

**TOWN OF  
READING, MASSACHUSETTS**

**Annual Financial Statements**

**For the Year Ended June 30, 2009**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen  
Town of Reading, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Reading, Massachusetts, as of and for the year ended June 30, 2009, which collectively comprises the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Reading's management. Our responsibility is to express an opinion 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Reading as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, appearing on the following pages, and the supplementary information, appearing on page 62, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We

have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Reading's basic financial statements. The combining financial statements as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 27, 2010 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Melanson, Heath + Company P.C.*

Andover, Massachusetts  
January 27, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Reading we offer readers this narrative overview and analysis of the financial activities of the Town of Reading for the fiscal year ended June 30, 2009. Unless otherwise noted, **all amounts reported in this analysis are expressed in thousands.**

### **A. OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The 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 our finances in a manner similar to a private-sector business.

The statement of net assets presents information on all assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of 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, education, public works, health and human services, and culture and recreation. The business-type activities include water supply and distribution, sewer disposal, landfill, electricity, and storm water 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 three categories: governmental funds, proprietary 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 financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing 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 funds with similar 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 decisions. 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.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**Proprietary funds.** Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for water, sewer, landfill, and electricity operations.

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, landfill, electricity, and storm water operations. Water and electricity are considered to be major funds.

**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 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.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

**B. FINANCIAL HIGHLIGHTS**

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 210,850 (i.e., net assets), a change of \$ (2,051) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 25,468, a change of \$ (4,136) in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 6,486, a change of \$ 35 in comparison with the prior year.
- Total bonds payable at the close of the current fiscal year was \$ 60,853, a change of \$ (8,374) in comparison to the prior year.

**C. GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 32,469	\$ 36,683	\$ 41,525	\$ 47,314	\$ 73,994	\$ 83,997
Capital assets	132,728	134,684	86,482	82,947	219,210	217,631
Total assets	<u>165,197</u>	<u>171,367</u>	<u>128,007</u>	<u>130,261</u>	<u>293,204</u>	<u>301,628</u>
Long-term liabilities outstanding	50,755	55,239	17,890	18,687	68,645	73,926
Other liabilities	6,506	6,485	7,203	8,316	13,709	14,801
Total liabilities	<u>57,261</u>	<u>61,724</u>	<u>25,093</u>	<u>27,003</u>	<u>82,354</u>	<u>88,727</u>
Net assets:						
Invested in capital assets, net	88,095	82,245	72,977	68,369	161,072	150,614
Restricted	13,376	12,566	4,404	2,938	17,780	15,504
Unrestricted	6,465	14,832	25,533	31,951	31,998	46,783
Total net assets	<u>\$ 107,936</u>	<u>\$ 109,643</u>	<u>\$ 102,914</u>	<u>\$ 103,258</u>	<u>\$ 210,850</u>	<u>\$ 212,901</u>

**CHANGES IN NET ASSETS**

	Governmental Activities		Business-Type Activities		Total	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 5,762	\$ 5,211	\$ 100,990	\$ 95,738	\$ 106,752	\$ 100,949
Operating grants and contributions	20,321	19,710	3,057	1,464	23,378	21,174
Capital grants and contributions	788	765	178	516	966	1,281
General revenues:						
Property taxes	48,917	47,398	-	-	48,917	47,398
Excises	2,659	2,897	-	-	2,659	2,897
Penalties and interest and other taxes	493	693	-	-	493	693
Grants and contributions not restricted to specific programs	4,675	11,958 (a)	-	-	4,675	11,958
Investment income	1,143	1,821	442	761	1,585	2,582
Other	792	33	410	-	1,202	33
<b>Total revenues</b>	<u>85,550</u>	<u>90,486</u>	<u>105,077</u>	<u>98,479</u>	<u>190,627</u>	<u>188,965</u>
<b>Expenses:</b>						
General government	4,737	3,635	-	-	4,737	3,635
Public safety	10,146	9,792	-	-	10,146	9,792
Education	59,911	54,485	-	-	59,911	54,485
Public works	9,261	8,304	-	-	9,261	8,304
Human services	1,080	681	-	-	1,080	681
Culture and recreation	1,926	1,910	-	-	1,926	1,910
Interest on long-term debt	2,054	2,422	-	-	2,054	2,422
Intergovernmental	1,012	1,001	-	-	1,012	1,001
Electric	-	-	92,624	84,673	92,624	84,673
Water	-	-	5,451	5,367	5,451	5,367
Other	-	-	4,476	4,981	4,476	4,981
<b>Total expenses</b>	<u>90,127</u>	<u>82,230</u>	<u>102,551</u>	<u>95,021</u>	<u>192,678</u>	<u>177,251</u>
Excess of revenues over expenses	(4,577)	8,256	2,526	3,458	(2,051)	11,714
Permanent fund contributions	-	91	-	-	-	91
Transfers in (out)	<u>2,870</u>	<u>2,073</u>	<u>(2,870)</u>	<u>(2,073)</u>	<u>-</u>	<u>-</u>
Change in net assets	(1,707)	10,420	(344)	1,385	(2,051)	11,805
Net assets - beginning of year	<u>109,643</u>	<u>99,223</u>	<u>103,258</u>	<u>101,873</u>	<u>212,901</u>	<u>201,096</u>
Net assets - end of year	<u>\$ 107,936</u>	<u>\$ 109,643</u>	<u>\$ 102,914</u>	<u>\$ 103,258</u>	<u>\$ 210,850</u>	<u>\$ 212,901</u>

(a) 2008 Includes MSBA grants of \$7,110

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net assets were \$ 210,850, a change of \$ (2,051) from the prior year.

The largest portion of net assets \$ 161,072 reflects our investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available

for future spending. Although the investment in capital assets is reported net of 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 net assets \$ 17,780 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 31,998 may be used to meet the government's ongoing obligations to citizens and creditors.

**Governmental activities.** Governmental activities for the year resulted in a change in net assets of \$ (1,707). Key elements of this change are as follows:

General fund expenditures exceeding revenues	\$ (7,144)
Special revenue and permanent fund revenues exceeding expenditures	745
Current year revenue used for the acquisition of capital assets	2,499
PILOT from RMLD	2,113
Debt service principal in excess of depreciation expense	2,425
Increase in OPEB liability	(2,454)
Other	<u>109</u>
Total	<u>\$ (1,707)</u>

**Business-type activities.** Business-type activities for the year resulted in a change in net assets of \$ (344). Key elements of this change are as follows:

The electric operations had revenues of \$ 95,154 and expenses and transfers of \$ 94,737, resulting in a change in net assets of \$ 417.

The water operations had revenues of \$ 4,839 and expenses and transfers of \$ 5,889, resulting in a change in net assets of \$ (1,050).

The sewer operations had revenues of \$ 4,701 and expenses and transfers of \$ 4,687, resulting in a change in net assets of \$ 14.

The landfill operations did not report any revenues or expenditures.

The storm water management operations had revenues of \$ 382 and expenses of \$ 107, resulting in a change in net assets of \$ 275.

#### **D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, fund accounting is used 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, unreserved 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 \$ 25,468, a change of \$ (4,136) in comparison with the prior year. Key elements of this change are as follows:

General fund expenditures exceeding revenues	\$ (7,144)
Special revenue and permanent fund revenues exceeding expenditures	745
Capital project fund revenues and bond proceeds exceeding expenditures	(607)
Pilot from RMLD	2,113
Enterprise fund indirect costs	784
Other	<u>(27)</u>
Total	\$ <u><u>(4,136)</u></u>

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$ 6,486, while total fund balance was \$ 10,299. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 7.9 percent of total general fund expenditures, while total fund balance represents 12.5 percent of that same amount.

The fund balance of the general fund changed by \$ (3,792) during the current fiscal year. The majority of this change is due to the MSBA refunded debt payment, which was made on July 1, 2008 from the debt refunding completed at the end of the prior year. Key factors in this change are as follows:

Use of free cash and overlay surplus as a funding source	\$ (1,587)
Revenues in excess of budget	244
Expenditures less than budget	1,898
MSBA refunded debt paydown	(4,362)
Other	<u>15</u>
Total	\$ <u><u>(3,792)</u></u>

The following table reflects the trend in all the components of the general fund's fund balance:

**General Fund Balances  
Last Five Fiscal Years**

<b>As of 30-Jun</b>	<b>Reserved for Encumbrances</b>	<b>Subsequent Year's Expenditures</b>	<b>Stabilization Fund</b>	<b>Unreserved</b>	<b>Debt Service</b>	<b>Total Fund Balance</b>
2004	\$ 641	\$ 555	\$ 704	\$ 3,721	\$ -	\$ 5,621
2005	679	706	820	3,513	-	5,718
2006	881	662	851	4,221	-	6,615
2007	1,435	264	896	5,788	-	8,383
2008	1,597	227	1,454	6,451	4,362	14,091
2009	1,210	763	1,840	6,486	-	10,299

**Proprietary funds.** Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Net assets of the enterprise funds at the end of the year amounted to \$ 102,914, a change of \$ (344) in comparison with the prior year. Factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

**E. GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$ 499.

The budget and actual statement reflects an under collection of Intergovernmental revenue primarily resulting from State Aid (Chapter 70) reductions implemented by the Commonwealth in fiscal year 2009. The Chapter 70 reductions were partially offset by an American Recovery and Reinvestment Act (ARRA) grant which is reported in a separate major fund in accordance with the transparency requirements of the Act. The general fund revenue shortfall is offset by budgetary turn backs in education and employee benefits expenditures. The turn backs result from the Town transferring cost to the ARRA major fund.

**F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets for governmental and business-type activities at year end amounted to \$ 219,210 (net of accumulated depreciation), a change of \$ 1,579 from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

**Governmental additions:**

- \$ 899 in roadway improvements
- \$ 895 in various recreation improvements
- \$ 836 in education additions
- \$ 610 in general government additions
- \$ 360 in public safety additions

**Business-type additions:**

- \$ 6,852 in electric improvements
- \$ 1,344 in water improvements
- \$ 283 in sewer improvements

Additional information on capital assets can be found in the footnotes to the financial statements.

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$ 60,853, all of which was backed by the full faith and credit of the government.

Additional information on capital assets and long-term debt can be found in the footnotes to the financial statements.

**G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The adopted FY10 General Fund budget of \$ 73,335 is a .3% decrease from the prior year. In recognition of the poor general economic conditions, State Revenue Aid and Local Receipts were anticipated to be much lower. We are required to budget to the expected revenues which explain the decrease in our budget. The FY10 budget is balanced. Federal Stimulus money of approximately \$ 1,000 is replacing state aid. The estimated revenues include a further decrease in State Aid of \$ 326. Local Receipts are budgeted \$ 710 lower. This general fund budget includes an allocation from the unreserved fund balance of \$ 249. The tax levy for FY10 of \$ 50,129 represents a 2.0% increase over the prior year, and the FY10 tax rate is \$ 13.75 per thousand, compared to \$ 13.21 in the prior year. Overall, property values declined 2.0% to \$ 3,645,760.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town of Reading'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:

Town Accountant  
Town Hall  
16 Lowell Street  
Reading, MA 01867

## TOWN OF READING, MASSACHUSETTS

## STATEMENT OF NET ASSETS

JUNE 30, 2009

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 18,010,448	\$ 13,248,715	\$ 31,259,163
Restricted cash	-	11,573,437	11,573,437
Investments	13,110,072	-	13,110,072
Receivables, net of allowance for uncollectibles:			
Property taxes	180,510	-	180,510
Excises	79,337	-	79,337
User fees	-	9,703,031	9,703,031
Departmental and other	246,851	-	246,851
Intergovernmental	337,860	-	337,860
Prepaid assets	-	753,345	753,345
Unamortized discounts on bonds	9,909	296	10,205
Inventory	-	1,706,163	1,706,163
Other assets	78,949	189	79,138
Noncurrent:			
Restricted investments	-	4,400,000	4,400,000
Investment in associated companies	-	122,391	122,391
Receivables, net of allowance for uncollectibles:			
Property taxes	315,541	-	315,541
Deferred charges	99,993	17,468	117,461
Capital assets being depreciated, net	128,463,958	83,859,027	212,322,985
Capital assets not being depreciated	<u>4,263,927</u>	<u>2,622,631</u>	<u>6,886,558</u>
<b>TOTAL ASSETS</b>	<b>165,197,355</b>	<b>128,006,693</b>	<b>293,204,048</b>
<b>LIABILITIES</b>			
Current:			
Warrants payable	1,368,770	5,555,428	6,924,198
Accrued liabilities	3,124,648	376,500	3,501,148
Customer advances for construction	-	696,517	696,517
Customer deposits	-	496,335	496,335
Retainage payable	1,104,105	-	1,104,105
Other current liabilities	908,327	78,637	986,964
Current portion of long-term liabilities:			
Bonds and loans payable	3,720,000	2,106,501	5,826,501
Accrued employee benefits	80,050	81,713	161,763
Unamortized premiums on notes and bonds	24,762	777	25,539
Noncurrent:			
Bonds and loans payable, net of current portion	42,705,000	12,321,598	55,026,598
Accrued employee benefits	1,520,950	2,871,423	4,392,373
Unamortized premiums on notes and bonds	249,943	3,881	253,824
OPEB liability	<u>2,454,449</u>	<u>503,867</u>	<u>2,958,316</u>
<b>TOTAL LIABILITIES</b>	<b>57,261,004</b>	<b>25,093,177</b>	<b>82,354,181</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	88,095,331	72,977,051	161,072,382
Restricted for:			
Grants and other statutory restrictions	5,628,680	4,403,130	10,031,810
Permanent funds:			
Nonexpendable	2,374,100	-	2,374,100
Expendable	5,373,466	-	5,373,466
Unrestricted	<u>6,464,774</u>	<u>25,533,335</u>	<u>31,998,109</u>
<b>TOTAL NET ASSETS</b>	<b>\$ <u>107,936,351</u></b>	<b>\$ <u>102,913,516</u></b>	<b>\$ <u>210,849,867</u></b>

See notes to financial statements.

