

TOWN OF HOLLAND, MASSACHUSETTS

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

For the Year Ended June 30, 2016

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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, 2016, and the related notes to the financial statements, which collectively comprise the Town of Holland, Massachusetts' 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, 2016, 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 and Associates, LLC

Scanlon & Associates, LLC
South Deerfield, Massachusetts

August 25, 2017

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, 2016. 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 \$5,355,446 (net position) for the fiscal year reported. This compares to the previous year when assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$5,071,865 or an increase of \$283,581 (6%).
- At the close of the current fiscal year, the Town's governmental funds reported total ending fund balance of \$3,105,464 an increase of \$481,311 (18%) in comparison with prior year.
- The General Fund's total fund balance increased \$195,050 (15%) to \$1,463,406. The ending General fund balance is 21% of revenues and transfers in and 22% of expenditures.
- Total long term liabilities of the Town increased by \$818,752 (16%) to \$6,069,242 during the fiscal year. This change was mainly the result of a net decrease in notes payable of \$152,527 and increases net bonds payable of \$243,250, in the Other Post Employment Benefits (OPEB) liability of \$236,212 and in the net pension liability of \$519,637.
- The Town had General fund free cash certified by the Department of Revenue in the amount of \$279,183. The key factor that attributed to the free cash amount for fiscal year 2016 was the unexpended/unencumbered appropriations of \$242,575.

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		
	2016	2015	Change
Assets:			
Current assets	\$ 5,132,737	\$ 4,719,680	\$ 413,057
Noncurrent assets	10,224	13,414	(3,190)
Capital assets	5,993,483	5,710,472	283,011
Total assets	11,136,444	10,443,566	692,878
Deferred Outflows of Resources:			
Deferred outflows related to pensions	386,667	7,019	379,648
Liabilities:			
Current liabilities (excluding debt)	497,497	522,317	(24,820)
Current debt	211,190	285,717	(74,527)
Noncurrent liabilities (excluding debt)	4,984,055	4,228,206	755,849
Noncurrent debt	376,500	211,250	165,250
Total liabilities	6,069,242	5,247,490	821,752
Deferred Inflows of Resources:			
Deferred inflows related to pensions	98,423	131,230	(32,807)
Net Position:			
Net investment in capital assets	5,455,647	5,419,054	36,593
Restricted	1,809,374	1,631,148	178,226
Unrestricted	(1,909,575)	(1,978,337)	68,762
Total net position	\$ 5,355,446	\$ 5,071,865	\$ 283,581

Financial Highlights
Statement of Activities Highlights

	Governmental Activities		
	2016	2015	Change
Program Revenues:			
Charges for services	\$ 310,586	\$ 323,896	\$ (13,310)
Operating grants and contributions	2,014,496	1,847,067	167,429
Capital grants and contributions	156,585	597,652	(441,067)
General Revenues:			
Property taxes	4,962,545	4,923,179	39,366
Motor vehicle and other excise taxes	381,578	295,593	85,985
Penalties and interest on taxes	73,480	74,464	(984)
Nonrestricted grants and contributions	206,090	211,383	(5,293)
Unrestricted investment income	4,469	3,104	1,365
Miscellaneous	2,345	1,567	778
Total revenues	8,112,174	8,277,905	(165,731)
Expenses:			
General government	534,144	481,574	52,570
Public safety	514,745	484,318	30,427
Public works	734,833	868,547	(133,714)
Education	4,404,872	4,404,749	123
Health and human services	133,049	98,926	34,123
Culture and recreation	76,001	70,856	5,145
Employee benefits and insurance	1,407,335	1,325,363	81,972
State assessments	19,006	12,293	6,713
Interest	4,608	6,114	(1,506)
Total expenses	7,828,593	7,752,740	75,853
Change in net position	283,581	525,165	(241,584)
Net position - beginning of year	5,071,865	4,546,700	525,165
Net position - end of year	\$ 5,355,446	\$ 5,071,865	283,581

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 \$5,355,446 at the close of fiscal year 2016.

Net position of \$5,455,647 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, \$1,809,374 represents resources that are subject to external restrictions on how they may be used. The remaining balance consists of *unrestricted net position* (\$1,909,575).

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 \$283,581 (6%) during current the fiscal year. The key elements of the increase in net position for fiscal year 2016 were attributed to the acquisition of \$676,756 in new capital assets exceeding the depreciation expense (normally spread out over the useful life of the asset) for the year of \$393,745 and recognizing this year's change in deferred outflow/inflow of resources related to pensions of \$412,455; and decreases as a result of recognizing the OPEB obligation of \$236,212 and the net pension liability of \$519,637 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 \$3,105,464 an increase of \$481,311 (18%) in comparison with the prior year.

The breakdown of the governmental funds is as follows:

- Restricted fund balance – \$1,668,894 (54%).
- Assigned fund balance – \$512,448 (16%).
- Unassigned fund balance – \$924,122 (30%).

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 \$1,463,406 increasing \$195,050 (15%) from the prior year. Of the \$1,463,406, the unassigned amount is \$950,958 (65%) and the assigned amount is \$512,448 (35%). General fund revenues were \$272,030 (4%) more than the prior fiscal year and expenditures also increased by \$259,074 (4%). Other activity in the General Fund consisted of net transfers in from other funds of \$14,597.

The main components of the increase in General Fund revenues were related to increases in property taxes collected of \$49,138 (1%), in licenses, permits and fees of \$92,014 (32%) and with intergovernmental on-behalf payments of \$133,443 (55%) from the prior year.

