



**Powers &
Sullivan, LLC**
CPAs AND ADVISORS

TOWN OF IPSWICH, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2022

TOWN OF IPSWICH, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2022

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Independent Auditor's Report

To the Honorable Select Board
Town of Ipswich, Massachusetts

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the Town of Ipswich, Massachusetts' basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Ipswich, Massachusetts and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Ipswich, Massachusetts' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our

opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Ipswich, Massachusetts' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Ipswich, Massachusetts' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2022, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Ipswich, Massachusetts' 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 the Town of Ipswich, Massachusetts' internal control over financial reporting and compliance.

Powers & Sullivan LLC

December 12, 2022

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, 2022. 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 \$96.4 million (net position).
- As required by GASB Standards, the Town has recognized their total net pension liability of \$37.3 million along with deferred outflows related to pensions of \$5.4 million and deferred inflows related to pension of \$9.5 million on the statement of net position.
- As required by GASB Standards, the Town has recognized a \$28.1 million for the net other postemployment benefit (OPEB) liability net of the OPEB asset, along with deferred outflows related to OPEB of \$4.7 million and deferred inflows related to OPEB of \$2.5 million on the statement of net position.
- The Town's total net position decreased by \$578,000 during 2022. Governmental activities decreased by \$2.8 million and business-type activities increased by \$2.2 million.
- At the close of the current year, the Town's governmental funds reported an ending total fund balance of \$63.0 million, a decrease of \$5.0 million in comparison with the prior year. Approximately \$10.8 million represents unassigned fund balance of the general fund, while \$4.0 million is assigned for 2022 expenditures and free cash voted for the 2023 budget. The Feoffee's trust major fund reported a nonspendable balance of \$27.8 million and a restricted balance of \$8.7 million. The major capital projects fund reported a net deficit balance totaling \$48,000, which will be funded with proceeds and available fund balance in future years. Approximately \$10.9 million represents restricted fund balance in the nonmajor governmental funds, while the nonspendable portion totals approximately \$876,000.
- At the end of the year, unassigned fund balance for the general fund totaled \$10.8 million or 19.0% of total general fund expenditures.
- The Town's total gross bonded debt decreased by \$2.8 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, Feoffee's Trust, public works, planning and development, code enforcement, community and cultural services, library, and interest. The business-type activities include water, wastewater, solid waste and recycling, 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, wastewater, solid waste and recycling, 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 are reported and combined into a single, aggregate presentation in the fiduciary funds financial statements under the captions "private purpose trust funds".

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 \$65.4 million at the close of 2022.

	2022	2021
Assets:		
Current assets.....	\$ 69,403,750	\$ 72,670,508
Noncurrent assets (excluding capital).....	950,018	893,495
Capital assets, non depreciable.....	21,833,994	20,687,911
Capital assets, net of accumulated depreciation....	45,360,890	45,594,536
Total assets.....	137,548,652	139,846,450
Deferred outflows of resources.....	8,601,623	4,192,056
Liabilities:		
Current liabilities (excluding debt).....	3,231,256	4,306,547
Noncurrent liabilities (excluding debt).....	58,090,944	59,171,997
Current debt.....	3,015,879	1,319,036
Noncurrent debt.....	6,616,364	7,457,015
Total liabilities.....	70,954,443	72,254,595
Deferred inflows of resources.....	9,830,857	3,667,658
Net position:		
Net investment in capital assets.....	57,617,565	57,296,463
Restricted.....	44,275,204	49,812,527
Unrestricted.....	(36,527,794)	(38,992,737)
Total net position.....	\$ 65,364,975	\$ 68,116,253

Net position of \$57.6 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, \$44.3 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 \$36.5 million.

The governmental activities net position decreased by \$2.8 million in 2022. Key contributing factors to this decrease included a \$5.9 million net decrease in the Feoffee's Trust Fund, mainly because of net investment losses, offset by a \$1.2 million increase in the Town's revolving funds as well as \$2.0 million in capital grant revenue received.

During 2022, the Town pre-funded future OPEB liabilities totaling approximately \$545,000 by contributing funds to the Other Postemployment Benefit Trust 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, 2022, the balance of this fund totaled \$7.8 million.

	2022	2021
Program Revenues:		
Charges for services.....	\$ 5,084,455	\$ 4,468,720
Operating grants and contributions.....	12,724,279	15,306,999
Capital grants and contributions.....	2,002,965	33,654
General Revenues:		
Real estate and personal property taxes, net of tax refunds payable.....	44,048,679	42,600,931
Tax and other liens.....	136,832	132,298
Motor vehicle and other excise taxes.....	2,345,947	2,409,869
Hotel/motel tax.....	79,094	46,125
Meals tax.....	276,109	181,776
Penalties and interest on taxes.....	175,734	206,859
Payments in lieu of taxes.....	484,129	497,138
Grants and contributions not restricted to specific programs.....	2,280,639	2,119,271
Unrestricted investment income (loss).....	(5,279,041)	11,034,061
Total revenues.....	64,359,821	79,037,701
Expenses:		
General government.....	857,581	1,317,269
Finance.....	1,576,058	1,623,947
Public safety.....	8,515,732	7,915,164
Education.....	45,364,378	47,156,977
Feoffee's Trust.....	250,814	229,607
Public works.....	7,001,422	6,701,219
Planning and development.....	549,713	834,945
Code enforcement.....	948,519	881,774
Community and cultural services.....	807,687	662,678
Library.....	1,115,011	1,106,630
Interest.....	124,184	349,590
Total expenses.....	67,111,099	68,779,800
Change in net position.....	(2,751,278)	10,257,901
Net position, beginning of year.....	68,116,253	57,858,352
Net position, end of year.....	\$ 65,364,975	\$ 68,116,253

The large decrease in operating grants and contributions as well as education expenses relate to a decrease in payments made by and received by the Massachusetts Teacher's Retirement System on behalf of the Town. The large increase in capital grants and contributions mainly relates to funds received from the American Rescue Plan Act, which were used to fund capital improvements.

The new Feoffee's Trust fund operates under a court order, 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 2022, the operations of the Trust included \$5.1 million in investment loss. As most 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. During fiscal year 2022, the Trust made \$942,000 available to the School of which the School received \$662,000 and requested the Trust retain the remaining \$280,000.

Business-type Activities

For the Town's business-type activities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$31.1 million at the close of 2022.

	2022	2021
Assets:		
Current assets.....	\$ 18,923,785	\$ 13,363,444
Noncurrent assets (excluding capital).....	3,377,182	3,124,806
Capital assets, non depreciable.....	2,680,183	2,379,012
Capital assets, net of accumulated depreciation....	46,911,714	45,949,617
Total assets.....	71,892,864	64,816,879
Deferred outflows of resources.....	1,496,000	802,335
Liabilities:		
Current liabilities (excluding debt).....	6,363,237	6,300,461
Noncurrent liabilities (excluding debt).....	8,025,686	8,578,192
Current debt.....	8,187,478	1,787,095
Noncurrent debt.....	17,622,233	19,309,711
Total liabilities.....	40,198,634	35,975,459
Deferred inflows of resources.....	2,127,265	754,065
Net position:		
Net investment in capital assets.....	30,305,258	29,618,556
Restricted.....	2,804,692	1,991,208
Unrestricted.....	(2,046,985)	(2,720,074)
Total net position.....	\$ 31,062,965	\$ 28,889,690

Business-type net position of \$30.3 million represents investments in capital assets, net of any related debt. Net position of \$2.8 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 \$2.0 million. The Water fund reported an unrestricted net position of \$751,000, the Wastewater fund reported unrestricted net position of \$483,000, the Solid waste and recycling fund reported unrestricted net position of \$175,000 and the Municipal Light Department reported a deficit unrestricted net position of \$3.5 million.

Cumulatively, net position of the business-type activities increased by \$2.2 million. The overall 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 enterprise, the net position increased by \$409,000. For the Wastewater enterprise, the net position increased by \$422,000. For the Solid waste and

recycling enterprise, the net position increased \$56,000. For the Municipal Light Department, the net position increased by \$1.3 million. The negative unrestricted net position in the Municipal Light Department is the result of reporting the fund's net pension liability and net OPEB liability.

	<u>2022</u>	<u>2021</u>
Program Revenues:		
Charges for services.....	\$ 26,647,834	\$ 24,435,410
Operating grants and contributions.....	88,717	232,637
Capital grants and contributions.....	32,540	-
Total revenues.....	<u>26,769,091</u>	<u>24,668,047</u>
Expenses:		
Water.....	4,004,041	3,737,394
Wastewater.....	2,345,261	2,211,124
Solid waste and recycling.....	78,937	60,368
Municipal Light.....	18,167,577	16,074,803
Total expenses.....	<u>24,595,816</u>	<u>22,083,689</u>
Change in net position.....	2,173,275	2,584,358
Net position, beginning of year.....	<u>28,889,690</u>	<u>26,305,332</u>
Net position, end of year.....	<u>\$ 31,062,965</u>	<u>\$ 28,889,690</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 \$63.0 million, a decrease of \$5.0 million 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 \$10.8 million and \$4.0 million was assigned for encumbrances and for free cash voted for the 2023 budget. The total general fund balance of \$14.8 million has increased by \$259,000 during 2022, which was due to positive budgetary operations totaling \$350,000 offset by a \$109,000 decrease in the Town's stabilization funds. 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 19.0% of total general fund expenditures, while total fund balance represents 25.9% of that same amount.

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 were

offset by significant investment losses, which totaled \$5.1 million. Expenditures totaled \$251,000 and transfers to the Town totaled \$662,000. The ending trust balance totaled \$36.5 million at June 30, 2022.

The capital projects major fund is used to account for financial resources to be used for the acquisition, construction, or improvement of the Town's major capital projects, other than those financed by the enterprise funds. Fund balance decreased by \$1.0 million, which was mainly due to \$3.2 million spent on capital outlay, offset by \$1.5 million of budgeted transfers in from the general fund as well as state aid totaling \$612,000 to used fund capital costs.

There was a \$1.7 million increase in nonmajor governmental funds, which reported \$9.5 million in revenues, \$8.4 million in expenditures, \$72,000 in bond premiums, \$712,000 of transfers in and \$193,000 of transfers out.

General Fund Budgetary Highlights

The original available general fund budget consisted of \$57.1 million in new appropriations and \$1.0 million in amounts carried forward from the 2021 budget. Total revenues came in over budget by approximately \$1.6 million, mostly from higher than budgeted motor vehicle and other excise taxes, and licenses and permits; actual expenditures were under budget by \$795,000, in which the largest turn backs were from employee benefits and state and county charges.

Capital Asset and Debt Administration

During the current year, the Town acquired \$4.6 million in governmental activities capital assets consisting of \$750,000 for land, \$396,000 for construction in progress, \$14,000 for buildings and improvements, \$2.2 million expended for machinery, equipment and vehicles, and \$1.2 million in infrastructure. Business-type activities expended \$3.7 million for capital assets. Of this amount, the water enterprise fund expended \$1.3 million for infrastructure and construction in progress; the wastewater enterprise fund expended \$1.7 million for infrastructure; and the municipal light department expended \$736,000 for production plant, distribution plant, and general plant upgrades.

The Town's governmental funds had total bonded debt outstanding of \$7.1 million and \$356,000 of unamortized premiums at the end of the current year. Of the \$7.1 million, \$1.3 million is related to school projects, \$3.2 million relates to land purchases, \$1.9 million related to roadway projects, \$50,000 relates to the purchase of equipment, and \$682,000 relates to other capital projects.

The enterprise funds had \$18.5 million of debt outstanding and \$762,000 of unamortized premiums at the end of the current year. Of this amount, \$10.1 million related to water, \$5.9 million related to wastewater, and \$2.6 million related to electric light projects.

The governmental activities has an outstanding interim loan with the Massachusetts Clean Water Trust (MCWT) totaling \$325,000, 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

During 2022, the Town continued its longstanding practice of projecting conservative revenues to protect against economic downturns. This practice, along with tight budget controls and a refueled economy, has allowed Ipswich to maintain a healthy financial outlook. This year expenditure turn backs totaled approximately \$795,000 which are comprised of salary savings, utilities, miscellaneous general expenditures, and insurances. The Town is optimistic that 2022 free cash will exceed \$1.95 million. The decrease from prior year is due to the fact that the prior year included revenues from onetime influxes of revenue (the sale of town property, a large influx of building permit revenue for new growth, and a large one-time receipt from a local building project). Thus, 2022 free cash should be more realistic for financial planning purposes. With respect to COVID-19, the Town partnered with ten neighboring communities and purchased COVID test kits for distribution to the public and town employees. Working with our Board of Health and other agencies, we communicated the availability of these kits and distributed them accordingly. Further, the Town continued work with its local restaurants to facilitate outdoor dining in our downtown area. This effort has allowed our restaurants to thrive during these difficult times.

The May 2022 Annual Town Meeting approved the Town's Operating Budget for 2023 in the amount of \$28,699,444, which included \$20,914,070 for the Municipal Operating budget including \$120,485 from the Waterways Improvement Fund for the Harbormaster's budget. The budget was grouped into seven functional categories: General Government (\$883,635), Finance (\$1,071,554), Planning & Community Development (\$651,295), Public Safety (\$5,752,149), Public Works (\$4,986,404), Community & Cultural Services (\$1,648,577) and Benefits & Other (\$5,920,456).

Also included in this omnibus budget was \$4,851,235 for the Water Department, \$2,799,983 for the Wastewater Department, and \$134,157 for Solid Waste and Recycling Operations. The balance of Water, Sewer, and Solid Waste and Recycling budget appropriations will be met by revenues of each department during 2023.

Annual Town Meeting approved the School's Operating Budget for \$34,930,486 for 2023.

The June 30, 2022, balance in the OPEB Trust Fund totaled \$7,757,139, and in an effort to continue to fund the Trust, for 2023, \$75,635 was raised and appropriated from taxes, and \$686,960 was transferred from free cash to contribute to the Other Postemployment Benefits Fund (OPEB) per Article 9 of the Annual Town Meeting.

