

TOWN OF MARBLEHEAD, MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT



Photo by Eyal Oren

**For the Fiscal Year Ended
June 30, 2013**

On the Cover:

This extraordinary view of Marblehead captures its coastal allure and exhibits some well known local landmarks including the Marblehead Lighthouse and the historic Abbot Hall Building with Clock tower.



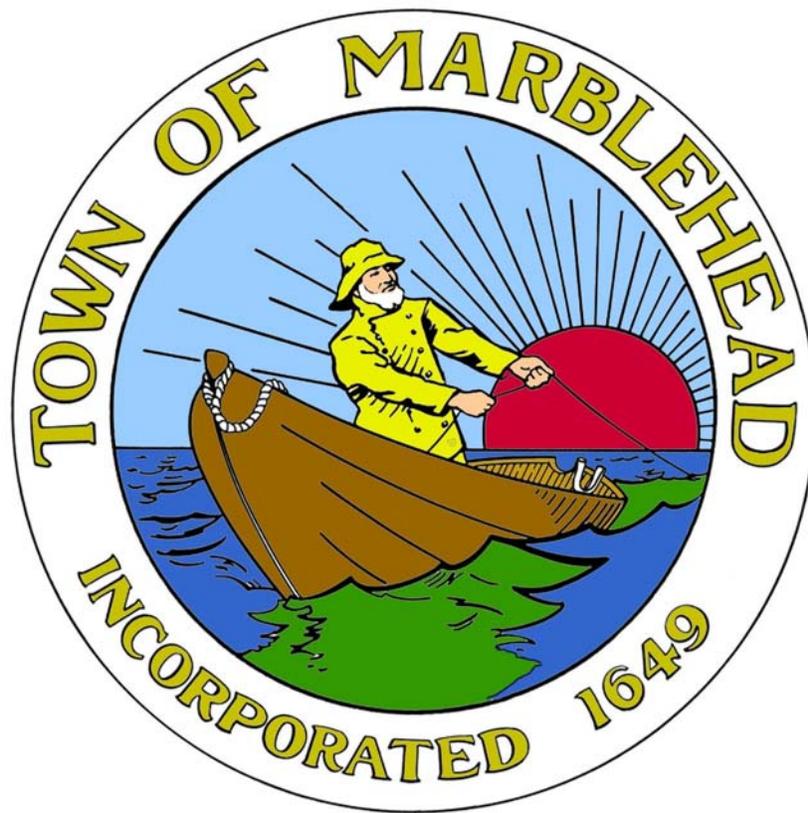
Spring is in bloom at Abbot Public Library located on Pleasant Street in Marblehead. The Abbot Public Library was built in 1953-1954 at this location.

The Marblehead Central Fire Station located on Ocean Street in Marblehead quarters Ladder 1, Ladder 2, and pumper truck, Engine 1.



Hammond Park, pictured here with trees blooming in mid April, is a small seaside park overlooking Marblehead Harbor.

TOWN OF MARBLEHEAD, MASSACHUSETTS



COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Fiscal Year Ended June 30, 2013 Prepared by the Finance Department

TOWN OF MARBLEHEAD, MASSACHUSETTS
 Comprehensive Annual Financial Report
 Fiscal Year Ended June 30, 2013

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Introductory Section



Photo by Eyal Oren

Sunset creates a spectacular image of the Marblehead Lighthouse located at Chandler Hovey Park situated at the entrance of Marblehead Harbor.

Introductory Section

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TOWN OF MARBLEHEAD

FINANCIAL SERVICES

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John J. McGinn
Finance Director
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Letter of Transmittal

December 6, 2013

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, 2013, 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 Position that provides the total net position 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 raters 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, 2013, 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 unmodified opinion that the Town of Marblehead's financial statements for the fiscal year ended June 30, 2013, 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 complement 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 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 continues to experience a strong period of revitalization, both in terms of value and new construction. The aggregate property value of the community is projected to increase by approximately \$69,000,000 in fiscal year 2014 when compared to fiscal year 2013.

The median family income remained significantly higher than state averages and the unemployment rate continues to be lower than the State average (5.3% vs. 7.2% 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 6,194 single family dwellings as of January 1, 2013. 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 home 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 2013 single family dwellings had an average assessment of \$654,000, and an average tax bill of \$7,095 based on a single tax rate of \$10.85.

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 16 new dwellings. Discussions with local brokers indicate the strongest demand in nearly 7 years with an average marketing time of less than 3 months if priced properly. Demand continues to outweigh supply resulting in a seller's market and an upward trend in values. There were 267 arm's length sales in calendar 2012, trailing only calendar year 2006 which had the highest number of sales at 275.

Commercial revitalization continues with the recent completion of Warwick Place, a 3 story, 38,000 square foot retail/office building in the center of the downtown which includes a new movie theater. It is the largest single commercial improvement in the community.

Based on market demand, current and proposed development, and increasing sale prices the first 6 months of 2013, 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 FY13 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 2013 and transfers of \$85,698 were made from this appropriation. This represents the fifth 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 2013, there was one \$10,000 transfer 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 position.

Unassigned 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 nine fiscal years since FY2004, General Fund unassigned fund balance at year end has increased 619%.

At the end of FY13, the unassigned fund balance in the General Fund increased from the previous year by approximately 48%.

Property Tax Collection Rates Remain Consistently High

The Town has consistently had a first year collection rate for net property taxes due in excess of 99%. The first year collection rate for net property taxes in FY2013 was 98.8%.

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 2013 energy reserve. Of this amount \$309,305 was expended. The Town has once again appropriated \$533,544 for the energy reserve in the FY14 budget.

SIGNIFICANT EVENTS

Town's AAA Bond Rating Affirmed for 5th Consecutive Year

In August of 2013, 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 5th consecutive year that S&P has set the Town's bond rating at AAA.

Town Initiates Process to Fund Other Postemployment Benefits (OPEB) Liability

The 2013 Annual Town Meeting appropriated \$250,000 to begin funding its actuarially estimated OPEB liability in FY14. This OPEB liability is primarily comprised of the projected cost to provide health insurance coverage for the Town's retirees. Town Meeting also authorized the investment of these funds with the State's Health Care Security Trust. These actions begin the process of funding this liability. It is anticipated that the Town will appropriate additional sums into this OPEB Trust Fund on an annual basis.

Conversion to State Group Insurance Commission Health Insurance Completed

As of the beginning of FY13 the Town began providing employee and retiree health insurance benefits through the State's Group Insurance Commission (GIC). This change resulted in substantial savings realized both in terms of lower insurance rates and the avoidance of what was projected to be higher rate increases in the future.

Glover School Construction Project Continues

During FY13 the Town continued construction activities related to a new Glover School. Construction of the two-story, 79,000-square-foot school is scheduled to be completed by the end of calendar 2013 with students scheduled to occupy the building in January 2014. The Town is receiving up to 40% state reimbursement from the Massachusetts School Building Authority (MSBA) for this project.

Lead Mills Property Purchased for Open Space

In March of 2013, the Town acquired the so-called Lead Mills property to be used for open space. Funding for this 4.23 acre land acquisition with ocean frontage came from two sources, a \$1.1 million bond authorization passed by the Town Meeting in 2012 and a \$400,000 state grant.

Old Town House Accessibility Project Nears Completion

Marblehead's Old Town House, built in 1727, is one of the most historic buildings in the country. Renovations to make the building handicap accessible, including the installation of a three story elevator and two handicapped bathrooms, will be completed by the late fall of 2013.

Equipment Purchased

The Town purchased and took delivery of several new pieces of equipment in FY13. This included by department:

School Department:	Cargo Van
Police Department:	Police Vehicle
Fire Department:	Quint Fire Ladder Truck
	Utility Vehicle
Highway Department:	Dump Truck
	Emergency Generator
Recreation & Park Department:	Riding Lawnmower
	Leaf Vacuum
Multiple Departments:	Radio System

Results of June 25th Override Ballot

On June 25, 2013, a special election was held and two debt exclusion override questions were presented to the voters to exclude appropriations from the limitations of proposition 2 ½. Both debt exclusion overrides were approved by the voters. The first was for the repair and reconstruction of the clock tower at Abbot Hall totaling \$2,465,966 (3,888 in favor, 1,617 opposed). The second was for remediation and restoration activities on property located at 151 Green Street totaling \$1,165,000 (3,186 in favor, 2,235 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, 2012. This was the ninth consecutive year that the Town submitted a CAFR to the GFOA. The Town was awarded this Certificate all nine 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.

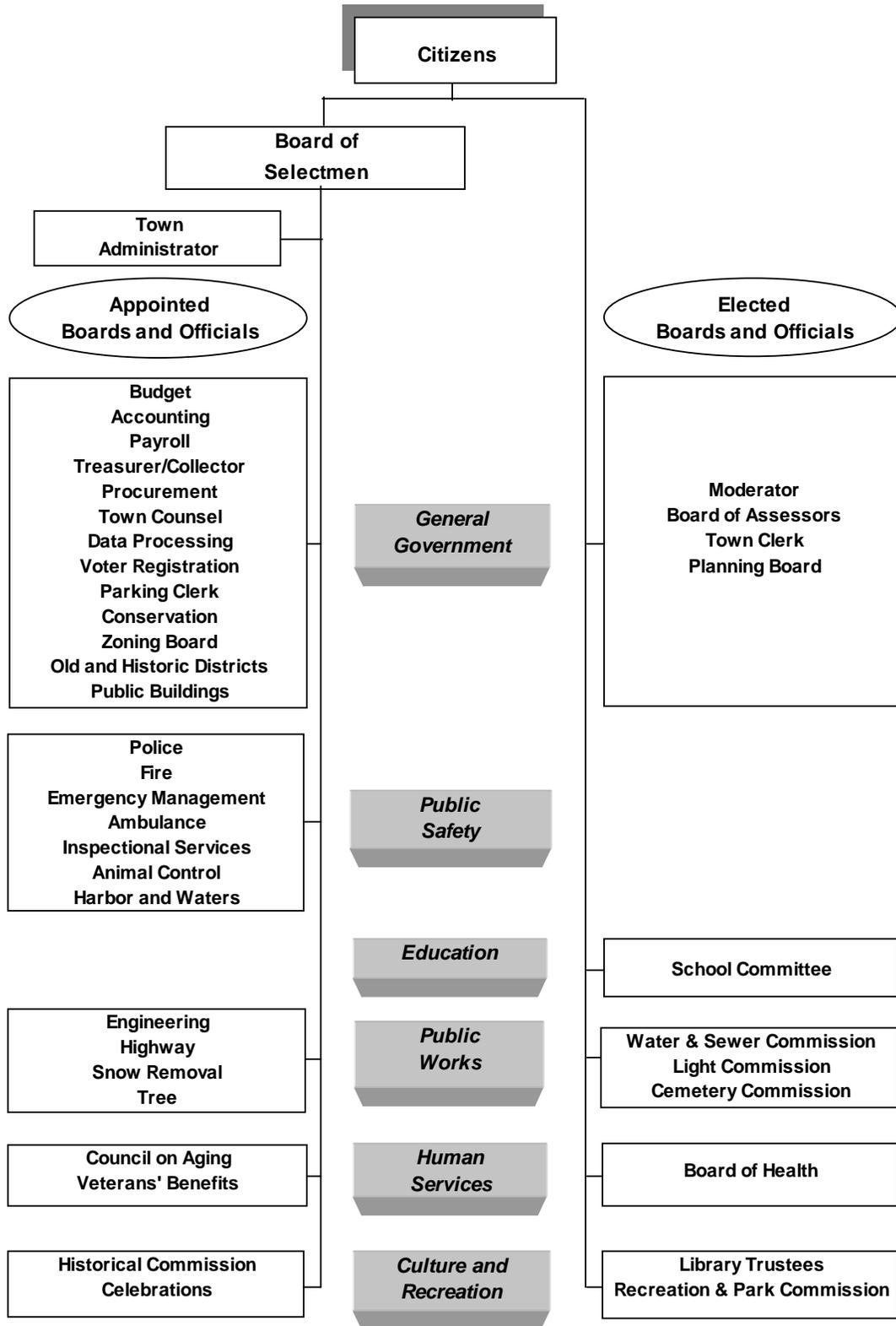
The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated staff of the Financial Services Department. I would like to express my appreciation to all members of the Town's Financial Services Department who assisted and contributed to the preparation of this report. I would also like to thank Town Administrator, Jeffrey Chelgren, 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

Title	Name	Manner of Selection	Term Expires
Selectmen (Chair)	Jackie Belf-Becker	Elected	2014
Selectmen	Harry C. Christensen, Jr.	Elected	2014
Selectmen	Judith R. Jacobi	Elected	2014
Selectmen	Bret T. Murray	Elected	2014
Selectmen	James E. Nye	Elected	2014
Town Administrator	Jeffrey Chelgren	Appointed	2015
Finance Director/Town Accountant	John J. McGinn	Appointed	2016
Treasurer/Collector	Patricia K. Murray	Appointed	2014
Town Clerk	Robin A. Michaud	Elected	2016



Government Finance Officers Association

**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, 2012

Executive Director/CEO

Financial Section



Photo by Eyal Oren

A glorious, sunny day at Fort Seawall overlooking Marblehead Harbor.