TOWN OF READING, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2009

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General government	\$ 4,737,088	\$ 336,262	\$ 14,019	\$ -	\$ (4,386,807)	\$ -	\$ (4,386,807)
Public safety	10,145,689	2,033,242	367,733	-	(7,744,714)	-	(7,744,714)
Education	59,910,764	2,503,163	19,630,777	-	(37,776,824)	-	(37,776,824)
Public works	9,261,143	238,123	-	562,563	(8,460,457)	-	(8,460,457)
Health and human services	1,079,709	74,887	268,827	-	(735,995)	-	(735,995)
Culture and recreation	1,926,120	576,159	39,712	225,000	(1,085,249)	-	(1,085,249)
Debt service interest	2,054,466	-	-	-	(2,054,466)	-	(2,054,466)
Intergovernmental	1,012,478	-	-	-	(1,012,478)	-	(1,012,478)
<b>Total Governmental Activities</b>	<b>90,127,457</b>	<b>5,761,836</b>	<b>20,321,068</b>	<b>787,563</b>	<b>(63,256,990)</b>	<b>-</b>	<b>(63,256,990)</b>
<b>Business-Type Activities:</b>							
Electric operations	92,624,123	91,111,013	3,056,972	177,680	-	1,721,542	1,721,542
Water operations	5,451,122	4,798,886	-	-	-	(652,236)	(652,236)
Other	4,476,187	5,080,650	-	-	-	604,463	604,463
<b>Total Business-type Activities</b>	<b>102,551,432</b>	<b>100,990,549</b>	<b>3,056,972</b>	<b>177,680</b>	<b>-</b>	<b>1,673,769</b>	<b>1,673,769</b>
<b>Total</b>	<b>\$ 192,678,889</b>	<b>\$ 106,752,385</b>	<b>\$ 23,378,040</b>	<b>\$ 965,243</b>	<b>(63,256,990)</b>	<b>1,673,769</b>	<b>(61,583,221)</b>
<b>General Revenues and Transfers:</b>							
Property taxes					48,917,366	-	48,917,366
Excises					2,658,902	-	2,658,902
Penalties, interest and other taxes					492,643	-	492,643
Grants and contributions not restricted to specific programs					4,675,415	-	4,675,415
Investment income					1,143,460	442,083	1,585,543
Other					792,460	409,501	1,201,961
Transfers, net					2,869,627	(2,869,627)	-
<b>Total general revenues and transfers</b>					<b>61,549,873</b>	<b>(2,018,043)</b>	<b>59,531,830</b>
<b>Change in Net Assets</b>					<b>(1,707,117)</b>	<b>(344,274)</b>	<b>(2,051,391)</b>
<b>Net Assets:</b>							
Beginning of year					109,643,468	103,257,790	212,901,258
End of year					\$ 107,936,351	\$ 102,913,516	\$ 210,849,867

See notes to financial statements.

TOWN OF READING, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2009

<b>ASSETS</b>	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Cash and short-term investments	\$ 9,597,622	\$ 8,412,826	\$ 18,010,448
Investments	5,362,126	7,747,946	13,110,072
Receivables:			
Property taxes	603,440	-	603,440
Excises	113,988	-	113,988
Departmental and other	246,851	-	246,851
Intergovernmental	-	337,860	337,860
Other assets	<u>78,949</u>	<u>-</u>	<u>78,949</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>16,002,976</u></b>	<b>\$ <u>16,498,632</u></b>	<b>\$ <u>32,501,608</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Warrants payable	\$ 1,151,160	\$ 217,610	\$ 1,368,770
Accrued liabilities	2,679,839	7,703	2,687,542
Deferred revenues	964,277	444	964,721
Retainage payable	-	1,104,104	1,104,104
Other liabilities	<u>908,327</u>	<u>-</u>	<u>908,327</u>
<b>TOTAL LIABILITIES</b>	<b>5,703,603</b>	<b>1,329,861</b>	<b>7,033,464</b>
Fund Balances:			
Reserved for:			
Encumbrances	1,210,954	-	1,210,954
Expenditures	762,252	-	762,252
Stabilization	1,840,299	-	1,840,299
Perpetual (nonexpendable) permanent funds	-	2,374,097	2,374,097
Unreserved:			
Undesignated, reported in:			
General fund	6,485,868	-	6,485,868
Special revenue funds	-	5,628,762	5,628,762
Capital project funds	-	1,792,446	1,792,446
Permanent funds	<u>-</u>	<u>5,373,466</u>	<u>5,373,466</u>
<b>TOTAL FUND BALANCES</b>	<b><u>10,299,373</u></b>	<b><u>15,168,771</u></b>	<b><u>25,468,144</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ <u>16,002,976</u></b>	<b>\$ <u>16,498,632</u></b>	<b>\$ <u>32,501,608</u></b>

See notes to financial statements.

TOWN OF READING, MASSACHUSETTS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND  
BALANCES TO NET ASSETS OF GOVERNMENTAL  
ACTIVITIES IN THE STATEMENT OF NET ASSETS

JUNE 30, 2009

<b>Total governmental fund balances</b>	\$ 25,468,144
<ul style="list-style-type: none"><li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</li></ul>	132,727,885
<ul style="list-style-type: none"><li>• Revenues are reported on the accrual basis of accounting and are not deferred until collection.</li></ul>	822,681
<ul style="list-style-type: none"><li>• Governmental funds report the effect of long-term debt issuance costs, premiums, and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</li></ul>	(164,803)
<ul style="list-style-type: none"><li>• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li></ul>	(437,107)
<ul style="list-style-type: none"><li>• Long-term liabilities, (bonds payable, accrued employee benefits and OPEB Liability) are not due and payable in the current period, and, therefore, are not reported in the governmental funds.</li></ul>	<u>(50,480,449)</u>
<b>Net assets of governmental activities</b>	<u><u>\$ 107,936,351</u></u>

See notes to financial statements.

TOWN OF READING, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2009

	<u>General</u>	<u>ARRA Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Property taxes	\$ 49,115,125	\$ -	\$ -	\$ 49,115,125
Excises	2,700,961	-	-	2,700,961
Penalties, interest and other taxes	492,643	-	-	492,643
Departmental	1,586,917	-	3,745,767	5,332,684
Licenses and permits	143,581	-	-	143,581
Fines and forfeitures	126,893	-	-	126,893
Intergovernmental	19,934,137	974,264	4,875,645	25,784,046
Investment income	974,816	-	143,882	1,118,698
Other	63,786	-	876,331	940,117
Total Revenues	<u>75,138,859</u>	<u>974,264</u>	<u>9,641,625</u>	<u>85,754,748</u>
<b>Expenditures:</b>				
Current:				
General government	3,406,483	-	1,136,609	4,543,092
Public safety	7,806,744	-	855,949	8,662,693
Education	41,846,980	974,264	6,755,810	49,577,054
Public works	6,118,999	-	992,554	7,111,553
Health and human services	578,159	-	323,436	901,595
Culture and recreation	1,873,548	-	539,210	2,412,758
Employee benefits	9,474,193	-	-	9,474,193
Debt service	10,165,398	-	-	10,165,398
Intergovernmental	1,012,478	-	-	1,012,478
Total Expenditures	<u>82,282,982</u>	<u>974,264</u>	<u>10,603,568</u>	<u>93,860,814</u>
Excess (deficiency) of revenues over expenditures	(7,144,123)	-	(961,943)	(8,106,066)
<b>Other Financing Sources (Uses):</b>				
Issuance of bonds	-	-	1,100,000	1,100,000
Transfers in	3,352,344	-	150,000	3,502,344
Transfers out	-	-	(632,717)	(632,717)
Total Other Financing Sources (Uses)	<u>3,352,344</u>	<u>-</u>	<u>617,283</u>	<u>3,969,627</u>
Change in fund balances	(3,791,779)	-	(344,660)	(4,136,439)
Fund Balances, at Beginning of Year, as restated	<u>14,091,152</u>	<u>-</u>	<u>15,513,431</u>	<u>29,604,583</u>
Fund Balances, at End of Year	<u>\$ 10,299,373</u>	<u>\$ -</u>	<u>\$ 15,168,771</u>	<u>\$ 25,468,144</u>

See notes to financial statements.

TOWN OF READING, 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, 2009

<b>NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ (4,136,439)</b>																		
<ul style="list-style-type: none"> <li>• Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:           <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;">Capital outlay purchases</td> <td style="text-align: right;">3,600,300</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(5,556,420)</td> </tr> </table> </li> <li>• Revenues in the statement of activities that do not provide current financial resources are fully deferred in the statement of revenues, expenditures and changes in fund balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.           <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">(230,597)</td> </tr> </table> </li> <li>• The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets:           <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;">Issuance of debt</td> <td style="text-align: right;">(1,100,000)</td> </tr> <tr> <td>Repayments of debt</td> <td style="text-align: right;">7,980,000</td> </tr> <tr> <td>Current year amortization of bond premiums and costs</td> <td style="text-align: right;">14,854</td> </tr> <tr> <td>Increase in other long-term liabilities (OPEB)</td> <td style="text-align: right;">(2,454,449)</td> </tr> </table> </li> <li>• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.           <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">142,006</td> </tr> </table> </li> <li>• Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.           <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right; border-top: 1px solid black;">33,628</td> </tr> </table> </li> </ul>		Capital outlay purchases	3,600,300	Depreciation	(5,556,420)		(230,597)	Issuance of debt	(1,100,000)	Repayments of debt	7,980,000	Current year amortization of bond premiums and costs	14,854	Increase in other long-term liabilities (OPEB)	(2,454,449)		142,006		33,628
Capital outlay purchases	3,600,300																		
Depreciation	(5,556,420)																		
	(230,597)																		
Issuance of debt	(1,100,000)																		
Repayments of debt	7,980,000																		
Current year amortization of bond premiums and costs	14,854																		
Increase in other long-term liabilities (OPEB)	(2,454,449)																		
	142,006																		
	33,628																		
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>(1,707,117)</u></b>																		

See notes to financial statements.

TOWN OF READING, MASSACHUSETTS

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
<b>Revenues and Transfers:</b>				
Taxes	\$ 48,718,747	\$ 48,449,247	\$ 49,113,967	\$ 664,720
Excise taxes	2,850,000	2,850,000	2,700,961	(149,039)
Penalties, interest and other taxes	425,000	425,000	490,019	65,019
Departmental	1,550,000	1,550,000	1,584,838	34,838
Licenses and permits	75,000	75,000	143,156	68,156
Fines and forfeitures	145,000	145,000	126,892	(18,108)
Intergovernmental	14,191,133	14,191,133	13,725,976	(465,157)
Investment income	1,070,000	1,070,000	974,815	(95,185)
Other	28,758	28,758	64,436	35,678
Transfers in	3,374,297	3,374,297	3,477,034	102,737
<b>Total Revenues and Transfers</b>	<b>72,427,935</b>	<b>72,158,435</b>	<b>72,402,094</b>	<b>243,659</b>
<b>Expenditures:</b>				
General government	3,644,943	3,675,600	3,475,001	200,599
Public safety	7,842,370	7,745,570	7,640,931	104,639
Education	36,011,170	36,011,170	35,797,792	213,378
Public works	5,279,883	6,014,883	5,871,692	143,191
Health and human services	592,785	582,585	579,369	3,216
Culture and leisure	1,900,648	1,878,748	1,831,406	47,342
Intergovernmental	1,021,032	1,021,032	1,011,918	9,114
Employee benefits	10,743,903	10,605,923	9,486,183	1,119,740
Debt service	5,860,236	5,860,236	5,803,254	56,982
Stabilization	350,000	350,000	350,000	-
<b>Total Expenditures</b>	<b>73,246,970</b>	<b>73,745,747</b>	<b>71,847,546</b>	<b>1,898,201</b>
Excess (deficiency) of revenues and other sources over expenditures	(819,035)	(1,587,312)	554,548	2,141,860
<b>Other Financing Sources:</b>				
Use of free cash and overlay surplus	819,035	1,587,312	1,587,312	-
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 2,141,860	\$ 2,141,860

See notes to financial statements.