Annual Town Meeting approved the capital plan for 2023 in Article 10 for \$1,568,532 of which \$1,428,507 was funded from Free Cash, \$40,000 from Overlay Surplus, \$30,000 from Waterways Improvement Fund and \$70,025 was raised and appropriated from taxes. A longer-term funding plan, which is essential to a healthy and sustainable capital program, is under discussion among the Select Board, School Committee, and Finance Committee representatives.

Town Meeting also approved a transfer of \$1,330,000 from the 2022 Appropriated School Budget to the Educational Stabilization Fund, which has been reflected in the 2022 final budget.

Annual Town Meeting, Article 8, voted a \$290,000 transfer from free cash to the Stabilization fund.

Annual Town Meeting also approved an appropriation of \$590,000 as Ipswich's share of the operating and debt service expenses of the Whittier Regional Vocational Technical High School for 2023. Town Meeting also approved an appropriation of \$335,000 to fund the Town's share of the 2023 annual operation and debt service of the Essex North Shore Agricultural & Technical School District (formerly Essex Regional Technical Institute). Taxes funded both appropriations. The Fall Town Meeting will amend the Essex Tech appropriation to a lower amount equal to the actual assessment/budget based on the actual October 1 enrollment.

Annual Town Meeting also appropriated \$437,089 under the provisions of Chapter 90 of the General Laws for 2023.

In Article 12, Annual Town Meeting voted to raise and appropriate \$1,800,000 as an override to the 2022 school budget. This override was also voted and approved by a ballot vote. Furthermore, Article 14 appropriates \$6,000,000 for wastewater Infrastructure and Design.

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 Town Manager, Town Hall, 25 Green Street, Ipswich, Massachusetts 01938.

Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2022

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 26,419,043	\$ 12,626,513	\$ 39,045,556
Restricted cash and cash equivalents.....	-	1,391,607	1,391,607
Investments.....	40,241,521	-	40,241,521
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	706,476	-	706,476
Tax liens.....	646,028	-	646,028
Motor vehicle and other excise taxes.....	173,906	-	173,906
User fees.....	-	3,157,683	3,157,683
Departmental and other.....	70,707	-	70,707
Intergovernmental.....	1,014,539	-	1,014,539
Loans and mortgages.....	7,620	-	7,620
Tax foreclosures.....	123,910	-	123,910
Inventory.....	-	116,492	116,492
Purchased power working capital and prepayments.....	-	1,631,490	1,631,490
Total current assets.....	<u>69,403,750</u>	<u>18,923,785</u>	<u>88,327,535</u>
NONCURRENT:			
Restricted cash and cash equivalents.....	-	3,085,008	3,085,008
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	413,377	-	413,377
Loans and mortgages.....	536,641	-	536,641
Net other postemployment benefits.....	-	292,174	292,174
Capital assets, nondepreciable.....	21,833,994	2,680,183	24,514,177
Capital assets, net of accumulated depreciation.....	45,360,890	46,911,714	92,272,604
Total noncurrent assets.....	<u>68,144,902</u>	<u>52,969,079</u>	<u>121,113,981</u>
TOTAL ASSETS.....	<u>137,548,652</u>	<u>71,892,864</u>	<u>209,441,516</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions.....	4,277,375	1,081,416	5,358,791
Deferred outflows related to other postemployment benefits.....	4,324,248	414,584	4,738,832
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	<u>8,601,623</u>	<u>1,496,000</u>	<u>10,097,623</u>
LIABILITIES			
CURRENT:			
Warrants payable.....	1,227,393	2,588,470	3,815,863
Accrued payroll.....	302,661	57,750	360,411
Accrued interest.....	41,047	167,816	208,863
Other liabilities.....	923,256	3,346,163	4,269,419
Customer deposits.....	-	72,618	72,618
Compensated absences.....	736,899	130,420	867,319
Notes payable.....	2,175,226	6,500,000	8,675,226
Bonds payable.....	840,653	1,687,478	2,528,131
Total current liabilities.....	<u>6,247,135</u>	<u>14,550,715</u>	<u>20,797,850</u>
NONCURRENT:			
Compensated absences.....	187,090	236,411	423,501
Net pension liability.....	29,786,658	7,530,723	37,317,381
Net other postemployment benefits.....	28,117,196	258,552	28,375,748
Bonds payable.....	6,616,364	17,622,233	24,238,597
Total noncurrent liabilities.....	<u>64,707,308</u>	<u>25,647,919</u>	<u>90,355,227</u>
TOTAL LIABILITIES.....	<u>70,954,443</u>	<u>40,198,634</u>	<u>111,153,077</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions.....	7,548,623	1,908,458	9,457,081
Deferred inflows related to other postemployment benefits.....	2,282,234	218,807	2,501,041
TOTAL DEFERRED INFLOWS OF RESOURCES.....	<u>9,830,857</u>	<u>2,127,265</u>	<u>11,958,122</u>
NET POSITION			
Net investment in capital assets.....	57,617,565	30,305,258	87,922,823
Restricted for:			
Affordable housing.....	1,616,163	-	1,616,163
Rate stabilization.....	-	1,812,390	1,812,390
Depreciation.....	-	992,302	992,302
Loans.....	544,261	-	544,261
Permanent funds:			
Expendable.....	10,028,590	-	10,028,590
Nonexpendable.....	28,698,740	-	28,698,740
Gifts and grants.....	3,387,450	-	3,387,450
Unrestricted.....	<u>(36,527,794)</u>	<u>(2,046,985)</u>	<u>(38,574,779)</u>
TOTAL NET POSITION.....	<u>\$ 65,364,975</u>	<u>\$ 31,062,965</u>	<u>\$ 96,427,940</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

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.....	\$ 857,581	\$ 835,193	\$ 1,425,986	\$ 1,135,430	\$ 2,539,028
Finance.....	1,576,058	295,282	-	-	(1,280,776)
Public safety.....	8,515,732	627,779	76,118	-	(7,811,835)
Education.....	45,364,378	1,528,157	10,636,789	-	(33,199,432)
Feoffee's Trust.....	250,814	10,615	15,864	-	(224,335)
Public works.....	7,001,422	158,445	260,340	867,535	(5,715,102)
Planning and development.....	549,713	508,800	39,860	-	(1,053)
Code enforcement.....	948,519	1,065,297	-	-	116,778
Community and cultural services.....	807,687	50,327	245,143	-	(512,217)
Library.....	1,115,011	4,560	24,179	-	(1,086,272)
Interest.....	124,184	-	-	-	(124,184)
Total Governmental Activities.....	67,111,099	5,084,455	12,724,279	2,002,965	(47,299,400)
<i>Business-Type Activities:</i>					
Water.....	4,004,041	4,335,701	44,809	32,540	409,009
Wastewater.....	2,345,261	2,732,523	35,034	-	422,296
Solid waste and recycling.....	78,937	134,945	-	-	56,008
Municipal Light.....	18,167,577	19,444,665	8,874	-	1,285,962
Total Business-Type Activities.....	24,595,816	26,647,834	88,717	32,540	2,173,275
Total Primary Government.....	\$ 91,706,915	\$ 31,732,289	\$ 12,812,996	\$ 2,035,505	\$ (45,126,125)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page..... \$	(47,299,400)	2,173,275	(45,126,125)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	44,048,679	-	44,048,679
Tax and other liens.....	136,832	-	136,832
Motor vehicle and other excise taxes.....	2,345,947	-	2,345,947
Hotel/motel tax.....	79,094	-	79,094
Meals tax.....	276,109	-	276,109
Penalties and interest on taxes.....	175,734	-	175,734
Payments in lieu of taxes.....	484,129	-	484,129
Grants and contributions not restricted to specific programs.....	2,280,639	-	2,280,639
Unrestricted investment income (loss).....	(5,279,041)	-	(5,279,041)
Total general revenues.....	44,548,122	-	44,548,122
Change in net position.....	(2,751,278)	2,173,275	(578,003)
<i>Net position:</i>			
Beginning of year.....	68,116,253	28,889,690	97,005,943
End of year..... \$	65,364,975	31,062,965	96,427,940

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2022

	General	Feoffee's Trust	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents.....	\$ 16,143,482	\$ 1,373,544	\$ 1,715,133	\$ 7,186,884	\$ 26,419,043
Investments.....	-	34,989,161	-	5,252,360	40,241,521
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	706,476	-	-	-	706,476
Tax liens.....	646,028	-	-	-	646,028
Motor vehicle and other excise taxes.....	173,906	-	-	-	173,906
Departmental and other.....	27,577	1,531	-	41,599	70,707
Intergovernmental.....	-	-	864,374	563,542	1,427,916
Loans and mortgages.....	-	182,679	-	361,582	544,261
Tax foreclosures.....	123,910	-	-	-	123,910
TOTAL ASSETS.....	\$ 17,821,379	\$ 36,546,915	\$ 2,579,507	\$ 13,405,967	\$ 70,353,768
LIABILITIES					
Warrants payable.....	\$ 528,129	\$ -	\$ 470,911	\$ 228,353	\$ 1,227,393
Accrued payroll.....	288,439	-	-	14,222	302,661
Other liabilities.....	656,432	-	-	266,824	923,256
Notes payable.....	-	-	1,850,000	325,226	2,175,226
TOTAL LIABILITIES.....	1,473,000	-	2,320,911	834,625	4,628,536
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue.....	1,559,961	-	307,064	813,309	2,680,334
FUND BALANCES					
Nonspendable.....	-	27,823,203	-	875,537	28,698,740
Restricted.....	-	8,723,712	1,095,146	10,882,496	20,701,354
Assigned.....	3,955,350	-	-	-	3,955,350
Unassigned.....	10,833,068	-	(1,143,614)	-	9,689,454
TOTAL FUND BALANCES.....	14,788,418	36,546,915	(48,468)	11,758,033	63,044,898
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 17,821,379	\$ 36,546,915	\$ 2,579,507	\$ 13,405,967	\$ 70,353,768

See notes to basic financial statements.

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

JUNE 30, 2022

Total governmental fund balances.....		\$ 63,044,898
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		67,194,884
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....		2,680,334
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.....		(1,229,234)
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(41,047)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(7,457,017)	
Net pension liability.....	(29,786,658)	
Net other postemployment benefits.....	(28,117,196)	
Compensated absences.....	<u>(923,989)</u>	
Net effect of reporting long-term liabilities.....		<u>(66,284,860)</u>
Net position of governmental activities.....		<u>\$ 65,364,975</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2022

	General	Feoffee's Trust	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 43,843,943	\$ -	\$ -	\$ 3,617	\$ 43,847,560
Tax liens.....	107,954	-	-	-	107,954
Motor vehicle and other excise taxes.....	2,324,637	-	-	17,067	2,341,704
Hotel/motel tax.....	-	-	-	79,094	79,094
Meals tax.....	276,109	-	-	-	276,109
Charges for services.....	29,090	10,615	-	1,986,924	2,026,629
Penalties and interest on taxes.....	175,734	-	-	-	175,734
Fees and rentals.....	-	-	-	37,735	37,735
Payments in lieu of taxes.....	484,129	-	-	-	484,129
Licenses and permits.....	1,094,033	-	-	136,534	1,230,567
Fines and forfeitures.....	25,753	-	-	-	25,753
Intergovernmental - state aid.....	5,790,227	-	-	-	5,790,227
Intergovernmental - Teachers Retirement.....	3,899,224	-	-	-	3,899,224
Intergovernmental - other.....	-	-	612,376	6,052,643	6,665,019
Departmental and other.....	644,037	15,864	-	1,217,878	1,877,779
Contributions and donations.....	-	-	-	154,981	154,981
Investment income (loss).....	(40,407)	(5,061,875)	-	(176,759)	(5,279,041)
TOTAL REVENUES.....	58,654,463	(5,035,396)	612,376	9,509,714	63,741,157
EXPENDITURES:					
Current:					
General government.....	620,864	-	357,410	2,571,158	3,549,432
Finance.....	1,335,602	-	36,708	30,373	1,402,683
Public safety.....	5,541,983	-	288,467	744,365	6,574,815
Education.....	31,552,010	-	597,593	4,181,942	36,331,545
Feoffee's Trust.....	-	250,814	-	-	250,814
Public works.....	4,653,111	-	1,880,427	333,813	6,867,351
Planning and development.....	300,129	-	21,517	109,651	431,297
Code enforcement.....	515,062	-	-	192,937	707,999
Community and cultural services.....	488,966	-	-	155,689	644,655
Library.....	748,082	-	-	47,131	795,213
Pension benefits.....	2,349,775	-	-	-	2,349,775
Pension benefits - Teachers Retirement.....	3,899,224	-	-	-	3,899,224
Property and liability insurance.....	278,255	-	-	-	278,255
Employee benefits.....	2,080,625	-	-	-	2,080,625
State and county charges.....	1,184,388	-	-	-	1,184,388
Debt service:					
Principal.....	909,510	-	-	-	909,510
Interest.....	278,534	-	-	-	278,534
Principal and interest related to leases.....	265,892	-	-	-	265,892
TOTAL EXPENDITURES.....	57,002,012	250,814	3,182,122	8,367,059	68,802,007
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	1,652,451	(5,286,210)	(2,569,746)	1,142,655	(5,060,850)
OTHER FINANCING SOURCES (USES):					
Premium from issuance of bonds.....	-	-	-	72,074	72,074
Transfers in.....	153,371	-	1,537,063	712,029	2,402,463
Transfers out.....	(1,547,063)	(662,029)	-	(193,371)	(2,402,463)
TOTAL OTHER FINANCING SOURCES (USES).....	(1,393,692)	(662,029)	1,537,063	590,732	72,074
NET CHANGE IN FUND BALANCES.....	258,759	(5,948,239)	(1,032,683)	1,733,387	(4,988,776)
FUND BALANCES AT BEGINNING OF YEAR.....	14,529,659	42,495,154	984,215	10,024,646	68,033,674
FUND BALANCES AT END OF YEAR.....	\$ 14,788,418	\$ 36,546,915	\$ (48,468)	\$ 11,758,033	\$ 63,044,898

