

**TOWN OF HOLDEN, MAINE**

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

**JUNE 30, 2012**

## TABLE OF CONTENTS

	Statement	Page
<b>Independent Auditors' Report</b>		<b>3</b>
<b>Management's Discussion and Analysis</b>		<b>4-7</b>
<b>Basic Financial Statements</b>		
<i>Government-wide Financial Statements:</i>		
Statement of Net Assets	<b>1</b>	<b>8</b>
Statement of Activities	<b>2</b>	<b>9</b>
<i>Fund Financial Statements:</i>		
Balance Sheet – Governmental Funds	<b>3</b>	<b>10</b>
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	<b>4</b>	<b>11-12</b>
Notes to Financial Statements		<b>13-20</b>
<b>Required Supplemental Information</b>	<b>Schedule</b>	
Budgetary Comparison Schedule – General Fund	<b>A</b>	<b>21</b>
<b>Other Supplemental Information</b>		
Combining Balance Sheet – All Other Non-Major Funds	<b>B</b>	<b>22</b>
Statement of Revenues, Expenditures and Changes in Fund Balance – All Other Non-Major Funds	<b>C</b>	<b>23</b>
Schedule of Property Valuation, Assessments and Appropriations – General Fund	<b>D</b>	<b>24</b>
Schedule of Taxes Receivable	<b>E</b>	<b>25</b>

# Maine Municipal Audit Services, PA

---

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, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. 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 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 provides a reasonable basis for our opinion.

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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 4-7 is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it. The budgetary comparison schedule on page 21 is supplemental information required by accounting principles generally accepted in the United States of America and has been subjected to the auditing procedures applied in the audit of the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Holden, Maine's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Maine Municipal Audit Services, PA

Levant, Maine  
September 5, 2012

## **Management's Discussion and Analysis Fiscal Year Ended June 30, 2012**

As management of the Town of Holden, Maine, we present this narrative as an overview and analysis of our annual financial statements for the year ending June 30, 2012. This information in conjunction with the notes to the financial statements can be considered when reading the Town's financial statements.

### **Financial Highlight**

Total assets of the Town of Holden, as shown on the Statement of Net Assets, exceeded its liabilities by \$4,423,474.41 the government-wide Statement of Activities showed an increase in net assets of \$349,334.08 for the fiscal year. The ending fund balance for all governmental funds combined is \$2,126,533.95.

### **Overview of the Financial Statement**

The Town of Holden's financial Statements are comprised of three components:

1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. Other supplemental information to the basic financial statements is also provided.

### **Government-wide Financial Statements**

The government-wide financial statements provide a broad overview of the Town of Holden's finances. Financial information is presented in two statements, Statement of Net Assets, and Statement of Activities.

The Statement of Net Assets presents information about the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, changes in net assets (increases or decreases) may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities presents information about how the Town's net assets have changed during the fiscal year. All changes in net assets are reported as soon as the change or event occurs, regardless of the timing of related cash requirements. This means that revenues and expenses are reported in this statement even if the resulting cash related movement does not occur until future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the statements distinguish between activities of the Town that are principally supported by taxes and intergovernmental activities (governmental activities) and those activities that recover all, or a significant portion of their costs through user fees and charges (business-type activities). Governmental activities report most of the Town's basic services including general administration, public safety (police, ambulance and fire), public works, (highway), sanitation and recreation programs. The Town does not currently report any business-type activities.

## **Fund Financial Statements**

---

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 other state and local governments, uses fund accounting to insure and demonstrate compliance with finance related legal requirements. Currently, the Town administers governmental funds only.

Governmental funds are used to report most of the Town's basic operational services. Operating expenses and revenues are recorded and the cumulative leftover balance of these activities, which is available for spending in subsequent years, is reported here. These funds are reported using an accounting method called modified accrual, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information can help to determine what financial resources are available in the near future to finance the Town's activities.

## **Other Information**

---

The combined and individual fund statements of governmental funds are presented immediately following the notes to the financial statements.

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

The Town of Holden uses fund accounting to segregate specific types of funds/projects and demonstrate compliance with related legal requirements.

