

TOWN OF IPSWICH, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2017

TOWN OF IPSWICH, MASSACHUSETTS

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JUNE 30, 2017

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Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Ipswich, Massachusetts

Report on the Financial Statements

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 year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ipswich, Massachusetts, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Ipswich, Massachusetts' basic financial statements. The municipal light enterprise fund schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The municipal light enterprise fund schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the municipal light enterprise fund schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2017 on our consideration of the Town of Ipswich, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Ipswich, Massachusetts' internal control over financial reporting and compliance.

Powers & Sullivan LLC

December 19, 2017

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 year ended June 30, 2017. 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 and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent year by \$74.3 million (net position).
- As required by GASB Standards, the Town has recognized their total net pension liability of \$39.8 million along with deferred outflows related to pensions of \$3.4 million and deferred inflows related to pension of \$2.3 million on the statement of net position.
- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions Plans*, was implemented this year. This standard added Note disclosures and Required Supplemental Information for the Town's OPEB Trust fund. Its sister standard, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment benefits Other Than Pensions*, is required to be implemented in FY2018. This standard will affect the financial statements themselves by requiring the Town to record its OPEB assets, liabilities, and deferred financial statement elements for the first time.
- The Town's total net position increased by \$3.6 million during 2017. Of this increase, \$3.1 million is related to governmental activities and \$439,000 is related business-type activities.
- At the close of the current year, the Town's governmental funds reported an ending total fund balance of \$40.1 million, a decrease of approximately \$88,000 in comparison with the prior year. Approximately \$6.4 million represents unassigned fund balance of the general fund, while \$1.2 million is assigned for 2018 expenditures. The land acquisition major fund reported a deficit unassigned balance of \$2.2 million. The Feoffee's trust major fund reported a nonspendable balance of \$23.4 million and a restricted balance of \$4.7 million. Approximately \$6.9 million represents restricted fund balance in the nonmajor governmental funds, while the nonspendable portion totals approximately \$797,000 and unassigned fund balance has a deficit of \$1.1 million.
- At the end of the year, unassigned fund balance for the general fund totaled \$6.4 million or 12% of total general fund expenditures.
- The Town's total gross bonded debt decreased by \$4.9 million during the current 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 position* presents information on all assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future 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, public safety, education, public works, code enforcement, planning and development, human services, library, Feoffee's Trust 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 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 position may serve over time as a useful indicator of a government’s financial position. Ipswich’s assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources for governmental activities by \$51.4 million at the close of 2017.

	<u>2017</u>	<u>2016</u>
Assets:		
Current assets.....	\$ 48,182,248	\$ 44,003,828
Noncurrent assets (excluding capital).....	2,804,601	4,263,021
Capital assets.....	<u>69,787,788</u>	<u>65,785,085</u>
Total assets.....	<u>120,774,637</u>	<u>114,051,934</u>
Deferred Outflows of Resources.....	<u>2,783,051</u>	<u>1,710,566</u>
Liabilities:		
Current liabilities (excluding debt).....	2,789,492	2,493,890
Noncurrent liabilities (excluding debt).....	48,025,312	45,976,898
Current debt.....	8,287,332	4,243,575
Noncurrent debt.....	<u>11,261,195</u>	<u>14,616,060</u>
Total liabilities.....	<u>70,363,331</u>	<u>67,330,423</u>
Deferred Inflows of Resources.....	<u>1,831,389</u>	<u>191,129</u>
Net Position:		
Net investment in capital assets.....	53,072,136	50,460,430
Restricted.....	31,872,048	29,580,680
Unrestricted.....	<u>(33,581,216)</u>	<u>(31,800,162)</u>
Total net position.....	<u>\$ 51,362,968</u>	<u>\$ 48,240,948</u>

Net position of \$53.1 million reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net position, \$31.9 million represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* may be used to meet the government’s ongoing obligations to citizens and creditors, this portion of net position had a year-end deficit balance of \$33.6 million.

The governmental activities net position increased by \$3.1 million in 2017. Key contributing factors to this increase included \$793,000 in capital grants, \$1.3 million in budgeted increases to the Town’s stabilization funds, and \$1.6 million net increase in the Feoffee’s Trust Fund; offset by an increase in the other postemployment benefit liability by \$1.8 million and the recognition of an additional \$888,000 in net pension liability and related deferred outflows/inflows.

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 currently allows the liability, which totaled \$29.8 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, 2017, the Town has pre-funded \$3.6 million 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 \$15.3 million for governmental activities for the year ended June 30, 2017. As of June 30, 2017, the Town has recognized a \$15.3 million governmental OPEB liability in the statement of net position.

	<u>2017</u>	<u>2016</u>
Program revenues:		
Charges for services.....	\$ 3,662,252	\$ 3,457,189
Operating grants and contributions.....	11,705,914	9,637,621
Capital grants and contributions.....	793,491	1,790,994
General revenues:		
Real estate and personal property taxes.....	38,520,841	37,344,867
Motor vehicle and other excise taxes.....	2,167,682	2,092,081
Hotel/motel tax.....	39,046	40,973
Meals tax.....	231,034	223,320
Penalties and interest on taxes.....	172,152	185,823
Payments in lieu of taxes.....	506,661	498,392
Grants and contributions not restricted to specific programs.....	2,063,822	2,052,810
Unrestricted investment income.....	3,347,106	145,930
Miscellaneous.....	124,230	72,536
Total revenues.....	<u>63,334,231</u>	<u>57,542,536</u>
Expenses:		
General government.....	1,129,672	1,027,113
Finance.....	1,704,059	1,596,750
Public safety.....	7,571,429	7,462,313
Education.....	39,940,769	36,755,175
Public works.....	5,650,292	4,661,195
Code enforcement.....	868,706	764,178
Planning and development.....	633,531	469,457
Human services.....	894,522	868,648
Library.....	1,054,975	963,095
Feoffee's trust fund.....	148,236	159,322
Interest.....	616,020	714,453
Total expenses.....	<u>60,212,211</u>	<u>55,441,699</u>
Change in net position.....	3,122,020	2,100,837
Net position beginning of year.....	<u>48,240,948</u>	<u>46,140,111</u>
Net position, end of year.....	<u>\$ 51,362,968</u>	<u>\$ 48,240,948</u>

In 2013, the courts ordered the formation of the new Feoffee's Trust fund, which stipulates that the Trust shall be a public body and an agency of the Town of Ipswich or its subdivisions. The new Feoffees are the trustees and hold title to and manage all of the assets of the trust, which are required to be managed in accordance with a

court order and trust administration order. The Ipswich Public Schools are the beneficiaries of the trust. Accordingly, the Town has recorded the Trust as a major governmental fund in the basic financial statements. In 2017, the operations of the Trust included \$68,000 of charges for services (mostly interest on outstanding mortgages and loans), and \$3.1 million in investment income. As some of the initial mortgages and loans have been paid down and the initial proceeds of the Trust have been invested, the Trust's activity has shifted to consist mainly of the changes in the value of the investments and the Trust's annual payments to the Ipswich Public Schools. The Trust revised its spending and distribution policy to shift from making annual payments in July to June. As part of the transition, no payments were made in fiscal year 2016 and 2 were made in fiscal year 2017. The two payments made to the Town during fiscal year 2017 totaled \$1.4 million.

Business-type Activities

For the Town's business-type activities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$23 million at the close of 2017.

	<u>2017</u>	<u>2016</u>
Assets:		
Current assets.....	\$ 9,134,493	\$ 9,226,338
Noncurrent assets (excluding capital).....	944,216	873,418
Capital assets.....	<u>42,440,772</u>	<u>42,588,062</u>
Total assets.....	<u>52,519,481</u>	<u>52,687,818</u>
Deferred Outflows of Resources.....	<u>645,619</u>	<u>390,608</u>
Liabilities:		
Current liabilities (excluding debt).....	3,792,970	3,349,996
Noncurrent liabilities (excluding debt).....	8,091,377	7,944,273
Current debt.....	1,819,236	1,573,598
Noncurrent debt.....	<u>16,068,350</u>	<u>17,637,586</u>
Total liabilities.....	<u>29,771,933</u>	<u>30,505,453</u>
Deferred Inflows of Resources.....	<u>424,850</u>	<u>43,644</u>
Net Position:		
Net investment in capital assets.....	24,986,063	24,502,861
Restricted.....	1,128,314	698,665
Unrestricted.....	<u>(3,146,060)</u>	<u>(2,672,197)</u>
Total net position.....	<u>\$ 22,968,317</u>	<u>\$ 22,529,329</u>

Business-type net position of \$25 million represents investments in capital assets, net of any related debt. Net position of \$1.1 million is restricted for the Light Department's Rate Stabilization and Capital Depreciation funds. The remaining balance of *unrestricted net position* had a year-end combined deficit balance of \$3.1 million. The Water fund reported a deficit unrestricted net position of \$531,000, the Sewer fund reported a positive unrestricted net position of \$201,000, and the Light Department reported a deficit unrestricted net position of \$2.8 million.

Cumulatively, net position of the business-type activities increased by \$439,000, or 2%. The overall small change in net position of the business-type activities is representative of the Town's system to recover 100% of the cost of providing these services through the rate setting process. For the Water Department, the net position increased by \$186,000. For the Sewer Department, the net position increased \$237,000. For the Light Department the net position increased \$15,000.

	<u>2017</u>	<u>2016</u>
Program revenues:		
Charges for services.....	\$ 20,840,834	\$ 20,421,617
Operating grants and contributions.....	<u>132,618</u>	<u>128,926</u>
Total revenues.....	<u>20,973,452</u>	<u>20,550,543</u>
Expenses:		
Water enterprise.....	2,965,118	2,792,230
Sewer enterprise.....	2,128,208	1,842,625
Municipal light enterprise.....	<u>15,441,138</u>	<u>14,529,746</u>
Total expenses.....	<u>20,534,464</u>	<u>19,164,601</u>
Change in net position.....	438,988	1,385,942
Net position, beginning of year.....	<u>22,529,329</u>	<u>21,143,387</u>
Net assets, end of year.....	<u>\$ 22,968,317</u>	<u>\$ 22,529,329</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 year.

As of the end of the current year, governmental funds reported combined ending fund balances of \$40.1 million, a decrease of \$88,000 from the prior year.

The general fund is the Town's chief operating fund. At the end of the current year, unassigned fund balance of the general fund totaled \$6.4 million. The total general fund balance of \$7.6 million has increased by \$1.1 million during 2017. This is primarily the \$1.3 million increase in the Town's stabilization funds which are reported within the general fund. 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 12% of total general fund expenditures, while total fund balance represents 14% of that same amount.

The land acquisition major fund is used to account for the Town's purchase of a parcel of land to be used for athletic fields. The Town authorized the purchase which totals \$2.4 million at a Special Town Meeting held in January 2017. As of year-end, the Town has spent \$2.2 million to acquire the property. The Town has issued a short-term bond anticipation note for the project and plans on issuing long-term debt to permanently finance the project during fiscal year 2018. Since the permanent financing is not completed, the fund has reported a negative fund balance of \$2.2 million as of June 30, 2017.

The Feoffee's Trust major fund is used to account for funds held by the Feoffee's of the Grammar School in the Town of Ipswich Trust which was established pursuant to a court order which dissolved the prior Feoffee's Trust and created a new trust to hold title to and manage assets acquired through the bequest from William Paine to benefit the Ipswich Public Schools. The new trust was created in 2013 and received the proceeds from the sale of 167 parcels of land in a land area known as Little Neck. The Courts stipulated the terms of the sale, and the funds received are invested by and managed by a group of trustees known as the Feoffees. The Trust's

revenues totaled \$3.2 million, which represents interest earned on the outstanding mortgages and loans of \$68,000 and investment income of \$3.1 million; administrative expenditures totaled \$148,000; transfers to the Town totaled \$1.4 million. The ending trust balance totaled \$28.1 million at June 30, 2017.

There was a \$643,000 decrease in nonmajor governmental funds, which reported \$6.6 million in revenues, \$9.6 million in expenditures, and \$2.4 million in net other financing sources (uses) including \$2.6 million in transfers in, which includes the \$1.4 million from the Feoffee's trust.

General Fund Budgetary Highlights

The increase of \$1.7 million between the original budget and the final amended budget consists mainly of \$1.3 million appropriated from available funds (free cash) voted for capital projects, the OPEB trust fund, and the stabilization funds and the education budget was reduced to transfer \$786,000 to an education stabilization fund and to reduce the original approved budget for the assessment to Essex Agricultural and Technical High School. The original available general fund budget consisted of \$49 million in new appropriations and \$1.1 million in amounts carried forward from the 2016 budget.

The final budget was balanced through the use of \$1.3 million in free cash and the release of \$200,000 of overlay (reserve for abatements). Total revenues came in over budget by approximately \$1.2 million, mostly from higher than anticipated excise taxes and licenses and permits and intergovernmental revenue; actual expenditures were under budget by \$424,000. The net result was a decrease in the general fund balance of \$127,000 on a budgetary basis.

Capital Asset and Debt Administration

During the current year the Town acquired \$7.2 million in governmental activities capital assets consisting mainly of \$2.2 million in land acquired for athletic fields, \$1.5 million expended for machinery, equipment and vehicles, \$2.6 million in infrastructure, and \$3 million for ongoing road construction projects and the turf field renovation classified as construction in progress. Business-type activities expended \$1.9 million for capital assets. Of this amount, the water enterprise fund expended \$1.1 million for infrastructure and equipment; the sewer enterprise fund expended \$196,000 which was for infrastructure, equipment and vehicles; and the electric light department expended \$663,000 for production plant, distribution plant and general plant upgrades.

The Town's governmental funds had total bonded debt outstanding of \$14.6 million at the end of the current year. Of this amount, \$10.4 million is related to school projects, \$3 million relates to land purchases, \$345,000 relates to the purchase of equipment, and \$923,000 relates to other capital projects. During 2017 the Town paid down \$3.3 million of outstanding bonds. The enterprise funds had \$17.6 million of debt outstanding at the end of the current year. Of this amount, \$5.7 million related to water, \$6.5 million related to sewer, and \$5.4 million related to electric light projects. The enterprise funds redeemed a total of \$1.6 million in long term bonds.

Governmental activities issued \$4.3 million and the water enterprise fund issued \$250,000 in new short term debt during the year to finance ongoing projects in anticipation of permanent financing. Projects financed with short term debt include land acquisitions, roadway improvements, equipment, and a school feasibility study. The governmental activities also have an outstanding interim loan with the Massachusetts Clean Water Trust (MCWT) totaling \$643,000 which is considered temporary borrowing until the long-term debt is issued by MCWT.

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

The Annual Town Meeting approved the Town's Operating Budget for 2018 in the amount of \$24,284,374 which included \$17,994,179 for the Municipal Operating budget which includes \$109,668 for the Waterways Improvement Fund for the Harbormaster's budget. The budget was grouped into six functional categories: General Government (\$1,643,430), Planning & Community Development (\$557,236), Public Safety (\$5,048,356), Public Works (\$4,303,025), Community & Cultural Services (\$1,479,526) and Benefits & Other (\$4,962,606).

Also included in this omnibus budget was \$3,682,323 for the Water Department, \$2,566,992 for the Wastewater Department and \$40,880 for Recycling Operations. The Water budget will be offset in part by a water surplus of \$470,281 and the Wastewater budget will be offset in part by a wastewater surplus of \$381,978. The balance of Water, Sewer and Recycling budget appropriations will be met by revenues of each department during 2018.

