

# **TOWN OF MARBLEHEAD, MASSACHUSETTS**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**



Photo by Mike Porter

**For the Fiscal Year Ended  
June 30, 2012**

On the Cover:

*Dories moored at Little Harbor adjacent to Marblehead Harbor create a tranquil image during the early morning sunrise.*



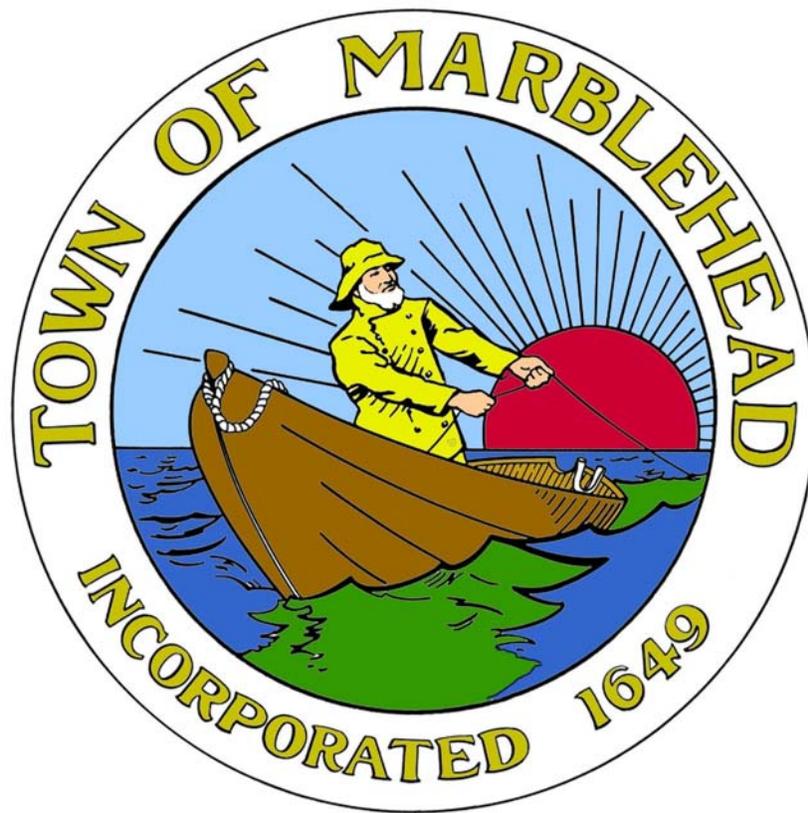
*Magnificent homes located on Marblehead Neck as viewed from the top of the lighthouse positioned at the mouth of Marblehead Harbor.*

*Residences bordering Chandler Hovey Park are located on the Marblehead Neck overlooking the Atlantic Ocean.*



*The Town of Marblehead encompasses the Harbor shown vacant of boats in the off season.*

# TOWN OF MARBLEHEAD, MASSACHUSETTS



COMPREHENSIVE  
ANNUAL FINANCIAL REPORT  
For the Fiscal Year Ended June 30, 2012  
Prepared by the Finance Department

TOWN OF MARBLEHEAD, MASSACHUSETTS  
 Comprehensive Annual Financial Report  
 Fiscal Year Ended June 30, 2012

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# *Introductory Section*



Photo by Rob Kipp

*The 105-foot cast-iron Lighthouse, the only lighthouse of its type in the New England states, is located in Chandler Hovey Park on Marblehead Neck.*

# ***Introductory Section***

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## **TOWN OF MARBLEHEAD**

### **FINANCIAL SERVICES**

*[www.marblehead.org/finance](http://www.marblehead.org/finance)*

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Letter of Transmittal

December 5, 2012

Honorable Members of the Board of Selectmen and Citizens of the Town of Marblehead, Massachusetts:

It is with pleasure that the Comprehensive Annual Financial Report of the Town of Marblehead, Massachusetts, for the fiscal year ended June 30, 2012, is presented. The financial statements are presented in conformity with accounting principles generally accepted in the United States of America (GAAP) that are audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report also complies with the financial reporting model developed by the Governmental Accounting Standards Board (GASB) Statement 34.

In addition to the fund financial information traditionally presented in the Town's financial statements, this report now includes government-wide financial statements. The government-wide financial statements include a Statement of Net Assets that provides the total net assets of the Town including all capital assets (including infrastructure) and the Statement of Activities that shows the cost of providing government services.

The report is designed to be used by the elected and appointed officials of the Town and others who are concerned with its management and progress such as bond analysts, banking institutions and credit rating agencies as well as residents and taxpayers of the Town of Marblehead.

This report consists of management's representations concerning the finances of the Town of Marblehead. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making those representations, management has established an internal control framework that is designed to both protect the assets of the Town from loss, theft or misuse and to allow for the compiling of sufficient reliable information for the preparation of the Town's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of management's knowledge and belief, this financial report is complete and reliable in all material respects.

The Town of Marblehead's financial statements have been audited by Powers & Sullivan, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Marblehead for the fiscal year ended June 30, 2012, are free of

material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town of Marblehead's financial statements for the fiscal year ended June 30, 2012, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the Town of Marblehead was part of a broader, federally-mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Town of Marblehead's separately issued Single Audit Report.

GAAP require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment MD&A and should be read in conjunction with it. The Town of Marblehead's MD&A can be found immediately following the report of the independent auditors.

## **PROFILE OF THE TOWN**

The Town of Marblehead, originally incorporated in 1649, is a picturesque seacoast town steeped in history. In its early years fishing and the shoe industry were its two main sources of income. While Marblehead has been known through the years as the "Birthplace of the American Navy," in recent times the town has also been known as one of the yachting capitals of the world. Pleasure boating is certainly a popular pastime of its residents. Visitors come from all over the world to view the original of the famous painting "The Spirit of '76" which is housed in Abbot Hall in the office of the Board of Selectmen, as well as to see the beautiful harbor crowded with sailing, fishing, lobster and pleasure boats. Another major attraction for visitors is the Town's historic district, the largest in the State, and the narrow crooked streets lined with Colonial and Victorian buildings, many of which have been placed on the National Register.

With a population of 19,808, Marblehead is located in the Greater Boston Area, 18 miles northeast of Boston, with a land area of 4.53 square miles. Marblehead is situated in eastern Massachusetts, bordered by Swampscott on the south, Salem on the southwest, and the Atlantic Ocean on the west, north, and east. Commuter rail service to North Station in Boston is convenient from the Salem or Swampscott stations and Marblehead is a member of the Massachusetts Bay Transportation Authority which provides bus service to Swampscott, Lynn and Boston.

The Town operates under a Board of Selectmen/Open Town Meeting/Town Administrator form of government. The five-member Board of Selectmen, elected annually, makes policy decisions. The Town Administrator is responsible for carrying out the policies and direction of the Board of Selectmen and for managing the day-to-day operations of the Town.

## **THE REPORTING ENTITY AND ITS SERVICES**

The financial reporting entity (the Town) of the primary government includes all funds, account groups and activities considered a part of the Town of Marblehead. Specifically excluded are the Marblehead Housing Authority and The North Shore Regional Vocational School District since they have substantial autonomy and separate governmental entity characteristics.

The Town provides a range of municipal services normally associated with municipal government including education, public safety (police, fire and emergency medical services), recreation and parks, elder services (Council on Aging), street construction and maintenance, solid waste collection and disposal, library, cemetery, building inspection and general administrative services. The Town also operates electric, water and sewer utilities and harbor and waterfront services as enterprises.

## **FACTORS AFFECTING FINANCIAL CONDITION**

The Town of Marblehead real estate market is currently experiencing a strong period of revitalization, both in terms of value and new construction. The aggregate value of the community increased approximately \$68,000,000 in fiscal year 2012 when compared to fiscal year 2011.

The median family income remained significantly higher than state averages and the unemployment rate continues to be lower than the State average (4.7% vs. 6.3% for the state). The Town remains a very desirable community given its close proximity to Boston, and for its tourism, history, boating, and the quality of services provided.

Marblehead has 14 miles of seacoast of varying topography. The housing stock is also varied. There are 6,178 single family dwellings as of January 1, 2012. There are 1,940 Colonial style homes, constituting 31% of the single family housing stock. Old Style construction (typically pre-1920) represents 23% with 1,397 properties. Cape, Ranch, Contemporary, Split level, and Antique style properties comprise 28% of the single family inventory. The balance consists of conventional (non- specific architectural style) Bungalows, Split Entries, Row House (attached by common wall), and Mansions. 53% of the housing stock was built prior to 1950, and Marblehead has one of largest inventories of homes built prior to 1800, including 229 properties built before 1750. The vast majority of early construction is located in the area of town referred to as "Old Town", and designated as the Historic District. The Historic District is a high density, homogeneous, and distinct area. Antique architecture is predominant and lots rarely exceed 5,000 square feet with some lots mirroring only the foundation of the dwelling. The Historic District has a more rigorous building standard than the standard zoning by-laws with regard to permit work involving the exterior.

Residential properties comprise 95% of the tax levy. In FY 2012 single family dwellings had an average assessment of \$661,000, and an average tax bill of \$6,958 based on a single tax rate of \$10.52.

Commercial properties are typically one and two structures located along Atlantic Avenue, Pleasant Street, and in the Historic District. The predominant composition of the commercial properties is small retail, clothing boutiques, restaurants, banks, and office space, with many mixed use properties located in the Historic District. Notable exceptions are 3 small strip centers located on Pleasant Street, and a 15,000 square foot supermarket with attached residential improvements located in the Historic District.

As noted, the Town is currently in the revitalization stage of the real estate cycle as demonstrated by an increased number of "tear downs" and redevelopment of 11 new dwellings. Additionally, two new 7 home subdivisions and the 88 unit 40B project at Marblehead Highlands have been recently absorbed in the market and serve as additional evidence of strong demand. Discussions with local brokers indicate the strongest demand in nearly 6 years with an average marketing time of 3 months if priced properly. There have been 141 single family home sales through the first 7 months of 2012 compared to 154 "arms-length" sales in calendar 2011.

Commercial revitalization is also evident with the ongoing construction of Warwick Place, a 3 story, 38,000 square foot retail/office building in the center of the downtown which will include a new movie theater. When

complete, it will be the largest single commercial improvement in the community. The project will be completed in the spring of 2013. Vacancy for commercial space is stable at an estimated 5%.

Based on market demand, current and proposed development, it is anticipated the stable and healthy real estate market conditions will continue.

## **FINANCIAL AND MANAGEMENT POLICIES**

### **Minimal Changes to Approved Operating Budget Required**

The Town's finance committee is responsible for reviewing departmental budget requests and submits to the town meeting an operating budget for the proposed expenditures and other financing uses for the next fiscal year. The budget, as enacted by the town meeting, also establishes that certain appropriations are to be funded by particular revenues. The original budget can be amended during the fiscal year at special town meetings or at the next annual town meeting held prior to the end of the fiscal year. In FY12 no such budget amendments occurred. During the fiscal year the finance committee may transfer funds for extraordinary or unforeseen expenditures. The Town appropriated \$144,000 for this purpose in fiscal 2012 and transfers of \$70,114 were made from this appropriation. This represents the second smallest draw on the Town's Reserve Fund in the past 30 years. State Law also allows for certain transfers between department appropriations during the last 60 days of the fiscal year if approved by both the Finance Committee and the Board of Selectmen. In Fiscal Year 2012, there were no transfers necessary under this provision of the law. All unencumbered and unexpended appropriations lapse at year-end.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Capital Projects Fund as well as the Sewer, Water and Harbor Enterprise Funds. Although formal budgetary integration is not employed for Special Revenue Funds, effective budgetary control is alternatively achieved through provisions of the Massachusetts General Laws and the Town's by-laws.

Appropriations are authorized by the Town Meeting for line items within departments. Typical line items are salaries, expense and local travel. These are the legal levels of budgetary control (level at which expenditures may not exceed budget). However, the Town is statutorily required to pay debt service, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final legal judgments may exceed the level of spending authorized by majority vote at a Town Meeting.

### **Long-Term Financial Planning**

The Town manages its financial matters in a prudent manner. This has been affirmed by its ability to maintain its AAA bond rating even through the turbulent financial period that has been experienced nationally over the past few years. The Town's financial actions are generally guided by multi-year planning tools, pay-as-you-go financing strategies for certain capital investments, long-term planning for liabilities such as its pension obligations, strategic reorganizations of certain municipal services, and establishment of reserves to alleviate volatility in departmental budgets.

The Town of Marblehead has also enhanced its revenue flexibility by establishing totally self-sufficient enterprise funds for sewer, water, electric and harbor operations. All costs related to the enterprises are funded through user fees and each enterprise pays the Town for its share of general government services. Currently each of the enterprises avoids the issuance of new debt for capital improvements. Instead each enterprise funds its capital projects from net assets.

### **Undesignated Fund Balance in General Fund Trend Continues**

The Town's management of its finances has resulted in a continued positive trend in General Fund equity. In the eight fiscal years since FY2004, General Fund undesignated fund balance at year end has increased 316%. At the end of FY12, the undesignated fund balance in the General Fund decreased slightly from the previous year; however, the FY12 undesignated fund balance was still over 23% higher than at the conclusion FY10.

### **Property Tax Collection Rates Remain Consistently High**

The Town has consistently had a first collection rate for net property taxes due in excess of 98%. This collection rate was achieved again in FY2012.

### **Establishment of Energy Reserve to Manage Energy Cost Volatility**

In response to volatile energy costs, the Town established an Energy Reserve beginning with its Fiscal Year 2007 operating budget. Departments with energy costs are allowed to access this reserve after they exhaust their entire departmental budget for various forms of energy (heating, electricity, and motor vehicle fuel). The use of the reserve has accomplished two important goals. First, it alleviated pressure on departmental budgets that had been historically pitting increased energy costs against other needs. Second, the reserve ensured that the monies appropriated for increased energy costs were not used for other purposes. The Town appropriated \$533,544 into the fiscal 2012 energy reserve. Of this amount \$175,090 was expended. The Town has appropriated \$533,580 for the energy reserve in the FY13 budget.

## **SIGNIFICANT EVENTS**

### **Town's AAA Bond Rating Affirmed**

In August of 2012, the Town issued Notes and Bonds for various capital projects. In the process of preparing for these financings the Town was reviewed by the independent rating agency of Standard and Poor's (S&P). After careful review of the Town's finances and management practices, S&P affirmed the Town's Bond rating at AAA, their highest municipal rating. This represents the 4th consecutive year that S&P has set the Town's bond rating at AAA.

### **Town Refunds Debt to Achieve Substantial Savings**

In September 2011, the Town refunded approximately \$15.8 million in outstanding long-term debt remaining from a 2004 bond issue related to the construction of the High School and the Veterans Middle School. The favorable interest rate climate resulted in savings totaling \$1,291,937 over the upcoming 13 years remaining on these bonds.

### **Glover School Construction Project Begins**

During FY12 the Town began construction activities related to a new Glover School. In FY12 most of the activities, related to this project, centered on completion of design and planning for the project. Demolition of the old Glover School took place during the summer of 2012. Construction of the planned two-story, 79,000-square-foot school will take approximately 18 months to complete.

### **Stoney Brook Road Cleanup Substantially Completed in FY2012**

The \$3 million clean-up of four landfill-contaminated properties on Stony Brook Road was completed in FY12. This project involved the purchase of certain properties and purchase of easements on others. Contaminated

soil and materials were removed from the sites and deposited at the town landfill, which is scheduled to be capped.

**Conversion to State Group Insurance Commission Health Insurance**

During FY12 the Town reached agreement with representatives from the various collective bargaining units and the retirees allowing the Town to switch its health insurance coverage for active employees and retirees to the State’s Group Insurance Commission (GIC). This change required the Town to undergo a complete re-enrollment of all employees and retirees into new health plans. This was completed in the spring of 2012 and as a result substantial savings have and will be realized both in terms of lower insurance rates and the avoidance of what was projected to be higher rate increases in the future.

**Dental Insurance Plan**

As part of the agreement to join the GIC, the Town began offering optional dental insurance to its employees and retirees beginning July 1, 2012. The premiums on this optional insurance are fully paid by the employees and retirees electing to enroll in the program. Open enrollment for this new benefit was conducted in May 2012.

**Equipment Purchased**

The Town purchased and took delivery of several new pieces of heavy equipment in FY12. This included by department:

School Department:	School Bus
Police Department:	2 Police Vehicles
Drain Department:	Utility Vehicle
Highway Department:	Dump Truck
	Replacement of Fuel Pumps
	Paint Machine
Tree Department:	Brush Chipper
Recreation & Park Department:	Utility Vehicle
Water Department:	Dump Truck
	Utility Vehicle
Sewer Department:	Dump Truck

**Results of June 21<sup>st</sup> Override Ballot**

On June 21, 2012, a special election was held and four debt exclusion override questions were presented to the voters to exclude appropriations from the limitations of proposition 2 ½. All four debt exclusion overrides were approved by the voters. The first was for a Drainage Improvement Project in the Pleasant Street Area totaling \$4,937,687 (2,394 in favor, 1,067 opposed). The second was for the purchase of a new Quint Fire Truck for \$1,150,000 (1,905 in favor, 1,542 opposed). The third was for accessibility improvements to the Old Town House totaling \$610,168 (1,990 in favor, 1,475 opposed). The fourth was for Land Acquisition related to the so-called Lead Mills property for \$1,500,000 (2,263 in favor, 1,216 opposed).

**Awards and Acknowledgments**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Marblehead for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2011. This was the eighth consecutive year that the Town submitted a CAFR to the GFOA. The Town was awarded this Certificate all eight years. In order to receive this prestigious award, a

government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

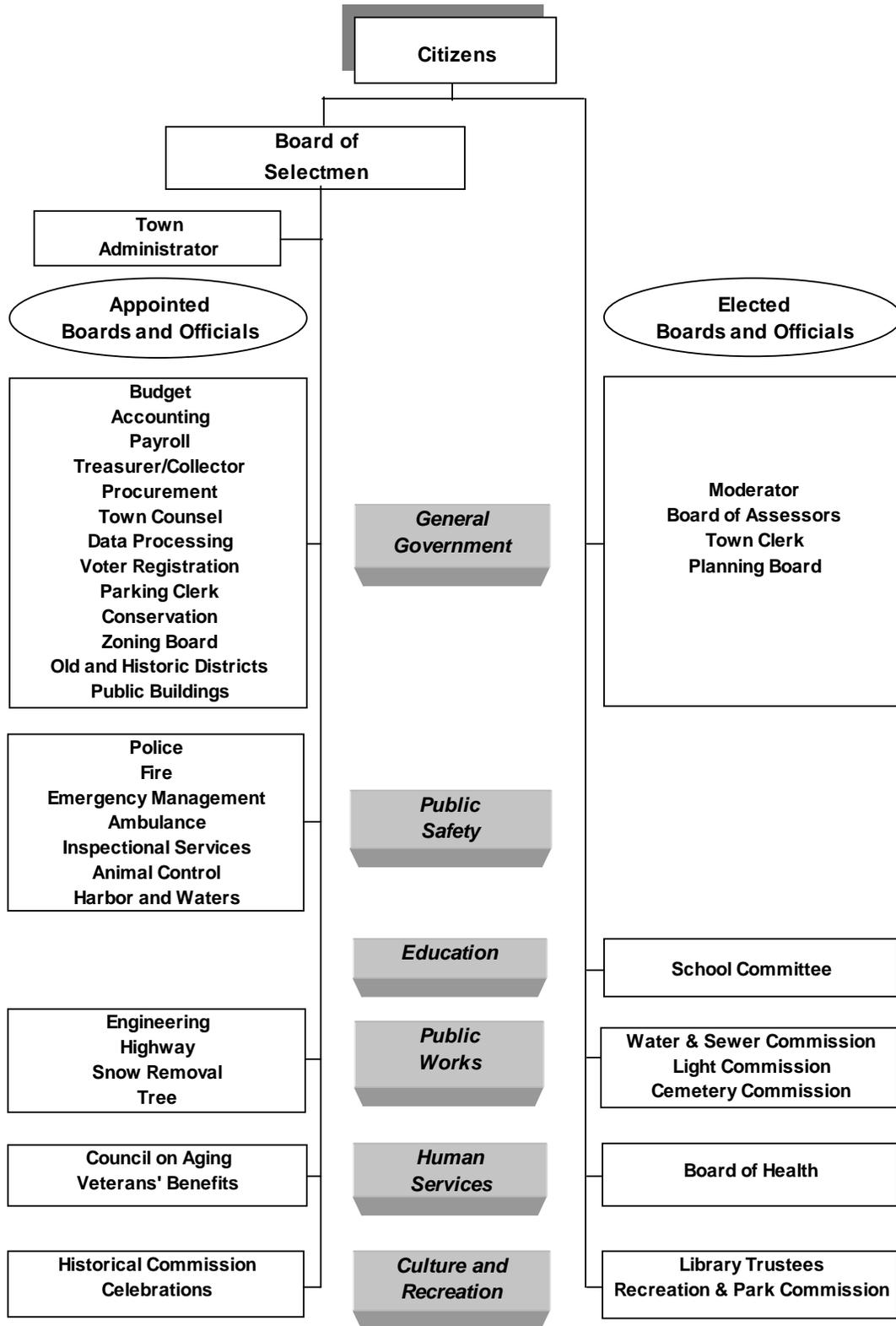
The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated staff of the Financial Services Department. I would like to express my appreciation to all members of the Town's Financial Services Department who assisted and contributed to the preparation of this report. I would also like to thank current Town Administrator, Jeffrey Chelgren as well as recently retired former Town Administrator Anthony M. Sasso, the Board of Selectmen, the Board of Assessors, and the Finance Committee for their strong interest and support in planning and conducting the financial operations of the Town in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "John McGinn". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

John McGinn  
Finance Director

# Town of Marblehead, Massachusetts Organization Chart



***Town of Marblehead, Massachusetts***  
***Principal Executive Officers***

<b>Title</b>	<b>Name</b>	<b>Manner of Selection</b>	<b>Term Expires</b>
Selectmen (Chairperson)	Jackie Belf-Becker	Elected	2013
Selectmen	Harry C. Christensen, Jr.	Elected	2013
Selectmen	Judith R. Jacobi	Elected	2013
Selectmen	Bret T. Murray	Elected	2013
Selectmen	James E. Nye	Elected	2013
Town Administrator	Jeffrey Chelgren	Appointed	2015
Finance Director/Town Accountant	John J. McGinn	Appointed	2015
Treasurer/Collector	Patricia K. Murray	Appointed	2015
Town Clerk	Robin A. Michaud	Elected	2013

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## Town of Marblehead Massachusetts

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Danison*

President

*Jeffrey R. Emer*

Executive Director

# *Financial Section*



Photo by Chuck McCollum

*A view of the Marblehead Lighthouse at Chandler Hovey Park from one of the many boats that reside in the Harbor during the summer months.*

## ***Financial Section***

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## Independent Auditors' Report

To the Honorable Board of Selectmen  
Marblehead, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Marblehead, Massachusetts, as of and for the fiscal year ended June 30, 2012 (except for the Marblehead Contributory Retirement System and the Marblehead Municipal Light Department which are as of and for the fiscal year ended December 31, 2011), which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Marblehead, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Marblehead Municipal Light Department, which is both a major fund and 46%, 44%, and 65%, respectively, of the assets, net assets, and revenues of the business-type activities, for the fiscal year ended December 31, 2011. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included in these financial statements is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, 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 Marblehead, Massachusetts, as of June 30, 2012 (except for the Marblehead Contributory Retirement System and the Marblehead Municipal Light Department which are as of and for the year ended December 31, 2011), and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2012 on our consideration of the Town of Marblehead, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not 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, and 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.

The introductory section and statistical tables, as listed in the table of contents, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Powers & Sullivan LLC*

December 5, 2012

## Management's Discussion and Analysis

As management of the Town of Marblehead, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented in this report in conjunction with the information that we have provided in our letter of transmittal. All amounts, unless otherwise indicated, are expressed in whole dollars.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Town of Marblehead's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The government-wide financial statements provide both long-term and short-term information about the Town as a whole. The fund financial statements focus on the individual components of the Town government, reporting the Town's operations in more detail than the government-wide statements. Both presentations (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison and enhance the Town's accountability. An additional part of the basic financial statements are the notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

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

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

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

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

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

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

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

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

**Proprietary funds.** The Town maintains two types of proprietary funds.

*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 sewer, water, harbor and municipal light department activities.

*Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town uses internal service funds to account for Town appropriations used to fund Workers' Compensation Claims. Prior to fiscal year 2009, the Town also used internal service funds to account for risk financing activities related to health insurance. In fiscal year 2009, the Town changed to a premium based insurance plan for health insurance. In addition to Workers' Compensation Claims, the internal service fund has been used to account for run-out claims associated with the previous self-insured health insurance plan, as well as premium payments under the new plan. As of June 30, 2012, the Town no longer has outstanding liabilities related to the self-insured health insurance plans and has discontinued the use of the internal service funds to account for premium payments under the new plan. Because the services accounted for in the internal service funds predominantly benefit the governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

**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 statement because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to 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**

At the end of the current fiscal year, the Town is able to report positive balances in all categories of net assets with the exception of unrestricted of governmental net assets. Overall the net assets of the primary government decreased by \$290,000, during fiscal year 2012. This was comprised of a \$1.8 million decrease in governmental net assets and a \$1.5 million increase in business-type net assets. The \$12 million deficit in unrestricted governmental net assets is the result of the Town's recognition of \$16.2 million in other postemployment benefits liabilities.

### **Governmental Activities**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the governmental activities, Marblehead's assets exceeded liabilities by \$72.2 million, at the close of fiscal year 2012.

	Governmental Activities	
	2012	2011
<b>Assets:</b>		
Current assets.....	\$ 31,493,270	\$ 28,647,123
Capital assets, net of accumulated depreciation....	105,930,027	107,873,518
Capital assets, not being depreciated.....	9,489,298	5,878,180
<b>Total assets.....</b>	<b>146,912,595</b>	<b>142,398,821</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	4,460,631	7,863,936
Noncurrent liabilities (excluding debt).....	23,971,865	18,151,604
Current debt.....	3,851,380	5,538,380
Noncurrent debt.....	42,421,511	36,866,891
<b>Total liabilities.....</b>	<b>74,705,387</b>	<b>68,420,811</b>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt.....	75,341,535	71,782,028
Restricted.....	8,900,151	9,048,458
Unrestricted.....	(12,034,478)	(6,852,476)
<b>Total net assets.....</b>	<b>\$ 72,207,208</b>	<b>\$ 73,978,010</b>
<b>Program revenues:</b>		
Charges for services.....	\$ 4,736,556	\$ 4,486,912
Operating grants and contributions.....	15,690,591	15,253,787
Capital grants and contributions.....	555,654	761,615
<b>General revenues:</b>		
Real estate and personal property taxes.....	53,545,032	51,217,033
Motor vehicle excise taxes.....	2,843,878	2,752,897
Nonrestricted grants.....	1,111,126	1,110,208
Unrestricted investment income.....	237,753	389,792
Penalties and interest on taxes.....	241,114	226,937
<b>Total revenues.....</b>	<b>78,961,704</b>	<b>76,199,181</b>
<b>Expenses:</b>		
General government.....	4,052,732	3,764,556
Public safety.....	10,651,355	10,586,017
Education.....	55,866,599	53,942,639
Public works.....	4,510,987	6,214,732
Landfill closure.....	-	2,314,578
Human services.....	1,025,102	1,150,910
Culture and recreation.....	3,271,325	3,111,617
Interest.....	1,893,926	1,319,979
<b>Total expenses.....</b>	<b>81,272,026</b>	<b>82,405,028</b>
<b>Excess (Deficiency) before transfers.....</b>	<b>(2,310,322)</b>	<b>(6,205,847)</b>
<b>Transfers.....</b>	<b>539,520</b>	<b>585,075</b>
<b>Change in net assets.....</b>	<b>\$ (1,770,802)</b>	<b>\$ (5,620,772)</b>

Governmental net assets of \$75.3 million reflects its investment in capital assets (e.g., land, construction in progress, buildings, building improvements, machinery, and equipment and infrastructure); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net assets \$8.9 million represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* has a year end deficit balance of \$12 million. The primary reason for this deficit balance in net assets is the recognition of other postemployment benefit liability of \$16.2 million, which was the result of the implementation of Government Auditing Standards Board (GASB) Statement 45. This statement required the Town to obtain an actuarial valuation of the Town's liability to pay other postemployment benefits to current employees and retirees. The Town is allowed to amortize the liability, which totaled \$139 million, over 30 years. Since there is no legal obligation to fund the liability at this time, the Town has opted to continue to fund other postemployment benefits on a pay-as-you-go basis. As a result, the Town is required to record the difference between the current year pay-as-you-go cost and the current year actuarial determined cost as a liability in the full accrual financial statements. This difference totaled \$4.5 million for fiscal year 2012. Fiscal year 2012 is the Town's fourth year of amortizing this liability.

The governmental expenses totaled \$81.3 million of which \$21 million (26%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$58 million, primarily coming from property taxes, motor vehicle excise taxes, and non-restricted state aid.

### ***Business-type Activities***

For the Town's business-type activities, assets exceeded liabilities by \$51.7 million at the close of fiscal year 2012.

Business-type net assets of \$35.9 million (70%) represent investments in capital assets. An additional \$3.6 million (7%) is restricted for depreciation within the Municipal Light Enterprise Fund, and the remaining \$12.1 million (23%) is available to be used for the ongoing operation of the Town's Water, Sewer, Harbor and Municipal Light activities. There was a net increase of \$1.5 million in total net assets reported in the business-type activities during fiscal year 2012.

The Town's Sewer, Water, and Harbor funds have a policy of appropriating available funds at the end of each fiscal year to fund capital expenses in lieu of issuing long-term debt. As a result, the net assets remain relatively consistent from year to year and there is no debt reported in the Town's business-type activities.

	Business-type Activities	
	2012	2011
<b>Assets:</b>		
Current assets.....	\$ 19,693,990	\$ 19,146,912
Capital assets, net of accumulated depreciation.....	33,460,358	32,613,203
Capital assets, not being depreciated.....	2,484,854	2,265,546
<b>Total assets.....</b>	<b>55,639,202</b>	<b>54,025,661</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	2,643,953	2,873,718
Noncurrent liabilities (excluding debt).....	1,328,832	966,739
<b>Total liabilities.....</b>	<b>3,972,785</b>	<b>3,840,457</b>
<b>Net Assets:</b>		
Invested in capital assets.....	35,945,212	34,878,749
Restricted.....	3,625,528	3,309,675
Unrestricted.....	12,095,677	11,996,780
<b>Total net assets.....</b>	<b>\$ 51,666,417</b>	<b>\$ 50,185,204</b>

The Sewer Enterprise Fund's net assets totaled \$12.4 million at year end; an increase of \$273,000 from the prior year. This balance is approximately 3.5 times the annual operating expenses and has remained consistent over the past several years. Revenues in this fund consist primarily of charges for sewer services and approximately 58% of the Fund's expenses relate to the annual assessment paid to the South Essex Sewerage District.

The Water Enterprise Fund's net assets totaled \$12.4 million at year end; an increase of \$309,000 from the prior year. This balance is approximately 3.9 times the annual operating expenses and has remained consistent over the past several years. Revenues in this fund consist primarily of charges for water service and approximately 56% of the operating expenses consist of assessments paid to the Massachusetts Water Resource Authority.

The Harbor Enterprise Fund's net assets totaled \$4.3 million at year end; an increase of \$40,000 from the prior year. The balance in the Harbor Enterprise Fund has remained consistent over the past several years. Revenues in this fund consist of a combination of charges for services and boat excise taxes assessed.

The Municipal Light Enterprise Fund's net assets totaled \$22.6 million at year end; an increase of \$859,000. The majority of the revenue in this fund consists of charges for services and 85% of the expenses relate to cost of services and administration.

	Business-type Activities	
	2012	2011
	<u>2012</u>	<u>2011</u>
<b>Program revenues:</b>		
Charges for services - Water.....	\$ 3,595,910	\$ 3,730,846
Charges for services - Sewer.....	3,884,316	3,904,213
Charges for services - Municipal Light.....	15,420,818	15,160,793
Charges for services - Harbor.....	633,384	632,242
Operating grants.....	2,832	17,260
<b>General revenues:</b>		
Boat excise.....	134,871	136,513
Unrestricted investment income.....	54,338	64,263
Other revenues.....	8,218	-
<b>Total revenues.....</b>	<b><u>23,734,687</u></b>	<b><u>23,646,130</u></b>
<b>Expenses:</b>		
Water.....	3,219,258	3,114,228
Sewer.....	3,532,314	3,481,486
Municipal Light.....	14,266,683	13,797,177
Harbor.....	695,699	639,917
<b>Total expenses.....</b>	<b><u>21,713,954</u></b>	<b><u>21,032,808</u></b>
<b>Excess before transfers.....</b>	<b>2,020,733</b>	<b>2,613,322</b>
<b>Transfers.....</b>	<b><u>(539,520)</u></b>	<b><u>(585,075)</u></b>
<b>Change in net assets.....</b>	<b>\$ <u>1,481,213</u></b>	<b>\$ <u>2,028,247</u></b>

### ***Financial Analysis of the Government's Funds***

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$26.9 million, an increase of \$3.1 million from the prior year.

The General Fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the General Fund totaled \$6.3 million, while total fund balance was \$13.1 million. Of the assigned fund balance, \$5.9 million has been allocated to balance the fiscal year 2013 budget. 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 9% of total general fund expenditures, while total fund balance represents 18% of that same amount.

The General Fund increased by \$1.7 million. This increase is due to the Town's practice to budget estimated revenue conservatively which resulted in a budget surplus of \$2.2 million in revenues; appropriations exceeded actual expenditures by \$3.1 million mainly due to group insurance surplus of \$1.5 million; these surpluses were offset by the use of prior year resources to balance the fiscal year 2012 budget.

The Capital Projects Fund is used to account for the financial activities associated with major capital projects that have been authorized by Town Meeting and approved by the voters to be funded by the proceeds of bond sales. The Town's major capital projects during fiscal year 2012 have been the Glover School design and Stoney Brook landfill remediation projects. The construction of the Glover School will begin in fiscal year 2013. The Town has complied with all remediation requirements regarding the properties on Stoney Brook Road contaminated by the Town's old landfill during fiscal year 2012. The capital projects fund had a net increase of approximately \$1.5 million during fiscal year 2012. This net increase was primarily due to the recognition of \$6.2 million in bond proceeds; \$534,000 in MSBA grant payments; capital expenditures of approximately \$2.2 million, of which most related to the Glover School design project; and \$3 million of expenditures for the landfill remediation.

The Public Funds Major Fund is used to account for contributions and earnings to support the government, where the principal portion is non-expendable. This fund had a net decrease of \$20,000 during fiscal year 2012. Revenues consisted of investment income as well as contributions, and expenditures, totaling \$41,000, were for general government, public works, and culture and recreational purposes. The largest portion of this fund, \$3.4 million, is permanently reserved for investment purposes.

### ***General Fund Budgetary Highlights***

The Town experienced a \$2.3 million surplus of actual over budgeted revenues. The largest surpluses were in motor vehicle excises taxes, charges for services, licenses and permits, and intergovernmental revenue, which combined to a total of \$1.6 million and were primarily due to conservative budget estimates.

Actual expenditures ended the fiscal year approximately \$3.1 million under budget. The most notable is the group insurance appropriation, which ended the fiscal year \$1.5 million under budget. This was the result of a portion of retiree Medicare and employee health insurance costs being charged to the Medex and Medical Claims internal service funds respectively, to draw down the balances in those funds. The Town transferred from a self-insured program to a premium based plan beginning in fiscal year 2009. Since 2009, the internal service fund has continued to pay run off claims and revenue credits due. The fund was closed out at the end of fiscal year 2012 as all run off claims have been resolved. Additionally, actual health care costs came in lower than anticipated, further contributing to a positive budget to actual variance. The positive variance under public safety is the result of employee turnover and closely monitoring employee related expenditures including salaries and overtime. In addition, the Town had remaining reserves of approximately \$74,000.

In addition, the Town had positive balances remaining for the energy reserve and property and liability insurance due to conservative budgeting and the ongoing review of insurance policies to minimize costs to the Town.

The main changes between the original and final budget for the Town consisted of reserve fund and energy reserve fund transfers within appropriation lines, and a transfer from the education budget to fund a deficit within the school lunch fund.

### ***Capital Asset and Debt Administration***

**Capital assets.** In conjunction with the operating budget, departments with proposed capital budgets submit them to the Finance Committee and if large enough, to the Capital Planning Committee. These committees are responsible for reviewing the proposed capital budgets and reporting to the Annual Town Meeting. The major

capital asset activity of the governmental activities during the year consisted of increases in the Glover School design project totaling \$2.0 million and \$1.6 million for the purchase of land related to the Stoney Brook Road landfill project. In addition the Town had upgrades to infrastructure totaling \$571,000. Of the \$571,000, \$365,000 was related to drain improvements and \$206,000 was used for street and sidewalk paving. Other capital asset activity consisted of library circulation of \$150,000 and the remaining activity mainly consisted of vehicle equipment purchases for various departments.

Capital additions of the business-type activities consisted of upgrades to infrastructure and purchases of new equipment in the Sewer and Water activities of approximately \$360,000 and \$495,000, respectively; the purchase of equipment, pier projects construction in process, and building improvements in the Harbor activities of \$395,000; and Municipal Light upgrades to plant and equipment of approximately \$1.8 million.

**Debt administration.** Outstanding long-term debt of the general government, as of June 30, 2012, totaled \$46.1 million, of which \$36.1 million is related to school projects, \$4.9 million is for the causeway seawall, and \$3.9 is for landfill projects.

Please refer to the notes 5, 6 and 7 of the basic financial statements for further discussion of the Town's major capital and debt activity.

### ***Requests for Information***

This financial report is designed to provide a general overview of the Town of Marblehead's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Mary Alley Building, 7 Widger Road, Marblehead, Massachusetts 01945.

## ***Basic Financial Statements***

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## STATEMENT OF NET ASSETS

JUNE 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 28,550,556	\$ 10,230,532	\$ 38,781,088
Restricted cash and cash equivalents.....	-	3,625,528	3,625,528
Investments.....	992,083	-	992,083
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	501,304	-	501,304
Real estate tax deferrals.....	701,694	-	701,694
Tax liens.....	342,351	-	342,351
Motor vehicle and boat excise taxes.....	155,757	42,839	198,596
User fees.....	-	3,128,881	3,128,881
Departmental and other.....	108,193	-	108,193
Intergovernmental.....	103,973	-	103,973
Tax foreclosures.....	27,359	-	27,359
Inventory.....	-	85,063	85,063
Investment in joint venture.....	-	1,314,021	1,314,021
Working capital deposit.....	10,000	-	10,000
Other assets.....	-	1,267,126	1,267,126
<b>Total current assets.....</b>	<b>31,493,270</b>	<b>19,693,990</b>	<b>51,187,260</b>
<b>NONCURRENT:</b>			
Capital assets, net of accumulated depreciation.....	105,930,027	33,460,358	139,390,385
Capital assets, not being depreciated.....	9,489,298	2,484,854	11,974,152
<b>Total noncurrent assets.....</b>	<b>115,419,325</b>	<b>35,945,212</b>	<b>151,364,537</b>
<b>TOTAL ASSETS.....</b>	<b>146,912,595</b>	<b>55,639,202</b>	<b>202,551,797</b>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	1,655,597	1,255,387	2,910,984
Tax refunds payable.....	117,372	-	117,372
Accrued interest.....	968,470	-	968,470
Payroll withholdings.....	355,632	-	355,632
Due to agency fund.....	27,858	-	27,858
Other liabilities.....	177,697	1,086,531	1,264,228
Customer deposits payable.....	-	71,962	71,962
Compensated absences.....	866,563	230,073	1,096,636
Workers' compensation.....	291,442	-	291,442
Notes payable.....	158,000	-	158,000
Bonds payable.....	3,693,380	-	3,693,380
<b>Total current liabilities.....</b>	<b>8,312,011</b>	<b>2,643,953</b>	<b>10,955,964</b>
<b>NONCURRENT:</b>			
Landfill closure and remediation.....	7,280,000	-	7,280,000
Compensated absences.....	147,717	55,999	203,716
Workers' compensation.....	392,850	-	392,850
Other postemployment benefits.....	16,151,298	1,272,833	17,424,131
Bonds payable.....	42,421,511	-	42,421,511
<b>Total noncurrent liabilities.....</b>	<b>66,393,376</b>	<b>1,328,832</b>	<b>67,722,208</b>
<b>TOTAL LIABILITIES.....</b>	<b>74,705,387</b>	<b>3,972,785</b>	<b>78,678,172</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt.....	75,341,535	35,945,212	111,286,747
Restricted for:			
Depreciation.....	-	3,625,528	3,625,528
Permanent funds:			
Expendable.....	1,284,372	-	1,284,372
Nonexpendable.....	3,437,053	-	3,437,053
Other purposes:			
Gifts and grants.....	4,178,726	-	4,178,726
Unrestricted.....	(12,034,478)	12,095,677	61,199
<b>TOTAL NET ASSETS.....</b>	<b>\$ 72,207,208</b>	<b>\$ 51,666,417</b>	<b>\$ 123,873,625</b>

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
General government.....	\$ 4,052,732	\$ 436,876	\$ 437,635	\$ -	\$ (3,178,221)
Public safety.....	10,651,355	1,147,383	88,409	-	(9,415,563)
Education.....	55,866,599	1,897,607	14,597,118	533,504	(38,838,370)
Public works.....	4,510,987	694,942	16,493	22,150	(3,777,402)
Human services.....	1,025,102	178,924	53,485	-	(792,693)
Culture and recreation.....	3,271,325	380,824	497,451	-	(2,393,050)
Interest.....	1,893,926	-	-	-	(1,893,926)
Total Governmental Activities.....	<u>81,272,026</u>	<u>4,736,556</u>	<u>15,690,591</u>	<u>555,654</u>	<b>(60,289,225)</b>
<i>Business-Type Activities:</i>					
Sewer.....	3,532,314	3,884,316	-	-	352,002
Water.....	3,219,258	3,595,910	-	-	376,652
Municipal Light.....	14,266,683	15,420,818	-	-	1,154,135
Harbor.....	695,699	633,384	2,832	-	(59,483)
Total Business-Type Activities.....	<u>21,713,954</u>	<u>23,534,428</u>	<u>2,832</u>	<u>-</u>	<b>1,823,306</b>
Total Primary Government.....	<u>\$ 102,985,980</u>	<u>\$ 28,270,984</u>	<u>\$ 15,693,423</u>	<u>\$ 555,654</u>	<b>\$ (58,465,919)</b>

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net assets:</b>			
Net (expense) revenue from previous page.....	\$ <b>(60,289,225)</b>	\$ <b>1,823,306</b>	\$ <b>(58,465,919)</b>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	53,545,032	-	53,545,032
Motor vehicle excise taxes.....	2,843,878	-	2,843,878
Boat excise taxes.....	-	134,871	134,871
Penalties and interest on taxes.....	241,114	-	241,114
Grants and contributions not restricted to specific programs.....	1,111,126	-	1,111,126
Unrestricted investment income.....	237,753	54,338	292,091
Settlements and refunds.....	-	8,218	8,218
<i>Transfers, net</i> .....	539,520	(539,520)	-
Total general revenues and transfers.....	<u>58,518,423</u>	<u>(342,093)</u>	<u>58,176,330</u>
Change in net assets.....	(1,770,802)	1,481,213	(289,589)
<i>Net Assets:</i>			
Beginning of year.....	<u>73,978,010</u>	<u>50,185,204</u>	<u>124,163,214</u>
End of year.....	\$ <u>72,207,208</u>	\$ <u>51,666,417</u>	\$ <u>123,873,625</u>

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2012

<b>ASSETS</b>	General	Capital Projects Fund	Public Funds	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 14,316,549	\$ 2,452,739	\$ 3,734,945	\$ 7,388,664	\$ 27,892,897
Investments.....	-	-	992,083	-	992,083
Receivables, net of uncollectibles:					
Property taxes.....	501,304	-	-	-	501,304
Real estate tax deferrals.....	701,694	-	-	-	701,694
Tax liens.....	342,351	-	-	-	342,351
Motor vehicle excise taxes.....	155,757	-	-	-	155,757
Departmental and other.....	16,145	-	-	92,048	108,193
Intergovernmental.....	15,612	-	-	88,361	103,973
Working capital deposit.....	-	-	-	10,000	10,000
Tax foreclosures.....	27,359	-	-	-	27,359
<b>TOTAL ASSETS.....</b>	<b>\$ 16,076,771</b>	<b>\$ 2,452,739</b>	<b>\$ 4,727,028</b>	<b>\$ 7,579,073</b>	<b>\$ 30,835,611</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Warrants payable.....	\$ 995,350	\$ 398,638	\$ 5,603	\$ 245,017	\$ 1,644,608
Accrued payroll and amounts withheld.....	355,632	-	-	-	355,632
Due to Agency Fund.....	27,858	-	-	-	27,858
Other liabilities.....	177,697	-	-	-	177,697
Deferred revenues.....	1,327,662	-	-	116,180	1,443,842
Tax refunds payable.....	117,372	-	-	-	117,372
Notes payable.....	-	158,000	-	-	158,000
<b>TOTAL LIABILITIES.....</b>	<b>3,001,571</b>	<b>556,638</b>	<b>5,603</b>	<b>361,197</b>	<b>3,925,009</b>
<b>FUND BALANCES:</b>					
Nonspendable.....	-	-	3,410,414	-	3,410,414
Restricted.....	-	1,896,101	1,311,011	7,217,876	10,424,988
Committed.....	917,834	-	-	-	917,834
Assigned.....	5,906,121	-	-	-	5,906,121
Unassigned.....	6,251,245	-	-	-	6,251,245
<b>TOTAL FUND BALANCES.....</b>	<b>13,075,200</b>	<b>1,896,101</b>	<b>4,721,425</b>	<b>7,217,876</b>	<b>26,910,602</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 16,076,771</b>	<b>\$ 2,452,739</b>	<b>\$ 4,727,028</b>	<b>\$ 7,579,073</b>	<b>\$ 30,835,611</b>

See notes to basic financial statements.

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

JUNE 30, 2012

Total governmental fund balances.....	\$	26,910,602
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		115,419,325
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		1,443,842
Internal service funds are used by management to account for health insurance and workers' compensation activities.		
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.....		(37,622)
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(968,470)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Landfill closure.....		(7,280,000)
Bonds and notes payable.....		(46,114,891)
Compensated absences.....		(1,014,280)
Other postemployment benefits.....		<u>(16,151,298)</u>
Net effect of reporting long-term liabilities.....		<u>(70,560,469)</u>
Net assets of governmental activities.....	\$	<u>72,207,208</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2012

	General	Capital Projects Fund	Public Funds	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Real estate and personal property taxes.....	\$ 53,542,174	\$ -	\$ -	\$ -	\$ 53,542,174
Motor vehicle excise taxes.....	2,851,176	-	-	-	2,851,176
Penalties and interest on taxes.....	241,114	-	-	-	241,114
Charges for services.....	765,327	-	-	2,370,391	3,135,718
Licenses and permits.....	773,464	-	-	-	773,464
Fines and forfeitures.....	175,086	-	-	100	175,186
Intergovernmental.....	13,223,356	533,504	-	2,911,156	16,668,016
Departmental and other.....	-	-	-	570,975	570,975
Contributions.....	-	-	47,272	523,630	570,902
Investment income.....	202,916	-	23,930	4,444	231,290
Miscellaneous.....	49,656	-	-	302,310	351,966
<b>TOTAL REVENUES.....</b>	<b>71,824,269</b>	<b>533,504</b>	<b>71,202</b>	<b>6,683,006</b>	<b>79,111,981</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	2,013,444	-	24,575	169,998	2,208,017
Public safety.....	6,633,138	-	-	556,505	7,189,643
Education.....	28,963,304	2,150,705	-	4,714,184	35,828,193
Public works.....	4,427,499	3,027,665	1,841	475,421	7,932,426
Human services.....	477,465	-	-	231,934	709,399
Culture and recreation.....	1,833,559	-	14,670	607,085	2,455,314
Pension benefits.....	8,758,191	-	-	-	8,758,191
Property and liability insurance.....	216,606	-	-	-	216,606
Employee benefits.....	10,837,668	-	-	3,939	10,841,607
State and county charges.....	2,365,570	-	-	-	2,365,570
Debt service:					
Principal.....	2,524,366	89,634	-	-	2,614,000
Interest.....	1,872,515	-	-	-	1,872,515
<b>TOTAL EXPENDITURES.....</b>	<b>70,923,325</b>	<b>5,268,004</b>	<b>41,086</b>	<b>6,759,066</b>	<b>82,991,481</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>900,944</b>	<b>(4,734,500)</b>	<b>30,116</b>	<b>(76,060)</b>	<b>(3,879,500)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Issuance of debt.....	-	6,195,000	-	-	6,195,000
Issuance of refunding bonds.....	15,860,000	-	-	-	15,860,000
Issuance of refunding long-term BANs.....	243,000	-	-	-	243,000
Premiums from issuance of debt.....	-	-	-	215,393	215,393
Premium from issuance of refunding bonds.....	2,055,459	-	-	-	2,055,459
Payments to refunding bond escrow agent.....	(17,877,492)	-	-	-	(17,877,492)
Payments of current refunded debt.....	(243,000)	-	-	-	(243,000)
Transfers in.....	935,590	-	-	185,407	1,120,997
Transfers out.....	(178,264)	-	(50,407)	(352,806)	(581,477)
<b>TOTAL OTHER FINANCING SOURCES (USES)....</b>	<b>795,293</b>	<b>6,195,000</b>	<b>(50,407)</b>	<b>47,994</b>	<b>6,987,880</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>1,696,237</b>	<b>1,460,500</b>	<b>(20,291)</b>	<b>(28,066)</b>	<b>3,108,380</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>11,378,963</b>	<b>435,601</b>	<b>4,741,716</b>	<b>7,245,942</b>	<b>23,802,222</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 13,075,200</b>	<b>\$ 1,896,101</b>	<b>\$ 4,721,425</b>	<b>\$ 7,217,876</b>	<b>\$ 26,910,602</b>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds..... \$ 3,108,380

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay.....	6,499,584
Depreciation expense.....	<u>(4,831,957)</u>

Net effect of reporting capital assets..... 1,667,627

Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.....

