

**TOWN OF  
READING, MASSACHUSETTS**

**Annual Financial Statements**

**For the Year Ended June 30, 2011**

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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, 2011, 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, 2011, 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.

*Additional Offices:*

Greenfield, MA • Ellsworth, ME • Nashua, NH • Manchester, NH

In accordance with *Government Auditing Standards*, we have also issued a report dated February 21, 2012 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.

The Management's Discussion and Analysis, appearing on the following pages, and the supplementary information, appearing on page 69, 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 accompanying supplementary information, appearing on pages 70 - 79 are presented for purposes of additional analysis and are not a required part of the basic financial statement. This 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.

*Melanson, Heath + Company P.C.*  
Andover, Massachusetts  
February 21, 2012

## 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, 2011. 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, electric, 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, electric, and storm water operations. Water and electric 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 \$ 226,010 (i.e., net assets), a change of \$ 344 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 38,029, a change of \$ (2,825) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 7,109, a change of \$ 812 in comparison to the prior year.
- Total bonds payable at the close of the current fiscal year was \$ 55,071, a change of \$ (5,658) 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.

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 45,253	\$ 48,926	\$ 44,283	\$ 42,577	\$ 89,536	\$ 91,503
Capital assets	131,441	132,665	88,109	88,218	219,550	220,883
Total assets	<u>176,694</u>	<u>181,591</u>	<u>132,392</u>	<u>130,795</u>	<u>309,086</u>	<u>312,386</u>
Long-term liabilities outstanding	54,633	55,119	15,534	16,560	70,167	71,679
Other liabilities	6,499	7,413	6,411	7,629	12,910	15,042
Total liabilities	<u>61,132</u>	<u>62,532</u>	<u>21,945</u>	<u>24,189</u>	<u>83,077</u>	<u>86,721</u>
Net assets:						
Invested in capital assets, net	88,067	87,843	77,337	76,251	165,404	164,094
Restricted	26,051	26,368	5,436	4,801	31,487	31,169
Unrestricted	1,445	4,848	27,674	25,554	29,119	30,402
Total net assets	<u>\$ 115,563</u>	<u>\$ 119,059</u>	<u>\$ 110,447</u>	<u>\$ 106,606</u>	<u>\$ 226,010</u>	<u>\$ 225,665</u>

**CHANGES IN NET ASSETS**

	Governmental Activities		Business-Type Activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 6,029	\$ 5,527	\$ 98,831	\$ 91,192	\$ 104,860	\$ 96,719
Operating grants and contributions	21,253	20,564	1,784	5,650	23,037	26,214
Capital grants and contributions	770	388	66	910	836	1,298
General revenues:						
Property taxes	51,465	49,877	-	-	51,465	49,877
Excises	2,839	2,672	-	-	2,839	2,672
Penalties and interest and other taxes	695	461	-	-	695	461
Grants and contributions not restricted to specific programs	2,963	16,844 (a)	-	-	2,963	16,844
Investment income	1,089	1,460	112	194	1,201	1,654
Other	696	1,196	839	805	1,535	2,001
<b>Total revenues</b>	<u>87,799</u>	<u>98,989</u>	<u>101,632</u>	<u>98,751</u>	<u>189,431</u>	<u>197,740</u>
<b>Expenses:</b>						
General government	4,247	4,027	-	-	4,247	4,027
Public safety	10,977	10,440	-	-	10,977	10,440
Education	63,373	59,493	-	-	63,373	59,493
Public works	8,462	8,779	-	-	8,462	8,779
Human services	1,101	1,144	-	-	1,101	1,144
Culture and recreation	3,076	3,030	-	-	3,076	3,030
Interest on long-term debt	1,944	2,149	-	-	1,944	2,149
Intergovernmental	923	907	-	-	923	907
Electric	-	-	85,317	83,244	85,317	83,244
Water	-	-	4,735	4,812	4,735	4,812
Other	-	-	4,931	4,900	4,931	4,900
<b>Total expenses</b>	<u>94,103</u>	<u>89,969</u>	<u>94,983</u>	<u>92,956</u>	<u>189,086</u>	<u>182,925</u>
Excess of revenues over expenses	(6,304)	9,020	6,649	5,795	345	14,815
Transfers in (out)	<u>2,808</u>	<u>2,103</u>	<u>(2,808)</u>	<u>(2,103)</u>	<u>-</u>	<u>-</u>
Change in net assets	(3,496)	11,123	3,841	3,692	345	14,815
Net assets - beginning of year	<u>119,059</u>	<u>107,936</u>	<u>106,606</u>	<u>102,914</u>	<u>225,665</u>	<u>210,850</u>
Net assets - end of year	<u>\$ 115,563</u>	<u>\$ 119,059</u>	<u>\$ 110,447</u>	<u>\$ 106,606</u>	<u>\$ 226,010</u>	<u>\$ 225,665</u>

(a) 2010 Includes a one-time MSBA grant of \$ 13,206.

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 \$ 226,010, a change of \$ 345 from the prior year.

The largest portion of net assets \$ 165,404 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 \$ 31,487 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 29,119 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 \$ (3,496). Key elements of this change are as follows:

General fund expenditures exceeding revenues	\$ (3,974)
PILOT from RMLD	2,172
Enterprise fund indirect costs	636
Special revenue and permanent fund revenues exceeding expenditures	1,058
Current year revenue used for the acquisition of capital assets	2,052
Depreciation expense exceeding debt service principal	(1,721)
Increase in OPEB obligation	(3,768)
Other	49
Total	<u>\$ (3,496)</u>

**Business-type activities.** Business-type activities for the year resulted in a change in net assets of \$ 3,841. Key elements of this change are as follows:

- The electric operations had revenues of \$ 90,273 and expenses and transfers of \$ 87,489, resulting in a change in net assets of \$ 2,784.
- The water operations had revenues of \$ 5,435 and expenses and transfers of \$ 5,113, resulting in a change in net assets of \$ 322.
- The sewer operations had revenues of \$ 5,522 and expenses and transfers of \$ 5,053, resulting in a change in net assets of \$ 469.
- The landfill operations did not report any revenues or expenditures.

- The storm water management operations had revenues of \$ 402 and expenses of \$ 136, resulting in a change in net assets of \$ 266.

**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, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$ 38,029, a change of \$ (2,825) in comparison to the prior year. Key elements of this change are as follows:

General fund expenditures exceeding revenues and transfers in	\$ (585)
Special revenue and permanent fund revenues exceeding expenditures and transfers out	477
Capital project fund expenditures exceeding revenues	<u>(2,717)</u>
Total	<u>\$ (2,825)</u>

In fiscal year 2011, the Town implemented *Governmental Accounting Standards Board Statement #54 Fund Balance Reporting and Governmental Fund Type Definitions*. In general, amounts previously reported as undesignated fund balance, are now reported as unassigned fund balance. Full definitions of all fund balance classifications can be found in the Notes to Financial Statements. Additionally, amounts previously reported as stabilization, are now required to be presented as committed fund balance in the general fund.

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$ 7,109, while total fund balance was \$ 23,121. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/11</u>	<u>6/30/10</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 7,109	\$ 6,297	\$ 812	8.7%
Total fund balance	23,121	23,706	(585)	28.3%

The total fund balance of the general fund changed by \$ (585) during the current fiscal year. Key factors in this change are as follows:

Use of MSBA grant for debt service	\$ (697)
Use of free cash and overlay surplus as a funding source	(2,045)
Revenues in excess of budget	1,307
Expenditures less than budget	764
Other	86
Total	<u>\$ (585)</u>

Included in the total general fund balance is the Town's stabilization funds with the following balance:

	<u>6/30/11</u>	<u>6/30/10</u>	<u>Change</u>
Stabilization	\$ 2,245	\$ 1,900	\$ 345

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

#### Last Six Fiscal Years

<u>As of 30-Jun</u>	<u>Restricted for Debt Service</u>	<u>Committed for Stabilization Fund</u>	<u>Assigned for Encumbrances</u>	<u>Assigned for Subsequent Year's Expenditures</u>	<u>Unassigned</u>	<u>Total Fund Balance</u>
2006	\$ -	\$ 851	\$ 881	\$ 662	\$ 4,221	\$ 6,615
2007	-	896	1,435	264	5,788	\$ 8,383
2008	4,362	1,454	1,597	227	6,451	\$ 14,091
2009	-	1,840	1,210	763	6,486	\$ 10,299
2010	12,530	1,900	1,488	1,491	6,297	\$ 23,706
2011	11,833	2,245	1,006	928	7,109	\$ 23,121

**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 \$ 110,447, a change of \$ 3,841 in comparison to 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 \$ 247. The majority of this increase was related to the snow and ice supplemental appropriation, which was primarily funded through the use of free cash.

#### **F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets for governmental and business-type activities at year-end amounted to \$ 219,550 (net of accumulated depreciation), a change of \$ (1,333) 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:**

- \$ 2,610 in education improvements
- \$ 549 in roadway improvements
- \$ 224 acquisition of new ambulance
- \$ 200 in Town Hall technology improvements

##### **Business-type additions:**

- \$ 4,503 in electric improvements
- \$ 258 in water improvements
- \$ 220 in sewer improvements
- \$ 288 in stormwater improvements

Additional information on capital assets can be found in the Notes to Financial Statements.

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$ 55,071, 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 Notes to Financial Statements.

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

The adopted FY12 General Fund budget of \$ 75,739 is a 0.98% increase over the prior year. The FY12 budget is balanced.

State Aid exclusive of ARRA funds has been level at approximately \$ 12,400 since 2008. FY2012 State aid will be \$ 12,309 plus a distribution of \$ 198 in one time supplemental aid to help make up for the 7.2% reduction in FY11's Unrestricted General Government Aid. Federal ARRA stimulus funding is not available to supplement FY2012 state aid to cities and town. To make up for this revenue reduction, the Town made an allocation from the unassigned fund balance of \$ 863.

The tax levy for FY12 of \$ 53,261 represents a 3.1% increase over the prior year, and the FY12 tax rate is \$ 14.15 per thousand compared to \$ 13.78 in the prior year. Overall, property values increased .045% to \$ 3,764,000.

For FY2012, the Board of Selectmen acting as the Water and Sewer Commissioners voted to increase Water Rates by 3.0% and Sewer Rates by 1.5% for all customers effective September 2011. These increases are expected to cover all operations, planned infrastructure improvements and debt.