## TOWN OF READING, MASSACHUSETTS

## PROPRIETARY FUNDS

## STATEMENT OF NET ASSETS

JUNE 30, 2009

	Electric Division Fund	Water Fund	Non Major Funds	Total
<b><u>ASSETS</u></b>				
Current:				
Cash and short-term investments	\$ 8,625,772	\$ 2,093,097	\$ 2,529,846	\$ 13,248,715
User fees, net of allowance for uncollectibles	7,087,246	1,264,920	1,350,865	9,703,031
Prepaid expenses	753,345	-	-	753,345
Deferred charges	-	296	-	296
Inventory	1,563,070	141,637	1,456	1,706,163
Other assets	-	-	189	189
Total current assets	18,029,433	3,499,950	3,882,356	25,411,739
Noncurrent:				
Restricted cash and cash equivalents	11,573,437	-	-	11,573,437
Restricted investments	4,400,000	-	-	4,400,000
Investment in associated companies	122,391	-	-	122,391
Deferred charges, net of current portion	15,988	1,480	-	17,468
Capital assets being depreciated, net	63,391,248	14,740,565	5,727,214	83,859,027
Capital assets not being depreciated	1,265,842	1,295,028	61,761	2,622,631
Total noncurrent assets	80,768,906	16,037,073	5,788,975	102,594,954
<b>TOTAL ASSETS</b>	<b>98,798,339</b>	<b>19,537,023</b>	<b>9,671,331</b>	<b>128,006,693</b>
<b><u>LIABILITIES</u></b>				
Current:				
Warrants payable	5,448,255	53,148	54,025	5,555,428
Accrued liabilities	258,000	114,992	3,508	376,500
Customer advances for construction	696,517	-	-	696,517
Customer deposits	496,335	-	-	496,335
Other current liabilities	-	-	78,637	78,637
Current portion of long-term liabilities:				
Bonds and loans payable	550,000	1,375,000	181,501	2,106,501
Accrued employee benefits	81,713	-	-	81,713
Unamortized premiums on bonds	-	777	-	777
Total current liabilities	7,530,820	1,543,917	317,671	9,392,408
Noncurrent:				
Bonds and loans payable	-	12,145,000	176,598	12,321,598
Accrued employee benefits	2,791,401	59,000	21,022	2,871,423
Unamortized premiums on bonds	-	3,881	-	3,881
OPEB liability	436,402	47,050	20,415	503,867
<b>TOTAL LIABILITIES</b>	<b>10,758,623</b>	<b>13,798,848</b>	<b>535,706</b>	<b>25,093,177</b>
<b><u>NET ASSETS</u></b>				
Invested in capital assets, net of related debt	64,107,090	3,123,377	5,746,584	72,977,051
Restricted for depreciation fund	4,403,130	-	-	4,403,130
Unrestricted	19,529,496	2,614,798	3,389,041	25,533,335
<b>TOTAL NET ASSETS</b>	<b>\$ 88,039,716</b>	<b>\$ 5,738,175</b>	<b>\$ 9,135,625</b>	<b>\$ 102,913,516</b>

See notes to financial statements.

## TOWN OF READING, MASSACHUSETTS

## PROPRIETARY FUNDS

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2009

	Electric Division <u>Fund</u>	Water <u>Fund</u>	Non Major <u>Funds</u>	<u>Total</u>
<b>Operating Revenues:</b>				
Charges for services	\$ 91,111,013	\$ 4,798,886	\$ 5,080,650	\$ 100,990,549
Other	<u>3,056,972</u>	<u>-</u>	<u>-</u>	<u>3,056,972</u>
Total Operating Revenues	94,167,985	4,798,886	5,080,650	104,047,521
<b>Operating Expenses:</b>				
Personnel expenses	-	860,432	426,354	1,286,786
Non-personnel expenses	-	938,719	129,568	1,068,287
Intergovernmental	1,207,979	1,636,165	3,555,143	6,399,287
Depreciation	3,134,387	1,444,746	326,148	4,905,281
Energy purchases	77,172,343	25,306	29,452	77,227,101
Other	<u>11,019,736</u>	<u>-</u>	<u>-</u>	<u>11,019,736</u>
Total Operating Expenses	<u>92,534,445</u>	<u>4,905,368</u>	<u>4,466,665</u>	<u>101,906,478</u>
Operating Income (Loss)	1,633,540	(106,482)	613,985	2,141,043
<b>Nonoperating Revenues (Expenses):</b>				
Investment income	398,369	40,457	3,257	442,083
Interest expense	(49,911)	(545,754)	(9,522)	(605,187)
Loss on disposal of capital assets	(39,767)	-	-	(39,767)
Other	<u>409,501</u>	<u>-</u>	<u>-</u>	<u>409,501</u>
Total Nonoperating Revenues (Expenses)	<u>718,192</u>	<u>(505,297)</u>	<u>(6,265)</u>	<u>206,630</u>
Income (Loss) Before Transfers and Contributions	2,351,732	(611,779)	607,720	2,347,673
Capital contributions	177,680	-	-	177,680
Transfers (out)	<u>(2,112,725)</u>	<u>(438,600)</u>	<u>(318,302)</u>	<u>(2,869,627)</u>
Change in Net Assets	416,687	(1,050,379)	289,418	(344,274)
Net Assets at Beginning of Year	<u>87,623,029</u>	<u>6,788,554</u>	<u>8,846,207</u>	<u>103,257,790</u>
Net Assets at End of Year	<u>\$ 88,039,716</u>	<u>\$ 5,738,175</u>	<u>\$ 9,135,625</u>	<u>\$ 102,913,516</u>

See notes to financial statements.

## TOWN OF READING, MASSACHUSETTS

## PROPRIETARY FUNDS

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2009

	Electric Division Fund	Water Fund	Non Major Funds	Total
<b><u>Cash Flows From Operating Activities:</u></b>				
Receipts from customers and users	\$ 93,182,410	\$ 4,851,791	\$ 5,117,077	\$ 103,151,278
Payments to vendors and employees	(90,332,097)	(1,248,287)	(625,262)	(92,205,646)
Customer refund, purchase power, and fuel charge adjustments	3,056,972	-	-	3,056,972
Payments to other governments	-	(1,636,165)	(3,555,143)	(5,191,308)
Net Cash Provided By (Used For) Operating Activities	5,907,285	1,967,339	936,672	8,811,296
<b><u>Cash Flows From Noncapital Financing Activities:</u></b>				
MMWEC refund	107,879	-	-	107,879
Other	301,622	-	-	301,622
Transfer out	(2,122,725)	(438,600)	(318,302)	(2,879,627)
Net Cash Provided By (Used For) Noncapital Financing Activities	(1,713,224)	(438,600)	(318,302)	(2,470,126)
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>				
Proceeds from issuance of bonds and notes	-	450,000	-	450,000
Acquisition of capital assets	(6,852,061)	(1,343,982)	(283,382)	(8,479,425)
Capital contributions and customer advances	177,680	-	-	177,680
Principal payments on bonds and notes	(550,000)	(1,225,000)	(168,709)	(1,943,709)
Interest expense	(49,911)	(545,754)	(9,522)	(605,187)
Net Cash (Used For) Capital and Related Financing Activities	(7,274,292)	(2,664,736)	(461,613)	(10,400,641)
<b><u>Cash Flows From Investing Activities:</u></b>				
Increase (decrease) in restricted cash and investments	(551,658)	-	-	(551,658)
Investment income	398,369	40,457	3,257	442,083
Net Cash Provided By Investing Activities	(153,289)	40,457	3,257	(109,575)
Net Change in Cash and Short-Term Investments	(3,233,520)	(1,095,540)	160,014	(4,169,046)
Unrestricted Cash and Short Term Investments, Beginning of Year	11,859,292	3,188,637	2,369,832	17,417,761
Unrestricted Cash and Short Term Investments, End of Year	\$ 8,625,772	\$ 2,093,097	\$ 2,529,846	\$ 13,248,715
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</u></b>				
Operating income (loss)	\$ 1,633,540	\$ (106,482)	\$ 613,985	\$ 2,141,043
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	3,134,387	1,444,746	326,148	4,905,281
Changes in assets and liabilities:				
User fees receivables	2,056,390	52,905	36,427	2,145,722
Inventory and prepayments	(497,600)	532,006	1,041	35,447
Other assets	-	599	(189)	410
Warrants payable	(1,001,875)	(2,989)	(49,118)	(1,053,982)
Accrued liabilities	145,054	(1,897)	2,998	146,155
Other liabilities	987	1,401	(15,035)	(12,647)
OPEB liability	436,402	47,050	20,415	503,867
Net Cash Provided By (Used For) Operating Activities	\$ 5,907,285	\$ 1,967,339	\$ 936,672	\$ 8,811,296

\* = includes restricted cash

See notes to financial statements.

TOWN OF READING, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2009

	<u>Pension Trust Fund</u>	<u>Municipal Light Pension Trust Funds</u>	<u>Agency Funds</u>
<b><u>ASSETS</u></b>			
Cash and short term investments	\$ 404,486	\$ 3,616,255	\$ 422,313
Investments	69,083,769	3,000,000	-
Accounts receivable	12,813	-	-
Other	-	-	3,413
	<hr/>	<hr/>	<hr/>
Total Assets	69,501,068	6,616,255	425,726
 <b><u>LIABILITIES AND NET ASSETS</u></b>			
Warrants payable	-	-	64,253
Other liabilities	171,496	-	361,473
	<hr/>	<hr/>	<hr/>
Total Liabilities	171,496	-	425,726
 <b><u>NET ASSETS</u></b>			
Total net assets held in trust for pension benefits and other purposes	\$ <u>69,329,572</u>	\$ <u>6,616,255</u>	\$ <u>-</u>

See notes to financial statements.

TOWN OF READING, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2009

	<u>Pension Trust Fund</u>	<u>Municipal Light Pension Trust Funds</u>
<b>Additions:</b>		
Contributions:		
Employers	\$ 3,600,826	\$ 360,000
Intergovernmental	432,110	-
Plan members	1,988,078	-
Total contributions	<u>6,021,014</u>	<u>360,000</u>
Investment Income (Loss):		
Increase (decrease) in fair value of investments	(22,666,920)	212,085
Less: management fees	(364,745)	-
Net investment income (loss)	<u>(23,031,665)</u>	<u>212,085</u>
Total additions	(17,010,651)	572,085
<b>Deductions:</b>		
Benefit payments to plan members, beneficiaries, and other systems	6,921,635	-
Refunds and transfers to other systems	345,110	-
Administrative expenses	67,390	-
Other	-	892,540
Total deductions	<u>7,334,135</u>	<u>892,540</u>
Net increase (decrease)	(24,344,786)	(320,455)
<b>Net assets:</b>		
Beginning of year	<u>93,674,358</u>	<u>6,936,710</u>
End of year	<u>\$ 69,329,572</u>	<u>\$ 6,616,255</u>

See notes to financial statements.

# TOWN OF READING, MASSACHUSETTS

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

The accounting policies of the Town of Reading (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

#### A. Reporting Entity

The government is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. The Reading Contributory Retirement System was established to provide retirement benefits primarily to employees and their beneficiaries. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements.

#### B. Government-Wide and Fund Financial Statements

##### Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### 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 is the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year 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, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and excises.

#### Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. 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 enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. 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.

The government reports the following major governmental funds:

- 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 *ARRA (American Recovery and Reinvestment Act) Fund* is used to account for the receipt and expenditure of federal “stimulus” funds awarded the community to replace some of the fiscal year 2009 Chapter 70 State aid reductions.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

The government reports the following major proprietary funds:

- Electric Enterprise Fund
- Water Enterprise Fund

The government reports the following fiduciary funds:

The *pension trust fund* accounts for the activities of the Employees Contributory Retirement System, which accumulates resources for pension benefit payments to qualified employees.

The *municipal light pension trust fund* accounts for the activities of the Municipal Light Employees Contributory Retirement System, which accumulates resources for pension benefit payments to qualified employees.

The *agency fund* is used to account for student activity funds.

#### D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue, proprietary, and fiduciary

funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained 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 short-term investments". The interest earnings attributable to each fund type are included under investment income.

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

#### *E. Investments*

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

Investments for the Contributory Retirement System and Trust Funds consist of marketable securities, bonds and short-term money market investments. Investments are carried at market value.