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

- Increase in Public Safety expenditures of \$59,106 (18%).
- Decrease in Public works expenditures of \$151,496 (20%).
- Increase in Employee benefits and insurance of \$163,079 (18%).
- Increase in net Debt service expenditures (principal and interest) of \$87,800 (53%)

The *Butterworth School Fund* is used to account for school improvements and maintenance. The fund has accumulated a balance of \$530,870 and shows an increase of \$15,880 (3%) in total operations. This is attributed to interest income of \$18,630 and expenditures of \$2,750.

At the end of the fiscal year, the *Nonmajor Governmental Funds* reported a fund balance of \$1,111,188 increasing \$270,381 (32%) as expenditures exceeded revenues by \$208,177. Other activity consisted of net transfers out to the General Fund of \$14,597 and the proceeds from bonding of \$493,155.

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2016 was \$6,930,614. This was an increase of \$210,391 (3%) over the previous year's budget.

There was an increase of \$16,779 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 2016 for various budget operating line items.

General fund expenditures were less than budgeted by \$555,253. Of the \$555,253 in under budget expenditures, \$312,678 has been carried over to fiscal year 2017.

There was a negative variance in property taxes of \$129,977 as collections did not meet budgeted expectations. The overall the total revenues exceeded budget expectations.

A negative variance exists in State assessments of \$4,441 as the Town had a higher assessment in the school choice sending tuition than budgeted.

Overall, the variance with the final budget was a positive \$326,106 consisting of a revenue surplus of \$83,531 and the appropriation surplus of \$242,575.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets as of June 30, 2016 amounts to \$5,993,483.

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:

- Police vehicle and equipment purchases for \$68,763.
- Fire Department vehicle purchase for \$340,000.
- Highway building improvements for \$9,100.
- Road infrastructure improvements for \$193,611.
- School equipment and improvements for \$65,282.
- Senior Center paving for \$24,500.

Debt Administration. The Town's outstanding governmental long-term debt, as of June 30, 2016, totaled \$551,250 of which \$477,250 is for departmental vehicles, \$34,000 for land acquisition and \$40,000 is for the landfill capping.

The Town also has \$36,440 in temporary debt. These anticipation notes are associated with a road grant.

Please refer to notes 3D, 3F and 3G 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, 2016 do not reflect the fiscal year 2017 Town Meeting action with exception of the free cash, appropriations and stabilization amounts used to fund the fiscal year 2017 budget. The Annual Town Meeting on May 31, 2016 authorized a fiscal year 2017 operating and capital budget as follows:

From raise and appropriate		\$	6,673,619
From other available funds:			
General Fund:			
Unreserved fund balance:			
Free cash	\$	240,253	
Appropriations		112,629	352,882
Capital stabilization fund		38,924	
Road improvement stabilization fund		70,000	108,924
Non-major Governmental Funds:			
Cable Commission			30,000
		\$	<u>7,165,425</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, 2016**

	Primary Government
	Governmental Activities
ASSETS	
CURRENT:	
Cash and Cash Equivalents	\$ 3,176,055
Investments	375,611
Receivables, net of allowance for uncollectibles:	
Property Taxes	294,442
Tax Liens	854,541
Tax Foreclosures	212,823
Excise Taxes	29,525
Due from Other Governments	189,740
Total current assets	5,132,737
NONCURRENT:	
Receivables, net of allowance for uncollectibles:	
Due from Other Governments	10,224
Capital Assets, net of accumulated Depreciation	
Nondepreciable	1,100,823
Depreciable	4,892,660
Total noncurrent assets	6,003,707
Total Assets	11,136,444
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensions	386,667
LIABILITIES	
CURRENT:	
Warrants and Accounts Payable	228,310
Accrued Payroll	240,069
Payroll Withholdings	18,778
Other	6,195
Accrued Interest	1,145
Bond Anticipation Notes Payable	36,440
Bonds Payable	174,750
Total current liabilities	708,687
NONCURRENT:	
Compensated Absences	12,937
OPEB Obligation Payable	2,096,909
Net Pension Liability	2,874,209
Bonds Payable	376,500
Total noncurrent liabilities	5,360,555
Total Liabilities	6,069,242
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions	98,423
NET POSITION	
Net Investment in Capital Assets	5,455,647
Restricted for:	
Federal & State Grants	369,155
Permanent Funds	604,514
Other Purposes	835,705
Unrestricted	(1,909,575)
Total Net Position	\$ 5,355,446

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, 2016**

	Program Revenues				Net (Expenses) Revenues and and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	<u>Primary Government</u> Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 534,144	\$ 51,336	\$ 91,244	\$ -	\$ (391,564)
Public Safety	514,745	106,317	38,680	-	(369,748)
Public Works	734,833	2,843	-	156,585	(575,405)
Education	4,404,872	125,836	1,467,707	-	(2,811,329)
Health and Human Services	133,049	17,001	33,357	-	(82,691)
Culture and Recreation	76,001	7,253	7,314	-	(61,434)
Employee Benefits and Insurance	1,407,335	-	374,593	-	(1,032,742)
State Assessments	19,006	-	-	-	(19,006)
Interest	4,608	-	1,601	-	(3,007)
Total Governmental Activities	7,828,593	310,586	2,014,496	156,585	(5,346,926)
Total Primary Government	\$ 7,828,593	\$ 310,586	\$ 2,014,496	\$ 156,585	(5,346,926)
General Revenues:					
Property Taxes					4,962,545
Motor vehicle excise and other taxes					381,578
Penalties & Interest on Taxes					73,480
Grants & Contributions not restricted to specific programs					206,090
Unrestricted Investment Income					4,469
Miscellaneous					2,345
Total General Revenues					5,630,507
					Change in Net Position
					283,581
					Net Position:
					Beginning of year
					5,071,865
					End of year
					\$ 5,355,446

