

TOWN OF IPSWICH, MASSACHUSETTS

**INDEPENDENT AUDITORS' REPORT ON
BASIC FINANCIAL STATEMENTS,
REQUIRED SUPPLEMENTARY INFORMATION
AND ADDITIONAL INFORMATION**

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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Independent Auditors' Report



Certified Public Accountants

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Independent Auditors' Report

To the Honorable Board of Selectmen
Town of Ipswich, 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 Ipswich, Massachusetts (Town), as of and for the fiscal year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management.

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 Ipswich, Massachusetts, as of June 30, 2009 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As more fully described in Note 15, the Town has restated the beginning net assets of its governmental activities, business-type activities and water enterprise fund.

As more fully described in Note 12, the Town implemented Governmental Accounting Standards Board Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2009, 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 conjunction with this report in considering the results of our audit.

The management's discussion and analysis (located on pages 4 through 14) and the general fund budgetary comparison information and certain pension information (located on pages 67 through 72) 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 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's basic financial statements. The additional information (located on pages 73 through 77) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The additional 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.

A handwritten signature in black ink that reads "Sullivan, Ry & Company, LLC". The signature is written in a cursive, flowing style.

November 30, 2009

Management's Discussion and Analysis

As management of the Town of Ipswich, Massachusetts (Town), we offer readers of these financial statements this narrative overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2009.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$74,587,881 (net assets). Of this amount, \$6,316,308 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net assets decreased by \$534,751.
- As of the close of the fiscal year, the Town's governmental funds reported combined ending fund balances totaling \$8,184,858, an increase of \$550,650 in comparison with the prior year. Approximately \$3,462,000 represents unreserved fund balance of the general fund, special revenue funds, and permanent funds. The nonmajor capital projects fund deficit of \$269,007 will be funded by the issuance of long-term debt in future fiscal years.
- At the end of the fiscal year, undesignated fund balance for the general fund totaled \$1,151,000 or 2.9% percent of total general fund expenditures and transfers out.
- The Town's gross bonded debt decreased by \$3,402,600 during the fiscal year.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the *basic financial statements*, which consists of the following three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements.

This report also contains required supplementary information and additional information in addition to the basic financial statements.

Government-wide financial statements

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

The **statement of net assets** presents information on all of the Town's non-fiduciary 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 of the Town 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, earned but unused vacation leave, etc.).

Both of the government-wide financial statements distinguish functions of the Town 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*). Governmental activities include general government, finance, planning and development, public safety, education, public works, code enforcement, human services, library and debt service interest. Business-type activities include water, sewer and municipal light operations.

The government-wide financial statements can be found on pages 16-18 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into the following categories and are described below:

1. Governmental funds
2. Proprietary funds
3. 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 expendable resources, as well as on balances of expendable 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 effect of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains 430 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Affordable Housing (special revenue) and Library Trustees (permanent) funds, each of which are considered to be major funds. Data from the other 427 governmental funds are combined into a single, aggregated presentation titled *nonmajor governmental funds*.

The basic governmental funds financial statements can be found on pages 19-24 of this report.

Proprietary funds

The Town maintains one type of proprietary fund.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water, sewer and municipal light operations, all of which are considered to be major funds.

The basic proprietary funds financial statements can be found on pages 25-27 of this report.

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 programs. The accounting used for fiduciary funds is similar to that used for proprietary funds.

Private-purpose trust funds and agency funds are reported and combined into a single, aggregate presentation in the fiduciary funds financial statements under the captions "private purpose trust funds" and "agency funds", respectively

The basic fiduciary funds financial statements can be found on pages 28-29 of this report.

Notes to the basic financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements (excluding the Ipswich Municipal Light Department, except for certain information regarding accounts receivable, capital assets and long-term debt) can be found on pages 30-57 of this report. Separate notes to the financial statements related to the Ipswich Municipal Light Department can be found on pages 58-66.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Presented in this information is the budget comparison for the general fund and certain pension information, which can be found on pages 67-72 of this report.

Additional Information

This report also contains additional information related to the Ipswich Municipal Light Department. Included in this information is a comparative statement of net assets, a comparative statement of revenues, expenses and changes in net assets, a comparative statement of sales of electricity and a comparative statement of operations and maintenance expenses, which can be found on pages 73-77 of this report.

Government-Wide Financial Analysis

The following tables present current and prior year data on the government-wide financial statements.

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town's assets exceeded liabilities by \$74,587,881 at the close of the fiscal year and are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2009	2008*	2009	2008*	2009	2008*
Assets						
Current assets..... \$	11,801,700	\$ 11,118,380	\$ 9,254,710	\$ 14,069,216	\$ 21,056,410	\$ 25,187,596
Noncurrent assets (excluding capital assets).....	8,696,860	10,848,415	1,159,952	1,012,205	9,856,812	11,860,620
Capital assets (net).....	62,828,449	63,134,754	32,441,341	27,472,846	95,269,790	90,607,600
Total assets.....	83,327,009	85,101,549	42,856,003	42,554,267	126,183,012	127,655,816
Liabilities						
Current liabilities (excluding debt).....	1,387,382	1,536,214	2,855,133	3,174,315	4,242,515	4,710,529
Noncurrent liabilities (excluding debt).....	2,627,730	978,881	555,071	601,131	3,182,801	1,580,012
Current debt.....	3,383,490	3,036,003	1,791,125	894,825	5,174,615	3,930,828
Noncurrent debt.....	28,470,500	30,988,990	10,524,700	11,322,825	38,995,200	42,311,815
Total liabilities.....	35,869,102	36,540,088	15,726,029	15,993,096	51,595,131	52,533,184
Net Assets						
Invested in capital assets (net of related debt).....	40,585,873	40,864,650	21,290,990	21,100,090	61,876,863	61,964,740
Restricted.....	4,704,453	3,775,827	1,690,257	1,940,370	6,394,710	5,716,197
Unrestricted.....	2,167,581	3,920,984	4,148,727	3,520,711	6,316,308	7,441,695
Total net assets..... \$	47,457,907	\$ 48,561,461	\$ 27,129,974	\$ 26,561,171	\$ 74,587,881	\$ 75,122,632

* As restated and more fully described in Note 15

The largest portion of the Town's net assets (83.0%) reflects its investment in capital assets (e.g., land, construction in progress, buildings and improvements, machinery, equipment and vehicles, municipal light plant and infrastructure), less any related outstanding debt used to acquire those assets. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net assets (8.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (8.4% or \$6,316,308) may be used to meet the Town's ongoing obligations to citizens and creditors. Of this amount, \$2,167,581 may be used to support governmental activities and \$4,148,727 may be used to support business-type activities.

At the end of the current fiscal year, the Town reports positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Changes in Net Assets

For the fiscal year ended June 30, 2009, the Town's total net assets decreased by \$534,751 compared to an increase of \$453,538 in the prior fiscal year. These amounts are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2009	2008*	2009	2008*	2009	2008*
Revenues						
<i>Program Revenues:</i>						
Charges for services.....	\$ 3,081,260	\$ 2,982,074	\$ 18,021,331	\$ 19,150,183	\$ 21,102,591	\$ 22,132,257
Operating grants and contributions.....	9,013,414	8,625,766	267,202	199,466	9,280,616	8,825,232
Capital grants and contributions.....	(488,561)	594,460	-	-	(488,561)	594,460
<i>General Revenues:</i>						
Real estate and personal property taxes.....	27,147,868	24,723,629	-	-	27,147,868	24,723,629
Motor vehicle and other excise taxes.....	1,707,155	1,872,772	-	-	1,707,155	1,872,772
Penalties and interest on taxes.....	110,417	116,160	-	-	110,417	116,160
Payments in lieu of taxes.....	406,020	404,141	-	-	406,020	404,141
Grants and contributions not restricted to specific programs.....	2,118,116	2,291,471	-	-	2,118,116	2,291,471
Unrestricted investment income.....	127,150	316,332	-	-	127,150	316,332
Gain on disposal of capital assets.....	330,000	287,500	-	-	330,000	287,500
Total revenues.....	43,552,839	42,214,305	18,288,533	19,349,649	61,841,372	61,563,954
Expenses						
General government.....	974,485	1,661,823	-	-	974,485	1,661,823
Finance.....	1,299,234	1,057,061	-	-	1,299,234	1,057,061
Planning and development.....	289,422	287,817	-	-	289,422	287,817
Public safety.....	5,480,309	5,436,127	-	-	5,480,309	5,436,127
Education.....	29,051,361	26,624,682	-	-	29,051,361	26,624,682
Public works.....	4,128,239	4,213,485	-	-	4,128,239	4,213,485
Code enforcement.....	686,284	590,406	-	-	686,284	590,406
Human services.....	493,089	526,701	-	-	493,089	526,701
Library.....	795,067	748,997	-	-	795,067	748,997
Debt service - interest.....	1,441,388	1,366,276	-	-	1,441,388	1,366,276
Water enterprise.....	-	-	2,443,010	2,060,036	2,443,010	2,060,036
Sewer enterprise.....	-	-	1,318,092	1,303,260	1,318,092	1,303,260
Municipal light enterprise.....	-	-	13,976,143	15,233,745	13,976,143	15,233,745
Total expenses.....	44,638,878	42,513,375	17,737,245	18,597,041	62,376,123	61,110,416
Change in net assets before transfers.....	(1,086,039)	(299,070)	551,288	752,608	(534,751)	453,538
Transfers, net.....	(17,515)	15,160	17,515	(15,160)	-	-
Change in net assets.....	(1,103,554)	(283,910)	568,803	737,448	(534,751)	453,538
Net assets - beginning of year (as restated).....	48,561,461	48,845,371	26,561,171	25,823,723	75,122,632	74,669,094
Net assets - end of year.....	\$ 47,457,907	\$ 48,561,461	\$ 27,129,974	\$ 26,561,171	\$ 74,587,881	\$ 75,122,632

* As restated and more fully described in Note 15.

Governmental activities decreased the Town's net assets by \$1,103,554. In the prior year, governmental activities decreased the Town's net assets by \$283,910. The key elements of this change are the implementation of GASB Statement #45 related to other postemployment benefits (\$1,599,340), the change in the estimate of capital grants to be received in future years (\$1,454,377), and the 2008 loss on the disposal of land (\$780,000) that was non-recurring in fiscal year 2009.

Business-type activities increased the Town's net assets by \$568,803. In the prior year, business-type activities increased the Town's net assets by \$737,448. The key element of this change is the implementation of GASB Statement #45 related to other postemployment benefits (\$141,725).

Fund Financial Statement Analysis

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

Governmental funds

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

At the end of the current fiscal year, the governmental funds reported combined ending fund balances totaling \$8,184,858, an increase of \$550,650 in comparison with the prior year. Approximately 37.4% of this total amount (\$3,061,000) represents undesignated fund balance of the general fund, special revenue funds, and permanent funds. The nonmajor capital projects fund deficit of \$269,007 will be funded by the issuance of long-term debt in future fiscal years. The remainder of fund balance is designated or reserved to indicate that it is not available for new spending because it has already been committed to:

- Liquidate contracts and purchase orders of the prior period (\$763,888)
- Pay for future debt service costs (\$483,553)
- Stabilization (\$669,705)
- Perpetual permanent funds (\$626,712)
- Other specific purposes (\$2,447,643)
- Fund a portion of the fiscal year 2010 budget (\$401,125)

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, undesignated fund balance of the general fund totaled \$1,151,000, while total fund balance was \$2,799,566. As a measure of the general fund's liquidity, it may be useful to compare both undesignated fund balance and total fund balance to total general fund expenditures and transfers out. Undesignated fund balance represents 2.9% of total general fund expenditures and transfers out, while total fund balance represents 7.2% of that same amount.

The balance of the Town's general fund increased by \$492,262 during fiscal year 2009. Although the Town recognized an approximate \$1,417,000 budgetary surplus (excluding encumbrances and continuing appropriations), approximately \$925,000 of reserves was utilized for spending during fiscal year 2009.

Financial highlights of the Town's other major governmental funds are as follows:

The fund balance of the affordable housing fund (special revenue) increased by \$8,546 during the current fiscal year. The fund recognized revenues totaling \$27,947, which consisted of receipts from private developers and contractors (\$25,000) and investment income (\$2,947). Expenditures for the current fiscal year totaled \$19,401.

The fund balance of the library trustees fund (permanent) decreased by \$55,201 during the current fiscal year. The fund's investment losses for the year totaled (\$43,818). Expenditures for the current fiscal year totaled \$15,038.

Proprietary funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the water, sewer and municipal light enterprise funds at the end of the year totaled \$834,732, \$1,182,413 and \$2,131,582, respectively. The respective changes in fund net assets for the year totaled (\$46,991), \$301,650 and \$314,144. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

The original general fund budget of \$37,353,760 was increased by \$256,222 (0.7%) during the fiscal year. The following table summarizes the increase:

<u>Purpose of Increase</u>	<u>Amount</u>	<u>Funding Source</u>
Snow and ice expenditures.....	\$ 100,000	Tax levy
School department expenditures.....	56,315	Undesignated fund balance
Cemetery and parks expenditures.....	52,000	Transfer from sale of lots trust fund
Harbormaster expenditures.....	30,564	Transfer from waterways improvement fund
Recreation expenditures.....	10,000	Undesignated fund balance
Prior year bills.....	4,468	Undesignated fund balance
Treasurer/collector expenditures.....	<u>2,875</u>	Undesignated fund balance
Total increase.....	<u>\$ 256,222</u>	

During the year, general fund revenues and other financing sources exceeded budgetary estimates, and expenditures and encumbrances and continuing appropriations were less than budgetary estimates, resulting in an actual increase in fund balance that was less than the final amended budget amount by approximately \$653,000.