#### *F. Property Tax Limitations*

Legislation known as "Proposition 2 ½" limits the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2009 tax levy reflected an excess capacity of \$ 2,437.

#### *G. Inventories*

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. No significant inventory balances were on hand in governmental funds.

*H. Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$ 5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20
Buildings and improvements	20-40
Machinery, equipment, and furnishings	3-20
Infrastructure	50

*I. Compensated Absences*

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

*J. Long-Term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

K. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

L. Use of Estimates

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

**2. Stewardship, Compliance, and Accountability**

A. Budgetary Information

At the annual town meeting, the Finance Committee presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

Formal budgetary integration is employed as a management control device during the year for the General Fund and Proprietary Funds. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

At year end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

**B. Budgetary Basis**

The General Fund final appropriation appearing on the “Budget and Actual” page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

**C. Budget/GAAP Reconciliation**

The budgetary data for the general and proprietary funds is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison with budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 75,138,859	\$ 82,282,982
Other financing sources/uses (GAAP basis)	<u>3,352,344</u>	<u>-</u>
Subtotal (GAAP basis) (excluding bond issue)	78,491,203	82,282,982
To record use of free cash and overlay surplus	1,587,312	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(1,597,001)
Add end of year appropriation carryforwards to expenditures	-	1,210,954
Other	119,052	520,916
To reverse the effects of non- budgeted refunded debt payments from escrow.	-	(4,362,144)
To reverse the effects of non- budgeted State contributions for teacher retirements	<u>(6,208,161)</u>	<u>(6,208,161)</u>
Budgetary basis	<u>\$ 73,989,406</u>	<u>\$ 71,847,546</u>

#### D. Deficit Fund Equity

The Town reflects several special revenue fund deficits, primarily caused by grant expenses occurring in advance of grant reimbursements. The deficits in these funds will be eliminated through future intergovernmental revenues and transfers from other funds.

### **3. Cash and Short-Term Investments**

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Town's and Contributory Retirement System's (the System) deposits may not be returned. Massachusetts General Law Chapter 44, Section 55, limits the Town's deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess. Massachusetts General Law Chapter 32, Section 23, limits the System's deposits "in a bank or trust company to an amount not exceeding ten percent of the capital and surplus of such bank or trust company. The Town and System do not have a deposit policy for custodial credit risk.

As of June 30, 2009, \$ 3,218,112 of the Town's and \$ 245,704 of the System's bank balances of \$ 47,607,857 and \$ 405,912, respectively, was exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by pledging bank's trust department not in the Town's and System's name.

The System's exposed balance consists of \$ 245,222 invested in PRIT and \$ 482 invested in MMDT.

### **4. Investments**

#### A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, limits the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

The Town and System do not have a policy for credit risk.

Presented below (in thousands) is the actual rating as of year end for each investment of the Town:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>		
			<u>Aaa</u>	<u>Aa2</u>	<u>A2</u>
Corporate bonds	\$ 151	\$ -	\$	\$ 101	\$ 50
Corporate equities	282	282	-	-	-
Mutual funds	984	984	-	-	-
Certificates of deposit	6,716	6,716	-	-	-
Federal agency securities	<u>12,377</u>	<u>-</u>	<u>12,377</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 20,510</u>	<u>\$ 7,982</u>	<u>\$ 12,377</u>	<u>\$ 101</u>	<u>\$ 50</u>

Massachusetts General Law, Chapter 32, Section 23, limits the investment of System funds, to the extent not required for current disbursements, in the PRIT Fund or in securities, other than mortgages or collateral loans, which are legal for the investment of funds in savings banks under the laws of the Commonwealth, provided that no more than the established percentage of assets, is invested in any one security.

At June 30, 2009, the Contributory Retirement System maintained its investments in the State Investment Pool\* with a fair value of \$ 69,083,769. This investment type is not rated.

*\*Fair value is the same as the value of the pool share. The Pension Reserves Investment Trust was created under Massachusetts General Law, Chapter 32, Section 22, in December 1983. The Pension Reserves Investment Trust is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management Board. The Pension Reserves Investment Management Board shall choose an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under Massachusetts General Law, Chapter 30B.*

#### **B. Custodial Credit Risk**

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town and System do not have policies for custodial credit risk.

The System's investments of \$ 69,083,769 were exposed to custodial credit risk as uninsured and uncollateralized. However, the investments were held in the State Investment Pool.

Of the investment in Corporate bonds of \$ 151,436, the government has a custodial credit risk exposure of \$ 151,436 because the related securities are uninsured, unregistered and held by the Town's brokerage firm, which is also the Counterparty to these securities.

#### **C. Concentration of Credit Risk**

The Town places no limit on the amount the Town may invest in any one issuer. Investments in any one issuer (other than U.S. Treasury securities

and mutual funds) that represent 5% or more of total investments are as follows (in thousands):

Federal National Mortgage Association	\$ 1,501,875
Federal Home Loan Mortgage Corp.	\$ 6,335,802
Certificates of Deposit	\$ 5,739,561

Massachusetts General Law Chapter 32, Section 23 limits the amount the System may invest in any one issuer or security type, with the exception of the PRIT Fund.

The System does not have an investment in one issuer greater than 5% of total investments, with the exception of the PRIT Fund.

*D. Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town and System do not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
Debt Related Securities:				
Corporate bonds	\$ 151	\$ 151	\$ -	\$ -
Certificates of Deposit	6,716	6,716	-	-
Federal agency securities	<u>12,377</u>	<u>-</u>	<u>4,153</u>	<u>8,224</u>
Total	<u>\$ 19,244</u>	<u>\$ 6,867</u>	<u>\$ 4,153</u>	<u>\$ 8,224</u>

*E. Foreign Currency Risk*

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town and System do not have policies for foreign currency risk.

**5. Taxes Receivable**

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on a quarterly basis and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to.

Fourteen days after the due date for the final tax bill for real estate taxes, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property. The Town has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

Taxes receivable at June 30, 2009 consist of the following (in thousands):

Real Estate		
2009	\$ <u>171</u>	171
Personal Property		
2009	\$ 6	
2008	4	
2007	2	
2006	2	
Prior	<u>4</u>	18
Tax Liens		316
Deferred Taxes		97
Taxes in Litigation		<u>1</u>
Total		\$ <u><u>603</u></u>

**6. Allowance for Doubtful Accounts**

The receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful accounts (in thousands):

	<u>Governmental</u>
Property taxes	\$ 106
Excises	35

## 7. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Land improvements	\$ 1,678	\$ 848	\$ -	\$ 2,526
Buildings and improvements	125,959	826	-	126,785
Machinery, equipment, and furnishings	6,087	1,126	-	7,213
Infrastructure	<u>38,011</u>	<u>475</u>	<u>-</u>	<u>38,486</u>
Total capital assets, being depreciated	171,735	3,275	-	175,010
Less accumulated depreciation for:				
Land improvements	(435)	(92)	-	(527)
Buildings and improvements	(18,728)	(3,374)	-	(22,102)
Machinery, equipment, and furnishings	(2,045)	(581)	-	(2,626)
Infrastructure	<u>(19,782)</u>	<u>(1,509)</u>	<u>-</u>	<u>(21,291)</u>
Total accumulated depreciation	<u>(40,990)</u>	<u>(5,556)</u>	<u>-</u>	<u>(46,546)</u>
Total capital assets, being depreciated, net	130,745	(2,281)	-	128,464
Capital assets, not being depreciated:				
Land	3,939	-	-	3,939
Construction in progress	<u>-</u>	<u>325</u>	<u>-</u>	<u>325</u>
Total capital assets, being depreciated, net	<u>3,939</u>	<u>325</u>	<u>-</u>	<u>4,264</u>
Governmental activities capital assets, net	<u>\$ 134,684</u>	<u>\$ (1,956)</u>	<u>\$ -</u>	<u>\$ 132,728</u>

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Land improvements	\$ 84	\$ -	\$ -	\$ 84
Buildings and improvements	16,620	119	-	16,739
Machinery, equipment, and furnishings	24,544	5,729	(63)	30,210
Infrastructure	<u>96,714</u>	<u>3,295</u>	<u>(737)</u>	<u>99,272</u>
Total capital assets, being depreciated	137,962	9,143	(800)	146,305
Less accumulated depreciation for:				
Land improvements	(39)	(2)	-	(41)
Buildings and improvements	(8,250)	(533)	-	(8,783)
Machinery, equipment, and furnishings	(16,498)	(871)	32	(17,337)
Infrastructure	<u>(33,514)</u>	<u>(3,499)</u>	<u>728</u>	<u>(36,285)</u>
Total accumulated depreciation	<u>(58,301)</u>	<u>(4,905)</u>	<u>760</u>	<u>(62,446)</u>
Total capital assets, being depreciated, net	79,661	4,238	(40)	83,859
Capital assets, not being depreciated:				
Land	1,450	-	-	1,450
Construction in progress	<u>1,837</u>	<u>1,173</u>	<u>(1,837)</u>	<u>1,173</u>
Total capital assets, being depreciated, net	<u>3,287</u>	<u>1,173</u>	<u>(1,837)</u>	<u>2,623</u>
Business-type activities capital assets, net	<u>\$ 82,948</u>	<u>\$ 5,411</u>	<u>\$ (1,877)</u>	<u>\$ 86,482</u>

Depreciation expense was charged to functions of the Town as follows (in thousands):

<b>Governmental Activities:</b>	
General government	\$ 189
Public safety	451
Education	2,961
Public works	1,780
Health and human services	31
Culture and recreation	<u>144</u>
Total depreciation expense - governmental activities	<u>\$ 5,556</u>
<b>Business-Type Activities:</b>	
Electric	\$ 3,134
Water	1,445
Other - Sewer	<u>326</u>
Total depreciation expense - business-type activities	<u>\$ 4,905</u>

## 8. Warrants Payable

Warrants payable represent 2009 expenditures paid by July 15, 2009.

**9. Deferred Revenue**

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

The balance of the General Fund *deferred revenues* account is equal to the total of all June 30, 2009 receivable balances, except real and personal property taxes that are accrued for subsequent 60 day collections.

**10. Anticipation Notes Payable**

The following summarizes activity in notes payable during fiscal year 2009 (in thousands):

	Balance <u>7/1/08</u>	New <u>Issues</u>	<u>Repayments</u>	Balance <u>6/30/09</u>
Computer equipment	\$ 1,250	\$ -	\$ (1,250)	\$ -
Total	<u>\$ 1,250</u>	<u>\$ -</u>	<u>\$ (1,250)</u>	<u>\$ -</u>

**11. Long-Term Debt**

*A. Bond Authorizations*

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2009 are as follows:

<u>Purpose</u>	<u>Amount</u>
High School	\$ 187,000
MWRA loan program	299,400
Energy improvements	120,000
Birch meadow tennis courts	140,000
Turf field improvements	275,000
Sunnyside/Fairview sewer mains	65,000
Fire ladder truck	50,000
Fire engine	525,000
Energy improvements	<u>5,000,000</u>
Total	<u>\$ 6,661,400</u>

*B. 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 and business-type activities. General obligation bonds currently outstanding are as follows:

	Serial	Interest	Amount
	Maturities	Rate(s)%	Outstanding
<u>Governmental Activities:</u>	<u>Through</u>		<u>as of</u>
			<u>June 30, 2009</u>
Police station	02/01/12	4.12%	\$ 1,205,000
Coolidge Middle School	02/01/21	4.75%	5,675,000
Memorial High School	03/15/24	4.22%	28,610,000
Barrow Elementary School	06/30/24	3.96%	1,895,000
Wood End Elementary School	06/30/24	3.96%	2,250,000
Wood End Elementary School	06/30/24	3.92%	150,000
Wood End Elementary School	04/15/24	3.94%	450,000
Wood End Elementary School	04/15/24	3.94%	685,000
Downtown Improvement projects	11/01/17	3.45%	585,000
Fire Engine	11/01/12	3.45%	325,000
Turf Field improvements	11/01/12	3.45%	300,000
Joshua Eaton refunding	07/01/13	3.05%	195,000
Birch Meadow refunding	07/01/12	3.05%	70,000
Parker School refunding	07/01/17	3.05%	1,825,000
Ladder truck	07/01/17	3.05%	720,000
Tennis courts	07/01/12	3.05%	385,000
Financial hardware and software	01/27/13	2.00%	1,100,000
Total Governmental Activities:			<u>\$ 46,425,000</u>