Financial Section

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Independent Auditor's Report

To the Honorable Board of Selectmen
Marblehead, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Marblehead, Massachusetts, as of and for the fiscal year ended June 30, 2013 (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, 2012), and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Marblehead Municipal Light Department, which is both a major fund and 47%, 45%, and 65%, respectively, of the assets, net position, and revenues of the business-type activities, for the fiscal year ended December 31, 2012. Those statements, which were prepared in accordance with the financial reporting provisions of the Massachusetts Department of Public Utilities, were audited by other auditors whose report thereon has been furnished to us. We have applied audit procedures on the conversion adjustments to the financial statements of the Marblehead Municipal Light Department, which conform those financial statements to accounting principles generally accepted in the United States of America. Our opinion, insofar as it relates to the amounts included for the Marblehead Municipal Light Department, prior to these conversion adjustments, 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the

purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, 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, 2013 (except for the Marblehead Contributory Retirement System and the Marblehead Municipal Light Department which are as of and for the year ended December 31, 2012), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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 introductory section, combining and individual fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2013 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 of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Marblehead's internal control over financial reporting and compliance.

Powers & Sullivan LLC

December 6, 2013

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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, 2013. 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 position* presents information on all assets and liabilities with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future 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.

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

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 position with the exception of unrestricted governmental net position. Overall the net position of the primary government increased by \$2.8 million during fiscal year 2013. This was comprised of a \$1.9 million increase in governmental net position and an \$865,000 increase in business-type net position. The \$15.1 million deficit in unrestricted governmental net position is the result of the Town's recognition of \$22 million in other postemployment benefit liabilities.

Governmental Activities

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the governmental activities, Marblehead's assets and exceeded liabilities by \$74.1 million, at the close of fiscal year 2013.

	Governmental Activities	
	2013	2012
Assets:		
Current assets.....	\$ 44,698,505	\$ 31,493,270
Capital assets, net of accumulated depreciation....	105,264,647	105,930,027
Capital assets, not being depreciated.....	22,271,683	9,489,298
Total assets.....	172,234,835	146,912,595
Liabilities:		
Current liabilities (excluding debt).....	7,462,623	4,460,631
Noncurrent liabilities (excluding debt).....	28,979,385	23,971,865
Current debt.....	3,382,115	3,851,380
Noncurrent debt.....	58,295,102	42,421,511
Total liabilities.....	98,119,225	74,705,387
Net Assets:		
Invested in capital assets, net of related debt.....	77,717,668	75,183,535
Restricted.....	11,077,540	8,900,151
Unrestricted.....	(14,679,598)	(11,876,478)
Total net assets.....	\$ 74,115,610	\$ 72,207,208
Program revenues:		
Charges for services.....	\$ 4,687,967	\$ 4,736,556
Operating grants and contributions.....	15,550,212	15,690,591
Capital grants and contributions.....	5,517,233	555,654
General revenues:		
Real estate and personal property taxes.....	54,731,549	53,545,032
Motor vehicle excise taxes.....	3,016,278	2,843,878
Nonrestricted grants.....	1,062,086	1,111,126
Unrestricted investment income.....	553,733	237,753
Penalties and interest on taxes.....	235,370	241,114
Total revenues.....	85,354,428	78,961,704
Expenses:		
General government.....	3,719,972	4,052,732
Public safety.....	10,936,104	10,651,355
Education.....	57,452,006	55,866,599
Public works.....	6,719,828	4,510,987
Human services.....	1,074,478	1,025,102
Culture and recreation.....	3,132,696	3,271,325
Interest.....	1,054,818	1,893,926
Total expenses.....	84,089,902	81,272,026
Excess (Deficiency) before transfers.....	1,264,526	(2,310,322)
Transfers.....	643,876	539,520
Change in net assets.....	\$ 1,908,402	\$ (1,770,802)

Governmental net position of \$77.7 million reflects its investment in capital assets (e.g., land, construction in progress, land improvements, 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 position, \$11.1 million, represents resources that are subject to external restrictions on how they may be used. This balance increased by \$2.2 million during fiscal year 2013 which mainly related to the timing of grants and gifts received that will be expended in future years. The remaining balance of *unrestricted net position* has a year-end deficit balance of \$14.7 million. The primary reason for this deficit balance in net position is the recognition of other postemployment benefit (OPEB) liabilities of \$22 million. Accounting standards require 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 \$136 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 of the Town's pay-as-you-go funding policy, 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 \$5.9 million for fiscal year 2013. Fiscal year 2013 is the Town's fifth year of amortizing this liability. During fiscal year 2013, the Town voted to begin partially funding this liability by appropriating \$250,000 to an OPEB trust fund for fiscal year 2014.

Although governmental OPEB liabilities increased by \$5.9 million, the overall net position increased by \$1.9 million. This was partially due to positive budgetary results in the general fund; the receipt of \$5.5 million in capital grants and private contributions received for school construction, athletic field construction, land acquisition, and road improvements. The large increase in public works expenses in fiscal year 2013 is the result of the Town's fiscal year 2012 reduction of its estimated liability for future closure and postclosure care of the landfill as more accurate numbers became available. General government expenses were down for fiscal year 2013 as the Town made several capital purchases from general fund budgets and from other gift and grant funds.

The governmental expenses totaled \$84.1 million of which \$25.8 million (31%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$60 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 \$52.5 million at the close of fiscal year 2013.

Business-type net position of \$36.7 million (70%) represent investments in capital assets. An additional \$3.9 million (7%) is restricted for depreciation within the Municipal Light Enterprise Fund, and the remaining \$11.9 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 \$865,000 in total net position reported in the business-type activities during fiscal year 2013.

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 position remains relatively consistent from year-to-year and there is no debt reported in the Town's business-type activities.

	Business-type Activities	
	2013	2012
Assets:		
Current assets.....	\$ 20,627,584	\$ 19,146,912
Capital assets, net of accumulated depreciation.....	34,176,750	32,613,203
Capital assets, not being depreciated.....	2,511,553	2,265,546
Total assets.....	57,315,887	54,025,661
Liabilities:		
Current liabilities (excluding debt).....	2,873,657	2,873,718
Noncurrent liabilities (excluding debt).....	1,910,751	966,739
Total liabilities.....	4,784,408	3,840,457
Net Assets:		
Invested in capital assets.....	36,688,303	34,878,749
Restricted.....	3,918,771	3,309,675
Unrestricted.....	11,924,405	11,996,780
Total net assets.....	\$ 52,531,479	\$ 50,185,204

The Sewer Enterprise Fund's net position totaled \$12.3 million at year end; a decrease of \$88,000 from the prior year. This balance is approximately 3.2 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 60% of the Fund's expenses relate to the annual assessment paid to the South Essex Sewerage District (SESD). In April of 2013, pipes linking the South Essex Sewerage District to the Town of Marblehead were found to have several breaches which were temporarily repaired by using the Town's equity interest in SESD. A subsequent inspection revealed that the pipes will need to be replaced at a cost of approximately \$20 million. This project will be funded through SESD and the cost of the project will be passed down to the Town in the form of increased annual assessments. The Town anticipates the assessments to increase beginning in fiscal 2015.

The Water Enterprise Fund's net position totaled \$12.6 million at year end; an increase of \$182,000 from the prior year. This balance is approximately 3.7 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 54% of the operating expenses consist of assessments paid to the Massachusetts Water Resource Authority.

The Harbor Enterprise Fund's net position totaled \$4.2 million at year end; a decrease of \$136,000 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 position totaled \$23.5 million at year end; an increase of \$907,000. The majority of the revenue in this fund consists of charges for services and 83% of the expenses relate to cost of services and administration.

	Business-type Activities	
	2013	2012
	<u>2013</u>	<u>2012</u>
Program revenues:		
Charges for services - Sewer.....	\$ 3,833,234	\$ 3,904,213
Charges for services - Water.....	3,680,594	3,730,846
Charges for services - Municipal Light.....	15,164,940	15,160,793
Charges for services - Harbor.....	638,807	632,242
Operating grants.....	3,407	17,260
General revenues:		
Boat excise.....	125,100	136,513
Unrestricted investment income.....	34,653	64,263
Total revenues.....	<u>23,480,735</u>	<u>23,646,130</u>
Expenses:		
Water.....	3,411,622	3,114,228
Sewer.....	3,838,086	3,481,486
Municipal Light.....	13,950,634	13,797,177
Harbor.....	771,455	639,917
Total expenses.....	<u>21,971,797</u>	<u>21,032,808</u>
Excess before transfers.....	1,508,938	2,613,322
Transfers.....	<u>(643,876)</u>	<u>(585,075)</u>
Change in net assets.....	\$ <u>865,062</u>	\$ <u>2,028,247</u>

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$36.4 million, an increase of \$9.5 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 \$9.4 million, while total fund balance was \$14.5 million. Of the assigned fund balance, \$4.6 million has been allocated to balance the fiscal year 2014 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 13% of total general fund expenditures, while total fund balance represents 20% of that same amount.

The General Fund increased by \$1.5 million. This increase is due to the Town's practice to budget estimated revenue conservatively which resulted in a budget surplus of \$4.7 million in revenues, mainly due to a \$2 million surplus in motor vehicle excise; appropriations exceeded actual expenditures by \$2.6 million mainly due to group insurance surplus of \$1.2 million; these surpluses were offset by the use of prior year resources to balance the fiscal year 2013 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 primary major capital projects during fiscal year 2013 have been the Glover School construction and Stoney Brook landfill remediation projects. The construction of the Glover School began during fiscal year 2013 and is expected to be completed during fiscal year 2014. 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 2013. The capital projects fund had a net increase of approximately \$5.7 million during fiscal year 2013. This net increase was primarily due to the recognition of \$18.4 million in bond proceeds; \$3.4 million in MSBA grant payments; less capital expenditures of approximately \$16.2 million, of which \$11.3 million related to the Glover School construction project; \$1.1 million of expenditures for the landfill remediation; \$1 million for a fire truck, and \$1.5 million for the Lead Mills property land acquisition.

The Public Funds is used to account for contributions and earnings to support the government, where the principal portion is non-expendable. Revenues consisted of investment income and contributions along with expenditures for various governmental purposes. The current activity is minor and the \$3.4 million nonspendable portion is permanently restricted for investment purposes.

General Fund Budgetary Highlights

The Town experienced a \$4.7 million surplus of actual over budgeted revenues. The largest surpluses were in motor vehicle excises taxes, real estate and personal property, charges for services, and licenses and permits, which combined to a total of \$4.1 million of which \$2 million related to motor vehicle excise due to conservative budget estimates. In addition, the Town does not budget for police detail administration fees, and water, sewer, and harbor indirect costs which contributed to a \$313,000 surplus in transfers in.

Actual expenditures ended the fiscal year approximately \$2.6 million under budget. The most notable is the group insurance appropriation, which ended the fiscal year \$1.2 million under budget. The Town transferred their health insurance subscribers to the state's insurance Group Insurance Commission (GIC) as of July 1, 2012, which resulted in significant savings to the Town for health insurance costs. The positive variance under public works is the result of waste tonnage coming in less than anticipated. Expenditures exceeded the budget for snow and ice removal; the Town is allowed to overspend for snow and ice removal and to raise any unfunded deficit in the subsequent fiscal year. The Town also had a remaining reserve fund appropriation of approximately \$58,000 and a balance remaining in the energy reserve and property and liability insurance appropriation line items 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 \$120,000 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 construction project totaling \$11.3 million, \$1.5 million for the purchase of land for the Lead Mills property, and \$1.0 million for a new fire ladder truck. In addition the Town had upgrades to infrastructure totaling \$1.2 million. Of the \$1.2 million, \$759,000 was related to drain improvements and \$470,000 was used for street and sidewalk paving. Other capital asset activity consisted of library circulation of \$154,000, new radio system for various departments of \$514,000 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 \$237,000 and \$822,000, respectively; the purchase of equipment, pier projects construction in process, and building improvements in the Harbor activities of \$190,000; and Municipal Light upgrades to plant and equipment of approximately \$1.7 million.