Town Meeting approved the School's Operating Budget for \$31,360,511 for 2018 which includes \$2,534,650 for the High School/Middle School Capital Project debt service. A \$2,900,000 School Operating Override was approved in May 2015 which passed overwhelmingly by 777 votes.

Town Meeting approved the capital plan for fiscal 2018 for \$1,274,915 of which \$905,505 was funded from Free Cash, \$158,746 from the Capital Stabilization Fund, \$24,664 from the fire pumper set aside, \$25,000 from the Waterways Improvement Fund and \$161,000 was raised and appropriated from taxes. The Free Cash figure above includes the \$30,000 to paint classrooms in the High School. A longer term funding plan, which is essential to a healthy and sustainable capital program, is under discussion among representatives of the Board of Selectmen, School Committee, and Finance Committee.

Town Meeting authorized a repurposing of \$29,000 in capital funds from the paging, clock and bell system capital savings to purchase classroom technology equipment.

Town Meeting also approved a transfer of \$786,442 from the FY17 Appropriated School Budget to the Educational Stabilization Fund.

The Annual Town Meeting approved an appropriation of \$493,184 as Ipswich's share of the operating and debt service expenses of the Whittier Regional Vocational Technical High School for 2018. Town Meeting also approved an appropriation of \$250,000 to fund the Town's share of the annual operation and debt service of The Essex North Shore Agricultural & Technical School District (formerly Essex Regional Technical Institute. Both appropriations were funded by taxes.

Town Meeting appropriated \$441,276 under the provisions of Chapter 90 of the General Laws for Fiscal 2018.

Town Meeting approved the appropriation of \$75,000 from Sale of Cemetery Funds for Old North Burying Ground improvements which will match a Preservation Projects grant from the Massachusetts Historical Commission.

A transfer of \$150,000 was made from Free Cash to the Stabilization Fund. The June 30, 2017 balance in the Stabilization Fund is \$1,736,879.

Article 18 of the Annual Town Meeting, \$87,000 was raised and appropriated from taxes and \$100,000 was transferred from free cash to the Other Post-Employment Benefits Fund (OPEB). The June 30, 2017 balance in the OPEB Trust Fund was \$3,639,802.

Town officials approved an OPEB funding policy during FY17 which consists of a three tiered approach to funding the long term OPEB liability. This funding approach will enable a higher discount rate to be used in the liability calculation of the FY18 actuarial review. The higher discount rate will reduce the long term liability by an

anticipated 40%. The funding policy allows for reasonable contributions to the OPEB Trust which will not adversely affect town and school operations.

Article 22 transferred \$10,000 from Free Cash to fund student projects to benefit the Town of Ipswich. At the May 2016 Annual Town Meeting, students brought forward an article to amend the general by-laws of the town to restrict the use of plastic bags and expand the use of polystyrene containers. The article passed unanimously. This \$10,000 will be used to encourage and foster further student involvement to benefit the Town of Ipswich.

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.

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Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2017

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 15,421,816	\$ 3,804,748	\$ 19,226,564
Restricted cash and cash equivalents.....	-	852,050	852,050
Investments.....	28,796,202	-	28,796,202
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	515,836	-	515,836
Tax and utility liens.....	479,120	-	479,120
Motor vehicle and other excise taxes.....	114,349	-	114,349
User fees.....	-	2,659,201	2,659,201
Departmental and other.....	863,108	-	863,108
Intergovernmental.....	1,825,812	31,358	1,857,170
Special assessments.....	-	362	362
Use and occupancy loans.....	46,791	-	46,791
Tax foreclosures.....	119,214	-	119,214
Purchased power working capital and prepayments.....	-	1,644,466	1,644,466
Inventory.....	-	142,308	142,308
NONCURRENT:			
Restricted assets:			
Cash and cash equivalents.....	-	906,082	906,082
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	1,716,752	31,554	1,748,306
Special assessments.....	-	6,580	6,580
Mortgage notes.....	797,004	-	797,004
Loans.....	290,845	-	290,845
Capital assets:			
Nondepreciable.....	23,842,463	2,379,012	26,221,475
Depreciable.....	45,945,325	40,061,760	86,007,085
TOTAL ASSETS.....	120,774,637	52,519,481	173,294,118
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions.....	2,783,051	645,619	3,428,670
LIABILITIES			
CURRENT:			
Warrants payable.....	849,772	2,074,110	2,923,882
Accrued payroll.....	255,343	49,911	305,254
Accrued interest.....	67,122	71,418	138,540
Other liabilities.....	631,033	1,490,764	2,121,797
Capital lease obligations.....	128,175	-	128,175
Compensated absences.....	858,047	106,767	964,814
Notes payable.....	4,932,467	250,000	5,182,467
Bonds payable.....	3,354,865	1,569,236	4,924,101
NONCURRENT:			
Capital lease obligations.....	283,837	-	283,837
Customer deposits payable.....	-	120,937	120,937
Compensated absences.....	140,651	205,568	346,219
Net pension liability.....	32,291,223	7,490,991	39,782,214
Other postemployment benefits.....	15,309,601	273,881	15,583,482
Bonds payable.....	11,261,195	16,068,350	27,329,545
TOTAL LIABILITIES.....	70,363,331	29,771,933	100,135,264
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions.....	1,831,389	424,850	2,256,239
NET POSITION			
Net investment in capital assets.....	53,072,136	24,986,063	78,058,199
Restricted for:			
Rate stabilization.....	-	805,145	805,145
Depreciation.....	-	323,169	323,169
Affordable Housing.....	86,193	-	86,193
Loans.....	290,845	-	290,845
Permanent funds:			
Expendable.....	5,822,380	-	5,822,380
Nonexpendable.....	24,220,044	-	24,220,044
Gifts and grants.....	1,452,586	-	1,452,586
Unrestricted.....	(33,581,216)	(3,146,060)	(36,727,276)
TOTAL NET POSITION.....	\$ 51,362,968	\$ 22,968,317	\$ 74,331,285

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

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.....	\$ 1,129,672	\$ 684,455	\$ 26,532	\$ -	\$ (418,685)
Finance.....	1,704,059	-	1,000	-	(1,703,059)
Public safety.....	7,571,429	352,386	221,171	-	(6,997,872)
Education.....	39,940,769	1,486,486	10,076,019	610,809	(27,767,455)
Public works.....	5,650,292	169,597	408,452	182,682	(4,889,561)
Code enforcement.....	868,706	712,748	-	-	(155,958)
Planning and development.....	633,531	74,546	45,060	-	(513,925)
Human services.....	894,522	107,360	354,711	-	(432,451)
Library.....	1,054,975	7,017	34,956	-	(1,013,002)
Feoffee's trust.....	148,236	67,657	6,589	-	(73,990)
Interest.....	616,020	-	531,424	-	(84,596)
Total Governmental Activities.....	60,212,211	3,662,252	11,705,914	793,491	(44,050,554)
<i>Business-Type Activities:</i>					
Water.....	2,965,118	3,086,963	64,629	-	186,474
Sewer.....	2,128,208	2,304,971	60,703	-	237,466
Municipal Light.....	15,441,138	15,448,900	7,286	-	15,048
Total Business-Type Activities.....	20,534,464	20,840,834	132,618	-	438,988
Total Primary Government.....	\$ 80,746,675	\$ 24,503,086	\$ 11,838,532	\$ 793,491	\$ (43,611,566)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

YEAR ENDED JUNE 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ (44,050,554)	\$ 438,988	\$ (43,611,566)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	38,520,841	-	38,520,841
Motor vehicle and other excise taxes.....	2,167,682	-	2,167,682
Hotel/motel tax.....	39,046	-	39,046
Meals tax.....	231,034	-	231,034
Penalties and interest on taxes.....	172,152	-	172,152
Payments in lieu of taxes.....	506,661	-	506,661
Grants and contributions not restricted to specific programs.....	2,063,822	-	2,063,822
Unrestricted investment income.....	3,347,106	-	3,347,106
Miscellaneous.....	124,230	-	124,230
Total general revenues.....	47,172,574	-	47,172,574
Change in net position.....	3,122,020	438,988	3,561,008
<i>Net Position:</i>			
Beginning of year.....	48,240,948	22,529,329	70,770,277
End of year.....	\$ <u>51,362,968</u>	\$ <u>22,968,317</u>	\$ <u>74,331,285</u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2017

	General	Land Acquisition	Feeoffee's Trust	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents.....	\$ 8,566,499	\$ 220,766	\$ 1,509,963	\$ 5,124,588	\$ 15,421,816
Investments.....	-	-	25,763,111	3,033,091	28,796,202
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	515,836	-	-	-	515,836
Tax liens.....	479,120	-	-	-	479,120
Motor vehicle and other excise taxes.....	114,349	-	-	-	114,349
Departmental and other.....	51,909	-	33,153	778,046	863,108
Intergovernmental.....	2,575,128	-	-	967,436	3,542,564
Mortgage notes.....	-	-	797,004	-	797,004
Use and occupancy loans.....	-	-	46,791	-	46,791
Loans.....	-	-	-	290,845	290,845
Tax foreclosures.....	119,214	-	-	-	119,214
TOTAL ASSETS.....	\$ 12,422,055	\$ 220,766	\$ 28,150,022	\$ 10,194,006	\$ 50,986,849
LIABILITIES					
Warrants payable.....	\$ 352,811	\$ -	\$ 3,319	\$ 493,642	\$ 849,772
Accrued payroll.....	200,262	-	-	55,081	255,343
Other liabilities.....	630,133	-	-	900	631,033
Notes payable.....	-	2,377,000	-	2,555,467	4,932,467
TOTAL LIABILITIES.....	1,183,206	2,377,000	3,319	3,105,090	6,668,615
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues.....	3,686,759	-	-	489,928	4,176,687
FUND BALANCES					
Nonspendable.....	-	-	23,422,907	797,137	24,220,044
Restricted.....	-	-	4,723,796	6,877,313	11,601,109
Assigned.....	1,150,968	-	-	-	1,150,968
Unassigned.....	6,401,122	(2,156,234)	-	(1,075,462)	3,169,426
TOTAL FUND BALANCES.....	7,552,090	(2,156,234)	28,146,703	6,598,988	40,141,547
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 12,422,055	\$ 220,766	\$ 28,150,022	\$ 10,194,006	\$ 50,986,849

See notes to basic financial statements.

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

JUNE 30, 2017

Total governmental fund balances.....		\$ 40,141,547
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		69,787,788
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		4,176,687
Certain changes in the net pension liability are required to be included in pension expense over future periods. These changes are reported as deferred outflows of resources or (deferred inflows of resources) related to pensions.....		951,662
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(67,122)
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.....	(14,616,060)	
Capital lease obligations.....	(412,012)	
Compensated absences.....	(998,698)	
Net pension liability.....	(32,291,223)	
Other postemployment benefits.....	(15,309,601)	
Net effect of reporting long-term liabilities.....		<u>(63,627,594)</u>
Net position of governmental activities.....		<u>\$ 51,362,968</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2017

	General	Land Acquisition	Fee/fee's Trust	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real estate and personal property taxes, net of tax refunds..... \$	38,440,204	-	-	-	38,440,204
Tax liens.....	150,837	-	-	-	150,837
Motor vehicle and other excise taxes.....	2,173,344	-	-	17,997	2,191,341
Charges for services.....	27,505	-	67,657	1,877,257	1,972,419
Hotel/motel tax.....	-	-	-	39,046	39,046
Meals tax.....	231,034	-	-	-	231,034
Penalties and interest on taxes.....	172,152	-	-	-	172,152
Payments in lieu of taxes.....	506,661	-	-	-	506,661
Licenses and permits.....	902,133	-	-	111,128	1,013,261
Fines and forfeitures.....	50,562	-	-	-	50,562
Intergovernmental.....	11,874,335	-	-	3,295,066	15,169,401
Departmental and other.....	376,046	-	-	181,766	557,812
Contributions.....	-	-	-	696,535	696,535
Investment income.....	106,480	-	3,098,559	142,067	3,347,106
Other.....	-	-	6,589	231,118	237,707
TOTAL REVENUES.....	55,011,293	-	3,172,805	6,591,980	64,776,078
EXPENDITURES:					
Current:					
General government.....	512,195	-	-	255,347	767,542
Finance.....	1,168,492	-	-	1,136	1,169,628
Public safety.....	4,805,181	-	-	738,644	5,543,825
Education.....	26,978,505	-	-	5,571,426	32,549,931
Public works.....	4,331,736	-	-	2,426,312	6,758,048
Code enforcement.....	403,280	-	-	187,183	590,463
Planning and development.....	312,253	2,156,234	-	170,566	2,639,053
Human services.....	542,253	-	-	206,930	749,183
Library.....	665,887	-	-	64,046	729,933
Pension benefits.....	4,816,922	-	-	-	4,816,922
Property and liability insurance.....	215,437	-	-	-	215,437
Employee benefits.....	3,326,996	-	-	-	3,326,996
Fee/fee's trust.....	-	-	148,236	-	148,236
Other.....	131,729	-	-	-	131,729
State and county charges.....	927,944	-	-	-	927,944
Debt service:					
Principal.....	3,300,865	-	-	-	3,300,865
Interest.....	636,454	-	-	-	636,454
TOTAL EXPENDITURES.....	53,076,129	2,156,234	148,236	9,621,590	65,002,189
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	1,935,164	(2,156,234)	3,024,569	(3,029,610)	(226,111)
OTHER FINANCING SOURCES (USES):					
Capital lease financing.....	137,835	-	-	-	137,835
Transfers in.....	171,429	-	-	2,558,186	2,729,615
Transfers out.....	(1,114,251)	-	(1,443,935)	(171,429)	(2,729,615)
TOTAL OTHER FINANCING SOURCES (USES)....	(804,987)	-	(1,443,935)	2,386,757	137,835
NET CHANGE IN FUND BALANCES.....	1,130,177	(2,156,234)	1,580,634	(642,853)	(88,276)
FUND BALANCES AT BEGINNING OF YEAR.....	6,421,913	-	26,566,069	7,241,841	40,229,823
FUND BALANCES AT END OF YEAR..... \$	7,552,090	(2,156,234)	28,146,703	6,598,988	40,141,547

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**

YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds.....	\$	(88,276)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	7,177,253	
Depreciation expense.....	<u>(3,174,550)</u>	
Net effect of reporting capital assets.....		4,002,703
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		(1,441,847)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. 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.</p>		
Capital lease financing.....	(137,835)	
Capital lease principal payments.....	128,570	
Debt service principal payments.....	<u>3,300,865</u>	
Net effect of reporting long-term debt.....		3,291,600
<p>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.</p>		
Net change in compensated absences accrual.....	1,200	
Net change in deferred outflow/(inflow) of resources related to pensions.....	(567,775)	
Net change in net pension liability.....	(319,815)	
Net change in other postemployment benefit liability.....	(1,776,204)	
Net change in accrued interest on long-term debt.....	<u>20,434</u>	
Net effect of recording long-term liabilities.....		<u>(2,642,160)</u>
Change in net position of governmental activities.....	\$	<u><u>3,122,020</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2017