### **Governmental funds**

The focus of the Town of Holden governmental funds is to provide information on fiscal activity and balances of available resources. Each year the result of the expenses less revenues received is added to the beginning fund balance and any unreserved portion is available for spending at the government's discretion. As indicated in the Financial Highlights, the Town of Holden's governmental funds reported a combined ending fund balance of \$2,126,533.95.

The ending fund balance for all governmental funds combined is \$2,126,533.95. The ending fund balance for the general fund is \$1,626,224.30 an increase of \$431,376.78 over last year. Of the \$2,126,533.95 balance, \$977,659.23 is reserved/non-spendable. This leaves an undesignated balance of \$1,148,874.72.

## **Capital Assets**

The Town of Holden's investment in capital assets for its governmental type activities totaled \$3,454,808 as of June 30, 2012. These capital assets include land, buildings and improvements, vehicles, machinery and equipment, roads, bridges and sidewalks.

The Town maintains a number of reserve accounts to be used for replacement and acquisition of new assets for the purpose of providing public service. The following is a list of the Town's reserve/non-spendable account balances as of June 30, 2012:

Fire Department	\$ 227,468.99
Revaluation	407.16
Administration Equipment	4,500.78
Police Equipment	35,156.90
Highway Equipment	28,804.05
General Equipment	191,940.25
Growth Management	1,442.31
Municipal Building	192,673.41
Municipal Garage	52,719.28
Salt/Sand Building	27,898.21
Development Park	98,267.72
Old Town Hall	4,438.99
Cemetery Interest	3,256.36
Cemetery Land	13,432.46
Cemetery Trust	70,465.06
Holden Veteran's Memorial	2,825.30
Conservation Commission	<u>3,962.01</u>
Total	\$959,659.24

### **Long Term Debt**

The Town of Holden's long-term bond debt outstanding at fiscal year end totals \$1,214,660 an increase of \$171,896. Detailed information of the Town's various long term debts can be viewed in the Notes to Financial Statements.

### **Special Conditions**

Increased cost for practically all commodities has affected the overall cost of operations for the Town. We have experienced, as all Holden residents have, increased cost in heating fuel, gas and diesel, electrical, paper products, mailing cost, and operating equipment. In addition the State has started reducing some revenue sources to the Towns, which may also effect our overall fund situation. The Town is closely watching the budget, revenue sources and State funding and making every attempt to operate within budget.

### **Requests for Information**

Questions and/or requests for additional information concerning these financial reports can be addressed to the Town Manager, 570 Main Road, Holden, ME 04429, telephone 843-5151.

Sincerely,

*John W. Butts*  
John Butts  
Town Manager

**Town of Holden, Maine**  
**Statement of Net Assets**  
**June 30, 2012**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,390,049.37
Investments	701,035.62
Accounts receivable	25,320.93
Taxes receivable	5,999.86
Tax liens receivable	141,570.13
Inventory	18,000.00
Impact fee escrow	18,942.69
Capital assets, net of accumulated depreciation	2,692,658.00
Non-depreciable capital assets	762,150.00
Total Assets	5,755,726.60
<b>LIABILITIES</b>	
Accounts payable	38,875.00
Accrued liabilities	2,676.39
Prepaid property taxes	13,995.96
Accrued wages	2,313.30
Accrued interest	10,626.39
Non-current liabilities:	
Accrued compensated absences	49,105.15
Due within one year	120,229.00
Due in more than one year	1,094,431.00
Total Liabilities	\$ 1,332,252.19
<b>NET ASSETS</b>	
Invested in capital assets, net of debt	\$ 2,180,416.46
Restricted	88,465.05
Unrestricted	2,154,592.90
<b>TOTAL NET ASSETS</b>	<b>\$ 4,423,474.41</b>

The accompanying notes are an integral part of this statement.