Capital Asset and Debt Administration

Capital assets

The Town's investment in capital assets for its governmental and business type activities at the end of the fiscal year totaled \$95,269,790 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery, equipment and vehicles and infrastructure (including municipal light plant). The total increase in the investment in capital assets for the current fiscal year totaled \$4,662,190, or 5.1% (a 0.3% decrease for governmental activities and a 5.4% increase for business-type activities).

Major capital asset events that occurred during the current fiscal year include the following:

- Electric substation construction in progress (\$4,952,142)
- Building improvements (\$920,025)
- Various infrastructure (\$868,772)
- Electric light plant (\$817,308)
- Water main construction in progress (\$692,310)
- Various infrastructure construction in progress (\$483,689)
- Purchase of various departmental vehicles (\$164,545)

The following table summarizes the Town's capital assets (net of accumulated depreciation):

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land.....	\$ 15,534,439	\$ 15,537,404	\$ 2,379,012	\$ 2,379,012	\$ 17,913,451	\$ 17,916,416
Buildings and improvements.....	37,583,644	37,829,628	91,685	97,079	37,675,329	37,926,707
Machinery, equipment and vehicles.....	1,401,965	1,572,154	290,592	306,506	1,692,557	1,878,660
Infrastructure (including municipal light plant).....	7,539,091	6,852,864	23,096,387	23,812,396	30,635,478	30,665,260
Construction in progress.....	<u>769,310</u>	<u>1,342,704</u>	<u>6,583,665</u>	<u>877,853</u>	<u>7,352,975</u>	<u>2,220,557</u>
Total capital assets.....	<u>\$ 62,828,449</u>	<u>\$ 63,134,754</u>	<u>\$ 32,441,341</u>	<u>\$ 27,472,846</u>	<u>\$ 95,269,790</u>	<u>\$ 90,607,600</u>

Additional information on the Town's capital assets can be found in Note 5 on pages 45-47 of this report.

Long-Term Debt

At the end of the current fiscal year, total gross bonded debt outstanding was \$42,310,200, which is backed by the full faith and credit of the Town, and is summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<u>2009</u>	<u>2008*</u>	<u>2009</u>	<u>2008*</u>	<u>2009</u>	<u>2008*</u>
General obligation bonds, net.....	\$ 30,987,375	\$ 33,495,150	\$ 10,297,625	\$ 11,099,850	\$ 41,285,000	\$ 44,595,000
MWPAT notes.....	<u>-</u>	<u>-</u>	<u>1,025,200</u>	<u>1,117,800</u>	<u>1,025,200</u>	<u>1,117,800</u>
Total bonds and notes.....	<u>\$ 30,987,375</u>	<u>\$ 33,495,150</u>	<u>\$ 11,322,825</u>	<u>\$ 12,217,650</u>	<u>\$ 42,310,200</u>	<u>\$ 45,712,800</u>

* As restated and more fully described in Note 15.

The Town's total gross bonded debt decreased by \$3,402,600 during the current fiscal year.

Additional information on the Town's long-term debt can be found in Note 8 on pages 48-52 of this report.

Economic Factors and Next Year's Budgets and Rates

The Annual Town Meeting approved the Town's Operating Budget for fiscal 2010 in the amount of \$13,862,946 and the School's Operating Budget for \$19,980,995. Town Meeting approved \$2,542,513 for the High School/Middle School Capital Project debt service for fiscal 2010. The Town's FY 2010 budget was increased by \$69,564 to pay for a property revaluation and harbor master budget.

The Town's fiscal 2010 budget was increased by \$71,465, funded by a transfer of \$62,465 from the Capital Improvements Stabilization Fund and a \$9,000 transfer from the Trustees of the Ipswich Library Incentive Grant to fund the conversion of the heating system at the Library to natural gas and the conversion of the heating system at the Police Department.

The Water and Sewer budgets for fiscal 2010 were approved at the Annual Town Meeting for a total of \$3,966,693. Of this total, the Water budget is \$2,403,850, and the Sewer Budget is \$1,562,843. The Water budget will be offset in part by a water surplus of \$23,836. The balance of said appropriations will be met by revenues of each department during fiscal 2010.

The Town appropriated \$452,406 as Ipswich's share of the operating and debt service expenses of the Whittier Regional Vocational Technical High School for fiscal 2010 which was a \$121,789 decrease over the fiscal 2009 assessment.

Town Meeting appropriated \$2,395,000 to replace water mains on Washington Street and North Main Street and to fund capital improvements at the Water Treatment Plant. This appropriation is to be funded by the issuance of serial bonds under Massachusetts General Laws Chapter 44.

Town Meeting appropriated \$50,000 from Free Cash to support a series of programs in commemoration of the 375th anniversary of the town.

Town Meeting appropriated \$331,523 under the provisions of Chapter 90 of the General Laws.

Under Article 14 of the Annual Town Meeting, \$171,231 was appropriated for the following: \$50,000 for Town Hall Phase II window replacement; \$36,231 for Bialek Park play structure replacement; and \$85,000 for the renovation of 90' baseball diamond. With the approval of the Board of Selectmen, this project will be funded by issuing bonds or serial notes under the provisions of Massachusetts General Laws Chapter 44.

The Special Town Meeting in October 2009 approved the following changes to the Town's Operating Budget for Fiscal 2010 for the following:

1. \$139,562 decrease in the Town's operating budget for debt service expenditures to bring the budget under the levy limit caused by State budget cuts;
2. \$100,000 increase to the Snow & Ice budget to be funded from the tax levy;
3. \$55,920 increase from free cash to transfer into the OPEB Special Revenue Fund;
4. \$20,000 increase from free cash to the Building Inspector's budget to fund permit tracking software;
5. \$28,000 increase from free cash to fund the purchase of a police cruiser;
6. \$20,459 from free cash to fund a state primary and general election for the office of U.S. Senator;
7. \$40,000 from free cash to the Reserve Fund to reimburse the fund for the replacement of the police radio system; and
8. \$100,000 from free cash to a special legal account to fund legal action in the Essex Probate Court regarding Feoffees of the Grammar School.

The \$45,000 approved by Town Meeting in May for the police heating system conversion was re-programmed to repair the roofs at the Linebrook Station, Central Fire Station and Highway Garage.

The Special Town Meeting approved the sum of \$9,490 from free cash to pay unpaid bills incurred in prior years and remaining unpaid.

The School's Operating Budget for fiscal 2010 was increased by \$85,137 at the Special Town Meeting to be funded from free cash and attributable to additional Medicaid revenue received in 2009; and decreased by \$112,851 to bring the budget under the levy limit due to State budget cuts.

The Feoffee's legal issues have not yet been resolved and the annual gift to the Schools has not been reinstated. The \$200,000 loan transferred from free cash to the School several years ago to replace the lost Feoffee's gift has not yet been paid back to the Town. The amount owed has been reduced to \$160,000.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Town Hall, 25 Green Street, Ipswich, Massachusetts 01938.

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Basic Financial Statements

STATEMENT OF NET ASSETS

JUNE 30, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents.....	\$ 6,507,281	\$ 2,872,045	\$ 9,379,326
Restricted cash and cash equivalents.....	1,158,176	992,479	2,150,655
Investments.....	1,463,739	-	1,463,739
Restricted investments.....	368,517	-	368,517
Receivables, net of allowance for uncollectible amounts:			
Real estate and personal property taxes.....	375,451	-	375,451
Tax and utility liens.....	408,704	13,855	422,559
Motor vehicle and other excise taxes.....	104,160	-	104,160
User charges.....	-	2,095,258	2,095,258
Special assessments.....	-	6,574	6,574
Departmental and other.....	95,674	-	95,674
Intergovernmental.....	1,292,409	28,421	1,320,830
Tax foreclosures.....	27,589	-	27,589
Prepaid expenses.....	-	553,667	553,667
Deferred charges.....	-	91,995	91,995
Purchased power working capital.....	-	2,437,337	2,437,337
Inventory.....	-	163,079	163,079
Total current assets.....	11,801,700	9,254,710	21,056,410
Noncurrent assets:			
Restricted cash and investments.....	-	868,019	868,019
Receivables, net of allowance for uncollectible amounts:			
Special assessments.....	-	57,668	57,668
Intergovernmental.....	8,583,760	234,265	8,818,025
Loans.....	113,100	-	113,100
Capital assets not being depreciated.....	16,303,749	8,962,677	25,266,426
Capital assets, net of accumulated depreciation.....	46,524,700	23,478,664	70,003,364
Total noncurrent assets.....	71,525,309	33,601,293	105,126,602
Total assets.....	83,327,009	42,856,003	126,183,012
LIABILITIES			
Current liabilities:			
Warrants payable.....	442,140	1,612,373	2,054,513
Accrued payroll.....	175,651	71,421	247,072
Other liabilities.....	368,631	1,093,313	1,461,944
Abandoned property.....	109,374	-	109,374
Accrued interest.....	177,320	58,959	236,279
Compensated absences.....	114,266	19,067	133,333
Short-term notes payable.....	865,000	993,000	1,858,000
Long-term bonds and notes payable.....	2,518,490	798,125	3,316,615
Total current liabilities.....	4,770,872	4,646,258	9,417,130
Noncurrent liabilities:			
Liabilities due depositors.....	-	81,741	81,741
Environmental remediation.....	-	160,000	160,000
Net OPEB obligation.....	1,599,340	141,725	1,741,065
Compensated absences.....	1,028,390	171,605	1,199,995
Long-term bonds and notes payable.....	28,470,500	10,524,700	38,995,200
Total noncurrent liabilities.....	31,098,230	11,079,771	42,178,001
Total liabilities.....	35,869,102	15,726,029	51,595,131
NET ASSETS			
Invested in capital assets, net of related debt.....	40,585,873	21,290,990	61,876,863
Restricted for:			
Rate stabilization.....	-	1,600,778	1,600,778
Capital (Depreciation fund).....	-	89,479	89,479
Affordable housing.....	289,002	-	289,002
Debt service.....	483,553	-	483,553
Loans.....	113,100	-	113,100
Permanent funds:			
Expendable.....	744,443	-	744,443
Nonexpendable.....	626,712	-	626,712
Other specific purposes.....	2,447,643	-	2,447,643
Unrestricted.....	2,167,581	4,148,727	6,316,308
Total net assets.....	\$ 47,457,907	\$ 27,129,974	\$ 74,587,881

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government.....	\$ 974,485	\$ 533,662	\$ 195,818	\$ 94,188	\$ (150,817)
Finance.....	1,299,234	1,160	-	-	(1,298,074)
Planning and development.....	289,422	39,410	69,185	-	(180,827)
Public safety.....	5,480,309	462,131	309,423	6,250	(4,702,505)
Education.....	29,051,361	1,470,940	7,749,409	(1,454,377)	(21,285,389)
Public works.....	4,128,239	159,332	20,262	865,378	(3,083,267)
Code enforcement.....	686,284	301,892	-	-	(384,392)
Human services.....	493,089	42,665	108,283	-	(342,141)
Library.....	795,067	70,068	29,610	-	(695,389)
Debt service - interest.....	1,441,388	-	531,424	-	(909,964)
Total governmental activities.....	44,638,878	3,081,260	9,013,414	(488,561)	(33,092,765)
Business-type activities:					
Water.....	2,443,010	2,341,274	37,230	-	(64,506)
Sewer.....	1,318,092	1,565,126	54,616	-	301,650
Municipal light.....	13,976,143	14,114,931	175,356	-	314,144
Total business-type activities.....	17,737,245	18,021,331	267,202	-	551,288
Total primary government.....	\$ 62,376,123	\$ 21,102,591	\$ 9,280,616	\$ (488,561)	\$ (32,481,477)

See notes to basic financial statements.

STATEMENT OF ACTIVITIES (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net assets:			
Net (expense)/revenue (from previous page).....	\$ (33,032,765)	\$ 551,288	\$ (32,481,477)
<i>General revenues:</i>			
Real estate and personal property taxes.....	27,147,868	-	27,147,868
Motor vehicle and other excise taxes.....	1,707,155	-	1,707,155
Penalties and interest on taxes.....	110,417	-	110,417
Payments in lieu of taxes.....	406,020	-	406,020
Grants and contributions not restricted to specific programs.....	2,118,116	-	2,118,116
Unrestricted investment income.....	127,150	-	127,150
Gain on sale of capital assets.....	330,000	-	330,000
<i>Transfers, net</i>	(17,515)	17,515	-
Total general revenues and transfers (net).....	31,929,211	17,515	31,946,726
Change in net assets.....	(1,103,554)	568,803	(534,751)
Net assets - beginning of year (as restated).....	48,561,461	26,561,171	75,122,632
Net assets - end of year.....	\$ 47,457,907	\$ 27,129,974	\$ 74,587,881

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2009

ASSETS	General	Affordable Housing	Library Trustees
Cash and cash equivalents.....	\$ 3,674,526	\$ 289,467	\$ -
Investments.....	-	-	-
Receivables, net of allowance for uncollectible amounts:			
Real estate and personal property taxes.....	375,451	-	-
Tax liens.....	408,704	-	-
Motor vehicle and other excise taxes.....	104,160	-	-
Departmental and other.....	13,652	-	-
Intergovernmental.....	9,442,136	-	-
Loans.....	-	-	-
Tax foreclosures.....	27,589	-	-
Restricted assets:			
Cash and cash equivalents.....	-	-	176,293
Investments.....	-	-	368,517
TOTAL ASSETS.....	\$ 14,046,218	\$ 289,467	\$ 544,810
 LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Warrants payable.....	\$ 373,372	\$ -	\$ -
Accrued payroll.....	155,469	465	-
Other liabilities.....	368,631	-	-
Abandoned property.....	109,374	-	-
Deferred revenue.....	10,239,806	-	-
Short-term notes payable.....	-	-	-
TOTAL LIABILITIES.....	11,246,652	465	-
 FUND BALANCES:			
Reserved for:			
Encumbrances and continuing appropriations.....	763,888	-	-
Debt service.....	483,553	-	-
Stabilization.....	-	-	-
Perpetual permanent funds.....	-	-	-
Other specific purposes.....	-	-	-
Unreserved:			
Designated for subsequent year's expenditures.....	401,125	-	-
Undesignated, reported in:			
General fund.....	1,151,000	-	-
Special revenue funds.....	-	289,002	-
Capital projects funds.....	-	-	-
Permanent funds.....	-	-	544,810
TOTAL FUND BALANCES.....	2,799,566	289,002	544,810
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 14,046,218	\$ 289,467	\$ 544,810

See notes to basic financial statements.

