

TOWN OF IPSWICH, MASSACHUSETTS

***REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS***

FISCAL YEAR ENDED JUNE 30, 2011

TOWN OF IPSWICH, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

TABLE OF CONTENTS

Independent Auditors' Report.....1

Management's Discussion and Analysis3

Basic Financial Statements12

 Statement of Net Assets13

 Statement of Activities14

 Governmental Funds – Balance Sheet.....16

 Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Assets...17

 Governmental Funds – Statement of Revenues, Expenditures and Changes in Fund Balances.....18

 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
 Funds to the Statement of Activities19

 Proprietary Funds – Statement of Net Assets20

 Proprietary Funds – Statement of Revenues, Expenses and Changes in Fund Net Assets.....21

 Proprietary Funds – Statement of Cash Flows22

 Fiduciary Funds – Statement of Fiduciary Net Assets.....23

 Fiduciary Funds – Statement of Changes in Fiduciary Net Assets24

 Notes to Basic Financial Statements25

 Notes to Basic Financial Statements – Ipswich Municipal Light Department.....52

Required Supplementary Information.....62

 General Fund Budgetary Comparison Schedule63

 General Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual....64

 Retirement System Schedules.....65

 Retirement System Schedule of Funding Progress66

 Retirement System Schedule of Employer Contributions67

 Other Postemployment Benefit Plan Schedules.....68

 Other Postemployment Benefit Plan Schedule of Funding Progress and Employer Contributions.....69

 Other Postemployment Benefit Plan Actuarial Methods and Assumptions70

 Notes to Required Supplementary Information.....71

Additional Information – Municipal Light Enterprise Fund Schedules74

 Comparative Schedule of Fund Net Assets75

 Comparative Schedule of Revenues, Expenses and Changes in Fund Net Assets76

 Comparative Schedule of Sales of Electricity77

 Comparative Schedule of Cost of Service and Administration78



100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
www.powersandsullivan.com

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, as of and for the fiscal year ended June 30, 2011, 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 of Ipswich, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2011 on our consideration of the Town of Ipswich, Massachusetts' internal control over financial reporting and 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 read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis, located on the following pages, and the schedule of revenues, expenditures and changes in fund balance – general fund – budgetary basis, retirement system schedule of funding progress, retirement system schedule of employer contributions, other postemployment benefit plan schedule of funding progress and employer contributions, and other postemployment benefit plan actuarial methods and assumptions located after the notes to the basic financial statements, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The additional information – municipal light enterprise fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Powers & Sullivan LLC

December 8, 2011

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Ipswich, we offer readers of the Town of Ipswich's financial statements this narrative overview and analysis of the financial activities of the Town of Ipswich for the fiscal year ended June 30, 2011. The Town complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). Management's discussion and analysis are part of these requirements.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$74.8 million (net assets).
- Of this amount, 9.4% or \$7.0 million (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 \$370,000 during fiscal year 2011.
- At the close of the current fiscal year, the Town's governmental funds reported an ending total fund balance of \$7.9 million, a decrease of approximately \$1.6 million in comparison with the prior year. Approximately \$2.4 million represents unassigned fund balance of the general fund, while \$669,000 is assigned for fiscal year 2012 expenditures. Approximately \$4.2 million represents restricted fund balance in the nonmajor governmental funds, while the nonspendable portion totals approximately \$702,000.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$2.4 million or 5.7% of total general fund expenditures.
- The Town's total gross bonded debt increased by \$709,000 during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, finance, planning and development, public safety, education, public works, code enforcement, human services, library, and interest. The business-type activities include water, sewer and municipal light operations.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund as required supplementary information following the notes to the basic financial statements to demonstrate compliance with this budget.

Proprietary funds. The Town maintains only 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.

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

The other postemployment benefits fund is used to account for assets accumulated to provide funding for future other postemployment benefits (OPEB) liabilities. 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.

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.

Government-wide Financial Analysis

Governmental Activities:

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Ipswich's assets exceeded liabilities for governmental activities by \$47.1 million at the close of fiscal year 2011.

	FY 2011 Governmental Activities	FY 2010 Governmental Activities
Assets:		
Current assets.....	\$ 12,112,590	\$ 12,673,288
Noncurrent assets (excluding capital).....	6,973,608	7,848,484
Capital assets.....	<u>65,340,788</u>	<u>64,584,636</u>
Total assets.....	<u>84,426,986</u>	<u>85,106,408</u>
Liabilities:		
Current liabilities (excluding debt).....	2,306,102	2,241,509
Noncurrent liabilities (excluding debt).....	4,549,570	3,346,410
Current debt.....	2,835,506	2,665,000
Noncurrent debt.....	<u>27,643,394</u>	<u>29,257,500</u>
Total liabilities.....	<u>37,334,572</u>	<u>37,510,419</u>
Net Assets:		
Capital assets net of related debt.....	42,704,610	41,384,974
Restricted.....	2,178,557	2,795,245
Unrestricted.....	<u>2,209,247</u>	<u>3,415,770</u>
Total net assets.....	<u>\$ 47,092,414</u>	<u>\$ 47,595,989</u>

Net assets of \$42.7 million (91%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net assets, \$2.2 million (4%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$2.2 million (5%) may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental Activities assets exceeded liabilities by \$47.1 million at June 30, 2011. The governmental activities net assets decreased by \$504,000 in fiscal year 2011. Some of the primary reasons for this decrease include the net impact of the recognition of capital grants from the state's Chapter 90 highway program totaling \$441,000, the timing difference between budgeted payments to reduce debt of \$2.7 million and recording depreciation on capital assets which is a non-budgeted expense of \$1.8 million, and the recognition of other postemployment benefit expenses of \$1.2 million.

The other postemployment benefit expense is required to be recognized under GASB Statement #45. In accordance with this pronouncement, the Town obtained an actuarial valuation of the Town's liability to pay other postemployment benefits to current employees and retirees. The GASB allows the liability, which totaled \$24 million, to be amortized over 30 years. There is currently no legal obligation to pre-fund this liability; the Town has

million, to be amortized over 30 years. There is currently no legal obligation to pre-fund this liability; the Town has opted to fund the majority of their other postemployment benefits on a pay-as-you go basis. As of June 30, 2011, the Town has pre-funded \$253,000 of the liability which is reported as a major fund in the Fiduciary Fund financial statements. The Town is required to record the difference between the current year pay-as-you go cost and the amount pre-funded, and the current year actuarial determined expense as a liability in the full accrual financial statements. This difference totaled \$1.2 million for governmental activities for the fiscal year ended June 30, 2011.

	FY 2011 Governmental Activities	FY 2010 Governmental Activities
Program revenues:		
Charges for services.....	\$ 3,215,258	\$ 3,310,707
Operating grants and contributions.....	9,084,726	9,008,939
Capital grants and contributions.....	441,110	975,311
General revenues:		
Real estate and personal property taxes.....	28,985,867	28,286,833
Motor vehicle and other excise taxes.....	1,646,402	1,630,029
Hotel/motel tax.....	29,535	30,013
Penalties and interest on taxes.....	165,263	151,416
Payments in lieu of taxes.....	406,483	400,671
Grants and contributions not restricted to specific programs.....	1,871,980	1,878,902
Unrestricted investment income.....	174,903	168,497
Gain on disposal of capital assets.....	6,469	-
Miscellaneous.....	58,477	61,785
Total revenues.....	46,086,473	45,903,103
Expenses:		
General government.....	1,445,325	1,602,041
Finance.....	1,264,344	1,285,773
Planning and development.....	387,163	406,364
Public safety.....	5,683,097	5,504,546
Education.....	30,114,883	29,197,473
Public works.....	4,374,921	4,442,345
Code enforcement.....	629,729	605,827
Human services.....	650,229	589,735
Library.....	761,816	789,329
Interest.....	1,278,541	1,324,694
Total expenses.....	46,590,048	45,748,127
Excess (Deficiency) before transfers.....	(503,575)	154,976
Transfers.....	-	(16,894)
Change in net assets.....	\$ (503,575)	\$ 138,082

Governmental capital grants and contributions decreased by \$564,000 during fiscal year 2011. These capital grants relate primarily to the state's Chapter 90 Highway program. Decreases in general government expenses were primarily related to gift accounts located within the Town's special revenue funds. Increases in education expenses were budgeted in the general fund.

Business-type Activities

For the Town's business-type activities, assets exceeded liabilities by \$27.7 million at the close of fiscal year 2011.

	FY 2011 Business-type Activities	FY 2010 Business-type Activities
	<u> </u>	<u> </u>
Assets:		
Current assets.....	\$ 9,198,736	\$ 9,299,634
Noncurrent assets (excluding capital).....	1,386,759	1,259,529
Capital assets.....	<u>36,232,938</u>	<u>33,528,622</u>
Total assets.....	<u>46,818,433</u>	<u>44,087,785</u>
Liabilities:		
Current liabilities (excluding debt).....	3,155,817	3,096,043
Noncurrent liabilities (excluding debt).....	532,158	602,228
Current debt.....	2,357,292	1,732,800
Noncurrent debt.....	<u>13,103,206</u>	<u>11,119,900</u>
Total liabilities.....	<u>19,148,473</u>	<u>16,550,971</u>
Net Assets:		
Capital assets net of related debt.....	20,772,440	20,675,922
Restricted.....	2,071,378	1,905,270
Unrestricted.....	<u>4,826,142</u>	<u>4,955,622</u>
Total net assets.....	<u>\$ 27,669,960</u>	<u>\$ 27,536,814</u>

Business-type net assets of \$20.8 million (75%) represent investments in capital assets net of related debt. Net assets of \$2.1 million (8%) are restricted for the Light Department's Rate Stabilization and Capital Depreciation funds. The remaining \$4.8 million (17%) is available to be used for the ongoing operation of the Town's water, sewer and municipal light departments.

	FY 2011 Business-type Activities	FY 2010 Business-type Activities
	<u> </u>	<u> </u>
Program revenues:		
Charges for services.....	\$ 18,251,152	\$ 17,870,517
Operating grants and contributions.....	<u>92,555</u>	<u>124,108</u>
Total revenues.....	<u>18,343,707</u>	<u>17,994,625</u>
Expenses:		
Water enterprise.....	2,543,646	2,235,300
Sewer enterprise.....	1,525,108	1,411,294
Municipal light enterprise.....	<u>14,141,807</u>	<u>13,958,085</u>
Total expenses.....	<u>18,210,561</u>	<u>17,604,679</u>
Excess before transfers.....	133,146	389,946
Transfers.....	<u>-</u>	<u>16,894</u>
Change in net assets.....	<u>\$ 133,146</u>	<u>\$ 406,840</u>

Financial Analysis of the Government's Funds

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

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

Fiscal year 2011 was the Town's initial year of implementation of GASB #54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The implementation of this standard has changed the fund balance components into nonspendable, restricted, committed, assigned and unassigned. Additionally, under the new standard, the Town's stabilization funds are reported within the general fund as unassigned.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$7.9 million, a decrease of \$1.6 million from the prior year.

The general fund is the Town's chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund totaled \$2.4 million, while \$669,000 has been assigned for the fiscal year 2012 operating budget. The total general fund balance of \$3 million decreased by \$634,000 during fiscal year 2011. This decrease is primarily due to the budgeted use of reserves to balance the operating budget (free cash and overlay surplus) and to retire outstanding debt (debt service reserves). As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 5.7% of total general fund expenditures, while total fund balance represents 7.3% of that same amount.

Nonmajor governmental funds reported a decrease of \$981,000 which was comprised of other capital projects, special revenue funds and permanent funds.

General Fund Budgetary Highlights

The increase of \$1.2 million between the original budget and the final amended budget consisted of the appropriation of \$350,000 for the Whittier School assessment, \$105,000 appropriated to fund the other postemployment benefits trust, and the appropriation of available funds (free cash) voted at the fall and spring Special Town Meetings. The original available general fund budget consisted of \$37.8 million in departmental appropriations and \$800,000 in amounts carried forward from the fiscal year 2010 budget.

Total revenues came in over budget by approximately \$530,000, and actual expenditures were under budget by \$231,000.