	Serial	Interest	Amount
	Maturities	Rate(s)%	Outstanding
<u>Business-Type Activities:</u>	<u>Through</u>		<u>as of</u>
			<u>June 30, 2009</u>
Water treatment plant	06/30/15	3.38%	\$ 600,000
MWRA buy-in	04/15/27	4.00%	2,860,000
Water mains	04/15/12	3.66%	1,480,000
MWRA buy-in	11/01/17	3.05%	7,410,000
Water demo	07/01/17	3.05%	720,000
MWRA water supply	01/27/13	2.00%	450,000
MWRA inflow	05/15/10	0.00%	83,677
MWPAT septic	02/01/17	0.00%	13,958
MWRA sewer	08/15/12	0.00%	35,464
Fairview and Sunnyside sewer	11/01/11	3.05%	225,000
Light plant enlargement	09/01/09	4.61%	550,000
Total Business-Type Activities:			<u>\$ 14,428,099</u>

### C. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2009 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 3,720,000	\$ 1,942,238	\$ 5,662,238
2011	3,725,000	1,821,464	5,546,464
2012	3,745,000	1,692,143	5,437,143
2013	3,370,000	1,556,344	4,926,344
2014	2,870,000	1,555,438	4,425,438
2015-2019	14,800,000	5,263,815	20,063,815
2020-2024	<u>14,195,000</u>	<u>1,969,356</u>	<u>16,164,356</u>
Total	<u>\$ 46,425,000</u>	<u>\$ 15,800,798</u>	<u>\$ 62,225,798</u>

The general fund has been designated as the sole source to repay the governmental-type general obligation debt outstanding as of June 30, 2009:

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 2,106,501	\$ 535,097	\$ 2,641,598
2011	1,458,866	467,638	1,926,504
2012	1,453,866	416,116	1,869,982
2013	738,866	366,670	1,105,536
2014	730,000	339,905	1,069,905
2015-2019	3,170,000	1,288,026	4,458,026
2020-2024	2,750,000	697,875	3,447,875
2025-2029	<u>2,020,000</u>	<u>162,338</u>	<u>2,182,338</u>
Total	<u>\$ 14,428,099</u>	<u>\$ 4,273,665</u>	<u>\$ 18,701,764</u>

#### D. Changes in General Long-Term Liabilities

During the year ended June 30, 2009, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/08</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/09</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/09</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 53,305	\$ 1,100	\$ (7,980)	\$ 46,425	\$ (3,720)	\$ 42,705
Other:						
Accrued employee benefits	1,635	23	(57)	1,601	(80)	1,521
OPEB	-	2,454	-	2,454	-	2,454
Other	<u>299</u>	<u>-</u>	<u>(24)</u>	<u>275</u>	<u>(25)</u>	<u>250</u>
Totals	<u>\$ 55,239</u>	<u>\$ 3,577</u>	<u>\$ (8,061)</u>	<u>\$ 50,755</u>	<u>\$ (3,825)</u>	<u>\$ 46,930</u>

	Total Balance <u>7/1/08</u>	Additions	Reductions	Total Balance <u>6/30/09</u>	Less Current Portion	Long-Term Portion <u>6/30/09</u>
<b><u>Business-Type Activities</u></b>						
Bonds and loans payable	\$ 15,922	\$ 450	\$ (1,944)	\$ 14,428	\$ (2,106)	\$ 12,322
Other:						
Accrued employee benefits	2,759	272	(78)	2,953	(82)	2,871
Unamortized premium on bonds	6	-	(1)	5	(1)	4
OPEB	-	504	-	504	-	504
Totals	<u>\$ 18,687</u>	<u>\$ 1,226</u>	<u>\$ (2,023)</u>	<u>\$ 17,890</u>	<u>\$ (2,189)</u>	<u>\$ 15,701</u>

## 12. **Restricted Net Assets**

The accompanying entity-wide financial statements report restricted net assets when external constraints from grantors or contributors are placed on net assets.

Permanent fund restricted net assets are segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

## 13. **Reserves of Fund Equity**

“Reserves” of fund equity are established to segregate fund balances which are either not available for expenditure in the future or are legally set aside for a specific future use.

The following types of reserves are reported at June 30, 2009:

**Reserved for Encumbrances** - An account used to segregate that portion of fund balance committed for expenditure of financial resources upon vendor performance.

**Reserved for Expenditures** - Represents the amount of fund balance appropriated to be used for expenditures in the subsequent year budget.

**Reserved for Stabilization** - An account used to segregate reserves set aside by the Town to fund unforeseen emergencies and to fund long-term capital projects and equipment purchases.

**Reserved for Perpetual Funds** - Represents the principal of the nonexpendable trust fund investments. The balance cannot be spent for any purpose; however, it may be invested and the earnings may be spent.

**14. Subsequent Events**

Subsequent to June 30, 2009, the Town has incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Energy Improvement bonds	\$ 5,000,000	2.00 - 3.75%	07/30/09	07/30/24
Fire Truck bonds	<u>525,000</u>	2.00%	07/30/09	07/30/14
Total Bonds	<u>\$ 5,525,000</u>			

**15. Commitments and Contingencies**

Outstanding Lawsuits - There are several pending lawsuits in which the Town is involved. The Town's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

**16. Post-Employment Health Care and Life Insurance Benefits**

**Other Post-Employment Benefits**

During the year, the Town implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Statement 45 requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Revenues, Expenses, and Changes in Net Assets when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Assets over time.

**A. Plan Description**

In addition to providing the pension benefits described in Note 17, the Town provides post-employment health and life insurance benefits for retired employees through the Town of Reading's Massachusetts

Interlocal Insurance Association (MIIA) Health Benefits Trust. Benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of June 30, 2008, the actuarial valuation date, approximately 645 retirees and 524 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

*B. Benefits Provided*

The Town provides post-employment medical, prescription drug, and life insurance benefits to all eligible retirees and their surviving spouses. All active employees who retire from the Department and meet the eligibility criteria will be eligible to receive these benefits.

*C. Funding Policy*

Retirees contribute 30% of the cost of the medical and prescription drug plan, as determined by the MIIA Health Benefits Trust. Retirees also contribute 50% of the premium for a \$ 5,000 life insurance benefit. The Department contributes the remainder of the medical, prescription drug, and life insurance plan costs on a pay-as-you-go basis.

*D. Annual OPEB Costs and Net OPEB Obligation*

The Town's fiscal 2009 annual OPEB 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 the normal cost per year and amortize the unfunded actuarial liability over a period of twenty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2009, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of June 30, 2008.

Annual Required Contribution (ARC)	\$ 6,150,666
Interest on net OPEB obligation	-
Adjustment to ARC	<u>176,035</u>
Annual OPEB cost	6,326,701
Contributions made	<u>(3,368,385)</u>
Increase in net OPEB obligation	2,958,316
Net OPEB obligation - beginning of year	<u>-</u>
Net OPEB obligation - end of year	<u><u>\$ 2,958,316</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009	\$ 6,326,701	46.07%	\$ 2,958,316

The Town's net OPEB obligation as of June 30, 2009 is recorded as a component of the "noncurrent liabilities" line item.

*E. Funded Status and Funding Progress*

The funded status of the plan as of June 30, 2008, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 60,022,927
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 60,022,927</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	N/A
UAAL as a percentage of covered payroll	N/A

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability 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 contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

*F. Actuarial Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the plan as understood by the Town and the 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 the Town and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial

accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2008 actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial value of assets was not determined, as the Town has not advance funded its obligation. The actuarial assumptions included a 7.75% investment rate of return and an initial annual health care cost trend rate of 10.0% which decreases to a 5.0% long-term rate for all health care benefits after seven years. The amortization costs for the initial UAAL is a level percentage of payroll amortization, with amortization payments increasing at 2.5% per year for a period of 20 years.

**17. Contributory Retirement System**

The Town follows the provisions of GASB Statement No. 27, *Accounting for Pensions for State and Local Government Employees*, (as amended by GASB 50) with respect to the employees’ retirement funds.

*A. Plan Description and Contribution Information*

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) are members of the Reading Contributory Retirement System (Reading CRS), a cost sharing, multiple employer defined benefit PERS. Eligible employees must participate in the Reading CRS. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the Reading CRS Retirement Board. Chapter 32 also establishes contribution percentages and benefits paid. The Reading CRS Retirement Board does not have the authority to amend benefit provisions. As required by Massachusetts General Laws, the System issues a separate report to the Commonwealth’s Public Employee Retirement Administration Commission.

Membership of each plan consisted of the following at December 31, 2008:

Retirees and beneficiaries receiving benefits	320
Terminated plan members entitled to but not yet receiving benefits	27
Active plan members	<u>354</u>
Total	<u><u>701</u></u>
Number of participating employers	3

Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The percentage is determined by the participant's date of entry into the system. All employees hired after January 1, 1979 contribute an additional 2% on all gross regular earnings over the rate of \$ 30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

Schedule of Employer Contributions:

<u>Year Ended</u> <u>June 30</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
2000	\$ 2,293,800	100%
2001	2,910,900	100%
2002	2,980,400	100%
2003	3,051,200	100%
2004	3,124,800	100%
2005	3,405,725	100%
2006	3,488,686	100%
2007	3,696,695	100%
2008	3,785,501	100%
2009	3,600,826	100%

**B. Summary of Significant Accounting Policies**

Basis of Accounting - Contributory retirement system financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments - Investments are reported at fair value in accordance with PERAC requirements.

**C. Funded Status and Funding Progress**

The information presented below is from the Reading Contributory Retirement System's most recent valuation.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
06/30/07	\$ 84,784	\$ 112,012	\$ 27,228	75.7%	\$ 19,313	141.0%

The Schedule of Funding Progress following the notes to the financial statements presents multi-year trend information about the actuarial value of plan assets relative to the actuarial accrued liability for benefits.

**D. Actuarial Methods and Assumptions**

The annual required contribution for the current year was determined as part of the actuarial valuation using the entry age normal actuarial cost method. Under this method an unfunded actuarial accrued liability of \$ 27.2 million was calculated. The actuarial assumptions included (a) 7.75% investment rate of return and (b) a projected salary increase of 5.00% per year. Liabilities for cost of living increases have been assumed at an annual increase of 3%, on the first \$ 12,000 of benefit payments. The actuarial value of assets is determined by projecting the market value of assets as of the beginning of the prior plan year with the assumed rate of return during that year (7.75%) and accounting for deposits and disbursements with interest at the assumed rate of return. An adjustment is then applied to recognize the difference between the actual investment return and expected return over a five-year period. As of June 30, 2009, the unfunded actuarially accrued liability is being amortized over 15 years using 1.5% increase in payments method.

**E. Teachers**

As required by State statutes, teachers of the Town are covered by the Massachusetts Teachers Retirement System (MTRS). The MTRS is funded by contributions from covered employees and the Commonwealth of Massachusetts. The Town is not required to contribute.

All persons employed on at least a half-time basis, who are covered under a contractual agreement requiring certification by the Board of Education are eligible, and must participate in the MTRS.

Based on the Commonwealth of Massachusetts' retirement laws, employees covered by the pension plan must contribute a percentage of gross earnings into the pension fund. The percentage is determined by the participant's date of entry into the system and gross earnings, up to \$ 30,000, as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7% *
January 1, 1984 - June 30, 1996	8% *
July 1, 1996 - June 30, 2001	9% *
Beginning July 1, 2001	11%

\*Effective January 1, 1990, all participants hired after January 1, 1979, who have not elected to increase to 11%, contribute an additional 2% of salary in excess of \$ 30,000.

The Town's current year covered payroll for teachers and administrators was not available.

In fiscal year 2009, the Commonwealth of Massachusetts contributed \$ 6,208,161 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues in the general fund.

## 18. 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 for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

## 19. Beginning Fund Balance Reclassification

The Town's major governmental funds for fiscal year 2009, as defined by GASB Statement 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

	Fund Equity 6/30/08 (as previously reported)	Reclassification	Fund Equity 6/30/08 (as restated)
Nonmajor funds	\$ 14,130,619	\$ 1,382,812	\$ 15,513,431
Memorial High School capital project fund	1,382,812	(1,382,812)	-
Total	\$ <u>15,513,431</u>	\$ <u>-</u>	\$ <u>15,513,431</u>

**Town of Reading Municipal Light Department**  
**Notes to Financial Statements**

**1. Summary of Significant Accounting Policies**

The significant accounting policies of the Town of Reading Municipal Light Department (“the Department”) (an enterprise fund of the Town of Reading) are as follows:

- A. Business Activity - The Department purchases electricity which it distributes to consumers within the towns of Reading, North Reading, Wilmington, and Lynnfield.
- B. Regulation and Basis of Accounting - Under Massachusetts General Laws, the Department’s electric rates are set by the Municipal Light Board. Electric rates, excluding the fuel charge, cannot be changed more often than once every three months. Rate schedules are filed with the Massachusetts Department of Public Utilities (DPU). While the DPU exercises general supervisory authority over the Department, the Department’s rates are not subject to DPU approval. The Department’s policy is to prepare its financial statements in conformity with generally accepted accounting principles.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Department has elected not to follow subsequent private-sector guidance.