The state passed legislation allowing Massachusetts municipalities to pass a Local Option Meals Tax of 0.75% with 100% of the revenue going to the Town. Reading Voted to accept this local option at their November 2010 Town Meeting. We received 9 months of revenue in FY2011 totaling \$ 173. The FY12 revenue budgeted for this tax is \$ 211.

The Town issued \$ 2,050 non-interest bonds in the Water Fund in August of 2011 (FY2012) through the Massachusetts Water Resources Authority Local Pipeline Assistance program to fund our Local Water System Improvement Program for the water mains on a portion of Haverhill Street. The Town issued a \$ 222 non-interest bond in the Sewer Fund in August of 2011 (FY2012) through the Massachusetts Water Resources Authority program for Sewer Rehabilitation and Infiltration /inflow reduction. The debt service related to these bonds is budgeted within the respective enterprise fund.

On June 29, 2011, the Town entered into a Project Funding Agreement with the Massachusetts School Building Authority for "Green Repair Projects." This includes a \$ 788 project at the Birch Meadow Elementary School for Window Replacement and a \$ 1,349 project at the Killam Elementary School for roof replacement. The town will receive 47% reimbursement from the MSBA for the eligible costs of these projects.

The Town is working on a \$ 12,000 capital improvement project for remodeling our library. We are currently second on the Massachusetts Board Of Library

Commissioners Approved Project list. We are on hold until the state releases more funding in 2012. Town meeting must vote for funding of the towns share of the project and a special town wide vote for a debt exclusion must be completed within 6 months of the grant becoming available.

The High School Building Construction project was completed in FY2009 and in FY2010 the Town filed the preliminary closing documents with the Massachusetts School Building Authority (MSBA). The \$ 55,900 project was funded with a \$ 35,000 bond and \$ 20,900 of progress payments from the MSBA. The MSBA has calculated their share of the project to be \$ 35,600. The Town already received \$ 20,900 of that in progress payments and MSBA is retaining \$ 1,500 pending settlement of contract law suits. The Town received the balance as a lump sum payment of \$ 13,200 from MSBA in FY2010. The MSBA grant must be reserved and is applied over the remaining term of the bond issue. The percentage that each annual principal payment represents of the total debt for the project is applied to the reserve to determine the amount to use each fiscal year. Interest earned on the balance is general fund revenue.

Each year, the unused portion of the MSBA grant will be reflected in the General Fund-Fund Balance Restricted for Debt Service. The Total General Fund Balance as a percent of Expenditures could be distorted by this reserve. A better measure of reserve strength uses only the unassigned fund balance. Users of these financial statements should take this into consideration when calculating reserve ratios.

### **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, 2011

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 34,261,408	\$ 11,302,691	\$ 45,564,099
Restricted cash	-	16,385,677	16,385,677
Investments	9,593,164	-	9,593,164
Receivables, net of allowance for uncollectibles:			
Property taxes	338,268	-	338,268
Excises	95,791	-	95,791
User fees	-	11,818,541	11,818,541
Departmental and other	283,078	-	283,078
Intergovernmental	118,018	-	118,018
Prepaid assets	-	753,132	753,132
Unamortized discounts on bonds	9,909	296	10,205
Inventory	-	1,744,983	1,744,983
Other assets	83,366	-	83,366
Noncurrent:			
Restricted investments	-	2,200,000	2,200,000
Investment in associated companies	-	77,463	77,463
Receivables, net of allowance for uncollectibles:			
Property taxes	389,905	-	389,905
Deferred charges	80,175	888	81,063
Capital assets being depreciated, net	127,355,150	86,659,280	214,014,430
Capital assets not being depreciated	4,086,432	1,449,426	5,535,858
<b>TOTAL ASSETS</b>	<b>176,694,664</b>	<b>132,392,377</b>	<b>309,087,041</b>
<b>LIABILITIES</b>			
Current:			
Warrants payable	1,398,122	5,046,553	6,444,675
Accrued liabilities	3,403,815	479,361	3,883,176
Customer advances for construction	-	255,980	255,980
Customer deposits	-	561,385	561,385
Retainage payable	1,104,104	-	1,104,104
Notes payable	140,000	-	140,000
Other current liabilities	453,457	68,142	521,599
Current portion of long-term liabilities:			
Bonds and loans payable	4,185,000	1,487,965	5,672,965
Accrued employee benefits	61,696	56,698	118,394
Unamortized premiums on bonds	24,762	776	25,538
Noncurrent:			
Bonds and loans payable, net of current portion	39,880,000	9,518,131	49,398,131
Accrued employee benefits	1,701,047	2,961,819	4,662,866
Unamortized premiums on bonds	200,419	2,328	202,747
Net OPEB obligation	8,579,719	1,506,152	10,085,871
<b>TOTAL LIABILITIES</b>	<b>61,132,141</b>	<b>21,945,290</b>	<b>83,077,431</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	88,067,366	77,337,382	165,404,748
Restricted for:			
Grants and other statutory restrictions	17,362,850	4,265,768	21,628,618
OPEB Trust	-	1,169,499	1,169,499
Permanent funds:			
Nonexpendable	2,833,730	-	2,833,730
Expendable	5,853,868	-	5,853,868
Unrestricted	1,444,709	27,674,438	29,119,147
<b>TOTAL NET ASSETS</b>	<b>\$ 115,562,523</b>	<b>\$ 110,447,087</b>	<b>\$ 226,009,610</b>

See notes to financial statements.

TOWN OF READING, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

	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	\$ 4,247,179	\$ 428,281	\$ 488,335	\$ -	\$ (3,330,563)	\$ -	\$ (3,330,563)
Public safety	10,976,788	1,639,603	143,752	-	(9,193,433)	-	(9,193,433)
Education	63,372,720	3,142,572	20,322,244	582,036	(39,325,868)	-	(39,325,868)
Public works	8,461,668	169,321	-	188,015	(8,104,332)	-	(8,104,332)
Health and human services	1,100,902	68,341	250,386	-	(782,175)	-	(782,175)
Culture and recreation	3,076,537	580,785	48,559	-	(2,447,193)	-	(2,447,193)
Debt service interest	1,944,284	-	-	-	(1,944,284)	-	(1,944,284)
Intergovernmental	923,008	-	-	-	(923,008)	-	(923,008)
Total Governmental Activities	94,103,086	6,028,903	21,253,276	770,051	(66,050,856)	-	(66,050,856)
<b>Business-Type Activities:</b>							
Electric operations	85,317,168	87,511,283	1,784,218	65,693	-	4,044,026	4,044,026
Water operations	4,735,541	5,398,444	-	-	-	662,903	662,903
Other	4,930,744	5,921,619	-	-	-	990,875	990,875
Total Business-type Activities	94,983,453	98,831,346	1,784,218	65,693	-	5,697,804	5,697,804
Total	\$ <u>189,086,539</u>	\$ <u>104,860,249</u>	\$ <u>23,037,494</u>	\$ <u>835,744</u>	(66,050,856)	5,697,804	(60,353,052)
<b>General Revenues and Transfers:</b>							
Property taxes					51,465,121	-	51,465,121
Excises					2,839,172	-	2,839,172
Penalties, interest and other taxes					694,269	-	694,269
Grants and contributions not restricted to specific programs					2,963,044	-	2,963,044
Investment income					1,089,006	111,906	1,200,912
Other					695,734	839,057	1,534,791
Transfers, net					2,808,251	(2,808,251)	-
Total general revenues and transfers					62,554,597	(1,857,288)	60,697,309
Change in Net Assets					(3,496,259)	3,840,516	344,257
<b>Net Assets:</b>							
Beginning of year					119,058,782	106,606,571	225,665,353
End of year					\$ <u>115,562,523</u>	\$ <u>110,447,087</u>	\$ <u>226,009,610</u>

TOWN OF READING, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2011

<b>ASSETS</b>	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and short-term investments	\$ 26,471,188	\$ 7,790,220	\$ 34,261,408
Investments	1,000,000	8,593,164	9,593,164
Receivables:			
Property taxes	812,116	-	812,116
Excises	153,937	-	153,937
Departmental and other	283,078	-	283,078
Intergovernmental	-	118,018	118,018
Other assets	<u>83,366</u>	<u>-</u>	<u>83,366</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>28,803,685</u></b>	<b>\$ <u>16,501,402</u></b>	<b>\$ <u>45,305,087</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Warrants payable	\$ 1,088,174	\$ 309,948	\$ 1,398,122
Accrued liabilities	2,967,713	-	2,967,713
Deferred revenues	1,173,412	38,816	1,212,228
Tax refunds payable	-	-	-
Retainage payable	-	1,104,104	1,104,104
Notes payable	-	140,000	140,000
Other liabilities	<u>453,457</u>	<u>-</u>	<u>453,457</u>
<b>TOTAL LIABILITIES</b>	<b>5,682,756</b>	<b>1,592,868</b>	<b>7,275,624</b>
Fund Balances:			
Nonspendable	-	2,833,730	2,833,730
Restricted	11,832,693	12,059,791	23,892,484
Committed	2,244,822	150,000	2,394,822
Assigned	1,934,414	-	1,934,414
Unassigned	<u>7,109,000</u>	<u>(134,987)</u>	<u>6,974,013</u>
<b>TOTAL FUND BALANCES</b>	<b><u>23,120,929</u></b>	<b><u>14,908,534</u></b>	<b><u>38,029,463</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ <u>28,803,685</u></b>	<b>\$ <u>16,501,402</u></b>	<b>\$ <u>45,305,087</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, 2011

<b>Total governmental fund balances</b>	\$ 38,029,463
<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>	131,441,582
<ul style="list-style-type: none"><li>• Revenues are reported on the accrual basis of accounting and are not deferred until collection.</li></ul>	1,070,139
<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>	(135,097)
<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>	(436,102)
<ul style="list-style-type: none"><li>• Long-term liabilities, (bonds payable, accrued employee benefits and net OPEB obligation) are not due and payable in the current period, and, therefore, are not reported in the governmental funds.</li></ul>	<u>(54,407,462)</u>
<b>Net assets of governmental activities</b>	<u>\$ 115,562,523</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, 2011

