

TOWN OF HOLLAND, MASSACHUSETTS

**Report on the Examination of
Basic Financial Statements**

For the Year Ended June 30, 2015

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For the Year Ended June 30, 2015

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Independent Auditor's Report

To the Honorable Selectboard
Town of Holland, Massachusetts

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Holland, Massachusetts, as of and for the year ended June 30, 2015, 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 the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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, each major fund, and the aggregate remaining fund information of the Town of Holland, Massachusetts, as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension plan and other post employment benefit plan schedules as listed on the table of contents 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Holland, Massachusetts' basic financial statements. The Supplementary Schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Schedules are the responsibility of management and 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 of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Scanlon & Associates, LLC
South Deerfield, Massachusetts

June 10, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Holland, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Town's financial performance.

Financial Highlights

- The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$5,071,865 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$4,546,700 or an increase of \$525,165 (12%).
- As required by Governmental Accounting Standards Board (GASB) Statement No. 68, in fiscal year 2015 the Town recognized their total net pension liability of \$2,354,572 along with a deferred outflow related to pension of \$7,019 and a deferred inflow of resources related to pension of \$131,230 on the statement of net position for the first time.
- At the close of the current fiscal year, the Town's governmental funds reported total ending fund balance of \$2,624,153 an increase of \$534,609 (26%) in comparison with prior year.
- The General Fund's total fund balance increased \$159,705 (14%) to \$1,268,356. The ending General fund balance is 19% of revenues and 19% of expenditures and transfers out.
- Total long term liabilities of the Town increased by \$89,416 (2%) to \$5,247,490 during the fiscal year. This change was mainly the result of a net decrease in notes payable of \$318,663 and in the net pension liability of \$110,582 and increases in warrants payable of \$63,174, net bonds payable of \$24,000 and in the Other Post Employment Benefits (OPEB) liability of \$410,872.
- The Town had General fund free cash certified by the Department of Revenue in the amount of \$257,032. The key factors that attributed to the free cash amount for fiscal year 2015 were unexpended/unencumbered appropriations of \$131,900 and excess over budget local receipts of \$139,800.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Holland's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, public works, education, health and human services, culture and recreation, employee benefits and insurance, state assessments and interest. The Town does not have any operations that are classified as 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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into two categories: governmental funds and fiduciary funds

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

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

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

Financial Highlights
Statement of Net Position Highlights

	Governmental Activities		
	2015	2014	Change
Assets:			
Current assets	\$ 4,719,680	\$ 4,230,168	\$ 489,512
Noncurrent assets	13,414	16,582	(3,168)
Capital assets	5,710,472	5,458,024	252,448
Total assets	10,443,566	9,704,774	738,792
Deferred Outflows of Resources			
Deferred outflows related to pensions	7,019	-	7,019
Liabilities:			
Current liabilities (excluding debt)	522,317	438,528	83,789
Current debt	285,717	670,630	(384,913)
Noncurrent liabilities (excluding debt)	4,228,206	3,927,916	300,290
Noncurrent debt	211,250	121,000	90,250
Total liabilities	5,247,490	5,158,074	89,416
Deferred Inflows of Resources			
Deferred inflows related to pensions	131,230	-	131,230
Net Position:			
Net investment in capital assets	5,419,054	5,193,748	225,306
Restricted	1,631,148	1,473,563	157,585
Unrestricted	(1,978,337)	(2,120,611)	142,274
Total net position	\$ 5,071,865	\$ 4,546,700	\$ 525,165

Financial Highlights
Statement of Activities Highlights

	Governmental Activities		
	2015	2014	Change
Program Revenues:			
Charges for services	\$ 323,896	\$ 253,708	\$ 70,188
Operating grants and contributions	1,847,067	1,899,818	(52,751)
Capital grants and contributions	597,652	123,124	474,528
General Revenues:			
Property taxes	4,923,179	4,817,099	106,080
Motor vehicle and other excise taxes	295,593	283,504	12,089
Penalties and interest on taxes	74,464	76,162	(1,698)
Nonrestricted grants and contributions	211,383	192,520	18,863
Unrestricted investment income	3,104	3,744	(640)
Miscellaneous	1,567	1,105	462
Total revenues	8,277,905	7,650,784	627,121
Expenses:			
General government	481,574	504,531	(22,957)
Public safety	484,318	407,515	76,803
Public works	868,547	911,379	(42,832)
Education	4,404,749	4,261,148	143,601
Health and human services	98,926	92,579	6,347
Culture and recreation	70,856	83,079	(12,223)
Employee benefits and insurance	1,325,363	1,559,544	(234,181)
State assessments	12,293	12,585	(292)
Interest	6,114	8,673	(2,559)
Total expenses	7,752,740	7,841,033	(88,293)
Change in net position	525,165	(190,249)	715,414
Net position - beginning of year	4,546,700	4,736,949	(190,249)
Net position - end of year	\$ 5,071,865	\$ 4,546,700	525,165

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5,071,865 at the close of fiscal year 2015.

Net position of \$5,419,054 reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net position, \$1,631,148 represents resources that are subject to external restrictions on how they may be used. The remaining balance consists of *unrestricted net position* (\$1,978,337).

At the end of the current fiscal year, the Town is able to report positive balances in two categories of net position and a negative balance in the unrestricted category in the governmental activities and for the government as a whole. The unrestricted governmental activities and government as a whole resulted in a

negative balance mainly due to the accrual of the OPEB obligation and net pension liabilities that are required under GASB to be recognized in the Town's financial statements. These liabilities are presented on the statement of net position

The governmental activities net position increased by \$525,165 (12%) during current the fiscal year, which reflects the general fund's results of operation. The key elements of the increase in net position for fiscal year 2015 were attributed to the acquisition of \$547,422 in new capital assets exceeding the depreciation expense (normally spread out over the useful life of the asset) for the year of \$294,974, and increases resulting for the change in governmental fund balances of \$534,609, and recognizing this year's change in unavailable revenue of \$184,966; and a decrease as a result of recognizing the OPEB obligation of \$410,872 compared to the prior year

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$2,624,153 an increase of \$534,609 (26%) in comparison with the prior year

The breakdown of the governmental funds is as follows:

- Restricted fund balance - \$1,530,296 (58%)
- Committed fund balance - \$208,089 (8%)
- Assigned fund balance - \$210,267 (8%)
- Unassigned fund balance - \$675,501 (26%)

Major Governmental Funds

The *General Fund* is the Town's primary operating fund and the largest source of day-to-day operations. At the end of the current fiscal year, the General Fund reported a total fund balance of \$1,268,356 increasing \$159,705 (14%) from the prior year. Of the \$1,268,356, the unassigned amount is \$850,000 (67%), the committed amount is \$208,089 (16%) and the assigned amount is \$210,267 (17%). General fund revenues were \$149,358 (5%) less than the prior fiscal year and expenditures also decreased by \$214,367 (3%). Other activity in the General Fund consisted of net transfers to other funds of \$7,792.

The main components of the decrease in General Fund revenues were related to an increase in property taxes collected of \$55,770 and a decrease with intergovernmental on-behalf payments of \$206,982 (46%) from the prior year due to the implementation of GASB Statement No. 68

The major changes with the General Fund expenditures from the prior fiscal year were as follows:

- Increase in Public works expenditures of \$40,629 (6%)
- Decrease in Employee benefits and insurance of \$247,810 (22%)
- Decrease in net Debt service expenditures (principal and interest) of \$25,137 (13%)

The *Butterworth School Fund* is used to account for school improvements and maintenance. The fund has accumulated a balance of \$514,990 and shows an increase of \$5,265 (1%) in total operations. This is attributed to the receipts of \$6,150, interest income of \$1,315 and expenditures of \$2,200.

At the end of the fiscal year, the *Nonmajor Governmental Funds* reported a fund balance of \$840,807 increasing \$369,639 (78%) as revenues exceeded the expenditures by \$178,847. Other activity consisted of net transfers in from the General Fund of \$7,792 and the proceeds from bonding of \$183,000

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2015 was \$6,720,223. This was an increase of \$134,959 (2%) over the previous year's budget.

There was an increase of \$118,799 between the total original budget and the total final amended budget. The change is attributed to adjustments voted at the annual town meeting in May 2015 for various budget operating line items.

General fund expenditures were less than budgeted by \$490,031. Of the \$490,031 in under budget expenditures, \$358,157 has been carried over to fiscal year 2016.