<u>Nonmajor Governmental Funds</u>		<u>Total Governmental Funds</u>	
\$	2,543,288	\$	6,507,281
	1,463,739		1,463,739
	-		375,451
	-		408,704
	-		104,160
	82,022		95,674
	434,033		9,876,169
	113,100		113,100
	-		27,589
	981,883		1,158,176
	-		368,517
\$	<u>5,618,065</u>	\$	<u>20,498,560</u>

\$	68,768	\$	442,140
	19,717		175,651
	-		368,631
	-		109,374
	113,100		10,352,906
	<u>865,000</u>		<u>865,000</u>
	1,066,585		12,313,702

	-		763,888
	-		483,553
	669,705		669,705
	626,712		626,712
	2,447,643		2,447,643
	-		401,125
	-		1,151,000
	876,794		1,165,796
	(269,007)		(269,007)
	199,633		744,443
	<u>4,551,480</u>		<u>8,184,858</u>
\$	<u>5,618,065</u>	\$	<u>20,498,560</u>

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	General	Affordable Housing	Library Trustees
REVENUES			
Real estate and personal property taxes.....	\$ 27,023,852	\$ -	\$ -
Motor vehicle and other excise taxes.....	1,696,149	-	-
Tax liens.....	63,159	-	-
Payments in lieu of taxes.....	406,020	-	-
Charges for services.....	25,752	-	-
Intergovernmental.....	8,525,323	-	-
Penalties and interest on taxes.....	110,417	-	-
Licenses and permits.....	384,975	-	-
Fines and forfeitures.....	46,502	-	-
Departmental.....	440,545	-	-
Contributions.....	-	-	3,655
Investment income (loss).....	127,150	2,947	(43,818)
Other.....	112,900	25,000	-
TOTAL REVENUES.....	38,962,744	27,947	(40,163)
EXPENDITURES			
Current:			
General government.....	289,267	-	-
Finance.....	977,812	-	-
Planning and development.....	216,198	19,401	-
Public safety.....	3,973,725	-	-
Education.....	19,453,836	-	-
Public works.....	3,510,318	-	-
Code enforcement.....	387,368	-	-
Human services.....	356,969	-	-
Library.....	514,280	-	15,038
Employee benefits.....	4,232,612	-	-
Property and liability insurance.....	214,356	-	-
Miscellaneous.....	99,523	-	-
State and county charges.....	858,636	-	-
Debt service:			
Principal.....	2,507,775	-	-
Interest.....	1,460,924	-	-
TOTAL EXPENDITURES.....	39,053,599	19,401	15,038
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(90,855)	8,546	(55,201)
OTHER FINANCING SOURCES (USES)			
Transfers in.....	280,632	-	-
Sale of capital assets.....	330,000	-	-
Transfers out.....	(27,515)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	583,117	-	-
NET CHANGE IN FUND BALANCES.....	492,262	8,546	(55,201)
FUND BALANCES AT BEGINNING OF YEAR.....	2,307,304	280,456	600,011
FUND BALANCES AT END OF YEAR.....	\$ 2,799,566	\$ 289,002	\$ 544,810

See notes to basic financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 27,023,852
19,970	1,716,119
-	63,159
-	406,020
1,872,216	1,897,968
4,037,321	12,562,644
-	110,417
-	384,975
-	46,502
173,005	613,550
294,599	298,254
35,257	121,536
100,803	238,703
<u>6,533,171</u>	<u>45,483,699</u>
549,135	838,402
1,200	979,012
69,456	305,055
516,740	4,490,465
3,818,907	23,272,743
1,039,687	4,550,005
2,580	389,948
67,388	424,357
92,403	621,721
-	4,232,612
-	214,356
-	99,523
-	858,636
-	2,507,775
-	1,460,924
<u>6,157,496</u>	<u>45,245,534</u>
<u>375,675</u>	<u>238,165</u>
10,000	290,632
-	330,000
<u>(280,632)</u>	<u>(308,147)</u>
<u>(270,632)</u>	<u>312,485</u>
105,043	550,650
<u>4,446,437</u>	<u>7,634,208</u>
<u>\$ 4,551,480</u>	<u>\$ 8,184,858</u>

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET ASSETS**

JUNE 30, 2009

Total governmental fund balances (page 20).....	\$	8,184,858
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.....		62,828,449
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.....		10,352,906
In the statement of net assets, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due.....		(177,320)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds and notes payable, net of unamortized deferred losses on refundings and premium.....		(30,988,990)
Compensated absences.....		(1,142,656)
Net OPEB obligation.....		<u>(1,599,340)</u>
Net assets of governmental activities (page 16).....	\$	<u><u>47,457,907</u></u>

See notes to basic financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Net change in fund balances - total governmental funds (page 22).....	\$	550,650
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These amounts represent the related activity of the current period.</p>		
Capital outlays.....		1,414,842
Depreciation.....		(1,699,192)
<p>In the statement of activities, only the <i>gain</i> or <i>loss</i> on the sale of capital assets is reported, whereas in the governmental funds the entire proceeds of the sale are reported as financial resources. As a result, the change in net assets differs from the change in fund balance by the net book value of the capital asset sold.....</p>		
		(21,955)
<p>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.....</p>		
		(2,220,860)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any impact on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts represent the related activity of the current period.</p>		
Bond maturities.....		2,507,775
Amortization of bond premiums.....		294,218
Amortization of deferred losses on refundings.....		(290,990)
<p>In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable.....</p>		
		16,308
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. This amount represents the net change in long-term liabilities:</p>		
Compensated absences.....		(55,010)
Net OPEB obligation.....		(1,599,340)
Changes in net assets of governmental activities (page 18).....	\$	<u>(1,103,554)</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF FUND NET ASSETS

JUNE 30, 2009

	Business-Type Activities - Enterprise Funds			
ASSETS	Water	Sewer	Municipal Light	Total
Current assets:				
Cash and cash equivalents.....	\$ 646,429	\$ 1,032,221	\$ 1,193,395	\$ 2,872,045
Restricted cash and cash equivalents.....	288,488	40,340	663,651	992,479
Receivables, net of allowance for uncollectible amounts:				
User charges.....	466,962	176,466	1,451,830	2,095,258
Utility liens.....	8,869	4,986	-	13,855
Special assessments.....	-	6,574	-	6,574
Intergovernmental.....	-	28,421	-	28,421
Prepaid expenses.....	-	-	553,667	553,667
Deferred charges.....	-	-	91,995	91,995
Purchased power working capital.....	-	-	2,437,337	2,437,337
Inventory.....	-	-	163,079	163,079
Total current assets.....	1,410,748	1,289,008	6,554,954	9,254,710
Noncurrent assets:				
Restricted cash and cash equivalents.....	-	-	868,019	868,019
Receivables, net of allowance for uncollectible amounts:				
Special assessments.....	-	57,668	-	57,668
Intergovernmental.....	-	234,265	-	234,265
Capital assets not being depreciated.....	2,176,439	963,507	5,822,731	8,962,677
Capital assets, net of accumulated depreciation.....	11,504,665	6,650,339	5,323,660	23,478,664
Total noncurrent assets.....	13,681,104	7,905,779	12,014,410	33,601,293
Total assets.....	15,091,852	9,194,787	18,569,364	42,856,003
LIABILITIES				
Current liabilities:				
Warrants payable.....	136,587	7,352	1,468,434	1,612,373
Accrued payroll.....	23,238	9,822	38,361	71,421
Other liabilities.....	-	-	1,093,313	1,093,313
Accrued interest.....	18,888	21,496	18,575	58,959
Compensated absences.....	6,900	3,546	8,621	19,067
Short-term notes payable.....	893,000	-	100,000	993,000
Long-term bonds and notes payable.....	248,125	250,000	300,000	798,125
Total current liabilities.....	1,326,738	292,216	3,027,304	4,646,258
Noncurrent liabilities:				
Liabilities due depositors.....	-	-	81,741	81,741
Environmental remediation.....	-	-	160,000	160,000
Net OPEB obligation.....	39,816	21,580	80,329	141,725
Compensated absences.....	62,099	31,918	77,588	171,605
Long-term bonds and notes payable.....	2,266,000	2,858,700	5,400,000	10,524,700
Total noncurrent liabilities.....	2,367,915	2,912,198	5,799,658	11,079,771
Total liabilities.....	3,694,653	3,204,414	8,826,962	15,726,029
FUND NET ASSETS				
Invested in capital assets, net of related debt.....	10,562,467	4,807,960	5,920,563	21,290,990
Restricted for:				
Rate stabilization.....	-	-	1,600,778	1,600,778
Capital (Depreciation fund).....	-	-	89,479	89,479
Unrestricted.....	834,732	1,182,413	2,131,582	4,148,727
Total fund net assets.....	\$ 11,397,199	\$ 5,990,373	\$ 9,742,402	\$ 27,129,974

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Municipal Light	Total
OPERATING REVENUES				
Charges for services.....	\$ 2,341,274	\$ 1,560,885	\$ 14,092,598	\$ 17,994,757
Other.....	-	4,241	21,896	26,137
TOTAL OPERATING REVENUES.....	2,341,274	1,565,126	14,114,494	18,020,894
OPERATING EXPENSES				
Cost of service and administration.....	1,888,060	915,744	12,917,609	15,721,413
Depreciation.....	447,800	261,509	945,981	1,655,290
TOTAL OPERATING EXPENSES.....	2,335,860	1,177,253	13,863,590	17,376,703
OPERATING INCOME (LOSS).....	5,414	387,873	250,904	644,191
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental.....	-	32,416	-	32,416
Investment income.....	37,230	22,200	175,793	235,223
Interest expense.....	(107,150)	(140,839)	(112,553)	(360,542)
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(69,920)	(86,223)	63,240	(92,903)
INCOME (LOSS) BEFORE TRANSFERS.....	(64,506)	301,650	314,144	551,288
TRANSFERS				
Transfers in.....	17,515	-	-	17,515
CHANGE IN FUND NET ASSETS.....	(46,991)	301,650	314,144	568,803
FUND NET ASSETS AT BEGINNING OF YEAR (AS RESTATED).....	11,444,190	5,688,723	9,428,258	26,561,171
FUND NET ASSETS AT END OF YEAR.....	\$ 11,397,199	\$ 5,990,373	\$ 9,742,402	\$ 27,129,974

See notes to basic financial statements.

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Municipal Light	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users.....	\$ 2,337,056	\$ 1,594,074	\$ 14,659,802	\$ 18,590,932
Payments to vendors.....	(838,974)	(545,693)	(12,636,966)	(14,021,633)
Payments to employees.....	(889,410)	(380,494)	(765,686)	(2,035,590)
NET CASH FROM OPERATING ACTIVITIES.....	608,672	667,887	1,257,150	2,533,709
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in.....	17,515	-	-	17,515
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from the issuance of bonds and notes.....	893,000	-	100,000	993,000
Acquisition and construction of capital assets.....	(762,555)	(91,600)	(5,769,450)	(6,623,605)
Principal payments on bonds and notes.....	(248,125)	(246,700)	(400,000)	(894,825)
Interest expense.....	(107,708)	(110,359)	(113,978)	(332,045)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(225,388)	(448,659)	(6,183,428)	(6,857,475)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income.....	37,230	22,200	175,793	235,223
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	438,029	241,428	(4,750,485)	(4,071,028)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
(Including restricted amounts totaling \$80,119, \$40,340 and \$6,604,103, respectively).....	496,888	831,133	7,475,550	8,803,571
CASH AND CASH EQUIVALENTS AT END OF YEAR				
(Including restricted amounts totaling \$288,488, \$40,340 and \$1,531,670 respectively).....	\$ 934,917	\$ 1,072,561	\$ 2,725,065	\$ 4,732,543
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating income (loss).....	\$ 5,414	\$ 387,873	\$ 250,904	\$ 644,191
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation.....	447,800	261,509	945,981	1,655,290
Changes in assets and liabilities:				
Utility liens.....	(1,704)	379	-	(1,325)
User charges.....	(2,514)	(11,568)	474,553	460,471
Special assessments.....	-	13,907	-	13,907
Intergovernmental.....	-	26,230	-	26,230
Prepaid expenses.....	-	-	19,487	19,487
Inventory.....	-	-	6,206	6,206
Warrants payable.....	100,571	(36,769)	(1,156,743)	(1,092,941)
Other liabilities.....	-	-	758,645	758,645
Accrued payroll.....	4,662	1,047	11,283	16,992
Liabilities due depositors.....	-	-	31,466	31,466
Environmental remediation.....	-	-	(236,000)	(236,000)
Deferred charges.....	-	-	70,755	70,755
Net OPEB obligation.....	39,816	21,580	80,329	141,725
Accrued compensated absences.....	14,627	3,699	284	18,610
Total adjustments.....	603,258	280,014	1,006,246	1,889,518
NET CASH FROM OPERATING ACTIVITIES.....	\$ 608,672	\$ 667,887	\$ 1,257,150	\$ 2,533,709
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Intergovernmental debt subsidies (MWPAT).....	-	58,646	-	58,646

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2009

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents.....	\$ 220,847	\$ 321,398
LIABILITIES		
Warrants payable.....	-	7,209
Liabilities due depositors.....	-	314,189
Total liabilities.....	-	321,398
NET ASSETS		
Held in trust for other purposes.....	\$ 220,847	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Private Purpose Trust Funds</u>
ADDITIONS	
Net investment income:	
Interest.....	\$ <u>2,271</u>
DEDUCTIONS	
Scholarships awarded.....	<u>2,500</u>
CHANGE IN NET ASSETS.....	(229)
NET ASSETS AT BEGINNING OF YEAR.....	<u>221,076</u>
NET ASSETS AT END OF YEAR.....	\$ <u><u>220,847</u></u>

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. General**

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

These notes to the financial statements are segregated between the Ipswich Municipal Light Department of the Town of Ipswich, Massachusetts (Town) and the remainder of the Town. The notes to the financial statements specifically related to the Town (except for certain information regarding accounts receivable, capital assets and long-term debt) can be found on pages 30-57 of this report. The notes to the financial statements related to the Ipswich Municipal Light Department can be found on pages 58-66.