Capital Asset and Debt Administration

During the current fiscal year the Town expended \$2.6 million on governmental activities capital assets consisting mainly of \$200,000 for road construction, \$1.7 million wind turbine, \$72,000 in building improvements and \$528,000 for machinery and equipment. Business-type activities expended \$4.3 million for capital assets. Of this amount, the water enterprise fund expended \$484,000 for infrastructure and equipment, the sewer enterprise fund expended \$1.1 million which was mainly for infrastructure, and the electric light department expended \$2.6 million for the production, distribution and transmission plants and for their share of the construction of a wind turbine.

The Town's school department and electric light department have entered into a Memorandum of Understanding for the construction and operation of a wind turbine with an estimated total project cost of \$4.2 million. The project was substantially completed and began operating in June of 2011. During fiscal year 2011, the Town issued \$1.6 million in long-term debt and the electric light department issued \$2.6 million in long-term debt to finance their proportionate share of the project. The Town and the light department have each capitalized their proportionate share of the asset. The light department will be responsible for the operation and maintenance (O&M) of the wind turbine and will charge the school department their share of the O&M on a monthly basis.

The Town's governmental funds had total bonded debt outstanding of \$30.5 million at the end of the current fiscal year. Of this amount, \$23.4 million is related to school projects, \$5.6 million relates to land purchases, \$85,000 relates to library renovations, \$645,000 relates to the purchase of equipment, and \$806,000 relates to other capital related projects. The enterprise funds had \$14.2 million of debt outstanding at the end of the current year. Of this amount, \$3.3 million related to water, \$2.6 million related to sewer, and \$8.3 million related to electric light.

The Town issued long term debt in the current year totaling \$9.6 million. Of this amount, \$5.7 related to governmental activities, \$400,000 related to water services, \$814,000 related to sewer, and \$2.6 million related to the electric light department.

Please refer to the notes to the basic financial statements for further discussion of the capital asset and debt activity.

Economic Factors and Next Year's Budgets and Rates

Economic Factors and Next Year's Budgets and Rates

The Annual Town Meeting approved the Town's Operating Budget for fiscal year 2012 in the amount of \$14,619,986 and the School's Operating Budget for \$21,005,093. Town Meeting approved \$2,534,075 for the High School/Middle School Capital Project debt service for fiscal year 2012. Also approved at Town Meeting was an amendment to the Town's Operating Budget in the amount of \$75,506; \$55,690 from the Waterways Improvement Fund for the Harbormaster's budget and \$19,816 from the Capital Stabilization Fund for capital expenditures. An amendment of the School's Operating Budget was approved which increased the budget by \$35,606 from the Insurance Reimbursement Fund.

The Water and Sewer budgets for fiscal year 2012 were approved at the Annual Town Meeting for a total of \$4,538,316. Of this total, the Water budget is \$2,887,221, and the Sewer Budget is \$1,651,095. The Water budget will be offset in part by a water surplus of \$525,314 and the Sewer budget will be offset in part by a sewer surplus of \$51,595. The balance of said appropriations will be met by revenues of each department during fiscal year 2012.

The Annual Town Meeting approved an appropriation of \$270,246 as Ipswich's share of the operating and debt service expenses of the Whittier Regional Vocational Technical High School for fiscal year 2012.

Town Meeting amended its action taken under Article 18 of the 2000 Annual Town Meeting by appropriating an additional \$5,000,000 for Open Space and Athletic Fields which brings the total appropriation for Open Space to \$15,000,000. This appropriation is to be funded by the issuance of serial bonds under Massachusetts General Laws Chapter 44 and was approved as a Proposition 2-1/5 Override at the Town election on May 17, 2011.

Town Meeting appropriated \$442,110 under the provisions of Chapter 90 of the General Laws.

Under Article 20 of the Annual Town Meeting, \$2,200,000 was appropriated for the purchase of equipment for the construction and rehabilitation of the ultraviolet treatment facilities and the treatment plant head works at the Wastewater Treatment Plant . With the approval of the Board of Wastewater Commissioners, this project will be funded by issuing bonds or serial notes under the provisions of Massachusetts General Laws Chapter 44.

Under Article 21 of the Annual Town Meeting, \$1,950,000 was appropriated for the replacement of water mains on Jeffreys Neck Road. 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. Bond Counsel was unable to render a favorable opinion on the \$1,950,000 Water Main Bonds as a counted vote was not taken, and the Town has not adopted a bylaw, or a rule at the applicable town meeting, permitting the moderator to declare a vote passed by two-thirds. The town will revote these bonds at the October Special Town Meeting to satisfy this requirement.

Under Article 23 of the Annual Town Meeting, \$4,000 was appropriated from free cash to acquire a partial interest in fee (or lesser interest) in 30 parcels of land contiguous to the North Main Street or Meetinghouse Green rights-of-way.

Article 24 was approved to impose a local option meals excise of .75%. The motion carried by a simple majority.

Under Article 26, \$50,000 was appropriated from free cash to supplement the special legal account established within the fiscal year 2011 municipal budget under Article 5 of the Special Town Meeting of October 25, 2010, to pay for legal, real estate and other professional purposes related to the Feoffees litigation and modification of the Trust creating the Feoffees of the Ipswich Grammar School; and also appropriated the sum of \$250,000 from free cash for the same purpose to be expended during fiscal year 2012.

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

Basic Financial Statements

STATEMENT OF NET ASSETS

JUNE 30, 2011

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 6,942,022	\$ 3,057,889	\$ 9,999,911
Restricted cash and cash equivalents.....	-	596,404	596,404
Investments.....	2,097,254	-	2,097,254
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	652,689	-	652,689
Tax and utility liens.....	464,181	-	464,181
Motor vehicle and other excise taxes.....	102,429	-	102,429
User fees.....	-	2,150,435	2,150,435
Departmental and other.....	43,701	-	43,701
Special assessments.....	-	6,987	6,987
Intergovernmental.....	1,764,125	355,010	2,119,135
Loans.....	18,600	-	18,600
Tax foreclosures.....	27,589	-	27,589
Purchased power working capital and prepayments....	-	2,790,741	2,790,741
Deferred charges.....	-	103,296	103,296
Inventory.....	-	137,974	137,974
NONCURRENT:			
Restricted assets:			
Cash and cash equivalents.....	-	1,170,276	1,170,276
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	6,867,008	176,120	7,043,128
Special assessments.....	-	40,363	40,363
Loans.....	106,600	-	106,600
Capital Assets:			
Nondepreciable.....	17,973,711	2,467,669	20,441,380
Depreciable.....	47,367,077	33,765,269	81,132,346
TOTAL ASSETS.....	84,426,986	46,818,433	131,245,419
LIABILITIES			
CURRENT:			
Warrants payable.....	536,674	1,817,249	2,353,923
Accrued payroll.....	112,908	36,584	149,492
Accrued interest.....	193,401	60,243	253,644
Abandoned property.....	139,796	-	139,796
Other liabilities.....	444,794	1,140,466	1,585,260
Compensated absences.....	878,529	101,275	979,804
Bonds and notes payable.....	2,835,506	2,357,292	5,192,798
NONCURRENT:			
Landfill closure.....	-	33,000	33,000
Customer deposits payable.....	-	86,843	86,843
Compensated absences.....	385,781	141,625	527,406
Other postemployment benefits.....	4,163,789	270,690	4,434,479
Bonds and notes payable.....	27,643,394	13,103,206	40,746,600
TOTAL LIABILITIES.....	37,334,572	19,148,473	56,483,045
NET ASSETS			
Invested in capital assets, net of related debt.....	42,704,610	20,772,440	63,477,050
Restricted for:			
Rate stabilization.....	-	1,643,933	1,643,933
Depreciation.....	-	427,445	427,445
Affordable Housing.....	287,899	-	287,899
Loans.....	125,200	-	125,200
Permanent funds:			
Expendable.....	806,679	-	806,679
Nonexpendable.....	702,162	-	702,162
Gifts and grants.....	256,617	-	256,617
Unrestricted.....	2,209,247	4,826,142	7,035,389
TOTAL NET ASSETS.....	\$ 47,092,414	\$ 27,669,960	\$ 74,762,374

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 1,445,325	\$ 630,593	\$ 90,322	\$ -	\$ (724,410)
Finance.....	1,264,344	220	-	-	(1,264,124)
Planning and development.....	387,163	68,007	38,786	-	(280,370)
Public safety.....	5,683,097	387,307	66,863	-	(5,228,927)
Education.....	30,114,883	1,389,004	8,050,489	-	(20,675,390)
Public works.....	4,374,921	230,382	156,710	441,110	(3,546,719)
Code enforcement.....	629,729	402,193	-	-	(227,536)
Human services.....	650,229	100,465	132,650	-	(417,114)
Library.....	761,816	7,087	17,482	-	(737,247)
Interest.....	1,278,541	-	531,424	-	(747,117)
Total Governmental Activities.....	46,590,048	3,215,258	9,084,726	441,110	(33,848,954)
<i>Business-Type Activities:</i>					
Water.....	2,543,646	2,426,079	23,151	-	(94,416)
Sewer.....	1,525,108	1,525,984	29,781	-	30,657
Municipal Light.....	14,141,807	14,299,089	39,623	-	196,905
Total Business-Type Activities.....	18,210,561	18,251,152	92,555	-	133,146
Total Primary Government.....	\$ 64,800,609	\$ 21,466,410	\$ 9,177,281	\$ 441,110	\$ (33,715,808)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

FISCAL YEAR ENDED JUNE 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net assets:			
Net (expense) revenue from previous page.....	\$ (33,848,954)	\$ 133,146	\$ (33,715,808)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	28,985,867	-	28,985,867
Motor vehicle and other excise taxes.....	1,646,402	-	1,646,402
Hotel/motel tax.....	29,535	-	29,535
Penalties and interest on taxes.....	165,263	-	165,263
Payments in lieu of taxes.....	406,483	-	406,483
Grants and contributions not restricted to specific programs.....	1,871,980	-	1,871,980
Unrestricted investment income.....	174,903	-	174,903
Gain/(loss) on sale of capital assets.....	6,469	-	6,469
Miscellaneous.....	58,477	-	58,477
Total general revenues.....	33,345,379	-	33,345,379
Change in net assets.....	(503,575)	133,146	(370,429)
<i>Net Assets:</i>			
Beginning of year.....	47,595,989	27,536,814	75,132,803
End of year.....	\$ <u>47,092,414</u>	\$ <u>27,669,960</u>	\$ <u>74,762,374</u>

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2011

ASSETS	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents..... \$	4,072,469	\$ 2,869,553	\$ 6,942,022
Investments.....	-	2,097,254	2,097,254
Receivables, net of uncollectibles:			
Real estate and personal property taxes.....	652,689	-	652,689
Tax liens.....	464,181	-	464,181
Motor vehicle and other excise taxes.....	102,429	-	102,429
Departmental and other.....	43,701	-	43,701
Intergovernmental.....	7,725,384	905,749	8,631,133
Loans.....	-	125,200	125,200
Tax foreclosures.....	27,589	-	27,589
TOTAL ASSETS..... \$	<u>13,088,442</u>	<u>\$ 5,997,756</u>	<u>\$ 19,086,198</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Warrants payable..... \$	489,807	\$ 46,867	\$ 536,674
Accrued payroll.....	77,926	34,982	112,908
Abandoned property.....	139,796	-	139,796
Other liabilities.....	444,794	-	444,794
Deferred revenues.....	8,910,954	996,163	9,907,117
TOTAL LIABILITIES.....	<u>10,063,277</u>	<u>1,078,012</u>	<u>11,141,289</u>
 FUND BALANCES:			
Nonspendable.....	-	702,162	702,162
Restricted.....	-	4,217,582	4,217,582
Assigned.....	668,732	-	668,732
Unassigned.....	2,356,433	-	2,356,433
TOTAL FUND BALANCES.....	<u>3,025,165</u>	<u>4,919,744</u>	<u>7,944,909</u>
TOTAL LIABILITIES AND FUND BALANCES..... \$	<u>13,088,442</u>	<u>\$ 5,997,756</u>	<u>\$ 19,086,198</u>

See notes to basic financial statements.