Town of Holden, Maine  
Statement of Activities  
For the Year Ended June 30, 2012

	Net (Expense) Revenue and Changes in Net Assets					
	Program Revenues			Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental	
					Activities	Total
Governmental activities:						
General government	\$ 162,677.05	\$ 19,273.70	\$ -	\$ -	\$ (143,403.35)	\$ (143,403.35)
Administration	333,467.70	-	-	-	(333,467.70)	(333,467.70)
Public safety	948,534.17	-	-	-	(948,534.17)	(948,534.17)
Sanitation	138,128.85	-	-	-	(138,128.85)	(138,128.85)
Public works	326,416.09	-	39,048.00	-	(287,368.09)	(287,368.09)
Municipal building	3,041.56	-	-	-	(3,041.56)	(3,041.56)
Health and welfare	22,069.10	-	-	4,552.12	(17,516.98)	(17,516.98)
Education	2,318,964.37	-	-	-	(2,318,964.37)	(2,318,964.37)
County tax	309,394.19	-	-	-	(309,394.19)	(309,394.19)
Other	23,798.35	-	1,595.42	15,220.90	(6,982.03)	(6,982.03)
Interest on long-term debt	50,707.28	-	-	-	(50,707.28)	(50,707.28)
Depreciation	163,835.00	-	-	-	(163,835.00)	(163,835.00)
<b>Total Government Activities</b>	<b>\$ 4,801,033.71</b>	<b>\$ 19,273.70</b>	<b>\$ 40,643.42</b>	<b>\$ 19,773.02</b>	<b>(4,721,343.57)</b>	<b>(4,721,343.57)</b>

General revenues:		
Property taxes, levied for general purposes	3,750,600.93	3,750,600.93
Motor vehicle excise taxes	578,385.43	578,385.43
Interest and lien fees	16,030.25	16,030.25
Licenses and permits	44,664.78	44,664.78
Grants and contributions not restricted to specific programs:		
State revenue sharing	196,936.51	196,936.51
Other	60,777.26	60,777.26
Unrestricted investment earnings	153,614.30	153,614.30
Miscellaneous revenues	269,668.19	269,668.19
<b>Total general revenues and transfers</b>	<b>5,070,677.65</b>	<b>5,070,677.65</b>
Changes in net assets	349,334.08	349,334.08
<b>NET ASSETS - BEGINNING</b>	<b>4,074,140.33</b>	<b>4,074,140.33</b>
<b>NET ASSETS - ENDING</b>	<b>\$ 4,423,474.41</b>	<b>\$ 4,423,474.41</b>

The accompanying notes are an integral part of this statement.

**Town of Holden, Maine  
Balance Sheet  
Governmental Funds  
June 30, 2012**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,390,049.37	\$ -	\$ 1,390,049.37
Investments	701,035.62	-	701,035.62
Accounts receivable	22,771.89	2,549.04	25,320.93
Taxes receivable	5,999.86	-	5,999.86
Tax liens receivable	141,570.13	-	141,570.13
Interfund receivables	2,549.04	70,465.05	73,014.09
Inventory	18,000.00	-	18,000.00
Impact fee escrow	18,942.69	-	18,942.69
<b>Total assets</b>	<b>\$ 2,300,918.60</b>	<b>\$ 73,014.09</b>	<b>\$ 2,373,932.69</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 38,875.00	\$ -	\$ 38,875.00
Accrued liabilities	2,676.39	-	2,676.39
Prepaid property taxes	13,995.96	-	13,995.96
Accrued wages	2,313.30	-	2,313.30
Interfund payables	70,465.05	2,549.04	73,014.09
Deferred property taxes	116,524.00	-	116,524.00
<b>Total liabilities</b>	<b>244,849.70</b>	<b>2,549.04</b>	<b>247,398.74</b>
Fund balances:			
Non-spendable	18,000.00	-	18,000.00
Restricted	-	70,465.05	70,465.05
Assigned	889,194.18	-	889,194.18
Unassigned	1,148,874.72	-	1,148,874.72
<b>Total fund balances</b>	<b>2,056,068.90</b>	<b>70,465.05</b>	<b>2,126,533.95</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,300,918.60</b>	<b>\$ 73,014.09</b>	
Amounts reported for governmental activities in the statement of net assets (Stmt. 1) are different because:			
Depreciable and non-depreciable capital assets as reported in Statement 1			3,454,808.00
Long-term liabilities, including bonds payable, as reported on Statement 1			(1,214,660.00)
Accrued interest on long-term debt as reported on Statement 1			(10,626.39)
Accrued compensated absences			(49,105.15)
Deferred property taxes not reported on Statement 1			116,524.00
<b>Net assets of governmental activities</b>			<b>\$ 4,423,474.41</b>

The accompanying notes are an integral part of this statement.