Debt administration. Outstanding long-term debt of the general government, as of June 30, 2013, totaled \$59.7 million, of which \$46.7 million is related to school projects, \$4.1 million is for the causeway seawall, \$5 million is for land acquisition and remediation projects, \$2.2 million for surface drainage projects, \$1.2 million for a new fire ladder truck and \$600,000 for other capital 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 POSITION

JUNE 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 39,592,015	\$ 11,138,013	\$ 50,730,028
Restricted cash and cash equivalents.....	-	3,918,771	3,918,771
Investments.....	1,251,398	-	1,251,398
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	645,824	-	645,824
Real estate tax deferrals.....	706,281	-	706,281
Tax liens.....	308,638	-	308,638
Motor vehicle and boat excise taxes.....	239,691	48,380	288,071
User fees.....	-	3,048,713	3,048,713
Departmental and other.....	68,342	-	68,342
Intergovernmental.....	1,860,601	-	1,860,601
Tax foreclosures.....	15,715	-	15,715
Inventory.....	-	83,979	83,979
Investment in joint venture.....	-	1,121,426	1,121,426
Working capital deposit.....	10,000	-	10,000
Other assets.....	-	1,268,302	1,268,302
Total current assets.....	44,698,505	20,627,584	65,326,089
NONCURRENT:			
Capital assets, net of accumulated depreciation.....	105,264,647	34,176,750	139,441,397
Capital assets, not being depreciated.....	22,271,683	2,511,553	24,783,236
Total noncurrent assets.....	127,536,330	36,688,303	164,224,633
TOTAL ASSETS.....	172,234,835	57,315,887	229,550,722
LIABILITIES			
CURRENT:			
Warrants payable.....	4,575,726	1,499,127	6,074,853
Tax refunds payable.....	143,019	-	143,019
Accrued interest.....	750,568	-	750,568
Payroll withholdings.....	422,654	-	422,654
Other liabilities.....	158,099	1,084,651	1,242,750
Customer deposits payable.....	1,290	125,125	126,415
Landfill closure and remediation.....	415,000	-	415,000
Compensated absences.....	885,083	164,754	1,049,837
Workers' compensation.....	111,184	-	111,184
Notes payable.....	410,000	-	410,000
Bonds payable.....	2,972,115	-	2,972,115
Total current liabilities.....	10,844,738	2,873,657	13,718,395
NONCURRENT:			
Landfill closure and remediation.....	6,215,000	-	6,215,000
Compensated absences.....	155,044	43,761	198,805
Workers' compensation.....	576,831	-	576,831
Other postemployment benefits.....	22,032,510	1,866,990	23,899,500
Bonds payable.....	58,295,102	-	58,295,102
Total noncurrent liabilities.....	87,274,487	1,910,751	89,185,238
TOTAL LIABILITIES.....	98,119,225	4,784,408	102,903,633
NET POSITION			
Net investment in capital assets.....	77,717,668	36,688,303	114,405,971
Restricted for:			
Depreciation.....	-	3,918,771	3,918,771
Permanent funds:			
Expendable.....	1,258,568	-	1,258,568
Nonexpendable.....	3,467,049	-	3,467,049
Other purposes:			
Gifts and grants.....	6,351,923	-	6,351,923
Unrestricted.....	(14,679,598)	11,924,405	(2,755,193)
TOTAL NET POSITION.....	\$ 74,115,610	\$ 52,531,479	\$ 126,647,089

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 3,719,972	\$ 421,123	\$ 581,422	\$ 400,000	\$ (2,317,427)
Public safety.....	10,936,104	1,052,468	93,626	-	(9,790,010)
Education.....	57,452,006	1,865,303	14,540,939	4,332,922	(36,712,842)
Public works.....	6,719,828	742,302	11,405	784,311	(5,181,810)
Human services.....	1,074,478	165,009	104,675	-	(804,794)
Culture and recreation.....	3,132,696	441,762	218,145	-	(2,472,789)
Interest.....	1,054,818	-	-	-	(1,054,818)
Total Governmental Activities.....	<u>84,089,902</u>	<u>4,687,967</u>	<u>15,550,212</u>	<u>5,517,233</u>	<u>(58,334,490)</u>
<i>Business-Type Activities:</i>					
Sewer.....	3,838,086	3,833,234	-	-	(4,852)
Water.....	3,411,622	3,680,594	-	-	268,972
Municipal Light.....	13,950,634	15,164,940	-	-	1,214,306
Harbor.....	771,455	638,807	3,407	-	(129,241)
Total Business-Type Activities.....	<u>21,971,797</u>	<u>23,317,575</u>	<u>3,407</u>	<u>-</u>	<u>1,349,185</u>
Total Primary Government.....	<u>\$ 106,061,699</u>	<u>\$ 28,005,542</u>	<u>\$ 15,553,619</u>	<u>\$ 5,517,233</u>	<u>\$ (56,985,305)</u>

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ (58,334,490)	\$ 1,349,185	\$ (56,985,305)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	54,731,549	-	54,731,549
Motor vehicle excise taxes.....	3,016,278	-	3,016,278
Boat excise taxes.....	-	125,100	125,100
Penalties and interest on taxes.....	235,370	-	235,370
Grants and contributions not restricted to specific programs.....	1,062,086	-	1,062,086
Unrestricted investment income.....	553,733	34,653	588,386
<i>Transfers, net</i>	643,876	(643,876)	-
Total general revenues and transfers.....	<u>60,242,892</u>	<u>(484,123)</u>	<u>59,758,769</u>
Change in net position.....	1,908,402	865,062	2,773,464
<i>Net Position:</i>			
Beginning of year.....	<u>72,207,208</u>	<u>51,666,417</u>	<u>123,873,625</u>
End of year.....	\$ <u><u>74,115,610</u></u>	\$ <u><u>52,531,479</u></u>	\$ <u><u>126,647,089</u></u>

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2013

ASSETS	General	Capital Projects Fund	Public Funds	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 15,390,500	\$ 10,378,720	\$ 3,487,690	\$ 9,629,897	\$ 38,886,807
Investments.....	-	-	1,251,398	-	1,251,398
Receivables, net of uncollectibles:					
Property taxes.....	645,824	-	-	-	645,824
Real estate tax deferrals.....	706,281	-	-	-	706,281
Tax liens.....	308,638	-	-	-	308,638
Motor vehicle excise taxes.....	239,691	-	-	-	239,691
Departmental and other.....	15,973	-	-	52,369	68,342
Intergovernmental.....	277,634	824,280	-	758,687	1,860,601
Working capital deposit.....	-	-	-	10,000	10,000
Tax foreclosures.....	15,715	-	-	-	15,715
TOTAL ASSETS.....	\$ 17,600,256	\$ 11,203,000	\$ 4,739,088	\$ 10,450,953	\$ 43,993,297
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Warrants payable.....	\$ 902,374	\$ 3,239,445	\$ 13,471	\$ 414,294	\$ 4,569,584
Accrued payroll and amounts withheld.....	422,654	-	-	-	422,654
Liabilities due depositors.....	1,290	-	-	-	1,290
Other liabilities.....	158,099	-	-	-	158,099
Deferred revenues.....	1,424,743	-	-	415,561	1,840,304
Tax refunds payable.....	143,019	-	-	-	143,019
Notes payable.....	-	410,000	-	-	410,000
TOTAL LIABILITIES.....	3,052,179	3,649,445	13,471	829,855	7,544,950
FUND BALANCES:					
Nonspendable.....	-	-	3,437,053	-	3,437,053
Restricted.....	-	7,553,555	1,288,564	9,621,098	18,463,217
Committed.....	591,174	-	-	-	591,174
Assigned.....	4,559,500	-	-	-	4,559,500
Unassigned.....	9,397,403	-	-	-	9,397,403
TOTAL FUND BALANCES.....	14,548,077	7,553,555	4,725,617	9,621,098	36,448,347
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 17,600,256	\$ 11,203,000	\$ 4,739,088	\$ 10,450,953	\$ 43,993,297

See notes to basic financial statements.

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

JUNE 30, 2013

Total governmental fund balances.....	\$	36,448,347
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		127,536,330
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		1,840,304
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 position.....		11,051
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(750,568)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Landfill closure.....	(6,630,000)	
Bonds notes payable.....	(61,267,217)	
Compensated absences.....	(1,040,127)	
Other postemployment benefits.....	<u>(22,032,510)</u>	
Net effect of reporting long-term liabilities.....		<u>(90,969,854)</u>
Net position of governmental activities.....	\$	<u>74,115,610</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2013

	General	Capital Projects Fund	Public Funds	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real estate and personal property taxes.....	\$ 54,653,329	\$ -	\$ -	\$ -	\$ 54,653,329
Motor vehicle excise taxes.....	2,994,944	-	-	-	2,994,944
Penalties and interest on taxes.....	235,370	-	-	-	235,370
Charges for services.....	807,991	-	-	2,457,294	3,265,285
Licenses and permits.....	676,788	-	-	-	676,788
Fines and forfeitures.....	152,856	-	-	205	153,061
Intergovernmental.....	13,314,195	3,395,272	-	3,454,115	20,163,582
Departmental and other.....	-	-	-	301,435	301,435
Contributions.....	-	-	63,755	1,565,252	1,629,007
Investment income.....	215,772	-	33,469	302,163	551,404
Miscellaneous.....	32,781	-	-	298,751	331,532
TOTAL REVENUES.....	73,084,026	3,395,272	97,224	8,379,215	84,955,737
EXPENDITURES:					
Current:					
General government.....	2,109,067	1,754,116	30,925	203,537	4,097,645
Public safety.....	7,040,261	1,126,947	-	488,667	8,655,875
Education.....	30,281,808	11,296,782	-	4,433,180	46,011,770
Public works.....	4,631,335	1,143,973	1,193	740,933	6,517,434
Human services.....	485,359	-	2,369	242,901	730,629
Culture and recreation.....	1,816,936	-	7,921	398,034	2,222,891
Pension benefits.....	8,886,922	-	-	-	8,886,922
Property and liability insurance.....	271,764	-	-	-	271,764
Employee benefits.....	10,037,694	-	-	-	10,037,694
State and county charges.....	2,583,423	-	-	-	2,583,423
Debt service:					
Principal.....	2,738,000	874,000	-	-	3,612,000
Interest.....	1,508,446	-	-	-	1,508,446
TOTAL EXPENDITURES.....	72,391,015	16,195,818	42,408	6,507,252	95,136,493
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	693,011	(12,800,546)	54,816	1,871,963	(10,180,756)
OTHER FINANCING SOURCES (USES):					
Issuance of debt.....	-	18,351,000	-	-	18,351,000
Premiums from issuance of debt.....	-	-	-	723,625	723,625
Transfers in.....	1,007,208	107,000	-	120,342	1,234,550
Transfers out.....	(227,342)	-	(50,624)	(312,708)	(590,674)
TOTAL OTHER FINANCING SOURCES (USES).....	779,866	18,458,000	(50,624)	531,259	19,718,501
NET CHANGE IN FUND BALANCES.....	1,472,877	5,657,454	4,192	2,403,222	9,537,745
FUND BALANCES AT BEGINNING OF YEAR.....	13,075,200	1,896,101	4,721,425	7,217,876	26,910,602
FUND BALANCES AT END OF YEAR.....	\$ 14,548,077	\$ 7,553,555	\$ 4,725,617	\$ 9,621,098	\$ 36,448,347

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, 2013

Net change in fund balances - total governmental funds.....		\$ 9,537,745
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	16,552,382	
Depreciation expense.....	<u>(4,435,377)</u>	
Net effect of reporting capital assets.....		12,117,005
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.....</p>		
		396,462
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Issuance of debt.....	(18,351,000)	
Premiums from issuance of debt.....	(723,625)	
Amortization of bond premiums.....	310,299	
Debt service principal payments.....	<u>3,612,000</u>	
Net effect of reporting long-term debt.....		(15,152,326)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....	(25,847)	
Net change in landfill liability accrual.....	650,000	
Net change in accrued interest on long-term debt.....	217,902	
Net change in other postemployment benefits.....	<u>(5,881,212)</u>	
Net effect of recording long-term liabilities.....		(5,039,157)
<p>Internal service funds are used by management to account for health insurance and workers' compensation activities.</p>		
The net activity of internal service funds is reported with governmental activities.....		<u>48,673</u>
Change in net position of governmental activities.....		<u>\$ 1,908,402</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2013

	Business-type Activities - Enterprise Funds					
	Sewer	Water	Harbor	Municipal Light (as of December 31, 2012)	Total	Workers Compensation Internal Service Fund
ASSETS						
CURRENT:						
Cash and cash equivalents.....	\$ 2,153,391	\$ 1,785,512	\$ 596,583	\$ 6,602,527	\$ 11,138,013	\$ 705,208
Restricted cash and cash equivalents.....	-	-	-	3,918,771	3,918,771	-
Receivables, net of allowance for uncollectibles:						
Boat excise taxes.....	-	-	48,380	-	48,380	-
User fees.....	931,760	740,333	9,113	1,367,507	3,048,713	-
Inventory.....	-	-	-	83,979	83,979	-
Investment in joint venture.....	1,121,426	-	-	-	1,121,426	-
Other assets.....	-	-	-	1,268,302	1,268,302	-
Total current assets.....	4,206,577	2,525,845	654,076	13,241,086	20,627,584	705,208
NONCURRENT:						
Capital assets, net of accumulated depreciation.....	8,448,860	10,472,626	1,677,446	13,577,818	34,176,750	-
Capital assets, not being depreciated.....	115,466	49,427	2,294,564	52,096	2,511,553	-
Total noncurrent assets.....	8,564,326	10,522,053	3,972,010	13,629,914	36,688,303	-
TOTAL ASSETS.....	12,770,903	13,047,898	4,626,086	26,871,000	57,315,887	705,208
LIABILITIES						
CURRENT:						
Warrants payable.....	47,999	69,518	14,650	1,366,960	1,499,127	6,142
Compensated absences.....	32,695	29,300	13,158	89,601	164,754	-
Provision for rate stabilization.....	-	-	-	900,000	900,000	-
Other liabilities.....	-	-	184,651	-	184,651	-
Customer deposits payable.....	-	647	-	124,478	125,125	-
Workers' compensation.....	-	-	-	-	-	111,184
Total current liabilities.....	80,694	99,465	212,459	2,481,039	2,873,657	117,326
NONCURRENT:						
Compensated absences.....	12,293	8,957	-	22,511	43,761	-
Workers' compensation.....	-	-	-	-	-	576,831
Other postemployment benefits.....	401,567	350,029	212,594	902,800	1,866,990	-
Total noncurrent liabilities.....	413,860	358,986	212,594	925,311	1,910,751	576,831
TOTAL LIABILITIES.....	494,554	458,451	425,053	3,406,350	4,784,408	694,157
NET POSITION						
Net investment in capital assets.....	8,564,326	10,522,053	3,972,010	13,629,914	36,688,303	-
Restricted for:						
Depreciation.....	-	-	-	3,918,771	3,918,771	-
Unrestricted.....	3,712,023	2,067,394	229,023	5,915,965	11,924,405	11,051
TOTAL NET POSITION.....	\$ 12,276,349	\$ 12,589,447	\$ 4,201,033	\$ 23,464,650	\$ 52,531,479	\$ 11,051