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

**TOWN OF HOLLAND, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016**

	General Fund	Butterworth School Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 1,885,390	\$ 162,041	\$ 1,128,624	\$ 3,176,055
Investments	6,782	368,829	-	375,611
Receivables, net of allowance for uncollectibles:				
Property Taxes	294,442	-	-	294,442
Tax Liens	854,541	-	-	854,541
Tax Foreclosures	212,823	-	-	212,823
Excise Taxes	29,525	-	-	29,525
Due from Other Governments	11,337	-	174,470	185,807
Total Assets	\$ 3,294,840	\$ 530,870	\$ 1,303,094	\$ 5,128,804
Liabilities:				
Warrants and Accounts Payable	\$ 221,565	\$ -	\$ 6,745	\$ 228,310
Accrued Payroll	231,828	-	8,241	240,069
Payroll Withholdings	18,778	-	-	18,778
Tax Refund Payable	3,000	-	-	3,000
Other	6,195	-	-	6,195
Notes Payable	-	-	36,440	36,440
Total Liabilities	481,366	-	51,426	532,792
Deferred Inflows of Resources - Unavailable Revenue	1,350,068	-	140,480	1,490,548
Fund Balance:				
Restricted	-	530,870	1,138,024	1,668,894
Assigned	512,448	-	-	512,448
Unassigned	950,958	-	(26,836)	924,122
Total Fund Balance	1,463,406	530,870	1,111,188	3,105,464
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,294,840	\$ 530,870	\$ 1,303,094	\$ 5,128,804

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, 2016

	General Fund	Butterworth School Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 4,896,658	\$ -	\$ -	\$ 4,896,658
Intergovernmental	1,161,538	-	687,491	1,849,029
Excise and Other Taxes	383,078	-	-	383,078
Licenses, Permits and Fines	7,758	-	-	7,758
Fees and Other Departmental	38,465	-	291,759	330,224
Investment Income	4,469	18,630	668	23,767
Interest on Delinquent Taxes	73,480	-	-	73,480
Other	-	-	64,876	64,876
Intergovernmental - "On-behalf" Payments	377,445	-	-	377,445
Total Revenues	6,942,891	18,630	1,044,794	8,006,315
Expenditures:				
Current:				
General Government	399,130	-	80,132	479,262
Public Safety	385,119	-	473,499	858,618
Public Works	591,450	-	118,925	710,375
Education	3,892,813	2,750	540,047	4,435,610
Health and Human Services	102,836	-	28,268	131,104
Culture and Recreation	53,586	-	12,100	65,686
Employee Benefits and Insurance	1,063,941	-	-	1,063,941
State Assessments	19,006	-	-	19,006
Debt Service:				
Principal	249,905	-	-	249,905
Interest	4,652	-	-	4,652
Total Expenditures	6,762,438	2,750	1,252,971	8,018,159
Excess of Revenues Over (Under) Expenditures	180,453	15,880	(208,177)	(11,844)
Other Financing Sources (Uses):				
Operating Transfers In	14,597	-	-	14,597
Operating Transfers Out	-	-	(14,597)	(14,597)
Proceeds from Issuance of Bonds and Notes	-	-	493,155	493,155
Total Other Financing Sources (Uses)	14,597	-	478,558	493,155
Net Change in Fund Balances	195,050	15,880	270,381	481,311
Fund Balances, Beginning of Year	1,268,356	514,990	840,807	2,624,153
Fund Balances, End of Year	\$ 1,463,406	\$ 530,870	\$ 1,111,188	\$ 3,105,464

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, 2016

Total Governmental Fund Balances	\$	3,105,464
Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds.		5,993,483
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.		1,504,705
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.		288,244
Long Term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds:		
Bonds Payable	\$ (551,250)	
Other Post Employment Benefits Payable	(2,096,909)	
Net Pension Liability	(2,874,209)	
Compensated Absences	<u>(12,937)</u>	(5,535,305)
In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, interest is not reported until due.		<u>(1,145)</u>
Net Position of Governmental Activities	\$	<u>5,355,446</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, 2016

Net Change in Fund Balances - Total Governmental Funds \$ 481,311

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:

Capital Outlay Purchases	\$ 676,756	
Depreciation	<u>(393,745)</u>	283,011

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. 105,859

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:

Repayment of Debt Principal	249,905	
Proceeds from Bonds and Notes	<u>(493,155)</u>	(243,250)

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:

Net Change in Other Post Employment Benefits	(236,212)	
Net Change in Net Pension Liability	(519,637)	
Net Change in Deferred Outflow/(Inflow) of Resources Related to Pensions	412,455	
Net Change in Accrued Interest on Long-Term Debt	<u>44</u>	<u>(343,350)</u>

