 1 year of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2% of the average of their highest three-year earnings.

Member and Employer Contributions

Retirement benefits are funded by contributions from members of the plan and employers, and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. Member and employer contribution rates are each a percentage of applicable member compensation. Member contribution rates are defined by law or Board rule and depend on the terms of the plan under which a member is covered. Employer contribution rates are determined through actuarial valuations. Pension expense for the year ended June 30, 2017 totals \$36,599.

Actuarial Methods and Assumptions

The total pension liability for the Plans was determined by actuarial valuation as of June 30, 2016 and June 30, 2015, using the following assumptions and methods applied to all periods included in the measurement:

**TOWN OF HOLDEN, MAINE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**11. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

*Actuarial Cost Method*

The entry age normal actuarial funding method is used to figure costs. Using this method, the total employer contribution rate contains two elements – the normal cost rate and the unfunded actuarial liability (UAL) rate.

The individual entry age normal method is used to determine liabilities. Using the individual entry age normal method, a normal cost rate is figured for each employee. The rate is determined by taking the value, age at entry of the plan, of the member's projected future benefits, and dividing it by the value of his/her expected future salary. The normal cost for each employee is the product of his/her pay and his/her normal cost rate. The normal cost for the group is the sum of the normal costs for all members.

Experience gains (losses) – increases or decreases in liabilities and in assets when actual experience is different from the actuarial assumptions – affect the unfunded actuarial accrued liability.

*Asset Valuation Method*

The actuarial valuation employs a technique for determining the actuarial value of assets which dampens the swing in the market value. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is different from the actuarial assumption for investment return.

*Amortization*

The net pension liability of the PLD Consolidated Plan is amortized on an open basis over a period of fifteen years.

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5%
Salary increases	3.5%-9.5%
Investment rate of return	7.25%

For the Town employees, the mortality rate is based on the RP2000 Combined Mortality Tables for males and females using Scale AA with a two year set back.

The long-term expected rate of return on pension plan investments were determined using a building-block method where best-estimate ranges of expected future real rates of return are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 are summarized below:

**TOWN OF HOLDEN, MAINE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**11. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Long-term Expected Real Rate of Return</i>
US equities	20%	2.5 %
Non-US equities	20	5.5
Private equity	10	7.6
Real assets:		
Real estate	10	3.7
Infrastructure	10	4.0
Hard assets	5	4.8
Fixed income	25	0.0

Pension Plan Financial and Actuarial Information

Additional financial information and actuarial information can be found in the Maine PERS 2015 Comprehensive Annual Financial Report available online at [www.maineopers.org](http://www.maineopers.org) or by contacting the System at (207) 512-3100.

**12. DEFERRED OUTFLOWS AND DEFERRED INFLOWS**

	<i>Deferred outflows of resources</i>	<i>Deferred inflows of resources</i>
Difference between expected and actual experience	\$ 3,635.00	\$ 19,287.00
Net difference between projected and actual earnings on pension plan investments	110,811.00	46,118.00
Change of assumptions	32,147.00	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	38,959.00	2,261.00
	\$ 185,552.00	\$ 67,666.00

**13. DEFERRED COMPENSATION PLAN**

The Town offers full-time employees a deferred compensation plan created in accordance with Internal Revenue Code Section 401 through ICMA Retirement Corporation. The plan permits salary deferral to future years. Participation in the plan is optional. As of June 30, 2017, seven employees were enrolled in the plan. The deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

The Town has amended its plan in accordance with Internal Revenue Section 457(g); therefore, the Town no longer owns the deferred amounts and they have been removed from the Town's financial statements.

Investments are managed by the plan's trustee under one of two investment options or a combination thereof. The choice of investment options is made by the participants.

The Town's policy states the Town shall match 7%. Total Town contributions for the year ended June 30, 2017 was \$16,553.36.