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>Revenues:</b>			
Property taxes	\$ 51,396,712	\$ -	\$ 51,396,712
Excises	2,936,623	-	2,936,623
Penalties, interest and other taxes	694,269	-	694,269
Departmental	1,511,243	4,197,883	5,709,126
Licenses and permits	156,266	-	156,266
Fines and forfeitures	111,598	-	111,598
Intergovernmental	20,331,901	4,654,470	24,986,371
Investment income	370,203	694,045	1,064,248
Other	273,460	422,770	696,230
Total Revenues	<u>77,782,275</u>	<u>9,969,168</u>	<u>87,751,443</u>
<b>Expenditures:</b>			
Current:			
General government	3,373,174	292,488	3,665,662
Public safety	8,323,155	615,308	8,938,463
Education	43,239,761	9,241,105	52,480,866
Public works	5,612,821	358,958	5,971,779
Health and human services	605,248	285,099	890,347
Culture and recreation	2,019,445	835,795	2,855,240
Employee benefits	11,506,088	-	11,506,088
Debt service	6,153,445	-	6,153,445
Intergovernmental	923,008	-	923,008
Total Expenditures	<u>81,756,145</u>	<u>11,628,753</u>	<u>93,384,898</u>
Deficiency of revenues over expenditures	(3,973,870)	(1,659,585)	(5,633,455)
<b>Other Financing Sources (Uses):</b>			
Transfers in	3,388,721	-	3,388,721
Transfers out	-	(580,470)	(580,470)
Total Other Financing Sources (Uses)	<u>3,388,721</u>	<u>(580,470)</u>	<u>2,808,251</u>
Change in fund balances	(585,149)	(2,240,055)	(2,825,204)
Fund Balances, at Beginning of Year	<u>23,706,078</u>	<u>17,148,589</u>	<u>40,854,667</u>
Fund Balances, at End of Year	<u>\$ 23,120,929</u>	<u>\$ 14,908,534</u>	<u>\$ 38,029,463</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, 2011

<b>NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ (2,825,204)</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> <tr> <td style="padding-left: 40px;">Capital outlay purchases</td> <td style="text-align: right;">4,662,859</td> </tr> <tr> <td style="padding-left: 40px;">Depreciation</td> <td style="text-align: right;">(5,886,202)</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> <tr> <td></td> <td style="text-align: right;">22,330</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> <tr> <td style="padding-left: 40px;">Repayments of debt</td> <td style="text-align: right;">4,165,000</td> </tr> <tr> <td style="padding-left: 40px;">Current year amortization of bond premiums and costs</td> <td style="text-align: right;">14,853</td> </tr> <tr> <td style="padding-left: 40px;">Increase in other long-term liabilities (OPEB)</td> <td style="text-align: right;">(3,767,831)</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> <tr> <td></td> <td style="text-align: right;">54,070</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> <tr> <td></td> <td style="text-align: right;"><u>63,866</u></td> </tr> </table> </li> </ul>	Capital outlay purchases	4,662,859	Depreciation	(5,886,202)		22,330	Repayments of debt	4,165,000	Current year amortization of bond premiums and costs	14,853	Increase in other long-term liabilities (OPEB)	(3,767,831)		54,070		<u>63,866</u>	
Capital outlay purchases	4,662,859																
Depreciation	(5,886,202)																
	22,330																
Repayments of debt	4,165,000																
Current year amortization of bond premiums and costs	14,853																
Increase in other long-term liabilities (OPEB)	(3,767,831)																
	54,070																
	<u>63,866</u>																
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u><u>(3,496,259)</u></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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
<b>Revenues and Transfers:</b>				
Taxes	\$ 51,192,450	\$ 51,192,450	\$ 51,332,892	\$ 140,442
Excise taxes	2,450,000	2,450,000	2,936,623	486,623
Penalties, interest and other taxes	600,000	600,000	692,697	92,697
Departmental	1,450,000	1,450,000	1,511,721	61,721
Licenses and permits	156,000	156,000	156,138	138
Fines and forfeitures	130,000	130,000	111,590	(18,410)
Intergovernmental	13,375,344	13,375,344	13,465,060	89,716
Investment income	400,000	400,000	370,272	(29,728)
Other	-	-	303,377	303,377
Transfers in	3,357,564	3,367,564	3,548,420	180,856
<b>Total Revenues and Transfers</b>	<b>73,111,358</b>	<b>73,121,358</b>	<b>74,428,790</b>	<b>1,307,432</b>
<b>Expenditures:</b>				
General government	3,667,393	3,627,393	3,445,103	182,290
Public safety	8,242,399	8,342,399	8,276,337	66,062
Education	36,383,097	36,160,097	36,082,960	77,137
Public works	5,617,326	6,027,326	5,781,164	246,162
Health and human services	626,911	626,911	605,849	21,062
Culture and leisure	1,951,107	1,951,107	1,938,804	12,303
Intergovernmental	907,858	907,858	934,352	(26,494)
Employee benefits	11,712,081	11,712,081	11,531,247	180,834
Debt service	6,158,003	6,158,003	6,153,445	4,558
<b>Total Expenditures</b>	<b>75,266,175</b>	<b>75,513,175</b>	<b>74,749,261</b>	<b>763,914</b>
Excess (deficiency) of revenues and other sources over expenditures	(2,154,817)	(2,391,817)	(320,471)	2,071,346
<b>Other Financing Sources:</b>				
Use of free cash and overlay surplus	1,807,827	2,044,827	2,044,827	-
Use of debt service reserve	696,990	696,990	696,990	-
Increase stabilization reserve	(350,000)	(350,000)	(350,000)	-
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 2,071,346	\$ 2,071,346

See notes to financial statements.

## TOWN OF READING, MASSACHUSETTS

## PROPRIETARY FUNDS

## STATEMENT OF NET ASSETS

JUNE 30, 2011

	Electric Division <u>Fund</u>	Water <u>Fund</u>	Non Major <u>Funds</u>	<u>Total</u>
<b><u>ASSETS</u></b>				
Current:				
Cash and short-term investments	\$ 6,596,634	\$ 2,049,718	\$ 2,656,339	\$ 11,302,691
User fees, net of allowance for uncollectibles	8,749,838	1,447,587	1,621,116	11,818,541
Prepaid expenses	753,132	-	-	753,132
Deferred charges	-	296	-	296
Inventory	1,586,245	155,230	3,508	1,744,983
	<u>17,685,849</u>	<u>3,652,831</u>	<u>4,280,963</u>	<u>25,619,643</u>
Total current assets				
Noncurrent:				
Restricted cash and cash equivalents	16,385,677	-	-	16,385,677
Restricted investments	2,200,000	-	-	2,200,000
Investment in associated companies	77,463	-	-	77,463
Deferred charges, net of current portion	-	888	-	888
Capital assets being depreciated, net	66,294,667	14,003,801	6,360,812	86,659,280
Capital assets not being depreciated	1,265,842	121,823	61,761	1,449,426
	<u>86,223,649</u>	<u>14,126,512</u>	<u>6,422,573</u>	<u>106,772,734</u>
Total noncurrent assets				
<b>TOTAL ASSETS</b>	<b>103,909,498</b>	<b>17,779,343</b>	<b>10,703,536</b>	<b>132,392,377</b>
<b><u>LIABILITIES</u></b>				
Current:				
Warrants payable	4,997,392	18,769	30,392	5,046,553
Accrued liabilities	390,660	88,701	-	479,361
Customer advances for construction	255,980	-	-	255,980
Customer deposits	561,385	-	-	561,385
Other current liabilities	-	-	68,142	68,142
Current portion of long-term liabilities:				
Bonds and loans payable	-	1,370,000	117,965	1,487,965
Accrued employee benefits	56,698	-	-	56,698
Unamortized premiums on bonds	-	776	-	776
	<u>6,262,115</u>	<u>1,478,246</u>	<u>216,499</u>	<u>7,956,860</u>
Total current liabilities				
Noncurrent:				
Bonds and loans payable	-	9,400,000	118,131	9,518,131
Accrued employee benefits	2,878,001	58,929	24,889	2,961,819
Unamortized premiums on bonds	-	2,328	-	2,328
Net OPEB obligation	1,165,800	240,768	99,584	1,506,152
	<u>10,305,916</u>	<u>11,180,271</u>	<u>459,103</u>	<u>21,945,290</u>
Total noncurrent liabilities				
<b>TOTAL LIABILITIES</b>	<b>10,305,916</b>	<b>11,180,271</b>	<b>459,103</b>	<b>21,945,290</b>
<b><u>NET ASSETS</u></b>				
Invested in capital assets, net of related debt	67,560,510	3,547,958	6,228,914	77,337,382
Restricted for depreciation fund	4,265,768	-	-	4,265,768
Restricted for OPEB trust	1,169,499	-	-	1,169,499
Unrestricted	20,607,805	3,051,114	4,015,519	27,674,438
	<u>93,603,582</u>	<u>6,599,072</u>	<u>10,244,433</u>	<u>110,447,087</u>
<b>TOTAL NET ASSETS</b>	<b>\$ 93,603,582</b>	<b>\$ 6,599,072</b>	<b>\$ 10,244,433</b>	<b>\$ 110,447,087</b>

TOWN OF READING, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2011

	Electric Division Fund	Water Fund	Non Major Funds	Total
<b>Operating Revenues:</b>				
Charges for services	\$ 87,511,283	\$ 5,398,444	\$ 5,921,619	\$ 98,831,346
Other	<u>1,784,218</u>	<u>-</u>	<u>-</u>	<u>1,784,218</u>
Total Operating Revenues	89,295,501	5,398,444	5,921,619	100,615,564
<b>Operating Expenses:</b>				
Personnel expenses	-	946,942	479,477	1,426,419
Non-personnel expenses	-	376,623	139,171	515,794
Intergovernmental	1,330,070	1,726,878	3,922,082	6,979,030
Depreciation	3,452,749	1,194,036	360,084	5,006,869
Energy purchases	66,822,547	35,396	26,782	66,884,725
Other	<u>13,338,306</u>	<u>-</u>	<u>-</u>	<u>13,338,306</u>
Total Operating Expenses	<u>84,943,672</u>	<u>4,279,875</u>	<u>4,927,596</u>	<u>94,151,143</u>
Operating Income	4,351,829	1,118,569	994,023	6,464,421
<b>Nonoperating Revenues (Expenses):</b>				
Investment income	103,765	4,741	3,400	111,906
Interest expense	(2,005)	(455,666)	(3,148)	(460,819)
Loss on disposal of capital assets	(371,491)	-	-	(371,491)
Other	<u>807,807</u>	<u>31,250</u>	<u>-</u>	<u>839,057</u>
Total Nonoperating Revenues (Expenses)	<u>538,076</u>	<u>(419,675)</u>	<u>252</u>	<u>118,653</u>
Income Before Transfers and Contributions	4,889,905	698,894	994,275	6,583,074
Capital contributions	65,693	-	-	65,693
Transfers out	<u>(2,171,880)</u>	<u>(377,367)</u>	<u>(259,004)</u>	<u>(2,808,251)</u>
Change in Net Assets	2,783,718	321,527	735,271	3,840,516
Net Assets at Beginning of Year	<u>90,819,864</u>	<u>6,277,545</u>	<u>9,509,162</u>	<u>106,606,571</u>
Net Assets at End of Year	<u>\$ 93,603,582</u>	<u>\$ 6,599,072</u>	<u>\$ 10,244,433</u>	<u>\$ 110,447,087</u>