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Municipal Light	Total
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 1,722,500	\$ 1,483,041	\$ 599,207	\$ 3,804,748
Restricted cash and cash equivalents.....	-	-	852,050	852,050
Receivables, net of allowance for uncollectibles:				
User fees.....	637,672	303,121	1,718,408	2,659,201
Intergovernmental.....	-	31,358	-	31,358
Special assessments.....	-	362	-	362
Purchased power working capital and prepayments.....	-	-	1,644,466	1,644,466
Inventory.....	-	-	142,308	142,308
Total current assets.....	2,360,172	1,817,882	4,956,439	9,134,493
NONCURRENT:				
Restricted cash and cash equivalents.....	-	-	906,082	906,082
Receivables, net of allowance for uncollectibles:				
Intergovernmental.....	-	31,554	-	31,554
Special assessments.....	-	6,580	-	6,580
Capital assets, net of accumulated depreciation.....				
Nondepreciable.....	1,484,129	871,907	22,976	2,379,012
Depreciable.....	14,471,760	11,027,621	14,562,379	40,061,760
Total noncurrent assets.....	15,955,889	11,937,662	15,491,437	43,384,988
TOTAL ASSETS.....	18,316,061	13,755,544	20,447,876	52,519,481
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions.....	196,806	120,689	328,124	645,619
LIABILITIES				
CURRENT:				
Warrants payable.....	58,545	31,542	1,984,023	2,074,110
Accrued payroll.....	14,548	8,174	27,189	49,911
Accrued interest.....	21,602	29,476	20,340	71,418
Customer deposits payable.....	-	-	120,937	120,937
Other liabilities.....	-	-	1,490,764	1,490,764
Compensated absences.....	65,092	21,375	20,300	106,767
Notes payable.....	250,000	-	-	250,000
Bonds payable.....	534,283	554,953	480,000	1,569,236
Total current liabilities.....	944,070	645,520	4,143,553	5,733,143
NONCURRENT:				
Compensated absences.....	18,750	3,750	183,068	205,568
Net pension liability.....	2,283,499	1,400,334	3,807,158	7,490,991
Other postemployment benefits.....	189,637	75,374	8,870	273,881
Bonds payable.....	5,126,200	6,012,150	4,930,000	16,068,350
Total noncurrent liabilities.....	7,618,086	7,491,608	8,929,096	24,038,790
TOTAL LIABILITIES.....	8,562,156	8,137,128	13,072,649	29,771,933
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions.....	129,508	79,420	215,922	424,850
NET POSITION				
Net investment in capital assets.....	10,352,146	5,458,562	9,175,355	24,986,063
Restricted for:				
Rate stabilization.....	-	-	805,145	805,145
Depreciation.....	-	-	323,169	323,169
Unrestricted.....	(530,943)	201,123	(2,816,240)	(3,146,060)
TOTAL NET POSITION.....	\$ 9,821,203	\$ 5,659,685	\$ 7,487,429	\$ 22,968,317

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2017

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Municipal Light	Total
OPERATING REVENUES:				
Charges for services.....	\$ 3,086,963	\$ 2,304,299	\$ 15,137,084	\$ 20,528,346
Other.....	-	672	311,816	312,488
TOTAL OPERATING REVENUES.....	3,086,963	2,304,971	15,448,900	20,840,834
OPERATING EXPENSES:				
Cost of services and administration.....	2,197,095	1,409,980	14,248,104	17,855,179
Depreciation.....	591,399	522,748	961,258	2,075,405
TOTAL OPERATING EXPENSES	2,788,494	1,932,728	15,209,362	19,930,584
OPERATING INCOME (LOSS).....	298,469	372,243	239,538	910,250
NONOPERATING REVENUES (EXPENSES):				
Investment income.....	64,629	19,533	7,286	91,448
Interest expense.....	(176,624)	(195,480)	(231,776)	(603,880)
Intergovernmental.....	-	41,170	-	41,170
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(111,995)	(134,777)	(224,490)	(471,262)
CHANGE IN NET POSITION.....	186,474	237,466	15,048	438,988
NET POSITION AT BEGINNING OF YEAR.....	9,634,729	5,422,219	7,472,381	22,529,329
NET POSITION AT END OF YEAR.....	\$ 9,821,203	\$ 5,659,685	\$ 7,487,429	\$ 22,968,317

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2017

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Municipal Light	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Receipts from customers and users.....	\$ 3,197,526	\$ 2,318,014	\$ 15,399,447	\$ 20,914,987
Payments to vendors.....	(1,288,881)	(756,968)	(11,914,990)	(13,960,839)
Payments to employees.....	(925,927)	(569,147)	(1,597,251)	(3,092,325)
NET CASH FROM OPERATING ACTIVITIES.....	982,718	991,899	1,887,206	3,861,823
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
Proceeds from the issuance of bonds and notes.....	250,000	-	-	250,000
Intergovernmental grants.....	-	(1,763)	-	(1,763)
Acquisition and construction of capital assets.....	(1,068,598)	(196,061)	(663,456)	(1,928,115)
Principal payments on bonds and notes.....	(541,894)	(523,558)	(480,000)	(1,545,452)
Interest expense.....	(178,728)	(154,734)	(233,676)	(567,138)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(1,539,220)	(876,116)	(1,377,132)	(3,792,468)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Investment income.....	64,629	19,533	7,286	91,448
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(491,873)	135,316	517,360	160,803
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	2,214,373	1,347,725	1,839,979	5,402,077
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 1,722,500	\$ 1,483,041	\$ 2,357,339	\$ 5,562,880
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>				
Operating income (loss).....	\$ 298,469	\$ 372,243	\$ 239,538	\$ 910,250
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation.....	591,399	522,748	961,258	2,075,405
Deferred (outflows)/inflows of resources related to pensions.....	44,126	22,003	59,866	125,995
Changes in assets and liabilities:				
User fees.....	110,563	8,086	(27,181)	91,468
Special assessments.....	-	4,957	-	4,957
Purchased power working capital and prepayments.....	-	-	72,064	72,064
Inventory.....	-	-	(15,398)	(15,398)
Warrants payable.....	7,617	(6,966)	423,305	423,956
Accrued payroll.....	1,780	987	7,119	9,886
Customer deposits payable and other liabilities.....	-	-	(22,272)	(22,272)
Accrued compensated absences.....	(14,297)	(2,188)	31,268	14,783
Other postemployment benefits.....	4,106	1,019	(24,705)	(19,580)
Net pension liability.....	(61,045)	69,010	182,344	190,309
Total adjustments.....	684,249	619,656	1,647,668	2,951,573
NET CASH FROM OPERATING ACTIVITIES.....	\$ 982,718	\$ 991,899	\$ 1,887,206	\$ 3,861,823
<u>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</u>				
Intergovernmental subsidy of debt service.....	\$ -	\$ 47,578	\$ -	\$ 47,578

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2017

	Other Postemployment Benefit Fund	Private Purpose Trust Funds	Agency Funds
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ -	\$ 286,972	\$ 402,514
Investments in Pension Reserve Investment Trust.....	3,639,802	-	-
TOTAL ASSETS.....	3,639,802	286,972	402,514
LIABILITIES			
Warrants payable.....	-	-	79,974
Liabilities due depositors.....	-	-	322,540
TOTAL LIABILITIES.....	-	-	402,514
NET POSITION			
Restricted for other postemployment benefits.....	3,639,802	-	-
Held in trust for other purposes.....	-	286,972	-
TOTAL NET POSITION.....	\$ 3,639,802	\$ 286,972	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2017

	Other Postemployment Benefit Fund	Private Purpose Trust Funds
<u>ADDITIONS:</u>		
Contributions:		
Employer contributions to the trust.....	\$ 434,027	\$ -
Employer contributions to pay benefit payments.....	978,810	-
Total contributions.....	1,412,837	-
Net investment income (loss):		
Investment income.....	369,453	27,823
TOTAL ADDITIONS.....	1,782,290	27,823
<u>DEDUCTIONS:</u>		
Benefit payments.....	978,810	-
Educational scholarships.....	-	17,050
TOTAL DEDUCTIONS.....	978,810	17,050
CHANGE IN NET POSITION.....	803,480	10,773
NET POSITION AT BEGINNING OF YEAR.....	2,836,322	276,199
NET POSITION AT END OF YEAR.....	\$ 3,639,802	\$ 286,972

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.

Joint Ventures

The Town is a member of the Essex Technical High School that serves the members' students seeking an education in academic, technical and agriculture studies. The members' share in the operations of the Essex Technical High School and each member is responsible for its proportionate share of the operational and capital cost of the Essex Technical High School, which are paid in the form of assessments. The Town does not have an equity interest in the Essex Technical High School and the 2017 assessment was approximately \$224,000.

The Town is a member of Whittier Regional Vocational High School that serves the members' students seeking an education in vocational technical studies. The members' share in the operations of Whittier Regional Vocational High School and each member is responsible for its proportionate share of the operational and capital cost of Whittier Regional Vocational High School, which are paid in the form of assessments. The Town does not have an equity interest in Whittier Regional Vocational High School and the 2017 assessment was approximately \$457,000.

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

The government-wide financial statements (i.e., statement of net position and the statement of changes in net position) 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 and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets and deferred outflows, liabilities and deferred inflows, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets and deferred outflows, liabilities and deferred inflows, 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 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 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 *land acquisition fund* is used to account for the purchase of land which will be used for athletic fields.

The *Feoffee's trust fund* is used to account for the activities of the Feoffees of the Grammar School in the Town of Ipswich Trust which was created by a court order to administer the bequest of William Paine in 1660 to benefit the Ipswich Public Schools.

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 expenditures 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.

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. The fair values were determined by the closing price for those securities traded on national stock exchanges and at the average bid-and-asked quotation for those securities traded in the over-the-counter market. Investments that do not have an established market are reported at estimated fair values.

E. Fair Value Measurements

The Town reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S.

government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the Town's financial instruments, see Note 2 – Cash and Investments.

F. 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 Assessors 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 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 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 for 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 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 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 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 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.

The Town levies 0.75% for the sale of restaurant meals in accordance with Massachusetts General Law, Chapter 64L, Section 2. The tax is paid by the operator of each establishment to the State Commissioner of Revenue, who in turn pays the tax back to the Town in quarterly distributions. The meals tax receivable is categorized as an intergovernmental receivable.

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

Special assessments

The Town assesses sewer betterments in connection with certain sewer construction projects.

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

Mortgage notes

The mortgage notes were issued by the Feoffee's trust for the sale of properties in Little Neck in accordance with the terms of the Trust Administration Order (TAO) and are 6% interest only for 5 years, with a 20 year fixed, amortizing loan option at the end of the 5 year term.

The Feoffees receive monthly interest payments from the mortgage borrowers.

Use and occupancy loans

The use and occupancy loans were given by the Feoffee's trust in accordance with the TAO and are fully amortizing 5 year loans at a fixed rate of 4%.

The Feoffees receive annual principal and interest payments from use and occupancy borrowers.

Loans

Loans receivable consist of community development first-time homebuyer and housing rehabilitation loans.

These loans are secured via the lien process and therefore do not report an allowance for uncollectibles.

G. Inventories***Government-Wide and Fund Financial Statements***

Inventories, other than those associated with the municipal 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 municipal light enterprise fund consist of materials, supplies and fuel oil inventory and are carried at the lower of cost or market, determined by the first-in, first-out method.

H. Restricted Assets***Government-Wide and Fund Financial Statements***

Certain assets (customer deposits) of the municipal 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.

I. Deferred Outflows/Inflows of Resources***Government-Wide Financial Statements (Net Position)***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Town has reported deferred outflows of resources related to pensions in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town has reported deferred inflows of resources related to pensions in this category.

Governmental Fund Financial Statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents assets that have been recorded in the governmental fund financial statements but the revenue is not

available and so will not be recognized as an inflow of resources (revenue) until it becomes available. The Town has recorded unavailable revenue as deferred inflows of resources in the governmental funds balance sheet.

J. 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; donated works of art, historical treasures and similar assets; and capital assets received in service concession arrangements are recorded at acquisition value. 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 year of the purchase.

K. 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 position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as “internal balances”.

Fund Financial Statements

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

L. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. 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 position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as “Transfers, net”.

Fund Financial Statements

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

M. Unavailable Revenue

Unavailable 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 unavailable revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of both the Essex Regional Retirement System (ERRS) and the Massachusetts Teachers Retirement System and additions to/deductions from the Systems’ fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. Net Position and Fund Equity*Government-Wide Financial Statements (Net Position)*

Net position reported as net investment in capital assets 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 position is reported as restricted when amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net position has been “restricted for” the following:

“Rate stabilization” represents amounts restricted for the purpose of minimizing exposure to rate fluctuations in the municipal light industry. The fund may also be used to help the Municipal Light Department maintain a competitive position in the marketplace or for other unexpected costs.

“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.

“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.

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

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. Town Meeting is the highest level of decision making authority that can, by Town Meeting vote, commit funds for a specific purpose. Once voted, the limitation imposed by the vote remains in place until the funds are used for their intended purpose or a vote is taken to rescind the commitment.

“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. The Town’s by-laws authorize the Finance Director to assign fund balance. Assignments generally only exist temporarily. Additional action does not have to be taken for the removal of an assignment.

“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.

The Town’s spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds are designated for one purpose at the time of their creation. Therefore, any expenditure from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

P. 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 position. 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.

Q. 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.

R. 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.

S. Use of Estimates*Government-Wide and Fund Financial Statements*

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

T. Total Column*Government-Wide Financial Statements*

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

Fund Financial Statements

The total column 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.

Deposits and investments of the Feoffee's Trust are managed by the Feoffees under the Town's tax identification number. They are not held in the custody of the Town Treasurer and operate under the Investment Policy adopted by the Feoffees. Since deposits are held under the Town's tax identification number, deposits of the Feoffee's Trust are included within the Town's Custodial Credit Risk disclosures below. Investments of the Feoffee's Trust are reported separately in the Town's investment disclosures that follow.

The Healthcare Security Trust Board of Trustees is the custodian of funds held in the Other Postemployment Benefit (OPEB) Trust Fund. As of June 30, 2017, \$3,639,802 from the OPEB Trust Fund is included within the Town's cash and investment balances in the following disclosures.

The OPEB Trust Fund is invested in the Pension Reserve Investment Trust (PRIT), which meets the criteria of an external investment pool. PRIT is administered by the Pension Reserves Investment Management Board (PRIM), which was established by the Treasurer of the Commonwealth of Massachusetts who serves as Trustee. The fair value of the position in the PRIT is the same as the value of the PRIT shares. The Town does not have the ability to control any of the investment decisions relative to its funds in PRIT.

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 have a policy for custodial credit risk that all deposits be held in the name of the Town or in the Town’s federal tax identification number. At year-end, the carrying amount of deposits totaled \$19,675,098 and the bank balance totaled \$21,860,093. Of the bank balance, \$2,077,430 was covered by Federal Depository Insurance, \$14,723,818 was covered by the Depositors Insurance Fund, and \$5,058,845 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

As of June 30, 2017, the Town had the following investments:

Investment Type	Fair Value	Maturity	
		Less than 1 Year	1-5 Years
<u>Debt Securities:</u>			
U.S. Treasury Notes.....	\$ 194,297	\$ -	\$ 194,297
Government Sponsored Enterprises.....	600,256	-	600,256
Corporate Bonds.....	467,516	229,821	237,695
Total Debt Securities.....	1,262,069	\$ 229,821	\$ 1,032,248
<u>Other Investments:</u>			
Pension Reserve Investment Trust (PRIT).....	3,639,802		
Equity Securities.....	505,640		
Equity Mutual Funds.....	44,237		
Money Market Mutual Funds.....	69,036		
Mutual Funds.....	1,221,145		
MMDT - Cash Portfolio.....	420,291		
Total Investments.....	\$ 7,162,220		

At June 30, 2017, MMDT’s cash portfolio had a weighted average maturity of 43 days.

The effective weighted duration rate for PRIT investments ranged from 0.45 to 22.60 years.

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, \$194,297 in U.S. Treasury Notes, \$600,256 in Government Sponsored Enterprises, \$467,516 in corporate bonds, \$505,640 in equity securities and are subject to custodial credit risk exposure because the related securities are uninsured, unregistered and held by the counterparty.