(156,093)

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

Issuance of debt.....	(6,195,000)
Issuance of refunding bonds.....	(15,860,000)
Payments of refunded debt.....	17,877,492
Premiums from issuance of debt.....	(1,879,202)
Amortization of bond premiums.....	81,380
Amortization of deferred charge on refunding.....	(210,000)
Debt service principal payments.....	<u>2,475,710</u>

Net effect of reporting long-term debt..... (3,709,620)

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

Net change in compensated absences accrual.....	(18,070)
Net change in landfill liability accrual.....	2,634,578
Net change in accrued interest on long-term debt.....	(403,963)
Net change in other postemployment benefits.....	<u>(4,484,350)</u>

Net effect of recording long-term liabilities..... (2,271,805)

Internal service funds are used by management to account for health insurance and workers' compensation activities.

The net activity of internal service funds is reported with governmental activities..... (409,291)

Change in net assets of governmental activities..... \$ (1,770,802)

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF FUND NET ASSETS

JUNE 30, 2012

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Sewer	Water	Harbor	Municipal Light (as of December 31, 2011)	Total	
<b>ASSETS</b>						
<b>CURRENT:</b>						
Cash and cash equivalents.....	\$ 1,760,982	\$ 1,819,064	\$ 695,677	\$ 5,954,809	\$ 10,230,532	\$ 657,659
Restricted cash and cash equivalents.....	-	-	-	3,625,528	3,625,528	-
Receivables, net of allowance for uncollectibles:						
Boat excise taxes.....	-	-	42,839	-	42,839	-
User fees.....	985,709	800,519	4,314	1,338,339	3,128,881	-
Inventory.....	-	-	-	85,063	85,063	-
Investment in joint venture.....	1,314,021	-	-	-	1,314,021	-
Other assets.....	-	-	-	1,267,126	1,267,126	-
<b>Total current assets.....</b>	<b>4,060,712</b>	<b>2,619,583</b>	<b>742,830</b>	<b>12,270,865</b>	<b>19,693,990</b>	<b>657,659</b>
<b>NONCURRENT:</b>						
Capital assets, net of accumulated depreciation.....	8,566,666	10,035,634	1,624,119	13,233,939	33,460,358	-
Capital assets, not being depreciated.....	115,466	49,427	2,267,865	52,096	2,484,854	-
<b>Total noncurrent assets.....</b>	<b>8,682,132</b>	<b>10,085,061</b>	<b>3,891,984</b>	<b>13,286,035</b>	<b>35,945,212</b>	<b>-</b>
<b>TOTAL ASSETS.....</b>	<b>12,742,844</b>	<b>12,704,644</b>	<b>4,634,814</b>	<b>25,556,900</b>	<b>55,639,202</b>	<b>657,659</b>
<b>LIABILITIES</b>						
<b>CURRENT:</b>						
Warrants payable.....	39,099	39,554	9,324	1,167,410	1,255,387	10,989
Compensated absences.....	37,257	35,824	8,912	148,080	230,073	-
Provision for rate stabilization.....	-	-	-	900,000	900,000	-
Other liabilities.....	-	-	186,531	-	186,531	-
Customer deposits payable.....	-	647	-	71,315	71,962	-
Workers' compensation.....	-	-	-	-	-	291,442
<b>Total current liabilities.....</b>	<b>76,356</b>	<b>76,025</b>	<b>204,767</b>	<b>2,286,805</b>	<b>2,643,953</b>	<b>302,431</b>
<b>NONCURRENT:</b>						
Compensated absences.....	11,443	14,759	-	29,797	55,999	-
Workers' compensation.....	-	-	-	-	-	392,850
Other postemployment benefits.....	290,379	206,408	93,480	682,566	1,272,833	-
<b>Total noncurrent liabilities.....</b>	<b>301,822</b>	<b>221,167</b>	<b>93,480</b>	<b>712,363</b>	<b>1,328,832</b>	<b>392,850</b>
<b>TOTAL LIABILITIES.....</b>	<b>378,178</b>	<b>297,192</b>	<b>298,247</b>	<b>2,999,168</b>	<b>3,972,785</b>	<b>695,281</b>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt.....	8,682,132	10,085,061	3,891,984	13,286,035	35,945,212	-
Restricted for:						
Depreciation.....	-	-	-	3,625,528	3,625,528	-
Unrestricted.....	3,682,534	2,322,391	444,583	5,646,169	12,095,677	(37,622)
<b>TOTAL NET ASSETS.....</b>	<b>\$ 12,364,666</b>	<b>\$ 12,407,452</b>	<b>\$ 4,336,567</b>	<b>\$ 22,557,732</b>	<b>\$ 51,666,417</b>	<b>\$ (37,622)</b>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2012

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Sewer	Water	Harbor	Municipal Light (as of December 31, 2011)	Total	
<b>OPERATING REVENUES:</b>						
Charges for services.....	\$ 3,879,423	\$ 3,590,187	\$ 633,384	\$ 15,420,818	\$ 23,523,812	\$ 285,000
Licenses and permits.....	3,750	-	-	-	3,750	-
Miscellaneous.....	1,143	5,723	8,218	-	15,084	5,413
<b>TOTAL OPERATING REVENUES.....</b>	<b>3,884,316</b>	<b>3,595,910</b>	<b>641,602</b>	<b>15,420,818</b>	<b>23,542,646</b>	<b>290,413</b>
<b>OPERATING EXPENSES:</b>						
Cost of services and administration.....	480,253	345,689	260,278	12,092,658	13,178,878	-
Cost of interfund services provided.....	-	-	-	-	-	705,520
Personal services.....	582,872	692,993	328,686	906,251	2,510,802	-
Operating assessments.....	2,049,761	1,816,156	-	-	3,865,917	-
Depreciation.....	419,428	364,420	106,735	1,267,774	2,158,357	-
<b>TOTAL OPERATING EXPENSES.....</b>	<b>3,532,314</b>	<b>3,219,258</b>	<b>695,699</b>	<b>14,266,683</b>	<b>21,713,954</b>	<b>705,520</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>352,002</b>	<b>376,652</b>	<b>(54,097)</b>	<b>1,154,135</b>	<b>1,828,692</b>	<b>(415,107)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>						
Boat excise taxes.....	-	-	134,871	-	134,871	-
Investment income.....	5,574	9,599	3,820	35,345	54,338	5,816
Intergovernmental assessments.....	-	-	2,832	-	2,832	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<b>5,574</b>	<b>9,599</b>	<b>141,523</b>	<b>35,345</b>	<b>192,041</b>	<b>5,816</b>
<b>INCOME (LOSS) BEFORE TRANSFERS.....</b>	<b>357,576</b>	<b>386,251</b>	<b>87,426</b>	<b>1,189,480</b>	<b>2,020,733</b>	<b>(409,291)</b>
<b>TRANSFERS:</b>						
Transfers in.....	-	-	43,264	-	43,264	-
Transfers out.....	(84,399)	(77,519)	(90,866)	(330,000)	(582,784)	-
<b>TOTAL TRANSFERS.....</b>	<b>(84,399)</b>	<b>(77,519)</b>	<b>(47,602)</b>	<b>(330,000)</b>	<b>(539,520)</b>	<b>-</b>
<b>CHANGE IN NET ASSETS.....</b>	<b>273,177</b>	<b>308,732</b>	<b>39,824</b>	<b>859,480</b>	<b>1,481,213</b>	<b>(409,291)</b>
<b>NET ASSETS AT BEGINNING OF YEAR.....</b>	<b>12,091,489</b>	<b>12,098,720</b>	<b>4,296,743</b>	<b>21,698,252</b>	<b>50,185,204</b>	<b>371,669</b>
<b>NET ASSETS AT END OF YEAR.....</b>	<b>\$ 12,364,666</b>	<b>\$ 12,407,452</b>	<b>\$ 4,336,567</b>	<b>\$ 22,557,732</b>	<b>\$ 51,666,417</b>	<b>\$ (37,622)</b>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2012

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Sewer	Water	Harbor	Municipal Light (as of December 31, 2011)	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Receipts from customers and users.....	\$ 3,744,557	\$ 3,434,193	\$ 640,489	\$ 15,971,849	\$ 23,791,088	\$ -
Receipts from interfund services provided.....	-	-	-	-	-	290,413
Payments to vendors.....	(2,563,980)	(2,161,845)	(272,697)	(12,034,719)	(17,033,241)	(740,367)
Payments to employees.....	(494,869)	(648,138)	(315,913)	(638,147)	(2,097,067)	-
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>685,708</b>	<b>624,210</b>	<b>51,879</b>	<b>3,298,983</b>	<b>4,660,780</b>	<b>(449,954)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Transfers in.....	-	-	43,264	-	43,264	-
Transfers out.....	(84,399)	(77,519)	(90,866)	(330,000)	(582,784)	-
Boat excise taxes.....	-	-	134,871	-	134,871	-
Intergovernmental assessments.....	-	-	2,832	-	2,832	-
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....</b>	<b>(84,399)</b>	<b>(77,519)</b>	<b>90,101</b>	<b>(330,000)</b>	<b>(401,817)</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Acquisition and construction of capital assets.....	(491,992)	(890,113)	(395,093)	(1,843,949)	(3,621,147)	-
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(491,992)</b>	<b>(890,113)</b>	<b>(395,093)</b>	<b>(1,843,949)</b>	<b>(3,621,147)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Investment income.....	5,574	9,599	3,820	35,345	54,338	5,816
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>114,891</b>	<b>(333,823)</b>	<b>(249,293)</b>	<b>1,160,379</b>	<b>692,154</b>	<b>(444,138)</b>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR....	1,646,091	2,152,887	944,970	8,419,958	13,163,906	1,101,797
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>	<b>\$ 1,760,982</b>	<b>\$ 1,819,064</b>	<b>\$ 695,677</b>	<b>\$ 9,580,337</b>	<b>\$ 13,856,060</b>	<b>\$ 657,659</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</b>						
Operating income (loss).....	\$ 352,002	\$ 376,652	\$ (54,097)	\$ 1,154,135	\$ 1,828,692	\$ (415,107)
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation.....	419,428	364,420	106,735	1,267,774	2,158,357	-
Changes in assets and liabilities:						
User fees.....	(139,759)	(161,717)	490	500,786	199,800	-
Inventory.....	-	-	-	6,654	6,654	-
Investment in joint venture.....	(33,966)	-	-	-	(33,966)	-
Working capital deposit.....	-	-	-	-	-	15,925
Other assets.....	-	-	-	(25,809)	(25,809)	-
Warrants payable.....	-	-	(14,742)	77,094	62,352	(15,816)
Accrued liabilities.....	-	-	-	-	-	(32,129)
Liabilities due depositors.....	-	-	-	50,245	50,245	-
Other liabilities.....	-	-	2,323	-	2,323	-
Accrued compensated absences.....	7,380	(5,977)	(13,181)	58,920	47,142	-
Workers' compensation.....	-	(6,476)	-	-	(6,476)	(2,827)
Other postemployment benefits.....	80,623	57,308	25,954	209,184	373,069	-
Total adjustments.....	333,706	247,558	105,976	2,144,848	2,832,088	(34,847)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ 685,708</b>	<b>\$ 624,210</b>	<b>\$ 51,879</b>	<b>\$ 3,298,983</b>	<b>\$ 4,660,780</b>	<b>\$ (449,954)</b>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2012

	Pension Trust Fund (as of December 31, 2011)	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>			
Cash and cash equivalents.....	\$ 6,197	\$ 3,375,423	\$ 114,163
Investments - external investment pool.....	71,411,312	-	-
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	-	175	-
Intergovernmental.....	1,188,771	-	-
Due from other funds.....	-	-	27,858
Capital assets, net of accumulated depreciation.....	-	92,905	-
Capital assets, not being depreciated.....	-	2,045	-
<b>TOTAL ASSETS.....</b>	<b>72,606,280</b>	<b>3,470,548</b>	<b>142,021</b>
<b>LIABILITIES</b>			
Warrants payable.....	620	11,557	36
Liabilities due depositors.....	-	-	141,985
Other Liabilities.....	-	175	-
<b>TOTAL LIABILITIES.....</b>	<b>620</b>	<b>11,732</b>	<b>142,021</b>
<b>NET ASSETS</b>			
Held in trust for pension benefits and other purposes.....	\$ 72,605,660	\$ 3,458,816	\$ -

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2012

	Pension Trust Fund (as of December 31, 2011)	Private Purpose Trust Funds
<b>ADDITIONS:</b>		
Contributions:		
Employer.....	\$ 2,390,714	\$ -
Plan members.....	1,520,032	-
Private donations.....	-	45,305
Total contributions.....	<u>3,910,746</u>	<u>45,305</u>
Net investment income (loss):		
Net change in fair value of investments.....	(2,041,311)	-
Investment income.....	2,260,579	13,632
Net investment income (loss).....	<u>219,268</u>	<u>13,632</u>
Intergovernmental.....	145,940	-
Transfers from other systems.....	87,634	-
TOTAL ADDITIONS.....	<u>4,363,588</u>	<u>58,937</u>
<b>DEDUCTIONS:</b>		
Administration.....	503,002	19,768
Depreciation.....	-	7,011
Transfers to other systems.....	147,105	-
Retirement benefits and refunds.....	7,314,888	-
Educational scholarships.....	-	20,450
TOTAL DEDUCTIONS.....	<u>7,964,995</u>	<u>47,229</u>
CHANGE IN NET ASSETS.....	(3,601,407)	11,708
NET ASSETS AT BEGINNING OF YEAR.....	<u>76,207,067</u>	<u>3,447,108</u>
NET ASSETS AT END OF YEAR.....	<u>\$ 72,605,660</u>	<u>\$ 3,458,816</u>

See notes to basic financial statements.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying summary of the Town of Marblehead's significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be viewed as an integral part of the accompanying financial statements. The financial statements and notes are representations of the Town's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principals (GAAP), as applicable to governments, and have been consistently applied in the preparation of the financial statements. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles.

**A. Reporting Entity**

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

For financial reporting purposes, the Town has included all funds, organizations, agencies, boards, commissions and institutions. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the Town is considered to be financially accountable. Component units, although legally separate entities, are, in substance, part of the government's operations and data from these units are combined with the data of the primary government. Specifically excluded from the Town's financial statements because they are autonomous entities or agencies are the Marblehead Housing Authority and North Shore Regional Vocational School District.

Blended component units are entities which are legally separate from the Town, but are so related to the Town that they are, in substance, the same as the Town or entities providing services entirely or almost entirely for the benefit of the Town. The Marblehead Contributory Retirement System (the System) is blended within the Primary Government as a Pension Trust Fund within the Fiduciary Fund financial statements. The System is governed by a five member board comprised of the Town's Finance Director (ex-officio), two elected members and one member appointed by the Board of Selectmen and one member appointed by the Board members. The System is a legally separate entity, but the nature and significance of its relationship with the Town warrants inclusion in the basic financial statements. The System is presented using the accrual basis of accounting. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System at 7 Widger Road, Marblehead, MA 01945.

The Town presents the financial position of the Marblehead Municipal Light Plant (MMLP) and the results of its operations on a calendar year basis as an Enterprise Fund in the Proprietary Fund Financial Statements. The MMLP maintains a separate set of books and records on a calendar year basis, and issues yearly financial statements. The MMLP's financial statements for the year ended December 31, 2011, were audited by other independent public accountants. A copy of the report can be obtained by contacting the MMLP at 80 Commercial Street, Marblehead, MA 01945.

The Town is a member of the South Essex Sewerage District (the District), a joint venture with the Cities of Salem, Peabody and Beverly and the Towns of Marblehead and Danvers, for the operation of a septage disposal facility. The members share in overseeing the operations of the District. Each member is responsible for its proportionate share of the operational costs of the District, which are paid in the form of assessments. As of June 30, 2012, the Town's equity interest in the operations of the District is \$1,314,021, which is recorded in the Sewer Enterprise Fund. Complete financial statements can be obtained directly from their administrative offices located at 50 Fort Avenue, Salem, MA 01970.

## B. Government-Wide and Fund Financial Statements

### *Government-Wide Financial Statements*

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

### *Fund Financial Statements*

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

#### *Major Fund Criteria*

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

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

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

Internal service funds and fiduciary funds are reported by fund type.

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

### *Government-Wide Financial Statements*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.

- Grants and contributions that are restricted to meeting the operation 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 are not identifiable as program revenues and are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

#### *Fund Financial Statements*

**Governmental funds** are accounted for 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.

Property taxes, excise taxes, and trash user charges are considered available if they are collected within 60 days after fiscal year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become available when the cash is received and are recognized as revenue at that time.

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

The following major governmental funds are reported:

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

The *Capital Projects Fund* is used to account for the financial activities associated with major capital projects that have been authorized by Town Meeting and approved by the voters to be funded by the proceeds of bonds sales.

The *Public Funds* are the Town's *Permanent Funds* which are used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

The nonmajor governmental funds consist of special revenue funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describe the general use of this fund type:

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

**Proprietary funds** are accounted for 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 enterprise funds are reported:

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

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

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

The *Municipal Light* enterprise fund is used to account for the Town's electricity activities.

The *Internal Service Funds* are used to account for the financing of services provided by one department to other departments or governmental units.

The following activities within the internal service fund are reported:

The medical claims activity is used to account for the payment of certain medical claims of the Town's employees and covered dependents.

The medex claims activity is used to account for the payment of certain medical claims of the Town's retired employees over the age of 65 as a supplement to medicare.

The workers' compensation activity is used to account for Town appropriations and investment earnings which are expended for the payment of injury claims, resulting from on-the-job accidents of Town employees.

**Fiduciary funds** are reported using the flow of economic resources measurement focus and use the accrual basis of accounting excluding Agency Funds. 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 funds are reported:

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's educational scholarships and assistance to benefit the needy are accounted for in this fund.

The *agency fund* is used to account for assets held in a purely custodial capacity. Agency funds apply the accrual basis of accounting but do not have a measurement focus. The Town's agency fund consist of performance bonds and the collection and payment of hunting and fishing licenses, firearm permits, sales taxes, meals taxes, and dog licenses to the State, proceeds of extra work details to the Town employees, and school student activity accounts.

The *pension trust fund* is used to account for the activities of the System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries.

#### 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. The fair value of real estate investments is based upon independent appraisals. Investments that do not have an established market are reported at estimated fair values.

#### E. Accounts Receivable and Allowance for Uncollectible Accounts

##### *Government-Wide and Fund Financial Statements*

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

Real and personal property taxes are based upon values assessed as of January 1 and are levied each July for the following fiscal year ending June 30. Taxes for each year are due in quarterly installments and are normally payable August 1, November 1, February 1 and May 1. Interest accrues on delinquent taxes and is recognized as revenue when received. Tax liens are processed within twelve months after the close of the valuation year on delinquent properties.

The persons against whom real or personal property taxes are assessed are personally liable for the tax (subject to bankruptcy and insolvency laws). In the case of real property, this personal liability is effectively extinguished by the sale or taking of the property by the Town.

Motor vehicle excise taxes are assessed annually for each vehicle registered and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and

the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

Boat excise taxes are assessed annually for each boat registered and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of boats registered and the fair value of those boats. The tax calculation is the fair value of the boat multiplied by \$10 per \$1,000 of value.

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.

Water and Sewer fees are based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Unbilled user fees are estimated at year-end and are recorded as revenue in the current period.

Harbor fees are assessed based on an annual basis and the portion of the fees that relate to July 1 through December 31 is recorded as unearned revenue at June 30.

The allowance for uncollectible accounts has been estimated based on historical trends and is reflected as a reduction to the receivables in the asset section of the financial statements.

#### F. Inventories

##### *Government-Wide and Fund Financial Statements*

Inventories are recorded as expenditures at the time of purchase except in the Municipal Light Enterprise Fund where inventories of parts and accessories purchased for use in the utility business for construction, operation and maintenance purposes are stated at average cost, which approximates market value at December 31, 2011. Such inventories of both the Governmental Funds and Enterprise Funds, except the Municipal Light Fund, are not material in total to the basic financial statements and therefore are not reported.

#### G. Capital Assets

##### *Government-Wide and Fund Financial Statements*

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

All purchases and construction costs in excess of \$5,000, and with the expected useful lives of greater than one year, are capitalized at the date of acquisition or construction. Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis.

The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Building improvements.....	6-20
Buildings.....	40
Infrastructure.....	5-50
Land improvements.....	10-30
Machinery and equipment.....	3-15
Light plant and equipment.....	20
Piers.....	15-75

**H. Compensated Absences**

*Government-Wide and Fund Financial Statements*

Under the terms of various union contracts, Town employees are granted vacation and sick leave benefits in varying amounts. In the event of termination, an employee is paid for all accumulated vacation. Vacation earned in one year may be carried forward to be used in the following year. Town employees are granted a varying proportion of their unused sick leave upon death or retirement. Accumulated unpaid vacation, sick pay and other employee benefit amounts are reported as liabilities in the government-wide and enterprise financial statements.

**I. Deferred Revenue**

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

**J. Long-term Debt**

*Government-Wide and Proprietary Fund Financial Statements*

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

*Governmental Fund Financial Statements*

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

## K. Net Assets and Fund Equity

### *Government-Wide Financial Statements (Net Assets)*

Net assets are reported as restricted when amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net assets reported as “invested in capital assets, net of related debt” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets.

Net Assets has been “restricted for” the following:

Permanent Funds - Expendable represents the amount of realized and unrealized investment earnings of donor restricted trusts. The donor restrictions and trustee policies only allows 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 grants and gifts restricted by outside parties.

### *Fund Financial Statements (Fund Balance)*

“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. For the Town, Town Meeting is the highest level of decision making authority that can vote to commit fund balance. Once committed, the limitation imposed by the vote remains in place until the funds are used for their intended purpose or a Town Meeting vote is taken to remove or revise 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 decision to assign a portion of fund balance vests solely with management of the Town. The Town’s highest level of decision making authority does not have to be involved with this process. Accordingly, the process to remove or modify an assignment is not as restrictive as the process involving committed or restricted fund balances. This allows for the easy removal or modification of the 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.

#### L. Investment Income

Investment income from Special Revenue, Capital Projects, and Agency Funds is legally assigned to the General Fund unless otherwise directed by Massachusetts General Law (MGL).

#### M. Total Columns

##### *Government-Wide Financial Statements*

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

##### *Fund Financial Statements*

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

#### N. On-Behalf Payments

##### *Government-Wide and Fund Financial Statements*

The Commonwealth makes contributions to a contributory retirement plan administered by the Massachusetts Teachers' Retirement Board (the "State Plan") on behalf of the Town's teaching employees. The Town is not legally required to contribute to the State Plan, which is fully funded by the Commonwealth. The accompanying basic financial statements include the required adjustments, which have increased both intergovernmental revenue and pension expenditures by the same amount. The effect of such an adjustment has not changed the excess of revenues and other financing sources over expenditures and other financing uses or fund balances.