Town of Holden, Maine  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Property taxes	\$ 3,721,870.45	\$ -	\$ 3,721,870.45
Excise taxes	578,385.43	-	578,385.43
Intergovernmental revenue	302,909.31	15,220.90	318,130.21
Charges for services	19,273.70	-	19,273.70
Investment income	25,092.23	-	25,092.23
Interest and lien fees	16,030.25	-	16,030.25
Licenses and permits	44,664.78	-	44,664.78
Other revenue	269,668.19	-	269,668.19
<b>Total revenues</b>	<b>4,977,894.34</b>	<b>15,220.90</b>	<b>4,993,115.24</b>
<b>EXPENDITURES</b>			
General government	162,677.05	-	162,677.05
Administration	315,095.48	-	315,095.48
Public safety	940,143.45	-	940,143.45
Sanitation	138,128.85	-	138,128.85
Public works	538,908.88	-	538,908.88
Municipal building	3,041.56	-	3,041.56
Health and welfare	22,069.10	-	22,069.10
Education	2,318,964.37	-	2,318,964.37
County tax	309,394.19	-	309,394.19
Debt service	119,879.66	-	119,879.66
Grant expenditures	-	15,220.90	15,220.90
Reserve accounts	46,227.04	-	46,227.04
<b>Total expenditures</b>	<b>4,914,529.63</b>	<b>15,220.90</b>	<b>4,929,750.53</b>
Excess (deficiency) of revenues over (under) expenditures	63,364.71	-	63,364.71
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	1,800.00	1,091.36	2,891.36
Operating transfers (out)	(2,891.36)	-	(2,891.36)
Issuance of long-term debt	239,490.00	-	239,490.00
Unrealized gain (loss)	128,522.07	-	128,522.07
<b>Total other financing sources (uses)</b>	<b>366,920.71</b>	<b>1,091.36</b>	<b>368,012.07</b>
Net change in fund balances	430,285.42	1,091.36	431,376.78
<b>FUND BALANCES - BEGINNING</b>	<b>1,625,783.48</b>	<b>69,373.69</b>	<b>1,695,157.17</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 2,056,068.90</b>	<b>\$ 70,465.05</b>	<b>\$ 2,126,533.95</b>

The accompanying notes are an integral part of this statement.

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, 2012**

---

<b>Net change in fund balances - total governmental funds (Stmt. 4)</b>	\$	431,376.78
<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		(163,835.00)
Capital outlays expensed on the Governmental Funds report (Stmt. 4), yet not considered an expense for the purposes of Statement of Activities (Stmt. 2)		322,925.00
Disposition of fixed assets recorded on the Statement of Activities (Stmt. 2) yet not considered on the Fund Statement (Stmt. 4)		(50,000.00)
Revenues in the Statement of Activities (Stmt. 2) that do not provide current financial resources are not reported as revenues in the funds. More specifically, this amount represents the change in deferred property taxes.		28,730.48
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. More specifically, this represents the net amount of principal reduction in debt service made during the fiscal year.		67,594.00
Issuance of long-term debt recognized as income on the Governmental Funds report (Stmt. 4), yet not considered a revenue for purposes of the Statement of Activities (Stmt. 2)		(239,490.00)
Accrue compensated absences		(49,105.15)
Change in accrued interest expense		1,137.97
<hr/>		
<b>Changes in net assets of governmental activities (see Stmt. 2)</b>	<b>\$</b>	<b>349,334.08</b>

The accompanying notes are an integral part of this statement.