Interest Rate Risk

The Town’s interest rate risk policy was set up to minimize interest rate risk by structuring the Town’s investment portfolio so securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. The Town also invests operating funds in shorter-term securities such as money market mutual funds or similar investment pools which limits the average maturity of the portfolio which limits the risk of changes in interest rates.

Credit Risk

The Town’s credit risk policy limits investments to certain securities, prequalifies the financial institution, and diversifies the investment portfolio minimizing losses from any one type of security or from any one issuer. At June 30, 2017, the Town’s investments were rated as follows:

<u>Quality Ratings</u>	<u>U.S. Treasury Notes</u>	<u>Government Sponsored Enterprises</u>	<u>Corporate Bonds</u>
AAA.....	\$ 194,297	\$ -	\$ 31,474
AA+.....	-	600,256	-
AA.....	-	-	80,127
A+.....	-	-	74,982
A.....	-	-	90,831
A-.....	-	-	190,102
Fair Value.....	<u>\$ 194,297</u>	<u>\$ 600,256</u>	<u>\$ 467,516</u>

The Town’s investments in MMDT and PRIT are unrated.

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’s concentration of credit risk policy diversifies the investment portfolio minimizing losses from any one type of security or from any one issuer.

As of June 30, 2017, The Town’s investments with a single issuer that represent 5 percent or more of the Town’s total investments are as follows:

<u>Issuer</u>	<u>Fair Value</u>	<u>Percentage of Total Investments</u>
iShares S & P 500 INDX.....	\$ 242,196	7.99%
Federal Home Loan Mortgage Corporation.....	491,387	16.20%

Fair Value Measurement

The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town's mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town chooses a tabular format for disclosing the levels within the fair value hierarchy.

The following table presents financial assets at June 30, 2017, that the Town measures fair value on a recurring basis, by level, within the fair value hierarchy:

Investment Type	June 30, 2017	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value:				
<u>Debt Securities:</u>				
U.S. Treasury Notes.....	\$ 194,297	\$ 194,297	\$ -	\$ -
Government Sponsored Enterprises.....	600,256	600,256	-	-
Corporate Bonds.....	<u>467,516</u>	<u>-</u>	<u>467,516</u>	<u>-</u>
Total Debt Securities.....	<u>1,262,069</u>	<u>794,553</u>	<u>467,516</u>	<u>-</u>
<u>Other investments:</u>				
Equity Securities.....	505,640	505,640	-	-
Equity Mutual Funds.....	44,237	44,237	-	-
Money Market Mutual Funds.....	69,036	69,036	-	-
Mutual Funds.....	<u>1,221,145</u>	<u>1,221,145</u>	<u>-</u>	<u>-</u>
Total Other Investments.....	<u>1,840,058</u>	<u>1,840,058</u>	<u>-</u>	<u>-</u>
Total investments measured at fair value.....	<u>3,102,127</u>	<u>\$ 2,634,611</u>	<u>\$ 467,516</u>	<u>\$ -</u>
Investments measured at net asset value:				
PRIT.....	<u>3,639,802</u>			
Investments measured at amortized cost:				
MMDT - Cash Portfolio.....	<u>420,291</u>			
Total investments.....	<u>\$ 7,162,220</u>			

U.S. Treasury Notes, Government Sponsored Enterprises, equity securities, equity mutual funds, money market mutual funds and mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Corporate bonds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Debt securities classified in Level 3 of the fair value hierarchy are valued using significant unobservable inputs.

PRIM investments are valued using the net asset value method. This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIM is administered by the Pension Reserves Investment Management Board. The fair values of the positions in each investment Pool are the same as the value of each Pool's shares. The Town does not have the ability to control any of the investment decisions relative to its funds in PRIM.

MMDT cash portfolio investments are valued at amortized cost. Under the amortized cost method, an investment is valued initially at its cost and adjusted for the amount of interest income accrued each day over the term of the investment to account for any difference between the initial cost and the amount payable at its maturity. If amortized cost is determined not to approximate fair value, the value of the portfolio securities will be determined under procedures established by the Advisor.

Deposits and Investments of the Feoffee's Trust

As of June 30, 2017, the carrying amount of deposits in the Feoffee's Trust totaled \$357,203 and the bank balance totaled \$353,989. The entire bank balance was covered by the Depositor Insurance Fund ("DIF"); therefore the Trust did not have any deposits that were exposed to custodial credit risk.

The Feoffees have adopted an Investment Policy which sets forth both return objectives and asset allocation guidelines for the Trust based on long-term fundamental objectives. The Trust's average annual total return objective over the long-term is to meet or exceed a proposed spending rate plus inflation, as defined by the Consumer Price Index, plus expenses.

In accordance with these goals, the Board adopted the following investment asset allocation parameters:

<u>Asset Class:</u>	<u>Allocation Range:</u>
Traditional Equity Securities.....	40% - 50%
Non-Traditional Equity Securities.....	15% - 25%
High Quality Fixed Income Securities.....	10% - 20%
Credit Opportunities.....	0% - 10%
Cash.....	5% - 10%
Illiquid Investments.....	0% - 5%
Real Assets.....	5% - 10%

For the initial five year investment period of the Trust, a portion of the assets may be held in the form of mortgages granted to prior tenants of the land in Ipswich. Most of these mortgages are for a five year term, at a 6% rate of interest with no principal payments over that period. As these mortgages are refinanced privately, and the original note is paid off, the proceeds from such payoffs will be added to the investment fund. While the mortgages are outstanding, they will be considered as part of the fixed income allocation. As of June 30, 2017, there are 6 unpaid mortgages outstanding with a total balance of \$797,000

The Trust defines the investment asset classes as follows:

High Quality Fixed Income Securities.....	Investments in high quality fixed income debt instruments.
Traditional Equity Securities.....	Investments in both U.S. and international stocks.
Non-Traditional Equity Securities.....	Investments in long/short term hedge funds both U.S. and international.
Credit Opportunities.....	Investments in high yield debt, distressed debt, and similar debt instruments.
Real Assets.....	Investments in commodities, inflation-adjusted bonds, and real estate.
Money Market Mutual Funds.....	Investments in high quality, short-term debt instruments.

The Feoffees monitor compliance with their Investment Policy Statement (IPS) by reviewing the overall sector allocation of all investment sources on a quarterly basis. That allocation is compared to the acceptable range for each asset class as outlined in the IPS created by the Feoffees. In the event that any investment sector falls outside of the acceptable range set forth in the IPS, the Feoffees instruct their investment managers to reallocate accordingly. The Feoffees set out to craft an allocation strategy consistent with the Trust's stated goal of yearly distributions to the Ipswich Public Schools in conjunction with the long-term sustainability and growth of the Trust's corpus. In an effort to maintain sufficient liquidity in the Trust, the Feoffees monitor the balance between traditional and alternative asset classes as part of our quarterly review process.

The following funds have been allocated to the investment managers as of June 30, 2017:

Investment Type	Market Value	Maturity		
		Under 1 Year	1-5 Years	6-10 Years
<u>Debt Securities:</u>				
U.S. Treasury Notes.....	\$ 248,282	\$ -	\$ 207,230	\$ 41,052
Corporate Bonds.....	461,954	49,984	361,285	50,685
Municipal Bonds.....	302,824	70,212	232,612	-
Total Debt Securities.....	1,013,060	\$ 120,196	\$ 801,127	\$ 91,737
<u>Other Investments:</u>				
Equity Securities.....	10,484,020			
Fixed Income Mutual Funds.....	1,923,957			
Equity Mutual Funds.....	2,222,746			
Exchange Traded Funds.....	2,584,044			
Money Market Mutual Funds.....	1,152,554			
Limited Partnerships.....	7,535,284			
Total Investments.....	\$ 26,915,665			

The Trust has entered into a Limited Partnership with Aureus II to manage a portion of the Trust's endowment. The remainder of the Trust's endowment is managed through Fidelity brokerage accounts. As of June 30, 2017, the Limited Partnership with Aureus II totaled approximately \$7.5 million bringing the total Limited Partnerships to 28% of the Trust's investments. Limited Partnerships are lightly regulated and not readily marketable. The market values of assets under the management of the limited partnerships are determined by the General Partners of those partnerships. The Aureus II Limited Partnership provides the Trust with exposure to both geographies outside of the United States and alternative asset classes, such as hedge funds, debt instruments and commodities.

With the assistance of qualified investment managers, portfolio or endowment advisors, or other professionals, and the approval of the School Committee, the Feoffees have established a written distribution policy that defines how the annual distributions from the trust are to be calculated and made. Earnings on investments are to be calculated and distributed according the distribution policy to the School Committee annually, no later than the day before the start of the fiscal year. The amount of these anticipated distributions must be reported to the School Committee by October 1st of each year.

At June 30, 2017, the Trust's Debt Securities were rated as follows:

	<u>U.S. Treasury</u> <u>Notes</u>	<u>Corporate</u> <u>Bonds</u>	<u>Municipal</u> <u>Bonds</u>
Moody's Investors Service Ratings:			
Aaa.....	\$ 248,282	\$ -	\$ 29,909
Aa1.....	-	20,565	171,089
Aa2.....	-	39,857	-
Aa3.....	-	44,972	25,791
A1.....	-	103,941	35,077
A2.....	-	111,819	-
A3.....	-	80,643	-
Baa1.....	-	60,157	-
Standard & Poor's Ratings:			
AAA.....	-	-	9,958
A+.....	-	-	31,000
Total Debt Securities.....	\$ <u>248,282</u>	\$ <u>461,954</u>	\$ <u>302,824</u>

The Trust categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Trust has the following recurring fair value measurements as of June 30, 2017:

<u>Investment Type</u>	<u>June 30,</u> <u>2017</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted</u> <u>Prices in</u> <u>Active</u> <u>Markets for</u> <u>Identical</u> <u>Assets</u> <u>(Level 1)</u>	<u>Significant</u> <u>Other</u> <u>Observable</u> <u>Inputs</u> <u>(Level 2)</u>	<u>Significant</u> <u>Unobservable</u> <u>Inputs</u> <u>(Level 3)</u>
Investments measured at fair value:				
U.S. Treasury notes.....	\$ 248,282	\$ 248,282	\$ -	\$ -
Corporate bonds.....	461,954	-	461,954	-
Municipal bonds.....	302,824	-	302,824	-
Equity securities.....	10,484,020	10,484,020	-	-
Fixed income mutual funds.....	1,923,957	1,923,957	-	-
Equity mutual funds.....	2,222,746	2,222,746	-	-
Money market mutual funds.....	1,152,554	1,152,554	-	-
Limited partnerships.....	7,535,284	-	-	7,535,284
Total investments measured at fair value.....	<u>24,331,621</u>	<u>\$ 16,031,559</u>	<u>\$ 764,778</u>	<u>\$ 7,535,284</u>
Investments reported at net asset value:				
Exchange traded funds.....	<u>2,584,044</u>			
Total investments.....	<u>\$ 26,915,665</u>			

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Limited partnerships classified in Level 3 are determined by the General Partners of those partnerships.

NOTE 3 – RECEIVABLES

At June 30, 2017, 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....	\$ 522,618	\$ (6,782)	\$ 515,836
Tax liens.....	479,120	-	479,120
Motor vehicle and other excise taxes.....	154,736	(40,387)	114,349
Departmental and other.....	863,108	-	863,108
Intergovernmental.....	3,542,564	-	3,542,564
Mortgage notes.....	797,004	-	797,004
Use and occupancy loans.....	46,791	-	46,791
Loans.....	290,845	-	290,845
Total.....	<u>\$ 6,696,786</u>	<u>\$ (47,169)</u>	<u>\$ 6,649,617</u>

At June 30, 2017, receivables for the enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
User charges.....	\$ 2,702,097	\$ (42,896)	\$ 2,659,201
Special assessments.....	6,942	-	6,942
Intergovernmental.....	62,912	-	62,912
Total.....	<u>\$ 2,771,951</u>	<u>\$ (42,896)</u>	<u>\$ 2,729,055</u>

Governmental funds report *unavailable 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 year, the various components of *unavailable revenue* reported in the governmental funds were as follows:

	General Fund	Other Governmental Funds	Total
<u>Receivable and other asset type:</u>			
Real estate and personal property taxes....	\$ 398,948	\$ -	\$ 398,948
Tax liens.....	479,120	-	479,120
Motor vehicle and other excise taxes.....	114,349	-	114,349
Intergovernmental.....	2,575,128	199,083	2,774,211
Loans.....	-	290,845	290,845
Tax foreclosures.....	119,214	-	119,214
Total.....	\$ 3,686,759	\$ 489,928	\$ 4,176,687

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 18,561,428	\$ 2,150,000	\$ -	\$ 20,711,428
Construction in progress.....	2,475,368	2,991,475	(2,335,808)	3,131,035
Total capital assets not being depreciated.....	21,036,796	5,141,475	(2,335,808)	23,842,463
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	48,254,357	208,628	-	48,462,985
Machinery, equipment and vehicles.....	12,298,746	1,519,404	(712,901)	13,105,249
Infrastructure.....	12,488,917	2,643,554	-	15,132,471
Total capital assets being depreciated.....	73,042,020	4,371,586	(712,901)	76,700,705
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(17,983,046)	(1,222,914)	-	(19,205,960)
Machinery, equipment and vehicles.....	(7,147,030)	(1,251,657)	712,901	(7,685,786)
Infrastructure.....	(3,163,655)	(699,979)	-	(3,863,634)
Total accumulated depreciation.....	(28,293,731)	(3,174,550)	712,901	(30,755,380)
Total capital assets being depreciated, net.....	44,748,289	1,197,036	-	45,945,325
Total governmental activities capital assets, net.....	\$ 65,785,085	\$ 6,338,511	\$ (2,335,808)	\$ 69,787,788

Water Enterprise Fund:	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 1,484,129	\$ -	\$ -	\$ 1,484,129
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	222,486	-	-	222,486
Machinery, equipment and vehicles.....	681,647	111,224	(92,245)	700,626
Infrastructure.....	25,857,624	957,374	(538,017)	26,276,981
Total capital assets being depreciated.....	26,761,757	1,068,598	(630,262)	27,200,093
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(177,991)	(4,450)	-	(182,441)
Machinery, equipment and vehicles.....	(453,909)	(47,408)	92,245	(409,072)
Infrastructure.....	(12,135,296)	(539,541)	538,017	(12,136,820)
Total accumulated depreciation.....	(12,767,196)	(591,399)	630,262	(12,728,333)
Total capital assets being depreciated, net.....	13,994,561	477,199	-	14,471,760
Total water enterprise fund capital assets, net.....	\$ 15,478,690	\$ 477,199	\$ -	\$ 15,955,889

Sewer Enterprise Fund:	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 871,907	\$ -	\$ -	\$ 871,907
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	120,894	-	-	120,894
Machinery, equipment and vehicles.....	355,148	128,053	-	483,201
Infrastructure.....	20,526,571	68,008	-	20,594,579
Total capital assets being depreciated.....	21,002,613	196,061	-	21,198,674
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(40,214)	(3,400)	-	(43,614)
Machinery, equipment and vehicles.....	(206,453)	(21,208)	-	(227,661)
Infrastructure.....	(9,401,638)	(498,140)	-	(9,899,778)
Total accumulated depreciation.....	(9,648,305)	(522,748)	-	(10,171,053)
Total capital assets being depreciated, net.....	11,354,308	(326,687)	-	11,027,621
Total sewer enterprise fund capital assets, net.....	\$ 12,226,215	\$ (326,687)	\$ -	\$ 11,899,528