There was a negative variance in property taxes of \$32,364 as collections did not meet budgeted expectations. The overall total revenues exceeded budget expectations.

A negative variance exists in debt service interest of \$2,346 as expenses exceeded the budget.

Overall, the variance with the final budget was a positive \$239,350 consisting of a revenue surplus of \$107,476 and the appropriation surplus of \$131,874.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets as of June 30, 2015 amounts to \$5,710,472.

The investment in capital assets includes land, construction in progress, buildings and renovations, machinery, equipment and other and infrastructure.

Major capital events during the current fiscal year in the governmental type funds included the following:

- Highway vehicle purchase for \$185,571.
- Road infrastructure improvements for \$286,647.
- School equipment and improvements for \$50,704.
- Senior Center paving for \$24,500.

Debt Administration. The Town's outstanding governmental long-term debt, as of June 30, 2015, totaled \$308,000 of which \$183,000 is for highway vehicle, \$75,000 for land acquisition and \$50,000 is for the landfill capping.

The Town also has \$188,967 in temporary debt. These anticipation notes are associated with the October 2011 snow storm for \$153,155 and an energy grant for \$35,712.

Please refer to notes 3D, 3E and 3F for further discussion of the major capital and debt activity.

Next Year's Annual Town Meeting

The Town of Holland operates under the "Open Meeting" concept where each voter has an equal vote in adopting of Town budgets and appropriations. The financial statements for June 30, 2015 do not reflect the fiscal year 2016 Town Meeting action with exception of the free cash and stabilization amounts used to fund the fiscal year 2016 budget.

The Annual Town Meeting on May 26, 2015 authorized a fiscal year 2016 operating and capital budget as follows:

From raise and appropriate		\$	6,416,783
From other available funds:			
General Fund:			
Unreserved fund balance:			
Free cash	161,065		
Appropriations	<u>30,500</u>		191,565
Capital stabilization fund			<u>38,908</u>
		\$	<u>6,647,256</u>

Requests for Information

This financial report is designed to provide a general overview of the Town of Holland's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant, Town Hall, Holland, Massachusetts.

BASIC FINANCIAL STATEMENTS

**TOWN OF HOLLAND, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2015**

		<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS		
CURRENT:		
Cash and Cash Equivalents	\$	2,896,884
Investments		359,887
Receivables, net of allowance for uncollectibles:		
Property Taxes		239,263
Tax Liens		815,633
Tax Foreclosures		212,823
Excise Taxes		31,025
Due from Other Governments		164,165
Total current assets		<u>4,719,680</u>
NONCURRENT:		
Receivables, net of allowance for uncollectibles:		
Due from Other Governments		13,414
Capital Assets, net of accumulated Depreciation		
Nondepreciable		1,100,823
Depreciable		4,609,649
Total noncurrent assets		<u>5,723,886</u>
Total Assets		<u><u>10,443,566</u></u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pensions		<u>7,019</u>
LIABILITIES		
CURRENT:		
Warrants and Accounts Payable		279,016
Accrued Payroll		215,219
Payroll Withholdings		20,697
Other		6,196
Accrued Interest		1,189
Notes Payable		188,967
Bonds Payable		96,750
Total current liabilities		<u>808,034</u>
NONCURRENT:		
Compensated Absences		12,937
OPEB Obligation Payable		1,860,697
Net Pension Liability		2,354,572
Bonds Payable		211,250
Total noncurrent liabilities		<u>4,439,456</u>
Total Liabilities		<u><u>5,247,490</u></u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pensions		<u>131,230</u>
NET POSITION		
Net Investment in Capital Assets		5,419,054
Restricted for:		
Federal & State Grants		338,017
Permanent Funds		586,732
Other Purposes		706,399
Unrestricted		<u>(1,978,337)</u>
Total Net Position	\$	<u><u>5,071,865</u></u>

The Notes to the Financial Statements are an integral part of this Statement

**TOWN OF HOLLAND, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

	Program Revenues				Net (Expenses) Revenues and and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General Government	\$ 481,574	\$ 69,271	\$ 50,672	\$ -	(361,631)
Public Safety	484,318	106,939	6,118	-	(371,261)
Public Works	868,547	6,729	71,625	597,652	(192,541)
Education	4,404,749	95,480	1,438,511	-	(2,870,758)
Health and Human Services	98,926	35,933	30,891	-	(32,102)
Culture and Recreation	70,856	9,544	7,536	-	(53,776)
Employee Benefits and Insurance	1,325,363	-	238,855	-	(1,086,508)
State Assessments	12,293	-	-	-	(12,293)
Interest	6,114	-	2,859	-	(3,255)
Total Governmental Activities	7,752,740	323,896	1,847,067	597,652	(4,984,125)
Total Primary Government	\$ 7,752,740	\$ 323,896	\$ 1,847,067	\$ 597,652	(4,984,125)
General Revenues:					
Property Taxes					4,923,179
Motor vehicle excise and other taxes					295,593
Penalties & Interest on Taxes					74,464
Grants & Contributions not restricted to specific programs					211,383
Unrestricted Investment Income					3,104
Miscellaneous					1,567
Total General Revenues					5,509,290
Change in Net Position					525,165
Net Position:					
Beginning of year (as restated)					4,546,700
End of year					\$ 5,071,865

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF HOLLAND, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General Fund	Butterworth School Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 1,683,590	\$ 162,494	\$ 1,050,800	\$ 2,896,884
Investments	7,391	352,496	-	359,887
Receivables, net of allowance for uncollectibles:				
Property Taxes	239,263	-	-	239,263
Tax Liens	815,633	-	-	815,633
Tax Foreclosures	212,823	-	-	212,823
Excise Taxes	31,025	-	-	31,025
Due from Other Governments	6,214	-	153,929	160,143
Total Assets	\$ 2,995,939	\$ 514,990	\$ 1,204,729	\$ 4,715,658
Liabilities:				
Warrants and Accounts Payable	\$ 211,630	\$ -	\$ 67,386	\$ 279,016
Accrued Payroll	208,502	-	6,717	215,219
Payroll Withholdings	20,697	-	-	20,697
Other	6,196	-	-	6,196
Notes Payable	-	-	188,967	188,967
Total Liabilities	447,025	-	263,070	710,095
Deferred Inflows of Resources - Unavailable Revenue	1,280,558	-	100,852	1,381,410
Fund Balance:				
Restricted	-	514,990	1,015,306	1,530,296
Committed	208,089	-	-	208,089
Assigned	210,267	-	-	210,267
Unassigned	850,000	-	(174,499)	675,501
Total Fund Balance	1,268,356	514,990	840,807	2,624,153
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,995,939	\$ 514,990	\$ 1,204,729	\$ 4,715,658

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF HOLLAND, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	General Fund	Butterworth School Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 4,847,520	\$ -	\$ -	\$ 4,847,520
Intergovernmental	1,159,291	-	1,084,159	2,243,450
Excise and Other Taxes	291,064	-	-	291,064
Licenses, Permits and Fines	9,995	-	-	9,995
Fees and Other Departmental	41,421	-	274,047	315,468
Investment Income	3,104	1,315	317	4,736
Interest on Delinquent Taxes	74,464	-	-	74,464
Other	-	6,150	56,090	62,240
Intergovernmental - "On-behalf" Payments	244,002	-	-	244,002
Total Revenues	6,670,861	7,465	1,414,613	8,092,939
Expenditures:				
Current:				
General Government	382,671	-	50,582	433,253
Public Safety	326,013	-	110,489	436,502
Public Works	742,946	-	436,583	1,179,529
Education	3,833,295	2,200	595,466	4,430,961
Health and Human Services	93,854	-	28,117	121,971
Culture and Recreation	44,673	-	14,529	59,202
Employee Benefits and Insurance	900,862	-	-	900,862
State Assessments	12,293	-	-	12,293
Debt Service:				
Principal	159,000	-	-	159,000
Interest	7,757	-	-	7,757
Total Expenditures	6,503,364	2,200	1,235,766	7,741,330
Excess of Revenues Over (Under) Expenditures	167,497	5,265	178,847	351,609
Other Financing Sources (Uses):				
Operating Transfers In	-	-	7,792	7,792
Operating Transfers Out	(7,792)	-	-	(7,792)
Proceeds from Issuance of Bonds and Notes	-	-	183,000	183,000
Total Other Financing Sources (Uses)	(7,792)	-	190,792	183,000
Net Change in Fund Balances	159,705	5,265	369,639	534,609
Fund Balances, Beginning of Year	1,108,651	509,725	471,168	2,089,544
Fund Balances, End of Year	\$ 1,268,356	\$ 514,990	\$ 840,807	\$ 2,624,153