## TOWN OF READING, MASSACHUSETTS

## PROPRIETARY FUNDS

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2011

	Electric Division Fund	Water Fund	Non Major Funds	Total
<b><u>Cash Flows From Operating Activities:</u></b>				
Receipts from customers and users	\$ 86,647,569	\$ 5,226,157	\$ 5,725,456	\$ 97,599,182
Payments to vendors and employees	(82,392,991)	(1,163,366)	(623,073)	(84,179,430)
Customer refund, purchase power, and fuel charge adjustments	1,784,218	-	-	1,784,218
Payments to other governments	-	(1,726,878)	(3,922,082)	(5,648,960)
Net Cash Provided By Operating Activities	6,038,796	2,335,913	1,180,301	9,555,010
<b><u>Cash Flows From Noncapital Financing Activities:</u></b>				
MMWEC refund	571,635	-	-	571,635
Other	236,171	31,250	-	267,421
Transfer out	(2,171,880)	(377,367)	(259,004)	(2,808,251)
Net Cash Provided By (Used For) Noncapital Financing Activities	(1,364,074)	(346,117)	(259,004)	(1,969,195)
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>				
Acquisition of capital assets	(4,503,250)	(258,619)	(507,482)	(5,269,351)
Capital grants and contributions	65,693	-	-	65,693
Principal payments on bonds and notes	-	(1,375,000)	(117,965)	(1,492,965)
Interest expense	(2,005)	(455,666)	(3,148)	(460,819)
Net Cash (Used For) Capital and Related Financing Activities	(4,439,562)	(2,089,285)	(628,595)	(7,157,442)
<b><u>Cash Flows From Investing Activities:</u></b>				
Decrease in restricted cash and investments	(1,910,065)	-	-	(1,910,065)
Investment income	103,765	4,741	3,400	111,906
Net Cash Provided By Investing Activities	(1,806,300)	4,741	3,400	(1,798,159)
Net Change in Cash and Short-Term Investments	(1,571,140)	(94,748)	296,102	(1,369,786)
Unrestricted Cash and Short Term Investments, Beginning of Year	8,167,774	2,144,466	2,360,237	12,672,477
Unrestricted Cash and Short Term Investments, End of Year	\$ 6,596,634	\$ 2,049,718	\$ 2,656,339	\$ 11,302,691
<b><u>Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities:</u></b>				
Operating income	\$ 4,351,829	\$ 1,118,569	\$ 994,023	\$ 6,464,421
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	3,452,749	1,194,036	360,084	5,006,869
Changes in assets and liabilities:				
User fees receivables	(925,903)	(172,287)	(196,163)	(1,294,353)
Inventory and prepayments	52,149	76,953	(286)	128,816
Other assets	-	296	-	296
Warrants payable	(1,190,866)	(9,355)	(18,853)	(1,219,074)
Accrued liabilities	(37,750)	(7,178)	-	(44,928)
Other liabilities	(15,751)	(11,534)	(20,333)	(47,618)
OPEB liability	352,339	146,413	61,829	560,581
Net Cash Provided By (Used For) Operating Activities	\$ 6,038,796	\$ 2,335,913	\$ 1,180,301	\$ 9,555,010

See notes to financial statements.

TOWN OF READING, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2011

	<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	\$ 13,735	\$ 4,787,498	\$ 346,693
Investments	92,305,343	1,000,000	-
Accounts receivable	84,979	-	-
Other	<u>-</u>	<u>-</u>	<u>3,613</u>
Total Assets	92,404,057	5,787,498	350,306
<b><u>LIABILITIES AND NET ASSETS</u></b>			
Warrants payable	-	-	15,665
Other liabilities	<u>184,750</u>	<u>-</u>	<u>334,641</u>
Total Liabilities	<u>184,750</u>	<u>-</u>	<u>350,306</u>
<b><u>NET ASSETS</u></b>			
Total net assets held in trust for pension benefits and other purposes	<u>\$ 92,219,307</u>	<u>\$ 5,787,498</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, 2011

	<u>Pension Trust Fund</u>	<u>Municipal Light Pension Trust Funds</u>
<b>Additions:</b>		
Contributions:		
Employers	\$ 4,231,461	\$ 1,000,000
Intergovernmental	381,362	-
Plan members	<u>2,044,056</u>	<u>-</u>
Total contributions	6,656,879	1,000,000
Investment Income:		
Increase in fair value of investments	17,379,141	48,514
Less: management fees	<u>(437,873)</u>	<u>-</u>
Net investment income	16,941,268	48,514
Total additions	23,598,147	1,048,514
<b>Deductions:</b>		
Benefit payments to plan members, beneficiaries, and other systems	7,718,792	-
Refunds and transfers to other systems	239,290	-
Administrative expenses	70,780	-
Other	<u>-</u>	<u>1,278,695</u>
Total deductions	8,028,862	1,278,695
Net increase (decrease)	15,569,285	(230,181)
<b>Net assets:</b>		
Beginning of year	<u>76,650,022</u>	<u>6,017,679</u>
End of year	<u>\$ 92,219,307</u>	<u>\$ 5,787,498</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. In fiscal year 2011, it was determined that no entities met the required GASB 39 criteria of component units. 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. Additional financial information of the System can be obtained by contacting the System located at 16 Lowell Street, Reading, Massachusetts 01867.

#### 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 is 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.

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 custodial in nature and do not involve measurements

#### 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 2½" 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 2011 tax levy reflected an excess capacity of \$ 8,093.

#### *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 are 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

Fund equity at the governmental fund financial reporting level is classified as “fund balance”. Fund equity for all other reporting is classified as “net assets”.

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The Town’s fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e. inventory or prepaid items) or can never be spent (i.e. perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., the Town Meeting).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance (free cash) voted to be used in the subsequent fiscal year.
- 5) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned and unassigned.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions

imposed by creditors, grantors, or laws or regulations of other governments. All other net assets are reported as unrestricted.

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 to 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)	\$ 77,782,275	\$ 81,756,145
Other financing sources/uses (GAAP basis)	<u>3,388,721</u>	<u>-</u>
Subtotal (GAAP Basis)	81,170,996	81,756,145
To record use of free cash and overlay surplus	2,044,827	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(1,291,729)
Add end-of-year appropriation carryforwards to expenditures	-	1,006,105
To reverse the effects of the non- budgeted MSBA grant (net)	696,990	696,990
To reverse the effects of non- budgeted State contributions for teacher retirements	(6,838,505)	(6,838,505)
To record stabilization funding	-	(350,000)
Other	<u>96,299</u>	<u>120,255</u>
Budgetary Basis	<u>\$ 77,170,607</u>	<u>\$ 75,099,261</u>

### 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, 2011, \$ 548,822 of the Town's and \$13,635 of the System's bank balances of \$ 66,822,303 and \$ 110,519, respectively, were exposed to custodial credit risk. However, the System's entire exposed balance was on deposit with the Massachusetts Municipal Depository Trust (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>	Fair <u>Value</u>	Exempt From <u>Disclosure</u>	<u>Rating as of Year End</u>		
			<u>Aaa</u>	<u>Aa2</u>	<u>Aa3</u>
Corporate bonds	\$ 355	\$ -	\$ -	\$ 160	\$ 195
Corporate equities	1,600	1,600	-	-	-
Mutual funds	2,306	2,306	-	-	-
Certificates of deposit	2,898	2,898	-	-	-
Federal agency securities	<u>5,634</u>	<u>-</u>	<u>5,634</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 12,793</u>	<u>\$ 6,804</u>	<u>\$ 5,634</u>	<u>\$ 160</u>	<u>\$ 195</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, 2011, the Contributory Retirement System maintained its investments in the State Investment Pool\* with a fair value of \$ 92,305,343. 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 \$ 92,305,343 were exposed to custodial credit risk as uninsured and uncollateralized. However, the investments were held in the State Investment Pool (PRIT).

Of the Town's investment of \$ 12,793,164, the government has a custodial credit risk exposure of \$ 355,024 because the related securities are uninsured, unregistered and held by the Town's brokerage firm, which is also the Counterparty to these securities. The Town manages this custodial credit risk with SIPC and excess SIPC.