Municipal Light Enterprise Fund:	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 22,976	\$ -	\$ -	\$ 22,976
<u>Capital assets being depreciated:</u>				
Production plant.....	8,350,880	203,960	-	8,554,840
Transmission plant.....	1,943,868	-	-	1,943,868
Distribution plant.....	18,555,982	437,435	(251,970)	18,741,447
General plant.....	2,655,766	22,061	-	2,677,827
Total capital assets being depreciated.....	<u>31,506,496</u>	<u>663,456</u>	<u>(251,970)</u>	<u>31,917,982</u>
<u>Less accumulated depreciation for:</u>				
Production plant.....	(5,344,042)	(259,773)	-	(5,603,815)
Transmission plant.....	(798,815)	(57,241)	-	(856,056)
Distribution plant.....	(8,879,681)	(561,984)	251,970	(9,189,695)
General plant.....	(1,623,777)	(82,260)	-	(1,706,037)
Total capital assets being depreciated.....	<u>(16,646,315)</u>	<u>(961,258)</u>	<u>251,970</u>	<u>(17,355,603)</u>
Total capital assets being depreciated, net.....	<u>14,860,181</u>	<u>(297,802)</u>	<u>-</u>	<u>14,562,379</u>
Total municipal light enterprise fund capital assets, net.....	<u>\$ 14,883,157</u>	<u>\$ (297,802)</u>	<u>\$ -</u>	<u>\$ 14,585,355</u>

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

Governmental Activities:

General government.....	\$ 147,159
Finance.....	42,964
Public safety.....	282,355
Education.....	1,617,797
Public works.....	927,733
Planning and development.....	34,457
Human services.....	51,695
Library.....	<u>70,390</u>

Total depreciation expense - governmental activities..... \$ 3,174,550

Business-Type Activities:

Water.....	\$ 591,399
Sewer.....	522,748
Municipal light.....	<u>961,258</u>

Total depreciation expense - business-type activities..... \$ 2,075,405

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2017 are summarized as follows:

Transfers Out:	Transfers In:		
	General Fund	Nonmajor Governmental Funds	Total
General Fund.....	\$ -	\$ 1,114,251	\$ 1,114,251 (1)
Feoffee's Trust Fund.....	-	1,443,935	1,443,935 (2)
Nonmajor Governmental Funds...	171,429	-	171,429 (3)
Total.....	\$ 171,429	\$ 2,558,186	\$ 2,729,615

- (1) Represents transfers from the general fund to various nonmajor capital project funds to fund new capital projects and to nonmajor special revenue for waterways improvements.
- (2) Transfer from the Feoffee's Trust to the Town's Feoffee special revenue fund as required by court judgment and trust administration order.
- (3) Represents transfers from the septic loan payments, waterways and tourism nonmajor governmental funds to the general fund. Also represents transfers to the capital stabilization fund from completed nonmajor capital project funds.

NOTE 6 – CAPITAL LEASES

The Town has entered into lease agreements as lessee for financing the acquisition of four public works vehicles. These lease agreements qualify as capital leases for accounting purposes and therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

Asset:	Governmental Activities
Vehicles.....	\$ 671,269
Less: accumulated depreciation.....	(157,281)
Total.....	\$ 513,988

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017, were as follows:

<u>Years</u> <u>Ending June 30</u>	<u>Governmental</u> <u>Activities</u>
2018.....	\$ 135,779
2019.....	135,779
2020.....	135,779
2021.....	<u>29,500</u>
 Total minimum lease payments.....	 436,837
 Less: amounts representing interest.....	 <u>(24,825)</u>
 Present value of minimum lease payments.....	 \$ <u><u>412,012</u></u>

NOTE 7 – SHORT-TERM FINANCING

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

- Current operating costs prior to the collection of revenues through issuance of revenue 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 short-term debt activity for the year ended June 30, 2017 is as follows:

<u>Type</u>	<u>Purpose</u>	<u>Rate</u> <u>(%)</u>	<u>Due Date</u>	<u>Balance at</u> <u>June 30,</u> <u>2016</u>	<u>Renewed/</u> <u>Issued</u>	<u>Retired/</u> <u>Redeemed</u>	<u>Balance at</u> <u>June 30,</u> <u>2017</u>
Governmental Activities:							
BAN	*MCWT Title V Loan.....	0.00	12/31/17	\$ 642,710	\$ -	\$ -	\$ 642,710
BAN	Municipal Purpose.....	0.85	06/08/17	300,000	-	(300,000)	-
BAN	Municipal Purpose.....	1.60	06/08/18	-	450,000	-	450,000
BAN	Municipal Purpose.....	2.00	06/08/18	-	<u>3,839,757</u>	-	<u>3,839,757</u>
Total Governmental Activities.....				<u>\$ 942,710</u>	<u>\$ 4,289,757</u>	<u>\$ (300,000)</u>	<u>\$ 4,932,467</u>
Business-Type Activities:							
BAN	Water.....	2.00	06/08/18	<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ 250,000</u>

*The Town entered into a short-term interest free loan agreement through the MCWT interim loan program which provides funding to allow projects to proceed during the time prior to permanent financing by the Trust.

NOTE 8 – 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, 2017 and the debt service requirements are shown as follows:

Bonds and Notes Payable Schedule – Governmental Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2016	Issued	Redeemed	Outstanding at June 30, 2017
Municipal Purpose Bonds of 1999.....	2020	\$ 32,333,000	3.50 - 5.00	\$ 9,350,000	\$ -	\$ (2,170,000)	\$ 7,180,000
Municipal Purpose Bonds of 2003.....	2018	847,240	2.35 - 4.00	134,000	-	(67,000)	67,000
Municipal Purpose Bonds of 2005.....	2020	525,000	2.75 - 5.00	140,000	-	(35,000)	105,000
Municipal Purpose Bonds of 2007.....	2027	1,615,000	4.00 - 5.00	863,500	-	(81,000)	782,500
Municipal Purpose Bonds of 2008.....	2018	400,000	3.25 - 5.00	80,000	-	(40,000)	40,000
Municipal Purpose Bonds of 2010.....	2025	1,313,300	2.00 - 5.00	415,000	-	(55,000)	360,000
Municipal Purpose Bonds of 2010.....	2029	6,181,400	2.00 - 5.00	3,605,000	-	(575,000)	3,030,000
Municipal Purpose Bonds of 2011.....	2030	1,600,000	2.00 - 3.25	1,175,000	-	(85,000)	1,090,000
Municipal Purpose Bonds of 2013.....	2023	525,000	1.75 - 2.00	360,000	-	(55,000)	305,000
MCWT Community Septic Management Bonds.....	2035	357,290	0.00	339,425	-	(17,865)	321,560
General Obligation Recreation Bonds of 2016.....	2031	1,000,000	2.00 - 3.25	1,000,000	-	(70,000)	930,000
Municipal Purpose Bonds of 2016.....	2026	455,000	2.00 - 3.00	455,000	-	(50,000)	405,000
Total Governmental Funds.....				\$ 17,916,925	\$ -	\$ (3,300,865)	\$ 14,616,060

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

Year	Principal	Interest	Total
2018.....	\$ 3,354,865	\$ 488,951	\$ 3,843,816
2019.....	3,352,865	341,061	3,693,926
2020.....	3,442,865	204,005	3,646,870
2021.....	762,865	127,688	890,553
2022.....	627,865	106,451	734,316
2023.....	492,865	90,807	583,672
2024.....	442,865	76,363	519,228
2025.....	442,865	62,957	505,822
2026.....	397,864	49,136	447,000
2027.....	340,364	37,042	377,406
2028.....	272,864	25,444	298,308
2029.....	272,864	16,601	289,465
2030.....	257,864	7,673	265,537
2031.....	82,864	1,056	83,920
2032.....	17,864	-	17,864
2033.....	17,864	-	17,864
2034.....	17,864	-	17,864
2035.....	17,864	-	17,864
Totals.....	\$ 14,616,060	\$ 1,635,235	\$ 16,251,295

Bonds and Notes Payable Schedule – Enterprise Funds

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

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2016	Issued	Redeemed	Outstanding at June 30, 2017
Water Projects							
Land Acquisition 2004.....	2018	\$ 306,112	2.35 - 4.00	\$ 44,000	\$ -	\$ (22,000)	\$ 22,000
Water 2005.....	2020	1,355,000	2.75 - 5.00	260,000	-	(65,000)	195,000
Water 2007.....	2027	900,000	4.00 - 5.00	495,000	-	(45,000)	450,000
Water 2008.....	2028	550,000	3.25 - 5.00	310,000	-	(30,000)	280,000
Water 2010.....	2025	893,000	2.00 - 5.01	370,000	-	(85,000)	285,000
Water 2011.....	2030	400,000	2.00 - 3.25	280,000	-	(20,000)	260,000
Water (MCWT) 2013.....	2033	1,145,359	2.00	1,003,323	-	(49,418)	953,905
Water 2013.....	2028	690,000	1.75 - 2.00	540,000	-	(50,000)	490,000
Water (MCWT) 2016.....	2037	1,495,054	2.00	1,495,054	-	(60,476)	1,434,578
Water 2016.....	2036	1,405,000	2.00 - 3.00	1,405,000	-	(115,000)	1,290,000
Total Water Enterprise.....				6,202,377	-	(541,894)	5,660,483
Sewer Projects							
Sewer (MCWT) 1998.....	2019	\$ 1,863,200	Variable	354,000	-	(114,600)	239,400
Sewer 2004.....	2018	150,000	2.35 - 4.00	22,000	-	(11,000)	11,000
Sewer 2007.....	2027	977,000	4.00 - 5.00	531,500	-	(49,000)	482,500
Sewer 2011.....	2022	813,600	2.00 - 3.25	470,000	-	(80,000)	390,000
Sewer (MCWT) 2012.....	2023	1,952,534	2.00	1,710,401	-	(84,244)	1,626,157
Sewer 2013.....	2028	430,000	1.75 - 2.40	340,000	-	(30,000)	310,000
Sewer (MCWT) 2015.....	2035	2,246,791	2.00	2,155,906	-	(92,860)	2,063,046
Sewer 2016.....	2036	1,535,000	2.00 - 3.00	1,535,000	-	(90,000)	1,445,000
Total Sewer Enterprise.....				7,118,807	-	(551,704)	6,567,103
Municipal Light Projects							
Electric Sub Station and System Improvements.....	2028	\$ 6,000,000	3.25 - 4.10	3,600,000	-	(300,000)	3,300,000
Electric Sub Station and System Improvements.....	2025	600,000	2.00 - 5.01	360,000	-	(40,000)	320,000
Wind Turbine.....	2030	2,642,000	2.00 - 3.25	1,930,000	-	(140,000)	1,790,000
Total Municipal Light Enterprise.....				5,890,000	-	(480,000)	5,410,000
Total Enterprise Funds.....				\$ 19,211,184	\$ -	\$ (1,573,598)	\$ 17,637,586

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

Year	Principal	Interest	Total
2018.....\$	1,569,236	\$ 502,053	\$ 2,071,289
2019.....	1,536,010	454,460	1,990,470
2020.....	1,346,120	408,348	1,754,468
2021.....	1,287,774	364,716	1,652,490
2022.....	1,279,572	323,535	1,603,107
2023.....	1,206,518	286,564	1,493,082
2024.....	1,203,614	250,395	1,454,009
2025.....	1,185,865	215,044	1,400,909
2026.....	1,128,274	179,867	1,308,141
2027.....	1,103,342	145,688	1,249,030
2028.....	1,033,575	112,030	1,145,605
2029.....	656,478	81,380	737,858
2030.....	634,551	65,345	699,896
2031.....	512,800	50,338	563,138
2032.....	521,228	39,708	560,936
2033.....	529,840	28,596	558,436
2034.....	345,997	18,526	364,523
2035.....	345,800	11,010	356,810
2036.....	210,992	9,057	220,049
Totals.....\$	<u>17,637,586</u>	<u>\$ 3,546,660</u>	<u>\$ 21,184,246</u>

The Town is scheduled to be subsidized by the Massachusetts Clean Water Trust (MCWT) on a periodic basis for principal in the amount of \$62,912 and interest costs for \$9,245. The principal subsidies are guaranteed and therefore a \$62,912 intergovernmental receivable has been recorded in the sewer enterprise fund at June 30, 2017. 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 2017 principal and interest subsidies totaled \$28,758 and \$12,411, 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 2017, \$1,389,800 of such assistance was received. Approximately \$4,169,400 will be received in future years. Of this amount, approximately \$1,594,300 represents reimbursement of long-term interest costs, and approximately \$2,575,100 represents reimbursement of approved construction costs. Accordingly, a \$2,575,100 intergovernmental receivable and corresponding unavailable revenue have been reported in governmental fund financial statements. The net change in unavailable revenue has been recognized as revenue in the conversion to the government-wide financial statements.

The Commonwealth has modified the method for funding new projects in the school building assistance program. Under the program, the assistance is paid to support the State's share of construction costs as they are incurred, therefore eliminating the need for the Town to fund the State's share through long-term debt. The Winthrop School Feasibility project is being funded by this program. The total project is estimated to cost approximately \$945,000. Through the end of fiscal year 2017, the Town has recorded capital grant revenue totaling approximately \$359,000 from the MSBA which is equal to 45.74% of approved construction costs incurred to date.

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, 2017, the Town had the following authorized and unissued debt:

Purpose	Amount
Bridges.....	\$ 110,000
Open Space.....	3,994,546
Riverwalk.....	75,000
Water Mains.....	154,587
Street Reconstruction.....	3,190,225
Wastewater Treatment Plant.....	138,209
Water Plant and System Upgrades.....	1,317,721
Winthrop School Feasibility Study.....	428,663
Total.....	\$ 9,408,951

Changes in Long-term Liabilities

During the year ended June 30, 2017, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Governmental Activities:					
Bonds payable.....	\$ 17,916,925	\$ -	\$ (3,300,865)	\$ 14,616,060	\$ 3,354,865
Compensated absences.....	999,898	828,665	(829,865)	998,698	858,047
Net pension liability.....	31,971,408	2,775,666	(2,455,851)	32,291,223	-
Other postemployment benefits....	13,533,397	2,905,897	(1,129,693)	15,309,601	-
Total governmental activity long-term liabilities.....	\$ 64,421,628	\$ 6,510,228	\$ (7,716,274)	\$ 63,215,582	\$ 4,212,912
Business-Type Activities:					
Bonds payable.....	\$ 19,211,184	\$ -	\$ (1,573,598)	\$ 17,637,586	\$ 1,569,236
Compensated absences.....	297,552	124,950	(110,167)	312,335	106,767
Net pension liability.....	3,624,814	4,397,714	(531,537)	7,490,991	-
Other postemployment benefits....	293,461	263,564	(283,144)	273,881	-
Total business-type activity long-term liabilities.....	\$ 23,427,011	\$ 4,786,228	\$ (2,498,446)	\$ 25,714,793	\$ 1,676,003

Long-term liabilities related to both governmental and business-type activities are normally paid from the General Fund and the Enterprise Funds, respectively.

NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The Town classifies fund balances according to the constraints imposed on the use of the resources. There are two major types of fund balances, which are nonspendable and spendable.