**TOWN OF HOLDEN, MAINE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**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 Assets 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 Assets reports all financial and capital resources of the Town and reports the difference between assets and liabilities, as “net assets” 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, 2012**

**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, 2012**

**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, 2012**

**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 Assets and Fund Balances

In the Government-wide financial statements, the difference between the Town's total assets and total liabilities represents net assets. Net assets display three components – invested in capital assets, net of related debt; restricted (distinguished between major categories of restrictions); and unrestricted. Unrestricted net assets represent 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, 2012**

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

Property Taxes

Property taxes for the current year were committed on August 1, 2011, on the assessed value listed as of April 1, 2011, for all real and personal property located in the Town. Payment of taxes was due on September 2, 2011 and March 2, 2012, 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 \$6,223.18 for the year ended June 30, 2012.

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, 2012**

**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, 2012, cash deposits totaled \$1,275,951.14 and had a carrying value of \$1,390,049.37. 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, 2012.

Investments

The Town's investment policies follow state statutes. At June 30, 2012, the Town had invested funds of \$701,035.62, all of which were US Government Obligations through People's United Bank.

**3. CAPITAL ASSETS**

<b>Governmental activities:</b>	<b>Balance 7/1/11</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/12</b>
Capital assets not being depreciated:				
Land	\$ 741,150.00	\$ 71,000.00	\$ (50,000.00)	\$ 762,150.00
Capital assets being depreciated:				
Water lines	1,100,000.00	-	-	1,100,000.00
Buildings & improvements	1,021,269.00	-	-	1,021,269.00
Equipment	291,357.00	112,440.00	(90,282.00)	313,515.00
Vehicles	986,601.00	-	-	986,601.00
Roads & bridges	951,977.00	139,485.00	-	1,091,462.00
<b>Total capital assets</b>	<b>5,092,354.00</b>	<b>322,925.00</b>	<b>(140,282.00)</b>	<b>5,274,997.00</b>
Less accumulated depreciation				
Water lines	(177,223.00)	(14,667.00)	-	(191,890.00)
Buildings/impr.	(426,151.00)	(26,993.00)	-	(453,144.00)
Equipment	(204,441.00)	(33,254.00)	90,282.00	(147,413.00)
Vehicles	(779,907.00)	(45,263.00)	-	(825,170.00)
Roads & bridges	(158,914.00)	(43,658.00)	-	(202,572.00)
<b>Total accumulated depreciation</b>	<b>(1,746,636.00)</b>	<b>(163,835.00)</b>	<b>90,282.00</b>	<b>(1,820,189.00)</b>
<b>Total capital assets, net</b>	<b>3,345,718.00</b>	<b>159,090.00</b>	<b>(50,000.00)</b>	<b>3,454,808.00</b>
<b>Governmental activities Capital assets, net</b>	<b>\$ 3,345,718.00</b>	<b>\$ 159,090.00</b>	<b>\$ (50,000.00)</b>	<b>\$ 3,454,808.00</b>

**TOWN OF HOLDEN, MAINE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**3. CAPITAL ASSETS (CONTINUED)**

Depreciation expense can be allocated to departments as follows:

Public safety	\$ 29,181.00
Public works	106,605.00
Town wide	13,382.00
Water lines	<u>14,667.00</u>
	<u>\$ 163,835.00</u>

**4. LONG-TERM DEBT**

Long-term liability activity for the year ended June 30, 2012, was as follows:

Description	Balance 7/1/2011	Additions	(Reductions)	Balance 6/30/2012
<b>Governmental activities:</b>				
General obligation bonds payable:				
People's United Bank, 4.476% dated 7/21/03, payable annually qualified tax exempt obligation	\$ 99,263.00	\$ -	\$ (33,100.00)	\$ 66,163.00
Bond issued 5/27/99, annual payments, varied interest 4.039%-5.289%	850,581.00	-	(29,299.00)	821,282.00
People's United Bank, 4.125%, dated 2010, due monthly until 2025	92,920.00	-	(5,195.00)	87,725.00
People's United Bank, 2.25%, dated 2/28/2012, due annually until 2016	-	239,490.00	-	239,490.00
<b>Total</b>	<u>\$ 1,042,764.00</u>	<u>\$ 239,490.00</u>	<u>\$ (67,594.00)</u>	<u>\$ 1,214,660.00</u>