**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):

Freddie Mac - FreddieNotes	\$ 1,474
Freddie Mac - Step CPN FreddieNotes	\$ 3,163
Certificates of Deposit	\$ 2,001
Money Market Trusts	\$ 2,307

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	\$ 5,634	\$ -	\$ 988	\$ 4,646
Federal agency securities	<u>355</u>	<u>-</u>	<u>61</u>	<u>294</u>
Total	<u>\$ 5,989</u>	<u>\$ -</u>	<u>\$ 1,049</u>	<u>\$ 4,940</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, 2011 consist of the following (in thousands):

Real Estate		
2011		\$ 267
Personal Property		
2011	4	
2010	5	
2009	3	
2008	2	
2007	2	
Prior	<u>6</u>	
		22
Tax Liens		434
Deferred Taxes		<u>89</u>
Total		<u>\$ 812</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	\$ 84
Excises	58

## 7. Capital Assets

Capital asset activity for the year ended June 30, 2011 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	\$ 2,612	\$ 690	\$ -	\$ 3,302
Buildings and improvements	128,889	3,388	(617)	131,660
Machinery, equipment, and furnishings	8,318	932	(149)	9,101
Infrastructure	<u>37,924</u>	<u>873</u>	<u>(1,418)</u>	<u>37,379</u>
Total capital assets, being depreciated	177,743	5,883	(2,184)	181,442
Less accumulated depreciation for:				
Land improvements	(629)	(140)	-	(769)
Buildings and improvements	(25,282)	(3,520)	617	(28,185)
Machinery, equipment, and furnishings	(3,045)	(768)	149	(3,664)
Infrastructure	<u>(21,429)</u>	<u>(1,458)</u>	<u>1,418</u>	<u>(21,469)</u>
Total accumulated depreciation	<u>(50,385)</u>	<u>(5,886)</u>	<u>2,184</u>	<u>(54,087)</u>
Total capital assets, being depreciated, net	127,358	(3)	-	127,355
Capital assets, not being depreciated:				
Land	3,939	-	-	3,939
Construction in progress	<u>1,368</u>	<u>147</u>	<u>(1,368)</u>	<u>147</u>
Total capital assets, not being depreciated	<u>5,307</u>	<u>147</u>	<u>(1,368)</u>	<u>4,086</u>
Governmental activities capital assets, net	<u>\$ 132,665</u>	<u>\$ 144</u>	<u>\$ (1,368)</u>	<u>\$ 131,441</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Land improvements	\$ 1,437	\$ -	\$ -	\$ 1,437
Buildings and improvements	16,541	146	(53)	16,634
Machinery, equipment, and furnishings	31,644	1,807	(190)	33,261
Infrastructure	<u>101,578</u>	<u>3,316</u>	<u>(1,147)</u>	<u>103,747</u>
Total capital assets, being depreciated	151,200	5,269	(1,390)	155,079
Less accumulated depreciation for:				
Land improvements	(48)	(70)	-	(118)
Buildings and improvements	(8,973)	(523)	53	(9,443)
Machinery, equipment, and furnishings	(17,263)	(1,157)	190	(18,230)
Infrastructure	<u>(38,148)</u>	<u>(3,256)</u>	<u>775</u>	<u>(40,629)</u>
Total accumulated depreciation	<u>(64,432)</u>	<u>(5,006)</u>	<u>1,018</u>	<u>(68,420)</u>
Total capital assets, being depreciated, net	86,768	263	(372)	86,659
Capital assets, not being depreciated:				
Land	<u>1,450</u>	<u>-</u>	<u>-</u>	<u>1,450</u>
Total capital assets, not being depreciated	<u>1,450</u>	<u>-</u>	<u>-</u>	<u>1,450</u>
Business-type activities capital assets, net	<u>\$ 88,218</u>	<u>\$ 263</u>	<u>\$ (372)</u>	<u>\$ 88,109</u>

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

Governmental Activities:	
General government	\$ 222
Public safety	543
Education	3,177
Public works	1,744
Health and human services	30
Culture and recreation	<u>170</u>
Total depreciation expense - governmental activities	<u>\$ 5,886</u>
Business-Type Activities:	
Electric	\$ 3,453
Water	1,194
Other - Sewer	347
Other - Stormwater	<u>12</u>
Total depreciation expense - business-type activities	<u>\$ 5,006</u>

## 8. Warrants Payable

Warrants payable represent 2011 expenditures paid by July 15, 2011.

## 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, 2011 receivable balances, except real and personal property taxes that are accrued for subsequent 60-day collections.

## 10. Long-Term Debt

### A. 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>6/30/11</u>
Police station	02/01/12	4.12%	\$ 400,000
Coolidge Middle School	02/01/21	4.75%	4,725,000
Memorial High School	03/15/24	4.22%	25,635,000
Barrow Elementary School	06/30/24	3.96%	1,635,000
Wood End Elementary School	06/30/24	3.96%	1,950,000
Wood End Elementary School	06/30/24	3.92%	130,000
Wood End Elementary School	04/15/24	3.94%	390,000
Wood End Elementary School	04/15/24	3.94%	585,000
Downtown Improvement projects	11/01/17	3.45%	455,000
Fire Engine	11/01/12	3.45%	160,000
Turf Field improvements	11/01/12	3.45%	150,000
Joshua Eaton refunding	07/01/13	3.05%	80,000
Birch Meadow refunding	07/01/12	3.05%	25,000
Parker School refunding	07/01/17	3.05%	1,360,000
Ladder truck	07/01/17	3.05%	560,000
Tennis courts	07/01/12	3.05%	190,000
Financial hardware and software	01/27/13	2.00%	550,000
Fire truck	08/01/14	4.61%	420,000
Energy Improvements	08/01/24	4.61%	4,665,000
Total Governmental Activities:			<u>\$ 44,065,000</u>

	Serial	Interest	Amount
	Maturities	Rate(s)%	Outstanding
<u>Business-Type Activities:</u>	<u>Through</u>		<u>as of</u>
			<u>06/30/11</u>
Water treatment plant	06/30/15	3.38%	\$ 400,000
MWRA buy-in	04/15/27	4.00%	2,540,000
Water mains	04/15/12	3.66%	490,000
MWRA buy-in	11/01/17	3.05%	6,630,000
Water demo	07/01/17	3.05%	560,000
MWRA water supply	01/27/13	2.00%	150,000
MWPAT septic	02/01/12	0.00%	11,628
MWRA sewer	08/15/12	0.00%	17,732
Fairview and Sunnyside sewer	11/01/11	3.05%	75,000
MWRA sewer	08/20/14	0.00%	131,736
Total Business-Type Activities:			<u>\$ 11,006,096</u>

**B. Future Debt Service**

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2011 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 4,185,000	\$ 1,830,943	\$ 6,015,943
2013	3,810,000	1,686,344	5,496,344
2014	3,310,000	1,619,425	4,929,425
2015	3,350,000	1,433,155	4,783,155
2016	3,300,000	1,288,233	4,588,233
2017-2021	16,545,000	4,333,279	20,878,279
2022-2025	<u>9,565,000</u>	<u>862,156</u>	<u>10,427,156</u>
Total	\$ <u><u>44,065,000</u></u>	\$ <u><u>13,053,535</u></u>	\$ <u><u>57,118,535</u></u>

The general fund has been designated as the sole source to repay the governmental-type general obligation debt outstanding as of June 30, 2011:

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,487,965	\$ 416,116	\$ 1,904,081
2013	772,965	366,670	1,139,635
2014	764,099	339,905	1,104,004
2015	764,099	312,340	1,076,439
2016	631,165	284,531	915,696
2017-2021	2,915,803	1,036,305	3,952,108
2022-2026	2,740,000	477,675	3,217,675
2027-2028	<u>930,000</u>	<u>37,388</u>	<u>967,388</u>
Total	\$ <u><u>11,006,096</u></u>	\$ <u><u>3,270,930</u></u>	\$ <u><u>14,277,026</u></u>

**C. Changes in General Long-Term Liabilities**

During the year ended June 30, 2011, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 7/1/10	Additions	Reductions	Total Balance 6/30/11	Less Current Portion	Equals Long-Term Portion 6/30/11
<u>Governmental Activities</u>						
Bonds payable	\$ 48,230	\$ -	\$ (4,165)	\$ 44,065	\$ (4,185)	\$ 39,880
Other:						
Accrued employee benefits	1,827	64	(128)	1,763	(62)	1,701
Unamortized premium on bonds	250	-	(25)	225	(25)	200
Net OPEB obligation	<u>4,812</u>	<u>5,896</u>	<u>(2,128)</u>	<u>8,580</u>	<u>-</u>	<u>8,580</u>
Totals	<u>\$ 55,119</u>	<u>\$ 5,960</u>	<u>\$ (6,446)</u>	<u>\$ 54,633</u>	<u>\$ (4,272)</u>	<u>\$ 50,361</u>

	Total Balance 7/1/10	Additions	Reductions	Total Balance 6/30/11	Less Current Portion	Long-Term Portion 6/30/11
<u>Business-Type Activities</u>						
Bonds and loans payable	\$ 12,499	\$ -	\$ (1,493)	\$ 11,006	\$ (1,488)	\$ 9,518
Other:						
Accrued employee benefits	3,111	74	(166)	3,019	(57)	2,962
Unamortized premium on bonds	4	-	(1)	3	(1)	2
Net OPEB obligation	<u>946</u>	<u>839</u>	<u>(1,117)</u>	<u>668</u>	<u>-</u>	<u>668</u> <sup>(A)</sup>
Totals	<u>\$ 16,560</u>	<u>\$ 913</u>	<u>\$ (2,777)</u>	<u>\$ 14,696</u>	<u>\$ (1,546)</u>	<u>\$ 13,150</u>

<sup>(A)</sup> The Electric fund estimated their liability prior to the issuance of the valuation.

#### D. Bond Authorizations

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2011 are as follows:

<u>Purpose</u>	<u>Amount</u>
MWRA loan program	\$ 404,000
Birch meadow tennis courts	140,000
Turf field improvements	275,000
Sunnyside/Fairview sewer mains	65,000
Fire ladder truck	50,000
MWRA water bonds	2,285,000
Killam School remodeling	1,413,500
Birch Meadow School remodeling	446,500
Birch Meadow School remodeling	<u>250,000</u>
Total	<u>\$ 5,329,000</u>

## 11. **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.

## 12. **Commitments and Contingencies**

Outstanding Legal Issues - There are several pending legal issues 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.

## 13. **Post-Employment Healthcare 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, 2011, the actuarial valuation date, approximately 677 retirees and 525 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 29% 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 2011 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 thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2011, 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, 2011.

	Governmental Funds	Water Fund	Sewer Fund	Electric Fund	Stormwater Fund	Total
Annual Required Contribution (ARC)	\$ 5,887,367	\$ 131,875	\$ 49,572	\$ 630,058	\$ 10,950	\$ 6,709,822
Interest on net OPEB obligation	256,026	7,728	3,254	95,341	-	362,349
Adjustment to ARC	(247,537)	(7,471)	(3,146)	(80,125)	-	(338,279)
Annual OPEB cost	5,895,856	132,132	49,680	645,274	10,950	6,733,892
Contributions made	(2,128,025)	14,281	1,199	36,647	-	(2,075,898) (a)
Additional funding to trust	-	-	-	(1,167,161)	-	(1,167,161)
Increase in net OPEB obligation	3,767,831	146,413	50,879	(485,240)	10,950	3,490,833
Net OPEB obligation - beginning of year	4,811,888	94,355	37,755	813,461	-	5,757,459
Net OPEB obligation - end of year	\$ 8,579,719	\$ 240,768	\$ 88,634	\$ 328,221	\$ 10,950	\$ 9,248,292 (b)

(a) Includes adjustment of \$1,093,969 to reflect revision to June 30, 2008 actuarial report.

(b) The Electric fund estimated their liability prior to the issuance of the valuation.