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

JUNE 30, 2011

Total governmental fund balances.....	\$	7,944,909
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		65,340,788
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		9,907,117
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(193,401)
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.....	(30,478,900)	
Compensated absences.....	(1,264,310)	
Other postemployment benefits.....	<u>(4,163,789)</u>	
Net effect of reporting long-term liabilities.....		<u>(35,906,999)</u>
Net assets of governmental activities.....	\$	<u>47,092,414</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2011

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:			
Real estate and personal property taxes, net of tax refunds.....	\$ 28,657,073	\$ -	\$ 28,657,073
Tax liens.....	103,470	-	103,470
Motor vehicle and other excise taxes.....	1,657,461	19,860	1,677,321
Charges for services.....	34,551	1,808,933	1,843,484
Hotel/motel tax.....	-	29,535	29,535
Penalties and interest on taxes.....	165,263	-	165,263
Payments in lieu of taxes.....	406,483	-	406,483
Licenses and permits.....	625,993	79,725	705,718
Fines and forfeitures.....	47,530	-	47,530
Intergovernmental.....	8,677,956	2,372,036	11,049,992
Departmental and other.....	349,845	38,532	388,377
Contributions.....	-	193,139	193,139
Investment income.....	63,059	112,116	175,175
Other.....	173,434	235,058	408,492
TOTAL REVENUES.....	40,962,118	4,888,934	45,851,052
EXPENDITURES:			
Current:			
General government.....	658,548	486,792	1,145,340
Finance.....	966,035	-	966,035
Public safety.....	3,984,429	432,623	4,417,052
Education.....	20,629,769	5,575,992	26,205,761
Public works.....	3,754,718	501,651	4,256,369
Code enforcement.....	414,496	-	414,496
Planning and development.....	232,984	86,784	319,768
Human services.....	369,980	157,335	527,315
Library.....	522,824	39,272	562,096
Pension benefits.....	2,902,000	-	2,902,000
Property and liability insurance.....	151,666	-	151,666
Employee benefits.....	2,140,153	-	2,140,153
Other.....	84,553	-	84,553
State and county charges.....	686,055	-	686,055
Debt service:			
Principal.....	2,665,000	-	2,665,000
Interest.....	1,437,701	-	1,437,701
TOTAL EXPENDITURES.....	41,600,911	7,280,449	48,881,360
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(638,793)	(2,391,515)	(3,030,308)
OTHER FINANCING SOURCES (USES):			
Proceeds from bonds and notes.....	-	1,600,000	1,600,000
Proceeds from refunding bonds.....	4,111,400	-	4,111,400
Premium from issuance of refunding bonds.....	188,337	-	188,337
Payments to refunded bond escrow agent.....	(4,490,000)	-	(4,490,000)
Sale of capital assets.....	6,469	-	6,469
Transfers in.....	193,072	4,000	197,072
Transfers out.....	(4,000)	(193,072)	(197,072)
TOTAL OTHER FINANCING SOURCES (USES).....	5,278	1,410,928	1,416,206
NET CHANGE IN FUND BALANCES.....	(633,515)	(980,587)	(1,614,102)
FUND BALANCES AT BEGINNING OF YEAR, AS REVISED.....	3,658,680	5,900,331	9,559,011
FUND BALANCES AT END OF YEAR.....	\$ 3,025,165	\$ 4,919,744	\$ 7,944,909

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**

FISCAL YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds..... \$ (1,614,102)

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.

Capital outlay.....	2,576,505
Depreciation expense.....	<u>(1,820,353)</u>

Net effect of reporting capital assets..... 756,152

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.....

228,952

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Proceeds from bonds and notes.....	(1,600,000)
Proceeds from refunding bonds.....	(4,111,400)
Payments to bond escrow agent.....	4,490,000
Debt service principal payments.....	<u>2,665,000</u>

Net effect of reporting long-term debt..... 1,443,600

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Net change in compensated absences accrual.....	(99,774)
Net change in other postemployment benefit liability.....	(1,189,226)
Net change in accrued interest on long-term debt.....	<u>(29,177)</u>

Net effect of recording long-term liabilities..... (1,318,177)

Change in net assets of governmental activities..... \$ (503,575)

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2011

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Municipal Light	Total
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 1,088,697	\$ 880,270	\$ 1,088,922	\$ 3,057,889
Restricted cash and cash equivalents.....	28,936	40,340	527,128	596,404
Receivables, net of allowance for uncollectibles:				
User fees.....	509,877	181,201	1,459,357	2,150,435
Special assessments.....	-	6,987	-	6,987
Intergovernmental.....	-	355,010	-	355,010
Purchased power working capital and prepayments.....	-	-	2,790,741	2,790,741
Deferred charges.....	-	-	103,296	103,296
Inventory.....	-	-	137,974	137,974
Total current assets.....	<u>1,627,510</u>	<u>1,463,808</u>	<u>6,107,418</u>	<u>9,198,736</u>
NONCURRENT:				
Restricted cash and cash equivalents.....	-	-	1,170,276	1,170,276
Receivables, net of allowance for uncollectibles:				
Intergovernmental.....	-	176,120	-	176,120
Special assessments.....	-	40,363	-	40,363
Capital assets, net of accumulated depreciation.....				
Nondepreciable.....	1,572,786	871,907	22,976	2,467,669
Depreciable.....	<u>11,865,490</u>	<u>7,708,978</u>	<u>14,190,801</u>	<u>33,765,269</u>
Total noncurrent assets.....	<u>13,438,276</u>	<u>8,797,368</u>	<u>15,384,053</u>	<u>37,619,697</u>
TOTAL ASSETS.....	<u>15,065,786</u>	<u>10,261,176</u>	<u>21,491,471</u>	<u>46,818,433</u>
LIABILITIES				
CURRENT:				
Warrants payable.....	58,566	1,019	1,757,664	1,817,249
Accrued payroll.....	12,875	6,763	16,946	36,584
Accrued interest.....	21,513	13,078	25,652	60,243
Customer deposits payable.....	-	-	86,843	86,843
Other liabilities.....	-	-	1,140,466	1,140,466
Compensated absences.....	58,183	33,122	9,970	101,275
Bonds and notes payable.....	<u>327,000</u>	<u>1,545,798</u>	<u>484,494</u>	<u>2,357,292</u>
Total current liabilities.....	<u>478,137</u>	<u>1,599,780</u>	<u>3,522,035</u>	<u>5,599,952</u>
NONCURRENT:				
Environmental remediation liabilities.....	-	-	33,000	33,000
Compensated absences.....	39,527	12,370	89,728	141,625
Other postemployment benefits.....	129,109	66,277	75,304	270,690
Bonds and notes payable.....	<u>2,927,000</u>	<u>2,358,700</u>	<u>7,817,506</u>	<u>13,103,206</u>
Total noncurrent liabilities.....	<u>3,095,636</u>	<u>2,437,347</u>	<u>8,015,538</u>	<u>13,548,521</u>
TOTAL LIABILITIES.....	<u>3,573,773</u>	<u>4,037,127</u>	<u>11,537,573</u>	<u>19,148,473</u>
NET ASSETS				
Invested in capital assets, net of related debt.....	10,184,276	4,676,387	5,911,777	20,772,440
Restricted for:				
Rate stabilization.....	-	-	1,643,933	1,643,933
Depreciation.....	-	-	427,445	427,445
Unrestricted.....	<u>1,307,737</u>	<u>1,547,662</u>	<u>1,970,743</u>	<u>4,826,142</u>
TOTAL NET ASSETS.....	<u>\$ 11,492,013</u>	<u>\$ 6,224,049</u>	<u>\$ 9,953,898</u>	<u>\$ 27,669,960</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Municipal Light	Total
OPERATING REVENUES:				
Charges for services	\$ 2,426,079	\$ 1,522,936	\$ 14,261,993	\$ 18,211,008
Other.....	-	3,048	37,096	40,144
TOTAL OPERATING REVENUES	2,426,079	1,525,984	14,299,089	18,251,152
OPERATING EXPENSES:				
Cost of services and administration	1,974,608	1,086,732	13,114,526	16,175,866
Depreciation.....	465,561	315,617	788,224	1,569,402
TOTAL OPERATING EXPENSES	2,440,169	1,402,349	13,902,750	17,745,268
OPERATING INCOME (LOSS).....	(14,090)	123,635	396,339	505,884
NONOPERATING REVENUES (EXPENSES):				
Investment income.....	23,151	2,702	39,623	65,476
Interest expense.....	(103,477)	(122,759)	(239,057)	(465,293)
Intergovernmental.....	-	27,079	-	27,079
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(80,326)	(92,978)	(199,434)	(372,738)
CHANGE IN NET ASSETS.....	(94,416)	30,657	196,905	133,146
NET ASSETS AT BEGINNING OF YEAR.....	11,586,429	6,193,392	9,756,993	27,536,814
NET ASSETS AT END OF YEAR.....	\$ 11,492,013	\$ 6,224,049	\$ 9,953,898	\$ 27,669,960

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Municipal Light	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users.....	\$ 2,408,777	\$ 1,524,631	\$ 14,716,270	\$ 18,649,678
Payments to vendors.....	(1,131,043)	(611,207)	(11,993,404)	(13,735,654)
Payments to employees.....	(797,891)	(481,164)	(1,328,041)	(2,607,096)
NET CASH FROM OPERATING ACTIVITIES.....	479,843	432,260	1,394,825	2,306,928
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from the issuance of bonds and notes.....	400,000	965,725	6,884,000	8,249,725
Acquisition and construction of capital assets.....	(483,551)	(1,143,891)	(2,646,276)	(4,273,718)
Principal payments on bonds and notes.....	(340,000)	(255,093)	(5,382,000)	(5,977,093)
Interest expense.....	(105,583)	(58,951)	(238,699)	(403,233)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(529,134)	(492,210)	(1,382,975)	(2,404,319)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income.....	23,151	2,702	39,623	65,476
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(26,140)	(57,248)	51,473	(31,915)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	1,143,773	977,858	2,734,853	4,856,484
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 1,117,633	\$ 920,610	\$ 2,786,326	\$ 4,824,569
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:				
Operating income (loss).....	\$ (14,090)	\$ 123,635	\$ 396,339	\$ 505,884
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation.....	465,561	315,617	788,224	1,569,402
Changes in assets and liabilities:				
User fees.....	(17,302)	(7,881)	255,969	230,786
Special assessments.....	-	6,528	-	6,528
Purchased power working capital and prepayments.....	-	-	18,175	18,175
Deferred charges.....	-	-	(19,915)	(19,915)
Inventory.....	-	-	3,044	3,044
Warrants payable.....	(11,605)	(22,988)	(26,272)	(60,865)
Accrued payroll.....	(11,931)	(8,617)	(21,779)	(42,327)
Customer deposits payable and other liabilities.....	-	-	161,212	161,212
Environmental remediation.....	-	-	(127,000)	(127,000)
Accrued compensated absences.....	24,413	3,769	11,373	39,555
Other postemployment benefits.....	44,797	22,197	(44,545)	22,449
Total adjustments.....	493,933	308,625	998,486	1,801,044
NET CASH FROM OPERATING ACTIVITIES.....	\$ 479,843	\$ 432,260	\$ 1,394,825	\$ 2,306,928
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:				
Intergovernmental subsidy of debt service.....	\$ -	\$ 54,489	\$ -	\$ 54,489
Issuance of refunding bonds.....	-	813,600	-	813,600
Long-term bonds refunded.....	-	(775,298)	-	(775,298)
NET NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES.....	\$ -	\$ 92,791	\$ -	\$ 92,791

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2011

	Other Postemployment Benefit Fund	Private Purpose Trust Funds	Agency Funds
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 252,794	\$ 257,021	\$ 332,674
LIABILITIES			
Liabilities due depositors.....	-	-	332,674
NET ASSETS			
Held in trust for OPEB benefits and other purposes.....	\$ 252,794	\$ 257,021	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2011

	<u>Other Postemployment Benefit Fund</u>	<u>Private Purpose Trust Funds</u>
<u>ADDITIONS:</u>		
Contributions:		
Employer contributions.....	\$ 184,732	\$ -
Net investment income (loss):		
Investment income.....	14,068	36,221
TOTAL ADDITIONS.....	198,800	36,221
<u>DEDUCTIONS:</u>		
Educational scholarships.....	-	10,350
CHANGE IN NET ASSETS.....	198,800	25,871
NET ASSETS AT BEGINNING OF YEAR.....	53,994	231,150
NET ASSETS AT END OF YEAR.....	\$ 252,794	\$ 257,021

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

For financial reporting purposes, the Town has included 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 significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. It has been determined that there are no component units that require inclusion in the basic financial statements.