- C. Concentrations - The Department operates within the electric utility industry which has undergone significant restructuring and deregulation. Legislation was enacted by the Commonwealth of Massachusetts in 1998 which changed the electric industry. The law introduced competition and provided consumers with choices while assuring continued

reliable service. Municipal utilities are not currently subject to this legislation.

- D. Retirement Trust - The Reading Municipal Light Department Employees' Pension Trust (the "Trust") was established on December 30, 1966, by the Town of Reading's Municipal Light Board pursuant to Chapter 164 of the General Laws of the Commonwealth of Massachusetts.

The Trust constitutes the principal instrument of a plan established by the Municipal Light Board for the purpose of funding the Department's annual required contribution to the Town of Reading Contributory Retirement System (the System), a cost sharing, multi-employer public employee retirement system.

- E. Revenues - Revenues are based on rates established by the Department and filed with the DPU. Revenues from sales of electricity are recorded on the basis of bills rendered from monthly meter readings taken on a cycle basis and are stated net of discounts. Recognition is given to the amount of sales to customers which are unbilled at the end of the fiscal period.

- F. Cash and Short-term Investments - For the purposes of the Statement of Cash Flows, the Department considers both restricted and unrestricted cash on deposit with the Town Treasurer to be cash or short-term investments. For purpose of the Statement of Net Assets, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

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

Investments for the Department and the Trust consist of U.S. government bonds that are being held to maturity. Investments are carried at cost.

- H. Inventory - Inventory consists of parts and accessories purchased for use in the utility business for construction, operation and maintenance purposes and is stated at average cost. Meters and transformers are capitalized when purchased.
- I. Capital Assets and Depreciation - Capital assets, which include property, plant, equipment, and utility plant infrastructure, are recorded at historical cost or estimated historical cost when purchased or constructed. Donated

capital assets are recorded at estimated fair market value at the date of the donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as they are acquired or constructed. Interest incurred during the construction phase of proprietary fund capital assets is included as part of the capitalized value of the constructed asset. When capital assets are retired, the cost of the retired asset, less accumulated depreciation, salvage value and any cash proceeds, is charged to the Department's unrestricted net assets account.

Massachusetts General Laws require utility plant in service to be depreciated at an annual rate of 3%. To change this rate, the Department must obtain approval from the DPU. Changes in annual depreciation rates may be made for financial factors relating to cash flow for plant expansion, rather than engineering factors relating to estimates of useful lives.

- J. Amortization - Costs related to the issuance of bonds have been capitalized and are being amortized over the life of the bonds.
- K. Accrued Compensated Absences - Employee vacation leave is vested annually but may only be carried forward to the succeeding year with supervisor approval and, if appropriate, within the terms of the applicable Department policy or union contract. Generally, sick leave may accumulate according to union and Department contracts and policy, and is paid upon normal termination at the current rate of pay. The Department's policy is to recognize vacation costs at the time payments are made. The Department records accumulated, unused, vested sick pay as a liability. The amount recorded is the amount to be paid at termination at the current rate of pay.
- L. Long-Term Obligations - The proprietary fund financial statements report long-term debt and other long-term obligations as liabilities in the proprietary fund statement of net assets.
- M. Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenues and expenses during the fiscal year. Actual results could vary from estimates that were used.
- N. Rate of Return - The Department's rates must be set such that earnings attributable to electric operations do not exceed eight percent of the net

cost of plant. The audited financial statements are prepared in accordance with auditing standards generally accepted in the United States of America. To determine the net income subject to the rate of return, the Department performs the following calculation. Using the net income per the audited financials, the return on investment to the Town of Reading is added back, the fuel charge adjustment is added or deducted, and miscellaneous debits/credits (i.e. gain/loss on disposal of fixed assets, etc.) are added or deducted, leaving an adjusted net income figure for rate of return purposes. Investment interest income and bond principal payments are then deducted from this figure to determine the net income subject to the rate of return. The net income subject to the rate of return is then subtracted from the allowable eight percent rate of return, which is calculated by adding the book value of net plant and the investment in associated companies less the contributions in aid of construction multiplied by eight percent. From this calculation, the Municipal Light Board will determine what cash transfers need to be made at year end.

## 2. Cash and Investments

Cash and investments as of June 30, 2009 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Unrestricted cash and short-term investments	\$ 8,635,772
Restricted cash and short-term investments	11,563,437
Restricted investments	4,400,000
Fiduciary funds:	
Cash and short-term investments	3,616,255
Investments	<u>3,000,000</u>
Total cash and investments	<u>\$ 31,215,464</u>

Cash and investments at June 30, 2009 consist of the following:

Cash on hand	\$ 3,000
Deposits with financial institutions	23,812,464
Investments	<u>7,400,000</u>
Total cash and investments	<u>\$ 31,215,464</u>

### **Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that the fair value of an investment will be adversely affected by changes in market interest rates. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Department manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from

maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

As of June 30, 2009, the Department (including the Pension Trust) had the following investments:

	<u>Restricted Investments</u>	<u>Pension Trust</u>	<u>Maturity Date</u>	<u>Moody's Rating</u>
<u>Government agency bonds</u>				
Freddie Mac	\$ 2,000,000	-	01/15/13	AAA
Freddie Mac	1,400,000	-	07/15/14	AAA
Freddie Mac	500,000	-	05/15/15	AAA
Federal Home Loan Bank	500,000	-	06/01/16	AAA
Federal Home Loan Mtg. Corp.	-	1,200,000	01/15/13	AAA
Federal Home Loan Mtg. Corp.	<u>-</u>	<u>1,800,000</u>	12/15/14	AAA
Total	\$ <u>4,400,000</u>	\$ <u>3,000,000</u>		

### **Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assigning of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of year end for each of the Department's (including the Pension Trust) investment types:

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>	
			<u>AAA</u>	<u>Not Rated</u>
Government agency bonds	\$ <u>7,400,000</u>	N/A	\$ <u>7,400,000</u>	\$ <u>-</u>
Total	\$ <u>7,400,000</u>		\$ <u>7,400,000</u>	\$ <u>-</u>

### **Concentration of Credit Risk**

The Department follows the Town of Reading's investment policy, which does not limit the amount that can be invested in any one issuer beyond that stipulated by Massachusetts General Laws. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent more than 5% of the Department's total investments (including the Pension Trust investments) are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Freddie Mac	Government agency bonds	\$ 3,900,000
Freddie Home Loan Mtg. Corp.	Government agency bonds	3,000,000
Federal Home Loan Bank	Government agency bonds	500,000

### **Custodial Credit Risk**

Custodial Credit Risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, the Department will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Department will not be able to recover the value of its investments or collateral securities that are in the possession of another party. Massachusetts General Laws, Chapter 44, Section 55, limits deposits "in a bank or trust company or banking company to an amount not exceeding sixty per cent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The Department follows the Massachusetts statute as written, as well as the Town of Reading's deposit policy for custodial credit risk.

Because the Department pools its cash with the Town of Reading, the specific custodial credit risk of the Department's deposits could not be determined at June 30, 2009. As of June 30, 2009, Department investments (including the Pension Trust) in the following investment types were held by the same broker-dealer (counterparty) that was used by the Department to buy the securities:

<u>Investment Type</u>	<u>Reported Amount</u>
Government agency bonds	\$ <u>7,400,000</u>
Total	\$ <u>7,400,000</u>

### **3. Restricted Cash and Investments**

Restricted cash and investments consist of the following at June 30, 2009:

	<u>Cash</u>	<u>Investments</u>
Depreciation fund	\$ 4,403,130	\$ -
Construction fund	1,000,000	-
Deferred fuel reserve	1,739,394	-
Rate stabilization	2,347,224	2,900,000
Reserve for uncollectible accounts	28,988	-
Sick leave benefits	1,373,114	1,500,000
Insurance reserve	35,252	-
Hazardous waste fund	150,000	-
Customer deposits	<u>496,335</u>	<u>-</u>
Total	\$ <u>11,573,437</u>	\$ <u>4,400,000</u>

Restricted investments are invested in government agency bonds, which will be held to maturity, and are reported at book value of \$ 4,400,000. The fair market value of the investments at June 30, 2009 was \$ 4,347,636.

The Department maintains the following restricted cash accounts:

- Depreciation fund - The Department is required to reserve 3.0% of capital assets each year to fund capital improvements.
- Construction fund - This account reflects a balance set aside by the Board of Commissioners to fund capital asset purchases.
- Deferred fuel reserve - The Department transfers the difference between the customers' monthly fuel charge adjustment and actual fuel costs into this account to be used in the event of a sudden increase in fuel costs.
- Rate stabilization - The Department transfers funds in excess of 8% of capital assets to this account to be used to stabilize customer rates.
- Reserve for uncollectible accounts - This account was set up to offset a portion of the Department's bad debt reserve.
- Sick leave benefits - This account is used to offset the Department's actuarially determined compensated absence liability.
- Insurance reserve - This account reflects a balance set aside by the Board of Commissioners as an insurance deductible reserve.
- Hazardous waste fund - This reserve was set up by the Board of Commissioners to cover the Department's insurance deductible in the event of a major hazardous materials incident.
- Customer deposits - Customer deposits that are held in escrow.

#### 4. Accounts Receivable

Accounts receivable consists of the following at June 30, 2009:

Customer Accounts:			
Billed	\$ 2,768,110		
Less allowances:			
Uncollectible accounts	( 200,000)		
Sales discounts	( 183,604)		
Total billed		2,384,506	
Unbilled, net		<u>4,172,945</u>	
Total customer accounts		6,557,451	
Other Accounts:			
Merchandise sales	125,701		
MMWEC Flush	107,879		
Liens and other	<u>296,215</u>		
Total other accounts		<u>529,795</u>	
Total net receivables		\$ <u>7,087,246</u>	

#### 5. Prepaid Expenses

Prepaid expenses consist of the following:

Insurances	\$ 266,383
Purchase power	154,886
PASNY prepayment fund	<u>332,076</u>
Total	\$ <u>753,345</u>

#### 6. Inventory

Inventory is comprised of supplies and materials at June 30, 2009, and is valued using the average cost method.

#### 7. Investment in Associated Companies

Under agreements with the New England Hydro-Transmission Electric Company, Inc. (NEH) and the New England Hydro-Transmission Corporation (NHH), the Department has made the following advances to fund its equity requirements for the Hydro-Quebec Phase II interconnection. The Department is carrying its investment at cost, reduced by shares repurchased. The Department's equity position in the Project is less than one-half of one percent.

Investment in associated companies consists of the following, at June 30, 2009:

New England Hydro-Transmission Electric Company, Inc.	\$ 46,153
New England Hydro-Transmission Corporation	<u>76,238</u>
Total	\$ <u>122,391</u>

## 8. Capital Assets

The following is a summary of fiscal year 2009 activity in capital assets (in thousands):

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Capital assets, being depreciated:				
Structures and improvements	\$ 13,393	\$ 119	\$ -	\$ 13,512
Equipment and furnishings	22,620	5,624	( 388)	27,856
Infrastructure	<u>68,465</u>	<u>2,946</u>	<u>( 738)</u>	<u>70,673</u>
Total capital assets, being depreciated	104,478	8,689	(1,126)	112,041
Less accumulated depreciation for:				
Structures and improvements	( 6,132)	( 383)	-	( 6,515)
Equipment and furnishings	( 16,012)	( 720)	358	( 16,374)
Infrastructure	<u>(24,457)</u>	<u>(2,033)</u>	<u>728</u>	<u>(25,762)</u>
Total accumulated depreciation	<u>(46,601)</u>	<u>(3,136)</u>	<u>1,086</u>	<u>(48,651)</u>
Total capital assets, being depreciated, net	57,877	5,553	( 40)	63,390
Capital assets, not being depreciated:				
Land	1,266	-	-	1,266
Construction in progress	<u>1,836</u>	<u>-</u>	<u>(1,836)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>3,102</u>	<u>-</u>	<u>(1,836)</u>	<u>1,266</u>
Capital assets, net	\$ <u>60,979</u>	\$ <u>5,553</u>	\$ <u>(1,876)</u>	\$ <u>64,656</u>

## 9. Other Assets

This balance consists primarily of costs associated with the Department's bonding, which are being amortized over the life of the bonds.

## 10. Accounts Payable

Accounts payable represent fiscal 2009 expenses that were paid after June 30, 2009.

**11. Customer Deposits**

This balance represents deposits received from customers that are held in escrow.

**12. Customer Advances for Construction**

This balance represents deposits received from vendors in advance for work to be performed by the Department. The Department recognizes these deposits as revenue after the work has been completed.