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF HOLLAND, MASSACHUSETTS
Reconciliation of the Governmental Funds Balance Sheet
Total Fund Balances to the Statement of Net Position
For the Year Ended June 30, 2015

Total Governmental Fund Balances	\$	2,624,153
Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds		5,710,472
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.		1,398,846
Certain changes in the net pension liability are required to be included in pension expense over future periods. These changes are reported as deferred outflows of resources or (deferred inflows of resources) related to pensions		(124,211)
Long Term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds:		
Bonds Payable	\$ (308,000)	
Other Post Employment Benefits Payable	(1,860,697)	
Net Pension Liability	(2,354,572)	
Compensated Absences	<u>(12,937)</u>	(4,536,206)
In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, interest is not reported until due.		<u>(1,189)</u>
Net Position of Governmental Activities	\$	<u>5,071,865</u>

The Notes to the Financial Statements are an integral part of this Statement

TOWN OF HOLLAND, MASSACHUSETTS
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, 2015

Net Change in Fund Balances - Total Governmental Funds	\$	534,609
<p>Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and are reported as depreciation expense:</p>		
Capital Outlay Purchases	\$ 547,422	
Depreciation	<u>(294,974)</u>	252,448
<p>Revenue in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue and WPAT subsidy.</p>		
		184,966
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:</p>		
Repayment of Debt Principal	159,000	
Proceeds from Bonds and Notes	<u>(183,000)</u>	(24,000)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:</p>		
Net Change in Other Post Employment Benefits	(410,872)	
Net Change in Net Pension Liability	110,582	
Net Change in Deferred Outflow/(Inflow) of Resources Related to Pensions	(124,211)	
Net Change in Accrued Interest on Long-Term Debt	<u>1,643</u>	(422,858)
Change in Net Position of Governmental Activities	\$	<u>525,165</u>

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF HOLLAND, MASSACHUSETTS
STATEMENT OF REVENUES AND EXPENDITURES - BUDGETARY BASIS -
(NON-GAAP) - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts					Actual Budgetary Amounts	Amounts Carried Forward to Next Year	Variance with Final Budget Positive (Negative)
	Amounts Carried Forward from Prior Year	Original Budget	Final Budget	Actual Budgetary Amounts	Amounts Carried Forward to Next Year			
Revenues:								
Property Taxes	\$ -	\$ 4,891,157	\$ 4,891,157	\$ 4,858,793	\$ -	\$ -	(\$ 32,364)	
Intergovernmental	-	1,113,774	1,113,774	1,159,291	-	-	45,517	
Excise and Other Taxes	-	269,000	269,000	291,064	-	-	22,064	
Licenses, Permits and Fines	-	4,000	4,000	9,995	-	-	5,995	
Fees and Other Departmental	-	15,000	15,000	41,421	-	-	26,421	
Investment income	-	2,000	2,000	2,379	-	-	379	
Interest on Delinquent Taxes	-	35,000	35,000	74,464	-	-	39,464	
Total Revenues	-	6,329,931	6,329,931	6,437,407	-	-	107,476	
Expenditures:								
Current:								
General Government	50,773	442,072	483,819	382,671	72,134	29,014	15,738	
Public Safety	3,162	339,065	342,251	326,013	500	19,573	19,573	
Public Works	65,895	625,830	812,490	742,946	49,971	919	919	
Education	114,126	3,830,692	3,944,818	3,804,125	139,774	2,427	3,967	
Health and Human Services	51,537	71,287	147,043	93,854	50,762	47,320	5,844	
Culture and Recreation	869	48,008	48,877	44,673	237	9,418	(2,346)	
Employee and Pension Benefits	5,000	718,916	709,327	662,007	-	-	-	
State Assessments	-	18,137	18,137	12,293	-	-	-	
Debt Service:								
Principal	-	210,055	210,055	155,858	44,779	9,418	(2,346)	
Interest	-	6,000	3,406	5,752	-	-	-	
Total Expenditures	291,362	6,310,062	6,720,223	6,230,192	358,157	131,874		
Excess of Revenues Over (Under) Expenditures	(291,362)	19,869	(390,292)	207,215	(358,157)	239,350		
Other Financing Sources (Uses):								
Operating Transfers In (Out)	-	(74,063)	(76,634)	(76,634)	-	-	-	
Total Other Financing Sources (Uses)	-	(74,063)	(76,634)	(76,634)	-	-		
Net Change in Budgetary Fund Balance	(291,362)	(54,194)	(466,926)	130,581	(358,157)	239,350		
Other Budgetary Items:								
Free Cash and Other Reserves	-	54,779	176,149	-	-	-	-	
Prior Year Deficits	-	(585)	(585)	-	-	-	-	
Prior Year Encumbrances	291,362	-	291,362	-	-	-	-	
Total Other Budgetary Items	291,362	54,194	466,926	-	-	-		
NET BUDGET	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF HOLLAND, MASSACHUSETTS
Reconciliation of Revenues and Expenditures
from Budgetary Basis to GAAP Basis
For the Year Ended June 30, 2015

	Revenues	Expenditures
Reported on a Budgetary Basis	\$ 6,437,407	\$ 6,230,192
<i>Adjustments:</i>		
Activity for Stabilization Fund Recorded in the General Fund for GAAP Purposes	725	-
Recognition of Intergovernmental Revenue - "on behalf payments"	244,002	-
Recognition of Expenditures - "on behalf payments"	-	244,002
Teachers Summer Payroll Accrual	-	29,170
Net Decrease in Revenue from Recording 60-Day Receipts	(11,273)	-
Reported on a GAAP Basis	\$ 6,670,861	\$ 6,503,364

The Notes to the Financial Statements are an integral part of this Statement

**TOWN OF HOLLAND, MASSACHUSETTS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015**

	Other Post Employment Benefits Trust Fund	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 34,685
Investments	25,664	-
Total Assets	25,664	34,685
LIABILITIES		
Warrants Payable	-	6,625
Due to Others	-	975
Due to Students	-	10,085
Escrows and Deposits	-	17,000
Total Liabilities	-	34,685
NET POSITION		
Held in Trust for Other Purposes	\$ 25,664	\$ -

The Notes to the Financial Statements are an integral part of this Statement

**TOWN OF HOLLAND, MASSACHUSETTS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Other Post Employment Benefits Trust Fund
Additions:	
Employer Contributions	\$ 25,000
Investment Income	664
Total Additions	25,664
Deductions:	
Employee Benefits	-
Total Deductions	-
Change in Net Position	25,664
Net Position at Beginning of Year	-
Net Position at End of Year	\$ 25,664

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF HOLLAND, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Holland have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

A. Reporting Entity

The Town was incorporated in 1783 under the laws of the Commonwealth of Massachusetts. The Town is governed by an elected three member Selectboard

For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. In Fiscal Year 2015, it was determined that no entities met the required GASB-39 and GASB-61 criteria of component units.

The Town is responsible for electing the governing board and/or committee members of the Tantasqua Regional School District. These related organizations are excluded from the financial reporting entity because the Town's accountability does not extend beyond the Town electing members of the board. Audited financial statements are available from the respective organizations. A description of the related organization is as follows:

Tantasqua Regional School District - A regional school district made up of five communities to serve the educational needs of students for grades 7 through 12. The Town elects five members for its representation. The regional school district is a separate entity under the Commonwealth of Massachusetts. The District is responsible for both the operating and capital costs related to the school and operates independently from the Town.

B. Government-Wide and Fund Financial Statements

Government-wide financial statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund financial statements

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

TOWN OF HOLLAND, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in government-wide statements' governmental column, a reconciliation is presented that briefly explains the adjustments necessary to reconcile ending net position and change in net position.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

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

and

- If the total assets, liabilities, revenues or expenditures/expenses of the individual governmental funds are at least 5 percent of the corresponding element for all governmental funds combined

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

Fiduciary funds are reported by fund type

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

Government-wide financial statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis* of accounting, as are the fiduciary fund financial statements. Revenues are recognized 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 for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported

Fund financial statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Under the modified accrual basis concept, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to be used to pay current liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

TOWN OF HOLLAND, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

Property taxes, excises and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The Town reports the following major governmental fund:

The *General fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Butterworth school fund* is used to account for financial resources of school improvements and maintenance.