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>Land Acquisition</u>	<u>Feoffee's Trust</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
FUND BALANCES:					
Nonspendable:					
Permanent fund principal..... \$	-	-	\$ 23,422,907	\$ 797,137	\$ 24,220,044
Restricted for:					
Feoffee's Trust.....	-	-	4,723,796	-	4,723,796
Town revolving funds.....	-	-	-	223,909	223,909
Town gifts and grant funds.....	-	-	-	177,085	177,085
Town receipts reserved.....	-	-	-	319,156	319,156
Other Town special revenue.....	-	-	-	34,849	34,849
School gifts and grant funds.....	-	-	-	1,275,501	1,275,501
School revolving funds.....	-	-	-	2,324,537	2,324,537
Ipswich affordable housing.....	-	-	-	86,193	86,193
Town capital projects.....	-	-	-	1,337,293	1,337,293
Expendable trust funds.....	-	-	-	1,098,790	1,098,790
Assigned to:					
General government.....	17,233	-	-	-	17,233
Finance.....	22,483	-	-	-	22,483
Public safety.....	34,021	-	-	-	34,021
Education.....	289,278	-	-	-	289,278
Public works.....	445,753	-	-	-	445,753
Code enforcement.....	5,500	-	-	-	5,500
Planning and development.....	4,500	-	-	-	4,500
Employee benefits.....	18,215	-	-	-	18,215
Property and liability insurance.....	62,376	-	-	-	62,376
Miscellaneous.....	15,556	-	-	-	15,556
Debt service interest.....	86,053	-	-	-	86,053
The FY18 operating budget.....	150,000	-	-	-	150,000
Unassigned.....	<u>6,401,122</u>	<u>(2,156,234)</u>	<u>-</u>	<u>(1,075,462)</u>	<u>3,169,426</u>
TOTAL FUND BALANCES..... \$	<u>7,552,090</u>	<u>\$ (2,156,234)</u>	<u>\$ 28,146,703</u>	<u>\$ 6,598,988</u>	<u>\$ 40,141,547</u>

Massachusetts General Law Ch.40 §5B allows for the establishment of Stabilization funds for one or more different purposes on an as needed basis. The creation of a Stabilization fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any changes to the purpose of the fund, along

with any additions to or appropriations from the fund, require a two-thirds vote of the legislative body. The stabilization fund balance can be used for general and/or capital purposes upon approval of Town Meeting. Additions to and withdrawals from the funds can only be made upon Town Meeting approval. In accordance with the Massachusetts General Law the Town has established a general, capital, and school stabilization fund. In accordance with GASB 54, the stabilization funds have been reported in the general fund as unassigned. The balance of the general, capital, and school stabilization funds as of June 30, 2017, is \$1,736,879, \$2,634, and \$1,876,770, respectively.

NOTE 10 – 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.

The Town is self-insured for compensation due to police officers and firefighters injured on duty. These activities are accounted for in the Town's general fund. Any liability for police officers and firefighters injured on duty as of June 30, 2017 is considered to be immaterial for the Town's financial statements.

NOTE 11 – PENSION PLAN

Plan Descriptions

The Town is a member of the Essex Regional Retirement System (ERRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 47 member units. The system is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The System issues a publicly available audited financial report. That report may be obtained by contacting the System located at 491 Maple Street, Danvers, Massachusetts, 01923 or by visiting www.essexregional.com or www.mass.gov/perac.

The Town is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives and Quincy College. The MTRS is part of the Commonwealth's reporting entity and the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports/>.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2016. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$4,816,922 is reported in the general fund as intergovernmental

revenue and pension expense in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Town is \$47,221,695 as of the measurement date.

Benefits Provided

Both Systems provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost-of-living adjustments granted between 1981 and 1997 and any 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 Board and are borne by the System.

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the ERRS a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The Town's proportionate share of the required contribution for the year ended December 31, 2016 was \$2,991,712. The actual contribution totaled \$3,009,923 and was 22.07% of covered payroll, the required contribution was actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The actual contribution included pension reimbursements from federal grants received by the Town.

Pension Liabilities

At June 30, 2017, the Town reported a liability of \$39,782,214 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2016, the Town's proportion was 10.325%, which decreased from its 10.809% proportion measured at December 31, 2015.

Pension Expense

For the year ended June 30, 2017, the Town recognized a pension expense of \$3,428,670. At June 30, 2017, the Town reported deferred outflows of resources related to pensions of \$3,428,670, from the net difference between projected and actual investment earnings on pension plan investments and changes of assumptions and deferred inflows of resources related to pensions of \$2,256,239, from the differences between expected and actual experience and changes in proportion and differences between employer contributions and the proportionate share of contributions. The System reported differences between expected and actual experience of \$8,590,424 and a change of assumptions of \$20,216,699 as of December 31, 2016.

The balances of deferred outflows and inflows at June 30, 2017 consist of the following:

Deferred category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ -	\$ (716,414)	\$ (716,414)
Difference between projected and actual earnings.....	1,742,661	-	1,742,661
Changes of assumptions.....	1,686,009	-	1,686,009
Changes in proportion and proportionate share of contributions...	-	<u>(1,539,825)</u>	<u>(1,539,825)</u>
 Total Deferred Outflows/(Inflows) of Resources.....	 <u>\$ 3,428,670</u>	 <u>\$ (2,256,239)</u>	 <u>\$ 1,172,431</u>

The Town’s deferred outflows (inflows) of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2018.....	\$ 399,629
2019.....	399,629
2020.....	437,443
2021.....	(45,632)
2022.....	<u>(18,638)</u>
 Total.....	 <u>\$ 1,172,431</u>

Actuarial Assumptions

The total pension liability in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement date that was updated to December 31, 2016.

Valuation date.....	January 1, 2016
Actuarial cost method.....	Entry Age Normal Cost Method.
Remaining amortization period.....	18 years for the fresh start base.
Amortization method.....	The total appropriation is set to increase annually by 7.41% for five years, then by 6.36% for one year and 4% increases annually thereafter until the final year which will be 3.89%.

Asset valuation method.....	Market value adjusted by accounts payable and receivables adjusted to phase in over 5 years investment gains or losses above or below the expected rate of investment return. The actuarial value of assets must be no less than 90% of the adjusted market value nor more than 110% of the adjusted market value.
Projected salary increases.....	3.75% Ultimate rate, with steps. 7.50% year one, 6.50% year two, 6.00% year three, 5.50% year four, 5.00% year five.
Cost of living adjustments.....	3.0% of the first \$13,000 of a members retirement allowance is assumed to be granted every year.
Rates of retirement.....	Varies based upon age for general employees, police and fire employees.
Rates of disability.....	Disability is assumed to be 45% ordinary and 55% accidental for Group 1 and Group 2 and 10% ordinary and 90% accidental for Group 4.
Mortality Rates:	
Pre-Retirement.....	The RP-2000 mortality table (sex-distinct) projected with scale BB and Generational Mortality. During employment the healthy employee mortality table is used. Post-employment the healthy annuitant table is used.
Disabled Retiree.....	The RP-2000 mortality table for healthy annuitants (sex-distinct) projected with scale BB and Generational Mortality set-forward by two years. Death is assumed to be due to the same cause as the disability 40% of the time.
Single equivalent discount rate.....	7.75% per year
Nominal investment rate of return.....	7.80%, including inflation of 3.00%.
Long-term expected real rate of investment return.....	4.80%, nominal rate of 7.80% less inflation 3.00%
Inflation.....	3.00%

Investment Policy

The pension plan’s policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real of returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return of by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The System’s expected future real rate of return of 4.8%

is added to the expected inflation of 3.0% to produce the long-term nominal expected rate of return of 7.8%. Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of January 1, 2016 are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity		
Large Cap Equities.....	14.50%	4.50%
Small/Mid Cap Equities.....	3.50%	4.75%
International Equities.....	16.00%	4.83%
Emerging International Equities.....	6.00%	6.61%
Core Fixed Income		
Core Bonds.....	5.00%	1.00%
20+ Year Treasuries.....	5.00%	0.75%
TIPS.....	3.00%	0.75%
Value Added Fixed Income		
High-Yield Bonds.....	1.50%	2.75%
Bank Loans.....	1.50%	3.00%
EMD (External).....	1.00%	2.75%
EMD (Local Currency).....	2.00%	3.50%
Private Debt.....	4.00%	6.06%
Private Equity.....	10.00%	6.50%
Real Estate.....	10.00%	3.50%
Timberland.....	4.00%	3.00%
Hedge Funds and Portfolio Completion.....	13.00%	3.48%
Total Asset Allocation.....	100.00%	

Rate of Return

For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.80%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability, calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount (7.75%)</u>	<u>1% Increase (8.75%)</u>
The Town's proportionate share of the net pension liability.....	\$ 48,759,880	\$ 39,782,214	\$ 33,140,296

Changes in Assumptions and Plan Provisions

The interest rate assumption was reduced from 8% to 7.75% to reflect anticipated future market performance.

There were no plan provision changes that impacted the results of the most recent actuarial valuation.

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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 2017, the Town’s age-adjusted contribution to the plan totaled \$1.4 million. For the year ended June 30, 2017, the Town’s average contribution rate was 8.38% of covered-employee payroll.

The Commonwealth of Massachusetts passed special legislation that has allowed the Town to establish a postemployment benefit trust fund and to enable the Town to raise taxes necessary to begin pre-funding its OPEB liabilities. The Town has named the Health Care Security Board of Trustees (HCSBT) as Trustees of the OPEB Fund and as such has authorized the OPEB Trust Funds to be invested entirely in the State Retirement Benefits Trust Fund (SRBT Fund). Massachusetts General Law directs the HCSBT to invest the SRBT Fund in the Pension Reserves Investment Trust (PRIT) Fund. The Trustees have adopted a trust agreement detailing their duties and responsibilities as Trustees. The PRIT Fund is subject to oversight by the Pension Reserves Investment Management Board (PRIM) Board. A nine member Board of Trustees governs the PRIM Board. The Board of Trustees has the authority to employ an Executive Director, outside investment managers, custodians, consultants, and others as it deems necessary to formulate policies and procedures and to take such other actions as necessary and appropriate to manage the assets of the PRIT Fund.

During 2017, the Town pre-funded future OPEB liabilities totaling approximately \$434,000 by contributing funds to the Other Postemployment Benefit Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2017, the balance of this fund totaled

\$3.6 million. The Town has adopted a policy of pre-funding future OPEB liabilities which includes 3 tiers of funding; (1) The Town contributes 0.25% of the total annual salaries of the prior fiscal year to the OPEB Fund through the annual operating budget; (2) The Town will appropriate 25% of the certified free cash of any fiscal year in excess of \$1 million to the OPEB Fund; and (3) once the Town’s pension liability is fully funded, which is currently estimated to be between 2035 and 2040, the funds previously appropriated to the Essex Regional Retirement System to fund the unfunded pension liability would be directed to the OPEB Trust Fund. This policy is adopted by and may be amended at any time by the Town’s Board of Selectmen.

The annual money-weighted rate of return on OPEB plan investments was 12.72%. The money-weighted rate of return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amounts actually invested.

Plan Membership – The following table represents the Plan’s membership at July 1, 2015:

Active members.....	449
Inactive employees or beneficiaries currently receiving benefits.....	<u>281</u>
Total.....	<u><u>730</u></u>

Components of OPEB Liability – The following table represents the components of the Plan’s OPEB liability as of June 30, 2017:

Total OPEB liability.....	\$ 23,476,950
Less: OPEB plan's fiduciary net position.....	<u>(3,639,802)</u>
Net OPEB liability.....	<u><u>\$ 19,837,148</u></u>
The OPEB plan's fiduciary net position	
as a percentage of the total OPEB liability.....	15.50%

Significant Actuarial Methods and Assumptions – The total OPEB liability in the June 30, 2015 actuarial valuation was determined by using the following actuarial assumptions, applied to all periods including the measurement date that was updated to June 30, 2017 to be in accordance with GASB #74:

Valuation date.....	Actuarially determined contribution was calculated as of June 30, 2017.
Actuarial cost method.....	Individual Entry Age Normal
Asset valuation method.....	Market Value of Assets as of the Reporting Date, June 30, 2017.
Nominal investment rate of return.....	7.54%, including inflation of 2.75%.
Long-term expected real rate of investment return.....	4.79%, nominal rate of 7.54% less inflation 2.75%
Single equivalent discount rate.....	7.00%, nominal rate less investment expense of 0.50%.
Inflation.....	2.75% as of June 30, 2016 and for future periods.

Salary increases.....	3.00% annually as of June 30, 2016 and for future periods.
Healthcare cost trend rate.....	5.0% decreasing to 4.5% for periods starting in 2017
Pre-Retirement mortality.....	RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females.
Post-Retirement mortality.....	RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females.
Disabled mortality.....	RP-2000 Healthy Annuitant Table projected generationally with scale BB and a base year 2012 for males and females.

Investment Policy

The Town’s policy in regard to the allocation of invested assets is established and may be amended by the Board of Selectmen by a majority vote of its members. The OPEB plan’s assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan. The long-term real rate of return on OPEB investments was determined using the Town’s investment policy.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return of by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The Plan’s expected future real rate of return of 4.79% is added to the expected inflation of 2.75% to produce the long-term expected nominal rate of return of 7.54%. Best estimates of geometric real rates of return for each major asset class included in the OPEB plan’s target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity - Large Cap.....	14.50%	4.00%
Domestic Equity - Small/Mid Cap.....	3.50%	6.00%
International Equity - Developed Market.....	16.00%	4.50%
International Equity - Emerging Market.....	6.00%	7.00%
Domestic Fixed Income.....	20.00%	2.00%
International Fixed Income.....	3.00%	3.00%
Alternatives.....	23.00%	6.50%
Real Estate.....	14.00%	6.25%
Total Asset Allocation.....	<u>100.00%</u>	

Sensitivity of the net other postemployment benefit liability to changes in the discount rate – The following table presents the net other postemployment benefit liability and service cost, calculated using the discount rate of 7.00%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate.

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Net OPEB liability.....	\$ 21,706,293	\$ 19,837,148	\$ 15,699,752

Sensitivity of the net other postemployment benefit liability to changes in the healthcare trend – The following table presents the net other postemployment benefit liability and service cost, calculated using the current healthcare trend rate of 5.00%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower (4.00%) or 1-percentage-point higher (6.00%).

	<u>1% Decrease (4.00%)</u>	<u>Current Trend (5.00%)</u>	<u>1% Increase (6.00%)</u>
Net OPEB liability.....	\$ 13,825,471	\$ 19,837,148	\$ 28,472,695

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.....	\$ 2,596,379
Interest on net OPEB obligation.....	558,885
Adjustments to annual required contribution.....	(776,933)
Amortization of actuarial (gains)/losses.....	<u>791,130</u>
Annual OPEB cost (expense).....	3,169,461
Contributions made.....	(1,412,837)
Increase in net OPEB obligation.....	1,756,624
Net OPEB obligation - beginning of year.....	<u>13,826,858</u>
Net OPEB obligation - end of year.....	<u>\$ 15,583,482</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the previous two years was as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	\$ 3,169,461	20.3%	\$ 15,583,482
6/30/2016	3,006,230	21.7%	13,826,858
6/30/2015	3,747,567	28.1%	12,195,584

Funded Status and Funding Progress – As of July 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$32.1 million. The actuarial value of assets for the plan was \$2.3 million. The remaining \$29.8 million was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$24.9 million, and the ratio of the UAAL to the covered payroll was 119.4%.

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, 2015, actuarial valuation, actuarial liabilities were determined using the entry age normal 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 of 5.0% and included a 2.5% inflation assumption. The UAAL is being amortized over a 30 year period, with amortization payments increasing at 2.5% per year. The remaining amortization period at July 1, 2015, is 23 years.

NOTE 13 – 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* through June 30, 2017, 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 it is expected 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, 2017, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2017.