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, 2022

Net change in fund balances - total governmental funds.....	\$	(4,988,776)
<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.....		4,577,445
Depreciation expense.....		<u>(3,665,008)</u>
Net effect of reporting capital assets.....		912,437
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		618,664
<p>The issuance of long-term debt 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 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 unavailable and amortized in the Statement of Activities.</p>		
Principal payments on capital leases.....		265,892
Premium from issuance of bonds.....		(72,074)
Net amortization of premium from issuance of bonds.....		156,373
Debt service principal payments.....		<u>909,510</u>
Net effect of reporting long-term debt.....		1,259,701
<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.....		117,906
Net change in accrued interest on long-term debt.....		(2,023)
Net change in deferred outflow/(inflow) of resources related to pensions.....		(3,276,047)
Net change in net pension liability.....		3,495,091
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits...		1,522,415
Net change in net other postemployment benefits liability.....		<u>(2,410,646)</u>
Net effect of recording long-term liabilities.....		<u>(553,304)</u>
Change in net position of governmental activities.....	\$	<u><u>(2,751,278)</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2022

	Business-type Activities - Enterprise Funds				
	Water	Wastewater	Solid Waste and Recycling	Municipal Light	Total
ASSETS					
CURRENT:					
Cash and cash equivalents.....	\$ 8,850,500	\$ 2,440,240	\$ 183,397	\$ 1,152,376	\$ 12,626,513
Restricted cash and cash equivalents.....	-	-	-	1,391,607	1,391,607
Receivables, net of allowance for uncollectibles:					
User charges.....	837,446	306,720	-	2,013,517	3,157,683
Inventory.....	-	-	-	116,492	116,492
Purchased power advanced deposits.....	-	-	-	1,631,490	1,631,490
Total current assets.....	9,687,946	2,746,960	183,397	6,305,482	18,923,785
NONCURRENT:					
Restricted cash and cash equivalents.....	-	-	-	3,085,008	3,085,008
Net other postemployment benefits.....	292,174	(27,249)	-	-	264,925
Capital assets, non depreciable.....	1,785,300	871,907	-	22,976	2,680,183
Capital assets, net of accumulated depreciation.....	19,534,869	13,024,877	-	14,351,968	46,911,714
Total noncurrent assets.....	21,612,343	13,869,535	-	17,459,952	52,941,830
TOTAL ASSETS.....	31,300,289	16,616,495	183,397	23,765,434	71,865,615
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions.....	336,623	209,390	-	535,403	1,081,416
Deferred outflows related to other postemployment benefits.....	68,033	64,875	-	281,676	414,584
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	404,656	274,265	-	817,079	1,496,000
LIABILITIES					
CURRENT:					
Warrants payable.....	432,204	62,127	8,498	2,085,641	2,588,470
Accrued payroll.....	17,279	10,460	-	30,011	57,750
Accrued interest.....	80,523	54,576	-	32,717	167,816
Other liabilities.....	1,000	-	-	3,345,163	3,346,163
Customer deposits.....	-	-	-	72,618	72,618
Compensated absences.....	85,442	20,978	-	24,000	130,420
Notes payable.....	5,000,000	1,500,000	-	-	6,500,000
Bonds payable.....	800,845	466,393	-	420,240	1,687,478
Total current liabilities.....	6,417,293	2,114,534	8,498	6,010,390	14,550,715
NONCURRENT:					
Compensated absences.....	18,932	1,280	-	216,199	236,411
Net pension liability.....	2,344,162	1,458,141	-	3,728,420	7,530,723
Net other postemployment benefits.....	-	-	-	231,303	231,303
Bonds payable.....	9,854,908	5,570,225	-	2,197,100	17,622,233
Total noncurrent liabilities.....	12,218,002	7,029,646	-	6,373,022	25,620,670
TOTAL LIABILITIES.....	18,635,295	9,144,180	8,498	12,383,412	40,171,385
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions.....	594,065	369,526	-	944,867	1,908,458
Deferred inflows related to other postemployment benefits.....	35,906	34,239	-	148,662	218,807
TOTAL DEFERRED INFLOWS OF RESOURCES.....	629,971	403,765	-	1,093,529	2,127,265
NET POSITION					
Net investment in capital assets.....	11,688,221	6,859,433	-	11,757,604	30,305,258
Restricted for:					
Rate stabilization.....	-	-	-	1,812,390	1,812,390
Depreciation.....	-	-	-	992,302	992,302
Unrestricted.....	751,458	483,382	174,899	(3,456,724)	(2,046,985)
TOTAL NET POSITION.....	\$ 12,439,679	\$ 7,342,815	\$ 174,899	\$ 11,105,572	\$ 31,062,965

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2022

	Business-type Activities - Enterprise Funds				
	Water	Wastewater	Solid Waste and Recycling	Municipal Light	Total
OPERATING REVENUES:					
Charges for services.....	\$ 4,335,701	\$ 2,732,523	\$ 134,945	\$ 19,041,292	\$ 26,244,461
Other operating revenues.....	-	-	-	403,373	403,373
TOTAL OPERATING REVENUES	4,335,701	2,732,523	134,945	19,444,665	26,647,834
OPERATING EXPENSES:					
Cost of services and administration.....	1,546,300	1,001,268	78,021	14,957,411	17,583,000
Salaries and wages.....	1,430,959	573,860	916	2,080,228	4,085,963
Depreciation.....	788,212	624,708	-	1,058,840	2,471,760
TOTAL OPERATING EXPENSES.....	3,765,471	2,199,836	78,937	18,096,479	24,140,723
OPERATING INCOME (LOSS).....	570,230	532,687	56,008	1,348,186	2,507,111
NONOPERATING REVENUES (EXPENSES):					
Investment income.....	44,809	35,034	-	8,874	88,717
Interest expense.....	(238,570)	(145,425)	-	(71,098)	(455,093)
Intergovernmental.....	32,540	-	-	-	32,540
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(161,221)	(110,391)	-	(62,224)	(333,836)
CHANGE IN NET POSITION.....	409,009	422,296	56,008	1,285,962	2,173,275
NET POSITION AT BEGINNING OF YEAR.....	12,030,670	6,920,519	118,891	9,819,610	28,889,690
NET POSITION AT END OF YEAR.....	\$ 12,439,679	\$ 7,342,815	\$ 174,899	\$ 11,105,572	\$ 31,062,965

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2022

	Business-type Activities - Enterprise Funds				
	Water	Wastewater	Solid Waste and Recycling	Municipal Light	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users.....	\$ 4,385,752	\$ 2,795,271	\$ 134,945	\$ 19,535,489	\$ 26,851,457
Payments to vendors.....	(1,398,339)	(1,298,094)	(76,422)	(14,433,056)	(17,205,911)
Payments to employees.....	(1,505,010)	(627,335)	(916)	(2,278,630)	(4,411,891)
NET CASH FROM OPERATING ACTIVITIES.....	1,482,403	869,842	57,607	2,823,803	5,233,655
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from the issuance of bonds and notes.....	5,000,000	1,500,000	-	-	6,500,000
Acquisition and construction of capital assets.....	(959,811)	(1,721,719)	-	(735,677)	(3,417,207)
Principal payments on bonds and notes.....	(737,117)	(520,835)	-	(435,850)	(1,693,802)
Interest expense.....	(301,536)	(153,841)	-	(53,064)	(508,441)
Intergovernmental.....	32,540	-	-	-	32,540
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	3,034,076	(896,395)	-	(1,224,591)	913,090
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income.....	44,809	35,034	-	8,874	88,717
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	4,561,288	8,481	57,607	1,608,086	6,235,462
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	4,289,212	2,431,759	125,790	4,020,905	10,867,666
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 8,850,500	\$ 2,440,240	\$ 183,397	\$ 5,628,991	\$ 17,103,128
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:					
Operating income.....	\$ 570,230	\$ 532,687	\$ 56,008	\$ 1,348,186	\$ 2,507,111
Adjustments to reconcile operating income to net cash from operating activities:					
Depreciation.....	788,212	624,708	-	1,058,840	2,471,760
Deferred (outflows)/inflows related to pensions.....	257,788	160,385	-	410,066	828,239
Deferred (outflows)/inflows related to other postemployment benefits.....	(23,838)	(24,248)	-	(100,618)	(148,704)
User charges.....	50,051	62,748	-	168,513	281,312
Inventory.....	-	-	-	12,588	12,588
Purchased power advanced deposits.....	-	-	-	1,021	1,021
Warrants payable.....	(88,657)	(309,280)	1,599	213,688	(182,650)
Accrued payroll.....	(53,853)	(26,928)	-	(82,483)	(163,264)
Customer deposits.....	-	-	-	(77,689)	(77,689)
Other liabilities.....	1,000	-	-	124,674	125,674
Compensated absences.....	3,640	(2,299)	-	(15,301)	(13,960)
Net pension liability.....	(58,373)	(266,801)	-	(451,353)	(776,527)
Net other postemployment benefits.....	36,203	118,870	-	213,671	368,744
Total adjustments.....	912,173	337,155	1,599	1,475,617	2,726,544
NET CASH FROM OPERATING ACTIVITIES.....	\$ 1,482,403	\$ 869,842	\$ 57,607	\$ 2,823,803	\$ 5,233,655
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:					
Acquisition of capital assets on account.....	\$ 317,821	\$ (254,766)	\$ -	\$ -	\$ 63,055

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2022

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds
ASSETS		
Cash and cash equivalents.....	\$ 165,105	\$ 308,686
Investments:		
Investments in Pension Reserve Investment Trust.....	7,592,034	-
TOTAL ASSETS.....	7,757,139	308,686
NET POSITION		
Restricted for other postemployment benefits.....	7,757,139	-
Held in trust for other purposes.....	-	308,686
TOTAL NET POSITION.....	\$ 7,757,139	\$ 308,686

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2022

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer contributions.....	\$ 544,900	\$ -
Employer contributions for other postemployment benefit payments.....	1,474,908	-
Total contributions.....	2,019,808	-
Net investment income:		
Investment income (loss).....	(305,054)	(35,254)
TOTAL ADDITIONS.....	1,714,754	(35,254)
DEDUCTIONS:		
Other postemployment benefit payments.....	1,474,908	-
NET INCREASE (DECREASE) IN NET POSITION.....	239,846	(35,254)
NET POSITION AT BEGINNING OF YEAR.....	7,517,293	343,940
NET POSITION AT END OF YEAR.....	\$ 7,757,139	\$ 308,686

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 Select Board.

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 North Shore Agricultural & Technical School District that serves the members' students seeking an education in academic, technical and agriculture studies. The members' share in the operations of the Essex North Shore Agricultural & Technical School District and each member is responsible for its proportionate share of the operational and capital cost of the Essex North Shore Agricultural & Technical School District, which are paid in the form of assessments. The Town does not have an equity interest in the Essex North Shore Agricultural & Technical School District and the 2022 assessment was approximately \$335,000.

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 2022 assessment was approximately \$540,000.

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

The government-wide financial statements (i.e., statement of net position and statement of activities) 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 *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 *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 nonmajor governmental funds consist of other special revenue, 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 *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 *wastewater enterprise fund* is used to account for the Town's wastewater activities.

The *solid waste and recycling enterprise fund* is used to account for the Town's solid waste and recycling.

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.

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 wastewater liens are processed once a year and included as a lien on the property owner's tax bill. Water and wastewater 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.

Mortgages

The mortgages 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.

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*

Assets set aside for meter deposits, rate stabilization, funded depreciation, and conservation and strategic asset reserves, in the municipal light enterprise fund, are classified as restricted.

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 assets that applies to future periods 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 and deferred outflows of resources related to other postemployment benefits 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 assets that applies to future periods 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 and deferred inflows of resources related to other postemployment benefits 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, construction in progress, buildings and improvements, machinery, equipment, and vehicles, and infrastructure (e.g., roads, water mains, wastewater 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.

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

Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis, 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:

"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.

“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.

“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. Fund Deficits

The capital projects fund reported a total deficit year-end balance of \$48,468. This deficit will be funded with bond proceeds and available fund balance in future years.

U. 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, 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, 2022, \$7,757,139 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 \$42,174,500, and the bank balance totaled \$43,471,199. Of the bank balance, \$1,333,545 was covered by Federal Depository Insurance, \$15,741,237 was covered by the Depositors Insurance Fund, and \$26,396,417 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

As of June 30, 2022, the Town had the following investments:

Investment Type	Fair value	Maturities		
		Under 1 Year	1-5 Years	6-10 Years
Debt securities:				
U.S. treasury notes.....	\$ 856,738	\$ 420,607	\$ 436,131	\$ -
Government sponsored enterprises.....	304,805	85,161	219,644	-
Corporate bonds.....	1,460,791	99,995	1,360,796	-
Total debt securities.....	2,622,334	\$ 605,763	\$ 2,016,571	\$ -
Other investments:				
Equity securities.....	1,685,940			
Mutual funds.....	214,465			
Fixed income.....	525,010			
International mutual funds.....	204,611			
Money market mutual funds.....	58,531			
Pension Reserve Investment Trust (PRIT).....	7,592,034			
MMDT - Cash portfolio.....	447,918			
Total investments.....	\$ 13,350,843			

At June 30, 2022, MMDT’s cash portfolio had a weighted average maturity of 27 days.

The effective weighted duration rate for PRIT investments ranged from 1.33 to 15.12 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, \$856,738 in U.S. treasury notes, \$304,805 in government sponsored enterprises, and \$1,460,791 in corporate bonds along with \$1,685,940 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, 2022, the Town’s investments were rated as follows:

<u>Quality Rating</u>	<u>Government Sponsored Enterprises</u>	<u>Corporate Bonds</u>
A.....	\$ -	\$ 154,784
AA+.....	304,805	-
A+.....	-	140,607
A-.....	-	206,588
BBB.....	-	395,732
BBB+.....	-	563,080
Total.....	<u>\$ 304,805</u>	<u>\$ 1,460,791</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, 2022, no more than 5 percent of the Town’s investments are invested in any one issuer.