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2013

	Business-type Activities - Enterprise Funds					
	Sewer	Water	Harbor	Municipal Light (as of December 31, 2012)	Total	Workers Compensation Internal Service Fund
OPERATING REVENUES:						
Charges for services.....	\$ 3,825,721	\$ 3,677,400	\$ 638,796	\$ 15,164,940	\$ 23,306,857	\$ 300,930
Licenses and permits.....	7,350	-	-	-	7,350	-
Miscellaneous.....	163	3,194	11	-	3,368	-
TOTAL OPERATING REVENUES.....	3,833,234	3,680,594	638,807	15,164,940	23,317,575	300,930
OPERATING EXPENSES:						
Cost of services and administration.....	556,935	433,741	383,111	11,579,916	12,953,703	-
Cost of interfund services provided.....	-	-	-	-	-	254,486
Personal services.....	613,964	766,632	278,722	1,021,245	2,680,563	-
Operating assessments.....	2,312,145	1,825,752	-	-	4,137,897	-
Depreciation.....	355,042	385,497	109,622	1,349,473	2,199,634	-
TOTAL OPERATING EXPENSES.....	3,838,086	3,411,622	771,455	13,950,634	21,971,797	254,486
OPERATING INCOME (LOSS).....	(4,852)	268,972	(132,648)	1,214,306	1,345,778	46,444
NONOPERATING REVENUES (EXPENSES):						
Boat excise taxes.....	-	-	125,100	-	125,100	-
Investment income.....	4,256	5,868	1,917	22,612	34,653	2,229
Intergovernmental assessments.....	-	-	3,407	-	3,407	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	4,256	5,868	130,424	22,612	163,160	2,229
INCOME (LOSS) BEFORE TRANSFERS.....	(596)	274,840	(2,224)	1,236,918	1,508,938	48,673
TRANSFERS:						
Transfers out.....	(87,721)	(92,845)	(133,310)	(330,000)	(643,876)	-
CHANGE IN NET POSITION.....	(88,317)	181,995	(135,534)	906,918	865,062	48,673
NET POSITION AT BEGINNING OF YEAR.....	12,364,666	12,407,452	4,336,567	22,557,732	51,666,417	(37,622)
NET POSITION AT END OF YEAR.....	\$ 12,276,349	\$ 12,589,447	\$ 4,201,033	\$ 23,464,650	\$ 52,531,479	\$ 11,051

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2013

	Business-type Activities - Enterprise Funds					Workers Compensation Internal Service Fund
	Sewer	Water	Harbor	Municipal Light (as of December 31, 2012)	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers and users.....	\$ 3,887,183	\$ 3,740,780	\$ 634,008	\$ 15,188,935	\$ 23,450,906	\$ -
Receipts from interfund services provided.....	-	-	-	-	-	300,930
Payments to vendors.....	(2,433,454)	(1,851,388)	(260,551)	(11,380,458)	(15,925,851)	(255,610)
Payments to employees.....	(617,676)	(778,958)	(274,476)	(866,776)	(2,537,886)	-
NET CASH FROM OPERATING ACTIVITIES.....	836,053	1,110,434	98,981	2,941,701	4,987,169	45,320
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfers out.....	(87,721)	(92,845)	(133,310)	(330,000)	(643,876)	-
Boat excise taxes.....	-	-	119,559	-	119,559	-
Intergovernmental assessments.....	-	-	3,407	-	3,407	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	(87,721)	(92,845)	(10,344)	(330,000)	(520,910)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition and construction of capital assets.....	(360,179)	(1,057,009)	(189,648)	(1,693,352)	(3,300,188)	-
CASH FLOWS FROM INVESTING ACTIVITIES:						
Investment income.....	4,256	5,868	1,917	22,612	34,653	2,229
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	392,409	(33,552)	(99,094)	940,961	1,200,724	47,549
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR....	1,760,982	1,819,064	695,677	9,580,337	13,856,060	657,659
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 2,153,391	\$ 1,785,512	\$ 596,583	\$ 10,521,298	\$ 15,056,784	\$ 705,208
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:						
Operating income (loss).....	\$ (4,852)	\$ 268,972	\$ (132,648)	\$ 1,214,306	\$ 1,345,778	\$ 46,444
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation.....	355,042	385,497	109,622	1,349,473	2,199,634	-
Changes in assets and liabilities:						
User fees.....	53,949	60,186	(4,799)	(29,168)	80,168	-
Inventory.....	-	-	-	1,084	1,084	-
Investment in joint venture.....	192,595	-	-	-	192,595	-
Other assets.....	-	-	-	(1,176)	(1,176)	-
Warrants payable.....	131,843	264,484	5,326	199,550	601,203	(4,847)
Liabilities due depositors.....	-	-	-	53,163	53,163	-
Other liabilities.....	-	-	(1,880)	-	(1,880)	-
Accrued compensated absences.....	(3,712)	(12,326)	4,246	(65,765)	(77,557)	-
Workers' compensation.....	-	-	-	-	-	3,723
Other postemployment benefits.....	111,188	143,621	119,114	220,234	594,157	-
Total adjustments.....	840,905	841,462	231,629	1,727,395	3,641,391	(1,124)
NET CASH FROM OPERATING ACTIVITIES.....	\$ 836,053	\$ 1,110,434	\$ 98,981	\$ 2,941,701	\$ 4,987,169	\$ 45,320

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2013

	Pension Trust Fund (as of December 31, 2012)	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents.....	\$ 446,586	\$ 3,329,147	\$ 291,406
Investments - external investment pool.....	78,490,125	-	-
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	-	175	-
Intergovernmental.....	289,538	-	-
Capital assets, net of accumulated depreciation.....	-	97,748	-
Capital assets, not being depreciated.....	-	2,045	-
TOTAL ASSETS.....	79,226,249	3,429,115	291,406
LIABILITIES			
Warrants payable.....	6,942	423	36
Liabilities due depositors.....	-	-	291,370
Other liabilities.....	-	175	-
TOTAL LIABILITIES.....	6,942	598	291,406
NET POSITION			
Held in trust for pension benefits and other purposes.....	\$ <u>79,219,307</u>	\$ <u>3,428,517</u>	\$ <u>-</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FISCAL YEAR ENDED JUNE 30, 2013

	Pension Trust Fund (as of December 31, 2012)	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer.....	\$ 2,463,662	\$ -
Plan members.....	1,936,619	-
Private donations.....	-	55,871
Total contributions.....	4,400,281	55,871
Net investment income (loss):		
Net change in fair value of investments.....	7,414,013	-
Investment income.....	2,388,269	16,639
Net investment income (loss).....	9,802,282	16,639
Intergovernmental.....	141,624	-
Transfers from other systems.....	549,285	-
TOTAL ADDITIONS.....	14,893,472	72,510
DEDUCTIONS:		
Administration.....	546,117	75,159
Depreciation.....	-	11,950
Transfers to other systems.....	33,482	-
Retirement benefits and refunds.....	7,700,226	-
Educational scholarships.....	-	15,700
TOTAL DEDUCTIONS.....	8,279,825	102,809
CHANGE IN NET POSITION.....	6,613,647	(30,299)
NET POSITION AT BEGINNING OF YEAR.....	72,605,660	3,458,816
NET POSITION AT END OF YEAR.....	\$ 79,219,307	\$ 3,428,517

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 principles (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.

Component Unit Presented as a Fiduciary Fund – The Marblehead Contributory Retirement System (the System) is presented using the accrual basis of accounting and is reported as a pension trust fund in 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 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, 2012, 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, 2013, the Town's equity interest in the operations of the District is \$1,121,426 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 position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which are supported primarily by user fees and charges.

Fund Financial Statements

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

Major Fund Criteria

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

- If 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 activity within the internal service fund is reported:

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, 2012. 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. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

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

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

I. 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.

J. 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.

K. Long-term Debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

L. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

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

Net position 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.

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

Fund Financial Statements (Fund 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, by article, 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 policy 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.

M. 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).

N. 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.

O. 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.

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 Commonwealth of Massachusetts' 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 \$49,744,833 and the bank balance totaled \$52,457,869. Of the bank balance, \$1,390,138 was covered by Federal Depository Insurance, \$9,888,093 was covered by DIF Insurance, \$34,341,422 was collateralized and \$6,838,216 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2012, the carrying amount of deposits for the System totaled \$446,586 and the bank balance of \$459,680 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, 2013:

Investment Type	<u>Fair Value</u>
<u>Other Investments</u>	
Equity Securities.....	\$ 1,251,398
MMDT.....	<u>8,524,519</u>
Total Investments.....	<u>\$ 9,775,917</u>

System balances at December 31, 2012:

Investment Type	<u>Fair Value</u>
PRIT.....	<u>\$ 78,490,125</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 10.37 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, 2013 because the \$1,251,398 in equity securities are held by the Town and the \$8,524,519 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, 2012, the System’s \$78,490,125 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, 2013 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.....	\$ 663,611	\$ (17,787)	\$ 645,824
Real estate tax deferrals.....	706,281	-	706,281
Tax liens.....	308,638	-	308,638
Motor vehicle excise taxes.....	342,852	(103,161)	239,691
Departmental and other.....	68,972	(455)	68,517
Intergovernmental - pension fund.....	289,538	-	289,538
Intergovernmental - governmental funds.....	1,860,601	-	1,860,601
 Total.....	 \$ <u>4,240,493</u>	 \$ <u>(121,403)</u>	 \$ <u>4,119,090</u>

At June 30, 2013, 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.....	\$ 956,873	\$ (25,113)	\$ 931,760
Water user fees.....	760,124	(19,791)	740,333
Harbor user fees.....	11,391	(2,278)	9,113
Municipal Light user fees (December 31, 2012)..	1,731,492	(363,985)	1,367,507
Boat excise taxes.....	50,927	(2,547)	48,380
 Total.....	 \$ <u>3,510,807</u>	 \$ <u>(413,714)</u>	 \$ <u>3,097,093</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, 2013 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.....	\$ 289,791	\$ -	\$ 289,791
Real estate tax deferrals.....	706,281	-	706,281
Tax liens.....	308,638	-	308,638
Motor vehicle excise taxes.....	104,445	-	104,445
Departmental and other.....	1,822	1,472	3,294
Intergovernmental.....	13,766	414,089	427,855
Total.....	\$ 1,424,743	\$ 415,561	\$ 1,840,304

NOTE 4 – INTERFUND TRANSFERS AND BALANCES

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, 2013 were:

Transfers Out	Transfers In			
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	
General Fund.....	\$ -	\$ 107,000	\$ 120,342	(1),(4)
Nonmajor Governmental Funds.....	363,332	-	-	(2)
Water Enterprise.....	92,845	-	-	(3)
Sewer Enterprise.....	87,721	-	-	(3)
Municipal Light Enterprise.....	330,000	-	-	(3)
Harbor Enterprise.....	133,310	-	-	(3)
Total.....	\$ 1,007,208	\$ 107,000	\$ 120,342	

- (1) Transfer from General fund to the Capital Projects Funds to retire short term debt due August 2013.
- (2) Transfers from Nonmajor Governmental Funds to the General Fund to support the general operating budget; these items include police detail administration fees and the use of bond premiums.
- (3) Payments in lieu of taxes and reimbursements for general government services.
- (4) Transfer from the school department's budget to fund a deficit in the School Lunch Revolving Fund.