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

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

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.

Major Fund Criteria

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

- If the total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

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

Fiduciary funds are reported by fund type.

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

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 particular 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 particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

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

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

Fund Financial Statements

Governmental fund 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 fiscal year-end. 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 that are required to be accounted for in another fund.

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 and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

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

Proprietary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, 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 Town's water activities.

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

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

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

The following fiduciary fund types are reported:

The *other postemployment benefit trust fund* is used to accumulate resources to provide funding for future other postemployment benefits (OPEB) liabilities.

The *private-purpose trust fund* is used to account for trust arrangements that exclusively benefit individuals, private organizations, or other governments. Some of these trusts have donor restrictions and trustee policies that do not allow the endowment portion and any unrealized appreciation to be spent. The donor restrictions and trustee policies only allow the trustees to authorize spending of the realized investment earnings. The Town maintains one private purpose trust fund for scholarships.

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

Government-Wide and Fund Financial Statements

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

D. Cash and Investments

Government-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.

E. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate, 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 and personal property taxes levied are recorded as receivables in the fiscal year of the levy.

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

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Personal property taxes cannot be secured through the lien process. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

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

registered and the fair value of those boats. The tax calculation is the fair value of the boat multiplied by \$10 per \$1,000 of value.

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

User Fees

User fees 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 once a year and included as a lien on the property owner's tax bill. Water and Sewer charges and liens are recorded as receivables in the fiscal year of the levy and are recorded under the modified accrual basis of accounting.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Departmental and Other

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

Intergovernmental

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

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

F. Inventories

Government-Wide and Fund Financial Statements

Inventories, other than those associated with the electric light enterprise fund, 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.

Inventories of the electric light enterprise fund consist of materials and supplies, which are stated at average cost, and fuel which is stated at the lower of cost (first-in, first-out method) or market.

G. Restricted Assets

Government-Wide and Fund Financial Statements

Certain assets (customer deposits) of the electric light enterprise fund are classified as restricted as these amounts are available to the Department only if a customer account is terminated with an outstanding balance.

H. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which include land, land improvements, buildings, machinery and equipment, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, when actual historical cost could not be determined. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

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) are depreciated on a straight-line basis, in accordance with Massachusetts General Laws (MGL). 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.

I. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual 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.

J. Interfund Transfers

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

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.

K. Deferred Revenue

Deferred revenue at the governmental 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. The change in deferred revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

L. Net Assets and Fund Equity*Government-Wide Financial Statements (Net Assets)*

Net Assets reported as “invested in capital assets, net of related debt” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets. Outstanding debt related to future reimbursements from the state’s school building program is not considered to be capital related debt.

Net assets are reported as restricted when amounts that are not available for appropriation or are legally 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 be also used to help the Municipal Light Department maintain a competitive position in the marketplace or for other unexpected costs.

“Depreciation” 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 services costs related to such commitments, which the Municipal Light Commission determine are above market value.

“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 to moderate income households.

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

“Loans” represents community development outstanding loans receivable balances for the first time homebuyer program.

“Permanent funds - expendable” represents the amount of realized and unrealized investment earnings of donor restricted trusts. The donor restrictions and trustee policies only allow the trustees to approve spending of the realized investment earnings that support governmental programs.

“Permanent funds - nonexpendable” represents the endowment portion of donor restricted trusts that support governmental programs.

“Gifts and grants” represents restrictions placed on assets from outside parties, and consist primarily of gifts and federal and state grants.

Fund Financial Statements (Fund Balances)

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

“Nonspendable” fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

“Restricted” fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority.

“Assigned” fund balance includes amounts that are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed.

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

M. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net assets. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest 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. 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.

N. Investment Income

Excluding the permanent funds, investment income derived from special revenue and capital project funds is legally assigned to the general fund unless otherwise directed by MGL.

O. 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.

P. 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.

Q. 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 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 – CASH AND INVESTMENTS

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and Cash Equivalents". The deposits and investments of the trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (the Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Town of Ipswich's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. At fiscal year-end, the carrying amount of deposits totaled \$11,767,404 and the bank balance totaled \$13,061,678. Of the bank balance, \$1,914,964 was covered by Federal Depository Insurance, \$8,829,531 was covered by the Depositors Insurance Fund, \$1,052,915 was collateralized, and \$1,264,268 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

As of June 30, 2011, the Town had the following investments:

Investment Type	Fair Value	Maturity			
		Under 1 Year	1-5 Years	6-10 Years	Over 10 Years
<u>Debt Securities:</u>					
U.S. Treasury Notes.....	\$ 143,706	\$ -	\$ 89,417	\$ 54,289	\$ -
Government Sponsored Enterprises.....	831,413	146,390	337,548	277,030	70,445
Corporate Bonds.....	359,472	-	243,723	115,749	-
Bond Mutual Funds.....	79,157	79,157	-	-	-
Total Debt Securities.....	1,413,748	\$ 225,547	\$ 670,688	\$ 447,068	\$ 70,445
<u>Other Investments:</u>					
Money Market Mutual Funds.....	227,200				
Mutual Funds.....	683,506				
MMDT.....	614,476				
Total Investments.....	\$ 2,938,930				

The Town participates in MMDT, which maintains a cash portfolio and a short-term bond fund with combined average maturities of approximately 3 months. Credit ratings associated with the Town’s investment in MMDT ranged from A1/P1 to unrated; with approximately 98% rated A1/P1 and approximately 2% rated A2/P2.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. Of the Town’s investments in debt securities; \$143,706 in U.S. Treasury Notes, \$831,413 in Government Sponsored Enterprises, and \$359,472 in corporate bonds are subject to custodial credit risk exposure because the related securities are uninsured, unregistered and held by the counterparty.

Interest Rate Risk

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

Credit Risk

The Town has not adopted formal policies related to Credit Risk.

Investment Type	Fair Value	Quality Rating			
		AAA	AA	A	Unrated
<u>Debt Securities:</u>					
Government Sponsored Enterprises.....	\$ 831,413	\$ 831,413	\$ -	\$ -	\$ -
Corporate Bonds.....	359,472	31,548	201,999	125,925	-
Bond Mutual Funds.....	79,157	-	-	-	79,157
Total Debt Securities.....	\$ <u>1,270,042</u>	\$ <u>862,961</u>	\$ <u>201,999</u>	\$ <u>125,925</u>	\$ <u>79,157</u>

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 formal investment policy addressing concentration of credit risk. As of June 30, 2011, the Town’s investments with a single issuer that represents 5 percent or more of the Town’s total investments are as follows:

Issuer	Fair Value	Percentage of Total Investments
iShares Russell 3000 Index FD.....	\$ 148,272	7.07%
Federal Home Loan Mortgage Corporation..	247,608	24.77%
Federal National Mortgage Association.....	582,977	14.87%

NOTE 3 – RECEIVABLES

At June 30, 2011, receivables for the individual major governmental funds and nonmajor and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes....	\$ 712,228	\$ (59,539)	\$ 652,689
Tax liens.....	464,181	-	464,181
Motor vehicle and other excise taxes.....	229,340	(126,911)	102,429
Departmental and other.....	43,701	-	43,701
Intergovernmental.....	8,631,133	-	8,631,133
Loans.....	125,200	-	125,200
Total.....	<u>\$ 10,205,783</u>	<u>\$ (186,450)</u>	<u>\$ 10,019,333</u>

At June 30, 2011, receivables for the enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
User charges.....	\$ 2,152,755	\$ (2,320)	\$ 2,150,435
Special assessments.....	47,350	-	47,350
Intergovernmental.....	531,130	-	531,130
Total.....	<u>\$ 2,731,235</u>	<u>\$ (2,320)</u>	<u>\$ 2,728,915</u>

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

	General Fund	Other Governmental Funds	Total
<u>Receivable type:</u>			
Real estate and personal property taxes....	\$ 591,371	\$ -	\$ 591,371
Tax liens	464,181	-	464,181
Motor vehicle and other excise taxes.....	102,429	-	102,429
Intergovernmental.....	7,725,384	870,963	8,596,347
Loans.....	-	125,200	125,200
Tax foreclosures.....	27,589	-	27,589
Total.....	<u>\$ 8,910,954</u>	<u>\$ 996,163</u>	<u>\$ 9,907,117</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 17,376,663	\$ 99	\$ -	\$ 17,376,762
Construction in progress.....	1,052,904	292,563	(748,518)	596,949
Total capital assets not being depreciated.....	<u>18,429,567</u>	<u>292,662</u>	<u>(748,518)</u>	<u>17,973,711</u>
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	47,611,073	71,705	-	47,682,778
Machinery, equipment and vehicles.....	5,574,097	2,305,606	(36,450)	7,843,253
Infrastructure.....	9,425,494	655,050	-	10,080,544
Total capital assets being depreciated.....	<u>62,610,664</u>	<u>3,032,361</u>	<u>(36,450)</u>	<u>65,606,575</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(10,863,957)	(1,176,877)	-	(12,040,834)
Machinery, equipment and vehicles.....	(3,847,604)	(441,199)	36,450	(4,252,353)
Infrastructure.....	(1,744,034)	(202,277)	-	(1,946,311)
Total accumulated depreciation.....	<u>(16,455,595)</u>	<u>(1,820,353)</u>	<u>36,450</u>	<u>(18,239,498)</u>
Total capital assets being depreciated, net.....	<u>46,155,069</u>	<u>1,212,008</u>	<u>-</u>	<u>47,367,077</u>
Total governmental activities capital assets, net.....	<u>\$ 64,584,636</u>	<u>\$ 1,504,670</u>	<u>\$ (748,518)</u>	<u>\$ 65,340,788</u>

Water Enterprise Fund:	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 1,484,129	\$ -	\$ -	\$ 1,484,129
Construction in progress.....	72,948	75,416	(59,707)	88,657
Total capital assets not being depreciated.....	<u>1,557,077</u>	<u>75,416</u>	<u>(59,707)</u>	<u>1,572,786</u>
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	222,486	-	-	222,486
Machinery, equipment and vehicles.....	440,115	29,405	-	469,520
Infrastructure.....	20,795,715	438,437	-	21,234,152
Total capital assets being depreciated.....	<u>21,458,316</u>	<u>467,842</u>	<u>-</u>	<u>21,926,158</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(151,293)	(4,448)	-	(155,741)
Machinery, equipment and vehicles.....	(389,356)	(8,999)	-	(398,355)
Infrastructure.....	(9,054,458)	(452,114)	-	(9,506,572)
Total accumulated depreciation.....	<u>(9,595,107)</u>	<u>(465,561)</u>	<u>-</u>	<u>(10,060,668)</u>
Total capital assets being depreciated, net.....	<u>11,863,209</u>	<u>2,281</u>	<u>-</u>	<u>11,865,490</u>
Total water enterprise fund capital assets, net.....	<u>\$ 13,420,286</u>	<u>\$ 77,697</u>	<u>\$ (59,707)</u>	<u>\$ 13,438,276</u>
Sewer Enterprise Fund:				
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 871,907	\$ -	\$ -	\$ 871,907
Construction in progress.....	154,771	-	(154,771)	-
Total capital assets not being depreciated.....	<u>1,026,678</u>	<u>-</u>	<u>(154,771)</u>	<u>871,907</u>
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	47,194	-	-	47,194
Machinery, equipment and vehicles.....	355,148	-	-	355,148
Infrastructure.....	13,403,971	1,298,662	-	14,702,633
Total capital assets being depreciated.....	<u>13,806,313</u>	<u>1,298,662</u>	<u>-</u>	<u>15,104,975</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(32,096)	(944)	-	(33,040)
Machinery, equipment and vehicles.....	(125,757)	(20,058)	-	(145,815)
Infrastructure.....	(6,922,527)	(294,615)	-	(7,217,142)
Total accumulated depreciation.....	<u>(7,080,380)</u>	<u>(315,617)</u>	<u>-</u>	<u>(7,395,997)</u>
Total capital assets being depreciated, net.....	<u>6,725,933</u>	<u>983,045</u>	<u>-</u>	<u>7,708,978</u>
Total sewer enterprise fund capital assets, net.....	<u>\$ 7,752,611</u>	<u>\$ 983,045</u>	<u>\$ (154,771)</u>	<u>\$ 8,580,885</u>