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, 2022, that the Town measures fair value on a recurring basis, by level, within the fair value hierarchy:

Investment Type	June 30, 2022	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.....	\$ 856,738	\$ 856,738	\$ -	\$ -
Government sponsored enterprises.....	304,805	304,805	-	-
Corporate bonds.....	1,460,791	-	1,460,791	-
Total debt securities.....	2,622,334	1,161,543	1,460,791	-
<u>Other investments:</u>				
Equity securities.....	1,685,940	1,685,940	-	-
Mutual funds.....	214,465	214,465	-	-
Fixed income.....	525,010	525,010	-	-
International mutual funds.....	204,611	-	-	204,611
Money market mutual funds.....	58,531	58,531	-	-
Total other investments.....	2,688,557	2,483,946	-	204,611
Total investments measured at fair value.....	5,310,891	\$ 3,645,489	\$ 1,460,791	\$ 204,611
Investments measured at amortized cost:				
MMDT - Cash portfolio.....	447,918			
Investments measured at net asset value:				
Pension Reserve Investment Trust (PRIT).....	7,592,034			
Total investments.....	\$ 13,350,843			

U.S. treasury notes, government sponsored enterprises, equity securities, mutual funds, fixed income, and money market 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. International mutual funds are classified in Level 3 of the fair value hierarchy and are valued using significant unobservable inputs.

PRIT 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. PRIT is administered by the Pension Reserves Investment Management Board (PRIM). 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 with 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, 2022, the carrying amount of deposits totaled \$112,866 and the bank balance totaled \$775,087. The entire bank balance was covered by the Depositor Insurance Fund; therefore, the Trust did not have deposits that were exposed to custodial credit risk.

Investments and Distribution of Earnings

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>
Cash.....	2% - 7%
Fixed Income Securities.....	10% - 20%
Domestic Equity Securities.....	40% - 60%
International Equity Securities.....	5% - 15%
Direct Alternatives.....	5% - 10%
Absolute Return Alternatives.....	5% - 10%
Commodities.....	0% - 5%

Further, the Trust has adopted a Distribution Policy which restricts full distribution of the assets. The original principal is increased annually by the assumed rate of inflation to establish the baseline value. No distribution can be made from the trust which would cause the Trust value to be less than the baseline. The baseline value is recorded restricted net position. Current cash and investments include operating cash on hand and the estimated 2023 distribution to the Ipswich Public Schools. All other investments are classified as noncurrent as they are not expected to be converted to cash or consumed withing the next fiscal year.

A portion of the assets are held in the form of mortgages granted to prior tenants of the land in Ipswich. Most of these mortgages were initially 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 are added to the investment fund. While the mortgages are outstanding, they are considered as part of the fixed income allocation. As of June 30, 2022, there was one unpaid mortgage outstanding with a total balance of \$183,000.

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 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 following funds have been allocated to the investment managers as of June 30, 2022:

Investment Type	Fair value	Maturities		
		Under 1 Year	1-5 Years	6-10 Years
<u>Debt securities:</u>				
U.S. treasury notes.....	\$ 187,271	\$ -	\$ 182,251	\$ 5,020
Corporate bonds.....	304,285	19,971	279,988	4,326
Municipal bonds.....	125,876	24,953	78,243	22,680
Total debt securities.....	617,432	\$ 44,924	\$ 540,482	\$ 32,026
<u>Other investments:</u>				
Equity securities.....	15,745,611			
Fixed income mutual funds.....	2,574,065			
Fixed income private credit.....	974,933			
Equity mutual funds.....	3,815,069			
Money market mutual funds.....	1,260,158			
Limited partnerships directional alternatives.....	2,254,441			
Limited partnerships absolute return alternatives..	3,986,676			
Exchange traded funds.....	5,020,934			
Total investments.....	\$ 36,249,319			

The Trust has entered into a Limited Partnership to manage a portion of the Trust's endowment. Aureus Asset Management, LLC is the managing member of the Limited Partnership. The remainder of the Trust's endowment is managed through brokerage accounts with Fidelity as the custodian. As of June 30, 2022, the limited partnership totaled approximately \$6.2 million bringing the total Limited Partnership to 17% of the Trust's investments. Limited Partnerships are not readily marketable. The market values of assets under the management of the limited partnership are determined by the General Partners of the partnership. The 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, 2022, the Trust’s Debt Securities were rated as follows:

	Corporate Bonds	Municipal Bonds
Moody's Investors Service Ratings:		
Aaa.....	\$ 38,801	\$ -
Aa1.....	-	48,693
Aa2.....	24,492	14,879
Aa3.....	-	9,999
A1.....	33,389	14,816
A2.....	70,855	-
A3.....	57,765	-
Baa1.....	48,099	-
Baa2.....	24,227	-
Baa3.....	6,657	-
Standard & Poor's Ratings:		
AA+.....	-	13,626
AA.....	-	23,863
Total.....	<u>\$ 304,285</u>	<u>\$ 125,876</u>

The Trust categorizes its fair value measurements within the fair value hierarchy established by GAAP. The Trust has the following recurring fair value measurements as of June 30, 2022:

Investment Type	June 30, 2022	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.....	\$ 187,271	\$ 187,271	\$ -	\$ -
Corporate bonds.....	304,285	-	304,285	-
Municipal bonds.....	125,876	-	125,876	-
Total debt securities.....	617,432	187,271	430,161	-
<u>Other investments:</u>				
Equity securities.....	15,745,611	15,745,611	-	-
Fixed income mutual funds.....	2,574,065	2,574,065	-	-
Fixed income private credit.....	974,933	-	-	974,933
Equity mutual funds.....	3,815,069	3,815,069	-	-
Money market mutual funds.....	1,260,158	1,260,158	-	-
Limited partnerships directional alternatives.....	2,254,441	-	-	2,254,441
Limited partnerships absolute return alternatives....	3,986,676	-	-	3,986,676
Total other investments.....	30,610,953	23,394,903	-	7,216,050
Total investments measured at fair value.....	31,228,385	<u>\$ 23,582,174</u>	<u>\$ 430,161</u>	<u>\$ 7,216,050</u>
Investments measured at net asset value:				
Exchange traded funds.....	5,020,934			
Total investments.....	<u>\$ 36,249,319</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, 2022, receivables for the individual major and nonmajor governmental 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..... \$	729,465	\$ (22,989)	\$ 706,476
Tax liens.....	646,028	-	646,028
Motor vehicle and other excise taxes.....	199,938	(26,032)	173,906
Departmental and other.....	70,707	-	70,707
Intergovernmental.....	1,427,916	-	1,427,916
Loans and mortgages.....	544,261	-	544,261
Total.....	<u>\$ 3,618,315</u>	<u>\$ (49,021)</u>	<u>\$ 3,569,294</u>

At June 30, 2022, receivables for the enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water user charges..... \$	837,446	\$ -	\$ 837,446
Wastewater user charges.....	306,720	-	306,720
Municipal light user charges.....	2,113,517	(100,000)	2,013,517
Total.....	<u>\$ 3,257,683</u>	<u>\$ (100,000)</u>	<u>\$ 3,157,683</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>Receivables and other asset types:</u>			
Real estate and personal property taxes.....	\$ 616,117	\$ -	\$ 616,117
Tax liens.....	646,028	-	646,028
Motor vehicle and other excise taxes.....	173,906	-	173,906
Intergovernmental.....	-	758,791	758,791
Loans.....	-	361,582	361,582
Tax foreclosures.....	123,910	-	123,910
Total.....	\$ 1,559,961	\$ 1,120,373	\$ 2,680,334

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 20,687,911	\$ 750,000	\$ -	\$ 21,437,911
Construction in progress.....	-	396,083	-	396,083
Total capital assets not being depreciated....	20,687,911	1,146,083	-	21,833,994
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	49,325,295	13,917	(220,000)	49,119,212
Machinery, equipment and vehicles.....	17,352,087	2,209,285	(999,753)	18,561,619
Infrastructure.....	21,729,747	1,208,160	-	22,937,907
Total capital assets being depreciated.....	88,407,129	3,431,362	(1,219,753)	90,618,738
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(24,197,175)	(1,254,730)	220,000	(25,231,905)
Machinery, equipment and vehicles.....	(11,737,540)	(1,550,004)	999,753	(12,287,791)
Infrastructure.....	(6,877,878)	(860,274)	-	(7,738,152)
Total accumulated depreciation.....	(42,812,593)	(3,665,008)	1,219,753	(45,257,848)
Total capital assets being depreciated, net.....	45,594,536	(233,646)	-	45,360,890
Total governmental activities capital assets, net.....	\$ 66,282,447	\$ 912,437	\$ -	\$ 67,194,884

	Beginning Balance	Increases	Decreases	Ending Balance
Water Enterprise Fund:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 1,484,129	\$ -	\$ -	\$ 1,484,129
Construction in progress.....	-	301,171	-	301,171
Total capital assets not being depreciated....	1,484,129	301,171	-	1,785,300
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	222,486	-	-	222,486
Machinery, equipment and vehicles.....	745,641	-	-	745,641
Infrastructure.....	33,132,968	976,461	-	34,109,429
Total capital assets being depreciated.....	34,101,095	976,461	-	35,077,556
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(200,240)	(4,450)	-	(204,690)
Machinery, equipment and vehicles.....	(560,003)	(60,103)	-	(620,106)
Infrastructure.....	(13,994,232)	(723,659)	-	(14,717,891)
Total accumulated depreciation.....	(14,754,475)	(788,212)	-	(15,542,687)
Total capital assets being depreciated, net.....	19,346,620	188,249	-	19,534,869
Total water enterprise fund capital assets, net.....	\$ 20,830,749	\$ 489,420	\$ -	\$ 21,320,169
Wastewater Enterprise Fund:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 871,907	\$ -	\$ -	\$ 871,907
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	165,617	-	-	165,617
Machinery, equipment and vehicles.....	407,604	-	-	407,604
Infrastructure.....	22,659,597	1,721,719	-	24,381,316
Total capital assets being depreciated.....	23,232,818	1,721,719	-	24,954,537
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(63,005)	(5,462)	-	(68,467)
Machinery, equipment and vehicles.....	(215,403)	(27,826)	-	(243,229)
Infrastructure.....	(11,026,544)	(591,420)	-	(11,617,964)
Total accumulated depreciation.....	(11,304,952)	(624,708)	-	(11,929,660)
Total capital assets being depreciated, net.....	11,927,866	1,097,011	-	13,024,877
Total wastewater enterprise fund capital assets, net	\$ 12,799,773	\$ 1,097,011	\$ -	\$ 13,896,784

	Beginning Balance	Increases	Decreases	Ending Balance
Municipal Light:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 22,976	\$ -	\$ -	\$ 22,976
<u>Capital assets being depreciated:</u>				
Production plant.....	9,300,053	122,347	-	9,422,400
Transmission plant.....	1,964,039	-	-	1,964,039
Distribution plant.....	20,235,706	559,858	(153,780)	20,641,784
General plant.....	3,126,032	53,472	(26,500)	3,153,004
Total capital assets being depreciated.....	<u>34,625,830</u>	<u>735,677</u>	<u>(180,280)</u>	<u>35,181,227</u>
<u>Less accumulated depreciation for:</u>				
Production plant.....	(6,728,077)	(289,093)	-	(7,017,170)
Transmission plant.....	(1,089,108)	(58,481)	-	(1,147,589)
Distribution plant.....	(10,109,528)	(613,971)	153,780	(10,569,719)
General plant.....	<u>(2,023,986)</u>	<u>(97,295)</u>	<u>26,500</u>	<u>(2,094,781)</u>
Total accumulated depreciation.....	<u>(19,950,699)</u>	<u>(1,058,840)</u>	<u>180,280</u>	<u>(20,829,259)</u>
Total capital assets being depreciated, net.....	<u>14,675,131</u>	<u>(323,163)</u>	<u>-</u>	<u>14,351,968</u>
Total municipal light activities capital assets, net....	<u>\$ 14,698,107</u>	<u>\$ (323,163)</u>	<u>\$ -</u>	<u>\$ 14,374,944</u>

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

Governmental Activities:

General government.....	\$ 172,967
Finance.....	35,709
Public safety.....	508,553
Education.....	1,627,246
Public works.....	1,189,965
Planning and development.....	43,361
Community and cultural services.....	16,817
Library.....	<u>70,390</u>

Total depreciation expense - governmental activities..... \$ 3,665,008

Business-Type Activities:

Water.....	\$ 788,212
Wastewater.....	624,708
Municipal Light.....	<u>1,058,840</u>

Total depreciation expense - business-type activities..... \$ 2,471,760

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2022, are summarized as follows:

Transfers Out:	Transfers In:			
	General fund	Capital Projects	Nonmajor governmental funds	Total
General fund..... \$	-	\$ 1,497,063	\$ 50,000	\$ 1,547,063 (1)
Feoffee's Trust.....	-	-	662,029	662,029 (2)
Nonmajor governmental funds.....	153,371	40,000	-	193,371 (3)
Total..... \$	153,371	\$ 1,537,063	\$ 712,029	\$ 2,402,463

- (1) Represents budgeted transfers from the general fund to various capital project funds and nonmajor special revenue funds.
- (2) Represents a transfer from the Feoffee’s Trust to the Town as a gift for educational purchases.
- (3) Represents budgeted transfers from various special revenue funds to the general fund as well as transfers between the nonmajor special revenue funds to the capital project funds.

NOTE 6 – SHORT-TERM FINANCING

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

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

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and enterprise funds, respectively. Details related to the short-term debt activity for the year ended June 30, 2022, are shown on as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2021	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2022
Governmental Funds:							
BAN	Municipal Purpose.....	1.25%	08/12/22	\$ -	\$ 1,850,000	\$ -	\$ 1,850,000 (1)
BAN	*MCWT Title V Loan.....	0.00%	12/31/22	325,226	-	-	325,226
Total Governmental Funds.....				\$ 325,226	\$ 1,850,000	\$ -	\$ 2,175,226
Water Enterprise Fund:							
BAN	Municipal Purpose.....	1.25%	08/12/22	\$ -	\$ 5,000,000	\$ -	\$ 5,000,000 (1)
Wastewater Enterprise Fund:							
BAN	Municipal Purpose.....	1.25%	08/12/22	\$ -	\$ 1,500,000	\$ -	\$ 1,500,000 (1)

*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.