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

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise and Trust Funds).

The *permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Additionally, the Town reports the following fund types:

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

The *Other Post Employment Benefit (OPEB) Trust Fund* is used to account for the assets held by the Town in trust for the payment of future retiree health insurance benefits. The assets of the OPEB Trust Fund cannot be used to support the Town's operations.

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

D. Cash and Cash Equivalents

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. The Town maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption, "cash and cash equivalents".

TOWN OF HOLLAND, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

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

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U S. Government or agencies that have a maturity of less than one year from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase

All investments are carried at fair value

F. Accounts Receivables

The recognition of revenues related to accounts receivable reported in the government-wide financial statements and fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

Property Taxes, Tax Liens and Tax Foreclosures

Property taxes are based on assessments as of January 1, 2014 and include betterments, special assessments and liens. Taxes are used to finance the operations of the Town for the fiscal year July 1st to June 30th. By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% of fair cash value. Taxes are due and payable on July 1st. The Town has accepted the quarterly tax payment system. Under the quarterly tax payment system, the assessors make a preliminary tax commitment based on the prior year's net tax and may not exceed, with limited exceptions, fifty percent of that amount. The collector must mail preliminary tax bills each year by July 1st. The preliminary tax is payable in two equal installments. The first installment is due on August 1st and the second installment is due on November 1st. After the Town sets the tax rate, the assessors make the actual tax commitment. If actual bills are mailed on or before December 31st, the balance remaining is payable in two equal installments. The first installment is due on February 1st and the second installment is due on May 1st. If bills are mailed after December 31st, the entire balance is not due until May 1st or thirty days after the bills were mailed, whichever is later. Any betterments, special assessments and other charges are added to the actual bills. Interest at the rate of 14% is charged on the amount of any preliminary tax or actual tax installment payment that is unpaid and delinquent and is charged only for the number of days the payment is actually delinquent. If actual tax bills are mailed after December 31st, interest will be computed from May 1st, or the payment due date, whichever is later. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables. Revenues from property taxes are recognized in the fiscal year for which they have been levied.

The Town mailed preliminary tax bills for the fiscal year 2015 on June 30, 2014 that were due on August 1, 2014 and November 3, 2014 and actual bills on December 30, 2014 that were due on February 2, 2015 and May 1, 2015.

The Commonwealth of Massachusetts electorate in November, 1980, passed legislation known as Proposition 2 1/2, in order to limit the amount of revenue to be raised by taxation. The purpose of the legislation was to control the levy of taxes that are assessed to property owners of a Town.

TOWN OF HOLLAND, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

The legal levy limit under Proposition 2 1/2 for fiscal year 2015 is as follows:

Legal Levy Limit Under Proposition 2 1/2 for fiscal year 2015	\$ 4,859,172
Add: Debt Exclusion	<u>76,975</u>
	<u>\$ 4,936,147</u>

The total amount raised by taxation was \$4,935,192

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

Excise Taxes

Excise taxes consist of motor vehicle excise. Excise taxes are assessed annually and are recorded as receivables in the fiscal year of levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair value of those vehicles.

The tax calculation is the fair market value of the vehicle multiplied by \$25 per \$1,000 of value

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

Due from Other Governments

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

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

G. Capital Assets

Capital assets, which include land, construction in progress, buildings and renovations, machinery, equipment and other, and infrastructure assets (e.g. roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government wide financial statements. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value.

All purchase and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

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

<u>Capital Asset Type</u>	<u>Years</u>
Buildings	40
Improvements	7-30
Water and Sewer system	30-50
Machinery, equipment and other	3-25
Infrastructure	30

TOWN OF HOLLAND, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

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

H. Interfund Transfers

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

In the government-wide financial statements, operating transfers between and within governmental funds are eliminated from the governmental activities in the statement of activities.

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

I. Deferred Outflows/Inflows of Resources

Government-wide financial statements

The government-wide financial statements *Statement of Net Position* includes a separate section, listed below total assets, for *deferred outflows of resources*. This represents the usage of net position applicable for future period(s) and will not be recognized as expenditures until the future period to which it applies. Currently, the only item in this category is *deferred outflows related to pensions*.

In addition to liabilities, the *Statement of Net Position* will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the only item in this category is *deferred inflows related to pensions*.

Fund financial statements

In addition to liabilities, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item, which arises only under a modified accrual basis of accounting that qualifies in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for the Town's property, excise and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

J. Net Position and Fund Balances

In the Governmental-Wide financial statements, the difference between the Town's total assets and deferred outflows of resources to the total liabilities and deferred inflows of resources represents net position. Net position displays three components – net investment in capital assets, restricted (distinguished between major categories of restrictions); and unrestricted. Unrestricted net position represents the net position available for future operations.

Net position classified as net investment in capital assets, consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

TOWN OF HOLLAND, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

Net position has been "restricted for" the following:

"Federal and state grants" represents amounts restricted by the federal and state government for various programs

"Permanent funds" represents amounts held in trust for which the expenditures are restricted by various trust agreements.

"Other purposes" represents restrictions placed on assets from outside parties.

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of those resources.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision making authority, which is the Town meeting action and can be modified or rescinded only through these actions. Committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit.

Assigned fund balance. This classification reflects the amounts constrained by the Town's "intent" to be used for specific purposes, but are neither restricted nor committed. Department heads and Town board/committees have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When the restricted and other fund balance resources are available for use, it is the Town's policy to use restricted resources first, followed by committed, assigned, and unassigned amounts respectively.

K. Long-term Debt

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position.

The face amount of governmental funds long-term debt is reported as other financing sources.

L. Compensated Absences

The Town grants to employees sick and vacation leave in varying amounts based upon length of service and in accordance with various individual union contracts. Upon retirement, termination, or death, certain

TOWN OF HOLLAND, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

employees are compensated for unused sick and vacation leave which is (subject to certain limitations) at their current rates of pay

M. Pension Benefits

For purposes of measuring the net position liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Hampden County Retirement System (the System) and the Massachusetts Teachers Retirement System (MTRS) are provided. Additions to and deductions from the fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable according with the benefit terms. Investments are reported at their fair value.

N. Post Retirement Benefits

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording the employer's 50% share of insurance premiums in the general fund in the fiscal year paid.

O. Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

An annual budget is adopted for the Town's General Fund. Although legislative approval is required for the acceptance of grants, capital projects, and borrowing authorizations, annual budgets are not prepared for any other fund; therefore, comparison of budget to actual is only presented for the General Fund.

The Town must establish its property tax rate each year so that the property tax rate levy will comply with the limits established by Proposition 2 1/2, as amended, and also equal the sum of (a) the aggregate of all annual appropriations for expenditures, plus (b) provision for prior year deficits, if any, less (c) the aggregate of all non-property tax revenues estimated to be received, including available funds.

The Town follows these procedures in establishing the General Fund budgetary data as reflected in the financial statements:

- Prior to the Annual Town Meeting, the Town Selectmen submit a proposed operating budget to the Finance Committee for the next fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- At the Annual Town Meeting, the Finance Committee makes recommendations to the voters of their concurrence or non-concurrence with the articles. The voters then vote to accept or reject the proposed budget articles.
- The budget, legally enacted by vote at the Annual Town Meeting, is effective on July 1.

TOWN OF HOLLAND, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

- Supplemental appropriations may be made from available funds after the setting of the tax rate with Town meeting approval
- Throughout the year, appropriations may be transferred between departments with Town meeting approval

Massachusetts law requires cities and towns to provide for a balanced budget. Section 23 of Chapter 59 of the Massachusetts General Laws states, in part,

"The assessors shall annually assess taxes to an amount not less than the aggregate of all amounts appropriated, granted or lawfully expended by their respective towns (cities) since the preceding annual assessment and not provided for therein . . ."