#### O. Fund Deficits

In the Internal Service Fund, the Workers' Compensation Fund deficit of approximately \$37,622 will be funded by Town appropriations. This deficit is related to the estimate of future liability associated with long-term claims.

#### P. Use of Estimates

##### *Government-Wide and Fund Financial Statements*

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

**NOTE 2 – CASH AND INVESTMENTS**

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

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

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

The Town's trust funds and retirement system have expanded investment powers including the ability to invest in equity securities, corporate bonds, annuities and other investments. The retirement system participates in the Pensions Reserves Investment Trust (PRIT) Fund which is a pooled investment fund that meets the criteria of an external investment pool. The Pension Reserves Investment Management (PRIM) Board is charged with the general supervision of the PRIT Fund. The fair value of the position in the PRIT fund is the same as the value of the PRIT shares.

**Custodial Credit Risk – Deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. At fiscal year-end, the carrying amount of deposits totaled \$37,363,495 and the bank balance totaled \$37,600,565. Of the bank balance, \$1,389,919 was covered by Federal Depository Insurance, \$5,789,070 was covered by DIF Insurance, \$30,350,051 was collateralized and \$71,525 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2011, the carrying amount of deposits for the System totaled \$6,197 and the bank balance of \$20,388 was fully covered by Federal Depository Insurance.

Investments

At fiscal year end, the Town and the System had the following investments:

**Town balances at June 30, 2012:**

<b>Investment Type</b>	<u><b>Fair Value</b></u>
<u>Other Investments</u>	
Equity Securities.....	\$ 992,083
MMDT.....	<u>8,532,707</u>
Total Investments.....	<u>\$ 9,524,790</u>

**System balances at December 31, 2011:**

<b>Investment Type</b>	<u><b>Fair Value</b></u>
PRIT.....	<u>\$ 71,411,312</u>

The Town participates in the MMDT Cash Portfolio. MMDT maintains a cash portfolio and a short-term bond portfolio with combined average maturities of approximately 3 months. The Town's investment in MMDT is unrated.

The System participates in PRIT. The effective weighted duration rate for PRIT investments ranged from .08 to 9.69 years.

Custodial Credit Risk – Investments

For investments, custodial credit risk is the risk that, in the event of a failure by the counterparty, the government will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Town does not have any custodial credit risk exposure as of June 30, 2012 because the \$992,083 in equity securities are held by the Town and the \$8,532,707 in shares of MMDT are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

The Town has not adopted a formal policy related to custodial credit risk.

At December 31, 2011, the System's \$71,411,312 investment in PRIT is not subject to custodial credit risk exposure because it is not evidenced by securities that exist in physical or book-entry form.

The System has not adopted a formal policy related to custodial credit risk.

Interest Rate Risk

Neither the Town nor the System has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Town has not adopted a formal policy related to Credit Risk. The Town's investments in MMDT are unrated.

The System has not adopted a formal policy related to Credit Risk. The System's investments in PRIT are unrated.

Concentration of Credit Risk

The Town and the System do not place a limit on the amount that may be invested in any one issuer.

**NOTE 3 – RECEIVABLES**

At June 30, 2012, receivables for the individual major and non-major governmental funds and the internal service funds; and the fiduciary funds in the aggregate, including the applicable allowance for uncollectible accounts are as follows:

**GOVERNMENTAL, INTERNAL SERVICE AND FIDUCIARY FUNDS RECEIVABLES**

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 516,830	\$ (15,526)	\$ 501,304
Real estate tax deferrals.....	701,694	-	701,694
Tax liens.....	342,351	-	342,351
Motor vehicle excise taxes.....	265,896	(110,139)	155,757
Departmental and other.....	108,980	(612)	108,368
Intergovernmental - pension fund.....	1,188,771	-	1,188,771
Intergovernmental - governmental funds.....	103,973	-	103,973
Total.....	<u>\$ 3,228,495</u>	<u>\$ (126,277)</u>	<u>\$ 3,102,218</u>

At June 30, 2012, receivables for the enterprise funds consist of the following:

**ENTERPRISE FUND RECEIVABLES**

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Sewer user fees.....	\$ 1,012,457	\$ (26,748)	\$ 985,709
Water user fees.....	822,542	(22,023)	800,519
Harbor user fees.....	5,392	(1,078)	4,314
Municipal Light user fees (December 31, 2011).....	1,734,998	(396,659)	1,338,339
Boat excise taxes.....	45,095	(2,256)	42,839
Total.....	<u>\$ 3,620,484</u>	<u>\$ (448,764)</u>	<u>\$ 3,171,720</u>

Deferred Revenue

Property taxes and other receivables in Governmental Funds that are measurable but not available have been classified as deferred revenue on June 30, 2012 as follows:

**COMPONENTS OF DEFERRED REVENUE**

	General Fund	Other Governmental Funds	Total
<u>Receivable and other asset type:</u>			
Real estate and personal property taxes.....	\$ 185,170	\$ -	\$ 185,170
Real estate tax deferrals.....	701,694	-	701,694
Tax liens.....	339,626	-	339,626
Motor vehicle excise taxes.....	83,111	-	83,111
Departmental and other.....	2,449	27,819	30,268
Intergovernmental.....	15,612	88,361	103,973
Total.....	<u>\$ 1,327,662</u>	<u>\$ 116,180</u>	<u>\$ 1,443,842</u>

**NOTE 4 – INTERFUND TRANSFERS AND BALANCES**

Interfund Receivables / Payables

Individual fund’s interfund receivable and payable balances at June 30, 2012 are as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund.....	\$ -	\$ 27,858 (1)
Agency Funds.....	<u>27,858</u>	<u>-</u>
	<u>\$ 27,858</u>	<u>\$ 27,858</u>

(1) Represents \$27,858 in cash reported in the General Fund due to the Agency Funds related to the timing of deposits held by the General Fund.

Funds are transferred from one fund to support expenditures of other funds in accordance with the authority established for the individual fund. Transfers within fund types have been eliminated. Transfers between funds during the year ended June 30, 2012 were:

Transfers Out	Transfers In			
	General Fund	Nonmajor Governmental Funds	Harbor Enterprise Fund	
General Fund.....	\$ -	\$ 135,000	\$ 43,264	(1),(6)
Public Funds.....	50,000	407	-	(2),(4)
Nonmajor Governmental Funds.....	302,806	50,000	-	(2),(5)
Water Enterprise.....	77,519	-	-	(3)
Sewer Enterprise.....	84,399	-	-	(3)
Municipal Light Enterprise.....	330,000	-	-	(3)
Harbor Enterprise.....	90,866	-	-	(3)
Total.....	<u>\$ 935,590</u>	<u>\$ 185,407</u>	<u>\$ 43,264</u>	

- (1) Transfer from the school department's budget to fund a deficit in the School Lunch Revolving Fund.
- (2) Transfers from Nonmajor Governmental Funds and the Public Funds major fund to the General Fund to support the general operating budget.
- (3) Payments in lieu of taxes and reimbursements for general government services.
- (4) Transfer from the Public Funds major fund to Special Revenue Trust Funds classified within the Nonmajor Governmental Funds to reallocate fund resources.
- (5) Transfer to the Other Grant Fund from the Special Revenue Trust Funds both reported within the Nonmajor Governmental Funds to reallocate fund resources.
- (6) Transfer from General fund reserve fund to the Harbor Enterprise fund.

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity in the Governmental Funds for the fiscal year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	(Retirements)	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 4,964,922	\$ 1,577,135	\$ -	\$ 6,542,057
Construction in progress.....	913,258	2,033,983	-	2,947,241
Total capital assets not being depreciated.....	<u>5,878,180</u>	<u>3,611,118</u>	<u>-</u>	<u>9,489,298</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	2,971,246	932,104	-	3,903,350
Buildings.....	82,855,410	-	-	82,855,410
Building improvements.....	29,702,313	446,813	-	30,149,126
Machinery and equipment.....	9,420,201	938,347	(592,483)	9,766,065
Infrastructure.....	29,673,367	571,202	(6,000)	30,238,569
Total capital assets being depreciated.....	<u>154,622,537</u>	<u>2,888,466</u>	<u>(598,483)</u>	<u>156,912,520</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(1,192,890)	(108,858)	-	(1,301,748)
Buildings.....	(24,784,000)	(1,876,104)	-	(26,660,104)
Building improvements.....	(7,193,808)	(842,596)	-	(8,036,404)
Machinery and equipment.....	(5,917,435)	(1,203,592)	592,483	(6,528,544)
Infrastructure.....	(7,660,886)	(800,807)	6,000	(8,455,693)
Total accumulated depreciation.....	<u>(46,749,019)</u>	<u>(4,831,957)</u>	<u>598,483</u>	<u>(50,982,493)</u>
Total capital assets being depreciated, net.....	<u>107,873,518</u>	<u>(1,943,491)</u>	<u>-</u>	<u>105,930,027</u>
Total governmental activities capital assets, net.....	<u>\$ 113,751,698</u>	<u>\$ 1,667,627</u>	<u>\$ -</u>	<u>\$ 115,419,325</u>

Capital asset activity for the Business Type Activities for the fiscal year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	(Retirements)	Ending Balance
<b>Business-Type Activities:</b>				
<u>Sewer:</u>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 115,466	\$ -	\$ -	\$ 115,466
<u>Capital assets being depreciated:</u>				
Buildings.....	114,350	-	-	114,350
Machinery and equipment.....	1,054,548	173,484	(121,926)	1,106,106
Infrastructure.....	13,842,234	186,665	(491,000)	13,537,899
Total capital assets being depreciated.....	15,011,132	360,149	(612,926)	14,758,355
<u>Less accumulated depreciation for:</u>				
Buildings.....	(114,350)	-	-	(114,350)
Machinery and equipment.....	(590,597)	(150,537)	121,926	(619,208)
Infrastructure.....	(5,680,240)	(268,891)	491,000	(5,458,131)
Total accumulated depreciation.....	(6,385,187)	(419,428)	612,926	(6,191,689)
Total capital assets being depreciated, net.....	8,625,945	(59,279)	-	8,566,666
Total sewer activities capital assets, net.....	\$ 8,741,411	\$ (59,279)	\$ -	\$ 8,682,132
<u>Water:</u>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 49,427	\$ -	\$ -	\$ 49,427
<u>Capital assets being depreciated:</u>				
Land improvements.....	45,856	-	-	45,856
Buildings.....	946,475	-	-	946,475
Machinery and equipment.....	786,438	139,558	(79,126)	846,870
Infrastructure.....	13,526,105	355,331	-	13,881,436
Total capital assets being depreciated.....	15,304,874	494,889	(79,126)	15,720,637
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(8,407)	(1,529)	-	(9,936)
Buildings.....	(448,614)	(22,247)	-	(470,861)
Machinery and equipment.....	(450,699)	(49,738)	79,126	(421,311)
Infrastructure.....	(4,622,729)	(160,166)	-	(4,782,895)
Total accumulated depreciation.....	(5,530,449)	(233,680)	79,126	(5,685,003)
Total capital assets being depreciated, net.....	9,774,425	261,209	-	10,035,634
Total water activities capital assets, net.....	\$ 9,823,852	\$ 261,209	\$ -	\$ 10,085,061

	Beginning Balance	Additions	(Retirements)	Ending Balance
<i>Harbor:</i>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 2,004,077	\$ -	\$ -	\$ 2,004,077
Construction in progress.....	44,480	219,308	-	263,788
Total capital assets not being depreciated.....	2,048,557	219,308	-	2,267,865
<u>Capital assets being depreciated:</u>				
Piers.....	61,501	-	-	61,501
Buildings.....	883,440	-	-	883,440
Building improvements.....	102,336	21,011	-	123,347
Land improvements.....	927,979	-	-	927,979
Machinery and equipment.....	994,221	154,774	(49,838)	1,099,157
Total capital assets being depreciated.....	2,969,477	175,785	(49,838)	3,095,424
<u>Less accumulated depreciation for:</u>				
Piers.....	(46,682)	(1,133)	-	(47,815)
Buildings.....	(300,655)	(21,610)	-	(322,265)
Building improvements.....	(45,088)	(4,214)	-	(49,302)
Land improvements.....	(381,796)	(19,528)	-	(401,324)
Machinery and equipment.....	(640,187)	(60,250)	49,838	(650,599)
Total accumulated depreciation.....	(1,414,408)	(106,735)	49,838	(1,471,305)
Total capital assets being depreciated, net.....	1,555,069	69,050	-	1,624,119
Total harbor activities capital assets, net.....	\$ 3,603,626	\$ 288,358	\$ -	\$ 3,891,984

	Beginning Balance	Additions	(Retirements)	Ending Balance
<i>Municipal Light:</i>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 52,096	\$ -	\$ -	\$ 52,096
<u>Capital assets being depreciated:</u>				
Light plant and equipment.....	25,353,931	1,843,949	(206,565)	26,991,315
<u>Less accumulated depreciation for:</u>				
Light plant and equipment.....	(12,696,167)	(1,267,774)	206,565	(13,757,376)
Total capital assets being depreciated, net.....	12,657,764	576,175	-	13,233,939
Total light activities capital assets, net.....	\$ 12,709,860	\$ 576,175	\$ -	\$ 13,286,035

Capital asset activity for the Fiduciary Funds for the fiscal year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	(Retirements)	Ending Balance
<i>Fiduciary Activities:</i>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 2,045	\$ -	\$ -	\$ 2,045
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	123,056	53,399	-	176,455
<u>Less accumulated depreciation for:</u>				
Buildings.....	(76,539)	(7,011)	-	(83,550)
Total capital assets being depreciated, net.....	46,517	46,388	-	92,905
Total fiduciary activities capital assets, net.....	\$ 48,562	\$ 46,388	\$ -	\$ 94,950

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

**Governmental Activities:**

General government.....	\$ 102,271
Public safety.....	233,772
Education.....	2,694,009
Public works.....	1,409,430
Human services.....	38,589
Culture and recreation.....	353,886
Total depreciation expense - governmental activities.....	\$ 4,831,957

**Business-Type Activities:**

Sewer.....	\$ 419,428
Water.....	364,420
Harbor.....	106,735
Municipal Light.....	1,267,774
Total depreciation expense - business-type activities.....	\$ 2,158,357

**NOTE 6 – SHORT-TERM FINANCING**

The Town of Marblehead is authorized, through its Treasurer, to borrow in anticipation of taxes (TANS), to fund capital project costs in anticipation of the issuance of bonds (BANS) or in anticipation of the receipt of federal (FANS) and state (SANS) grants.

During fiscal 2012, \$6.2 million of the Town’s BAN activity has been classified as long term. Refer to Note 7 for information regarding BANs classified as long-term debt as of June 30, 2012. Subsequent to year end, the Town retired the \$158,000 of remaining BAN’s outstanding with \$51,000 in grants received from the MSBA and with \$107,000 in available Town funds.

Description	Issue Date	Due Date	Interest Rate	Balance at June 30, 2011	Issued	Retired	Balance at June 30, 2012
General Obligation BAN of 2012.....	07/28/11	08/10/12	1.50%	\$ -	\$ 6,353,000	\$ (6,195,000)	\$ 158,000

**NOTE 7 – LONG-TERM DEBT**

The Town of Marblehead's long-term debt issues constitute a pledge of the Town's full faith and credit. Payment is not limited to a particular revenue source. However, as previously noted, the Town's ability to raise property taxes is restricted by the enactment of legislation known as "Proposition 2½."

State law permits the Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5% of its equalized valuation. Debt issued in accordance with this section of the law is designated as being “inside the debt limit.” In addition, however, a Town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being “outside the debt limit.”

The following is a summary of the long-term debt transactions of the Town for the year ended June 30, 2012:

Project	Original Amount	Interest % Rate	Balance 6/30/11	Issued and Transferred	Redeemed	Balance 6/30/12
School Construction, maturities through 2025.....	\$ 25,800,000	4.79	\$ 20,105,000	\$ -	\$ (16,705,000)	\$ 3,400,000
Causeway Seawall, maturities through 2018.....	6,500,000	2.00	5,685,000	-	(815,000)	4,870,000
Glover School Feasibility Study, Long-term BAN.....	312,000	2.00	312,000	-	(312,000)	-
Village School, Long-term BAN.....	420,000	2.00	420,000	-	(420,000)	-
Village School, maturities through 2031.....	2,600,000	3.08	2,600,000	-	-	2,600,000
Village School, maturities through 2031.....	12,000,000	3.06	12,000,000	-	(255,000)	11,745,000
Village School, Long-term BAN refunding.....	243,000	1.50	-	243,000	-	243,000
School Refunding Bonds of 2012, maturities through 2025.....	15,860,000	5.00	-	15,860,000	-	15,860,000
General Obligation Long-term BAN of 2012.....	874,000	1.50	-	874,000	-	874,000
General Obligation Bonds of 2012, maturities through 2033.....	5,321,000	2.39	-	5,321,000	-	5,321,000
<b>Total General Obligation Bonds and Notes.....</b>			<b>41,122,000</b>	<b>22,298,000</b>	<b>(18,507,000)</b>	<b>44,913,000</b>
Unamortized Premiums on Bonds and Notes.....			1,283,271	-	(81,380)	1,201,891
<b>Total Governmental Bonds Payable as reported on the Statement of Net Assets.....</b>			<b>\$ 42,405,271</b>	<b>\$ 22,298,000</b>	<b>\$ (18,588,380)</b>	<b>46,114,891</b>
General obligation bonds issued August 10, 2012 (see below).....						3,850,000
Less unamortized premiums on bonds and notes.....						(1,201,891)
<b>Total Bonds Payable as listed in the annual debt service requirements schedule.....</b>						<b>\$ 48,763,000</b>

As of June 30, 2012, the Town has approximately \$2.5 million in Massachusetts School Building Authority (MSBA) reimbursements and unamortized premiums on bonds reserved in a special revenue fund to offset future interest expenses related to long-term bonds.

The Town had \$732,000 in long-term BANs outstanding on July 1, 2011. During fiscal year 2012, the Town paid down \$489,000 of the long-term BANs through MSBA grant proceeds MSBA and appropriated Town funds. The remaining balance of \$243,000 was reissued through a new BAN with an interest rate of 1.5% due August 10, 2012 which has been classified as a long-term BAN. This current refunding did not have an economic gain or loss. Subsequent to year end, the \$243,000 BAN was retired with appropriated funds in the general fund.

At fiscal year end, the Town had \$6.4 million in BANs outstanding which were due on August 10, 2012. In fiscal year 2013, the Town retired approximately \$5.3 million through the issuance of long-term debt, reissued \$874,000 to a new BAN with an interest rate of 1.5% due August 9, 2013 and retired \$158,000 through MSBA grant proceeds and appropriated Town funds. The \$5.3 million bond and the \$874,000 BAN have been classified as long-term debt in the financial statements.

During fiscal year 2012, the Town issued \$15,860,000 of General Obligation Refunding Bonds which together with a net bond premium of approximately \$2 million was used to refund on an advance basis \$15,650,000 of outstanding debt related to school construction. The proceeds of the Refunding Bonds and the net premium, for a total of \$17,877,492, were placed in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the basic financial statements. Through this refunding, the Town has decreased its aggregate debt service payments by \$1,230,087 and will experience an economic gain of \$1,095,799. As of June 30, 2012, \$15,650,000 of the refunded bonds are considered defeased.

### Annual Requirements

The annual requirements to amortize all long-term debt outstanding as of June 30, 2012, are as follows:

Fiscal Year	Governmental Exempt from Proposition 2 1/2		Total Requirement
	Principal	Interest	
2013	\$ 3,612,000	\$ 1,409,058	\$ 5,021,058
2014	2,866,000	1,691,103	4,557,103
2015	3,065,000	1,461,758	4,526,758
2016	3,140,000	1,355,108	4,495,108
2017	3,235,000	1,239,370	4,474,370
2018	3,325,000	1,115,133	4,440,133
2019	2,600,000	999,826	3,599,826
2020	2,685,000	895,044	3,580,044
2021	2,800,000	782,594	3,582,594
2022	2,905,000	666,863	3,571,863
2023	3,030,000	550,356	3,580,356
2024	3,005,000	438,856	3,443,856
2025	3,095,000	342,219	3,437,219
2026	1,295,000	278,764	1,573,764
2027	1,335,000	240,344	1,575,344
2028	1,375,000	198,978	1,573,978
2029	1,430,000	154,362	1,584,362
2030	1,480,000	106,021	1,586,021
2031	1,440,000	55,966	1,495,966
2032	515,000	23,625	538,625
2033	530,000	7,950	537,950
Totals	\$ 48,763,000	\$ 14,013,298	\$ 62,776,298

**Bond Authorizations**

Long-term debt authorizations voted by Town Meetings which have not been issued or rescinded as of June 30, 2012, are as follows:

<u>Date Authorized</u>	<u>Project</u>	<u>Amount</u>
June 2008	Village School Reconstruction.....	\$ 841,370
June 2011	Landfill Remediation and Transfer Station.....	14,191,578
June 2011	Glover School Construction.....	22,699,496
June 2012	Surface Drainage Construction.....	4,937,687
June 2012	Ladder Truck - Fire Department.....	1,150,000
June 2012	Old Town House Improvements.....	610,168
June 2012	Land Acquisition - Lead Mills.....	1,500,000
	Total.....	<u>\$ 45,930,299</u>

**Changes in Long-term Liabilities**

During the fiscal year ended June 30, 2012, the following changes occurred in long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Long-term bonds and notes.....	\$ 41,122,000	\$ 22,298,000	\$ (18,507,000)	\$ 44,913,000	\$ 3,612,000
Unamortized bond premium.....	1,283,271	215,393	(296,773)	1,201,891	81,380
Other postemployment benefits.....	11,666,948	9,627,696	(5,143,346)	16,151,298	-
Compensated absences.....	996,210	865,690	(847,620)	1,014,280	866,563
Landfill Closure.....	9,914,578	438,000	(3,072,578)	7,280,000	-
Workers' compensation.....	687,119	208,609	(211,436)	684,292	291,442
Total governmental activity long-term liabilities.....	<u>\$ 65,670,126</u>	<u>\$ 33,653,388</u>	<u>\$ (28,078,753)</u>	<u>\$ 71,244,761</u>	<u>\$ 4,851,385</u>
<b>Business-Type Activities:</b>					
Other postemployment benefits.....	\$ 899,764	\$ 821,541	\$ (448,472)	\$ 1,272,833	\$ -
Compensated absences.....	238,930	219,096	(171,954)	286,072	230,073
Total business-type activity long-term liabilities.....	<u>\$ 1,138,694</u>	<u>\$ 1,040,637</u>	<u>\$ (620,426)</u>	<u>\$ 1,558,905</u>	<u>\$ 230,073</u>

Long-term liabilities related to both governmental and business-type activities are normally paid from the funds reporting payroll and related expenditures, which consist of the general fund and the sewer, water, and harbor enterprise funds.

**NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

The Town classifies fund balance according to the constraints imposed on the use of the resources.

There are 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, spendable fund balances are classified 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. The Town’s highest level of decision making authority is the Town Meeting.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose. Management determines the need for an assignment of fund balance. The approval of the Town’s highest level of decision making authority is not required for the assignment.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

As of June 30, 2012, the governmental fund balances consisted of the following:

	GOVERNMENTAL FUNDS				
	General	Capital Projects Fund	Public Funds	Nonmajor Governmental Funds	Total Governmental Funds
<b>FUND BALANCES</b>					
Nonspendable:					
Permanent fund principal..... \$	-	-	3,410,414	-	3,410,414
Restricted for:					
Capital projects fund.....	-	1,896,101	-	-	1,896,101
Public funds.....	-	-	1,311,011	-	1,311,011
Town revolving funds.....	-	-	-	544,872	544,872
Town gift funds.....	-	-	-	275,373	275,373
Town federal grant funds.....	-	-	-	9,495	9,495
Town state grant funds.....	-	-	-	78,026	78,026
Town other grant funds.....	-	-	-	712,602	712,602
Town receipts reserved for appropriations.....	-	-	-	2,582,639	2,582,639
Special revenue trust funds.....	-	-	-	3,014,869	3,014,869
Committed to:					
General government.....	86,772	-	-	-	86,772
Public safety.....	1,300	-	-	-	1,300
Public works.....	825,462	-	-	-	825,462
Culture and recreation.....	4,300	-	-	-	4,300
Assigned to:					
General government.....	6,829	-	-	-	6,829
Free cash used for subsequent year’s expenditures....	5,899,292	-	-	-	5,899,292
Unassigned.....	6,251,245	-	-	-	6,251,245
<b>TOTAL FUND BALANCES..... \$</b>	<b>13,075,200</b>	<b>1,896,101</b>	<b>4,721,425</b>	<b>7,217,876</b>	<b>26,910,602</b>

**NOTE 9 – PENSION PLAN**

A. Defined Benefit Plan

Pensions for employees other than School Department teaching staff and certain school administrators are provided through the Town of Marblehead Contributory Retirement System (the System), a cost-sharing multiple employer defined benefit plan, administered by the Marblehead Contributory Retirement Board. Massachusetts contributory retirement system benefits are uniform from system to system. For members employed before April 2, 2012, the System provides for retirement allowance benefits up to a maximum of 80% of a participant’s highest three-year average annual rate of regular compensation, as defined. For members employed on or after April 2, 2012, benefits are based on a five year average. Benefit payments are based upon a participant’s age, length of creditable service, level of compensation, and group classification.