B. Reporting Entity

The Town is a municipal corporation that is governed by an elected Board of Selectmen.

For financial reporting purposes, the basic financial statements include all funds, organizations, agencies, boards, commissions and institutions that are not legally separate from the Town.

The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and/or significance of their relationship with the Town are such that exclusion would cause the Town's basic financial statements to be misleading or incomplete. It has been determined that there are no component units that require inclusion in the basic financial statements.

C. Government-Wide and Fund Financial Statements**Government-Wide Financial Statements**

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

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds 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. Nonmajor funds are aggregated and displayed in a single column.

Fiduciary funds are reported by fund type.

D. Measurement Focus, Basis of Accounting and Basis of Presentation**Government-Wide and Fund Financial Statements**

The government-wide and enterprise fund financial statements apply all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal 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.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a specific function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a specific function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

Except for charges between the general fund and enterprise funds, the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

Governmental funds financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60-days after the end of the fiscal year. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

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

The following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those required to be accounted for in another fund.

The *affordable housing fund* is a special revenue fund (established in accordance with MGL, Chapter 44, Section 53E ½) used to account for activities related to the creation and preservation of affordable housing for the benefit of low and moderate income households.

The *library trustees fund* is a permanent fund used to report activities related to funds maintained by the Library Trustees and are restricted for the Ipswich Public Library.

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

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

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

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

Proprietary funds financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major proprietary funds are reported:

The *water enterprise fund* is used to account for the water activities.

The *sewer enterprise fund* is used to account for the sewer activities.

The *municipal light enterprise fund* is used to account for the municipal light activities.

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

The following fiduciary fund types are reported:

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefits individuals, private organizations, or other governments.

The *agency fund* is used to account for assets held in a custodial capacity. Such assets consist primarily of performance bonds. Agency funds do not present the results of operations or have a measurement focus.

E. Cash and InvestmentsGovernment-Wide and Fund Financial Statements

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

F. Accounts ReceivableGovernment-Wide and Fund Financial Statements

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

Real Estate Taxes, Personal Property Taxes and Tax Liens

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 August 1st, November 1st, February 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date.

Real estate tax liens are processed approximately one year after the close of the valuation year on delinquent properties and are recorded as receivables in the fiscal year they are processed.

Motor Vehicle Excise Taxes

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles to the Town. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

User Charges (Water and Sewer)

User charges are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water and sewer liens are processed approximately one year after the end of the fiscal year and are included as a lien on the property owner's tax bill. Water and sewer charges are recorded as receivables in the fiscal year of the commitment.

Departmental and Other

Departmental and other receivables primarily consist of amounts due from police and fire details and are recorded as receivables in the fiscal year accrued.

Intergovernmental

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

G. Allowance for Uncollectible Amounts

The allowance for uncollectible amounts is estimated based on historical trends and specific account analysis for the following accounts receivable:

- Personal property taxes
- Motor vehicle and other excise taxes
- Departmental and other
- Municipal light

The following types of accounts receivable are secured via the lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible amounts is not reported.

- Real estate taxes and tax liens
- Loans
- Water and sewer

Intergovernmental receivables are considered 100% collectible.

H. Inventories

Government-Wide and Fund Financial Statements

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements and therefore are not reported.

I. Restricted Assets

Government-Wide and Fund Financial Statements

Assets are reported as restricted when limitations on their use change the nature of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

J. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which consist of land, construction in progress, buildings and improvements, machinery, equipment and vehicles, municipal light plant and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activities column of the government-wide financial statements.

Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation.

All purchases and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

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

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Buildings and improvements.....	40
Machinery and equipment.....	5
Vehicles.....	10
Infrastructure.....	50 - 75

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

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the fiscal year of the purchase.

K. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within funds that may result in amounts owed between funds.

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net assets as "internal balances".

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are not eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

L. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds.

Government-Wide Financial Statements

Transfers between and within governmental funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

Fund Financial Statements

Transfers between and within funds are not eliminated from the individual fund statements and are reported as transfers in and transfers out.

M. Deferred Revenue

Deferred revenue at the fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide financial statements (full accrual).

N. Net Assets and Fund Equity

Government-Wide Financial Statements (Net Assets)

Net assets are reported as restricted when amounts are restricted by outside parties for a specific future use.

Net assets have been "restricted" for the following:

"Rate stabilization" represents amounts restricted for the purpose of minimizing exposure to rate fluctuations in the municipal light industry. The fund may also be used to help the Municipal Light Department maintain a competitive position in the marketplace or for other unexpected costs. This amount is also restricted on the Proprietary Funds Statement of Fund Net Assets.

"Capital (Depreciation fund)" represents amounts restricted pursuant to provisions of the MGL. Cash, in an amount equivalent to the annual depreciation expense, is transferred from unrestricted municipal light funds to the depreciation fund. Interest earned on the balance of the fund remains in the fund. The depreciation fund may be used for capital improvements, and upgrades to utility plant assets, nuclear decommissioning costs, the costs of contractual commitments, the costs of related debt service and deferred costs and debt service costs related to such commitments, which the Municipal Light Commissioners (Board) determine are above market value. This amount is also restricted on the Proprietary Funds Statement of Fund Net Assets.

"Affordable housing" represents amounts restricted for a fund (established in accordance with MGL, Chapter 44, Section 53E ½) used to account for activities related to the creation and preservation of affordable housing for the benefit of low and moderate income households.

"Debt service" represents amounts accumulated for the future payment of long-term debt service costs.

"Loans" represents amounts outstanding from the first time homebuyer program.

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

"Permanent funds – nonexpendable" represents amounts held in trust for which only investment earnings may be expended.

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

Fund Financial Statements (Fund Balances)

Fund balances are reserved for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designations of fund balance represent tentative management plans that are subject to change.

Fund balances have been "reserved for" the following:

"Encumbrances and continuing appropriations" represents amounts obligated under purchase orders, contracts and other commitments for expenditures that are being carried over to the ensuing fiscal year.

"Debt service" represents amounts accumulated for the future payment of long-term debt service costs.

"Stabilization" represents amounts accumulated for general and/or capital purposes, which is subject to Town Meeting approval.

"Perpetual permanent funds" represents amounts held in trust for which only investment earnings may be expended.

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

Fund balances have been "designated for" the following:

"Subsequent year's expenditures" represents amounts appropriated for the fiscal year 2010 operating budget.

O. Long-term Debt

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary fund statements of net assets. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources when the debt is issued. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

P. Investment Income

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

Investment income from proprietary funds is retained in the respective proprietary funds.

Q. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Government-Wide and Proprietary Fund Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Governmental Fund Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon employee retirements and resignations.

R. Post Retirement Benefits

Government-Wide and Fund Financial Statements

In addition to providing pension benefits and as more fully described in Note 12, the Town provides health, dental and life insurance coverage for current and future retirees and their spouses.

S. Use of Estimates

Government-Wide and Fund Financial Statements

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

T. Total Column

Government-Wide Financial Statements

The total column presented on the government-wide financial statements represents consolidated financial information.

Fund Financial Statements

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Municipal Law requires the adoption of a balanced budget that is approved by Town Meeting vote. The Finance Committee presents an annual budget to Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Town Meeting adopts the expenditure budget by majority vote.

Increases or transfers between and within departments subsequent to the approval of the annual budget, requires majority approval via Special Town Meeting.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year.

Generally, expenditures may not exceed the level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the Town is statutorily required to pay debt service, regardless of whether such amounts are appropriated.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2009 approved budget for the general fund authorized \$37,353,760 in appropriations. During fiscal year 2009, supplemental appropriations totaling \$256,222 were authorized.

The Accountant's office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

The budgetary comparison schedule presented in the accompanying required supplementary information presents comparisons of the legally adopted budget, as amended, with actual results and encumbrances and continuing appropriations carried forward to the ensuing fiscal year. The originally adopted budget is presented for purposes of comparison to the final, amended budget.

B. Fund Deficits

At June 30, 2009, the following fund deficits exist:

Fund	Amount	Funding Source
Open space bond Article #18 4/00 ATM.....	\$ 525,000	Issuance of long-term debt
Equipment bond Article #13 5/08 ATM.....	67,691	Issuance of long-term debt
Equipment bond Article #14 4/07 ATM.....	52,901	Issuance of long-term debt
MBTA gradexing Article #6 10/08 STM.....	24,905	Issuance of long-term debt
State 911 grant.....	24,081	Federal grant

NOTE 3 - DEPOSITS AND INVESTMENTS

The municipal finance laws of the Commonwealth authorize the Town to invest temporarily idle cash in bank term deposits and certificates of deposits, and treasury and agency obligations of the United States government, with maturities of one year or less; U.S. treasury or agency repurchase agreements with maturities of not more than 90 days; money market accounts; and the state treasurer's investment pool - the Massachusetts Municipal Depository Trust (MMDT).

The MMDT meets the criteria of an external investment pool and operates in accordance with applicable state laws and regulations. The Treasurer of the Commonwealth serves as Trustee. The reported value of the pool is the same as the fair value of pool shares.

A cash and investment pool is maintained that is available for use by all funds with unrestricted cash and investments. The deposits and investments of permanent funds and private purpose trust funds are held separately from other Town funds. Certain trust funds have expanded investment powers, including the ability to invest in equity securities, corporate bonds and other specified investments.

Deposits and Investments of the Town (excluding funds maintained by the Library Trustees)

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town's deposits may not be recovered. The Town's policy is to rely on FDIC and DIF insurance coverage. As of June 30, 2009, \$5,089,098 of the Town's bank balance of \$12,415,610 was uninsured and uncollateralized and, therefore, exposed to custodial credit risk.

Investments Summary

The Town's investments at June 30, 2009 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1 - 5	6 - 10
<u>Debt Securities:</u>				
U.S. Treasuries.....	\$ 48,469	\$ -	\$ -	\$ 48,469
U.S. Agencies.....	678,746	40,275	638,471	-
Corporate bonds.....	323,837	-	247,570	76,267
Money market mutual funds.....	252,882	252,882	-	-
Fixed income securities.....	311,533	96,747	214,786	-
External investment pools.....	779,389	779,389	-	-
Total debt securities.....	2,394,856	\$ 1,169,293	\$ 1,100,827	\$ 124,736
<u>Other Investments:</u>				
Equity securities.....	68,588			
Equity mutual funds.....	32,566			
Total other investments.....	101,154			
Total investments.....	\$ 2,496,010			

Investments - Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The Town does not have a policy for interest rate risk of debt securities.

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk of investments. As of June 30, 2009, \$263,997 of the Town's investments of \$2,496,010 was uninsured, not registered in the name of the Town and exposed to custodial credit risk as follows:

Investment Type	Fair Value	Held by Counterparty
U.S. Treasuries.....	\$ 48,469	\$ 48,469
U.S. Agencies.....	71,762	71,762
Corporate bonds.....	76,267	76,267
Equity securities.....	67,499	67,499
Total.....	\$ 263,997	\$ 263,997

Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The Town does not have a policy for credit risk of debt securities. As of June 30, 2009, the credit quality ratings of the Town's debt securities are as follows:

Investment Type	Fair Value	Quality Ratings *				
		AAA	AA	A	BBB	Unrated
Corporate bonds.....	\$ 323,836	\$ 29,186	\$ 77,221	\$ 178,047	\$ 39,382	\$ -
Money market mutual funds.....	252,882	-	-	-	-	252,882
Fixed income securities.....	311,533	-	-	-	-	311,533
External investment pools.....	779,389	-	-	-	-	779,389
Total.....	\$ 1,667,640	\$ 29,186	\$ 77,221	\$ 178,047	\$ 39,382	\$ 1,343,804

* Per the rating scale of Standard and Poor's (a national credit rating organization).