For fiscal year 2015, the Town incurred a final budget deficit of \$466,926 for the General Fund

The Town voted from the following sources to fund the budget deficit during the fiscal year

Unassigned fund balance:		
Free cash votes	\$	176,149
Reserve for deficits		(585)
Prior year's encumbrances		291,362
		291,362
	\$	466,926

B. Deficit Fund Balances

The following funds have deficits at June 30, 2015 as measured by the balance of unreserved fund balance

- The *October 2011 Storm Fund*, a Major fund, has a deficit of \$153,155. The Town has outstanding bond anticipation notes for \$153,155. The deficit will be eliminated upon the issuance of permanent debt.
- The *Police Off-duty Details Fund*, a special revenue fund, has a deficit of \$21,344. The deficit will be eliminated upon future receipts or appropriation

3. DETAILED NOTES

A. Deposits and Investments

Custodial Credit Risks – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The government has a deposit policy for custodial credit risk. Deposits at June 30, 2015 were \$2,976,163. Of these, \$750,746 are exposed to custodial credit risk as uninsured and uncollateralized

Investment Policies

Investments of funds, except for trust funds, are generally restricted by Massachusetts General Laws, Chapter 44, Section 55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposit of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"),

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or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization

The MMDT is an investment pool created by the Commonwealth under the supervision of the State Treasurer's office. According to the State Treasurer, the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U. S. Government obligations and highly-rated corporate securities with maturities of one year or less

As of June 30, 2015, the Town had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1 to 5	6 to 10
Debt Securities:				
Corporate bonds	\$ 49,905	\$ -	\$ 49,905	\$ -
Bond mutual funds	7,262	7,262	-	-
Money market mutual fund	30,558	30,558	-	-
	<u>87,725</u>	<u>\$ 37,820</u>	<u>\$ 49,905</u>	<u>\$ -</u>
Other Investments:				
Certificate of deposits	140,153			
Equity securities	94,537			
Equity securities - domestic (stocks)	55,746			
MMDT	7,391			
	<u>\$ 385,552</u>			

Custodial Credit Risks - Investments

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Town's \$385,552 in investments, none are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the Town's name. The Town has no policy on custodial credit risk.

Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates

TOWN OF HOLLAND, MASSACHUSETTS
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Credit Risk

The Town's exposure to credit risk as of June 30, 2015 is as follows:

Related Debt Instruments	Fair Value
Moody's Quality Ratings	
Corporate Bonds:	
A2	\$ 49,905
Bond Mutual Funds:	
Not rated	7,262
Money Market Mutual Funds:	
Not rated	30,558
	\$ 87,725

Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in one issuer. The Town does not have more than 5 percent of the Town's investments in one issuer.

B. Receivables

At June 30, 2015, receivables for the individual major governmental fund in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Major governmental fund:			
Property taxes	\$ 246,733	\$ (7,470)	\$ 239,263
Tax liens	815,633	-	815,633
Tax foreclosures	212,823	-	212,823
Excise taxes	49,697	(18,672)	31,025
Due from other governments	160,143	-	160,143
	\$ 1,485,029	\$ (26,142)	\$ 1,458,887

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The composition of amounts due from other governments as of June 30, 2015 for governmental funds is as follows:

General Fund:

Commonwealth of Massachusetts:

Department of Veterans Services:		\$	6,214
Veterans benefits			

Nonmajor Governmental Funds:

Commonwealth of Massachusetts:

Department of Energy Resources		\$	35,812
Green communities grant			
Massachusetts Department of Transportation:			
Highway Department - Chapter 90 funded projects	118,117		153,929
		<u>\$</u>	<u>160,143</u>

Additionally, the composition of the amount due from other governments on the statement of net position as of June 30, 2015 for governmental funds as follows:

Governmental Funds:

Commonwealth of Massachusetts:

Massachusetts Clean Water Trust:

Principal loan subsidy		<u>\$</u>	<u>17,436</u>
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C. Deferred Inflows of Resources – Unavailable Revenue

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred inflows of resources reported in the governmental funds were as follows:

General Fund:

Property taxes		\$	214,863
Tax liens and foreclosures			1,028,456
Excise taxes			31,025
Due from other governments	6,214	\$	1,280,558

Nonmajor governmental funds:

Property taxes			
Departmental			
Due from other governments			100,852
		<u>\$</u>	<u>1,381,410</u>

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Notes to the Financial Statements
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D. Capital Assets

Capital asset activity for the year ended June 30, 2015 is as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,100,823	\$ -	\$ -	\$ 1,100,823
Total capital assets not being depreciated	1,100,823	-	-	1,100,823
Capital assets being depreciated:				
Buildings and Renovations	4,816,583	50,831	-	4,867,414
Machinery, equipment and other	2,048,177	185,571	(1,558)	2,232,190
Infrastructure	6,989,992	311,147	-	7,301,139
Total capital assets being depreciated	13,854,752	547,549	(1,558)	14,400,743
Less accumulated depreciation for:				
Buildings and Renovations	2,876,351	72,661	-	2,949,012
Machinery, equipment and other	1,695,549	105,240	(1,558)	1,799,231
Infrastructure	4,925,651	117,200	-	5,042,851
Total accumulated depreciation	9,497,551	295,101	(1,558)	9,791,094
Total capital assets being depreciated, net	4,357,201	252,448	-	4,609,649
Total governmental activities capital assets, net	\$ 5,458,024	\$ 252,448	\$ -	\$ 5,710,472

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

Governmental Activities:	
General government	\$ 48,321
Public safety	47,816
Public works	161,363
Education	24,492
Health and human services	1,455
Culture and recreation	11,654
Total depreciation expense - governmental activities	<u>\$ 295,101</u>

E. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2015, are summarized below:

Transfers Out:	Transfers In: Nonmajor Governmental fund
General fund	\$ 7,792

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Notes to the Financial Statements
Year Ended June 30, 2015

F. Short-Term Financing

Under the general laws of the Commonwealth and with the appropriate local authorization the Town is authorized to borrow funds on a temporary basis to (1) fund current operations prior to the collection of revenues, by issuing revenue anticipation notes, (2) fund grants prior to reimbursements, by issuing grant anticipation notes, and (3) fund capital projects costs incurred prior to selling permanent debt by issuing bond anticipation notes

Details related to the short-term debt activity of the governmental type fund are as follows:

Purpose	Interest Rate	Final Maturity Date	Balance July 1, 2014	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2015
Governmental Activities						
Bond Anticipation Notes:						
October 2011 Storm	0.65%	4/23/2015	\$ 436,005	\$ -	\$ 436,005	\$ -
October 2011 Storm	0.54%	4/22/2016	-	153,155	-	153,155
Grant Anticipation Note:						
Energy Grant	0.52%	11/24/2014	71,625	-	71,625	-
Energy Grant	0.59%	5/27/2015	-	35,812	35,812	-
Energy Grant	0.50%	11/19/2015	-	35,812	-	35,812
Total Governmental Activities			<u>\$ 507,630</u>	<u>\$ 224,779</u>	<u>\$ 543,442</u>	<u>\$ 188,967</u>

G. Long Term Debt

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental type activities.

General obligation bonds currently outstanding of the governmental type fund are as follows:

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2015
Inside Debt:					
Refunding Notes:					
Departmental equipment	0.54%	5/28/2015	5/27/2016	\$ 183,000	\$ 183,000
Land acquisition	0.54%	4/8/2015	4/8/2016	164,000	75,000
Total Inside Debt					<u>258,000</u>
Outside Debt:					
<i>Massachusetts Clean Water Trust:</i>					
Landfill capping	varies	9/30/1999	8/1/2019	185,000	50,000
Total Outside Debt					<u>50,000</u>
Total governmental type debt					<u>\$ 308,000</u>

TOWN OF HOLLAND, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

Future Debt Service

The annual principal and interest payments to retire all general obligation long-term debt outstanding as of June 30, 2015, are as follows:

Year	Principal	Interest	Total
2016	\$ 96,750	\$ 3,677	\$ 100,427
2017	89,750	2,687	92,437
2018	55,750	1,698	57,448
2019	55,750	992	56,742
2020	10,000	275	10,275
	\$ 308,000	\$ 9,329	\$ 317,329

A summary of the changes in governmental activities long-term liabilities during the year is as follows:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due within One Year
Governmental activities:					
<i>Bond Payable:</i>					
General obligation bonds	\$ 45,000	\$ -	\$ 45,000	\$ -	\$ -
Refunding notes	179,000	183,000	104,000	258,000	86,750
Massachusetts Clean Water Trust bonds	60,000	-	10,000	50,000	10,000
	12,937	-	-	12,937	-
<i>Compensated absences</i>	1,449,825	410,872	-	1,860,697	-
<i>OPEB Obligation payable</i>	2,465,154	-	110,582	2,354,572	-
<i>Net pension liability</i>					
Governmental activity Long-term liabilities	\$ 4,211,916	\$ 593,872	\$ 269,582	\$ 4,536,206	\$ 96,750

Massachusetts Clean Water Trust (MCWT)

The Town has borrowed funds from the MCWT Bond Resolution (Pool; Loan Program). Under this program, the Town is scheduled to be subsidized on a periodic basis for principal in the amount of \$185,000 and interest costs of \$116,725 for a loan the Town has borrowed from the MCWT. The gross amount outstanding at June 30, 2015, including principle and interest for the loans is \$56,270. The net repayments, including interest, are scheduled to be \$34,431. Since the Town is legally obligated for the total amount of the MCWT debt, such amounts for the gross principal have been recorded on the financial statements. The fiscal year 2015 principal and interest subsidies totaled \$5,147.