Permanent employees who are employed on a basis, which anticipates work at an annual rate to exceed 1,040 hours, are eligible to participate from the date of their employment. Participants’ contributions are fully vested at all times. A superannuation allowance may be received upon completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions, normal retirement is at age 55).

As of December 31, 2011, the System’s membership consisted of:

Retirees and beneficiaries currently receiving benefits.....	332
Active employees.....	342
Inactive employees.....	<u>29</u>
 Total.....	 <u>703</u>

Participants who become permanently and totally disabled from further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors, including whether the disability is work-related, the participant’s age, years of creditable service, level of compensation, veteran status, and group classification.

Participants who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated contributions. In addition, such employees are entitled to receive interest which has accrued on those contributions. Employees who involuntarily terminate and those voluntarily terminating with greater than 10 years of service are entitled to regular interest on their accumulated contributions. Those who voluntarily terminate with less than 10 years of service are entitled to 3% interest on their accumulated contributions.

Survivor benefits are extended to eligible beneficiaries of participants whose deaths occur prior to or following retirement.

From time to time, cost-of-living increases are granted to benefits being paid to retirees. These increases are expressed as a percentage of the retiree’s allowance, subject to a maximum dollar increase (presently \$12,000). The Massachusetts legislature voted these increases until 1997, and the cost was borne by the System until 1980 and from 1981 to 1997 are the financial responsibility of the Commonwealth. Since July 1, 1998, the Town Retirement Board is authorized to vote annual cost-of-living increases up to a maximum of 3% which are the financial responsibility of the System.

State Legislation requires that both the employee and the Town contribute to the System. Employees contribute an amount equal to 5%, 7%, 8% or 9% of their base salary, based on the date hired. Active participants who

were hired on or after January 1, 1979 contribute an additional 2% of salary in excess of \$30,000. The Town is required to contribute at an actuarially determined rate, which is the amount required to cover normal cost plus amortization of unfunded prior service cost as approved by the Commonwealth's Public Employee Retirement Administration Commission. The Town's contributions for each employee (and interest allocated to the employee's account) are fully vested after ten years of continuous service.

School Department teaching staff and certain administrators contribute to a pension plan administered by the Massachusetts Teachers Retirement Board. The Town makes no contributions to this plan. Contributions are made by the Commonwealth of Massachusetts as required by law. The amount of these on-behalf payments totaled \$6,768,764 for the fiscal year ended June 30, 2012. Employees in this plan are vested after ten years of service. Employer contributions are funded based on a funding schedule as approved by the Commonwealth's Public Employee Retirement Administration Commission.

The system may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination will be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of the Commonwealth, if such member has paid the stipulated contributions specified in sections or provisions of such laws.

The System issues a publicly available financial report in accordance with guidelines established by the PERAC. That report may be obtained from the System located at 7 Widger Road, Marblehead, MA 01945.

B. Summary of Significant Accounting Policies

Basis of Accounting - The Marblehead Contributory Retirement System (the System) follows the policies mandated by the Commonwealth of Massachusetts. Its accounting records are maintained on the accrual basis. Town and participant contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of Massachusetts General Law and the plan.

C. Funding Status and Progress

The most recent actuarial valuation of the System was prepared as of January 1, 2010. Additional information as of the latest actuarial valuation follows:

- Actuarial cost method..... Individual entry age normal
- Amortization method..... 4.5% Increasing amortization using a level percentage of projected payroll
- Remaining closed amortization period... 20 years from January 1, 2010
- Asset valuation method..... Asset Smoothing
- Actuarial assumptions:
  - Investment rate of return..... 8%
  - Projected salary increases..... 3% (2010), 3.5% (2011-2014), and 4% (2015 and beyond)
  - Cost-of-living adjustments..... 3% on first \$12,000 of retirement income
  - Inflation rate..... 4%

**D. Contributions Required and Contributions Made**

The System's funding policy provides for annual employer contributions at actuarially determined rates that are expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due, based on the above assumptions. Level percentage of payroll employer contribution rates is determined using the entry age normal actuarial cost funding method. The Retirement Plan will amortize the unfunded liability over a 20-year period.

Generally accepted accounting principles require that the minimum cost charged each year by the Town for its pension obligation should be the present value of benefits estimated to be payable in the future, (computed using an acceptable actuarial valuation method using assumptions that reflect the best judgments of future events, including salary projections) plus amortization of the liability for past services, as of the balance sheet date.

Employer appropriation, required for the last three fiscal years are as follows:

Fiscal Year	Required Contribution	Percent Contributed
2012	\$ -	100%
2011	2,305,578	100%
2010	2,305,578	100%

**E. Funding Status and Historical Data**

An analysis of the funding progress since 1998 is as follows:

Actuarial Valuation As of	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
01/01/10	\$ 77,353,879	\$ 98,858,864	\$ 21,504,985	78.2%	\$ 16,244,071	132.4%
01/01/08	84,442,905	93,908,490	9,465,585	89.9%	15,827,608	59.8%
01/01/06	69,105,082	82,948,269	13,843,187	83.3%	14,159,647	97.8%
01/01/04	64,490,373	76,875,640	12,385,267	83.9%	13,982,752	88.6%
01/01/02	60,615,356	71,022,123	10,406,767	85.3%	13,268,405	78.4%
01/01/00	54,015,622	63,939,027	9,923,405	84.5%	11,833,509	83.9%
01/01/98	42,540,310	55,347,500	12,807,190	76.9%	10,533,300	121.6%

**F. Schedule of Funding Progress**

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

G. Noncontributory Retirement Plan

The Town also has a noncontributory pension plan which covers certain employees hired prior to the adoption of the Contributory Retirement System. Total payments for the Town's share of this plan amounted to \$108,000 during the year ended June 30, 2012.

**NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS**

*Plan Description* – The Town of Marblehead administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Town’s group health insurance plan, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

*Funding Policy* – The Town’s required contribution is based on a pay-as-you-go financing requirement. The Town contributes 60-80 percent of the cost of pre-Medicare coverage and 75 percent of the cost of the Medex plan and Medicare Part B. Plan members receiving benefits contribute the remaining 20-40 percent of the cost of pre-Medicare and 25 percent of the cost of Medex plan and Medicare Part B. For fiscal year 2012, the Town contributed \$4.4 million to the plan, and member contributions totaled \$1.4 million. The Town’s contribution to the plan when adjusted for the implicit rate subsidy was approximately \$5.6 million.

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

Annual required contribution.....	\$	10,565,221
Interest on net OPEB obligation.....		575,913
Adjustments to annual required contribution.....		(445,799)
*Adjustment for Electric Light Department.....		(246,098)
Annual OPEB cost (expense).....		<u>10,449,237</u>
Contributions made.....		<u>(5,591,818)</u>
Increase in net OPEB obligation.....		4,857,419
Net OPEB obligation-beginning of year.....		<u>12,566,712</u>
Net OPEB obligation-end of year.....	\$	<u><u>17,424,131</u></u>

\*Electric Light amounts are shown for the six months ended December 31, 2011

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$ 10,449,237	54%	\$ 17,424,131
6/30/2011	9,781,627	54%	12,566,712
6/30/2010	8,640,091	54%	7,946,591

*Funded Status and Funding Progress* – As of July 1, 2010, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$139.2 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$41.5 million, and the ratio of the UAAL to the covered payroll was 335.3%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the July 1, 2010, actuarial valuation, actuarial liabilities were determined using the entry age normal cost method. The actuarial assumptions included a 4.5% investment return assumption, which is based on the expected yield on the assets of the Town, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend rate of 10% initially, graded to 5% over 10 years. The UAAL is being amortized over a 30 year closed period using a level percentage of projected payroll, with amortization payments increasing at 4.5% per year. The inflation rate assumption is based on projected payroll which is assumed to increase at 4% a year.

#### **NOTE 11 – COMMITMENTS**

The Town has various commitments through its participation in a bulk power supply agency, as discussed more fully in Note 13.

In May of 2011, the Town voted to authorize the Treasurer to borrow \$24,450,000, for the construction a new Glover School. The Town has been approved by the MSBA for reimbursement of 40% of the eligible costs associated with this project, provided that the Town complies with all necessary steps set forth by the MSBA. During FY12 the Town began construction activities related to a new Glover School. Most of the activities, related

to this project, centered on completion of design and planning for the project. Demolition of the old Glover School took place during the summer of 2012. Construction of the planned two-story, 79,000-square-foot school will take approximately 18 months to complete.

In May of 2011, the Town voted to authorize the Treasurer to borrow \$18,174,578 to finance capping of the Town's old landfill, the construction of a new transfer station and the cleanup of certain properties on Stoney Brook Road. The clean-up of four landfill-contaminated properties on Stony Brook Road, which cost \$3.0 million, was completed in FY12. This project involved the purchase of certain properties and purchase of easements on others. Contaminated soil and materials were removed from the sites and deposited at the town landfill, which is scheduled to be capped. The Town is currently in the permitting phase of the landfill capping phase of this project.

In May of 2012, the Town voted to authorize the Treasurer to borrow \$4,937,687 to finance drainage improvements in the Pleasant Street Area, \$1,150,000 to finance the purchase of a new Quint Fire Truck, \$1,500,000 to finance land acquisition of the so-called Lead Mills site by the town, and \$610,168 to finance accessibility improvements to the town's historic Old Town House. The Town is expected to commence each of these projects during FY13.

#### **NOTE 12 – CONTINGENCIES**

The Town participates in a number of federal and state assisted grant programs, principal of which are educational grants. These programs are subject to program compliance and audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

There are several pending lawsuits in which the Town is involved. Town Counsel estimates that the potential claims against the Town, resulting from such litigation, which are not covered by insurance, would not materially affect the financial statements of the Town.

#### **NOTE 13 – PARTICIPATION IN MASSACHUSETTS MUNICIPAL WHOLESALE ELECTRIC COMPANY**

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

MMWEC is a public corporation and 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 utilities and also owns and operates its own electric facilities. MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other utilities (Project Participants) under Power Sales Agreements (PSAs).

Among other things, the PSAs require each Project Participant to pay its pro rata share of MMWEC's costs related to the Project, which costs include debt service on the revenue bonds issued by MMWEC to finance the Project, plus 10% of MMWEC's debt service to be paid into a Reserve and Contingency Fund. In addition, should any Project Participant fail to make payment when due, other Project Participants may be required to increase (step-up) their payments and correspondingly their Participants' share of Project Capability to an additional amount not to exceed 25% of their original Participants' share of the Project Capability. Project Participants have covenanted to fix, revise, and collect rates at least sufficient to meet their obligations under the PSAs.

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

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

A substantial portion of MMWEC's plant investment and financing program is an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by NextEra Energy Seabrook, LLC (NextEra Seabrook) (formerly FPL Energy Seabrook, LLC), the majority owner and an indirect subsidiary of NextEra Energy Resources LLC (formerly FPL Energy LLC). The operating license for Seabrook Station extends to March 2030. NextEra Seabrook has submitted an application to extend the Seabrook Station operating license for an additional 20 years.

Pursuant to the PSAs, the MMWEC Seabrook and Millstone Project Participants are liable for their proportionate share of the costs associated with decommissioning the plants, which costs are being funded through monthly Project billings. Also, the project participants are liable for their proportionate share of the uninsured costs of a nuclear incident that might be imposed under the Price-Anderson Act. 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.

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

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

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

As of December 31, 2010, total capital expenditures amounted to \$1,581,599,000 of which \$25,944,000 represents the amount associated with the Department's share of Project Capability of the Projects in which it participates, although such amount is not allocated to the Department. MMWEC's debt outstanding for the Projects includes Power Supply System Revenue Bonds totaling \$358,420,000, of which \$5,017,000 is associated with the Department's share of Project Capability of the Projects in which it participates, although such amount is not allocated to the Department. As of December 31, 2011, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$380,165,000, of which \$5,113,000 is anticipated to be billed to the Department in the future.

The estimated aggregate amount of Marblehead Municipal Light Department’s required payments under the PSAs and PPAs, exclusive of the Reserve and Contingency Fund billings, to MMWEC at December 31, 2011, is shown below:

		<u>Annual Costs</u>
For years ended December 31,	2012	\$ 1,272,000
	2013	1,151,000
	2014	953,000
	2015	837,000
	2016	609,000
	2017 to 2020	<u>291,000</u>
	Total	<u>\$ 5,113,000</u>

In addition, under the PSAs, the Department is required to pay MMWEC its share of the Operation and Maintenance (O&M) costs of the Projects in which it participates. The Department’s total O&M costs including debt service under the PSAs were \$3,860,000 and \$3,706,000 for the years ended December 31, 2011 and 2010, respectively.

**NOTE 14 – RISK FINANCING**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

The Town provides premium based health insurance plans for its active employees and retirees. In January 2012, the Town adopted Section 19 of Massachusetts General Law Chapter 32B. The law allows the Town to transfer their health insurance subscribers to the Commonwealth’s Group Insurance Commission’s (GIC) plan or another lower cost plan after reaching an agreement with its Public Employee Committee, comprised of representatives from each of the various municipal unions as well as a representative from the retirees. As a result of this process, the Town reached an agreement with the Public Employee Committee to transfer their health insurance subscribers to the GIC as of July 1, 2012.

The Town is self-insured for its workers’ compensation activities. These activities are accounted for in the Town’s Internal Service Fund where revenues are recorded when earned and expenses are recorded when the liability is incurred.

The Town provides statutory workers’ compensation benefits under a self-insurance plan. In fiscal 1989, the Town established a workers’ compensation fund by accepting the provisions of Massachusetts General Laws, Chapter 40, Section 13a. A private consultant hired by the Town administers workers’ compensation claims. Claims are recorded as expenses in the year payment is made. The Town estimates its future workers’ compensation liability based on history and type and records the liability in the Internal Service Fund.

An analysis of workers' compensation activity is presented below:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year-End	Current Portion
Fiscal Year 2011	\$ 702,356	\$ 116,126	\$ (131,363)	\$ 687,119	\$ 282,631
Fiscal Year 2012	687,119	208,609	(211,436)	684,292	291,442

**NOTE 15 – CLEANUP AND REMEDIATION LIABILITY RELATED TO THE OLD LANDFILL**

State and federal laws and regulations require the Town to construct a final capping system on its inactive landfill located at the rear of the Transfer Station at 5 Woodfin Terrace and to perform certain maintenance and monitoring functions at the site after closure. The Town stopped accepting waste and closed the site in 1975 in accordance with the regulations in place at that time. Recently the Town was compelled to provide for the capping and monitoring of its landfill by an administrative consent order issued by the Department of Environmental Protection. The Town completed a study in order to estimate the cost of the landfill closure and postclosure care costs. As a result, the estimate of \$7.3 million has been recorded as a liability in the entity-wide financial statements. Actual costs may be higher due to inflation, changes in technology, or changes in applicable laws or regulations.

**NOTE 16 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During fiscal year 2012, the following GASB pronouncements were implemented:

- GASB Statement #62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The implementation of this pronouncement did not impact the basic financial statements.
- GASB Statement #64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53*. The implementation of this pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in future fiscal years:

- The GASB issued Statement #60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #61, *The Financial Reporting Entity: Omnibus*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented in fiscal year 2013.

- The GASB issued Statement #66, *Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*, which is required to be implemented in fiscal year 2014.
- The GASB issued Statement #68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which is required to be implemented in fiscal year 2015.

Management is currently assessing the impact that the implementation of these pronouncements will have on the basic financial statements.

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## ***Required Supplementary Information***

# ***General Fund***

The General Fund is used to account for all transactions encompassing the approved current operating budget, the related revenues, expenditures, assets, liabilities and fund balances which are not accounted for in other funds. The budget of the Town is recorded in detail in the general fund by line item within department and, as a result, most of the current operations of the Town are recorded here.

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

FISCAL YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			
	Amounts Carried forward From Prior Year	Original Voted Budget	Total Original Budget	Final Budget
<b>REVENUES:</b>				
Real estate and personal property taxes, net of tax refunds..... \$	-	\$ 53,251,135	\$ 53,251,135	\$ 53,251,135
Motor vehicle excise taxes.....	-	2,135,149	2,135,149	2,135,149
Charges for services.....	-	497,000	497,000	497,000
Penalties and interest on taxes.....	-	125,000	125,000	125,000
Licenses and permits.....	-	425,000	425,000	425,000
Fines and forfeitures.....	-	110,000	110,000	110,000
Intergovernmental.....	-	6,145,527	6,145,527	6,145,527
Investment income.....	-	80,000	80,000	80,000
Miscellaneous.....	-	21,000	21,000	21,000
<b>TOTAL REVENUES.....</b>	<b>-</b>	<b>62,789,811</b>	<b>62,789,811</b>	<b>62,789,811</b>
<b>EXPENDITURES:</b>				
Current:				
<b>GENERAL GOVERNMENT</b>				
Moderator - Officials Expense.....	-	100	100	100
Selectmen Officials Expense.....	-	5,500	5,500	5,500
Salaries.....	-	341,171	341,171	341,171
Expense.....	-	98,163	98,163	98,163
Art 44, 2001 - Fort Sewall.....	2,206	-	2,206	2,206
Zoning Board Legal Services.....	-	7,000	7,000	7,000
Out of State Travel.....	-	2,000	2,000	2,000
Finance Committee - Salaries.....	-	8,310	8,310	8,310
Expense.....	-	5,585	5,585	5,585
Local Travel.....	-	175	175	175
Reserve Fund.....	-	144,000	144,000	73,886
Finance - Salaries.....	-	641,231	641,231	641,231
Expense.....	17,000	246,205	263,205	263,205
Assessors - Officials Expense.....	-	300	300	300
Assessors - Salaries.....	-	178,166	178,166	178,166
Expense.....	-	33,785	33,785	33,785
Local Travel.....	-	400	400	400
Town Counsel - Salaries.....	-	2,000	2,000	2,000
Expense.....	-	62,932	62,932	65,932
Parking Tickets - Expense.....	-	10,484	10,484	10,484
Town Clerk - Salaries.....	-	155,519	155,519	155,519
Expense.....	-	9,037	9,037	9,037
Election and Registration - Salaries.....	-	18,000	18,000	18,000
Expense.....	-	21,865	21,865	21,865
Planning Board - Expense.....	-	1,675	1,675	5,275
Public Buildings - Salaries.....	-	88,516	88,516	88,516
Expense.....	-	101,100	101,100	101,100
Local Travel.....	-	400	400	400
Art. 20, 2009 - Improve Public Buildings.....	15,412	-	15,412	15,412
Art. 12, 2010 - Improve Public Buildings.....	51,354	-	51,354	51,354
Art. 11, 2011 - Improve Public Buildings.....	-	40,401	40,401	40,401
Art. 11, 2010 - Equipment.....	1,195	-	1,195	1,195
Art. 10, 2011 - Equipment.....	-	6,180	6,180	6,180
Town Reports.....	-	4,300	4,300	4,300
Town Audit of Accounts.....	-	40,000	40,000	40,000
<b>TOTAL GENERAL GOVERNMENT.....</b>	<b>87,167</b>	<b>2,274,500</b>	<b>2,361,667</b>	<b>2,298,153</b>

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$	53,542,174	\$ -	\$ 291,039
	2,851,176	-	716,027
	765,327	-	268,327
	241,114	-	116,114
	773,464	-	348,464
	175,086	-	65,086
	6,454,592	-	309,065
	202,916	-	122,916
	49,656	-	28,656
	<u>65,055,505</u>	<u>-</u>	<u>2,265,694</u>
	100	-	-
	5,500	-	-
	339,043	-	2,128
	65,179	-	32,984
	-	2,206	-
	3,850	-	3,150
	-	-	2,000
	8,310	-	-
	2,673	-	2,912
	104	-	71
	-	-	73,886
	639,148	-	2,083
	254,360	6,829	2,016
	300	-	-
	178,015	-	151
	33,383	-	402
	391	-	9
	2,000	-	-
	60,416	-	5,516
	5,379	-	5,105
	154,113	-	1,406
	8,709	-	328
	15,411	-	2,589
	21,668	-	197
	5,275	-	-
	86,648	-	1,868
	98,341	-	2,759
	179	-	221
	8,945	6,467	-
	1,718	49,636	-
	17,705	22,696	-
	1,195	-	-
	413	5,767	-
	2,785	-	1,515
	<u>40,000</u>	<u>-</u>	<u>-</u>
	<u>2,061,256</u>	<u>93,601</u>	<u>143,296</u>

(Continued)

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

FISCAL YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			
	Amounts Carried forward From Prior Year	Original Voted Budget	Total Original Budget	Final Budget
<b><u>PUBLIC SAFETY</u></b>				
Police - Salaries.....	-	3,047,579	3,047,579	3,047,579
Expense.....	-	187,399	187,399	187,399
Indemnification.....	-	10,000	10,000	10,000
Art. 20 2009 - Improve Public Buildings.....	36,464	-	36,464	36,464
Art. 11, 2011 - Equipment.....	-	58,202	58,202	58,202
Fire - Salaries.....	-	2,856,164	2,856,164	2,856,164
Expense.....	16,969	143,308	160,277	180,277
Art. 20 2009 - Improve Public Buildings.....	15,735	-	15,735	15,735
Art. 11, 2011 - Improve Public Buildings.....	-	62,758	62,758	62,758
Building Commissioner - Salaries.....	-	443,502	443,502	443,502
Expense.....	-	9,755	9,755	9,755
Local Travel.....	-	3,000	3,000	3,000
Sealer of Weights & Measurers - Expense.....	-	250	250	500
Animal Inspector - Salaries.....	-	2,400	2,400	2,400
<b>TOTAL PUBLIC SAFETY.....</b>	<b>69,168</b>	<b>6,824,317</b>	<b>6,893,485</b>	<b>6,913,735</b>
<b><u>EDUCATION</u></b>				
Schools.....	-	28,838,012	28,838,012	28,703,012
Art. 10, 2011 Equipment.....	-	95,000	95,000	95,000
Art. 22, 2011 - North Shore Technical School.....	-	86,339	86,339	86,339
<b>TOTAL SCHOOL.....</b>	<b>-</b>	<b>29,019,351</b>	<b>29,019,351</b>	<b>28,884,351</b>
<b><u>PUBLIC WORKS &amp; FACILITIES</u></b>				
Engineering - Salaries.....	-	108,829	108,829	108,829
Expense.....	-	10,395	10,395	10,395
Local Travel.....	-	500	500	500
Highway - Salaries.....	-	734,284	734,284	734,284
Expense.....	-	87,084	87,084	87,084
Rebuild & Maintain HTTP STS.....	-	33,750	33,750	33,750
Snow Removal.....	-	100,000	100,000	100,000
Street Lighting.....	-	128,820	128,820	128,820
Art. 11, 2007 - Walls and Fences.....	23,623	-	23,623	23,623
Art. 12, 2010 - Improve Public Buildings.....	22,106	-	22,106	22,106
Art. 20, 2009 - Improve Public Buildings.....	3,379	-	3,379	3,379
Art. 10, 2011 - Equipment.....	-	157,605	157,605	157,605
Art. 11, 2011 - Improve Public Buildings.....	-	1,004	1,004	1,004
Waste Collection - Salaries.....	-	288,354	288,354	288,354
Expense.....	-	1,668,655	1,668,655	1,668,655
Local Travel.....	-	1,512	1,512	1,512
Art. 33, 2007 - Disposal and Remediation.....	15,807	-	15,807	15,807
Art. 37, 2008 - Disposal and Remediation.....	25,643	-	25,643	25,643
Art. 41, 2009 - Disposal and Remediation.....	47,626	-	47,626	47,626
Art. 21, 2010 - Disposal and Remediation.....	76,614	-	76,614	76,614
Art. 33, 2011 - Landfill Regulator.....	-	770,600	770,600	770,600
Art. 20, 2009 - Improve Public Buildings.....	4,370	-	4,370	4,370
Drains - Salaries.....	-	100,650	100,650	100,650
Expense.....	-	5,150	5,150	5,150
Art. 34, 2010-Drain Construction.....	112,827	-	112,827	112,827
Art. 18, 2011-Drain Construction.....	-	324,000	324,000	324,000
Cemetery - Officials Expense.....	-	300	300	300
Salaries.....	-	305,775	305,775	305,775
Expense.....	-	21,846	21,846	21,846
Tree - Salaries.....	-	237,916	237,916	237,916
Expense.....	-	51,578	51,578	51,578
Art. 22, 2008 - Improve Public Buildings.....	2,096	-	2,096	2,096
Art. 11, 2011 - Improve Public Buildings.....	-	20,000	20,000	20,000
Art. 10, 2011 - Equipment.....	-	39,219	39,219	39,219
<b>TOTAL PUBLIC WORKS &amp; FACILITIES.....</b>	<b>334,091</b>	<b>5,197,826</b>	<b>5,531,917</b>	<b>5,531,917</b>

Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
2,880,441	-	167,138
187,321	-	78
582	-	9,418
36,464	-	-
58,202	-	-
2,736,421	-	119,743
180,176	-	101
14,435	1,300	-
62,758	-	-
408,173	-	35,329
9,444	-	311
3,000	-	-
406	-	94
2,400	-	-
<u>6,580,223</u>	<u>1,300</u>	<u>332,212</u>
28,702,982	-	30
95,000	-	-
86,032	-	307
<u>28,884,014</u>	<u>-</u>	<u>337</u>
108,821	-	8
7,325	-	3,070
-	-	500
721,648	-	12,636
77,931	-	9,153
30,274	-	3,476
89,815	-	10,185
117,833	-	10,987
-	23,623	-
22,106	-	-
-	3,379	-
157,605	-	-
-	1,004	-
282,769	-	5,585
1,451,489	-	217,166
1,386	-	126
15,186	621	-
25,643	-	-
21,008	26,618	-
-	76,614	-
140,259	630,341	-
4,370	-	-
97,254	-	3,396
4,139	-	1,011
112,827	-	-
272,338	51,662	-
300	-	-
302,299	-	3,476
20,339	-	1,507
228,656	-	9,260
36,293	-	15,285
2,096	-	-
8,400	11,600	-
39,219	-	-
<u>4,399,628</u>	<u>825,462</u>	<u>306,827</u>

(Continued)

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

FISCAL YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			
	Amounts Carried forward From Prior Year	Original Voted Budget	Total Original Budget	Final Budget
<b><u>HUMAN SERVICES</u></b>				
Health - Officials Expense.....	-	400	400	400
Salaries.....	-	134,939	134,939	134,939
Expense.....	-	13,055	13,055	13,055
Local Travel.....	-	2,100	2,100	2,100
Help for Abused Women and Children (HAWC).....	-	4,000	4,000	4,000
Mental Health - Contractual Services.....	-	60,000	60,000	60,000
Council on Aging - Salaries.....	-	193,818	193,818	193,818
Expense.....	-	3,459	3,459	3,459
Veterans Benefits - Salaries.....	-	57,357	57,357	57,357
Expense.....	-	1,243	1,243	1,243
Local Travel.....	-	1,100	1,100	1,100
Benefits.....	-	19,000	19,000	19,000
<b>TOTAL HUMAN SERVICES.....</b>	<b>-</b>	<b>490,471</b>	<b>490,471</b>	<b>490,471</b>
<b><u>CULTURE &amp; RECREATION</u></b>				
Library - Salaries.....	-	746,403	746,403	746,403
Expense.....	-	245,295	245,295	245,295
Local Travel.....	-	100	100	100
Art. 22, 2008 - Improve Public Buildings.....	4,831	-	4,831	4,831
Art. 11, 2011 - Improve Public Buildings.....	-	18,684	18,684	18,684
Park - Salaries.....	-	559,878	559,878	559,878
Expense.....	6,900	171,590	178,490	178,490
Park Facility Expense.....	-	46,093	46,093	46,093
Art. 10, 2011 - Equipment.....	-	23,409	23,409	23,409
Art. 11, 2011 - Improve Public Buildings.....	-	39,453	39,453	39,453
Memorial & Veterans Day.....	-	1,950	1,950	1,950
<b>TOTAL CULTURE &amp; RECREATION.....</b>	<b>11,731</b>	<b>1,852,855</b>	<b>1,864,586</b>	<b>1,864,586</b>
<b><u>ENERGY</u></b>				
Energy Reserve.....	-	533,544	533,544	533,544
<b>TOTAL ENERGY RESERVE.....</b>	<b>-</b>	<b>533,544</b>	<b>533,544</b>	<b>533,544</b>
<b><u>PENSION BENEFITS</u></b>				
Contributory Retirement Fund.....	-	1,881,112	1,881,112	1,881,112
Noncontributory Retirement.....	-	116,324	116,324	116,324
<b>TOTAL PENSION BENEFITS.....</b>	<b>-</b>	<b>1,997,436</b>	<b>1,997,436</b>	<b>1,997,436</b>
<b><u>PROPERTY AND LIABILITY INSURANCE</u></b>				
Other Insurance.....	-	475,888	475,888	475,888
<b>TOTAL PROPERTY AND LIABILITY INSURANCE..</b>	<b>-</b>	<b>475,888</b>	<b>475,888</b>	<b>475,888</b>
<b><u>FRINGE BENEFITS</u></b>				
Medicare.....	-	480,000	480,000	480,000
Salary Reserve.....	-	195,242	195,242	195,242
Group Insurance.....	-	11,739,905	11,739,905	11,739,905
<b>TOTAL FRINGE BENEFITS.....</b>	<b>-</b>	<b>12,415,147</b>	<b>12,415,147</b>	<b>12,415,147</b>

Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
400	-	-
130,096	-	4,843
11,839	-	1,216
1,365	-	735
4,000	-	-
60,000	-	-
189,200	-	4,618
3,005	-	454
57,357	-	-
1,181	-	62
237	-	863
18,785	-	215
<u>477,465</u>	<u>-</u>	<u>13,006</u>
731,808	-	14,595
245,295	-	-
87	-	13
4,831	-	-
18,684	-	-
547,514	-	12,364
172,509	-	5,981
37,354	-	8,739
23,409	-	-
35,153	4,300	-
1,901	-	49
<u>1,818,545</u>	<u>4,300</u>	<u>41,741</u>
175,090	-	358,454
<u>175,090</u>	<u>-</u>	<u>358,454</u>
1,881,112	-	-
108,315	-	8,009
<u>1,989,427</u>	<u>-</u>	<u>8,009</u>
216,606	-	259,282
<u>216,606</u>	<u>-</u>	<u>259,282</u>
468,091	-	11,909
159,118	-	36,124
10,210,459	-	1,529,446
<u>10,837,668</u>	<u>-</u>	<u>1,577,479</u>

(Continued)

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

FISCAL YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			
	Amounts Carried forward From Prior Year	Original Voted Budget	Total Original Budget	Final Budget
<b>INTERGOVERNMENTAL</b>				
State.....	-	2,393,803	2,393,803	2,393,803
TOTAL INTERGOVERNMENTAL.....	-	2,393,803	2,393,803	2,393,803
<b>DEBT SERVICES</b>				
Maturing Debt.....	-	2,525,000	2,525,000	2,525,000
Interest.....	-	1,789,596	1,789,596	1,789,596
TOTAL DEBT SERVICES.....	-	4,314,596	4,314,596	4,314,596
TOTAL EXPENDITURES.....	502,157	67,789,734	68,291,891	68,113,627
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(502,157)	(4,999,923)	(5,502,080)	(5,323,816)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in.....	-	647,256	647,256	647,256
Transfers out.....	-	-	-	(178,264)
TOTAL OTHER FINANCING SOURCES (USES).....	-	647,256	647,256	468,992
NET CHANGE IN FUND BALANCE.....	(502,157)	(4,352,667)	(4,854,824)	(4,854,824)
BUDGETARY FUND BALANCE, Beginning of year.....	-	11,378,963	11,378,963	11,378,963
BUDGETARY FUND BALANCE, End of year.....	\$ (502,157)	\$ 7,026,296	\$ 6,524,139	\$ 6,524,139

See notes to required supplementary information.

Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
2,365,570	-	28,233
2,365,570	-	28,233
2,524,366	-	634
1,786,736	-	2,860
4,311,102	-	3,494
64,116,594	924,663	3,072,370
938,911	(924,663)	5,338,064
935,590	-	288,334
(178,264)	-	-
757,326	-	288,334
1,696,237	(924,663)	5,626,398
11,378,963	-	-
\$ 13,075,200	\$ (924,663)	\$ 5,626,398

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# ***Retirement System Schedules of Funding Progress and Employer Contributions***

The Retirement System Schedule of Funding progress presents multiyear trend information relating to the cost-sharing plan as a whole, of which the Town is one participating employer, about whether the actuarial value of planned assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

**MARBLEHEAD CONTRIBUTORY RETIREMENT SYSTEM**  
**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/10	\$ 77,353,879	\$ 98,858,864	\$ 21,504,985	78.2%	\$ 16,244,071	132.4%
01/01/08	84,442,905	93,908,490	9,465,585	89.9%	15,827,608	59.8%
01/01/06	69,105,082	82,948,269	13,843,187	83.3%	14,159,647	97.8%
01/01/04	64,490,373	76,875,640	12,385,267	83.9%	13,982,752	88.6%
01/01/02	60,615,356	71,022,123	10,406,767	85.3%	13,268,405	78.4%
01/01/00	54,015,622	63,939,027	9,923,405	84.5%	11,833,509	83.9%

See notes to required supplementary information.

**MARBLEHEAD CONTRIBUTORY RETIREMENT SYSTEM**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Fiscal Year Ended June 30	System Wide			Town of Marblehead	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) Town's Percentage of System Wide Actual Contributions
2012	\$ 2,347,285	\$ 2,347,285	100%	\$ 2,324,570	99.03%
2011	2,347,285	2,347,285	100%	2,305,578	98.22%
2010	2,347,285	2,347,285	100%	2,305,578	98.22%
2009	2,347,286	2,347,286	100%	2,300,130	97.99%
2008	2,266,267	2,266,267	100%	2,220,739	97.99%
2007	2,274,000	2,274,000	100%	2,232,565	98.18%

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

See notes to required supplementary information.

# ***Other Postemployment Benefits Plan Schedules***

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

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

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

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

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age Normal (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
7/1/2010	\$ -	\$ 139,225,063	\$ 139,225,063	0%	\$ 41,527,786	335.3%
7/1/2008	-	116,948,000	116,948,000	0%	34,447,000	339.5%

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution (ARC)	Actual Contributions Made	Percentage of the ARC Contributed
2012	\$ 10,565,221	\$ 5,591,818	53%
2011	9,932,189	5,161,506	52%
2010	8,505,000	4,672,000	55%
2009	8,304,500	4,326,000	52%

See notes to required supplementary information.

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**ACTUARIAL METHODS AND ASSUMPTIONS**

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Actuarial Methods:

Valuation date.....	July 1, 2010
Actuarial cost method.....	Entry Age Normal Cost Method
Amortization method.....	Level percent of pay, assuming pay increases at 4.5%
Remaining amortization period.....	30 years as of July 1, 2010, closed

Actuarial Assumptions:

Investment rate of return.....	4.5%, pay-as-you-go scenario
Medical/drug cost trend rate.....	10% grading down to 5.0% over 10 years
Inflation rate.....	4.0%

Plan Membership:

Current retirees, beneficiaries, and dependents.....	700
Current active members.....	<u>642</u>
 Total.....	 <u><u>1,342</u></u>

See notes to required supplementary information.

**NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

1. Budgetary information

During the fiscal year, the finance committee submits to the Town Meeting an operating budget for the proposed expenditures and other financing uses for the fiscal year commencing the following July 1st. The budget, as enacted by the Town Meeting, also establishes that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at Special Town Meetings or at the next Annual Town Meeting held prior to the end of the fiscal year. During the fiscal year the finance committee may transfer funds for extraordinary or unforeseen expenditures. The Town appropriated \$144,000 for this purpose in fiscal 2012 and transfers of \$70,114 were made. All unencumbered and unexpended appropriations lapse at year-end.

Formal budgetary integration is employed as a management control device during the year for the General Fund. Although formal budgetary integration is not employed for Special Revenue Funds, effective budgetary control is alternatively achieved through provisions of the Massachusetts General Laws and the Town's by-laws.

Appropriations are authorized by the Town Meeting for line items within departments. Typical line items are salaries, expense, and local travel. These are the legal levels of budgetary control (level at which expenditures may not exceed budget). However, the Town is statutorily required to pay debt service, 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 at a special Town Meeting.

2. Budgetary – GAAP Reporting Reconciliation

The budgetary basis and modified accrual basis of accounting are substantially the same.

A reconciliation of budgetary-basis to GAAP-basis results is as follows:

Net change in fund balance - budgetary basis.....	\$ 1,696,237
<u>Basis of accounting differences:</u>	
Recognition of revenue for on-behalf payments.....	6,768,764
Recognition of expenditures for on-behalf payments.....	<u>(6,768,764)</u>
Net change in fund balance - GAAP basis (modified accrual).....	<u>\$ 1,696,237</u>

**NOTE B – PENSION PLAN**

Pensions for employees other than School Department teaching staff and certain school administrators are provided through the Town of Marblehead Contributory Retirement System (the System), a cost-sharing multiple employer defined benefit plan, administered by the Marblehead Contributory Retirement Board. Massachusetts contributory retirement system benefits are uniform from system to system, including the Massachusetts Teachers Retirement System. The System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest three-year average annual rate of regular compensation, as defined. Benefit payments are based upon a participant's age, length of creditable service, level of compensation, and group classification.

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

**NOTE C – OTHER POSTEMPLOYMENT BENEFITS**

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

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

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

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

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

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

## ***Other Supplementary Information***

## ***Combining Statements***

# ***Nonmajor Governmental Funds***

## ***Special Revenue Funds:***

Federal Grants - To account for grants from the Federal Government for various purposes. They are expended in accordance with the grant.

State Grants - To account for grants from the Commonwealth of Massachusetts for various purposes. They are expended in accordance with the grant.

Other Grants - To account for grants from individuals and foundations for various purposes. They are expended for the purpose designated by the grantor or benefactor.

Revolving Funds - To account for revolving funds specifically allowed by the laws of the Commonwealth of Massachusetts. These funds are expended for purposes specified by the enabling state statute or vote of the Town Meeting.

Receipts Reserved for Appropriation - To account for receipts set aside for specific purposes as allowed by the laws of the Commonwealth of Massachusetts. Receipts reserved for appropriation are transferred to the general fund when appropriated as part of the Town's annual budget.

Gifts - To account for receipts of various gifts and donations. They are expended for the purpose designated by the donor or benefactor.

Special Revenue Trust Funds - To account for contributions where both principal and investment earnings may be spent to support the government.

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET**

JUNE 30, 2012

***Special Revenue Funds***

<b>ASSETS</b>	<u>Federal Grants</u>	<u>State Grants</u>	<u>Other Grants</u>	<u>Revolving Funds</u>	<u>Receipts Reserved for Appropriation</u>
Cash and cash equivalents.....	\$ 15,347	\$ 90,902	\$ 730,372	\$ 628,963	\$ 2,582,639
Receivables, net of uncollectibles:					
Departmental and other.....	-	-	-	91,223	825
Intergovernmental.....	-	88,361	-	-	-
Working capital deposit.....	-	-	-	-	-
<b>TOTAL ASSETS.....</b>	<b><u>\$ 15,347</u></b>	<b><u>\$ 179,263</u></b>	<b><u>\$ 730,372</u></b>	<b><u>\$ 720,186</u></b>	<b><u>\$ 2,583,464</u></b>
 <b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Warrants payable.....	\$ 5,852	\$ 12,876	\$ 17,770	\$ 148,320	\$ -
Deferred revenues.....	-	88,361	-	26,994	825
<b>TOTAL LIABILITIES.....</b>	<b><u>5,852</u></b>	<b><u>101,237</u></b>	<b><u>17,770</u></b>	<b><u>175,314</u></b>	<b><u>825</u></b>
 <b>FUND BALANCES:</b>					
Restricted.....	<u>9,495</u>	<u>78,026</u>	<u>712,602</u>	<u>544,872</u>	<u>2,582,639</u>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b><u>\$ 15,347</u></b>	<b><u>\$ 179,263</u></b>	<b><u>\$ 730,372</u></b>	<b><u>\$ 720,186</u></b>	<b><u>\$ 2,583,464</u></b>

Gifts	Special Revenue Trust Funds	Total Nonmajor Governmental Funds
\$ 335,572	\$ 3,004,869	\$ 7,388,664
-	-	92,048
-	-	88,361
-	10,000	10,000
<u>\$ 335,572</u>	<u>\$ 3,014,869</u>	<u>\$ 7,579,073</u>
\$ 60,199	\$ -	\$ 245,017
-	-	116,180
<u>60,199</u>	<u>-</u>	<u>361,197</u>
<u>275,373</u>	<u>3,014,869</u>	<u>7,217,876</u>
<u>\$ 335,572</u>	<u>\$ 3,014,869</u>	<u>\$ 7,579,073</u>

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<i>Special Revenue Funds</i>				
	Federal Grants	State Grants	Other Grants	Revolving Funds	Receipts Reserved for Appropriation
<b>REVENUES:</b>					
Charges for services.....	\$ -	\$ -	\$ -	\$ 2,349,307	\$ 19,001
Fines and forfeitures.....	-	-	-	100	-
Intergovernmental.....	1,287,317	1,469,034	-	151,340	-
Departmental and other.....	-	-	264,574	293,492	-
Contributions.....	-	-	143,000	31,477	-
Investment income.....	-	13	1,388	38	-
Miscellaneous.....	-	-	-	302,310	-
<b>TOTAL REVENUES.....</b>	<b>1,287,317</b>	<b>1,469,047</b>	<b>408,962</b>	<b>3,128,064</b>	<b>19,001</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	-	-	-	18,167	133,529
Public safety.....	155,278	69,581	-	327,717	-
Education.....	1,277,739	1,167,447	-	2,139,938	-
Public works.....	-	184,835	-	286,952	-
Human services.....	-	30,734	22,258	139,541	-
Culture and recreation.....	-	19,153	181,008	224,443	-
Employee benefits.....	3,939	-	-	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>1,436,956</b>	<b>1,471,750</b>	<b>203,266</b>	<b>3,136,758</b>	<b>133,529</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(149,639)	(2,703)	205,696	(8,694)	(114,528)
<b>OTHER FINANCING SOURCES (USES):</b>					
Premium from issuance of debt.....	-	-	-	-	215,393
Transfers in.....	-	-	50,000	135,000	-
Transfers out.....	-	(12,900)	-	(28,650)	(261,256)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>-</b>	<b>(12,900)</b>	<b>50,000</b>	<b>106,350</b>	<b>(45,863)</b>
NET CHANGE IN FUND BALANCES.....	(149,639)	(15,603)	255,696	97,656	(160,391)
FUND BALANCES AT BEGINNING OF YEAR.....	159,134	93,629	456,906	447,216	2,743,030
FUND BALANCES AT END OF YEAR.....	<u>\$ 9,495</u>	<u>\$ 78,026</u>	<u>\$ 712,602</u>	<u>\$ 544,872</u>	<u>\$ 2,582,639</u>

	Special Revenue Trust Funds	Total Nonmajor Governmental Funds
Gifts		
\$ 2,083	\$ -	\$ 2,370,391
-	-	100
-	3,465	2,911,156
12,909	-	570,975
240,860	108,293	523,630
-	3,005	4,444
-	-	302,310
<u>255,852</u>	<u>114,763</u>	<u>6,683,006</u>
18,302	-	169,998
464	3,465	556,505
129,060	-	4,714,184
3,634	-	475,421
3,315	36,086	231,934
13,730	168,751	607,085
-	-	3,939
<u>168,505</u>	<u>208,302</u>	<u>6,759,066</u>
<u>87,347</u>	<u>(93,539)</u>	<u>(76,060)</u>
-	-	215,393
-	407	185,407
-	(50,000)	(352,806)
-	(49,593)	47,994
87,347	(143,132)	(28,066)
<u>188,026</u>	<u>3,158,001</u>	<u>7,245,942</u>
<u>\$ 275,373</u>	<u>\$ 3,014,869</u>	<u>\$ 7,217,876</u>

# ***Internal Service Funds***

\*Medical Claims Fund - To account for the payment of certain medical claims of the Town's employees and their covered dependents.

\*Medex Claims Fund - To account for the payment of certain medical claims of the Town's retired employees over the age of 65, as a supplement to Medicare.

Workers' Compensation Fund - To account for appropriations from the Town and investment earnings which accumulate to be expended for the payment of injury claims, resulting from on-the-job accidents of Town employees.

\*In fiscal year 2009, the Town converted to a premium based health insurance plan for active employees and retirees. The Medical Claims Fund and the Medex Claims Fund have been used to account for the payment of claims incurred under the previous plan and excess funds have been appropriated for premium payments under the new plan. As of June 30, 2012, the Town has no remaining liability under the previous plan and the Town has discontinued the use of these funds.

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**

JUNE 30, 2012

	<u>Workers'</u> <u>Compensation</u>
<b>ASSETS</b>	
CURRENT:	
Cash and cash equivalents.....	\$ <u>657,659</u>
<b>LIABILITIES</b>	
CURRENT:	
Warrants payable.....	10,989
Workers' compensation.....	<u>291,442</u>
Total current liabilities.....	<u>302,431</u>
NONCURRENT:	
Workers' compensation.....	<u>392,850</u>
TOTAL LIABILITIES.....	<u>695,281</u>
<b>NET ASSETS</b>	
Unrestricted.....	\$ <u><u>(37,622)</u></u>

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Medical Claims	Medex Claims	Workers' Compensation	Total
<b><u>OPERATING REVENUES:</u></b>				
Charges for services.....	\$ -	\$ -	\$ 285,000	\$ 285,000
Miscellaneous.....	5,413	-	-	5,413
<b>TOTAL OPERATING REVENUES.....</b>	<b>5,413</b>	<b>-</b>	<b>285,000</b>	<b>290,413</b>
<b><u>OPERATING EXPENSES:</u></b>				
Cost of interfund services provided.....	249,985	262,694	192,841	705,520
<b>OPERATING INCOME (LOSS).....</b>	<b>(244,572)</b>	<b>(262,694)</b>	<b>92,159</b>	<b>(415,107)</b>
<b><u>NONOPERATING REVENUES (EXPENSES):</u></b>				
Investment income.....	1,175	1,050	3,591	5,816
<b>CHANGE IN NET ASSETS.....</b>	<b>(243,397)</b>	<b>(261,644)</b>	<b>95,750</b>	<b>(409,291)</b>
<b>NET ASSETS AT BEGINNING OF YEAR.....</b>	<b>243,397</b>	<b>261,644</b>	<b>(133,372)</b>	<b>371,669</b>
<b>NET ASSETS AT END OF YEAR.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (37,622)</b>	<b>\$ (37,622)</b>

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Medical Claims	Medex Claims	Workers' Compensation	Total
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>				
Receipts from interfund services provided.....	\$ 5,413	\$ -	\$ 285,000	\$ 290,413
Payments for interfund services used.....	(261,466)	(267,465)	(211,436)	(740,367)
NET CASH FROM OPERATING ACTIVITIES.....	(256,053)	(267,465)	73,564	(449,954)
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>				
Investment income.....	1,175	1,050	3,591	5,816
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(254,878)	(266,415)	77,155	(444,138)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	254,878	266,415	580,504	1,101,797
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ -	\$ -	\$ 657,659	\$ 657,659
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS)</u></b>				
<b><u>TO NET CASH FROM OPERATING ACTIVITIES:</u></b>				
Operating income (loss).....	\$ (244,572)	\$ (262,694)	\$ 92,159	\$ (415,107)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Changes in assets and liabilities:				
Working capital deposit.....	14,889	1,036	-	15,925
Warrants payable.....	(48)	-	(15,768)	(15,816)
Accrued liabilities.....	(26,322)	(5,807)	-	(32,129)
Workers' compensation.....	-	-	(2,827)	(2,827)
Total adjustments.....	(11,481)	(4,771)	(18,595)	(34,847)
NET CASH FROM OPERATING ACTIVITIES.....	\$ (256,053)	\$ (267,465)	\$ 73,564	\$ (449,954)

# ***Fiduciary Funds***

## ***Private Purpose Trust Funds:***

Charity Funds - To account for contributions held by the Town to benefit private charities.