Municipal Light Enterprise Fund:	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 22,976	\$ -	\$ -	\$ 22,976
Construction in progress.....	786,887	-	(786,887)	-
Total capital assets not being depreciated.....	809,863	-	(786,887)	22,976
<u>Capital assets being depreciated:</u>				
Production plant.....	5,009,625	2,342,391	-	7,352,016
Transmission plant.....	1,437,379	506,489	-	1,943,868
Distribution plant.....	17,240,683	317,930	(261,916)	17,296,697
General plant.....	2,401,861	266,353	-	2,668,214
Total capital assets being depreciated.....	26,089,548	3,433,163	(261,916)	29,260,795
<u>Less accumulated depreciation for:</u>				
Production plant.....	(4,680,831)	(23,276)	-	(4,704,107)
Transmission plant.....	(286,371)	(80,090)	-	(366,461)
Distribution plant.....	(7,925,078)	(630,854)	261,916	(8,294,016)
General plant.....	(1,651,406)	(54,004)	-	(1,705,410)
Total capital assets being depreciated.....	(14,543,686)	(788,224)	261,916	(15,069,994)
Total capital assets being depreciated, net.....	11,545,862	2,644,939	-	14,190,801
Total municipal light enterprise fund capital assets, net.....	\$ 12,355,725	\$ 2,644,939	\$ (786,887)	\$ 14,213,777

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

Governmental Activities:

General government.....	\$ 151,853
Finance.....	10,192
Planning and development.....	14,947
Public safety.....	157,361
Education.....	1,071,434
Public works.....	323,277
Code enforcement.....	2,400
Human services.....	21,170
Library.....	67,719

Total depreciation expense - governmental activities..... **\$ 1,820,353**

Business-Type Activities:

Water.....	\$ 465,561
Sewer.....	315,617
Municipal light.....	788,224

Total depreciation expense - business-type activities..... **\$ 1,569,402**

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2011, are summarized as follows:

Transfers Out:	Transfers In:		
	General Fund	Nonmajor Governmental Funds	Total
General Fund.....	\$ -	\$ 4,000	\$ 4,000 (1)
Nonmajor Governmental Funds...	193,072	-	193,072 (2)
Total.....	\$ 193,072	\$ 4,000	\$ 197,072

- (1) Represents budgeted transfers from the general fund to a nonmajor special revenue fund to help fund the North Green Capital Project.
- (2) Represents budgeted transfers to help fund the fiscal year 2011 operating budget from the waterways improvements, tourism development, and insurance recovery nonmajor special revenue funds.

NOTE 6 – 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 or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

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 business-type short-term debt activity for the fiscal year ended June 30, 2011 is as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2010	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2011
BAN	Water.....	1.50	10/06/10	\$ 35,000	\$ -	\$ 35,000	\$ -
BAN	Water.....	1.25	06/16/11	-	35,000	35,000	-
BAN	MWPAT Loan.....	0.24	12/31/11	-	1,289,998	-	1,289,998
	Total Water			<u>35,000</u>	<u>1,324,998</u>	<u>70,000</u>	<u>1,289,998</u>
BAN	Wind Turbine.....	1.25	10/06/10	800,000	-	800,000	-
BAN	Wind Turbine.....	1.25	06/16/11	-	800,000	800,000	-
BAN	Wind Turbine.....	1.25	06/16/11	-	3,442,000	3,442,000	-
	Total Electric.....			<u>800,000</u>	<u>4,242,000</u>	<u>5,042,000</u>	<u>-</u>
	Total Business-Type.....			<u>\$ 835,000</u>	<u>\$ 5,566,998</u>	<u>\$ 5,112,000</u>	<u>\$ 1,289,998</u>

NOTE 7 – LONG-TERM DEBT

Under the provisions of Chapter 44, Section 10, Municipal Law 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". In addition, 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".

Details related to the outstanding indebtedness at June 30, 2011 and the debt service requirements are shown as follows:

Bonds and Notes Payable Schedule – Governmental Funds

Project	Interest Rate (%)	Outstanding at June 30, 2010	Issued	Redeemed	Outstanding at June 30, 2011
Library.....	3.95 - 6.25	\$ 805,000	\$ -	\$ 805,000	\$ -
Whipple School Construction.....	3.50 - 4.75	2,300,000	-	2,080,000	220,000
Land Acquisition.....	3.50 - 4.75	2,240,000	-	2,050,000	190,000
Whipple School Design.....	3.50 - 4.65	100,000	-	90,000	10,000
Open Space Land Acquisition.....	2.35 - 4.00	428,000	-	46,000	382,000
Bridges.....	2.35 - 3.40	10,000	-	5,000	5,000
School.....	2.35 - 4.00	88,000	-	11,000	77,000
School Renovations Winthrop.....	2.75 - 5.00	150,000	-	15,000	135,000
School Renovations.....	2.75 - 5.00	200,000	-	20,000	180,000
School.....	3.50 - 5.00	20,250,000	-	1,655,000	18,595,000
Land Acquisition.....	3.50 - 5.00	200,000	-	20,000	180,000
School Renovations.....	4.00 - 5.00	167,000	-	11,000	156,000
School.....	4.00 - 5.00	500,000	-	30,000	470,000
Bridges.....	4.00 - 4.75	20,000	-	10,000	10,000
Open Space.....	4.00 - 5.00	692,500	-	45,000	647,500
Equipment.....	3.25 - 5.00	225,000	-	30,000	195,000
Library Remodeling.....	3.25 - 5.00	95,000	-	10,000	85,000
Land Acquisition.....	2.00 - 5.00	525,000	-	35,000	490,000
DPW Data Network.....	2.00 - 5.00	60,300	-	15,300	45,000
Equipment.....	2.00 - 5.00	577,000	-	127,000	450,000
MBTA Crossing.....	2.00	68,700	-	28,700	40,000
Town Hall Windows.....	2.00 - 5.00	50,000	-	5,000	45,000
Recreation Bialek Park.....	2.00 - 5.00	101,000	-	11,000	90,000
Library.....	2.00 - 5.00	-	305,875	-	305,875
Land Acquisition.....	2.00-3.25	2,070,000	-	-	2,070,000
Whipple School Construction.....	2.00-3.25	-	1,857,375	-	1,857,375
Whipple School Design.....	2.00-3.25	-	83,300	-	83,300
Land Acquisition.....	2.00-3.25	-	1,864,850	-	1,864,850
Wind Turbine.....	2.00-3.25	-	1,600,000	-	1,600,000
Total Governmental.....		\$ 31,922,500	\$ 5,711,400	\$ 7,155,000	\$ 30,478,900

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012.....\$	2,835,506	\$ 1,426,701	\$ 4,262,207
2013.....	2,906,152	1,084,936	3,991,088
2014.....	2,972,866	976,534	3,949,400
2015.....	2,992,866	854,810	3,847,676
2016.....	3,012,866	725,841	3,738,707
2017.....	3,107,866	591,701	3,699,567
2018.....	3,166,866	448,181	3,615,047
2019.....	3,169,866	303,593	3,473,459
2020.....	3,259,866	170,728	3,430,594
2021.....	579,866	98,415	678,281
2022.....	449,866	81,631	531,497
2023.....	314,866	69,345	384,211
2024.....	314,866	58,422	373,288
2025.....	314,866	47,446	362,312
2026.....	269,866	36,151	306,017
2027.....	257,366	26,348	283,714
2028.....	189,866	16,696	206,562
2029.....	189,866	9,880	199,746
2030.....	172,893	3,064	175,957
Totals.....	\$ <u>30,478,900</u>	\$ <u>7,030,423</u>	\$ <u>37,509,323</u>

The Town's school department and electric light department have entered into a Memorandum of Understanding for the construction and operation of a wind turbine with an estimated total project cost of \$4.2 million. The project was substantially completed and began operating in June of 2011. During fiscal year 2011, the Town issued \$1.6 million in long-term debt and the electric light department issued \$2.6 million in long-term debt to finance their proportionate share of the project. The Town and the light department have each capitalized their proportionate share of the asset. The light department will be responsible for the operation and maintenance (O&M) of the wind turbine and will charge the school department their share of the O&M on a monthly basis.

Bonds and Notes Payable Schedule – Enterprise Funds

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

	Interest Rate (%)	Outstanding at June 30, 2010	Issued	Redeemed	Outstanding at June 30, 2011
Water Projects					
Water.....	3.50 - 4.25	\$ 20,000	\$ -	\$ 10,000	\$ 10,000
Land Acquisition.....	2.35 - 4.00	176,000	-	22,000	154,000
Water.....	2.75 - 5.00	815,000	-	105,000	710,000
Water.....	4.00 - 5.00	765,000	-	45,000	720,000
Water.....	3.25 - 5.00	490,000	-	30,000	460,000
Water.....	2.00 - 5.01	893,000	-	93,000	800,000
Water.....	2.00 - 3.25	-	400,000	-	400,000
Total Water Enterprise.....		\$ 3,159,000	\$ 400,000	\$ 305,000	\$ 3,254,000
Sewer Projects					
Sewer 97-19 (MWPAT).....	Variable	\$ 930,200	\$ -	\$ 97,800	\$ 832,400
Sewer.....	3.50 - 4.75	975,000	-	890,000	85,000
Sewer Land Acquisition.....	2.35 - 3.40	10,000	-	5,000	5,000
Sewer.....	2.35 - 4.00	88,000	-	11,000	77,000
Sewer.....	2.75 - 5.00	30,000	-	5,000	25,000
Sewer.....	4.00 - 5.00	825,500	-	49,000	776,500
Sewer.....	2.00 - 3.25	-	813,600	-	813,600
Total Sewer Enterprise.....		\$ 2,858,700	\$ 813,600	\$ 1,057,800	\$ 2,614,500
Municipal Light Projects					
Electric Sub Station and System Improvements.....	3.25 - 4.10	\$ 5,400,000	\$ -	\$ 300,000	\$ 5,100,000
Electric Sub Station and System Improvements.....	2.00 - 5.01	600,000	-	40,000	560,000
Wind Turbine.....	2.00 - 3.25	-	2,642,000	-	2,642,000
Total Municipal Light Enterprise.....		\$ 6,000,000	\$ 2,642,000	\$ 340,000	\$ 8,302,000
Total Enterprise Funds.....		\$ 12,017,700	\$ 3,855,600	\$ 1,702,800	\$ 14,170,500

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012.....\$	1,067,294	\$ 497,508	\$ 1,564,802
2013.....	1,002,548	449,071	1,451,619
2014.....	1,046,934	399,814	1,446,748
2015.....	1,015,034	368,553	1,383,587
2016.....	1,008,334	338,224	1,346,558
2017.....	1,001,734	306,605	1,308,339
2018.....	1,006,134	268,883	1,275,017
2019.....	971,534	234,471	1,206,005
2020.....	780,134	202,918	983,052
2021.....	715,134	174,675	889,809
2022.....	715,134	149,740	864,874
2023.....	640,134	127,457	767,591
2024.....	640,134	106,036	746,170
2025.....	640,134	84,515	724,649
2026.....	585,134	62,473	647,607
2027.....	557,634	41,945	599,579
2028.....	485,134	22,373	507,507
2029.....	160,134	5,845	165,979
2030.....	132,107	2,642	134,749
Totals..... \$	<u>14,170,500</u>	<u>\$ 3,843,748</u>	<u>\$ 18,014,248</u>

The Town has received bonds from the Massachusetts Water Pollution Abatement Trust (MWPAT) for various sewer projects. The remaining scheduled loan repayments, including interest, total \$350,743 at June 30, 2011. The Town is scheduled to be subsidized by the MWPAT on a periodic basis for principal in the amount of \$206,857 and interest costs for \$143,886. Thus, net MWPAT loan repayments, including interest, are scheduled to be \$559,954. The principal subsidies are guaranteed and therefore a \$206,857 intergovernmental receivable has been recorded in the water enterprise fund at June 30, 2011. Since the Town is legally obligated for the total amount of the debt, such amounts have been reported in the accompanying basic financial statements. The fiscal year 2011 principal and interest subsidies totaled \$27,409 and \$27,079, respectively.