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

Fiscal year ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 6,733,892	48.16%	\$ 9,248,292
2010	\$ 6,522,905	57.09%	\$ 5,757,459
2009	\$ 6,326,701	53.24%	\$ 2,958,316

The Town's net OPEB obligation as of June 30, 2011 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, 2011, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 94,458,486
Actuarial value of plan assets	<u>1,167,161</u>
Unfunded actuarial accrued liability (UAAL)	\$ <u>93,291,325</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>1.24%</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, 2011 actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4.75% investment rate of return (7.75% for the Reading Municipal Light Department) and an initial annual healthcare cost trend rate of 9.0% which decreases to a 5.0% long-term rate for all healthcare benefits after six 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.

**14. 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, 2010:

Retirees and beneficiaries receiving benefits	324
Terminated plan members entitled to but not yet receiving benefits	29
Active plan members	<u>348</u>
Total	<u>701</u>
Number of participating employers	2

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>
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%
2010	3,686,795	100%
2011	4,231,461	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.

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL) -</u> <u>Entry Age</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b-a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a/b)</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>UAAL as</u> <u>a Percent-</u> <u>age of</u> <u>Covered</u> <u>Payroll</u> <u>[(b-a)/c]</u>
06/30/09	\$ 83,167	\$ 121,918	\$ 38,751	68.2%	\$ 21,005	184.5%

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 \$ 38.8 million was calculated. The actuarial assumptions included (a) 7.75% investment rate of return and (b) a projected salary increase of 4.75% - 8.00% 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, 2011, the unfunded actuarially accrued liability is being amortized over 18 years using 4.5% 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 2011, the Commonwealth of Massachusetts contributed \$ 6,838,505 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues in the general fund.

**15. 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.

**16. Subsequent Events**

Subsequent to June 30, 2011, the Town has incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Water Bond	\$ 2,050,000	0%	08/15/11	08/15/16
Sewer Bond	\$ 222,200	0%	08/22/11	08/15/16

# Town of Reading, Massachusetts Municipal Light Department

## Notes to the 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 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 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 pro-

vided 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. 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.
- K. 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.
- L. 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.
- M. 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, 2011 are classified in the accompanying financial statements as follows:

Statement of net assets:

Unrestricted cash and short-term investments	\$ 6,596,634
Restricted cash and short-term investments	16,385,677
Restricted investments	<u>2,200,000</u>

Fiduciary funds:

Cash and short-term investments	4,787,498
Investments	<u>1,000,000</u>
Total cash and investments	<u>\$ 30,969,809</u>

Cash and investments at June 30, 2011 consist of the following:

Cash on hand	\$ 3,000
Deposits with financial institutions	27,766,809
Investments	<u>3,200,000</u>
Total cash investments	<u>\$ 30,969,809</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, 2011, 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	\$ 2,200,000	\$ -	9/15/2020	AAA
Freddie Mac	-	1,000,000	9/15/2020	AAA
Total	<u>\$ 2,200,000</u>	<u>\$ 1,000,000</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>3,200,000</u>	N/A	\$ <u>3,200,000</u>	\$ <u>-</u>
Total	\$ <u>3,200,000</u>		\$ <u>3,200,000</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	\$ 3,200,000

### 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, 2011. As of June 30, 2011, 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>3,200,000</u>
Total	\$ <u><u>3,200,000</u></u>

### 3. Restricted Cash and Investments

Restricted cash and investments consist of the following at June 30, 2011:

	<u>Cash</u>	<u>Investments</u>
Depreciation fund	\$ 4,297,944	\$ -
Deferred fuel reserve	3,055,225	-
Rate stabilization	5,046,137	1,000,000
Deferred energy conservation reserve	170,788	-
OPEB reserve	969,499	200,000
Reserve for uncollectible accounts	200,000	-
Sick leave benefits	1,934,699	1,000,000
Hazardous waste fund	150,000	-
Customer deposits	561,385	-
Total	\$ <u><u>16,385,677</u></u>	\$ <u><u>2,200,000</u></u>

Restricted investments are invested in government agency bonds, which will be held to maturity, and are reported at book value of \$ 2,200,000. The fair market value of the investments at June 30, 2011 was \$ 2,174,282.

The Department maintains the following restricted cash accounts:

- Depreciation fund - The Department is normally required to reserve 3.0% of capital assets each year to fund capital improvements.
- 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 - This represents amounts set aside to help stabilize short-term cost increases resulting from fluctuations in purchase power costs.
- Deferred energy conservation reserve - This account is used to reserve monies collected from a special energy charge added to customer bills. Customers who undertake measures to conserve and improve energy efficiency can apply for rebates that are paid from this account.
- OPEB reserve - This account is used to account for the Department's contributions to fund its actuarially determined Other Post-Employment Benefits (OPEB) liability.
- 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.
- 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, 2011:

Customer Accounts:	
Billed	\$ 3,607,974
Less allowances:	
Uncollectible accounts	(200,000)
Sales discounts	<u>(296,467)</u>
Total billed	3,111,507
Unbilled, net	<u>4,830,294</u>
Total customer accounts	7,941,801
Other Accounts:	
Merchandise sales	136,719
MMWEC flush	571,635
Liens and other	<u>99,683</u>
Total other accounts	<u>808,037</u>
Total net receivables	<u><u>\$ 8,749,838</u></u>

## 5. **Prepaid Expenses**

Prepaid expenses consist of the following:

Insurances	\$ 277,479
Purchase power	97,011
PASNY prepayment fund	238,331
WC Fuel - Watson	<u>140,311</u>
Total	<u><u>\$ 753,132</u></u>

## 6. **Inventory**

Inventory is comprised of supplies and materials at June 30, 2011, 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, 2011:

New England Hydro-Transmission Electric Company, Inc.	\$ 15,748
New England Hydro-Transmission Corporation	<u>61,715</u>
Total	<u>\$ 77,463</u>

## 8. Capital Assets

The following is a summary of fiscal year 2011 activity in capital assets (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Structures and improvements	\$ 13,521	\$ 146	\$ -	\$ 13,667
Equipment and furnishings	29,251	1,181	(68)	30,364
Infrastructure	<u>72,602</u>	<u>3,176</u>	<u>(1,116)</u>	<u>74,662</u>
Total capital assets, being depreciated	115,374	4,503	(1,184)	118,693
Less accumulated depreciation for:				
Structures and improvements	(6,772)	(386)	-	(7,158)
Equipment and furnishings	(16,732)	(953)	68	(17,617)
Infrastructure	<u>(26,255)</u>	<u>(2,114)</u>	<u>745</u>	<u>(27,624)</u>
Total accumulated depreciation	<u>(49,759)</u>	<u>(3,453)</u>	<u>813</u>	<u>(52,399)</u>
Total capital assets, being depreciated, net	65,615	1,050	(371)	66,294
Capital assets, not being depreciated:				
Land	<u>1,266</u>	<u>-</u>	<u>-</u>	<u>1,266</u>
Total capital assets, not being depreciated	<u>1,266</u>	<u>-</u>	<u>-</u>	<u>1,266</u>
Capital assets, net	<u>\$ 66,881</u>	<u>\$ 1,050</u>	<u>\$ (371)</u>	<u>\$ 67,560</u>

## 9. Accounts Payable

Accounts payable represent fiscal 2011 expenses that were paid after June 30, 2011.

## 10. Customer Deposits

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

**11. 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.

**12. Accrued Liabilities**

Accrued liabilities consist of the following at June 30, 2011:

Accrued payroll	\$ 215,991
Accrued interest	3,550
Other	<u>171,119</u>
Total	<u>\$ 390,660</u>

**13. 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.

**14. 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 costs.

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

**Other Post-Employment Benefits**

The Department follows 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 16, the Department provides post-employment health and life insurance benefits for retired employees through the Town of Reading's Massachusetts Inter-local 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 72 retirees and 64 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The Department 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

As of the June 30, 2008, the actuarial valuation date, retirees were required to contribute 30% of the cost of the medical and prescription drug plan, as determined by the MIIA Health Benefits Trust. In 2010, this required contribution changed to 29%. 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 Department's fiscal 2011 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 Department's annual OPEB cost for the year ending June 30, 2011, the amount actually contributed to the plan, and the change in the Department's net OPEB obligation based on an actuarial valuation as of June 30, 2008.

Annual Required Contribution (ARC)	\$ 680,035
Interest on net OPEB obligation	225,946
Adjustment to ARC	<u>-</u>
Annual OPEB cost	905,981
Contributions made	<u>(553,642)</u>
Increase in net OPEB obligation	352,339
Net OPEB obligation - beginning of year	<u>813,461</u>
Net OPEB obligation - end of year	<u>\$ 1,165,800</u>

The Department's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2011 and the two preceding fiscal years 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>
06/30/09	\$ 890,140	50.97%	\$ 436,402
06/30/10	\$ 878,668	57.09%	\$ 813,461
06/30/11	\$ 905,981	61.11%	\$ 1,165,800

The Department's net OPEB obligation as of June 30, 2011 is recorded as a component of the "noncurrent liabilities" line item in the Statements of Net Assets.

**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)	\$ 8,085,388
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 8,085,388</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	Not available
UAAL as a percentage of covered payroll	Not available

In fiscal year 2010, the Department's Board of Commissioners voted to accept the provisions of Massachusetts General Law Chapter 32B §20, to create an *Other Post Employment Benefits Liability Trust Fund* as a mechanism to set aside monies to fund its OPEB liability. In fiscal year

2011, the department contributed \$ 1,165,800 to this fund, which was equal to its actuarially determined OPEB liability at June 30, 2011. Because these monies are not held in an irrevocable trust supported by a trust instrument, as required by GASB 45, they are reported as restricted net assets on the Department's Statements of Net Assets.

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 Department 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 Department 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 Department 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.

## **16. Pension Plan**

The Department follows the provisions of GASB Statement No. 27, (as amended by GASB 50) *Accounting for Pensions for State and Local Government Employees*, with respect to the employees' retirement funds. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan, and the

State legislature has the authority to grant cost-of-living increases. The System issues a publicly available financial report which can be obtained through the Town of Reading Contributory Retirement system at Town Hall, Reading, MA.

*A. Plan Description*

The Department contributes to the Town of Reading Contributory Retirement System (the System), a cost-sharing, multiple-employer, defined benefit pension plan administered by a Town Retirement Board. The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan, and grant cost-of-living increases.