Deposits and Investments - Foreign Currency Risk

Foreign currency risk is the risk that fluctuations in exchange rates will adversely affect the fair value of an investment or a deposit. The Town does not have a policy for foreign currency risk. As of June 30, 2009, the Town was not exposed to foreign currency risk.

Investments - Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town does not have a policy for concentration of credit risk. As of June 30, 2009, the Town's investments with a single issuer that represent 5 percent or more of the Town's total investments are as follows:

Issuer	Fair Value	Percentage of Total Investments
Verizon.....	\$ 130,966	5.2%

Deposits and Investments Maintained by the Library Trustees (Trustees)Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Trustees' deposits may not be recovered. The Trustees do not have a policy for custodial credit risk of deposits. As of June 30, 2009, the Trustees' bank balance was not exposed to custodial credit risk.

Investments Summary

The Trustees investments at June 30, 2009 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1 - 5
<u>Debt Securities:</u>			
U.S. Agencies.....	\$ 106,304	\$ 34,082	\$ 72,222
Corporate bonds.....	72,643	-	72,643
Money market mutual funds.....	52,790	52,790	-
Fixed income securities.....	141,669	51,669	90,000
Total debt securities.....	373,406	\$ 138,541	\$ 234,865
<u>Other Investments:</u>			
Equity securities.....	114,885		
Equity mutual funds.....	47,846		
Alternative investments.....	5,169		
Total other investments.....	167,900		
Total investments.....	\$ 541,306		

Investments - Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The Trustees do not have a policy for interest rate risk of debt securities.

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Trustees will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Trustees do not have a policy for custodial credit risk of investments. As of June 30, 2009, \$419,001 of the Trustee's investments of \$541,306 was uninsured, not registered in the name of the Trustees and exposed to custodial credit risk as follows:

Investment Type	Fair Value	Held by Counterparty
U.S. Agencies.....	\$ 106,304	\$ 106,304
Corporate bonds.....	72,643	72,643
Fixed income securities.....	120,000	120,000
Equity securities.....	114,885	114,885
Alternative investments.....	5,169	5,169
Total.....	\$ 419,001	\$ 419,001

Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The Trustees do not have a policy for credit risk of debt securities. As of June 30, 2009, the credit quality ratings of the Trustees' debt securities are as follows:

Investment Type	Fair Value	Quality Ratings *		
		AA+	AA	Unrated
Corporate bonds.....	\$ 72,643	\$ 51,033	\$ 21,610	\$ -
Money market mutual funds.....	52,790	-	-	52,790
Fixed income securities.....	141,669	-	-	141,669
Total.....	\$ 267,102	\$ 51,033	\$ 21,610	\$ 194,459

* Per the rating scale of Standard and Poor's (a national credit rating organization)

Deposits and Investments - Foreign Currency Risk

Foreign currency risk is the risk that fluctuations in exchange rates will adversely affect the fair value of an investment or a deposit. The Trustees do not have a policy for foreign currency risk. As of June 30, 2009, the Trustees were not exposed to foreign currency risk.

Investments - Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Trustees investment in a single issuer. The Trustees do not have a policy for concentration of credit risk. As of June 30, 2009, the Trustees investments with a single issuer that represent 5 percent or more of the Trustees total investments are as follows:

Issuer	Fair Value	Percentage of Total Investments
Ishare S & P 500 Index.....	\$ 97,891	18.1%
General Electric Corporation.....	51,033	9.4%
EBSB.....	120,000	22.2%

NOTE 4 - ACCOUNTS RECEIVABLE

At June 30, 2009, receivables for the individual major governmental funds and nonmajor governmental funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible amounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 432,790	\$ (57,339)	\$ 375,451
Tax liens.....	408,704	-	408,704
Motor vehicle and other excise taxes.....	206,104	(101,944)	104,160
Departmental and other.....	103,101	(7,427)	95,674
Intergovernmental.....	9,876,169	-	9,876,169
Loans.....	113,100	-	113,100
	<u>\$ 11,139,968</u>	<u>\$ (166,710)</u>	<u>\$ 10,973,258</u>

At June 30, 2009, receivables for the major enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Utility liens.....	\$ 13,855	\$ -	\$ 13,855
User charges.....	2,151,912	(56,654)	2,095,258
Special assessments.....	64,242	-	64,242
Intergovernmental.....	262,686	-	262,686
	<u>\$ 2,492,695</u>	<u>\$ (56,654)</u>	<u>\$ 2,436,041</u>

Governmental funds report *deferred revenue* in connection with receivables and other assets (tax foreclosures) for revenues that are not considered to be available to liquidate liabilities of the current period. The following identifies the various components of *deferred revenue* reported in the governmental funds:

	General Fund	Nonmajor Governmental Funds	Total
<u>Receivable type:</u>			
Real estate and personal property taxes.....	\$ 257,217	\$ -	\$ 257,217
Tax and utility liens.....	408,704	-	408,704
Motor vehicle and other excise taxes.....	104,160	-	104,160
Intergovernmental (state school construction).....	9,442,136	-	9,442,136
Loans.....	-	113,100	113,100
Tax foreclosures.....	27,589	-	27,589
Total.....	<u>\$ 10,239,806</u>	<u>\$ 113,100</u>	<u>\$ 10,352,906</u>

The Commonwealth has approved school construction assistance. The assistance program, which is administered by the Massachusetts School Building Authority, provides resources for future debt service of general obligation school bonds outstanding. During fiscal year 2009, approximately \$1,390,000 of such assistance was received. Approximately \$15,288,000 will be received in future fiscal years. Of this amount, approximately \$5,846,000 represents reimbursement of long-term interest costs, and approximately \$9,442,000 represents reimbursement of approved construction costs. Accordingly, a \$9,442,136 intergovernmental receivable and corresponding deferred revenue have been reported in the governmental funds financial statements. The deferred revenue has been recognized as revenue in the conversion to the government-wide financial statements.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 15,537,404	\$ -	(2,965)	\$ 15,534,439
Construction in progress.....	1,342,704	483,689	(1,057,083)	769,310
Total capital assets not being depreciated.....	16,880,108	483,689	(1,060,048)	16,303,749
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	46,352,491	920,025	-	47,272,516
Machinery, equipment and vehicles.....	4,780,152	199,439	(27,128)	4,952,463
Infrastructure.....	8,225,177	868,772	-	9,093,949
Total capital assets being depreciated.....	59,357,820	1,988,236	(27,128)	61,318,928
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(8,522,863)	(1,166,009)	-	(9,688,872)
Machinery, equipment and vehicles.....	(3,207,998)	(350,638)	8,138	(3,550,498)
Infrastructure.....	(1,372,313)	(182,545)	-	(1,554,858)
Total accumulated depreciation.....	(13,103,174)	(1,699,192)	8,138	(14,794,228)
Total capital assets being depreciated, net.....	46,254,646	289,044	(18,990)	46,524,700
Total governmental activities capital assets, net.....	\$ 63,134,754	\$ 772,733	\$ (1,079,038)	\$ 62,828,449

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 2,379,012	\$ -	\$ -	\$ 2,379,012
Construction in progress.....	877,853	5,736,052	(30,240)	6,583,665
Total capital assets not being depreciated.....	<u>3,256,865</u>	<u>5,736,052</u>	<u>(30,240)</u>	<u>8,962,677</u>
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	269,680	-	-	269,680
Machinery, equipment and vehicles.....	741,955	23,376	-	765,331
Infrastructure.....	32,987,612	77,289	-	33,064,901
Municipal light plant.....	18,848,443	817,308	(353,751)	19,312,000
Total capital assets being depreciated.....	<u>52,847,690</u>	<u>917,973</u>	<u>(353,751)</u>	<u>53,411,912</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(172,601)	(5,394)	-	(177,995)
Machinery, equipment and vehicles.....	(435,449)	(39,290)	-	(474,739)
Infrastructure.....	(14,627,549)	(664,625)	-	(15,292,174)
Municipal light plant.....	(13,396,110)	(945,981)	353,751	(13,988,340)
Total accumulated depreciation.....	<u>(28,631,709)</u>	<u>(1,655,290)</u>	<u>353,751</u>	<u>(29,933,248)</u>
Total capital assets being depreciated, net.....	<u>24,215,981</u>	<u>(737,317)</u>	<u>-</u>	<u>23,478,664</u>
Total business-type activities capital assets, net.....	<u>\$ 27,472,846</u>	<u>\$ 4,998,735</u>	<u>\$ (30,240)</u>	<u>\$ 32,441,341</u>

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

Governmental Activities:

General government.....	\$	151,853
Finance.....		12,362
Public safety.....		145,664
Education.....		1,002,346
Public works.....		301,794
Code enforcement.....		2,952
Human services.....		5,146
Library.....		67,674
Planning and development.....		9,401

Total depreciation expense - governmental activities..... \$ 1,699,192

Business-Type Activities:

Water.....	\$	447,800
Sewer.....		261,509
Electric.....		945,981

Total depreciation expense - business-type activities..... \$ 1,655,290

NOTE 6 - INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2009, are summarized as follows:

Transfers Out:	Transfers In:			Total
	General Fund	Nonmajor Governmental Funds	Water Enterprise Fund	
General Fund.....	\$ -	\$ 10,000	\$ 17,515	\$ 27,515 (1)
Nonmajor Governmental Funds.....	<u>280,632</u>	<u>-</u>	<u>-</u>	<u>280,632 (2)</u>
	<u>\$ 280,632</u>	<u>\$ 10,000</u>	<u>\$ 17,515</u>	<u>\$ 308,147</u>

(1) Represents budgeted transfer to the park special revenue fund (\$10,000). Also represents budgeted transfers of annual debt service principal and interest payments (\$17,300).

(2) Represents budgeted transfers from capital stabilization (\$197,068), waterways improvement special revenue fund (\$30,564), tourism development and service special revenue fund (\$1,000) and sale of lots special revenue fund (\$52,000) to fund the fiscal year 2009 operating budget.

NOTE 7 - SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue anticipation notes (RAN) or tax anticipation notes (TAN).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BAN) or grant anticipation notes (GAN).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and enterprise funds, respectively.

Details related to the short-term debt activity for the fiscal year ended June 30, 2009, is as follows:

Notes Payable - Governmental Funds

Type	Description	Origination Date	Maturity Date	Interest Rate (%)	Balance at June 30, 2008	Increases	Decreases	Balance at June 30, 2009
BAN	Land Acquisition.....	6/30/08	6/30/09	2.60	\$ 525,000	\$ -	\$ (525,000)	\$ -
BAN	Land Acquisition.....	6/29/09	12/16/09	1.25	-	525,000	-	525,000
BAN	DPW/Computer.....	6/29/09	12/16/09	1.25	-	56,000	-	56,000
BAN	Equipment.....	6/29/09	12/16/09	1.25	-	250,000	-	250,000
BAN	MBTA Grade Crossing.....	6/29/09	12/16/09	1.25	-	34,000	-	34,000
Total.....					\$ 525,000	\$ 865,000	\$ (525,000)	\$ 865,000

Type	Description	Origination Date	Maturity Date	Interest Rate (%)	Balance at June 30, 2008	Increases	Decreases	Balance at June 30, 2009
BAN	Wind Turbine.....	6/29/09	12/16/09	1.25	\$ -	\$ 100,000	\$ -	\$ 100,000
BAN	Water.....	6/29/09	12/16/09	1.25	-	893,000	-	893,000
Total.....					\$ -	\$ 993,000	\$ -	\$ 993,000

NOTE 8 - LONG-TERM OBLIGATIONS

Chapter 44, Section 10, of the MGL authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". However, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

During fiscal year 2006, certain general obligation bonds were defeased by placing the proceeds of bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2009, \$20,380,000 of bonds outstanding from this advance refunding is considered defeased.

Details related to the outstanding indebtedness at June 30, 2009, and the debt service requirements are as follows:

Bonds and Notes Payable – Governmental Activities/Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2008*	Issued	Redeemed	Outstanding at June 30, 2009
Library.....	3.95 - 6.25	\$ 1,035,000	\$ -	\$ (115,000)	\$ 920,000
Land Acquisition.....	4.60 - 5.75	40,000	-	(20,000)	20,000
School.....	4.60 - 5.75	2,870,000	-	(1,395,000)	1,475,000
Whipple School Construction.....	3.50 - 4.75	2,750,000	-	(225,000)	2,525,000
Land Acquisition.....	3.50 - 4.75	2,620,000	-	(190,000)	2,430,000
Whipple School Design.....	3.50 - 4.65	120,000	-	(10,000)	110,000
Open Space Land Acquisition.....	2.35 - 4.00	515,000	-	(41,000)	474,000
Seawall.....	2.35 - 3.40	43,750	-	(21,875)	21,875
Seawall.....	2.35 - 3.40	5,000	-	(5,000)	-
Bridges.....	2.35 - 3.40	20,000	-	(5,000)	15,000
School.....	2.35 - 4.00	110,000	-	(11,000)	99,000
Fire Department Equipment.....	2.75 - 5.00	190,000	-	(95,000)	95,000
Sidewalks.....	2.75 - 3.00	63,750	-	(63,750)	-
Drainage.....	2.75 - 3.00	16,250	-	(16,250)	-
School Renovations Winthrop.....	2.75 - 5.00	180,000	-	(15,000)	165,000
Fire Station Repairs.....	2.75 - 5.00	34,000	-	(17,000)	17,000
School Renovations.....	2.75 - 5.00	240,000	-	(20,000)	220,000
School Refunding.....	3.00 - 5.00	20,465,000	-	(105,000)	20,360,000
Land Acquisition Refunding.....	3.50 - 5.00	205,000	-	-	205,000
School Renovations.....	4.00 - 5.00	189,400	-	(11,400)	178,000
School.....	4.00 - 5.00	560,500	-	(30,500)	530,000
Bridges.....	4.00 - 4.75	40,000	-	(10,000)	30,000
Open Space.....	4.00 - 5.00	782,500	-	(45,000)	737,500
Equipment.....	3.25 - 5.00	285,000	-	(30,000)	255,000
Library Remodeling.....	3.25 - 5.00	115,000	-	(10,000)	105,000
Total governmental funds, gross.....		33,495,150	-	(2,507,775)	30,987,375
Unamortized premium.....		441,328	-	(294,218)	147,110
Deferred loss on refunding.....		(436,485)	-	290,990	(145,495)
Total, net.....		\$ 33,499,993	\$ -	\$ (2,511,003)	\$ 30,988,990

* As restated and more fully described in Note 15.