The Commonwealth has approved school construction assistance to the Town. The assistance program, which is administered by the Massachusetts School Building Authority (MSBA), provides resources for future debt service of general obligation school bonds outstanding. During fiscal year 2011, \$1,389,800 of such assistance was received. Approximately \$12,508,000 will be received in future fiscal years. Of this amount, approximately \$4,783,000 represents reimbursement of long-term interest costs, and approximately \$7,725,000 represents reimbursement of approved construction costs. Accordingly, a \$7,725,000 intergovernmental receivable and corresponding deferred revenue have been reported in governmental fund financial statements. The net change in deferred revenue has been recognized as revenue in the conversion to the government-wide financial statements.

In order to take advantage of favorable interest rates, the Town issued \$4,925,000 in General Obligation Refunding Bonds on October 1, 2010, to advance refund \$5,295,000 in outstanding bonds. To advance refund the bonds, the Town placed the net proceeds of the refunding bonds in an irrevocable trust with an escrow agent to pay, when due, interest on, and upon redemption, the outstanding principal of and redemption premium of the refunded bonds. As a result, the refunded bonds were defeased and the liability has been removed from the statement of net assets. At June 30, 2011, approximately \$4,605,000 of bonds outstanding from the advance

refunding is considered defeased. The reacquisition price exceeded the net carrying amount of the old debt by \$81,932. This advance refunding was undertaken to reduce total debt service payments over the next 10 years by \$913,353 and resulted in an economic gain of \$453,318.

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, 2011, the Town had the following authorized and unissued debt:

Purpose	Amount
Open Space.....	\$ 6,385,000
Wastewater Treatment Plant.....	4,000,000
Street Reconstruction.....	2,000,000
Water Mains.....	3,945,000
Electric Substation.....	900,000
Bridges.....	165,000
Electric.....	136,000
Riverwalk.....	75,000
DPW/Computer.....	44,122
Equipment.....	23,000
Recreation.....	20,231
Septic System Repairs.....	<u>1,000,000</u>
Total.....	<u>\$ 18,693,353</u>

Changes in Long-term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Governmental Activities:					
Bonds and notes payable.....	\$ 31,922,500	\$ 5,711,400	\$ (7,155,000)	\$ 30,478,900	\$ 2,835,506
Other postemployment benefits....	2,974,563	2,095,845	(906,619)	4,163,789	-
Compensated absences.....	<u>1,164,536</u>	<u>977,002</u>	<u>(877,228)</u>	<u>1,264,310</u>	<u>878,529</u>
Total governmental activity long-term liabilities.....	<u>\$ 36,061,599</u>	<u>\$ 8,784,247</u>	<u>\$ (8,938,847)</u>	<u>\$ 35,906,999</u>	<u>\$ 3,714,035</u>
Business-Type Activities:					
Bonds and notes payable.....	\$ 12,017,700	\$ 3,855,600	\$ (1,702,800)	\$ 14,170,500	\$ 1,067,294
Other postemployment benefits....	248,241	79,199	(56,750)	270,690	-
Compensated absences.....	<u>203,345</u>	<u>124,094</u>	<u>(84,539)</u>	<u>242,900</u>	<u>101,275</u>
Total business-type activity long-term liabilities.....	<u>\$ 12,469,286</u>	<u>\$ 4,058,893</u>	<u>\$ (1,844,089)</u>	<u>\$ 14,684,090</u>	<u>\$ 1,168,569</u>

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

NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

In fiscal year 2011, the Town implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Town's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

In accordance with GASB 54, the stabilization funds have been reported in the general fund as unassigned. Accordingly, the general fund and nonmajor governmental fund beginning balances have been revised from \$3,032,367 and \$6,526,644 to \$3,658,680 and \$5,900,331, respectively. The balance of the stabilization funds as of June 30, 2011 is \$633,837.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The Town has reported principal portions of endowment funds as nonspendable.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

The Town has classified its governmental fund balances with the following hierarchy.

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
FUND BALANCES:			
Nonspendable:			
Permanent fund principal.....	\$ -	\$ 702,162	\$ 702,162
Restricted for:			
Town revolving funds.....	-	96,848	96,848
Town gifts and grant funds.....	-	58,195	58,195
Town receipts reserved.....	-	291,767	291,767
Other Town special revenue.....	-	41,466	41,466
Open space land acquisition.....	-	205,652	205,652
School federal grant funds.....	-	62,021	62,021
School gift funds.....	-	136,401	136,401
School revolving funds.....	-	2,112,316	2,112,316
Ipswich affordable housing.....	-	287,899	287,899
Town capital projects.....	-	118,338	118,338
Expendable trust funds.....	-	806,679	806,679
Assigned to:			
General government.....	5,127	-	5,127
Finance.....	21,128	-	21,128
Public safety.....	7,474	-	7,474
Education.....	114,018	-	114,018
Public works.....	378,468	-	378,468
Planning and development.....	12,644	-	12,644
Library.....	865	-	865
Employee benefits.....	10,000	-	10,000
Property and liability insurance.....	22,097	-	22,097
Miscellaneous.....	10,858	-	10,858
Debt service interest.....	86,053	-	86,053
Unassigned.....	<u>2,356,433</u>	-	<u>2,356,433</u>
TOTAL FUND BALANCES.....	\$ <u>3,025,165</u>	\$ <u>4,919,744</u>	\$ <u>7,944,909</u>

NOTE 9 – RISK FINANCING

The Town is exposed to various risks of loss related to tort; theft of, damage to and the 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 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, 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 of Massachusetts (the Commonwealth). The amount of these on-behalf payments totaled \$2,902,000 for the fiscal year ended June 30, 2011, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws (MGL) assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Essex Regional Retirement Board and are borne by the System. The System issues a publicly available, unaudited, financial 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 491 Maple Street, Danvers, Massachusetts 01923.

Funding Policy - 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 actuarially determined contribution that is apportioned among the employers based on annual covered payroll. Chapter 32 of the MGL governs the contributions of plan members and the Town. The Town's contributions to the System for the fiscal years ended June 30, 2011, 2010, and 2009 were \$1,941,972, \$1,797,160, and \$1,680,007, respectively, which equaled its required contribution for each fiscal year.

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

The Town has previously implemented the provisions of GASB Statement #43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and during fiscal year 2010 established its "Other Postemployment Benefit Trust Fund" in accordance with these provisions. The Town voted to begin pre-funding its Other Postemployment Benefit (OPEB) liabilities through the use of this irrevocable trust.

Plan Description – The Town of Ipswich administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides health, dental and life insurance for eligible retirees and their spouses through a single-employer defined Other Postemployment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy – The contribution requirements of plan members and the Town are established and may be amended by the Town. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 50 percent of the cost of current-year premiums for health and life insurance for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 50 percent of their premium costs for health and life insurance and all of the premiums related to dental insurance. For fiscal year 2011, the Town's age-adjusted contribution to the plan totaled \$963,369, and member contributions totaled approximately \$701,000.

The Commonwealth of Massachusetts passed special legislation that has allowed the Town to establish the postemployment benefit trust fund and to enable the Town to raise taxes necessary to begin pre-funding its OPEB liabilities. During fiscal year 2011, the Town pre-funded future OPEB liabilities in the amount of approximately \$241,000.

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

Annual required contribution.....	\$ 2,225,339
Interest on net OPEB obligation.....	128,912
Adjustments to annual required contribution.....	<u>(179,207)</u>
 Annual OPEB cost (expense).....	 2,175,044
 Contributions made.....	 <u>(963,369)</u>
 Increase in net OPEB obligation.....	 1,211,675
 Net OPEB obligation - beginning of year.....	 <u>3,222,804</u>
 Net OPEB obligation - end of year.....	 <u><u>\$ 4,434,479</u></u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2011 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	\$ 2,175,044	44.3%	\$ 4,434,479
6/30/2010	2,141,703	30.8%	3,222,804
6/30/2009	2,290,951	24.0%	1,741,065

Funded Status and Funding Progress – The funded status of the plan as of the most recent actuarial valuation dates is 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)
7/1/2009	\$ -	\$ 23,930,595	\$ 23,930,595	0%	\$ 23,032,308	103.9%
7/1/2007	-	20,162,942	20,162,942	0%	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. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements,

presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the July 1, 2009, actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 4.0% investment return assumption, which is based on the expected yield on the assets of the Town, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend ranging from 5.0% to 9.0% and included a 4.5% inflation assumption. The UAAL is being amortized over a 30 year period, with amortization payments increasing at 4.5% per year. The remaining amortization period at June 30, 2011 is 27 years.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

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, 2011, 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.

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, 2011, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2011.

NOTE 13 – FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS

During fiscal year 2011, the following GASB pronouncement was implemented:

- GASB Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented in fiscal year 2011. Financial statement changes include new fund balance designations and the reclassification of stabilization funds from the special revenue fund to the general fund. Notes to the basic financial statements were changed to provide additional disclosure on the new designations of fund balance.

Future implementation of GASB pronouncements:

- The GASB issued Statement #60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is required to be implemented in fiscal year 2013. Management is evaluating the impact that the implementation of this pronouncement will have on the basic financial statements.
- The GASB issued Statement #61, *The Financial Reporting Entity: Omnibus*, which is required to be implemented in fiscal year 2013. Management's current assessment is that this pronouncement will not have a significant impact on the basic financial statements.

- The GASB issued Statement #62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is required to be implemented in fiscal year 2013. Management's current assessment is that this pronouncement will not have a significant impact on the basic financial statements.
- The GASB issued Statement #63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is required to be implemented in fiscal year 2013. Management is evaluating the impact that the implementation of this pronouncement will have on the basic financial statements.
- The GASB issued Statement #64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53*, which is required to be implemented in fiscal year 2012. Management does not believe that this pronouncement will require additional disclosure or impact the basic financial statements.

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**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 appoint 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), formally know 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 basic 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 Standard 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 generally accepted 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 the 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 Plant 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. Overall, these rates of depreciation approximate GAAP.

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 purpose 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 \$277,336 to the Town of Ipswich in lieu of taxes. All contributions to the Town are voted by the Commissioners.

9. Purchased Power Working Capital and Prepayments

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, 2011 totaled \$2,458,232.

In addition to the working capital deposit the Department also has made other power supply related prepayments totaling approximately \$333,000.

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 \$103,296 at June 30, 2011.

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, Customer Deposits payable, and the Conservation Fund.

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 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, 2011, the Department's bank balance was covered by Federal Depository Insurance and by the Depositors Insurance Fund.

NOTE C – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 22,976	\$ -	\$ -	\$ 22,976
Construction in progress.....	786,887	-	(786,887)	-
Total capital assets not being depreciated.....	<u>809,863</u>	<u>-</u>	<u>(786,887)</u>	<u>22,976</u>
<u>Capital assets being depreciated:</u>				
Production plant.....	5,009,625	2,342,391	-	7,352,016
Transmission plant.....	1,437,379	506,489	-	1,943,868
Distribution plant.....	17,240,683	317,930	(261,916)	17,296,697
General plant.....	2,401,861	266,353	-	2,668,214
Total capital assets being depreciated.....	<u>26,089,548</u>	<u>3,433,163</u>	<u>(261,916)</u>	<u>29,260,795</u>
<u>Less accumulated depreciation for:</u>				
Production plant.....	(4,680,831)	(23,276)	-	(4,704,107)
Transmission plant.....	(286,371)	(80,090)	-	(366,461)
Distribution plant.....	(7,925,078)	(630,854)	261,916	(8,294,016)
General plant.....	(1,651,406)	(54,004)	-	(1,705,410)
Total capital assets being depreciated.....	<u>(14,543,686)</u>	<u>(788,224)</u>	<u>261,916</u>	<u>(15,069,994)</u>
Total capital assets being depreciated, net.....	<u>11,545,862</u>	<u>2,644,939</u>	<u>-</u>	<u>14,190,801</u>
Total municipal light enterprise fund capital assets, net.....	<u>\$ 12,355,725</u>	<u>\$ 2,644,939</u>	<u>\$ (786,887)</u>	<u>\$ 14,213,777</u>

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 \$218,750 at June 30, 2011.

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 the rate stabilization funds and therefore is not expensed by the Department. The outstanding principal balance of this internal loan totaled \$321,750 at June 30, 2011.