**13. Accrued Liabilities**

Accrued liabilities consist of the following at June 30, 2009:

Accrued payroll	\$ 175,161
Accrued interest	13,186
Other	<u>69,653</u>
Total	\$ <u>258,000</u>

**14. Bonds Payable**

Bonds payable consist of the following at June 30, 2009:

Bonds issued December 1, 1999, in the amount of \$ 5,500,000. Principal is payable annually on September 1 commencing 2000 and continuing to September 1, 2009. Interest is payable semiannually on September 1 and March 1 at 4.5% for five years with rates thereafter ranging from 4.55% to 4.85%.

Total Bonds Payable	\$ 550,000
Less: Current installments of bonds payable	<u>(550,000)</u>
Total Long-Term Bonds Payable	\$ <u>      -</u>

The future payments required on the long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ <u>550,000</u>	\$ <u>13,337</u>	\$ <u>563,337</u>
Total	\$ <u>550,000</u>	\$ <u>13,337</u>	\$ <u>563,337</u>

The following summarizes activity in bonds payable for the year ended June 30, 2009:

<u>Balance</u> <u>07/01/08</u>	<u>Maturities</u>	<u>Balance</u> <u>06/30/09</u>	<u>Less</u> <u>Current</u>	<u>Long-Term</u> <u>Portion</u>
\$ <u>1,100,000</u>	\$ <u>(550,000)</u>	\$ <u>550,000</u>	\$ <u>(550,000)</u>	\$ <u>-</u>

**15. Accrued Employee Compensated Absences**

Department employees are granted sick leave in varying amounts. Upon retirement, termination, or death, employees are compensated for unused sick leave (subject to certain limitations) at their then current rates of pay.

**16. Restricted Net Assets**

The proprietary fund financial statements report restricted net assets when external constraints are placed on net assets. Specifically, restricted net assets represent depreciation fund reserves, which are restricted for future capital asset purchases.

**17. Participation in Massachusetts Municipal Wholesale Electric Company**

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

MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts, created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own, or purchase ownership interests in, and to issue revenue bonds to finance, electric facilities (Projects). MMWEC has acquired ownership interests in electric facilities operated by other entities and also owns and operates its own electric facilities. MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other utilities (Project Participants) under Power Sales Agreements (PSAs). Among other things, the PSAs require each Project Participant to pay its *pro rata* share of MMWEC's costs related to the Project, which costs include debt service on the revenue bonds issued by MMWEC to finance the Project, plus 10% of MMWEC's debt service to be paid into a Reserve and Contingency Fund. In addition, should a Project Participant fail to make any payment when due, other Project Participants of that Project may be required to increase (step-up) their payments and correspondingly their Participant's share of that Project's Project Capability to an additional amount not to exceed 25% of their original Participant's

share of that Project's Project Capability. Project Participants have covenanted to fix, revise, and collect rates at least sufficient to meet their obligations under the PSAs.

MMWEC has issued separate issues of revenue bonds for each of its eight Projects, which are payable solely from, and secured solely by, the revenues derived from the Project to which the bonds relate, plus available funds pledged under MMWEC's Amended and Restated General Bond Resolution (GBR) with respect to the bonds of that Project. The MMWEC revenues derived from each Project are used solely to provide for the payment of the bonds of any bond issue relating to such Project and to pay MMWEC's cost of owning and operating such Project and are not used to provide for the payment of the bonds of any bond issue relating to any other Project.

MMWEC operates the Stony Brook Intermediate Project and the Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has a 3.7% interest in the W.F. Wyman Unit No. 4 plant, which is operated and owned by its majority owner, FPL Energy Wyman IV, LLC, an indirect subsidiary of NextEra Energy Resources LLC (formerly FPL Energy LLC), and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit, operated by Dominion Nuclear Connecticut, Inc. (DNCI), the majority owner and an indirect subsidiary of Dominion Resources, Inc. DNCI also owns and operates the Millstone Unit 2 nuclear unit. The operating license for the Millstone Unit 3 nuclear unit extends to November 25, 2045.

A substantial portion of MMWEC's plant investment and financing program is an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by NextEra Energy Seabrook, LLC (NextEra Seabrook) (formerly FPL Energy Seabrook LLC), the majority owner and an indirect subsidiary of NextEra Energy Resources LLC (formerly FPL Energy LLC). The operating license for Seabrook Station extends to March, 2030. NextEra Seabrook has stated its intention to request an extension of the Seabrook Station operating license beyond March 2030.

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

Reading Municipal Light Department has entered into PSAs and Power Purchase Agreements (PPAs) with MMWEC. Under both the PSAs and PPAs, the Department is required to make certain payments to MMWEC payable solely from Department revenues. Under the PSAs, each Participant is unconditionally obligated to make all payments due to MMWEC, whether

or not the Project(s) is completed or operating, and notwithstanding the suspension or interruption of the output of the Project(s).

MMWEC is involved in various legal actions. Seven municipal light departments that are Participants under PSAs with MMWEC have submitted a demand for arbitration of a dispute relating to charges under the PSAs.

After the July 1, 2009 principal payment, total capital expenditures for MMWEC's Projects amounted to \$ 1,553,974,000, of which \$ 112,010,000 represents the amount associated with the Department's share of Project Capability of the Projects in which it participates, although such amount is not allocated to the Department. MMWEC's debt outstanding for the Projects includes Power Supply System Revenue Bonds totaling \$ 570,245,000, of which \$ 30,338,000 is associated with the Department's share of Project Capability of the Projects in which it participates, although such amount is not allocated to the Department. After the July 1, 2009 principal payment, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$ 614,973,000, of which \$ 31,695,000 is anticipated to be billed to the Department in the future.

The estimated aggregate amount of Reading Municipal Light Department's required payments under the PSAs and PPAs, exclusive of the Reserve and Contingency Fund billings, to MMWEC at June 30, 2009 and estimated for future years is shown below.

	<u>Annual Costs</u>
For years ended June 30, 2010	\$ 4,867,000
2011	4,674,000
2012	4,657,000
2013	4,702,000
2014	4,154,000
2015 - 2019	<u>8,641,000</u>
Total	<u>\$ 31,695,000</u>

In addition, under the PSA's, the Department is required to pay to MMWEC its share of the Operation and Maintenance (O&M) costs of the Projects in which it participates. The Department's total O&M costs including debt service under the PSAs were \$ 16,070,000 and \$ 15,726,000 for the years ended June 30, 2009 and 2008, respectively.

## **18. Risk Management**

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year

and have been no material settlements in excess of coverage in any of the past four fiscal years.

**19. Leases**

Related Party Transaction - Property Sub-Lease

The Department is sub-leasing facilities to the Reading Massachusetts Town Employees Federal Credit Union. The original sub-lease agreement commenced in December 2000 and ended in November 2005. A new agreement, which extended the lease through November 30, 2008, was signed on December 1, 2005. An additional amendment, effective December 1, 2008, extends the lease through November 30, 2011. The following is the future minimum rental income for the years ending June 30:

2010	\$ 8,712
2011	8,712
2012	<u>3,630</u>
Total	\$ <u>21,054</u>

Other Income - Property Sub-Lease

The Department is sub-leasing facilities to Reading Community Television Inc. The original sub-lease agreement commenced in March 2000 and ended in November 2008. An amendment effective December 1, 2008 extends the lease through November 30, 2009. Under the terms of the new agreement, the future minimum rental income for the year ending June 30, 2010 is \$ 8,000.

**20. Power Authority of the State of New York (PASNY) Credit**

The Department purchases power from the Power Authority of the State of New York (PASNY). This power, which is generated at Niagara, is less expensive than most other purchased power. Federal regulations require that only residential customers get the benefit of this lower cost. The reduction in residential customer bills, compared to non-residential customers is known as the PASNY credit.

Prior to fiscal year 2009, the Department accounted for this credit as a purchase power operating expense. In fiscal year 2009, the Department began accounting for this credit as a contra-revenue, similar to its accounting treatment of other customer discounts and refunds.

**TOWN OF READING, MASSACHUSETTS**  
**SCHEDULE OF FUNDING PROGRESS**  
**REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2009

(Unaudited)

(Amounts Expressed in thousands)

**Employees' Retirement System**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
06/30/00	\$ 54,076	\$ 78,486	\$ 24,410	68.9%	\$ 15,798	154.5%
06/30/01	\$ 58,286	\$ 82,550	\$ 24,264	70.6%	\$ 16,129	150.4%
06/30/02	\$ 60,933	\$ 86,888	\$ 25,955	70.1%	\$ 16,855	154.0%
06/30/03	\$ 62,897	\$ 91,302	\$ 28,405	68.9%	\$ 16,734	169.7%
06/30/04	\$ 66,850	\$ 95,961	\$ 29,111	69.7%	\$ 17,487	166.5%
06/30/05	\$ 71,468	\$ 102,153	\$ 30,685	70.0%	\$ 18,048	170.0%
06/30/06	\$ 77,151	\$ 106,238	\$ 29,087	72.6%	\$ 18,860	154.2%
06/30/07	\$ 84,784	\$ 112,012	\$ 27,228	75.7%	\$ 19,313	141.0%

**Other Post-Employment Benefits**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
06/30/08	\$ -	\$ 60,022,927	\$ 60,022,927	0.0%	N/A	N/A

See Independent Auditor's Report

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## TOWN OF READING, MASSACHUSETTS

## COMBINING BALANCE SHEET

## NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2009

	<u>Special Revenue Funds</u>			
	<u>Federal Grants</u>	<u>State Grants</u>	<u>Revolving Funds</u>	<u>Receipts Reserved</u>
<u>ASSETS</u>				
Cash and short-term investments	\$ 2,905	\$ 14,920	\$ 2,058,792	\$ 2,916,096
Investments	-	-	-	-
Receivables:				
Intergovernmental	<u>80,196</u>	<u>154,726</u>	<u>102,938</u>	-
Total Assets	<u>\$ 83,101</u>	<u>\$ 169,646</u>	<u>\$ 2,161,730</u>	<u>\$ 2,916,096</u>
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Warrants payable	\$ 21,236	\$ 45,233	\$ 48,684	\$ -
Accrued liabilities	-	-	7,703	-
Deferred revenue	-	444	-	-
Retainage payable	-	-	-	-
Total Liabilities	21,236	45,677	56,387	-
Fund Balances:				
Reserved for:				
Perpetual (nonexpendable)				
Permanent funds	-	-	-	-
Unreserved:				
Undesignated, reported in:				
Special revenue funds	61,865	123,969	2,105,343	2,916,096
Capital project funds	-	-	-	-
Permanent funds	-	-	-	-
Total Fund Balance	<u>61,865</u>	<u>123,969</u>	<u>2,105,343</u>	<u>2,916,096</u>
Total Liabilities and Fund Balance	<u>\$ 83,101</u>	<u>\$ 169,646</u>	<u>\$ 2,161,730</u>	<u>\$ 2,916,096</u>

Special Revenue Funds

<u>Gifts and Donations</u>	<u>Trust Funds</u>	<u>Reserve Funds</u>	<u>Subtotals</u>
\$ 277,648	\$ -	\$ 146,273	\$ 5,416,634
-	7,747,946	-	7,747,946
<u>-</u>	<u>-</u>	<u>-</u>	<u>337,860</u>
<u>\$ 277,648</u>	<u>\$ 7,747,946</u>	<u>\$ 146,273</u>	<u>\$ 13,502,440</u>
\$ 2,432	\$ 383	\$ -	\$ 117,968
-	-	-	7,703
-	-	-	444
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2,432	383	-	126,115
-	2,374,097	-	2,374,097
275,216	-	146,273	5,628,762
-	-	-	-
<u>-</u>	<u>5,373,466</u>	<u>-</u>	<u>5,373,466</u>
<u>275,216</u>	<u>7,747,563</u>	<u>146,273</u>	<u>13,376,325</u>
<u>\$ 277,648</u>	<u>\$ 7,747,946</u>	<u>\$ 146,273</u>	<u>\$ 13,502,440</u>

(continued)

TOWN OF READING, MASSACHUSETTS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2009

(continued)

	Capital Project Funds			
	Town Capital Project Funds	School Capital Project Funds	Subtotals	Total Nonmajor Governmental Funds
<u>ASSETS</u>				
Cash and short-term investments	\$ 1,128,149	\$ 1,868,043	\$ 2,996,192	\$ 8,412,826
Investments	-	-	-	7,747,946
Receivables:				
Intergovernmental	-	-	-	337,860
 Total Assets	 <u>\$ 1,128,149</u>	 <u>\$ 1,868,043</u>	 <u>\$ 2,996,192</u>	 <u>\$ 16,498,632</u>
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Warrants payable	\$ 57,207	\$ 42,435	\$ 99,642	\$ 217,610
Accrued liabilities	-	-	-	7,703
Deferred revenue	-	-	-	444
Retainage payable	-	1,104,104	1,104,104	1,104,104
 Total Liabilities	 57,207	 1,146,539	 1,203,746	 1,329,861
Fund Balances:				
Reserved for:				
Perpetual (nonexpendable) permanent funds	-	-	-	2,374,097
Unreserved:				
Undesignated, reported in:				
Special revenue funds	-	-	-	5,628,762
Capital project funds	1,070,942	721,504	1,792,446	1,792,446
Permanent funds	-	-	-	5,373,466
 Total Fund Balance	 <u>1,070,942</u>	 <u>721,504</u>	 <u>1,792,446</u>	 <u>15,168,771</u>
 Total Liabilities and Fund Balance	 <u>\$ 1,128,149</u>	 <u>\$ 1,868,043</u>	 <u>\$ 2,996,192</u>	 <u>\$ 16,498,632</u>