Debt service (gross) requirements for principal and interest for governmental bonds and notes payable in future fiscal years are as follows:

Fiscal Year	Principal	Interest	Total
2010.....	\$ 2,516,875	\$ 1,330,793	\$ 3,847,668
2011.....	2,443,000	1,225,100	3,668,100
2012.....	2,493,000	1,135,823	3,628,823
2013.....	2,553,000	1,036,986	3,589,986
2014.....	2,633,000	925,012	3,558,012
2015.....	2,723,000	801,549	3,524,549
2016.....	2,823,000	668,214	3,491,214
2017.....	2,928,000	528,833	3,456,833
2018.....	2,922,000	385,978	3,307,978
2019.....	2,930,000	242,000	3,172,000
2020.....	3,040,000	107,947	3,147,947
2021.....	370,000	36,559	406,559
2022.....	230,000	22,809	252,809
2023.....	80,000	15,948	95,948
2024.....	80,000	12,646	92,646
2025.....	80,000	9,346	89,346
2026.....	75,000	5,974	80,974
2027.....	67,500	2,827	70,327
Total.....	\$ 30,987,375	\$ 8,494,344	\$ 39,481,719

Bonds and Notes Payable - Business-Type Activities/Enterprise Funds

Project	Interest Rate	Outstanding at June 30, 2008*	Issued	Redeemed	Outstanding at June 30, 2009
Sewer 97-19 (MWPAT).....	Variable	\$ 1,117,800	\$ -	\$ (92,600)	\$ 1,025,200
Electric Metering System.....	4.6% - 5.0%	100,000	-	(100,000)	-
Water.....	3.50% - 4.25%	40,000	-	(10,000)	30,000
Sewer.....	3.50% - 4.75%	1,145,000	-	(85,000)	1,060,000
Computer (GIS)**.....	2.35% - 3.40%	66,250	-	(33,125)	33,125
Sewer Land Acquisition.....	2.35% - 3.40%	20,000	-	(5,000)	15,000
Sewer.....	2.35% - 4.00%	110,000	-	(11,000)	99,000
Land Acquisition.....	2.35% - 4.00%	220,000	-	(22,000)	198,000
Water.....	2.75% - 5.00%	1,031,000	-	(108,000)	923,000
Sewer.....	2.75% - 5.00%	40,000	-	(5,000)	35,000
Water 1.....	4.00% - 5.00%	694,000	-	(27,000)	667,000
Water 2.....	4.00% - 5.00%	161,000	-	(18,000)	143,000
Wastewater 1.....	4.00% - 5.00%	757,000	-	(42,200)	714,800
Wastewater 2.....	4.00% - 5.00%	165,600	-	(5,900)	159,700
Electric Sub Station and System Improvements.....	3.25% - 4.10%	6,000,000	-	(300,000)	5,700,000
Water.....	3.25 - 5.00%	550,000	-	(30,000)	520,000
Total.....		\$ 12,217,650	\$ -	\$ (894,825)	\$ 11,322,825

* As restated and more fully described in Note 15.

** 51% funded by the general fund.

The Town receives subsidy assistance from the Massachusetts Water Pollution Abatement Trust (MWPAT). Principal and interest on the outstanding bonds for MWPAT is subsidized over the life of the bonds to assist the Town in the repayment of this future debt. During fiscal year 2009, the Town's subsidy totaled approximately \$59,000. Future subsidies total approximately \$451,000. The amount of MWPAT bonds outstanding at June 30, 2009, totaled \$1,025,200.

Debt service requirements for principal and interest for enterprise fund bonds and notes payable in future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010.....	\$ 798,125	\$ 452,407	\$ 1,250,532
2011.....	764,800	424,773	1,189,573
2012.....	767,800	391,622	1,159,422
2013.....	705,700	420,134	1,125,834
2014.....	751,800	342,950	1,094,750
2015.....	719,900	314,677	1,034,577
2016.....	718,200	285,046	1,003,246
2017.....	716,600	253,796	970,396
2018.....	721,000	217,326	938,326
2019.....	686,400	186,959	873,359
2020.....	565,000	160,812	725,812
2021.....	500,000	137,588	637,588
2022.....	500,000	116,866	616,866
2023.....	420,000	98,050	518,050
2024.....	420,000	81,128	501,128
2025.....	420,000	58,395	478,395
2026.....	425,000	50,106	475,106
2027.....	397,500	32,598	430,098
2028.....	325,000	13,325	338,325
Total.....	\$ <u>11,322,825</u>	\$ <u>4,052,736</u>	\$ <u>15,375,561</u>

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2009, the Town had the following authorized and unissued debt:

Purpose	Amount
Wind turbine.....	\$ 4,378,000
Open space.....	3,980,000
Water Mains.....	2,395,000
Electric substation.....	1,500,000
Water.....	893,000
Equipment.....	600,000
Bridges.....	165,000
Recreation.....	121,231
DPW/computer.....	104,422
Riverwalk.....	75,000
MBTA Grade Crossing.....	68,700
Town Hall Windows.....	50,000
Total.....	\$ 14,330,353

Changes in Long-Term Liabilities

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

	Balance June 30, 2008*	Increases	Decreases	Balance June 30, 2009	Current Portion
Governmental Activities:					
Bonds and notes payable*.....	\$ 33,495,150	\$ -	\$ (2,507,775)	\$ 30,987,375	\$ 2,516,875
Unamortized premium.....	441,328	-	(294,218)	147,110	147,110
Deferred loss on refunding.....	(436,485)	-	290,990	(145,495)	(145,495)
Bonds and notes payable, net.....	33,499,993	-	(2,511,003)	30,988,990	2,518,490
Net OPEB obligation.....	-	1,599,340	-	1,599,340	-
Compensated absences.....	1,087,646	55,010	-	1,142,656	114,266
Total.....	\$ 34,587,639	\$ 1,654,350	\$ (2,511,003)	\$ 33,730,986	\$ 2,632,756
Business-type Activities:					
Bonds and notes payable.....	\$ 12,217,650	\$ -	\$ (894,825)	\$ 11,322,825	\$ 798,125
Net OPEB obligation.....	-	141,725	-	141,725	-
Compensated absences.....	172,062	18,609	-	190,671	19,067
Total.....	\$ 12,389,712	\$ 160,334	\$ (894,825)	\$ 11,655,221	\$ 817,192

* As restated and more fully described in Note 15.

The governmental activities long-term liabilities are generally liquidated by the general fund.

NOTE 9 - RISK FINANCING

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 Town carries commercial insurance. The Town participates in premium-based health care and workers' compensation plans for its employees. The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

NOTE 10 - PENSION PLAN

Plan Description - The Town contributes to the Essex Regional Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan administered by the Essex Regional Retirement Board. Substantially all employees of the Town are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System.

Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The System provides retirement, disability and death benefits to plan members and beneficiaries. Cost-of-living adjustments granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be authorized by the Essex Regional Retirement Board and are borne by the System. The System issues a publicly available report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at 36 Federal Street, Salem, Massachusetts, 01970.

Funding Policy - Chapter 32 of MGL governs the contributions of plan members and the Town. Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on annual covered payroll. The Town's contributions to the System for the fiscal years ended June 30, 2009, 2008, and 2007 were \$1,680,007, \$1,550,707, and \$1,439,042, respectively, which equaled its required contribution for each fiscal year.

NOTE 11 - MASSACHUSETTS TEACHERS RETIREMENT SYSTEM

Public school teachers and certain administrators are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled \$2,528,796 for the fiscal year ended June 30, 2009, and, accordingly, are reported in the general fund as intergovernmental revenues and education expenditures.

NOTE 12 - OTHER POST EMPLOYMENT BENEFITS

Plan Description - The Town provides health, life and dental insurance coverage for its retirees and their survivors (hereinafter referred to as the "Plan") as a single-employer defined benefit Other Post Employment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions. Changes to plan design and contribution rates must be accomplished through the collective bargaining process. The Plan does not issue a stand alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

The number of participants as of July 1, 2007, the latest actuarial valuation, is as follows:

Active employees.....	434
Retired employees.....	<u>192</u>
Total.....	<u><u>626</u></u>

Funding Policy - The contribution requirements of Plan members and the Town are established and may be amended by the Town. The required health and life insurance contribution rates of Plan members and the Town are 50% and 50%, respectively. Retirees are responsible for 100% of the premiums related to dental insurance. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the Town.

Annual OPEB Cost and Net OPEB Obligation - The Town's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an actuarially determined amount that is calculated in accordance with the parameters set forth in GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the year, the actual amount contributed to the plan, and changes in the net OPEB obligation:

	<u>Amount</u>
Annual required contribution.....	\$ 2,290,951
Interest on net OPEB obligation.....	<u>-</u>
Annual OPEB cost.....	2,290,951
Contributions made.....	<u>(549,886)</u>
Increase in net OPEB obligation.....	1,741,065
Net OPEB obligation at beginning of year.....	<u>-</u>
Net OPEB obligation at end of year.....	<u><u>\$ 1,741,065</u></u>

Trend information regarding annual pension cost, the percentage of the annual pension cost contributed and the net pension obligation is as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (AOPEBC)</u>	<u>Percentage of AOPEBC Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009*.....	\$ 2,290,951	24.0%	\$ 1,741,065

*Transition year

Funded Status and Funding Progress – The funded status of the Plan at July 1, 2007, the most recent actuarial valuation, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
07/01/07	\$ -	\$ 20,162,942	\$ 20,162,942	-	\$ 20,463,394	98.5%

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

Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer 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.

The significant methods and assumptions as of the latest actuarial valuation are as follows:

Valuation date:	July 1, 2007
Actuarial cost method:	Projected unit credit
Amortization method:	Level dollar
Remaining amortization period:	30 years as of July 1, 2007
Interest discount rate:	4.00%
Healthcare/Medical cost trend rate:	Medical ranging from 2.5% to 9.0% and dental ranging from 5.0% to 8.5%
Projected salary increases:	4.50% per year

Allocation of AOPEBC - AOPEBC costs were allocated to the Town's functions as follows:

Governmental Activities:	
General government.....	\$ 14,005
Finance.....	81,268
Planning and development.....	19,079
Public safety.....	248,785
Education.....	1,581,790
Public works.....	115,408
Code enforcement.....	10,826
Human services.....	16,328
Library.....	16,976
	<hr/>
Total AOPEBC - governmental activities.....	\$ 2,104,465
	<hr/> <hr/>
Business-Type Activities:	
Water.....	\$ 52,391
Sewer.....	28,396
Electric.....	105,699
	<hr/>
Total AOPEBC - business-type activities.....	\$ 186,486
	<hr/> <hr/>

NOTE 13 - COMMITMENTS

The Town has entered into, or is planning to enter into, contracts totaling approximately \$14,000,000 for a wind turbine, open space acquisition, water infrastructure and various other governmental projects.

NOTE 14 - CONTINGENCIES

Various legal actions and claims are pending against the Town. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2009, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2009.

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2009, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

NOTE 15 - PRIOR PERIOD ADJUSTMENT

The beginning net assets of the governmental activities, business-type activities and water enterprise fund have been restated to reflect the reclassification of long-term debt (related to land acquisition) from governmental activities to the water enterprise fund/business-type activities. As a result, the beginning net assets of the governmental activities, business-type activities and water enterprise fund have been restated from \$48,341,461, \$26,781,171 and \$11,664,190 to \$48,561,461, \$26,561,171 and \$11,444,190, respectively.

NOTE 16 - IMPLEMENTATION OF GASB PRONOUNCEMENTS

The Town implemented the following GASB pronouncements during fiscal year 2009:

- Statement #45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This pronouncement requires the recording of an OPEB liability that relates to the Town's future liability for current and future retirees and their spouses for benefits other than pensions, such as health insurance. The statement is recorded prospectively in the first year of implementation. Details relating to the Town's OPEB liability and its calculation are provided at Note 12.
- Statement #49, Accounting and Financial Reporting for Pollution Remediation Obligations. The implementation of this Statement had no impact on the financial statements.
- Statement #52, Land and Other Real Estate Held as Investments by Endowments. The implementation of this Statement had no impact on the financial statements.

NOTE 17 - FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS

The GASB has issued the following statements:

- Statement #51, Accounting and Financial Reporting for Intangible Assets, which is required to be implemented during fiscal year 2010. The Town is currently evaluating the impact this pronouncement will have on the basic financial statements.
- Statement #53, Accounting and Financial Reporting for Derivative Instruments, which is required to be implemented during fiscal year 2010. The Town is currently evaluating the impact this pronouncement will have on the basic financial statements.
- Statement #54, Fund Balance Reporting and Governmental Fund Type Definitions, which is required to be implemented during fiscal year 2011. The Town is currently evaluating the effect that this Statement will have on its basic financial statements.