**Town of Holden, Maine**  
**General Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June, 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 4,404,045.19	\$ 4,404,045.19	\$ 4,398,929.21	\$ (5,115.98)
Excise taxes	680,000.00	680,000.00	757,840.63	77,840.63
Intergovernmental revenue	295,213.37	295,213.37	297,671.98	2,458.61
Charges for services	15,360.00	15,360.00	20,540.80	5,180.80
Investment income	8,000.00	8,000.00	9,857.33	1,857.33
Interest and lien fees	20,000.00	20,000.00	20,832.32	832.32
Licenses and permits	32,350.00	32,350.00	38,988.20	6,638.20
Other revenues	165,400.00	165,400.00	167,444.38	2,044.38
<i>Total revenues</i>	<u>5,620,368.56</u>	<u>5,620,368.56</u>	<u>5,712,104.85</u>	<u>91,736.29</u>
<b>EXPENDITURES:</b>				
General government	147,135.00	147,135.00	119,286.89	27,848.11
Administration	384,215.00	384,215.00	344,075.35	40,139.65
Police protection	346,790.00	346,790.00	334,226.45	12,563.55
Fire protection	458,130.00	458,130.00	425,694.21	32,435.79
Animal control	8,000.00	8,000.00	6,802.36	1,197.64
Sanitation	163,500.00	163,500.00	157,994.28	5,505.72
Public works	754,400.00	754,400.00	693,768.46	60,631.54
Health and welfare	23,615.00	23,615.00	16,995.02	6,619.98
Education	2,742,145.00	2,742,145.00	2,742,141.60	3.40
County tax	352,940.00	352,940.00	352,939.79	0.21
Debt service	222,395.00	222,395.00	222,259.06	135.94
Unclassified	3,070.00	3,070.00	2,601.42	468.58
Reserve accounts	192,500.00	834,917.16	93,856.65	741,060.51
<i>Total expenditures</i>	<u>5,798,835.00</u>	<u>6,441,252.16</u>	<u>5,512,641.54</u>	<u>928,610.62</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	(178,466.44)	(820,883.60)	199,463.31	836,874.33
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers (out)	-	-	(585.00)	(585.00)
Unrealized gain (loss) on investment	-	-	(11,103.13)	(11,103.13)
<i>Total other financing sources</i>	-	-	<u>(11,688.13)</u>	<u>(11,688.13)</u>
<i>Net changes in fund balances</i>			187,775.18	
<b>FUND BALANCES - BEGINNING</b>			<u>2,532,888.81</u>	
<b>FUND BALANCES - ENDING</b>			<u>\$ 2,720,663.99</u>	



Town of Holden, Maine  
 Combining Balance Sheet - All Other Non-Major Governmental Funds  
 June 30, 2017

	<i>Permanent Fund</i>		<i>Total Other Governmental Funds</i>
<b>ASSETS:</b>			
Interfund Receivables	\$ 47,647.99		\$ 47,647.99
<b>TOTAL ASSETS</b>	<b>\$ 47,647.99</b>		<b>\$ 47,647.99</b>
 <b>LIABILITIES AND FUND BALANCE:</b>			
<i>Fund Balance:</i>			
Restricted	\$ 47,647.99		\$ 47,647.99
<i>Total fund balance</i>	47,647.99		47,647.99
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 47,647.99</b>		<b>\$ 47,647.99</b>

**Town of Holden, Maine**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**All Other Non-Major Governmental Funds**  
**For the Year Ended June 30, 2017**

	<i>Special Revenue</i> <i>Fund</i>	<i>Permanent</i> <i>Fund</i>	<i>Total Other</i> <i>Governmental</i> <i>Funds</i>
<b>REVENUES:</b>			
Intergovernmental	\$ 78,537.12	\$ -	\$ 78,537.12
Interest income	-	860.80	860.80
<i>Total revenues</i>	78,537.12	860.80	79,397.92
<b>EXPENDITURES:</b>			
Grant expenditures	69,507.67	13,150.00	82,657.67
<i>Total expenditures</i>	69,507.67	13,150.00	82,657.67
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	9,029.45	(12,289.20)	(3,259.75)
<b>OTHER FINANCING SOURCES (USES) OF FUNDS:</b>			
Transfers in	\$ -	\$ 585.00	\$ 585.00
<i>Total other financing sources (uses)</i>	-	585.00	585.00
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	9,029.45	(11,704.20)	(2,674.75)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	(9,029.45)	59,352.19	50,322.74
<b>FUND BALANCE - END OF YEAR</b>	\$ -	\$ 47,647.99	\$ 47,647.99

**Town of Holden, Maine**  
**Schedule of Property Valuation, Assessment and Appropriations**  
**For the Year Ended June 30, 2017**

<i>Assessed Valuation:</i>	
Real estate valuation	\$ 279,113,860.00
Personal property valuation	<u>2,294,739.00</u>
<b>Total valuation</b>	<u>281,408,599.00</u>
<i>Tax Commitment:</i>	
Tax assessment at \$15.65 per thousand	<u>4,404,045.19</u>
<i>Reconciliation of Commitment with Appropriation:</i>	
Current year tax commitment, as above	4,404,045.19
Appropriated from fund balance	234,890.00
Estimated revenues	<u>1,216,323.37</u>
<b>Appropriations per original budget</b>	<u>5,855,258.56</u>
<i>Overlay</i>	<u>(56,423.56)</u>
<b>TOTAL APPROPRIATIONS</b>	<u><u>\$ 5,798,835.00</u></u>

Town of Holden, Maine  
Schedule of Taxes and Tax Liens Receivable  
June 30, 2017

*Tax liens receivable*

2016	\$ 96,621.76	
2015	65,962.25	
2014	383.43	
2013	<u>382.20</u>	
		\$ <u>163,349.64</u>

**TOTAL TAXES AND TAX LIENS RECEIVABLE** \$ 163,349.64