NOTE 5 – CAPITAL ASSETS

Capital asset activity in the Governmental Funds for the fiscal year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	(Retirements)	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 6,542,057	\$ 1,515,482	\$ -	\$ 8,057,539
Construction in progress.....	2,947,241	11,776,702	(509,799)	14,214,144
Total capital assets not being depreciated.....	9,489,298	13,292,184	(509,799)	22,271,683
<u>Capital assets being depreciated:</u>				
Land improvements.....	3,903,350	40,000	-	3,943,350
Buildings.....	82,855,410	-	-	82,855,410
Building improvements.....	30,149,126	192,149	(16,793)	30,324,482
Machinery and equipment.....	9,766,065	2,309,098	(378,426)	11,696,737
Infrastructure.....	30,238,569	1,228,750	(87,456)	31,379,863
Total capital assets being depreciated.....	156,912,520	3,769,997	(482,675)	160,199,842
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(1,301,748)	(126,854)	-	(1,428,602)
Buildings.....	(26,660,104)	(1,875,925)	-	(28,536,029)
Building improvements.....	(8,036,404)	(835,424)	16,793	(8,855,035)
Machinery and equipment.....	(6,528,544)	(932,615)	378,426	(7,082,733)
Infrastructure.....	(8,455,693)	(664,559)	87,456	(9,032,796)
Total accumulated depreciation.....	(50,982,493)	(4,435,377)	482,675	(54,935,195)
Total capital assets being depreciated, net.....	105,930,027	(665,380)	-	105,264,647
Total governmental activities capital assets, net.....	\$ 115,419,325	\$ 12,626,804	\$ (509,799)	\$ 127,536,330

Capital asset activity for the Business Type Activities for the fiscal year ended June 30, 2013 was as follows:

Business-Type Activities:	Beginning Balance	Additions	(Retirements)	Ending Balance
<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
Building improvements.....	-	94,144	-	94,144
Machinery and equipment.....	1,106,106	25,614	(22,242)	1,109,478
Infrastructure.....	13,537,899	117,478	(178,000)	13,477,377
Total capital assets being depreciated.....	14,758,355	237,236	(200,242)	14,795,349
<u>Less accumulated depreciation for:</u>				
Buildings.....	(114,350)	-	-	(114,350)
Building improvements.....	-	(2,353)	-	(2,353)
Machinery and equipment.....	(619,208)	(84,316)	22,242	(681,282)
Infrastructure.....	(5,458,131)	(268,373)	178,000	(5,548,504)
Total accumulated depreciation.....	(6,191,689)	(355,042)	200,242	(6,346,489)
Total capital assets being depreciated, net.....	8,566,666	(117,806)	-	8,448,860
Total sewer activities capital assets, net.....	\$ 8,682,132	\$ (117,806)	\$ -	\$ 8,564,326
	Beginning Balance	Additions	(Retirements)	Ending Balance
<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.....	846,870	159,622	(139,158)	867,334
Infrastructure.....	13,881,436	662,867	(15,000)	14,529,303
Total capital assets being depreciated.....	15,720,637	822,489	(154,158)	16,388,968
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(9,936)	(1,528)	-	(11,464)
Buildings.....	(470,861)	(22,247)	-	(493,108)
Machinery and equipment.....	(421,311)	(67,347)	139,158	(349,500)
Infrastructure.....	(4,782,895)	(294,375)	15,000	(5,062,270)
Total accumulated depreciation.....	(5,685,003)	(385,497)	154,158	(5,916,342)
Total capital assets being depreciated, net.....	10,035,634	436,992	-	10,472,626
Total water activities capital assets, net.....	\$ 10,085,061	\$ 436,992	\$ -	\$ 10,522,053

	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.....	263,788	26,699	-	290,487
Total capital assets not being depreciated.....	2,267,865	26,699	-	2,294,564
<u>Capital assets being depreciated:</u>				
Piers.....	61,501	-	-	61,501
Buildings.....	883,440	-	-	883,440
Building improvements.....	123,347	-	-	123,347
Land improvements.....	927,979	12,940	-	940,919
Machinery and equipment.....	1,099,157	150,009	-	1,249,166
Total capital assets being depreciated.....	3,095,424	162,949	-	3,258,373
<u>Less accumulated depreciation for:</u>				
Piers.....	(47,815)	(1,133)	-	(48,948)
Buildings.....	(322,265)	(21,610)	-	(343,875)
Building improvements.....	(49,302)	(4,739)	-	(54,041)
Land improvements.....	(401,324)	(19,521)	-	(420,845)
Machinery and equipment.....	(650,599)	(62,619)	-	(713,218)
Total accumulated depreciation.....	(1,471,305)	(109,622)	-	(1,580,927)
Total capital assets being depreciated, net.....	1,624,119	53,327	-	1,677,446
Total harbor activities capital assets, net.....	\$ 3,891,984	\$ 80,026	\$ -	\$ 3,972,010

	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.....	26,991,315	1,693,352	(163,107)	28,521,560
<u>Less accumulated depreciation for:</u>				
Light plant and equipment.....	(13,757,376)	(1,349,473)	163,107	(14,943,742)
Total capital assets being depreciated, net.....	13,233,939	343,879	-	13,577,818
Total light activities capital assets, net.....	\$ 13,286,035	\$ 343,879	\$ -	\$ 13,629,914

Capital asset activity for the Fiduciary Funds for the fiscal year ended June 30, 2013 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.....	176,455	16,793	-	193,248
<u>Less accumulated depreciation for:</u>				
Buildings.....	(83,550)	(11,950)	-	(95,500)
Total capital assets being depreciated, net.....	92,905	4,843	-	97,748
Total fiduciary activities capital assets, net.....	<u>\$ 94,950</u>	<u>\$ 4,843</u>	<u>\$ -</u>	<u>\$ 99,793</u>

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

Governmental Activities:

General government.....	\$ 99,259
Public safety.....	225,692
Education.....	2,645,412
Public works.....	1,044,387
Human services.....	39,296
Culture and recreation.....	<u>381,331</u>
Total depreciation expense - governmental activities.....	<u>\$ 4,435,377</u>

Business-Type Activities:

Sewer.....	\$ 355,042
Water.....	385,497
Harbor.....	109,622
Municipal Light.....	<u>1,349,473</u>
Total depreciation expense - business-type activities.....	<u>\$ 2,199,634</u>

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 2013, \$13.6 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, 2013. Subsequent to year end, the Town retired the \$410,000 of remaining BAN’s outstanding with \$400,000 from a grant received from the state and \$10,000 from available funds.

Description	Issue Date	Due Date	Interest Rate	Balance at June 30, 2012	Issued	Retired	Balance at June 30, 2013
General Obligation BAN of 2012.....	07/28/11	08/10/12	1.50%	\$ 158,000	\$ -	\$ (158,000)	\$ -
General Obligation BAN of 2013.....	08/10/12	08/09/13	1.25%	-	14,037,000	(13,627,000)	410,000
Totals.....				\$ 158,000	\$ 14,037,000	\$ (13,785,000)	\$ 410,000

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.”

In prior years, the Town defeased certain of its outstanding general obligation bonds by placing the proceeds of new refunding bonds in an irrevocable escrow account to provide amounts sufficient for the future payment of principal and interest on those bonds. Accordingly, neither the assets in escrow nor the liability for the defeased bonds are included in the Town’s financial statements. As of June 30, 2013, \$14.6 million of the refunded bonds are considered defeased.

The following is a summary of the long-term debt transactions of the Town for the year ended June 30, 2013:

Project	Original Amount	Interest % Rate	Balance 6/30/12	Issued and Transferred	Redeemed	Balance 6/30/13
School Construction, maturities through 2025.....	\$ 25,800,000	4.79	\$ 3,400,000	\$ -	\$ (1,090,000)	\$ 2,310,000
Causeway Seawall, maturities through 2018.....	6,500,000	2.00	4,870,000	-	(815,000)	4,055,000
Village School, maturities through 2031.....	2,600,000	3.08	2,600,000	-	(70,000)	2,530,000
Village School, maturities through 2031.....	12,000,000	3.06	11,745,000	-	(465,000)	11,280,000
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	-	(55,000)	15,805,000
General Obligation Long-term BAN of 2013.....	874,000	1.50	874,000	-	(874,000)	-
General Obligation Bonds of 2012, maturities through 2033.....	5,321,000	2.39	5,321,000	3,850,000	-	9,171,000
General Obligation Long-term BAN of 2014.....	5,527,000	1.25	-	5,527,000	-	5,527,000
General Obligation Bonds of 2013, maturities through 2034.....	8,974,000	3.51	-	8,974,000	-	8,974,000
Total General Obligation Bonds and Notes.....			44,913,000	18,351,000	(3,612,000)	59,652,000
Unamortized Premiums on Bonds and Notes.....			1,201,891	494,706	(81,380)	1,615,217
Total Governmental Bonds Payable as reported on the Statement of Net Assets.....			\$ 46,114,891	\$ 18,845,706	\$ (3,693,380)	\$ 61,267,217

As of June 30, 2013, the Town has approximately \$3.2 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. During fiscal year 2013, the Town released \$81,000 from this fund to offset interest expenses and the Town added \$495,000 of bond premiums received.

At fiscal year end, the Town had \$14.9 million in BANs outstanding which were due on August 9, 2013. In fiscal year 2014, the Town retired approximately \$9 million through the issuance of long-term debt, reissued \$5.5 million to a new BAN with an interest rate of 1.25% due August 8, 2014 and retired \$410,000 through \$400,000 in state grant proceeds and \$10,000 in Town funds. The \$9 million bond and the \$5.5 million BAN have been classified as long-term debt in the financial statements.

Annual Requirements

The annual requirements to amortize all long-term debt outstanding as of June 30, 2013, are as follows:

Fiscal Year	Governmental Exempt from Proposition 2 1/2		Total Requirement
	Principal	Interest	
2014	\$ 2,866,000	\$ 1,691,106	\$ 4,557,106
2015	8,746,000	1,923,302	10,669,302
2016	3,465,000	1,646,575	5,111,575
2017	3,565,000	1,557,362	5,122,362
2018	3,675,000	1,421,273	5,096,273
2019	2,960,000	1,293,516	4,253,516
2020	3,055,000	1,174,134	4,229,134
2021	3,195,000	1,044,508	4,239,508
2022	3,315,000	910,605	4,225,605
2023	3,450,000	777,496	4,227,496
2024	3,450,000	648,697	4,098,697
2025	3,555,000	536,260	4,091,260
2026	1,770,000	458,485	2,228,485
2027	1,825,000	404,376	2,229,376
2028	1,880,000	345,905	2,225,905
2029	1,955,000	282,346	2,237,346
2030	2,025,000	213,521	2,238,521
2031	2,010,000	141,166	2,151,166
2032	1,105,000	85,625	1,190,625
2033	1,145,000	45,850	1,190,850
2034	640,000	12,800	652,800
Totals	\$ <u>59,652,000</u>	\$ <u>16,614,908</u>	\$ <u>76,266,908</u>

Bond Authorizations

Long-term debt authorizations voted by Town Meetings which have not been issued or rescinded as of June 30, 2013, are as follows:

Date Authorized	Project	Amount
June 2008	Village School Reconstruction.....	\$ 271,506
June 2011	Landfill Remediation and Transfer Station.....	14,191,578
June 2011	Glover School Construction.....	10,602,368
June 2012	Surface Drainage Construction.....	4,937,687
June 2012	Old Town House Improvements.....	610,168
June 2012	Land Acquisition - Lead Mills.....	400,000
June 2013	Abbot Hall Tower Renovation.....	2,465,966
June 2013	Green Street Cleanup.....	1,165,000
	Total.....	\$ <u>34,644,273</u>

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2013, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Long-term bonds and notes.....	\$ 44,913,000	\$ 18,351,000	\$ (3,612,000)	\$ 59,652,000	\$ 2,866,000
Unamortized bond premium.....	1,201,891	494,706	(81,380)	1,615,217	106,115
Other postemployment benefits.....	16,151,298	9,981,551	(4,100,339)	22,032,510	-
Compensated absences.....	1,014,280	881,130	(855,283)	1,040,127	885,083
Landfill Closure.....	7,280,000	-	(1,065,000)	6,215,000	415,000
Workers' compensation.....	684,292	259,333	(255,610)	688,015	111,184
Total governmental activity long-term liabilities.....	\$ <u>71,244,761</u>	\$ <u>29,967,720</u>	\$ <u>(9,969,612)</u>	\$ <u>91,242,869</u>	\$ <u>4,383,382</u>
Business-Type Activities:					
Other postemployment benefits.....	\$ 1,272,833	\$ 973,818	\$ (379,661)	\$ 1,866,990	\$ -
Compensated absences.....	286,072	152,813	(230,370)	208,515	164,754
Total business-type activity long-term liabilities.....	\$ <u>1,558,905</u>	\$ <u>1,126,631</u>	\$ <u>(610,031)</u>	\$ <u>2,075,505</u>	\$ <u>164,754</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, 2013, the governmental fund balances consisted of the following:

	GOVERNMENTAL FUNDS				
	General	Capital Projects Fund	Public Funds	Nonmajor Governmental Funds	Total Governmental Funds
FUND BALANCES					
Nonspendable:					
Permanent fund principal.....	\$ -	\$ -	\$ 3,437,053	\$ -	\$ 3,437,053
Restricted for:					
Capital projects fund.....	-	7,553,555	-	-	7,553,555
Public funds.....	-	-	1,288,564	-	1,288,564
Federal grants.....	-	-	-	126,351	126,351
State grants.....	-	-	-	482,520	482,520
Other grants.....	-	-	-	1,470,186	1,470,186
Revolving funds.....	-	-	-	699,673	699,673
Receipts reserved for appropriation.....	-	-	-	2,983,591	2,983,591
Gifts.....	-	-	-	533,286	533,286
Special revenue trust funds.....	-	-	-	3,325,491	3,325,491
Committed to:					
General government.....	26,883	-	-	-	26,883
Public safety.....	1,250	-	-	-	1,250
Public works.....	406,436	-	-	-	406,436
Culture and recreation.....	2,500	-	-	-	2,500
Group Insurance.....	154,105	-	-	-	154,105
Assigned to:					
General government.....	3,500	-	-	-	3,500
Free cash used for subsequent year's expenditures...	4,556,000	-	-	-	4,556,000
Unassigned.....	9,397,403	-	-	-	9,397,403
TOTAL FUND BALANCES.....	\$ 14,548,077	\$ 7,553,555	\$ 4,725,617	\$ 9,621,098	\$ 36,448,347

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, 2012, the System’s membership consisted of:

Retirees and beneficiaries currently receiving benefits.....	332
Active employees.....	339
Inactive employees.....	<u>32</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 \$6,898,496 for the fiscal year ended June 30, 2013. 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, 2012. Additional information as of the latest actuarial valuation follows:

Actuarial cost method.....	Entry age normal
Amortization method.....	Approximate level percent of payroll, closed
Remaining closed amortization period...	24 years for the fresh start base
	Market value adjusted by accounts payable and receivables adjusted to phase in over 5 years investment gains or losses above or below the
Asset valuation method.....	expected rate of investment return.
Actuarial assumptions:	
Investment rate of return.....	8%
	3.75% per year ultimate, 2% per year base increase, next 2 years plus 4 steps, Group 4 - Light 3.5%, Public Safety 7% for 2 years, 4% 3rd year,
Projected salary increases.....	3.25% in year 20, all other groups 5%
Cost-of-living adjustments.....	3% on first \$12,000 of retirement income

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 24-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:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percent Contributed</u>
2013	\$ 2,324,570	100%
2012	2,324,570	100%
2011	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)
01/01/12	\$ 79,866,225	\$ 108,293,125	\$ 28,426,900	73.8%	\$ 16,564,039	171.6%
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 \$107,000 during the year ended June 30, 2013.