NOTE 14 – FEOFFEE’S TRUST

The bequest of a land area known as “Little Neck” in Ipswich in 1660 by William Paine established a Trust with the purpose of supporting the Ipswich Public Schools by making distributions to the Ipswich Public Schools for educational uses. Revisions to the governance structure and administrative requirements applicable to the Trust were approved by the courts in December 2011 allowing for the sale of the property and creating a new Trust with the proceeds of the sale, which would become effective upon the filing of a master deed.

In August 2012, the sales of the land parcels on Little Neck were completed. The closings included land sales, conversion of cottages and land to condominium units, filing of the master deed and the reconstruction of the Trust to which William Paine donated the land in 1660. As a result, a new trustee governing board (known as the New Feoffees) is now in place. Two community members were appointed each of the School Committee, Finance Committee and the Board of Selectmen, and a seventh was appointed by the old Feoffees.

In accordance with the new trust agreement, the first payment plus accrued interest was received by the schools in 2013. The new trust agreement also stipulates that the Town will receive annual payments, as determined by the Trust, thereafter. These payments plus interest have been recorded in the nonmajor governmental funds where the Town has established a fund to be used by the School Department in accordance with the Trust agreement.

In accordance with the new trust, the “Feoffees of the Grammar School in the Town of Ipswich Trust”, is a public body and an agency of the Town of the Town of Ipswich, Massachusetts. Accordingly, the Town has reported the new Feoffees trust as a major governmental fund in the fund based financial statements. As of June 30, 2017, the new trust reported a balance of \$28.1 million which is held in investments and mortgages and loans on the properties.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 19, 2017, which is the date the financial statements were available to be issued.

NOTE 16 – FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS

During 2017, the following GASB pronouncements were implemented:

- GASB Statement #74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The basic financial statements, related notes and required supplementary information were updated to be in compliance with this pronouncement.
- GASB Statement #77, *Tax Abatement Disclosures*. This pronouncement did not impact the basic financial statements.
- GASB Statement #78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This pronouncement did not impact the basic financial statements.

- GASB Statement #80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement #14*. This pronouncement did not impact the basic financial statements.
- GASB Statement #82, *Pension Issues – an amendment of GASB Statements #67, #68, and #73*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in 2018.
- The GASB issued Statement #81, *Irrevocable Split-Interest Agreements*, which is required to be implemented in 2018.
- The GASB issued Statement #83, *Certain Asset Retirement Obligations*, which is required to be implemented in 2019.
- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2020.
- The GASB issued Statement #85, *Omnibus 2017*, which is required to be implemented in 2018.
- The GASB issued Statement #86, *Certain Debt Extinguishment Issues*, which is required to be implemented in 2018.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2021.

Management is currently assessing the impact the implementation of these pronouncements will have on 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), formerly known as the Department of Telecommunications and Energy. While the DPU exercises general supervisory authority over the Department, rates are not subject to DPU approval. Pursuant to Chapter 164, Section 58 of the MGL, rates must be set such that annual net earnings from operations do not exceed 8% of the cost of the utility plant after repayment of operating expenses, interest on outstanding debt, the requirements of any serial debt and depreciation. Excess revenues are required to be refunded to the customers.

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

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 the approval to increase the depreciation rate but has used the statutory rate of 3%. Overall, these rates of depreciation approximate US 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 the lower of cost or market, determined by the first-in, first-out method.

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

The Department contributed \$327,959 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, 2017 totaled \$1,458,699.

In addition to the working capital deposit, the Department also has made other power supply related prepayments totaling approximately \$186,000.

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. There were no unbilled fuel costs at June 30, 2017.

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 have a policy for custodial credit risk that all deposits be held in the name of the Town or in the Town's federal tax identification number. As of June 30, 2017, 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 year ended June 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 22,976	\$ -	\$ -	\$ 22,976
<u>Capital assets being depreciated:</u>				
Production plant.....	8,350,880	203,960	-	8,554,840
Transmission plant.....	1,943,868	-	-	1,943,868
Distribution plant.....	18,555,982	437,435	(251,970)	18,741,447
General plant.....	2,655,766	22,061	-	2,677,827
Total capital assets being depreciated.....	<u>31,506,496</u>	<u>663,456</u>	<u>(251,970)</u>	<u>31,917,982</u>
<u>Less accumulated depreciation for:</u>				
Production plant.....	(5,344,042)	(259,773)	-	(5,603,815)
Transmission plant.....	(798,815)	(57,241)	-	(856,056)
Distribution plant.....	(8,879,681)	(561,984)	251,970	(9,189,695)
General plant.....	(1,623,777)	(82,260)	-	(1,706,037)
Total capital assets being depreciated.....	<u>(16,646,315)</u>	<u>(961,258)</u>	<u>251,970</u>	<u>(17,355,603)</u>
Total capital assets being depreciated, net.....	<u>14,860,181</u>	<u>(297,802)</u>	<u>-</u>	<u>14,562,379</u>
Total municipal light enterprise fund capital assets, net.....	<u>\$ 14,883,157</u>	<u>\$ (297,802)</u>	<u>\$ -</u>	<u>\$ 14,585,355</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.

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, 2017 was \$805,145 and is reported as restricted net position in the Statement of Net Position.

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 \$286,307 for the year ended June 30, 2017, which represents approximately 9.6% of the System’s assessment to the Town.

At June 30, 2017, the Department reported a liability of \$3,807,158 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The Department’s proportion of the net pension liability was based on a projection of the Department’s long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2016, the Department’s proportion was 9.6% of the Town’s 10.325% overall percentage. The Town’s proportion decreased from 10.809% at December 31, 2015 to 10.325% at December 31, 2016.

For the year ended June 30, 2017, the Department recognized a pension expense of \$528,717. At June 30, 2017, the Department reported deferred outflows of resources related to pensions of \$328,124, from the net difference between projected and actual investment earnings on pension plan investments and deferred inflows of resources related to pensions of \$215,922, from the changes in proportion and differences between employer contributions and the proportionate share of contributions. The System reported differences between expected and actual experience of \$8,590,424 and a change of assumptions of \$20,216,699 as of December 31, 2016.

NOTE G – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

The following schedules represent the components of the Department’s annual Other Postemployment Benefits (OPEB) cost for the year, the percentage of the annual OPEB cost contributed, and the funding status as of the most recent actuarial valuation. Please refer back to Note 12 for the Town-wide disclosures relating to OPEB.

The components of the Department’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Department’s net OPEB obligation are summarized in the following table:

Annual required contribution.....	\$	108,727
Interest on net OPEB obligation.....		2,527
Adjustments to annual required contribution.....		(3,513)
Amortization of actuarial (gains)/losses.....		<u>43,942</u>
Annual OPEB cost (expense).....		151,683
Contributions made.....		<u>(176,388)</u>
Increase (decrease) in net OPEB obligation.....		(24,705)
Net OPEB obligation - beginning of year.....		<u>33,575</u>
Net OPEB obligation - end of year.....	\$	<u><u>8,870</u></u>

The Department’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 was as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	\$ 151,683	116.3%	\$ 8,870

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)
7/1/2015	\$ 481,498	\$ 1,849,749	\$ 1,368,251	26.0%	\$ 1,063,414	128.7%

NOTE H – LONG TERM DEBT

Details relating to the Department’s outstanding indebtedness at June 30, 2017 are as follows:

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2016	Issued	Redeemed	Outstanding at June 30, 2017
Electric Sub Station and System Improvements.....	2028	\$ 6,000,000	3.25 - 4.10	\$ 3,600,000	\$ -	\$ (300,000)	\$ 3,300,000
Electric Sub Station and System Improvements.....	2025	600,000	2.00 - 5.01	360,000	-	(40,000)	320,000
Wind Turbine.....	2030	2,642,000	2.00 - 3.25	1,930,000	-	(140,000)	1,790,000
Total Bonds Payable.....				\$ 5,890,000	\$ -	\$ (480,000)	\$ 5,410,000

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

Year	Principal	Interest	Total
2018.....	\$ 480,000	\$ 218,176	\$ 698,176
2019.....	480,000	196,976	676,976
2020.....	480,000	175,976	655,976
2021.....	480,000	154,976	634,976
2022.....	480,000	134,676	614,676
2023.....	480,000	117,126	597,126
2024.....	480,000	99,526	579,526
2025.....	480,000	81,750	561,750
2026.....	440,000	63,350	503,350
2027.....	440,000	45,800	485,800
2028.....	440,000	27,900	467,900
2029.....	140,000	10,000	150,000
2030.....	110,000	4,400	114,400
Totals.....	\$ 5,410,000	\$ 1,330,632	\$ 6,740,632

NOTE I – RELATED PARTY TRANSACTIONS

The Department pays the Town annually an in-lieu of tax payment at a rate of \$.002953 per kilowatt sold annually. 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 year ended June 30, 2017 under these arrangements are as follows:

Payment in lieu of taxes.....	\$	327,959
Subsidized street lighting cost of power.....		49,199
Subsidized street lighting maintenance.....		39,629
Town salaries paid by the Department.....		117,535
Non-reimbursed services and materials provided to the Town.....		<u>22,006</u>
 Total.....	 \$	 <u><u>556,328</u></u>

The Department bills Town departments for electric light usage. The amount included in revenue under this arrangement was \$700,941 for the year ended June 30, 2017 and all amounts were paid prior to year-end.

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 fees for occupancy related costs.

NOTE J – MMWEC PARTICIPATION

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

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

NOTE K – BERKSHIRE WIND COOPERATIVE CORPORATION

The Ipswich Municipal Light Plant (Plant) 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 Massachusetts Municipal Wholesale Electric Company (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 ten 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 Ipswich Municipal Light Plant has entered into a PPA with the Berkshire Wind Cooperative Corporation. Under the PPA, the Plant 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 Plant is required to pay to the Cooperative its share of the Operation and Maintenance (O&M) costs of the Berkshire Wind Facility.

As of June 30, 2017, total capital expenditures for the Berkshire Wind Facility amounted to \$59,256,145 of which \$3,802,000, represents the amount associated with the Plant's share of the Capability of the Berkshire Wind Facility of which it is Member, although such amount is not allocated to the Plant. The Cooperative's debt outstanding for the Berkshire Wind Facility includes bonds totaling \$50,165,000, of which \$3,219,000 is associated with the Plant's share of Capability of the Berkshire Wind Facility of which it is Member, although such amount is not allocated to the Plant. As of June 30, 2017, the Cooperative's total future debt service requirement on outstanding bonds issued for the Projects is \$70,189,000, of which \$4,503,000 is anticipated to be billed to the Plant in the future.

The estimated aggregate amount of the Ipswich Municipal Light Plant required payments under the PSA, exclusive of the Reserve and Contingency Fund billings, to the Cooperative at June 30, 2017 and estimated for future years is shown in the table on the following page.

For Years Ended June 30,	Annual Costs
2018.....	\$ 346,000
2019.....	346,000
2020.....	346,000
2021.....	346,000
2022.....	346,000
2023 to 2027.....	1,733,000
2028 to 2030.....	<u>1,040,000</u>
 Total.....	 <u>\$ 4,503,000</u>

NOTE L – 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 a 3.7% interest in the W.F. Wyman Unit No. 4 plant, which is operated and owned by its majority owner, FPL Energy Wyman IV, LLC, a subsidiary of NextEra Energy Resources LLC, 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) the majority owner and an indirect subsidiary of NextEra Energy Resources LLC. The operating license for Seabrook Station extends to March 15, 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.

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

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

After the July 1, 2017 principal payment, total capital expenditures amounted to \$1,704,467,000 of which \$14,384,000 represents the amount associated with the Department's Project Capability. MMWEC's debt outstanding for the Projects from Power Supply System Revenue Bonds totals \$10,860,000 of which \$30,000 is associated with the Department's share of Project Capability. After the July 1, 2017, principal payment, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$11,540,000, of which \$32,000 is anticipated to be billed to the Department in the future.

The aggregate amount of Ipswich Light Department's required payments under the PSAs and PPAs, exclusive of the Reserve and Contingency Fund billings, to MMWEC at June 30, 2017 and estimated for future years is shown below.

For Years Ended June 30,	Annual Costs
2018..... \$	32,000

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 \$200,000 and \$1,115,000 for the years ended June 30, 2017, and 2016, 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

YEAR ENDED JUNE 30, 2017

	Budgeted Amounts						
	Amounts Carried forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	REVENUES:						
Real estate and personal property taxes, net of tax refunds.....	-	\$ 38,034,489	\$ 38,034,489	\$ 38,290,200	\$ 38,440,204	-	\$ 150,004
Tax liens.....	-	-	-	-	150,837	-	150,837
Motor vehicle and other excise taxes.....	-	1,915,000	1,915,000	1,915,000	2,173,344	-	258,344
Meals tax.....	-	190,000	190,000	190,000	231,034	-	41,034
Charges for services.....	-	30,000	30,000	30,000	27,505	-	(2,495)
Penalties and interest on taxes.....	-	150,000	150,000	150,000	172,152	-	22,152
Payments in lieu of taxes.....	-	470,000	470,000	470,000	506,661	-	36,661
Licenses and permits.....	-	682,500	682,500	682,500	902,133	-	219,633
Fines and forfeitures.....	-	47,000	47,000	47,000	50,562	-	3,562
Intergovernmental.....	-	6,894,806	6,894,806	6,894,806	7,057,413	-	162,607
Departmental and other.....	-	300,000	300,000	300,000	376,046	-	76,046
Investment income.....	-	30,000	30,000	30,000	63,313	-	33,313
TOTAL REVENUES.....	-	48,743,795	48,743,795	48,999,506	50,151,204	-	1,151,698
EXPENDITURES:							
Current:							
General government.....	17,719	482,971	500,690	571,758	512,195	17,233	42,330
Finance.....	20,644	1,151,259	1,171,903	1,214,715	1,168,492	22,483	23,740
Public safety.....	4,290	4,736,050	4,740,340	4,842,795	4,805,181	34,021	3,593
Education.....	315,029	27,969,662	28,284,691	27,280,430	26,978,505	289,278	12,647
Public works.....	512,541	4,156,523	4,669,064	4,794,086	4,193,901	445,753	154,432
Code enforcement.....	5,500	423,825	429,325	436,056	403,280	5,500	27,276
Planning and development.....	22,000	289,964	311,964	322,643	312,253	4,500	5,890
Human services.....	500	538,817	539,317	544,758	542,253	-	2,505
Library.....	-	649,015	649,015	675,183	665,887	-	9,296
Employee benefits.....	15,000	3,401,520	3,416,520	3,186,634	3,093,996	18,215	74,423
Property and liability insurance.....	51,763	277,073	328,836	319,871	215,437	62,376	42,058
Miscellaneous.....	19,049	129,009	148,058	150,858	131,729	15,556	3,573
State and county charges.....	-	946,367	946,367	946,367	927,944	-	18,423
Debt service:							
Principal.....	-	3,230,865	3,230,865	3,300,865	3,300,865	-	-
Interest.....	86,053	618,462	704,515	724,225	636,454	86,053	1,718
TOTAL EXPENDITURES.....	1,070,088	49,001,382	50,071,470	49,311,244	47,888,372	1,000,968	421,904
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(1,070,088)	(257,587)	(1,327,675)	(311,738)	2,262,832	(1,000,968)	1,573,602
OTHER FINANCING SOURCES (USES):							
Transfers in.....	-	104,769	104,769	104,769	104,769	-	-
Transfers out.....	-	-	-	(2,493,093)	(2,493,093)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	-	104,769	104,769	(2,388,324)	(2,388,324)	-	-
NET CHANGE IN FUND BALANCE.....	(1,070,088)	(152,818)	(1,222,906)	(2,700,062)	(125,492)	(1,000,968)	1,573,602
BUDGETARY FUND BALANCE, Beginning of year.....	4,061,300	4,061,300	4,061,300	4,061,300	4,061,300	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 2,991,212	\$ 3,908,482	\$ 2,838,394	\$ 1,361,238	\$ 3,935,808	\$ (1,000,968)	\$ 1,573,602

See notes to required supplementary information.