Legal Debt Limit

Under Section 10 of Chapter 44 of the Massachusetts General Laws a Town may authorize indebtedness up to a limit of five percent of its equalized valuation of the Town. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." The Town's inside debt at June 30, 2015 totaled \$258,000.

In addition, the Town is authorized to incur debt outside of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit."

TOWN OF HOLLAND, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

The following is a computation of the legal debt limit as of June 30, 2015:

Equalized Valuation-Real Estate and Personal Property (2014)		<u>\$ 315,079,700</u>	
Debt Limit: 5 % of Equalized value		15,753,985	
Total Debt Outstanding	\$ 308,000		
Less: Debt Outside Debt Limit	<u>(50,000)</u>		<u>258,000</u>
 Inside Debt Excess Borrowing Capacity at June 30, 2015			 <u><u>\$ 15,495,985</u></u>

Loans Authorized and Unissued - Memorandum Only

Under the general laws of the Commonwealth of Massachusetts a Town must authorize debt at a Town meeting. This authorized debt does not have to be actually issued at that time and remains authorized until the debt is actually issued or Town meeting votes to rescind the authorized debt.

Loan authorizations that have not been issued as of June 30, 2015 and are not reflected in the Town's financial statements are as follows:

Date Town Meeting Authorized	Purpose	Amount
11/29/2011	October snow storm emergency	\$ 100,000
5/27/2014	Hamilton Reservoir Dam repairs	600,000
5/26/2015	Purchase Fire Department truck	<u>340,000</u>
		<u><u>\$ 1,040,000</u></u>

Overlapping Debt

The Town pays assessments, which includes debt service payments to other local governmental units providing services within the Town's boundaries (commonly referred to as overlapping debt). The following summary sets forth the long-term debt of the governmental unit, the estimated share of such debt being serviced by the Town and the total of its share of estimated indirect debt.

	<u>Current Year's Debt</u>	<u>Town's Estimated Share</u>	<u>Town's Estimated Indirect Debt</u>
Tantasqua Regional School District: High School	<u>\$ 15,200,000</u>	12.01%	<u>\$ 1,825,520</u>

TOWN OF HOLLAND, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

H. Fund Balances

The following is a summary of the Town's Governmental fund balances at the year ended June 30, 2015:

	General Fund	Butterworth School Fund	Nonmajor Governmental Funds	Total Governmental Funds
Restricted:				
Federal, state and local grants	\$ -	\$ -	\$ 237,165	\$ 237,165
School revolving	-	-	402,523	402,523
Revolving funds	-	-	18,818	18,818
Donations and gifts	-	-	83,794	83,794
Permanent funds	-	514,990	71,742	586,732
Capital projects	-	-	1,514	1,514
Other	-	-	199,750	199,750
	-	514,990	1,015,306	1,530,296
Committed:				
Carryover Articles	208,089	-	-	208,089
Assigned:				
Encumbrance	10,294	-	-	10,294
Subsequent year's budget	199,973	-	-	199,973
	210,267	-	-	210,267
Unassigned:				
General fund	850,000	-	-	850,000
Special revenue deficits:				
October 2011 Storm fund	-	-	(153,155)	(153,155)
Police Off-duty Details	-	-	(21,344)	(21,344)
	850,000	-	(174,499)	675,501
Total Governmental fund balances	\$ 1,268,356	\$ 514,990	\$ 840,807	\$ 2,624,153

I. Special Trust Funds

Stabilization Fund

Under Section 5B of Chapter 40 of the Massachusetts General Laws, the Town may for the purpose of creating a stabilization fund appropriate in any year an amount not exceeding ten percent of the amount raised in the preceding year by taxation of real estate and tangible personal property or such larger amount as may be approved by the Emergency Finance Board. The aggregate amount in the fund at any time shall not exceed ten percent of the equalized valuation of the Town and any interest shall be added to and become a part of the fund. The stabilization fund may be appropriated in a Town at a Town meeting for any lawful purpose. At June 30, 2015 the following balances in the stabilization funds are reported in the General Fund as unassigned:

General purpose stabilization fund	\$ 391,170
Road improvement stabilization fund	67,024
Capital stabilization fund	26,141
	<u>\$ 484,335</u>

TOWN OF HOLLAND, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

4. OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town has obtained a variety of commercial liability insurance policies that passes the risk of loss listed above to independent third parties.

Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years

B. Contingent Liabilities

Litigation

Litigation is subject to many uncertainties, and the outcome of individual matters is not always predictable. Although the amount of the liability, if any, at June 30, 2015, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2015. The outcome of lawsuits and any findings with respect to disallowed expenditures is not expected to materially affect the financial condition of the Town

C. Pension Plan

Plan Description

The Town is a member of the Hampden County Regional Retirement System (the System). The System is a cost-sharing multiple-employer public employee retirement system administered by the Hampden County Retirement Board (the Board). Massachusetts General Laws (MGL), Chapter 32, assigns authority to establish the System and amend benefit provisions of the plan; which is regulated by the Public Employees Retirement Administration Commission (PERAC). The System is a defined benefit pension plan that covers substantially all employees of its member employers except for current and retired teachers. The System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System at 67 Hunt Street, Suite 106, Agawam, Massachusetts 01001

The Town is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan, to which the Town does not contribute. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for the contributions and future benefit requirements of the MTRS

Special Funding Situation

The Commonwealth is a nonemployer contributor and is responsible by statute to make all actuarially determined contributions and future benefit requirements on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in the MTRS. Since the Town does not contribute directly to MTRS, there is no pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based upon each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2014. The Town's portion of the collective pension expense contributed by the Commonwealth of \$238,855 on-behalf payments for the fiscal year ending June 30, 2015 is reported as intergovernmental revenues and employee benefits and insurance expenditures in the General Fund as of the measurement date

TOWN OF HOLLAND, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

Benefits Provided

Both the System and MTRS provide retirement, disability, and death benefits to plan members and beneficiaries. Members become vested after 10 years of creditable service and are eligible for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Retirement benefits are determined as a percentage of the member's final three-year (five-year for members hired on or after April 2, 2012) final average compensation times the member's years of creditable service prior to retirement. The percentage is based on the age of the member at retirement and his or her Group classification. The authority for amending these provisions rests with the Massachusetts Legislature.

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

Cost of living adjustments granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth's State law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

Contributions

MGL Chapter 32 governs the contributions of plan members and the Town. Plan members are required to contribute to the System at rates ranging from 5% to 9% based upon their membership date of gross regular compensation with an additional 2% contribution after exceeding \$30,000 in annual covered compensation.

The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The Town's proportionate share of the required contribution to the System for the year ended December 31, 2014 was \$175,354, representing 21.36% of the covered payroll, an actuarially determined amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year and an additional amount to finance any unfunded accrued liability.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current-year pension assessment. In the past years, retirement systems were paying only the actual retirement benefits that were due each year. Systems had no statutory authorization to put aside money for the future benefits of employees who are currently employed. Large unfunded liabilities resulted from operating under this pay-as-you-go basis. In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. Additionally, Chapter 32 of the MGL requires Massachusetts retirement systems to adopt funding schedules designed to reduce the unfunded actuarial liability of the system to zero by no later than June 30, 2040. The System's current funding schedule is designed to reduce the unfunded actuarial liability to zero by 2035.