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 participation in the Group Insurance Commission of the Commonwealth of Massachusetts (GIC), which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. The Retiree Health Plan does not issue a publicly available financial report.

As of July 1, 2012, the plan’s membership consisted of:

Active participants.....	748
Retired participants.....	<u>539</u>
Total participants.....	<u><u>1,287</u></u>

Funding Policy – The Town’s required contribution is based on a pay-as-you-go financing requirement. The Town contributes 65-83 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 17-35 percent of the cost of pre-Medicare and 25 percent of the cost of Medex plan and Medicare Part B. For fiscal year 2013, the Town contributed \$3.7 million to the plan, and member contributions totaled \$1.1 million. The Town’s contribution to the plan when adjusted for the implicit rate subsidy was approximately \$4.5 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.....	\$ 11,090,000
Interest on net OPEB obligation.....	780,000
Adjustments to annual required contribution.....	(664,131)
*Adjustment for Electric Light Department.....	<u>(250,500)</u>
Annual OPEB cost (expense).....	10,955,369
Contributions made.....	<u>(4,480,000)</u>
Increase in net OPEB obligation.....	6,475,369
Net OPEB obligation-beginning of year.....	<u>17,424,131</u>
Net OPEB obligation-end of year.....	<u>\$ 23,899,500</u>

*Electric Light amounts are shown for the six months ended December 31, 2012

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2013 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	\$ 10,955,369	41%	\$ 23,899,500
6/30/2012	10,449,237	54%	17,424,131
6/30/2011	9,781,627	54%	12,566,712

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$135.9 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$34.5 million, and the ratio of the UAAL to the covered payroll was 394.5%.

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

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

In the July 1, 2012, actuarial valuation, actuarial liabilities were determined using the project unit credit 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, projected salary increases of 4.5% and an annual medical/drug cost trend rate of 9.5% 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 was 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 FY13, the Town continued construction activities related to this project. Construction of the new two-story, 79,000-square-foot Glover School is scheduled to be completed by the end of December 2013.

In May of 2011, the Town voted to authorize the Treasurer to borrow \$15,102,000 to finance the capping of the Town's old landfill and the construction of a new transfer station. The Town is currently in the permitting phase of the landfill capping portion of this project. Permitting of this project is expected to be completed by November 2013, with construction activities commencing in December 2013. It is expected to take 14 months to complete construction of the 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, and \$610,168 to finance accessibility improvements to the Town's historic Old Town House. The Town began both of these projects during FY13. In the case of the drainage improvements, the project has been designed as a three phase project and is expected to take three years to complete. Phase I of the project is scheduled for completion in December 2013.

In May of 2013, the Town voted to authorize the Treasurer to borrow \$2,465,966 for renovations to the Abbot Hall Clock Tower. This project is currently in the design phase with construction activities scheduled to commence in 2014. Also in May of 2013, the Town voted to authorize the Treasurer to borrow \$1,165,000 for the cleanup of property located at 151 Green Street. This property located in proximity to the Town's old landfill was partially contaminated by activities conducted at that landfill when in operation. All work associated with this cleanup is expected to be completed by the fall of 2014.

Recently, the Town was notified by the South Essex Sewerage District that the underwater sewer pipe used to transmit sewage from the Town to the Sewer Treatment plant needs to be replaced. The estimated cost of this project is approximately \$20 million. The Town's Sewer Enterprise, using funding generated from sewer charges, will be responsible for the debt service costs associated with the project.

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 a 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, 2012, total capital expenditures amounted to \$1,593,344,000 of which \$26,105,000 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 \$284,005,000, of which \$3,829,000 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, 2012, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$289,247,000, of which \$3,739,000 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, 2012, is shown below:

		Annual Cost
For years ended December 31,	2013	\$ 1,098,000
	2014	921,000
	2015	820,000
	2016	609,000
	2017	240,000
	2018 to 2021	<u>51,000</u>
	Total	<u>\$ 3,739,000</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 \$3,081,000 and \$3,680,000 for the years ended December 31, 2012 and 2011, 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 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 2012	\$ 702,356	\$ 113,299	\$ (131,363)	\$ 684,292	\$ 282,631
Fiscal Year 2013	684,292	259,333	(255,610)	688,015	111,184

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 \$6.6 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 2013, the following GASB pronouncements were implemented:

- GASB Statement #60, *Accounting and Financial Reporting for Service Concession Arrangements*. The implementation of this pronouncement did not impact the basic financial statements.
- GASB Statement #61, *The Financial Reporting Entity: Omnibus*. The implementation of this pronouncement did not impact the basic financial statements.
- GASB Statement #63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Financial statement changes include net assets changing to net position and invested in capital assets, net of related debt changing to net investment in capital assets. Notes to the basic financial statements were changed to provide additional disclosure on deferred outflows of resources and deferred inflows of resources.
- GASB Statement #66, *Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62*. 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 #65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented in fiscal year 2014.
- The GASB issued Statement #67, *Financial Reporting for Pension Plans*, which is required to be implemented in fiscal year 2014.
- The GASB issued Statement #68, *Accounting and Financial Reporting for Pensions*, which is required to be implemented in fiscal year 2015.
- The GASB issued Statement #69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented in fiscal year 2015.
- The GASB issued Statement #70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which is required to be implemented in fiscal year 2014.

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

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, 2013

	Budgeted Amounts			
	Amounts Carried forward From Prior Year	Original Voted Budget	Total Original Budget	Final Budget
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 53,835,294	\$ 53,835,294	\$ 53,835,294
Motor vehicle excise taxes.....	-	1,000,000	1,000,000	1,000,000
Charges for services.....	-	100,000	100,000	100,000
Penalties and interest on taxes.....	-	50,000	50,000	50,000
Licenses and permits.....	-	102,485	102,485	102,485
Fines and forfeitures.....	-	26,000	26,000	26,000
Intergovernmental.....	-	6,302,665	6,302,665	6,302,665
Investment income.....	-	20,000	20,000	20,000
Miscellaneous.....	-	-	-	-
TOTAL REVENUES.....	-	61,436,444	61,436,444	61,436,444
EXPENDITURES:				
Current:				
GENERAL GOVERNMENT				
Moderator - Officials Expense.....	-	100	100	100
Selectmen Officials Expense.....	-	5,500	5,500	5,500
Salaries.....	-	332,128	332,128	332,128
Expense.....	-	92,163	92,163	92,163
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	3,966
Finance Committee - Salaries.....	-	8,477	8,477	8,477
Expense.....	-	5,585	5,585	5,585
Local Travel.....	-	175	175	175
Reserve Fund.....	-	144,000	144,000	58,302
Finance - Salaries.....	-	656,339	656,339	656,339
Expense.....	6,829	246,205	253,034	253,034
Assessors - Officials Expense.....	-	300	300	300
Assessors - Salaries.....	-	185,904	185,904	185,904
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	75,432
Parking Tickets - Expense.....	-	10,484	10,484	10,484
Town Clerk - Salaries.....	-	158,732	158,732	158,732
Expense.....	-	9,037	9,037	9,037
Election and Registration - Salaries.....	-	22,750	22,750	33,750
Expense.....	-	21,865	21,865	23,865
Planning Board - Expense.....	-	1,675	1,675	1,675
Public Buildings - Salaries.....	-	90,159	90,159	90,159
Expense.....	-	101,100	101,100	113,600
Local Travel.....	-	400	400	400
Art. 20, 2009 - Improve Public Buildings.....	2,297	-	2,297	2,297
Art. 12, 2010 - Improve Public Buildings.....	43,505	-	43,505	43,505
Art. 11, 2011 - Improve Public Buildings.....	23,347	-	23,347	23,347
Art. 13, 2012 - Improve Public Buildings.....	-	46,624	46,624	46,624
Art. 10, 2011 - Equipment.....	5,767	-	5,767	5,767
Town Reports.....	-	4,300	4,300	4,300
Town Audit of Accounts.....	-	43,000	43,000	43,000
TOTAL GENERAL GOVERNMENT.....	83,951	2,295,119	2,379,070	2,333,338

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$	54,653,329	\$ -	\$ 818,035
	2,994,944	-	1,994,944
	807,991	-	707,991
	235,370	-	185,370
	676,788	-	574,303
	152,856	-	126,856
	6,415,699	-	113,034
	215,772	-	195,772
	32,781	-	32,781
	<u>66,185,530</u>	<u>-</u>	<u>4,749,086</u>
	100	-	-
	5,500	-	-
	330,223	-	1,905
	45,795	-	46,368
	-	2,206	-
	60	-	6,940
	3,966	-	-
	8,477	-	-
	3,147	-	2,438
	84	-	91
	-	-	58,302
	616,198	-	40,141
	249,357	3,500	177
	300	-	-
	184,532	-	1,372
	32,086	-	1,699
	353	-	47
	2,000	-	-
	71,402	-	4,030
	5,421	-	5,063
	151,334	-	7,398
	7,339	-	1,698
	27,530	-	6,220
	23,698	-	167
	1,675	-	-
	86,015	-	4,144
	109,031	-	4,569
	164	-	236
	2,297	-	-
	43,375	130	-
	14,582	8,765	-
	36,609	10,015	-
	-	5,767	-
	3,417	-	883
	43,000	-	-
	<u>2,109,067</u>	<u>30,383</u>	<u>193,888</u>

(Continued)

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

FISCAL YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			
	Amounts Carried forward From Prior Year	Original Voted Budget	Total Original Budget	Final Budget
<u>PUBLIC SAFETY</u>				
Police - Salaries.....	-	3,102,714	3,102,714	3,102,714
Expense.....	-	187,399	187,399	188,899
Indemnification.....	-	10,000	10,000	10,000
Fire - Salaries.....	-	2,929,103	2,929,103	2,929,103
Expense.....	-	145,408	145,408	170,408
Building Commissioner - Salaries.....	-	454,308	454,308	454,308
Expense.....	-	9,755	9,755	10,355
Local Travel.....	-	3,000	3,000	4,132
Sealer of Weights & Measurers - Expense.....	-	250	250	250
Animal Inspector - Salaries.....	-	2,400	2,400	2,400
Art. 12, 2012 - Equipment.....	-	203,887	203,887	203,887
Art. 22, 2012 - Pay Schedule Admin.....	-	2,264	2,264	2,264
Art. 25, 2012 - Elected Officials.....	-	268	268	268
Art. 24, 2012 - Pay Scales Seasonal & Temporary.....	-	437	437	437
Art. 20, 2012 - Collective Bargain Fire.....	-	2,485	2,485	2,485
Art. 19, 2012 - Collective Bargain MMEA.....	-	240	240	240
Art. 13, 2012 - Building Improvement.....	-	111,076	111,076	111,076
TOTAL PUBLIC SAFETY.....	-	7,164,994	7,164,994	7,193,226
<u>EDUCATION</u>				
Schools.....	-	30,079,749	30,079,749	29,959,407
Art. 12, 2012 Equipment.....	-	18,438	18,438	18,438
Art. 27, 2012 - North Shore Technical School.....	-	102,213	102,213	102,213
TOTAL SCHOOL.....	-	30,200,400	30,200,400	30,080,058
<u>PUBLIC WORKS & FACILITIES</u>				
Engineering - Salaries.....	-	111,615	111,615	111,615
Expense.....	-	10,395	10,395	10,395
Local Travel.....	-	500	500	500
Highway - Salaries.....	-	745,683	745,683	745,683
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.....	6,131	-	6,131	6,131
Art. 20, 2009 - Improve Public Buildings.....	6,349	-	6,349	6,349
Art. 11, 2011 - Improve Public Buildings.....	352	-	352	352
Waste Collection - Salaries.....	-	283,364	283,364	283,364
Expense.....	-	1,687,655	1,687,655	1,687,655
Local Travel.....	-	1,512	1,512	1,512
Art. 33, 2007 - Disposal and Remediation.....	621	-	621	621
Art. 41, 2009 - Disposal and Remediation.....	26,618	-	26,618	26,618
Art. 21, 2010 - Disposal and Remediation.....	76,614	-	76,614	76,614
Art. 33, 2011 - Landfill Regulator.....	630,341	-	630,341	630,341
Drains - Salaries.....	-	102,048	102,048	102,048
Expense.....	-	5,150	5,150	5,150
Art. 18, 2011-Drain Construction.....	51,662	-	51,662	51,662
Cemetery - Officials Expense.....	-	300	300	300
Salaries.....	-	306,070	306,070	306,070
Expense.....	-	21,846	21,846	21,846
Tree - Salaries.....	-	244,300	244,300	244,300
Expense.....	-	51,578	51,578	51,578
Art. 11, 2011 - Improve Public Buildings.....	11,600	-	11,600	11,600
Art. 12, 2012 - Equipment.....	-	147,346	147,346	147,346
Art. 13, 2012 - Building Improvement.....	-	1,300	1,300	1,300
Art. 18, 2012 - Drain Construction.....	-	324,000	324,000	324,000
TOTAL PUBLIC WORKS & FACILITIES.....	833,911	4,394,316	5,228,227	5,228,227

Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
3,008,480	-	94,234
188,494	-	405
-	-	10,000
2,873,209	-	55,894
165,689	-	4,719
418,572	-	35,736
10,154	-	201
4,132	-	-
90	-	160
2,400	-	-
202,637	1,250	-
-	-	2,264
-	-	268
-	-	437
-	-	2,485
-	-	240
111,076	-	-
<u>6,984,933</u>	<u>1,250</u>	<u>207,043</u>
29,959,378	-	29
18,438	-	-
101,324	-	889
<u>30,079,140</u>	<u>-</u>	<u>918</u>
111,385	-	230
7,790	-	2,605
-	-	500
736,386	-	9,297
79,846	-	7,238
29,603	-	4,147
282,401	-	(182,401)
116,608	-	12,212
8,122	15,501	-
6,131	-	-
6,349	-	-
352	-	-
279,901	-	3,463
1,360,426	-	327,229
1,512	-	-
-	621	-
2,000	24,618	-
-	76,614	-
439,075	191,266	-
92,818	-	9,230
3,173	-	1,977
51,662	-	-
300	-	-
290,314	-	15,756
19,201	-	2,645
244,272	-	28
40,807	-	10,771
-	11,600	-
141,771	5,575	-
1,300	-	-
243,359	80,641	-
<u>4,596,864</u>	<u>406,436</u>	<u>224,927</u>

(Continued)

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

FISCAL YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			
	Amounts Carried forward From Prior Year	Original Voted Budget	Total Original Budget	
<u>HUMAN SERVICES</u>				
Health - Officials Expense.....	-	400	400	400
Salaries.....	-	123,725	123,725	123,725
Expense.....	-	13,055	13,055	13,055
Local Travel.....	-	2,100	2,100	2,100
Healing Abuse Working for Change (HAWC).....	-	4,000	4,000	4,000
Mental Health - Contractual Services.....	-	60,000	60,000	60,000
Council on Aging - Salaries.....	-	218,294	218,294	218,294
Expense.....	-	3,459	3,459	3,459
Veterans Benefits - Salaries.....	-	58,267	58,267	58,267
Expense.....	-	1,243	1,243	1,243
Local Travel.....	-	1,100	1,100	1,100
Benefits.....	-	19,000	19,000	19,000
TOTAL HUMAN SERVICES.....	-	504,643	504,643	504,643
<u>CULTURE & RECREATION</u>				
Library - Salaries.....	-	754,691	754,691	755,191
Expense.....	-	251,154	251,154	251,154
Local Travel.....	-	100	100	100
Art. 20, 2009 - Improve Public Buildings.....	2,500	-	2,500	2,500
Park - Salaries.....	-	571,120	571,120	571,120
Expense.....	-	171,590	171,590	188,590
Park Facility Expense.....	-	46,093	46,093	46,093
Art. 11, 2011 - Improve Public Buildings.....	4,300	-	4,300	4,300
Art. 12, 2012 - Equipment.....	-	12,970	12,970	12,970
Art. 13, 2012 - Building Improvement.....	-	2,500	2,500	2,500
Memorial & Veterans Day.....	-	5,500	5,500	5,500
TOTAL CULTURE & RECREATION.....	6,800	1,815,718	1,822,518	1,840,018
<u>ENERGY</u>				
Energy Reserve.....	-	533,544	533,544	533,544
TOTAL ENERGY RESERVE.....	-	533,544	533,544	533,544
<u>PENSION BENEFITS</u>				
Contributory Retirement Fund.....	-	1,881,112	1,881,112	1,881,112
Noncontributory Retirement.....	-	115,575	115,575	115,575
TOTAL PENSION BENEFITS.....	-	1,996,687	1,996,687	1,996,687
<u>PROPERTY AND LIABILITY INSURANCE</u>				
Other Insurance.....	-	475,888	475,888	475,888
TOTAL PROPERTY AND LIABILITY INSURANCE.....	-	475,888	475,888	475,888
<u>FRINGE BENEFITS</u>				
Medicare.....	-	510,000	510,000	510,000
Salary Reserve.....	-	110,770	110,770	110,770
Group Insurance.....	-	10,822,087	10,822,087	10,822,087
TOTAL FRINGE BENEFITS.....	-	11,442,857	11,442,857	11,442,857

Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
400	-	-
121,577	-	2,148
10,205	-	2,850
775	-	1,325
4,000	-	-
60,000	-	-
209,106	-	9,188
3,403	-	56
58,267	-	-
1,197	-	46
342	-	758
16,087	-	2,913
<u>485,359</u>	<u>-</u>	<u>19,284</u>
754,934	-	257
251,134	-	20
92	-	8
2,500	-	-
559,300	-	11,820
173,554	-	15,036
35,826	-	10,267
4,300	-	-
12,970	-	-
-	2,500	-
5,488	-	12
<u>1,800,098</u>	<u>2,500</u>	<u>37,420</u>
309,305	-	224,239
<u>309,305</u>	<u>-</u>	<u>224,239</u>
1,881,112	-	-
107,314	-	8,261
<u>1,988,426</u>	<u>-</u>	<u>8,261</u>
271,764	-	204,124
<u>271,764</u>	<u>-</u>	<u>204,124</u>
493,939	-	16,061
27,789	-	82,981
9,515,966	154,105	1,152,016
<u>10,037,694</u>	<u>154,105</u>	<u>1,251,058</u>

(Continued)

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

FISCAL YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			
	Amounts Carried forward From Prior Year	Original Voted Budget	Total Original Budget	Final Budget
<u>INTERGOVERNMENTAL</u>				
State.....	-	2,852,049	2,852,049	2,852,049
TOTAL INTERGOVERNMENTAL.....	-	2,852,049	2,852,049	2,852,049
<u>DEBT SERVICES</u>				
Maturing Debt.....	-	2,738,000	2,738,000	2,738,000
Interest.....	-	1,508,446	1,508,446	1,508,446
TOTAL DEBT SERVICES.....	-	4,246,446	4,246,446	4,246,446
TOTAL EXPENDITURES.....	924,662	67,922,661	68,847,323	68,726,981
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(924,662)	(6,486,217)	(7,410,879)	(7,290,537)
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers in.....	-	693,926	693,926	693,926
Transfers out.....	-	(107,000)	(107,000)	(227,342)
TOTAL OTHER FINANCING SOURCES (USES).....	-	586,926	586,926	466,584
NET CHANGE IN FUND BALANCE.....	(924,662)	(5,899,291)	(6,823,953)	(6,823,953)
BUDGETARY FUND BALANCE, Beginning of year.....	-	13,075,200	13,075,200	13,075,200
BUDGETARY FUND BALANCE, End of year.....	\$ (924,662)	\$ 7,175,909	\$ 6,251,247	\$ 6,251,247

See notes to required supplementary information.

Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
2,583,423	-	268,626
2,583,423	-	268,626
2,738,000	-	-
1,508,446	-	-
4,246,446	-	-
65,492,519	594,674	2,639,788
693,011	(594,674)	7,388,874
1,007,208	-	313,282
(227,342)	-	-
779,866	-	313,282
1,472,877	(594,674)	7,702,156
13,075,200	-	-
\$ 14,548,077	\$ (594,674)	\$ 7,702,156

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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)
01/01/12	\$ 79,866,225	\$ 108,293,125	\$ 28,426,900	73.8%	\$ 16,564,000	171.6%
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
2013	\$ 2,347,285	\$ 2,347,285	100%	\$ 2,324,570	99.03%
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)
7/1/2012	\$ -	\$ 135,890,000	\$ 135,890,000	0%	\$ 34,450,000	394.5%
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
2013	\$ 11,090,000	\$ 4,480,000	40%
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

Actuarial Methods:

Valuation date.....	July 1, 2012
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Level percent of pay, assuming pay increases at 4.5%
Remaining amortization period.....	30 years as of July 1, 2012, closed

Actuarial Assumptions:

Investment rate of return.....	4.5%, pay-as-you-go scenario
Medical/drug cost trend rate.....	9.5% grading down to 5.0% over 10 years
Inflation rate.....	4.0%
Salary scale.....	4.5%, applied for amortization purposes

Plan Membership:

Current retirees, beneficiaries, and dependents.....	539
Current active members.....	<u>748</u>
 Total.....	 <u><u>1,287</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 2013 and transfers of \$85,698 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.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2013 approved budget authorized approximately \$69 million in appropriations and other amounts to be raised. During the fiscal year, only line item transfers were noted and no change in total amount raised from original to final budget.

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.....	\$	1,472,877
<u>Basis of accounting differences:</u>		
Recognition of revenue for on-behalf payments.....		6,898,496
Recognition of expenditures for on-behalf payments.....		<u>(6,898,496)</u>
Net change in fund balance - GAAP basis (modified accrual).....	\$	<u>1,472,877</u>

3. Appropriation Deficits

During fiscal year 2013, expenditures exceeded budgeted appropriations for snow and ice. These over expenditures will be funded with available funds in fiscal year 2014.

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 and Individual Fund
Financial 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, 2013

	<i>Special Revenue Funds</i>		
ASSETS	Federal Grants	State Grants	Other Grants
Cash and cash equivalents.....	\$ 165,745	\$ 233,361	\$ 1,545,563
Receivables, net of uncollectibles:			
Departmental and other.....	-	-	-
Intergovernmental.....	-	758,687	-
Working capital deposit.....	-	-	-
TOTAL ASSETS.....	\$ 165,745	\$ 992,048	\$ 1,545,563
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Warrants payable.....	\$ 39,394	\$ 95,439	\$ 75,377
Deferred revenues.....	-	414,089	-
TOTAL LIABILITIES.....	39,394	509,528	75,377
FUND BALANCES:			
Restricted.....	126,351	482,520	1,470,186
TOTAL FUND BALANCES.....	126,351	482,520	1,470,186
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 165,745	\$ 992,048	\$ 1,545,563

Special Revenue Funds

Revolving Funds	Receipts Reserved for Appropriation	Gifts	Special Revenue Trust Funds	Total Nonmajor Governmental Funds
\$ 844,122	\$ 2,983,591	\$ 542,024	\$ 3,315,491	\$ 9,629,897
51,544	825	-	-	52,369
-	-	-	-	758,687
-	-	-	10,000	10,000
<u>\$ 895,666</u>	<u>\$ 2,984,416</u>	<u>\$ 542,024</u>	<u>\$ 3,325,491</u>	<u>\$ 10,450,953</u>
\$ 195,346	\$ -	\$ 8,738	\$ -	\$ 414,294
647	825	-	-	415,561
<u>195,993</u>	<u>825</u>	<u>8,738</u>	<u>-</u>	<u>829,855</u>
<u>699,673</u>	<u>2,983,591</u>	<u>533,286</u>	<u>3,325,491</u>	<u>9,621,098</u>
<u>699,673</u>	<u>2,983,591</u>	<u>533,286</u>	<u>3,325,491</u>	<u>9,621,098</u>
<u>\$ 895,666</u>	<u>\$ 2,984,416</u>	<u>\$ 542,024</u>	<u>\$ 3,325,491</u>	<u>\$ 10,450,953</u>

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Special Revenue Funds</u>			
	Federal Grants	State Grants	Other Grants	Revolving Funds
REVENUES:				
Charges for services.....	\$ -	\$ -	\$ -	\$ 2,428,398
Fines and forfeitures.....	-	-	-	205
Intergovernmental.....	1,148,126	2,147,186	-	158,803
Departmental and other.....	-	-	-	290,621
Contributions.....	-	-	999,650	34,469
Investment income.....	157	13	1,331	14
Miscellaneous.....	-	-	-	298,751
TOTAL REVENUES.....	1,148,283	2,147,199	1,000,981	3,211,261
EXPENDITURES:				
Current:				
General government.....	-	-	55,731	32,799
Public safety.....	5,607	53,780	47	427,528
Education.....	980,807	1,163,204	139,411	2,025,816
Public works.....	-	455,583	-	281,838
Human services.....	47,583	34,441	-	133,050
Culture and recreation.....	-	20,228	52,208	240,001
TOTAL EXPENDITURES.....	1,033,997	1,727,236	247,397	3,141,032
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	114,286	419,963	753,584	70,229
OTHER FINANCING SOURCES (USES):				
Premium from issuance of debt.....	-	-	-	-
Transfers in.....	(4,624)	-	4,000	120,342
Transfers out.....	7,194	(15,469)	-	(35,770)
TOTAL OTHER FINANCING SOURCES (USES)....	2,570	(15,469)	4,000	84,572
NET CHANGE IN FUND BALANCES.....	116,856	404,494	757,584	154,801
FUND BALANCES AT BEGINNING OF YEAR.....	9,495	78,026	712,602	544,872
FUND BALANCES AT END OF YEAR.....	\$ 126,351	\$ 482,520	\$ 1,470,186	\$ 699,673