Pension Plan Schedules

The Schedule of the Town's Proportionate Share of the Net Pension Liability presents multi-year trend information on the Town's net pension liability and related ratios.

The Schedule of the Town's Contributions presents multi-year trend information on the Town's required and actual contributions to the pension plan and related ratios.

The Schedule of the Special Funding Amounts of the Net Pension Liability for the Massachusetts Teachers Contributory Retirement System presents multi-year trend information on the liability and expense assumed by the Commonwealth of Massachusetts on behalf of the Town along with related ratios.

These schedules are intended to present information for ten years. Until a ten year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
ESSEX REGIONAL RETIREMENT SYSTEM**

	December 31, 2014	December 31, 2015	December 31, 2016
Town's proportion of the net pension liability (asset).....	10.815%	10.809%	10.325%
Town's proportionate share of the net pension liability (asset)..... \$	36,691,344	\$ 39,272,090	\$ 39,782,214
Town's covered employee payroll..... \$	13,158,332	\$ 13,598,463	\$ 13,639,196
Net pension liability as a percentage of covered-employee payroll.....	278.84%	288.80%	291.68%
Plan fiduciary net position as a percentage of the total pension liability.....	52.27%	51.01%	51.12%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for
which information is available.

See notes to required supplementary information.

SCHEDULE OF THE TOWN'S CONTRIBUTIONS
ESSEX REGIONAL RETIREMENT SYSTEM

	June 30, 2015	June 30, 2016	June 30, 2017
Actuarially determined contribution.....	\$ 2,774,038	\$ 2,969,479	\$ 2,991,712
Contributions in relation to the actuarially determined contribution.....	<u>(2,774,038)</u>	<u>(2,987,388)</u>	<u>(3,009,923)</u>
Contribution deficiency (excess).....	<u>\$ -</u>	<u>\$ (17,909)</u>	<u>\$ (18,211)</u>
Covered-employee payroll.....	\$ 13,158,332	\$ 13,598,463	\$ 13,639,196
Contributions as a percentage of covered- employee payroll.....	21.08%	21.97%	22.07%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those
years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE SPECIAL FUNDING AMOUNTS
OF THE NET PENSION LIABILITY
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM**

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the Town; the portion of the collective pension expense as both a revenue and pension expense recognized by the Town; and the Plan's fiduciary net position as a percentage of the total liability.

<u>Fiscal Year</u>	<u>Commonwealth's 100% Share of the Net Pension Liability Associated with the Town</u>	<u>Town's Expense and Revenue Recognized for the Commonwealth's Support</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Liability</u>
2017.....	\$ 47,221,695	\$ 4,816,922	52.73%
2016.....	40,417,885	3,278,250	55.38%
2015.....	32,892,302	2,285,186	61.64%

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

Other Postemployment Benefit Plan Schedules

GASB 74 Schedules

The Schedule of Changes in the Town's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on the Plan's net other postemployment benefit liability and related ratios.

The Schedule of the Town's Contributions presents multi-year trend information on the Town's actual contributions to the other postemployment benefit plan and related ratios.

The Schedule of Investment Returns presents multi-year trend information on the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

GASB 45 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 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.

**SCHEDULE OF CHANGES IN THE
TOWN'S NET OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

	June 30, 2017
Total OPEB Liability	
Service Cost.....	\$ 683,460
Interest.....	1,467,865
Changes of benefit terms.....	-
Differences between expected and actual experience.....	-
Changes of assumptions.....	-
Benefit payments.....	(978,810)
Net change in total OPEB liability.....	1,172,515
Total OPEB liability - beginning.....	22,304,435
Total OPEB liability - ending (a).....	\$ 23,476,950
Plan fiduciary net position	
Contributions - employer	\$ 1,412,837
Net investment income.....	369,453
Benefit payments.....	(978,810)
Net change in plan fiduciary net position.....	803,480
Plan fiduciary net position - beginning.....	2,836,322
Plan fiduciary net position - ending (b).....	\$ 3,639,802
Town's net OPEB liability - ending (a)-(b).....	\$ 19,837,148
Plan fiduciary net position as a percentage of the total OPEB liability.....	15.50%
Covered-employee payroll.....	\$ 25,678,773
Town's net OPEB liability as a percentage of covered-employee payroll.....	77.25%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years
for which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE TOWN'S CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

	June 30, 2017
Actuarially determined contribution.....	\$ 2,151,229
Contributions in relation to the actuarially determined contribution.....	(1,412,837)
Contribution deficiency (excess).....	\$ 738,392
Covered-employee payroll.....	\$ 25,678,773
Contributions as a percentage of covered- employee payroll.....	8.38%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for
which information is available.

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

June 30, 2017

Annual money-weighted rate of return, net of investment expense.....	12.72%
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Note: This schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those
years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

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)
7/1/2015	\$ 2,351,427	\$ 32,125,844	\$ 29,774,417	7.3%	\$ 24,930,848	119.4%
7/1/2013	1,393,277	36,142,256	34,748,979	3.9%	23,637,130	147.0%
7/1/2011	252,794	29,719,285	29,466,491	0.9%	23,426,188	125.8%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
2017	\$ 2,596,379	\$ 1,412,837	54%
2016	2,504,208	1,374,956	55%
2015	2,855,566	1,298,404	45%
2014	2,772,933	1,331,597	48%
2013	2,661,309	1,443,044	54%
2012	2,591,701	1,353,561	52%

See notes to required supplementary information.

ACTUARIAL METHODS AND ASSUMPTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN

Actuarial Methods:

Valuation date.....	July 1, 2015
Actuarial cost method.....	Entry age normal
Amortization method.....	Level dollar amortization over 30 years at the last valuation
Remaining amortization period.....	23 years as of July 1, 2015

Actuarial Assumptions:

Investment rate of return.....	4.00%
Medical/drug cost trend rate.....	5.00%
Dental.....	5.00%
Annual compensation increase.....	3.00%

Plan Membership:

Current retirees, beneficiaries, and dependents...	281
Current active members.....	<u>449</u>
Total.....	<u><u>730</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 year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior year be carried forward and made available for spending in the current 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 2017 budget includes \$49 million in appropriations and other amounts to be raised and \$1.1 million in encumbrances and appropriations carried over from previous years. During 2017, Town Meeting approved supplemental appropriations totaling \$1.7 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 year ended June 30, 2017, is presented below:

Net change in fund balance, budgetary basis.....	\$	(125,492)
<u>Perspective difference:</u>		
Activity of the stabilization funds recorded in the general fund for GAAP.....		1,255,669
<u>Basis of accounting differences:</u>		
Net increase in revenues due to on-behalf payments.....		4,816,922
Net increase in expenditures due to on-behalf payments.....		<u>(4,816,922)</u>
Net change in fund balance, GAAP basis.....	\$	<u><u>1,130,177</u></u>

NOTE B – PENSION PLAN***Pension Plan Schedules – Town*****A. Schedule of the Town's Proportionate Share of the Net Pension Liability**

The Schedule of the Town's Proportionate Share of the Net Pension Liability details the allocated percentage of the net pension liability (asset), the proportionate share of the net pension liability, and the covered employee payroll. It also demonstrates the net position as a percentage of the pension liability and the net pension liability as a percentage of covered payroll.

B. Schedule of the Town's Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1 and January 1. The Town may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the Town based on covered payroll.

C. Schedule of the Special Funding Amounts of the Net Pension Liabilities

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the Town; the portion of the collective pension expense as both a revenue and pension expense recognized by the Town; and the Plan's fiduciary net position as a percentage of the total liability.

D. Changes in Assumptions:

The principal actuarial assumptions used in the January 1, 2016 actuarial valuation are the same as the assumptions used in the previous valuation except for the following change.

The interest rate assumption was reduced from 8% to 7.75% to reflect anticipated future market performance.

E. Changes in Plan Provisions:

There were no plan provision changes that impacted the results of the most recent actuarial valuation.

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 Other Postemployment Benefit Plan

A. Schedule of Changes in the Town's Net Other Postemployment Benefit Liability and Related Ratios

The Schedule of Changes in the Town's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered employee payroll.

B. Schedule of the Town's Contributions

The Schedule of the Town's Contributions includes the Town's annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered employee payroll. The Town is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered payroll.

C. Schedule of Investment Returns

The Schedule of Investment Returns includes the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

The Town

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 15.5%. 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.

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.

A. Schedule of Funding Progress

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

B. Schedule of Employer Contributions

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

C. Schedule of Actuarial Methods and Assumptions

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 NET POSITION

JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
CURRENT:		
Cash and cash equivalents.....	\$ 599,207	\$ 584,542
Restricted cash and cash equivalents.....	852,050	451,512
Receivables, net of allowance for uncollectibles:		
User fees.....	1,718,408	1,691,227
Purchased power working capital and prepayments.....	1,644,466	1,716,530
Inventory.....	142,308	126,910
Total current assets.....	4,956,439	4,570,721
NONCURRENT:		
Restricted cash and cash equivalents.....	906,082	803,925
Capital assets, net of accumulated depreciation.....		
Nondepreciable.....	22,976	22,976
Depreciable.....	14,562,379	14,860,181
Total noncurrent assets.....	15,491,437	15,687,082
TOTAL ASSETS.....	20,447,876	20,257,803
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions.....	328,124	193,938
LIABILITIES		
CURRENT:		
Accounts payable.....	1,984,023	1,560,718
Accrued payroll.....	27,189	20,070
Accrued interest.....	20,340	22,440
Customer deposits payable.....	120,937	162,745
Other liabilities.....	1,490,764	1,471,228
Compensated absences.....	20,300	17,200
Bonds and notes payable.....	480,000	480,000
Total current liabilities.....	4,143,553	3,734,401
NONCURRENT:		
Compensated absences.....	183,068	154,900
Net pension liability.....	3,807,158	3,624,814
Other postemployment benefits.....	8,870	33,575
Bonds and notes payable.....	4,930,000	5,410,000
Total noncurrent liabilities.....	8,929,096	9,223,289
TOTAL LIABILITIES.....	13,072,649	12,957,690
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions.....	215,922	21,670
NET POSITION		
Net investment in capital assets.....	9,175,355	8,993,157
Restricted for:		
Rate stabilization.....	805,145	661,180
Depreciation.....	323,169	37,485
Unrestricted.....	(2,816,240)	(2,219,441)
TOTAL NET POSITION.....	\$ 7,487,429	\$ 7,472,381

MUNICIPAL LIGHT ENTERPRISE FUND
COMPARATIVE SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>OPERATING REVENUES:</u>		
Charges for services	\$ 15,137,084	\$ 14,524,770
Other.....	<u>311,816</u>	<u>356,564</u>
TOTAL OPERATING REVENUES	<u>15,448,900</u>	<u>14,881,334</u>
<u>OPERATING EXPENSES:</u>		
Cost of services and administration	14,248,104	13,351,618
Depreciation.....	<u>961,258</u>	<u>928,727</u>
TOTAL OPERATING EXPENSES	<u>15,209,362</u>	<u>14,280,345</u>
OPERATING INCOME (LOSS).....	<u>239,538</u>	<u>600,989</u>
<u>NONOPERATING REVENUES (EXPENSES):</u>		
Investment income.....	7,286	9,619
Interest expense.....	<u>(231,776)</u>	<u>(249,401)</u>
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	<u>(224,490)</u>	<u>(239,782)</u>
CHANGE IN NET POSITION.....	15,048	361,207
NET POSITION AT BEGINNING OF YEAR.....	<u>7,472,381</u>	<u>7,111,174</u>
NET POSITION AT END OF YEAR.....	<u><u>\$ 7,487,429</u></u>	<u><u>\$ 7,472,381</u></u>

MUNICIPAL LIGHT ENTERPRISE FUND
COMPARATIVE SCHEDULE OF CASH FLOWS

YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Receipts from customers and users.....	\$ 15,399,447	\$ 15,498,805
Payments to vendors.....	(11,914,990)	(12,029,709)
Payments to employees.....	(1,597,251)	(1,370,831)
NET CASH FROM OPERATING ACTIVITIES.....	1,887,206	2,098,265
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Acquisition and construction of capital assets.....	(663,456)	(1,028,231)
Principal payments on bonds and notes.....	(480,000)	(480,000)
Interest expense.....	(233,676)	(250,976)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(1,377,132)	(1,759,207)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Investment income.....	7,286	9,619
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	517,360	348,677
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	1,839,979	1,491,302
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 2,357,339	\$ 1,839,979
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>		
Operating income (loss).....	\$ 239,538	\$ 600,989
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation.....	961,258	928,727
Deferred (outflows)/inflows of resources related to pensions.....	59,866	(186,997)
Changes in assets and liabilities:		
User fees.....	(27,181)	(29,685)
Purchased power working capital and prepayments.....	72,064	9,045
Inventory.....	(15,398)	5,631
Warrants payable.....	423,305	(62,221)
Accrued payroll.....	7,119	(20,123)
Customer deposits payable and other liabilities.....	(22,272)	647,156
Accrued compensated absences.....	31,268	(10,893)
Other postemployment benefits.....	(24,705)	(21,567)
Net pension liability.....	182,344	238,203
Total adjustments.....	1,647,668	1,497,276
NET CASH FROM OPERATING ACTIVITIES.....	\$ 1,887,206	\$ 2,098,265

MUNICIPAL LIGHT ENTERPRISE FUND
COMPARATIVE SCHEDULE OF SALES OF ELECTRICITY

YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>SALES OF ELECTRICITY:</u>		
Residential.....	\$ 6,698,249	\$ 6,358,109
Commercial.....	692,515	657,061
Industrial.....	6,997,714	6,790,260
Municipal.....	646,789	619,356
Private Lighting.....	35,004	34,344
Street Lights.....	<u>66,813</u>	<u>65,640</u>
TOTAL SALES OF ELECTRICITY.....	\$ <u>15,137,084</u>	\$ <u>14,524,770</u>

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

YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
<u>COST OF SERVICE AND ADMINISTRATION:</u>		
<u>Power Production Expenses:</u>		
Purchased power.....	\$ 11,192,094	\$ 10,672,148
Other power expenses.....	456,292	390,061
Total Power Production Expenses.....	11,648,386	11,062,209
<u>Distribution Expenses:</u>		
Station expenses.....	3,433	16,130
Customer installation expenses.....	32,519	25,990
Miscellaneous distribution expense.....	145,986	135,954
Maintenance of overhead lines.....	679,655	714,145
Maintenance of street lights and signal systems.....	3,291	2,662
Total Distribution Expenses.....	864,884	894,881
<u>Customer Account Expenses:</u>		
Customer records and collection.....	170,935	163,514
Uncollectible accounts.....	8,623	4,177
Total Customer Account Expenses.....	179,558	167,691
<u>Administrative and General Expenses:</u>		
Payments in lieu of taxes.....	327,959	320,868
Administrative and general salaries.....	459,155	383,090
Office supplies and expenses.....	108,368	84,609
Outside services.....	94,951	38,384
Property and general insurance.....	71,794	92,273
Employee's pensions and benefits.....	456,341	263,912
Miscellaneous general expense.....	36,708	43,701
Total Administrative and General Expenses.....	1,555,276	1,226,837
TOTAL COST OF SERVICE AND ADMINISTRATION.....	\$ 14,248,104	\$ 13,351,618