These pronouncements will be implemented by their respective due dates.

*Notes to Basic Financial Statements -
Ipswich Municipal Light Department*

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Reporting Entity

The Ipswich Municipal Light Department (the “Department”) is a department of the Town of Ipswich, Massachusetts (the “Town”) and is reported as an enterprise (proprietary) fund in the Town’s basic financial statements. The Department is governed by the Ipswich Municipal Light Commissioners (the “Commissioners”) who appoints a manager of municipal lighting who shall, under the direction of the Commissioners, have full charge of the operation and management of the Department.

2. Regulation, Rates and Basis of Accounting

The Department is under the charge and control of the Commissioners in accordance with Chapter 164, Section 55 of the Massachusetts General Laws (MGL). Electric rates may be changed once every three months. Rate schedules are filed with the Massachusetts Department of Public Utilities (DPU), formerly known as the Department of Telecommunications and Energy. While the DPU exercises general supervisory authority over the Department, rates are not subject to DPU approval. Pursuant to Chapter 164, Section 58 of the MGL, rates must be set such that annual net earnings from operations do not exceed 8% of the cost of the utility plant after repayment of operating expenses, interest on outstanding debt, the requirements of any serial debt and depreciation. Excess revenues are required to be refunded to the customers.

The Department uses the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The Department applies all Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

3. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. Utility Plant

The statutory provision for depreciation of the utility plant is computed on the straight-line method at 3% of cost of plant in service at the beginning of the year, exclusive of land and land rights. Therefore, no depreciation is taken in the year of department additions. MGL stipulates that the Department may change from the statutory depreciation rate up to 5% only with the approval of the DPU. The Department has been granted such approval and has used the rate of 5% since 2000.

Pursuant to MGL, cash is transferred to the Depreciation Fund in an amount equal to the annual provision for depreciation. The Depreciation Fund may only be used for replacements, additions to the utility plant in service and related debt service.

Costs related to issuance of bonds to finance utility plant have been capitalized and are being amortized over the life of the bonds.

5. *Cash and Cash Equivalents*

For purposes of the statement of cash flows, the Department considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

6. *Revenues*

Revenues from the sale of electricity are recorded on the basis of bills rendered from monthly meter readings. The revenues are based on rates established by the Department, which are applied to customers' consumption of electricity.

7. *Inventory*

Materials, supplies and fuel oil inventory are carried at cost, determined by the first-in, first-out method.

8. *Provision for Payment to the Town of Ipswich in Lieu of Taxes*

The Department contributed \$265,652 to the Town of Ipswich in lieu of taxes. All contributions to the Town are voted by the Commissioners.

9. *Purchased Power Working Capital*

Purchased power working capital is a deposit held by the Department's power supplier, Massachusetts Municipal Wholesale Electric Company (MMWEC). A fixed amount of working capital based on the Department's annual power purchases is required to be held on deposit with MMWEC for the purpose of paying the Department's power obligations as they become due. Working capital on deposit with MMWEC is replenished monthly. A credit for interest earned on deposits is applied to monthly billings and is recorded as revenue. Working capital on deposit with MMWEC at June 30, 2009 totaled \$2,437,337.

10. *Deferred Charges*

The Department has a fuel cost adjustment clause pursuant to which increased fuel costs (fuel costs in excess of amounts recovered through base rates) are billable to customers. The Department records estimated unbilled fuel adjustment charge revenue at the end of accounting periods. Unbilled fuel costs total \$81,995 at June 30, 2009.

The Department has recorded a deferred charge related to one environmental remediation liability. This amount totals \$10,000 at June 30, 2009 (see Note J).

NOTE B - DEPOSITS

The Department's operating cash is deposited with the Town's Treasurer who commingles it with other Town funds. The Town Treasurer maintains separate bank accounts for the Department's Depreciation Fund, Rate Stabilization Fund and Customer Deposits payable.

The municipal finance laws of the Commonwealth authorize the Town to invest temporarily idle cash in bank term deposits and certificates of deposits, and treasury and agency obligations of the United States government, with maturities of one year or less; U.S. treasury or agency repurchase agreements with maturities of not more than 90 days; money market accounts; and the state treasurer's investment pool – the Massachusetts Municipal Depository Trust (MMDT).

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town's deposits may not be recovered. The Town does not have a policy for custodial credit risk of deposits. As of June 30, 2009, \$2,686,288 of the Department's bank balance was uninsured and uncollateralized and exposed to custodial credit risk.

NOTE C - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 22,976	\$ -	\$ -	\$ 22,976
Construction in progress.....	847,613	4,952,142	-	5,799,755
Total capital assets not being depreciated.....	870,589	4,952,142	-	5,822,731
<u>Capital assets being depreciated:</u>				
Production plant.....	4,898,309	61,992	-	4,960,301
Transmission plant.....	399,439	-	-	399,439
Distribution plant.....	11,367,060	529,812	(310,000)	11,586,872
General plant.....	2,183,635	225,504	(43,751)	2,365,388
Total capital assets being depreciated.....	18,848,443	817,308	(353,751)	19,312,000
<u>Less accumulated depreciation for:</u>				
Production plant.....	(4,581,016)	(56,336)	-	(4,637,352)
Transmission plant.....	(170,762)	(42,739)	-	(213,501)
Distribution plant.....	(7,134,924)	(730,465)	310,000	(7,555,389)
General plant.....	(1,509,408)	(116,441)	43,751	(1,582,098)
Total accumulated depreciation.....	(13,396,110)	(945,981)	353,751	(13,988,340)
Total capital assets being depreciated, net.....	5,452,333	(128,673)	-	5,323,660
Utility plant assets, net.....	\$ 6,322,922	\$ 4,823,469	\$ -	\$ 11,146,391

NOTE D - DEPRECIATION FUND

Pursuant to the provisions of the MGL, cash in an amount equivalent to the annual depreciation expense is transferred from unrestricted funds to the depreciation fund. Interest earned on the balance of the fund must also remain in the fund. Such cash may be used for the cost of plant, nuclear decommissioning costs, the costs of contractual commitments, and deferred costs related to such commitments which the Commissioners determine are above market value.

On December 15, 2003, the Commissioners voted to transfer funds, in an amount not to exceed \$625,000 during the fiscal years 2003 through 2006, from the rate stabilization fund to the depreciation fund. The entire \$625,000 was transferred during the year ended December 31, 2004. These funds were used for upgrades to the utility plant. The transfer was treated as an internal loan that must be repaid over a 10 year period that began in fiscal year 2005. Interest on the loan is being calculated based on the interest rate of the rate stabilization fund investment. The interest on the loan is reclassified between the operating funds and rate stabilization funds and therefore is not expensed by the Department. The outstanding principal balance of this internal loan totaled \$343,750 at June 30, 2009.

On January 24, 2005, the Commissioners voted to transfer \$715,000 from the rate stabilization fund to the depreciation fund. These funds were used for upgrades to the utility plant. The transfer was treated as an internal loan that must be repaid over a 10 year period that began in fiscal year 2007. Interest on the loan is being calculated based on the interest rate of the rate stabilization fund investment. The interest on the loan is reclassified between the operating funds and rate stabilization funds and therefore is not expensed by the Department. The outstanding principal balance of this internal loan totaled \$464,750 at June 30, 2009.

NOTE E - RATE STABILIZATION FUND

The Department has established a stabilization fund for the purpose of minimizing exposure to rate fluctuations. Additionally, the fund may be used to help the Department maintain a competitive position in the marketplace or for other unexpected costs. The balance of the fund at June 30, 2009 was \$1,600,778 and is reported as restricted net assets in the Statement of Fund Net Assets. This amount will differ from the cash balance of the rate stabilization fund as a result of the loans described in Note D.

NOTE F - PENSION PLAN

Employees of the Department participate in the Essex Regional Retirement System (the System) through the Town. The Town allocates a portion of its obligation to the Department based on the relative number of participants and the amount of payroll. Total contributions by the Department to the System totaled approximately \$139,000 for the year ended June 30, 2009, which represents approximately 8.4% of the System's assessment to the Town.

NOTE G - SHORT-TERM FINANCING

Details related to the short-term debt activity for the fiscal year ended June 30, 2009 are as follows:

Type	Description	Origination Date	Maturity Date	Interest Rate (%)	Balance at June 30, 2008	Increases	Decreases	Balance at June 30, 2009
BAN	Wind Turbine.....	6/29/09	12/16/09	1.25	\$ -	\$ 100,000	\$ -	\$ 100,000

NOTE H - LONG-TERM DEBT

In November 1999 and June 2008, the Town issued General Obligation Bonds in the amounts of \$900,000 and \$6,000,000, respectively, for the exclusive benefit of the Department.

Details relating to the outstanding indebtedness at June 30, 2009 are as follows:

Project	Interest Rate %	Outstanding at June 30, 2008	Issued	Redeemed	Outstanding at June 30, 2009
Electric Metering System.....	4.70%	\$ 100,000	\$ -	\$ (100,000)	\$ -
Electric Sub Station and System Improvements.....	3.25% - 4.1%	6,000,000	-	(300,000)	5,700,000
Total Bonds Payable.....		\$ 6,100,000	\$ -	\$ (400,000)	\$ 5,700,000

Debt service requirements for principal and interest for the Department's bonds payable in future fiscal years are as follows:

Fiscal Year	Principal	Interest	Total
2010.....	\$ 300,000	\$ 222,900	\$ 522,900
2011.....	300,000	213,150	513,150
2012.....	300,000	203,400	503,400
2013.....	300,000	194,400	494,400
2014.....	300,000	183,900	483,900
2015.....	300,000	173,400	473,400
2016.....	300,000	162,900	462,900
2017.....	300,000	150,900	450,900
2018.....	300,000	135,900	435,900
2019.....	300,000	120,900	420,900
2020.....	300,000	108,900	408,900
2021.....	300,000	96,900	396,900
2022.....	300,000	84,900	384,900
2023.....	300,000	72,900	372,900
2024.....	300,000	60,900	360,900
2025.....	300,000	48,900	348,900
2026.....	300,000	36,900	336,900
2027.....	300,000	24,600	324,600
2028.....	300,000	12,300	312,300
Total.....	\$ 5,700,000	\$ 2,308,950	\$ 8,008,950

NOTE I - RELATED PARTY TRANSACTIONS

The Department pays the Town annually an amount equal to one-fourth of one cent of total kilowatts hours billed in lieu of taxes. In addition to the in-lieu of tax payment the Department subsidizes the cost of street lighting to the Town. Additionally, the Town allocates expenses to the Department for various services during the year and the Department provides services and materials to the Town without reimbursement. Amounts included in expenses for the fiscal year ended June 30, 2009 under these arrangements are as follows:

Payment in lieu of taxes.....	\$	265,652
Town salaries paid by department.....		62,776
Subsidized street lighting.....		58,808
Non-reimbursed services and materials provided to the Town.....		<u>26,981</u>
Total.....	\$	<u><u>414,217</u></u>

The Department bills Town departments for electric light usage. The amount included in revenue under this arrangement was \$699,953 for the fiscal year ended June 30, 2009. Accounts receivable from these departments totaled \$26,847 at June 30, 2009.

The Ipswich Water Department (the "Water Department") shares office space in the Department's building. Costs are not billed to the Water Department. Management has determined that the associated expenses are not significant and, therefore, has not assessed the Water Department a fee for such services.

NOTE J - ENVIRONMENTAL REMEDIATION

The Department is required to clean up hazardous materials located at the Ipswich Power Plant (the "Plant"). The clean up is in response to the presence of petroleum related contaminants in soil and groundwater beneath the Plant building and the surrounding property.

Since January 2008, subsurface investigations including soil sampling and groundwater monitoring have been used to identify the extent of the contamination and develop a long-term approach resulting in no additional response actions.

In the prior year, the total estimated clean up cost (as determined by an independent environmental consultant) was estimated to be between \$134,000 and \$196,000. The Department had recorded a liability of \$200,000 to reflect this estimate.

The estimated costs were reevaluated (by an independent environmental consultant) at June 30, 2009, and current estimates range between \$98,000 and \$154,000. The Department has recorded a liability of \$160,000 to reflect this estimate. As of June 30, 2009, \$150,000 has been billed to customers and \$10,000 has been recorded as a deferred charge.

NOTE K - MMWEC PARTICIPATION

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

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

The 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 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).

NOTE L - COMMITMENTS AND CONTINGENCIES

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

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

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

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

MMWEC is involved in various legal actions. In the opinion of MMWEC management, the outcome of such litigation or claims will not have a material adverse effect on the financial position of MMWEC.

After the July 1, 2009 principal payment total capital expenditures for MMWEC's Projects amounted to \$1,553,974,000, of which \$12,436,000 represents the amount associated with the Department's share of Project Capability of the Projects in which it participates, although such amount is not allocated to the Department. MMWEC's debt outstanding for the Projects includes Power Supply System Revenue Bonds totaling \$570,245,000, of which \$4,888,000 is associated with the Department's share of Project Capability of the Projects in which it participates, although such amount is not allocated to the Department. After the July 1, 2009 principal payment MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$614,973,000, of which \$5,133,000 is anticipated to be billed to the Department in the future.