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TOWN OF READING, MASSACHUSETTS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2009

	Special Revenue Funds			
	<u>Federal Grants</u>	<u>State Grants</u>	<u>Revolving Funds</u>	<u>Receipts Reserved</u>
Revenues:				
Departmental	\$ -	\$ -	\$ 3,696,603	\$ 49,164
Intergovernmental	1,527,130	2,979,867	143,648	-
Investment income	-	-	22	43,876
Other	<u>-</u>	<u>-</u>	<u>750</u>	<u>720,644</u>
Total Revenues	1,527,130	2,979,867	3,841,023	813,684
Expenditures:				
Current:				
General government	-	86,206	120,084	-
Public safety	118,401	91,056	635,973	-
Education	1,556,661	2,381,275	1,998,334	-
Public works	-	562,563	376	-
Health and human services	110,311	85,688	15,270	-
Culture and recreation	<u>7,252</u>	<u>31,804</u>	<u>420,528</u>	<u>625</u>
Total Expenditures	<u>1,792,625</u>	<u>3,238,592</u>	<u>3,190,565</u>	<u>625</u>
Excess (deficiency) of revenues over (under) expenditures	(265,495)	(258,725)	650,458	813,059
Other Financing Sources (Uses):				
Issuance of bonds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>(125,052)</u>	<u>(387,665)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(125,052)</u>	<u>(387,665)</u>
Change in fund balances	(265,495)	(258,725)	525,406	425,394
Fund Balances, beginning of year, as restated	<u>327,360</u>	<u>382,694</u>	<u>1,579,937</u>	<u>2,490,702</u>
Fund Balances, end of year	<u>\$ 61,865</u>	<u>\$ 123,969</u>	<u>\$ 2,105,343</u>	<u>\$ 2,916,096</u>

Special Revenue Funds

<u>Gifts and Donations</u>	<u>Trust Funds</u>	<u>Reserve Funds</u>	<u>Subtotals</u>
\$ -	\$ -	\$ -	\$ 3,745,767
-	-	-	4,650,645
-	93,627	6,357	143,882
<u>153,107</u>	<u>1,830</u>	<u>-</u>	<u>876,331</u>
153,107	95,457	6,357	9,416,625
1,206	-	-	207,496
10,519	-	-	855,949
135,376	-	5,950	6,077,596
74	105,000	-	668,013
13,165	99,002	-	323,436
<u>76,940</u>	<u>2,061</u>	<u>-</u>	<u>539,210</u>
<u>237,280</u>	<u>206,063</u>	<u>5,950</u>	<u>8,671,700</u>
(84,173)	(110,606)	407	744,925
-	-	-	-
-	-	-	-
<u>(120,000)</u>	<u>-</u>	<u>-</u>	<u>(632,717)</u>
<u>(120,000)</u>	<u>-</u>	<u>-</u>	<u>(632,717)</u>
(204,173)	(110,606)	407	112,208
<u>479,389</u>	<u>7,858,169</u>	<u>145,866</u>	<u>13,264,117</u>
<u>\$ 275,216</u>	<u>\$ 7,747,563</u>	<u>\$ 146,273</u>	<u>\$ 13,376,325</u>

(continued)

TOWN OF READING, MASSACHUSETTS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2009

(continued)

	Capital Project Funds			Total Nonmajor Governmental Funds
	Town Capital Project Funds	School Capital Project Funds	Subtotals	
Revenues:				
Departmental	\$ -	\$ -	\$ -	\$ 3,745,767
Intergovernmental	225,000	-	225,000	4,875,645
Investment income	-	-	-	143,882
Other	-	-	-	876,331
	225,000	-	225,000	9,641,625
Total Revenues				
Expenditures:				
Current:				
General government	929,113	-	929,113	1,136,609
Public safety	-	-	-	855,949
Education	16,906	661,308	678,214	6,755,810
Public works	324,541	-	324,541	992,554
Health and human services	-	-	-	323,436
Culture and recreation	-	-	-	539,210
	1,270,560	661,308	1,931,868	10,603,568
Total Expenditures				
Excess (deficiency) of revenues over (under) expenditures	(1,045,560)	(661,308)	(1,706,868)	(961,943)
Other Financing Sources (Uses):				
Issuance of bonds	1,100,000	-	1,100,000	1,100,000
Transfers in	150,000	-	150,000	150,000
Transfers out	-	-	-	(632,717)
	1,250,000	-	1,250,000	617,283
Total Other Financing Sources (Uses)				
Change in fund balances	204,440	(661,308)	(456,868)	(344,660)
Fund Balances, beginning of year, as restated	866,502	1,382,812	2,249,314	15,513,431
Fund Balances, end of year	\$ 1,070,942	\$ 721,504	\$ 1,792,446	\$ 15,168,771

TOWN OF READING, MASSACHUSETTS  
NONMAJOR PROPRIETARY FUNDS  
COMBINING SCHEDULE OF NET ASSETS

JUNE 30, 2009

	Business-Type Activities Enterprise Funds			
		Landfill		
	<u>Sewer Fund</u>	<u>Closure and Postclosure</u>	<u>Stormwater Management</u>	<u>Total</u>
<b><u>ASSETS</u></b>				
Current:				
Cash and short-term investments	\$ 1,644,640	\$ 85,644	\$ 799,562	\$ 2,529,846
User fees, net of allowance for uncollectibles	1,270,883	-	79,982	1,350,865
Inventory	1,456	-	-	1,456
Other assets	-	-	189	189
	2,916,979	85,644	879,733	3,882,356
Total current assets				
Noncurrent:				
Capital assets being depreciated, net	5,727,214	-	-	5,727,214
Capital assets not being depreciated	61,761	-	-	61,761
	5,788,975	-	-	5,788,975
Total noncurrent assets				
<b>TOTAL ASSETS</b>	<b>8,705,954</b>	<b>85,644</b>	<b>879,733</b>	<b>9,671,331</b>
<b><u>LIABILITIES</u></b>				
Current:				
Warrants payable	40,624	7,007	6,394	54,025
Accrued liabilities	2,998	-	510	3,508
Other current liabilities	-	78,637	-	78,637
Current portion of long-term liabilities:				
Bonds payable	181,501	-	-	181,501
	225,123	85,644	6,904	317,671
Total current liabilities				
Noncurrent:				
Bonds payable, net of current portion	176,598	-	-	176,598
Accrued employee benefits	6,500	-	14,522	21,022
OPEB liability	20,415	-	-	20,415
	428,636	85,644	21,426	535,706
<b>TOTAL LIABILITIES</b>	<b>428,636</b>	<b>85,644</b>	<b>21,426</b>	<b>535,706</b>
<b><u>NET ASSETS</u></b>				
Invested in capital assets, net of related debt	5,746,584	-	-	5,746,584
Unrestricted	2,530,734	-	858,307	3,389,041
	8,277,318	-	858,307	9,135,625
<b>TOTAL NET ASSETS</b>	<b>\$ 8,277,318</b>	<b>\$ -</b>	<b>\$ 858,307</b>	<b>\$ 9,135,625</b>

See notes to financial statements.

## TOWN OF READING, MASSACHUSETTS

## NONMAJOR PROPRIETARY FUNDS

## COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2009

	Business-Type Activities Enterprise Funds			<u>Total</u>
	<u>Sewer Fund</u>	<u>Landfill Closure and Postclosure</u>	<u>Stormwater Management</u>	
<b>Operating Revenues:</b>				
Charges for services	\$ <u>4,699,499</u>	\$ <u>-</u>	\$ <u>381,151</u>	\$ <u>5,080,650</u>
Total Operating Revenues	4,699,499	-	381,151	5,080,650
<b>Operating Expenses:</b>				
Personnel expenses	354,361	-	71,993	426,354
Non personnel expenses	94,186	-	35,382	129,568
Intergovernmental	3,555,143	-	-	3,555,143
Depreciation	326,148	-	-	326,148
Energy purchases	<u>29,452</u>	<u>-</u>	<u>-</u>	<u>29,452</u>
Total Operating Expenses	<u>4,359,290</u>	<u>-</u>	<u>107,375</u>	<u>4,466,665</u>
Operating Income (Loss)	340,209	-	273,776	613,985
<b>Nonoperating Revenues (Expenses):</b>				
Investment income	1,501	-	1,756	3,257
Interest expense	<u>(9,522)</u>	<u>-</u>	<u>-</u>	<u>(9,522)</u>
Total Nonoperating Revenues (Expenses)	<u>(8,021)</u>	<u>-</u>	<u>1,756</u>	<u>(6,265)</u>
Income (Loss) Before Transfers	332,188	-	275,532	607,720
<b>Transfers</b>				
Transfers (out)	<u>(318,302)</u>	<u>-</u>	<u>-</u>	<u>(318,302)</u>
Change in Net Assets	13,886	-	275,532	289,418
Net Assets at Beginning of Year	<u>8,263,432</u>	<u>-</u>	<u>582,775</u>	<u>8,846,207</u>
Net Assets at End of Year	\$ <u><u>8,277,318</u></u>	\$ <u><u>-</u></u>	\$ <u><u>858,307</u></u>	\$ <u><u>9,135,625</u></u>

See notes to financial statements.

TOWN OF READING, MASSACHUSETTS  
NONMAJOR PROPRIETARY FUNDS  
COMBINING SCHEDULE OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2009

	Business-Type Activities Enterprise Funds			<u>Total</u>
	<u>Sewer Fund</u>	<u>Landfill Closure and Postclosure</u>	<u>Stormwater Management</u>	
<b><u>Cash Flows From Operating Activities:</u></b>				
Receipts from customers and users	\$ 4,730,192	\$ -	\$ 386,885	\$ 5,117,077
Payments to vendors and employees	(415,985)	(8,845)	(200,432)	(625,262)
Payments to other governments	<u>(3,555,143)</u>	<u>-</u>	<u>-</u>	<u>(3,555,143)</u>
Net Cash Provided By (Used For) Operating Activities	759,064	(8,845)	186,453	936,672
<b><u>Cash Flows From Noncapital Financing Activities:</u></b>				
Transfer out	<u>(318,302)</u>	<u>-</u>	<u>-</u>	<u>(318,302)</u>
Net Cash Provided By (Used For) Noncapital Financing Activities	(318,302)	-	-	(318,302)
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>				
Acquisition of capital assets	(283,382)	-	-	(283,382)
Principal payments on bonds and notes	(168,709)	-	-	(168,709)
Interest expense	<u>(9,522)</u>	<u>-</u>	<u>-</u>	<u>(9,522)</u>
Net Cash (Used For) Capital and Related Financing Activities	(461,613)	-	-	(461,613)
<b><u>Cash Flows From Investing Activities:</u></b>				
Investment income	<u>1,501</u>	<u>-</u>	<u>1,756</u>	<u>3,257</u>
Net Cash Provided By Investing Activities	1,501	-	1,756	3,257
Net Change in Cash and Short-Term Investments	(19,350)	(8,845)	188,209	160,014
Cash and Short Term Investments, Beginning of Year	<u>1,663,990</u>	<u>94,489</u>	<u>611,353</u>	<u>2,369,832</u>
Cash and Short Term Investments, End of Year	<u>\$ 1,644,640</u>	<u>\$ 85,644</u>	<u>\$ 799,562</u>	<u>\$ 2,529,846</u>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</u></b>				
Operating income (loss)	\$ 340,209	\$ -	\$ 273,776	\$ 613,985
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	326,148	-	-	326,148
Changes in assets and liabilities:				
User fees receivables	30,693	-	5,734	36,427
Inventory and prepayments	1,041	-	-	1,041
Other assets	-	-	(189)	(189)
Warrants payable	37,253	7,007	(93,378)	(49,118)
Accrued liabilities	2,998	-	-	2,998
Other liabilities	307	(15,852)	510	(15,035)
OPEB liability	<u>20,415</u>	<u>-</u>	<u>-</u>	<u>20,415</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 759,064</u>	<u>\$ (8,845)</u>	<u>\$ 186,453</u>	<u>\$ 936,672</u>

See notes to financial statements.