Change in Net Position of Governmental Activities \$ 283,581

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, 2016**

	<u>Budgeted Amounts</u>			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			
Revenues:						
Property Taxes	\$ -	\$ 5,001,435	\$ 5,001,435	\$ 4,871,458	\$ -	\$ (129,977)
Intergovernmental	-	1,119,834	1,119,834	1,161,538	-	41,704
Excise and Other Taxes	-	294,581	294,581	383,078	-	88,497
Licenses, Permits and Fines	-	3,000	3,000	7,758	-	4,758
Fees and Other Departmental	-	5,000	5,000	38,465	-	33,465
Investment income	-	2,000	2,000	3,604	-	1,604
Interest on Delinquent Taxes	-	30,000	30,000	73,480	-	43,480
Total Revenues	-	6,455,850	6,455,850	6,539,381	-	83,531
Expenditures:						
Current:						
General Government	72,134	494,311	556,814	399,130	63,391	94,293
Public Safety	500	394,964	397,333	385,119	500	11,714
Public Works	49,971	626,473	693,222	591,450	58,269	43,503
Education	139,774	3,893,113	4,032,887	3,883,181	149,606	100
Health and Human Services	50,762	103,173	161,698	102,836	40,620	18,242
Culture and Recreation	237	54,817	55,054	53,586	292	1,176
Employee and Pension Benefits	-	716,882	716,882	691,376	-	25,506
State Assessments	-	14,565	14,565	19,006	-	(4,441)
Debt Service:						
Principal	44,779	247,380	292,159	246,737	-	45,422
Interest	-	10,000	10,000	2,940	-	7,060
Total Expenditures	358,157	6,555,678	6,930,614	6,375,361	312,678	242,575
Excess of Revenues Over (Under) Expenditures	(358,157)	(99,828)	(474,764)	164,020	(312,678)	326,106
Other Financing Sources (Uses):						
Operating Transfers In (Out)	-	(61,237)	(61,237)	(46,640)	-	14,597
Total Other Financing Sources (Uses)	-	(61,237)	(61,237)	(46,640)	-	14,597
Net Change in Budgetary Fund Balance	(358,157)	(161,065)	(536,001)	\$ 117,380	\$ (312,678)	\$ 340,703
Other Budgetary Items:						
Free Cash and Other Reserves	-	161,065	177,844			
Prior Year Encumbrances	358,157	-	358,157			
Total Other Budgetary Items	358,157	161,065	536,001			
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, 2016

	Revenues	Expenditures
Reported on a Budgetary Basis	\$ 6,539,381	\$ 6,375,361
<i>Adjustments:</i>		
Activity for Stabilization Fund Recorded in the General Fund for GAAP Purposes	865	-
Net Decrease in Revenue from recording Refund Taxes Payable	(3,000)	-
Recognition of Intergovernmental Revenue - "on behalf payments"	377,445	-
Recognition of Expenditures - "on behalf payments"	-	377,445
Teachers Summer Payroll Accrual	-	9,632
Net Increase in Revenue from Recording 60-Day Receipts	28,200	-
Reported on a GAAP Basis	\$ 6,942,891	\$ 6,762,438

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, 2016**

	Other Post Employment Benefits Trust Fund	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 37,514
Investments	52,904	-
Total Assets	52,904	37,514
LIABILITIES		
Due to Students	-	18,514
Escrows and Deposits	-	19,000
Total Liabilities	-	37,514
NET POSITION		
Held in Trust for Other Purposes	\$ 52,904	\$ -

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, 2016**

	Other Post Employment Benefits Trust Fund
Additions:	
Employer Contributions	\$ 25,000
Investment Income	2,240
Total Additions	27,240
Deductions:	
Employee Benefits	-
Total Deductions	-
Change in Net Position	27,240
Net Position at Beginning of Year	25,664
Net Position at End of Year	\$ 52,904

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, 2016

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 2016, 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, 2016

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, 2016

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, 2016

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

The Town maintains investments according to Massachusetts General Laws and adopted policies. Investments are reported according to the fair value hierarchy established by generally accepted accounting principles. Investments are defined as securities or other assets that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy is based upon valuation inputs, which are assumptions that market participants would use when pricing an asset or a liability, including assumptions about risk.

Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 inputs are directly observable for an asset or a liability (including quoted prices for similar assets or liabilities), as well as inputs that are indirectly observable for the asset or liability.

Level 3 inputs are unobservable for the asset or liability.

Certain investments, such as money market investments and 2a7-like external investment pools, are reported at amortized cost. 2a7-like pools are external investment pools that operate in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended and should be measured at the net asset value per share provided by the pool.

Additional investment disclosures are presented in these Notes.

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, 2015 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

TOWN OF HOLLAND, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

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 2016 on June 30, 2015 and September 30, 2015 that were due on August 3, 2015 and November 2, 2015 and actual bills on December 22, 2015 and March 30, 2016 that were due on February 1, 2016 and May 2, 2016.

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.

The legal levy limit under Proposition 2 1/2 for fiscal year 2016 is as follows:

Legal Levy Limit Under Proposition	
2 1/2 for fiscal year 2016	\$ 5,043,332
Add: Debt Exclusion	13,298
	\$ 5,056,630

The total amount raised by taxation was \$5,051,045.

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.

TOWN OF HOLLAND, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

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:

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

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 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 taxes, excise taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

TOWN OF HOLLAND, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

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.

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.

TOWN OF HOLLAND, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

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 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 pension 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.

P. Total Column

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

TOWN OF HOLLAND, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

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 Selectboard submits 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.
- 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 2016, the Town incurred a final budget deficit of \$536,001 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	\$ 177,844
Prior year's encumbrances	<u>358,157</u>
	<u><u>\$ 536,001</u></u>

TOWN OF HOLLAND, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

B. Deficit Fund Balances

The following fund has a deficit at June 30, 2016 as measured by the balance of unreserved fund balance.