*B. Funding Policy*

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Department is required to pay into the System its share of the remaining system wide actuarially determined contribution plus administration costs which are apportioned among the employers based on active covered payroll. The contributions of plan members and the Department are governed by Chapter 32 of the Massachusetts General Laws. The Department's contributions to the System for the years ended June 30, 2011, 2010, and 2009 were \$ 1,278,695, \$ 919,336, and \$ 896,185, respectively, which were equal to its annual required contributions for each of these years.

**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 ser-

vice 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, a 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 submitted an application to extend the Seabrook Station operating license for an additional 20 years.

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. In the opinion of MMWEC management, the outcome of such actions will not have a material adverse effect on the financial position of the company.

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. MMWEC cannot predict the outcome of the arbitration demand, but in the opinion of MMWEC management, it will not have a material adverse effect on the financial position of MMWEC.

Total capital expenditures for MMWEC's Projects amounted to \$ 1,578,484,000, of which \$ 113,067,000 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 \$ 358,420,000, of which \$ 17,135,000 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, 2011 principal payment, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$ 420,481,000, of which \$ 19,693,000 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, 2011 and estimated for future years is shown below.

	<u>Annual Costs</u>
For years ended June 30, 2012	\$ 4,583,000
2013	4,315,000
2014	3,706,000
2015	2,729,000
2016	2,700,000
2017 - 2020	<u>1,660,000</u>
Total	<u>\$ 19,693,000</u>

In addition, under the PSAs, 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 \$ 14,683,000 and \$ 14,350,000 for the years ended June 30, 2011 and 2010, respectively.

**18. Environmental Remediation**

In August of 2009, while working on a transformer upgrade project at the Gaw Substation, the Department discovered soil that was contaminated with polychlorinated biphenyls (PCBs). This contamination was traced to a capacitor bank lineup located on the south side of the Gaw Substation control house. Once utilized to stabilize voltage, these capacitor banks were removed from the Substation decades prior to the onset of the transformer upgrade project.

Site cleanup at Gaw Substation was conducted by a Commonwealth of Massachusetts Licensed Site Professional in compliance with United States Environmental Protection Agency (US EPA) and Massachusetts Department of Environmental Protection (MA DEP) regulations. Analysis, soil sampling, and remediation of the contaminated area began in fiscal year 2010 and were completed in fiscal year 2011.

As of June 30, 2011, environmental remediation costs related to the Gaw Substation project totaled \$ 2,482,826, of which, \$ 1,386,395 was expended in fiscal year 2011. The Department has temporarily modified its rate structure to include a Hazardous Material Charge of \$ 0.001/kWh, which is designed to recover a portion of the Gaw Substation soil remediation costs over the next three 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:

2012	\$ <u>3,630</u>
Total	\$ <u><u>3,630</u></u>

## 20. NStar Radial Transmission Charges

Effective November 10, 1979, RMLD entered into FERC Rate Schedule No. 125 with Boston Edison Co. (now NStar) to transmit power to the Gaw Substation over two radial 115kV transmission lines (Lines 211-503 and 211-504). Rate Schedule No. 125 provided for RMLD to pay \$ 11,635 per month for the “support” (i.e., operation and maintenance costs) of these radial transmission lines. In approximately April 2003, NStar and National Grid constructed new facilities which “looped” Lines 211-503 and 211-504 and made them eligible for treatment as Pool Transmission Facilities (“PTF”). Once Lines 211-503 and 211-504 were reclassified from radial to PTF facilities, their costs became eligible for recovery through Regional Network Service rates paid by all customers under the ISO New England (“ISO-NE”) Tariff under either of two alternatives. First, NStar could have rolled-in the costs associated with those lines to its revenue requirement for Regional Network Service rates, which would be socialized by NStar throughout all New England. Second, NStar could have left Rate Schedule No. 125 in place as a “grandfathered” support agreement, and RMLD could have included the charges it paid under Rate Schedule No. 125 in its revenue requirement for the Regional Network Service Rates, which would be socialized by RMLD throughout all New England. However, RMLD was not notified that Lines 211-503 and 211-504 had been reclassified as PTF, and NStar left Rate Schedule No. 125 in place without advising RMLD of the opportunity to include its costs under that Rate Schedule in RMLD’s revenue requirement for Regional Network Service rates.

In May 2011, RMLD discovered that NStar Lines 211-503 and 211-504 had been reclassified as PTF and that continuation of Rate Schedule No. 125 in effect without including RMLD’s payments in Regional Network Service (RNS) rates was no longer appropriate. RMLD contacted NStar, and with the assistance of legal counsel, was able to terminate Rate Schedule No. 125 effective June 1, 2011. In light of the fact that Rate Schedule No. 125 contained a limitation of claims clause, previously upheld by the federal courts, that limited RMLD’s ability to challenge bills issued within the previous twelve months, RMLD determined that its customers were better off if RMLD incorporated the costs of the terminated agreement in its RNS revenue requirement, through a true-up mechanism, for the prior twelve months and for the five months of 2011 during which Rate Schedule No. 125 had been in effect. Between June 1, 2011 and May 31, 2014, the use of the RNS revenue requirement true-up mechanism will recover \$ 198,000 in charges paid under Rate Schedule No. 125 through adjustments in RMLD’s purchased power costs. The value of payments made under Rate Schedule No. 125 between June 2003 and December 2009 which cannot be recovered due to the claims limitation under Rate Schedule No. 125 and the limited scope of available cost recovery under the ISO-NE Tariff is \$1,094,968.

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

**June 30, 2011**

**(Unaudited)**

**(Amounts Expressed in thousands)**

**Employees' Retirement System**

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) - Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percent- age of Covered Payroll <u>[(b-a)/c]</u>
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%
06/30/09	\$ 83,167	\$ 121,918	\$ 38,751	68.2%	\$ 21,005	184.5%

**Other Post-Employment Benefits**

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percent- age of Covered Payroll <u>[(b-a)/c]</u>
06/30/08	\$ -	\$ 60,023	\$ 60,023	0.0%	N/A	N/A
06/30/11	\$ 1,167	\$ 94,458	\$ 93,291	1.24%	N/A	N/A

See Independent Auditor's Report

## TOWN OF READING, MASSACHUSETTS

## COMBINING BALANCE SHEET

## NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2011

	<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	\$ 15,029	\$ 789,121	\$ 2,511,236	\$ 1,620,159
Investments	-	-	-	-
Receivables:				
Intergovernmental	<u>79,202</u>	<u>-</u>	<u>38,816</u>	<u>-</u>
Total Assets	<u>\$ 94,231</u>	<u>\$ 789,121</u>	<u>\$ 2,550,052</u>	<u>\$ 1,620,159</u>
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Warrants payable	\$ 93,400	\$ 52,512	\$ 81,709	\$ -
Deferred revenue	-	-	38,816	-
Notes payable	-	-	-	-
Retainage payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	93,400	52,512	120,525	-
Fund Balances:				
Non-spendable	-	-	-	-
Restricted	15,117	794,151	2,429,527	1,620,159
Committed	-	-	-	-
Unassigned	<u>(14,286)</u>	<u>(57,542)</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>831</u>	<u>736,609</u>	<u>2,429,527</u>	<u>1,620,159</u>
Total Liabilities and Fund Balance	<u>\$ 94,231</u>	<u>\$ 789,121</u>	<u>\$ 2,550,052</u>	<u>\$ 1,620,159</u>

Special Revenue Funds

<u>Gifts and Donations</u>	<u>Trust Funds</u>	<u>Other Trust Funds</u>	<u>Subtotals</u>
\$ 555,091	\$ 98,008	\$ 195,663	\$ 5,784,307
-	8,593,164	-	8,593,164
-	-	-	118,018
<u>\$ 555,091</u>	<u>\$ 8,691,172</u>	<u>\$ 195,663</u>	<u>\$ 14,495,489</u>
\$ 7,728	\$ 3,574	\$ -	\$ 238,923
-	-	-	38,816
-	-	-	-
-	-	-	-
7,728	3,574	-	277,739
-	2,833,730	-	2,833,730
547,363	5,853,868	195,663	11,455,848
-	-	-	-
-	-	-	(71,828)
<u>547,363</u>	<u>8,687,598</u>	<u>195,663</u>	<u>14,217,750</u>
<u>\$ 555,091</u>	<u>\$ 8,691,172</u>	<u>\$ 195,663</u>	<u>\$ 14,495,489</u>

(continued)

## TOWN OF READING, MASSACHUSETTS

## COMBINING BALANCE SHEET

## NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2011

(continued)

	Capital Project Funds			Total Nonmajor Governmental Funds
	Town Capital Project Funds	School Capital Project Funds	Subtotals	
<u>ASSETS</u>				
Cash and short-term investments	\$ 433,067	\$ 1,572,846	\$ 2,005,913	\$ 7,790,220
Investments	-	-	-	8,593,164
Receivables:				
Intergovernmental	-	-	-	118,018
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 433,067</u>	<u>\$ 1,572,846</u>	<u>\$ 2,005,913</u>	<u>\$ 16,501,402</u>
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Warrants payable	\$ 55,423	\$ 15,602	\$ 71,025	\$ 309,948
Deferred revenue	-	-	-	38,816
Notes payable	-	140,000	140,000	140,000
Retainage payable	-	1,104,104	1,104,104	1,104,104
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities	55,423	1,259,706	1,315,129	1,592,868
Fund Balances:				
Non-spendable	-	-	-	2,833,730
Restricted	227,644	376,299	603,943	12,059,791
Committed	150,000	-	150,000	150,000
Unassigned	-	(63,159)	(63,159)	(134,987)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Fund Balance	377,644	313,140	690,784	14,908,534
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities and Fund Balance	<u>\$ 433,067</u>	<u>\$ 1,572,846</u>	<u>\$ 2,005,913</u>	<u>\$ 16,501,402</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, 2011