The annual future principal payment requirement for bonds payable outstanding as of June 30, 2012, is as follows:

Year ending June 30,	Governmental Activities
2013	\$ 120,229.00
2014	122,044.00
2015	90,941.00
2016	93,016.00
2017	80,609.00
2018-2022	258,894.00
2023-2027	310,356.00
2028-2030	<u>138,571.00</u>
<b>Total</b>	<u><b>\$ 1,214,660.00</b></u>

**TOWN OF HOLDEN, MAINE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**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, 2012 consist of:

Account	Balance 7/1/2011	Total Revenue/ Receipts	Total Appropriations/Uses	Balance 6/30/2012
Fire department	\$ 193,740.87	\$ 33,728.12	\$ -	\$ 227,468.99
Revaluation	9,387.80	19.36	(9,000.00)	407.16
Admin equipment	17,137.20	5,128.58	(17,765.00)	4,500.78
Police equipment	19,683.19	15,473.71	-	35,156.90
Highway equipment	19,383.40	20,420.65	(11,000.00)	28,804.05
General equipment	163,791.32	28,148.93	-	191,940.25
Growth management	1,416.78	25.53	-	1,442.31
Municipal building	170,417.44	23,212.99	(957.02)	192,673.41
Municipal garage	46,835.91	5,883.37	-	52,719.28
Salt/sand storage	27,404.57	493.64	-	27,898.21
Conservation commission	8,531.42	76.38	(4,645.79)	3,962.01
Development park	54,619.87	43,647.85	-	98,267.72
Old town hall	2,973.40	1,906.41	-	4,438.99
Cemetery interest	6,054.11	61.48	(2,859.23)	3,256.36
Cemetery land	13,194.78	237.68	-	13,432.46
Holden veteran's memorial	2,775.31	49.99	-	2,825.30
Totals	<u>\$ 757,347.37</u>	<u>\$ 178,514.67</u>	<u>\$(46,227.04)</u>	<u>\$ 889,194.18</u>

**7. EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2012, 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, 2012, 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.

**Town of Holden, Maine**  
**General Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June, 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget-</u>
				<u>Positive (negative)</u>
<b>REVENUES:</b>				
Property taxes	\$ 3,754,605.56	\$ 3,754,605.56	\$ 3,721,870.45	\$ (32,735.11)
Excise taxes	478,700.00	478,700.00	578,385.43	99,685.43
Intergovernmental revenue	281,554.62	281,554.62	302,909.31	21,354.69
Charges for services	14,300.00	14,300.00	19,273.70	4,973.70
Investment income	6,000.00	6,000.00	25,092.23	19,092.23
Interest and lien fees	15,000.00	15,000.00	16,030.25	1,030.25
Licenses and permits	17,500.00	17,500.00	44,664.78	27,164.78
Other revenues	139,500.00	139,500.00	269,668.19	130,168.19
Total revenues	\$ 4,707,160.18	\$ 4,707,160.18	\$ 4,977,894.34	\$ 270,734.16
<b>EXPENDITURES:</b>				
General government	\$ 189,325.00	\$ 189,325.00	\$ 162,677.05	\$ 26,647.95
Administration	326,807.00	326,807.00	315,095.48	11,711.52
Public safety	972,399.00	972,399.00	940,143.45	32,255.55
Sanitation	138,250.00	138,250.00	138,128.85	121.15
Public works	602,070.00	602,070.00	538,908.88	63,161.12
Municipal buildings	3,500.00	3,500.00	3,041.56	458.44
Health and welfare	23,916.00	23,916.00	22,069.10	1,846.90
Education	2,318,965.00	2,318,965.00	2,318,964.37	0.63
County tax	309,395.00	309,395.00	309,394.19	0.81
Debt service	121,000.00	121,000.00	119,879.66	1,120.34
Reserve accounts	120,000.00	120,000.00	46,227.04	73,772.96
Total expenditures	\$ 5,125,627.00	\$ 5,125,627.00	\$ 4,914,529.63	\$ 211,097.37
Excess (deficiency) of revenues over (under) expenditures	\$ (418,466.82)	\$ (418,466.82)	\$ 63,364.71	\$ 59,636.79
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	\$ 200.00	\$ 200.00	\$ 1,800.00	\$ 1,600.00
Operating transfers (out)	-	-	(2,891.36)	(2,891.36)
Issuance of long-term debt	239,490.00	239,490.00	239,490.00	-
Unrealized gain (loss) on investments	-	-	128,522.07	128,522.07
Total other financing sources	\$ 239,690.00	\$ 239,690.00	\$ 366,920.71	\$ 127,230.71
Net changes in fund balances	\$ (178,776.82)	\$ (178,776.82)	\$ 430,285.42	\$ 186,867.50
<b>FUND BALANCES - BEGINNING</b>			1,625,783.48	
<b>FUND BALANCES - ENDING</b>			\$ 2,056,068.90	