- The *Police Off-duty Details* special revenue fund has a deficit of \$26,836. The deficit will be eliminated upon future receipts or through 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, 2016 were \$3,560,352. Of these, \$596,472 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"), 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. The MMDT is an external investment pool that meets the criteria established under GASB Statement No. 79 to report its investments at amortized cost. MMDT's fair value is measured at amortized cost.

TOWN OF HOLLAND, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

As of June 30, 2016, the Town had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1 to 5
Debt Securities:			
Corporate bonds	\$ 50,241	\$ -	\$ 50,241
Money market mutual fund	33,380	33,380	-
	83,621	\$ 33,380	\$ 50,241
Other Investments:			
Certificate of deposits	140,429		
Equity mutual funds	94,667		
Equity securities - domestic (stocks)	103,016		
MMDT	6,782		
	\$ 428,515		

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 \$428,515 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.

Credit Risk

The Town's exposure to credit risk as of June 30, 2016 is as follows:

Related Debt Instruments	Fair Value
Moody's Quality Ratings	
Corporate Bonds:	
A1	\$ 25,101
A2	25,140
Money Market Mutual Funds:	
Not rated	33,380
	\$ 83,621

Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in one issuer. More than 5 of the Town's total investments are in the Corporate Bonds through the Wells Fargo Company and Merck and Company, Inc. amounting to 5.87% and 5.86%, respectively, of the Town's total investments.

TOWN OF HOLLAND, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

Fair Value of Investments

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Town has the following recurring fair value measurements as of June 30, 2016:

Investment Type	Fair Value	Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Certificates of deposit	\$ 140,429	\$ 140,429	\$ -	\$ -
Equity mutual funds	94,667	94,667	-	-
Equity securities - domestic (stocks)	103,016	103,016	-	-
Money market mutual fund	33,380	33,380	-	-
Corporate bonds	50,241	-	50,241	-
	421,733	\$ 371,492	\$ 50,241	\$ -
Investments Measured at Amortized Cost:				
External Investment Pools (MMDT)	6,782			
Total Investments	\$ 428,515			

Investments classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets for those securities.

Investments classified in Level 2 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

B. Receivables

At June 30, 2016, 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 and nonmajor governmental funds:			
Property taxes	\$ 303,940	\$ (9,498)	\$ 294,442
Tax liens	854,541	-	854,541
Tax foreclosures	212,823	-	212,823
Excise taxes	48,613	(19,088)	29,525
Due from other governments	185,807	-	185,807
	\$ 1,605,724	\$ (28,586)	\$ 1,577,138

TOWN OF HOLLAND, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

The composition of amounts due from other governments as of June 30, 2016 for governmental funds is as follows:

General Fund:		
Commonwealth of Massachusetts:		
Department of Veterans Services:		
Veterans benefits	\$	11,337
Nonmajor Governmental Funds:		
U.S. Department of Homeland Security:		
Pass Through the Commonwealth of Massachusetts:		
Emergency Management Agency	\$	2,436
Commonwealth of Massachusetts:		
Massachusetts Department of Transportation:		
Highway Department - Chapter 90 funded projects	172,034	174,470
		\$ 185,807

The remaining additional amount of due from other governments on the statement of net position as of June 30, 2016 for governmental funds is as follows:

Governmental Funds:	
Commonwealth of Massachusetts:	
Massachusetts Clean Water Trust:	
Principal loan subsidy	\$ 14,157

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 are as follows:

General Fund:		
Property taxes	\$	241,842
Tax liens and foreclosures		1,067,364
Excise taxes		29,525
Due from other governments	11,337	\$ 1,350,068
Nonmajor governmental funds:		
Due from other governments		140,480
		\$ 1,490,548

TOWN OF HOLLAND, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

D. Capital Assets

Capital asset activity for the year ended June 30, 2016 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	4,867,414	60,790	-	4,928,204
Machinery, equipment and other	2,232,190	422,355	-	2,654,545
Infrastructure	7,301,139	193,611	-	7,494,750
Total capital assets being depreciated	14,400,743	676,756	-	15,077,499
Less accumulated depreciation for:				
Buildings and Renovations	2,949,012	106,992	-	3,056,004
Machinery, equipment and other	1,799,231	128,356	-	1,927,587
Infrastructure	5,042,851	158,397	-	5,201,248
Total accumulated depreciation	9,791,094	393,745	-	10,184,839
Total capital assets being depreciated, net	4,609,649	283,011	-	4,892,660
Total governmental activities capital assets, net	\$ 5,710,472	\$ 283,011	\$ -	\$ 5,993,483

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

Governmental Activities:	
General government	\$ 54,882
Public safety	64,889
Public works	227,169
Education	34,544
Health and human services	1,945
Culture and recreation	10,316
Total depreciation expense - governmental activities	<u>\$ 393,745</u>

E. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2016, are summarized below:

	<u>Transfers In:</u>
	General
	fund
<u>Transfers Out:</u>	
Nonmajor governmental funds	<u>\$ 14,597</u>