Scholarship Funds - To account for scholarship funds held by the Town to benefit individuals.

Other Funds - To account for other amounts held by the Town for the benefit of individuals or private organizations.

***Agency Fund*** - To account for performance bonds and the collection and payment of hunting and fishing licenses, firearm permits, sales taxes, meals taxes, and dog licenses to the State, proceeds of extra work details to the Town employees, and school student activity accounts.

**PRIVATE PURPOSE TRUST FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**

JUNE 30, 2012

	Charity Funds	Scholarship Funds	Other Funds	Total
<b>ASSETS</b>				
Cash and cash equivalents.....	\$ 2,316,253	\$ 915,578	\$ 143,592	\$ 3,375,423
Receivables, net of allowance for uncollectibles:				
Departmental and other.....	-	175	-	175
Capital assets, net of accumulated depreciation.....	92,905	-	-	92,905
Capital assets, not being depreciated.....	2,045	-	-	2,045
<b>TOTAL ASSETS.....</b>	<b>2,411,203</b>	<b>915,753</b>	<b>143,592</b>	<b>3,470,548</b>
<b>LIABILITIES</b>				
Warrants payable.....	-	11,557	-	11,557
Other liabilities.....	-	175	-	175
<b>TOTAL LIABILITIES.....</b>	<b>-</b>	<b>11,732</b>	<b>-</b>	<b>11,732</b>
<b>NET ASSETS</b>				
Held in trust for other purposes.....	\$ <u>2,411,203</u>	\$ <u>904,021</u>	\$ <u>143,592</u>	\$ <u>3,458,816</u>

**PRIVATE PURPOSE TRUST FUNDS**  
**COMBINING STATEMENT CHANGES IN NET ASSETS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Charity Funds	Scholarship Funds	Other Funds	Total
<b>ADDITIONS:</b>				
Contributions:				
Private donations.....	\$ 45,305	\$ -	\$ -	\$ 45,305
Net investment income:				
Interest.....	9,425	3,641	566	13,632
<b>TOTAL ADDITIONS.....</b>	<b>54,730</b>	<b>3,641</b>	<b>566</b>	<b>58,937</b>
<b>DEDUCTIONS:</b>				
Charitable payments.....	19,768	-	-	19,768
Depreciation.....	7,011	-	-	7,011
Educational scholarships.....	-	20,450	-	20,450
<b>TOTAL DEDUCTIONS.....</b>	<b>26,779</b>	<b>20,450</b>	<b>-</b>	<b>47,229</b>
<b>CHANGE IN NET ASSETS.....</b>	<b>27,951</b>	<b>(16,809)</b>	<b>566</b>	<b>11,708</b>
<b>NET ASSETS AT BEGINNING OF YEAR.....</b>	<b>2,383,252</b>	<b>920,830</b>	<b>143,026</b>	<b>3,447,108</b>
<b>NET ASSETS AT END OF YEAR.....</b>	<b>\$ 2,411,203</b>	<b>\$ 904,021</b>	<b>\$ 143,592</b>	<b>\$ 3,458,816</b>

**AGENCY FUND**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Balance at June 30, 2011	Additions	Deductions	Balance at June 30, 2012
<b>ASSETS</b>				
Cash and cash equivalents.....	\$ 152,309	\$ 404,862	\$ 443,008	\$ 114,163
Due from general fund.....	52,123	40,709	64,974	27,858
<b>Total assets.....</b>	<b>\$ 204,432</b>	<b>\$ 445,571</b>	<b>\$ 507,982</b>	<b>\$ 142,021</b>
<b>LIABILITIES</b>				
Accrued Payroll - Off Duty Work Details.....	\$ 1,366	\$ 34,332	\$ 33,798	\$ 1,900
Accrued Payroll - Dog License Fees.....	34	1,785	1,806	13
Due To Commonwealth:				
Firearms Permits.....	838	12,975	13,438	375
Meals Tax.....	172	801	914	59
Sales Tax.....	34	464	413	85
Due To Other Governments:				
Housing Authority.....	-	6,803	6,603	200
Due To Student Activities.....	151,719	388,411	425,966	114,164
Performance Bonds.....	50,269	-	25,044	25,225
<b>Total liabilities.....</b>	<b>\$ 204,432</b>	<b>\$ 445,571</b>	<b>\$ 507,982</b>	<b>\$ 142,021</b>

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# *Statistical Section*

*Statistical tables differ from financial statements since they usually cover more than one fiscal year and may present nonaccounting data. The following tables reflect social and economic data, financial trends, and fiscal capacity.*



Photo by Robb Kipp

*A pond-side residence casts a reflection on Redd's Pond situated next to Old Burial Hill, a historic cemetery, located in Marblehead.*

## ***Statistical Section***

# ***Statistical Section***

This part of the Town of Marblehead's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial health.

## ***Financial Trends***

- These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.

## ***Revenue Capacity***

- These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.

## ***Debt Capacity***

- These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.

## ***Demographic and Economic Information***

- These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.

## ***Operating Information***

- These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.

SOURCES: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**Net Assets By Component**

**Last Ten Fiscal Years**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Governmental activities</b>										
Invested in capital assets, net of related debt.....	\$ 54,031,802	\$ 62,029,368	\$ 63,376,136	\$ 45,030,306	\$ 64,248,109	\$ 67,584,804	\$ 68,262,258	\$ 70,685,450	\$ 71,782,028	\$ 75,341,535
Restricted.....	4,718,510	7,367,239	8,369,340	8,514,978	9,369,209	9,566,795	9,162,785	9,422,889	9,048,458	8,900,151
Unrestricted.....	6,393,833	2,063,935	1,019,991	23,885,631	3,025,735	2,512,954	2,796,688	(509,557)	(6,852,476)	(12,034,478)
<b>Total governmental activities net assets.....</b>	<b>\$ 65,144,145</b>	<b>\$ 71,460,542</b>	<b>\$ 72,765,467</b>	<b>\$ 77,430,915</b>	<b>\$ 76,643,053</b>	<b>\$ 79,664,553</b>	<b>\$ 80,221,731</b>	<b>\$ 79,598,782</b>	<b>\$ 73,978,010</b>	<b>\$ 72,207,208</b>
<b>Business-type activities</b>										
Invested in capital assets, net of related debt.....	28,851,221	30,152,007	31,295,881	31,576,803	31,828,431	31,548,537	32,097,547	33,710,827	34,878,749	35,945,212
Restricted.....	-	-	-	1,508,142	1,351,342	2,857,651	3,771,671	2,468,338	3,309,675	3,625,528
Unrestricted.....	12,389,899	11,398,374	10,487,961	9,397,663	10,614,063	12,186,945	11,577,387	11,977,792	11,996,780	12,095,677
<b>Total business-type activities net assets.....</b>	<b>\$ 41,241,120</b>	<b>\$ 41,550,381</b>	<b>\$ 41,783,842</b>	<b>\$ 42,482,608</b>	<b>\$ 43,793,836</b>	<b>\$ 46,593,133</b>	<b>\$ 47,446,605</b>	<b>\$ 48,156,957</b>	<b>\$ 50,185,204</b>	<b>\$ 51,666,417</b>
<b>Primary government</b>										
Invested in capital assets, net of related debt.....	82,883,023	92,181,375	94,672,017	76,607,109	96,076,540	99,133,341	100,359,805	104,396,277	106,660,777	111,286,747
Restricted.....	4,718,510	7,367,239	8,369,340	8,514,978	9,369,209	9,566,795	9,162,785	9,422,889	9,048,458	12,525,679
Unrestricted.....	18,783,732	13,462,309	11,507,952	34,791,436	14,991,140	17,557,550	18,145,746	13,936,573	8,453,979	61,199
<b>Total primary government net assets.....</b>	<b>\$ 106,385,265</b>	<b>\$ 113,010,923</b>	<b>\$ 114,549,309</b>	<b>\$ 119,913,523</b>	<b>\$ 120,436,889</b>	<b>\$ 126,257,686</b>	<b>\$ 127,668,336</b>	<b>\$ 127,755,739</b>	<b>\$ 124,163,214</b>	<b>\$ 123,873,625</b>

Changes in Net Assets

Last Ten Fiscal Years

Fiscal Year

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses</b>										
Governmental activities:										
General government.....	\$ 2,938,994	\$ 3,365,848	\$ 3,391,116	\$ 3,270,652	\$ 3,524,468	\$ 3,490,002	\$ 3,709,427	\$ 3,763,970	\$ 3,764,556	\$ 4,052,732
Public safety.....	7,867,199	7,957,974	7,787,203	7,980,128	9,019,171	9,118,679	10,129,416	10,288,405	10,586,017	10,651,355
Education.....	32,368,949	36,143,224	38,303,976	41,023,533	42,814,037	43,648,218	49,890,761	52,081,576	53,942,639	55,866,599
Public works.....	5,654,141	5,101,138	4,903,611	4,879,129	5,173,056	5,407,535	5,538,314	6,331,557	6,214,732	4,510,987
Landfill closure.....	-	-	-	-	4,900,000	1,100,000	-	1,800,000	2,314,578	-
Human services.....	914,967	929,242	826,827	1,084,279	1,115,550	1,197,716	1,147,405	1,120,478	1,150,910	1,025,102
Culture and recreation.....	2,361,916	2,301,611	2,427,894	2,438,794	2,563,548	2,586,664	2,926,073	3,019,415	3,111,617	3,271,325
Interest.....	1,451,423	1,059,107	1,847,413	2,214,597	1,326,580	1,484,146	1,371,083	899,311	1,319,979	1,893,926
Total government activities expenses.....	<u>53,557,589</u>	<u>56,858,144</u>	<u>59,488,040</u>	<u>62,891,112</u>	<u>70,436,410</u>	<u>68,032,960</u>	<u>74,712,479</u>	<u>79,304,712</u>	<u>82,405,028</u>	<u>81,272,026</u>
Business-type activities:										
Water.....	2,223,297	2,312,442	2,408,244	2,575,458	2,900,743	2,825,383	3,065,981	3,023,598	3,481,486	3,532,314
Sewer.....	3,061,348	2,980,770	3,489,015	3,274,040	3,516,775	3,044,040	3,278,347	3,404,568	3,114,228	3,219,258
Municipal Light.....	10,381,542	10,805,232	10,941,345	13,344,444	12,768,585	12,879,054	14,643,929	13,678,068	13,797,177	14,266,683
Harbor.....	584,471	576,851	455,038	620,604	578,842	573,268	658,183	581,573	639,917	695,699
Total business-type activities expenses.....	<u>16,250,658</u>	<u>16,675,295</u>	<u>17,293,642</u>	<u>19,814,546</u>	<u>19,764,945</u>	<u>19,321,745</u>	<u>21,646,440</u>	<u>20,687,807</u>	<u>21,032,808</u>	<u>21,713,954</u>
Total primary government expenses.....	<u>\$ 69,808,247</u>	<u>\$ 73,533,439</u>	<u>\$ 76,781,682</u>	<u>\$ 82,705,658</u>	<u>\$ 90,201,355</u>	<u>\$ 87,354,705</u>	<u>\$ 96,358,919</u>	<u>\$ 99,992,519</u>	<u>\$ 103,437,836</u>	<u>\$ 102,985,980</u>
<b>Program Revenues</b>										
Governmental activities:										
Public Safety charges for services.....	\$ 681,523	\$ 744,398	\$ 990,605	\$ 1,072,931	\$ 959,016	\$ 852,159	\$ 997,699	\$ 1,216,490	\$ 994,204	\$ 1,147,383
Education charges for services.....	1,144,334	1,156,322	1,151,263	1,185,631	1,192,449	1,693,799	1,719,034	1,763,683	1,870,151	1,897,607
Public Works charges for services.....	602,236	711,153	777,895	745,750	764,571	742,708	644,406	634,244	668,395	694,942
Other charges for services.....	1,663,552	920,442	965,873	1,013,743	993,793	1,049,707	964,181	971,731	954,162	996,624
Operating grants and contributions.....	9,961,379	10,236,741	11,965,143	13,534,764	13,072,665	13,164,337	15,215,908	15,041,092	15,253,787	15,690,591
Capital grant and contributions.....	6,016,683	6,184,306	-	-	933,198	467,866	2,033,978	3,817,694	761,615	555,654
Total government activities program revenues.....	<u>20,069,707</u>	<u>19,953,362</u>	<u>15,850,779</u>	<u>17,552,819</u>	<u>17,915,692</u>	<u>17,970,576</u>	<u>21,575,206</u>	<u>23,444,934</u>	<u>20,502,314</u>	<u>20,982,801</u>
Business-type activities:										
Charges for services - Water.....	2,357,092	2,404,325	2,985,712	3,084,796	3,097,859	3,426,794	3,395,280	3,251,067	3,904,213	3,884,316
Charges for services - Sewer.....	3,054,481	3,098,366	3,897,788	3,254,460	3,566,868	3,711,954	3,493,052	3,694,883	3,730,846	3,595,910
Charges for services - Municipal Light.....	11,524,933	11,747,745	11,350,011	13,845,358	13,837,216	13,410,728	15,185,296	14,233,656	15,160,793	15,420,818
Charges for services - Harbor.....	582,103	571,937	615,946	608,305	619,480	638,397	627,795	591,969	632,242	633,384
Operating grants and contributions.....	-	-	25,000	3,473	24,067	8,144	13,255	22,634	17,260	2,832
Total business-type activities program revenues.....	<u>17,518,609</u>	<u>17,822,373</u>	<u>18,874,457</u>	<u>20,796,392</u>	<u>21,145,490</u>	<u>21,196,017</u>	<u>22,714,678</u>	<u>21,794,209</u>	<u>23,445,354</u>	<u>23,537,260</u>
Total primary government program revenues.....	<u>\$ 37,588,316</u>	<u>\$ 37,775,735</u>	<u>\$ 34,725,236</u>	<u>\$ 38,349,211</u>	<u>\$ 39,061,182</u>	<u>\$ 39,166,593</u>	<u>\$ 44,289,884</u>	<u>\$ 45,239,143</u>	<u>\$ 43,947,668</u>	<u>\$ 44,520,061</u>
<b>Net (Expense)/Revenue</b>										
Governmental activities.....	\$ (33,487,882)	\$ (36,904,782)	\$ (43,637,261)	\$ (45,338,293)	\$ (52,520,718)	\$ (50,062,384)	\$ (53,137,273)	\$ (55,859,778)	\$ (61,902,714)	\$ (60,289,225)
Business-type activities.....	1,267,951	1,147,078	1,580,815	1,116,626	1,380,545	1,874,272	1,068,238	1,106,402	2,412,546	1,823,306
Total primary government net expense.....	<u>\$ (32,219,931)</u>	<u>\$ (35,757,704)</u>	<u>\$ (42,056,446)</u>	<u>\$ (44,221,667)</u>	<u>\$ (51,140,173)</u>	<u>\$ (48,188,112)</u>	<u>\$ (52,069,035)</u>	<u>\$ (54,753,376)</u>	<u>\$ (59,490,168)</u>	<u>\$ (58,465,919)</u>
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental activities:										
Real estate and personal property taxes, net of tax refunds payable.....	\$ 34,614,791	\$ 37,663,340	\$ 39,608,751	\$ 44,052,622	\$ 44,897,758	\$ 46,455,796	\$ 48,062,992	\$ 50,046,317	\$ 51,217,033	\$ 53,545,032
Motor vehicle excise taxes.....	2,816,116	2,815,852	3,008,370	3,033,965	2,908,531	2,856,787	2,717,571	2,656,948	2,752,897	2,843,878
Penalties and interest on taxes.....	112,354	128,811	142,047	134,274	174,210	152,437	153,284	192,715	226,937	241,114
Payments in lieu of taxes.....	75,499	-	4,821	-	-	-	-	-	-	-
Grants and contributions not restricted to specific programs.....	1,174,530	1,104,617	1,120,708	1,254,124	1,908,659	1,693,092	1,479,237	1,164,113	1,110,208	1,111,126
Unrestricted investment income.....	517,360	494,060	369,109	811,058	1,299,063	1,366,744	694,664	547,427	389,792	237,753
Gain (loss) on disposal of capital assets.....	(26,635)	-	-	-	-	-	-	-	-	-
Miscellaneous.....	2,719	-	-	61,300	-	-	-	-	-	-
Transfers.....	57,508	1,026,962	688,377	656,398	544,635	559,028	586,703	629,309	585,075	539,520
Total governmental activities.....	<u>39,344,242</u>	<u>43,233,642</u>	<u>44,942,183</u>	<u>50,003,741</u>	<u>51,732,856</u>	<u>53,083,884</u>	<u>53,694,451</u>	<u>55,236,829</u>	<u>56,281,942</u>	<u>58,518,423</u>
Business-type activities:										
Boat excise.....	131,449	137,920	139,068	134,780	142,145	134,306	140,197	140,873	136,513	134,871
Unrestricted investment income.....	107,863	51,225	104,009	238,535	333,173	337,377	231,740	92,386	64,263	54,338
Settlements and refunds.....	-	-	-	-	-	1,012,370	-	8,218	-	8,218
Transfers.....	(57,508)	(1,026,962)	(688,377)	(656,398)	(544,635)	(559,028)	(586,703)	(629,309)	(585,075)	(539,520)
Total primary government.....	<u>\$ 181,804</u>	<u>\$ (837,817)</u>	<u>\$ (445,300)</u>	<u>\$ (283,083)</u>	<u>\$ (69,317)</u>	<u>\$ 925,025</u>	<u>\$ (214,766)</u>	<u>\$ (387,832)</u>	<u>\$ (384,299)</u>	<u>\$ (342,093)</u>
<b>Changes in Net Assets</b>										
Governmental activities.....	\$ 5,856,360	\$ 6,328,860	\$ 1,304,922	\$ 4,665,448	\$ (787,862)	\$ 3,021,500	\$ 557,178	\$ (622,949)	\$ (5,620,772)	\$ (1,770,802)
Business-type activities.....	1,449,755	309,261	1,135,515	833,543	1,311,228	2,799,297	853,472	710,352	2,028,247	1,481,213
Total primary government.....	<u>\$ 7,306,115</u>	<u>\$ 6,638,121</u>	<u>\$ 2,440,437</u>	<u>\$ 5,498,991</u>	<u>\$ 523,366</u>	<u>\$ 5,820,797</u>	<u>\$ 1,410,650</u>	<u>\$ 87,403</u>	<u>\$ (3,592,525)</u>	<u>\$ (289,589)</u>

**Fund Balances, Governmental Funds**

**Last Ten Fiscal Years**

**Fiscal Year**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>General Fund</b>										
Reserved.....	\$ 590,889	\$ 346,436	\$ 242,334	\$ 329,471	\$ 347,480	\$ 795,436	\$ 565,154	\$ 610,212	\$ -	\$ -
Unreserved.....	4,600,668	3,321,417	3,468,375	4,905,746	5,434,575	7,183,747	8,349,653	9,178,812	-	-
Committed.....	-	-	-	-	-	-	-	-	-	917,834
Assigned.....	-	-	-	-	-	-	-	-	5,097,591	5,906,121
Unassigned.....	-	-	-	-	-	-	-	-	6,281,372	6,251,245
<b>Total general fund.....</b>	<b>\$ 5,191,557</b>	<b>\$ 3,667,853</b>	<b>\$ 3,710,709</b>	<b>\$ 5,235,217</b>	<b>\$ 5,782,055</b>	<b>\$ 7,979,183</b>	<b>\$ 8,914,807</b>	<b>\$ 9,789,024</b>	<b>\$ 11,378,963</b>	<b>\$ 13,075,200</b>
<b>All Other Governmental Funds</b>										
Reserved.....	\$ 3,119,714	\$ 3,160,017	\$ 3,242,776	\$ 3,218,824	\$ 3,265,196	\$ 3,309,253	\$ 3,348,145	\$ 3,379,233	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds.....	3,335,913	4,201,446	5,898,953	4,956,638	6,612,669	6,702,589	6,902,667	7,253,938	-	-
Capital projects funds.....	5,440,999	2,137,325	13,780	(3,448,847)	(2,231,042)	1,690,445	9,471,649	1,813,173	-	-
Permanent funds.....	670,784	726,568	585,746	1,243,096	1,454,201	1,430,805	1,488,902	1,420,238	-	-
Nonspendable.....	-	-	-	-	-	-	-	-	3,379,232	3,410,414
Restricted.....	-	-	-	-	-	-	-	-	9,044,027	10,424,988
<b>Total all other governmental funds.....</b>	<b>\$ 12,567,410</b>	<b>\$ 10,225,356</b>	<b>\$ 9,741,255</b>	<b>\$ 5,969,711</b>	<b>\$ 9,101,024</b>	<b>\$ 13,133,092</b>	<b>\$ 21,211,363</b>	<b>\$ 13,866,582</b>	<b>\$ 12,423,259</b>	<b>\$ 13,835,402</b>

The Town implemented GASB 54 in fiscal year 2011, fund balances prior to fiscal year 2011 have been reported in the pre-GASB 54 format.