(1) On August 12, 2012, the Town rolled the \$8,350,000 into a new BAN with a maturity date of August 11, 2023, and an interest rate of 3.50%.

NOTE 7 – LONG-TERM DEBT

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

Details related to the outstanding indebtedness at June 30, 2022, 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, 2022
General Obligation Bonds Payable:				
Municipal Purpose Bonds of 2013.....	2023	\$ 525,000	1.75 - 2.00	\$ 50,000
General Obligation Recreation Bonds of 2016.....	2031	1,000,000	2.00 - 3.25	585,000
Municipal Purpose Bonds of 2016.....	2026	455,000	2.00 - 3.00	180,000
Municipal Purpose Bonds of 2018.....	2038	4,414,400	3.00 - 5.00	3,320,000
Municipal Refunding Bonds of 2021.....	2030	2,173,100	2.00 - 5.00	1,758,530
Municipal Purpose Bonds of 2021.....	2041	721,200	2.00 - 5.00	690,000
Subtotal Governmental General Obligation Bonds Payable.....				6,583,530
Direct Borrowings Payable:				
MCWT Community Septic Management Bonds....	2040	674,774	0.00	517,973
Total Bonds Payable.....				7,101,503
Add: Unamortized premium on bonds.....				355,514
Total Bonds Payable.....				\$ 7,457,017

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

Year	General Obligation Bonds Payable		
	Principal	Interest	Total
2023.....	\$ 723,890	\$ 260,852	\$ 984,742
2024.....	686,860	228,524	915,384
2025.....	704,880	196,254	901,134
2026.....	659,040	165,008	824,048
2027.....	599,330	135,071	734,401
2028.....	540,130	107,887	648,017
2029.....	536,610	82,267	618,877
2030.....	517,790	62,222	580,012
2031.....	365,000	46,886	411,886
2032.....	300,000	35,776	335,776
2033.....	210,000	26,974	236,974
2034.....	130,000	20,750	150,750
2035.....	130,000	16,900	146,900
2036.....	130,000	13,050	143,050
2037.....	130,000	9,200	139,200
2038.....	130,000	5,350	135,350
2039.....	30,000	1,500	31,500
2040.....	30,000	900	30,900
2041.....	30,000	300	30,300
Total.....	\$ <u>6,583,530</u>	\$ <u>1,415,671</u>	\$ <u>7,999,201</u>

Year	Direct Borrowings Payable		
	Principal	Interest	Total
2023.....	\$ 33,740	\$ -	\$ 33,740
2024.....	33,740	-	33,740
2025.....	33,738	-	33,738
2026.....	33,739	-	33,739
2027.....	33,738	-	33,738
2028.....	33,739	-	33,739
2029.....	33,738	-	33,738
2030.....	33,739	-	33,739
2031.....	33,738	-	33,738
2032.....	33,739	-	33,739
2033.....	33,738	-	33,738
2034.....	33,739	-	33,739
2035.....	33,738	-	33,738
2036.....	15,874	-	15,874
2037.....	15,874	-	15,874
2038.....	15,874	-	15,874
2039.....	15,874	-	15,874
2040.....	15,874	-	15,874
Total.....	\$ <u>517,973</u>	\$ <u>-</u>	\$ <u>517,973</u>

Bonds and Notes Payable Schedule – Enterprise Funds

Debt service requirements for principal and interest for enterprise fund general obligation bonds and direct borrowings payable in future years are as follows:

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2022
Water Projects				
General Obligation Bonds Payable:				
Water 2013.....	2028	\$ 690,000	1.75 - 2.00	\$ 250,000
Water 2016.....	2036	1,405,000	2.00 - 3.00	785,000
Water 2018.....	2038	300,600	3.00 - 5.00	240,000
Water Refunding Bonds of 2021.....	2030	624,890	2.00 - 5.00	524,890
Water 2021.....	2041	6,809,750	2.00 - 5.00	<u>6,450,000</u>
Subtotal Water General Obligation Bonds Payable.....				<u>8,249,890</u>
Direct Borrowings Payable:				
Water (MCWT) 2013.....	2033	1,145,359	2.00	690,231
Water (MCWT) 2016.....	2036	1,495,054	2.00	<u>1,111,899</u>
Subtotal Water Direct Borrowings Payable.....				<u>1,802,130</u>
Total Water Enterprise.....				<u>10,052,020</u>
Wastewater Projects				
General Obligation Bonds Payable:				
Wastewater 2013.....	2028	\$ 430,000	1.75 - 2.40	\$ 160,000
Wastewater 2016.....	2036	1,520,000	2.00 - 3.00	1,040,000
Wastewater Refunding Bonds of 2021.....	2027	330,320	2.00 - 5.00	209,240
Wastewater 2021.....	2041	1,822,550	2.00 - 5.00	<u>1,725,000</u>
Subtotal Wastewater General Obligation Bonds Payable.....				<u>3,134,240</u>
Direct Borrowings Payable:				
Wastewater (MCWT) 2012.....	2022	1,952,534	2.00	1,176,663
Wastewater (MCWT) 2015.....	2036	2,246,791	2.00	<u>1,567,581</u>
Subtotal Wastewater Direct Borrowings Payable.....				<u>2,744,244</u>
Total Wastewater Enterprise.....				<u>5,878,484</u>
Municipal Light Projects				
General Obligation Bonds Payable:				
Wind Turbine Refunding Bonds of 2021.....	2028	\$ 2,000,110	2.00 - 3.00	\$ 1,691,080
Electric Substation Refunding Bonds of 2021.....	2030	1,053,080	2.00 - 3.00	<u>926,260</u>
Total Municipal Light Enterprise.....				<u>2,617,340</u>
Total Bonds Payable.....				18,547,844
Add: Unamortized premium on bonds.....				<u>761,867</u>
Total Bonds Payable, net.....				<u>\$ 19,309,711</u>

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

Year	General Obligation Bonds Payable		
	Principal	Interest	Total
2023.....	\$ 1,261,110	\$ 483,982	\$ 1,745,092
2024.....	1,248,140	426,601	1,674,741
2025.....	1,225,120	369,443	1,594,563
2026.....	1,155,960	315,819	1,471,779
2027.....	1,130,670	264,114	1,394,784
2028.....	1,059,870	214,355	1,274,225
2029.....	713,390	173,519	886,909
2030.....	682,210	142,371	824,581
2031.....	575,000	119,025	694,025
2032.....	575,000	102,715	677,715
2033.....	575,000	87,950	662,950
2034.....	560,000	75,478	635,478
2035.....	555,000	63,150	618,150
2036.....	555,000	50,964	605,964
2037.....	435,000	38,776	473,776
2038.....	435,000	29,886	464,886
2039.....	420,000	21,000	441,000
2040.....	420,000	12,600	432,600
2041.....	420,000	4,200	424,200
Total.....	\$ <u>14,001,470</u>	\$ <u>2,995,948</u>	\$ <u>16,997,418</u>

Year	Direct Borrowings Payable		
	Principal	Interest	Total
2023.....	\$ 326,518	\$ 89,967	\$ 416,485
2024.....	333,614	83,417	417,031
2025.....	340,865	76,723	417,588
2026.....	348,274	69,886	418,160
2027.....	355,842	62,898	418,740
2028.....	363,575	55,758	419,333
2029.....	371,478	48,460	419,938
2030.....	379,551	41,012	420,563
2031.....	387,800	33,393	421,193
2032.....	396,228	25,613	421,841
2033.....	404,840	17,664	422,504
2034.....	220,997	10,756	231,753
2035.....	225,800	6,334	232,134
2036.....	90,992	1,820	92,812
Total.....	\$ <u>4,546,374</u>	\$ <u>623,701</u>	\$ <u>5,170,075</u>

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2022, the Town had authorized and unissued debt, which is noted below.

Purpose	Amount
Land Acquisition.....	\$ 3,644,546
Water.....	154,587
Street Reconstruction.....	2,000,000
Wastewater Treatment Plant.....	97,466
Water Treatment Plant.....	138,209
Water Departmental Equipment.....	255,255
Winthrop School Feasibility Study.....	33,937
Wastewater Treatment Plant & Browns Well.....	500,000
Public Safety Building.....	27,500,000
Wastewater Treatment Plant Upgrades to Aeration System.....	6,000,000
Total.....	\$ 40,324,000

Changes in Long-term Liabilities

During the year ended June 30, 2022, the following changes occurred in long-term liabilities:

	Beginning Balance	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
Governmental Activities:							
Long-term general obligation bonds payable... \$	7,459,300	\$ -	\$ (875,770)	\$ -	\$ -	\$ 6,583,530	\$ 723,890
Long-term direct borrowings payable.....	551,712	-	(33,739)	-	-	517,973	33,740
Add: Unamortized premium on bonds.....	439,813	-	(84,299)	-	-	355,514	83,023
Total bonds payable.....	8,450,825	-	(993,808)	-	-	7,457,017	840,653
Capital lease obligations.....	265,892	-	-	-	(265,892)	-	-
Compensated absences.....	1,041,895	-	-	760,123	(878,029)	923,989	736,899
Net pension liability.....	33,281,749	-	-	64,397	(3,559,488)	29,786,658	-
Net other postemployment benefits.....	25,706,550	-	-	4,117,764	(1,707,118)	28,117,196	-
Total governmental activity long-term liabilities.....	\$ 68,746,911	\$ -	\$ (993,808)	\$ 4,942,284	\$ (6,410,527)	\$ 66,284,860	\$ 1,577,552
Business-Type Activities:							
Long-term general obligation bonds payable... \$	15,375,700	\$ -	\$ (1,374,230)	\$ -	\$ -	\$ 14,001,470	\$ 1,261,110
Long-term direct borrowings payable.....	4,865,946	-	(319,572)	-	-	4,546,374	326,518
Add: Unamortized premium on bonds.....	855,160	-	(93,293)	-	-	761,867	99,850
Total bonds payable.....	21,096,806	-	(1,787,095)	-	-	19,309,711	1,687,478
Compensated absences.....	380,791	-	-	113,521	(127,481)	366,831	130,420
Net pension liability.....	8,307,250	-	-	123,390	(899,917)	7,530,723	-
Net other postemployment benefits (asset)....	(402,366)	-	-	681,434	(312,690)	(33,622)	-
Total business-type activity long-term liabilities.....	\$ 29,382,481	\$ -	\$ (1,787,095)	\$ 918,345	\$ (1,340,088)	\$ 27,173,643	\$ 1,817,898

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

NOTE 8 – 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 hierarchy as noted as follows:

	General	Feeoffee's Trust	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:					
Nonspendable:					
Permanent fund principal..... \$	-	\$ 27,823,203	\$ -	\$ 875,537	\$ 28,698,740
Restricted for:					
Feeoffee's Trust.....	-	8,723,712	-	-	8,723,712
Capital projects.....	-	-	1,095,146	-	1,095,146
Town revolving funds.....	-	-	-	453,358	453,358
Town gift funds.....	-	-	-	359,878	359,878
Town grant funds.....	-	-	-	801,610	801,610
Town receipts reserved.....	-	-	-	484,674	484,674
COVID-19.....	-	-	-	154,219	154,219
Other Town special revenue.....	-	-	-	150	150
School gift funds.....	-	-	-	1,733,848	1,733,848
School state grant funds.....	-	-	-	12,031	12,031
School federal grant funds.....	-	-	-	28,356	28,356
School revolving funds.....	-	-	-	4,109,840	4,109,840
Affordable housing.....	-	-	-	1,254,581	1,254,581
Other school special revenue.....	-	-	-	185,073	185,073
Expendable trust fund.....	-	-	-	1,304,878	1,304,878
Assigned to:					
General government.....	13,860	-	-	-	13,860
Finance.....	19,801	-	-	-	19,801
Public safety.....	17,257	-	-	-	17,257
Education.....	323,027	-	-	-	323,027
Public works.....	720,168	-	-	-	720,168
Planning and development.....	912	-	-	-	912
Code enforcement.....	60	-	-	-	60
Community and cultural services.....	9,000	-	-	-	9,000
Employee benefits.....	19,745	-	-	-	19,745
Debt service interest.....	86,053	-	-	-	86,053
Free cash used for subsequent year budget.....	2,745,467	-	-	-	2,745,467
Unassigned.....	10,833,068	-	(1,143,614)	-	9,689,454
Total Fund Balances..... \$	<u>14,788,418</u>	<u>\$ 36,546,915</u>	<u>\$ (48,468)</u>	<u>\$ 11,758,033</u>	<u>\$ 63,044,898</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, school stabilization fund, and special education reserve. In accordance with GASB 54, the stabilization funds have been reported in the general fund as unassigned. The balances of the general, capital, school stabilization fund, and special education reserve as of June 30, 2022, are \$1,969,958; \$9; \$3,961,780; and \$612,077 respectively.

NOTE 9 – RISK FINANCING

The Town is exposed to various risks of loss related to tort; theft of, damage to and the destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The Town participates in premium-based health care and workers' compensation plans for its employees. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

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, 2022, is considered to be immaterial for the Town's financial statements.

NOTE 10 – 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 46 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 <https://www.essexregional.com/> or <https://www.mass.gov/orgs/public-employee-retirement-administration-commission>.

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 <https://mtrs.state.ma.us/service/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, 2021. The Town's portion of the collective pension expense, contributed by the Commonwealth of \$3,899,224 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 \$48,590,983 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, 2021, was \$4,453,373. The actual contribution totaled \$4,459,405 and was 27.35% 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, 2022, the Town reported a liability of \$37,317,381 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. 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, 2021, the Town's proportion was 10.747%, which increased from its 10.478% proportion measured at December 31, 2020.