**Town of Holden, Maine**  
**Combining Balance Sheet - All Other Non-Major Governmental Funds**  
**June 30, 2012**

	Special Revenue Fund	Permanent Fund	Total Other Governmental Funds
<b>ASSETS:</b>			
Grants receivable	\$ 2,549.04	\$ -	\$ 2,549.04
Interfund Receivables	-	70,465.05	70,465.05
<b>TOTAL ASSETS</b>	<b>\$ 2,549.04</b>	<b>\$ 70,465.05</b>	<b>\$ 73,014.09</b>
<b>LIABILITIES AND FUND BALANCE:</b>			
Liabilities:			
Interfund Payables	\$ 2,549.04	\$ -	\$ 2,549.04
Total liabilities	2,549.04	-	2,549.04
Fund Balance:			
Non-spendable	-	70,465.05	70,465.05
Total fund balance	-	70,465.05	70,465.05
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,549.04</b>	<b>\$ 70,465.05</b>	<b>\$ 73,014.09</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, 2012**

	Special Revenue Fund	Permanent Fund	Total Other Governmental Funds
<b>REVENUES:</b>			
Intergovernmental	\$ 15,220.90	\$ -	\$ 15,220.90
Total revenues	<u>15,220.90</u>	<u>-</u>	<u>15,220.90</u>
<b>EXPENDITURES:</b>			
Grant expenditures	15,220.90	-	15,220.90
Total expenditures	<u>15,220.90</u>	<u>-</u>	<u>15,220.90</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES) OF FUNDS:</b>			
Transfers in (out)	\$ -	\$ 1,091.36	\$ 1,091.36
Total other financing sources (uses)	<u>-</u>	<u>1,091.36</u>	<u>1,091.36</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>-</u>	<u>1,091.36</u>	<u>1,091.36</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>-</u>	<u>69,373.69</u>	<u>69,373.69</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 70,465.05</u>	<u>\$ 70,465.05</u>

**Town of Holden, Maine**  
**Schedule of Property Valuation, Assessment and Appropriations**  
**For the Year Ended June 30, 2012**

---

*Assessed Valuation:*

Real estate valuation	\$ 271,183,950.00
Personal property valuation	<u>2,874,850.00</u>
 Total valuation	 <u>274,058,800.00</u>

*Tax Commitment:*

Tax assessment at \$13.70 per thousand	<u>3,754,605.56</u>
--	---------------------

*Reconciliation of Commitment with Appropriation:*

Current year tax commitment, as above	3,754,605.56
Appropriated from fund balance	185,000.00
Estimated revenues	<u>1,192,244.62</u>

Appropriations per original budget	<u>5,131,850.18</u>
------------------------------------	---------------------

Overlay	<u>(6,223.18)</u>
---------	-------------------

Total appropriations	<u><u>\$ 5,125,627.00</u></u>
----------------------	-------------------------------

**Town of Holden, Maine**  
**Schedule of Taxes and Tax Liens Receivable**  
**June 30, 2012**

---

Taxes receivable		
2011	\$ 3,855.61	
2010	995.41	
2009	<u>1,148.84</u>	
		\$ 5,999.86
Tax liens receivable		
2011	97,033.88	
2010	<u>44,536.25</u>	
		<u>141,570.13</u>
Total taxes and tax liens receivable		<u>\$ 147,569.99</u>