	Special Revenue Funds			
	Federal <u>Grants</u>	State <u>Grants</u>	Revolving <u>Funds</u>	Receipts <u>Reserved</u>
Revenues:				
Departmental	\$ -	\$ -	\$ 4,161,613	\$ 36,270
Intergovernmental	2,664,743	1,717,113	152,614	-
Investment income	-	-	68	3,603
Other	-	-	20,131	3,251
	2,664,743	1,717,113	4,334,426	43,124
Total Revenues				
Expenditures:				
Current:				
General government	-	16,711	17,282	-
Public safety	95,099	81,392	430,806	-
Education	2,552,853	817,019	3,131,995	-
Public works	-	208,152	-	-
Health and human services	102,079	48,381	15,298	-
Culture and recreation	10,113	8,310	419,002	-
	2,760,144	1,179,965	4,014,383	-
Total Expenditures				
Excess (deficiency) of revenues over (under) expenditures	(95,401)	537,148	320,043	43,124
Other Financing Sources (Uses):				
Transfers out	-	-	(157,219)	(328,251)
	-	-	(157,219)	(328,251)
Total Other Financing Sources (Uses)				
Change in fund balances	(95,401)	537,148	162,824	(285,127)
Fund Balances, beginning of year	96,232	199,461	2,266,703	1,905,286
Fund Balances, end of year	\$ 831	\$ 736,609	\$ 2,429,527	\$ 1,620,159

Special Revenue Funds

<u>Gifts and Donations</u>	<u>Trust Funds</u>	<u>Other Trust Funds</u>	<u>Subtotals</u>
\$ -	\$ -	\$ -	\$ 4,197,883
-	-	-	4,534,470
-	683,912	6,462	694,045
<u>397,318</u>	<u>2,070</u>	<u>-</u>	<u>422,770</u>
397,318	685,982	6,462	9,849,168
25,418	32,789	-	92,200
8,011	-	-	615,308
121,606	-	7,232	6,630,705
3,441	125,499	-	337,092
2,096	117,245	-	285,099
<u>393,961</u>	<u>-</u>	<u>-</u>	<u>831,386</u>
<u>554,533</u>	<u>275,533</u>	<u>7,232</u>	<u>8,791,790</u>
(157,215)	410,449	(770)	1,057,378
<u>(95,000)</u>	<u>-</u>	<u>-</u>	<u>(580,470)</u>
<u>(95,000)</u>	<u>-</u>	<u>-</u>	<u>(580,470)</u>
(252,215)	410,449	(770)	476,908
<u>799,578</u>	<u>8,277,149</u>	<u>196,433</u>	<u>13,740,842</u>
<u>\$ 547,363</u>	<u>\$ 8,687,598</u>	<u>\$ 195,663</u>	<u>\$ 14,217,750</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, 2011

(continued)

	Capital Project Funds			Total Nonmajor Governmental Funds
	Town Capital Project Funds	School Capital Project Funds	Subtotals	
Revenues:				
Departmental	\$ -	\$ -	\$ -	\$ 4,197,883
Intergovernmental	-	120,000	120,000	4,654,470
Investment income	-	-	-	694,045
Other	-	-	-	422,770
	-	120,000	120,000	9,969,168
Total Revenues	-	120,000	120,000	9,969,168
Expenditures:				
Current:				
General government	200,288	-	200,288	292,488
Public safety	-	-	-	615,308
Education	-	2,610,400	2,610,400	9,241,105
Public works	21,866	-	21,866	358,958
Health and human services	-	-	-	285,099
Culture and recreation	4,409	-	4,409	835,795
	226,563	2,610,400	2,836,963	11,628,753
Total Expenditures	226,563	2,610,400	2,836,963	11,628,753
Excess (deficiency) of revenues over (under) expenditures	(226,563)	(2,490,400)	(2,716,963)	(1,659,585)
Other Financing Sources (Uses):				
Transfers out	-	-	-	(580,470)
	-	-	-	(580,470)
Total Other Financing Sources (Uses)	-	-	-	(580,470)
Change in fund balances	(226,563)	(2,490,400)	(2,716,963)	(2,240,055)
Fund Balances, beginning of year	604,207	2,803,540	3,407,747	17,148,589
Fund Balances, end of year	\$ 377,644	\$ 313,140	\$ 690,784	\$ 14,908,534

TOWN OF READING, MASSACHUSETTS  
NONMAJOR PROPRIETARY FUNDS  
COMBINING SCHEDULE OF NET ASSETS  
JUNE 30, 2011

	Business-Type Activities Enterprise Funds			
	Sewer Fund	Landfill Closure and Postclosure	Stormwater Management	Total
<b><u>ASSETS</u></b>				
Current:				
Cash and short-term investments	\$ 1,658,643	\$ 68,142	\$ 929,554	\$ 2,656,339
User fees, net of allowance for uncollectibles	1,505,035	-	116,081	1,621,116
Inventory	<u>3,508</u>	<u>-</u>	<u>-</u>	<u>3,508</u>
Total current assets	3,167,186	68,142	1,045,635	4,280,963
Noncurrent:				
Capital assets being depreciated, net	5,969,180	-	391,632	6,360,812
Capital assets not being depreciated	<u>61,761</u>	<u>-</u>	<u>-</u>	<u>61,761</u>
Total noncurrent assets	<u>6,030,941</u>	<u>-</u>	<u>391,632</u>	<u>6,422,573</u>
<b>TOTAL ASSETS</b>	9,198,127	68,142	1,437,267	10,703,536
<b><u>LIABILITIES</u></b>				
Current:				
Warrants payable	28,668	-	1,724	30,392
Other current liabilities	-	68,142	-	68,142
Current portion of long-term liabilities:				
Bonds payable	<u>117,965</u>	<u>-</u>	<u>-</u>	<u>117,965</u>
Total current liabilities	146,633	68,142	1,724	216,499
Noncurrent:				
Bonds payable, net of current portion	118,131	-	-	118,131
Accrued employee benefits	9,317	-	15,572	24,889
Net OPEB obligation	<u>88,634</u>	<u>-</u>	<u>10,950</u>	<u>99,584</u>
Total noncurrent liabilities	<u>216,082</u>	<u>-</u>	<u>26,522</u>	<u>242,604</u>
<b>TOTAL LIABILITIES</b>	362,715	68,142	28,246	459,103
<b><u>NET ASSETS</u></b>				
Invested in capital assets, net of related debt	5,837,282	-	391,632	6,228,914
Unrestricted	<u>2,998,130</u>	<u>-</u>	<u>1,017,389</u>	<u>4,015,519</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 8,835,412</u>	<u>\$ -</u>	<u>\$ 1,409,021</u>	<u>\$ 10,244,433</u>

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, 2011

	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>5,520,310</u>	\$ <u>-</u>	\$ <u>401,309</u>	\$ <u>5,921,619</u>
Total Operating Revenues	5,520,310	-	401,309	5,921,619
<b>Operating Expenses:</b>				
Personnel expenses	397,064	-	82,413	479,477
Non personnel expenses	97,518	-	41,653	139,171
Intergovernmental	3,922,082	-	-	3,922,082
Depreciation	347,857	-	12,227	360,084
Energy purchases	<u>26,782</u>	<u>-</u>	<u>-</u>	<u>26,782</u>
Total Operating Expenses	<u>4,791,303</u>	<u>-</u>	<u>136,293</u>	<u>4,927,596</u>
Operating Income	729,007	-	265,016	994,023
<b>Nonoperating Revenues (Expenses):</b>				
Investment income	2,563	-	837	3,400
Interest expense	<u>(3,148)</u>	<u>-</u>	<u>-</u>	<u>(3,148)</u>
Total Nonoperating Revenues (Expenses)	<u>(585)</u>	<u>-</u>	<u>837</u>	<u>252</u>
Income Before Transfers	728,422	-	265,853	994,275
Transfers (out)	<u>(259,004)</u>	<u>-</u>	<u>-</u>	<u>(259,004)</u>
Change in Net Assets	469,418	-	265,853	735,271
Net Assets at Beginning of Year	<u>8,365,994</u>	<u>-</u>	<u>1,143,168</u>	<u>9,509,162</u>
Net Assets at End of Year	\$ <u><u>8,835,412</u></u>	\$ <u><u>-</u></u>	\$ <u><u>1,409,021</u></u>	\$ <u><u>10,244,433</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, 2011

	Business-Type Activities Enterprise Funds			
	Sewer Fund	Landfill		Total
		Closure and Postclosure	Stormwater Management	
<b><u>Cash Flows From Operating Activities:</u></b>				
Receipts from customers and users	\$ 5,336,088	\$ -	\$ 389,368	\$ 5,725,456
Payments to vendors and employees	(471,690)	(23,509)	(127,874)	(623,073)
Payments to other governments	<u>(3,922,082)</u>	<u>-</u>	<u>-</u>	<u>(3,922,082)</u>
Net Cash Provided By (Used For) Operating Activities	942,316	(23,509)	261,494	1,180,301
<b><u>Cash Flows From Noncapital Financing Activities:</u></b>				
Transfer out	<u>(259,004)</u>	<u>-</u>	<u>-</u>	<u>(259,004)</u>
Net Cash Provided By (Used For) Noncapital Financing Activities	(259,004)	-	-	(259,004)
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>				
Acquisition of capital assets	(219,671)	-	(287,811)	(507,482)
Principal payments on bonds and notes	(117,965)	-	-	(117,965)
Interest expense	<u>(3,148)</u>	<u>-</u>	<u>-</u>	<u>(3,148)</u>
Net Cash (Used For) Capital and Related Financing Activities	(340,784)	-	(287,811)	(628,595)
<b><u>Cash Flows From Investing Activities:</u></b>				
Investment income	<u>2,563</u>	<u>-</u>	<u>837</u>	<u>3,400</u>
Net Cash Provided By Investing Activities	2,563	-	837	3,400
Net Change in Cash and Short-Term Investments	345,091	(23,509)	(25,480)	296,102
Cash and Short Term Investments, Beginning of Year	<u>1,313,552</u>	<u>91,651</u>	<u>955,034</u>	<u>2,360,237</u>
Cash and Short Term Investments, End of Year	<u>\$ 1,658,643</u>	<u>\$ 68,142</u>	<u>\$ 929,554</u>	<u>\$ 2,656,339</u>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</u></b>				
Operating income	\$ 729,007	\$ -	\$ 265,016	\$ 994,023
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	347,857	-	12,227	360,084
Changes in assets and liabilities:				
User fees receivables	(184,222)	-	(11,941)	(196,163)
Inventory and prepayments	(286)	-	-	(286)
Warrants payable	(5,253)	-	(13,600)	(18,853)
Other liabilities	4,334	(23,509)	(1,158)	(20,333)
OPEB liability	<u>50,879</u>	<u>-</u>	<u>10,950</u>	<u>61,829</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 942,316</u>	<u>\$ (23,509)</u>	<u>\$ 261,494</u>	<u>\$ 1,180,301</u>

See notes to financial statements.