Pension Expense

For the year ended June 30, 2022, the Town recognized a pension expense of \$4,292,073. At June 30, 2022, the Town reported deferred outflows of resources related to pensions of \$5,358,791, and also deferred inflows of resources related to pensions of \$9,457,081. The balances of deferred outflows/ (inflows) of resources related to pension at June 30, 2022, consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 3,107	\$ (1,141,863)	\$ (1,138,756)
Difference between projected and actual earnings, net.....	-	(8,272,270)	(8,272,270)
Changes in assumptions.....	4,133,698	-	4,133,698
Changes in proportion and proportionate share of contributions...	1,221,986	(42,948)	1,179,038
	<u>\$ 5,358,791</u>	<u>\$ (9,457,081)</u>	<u>\$ (4,098,290)</u>

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

Year ended June 30:	
2023.....	\$ (374,569)
2024.....	(1,314,397)
2025.....	(1,452,937)
2026.....	(956,387)
	<u>\$ (4,098,290)</u>

Actuarial Assumptions

The total pension liability in the January 1, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement date that was updated to December 31, 2021.

Valuation date.....	January 1, 2022
Interest on employee contributions.....	3.50%
Salary increases.....	Based on years of service, ranging from 7.50% at 0 years of service decreasing to 3.75% after 5 years if service.
Net investment return/ Discount rate.....	7.00% (previously 7.30%)
Mortality rates: Pre-retirement.....	RP-2014 Employee Mortality Table projected generationally with Scale MP-2021.
Mortality rates: Healthy retiree.....	RP-2014 Healthy Annuitant Mortality Table projected generationally with Scale MP-2021.
Mortality rates: Disabled retiree.....	RP-2014 Healthy Annuitant Mortality Table set forward two years projected generationally with Scale MP-2021.

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 expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and risk margin.

The System’s expected future real rate of return, after deducting inflation, but before investment expense, used in the derivation of the long-term investment rate of return assumption as of December 31, 2021, are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity.....	22.00%	6.11%
International developed markets equity.....	11.50%	6.49%
International emerging markets equity.....	4.50%	8.12%
Core fixed income.....	15.00%	0.38%
High-yield fixed income.....	8.00%	2.48%
Private equity.....	15.00%	9.93%
Real estate.....	10.00%	3.72%
Timberland.....	4.00%	3.44%
Hedge funds, PCS.....	10.00%	2.63%
Total.....	100.00%	

Rate of Return

For the year ended December 31, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 19.69%. 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 7.00% as of December 31, 2021, and 7.30% as of December 31, 2020. 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 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
	<u> </u>	<u> </u>	<u> </u>
The Town's proportionate share of the net pension liability.....	\$ 50,466,879	\$ 37,317,381	\$ 26,274,882
ERRS total net pension liability.....	\$ <u>469,607,671</u>	\$ <u>347,248,109</u>	\$ <u>244,494,736</u>

Changes in Assumptions:

The following changes were reflected in the January 1, 2022, valuation:

- The net investment return assumption decreased from 7.30% to 7.00%.
- The mortality assumption was revised to update the mortality improvement projection scale from MP-2019 to MP-2021 and to change the age set forward for disabled participates from two years to one year.
- The administrative expense assumption increased from \$1,000,000 for calendar year 2020 to \$1,150,000 for calendar year 2022.

Changes in Plan Provisions:

The System increased the COLA base from \$14,000 to \$16,000.

NOTE 11 – 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.

Summary of Significant Accounting Policies

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts (repurchase agreements) that have a maturity at the time of purchase of one year or less, which are reported at cost.

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 2022, the Town’s age-adjusted contribution to the plan totaled \$2,019,808. For the year ended June 30, 2022, the Town’s average contribution rate was 5.76% 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 HSCBT 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 2022, the Town pre-funded future OPEB liabilities totaling approximately \$544,900 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, 2022, the balance of this fund totaled \$7,757,139.

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 Select Board.

Plan Membership

The following table represents the Plan’s membership at June 30, 2022:

Active members.....	482
Retirees/Disabled and Dependents.....	<u>309</u>
Total.....	<u><u>791</u></u>

Components of OPEB Liability

The following table represents the components of the Plan’s OPEB liability as of June 30, 2022:

	<u>Town</u>	<u>Water</u>	<u>Wastewater</u>	<u>Municipal Light</u>	<u>Total</u>
Total OPEB liability.....	\$ 32,705,135	\$ 514,548	\$ 490,659	\$ 2,130,371	\$ 35,840,713
Less: OPEB plan's fiduciary net position.....	<u>(4,587,939)</u>	<u>(806,722)</u>	<u>(463,410)</u>	<u>(1,899,068)</u>	<u>(7,757,139)</u>
Net OPEB liability (asset).....	<u>\$ 28,117,196</u>	<u>\$ (292,174)</u>	<u>\$ 27,249</u>	<u>\$ 231,303</u>	<u>\$ 28,083,574</u>
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.	14.03%	156.78%	94.45%	89.14%	21.64%

Significant Actuarial Methods and Assumptions

The total OPEB liability in the July 1, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement date that was updated to June 30, 2022 are as follows:

Valuation date.....	Actuarially determined contribution was calculated as of July 1, 2021.
Actuarial cost method.....	Individual entry age normal.
Asset valuation method.....	Market value of assets as of the measurement date, June 30, 2022.
Investment rate of return.....	6.41%, net of OPEB plan investment expense, including inflation.
Municipal bond rate.....	4.09% as of June 30, 2022 (Source: S&P Municipal Bond 20-Year High Grade Index - SAPIHG).
Single equivalent discount rate.....	6.41%, net of OPEB plan investment expense, including inflation.
Medical trend rate.....	4.50% through 2023, decreasing to 3.60% through 2061.
Inflation.....	2.50% as of June 30, 2022, and for future periods.
Salary increases.....	3.00% annually as of June 30, 2022, and for future periods.
Pre-retirement mortality.....	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females. Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females.
Post-retirement mortality.....	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females. Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.
Disabled mortality.....	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year. Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.

Rate of Return

For the year ended June 30, 2022, the annual money-weighted rate of return on OPEB plan investments was (3.88%). The money-weighted rate of return expresses investment performance, net of OPEB plan investments expense, adjusted for the changing amounts actually invested.

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 4.41% is added to the expected inflation of 2.50% to produce the long-term expected nominal rate of return of 6.91%. 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, 2022, are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity - Large cap.....	14.50%	4.42%
Domestic equity - Small/Mid cap.....	3.50%	4.81%
International equity - Developed market.....	16.00%	4.91%
International equity - Emerging market.....	6.00%	5.58%
Domestic fixed income.....	20.00%	1.00%
International fixed income.....	3.00%	1.04%
Alternatives.....	23.00%	5.98%
Real estate.....	14.00%	6.25%
Total.....	100.00%	

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2021.....	\$ 32,821,477	\$ 7,517,293	\$ 25,304,184
Changes for the year:			
Service cost.....	849,526	-	849,526
Interest.....	2,223,827	-	2,223,827
Change in assumptions.....	4,140,591	-	4,140,591
Differences between expected and actual experience.....	(2,719,800)	-	(2,719,800)
Net investment income (loss).....	-	(305,054)	305,054
Employer contributions to Trust.....	-	2,019,808	(2,019,808)
Benefit payments.....	(1,474,908)	(1,474,908)	-
Net change.....	3,019,236	239,846	2,779,390
Balances at June 30, 2022.....	\$ 35,840,713	\$ 7,757,139	\$ 28,083,574

Discount Rate

The discount rate used to measure the total OPEB liability was 6.41% as of June 30, 2022, which decreased from the discount rate of 6.75% as of the June 30, 2021, measurement date. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan’s funding policy.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the net other postemployment benefit liability, calculated using the discount rate of 6.41%, as well as what the net other postemployment benefit liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.41%) or 1-percentage-point higher (7.41%) than the current discount rate.

	1% Decrease (5.41%)	Current Discount Rate (6.41%)	1% Increase (7.41%)
Net OPEB liability.....	\$ 33,025,389	\$ 28,083,574	\$ 24,041,775

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following table presents the net other postemployment benefit liability, calculated using the current healthcare trend rate of 4.50%, as well as what the net other postemployment benefit liability would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

	1% Decrease	Current Trend	1% Increase
Net OPEB liability.....	\$ 23,543,733	\$ 28,083,574	\$ 33,697,035

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the financial reporting year ended June 30, 2022, the Town recognized OPEB expense of \$3,128,079 and the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 304,788	\$ (2,501,041)	\$ (2,196,253)
Difference between projected and actual earnings, net.....	20,415	-	20,415
Changes in assumptions.....	4,413,629	-	4,413,629
Total deferred outflows/(inflows) of resources.....	\$ 4,738,832	\$ (2,501,041)	\$ 2,237,791

Amounts reported as deferred outflows/(inflows) of resources related to OPEB being amortized will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	
2023.....	\$ 615,196
2024.....	356,967
2025.....	272,642
2026.....	529,011
2027.....	323,176
Thereafter.....	<u>140,799</u>
 Total.....	 \$ <u>2,237,791</u>

Changes in Assumptions:

The discount rate has been changed from 6.75% to 6.41%. Also, the methodology for calculating expected claims has been updated, and the model for future healthcare cost increases has been updated.

Changes in Plan Provisions:

None.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Federal Award Programs

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, 2022, 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.

Legal Matters

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, 2022, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2022.

Purchase Commitments

The general fund has various commitments for goods and services related to encumbrances totaling \$1,209,883.

Per-and Poly Fluoroalkyl Substances

The Town is in the process of conducting vigorous research regarding the extent and remediation of potential Per – and Poly Fluoroalkyl Substances (PFAS) in the Town’s water supply. In 2022, the Town used federal grant funding from the American Rescue Plan Act (APRA) to offset costs incurred for PFAS remediation efforts. The Town is also in the process of designing a new water treatment plant to replace the existing plant. The plans for the new plant are intended to not only upgrade its current system, but to address additional supply and regulatory needs regarding PFAS remediation.

It is possible that the Town may be responsible for additional costs associated with PFAS remediation, and these future costs may be significant. While the amounts may be substantial the ultimate liability cannot be determined because of the considerable uncertainties that exist. Therefore, it is possible that there could be material negative outcomes affected by certain contingencies existing as of June 30, 2022. The full extent of the financial impact cannot be determined at the date of the financial statements.

Non-Functioning Wind Turbine

Located on Town property is a privately owned wind turbine (turbine), which is broken and no longer operational. The turbine owned by the private company, Ipswich Wind Independence, LLC (IWI), was constructed on a piece of Town land and governed under a lease agreement, in which, the Town received rent for the use of the land. Additional agreements also obligated the Ipswich Municipal Light Plant (Plant) to purchase the power generated by the turbine. The turbine has since become no longer operational, and IWI’s insurance claims were denied and they did not receive any warranties from the manufacturer. The Plant reviewed IWI’s financial statements and concluded that, as an LLC, IWI has no means to remove the turbine and no meaningful assets to serve as collateral.

The Town has expressed concerns over the turbine regarding ice shedding and the hazards it creates to the composting operations below, therefore the Town has considered removal, reconstructing, and/or repurposing the turbine. The Town has solicited quotes for disassembly of the turbine’s blades, however, actual costs are unknown due to the uncertainties of the plan of action at this time. The Town has not yet secured or committed any funding for this project.

Therefore, it is possible that there could be material negative outcomes affected by certain contingencies existing as of June 30, 2022. The full extent of the financial impact cannot be determined at the date of the financial statements.

NOTE 13 – 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 Select Board, 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, 2022, the new trust reported a balance of \$36.5 million which is held in investments and mortgages and loans on the properties.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 12, 2022, which is the date the financial statements were available to be issued.

NOTE 15 – FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS

During 2022, the following GASB pronouncements were implemented:

- GASB Statement #87, *Leases*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.
- GASB Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This pronouncement did not impact the basic financial statements.
- GASB Statement #92, *Omnibus 2020*. This pronouncement did not impact the basic financial statements.
- GASB Statement #93, *Replacement of Interbank Offered Rates*. This pronouncement did not impact the basic financial statements.
- GASB Statement #97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #91, *Conduit Debt Obligations*, which is required to be implemented in 2023.
- The GASB issued Statement #94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #96, *Subscription-Based Information Technology Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #99, *Omnibus 2022*, which is required to be implemented in 2023.

- The GASB issued Statement #100, *Accounting Changes and Error Corrections*, which is required to be implemented in 2024.
- The GASB issued Statement #101, *Compensated Absences*, which is required to be implemented in 2025.

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. Massachusetts law stipulates that the Light Department may change from the statutory depreciation rate only with the approval of the DPU. The Department used an overall depreciation rate of 3.0%, which was the same rate used in the prior year. These rates approximate GAAP based on the average age of the utility plan assets.

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 \$324,745 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, 2022, totaled \$1,458,699.

In addition to the working capital deposit, the Department also has made other power supply related prepayments totaling approximately \$173,000.

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 \$331,327 in unbilled fuel costs at June 30, 2022.

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, 2022, 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, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Municipal Light:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 22,976	\$ -	\$ -	\$ 22,976
<u>Capital assets being depreciated:</u>				
Production plant.....	9,300,053	122,347	-	9,422,400
Transmission plant.....	1,964,039	-	-	1,964,039
Distribution plant.....	20,235,706	559,858	(153,780)	20,641,784
General plant.....	3,126,032	53,472	(26,500)	3,153,004
Total capital assets being depreciated.....	<u>34,625,830</u>	<u>735,677</u>	<u>(180,280)</u>	<u>35,181,227</u>
<u>Less accumulated depreciation for:</u>				
Production plant.....	(6,728,077)	(289,093)	-	(7,017,170)
Transmission plant.....	(1,089,108)	(58,481)	-	(1,147,589)
Distribution plant.....	(10,109,528)	(613,971)	153,780	(10,569,719)
General plant.....	(2,023,986)	(97,295)	26,500	(2,094,781)
Total accumulated depreciation.....	<u>(19,950,699)</u>	<u>(1,058,840)</u>	<u>180,280</u>	<u>(20,829,259)</u>
Total capital assets being depreciated, net.....	<u>14,675,131</u>	<u>(323,163)</u>	<u>-</u>	<u>14,351,968</u>
Total municipal light activities capital assets, net....	<u>\$ 14,698,107</u>	<u>\$ (323,163)</u>	<u>\$ -</u>	<u>\$ 14,374,944</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, 2022, was \$1,812,390 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 \$445,544 for the year ended June 30, 2022, which represents approximately 9.99% of the System’s assessment to the Town.