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, 2011 was \$1,643,933 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 \$151,000 for the year ended June 30, 2011, which represents approximately 7.78 % 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, 2011 are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2010	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2011
BAN	Wind Turbine.....	1.25	10/06/10	\$ 800,000	\$ -	\$ 800,000	\$ -
BAN	Wind Turbine.....	1.25	06/16/11	-	800,000	800,000	-
BAN	Wind Turbine.....	1.25	06/16/11	-	3,442,000	3,442,000	-
				<u>\$ 800,000</u>	<u>\$ 4,242,000</u>	<u>\$ 5,042,000</u>	<u>\$ -</u>

NOTE H – LONG TERM DEBT

Details relating to the outstanding indebtedness at June 30, 2011 are as follows:

Project	Interest Rate (%)	Outstanding at June 30, 2010	Issued	Redeemed	Outstanding at June 30, 2011
Electric Sub Station and System Improvements.....	3.25 - 4.10	\$ 5,400,000	\$ -	\$ 300,000	\$ 5,100,000
Electric Sub Station and System Improvements.....	2.00 - 5.01	600,000	-	40,000	560,000
Wind Turbine.....	2.00 - 5.00	-	2,642,000	-	2,642,000
Total Bonds Payable.....		\$ 6,000,000	\$ 2,642,000	\$ 340,000	\$ 8,302,000

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

MUNICIPAL LIGHT ENTERPRISE FUND, DEBT SERVICE PAYMENTS

Fiscal Year	Principal	Interest	Total
2012.....	\$ 484,494	\$ 265,812	\$ 750,306
2013.....	483,248	257,943	741,191
2014.....	480,134	244,494	724,628
2015.....	480,134	231,092	711,226
2016.....	480,134	217,690	697,824
2017.....	480,134	202,688	682,822
2018.....	480,134	183,586	663,720
2019.....	480,134	164,484	644,618
2020.....	480,134	146,980	627,115
2021.....	480,134	129,477	609,611
2022.....	480,134	112,674	592,808
2023.....	480,134	97,222	577,356
2024.....	480,134	81,720	561,854
2025.....	480,134	66,130	546,264
2026.....	440,134	50,178	490,312
2027.....	440,134	35,250	475,385
2028.....	440,134	20,148	460,282
2029.....	140,134	5,045	145,179
2030.....	112,107	2,242	114,350
Totals.....	\$ 8,302,000	\$ 2,514,853	\$ 10,816,853

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, 2011 under these arrangements are as follows:

Payment in lieu of taxes.....	\$	277,336
Subsidized street lighting cost of power.....		43,433
Subsidized street lighting maintenance.....		46,102
Town salaries paid by the Department.....		53,115
Non-reimbursed services and materials provided to the Town.....		<u>34,946</u>
Total.....	\$	<u>454,932</u>

The Department bills Town departments for electric light usage. The amount included in revenue under this arrangement was \$699,830 for the fiscal year ended June 30, 2011. Accounts receivable from these departments totaled \$13,135 at June 30, 2011.

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 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 \$98,000 and \$160,000. The Department had recorded a liability of \$160,000 to reflect this estimate.

The estimated costs were reevaluated (by an independent environmental consultant) at June 30, 2011, and current estimates range between \$22,000 and \$33,000 for the remaining phases of the clean up. The Department recorded a liability of \$33,000 to reflect this estimate as of June 30, 2011.

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 the 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 Purchase Power Agreements (PPAs) with MMWEC. Under both the PSAs and PPAs, the Department is required to make certain payments to MMWEC payable solely from Department revenues. Under the PSAs, each Participant is unconditionally obligated to make all payments due to MMWEC, whether or not the Project(s) is completed or operating, and notwithstanding the suspension or interruption of the output of the Project(s).

NOTE L – BERKSHIRE WIND COOPERATIVE CORPORATION

The Department is a Member of the Berkshire Wind Cooperative Corporation (Cooperative).

The Cooperative is organized under Chapters 157 and 164: Section 47C of the State of Massachusetts Statutes and constitutes a municipal lighting plant cooperative. The Cooperative was formed by MMWEC and 14 Municipal Light Departments (Members) for the purpose of financing, owning, constructing and operating wind generation facilities located on Brodie Mountain in the towns of Hancock and Lanesborough, Massachusetts (Berkshire Wind Facility).

The Cooperative has constructed and installed 10 1.5-megawatt wind turbines at the Berkshire Wind Facility. The Cooperative provides wind energy to MMWEC pursuant to the Berkshire Wind Power Purchase Agreement dated May 21, 2008 between MMWEC and the Cooperative. Under this agreement, MMWEC entered into a Power Sales Contract with the Cooperative pursuant to which MMWEC has agreed to purchase 100% of the capacity and energy output and, to the extent uncommitted to any third party under existing agreements, associated environmental energy attributes of a wind power generating facility to be owned, constructed and operated by the Cooperative at the Berkshire Wind Facility.

MMWEC sells all of the capability of the Berkshire Wind Facility (Capability) to the Members of the Cooperative (Members) under Power Purchase Agreements (PPAs). Among other things, the PPAs require each Cooperative Member to pay its *pro rata* share of the costs related to the Berkshire Wind Facility, which costs include debt service on the bonds issued by the Cooperative to finance the Berkshire Wind Facility, plus 10% of the debt service to be paid into a Reserve and Contingency Fund. In addition, should a Cooperative Member fail to make any payment when due, other Cooperative Members may be required to increase (step-up) their payments and correspondingly their share of the Capability to an additional amount.

The Cooperative has issued revenue bonds, which are payable solely from, and secured solely by, the revenues derived from the Berkshire Wind Facility. The revenues are used solely to provide for the payment of any bond issue relating to the Berkshire Wind Facility and to pay the Cooperative's cost of owning and operating the Berkshire Wind Facility.

The Department has entered into a PPA with the Berkshire Wind Cooperative Corporation. Under both the PPA, the Department is required to make certain payments to the Cooperative. Under the PPA, each Participant is unconditionally obligated to make all payments due to the Berkshire Wind Cooperative Corporation, whether or not the Berkshire Wind Facility is completed or operating, and notwithstanding the suspension or interruption of the output of the Berkshire Wind Facility. In addition, under the PPA, the Department is required to pay to the Cooperative its share of the Operation and Maintenance (O&M) costs of the Berkshire Wind Facility. The Cooperative is involved in various legal actions. In the opinion of the Cooperative management, the outcome of such actions will not have a material adverse effect on the financial position of the Cooperative.

As of June 30, 2011, total capital expenditures for the Berkshire Wind Facility amounted to \$49,657,000, of which \$3,186,000, represents the amount associated with the Department’s share of the Capability of the Berkshire Wind Facility of which it is Member, although such amount is not allocated to the Department. The Cooperative’s debt outstanding for the Berkshire Wind Facility includes bonds totaling \$64,705,000, of which \$4,151,000 is associated with the Department’s share of Capability of the Berkshire Wind Facility of which it is Member, although such amount is not allocated to the Department. As of June 30, 2011, the Cooperative’s total future debt service requirement on outstanding bonds issued for the Projects is \$104,265,000, of which \$6,583,000 is anticipated to be billed to the Department in the future.

The estimated aggregate amount of the Department’s required payments under the PSA, exclusive of the Reserve and Contingency Fund billings, to the Cooperative at June 30, 2011 and estimated for future years is shown below.

For Years Ended June 30,	Annual Costs
2012.....	\$ 107,000
2013.....	347,000
2014.....	347,000
2015.....	347,000
2016.....	347,000
2017 to 2021.....	1,731,000
2022 to 2026.....	1,732,000
2027 to 2030.....	1,732,000
Total.....	\$ 6,690,000

NOTE M – COMMITMENTS AND CONTINGENCIES

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

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

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

Seabrook has submitted an application to extend the Seabrook Station operating license for an additional 20 years.

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

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

Seven municipal light departments that are Participants under PSAs with MMWEC have submitted a demand for arbitration of a dispute relating to charges under the PSAs. MMWEC cannot predict the outcome of the arbitration demand, but in the opinion of MMWEC management, it will not have a material adverse effect on the financial position of MMWEC.

Total capital expenditures for MMWEC’s Projects amounted to \$1,578,484,000, of which \$12,569,000 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 Project Revenue Bonds totaling \$358,420,000, of which \$2,798,000 is associated with the Department’s share of Project Capability of the Projects in which it participates, although such amount is not allocated to the Department. After the July 1, 2011 principal payment, MMWEC’s total future debt service requirement on outstanding bonds issued for the Projects is \$420,481,000, of which \$3,223,000 is anticipated to be billed to the Department in the future.

The Estimated aggregate amount of Ipswich Municipal Light Department’s required payments under the PSAs and PPAs, exclusive of the Reserve and Contingency Fund billings, to MMWEC at June 30, 2011 and estimated for future years is shown below.

For Years Ended June 30,	Annual Costs
2012.....	\$ 729,000
2013.....	690,000
2014.....	606,000
2015.....	462,000
2016.....	457,000
20167 to 2020.....	<u>279,000</u>
Total.....	<u><u>\$ 3,223,000</u></u>

In addition, under the PSA’s, the Department is required to pay to MMWEC its share of the Operation and Maintenance (O&M) costs of the Projects in which it participates. The Department’s total O&M costs including debt service under the PSAs were \$1,645,000 and \$1,650,000 for the years ended June 30, 2011 and 2010, respectively.

Required Supplementary Information

General Fund Budgetary Comparison Schedule

The General Fund is the general operating fund of the Town. It is used to account for all of the Town's financial resources, except those required to be accounted for in another fund.

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

FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 28,351,942	\$ 28,671,298	\$ 28,657,073	\$ -	(14,225)
Tax liens.....	-	-	103,470	-	103,470
Motor vehicle and other excise taxes.....	1,512,000	1,512,000	1,657,461	-	145,461
Charges for services.....	30,000	30,000	34,551	-	4,551
Penalties and interest on taxes.....	134,147	134,147	165,263	-	31,116
Payments in lieu of taxes.....	377,000	377,000	406,483	-	29,483
Licenses and permits.....	574,670	574,670	625,993	-	51,323
Fines and forfeitures.....	54,000	54,000	47,530	-	(6,470)
Intergovernmental.....	5,770,626	5,770,626	5,775,956	-	5,330
Departmental and other.....	291,580	291,580	349,845	-	58,265
Investment income.....	75,000	75,000	55,535	-	(19,465)
Other.....	31,800	31,800	173,434	-	141,634
TOTAL REVENUES.....	37,202,765	37,522,121	38,052,594	-	530,473
EXPENDITURES:					
Current:					
General government.....	363,616	705,976	658,548	5,127	42,301
Finance.....	982,288	997,370	966,035	21,128	10,207
Planning and development.....	243,476	252,757	232,984	12,644	7,129
Public safety.....	3,957,803	4,018,711	3,984,429	7,474	26,808
Education.....	20,270,908	20,743,802	20,629,769	114,018	15
Public works.....	4,105,407	4,180,027	3,754,718	378,468	46,841
Code enforcement.....	408,926	415,583	414,496	-	1,087
Human services.....	418,407	386,508	369,980	-	16,528
Library.....	518,494	525,225	522,824	865	1,536
Employee benefits.....	2,068,129	2,151,424	2,140,153	10,000	1,271
Property and liability insurance.....	230,337	193,000	151,666	22,097	19,237
Miscellaneous.....	185,495	147,499	84,553	10,858	52,088
State and county charges.....	313,854	686,076	686,055	-	21
Debt service:					
Principal.....	3,113,800	3,221,948	3,221,948	-	-
Interest.....	1,441,891	1,162,743	1,071,016	86,053	5,674
TOTAL EXPENDITURES.....	38,622,831	39,788,649	38,889,174	668,732	230,743
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(1,420,066)	(2,266,528)	(836,580)	(668,732)	761,216
OTHER FINANCING SOURCES (USES):					
Sale of capital assets.....	-	-	6,469	-	6,469
Transfers in.....	1,000	193,072	193,072	-	-
Transfers out.....	-	(4,000)	(4,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	1,000	189,072	195,541	-	6,469
NET CHANGE IN FUND BALANCE.....	(1,419,066)	(2,077,456)	(641,039)	(668,732)	767,685
BUDGETARY FUND BALANCE, Beginning of year.....	3,032,367	3,032,367	3,032,367	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 1,613,301	\$ 954,911	\$ 2,391,328	\$ (668,732)	\$ 767,685

See notes to required supplementary information.