TOWN OF HOLLAND, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

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, 2015	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2016
Governmental Activities						
Bond Anticipation Notes:						
October 2011 Storm	0.54%	4/22/2016	\$ 153,155	\$ -	\$ 153,155	-
Grant Anticipation Note:						
Energy Grant	0.50%	11/19/2015	35,812	-	35,812	-
Road Grant	0.75%	12/15/2016	-	36,440	-	36,440
Total Governmental Activities			<u>\$ 188,967</u>	<u>\$ 36,440</u>	<u>\$ 188,967</u>	<u>\$ 36,440</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, 2016
Inside Debt:					
Refunding Notes:					
Highway truck	0.79%	5/28/2015	5/26/2017	\$ 183,000	\$ 137,250
Land acquisition	0.70%	4/8/2015	10/6/2016	164,000	34,000
Fire Department truck	0.79%	5/27/2016	5/26/2017	340,000	340,000
Total Inside Debt					<u>511,250</u>
Outside Debt:					
Massachusetts Clean Water Trust:					
Landfill capping	varies	9/30/1999	8/1/2019	185,000	40,000
Total Outside Debt					<u>40,000</u>
Total governmental type debt					<u>\$ 551,250</u>

TOWN OF HOLLAND, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

Future Debt Service

The annual principal and interest payments to retire all general obligation long-term debt outstanding as of June 30, 2016, are as follows:

Year	Principal	Interest	Total
2017	\$ 174,750	\$ 5,770	\$ 180,520
2018	140,750	2,942	143,692
2019	140,750	2,449	143,199
2020	95,000	947	95,947
	\$ 551,250	\$ 12,108	\$ 563,358

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

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Amounts Due within One Year
Governmental activities:					
Bonds Payable:					
Refunding notes	\$ 258,000	\$ 340,000	\$ 86,750	\$ 511,250	\$ 164,750
Massachusetts Clean Water Trust bonds	50,000	-	10,000	40,000	10,000
Compensated absences	12,937	-	-	12,937	-
OPEB Obligation payable	1,860,697	236,212	-	2,096,909	-
Net pension liability	2,354,572	519,637	-	2,874,209	-
Governmental activity Long-term liabilities	\$ 4,536,206	\$ 1,095,849	\$ 96,750	\$ 5,535,305	\$ 174,750

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, 2016, including principle and interest for the loans is \$43,986. The net repayments, including interest, are scheduled to be \$27,027. 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 2016 principal and interest subsidies totaled \$4,880.

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, 2016 totaled \$511,250.

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, 2016

The following is a computation of the legal debt limit as of June 30, 2016:

Equalized Valuation-Real Estate and Personal Property (2016)		<u>\$ 340,016,400</u>	
Debt Limit: 5 % of Equalized value		17,000,820	
Total Debt Outstanding	\$ 551,250		
Less: Debt Outside Debt Limit	<u>(40,000)</u>		<u>511,250</u>
Inside Debt Excess Borrowing Capacity at June 30, 2016		<u>\$ 16,489,570</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, 2016 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	<u>600,000</u>
		<u>\$ 700,000</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.

	Current Year's Debt	Town's Estimated Share	Town's Estimated Indirect Debt
Tantasqua Regional School District: High School	<u>\$ 12,605,000</u>	12.62%	<u>\$ 1,590,751</u>

TOWN OF HOLLAND, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

H. Fund Balances

The following is a summary of the Town's Governmental fund balances at the year ended June 30, 2016:

	General Fund	Butterworth School Fund	Nonmajor Governmental Funds	Total Governmental Funds
Restricted:				
Federal, state and local grants	\$ -	\$ -	\$ 228,675	\$ 228,675
School revolving	-	-	487,029	487,029
Revolving funds	-	-	26,901	26,901
Donations and gifts	-	-	81,663	81,663
Permanent funds	-	530,870	73,644	604,514
Capital projects	-	-	1,514	1,514
Other	-	-	238,598	238,598
	-	530,870	1,138,024	1,668,894
Assigned:				
Encumbrance	163,272	-	-	163,272
Subsequent year's budget	349,176	-	-	349,176
	512,448	-	-	512,448
Unassigned:				
General fund	950,958	-	-	950,958
Special revenue deficits	-	-	(26,836)	(26,836)
	950,958	-	(26,836)	924,122
Total Governmental fund balances	\$ 1,463,406	\$ 530,870	\$ 1,111,188	\$ 3,105,464

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, 2016 the following balances in the stabilization funds are reported in the General Fund as unassigned:

General purpose stabilization fund	\$ 391,816
Road improvement stabilization fund	32,313
Capital stabilization fund	52,293
	<u>\$ 476,422</u>

TOWN OF HOLLAND, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

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, 2016, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2016. 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, 2015. The Town's portion of the collective pension expense contributed by the Commonwealth of \$372,565 on-behalf payments for the fiscal year ending June 30, 2016 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, 2016

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, 2015 was \$212,389, representing 22.18% 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 or 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 M.G.L. 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.

TOWN OF HOLLAND, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

Pension Liability

As of June 30, 2016, the Town reported a liability of \$2,874,209 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2015, the Town's proportional percentage totaled 0.92%, which was a slight increase from the last measurement.

Pension Expense

For the year ended June 30, 2016, the Town recognized a pension expense of \$319,571; reported deferred outflows of resources related to pensions of \$386,667 from the net difference between projected and actual investment earnings on pension plan investments and the changes in proportion and differences between employer contributions and proportionate share of contributions, and deferred inflows of resources related to pensions of \$98,423 from the changes in proportion and differences between employer contributions and proportionate share of contributions. Since the System performs an actuarial valuation bi-annually, there are no reported differences between the expected and actual experience or changes of assumptions as of December 31, 2015.

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>	
2017	\$ 72,061
2018	72,061
2019	72,061
2020	72,061
	<u>\$ 288,244</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, 2015:

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.