At June 30, 2022, the Department reported a liability of \$3,728,420 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. 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, 2021, the Department’s proportion was 9.99% of the Town’s 10.747% overall percentage. The Town’s proportion increased from 10.478% at December 31, 2020, to 10.747% at December 31, 2021.

For the year ended June 30, 2022, the Department recognized a pension expense of \$428,826. At June 30, 2022, the Department reported deferred outflows of resources related to pensions of \$535,403 and deferred inflows of resources related to pensions of \$944,867.

NOTE G – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

The following schedule represents the components of the Department’s net other postemployment benefits (OPEB) liability as of June 30, 2022.

Total OPEB liability.....	\$	2,130,371
Less: OPEB plan's fiduciary net position.....		<u>(1,899,068)</u>
Net OPEB liability.....	\$	<u>231,303</u>

Please refer back to Note 11 for the Town-wide disclosures relating to OPEB.

NOTE H – LONG TERM DEBT

Details relating to the Department’s outstanding indebtedness at June 30, 2022, are as follows:

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2022
Municipal Light Projects				
General Obligation Bonds Payable:				
Electric Substation Refunding Bonds 2021.....	2028	\$ 2,000,110	2.00 - 3.00	\$ 1,691,080
Wind Turbine Refunding Bonds 2021.....	2030	1,053,080	2.00 - 3.00	<u>926,260</u>
Total Municipal Light Enterprise.....				<u>\$ 2,617,340</u>

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

Year	Principal	Interest	Total
2023.....	\$ 420,240	\$ 120,362	\$ 540,602
2024.....	416,430	99,444	515,874
2025.....	417,550	78,594	496,144
2026.....	381,780	58,612	440,392
2027.....	384,820	39,446	424,266
2028.....	385,530	20,187	405,717
2029.....	121,120	7,522	128,642
2030.....	89,870	2,247	92,117
Total.....	<u>\$ 2,617,340</u>	<u>\$ 426,414</u>	<u>\$ 3,043,754</u>

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, 2022, under these arrangements are as follows:

Payment in lieu of taxes.....	\$ 324,745
Subsidized street lighting maintenance.....	29,312
Town salaries paid by the Department.....	79,940
Non-reimbursed services and materials provided to the Town.....	<u>47,451</u>
Total.....	<u>\$ 481,448</u>

The Department bills Town departments for electric light usage. The amount included in revenue under this arrangement was \$885,297 for the year ended June 30, 2022, 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). The Light Department has entered into PSAs with MMWEC. Under the PSAs the Department is required to make certain payments to MMWEC payable solely from Municipal Light Department revenues. 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. 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. Project Participants have covenanted to fix, revise and collect rates at least sufficient to meet their obligations under the PSAs. Each Participant is unconditionally obligated to make payments due to MMWEC whether or not the Project(s) is completed or operating and notwithstanding the suspension or interruption of the output of the Project(s).

NOTE K – BERKSHIRE WIND COOPERATIVE CORPORATION

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

The Cooperative is organized under Chapters 157 and 164: Section 47C of the State of Massachusetts Statutes and constitutes a municipal lighting plant cooperative. The Cooperative was formed by Massachusetts Municipal Wholesale Electric Company (MMWEC) and 16 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 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.

The Berkshire Wind Facility is comprised of two Phases. Phase 1 is comprised of ten 1.5-megawatt wind turbines which have been commercially operating since 2011, and Phase 2 is comprised of two 2.3-megawatt wind turbines which began commercial operations in November 2019.

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 and its pro rata share of the Operation and Maintenance (O&M) costs of the Berkshire Wind Facility. 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. Additionally, 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.

The total capital expenditures, debt service and operation and maintenance (O&M) costs associated with the Department's pro rata share of the Phases in which it participates for the years ended June 30, 2022 and 2021, respectively are listed in the table on the following page.

Phase	Percentage Share	Total Capital Expenditures 2022	Debt Service Billed 2022	Debt Service Billed 2021	Operations & Maintenance Billed 2022	Operations & Maintenance Billed 2021
Berkshire Phase 1.....	6.4160%	\$ 3,548,631	\$ 310,566	\$ 310,470	\$ 124,099	\$ 109,549
Berkshire Phase 2.....	19.1410%	<u>3,123,994</u>	<u>196,776</u>	<u>196,784</u>	<u>157,208</u>	<u>123,111</u>
Total.....		<u>\$ 6,672,625</u>	<u>\$ 507,342</u>	<u>\$ 507,254</u>	<u>\$ 281,307</u>	<u>\$ 232,660</u>

In addition, the estimated aggregate amount of the required payments for future years for the Plant’s pro rata share of the Phases in which it participates is shown in the table below.

Percent Share.....	6.14%	23.42%	Total
	Phase 1	Phase 2	Berkshire
	Debt	Debt	Debt
Years Ended	Service	Service	Service
2023.....	\$ 310,502	\$ 264,294	\$ 574,796
2024.....	310,903	264,294	575,197
2025.....	310,438	264,294	574,732
2026.....	310,727	264,294	575,021
2027.....	310,743	264,294	575,037
2028-2032.....	931,571	1,321,471	2,253,042
2033.....	-	<u>1,452,544</u>	<u>1,452,544</u>
Total.....	<u>\$ 2,484,884</u>	<u>\$ 4,095,485</u>	<u>\$ 6,580,369</u>

NOTE L – COMMITMENTS AND CONTINGENCIES

MMWEC operates the Stony Brook Intermediate Project and the Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has the Nuclear Mix No 1 Project, Nuclear Project Three, Nuclear Project Four, Nuclear Project Five and Project Six, which comprise an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by NextEra Energy Seabrook, LLC and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit, operated by Dominion Nuclear Connecticut, Inc. The operating license for Seabrook Station extends to March 15, 2050. The operating license for the Millstone Unit 3 nuclear unit extends to November 25, 2045.

The Light Department is also a Participant in MMWEC Project 2020A, a solar resource in Ludlow, MA, which is under construction as of June 30, 2022. As of June 30, 2022, the Light Department has contributed \$162,044 for design and construction costs for Project 2020A.

Pursuant to the PSAs, the MMWEC 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, as needed. Also, the Millstone and Seabrook 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 Electric Department has entered into PSAs with MMWEC. Under the PSAs the Department is required to make certain payments to MMWEC payable solely from Municipal Light Department revenues. 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.

The total capital expenditures and annual capacity, fuel and transmission costs (which include debt service and decommissioning expenses as discussed above) associated with the Department’s Project Capability of the Projects in which it participates for the years ended June 30, 2022 and 2021, respectively are listed in the table below.

Projects	Percentage Share	Total Capital Expenditures 2022	Capacity, Fuel and Transmission Billed 2022	Capacity, Fuel and Transmission Billed 2021
Stony Brook Intermediate Project	3.2330%	\$ 592,054	\$ 47,593	\$ 46,818
Nuclear Mix No. 1-Seabrook.....	2.0179%	208,189	8,698	9,388
Nuclear Mix No. 1-Millstone.....	2.0179%	1,281,357	125,181	123,554
Nuclear Project No. 3-Millstone.....	0.8897%	1,369,584	109,778	108,963
Nuclear Project No. 4-Seabrook.....	2.1220%	6,470,531	242,866	263,681
Nuclear Project No. 5-Seabrook.....	1.0335%	852,671	30,564	33,047
Project 2020A-Ludlow Solar.....	34.7820%	2,628,692	-	- (A)
Total.....		\$ 13,403,078	\$ 564,680	\$ 585,451

(A) 2023 Debt Service totals \$2,716,016 with a 34.7820% share.

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, 2022

	Budgeted Amounts				Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Amounts Carried Forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget			
REVENUES:							
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 43,548,528	\$ 43,548,528	\$ 43,621,130	\$ 43,825,603	\$ -	\$ 204,473
Tax liens.....	-	-	-	-	107,954	-	107,954
Motor vehicle and other excise taxes.....	-	1,915,000	1,915,000	1,915,000	2,324,637	-	409,637
Meals tax.....	-	140,000	140,000	140,000	276,109	-	136,109
Charges for services.....	-	30,000	30,000	30,000	29,090	-	(910)
Penalties and interest on taxes.....	-	130,000	130,000	130,000	175,734	-	45,734
Payments in lieu of taxes.....	-	447,142	447,142	447,142	484,129	-	36,987
Licenses and permits.....	-	760,000	760,000	760,000	1,094,033	-	334,033
Fines and forfeitures.....	-	40,000	40,000	40,000	25,753	-	(14,247)
Intergovernmental - state aid.....	-	5,777,585	5,777,585	5,777,585	5,790,227	-	12,642
Departmental and other.....	-	355,000	355,000	355,000	644,037	-	289,037
Investment income.....	-	50,000	50,000	50,000	39,292	-	(10,708)
TOTAL REVENUES.....	-	53,193,255	53,193,255	53,265,857	54,816,598	-	1,550,741
EXPENDITURES:							
Current:							
General government.....	9,733	655,351	665,084	696,619	620,864	13,860	61,895
Finance.....	1,118	1,377,936	1,379,054	1,381,552	1,335,602	19,801	26,149
Public safety.....	25,352	5,669,053	5,694,405	5,752,243	5,727,999	17,257	6,987
Education.....	97,367	32,973,286	33,070,653	31,875,761	31,552,010	323,027	724
Public works.....	728,070	4,825,062	5,553,132	5,553,145	4,732,987	720,168	99,990
Planning and development.....	-	308,065	308,065	305,058	300,129	912	4,017
Code enforcement.....	4,000	511,284	515,284	529,871	515,062	60	14,749
Community and cultural services.....	13,000	557,213	570,213	576,971	488,966	9,000	79,005
Library.....	-	800,842	800,842	800,813	748,082	-	52,731
Pension benefits.....	-	2,354,036	2,354,036	2,354,036	2,349,775	-	4,261
Property and liability insurance.....	-	300,000	300,000	300,000	278,255	-	21,745
Employee benefits.....	37,864	2,415,835	2,453,699	2,360,996	2,080,625	19,745	260,626
State and county charges.....	-	1,346,292	1,346,292	1,346,292	1,184,388	-	161,904
Debt service:							
Principal.....	-	994,936	994,936	909,737	909,510	-	227
Interest.....	86,053	275,330	361,383	364,587	278,534	86,053	-
TOTAL EXPENDITURES.....	1,002,557	55,364,521	56,367,078	55,107,681	53,102,788	1,209,883	795,010
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(1,002,557)	(2,171,266)	(3,173,823)	(1,841,824)	1,713,810	(1,209,883)	2,345,751
OTHER FINANCING SOURCES (USES):							
Transfers in.....	-	1,685,667	1,685,667	1,685,667	1,685,667	-	-
Transfers out.....	-	(1,719,742)	(1,719,742)	(3,049,742)	(3,049,742)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	-	(34,075)	(34,075)	(1,364,075)	(1,364,075)	-	-
NET CHANGE IN FUND BALANCE.....	(1,002,557)	(2,205,341)	(3,207,898)	(3,205,899)	349,735	(1,209,883)	2,345,751
BUDGETARY FUND BALANCE, Beginning of year.....	-	7,804,500	7,804,500	7,804,500	7,804,500	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ (1,002,557)	\$ 5,599,159	\$ 4,596,602	\$ 4,598,601	\$ 8,154,235	\$ (1,209,883)	\$ 2,345,751

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**

Year	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2021.....	10.747%	\$ 37,317,381	\$ 16,142,143	231.18%	67.01%
December 31, 2020.....	10.478%	41,588,999	15,214,809	273.35%	59.73%
December 31, 2019.....	10.477%	44,140,209	14,634,546	301.62%	55.46%
December 31, 2018.....	10.242%	43,270,288	14,272,854	303.16%	51.89%
December 31, 2017.....	10.288%	38,718,599	13,748,965	281.61%	55.40%
December 31, 2016.....	10.325%	39,782,214	13,639,196	291.68%	51.12%
December 31, 2015.....	10.809%	39,272,090	13,598,463	288.80%	51.01%
December 31, 2014.....	10.815%	36,691,344	13,158,332	278.84%	52.27%

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**

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
June 30, 2022.....	\$ 4,453,373	\$ (4,459,405)	\$ (6,032)	\$ 16,303,564	27.35%
June 30, 2021.....	4,045,456	(4,054,231)	(8,775)	15,366,957	26.38%
June 30, 2020.....	3,762,778	(3,771,581)	(8,803)	14,780,891	25.52%
June 30, 2019.....	3,422,787	(3,433,989)	(11,202)	14,415,583	23.82%
June 30, 2018.....	3,203,826	(3,221,617)	(17,791)	13,886,455	23.20%
June 30, 2017.....	2,991,712	(3,009,923)	(18,211)	13,775,588	21.85%
June 30, 2016.....	2,969,479	(2,987,388)	(17,909)	13,734,448	21.75%
June 30, 2015.....	2,774,038	(2,774,038)	-	13,289,915	20.87%

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. Therefore, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the associated collective net pension liability; the portion of the collective pension expense as both a revenue and pension expense recognized; and the Plan's fiduciary net position as a percentage of the total liability.

Year	Commonwealth's 100% Share of the Associated Net Pension Liability	Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2022.....	\$ 48,590,983	\$ 3,899,224	62.03%
2021.....	59,735,218	7,378,155	50.67%
2020.....	52,957,661	6,422,036	53.95%
2019.....	50,519,698	5,119,440	54.84%
2018.....	49,385,651	5,154,524	54.25%
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

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.

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.