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

<u>For the Fiscal Years Ending June 30,</u>	<u>Amount</u>
2010.....	\$ 771,000
2011.....	744,000
2012.....	740,000
2013.....	747,000
2014.....	671,000
2015 to 2019.....	<u>1,460,000</u>
Total.....	\$ <u>5,133,000</u>

In addition, the Department is required to pay to MMWEC, through PSAs, 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 totaled \$1,634,000 and \$1,543,000 for the years ended June 30, 2009 and 2008, respectively.

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Required Supplementary Information

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations	Final Budget
REVENUES				
Real estate and personal property taxes.....	\$ -	\$ 26,790,236	\$ 100,000	\$ 26,890,236
Motor vehicle and other excise taxes.....	-	1,683,358	-	1,683,358
Tax and utility liens.....	-	-	-	-
Payments in lieu of taxes.....	-	387,626	-	387,626
Charges for services.....	-	38,000	-	38,000
Intergovernmental.....	-	6,416,271	-	6,416,271
Penalties and interest on taxes.....	-	134,147	-	134,147
Licenses and permits.....	-	531,000	-	531,000
Fines and forfeitures.....	-	54,000	-	54,000
Departmental.....	-	327,465	-	327,465
Investment income.....	-	225,000	-	225,000
Other.....	-	83,270	-	83,270
TOTAL REVENUES.....	-	36,670,373	100,000	36,770,373
EXPENDITURES				
Current:				
General government.....	8,215	281,762	3,113	293,090
Finance.....	11,148	988,906	2,875	1,002,929
Planning and development.....	1,749	243,873	-	245,622
Public safety.....	19,972	3,960,116	31,674	4,011,762
Education.....	94,527	19,907,139	56,315	20,057,981
Public works.....	106,126	3,779,295	152,000	4,037,421
Code enforcement.....	-	416,920	-	416,920
Human services.....	300	366,880	245	367,425
Library.....	-	519,250	-	519,250
Employee benefits.....	-	1,703,816	-	1,703,816
Property and liability insurance.....	10,000	214,961	-	224,961
Miscellaneous.....	-	114,667	-	114,667
State and county charges.....	-	863,057	-	863,057
Debt service:				
Principal.....	-	2,535,113	-	2,535,113
Interest.....	113,681	1,458,005	-	1,571,686
TOTAL EXPENDITURES.....	365,718	37,353,760	246,222	37,965,700
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(365,718)	(683,387)	(146,222)	(1,195,327)
OTHER FINANCING SOURCES (USES)				
Transfers in.....	-	198,068	82,564	280,632
Sale of capital assets.....	-	-	-	-
Transfers out.....	-	-	(10,000)	(10,000)
TOTAL OTHER FINANCING SOURCES (USES).....	-	198,068	72,564	270,632
NET CHANGE IN FUND BALANCE.....	(365,718)	(485,319)	(73,658)	(924,695)
FUND BALANCE AT BEGINNING OF YEAR.....	2,307,304	2,307,304	2,307,304	2,307,304
FUND BALANCE AT END OF YEAR.....	\$ 1,941,586	\$ 1,821,985	\$ 2,233,646	\$ 1,382,609

See notes to required supplementary information.

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$ 27,023,852	\$ -	\$ 27,023,852	\$ 133,616
1,696,149	-	1,696,149	12,791
63,159	-	63,159	63,159
406,020	-	406,020	18,394
25,752	-	25,752	(12,248)
5,996,527	-	5,996,527	(419,744)
110,417	-	110,417	(23,730)
384,975	-	384,975	(146,025)
46,502	-	46,502	(7,498)
440,545	-	440,545	113,080
127,150	-	127,150	(97,850)
112,900	-	112,900	29,630
<u>36,433,948</u>	<u>-</u>	<u>36,433,948</u>	<u>(336,425)</u>
289,267	324	289,591	3,499
977,812	2,935	980,747	22,182
216,198	20,586	236,784	8,838
3,973,725	7,055	3,980,780	30,982
19,453,836	104,517	19,558,353	499,628
3,510,318	511,440	4,021,758	15,663
387,368	395	387,763	29,157
356,969	3,000	359,969	7,456
514,280	-	514,280	4,970
1,703,816	-	1,703,816	-
214,356	10,605	224,961	-
99,523	3,000	102,523	12,144
858,636	-	858,636	4,421
2,524,669	-	2,524,669	10,444
<u>1,461,545</u>	<u>100,031</u>	<u>1,561,576</u>	<u>10,110</u>
<u>36,542,318</u>	<u>763,888</u>	<u>37,306,206</u>	<u>659,494</u>
<u>(108,370)</u>	<u>(763,888)</u>	<u>(872,258)</u>	<u>323,069</u>
280,632	-	280,632	-
330,000	-	330,000	330,000
<u>(10,000)</u>	<u>-</u>	<u>(10,000)</u>	<u>-</u>
<u>600,632</u>	<u>-</u>	<u>600,632</u>	<u>330,000</u>
492,262	(763,888)	(271,626)	653,069
<u>2,307,304</u>	<u>2,307,304</u>	<u>2,307,304</u>	<u>-</u>
\$ <u>2,799,566</u>	\$ <u>1,543,416</u>	\$ <u>2,035,678</u>	\$ <u>653,069</u>

PENSION PLAN SCHEDULES

The following schedules provide information related to the System as a whole, for which the Town is one participating employer:

SCHEDULES OF FUNDING PROGRESS (SYSTEM)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/99	\$ 180,034,700	\$ 268,386,000	\$ 88,351,300	67.1%	\$ 89,645,300	98.6%
01/01/00	190,363,700	253,847,100	63,483,400	75.0%	69,525,900	91.3%
01/01/02	218,346,198	287,390,715	69,044,517	76.0%	85,005,338	81.2%
01/01/04	229,852,971	333,396,222	103,543,251	68.9%	93,404,002	110.9%
01/01/06	261,327,047	375,593,562	114,266,515	69.6%	98,641,094	115.8%
01/01/08	301,420,965	445,171,554	143,750,589	67.7%	111,726,856	128.7%

SCHEDULE OF EMPLOYER CONTRIBUTIONS (SYSTEM)

Year Ended December 31	Annually Required Contributions (ARC)	Percentage of ARC Contributed (%)
2003	\$ 11,784,852	100
2004	12,648,657	100
2005	14,609,198	100
2006	15,274,181	100
2007	16,294,571	100
2008	16,995,636	100

The following schedule provides information related to the Town's portion of the System's ARC:

TOWN SHARE OF SYSTEM ARC

Fiscal Year Ended	ARC	Percentage of ARC Contributed (%)	Town ARC as a Percentage of System ARC (%)
2004	\$ 1,264,811	100	10.7%
2005	1,169,516	100	9.2%
2006	1,380,330	100	9.4%
2007	1,439,042	100	9.4%
2008	1,550,707	100	9.5%
2009	1,680,007	100	9.9%

NOTE A - BUDGETARY - GAAP RECONCILIATION

For budgetary financial reporting purposes, the Uniform Massachusetts Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2009, is presented below:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual.....	\$ 36,433,948	\$ 37,306,206	\$ 600,632
<u>Adjustments</u>			
To record MTRS on-behalf payments.....	2,528,796	2,528,796	-
To reclassify water debt service payments.....	-	(17,515)	(17,515)
To record encumbrances and continuing appropriations.....	-	(763,888)	-
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	<u>\$ 38,962,744</u>	<u>\$ 39,053,599</u>	<u>\$ 583,117</u>

NOTE B - PENSION PLAN

Additional information as of the latest actuarial valuation is as follows:

Valuation date:	January 1, 2008
Actuarial cost method:	Entry Age Normal Cost Method
Amortization method:	Approximate level percent of payroll based on 4.5% annual increases; except level dollar for ERI liability for certain units
Remaining amortization period:	As of July 1, 2008, schedules as selected by the units for 2002 ERI liability, schedules as selected by units for 2003 ERI liability and 20 years for remaining unfunded liability
Asset valuation method:	A preliminary actuarial value is first determined by taking the actuarial value of assets at the beginning of the year and adding assumed investment earnings (at the assumed actuarial rate of return) and the net new money during the year (contributions less benefit payments and administrative expenses). Twenty percent of the difference between the market value of assets and the preliminary actuarial value is added to the preliminary actuarial value. In order that the actuarial value not differ to significantly from the market value of assets, the final actuarial value of assets must be within 20% of the market value of assets.

Actuarial assumptions:

Investment rate of return:	8.50%
Projected salary increases:	5.00%
Cost of living adjustments:	3.00% of first \$12,000 of retirement income

Additional Information

MUNICIPAL LIGHT ENTERPRISE FUND
COMPARATIVE STATEMENTS OF FUND NET ASSETS

JUNE 30, 2009

ASSETS	2009	2008
Current assets:		
Cash and cash equivalents.....	\$ 1,193,395	\$ 871,447
Restricted cash and cash equivalents.....	663,651	5,932,733
Receivables, net of allowance for uncollectible amounts:		
User charges.....	1,451,830	1,926,383
Prepaid expenses.....	553,667	573,154
Deferred charges.....	91,995	162,750
Purchased power working capital.....	2,437,337	2,437,337
Inventory.....	163,079	169,285
Total current assets.....	6,554,954	12,073,089
Noncurrent assets:		
Restricted cash and investments.....	868,019	671,370
Capital assets not being depreciated.....	5,822,731	870,589
Capital assets, net of accumulated depreciation.....	5,323,660	5,452,333
Total noncurrent assets.....	12,014,410	6,994,292
Total assets.....	18,569,364	19,067,381
LIABILITIES		
Current liabilities:		
Warrants payable.....	1,468,434	2,625,177
Accrued payroll.....	38,361	27,078
Other liabilities.....	1,093,313	334,668
Accrued interest.....	18,575	20,000
Compensated absences.....	8,621	8,593
Short-term notes payable.....	100,000	-
Long-term bonds and notes payable.....	300,000	400,000
Total current liabilities.....	3,027,304	3,415,516
Noncurrent liabilities:		
Liabilities due depositors.....	81,741	50,275
Environmental remediation.....	160,000	396,000
Net OPEB obligation.....	80,329	-
Compensated absences.....	77,588	77,332
Long-term bonds and notes payable.....	5,400,000	5,700,000
Total noncurrent liabilities.....	5,799,658	6,223,607
Total liabilities.....	8,826,962	9,639,123
FUND NET ASSETS		
Invested in capital assets, net of related debt.....	5,920,563	5,778,900
Restricted for:		
Rate stabilization.....	1,600,778	1,563,595
Capital (Depreciation fund).....	89,479	376,775
Unrestricted.....	2,131,582	1,708,988
Total fund net assets.....	\$ 9,742,402	\$ 9,428,258

MUNICIPAL LIGHT ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	2009	2008
OPERATING REVENUES		
Charges for services.....	\$ 14,092,598	\$ 15,181,926
Other.....	21,896	142,218
	14,114,494	15,324,144
OPERATING EXPENSES		
Cost of service and administration.....	12,917,609	14,307,046
Depreciation.....	945,981	911,500
	13,863,590	15,218,546
OPERATING INCOME (LOSS).....	250,904	105,598
NONOPERATING REVENUES (EXPENSES)		
Investment income.....	175,793	115,453
Interest expense.....	(112,553)	(15,199)
	63,240	100,254
CHANGE IN FUND NET ASSETS.....	314,144	205,852
FUND NET ASSETS AT BEGINNING OF YEAR.....	9,428,258	9,222,406
FUND NET ASSETS AT END OF YEAR.....	\$ 9,742,402	\$ 9,428,258

MUNICIPAL LIGHT ENTERPRISE FUND
COMPARATIVE STATEMENTS OF SALES OF ELECTRICITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

SALES OF ELECTRICITY	<u>2009</u>	<u>2008</u>
Residential.....	\$ 6,294,583	\$ 6,789,029
Commercial.....	742,126	788,712
Industrial.....	6,326,328	6,836,119
Municipal.....	634,313	673,886
Private Lighting.....	29,608	28,540
Street Lights.....	<u>65,640</u>	<u>65,640</u>
TOTAL SALES OF ELECTRICITY.....	<u>\$ 14,092,598</u>	<u>\$ 15,181,926</u>

MUNICIPAL LIGHT ENTERPRISE FUND
COMPARATIVE STATEMENTS OF COST OF SERVICE AND ADMINISTRATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	2009	2008
Power Production Expenses		
Purchased Power.....	\$ 10,427,605	\$ 11,938,342
Other Power Expenses.....	461,575	520,390
	10,889,180	12,458,732
Distribution Expenses		
Station Expenses.....	1,803	15,057
Customer Installation Expenses.....	25,084	43,254
Miscellaneous Distribution Expense.....	165,745	125,626
Maintenance of Overhead Lines.....	582,001	564,785
Maintenance of Street Lights and Signal Systems.....	4,185	6,945
	778,818	755,667
Customer Account Expenses		
Customer Records and Collection.....	134,070	147,215
Uncollectible Accounts.....	25,822	33,939
	159,892	181,154
Administrative and General Expenses		
Payments in lieu of taxes.....	265,652	270,700
Administrative and General Salaries.....	308,056	261,872
Office Supplies and Expenses.....	79,912	86,502
Outside Services.....	110,211	71,571
Property and General Insurance.....	66,680	65,792
Employees' Pensions and Benefits.....	211,848	118,267
Miscellaneous General Expense.....	47,360	36,789
	1,089,719	911,493
TOTAL OPERATION AND MAINTENANCE EXPENSES.....	\$ 12,917,609	\$ 14,307,046