Pension Liability

As of June 30, 2015, a reported liability of \$2,354,572 is the Town's proportionate share of the net pension liability as measured as of December 31, 2014. The net pension liability was determined using the total pension liability and the actuarial assumptions as of the January 1, 2014 and updated to the measurement date of December 31, 2014. This net pension liability is based on the Town's proportional percentage of 0.82% at December 31, 2014. As such, the total pension liability was also updated and adjusted forward to the measurement date.

TOWN OF HOLLAND, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

Pension Expense

For the year ended June 30, 2015, the Town recognized a pension expense of \$188,983; reported deferred outflows of resources related to pensions of \$7,019 and deferred inflows of resources related to pensions of \$131,230, from the net difference between projected and actual investment earnings on pension plan investments. Since the System performs an actuarial valuation bi-annually, there are no reported differences between the expected and actual experience or a change of assumptions as of December 31, 2014. Additionally, the changes in proportion and differences between employer contributions and the proportionate share of contributions are not presented in the initial year of reporting in accordance with GASB Statement No. 67 and Statement No. 68.

The Town's net deferred inflows/(outflows) of resources related to pensions will be recognized in the future pension expense as follows;

<u>For years ended June 30,</u>	
2016	\$ (31,053)
2017	(31,053)
2018	(31,053)
2019	<u>(31,052)</u>
	<u>\$ (124,211)</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2014, using the following actuarial assumptions, applied to all periods included in the measurement that was updated December 31, 2014;

Valuation date	January 1, 2014
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level dollar for the 2002 and 2003 ERI and funding holiday liabilities and increasing 4.0% per year for the remaining unfunded liability Increase in total appropriation is limited to 8.0%
Remaining amortization period	As of July 1, 2014, 5 years remaining on the 2002 ERI, 6 years remaining on the 2003 ERI and funding holiday, and 22 years for the remaining unfunded liability
Asset valuation method	The difference between the expected return and the actual investment return on a market value basis is recognized over a 5 year period. Asset value is adjusted, if necessary to be within 10% of the market value.
Inflation rate	4.00%
Investment rate of return	7.875%
Projected salary increase	Varies by length of service with ultimate rates 4.25% for Group 1 and 4.50% for Group 2 and 4.75% for Group 4
Cost of living adjustments	3.00% of the first \$18,000 of retirement income

TOWN OF HOLLAND, MASSACHUSETTS
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Mortality rates

Pre-retirement: the RP-2000 Employee Mortality Table projected generally with a Scale AA from 2010
 Healthy retiree: the RP-2000 Healthy Annuitant Mortality Table projected generally with a Scale AA from 2010.
 For disabled retirees, the Healthy Annuitant Mortality Table is set forward 3 years for males only projected generally with Scale AA from 2010

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing 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 class included in the pension plan's target asset allocation as of January 1, 2014, are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Large Cap Equities	14.50%	7.75%
Small/mid Cap Equities	3.50%	8.00%
International Equities (Unhedged)	16.00%	8.25%
Emerging International Equities	6.00%	9.50%
High-yield Bonds	1.50%	6.00%
Bank Loans	1.50%	6.25%
EMD (External)	1.00%	7.00%
EMD (Local Currency)	2.00%	7.25%
TIPS	3.00%	4.50%
Long Treasuries	10.00%	4.25%
Private Equity	10.00%	9.75%
Private Debt	4.00%	8.25%
Real Estate (Core)	10.00%	6.50%
Hedge Funds	9.00%	7.00%
Timber/Natural Resources	4.00%	6.88%
Portfolio Completion Strategies	4.00%	N/A
Total	100.00%	

Rate of Return

For the year ended December 31, 2014, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 7.70%. The money weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense. A money weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested. Inputs to the money weighted rate of return calculation are determined monthly

TOWN OF HOLLAND, MASSACHUSETTS
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Discount Rate

The discount rate used to measure the total pension liability was 7.875%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made based at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.875%. As well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.875%) or 1-percentage-point higher (8.875%) than the current rate (amounts expressed in thousands):

	1% Decrease 6.875%	Current Discount Rate 7.875%	1% Increase 8.875%
Town's net pension liability	\$ 2,885,331	\$ 2,354,572	\$ 1,902,325

D. Other Post-Employment Benefits Payable

GASB Statement No. 45

The cost of post-employment benefits generally should be associated with the periods in which costs occur rather than in the future year when it will be paid. The Town adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2010, and thus recognizes the cost of post-employment benefits in the year when the employee services are received, reports the accumulated liability from prior years and provides information useful in assessing potential demands on the Town's future cash flows.

Plan Description

In addition to providing pension benefits, the Town provided post-employment health care and life insurance benefits for retired employees, their dependents and beneficiaries. The benefits, benefit levels, employee and employer contributions are governed by Massachusetts General Law chapter 32. There are approximately 63 active and retired employees that meet the eligibility requirements. The plan does not issue a separate financial report.

Funding Policy

The contribution requirements of plan members and the Town are established and may be amended through Town policy and member contracts. The required contribution is based on the projected pay-as-you-go financing requirements. For the 2015 fiscal year, total Town premiums plus implicit costs for the retiree medical program are \$85,595.

Annual OPEB Cost and Net OPEB Obligation

The Town's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities.

TOWN OF HOLLAND, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

(or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of the Town's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the Town's net OPEB obligation to the plan:

Annual required contribution	\$	506,753
Interest on net OPEB obligation		57,993
Amortization of Actuarial Loss / (Gain)		(68,279)
Annual OPEB cost (expense)		496,467
Contributions made during the fiscal year		(85,595)
Increase in net OPEB obligation		410,872
Net OPEB Obligation - beginning of year		1,449,825
Net OPEB Obligation - end of year	\$	1,860,697

The Town's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2015 fiscal year is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 496,467	17.2%	\$ 1,860,697
6/30/2014	\$ 471,464	16.0%	\$ 1,449,825
6/30/2013	\$ 447,134	16.2%	\$ 1,053,734

Funded Status and Funding Process

As of July 1, 2012, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits are \$3,908,711, and the actuarial value of assets was \$0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,908,711. The covered payroll (annual payroll of active employees covered by the plan) was \$2,008,112, and the ratio of the UAAL to the covered payroll was 194.65%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The Schedule of Funding Progress, presented as Required Supplementary Information following the Notes to the Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the Actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

The Town OPEB actuarial valuation as of July 1, 2012, used the entry age normal cost method. The OPEB liability is currently unfunded and the actuarial assumptions include an interest rate of 4.0%, an

TOWN OF HOLLAND, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

average salary increase rate of 2.5% and a medical/drug cost trend rate of 9.0% in year one decreasing by 1.0% per year to an ultimate level of 5.0% per year.

The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar amount open basis. The remaining amortization period at June 30, 2015 is 24 years.

Trust Fund

The Town did establish a trust fund in order to contribute funds to reduce the future OPEB liability. As of June 30, 2015 the trust balance is \$25,664.

E. Implementation Of New GASB Pronouncements

The GASB issued Statement No. 67, *Financial Reporting for Pension Plans*, Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* for implementation in fiscal year 2015. The Town's basic financial statements recognize a net pension asset/(liability) and pension revenue/(expense) for the Town's portion of the Hampden County Regional Retirement System actuarial accrued liability.

F. Future GASB Pronouncements

Management is currently assessing the impact the implementation of the following pronouncements will have on the basic financial statements.

The GASB issued Statement No. 72, *Fair Value Measurement and Application*, for implementation in 2016.

The GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, for implementation in 2016.

5. RESTATEMENT

As required by GASB Statement No. 67 and Statement No. 68, the net position of governmental activities as of June 30, 2014 has been restated to \$4,546,700. The beginning net position increased \$482,894 to reflect a change in the OPEB liability and decreased \$2,465,154 to reflect the pension liability.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF HOLLAND, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
Hampden County Regional Retirement System
For the Year Ended June 30, 2015

The Schedule of Proportionate Share of the Net Pension Liability represents multiyear trend information relating to the Town's proportion of the net pension liability and related ratios

Schedule of the Town's Proportionate Share of the Net pension Liability:

	<u>12/31/2014</u>
Town's proportion of the net pension liability (asset)	0.820%
Town's proportionate share of the net pension liability (asset)	\$ 2,354,572
Town's covered employee payroll **	\$ 821,052
Net pension liability percentage of covered-employee payroll	286.78%
Plan fiduciary net position as a percentage of the total pension liability	51.38%

Note: these schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years of which the information is available.