TOWN OF HOLLAND, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

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.
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, 2015, 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%	7.50%
Small/mid Cap Equities	3.50%	7.75%
International Equities Unhedged)	16.00%	8.00%
Emerging International Equities	6.00%	9.25%
High-yield Bonds	1.50%	5.75%
Bank Loans	1.50%	6.00%
EMD (External)	1.00%	6.00%
EMD (Local Currency)	2.00%	6.75%
TIPS	3.00%	4.00%
Core Bonds	3.00%	3.98%
Long Treasuries	7.00%	4.00%
Private Equity	10.00%	9.50%
Private Debt	4.00%	8.00%
Real Estate (Core)	10.00%	6.50%
Hedge Funds	9.00%	6.75%
Timber/Natural Resources	4.00%	6.75%
Portfolio Completion Strategies	4.00%	N/A
Total	100.00%	

TOWN OF HOLLAND, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

Rate of Return

For the year ended December 31, 2015, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 0.69%. The 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.

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	Current	Discount Rate	1% Increase
	6.875%	7.875%	8.875%	
Town's net pension liability	\$ 3,488,115	\$ 2,874,209	\$	2,350,983

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.

TOWN OF HOLLAND, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

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 2016 fiscal year, total Town premiums plus implicit costs for the retiree medical program are \$82,052.

Annual OPEB Cost and Net OPEB Obligation

The Town's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (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	\$	339,947
Interest on net OPEB obligation		74,428
Amortization of Actuarial Loss / (Gain)		(96,111)
Annual OPEB cost (expense)		318,264
Contributions made during the fiscal year		(82,052)
Increase in net OPEB obligation		236,212
Net OPEB Obligation - beginning of year		1,860,697
Net OPEB Obligation - end of year	\$	2,096,909

The Town's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2016 fiscal year is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	\$ 318,264	25.8%	\$ 2,096,909
6/30/2015	\$ 496,467	17.2%	\$ 1,860,697
6/30/2014	\$ 471,464	16.0%	\$ 1,449,825

Funded Status and Funding Process

As of July 1, 2015, the most recent valuation date, the plan was 0.8% funded. The actuarial liability for benefits is \$3,043,001, and the actuarial value of assets was \$25,664, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,017,337. The covered payroll (annual payroll of active employees covered by the plan) was \$2,264,764, and the ratio of the UAAL to the covered payroll was 133.23%.

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.

TOWN OF HOLLAND, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

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, 2015, used the entry age normal cost method. The OPEB liability is currently 0.8% funded and the actuarial assumptions include an interest rate of 4.0%, an average salary increase rate of 2.5% and a medical/drug cost trend rate of 8.0% in year one decreasing 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, 2016 is 23 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, 2016 the trust balance is \$52,904.

E. Implementation Of New GASB Pronouncements

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.

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. 74, *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, for implementation in fiscal year 2017.

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, for implementation in fiscal year 2018.

The GASB issued Statement No. 77, *Tax Abatement Disclosures*, for implementation in fiscal year 2017.

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF HOLLAND, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
Hampden County Regional Retirement System
For the Year Ended June 30, 2016**

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>12/31/2015</u>	<u>12/31/2014</u>
Town's proportion of the net pension liability (asset)	0.92%	0.82%
Town's proportionate share of the net pension liability (asset)	\$ 2,874,209	\$ 2,354,572
Town's covered employee payroll	\$ 957,628	\$ 821,052
Net pension liability percentage of covered-employee payroll	300.14%	286.78%
Plan fiduciary net position as a percentage of the total pension liability	49.22%	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 the information is available.

TOWN OF HOLLAND, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
Hampden County Regional Retirement System
For the Year Ended June 30, 2016

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:

	<u>12/31/2015</u>	<u>12/31/2014</u>
Actuarially determined contribution	\$ 212,389	\$ 175,354
Less: Contributions in relation to the actuarially determined contribution	<u>(212,389)</u>	<u>(175,354)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Town's covered employee payroll	\$ 957,628	\$ 821,052
Contributions percentage of covered-employee payroll	22.18%	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 the information is available.

TOWN OF HOLLAND, MASSACHUSETTS
Required Supplementary Information
Schedule of Funding Progress and Employer Contributions
Other Post-Employment Benefit Plan Schedules
Year Ended June 30, 2016

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)	
7/1/2015	\$ 25,664	\$ 3,043,001	\$ 3,017,337	0.8%	\$ 2,264,764	133.23%	
7/1/2012	\$ -	\$ 3,908,711	\$ 3,908,711	0.0%	\$ 2,008,112	194.65%	
7/1/2009	\$ -	\$ 2,763,119	\$ 2,763,119	0.0%	\$ 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
2016	\$ 318,264	\$ 82,052	25.8%
2015	\$ 496,467	\$ 85,595	17.2%
2014	\$ 471,464	\$ 75,373	16.0%

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 the Basic Financial Statements.

Actuarial Methods:

Valuation date	July 1, 2015
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	8.0% in year one decreasing to the ultimate trend rate of 5% per year.