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

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Total OPEB Liability						
Service Cost.....	\$ 683,460	\$ 770,372	\$ 813,439	\$ 744,048	\$ 770,226	\$ 849,526
Interest.....	1,467,865	1,814,308	1,921,495	2,023,193	2,125,825	2,223,827
Differences between expected and actual experience....	2,187,518	-	-	(342,127)	-	(2,719,800)
Changes of assumptions.....	-	-	-	330,267	1,012,628	4,140,591
Benefit payments.....	(978,810)	(1,049,963)	(1,144,813)	(1,282,897)	(1,348,992)	(1,474,908)
Net change in total OPEB liability.....	3,360,033	1,534,717	1,590,121	1,472,484	2,559,687	3,019,236
Total OPEB liability - beginning.....	<u>22,304,435</u>	<u>25,664,468</u>	<u>27,199,185</u>	<u>28,789,306</u>	<u>30,261,790</u>	<u>32,821,477</u>
Total OPEB liability - ending (a).....	<u>\$ 25,664,468</u>	<u>\$ 27,199,185</u>	<u>\$ 28,789,306</u>	<u>\$ 30,261,790</u>	<u>\$ 32,821,477</u>	<u>\$ 35,840,713</u>
Plan fiduciary net position						
Employer contributions.....	\$ 434,027	\$ 443,848	\$ 385,722	\$ 439,058	\$ 233,348	\$ 544,900
Employer contributions for OPEB payments.....	978,810	1,049,963	1,144,813	1,282,897	1,348,992	1,474,908
Net investment income.....	369,453	351,344	256,316	100,417	1,667,438	(305,054)
Benefit payments.....	(978,810)	(1,049,963)	(1,144,813)	(1,282,897)	(1,348,992)	(1,474,908)
Net change in plan fiduciary net position.....	803,480	795,192	642,038	539,475	1,900,786	239,846
Plan fiduciary net position - beginning of year.....	<u>2,836,322</u>	<u>3,639,802</u>	<u>4,434,994</u>	<u>5,077,032</u>	<u>5,616,507</u>	<u>7,517,293</u>
Plan fiduciary net position - end of year (b).....	<u>\$ 3,639,802</u>	<u>\$ 4,434,994</u>	<u>\$ 5,077,032</u>	<u>\$ 5,616,507</u>	<u>\$ 7,517,293</u>	<u>\$ 7,757,139</u>
Net OPEB liability - ending (a)-(b).....	<u>\$ 22,024,666</u>	<u>\$ 22,764,191</u>	<u>\$ 23,712,274</u>	<u>\$ 24,645,283</u>	<u>\$ 25,304,184</u>	<u>\$ 28,083,574</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	14.18%	16.31%	17.64%	18.56%	22.90%	21.64%
Covered-employee payroll.....	\$ 25,678,773	\$ 28,521,568	\$ 29,377,215	\$ 29,079,256	\$ 29,951,634	\$ 35,062,667
Net OPEB liability as a percentage of covered-employee payroll.....	85.77%	79.81%	80.72%	84.75%	84.48%	80.10%
Discount rate.....	7.00%	7.00%	7.00%	7.00%	6.75%	6.41%

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**

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
June 30, 2022.....	\$ 2,292,686	\$ (2,019,808)	\$ 272,878	\$ 35,062,667	5.76%
June 30, 2021.....	2,121,234	(1,582,340)	538,894	29,951,634	5.28%
June 30, 2020.....	2,600,193	(1,721,955)	878,238	29,079,256	5.92%
June 30, 2019.....	2,599,315	(1,530,535)	1,068,780	29,377,215	5.21%
June 30, 2018.....	2,264,395	(1,493,811)	770,584	28,521,568	5.24%
June 30, 2017.....	2,151,229	(1,412,837)	738,392	25,678,773	5.50%

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

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2022.....	-3.88%
June 30, 2021.....	29.41%
June 30, 2020.....	1.96%
June 30, 2019.....	5.71%
June 30, 2018.....	9.54%
June 30, 2017.....	12.72%

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.

NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITYA. 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 2022 budget includes \$57.1 million in appropriations and other amounts to be raised and \$1.0 million in encumbrances and appropriations carried over from previous years. During 2022, Town Meeting approved supplemental appropriations totaling \$71,000.

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.

B. 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, 2022, is presented below:

Net change in fund balance - budgetary basis.....	\$	349,735
<u>Perspective differences:</u>		
Activity of the stabilization fund recorded in the general fund for GAAP.....		(109,316)
<u>Basis of accounting differences:</u>		
Net change in recording 60 day receipts.....		18,340
Recognition of revenue for on-behalf payments.....		3,899,224
Recognition of expenditures for on-behalf payments.....		(3,899,224)
Net change in fund balance - GAAP basis.....	\$	<u>258,759</u>

NOTE B – PENSION PLANA. 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 Liability

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 following changes were reflected in the January 1, 2022, valuation:

- The net investment return assumption decreased from 7.30% to 7.00%.
- The mortality assumption was revised to update the mortality improvement projection scale from MP-2019 to MP-2021 and to change the age set forward for disabled participants from two years to one year.
- The administrative expense assumption increased from \$1,000,000 for calendar year 2020 to \$1,150,000 for calendar year 2022.

E. Changes in Plan Provisions

The System increased the COLA base from \$14,000 to \$16,000.

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-employee payroll. Actuarially contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Methods and assumptions used to determine contribution rates are as follows:

Valuation date.....	Actuarially determined contribution was calculated as of July 1, 2021.
Actuarial cost method.....	Individual entry age normal.
Asset valuation method.....	Market value of assets as of the measurement date, June 30, 2022.
Investment rate of return.....	6.41%, net of OPEB plan investment expense, including inflation.
Municipal bond rate.....	4.09% as of June 30, 2022 (Source: S&P Municipal Bond 20-Year High Grade Index - SAPIHG).
Single equivalent discount rate.....	6.41%, net of OPEB plan investment expense, including inflation.
Medical trend rate.....	4.50% through 2023, decreasing to 3.60% through 2061.
Inflation.....	2.50% as of June 30, 2022, and for future periods.
Salary increases.....	3.00% annually as of June 30, 2022, and for future periods.
Pre-retirement mortality.....	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females. Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females.
Post-retirement mortality.....	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females. Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.
Disabled mortality.....	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year. Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.

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.

D. Changes of Assumptions

The discount rate has been changed from 6.75% to 6.41%. Also, the methodology for calculating expected claims has been updated, and the model for future healthcare cost increases has been updated.

E. Changes in Provisions

None.

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

MUNICIPAL LIGHT ENTERPRISE FUND
COMPARATIVE SCHEDULE OF NET POSITION

JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
CURRENT:		
Cash and cash equivalents.....	\$ 1,152,376	\$ 713,021
Restricted cash and cash equivalents.....	1,391,607	603,076
Receivables, net of allowance for uncollectibles:		
User charges.....	2,013,517	2,182,030
Inventory.....	116,492	129,080
Purchased power advanced deposits.....	1,631,490	1,632,511
Total current assets.....	<u>6,305,482</u>	<u>5,259,718</u>
NONCURRENT:		
Restricted cash and cash equivalents.....	3,085,008	2,704,808
Capital assets, non depreciable.....	22,976	22,976
Capital assets, net of accumulated depreciation.....	14,351,968	14,675,131
Total noncurrent assets.....	<u>17,459,952</u>	<u>17,402,915</u>
TOTAL ASSETS.....	<u>23,765,434</u>	<u>22,662,633</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions.....	535,403	333,740
Deferred outflows related to other postemployment benefits.....	281,676	95,682
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	<u>817,079</u>	<u>429,422</u>
LIABILITIES		
CURRENT:		
Warrants payable.....	2,085,641	1,871,953
Accrued payroll.....	30,011	112,494
Accrued interest.....	32,717	14,683
Other liabilities.....	3,345,163	3,220,489
Customer deposits.....	72,618	150,307
Compensated absences.....	24,000	25,600
Bonds payable.....	420,240	435,850
Total current liabilities.....	<u>6,010,390</u>	<u>5,831,376</u>
NONCURRENT:		
Compensated absences.....	216,199	229,900
Net pension liability.....	3,728,420	4,179,773
Net other postemployment benefits.....	231,303	17,632
Bonds payable.....	2,197,100	2,617,340
Total noncurrent liabilities.....	<u>6,373,022</u>	<u>7,044,645</u>
TOTAL LIABILITIES.....	<u>12,383,412</u>	<u>12,876,021</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions.....	944,867	333,138
Deferred inflows related to other postemployment benefits.....	148,662	63,286
TOTAL DEFERRED INFLOWS OF RESOURCES.....	<u>1,093,529</u>	<u>396,424</u>
NET POSITION		
Net investment in capital assets.....	11,757,604	11,644,917
Restricted for:		
Rate stabilization.....	1,812,390	1,654,501
Depreciation.....	992,302	336,707
Unrestricted.....	(3,456,724)	(3,816,515)
TOTAL NET POSITION.....	<u>\$ 11,105,572</u>	<u>\$ 9,819,610</u>

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

YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
OPERATING REVENUES:		
Charges for services.....	\$ 19,041,292	\$ 16,879,105
Other operating revenues.....	403,373	424,635
TOTAL OPERATING REVENUES	19,444,665	17,303,740
OPERATING EXPENSES:		
Cost of services and administration.....	14,957,411	13,188,092
Salaries and wages.....	2,080,228	1,711,004
Depreciation.....	1,058,840	1,030,859
TOTAL OPERATING EXPENSES.....	18,096,479	15,929,955
OPERATING INCOME.....	1,348,186	1,373,785
NONOPERATING REVENUES (EXPENSES):		
Investment income.....	8,874	7,327
Interest expense.....	(71,098)	(144,848)
Other nonoperating revenues.....	-	12,033
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(62,224)	(125,488)
CHANGE IN NET POSITION.....	1,285,962	1,248,297
NET POSITION AT BEGINNING OF YEAR.....	9,819,610	8,571,313
NET POSITION AT END OF YEAR.....	\$ 11,105,572	\$ 9,819,610

MUNICIPAL LIGHT ENTERPRISE FUND
COMPARATIVE SCHEDULE OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Receipts from customers and users.....	\$ 19,535,489	\$ 17,059,377
Payments to vendors.....	(14,433,056)	(13,684,590)
Payments to employees.....	(2,278,630)	(1,626,293)
NET CASH FROM OPERATING ACTIVITIES.....	2,823,803	1,748,494
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Other nonoperating revenues.....	-	12,033
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Acquisition and construction of capital assets.....	(735,677)	(1,017,048)
Principal payments on bonds and notes.....	(435,850)	(914,117)
Interest expense.....	(53,064)	(146,931)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(1,224,591)	(2,078,096)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Investment income.....	8,874	7,327
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	1,608,086	(310,242)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	4,020,905	4,331,147
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 5,628,991	\$ 4,020,905
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</u>		
<u>FROM OPERATING ACTIVITIES:</u>		
Operating income (loss).....	\$ 1,348,186	\$ 1,373,785
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation.....	1,058,840	1,030,859
Deferred (outflows)/inflows related to pensions.....	410,066	271,666
Deferred (outflows)/inflows related to other postemployment benefits.....	(100,618)	24,437
User charges.....	168,513	(255,801)
Inventory.....	12,588	14,944
Purchased power advanced deposits.....	1,021	1,144
Warrants payable.....	213,688	(1,214,883)
Accrued payroll.....	(82,483)	34,193
Customer deposits.....	(77,689)	11,438
Other liabilities.....	124,674	1,068,667
Compensated absences.....	(15,301)	26,081
Net pension liability.....	(451,353)	(326,689)
Net other postemployment benefits.....	213,671	(311,347)
Total adjustments.....	1,475,617	374,709
NET CASH FROM OPERATING ACTIVITIES.....	\$ 2,823,803	\$ 1,748,494

MUNICIPAL LIGHT ENTERPRISE FUND
COMPARATIVE SCHEDULE OF SALES OF ELECTRICITY

YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>SALES OF ELECTRICITY:</u>		
Residential.....	\$ 8,608,765	\$ 7,820,388
Commercial.....	919,218	797,198
Industrial.....	8,537,962	7,427,174
Municipal.....	885,297	743,290
Private Lighting.....	35,030	34,862
Street Lights.....	<u>55,020</u>	<u>56,193</u>
TOTAL SALES OF ELECTRICITY.....	<u>\$ 19,041,292</u>	<u>\$ 16,879,105</u>

MUNICIPAL LIGHT ENTERPRISE FUND
COMPARATIVE SCHEDULE OF COST OF SERVICE AND ADMINISTRATION AND SALARY AND WAGES
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>COST OF SERVICE AND ADMINISTRATION:</u>		
<u>Power Production Expenses:</u>		
Purchased power.....	\$ 12,314,653	\$ 11,140,599
Other power expenses.....	<u>1,005,072</u>	<u>1,121,332</u>
Total Power Production Expenses.....	<u>13,319,725</u>	<u>12,261,931</u>
<u>Distribution Expenses:</u>		
Station expenses.....	78,402	79,895
Customer installation expenses.....	789,718	132,657
Miscellaneous distribution expense.....	295,719	257,028
Maintenance of overhead lines.....	1,003,987	813,507
Maintenance of street lights and signal systems.....	<u>4,852</u>	<u>12,981</u>
Total Distribution Expenses.....	<u>2,172,678</u>	<u>1,296,068</u>
<u>Customer Account Expenses:</u>		
Customer records and collection.....	181,977	255,671
Uncollectible accounts.....	<u>(129,506)</u>	<u>-</u>
Total Customer Account Expenses.....	<u>52,471</u>	<u>255,671</u>
<u>Administrative and General Expenses:</u>		
Payments in lieu of taxes.....	324,745	325,142
Administrative and general salaries.....	438,842	472,936
Office supplies and expenses.....	98,110	100,497
Outside services.....	130,703	117,341
Property and general insurance.....	84,052	82,147
Employee's pensions and benefits.....	367,421	(55,297)
Miscellaneous general expense.....	<u>48,892</u>	<u>42,660</u>
Total Administrative and General Expenses.....	<u>1,492,765</u>	<u>1,085,426</u>
TOTAL COST OF SERVICE AND ADMINISTRATION.....	\$ <u>17,037,639</u>	\$ <u>14,899,096</u>