** Indicates covered employee payroll as reported in the retirement system January 1, 2014 funding valuation report.

**TOWN OF HOLLAND, MASSACHUSETTS
 Required Supplementary Information
 Pension Plan Schedules
 Hampden County Regional Retirement System
 For the Year Ended June 30, 2015**

The Schedule of the Employer Contributions presents multiyear trend information on the Town's required and actual payments to the pension plan and related ratios.

Schedule of the Town's Contributions:

	12/31/2014
Actuarially determined contribution @	\$ 175,354
Less: Contributions in relation to the actuarially determined contribution	(175,354)
Contribution deficiency (excess)	\$ -
Town's covered employee payroll **	\$ 821,052
Contributions percentage of covered-employee payroll	21.36%

Note: these schedules are intended to present information for 10 years
 Until a 10-year trend is compiled, the information is presented for those
 years of which the information is available

@ Based on the results of the January 1, 2014 actuarial valuation (including
 assumptions and methods) which determined the budgeted appropriations
 for fiscal year 2015.

** Indicates covered employee payroll as reported in the retirement
 system January 1, 2014 funding valuation report.

TOWN OF HOLLAND, MASSACHUSETTS
Required Supplementary Information
Schedule of Funding Progress and Employer Contributions
Other Post-Employment Benefit Plan Schedules
Year Ended June 30, 2015

SCHEDULE OF FUNDING PROGRESS

Other Post Employment Benefits						
Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Aid (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
7/1/2012	\$ -	\$ 3,908,711	\$ 3,908,711	0%	\$ 2,008,112	194.65%
7/1/2009	\$ -	\$ 2,763,119	\$ 2,763,119	0%	\$ 1,548,167	178.48%

SCHEDULE OF CONTRIBUTION FUNDING

Other Post Employment Benefits			
Fiscal Year Ended June 30	Annual OPEB Cost	Actual Contributions Made	Percentage Contributed
2015	\$ 496,467	\$ 85,595	17.2%
2014	\$ 471,464	\$ 75,373	16.0%
2013	\$ 447,134	\$ 72,551	16.2%

The information presented in the above Required Supplementary Schedule was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation can be found in the Notes to Basic Financial Statements.

Actuarial Methods:

Valuation date	July 1, 2012
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	30-year amortization payments

Actuarial Assumptions:

Interest rate	4.0%
Annual payroll increase	2.5%
Medical/drug cost trend rate	9.0% in year 1 decreasing to the ultimate trend rate of 5% per year

Plan Membership:

Current active members	53
Current retirees, beneficiaries and dependents	10
Total	<u>63</u>

SUPPLEMENTARY SCHEDULES

**TOWN OF HOLLAND, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Fund Balances July 1, 2014	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2015
Special Revenue:					
Federal and State Grants:					
School Grants	\$ 18,689	\$ 69,756	\$ 81,073	\$ -	7,372
Arts Lottery Council Grants	1,882	4,301	4,332	-	1,851
Council on Aging Grants	2,177	15,932	15,373	-	2,736
Green Communities Grant	(39,685)	71,625	28,120	-	3,820
Highway Funds	851	219,171	219,171	-	851
Landfill Grant	18,750	-	-	-	18,750
Library Grants	20,238	2,784	3,419	-	19,603
October 2011 Storm	(436,005)	277,629	-	5,221	(153,155)
Other Programs and Grants	18,048	1,670	943	-	18,775
Public Safety Grants	23,730	6,018	3,451	-	26,297
Schools:					
School Lunch Program	13,447	62,222	60,734	-	14,935
School Choice	353,923	246,248	209,669	-	390,502
School Revolving Accounts	27,591	75,081	105,585	-	(2,913)
State Special Education Reimbursement Fund	89,884	127,248	138,403	-	78,729
Other:					
Cable Operating Grants	76,644	-	18,263	-	58,381
Cable Commission	-	32,158	-	-	32,158
Gifts and Donations	72,337	15,320	3,864	-	83,793
Insurance Reimbursements	8,090	6,621	240	-	14,471
Land	100	-	-	-	100
Municipal Waterway Improvement	2,243	-	-	-	2,243
Police Off-duty Details	(16,980)	76,535	80,899	-	(21,344)
Recreation	5,790	9,302	6,435	-	8,657
Revolving Accounts	21,455	64,122	66,759	-	18,818
Septic Repair Loan Repayments	93,042	24,505	-	-	117,547
Wetlands Protection Fees	23,747	4,289	3,462	-	24,574
Total Special Revenue Funds	\$ 399,988	\$ 1,412,537	\$ 1,050,195	\$ 5,221	\$ 767,551

**TOWN OF HOLLAND, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Fund Balances July 1, 2014	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2015
Capital Projects:					
Stafford Road Land	1,514	-	-	-	1,514
Highway Truck	-	-	185,571	185,571	-
Total Capital Projects	1,514	-	185,571	185,571	1,514
Permanent Funds:					
Cemetery Perpetual Care Funds	64,861	2,074	-	-	66,935
Library Fund	1,757	2	-	-	1,759
School Donation Fund	3,048	-	-	-	3,048
Total Permanent Funds	69,666	2,076	-	-	71,742
Total - Non-Major Governmental Funds	\$ 471,168	\$ 1,414,613	\$ 1,235,766	\$ 190,792	\$ 840,807

**TOWN OF HOLLAND, MASSACHUSETTS
SCHEDULE OF REAL ESTATE AND PERSONAL PROPERTY TAXES
JULY 1, 2014 TO JUNE 30, 2015**

	Uncollected Taxes July 1, 2014	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2015	Uncollected Taxes Per Detail June 30, 2015
Real Estate Taxes:						
Levy of 2015	\$ -	\$ 4,786,621	\$ 29,423	\$ 4,584,239	\$ 172,959	\$ 172,202
Levy of 2014	181,042	-	79,641	58,332	43,069	43,069
Levy of 2013	35,102	-	4,730	14,622	15,750	15,750
Levy of 2012	8,712	-	4,381	2,687	1,644	1,644
Levy of 2011	267	-	-	30	237	237
Prior Years	4,222	-	(19)	267	3,974	3,955
	<u>229,345</u>	<u>4,786,621</u>	<u>118,156</u>	<u>4,660,177</u>	<u>237,633</u>	<u>236,857</u>
Personal Property Taxes:						
Levy of 2015	-	152,591	377	150,280	1,934	1,934
Levy of 2014	2,159	-	124	255	1,780	1,780
Levy of 2013	1,982	-	-	332	1,650	1,650
Levy of 2012	1,298	-	-	145	1,153	1,153
Levy of 2011	720	-	-	-	720	720
Prior Years	2,009	-	-	146	1,863	1,863
	<u>8,168</u>	<u>152,591</u>	<u>501</u>	<u>151,158</u>	<u>9,100</u>	<u>9,100</u>
Total Real Estate and Personal Property Taxes	\$ 237,513	\$ 4,939,212	\$ 118,657	\$ 4,811,335	\$ 246,733	\$ 245,957

**TOWN OF HOLLAND, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE EXCISE TAXES
JULY 1, 2014 TO JUNE 30, 2015**

	Uncollected Taxes July 1, 2014	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2015	Uncollected Taxes Per Detail June 30, 2015
Motor Vehicle Excise Taxes:						
Levy of 2015	\$ -	\$ 274,545	\$ 3,983	\$ 246,015	\$ 24,547	\$ 24,547
Levy of 2014	15,805	28,921	1,973	37,773	4,980	5,199
Levy of 2013	7,395	54	900	3,829	2,720	2,720
Levy of 2012	3,295	-	-	679	2,616	2,616
Levy of 2011	2,282	-	63	270	1,949	1,949
Prior Years	13,667	-	-	782	12,885	12,925
Total Motor Vehicle Excise Taxes	\$ 42,444	\$ 303,520	\$ 6,919	\$ 289,348	\$ 49,697	\$ 49,956

TOWN OF HOLLAND, MASSACHUSETTS
 SCHEDULE OF TAX LIENS AND TAX FORECLOSURES
 JULY 1, 2014 TO JUNE 30, 2015

	Uncollected Accounts July 1, 2014	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2015	Uncollected Accounts Per Detail June 30, 2015
Tax Liens	\$ 760,215	\$ 103,746	\$ -	\$ 48,328	\$ 815,633	\$ 815,693
Tax Foreclosures	\$ 212,823	\$ -	\$ -	\$ -	\$ 212,823	\$ 212,823