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues:</b>										
Real estate and personal property taxes, net of tax refunds.....	\$ 34,609,845	\$ 37,536,410	\$ 39,636,668	\$ 43,703,685	\$ 44,942,601	\$ 46,419,642	\$ 47,865,181	\$ 49,720,655	\$ 51,170,197	\$ 53,542,174
Motor vehicle excise taxes.....	2,810,072	2,809,905	3,014,927	3,026,225	2,921,041	2,839,549	2,756,859	2,649,742	2,757,607	2,851,176
Penalties and interest on taxes.....	112,354	128,811	142,047	134,274	174,210	152,437	153,284	192,732	226,937	241,114
Charges for services.....	2,328,201	2,266,211	2,250,402	2,321,164	2,423,866	2,896,961	2,933,547	3,017,786	2,984,996	3,135,718
Licenses and permits.....	445,850	557,746	805,077	867,875	692,993	604,058	648,799	848,233	729,262	773,464
Fines and forfeitures.....	186,801	184,034	209,571	185,569	162,480	193,511	167,209	157,626	141,860	175,186
Intergovernmental.....	10,004,918	10,361,141	12,013,630	34,856,476	32,613,925	15,110,217	18,339,553	19,023,864	17,282,267	16,668,016
Departmental and other.....	301,228	351,221	363,625	339,638	399,086	389,996	269,957	294,815	317,306	570,975
Contributions.....	448,003	366,484	708,368	383,178	814,817	537,030	599,738	439,403	461,556	570,902
Investment income.....	482,227	487,621	355,094	787,540	1,250,722	1,299,999	633,687	524,246	382,329	231,290
Miscellaneous.....	375,330	188,506	258,863	356,564	255,420	323,821	321,609	304,615	329,000	351,966
<b>Total Revenue.....</b>	<b>52,104,829</b>	<b>55,238,090</b>	<b>59,758,272</b>	<b>86,962,188</b>	<b>86,651,161</b>	<b>70,767,221</b>	<b>74,689,423</b>	<b>77,173,717</b>	<b>76,783,317</b>	<b>79,111,981</b>
<b>Expenditures:</b>										
General government.....	1,590,640	1,750,424	1,838,779	1,875,936	2,109,919	2,056,400	2,055,385	2,192,414	2,188,589	2,134,679
Public safety.....	5,948,722	5,972,372	5,873,710	5,764,771	6,322,114	6,367,594	6,663,357	6,706,967	6,916,177	6,764,981
Education.....	21,804,045	24,776,903	25,346,557	27,185,424	28,195,979	30,042,340	31,437,324	32,711,645	33,258,875	33,447,338
Public works.....	4,532,315	3,887,512	3,641,106	3,507,547	3,800,613	3,762,533	3,641,840	4,338,817	4,095,893	4,646,627
Human services.....	744,629	647,358	551,201	798,590	811,195	889,949	804,745	777,377	805,497	695,262
Culture and recreation.....	1,715,371	1,609,337	1,743,082	1,731,995	1,606,584	1,819,561	2,019,758	1,945,935	2,035,638	2,134,521
Pension benefits.....	5,571,615	6,137,142	6,533,588	6,728,821	7,101,736	7,252,902	7,771,803	8,117,079	8,333,338	8,758,191
Property and liability insurance.....	245,545	304,088	323,166	334,103	345,231	330,485	277,368	206,956	223,932	216,606
Employee benefits.....	3,895,920	4,844,001	6,153,016	8,884,059	9,125,175	9,242,492	9,716,952	9,999,049	8,786,164	10,841,607
State and county charges.....	1,824,080	1,714,756	2,094,128	2,217,767	2,156,712	1,340,304	1,457,485	1,719,351	2,188,061	2,365,570
Capital outlay.....	14,237,109	13,481,291	4,167,893	4,500,085	2,161,981	8,520,528	7,463,678	14,103,307	6,187,452	6,499,584
Debt service:										
Principal.....	1,755,000	1,655,000	2,269,726	23,995,637	17,809,637	1,745,000	1,615,000	2,820,000	3,008,000	2,614,000
Interest.....	1,640,631	1,622,294	1,958,022	2,585,246	1,984,064	1,256,791	1,516,966	1,601,955	1,444,950	1,872,515
<b>Total Expenditures.....</b>	<b>65,505,622</b>	<b>68,402,478</b>	<b>62,493,974</b>	<b>90,109,981</b>	<b>83,530,940</b>	<b>74,626,879</b>	<b>76,441,661</b>	<b>87,240,852</b>	<b>79,472,566</b>	<b>82,991,481</b>
Excess of revenues over (under) expenditures.....	<u>(13,400,793)</u>	<u>(13,164,388)</u>	<u>(2,735,702)</u>	<u>(3,147,793)</u>	<u>3,120,221</u>	<u>(3,859,658)</u>	<u>(1,752,238)</u>	<u>(10,067,135)</u>	<u>(2,689,249)</u>	<u>(3,879,500)</u>
<b>Other Financing Sources (Uses)</b>										
Issuance of debt.....	15,400,000	8,000,000	-	-	-	9,496,500	9,960,500	2,618,000	1,650,000	6,195,000
Issuance of refunding bonds.....	-	-	-	-	-	-	-	-	-	15,860,000
Premium from issuance of debt.....	509,739	471,668	1,806,081	197,483	13,295	33,326	218,930	349,262	600,790	215,393
Premium from issuance of refunding bonds.....	-	-	-	-	-	-	-	-	-	2,055,459
Proceeds from bonds and notes.....	-	-	37,510,274	15,984,637	-	-	9,496,500	11,782,000	13,682,000	243,000
Payments of current refunded debt.....	-	-	(37,510,274)	(15,984,637)	-	-	(9,496,500)	(11,782,000)	(13,682,000)	(243,000)
Payments to refunding bond escrow agent.....	-	-	-	-	-	-	-	-	-	(17,877,492)
Capital lease financing.....	-	-	-	46,875	-	-	-	-	-	-
Transfers in.....	537,488	2,514,566	2,256,375	2,297,989	2,002,892	2,104,004	2,061,179	3,947,500	3,557,318	1,120,997
Transfers out.....	(679,980)	(1,687,604)	(1,767,998)	(1,641,591)	(1,458,257)	(1,544,976)	(1,474,476)	(3,318,191)	(2,972,243)	(581,477)
<b>Total other financing sources (uses).....</b>	<b>15,767,247</b>	<b>9,298,630</b>	<b>2,294,458</b>	<b>900,756</b>	<b>557,930</b>	<b>10,088,854</b>	<b>10,766,133</b>	<b>3,596,571</b>	<b>2,835,865</b>	<b>6,987,880</b>
<b>Net change in fund balances.....</b>	<b>\$ 2,366,454</b>	<b>\$ (3,865,758)</b>	<b>\$ (441,244)</b>	<b>\$ (2,247,037)</b>	<b>\$ 3,678,151</b>	<b>\$ 6,229,196</b>	<b>\$ 9,013,895</b>	<b>\$ (6,470,564)</b>	<b>\$ 146,616</b>	<b>\$ 3,108,380</b>
Debt service as a percentage of noncapital expenditures	6.62%	5.97%	7.25%	6.20%	4.68%	4.54%	4.54%	6.05%	6.08%	5.87%

In fiscal year 2006 the debt service % has been adjusted for the principal payment of \$21,275,637 from a state grant.  
 In fiscal year 2007 the debt service % has been adjusted for the principal payment of \$15,984,637 from a state grant.

**Assessed Value and Actual Value of Taxable Property by Classification and Tax Rates**

**Last Ten Fiscal Years**

Fiscal Year	Assessed and Actual Values and Tax Rates								
	Residential Value	Residential Tax Rate	Commercial Value	Industrial Value	Personal Property	Total Commercial Value	Commercial Tax Rate	Total Direct Rate	Total Town Value
2003	\$ 3,904,694,030	\$ 8.42	\$ 155,455,505	\$ 18,408,805	\$ 21,508,430	\$ 195,372,740	\$ 8.42	\$ 8.42	\$ 4,100,066,770
2004	(1) 4,262,454,683	8.48	162,486,031	17,785,900	23,082,370	203,354,301	8.48	8.48	4,465,808,984
2005	4,596,303,034	8.26	175,052,553	19,390,500	36,175,490	230,618,543	8.26	8.26	4,826,921,577
2006	5,007,339,729	8.43	184,593,258	17,596,200	33,605,700	235,795,158	8.43	8.43	5,243,134,887
2007	(1) 5,579,215,064	7.76	210,417,304	18,720,900	35,424,740	264,562,944	7.76	7.76	5,843,778,008
2008	5,350,189,480	8.34	205,592,484	18,573,700	34,195,980	258,362,164	8.34	8.34	5,608,551,644
2009	5,088,265,598	8.99	198,014,716	20,145,800	43,723,950	261,884,466	8.99	8.99	5,350,150,064
2010	(1) 4,993,336,363	9.57	192,606,528	20,090,100	43,380,290	256,076,918	9.57	9.57	5,249,413,281
2011	4,764,628,638	10.21	192,325,493	18,290,900	56,716,040	267,332,433	10.21	10.21	5,031,961,071
2012	4,822,272,753	10.52	203,536,923	17,934,700	56,201,470	277,673,093	10.52	10.52	5,099,945,846

(1) Revaluation Year

Source: Town of Marblehead, Assessor's Department

Note: Chapter 59, Section 21C of the Massachusetts General Laws, known as "Proposition 2 1/2", imposes 2 separate limits on the annual tax levy of the Town. The primary limitation is that the tax levy cannot exceed 2 1/2 percent of the full and fair cash value. The secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2 1/2 percent, subject to an exception for property added to the tax rolls and for certain substantial valuation increases other than as part of a general revaluation. The secondary limit may be exceeded in any year by a majority vote of the voters, however it cannot exceed the primary limitation.

**Principal Taxpayers**

**Current Year and Nine Years Ago**

Name	2012			2003		
	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Various Edward T. Moore LLC/Trusts	\$ 57,938,500	1	1.14%	\$ 38,997,500	1	1.11%
Various Rockett LLC/Trusts	\$ 31,061,600	2	0.61%	\$ 26,364,200	2	0.75%
Algonquin Gas Transmission Co.	\$ 28,459,300	3	0.56%			
Bessom Associates	\$ 17,139,700	4	0.34%	\$ 10,889,900	3	0.31%
Eastern Yacht Club	\$ 14,617,700	5	0.29%	\$ 10,070,800	4	0.29%
Henricus A. Termeer	\$ 12,209,700	6	0.24%			
Boston Gas (dba National Grid)	\$ 10,250,160	7	0.20%	\$ 6,136,500	9	0.17%
Peter S. Lynch	\$ 9,479,200	8	0.19%	\$ 8,411,400	7	0.24%
Tedesco Country Club	\$ 9,365,286	9	0.18%			
James Crosby	\$ 8,992,800	10	0.18%	\$ 7,255,500	8	0.21%
Corinthian Yacht Club				\$ 8,571,200	6	0.24%
Robert W. Green				\$ 5,834,200	10	0.17%
Angelo Arena				\$ 9,935,300	5	0.28%
	<u>\$ 199,513,946</u>		<u>3.91%</u>	<u>\$ 132,466,500</u>		<u>3.77%</u>

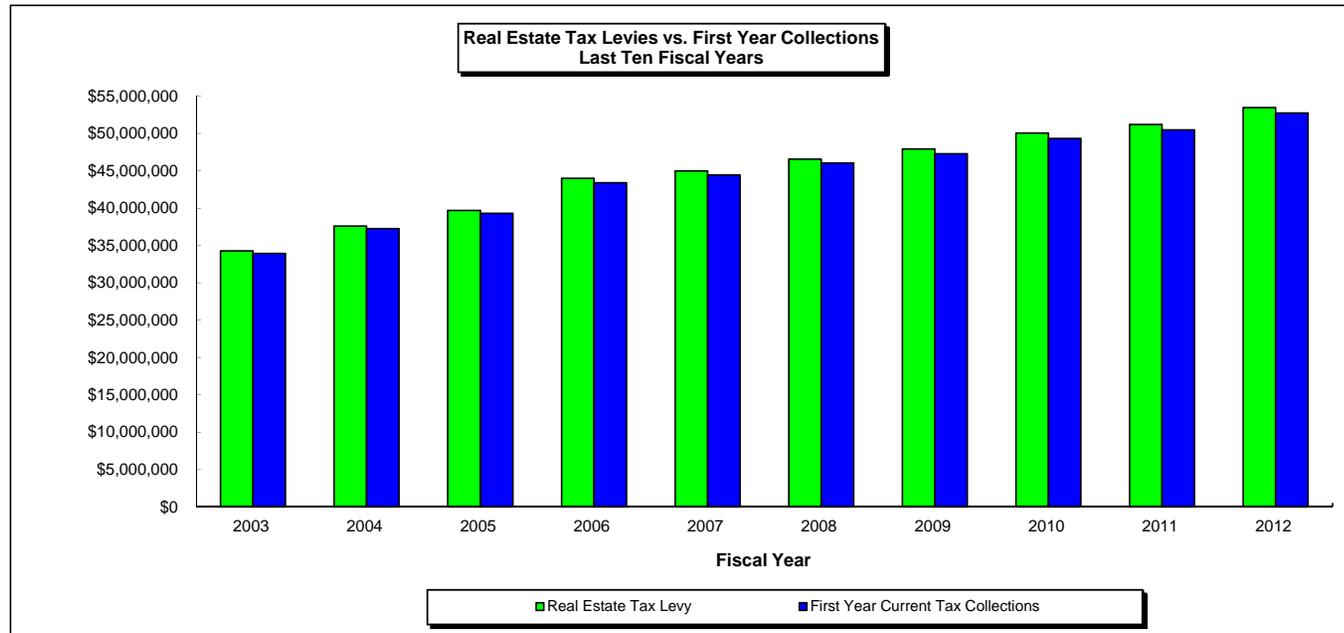
Source: Town of Marblehead, Assessor's Department

**Property Tax Levies and Collections**

**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>(2) Total Tax Levy</b>	<b>Less Abatements &amp; Exemptions</b>	<b>(2) Net Tax Levy</b>	<b>First Year Current Tax Collections</b>	<b>Percent of Net Levy Collected</b>	<b>Delinquent Tax Collections</b>	<b>Total Tax Collections</b>	<b>Percent of Total Tax Collections to Net Tax Levy</b>
2003	\$ 34,497,302	\$ 240,718	\$ 34,256,584	\$ 33,930,910	99.0%	\$ 249,674	\$ 34,180,585	99.78%
2004	(1) 37,870,060	282,314	37,587,746	37,251,701	99.1%	258,079	37,509,780	99.79%
2005	39,870,372	199,264	39,671,108	39,322,124	99.1%	229,540	39,551,665	99.70%
2006	44,199,627	212,216	43,987,411	43,414,941	98.7%	393,466	43,808,407	99.59%
2007	(1) 45,347,717	383,435	44,964,282	44,430,925	98.8%	345,563	44,776,488	99.58%
2008	46,775,321	211,367	46,563,954	46,024,701	98.8%	349,933	46,374,634	99.59%
2009	48,097,849	162,863	47,934,986	47,278,421	98.6%	438,987	47,717,409	99.55%
2010	(1) 50,236,558	185,806	50,050,752	49,329,485	98.6%	429,851	49,759,336	99.42%
2011	51,376,323	156,353	51,219,970	50,460,080	98.5%	461,176	50,921,256	99.42%
2012	53,651,430	185,779	53,465,651	52,730,436	98.6%	-	52,730,436	98.62%

Source: Town of Marblehead's, Finance Department



(1) Revaluation year.

(2) Includes omitted and revised assessments.

**Ratios of Outstanding Debt and General Bonded Debt**

**Last Ten Fiscal Years**

Fiscal Year	U. S. Census Population	Personal Income	Assessed Value	Governmental Activities Debt			
				General Obligation Bonds (2)	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
2003	20,158	\$ 999,811,391	\$ 4,097,066,770	\$ 8,315,000	\$ 412	0.83%	0.20%
2004	20,461	1,035,136,605	4,465,808,984	6,660,000	325	0.64%	0.15%
2005	21,360	1,102,230,010	4,826,921,577	30,880,000	1,446	2.80%	0.64%
2006	20,482	1,078,061,450	5,243,134,887	28,410,000	1,387	2.64%	0.54%
2007	20,384	1,094,361,327	5,843,778,008	26,585,000	1,304	2.43%	0.45%
2008	20,039	1,097,356,003	5,608,551,644	24,840,000	1,240	2.26%	0.44%
2009	20,449	1,142,199,344	5,350,150,064	23,225,000	1,136	2.03%	0.43%
2010	20,377	1,160,939,921	5,249,413,281	28,080,000	1,378	2.42%	0.53%
2011	19,808	1,151,098,905	5,031,961,071	37,790,000	1,908	3.28%	0.75%
2012	19,808	1,360,730,368	5,099,945,946	38,475,000	1,952	2.84%	0.76%

Fiscal Year	Enterprise General Obligation Bonds (1)	Total Primary Government			
		Total Debt Outstanding	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
2003	\$ 655,000	\$ 8,970,000	\$ 445	0.90%	0.22%
2004	495,000	7,155,000	350	0.69%	0.16%
2005	335,000	31,215,000	1,461	2.83%	0.65%
2006	180,000	28,590,000	1,396	2.65%	0.55%
2007	135,000	26,720,000	1,311	2.44%	0.46%
2008	90,000	24,930,000	1,244	2.27%	0.44%
2009	45,000	23,270,000	1,138	2.04%	0.43%
2010	-	28,080,000	1,378	2.42%	0.53%
2011	-	37,790,000	1,908	3.28%	0.75%
2012	-	38,657,393	1,952	2.84%	0.76%

(1) Sewer, Water, Harbor and Electric Enterprise Funds

(2) Does not include BANs that have been classified as long-term debt.

Source: Audited Financial Statements, U. S. Census

**Direct and Overlapping Governmental Activities Debt**

**As of June 30, 2012**

<u>Town of Marblehead, Massachusetts</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable</u>	<u>Share of Overlapping Debt</u>
Debt repaid with property taxes			
North Shore Regional Vocational Technical School District..... \$	705,000	1.0820%	\$ 7,628
South Essex Sewerage District.....	73,114,760	6.7622%	4,944,166
Massachusetts Water Resource Authority.....	2,034,145,000	0.9310%	<u>18,937,890</u>
Subtotal, overlapping debt.....			23,889,684
Town direct debt.....			<u>38,475,000</u>
Total direct and overlapping debt.....			<u>\$ 62,364,684</u>

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the Town. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the taxpayers of Town. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the property taxpayers should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Source: Town of Marblehead's, Finance Department

Note: The Town obtains the debt outstanding and percentages directly from the entities.

**Computation of Legal Debt Margin**

**Last Ten Fiscal Years**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Equalized valuation.....	\$ 3,815,051,700	\$ 3,815,051,700	\$ 4,841,734,800	\$ 5,582,874,900	\$ 5,582,874,900	\$ 5,976,188,400	\$ 5,976,188,400	\$ 5,580,750,300	\$ 5,580,750,300	\$ 5,362,642,300
Debt Limit - 5% of equalized valuation.....	190,752,585	190,752,585	242,086,740	279,143,745	279,143,745	298,809,420	298,809,420	279,037,515	279,037,515	268,132,115
Less:										
Total debt applicable to limitation.....	8,970,000	7,155,000	31,215,000	28,590,000	26,720,000	34,426,500	23,270,000	28,080,000	37,790,000	38,475,000
Legal debt margin.....	\$ 181,782,585	\$ 183,597,585	\$ 210,871,740	\$ 250,553,745	\$ 252,423,745	\$ 264,382,920	\$ 275,539,420	\$ 250,957,515	\$ 241,247,515	\$ 229,657,115
Total debt applicable to the limit as a percentage of debt limit.....	5%	4%	15%	11%	11%	13%	8%	11%	16%	17%

Source: Town of Marblehead's, Finance Department

## Demographic and Economic Statistics

### Last Ten Fiscal Years

Fiscal Year	Population Estimates	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2003	20,158	\$ 999,811,391	\$ 49,599	41.9	2,970	3.90%
2004	20,461	1,035,136,605	50,591	41.9	3,003	3.60%
2005	21,360	1,102,230,010	51,603	41.9	3,067	3.30%
2006	20,482	1,078,061,450	52,635	41.9	3,133	3.00%
2007	20,384	1,094,361,327	53,687	41.9	3,242	3.70%
2008	20,039	1,097,356,003	54,761	41.9	3,212	4.00%
2009	20,449	1,142,204,180	55,856	41.9	3,262	6.80%
2010	20,377	1,160,946,181	56,973	41.9	3,232	6.60%
2011	19,808	1,151,098,905	58,113	41.9	3,206	5.40%
2012	19,808	1,360,730,368	68,696	38.7	3,172	4.70%

Source: U. S. Census, Division of Local Services  
 Median age is based on most recent census data

**Principal Employers**  
**Current and Four Years Ago**

Employer	Nature of Business	2012			2008 (a)		
		Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Town of Marblehead	Municipal Government	674	1	14.67%	673	1	13.40%
Marblehead/Swampscott YMCA	Recreational	348	2	7.58%	125	5	2.49%
Eastern Yacht Club	Yacht Club, Tennis	150	3	3.27%	220	2	4.38%
Devereux Nursing Home	Health Care	135	4	2.94%	123	6	2.45%
Corinthian Yacht Club	Yacht Club	112	5	2.44%	135	3	2.69%
Tedesco Country Club	Country Club	101	6	2.20%	120	7	2.39%
Crosby's Marketplace	Food Market	93	7	2.02%	90	8	1.79%
Lafayette Nursing Home	Health Care	91	8	1.98%	125	4	2.49%
Boston Yacht Club	Yacht Club	73	9	1.59%	80	9	1.79%
National Grand Bank	Banking	55	10	1.20%	60	10	1.19%

(a) GASB Statement 44 requires information be reported for the current period and the period nine years prior. Information regarding the Town's principal employers prior to 2008 was not available.

Source: Town of Marblehead, Assessor's Department's survey of large employers

Source of total employment : Mass. Executive Office of Labor and Workforce Development

**Full-time Equivalent Town Employees by Function**

**Last Ten Fiscal Years**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Function										
General government.....	24.50	23.25	23.25	22.50	22.75	22.75	22.75	22.75	22.75	22.50
Public safety.....	56.25	58.50	58.50	55.50	55.50	55.75	56.00	56.00	55.75	55.75
Fire.....	42.00	42.00	42.50	40.50	42.50	42.50	42.50	42.50	42.50	42.75
Education.....	424.20	426.00	448.40	466.32	474.67	479.79	488.11	487.71	488.01	480.00
Public works.....	39.00	37.00	36.25	35.25	36.45	35.95	34.25	36.10	36.18	36.18
Human services.....	6.75	6.75	6.00	6.50	6.50	7.00	7.75	8.18	8.18	8.18
Culture and recreation.....	32.75	30.75	28.00	28.00	28.75	29.25	28.50	29.00	29.25	29.50
Total.....	<u>625.45</u>	<u>624.25</u>	<u>642.90</u>	<u>654.57</u>	<u>667.12</u>	<u>672.99</u>	<u>679.86</u>	<u>682.24</u>	<u>682.62</u>	<u>674.86</u>

Source: Town Records

**Operating Indicators by Function/Program**

**Last Ten Fiscal Years**

**Fiscal Year**

<b>Function/Program</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Police										
Physical arrests.....	284	283	317	285	340	204	306	250	146	144
Motor vehicle violations.....	1,249	1,488	1,309	3,110	1,499	1,363	2,310	2,118	1,443	1,323
Parking violations.....	4,879	4,995	4,998	3,545	3,752	4,119	3,242	3,039	2,230	2,782
Fire										
Inspections.....	1,622	1,622	1,860	1,707	1,651	1,738	1,618	1,817	2,160	1,793
Emergency responses.....	2,105	2,105	2,347	2,167	2,361	2,378	2,341	2,396	2,540	2,540
Libraries										
Volumes in circulation.....	118,504	119,867	120,989	118,078	117,041	127,278	123,463	125,975	126,230	135,433
Total volumes borrowed.....	227,481	212,263	210,510	208,820	203,170	204,172	218,310	240,518	226,953	245,447
Water										
Service connections.....	7,877	7,877	8,004	7,459	7,962	8,080	8,080	8,080	7,991	7,991
Consumption in gallons.....	1,915,100	1,915,100	1,930,000	2,016,000	1,851,800	1,993,000	1,993,000	1,993,000	1,815,000	1,649,863
Daily consumption.....	3,557,000	3,557,000	3,054,000	3,666,000	3,803,000	3,820,000	3,820,000	3,820,000	4,118,000	3,445,000
Sewer										
Service connections.....	7,792	7,792	7,901	7,223	7,773	7,883	7,883	8,160	7,883	7,883
Daily average collection.....	1,800,000	1,800,000	2,448,387	2,400,000	2,244,000	2,244,000	2,244,000	2,244,000	2,244,000	2,244,000

Source: Various Town departments

## Capital Asset Statistics by Function/Program

### Last Ten Fiscal Years

<u>Function/Program</u>	<u>Fiscal Year</u>									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police										
Number of Stations.....	1	1	1	1	1	1	1	1	1	1
Police personnel and officers.....	42	42	42	42	42	42	42	42	42	42
Fire										
Number of Stations.....	2	2	2	2	2	2	2	2	2	2
Fire personnel and officers.....	42	42	42	42	42	42	42	42	42	42
Education										
Number of elementary schools.....	5	5	5	6	6	6	6	6	6	6
Number of middle schools.....	1	2	2	1	1	1	1	1	1	1
Number of high schools.....	1	1	1	1	1	1	1	1	1	1
Number of teachers.....	243	265	260	260	249	258	239	294	243	285
Number of administrators.....	9	9	18	17	17	19	22	26	22	22
Number of students.....	2,970	2,982	3,079	3,150	3,242	3,212	3,262	3,250	3,262	3,188
Water										
Water mains (miles).....	75	75	87	87	87	28	88	88	88	88.7
Fire hydrants.....	828	828	851	852	855	860	860	860	860	860
Sewer										
Sanitary sewers (miles).....	96	96	88	88	88	89	89	89	88.5	88.5
Storm sewers (miles).....	37	37	51	51	51	52	52	52	51.9	51.9
Recreation										
Parks and playgrounds.....	13	13	13	13	13	13	13	13	13	13
Park and playground (acreage).....	74	74	74	74	74	74	74	74	74	74.41
Conservation land (acreage).....	127	127	127	127	133	134	134	134	134	134.27
Railroad right of way (acreage).....	19	19	19	19	19	19	19	19	19	19.39
Public beaches.....	6	6	6	6	6	6	6	6	6	6
Ball fields.....	15	15	15	15	15	15	15	15	16	16
Tennis courts.....	12	12	12	10	12	12	12	12	13	14
Harbor										
Harbors.....	2	2	2	2	2	2	2	2	2	2
Moorings.....	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,400
Private yacht clubs.....	5	5	6	6	6	6	6	6	6	6
Municipal boatyards.....	2	2	2	2	2	2	2	2	2	2
Boat ramps.....	2	2	2	2	2	2	2	2	2	2
Public landings.....	6	6	6	6	6	6	6	6	6	7
Emergency rescue watercraft.....	3	3	2	2	2	2	2	2	2	2

Source: Various Town Departments



Photo by Mike Porter

*A snow storm creates an enchanting winter scene on Washington Street in Marblehead where Abbot Hall is located.*



Photo by Chuck McCollum

*An amazing photograph of Abbot Hall and its clock tower rising above the tree tops in the town of Marblehead.*