Plan Membership:

Current active members	50
Current retirees, beneficiaries and dependents	13
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, 2016**

	Fund Balances July 1, 2015	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2016
Special Revenue:					
Federal and State Grants:					
School Grants	\$ 7,372	\$ 54,333	\$ 55,094	\$ -	\$ 6,611
Arts Lottery Council Grants	1,851	4,409	3,050	-	3,210
Council on Aging Grants	2,736	15,145	13,305	-	4,576
Green Communities Grant	3,820	-	-	-	3,820
Highway Funds	851	116,958	116,958	-	851
Landfill Grant	18,750	-	-	-	18,750
Library Grants	19,603	2,866	1,407	-	21,062
October 2011 Storm	(153,155)	-	-	153,155	-
Other Grants and Programs	18,775	10,312	10,399	-	18,688
Public Safety Grants	26,297	38,030	38,968	-	25,359
Schools:					
School Lunch Program	14,935	56,707	70,205	-	1,437
School Choice	390,502	299,281	254,808	-	434,975
School Revolving Accounts	(2,913)	101,172	47,642	-	50,617
State Special Education Reimbursement Fund	78,729	114,168	112,298	-	80,599
Other:					
Cable Operating Grants	58,381	-	13,231	-	45,150
Cable Commission	32,158	42,494	-	-	74,652
Gifts and Donations	83,793	16,125	18,256	-	81,662
Insurance Reimbursements	14,471	4,742	9,154	-	10,059
Land	100	-	-	-	100
Municipal Waterway Improvement	2,243	-	-	-	2,243
Police Off-duty Details	(21,344)	74,361	79,853	-	(26,836)
Recreation	8,657	7,253	7,542	-	8,368
Revolving Accounts	18,818	83,021	60,341	(14,597)	26,901
Septic Repair Loan Repayments	117,547	228	-	-	117,775
Wetlands Protection Fees	24,574	1,287	460	-	25,401
Total Special Revenue Funds	\$ 767,551	\$ 1,042,892	\$ 912,971	\$ 138,558	\$ 1,036,030

**TOWN OF HOLLAND, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Fund Balances July 1, 2015	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2016
Capital Projects:					
Fire Department Truck	\$ -	\$ -	\$ 340,000	\$ 340,000	\$ -
Stafford Road Land	1,514	-	-	-	1,514
Total Capital Projects	1,514	-	340,000	340,000	1,514
Permanent Funds:					
Cemetery Perpetual Care Funds	66,935	1,890	-	-	68,825
Library Fund	1,759	4	-	-	1,763
School Donation Fund	3,048	8	-	-	3,056
Total Permanent Funds	71,742	1,902	-	-	73,644
Total - Non-Major Governmental Funds	\$ 840,807	\$ 1,044,794	\$ 1,252,971	\$ 478,558	\$ 1,111,188

**TOWN OF HOLLAND, MASSACHUSETTS
SCHEDULE OF REAL ESTATE AND PERSONAL PROPERTY TAXES
JULY 1, 2015 TO JUNE 30, 2016**

	Uncollected Taxes July 1, 2015	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2016	Uncollected Taxes Per Detail June 30, 2016
Real Estate Taxes:						
Levy of 2016	\$ -	\$ 4,902,636	\$ 29,473	\$ 4,645,336	\$ 227,827	\$ 227,827
Levy of 2015	172,959	-	80,421	54,463	38,075	38,069
Levy of 2014	43,069	-	7,500	15,914	19,655	19,630
Levy of 2013	15,750	-	5,252	3,808	6,690	6,700
Levy of 2012	1,644	-	29	1,422	193	193
Prior Years	4,211	-	18	3,973	220	220
	<u>237,633</u>	<u>4,902,636</u>	<u>122,693</u>	<u>4,724,916</u>	<u>292,660</u>	<u>292,639</u>
Personal Property Taxes:						
Levy of 2016	-	148,432	88	145,866	2,478	2,478
Levy of 2015	1,934	-	(324)	380	1,878	1,878
Levy of 2014	1,780	-	-	162	1,618	1,618
Levy of 2013	1,650	-	-	43	1,607	1,607
Levy of 2012	1,153	-	-	19	1,134	1,134
Prior Years	2,583	-	-	18	2,565	2,565
	<u>9,100</u>	<u>148,432</u>	<u>(236)</u>	<u>146,488</u>	<u>11,280</u>	<u>11,280</u>
Total Real Estate and Personal Property Taxes	<u>\$ 246,733</u>	<u>\$ 5,051,068</u>	<u>\$ 122,457</u>	<u>\$ 4,871,404</u>	<u>\$ 303,940</u>	<u>\$ 303,919</u>

**TOWN OF HOLLAND, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE EXCISE TAXES
JULY 1, 2015 TO JUNE 30, 2016**

	Uncollected Taxes July 1, 2015	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2016	Uncollected Taxes Per Detail June 30, 2016
Motor Vehicle Excise Taxes:						
Levy of 2016	\$ -	\$ 281,530	\$ 4,641	\$ 254,509	\$ 22,380	\$ 21,333
Levy of 2015	24,547	36,157	2,262	53,366	5,076	5,076
Levy of 2014	4,980	-	53	2,818	2,109	2,109
Levy of 2013	2,720	-	71	458	2,191	2,191
Levy of 2012	2,616	-	-	404	2,212	2,212
Prior Years	14,834	-	(54)	243	14,645	14,645
Total Motor Vehicle Excise Taxes	\$ 49,697	\$ 317,687	\$ 6,973	\$ 311,798	\$ 48,613	\$ 47,566

**TOWN OF HOLLAND, MASSACHUSETTS
SCHEDULE OF TAX LIENS AND TAX FORECLOSURES
JULY 1, 2015 TO JUNE 30, 2016**

	Uncollected Accounts July 1, 2015	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2016	Uncollected Accounts Per Detail June 30, 2016
Tax Liens	\$ 815,633	\$ 109,707	\$ 382	\$ 70,417	\$ 854,541	\$ 854,541
Tax Foreclosures	\$ 212,823	\$ -	\$ -	\$ -	\$ 212,823	\$ 212,823