Retirement System Schedules

The Retirement System Schedule of Funding Progress presents multiyear trend information about whether the actuarial value of planned assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The Retirement System Schedule of Employer Contributions presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the Town is one participating employer, as well as the Town's proportionate share of the plan's annual contributions.

ESSEX REGIONAL RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS

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)
01/01/11	\$ 278,332,006	\$ 536,115,536	\$ 257,783,530	51.9%	\$ 119,707,156	215.3%
01/01/08	301,420,965	445,171,554	143,750,589	67.7%	111,726,856	128.7%
01/01/06	261,327,047	375,593,562	114,266,515	69.6%	98,641,094	115.8%
01/01/04	229,852,971	333,396,222	103,543,251	68.9%	93,404,002	110.9%
01/01/02	218,346,198	287,390,715	69,044,517	76.0%	85,005,338	81.2%
01/01/00	190,363,700	253,847,100	63,483,400	75.0%	69,525,900	91.3%
01/01/99	180,034,700	268,386,000	88,351,300	67.1%	89,645,300	98.6%
01/01/98	151,293,900	245,965,100	94,671,200	61.5%	85,785,000	110.4%
01/01/96	106,176,700	200,397,500	94,220,800	53.0%	72,953,200	129.2%
01/01/94	80,878,500	178,256,800	97,378,300	45.4%	62,076,500	156.9%
01/01/92	61,357,800	143,785,900	82,428,100	42.7%	52,995,500	155.5%

The Town's share of the UAAL, as of January 1, 2011, is approximately 9.97%.

See notes to required supplementary information.

ESSEX REGIONAL RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended June 30	System Wide			Town of Ipswich	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) Town's Percentage of System Wide Actual Contributions
2011	\$ 19,484,573	\$ 19,484,573	100%	\$ 1,941,972	9.97%
2010	17,648,430	17,648,430	100%	1,797,160	10.18%
2009	16,326,599	16,326,599	100%	1,680,007	10.29%
2008	15,623,540	15,623,540	100%	1,550,707	9.93%
2007	15,788,864	15,788,864	100%	1,439,042	9.11%
2006	16,622,274	16,622,274	100%	1,380,330	8.30%
2005	13,080,011	13,080,011	100%	1,169,516	8.94%

The Town's Actual Contributions equaled 100% of its Required Contributions for each year presented.

See notes to required supplementary information.

Other Postemployment Benefit Plan Schedules

The Schedule of Funding Progress compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

The Schedule of Employer Contributions presents, over time, the ratio of the actual annual employer contributions to the annual required contribution.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

SCHEDULE OF FUNDING PROGRESS

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)
7/1/2009	\$ -	\$ 23,930,595	\$ 23,930,595	0%	\$ 23,032,308	103.9%
7/1/2007	-	20,162,942	20,162,942	0%	20,463,394	98.5%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
2011	\$ 2,225,339	\$ 963,369	43%
2010	2,170,628	659,964	30%
2009	2,290,951	549,886	24%

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial Methods:

Valuation date.....	July 1, 2009
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Level dollar
Remaining amortization period.....	29 years as of July 1, 2009

Actuarial Assumptions:

Investment rate of return.....	4.0%, pay-as-you-go scenario
Medical/drug cost trend rate.....	Medical ranging from 5.0% to 9.0% and dental ranging from 5.0% to 7.5%

Plan Membership:

Current retirees, beneficiaries, and dependents...	159
Current active members.....	<u>453</u>
 Total.....	 <u><u>612</u></u>

See notes to required supplementary information.

NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY1. Budgetary Information

Municipal Law requires the adoption of a balanced budget that is approved by Town Meeting. 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 departments subsequent to the approval of the annual budget, requires majority Town Meeting approval via a Special Town Meeting.

The majority of the Town's 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 legal level of spending authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by majority vote of Town Meeting.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2011 budget includes \$37.8 million in appropriations and other amounts to be raised and \$800,000 in encumbrances and appropriations carried over from previous fiscal years. During fiscal year 2011, Town Meeting approved supplemental appropriations totaling \$1.67 million.

The Finance office has the responsibility to ensure that budgetary control is maintained on an individual line item appropriation account basis. Budgetary control is exercised through the Town's accounting system.

2. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal 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, 2011, is presented below:

Net change in fund balance, budgetary basis.....	\$	(641,039)
<u>Perspective difference:</u>		
Activity of the stabilization funds recorded in the general fund for GAAP.....		7,524
<u>Basis of accounting differences:</u>		
Net increase in revenues due to on-behalf payments.....		(2,902,000)
Net increase in recording expenditures due to on-behalf payments.....		<u>2,902,000</u>
Net change in fund balance, GAAP basis.....	\$	<u><u>(633,515)</u></u>

3. Appropriation Deficits

None of the Town’s expenditures exceeded appropriations for fiscal year 2011.

NOTE B – PENSION PLAN

The Town contributes to the Essex Regional Retirement System ("Retirement System"), a cost-sharing, multiple-employer defined benefit pension plan ("Plan") administered by the Essex Regional Retirement Board. The Retirement System provides retirement, disability, and death benefits to members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the Plan. Plan members are required to contribute to the Retirement System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the Retirement System its share of the systemwide actuarially determined contribution which is apportioned among the employers based on active covered payroll.

The schedule of funding progress, presented as required supplementary information presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Additionally, the schedule of employer contributions, presented as required supplementary information presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the Town is one participating employer, as well as the Town’s proportionate share of the plan’s annual contributions. This information is designed to be helpful for understanding the scale of the information presented relative to the Town.

The following actuarial methods and assumptions were used in the Retirement System’s most recent actuarial valuation:

Actuarial Methods and Assumptions:

Valuation Date.....	January 1, 2011
Actuarial Cost Method.....	Entry Age Normal Cost Method
Amortization Method.....	Increasing at 4.5% per year
Remaining Amortization Period.....	24 years remaining as of July 1, 2011, closed
Asset Valuation Method.....	20% of the difference between the market value of assets and the preliminary actuarial value is added to the preliminary actuarial value and must be within 20% of market value of the assets.

Actuarial Assumptions:

Investment rate of return.....	8.25%
Projected salary increases.....	5.00%
Cost of living adjustments.....	3.00% for the first \$12,000 of retirement income

Plan Membership:

Retired participants and beneficiaries receiving benefits.....	1,624
Terminated participants entitled to a return of their employee contributions.....	844
Terminated participants with a vested right to a deferred or immediate benefit.....	70
Active participants.....	<u>3,013</u>
Total.....	<u><u>5,551</u></u>

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

The Town administers a single-employer defined benefit healthcare plan (“The Retiree Health Plan”). The plan provides lifetime healthcare, dental and life insurance for eligible retirees and their spouses through the Town’s group health insurance plan, which covers both active and retired members, including teachers.

The Town currently finances its other postemployment benefits (OPEB) on a combined pre-funded and pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 0%. In accordance with Governmental Accounting Standards, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

The Schedule of Funding Progress presents multiyear trend information which compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

Projections of benefits for financial reporting purposes are based on the substantive plan 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 the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Schedule of Employer Contributions presents multiyear trend information for required and actual contributions relating to the plan.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.

***Additional Information –
Municipal Light Enterprise Fund
Schedules***

MUNICIPAL LIGHT ENTERPRISE FUND
COMPARATIVE SCHEDULE OF FUND NET ASSETS

JUNE 30, 2011 AND 2010

	2011	2010
ASSETS		
CURRENT:		
Cash and cash equivalents.....	\$ 1,088,922	\$ 1,300,366
Restricted cash and cash equivalents.....	527,128	428,686
Receivables, net of allowance for uncollectibles:		
User fees.....	1,459,357	1,715,326
Purchased power working capital and prepayments.....	2,790,741	2,808,916
Deferred Charges.....	103,296	83,381
Inventory.....	137,974	141,018
Total current assets.....	6,107,418	6,477,693
NONCURRENT:		
Restricted cash and cash equivalents.....	1,170,276	1,005,801
Capital assets, net of accumulated depreciation.....		
Nondepreciable.....	22,976	809,863
Depreciable.....	14,190,801	11,545,862
Total noncurrent assets.....	15,384,053	13,361,526
TOTAL ASSETS.....	21,491,471	19,839,219
LIABILITIES		
CURRENT:		
Accounts payable.....	1,757,664	1,783,936
Accrued payroll.....	16,946	38,725
Accrued interest.....	25,652	25,294
Customer deposits payable.....	86,843	75,181
Other liabilities.....	1,140,466	990,916
Compensated absences.....	9,970	8,832
Bonds and notes payable.....	484,494	1,140,000
Total current liabilities.....	3,522,035	4,062,884
NONCURRENT:		
Environmental remediation liabilities.....	33,000	160,000
Compensated absences.....	89,728	79,493
Other postemployment benefits.....	75,304	119,849
Bonds and notes payable.....	7,817,506	5,660,000
Total noncurrent liabilities.....	8,015,538	6,019,342
TOTAL LIABILITIES.....	11,537,573	10,082,226
NET ASSETS		
Invested in capital assets, net of related debt.....	5,911,777	5,555,725
Restricted for:		
Rate stabilization.....	1,643,933	1,625,120
Depreciation.....	427,445	280,150
Unrestricted.....	1,970,743	2,295,998
TOTAL NET ASSETS.....	\$ 9,953,898	\$ 9,756,993

MUNICIPAL LIGHT ENTERPRISE FUND
 COMPARATIVE SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
<u>OPERATING REVENUES:</u>		
Charges for services	\$ 14,261,993	\$ 13,885,846
Other.....	37,096	59,010
TOTAL OPERATING REVENUES	14,299,089	13,944,856
<u>OPERATING EXPENSES:</u>		
Cost of services and administration	13,114,526	12,761,879
Depreciation.....	788,224	978,390
TOTAL OPERATING EXPENSES	13,902,750	13,740,269
OPERATING INCOME (LOSS).....	396,339	204,587
<u>NONOPERATING REVENUES (EXPENSES):</u>		
Investment income.....	39,623	27,820
Interest expense.....	(239,057)	(217,816)
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(199,434)	(189,996)
CHANGE IN NET ASSETS.....	196,905	14,591
NET ASSETS AT BEGINNING OF YEAR.....	9,756,993	9,742,402
NET ASSETS AT END OF YEAR.....	\$ 9,953,898	\$ 9,756,993

MUNICIPAL LIGHT ENTERPRISE FUND
COMPARATIVE SCHEDULE OF SALES OF ELECTRICITY

FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

<u>SALES OF ELECTRICITY:</u>	<u>2011</u>	<u>2010</u>
Residential.....	\$ 6,493,866	\$ 6,273,557
Commercial.....	776,059	706,075
Industrial.....	6,260,716	6,202,312
Municipal.....	634,190	608,776
Private Lighting.....	31,523	29,486
Street Lights.....	<u>65,640</u>	<u>65,640</u>
TOTAL SALES OF ELECTRICITY.....	\$ <u>14,261,993</u>	\$ <u>13,885,846</u>

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

FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
<u>Power Production Expenses:</u>		
Purchased power.....	\$ 10,596,607	\$ 10,316,738
Other power expenses.....	457,196	410,193
 Total Power Production Expenses.....	 11,053,803	 10,726,931
<u>Distribution Expenses:</u>		
Station expenses.....	43,308	9,266
Customer installation expenses.....	29,061	29,015
Miscellaneous distribution expense.....	135,620	135,585
Maintenance of overhead lines.....	521,419	610,567
Maintenance of street lights and signal systems.....	11,008	1,564
 Total Distribution Expenses.....	 740,416	 785,997
<u>Customer Account Expenses:</u>		
Customer records and collection.....	131,515	132,339
Uncollectible accounts.....	12,472	27,705
 Total Customer Account Expenses.....	 143,987	 160,044
<u>Administrative and General Expenses:</u>		
Payments in lieu of taxes.....	277,336	265,991
Administrative and general salaries.....	377,397	376,778
Office supplies and expenses.....	128,554	77,081
Outside services.....	95,895	104,976
Property and general insurance.....	62,772	62,468
Employee's pensions and benefits.....	173,386	150,023
Miscellaneous general expense.....	60,980	51,590
 Total Administrative and General Expenses.....	 1,176,320	 1,088,907
 TOTAL OPERATION AND MAINTENANCE EXPENSES... \$	 <u>13,114,526</u>	 <u>\$ 12,761,879</u>