Special Revenue Funds

Receipts Reserved for Appropriation	Gifts	Special Revenue Trust Funds	Total Nonmajor Governmental Funds
\$ 26,751	\$ 2,145	\$ -	\$ 2,457,294
-	-	-	205
-	-	-	3,454,115
-	10,814	-	301,435
-	408,746	122,387	1,565,252
-	-	300,648	302,163
-	-	-	298,751
<u>26,751</u>	<u>421,705</u>	<u>423,035</u>	<u>8,379,215</u>
84,761	30,246	-	203,537
-	1,705	-	488,667
-	123,942	-	4,433,180
-	3,512	-	740,933
-	1,346	26,481	242,901
-	3,041	82,556	398,034
<u>84,761</u>	<u>163,792</u>	<u>109,037</u>	<u>6,507,252</u>
<u>(58,010)</u>	<u>257,913</u>	<u>313,998</u>	<u>1,871,963</u>
723,625	-	-	723,625
-	-	624	120,342
<u>(264,663)</u>	<u>-</u>	<u>(4,000)</u>	<u>(312,708)</u>
<u>458,962</u>	<u>-</u>	<u>(3,376)</u>	<u>531,259</u>
400,952	257,913	310,622	2,403,222
<u>2,582,639</u>	<u>275,373</u>	<u>3,014,869</u>	<u>7,217,876</u>
<u>\$ 2,983,591</u>	<u>\$ 533,286</u>	<u>\$ 3,325,491</u>	<u>\$ 9,621,098</u>

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 POSITION

JUNE 30, 2013

	Charity Funds	Scholarship Funds	Other Funds	Total
ASSETS				
Cash and cash equivalents.....	\$ 2,291,771	\$ 893,093	\$ 144,283	\$ 3,329,147
Receivables, net of allowance for uncollectibles:				
Departmental and other.....	-	175	-	175
Capital assets, net of accumulated depreciation.....	97,748	-	-	97,748
Capital assets, not being depreciated.....	2,045	-	-	2,045
TOTAL ASSETS.....	2,391,564	893,268	144,283	3,429,115
LIABILITIES				
Warrants payable.....	-	423	-	423
Other liabilities.....	-	175	-	175
TOTAL LIABILITIES.....	-	598	-	598
NET POSITION				
Held in trust for other purposes.....	\$ <u>2,391,564</u>	\$ <u>892,670</u>	\$ <u>144,283</u>	\$ <u>3,428,517</u>

PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Charity Funds	Scholarship Funds	Other Funds	Total
ADDITIONS:				
Contributions:				
Private donations.....	\$ 55,871	\$ -	\$ -	\$ 55,871
Net investment income:				
Interest.....	11,599	4,349	691	16,639
TOTAL ADDITIONS.....	67,470	4,349	691	72,510
DEDUCTIONS:				
Charitable payments.....	75,159	-	-	75,159
Depreciation.....	11,950	-	-	11,950
Educational scholarships.....	-	15,700	-	15,700
TOTAL DEDUCTIONS.....	87,109	15,700	-	102,809
CHANGE IN NET POSITION.....	(19,639)	(11,351)	691	(30,299)
NET POSITION AT BEGINNING OF YEAR.....	2,411,203	904,021	143,592	3,458,816
NET POSITION AT END OF YEAR.....	\$ 2,391,564	\$ 892,670	\$ 144,283	\$ 3,428,517

AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Balance at June 30, 2012	Additions	Deductions	Balance at June 30, 2013
ASSETS				
Cash and cash equivalents.....	\$ 142,021	\$ 627,812	\$ 478,427	\$ 291,406
LIABILITIES				
Warrants Payable - Student Activities.....	\$ -	\$ 36	\$ -	\$ 36
Accrued Payroll - Off Duty Work Details.....	1,900	54,617	55,187	1,330
Accrued Payroll - Dog License Fees.....	13	2,107	2,063	57
Due To Commonwealth:				
Firearms Permits.....	375	21,488	20,513	1,350
Meals Tax.....	59	1,218	1,164	113
Sales Tax.....	85	586	671	-
Due To Other Governments:				
Housing Authority.....	200	5,308	5,308	200
Due To Student Activities.....	114,164	453,380	358,315	209,229
Performance Bonds.....	25,225	89,072	35,206	79,091
Total liabilities.....	\$ 142,021	\$ 627,812	\$ 478,427	\$ 291,406

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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 Eyal Oren

Morning dawns at Crocker Park in Marblehead creating a tranquil scene overlooking the harbor.

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 Position By Component

Last Ten Fiscal Years

	Fiscal Year										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities											
Net investment in capital assets.....	\$ 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	\$ 77,717,668
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	11,077,540
Unrestricted.....	<u>6,393,833</u>	<u>2,063,935</u>	<u>1,019,991</u>	<u>23,885,631</u>	<u>3,025,735</u>	<u>2,512,954</u>	<u>2,796,688</u>	<u>(509,557)</u>	<u>(6,852,476)</u>	<u>(12,034,478)</u>	<u>(14,679,598)</u>
Total governmental activities net position.....	\$ <u>65,144,145</u>	\$ <u>71,460,542</u>	\$ <u>72,765,467</u>	\$ <u>77,430,915</u>	\$ <u>76,643,053</u>	\$ <u>79,664,553</u>	\$ <u>80,221,731</u>	\$ <u>79,598,782</u>	\$ <u>73,978,010</u>	\$ <u>72,207,208</u>	\$ <u>74,115,610</u>
Business-type activities											
Net investment in capital assets.....	\$ 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	\$ 36,688,303
Restricted.....	-	-	-	1,508,142	1,351,342	2,857,651	3,771,671	2,468,338	3,309,675	3,625,528	3,918,771
Unrestricted.....	<u>12,389,899</u>	<u>11,398,374</u>	<u>10,487,961</u>	<u>9,397,663</u>	<u>10,614,063</u>	<u>12,186,945</u>	<u>11,577,387</u>	<u>11,977,792</u>	<u>11,996,780</u>	<u>12,095,677</u>	<u>11,924,405</u>
Total business-type activities net position.....	\$ <u>41,241,120</u>	\$ <u>41,550,381</u>	\$ <u>41,783,842</u>	\$ <u>42,482,608</u>	\$ <u>43,793,836</u>	\$ <u>46,593,133</u>	\$ <u>47,446,605</u>	\$ <u>48,156,957</u>	\$ <u>50,185,204</u>	\$ <u>51,666,417</u>	\$ <u>52,531,479</u>
Primary government											
Net investment in capital assets.....	\$ 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	\$ 114,405,971
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	14,996,311
Unrestricted.....	<u>18,783,732</u>	<u>13,462,309</u>	<u>11,507,952</u>	<u>34,791,436</u>	<u>14,991,140</u>	<u>17,557,550</u>	<u>18,145,746</u>	<u>13,936,573</u>	<u>8,453,979</u>	<u>61,199</u>	<u>(2,755,193)</u>
Total primary government net position.....	\$ <u>106,385,265</u>	\$ <u>113,010,923</u>	\$ <u>114,549,309</u>	\$ <u>119,913,523</u>	\$ <u>120,436,889</u>	\$ <u>126,257,686</u>	\$ <u>127,668,336</u>	\$ <u>127,755,739</u>	\$ <u>124,163,214</u>	\$ <u>123,873,625</u>	\$ <u>126,647,089</u>

Changes in Net Position

Last Ten Fiscal Years

Fiscal Year

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
General government.....	\$ 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	\$ 3,719,972
Public safety.....	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	10,936,104
Education.....	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	57,452,006
Public works.....	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	6,719,828
Landfill closure.....	-	-	-	4,900,000	1,100,000	-	1,800,000	2,314,578	-	-
Human services.....	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	1,074,478
Culture and recreation.....	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	3,132,696
Claims and Judgements.....	-	-	-	-	-	-	-	-	-	-
Employee benefits.....	-	-	-	-	-	-	-	-	-	-
Interest.....	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	1,054,818
Total government activities expenses.....	56,858,144	59,488,040	62,891,112	70,436,410	68,032,960	74,712,479	79,304,712	82,405,028	81,272,026	84,089,902
Business-type activities:										
Water.....	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	3,838,086
Sewer.....	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	3,411,622
Municipal Light.....	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	13,950,634
Harbor.....	576,851	455,038	620,604	578,842	573,268	658,183	581,573	639,917	695,699	771,455
Total business-type activities expenses.....	16,675,295	17,293,642	19,814,546	19,764,945	19,321,745	21,646,440	20,687,807	21,032,808	21,713,954	21,971,797
Total primary government expenses.....	\$ 73,533,439	\$ 76,781,682	\$ 82,705,658	\$ 90,201,355	\$ 87,354,705	\$ 96,358,919	\$ 99,992,519	\$ 103,437,836	\$ 102,985,980	\$ 106,061,699
Program Revenues										
Governmental activities:										
Public Safety charges for services.....	\$ 744,398	\$ 990,605	\$ 1,072,931	\$ 959,016	\$ 852,159	\$ 997,699	\$ 1,216,490	\$ 994,204	\$ 1,147,383	\$ 1,052,468
Education charges for services.....	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	1,865,303
Public Works charges for services.....	711,153	777,895	745,500	764,571	742,708	644,406	634,244	668,395	694,942	742,302
Other charges for services.....	920,442	965,873	1,013,743	993,793	1,049,707	964,181	971,731	954,162	996,624	1,027,894
Operating grants and contributions.....	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	15,550,212
Capital grant and contributions.....	6,184,306	-	-	933,198	467,866	2,033,978	3,817,694	761,615	555,654	5,517,233
Total government activities program revenues.....	19,953,362	15,850,779	17,552,819	17,915,692	17,970,576	21,575,206	23,444,934	20,502,314	20,982,801	25,755,412
Business-type activities:										
Charges for services - Water.....	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	3,833,234
Charges for services - Sewer.....	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	3,680,594
Charges for services - Municipal Light.....	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	15,164,940
Charges for services - Harbor.....	571,937	615,946	608,305	619,480	638,397	627,795	591,969	632,242	633,384	638,807
Operating grants and contributions.....	-	25,000	3,473	24,067	8,144	13,255	22,634	17,260	2,832	3,407
Total business-type activities program revenues.....	17,822,373	18,874,457	20,796,392	21,145,490	21,196,017	22,714,678	21,794,209	23,445,354	23,537,260	23,320,982
Total primary government program revenues.....	\$ 37,775,735	\$ 34,725,236	\$ 38,349,211	\$ 39,061,182	\$ 39,166,593	\$ 44,289,884	\$ 45,239,143	\$ 43,947,668	\$ 44,520,061	\$ 49,076,394
Net (Expense)/Revenue										
Governmental activities.....	\$ (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)	\$ (58,334,490)
Business-type activities.....	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	1,349,185
Total primary government net expense.....	\$ (35,757,704)	\$ (42,056,446)	\$ (44,221,667)	\$ (51,140,173)	\$ (48,188,112)	\$ (52,069,035)	\$ (54,753,376)	\$ (59,490,168)	\$ (58,465,919)	\$ (56,985,305)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Real estate and personal property taxes, net of tax refunds payable.....	\$ 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	\$ 54,731,549
Motor vehicle excise taxes.....	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	3,016,278
Penalties and interest on taxes.....	128,811	142,047	134,274	174,210	152,437	153,284	192,715	226,937	241,114	235,370
Payments in lieu of taxes.....	-	4,821	-	-	-	-	-	-	-	-
Grants and contributions not restricted to specific programs.....	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	1,062,086
Unrestricted investment income.....	494,060	369,109	811,058	1,299,063	1,366,744	694,664	547,427	389,792	237,753	553,733
Miscellaneous.....	-	-	61,300	-	-	-	-	-	-	-
Transfers.....	1,026,962	688,377	656,398	544,635	559,028	586,703	629,309	585,075	539,520	643,876
Total governmental activities.....	43,233,642	44,942,183	50,003,741	51,732,856	53,083,884	53,694,451	55,236,829	56,281,942	58,518,423	60,242,892
Business-type activities:										
Boat excise.....	137,920	139,068	134,780	142,145	134,306	140,197	140,873	136,513	134,871	125,100
Unrestricted investment income.....	51,225	104,009	238,535	333,173	337,377	231,740	92,386	64,263	54,338	34,653
Settlements and refunds.....	-	-	-	-	1,012,370	-	-	-	8,218	-
Transfers.....	(1,026,962)	(688,377)	(656,398)	(544,635)	(559,028)	(586,703)	(629,309)	(585,075)	(539,520)	(643,876)
Total primary government.....	\$ (837,817)	\$ (445,300)	\$ (283,083)	\$ (69,317)	\$ 925,025	\$ (214,766)	\$ (396,050)	\$ (384,299)	\$ (342,093)	\$ (484,123)
Changes in Net Position										
Governmental activities.....	\$ 6,328,860	\$ 1,304,922	\$ 4,665,448	\$ (787,862)	\$ 3,021,500	\$ 557,178	\$ (622,949)	\$ (5,620,772)	\$ (1,770,802)	\$ 1,908,402
Business-type activities.....	309,261	1,135,515	833,543	1,311,228	2,799,297	853,472	710,352	2,028,247	1,481,213	865,062
Total primary government.....	\$ 6,638,121	\$ 2,440,437	\$ 5,498,991	\$ 523,366	\$ 5,820,797	\$ 1,410,650	\$ 87,403	\$ (3,592,525)	\$ (289,589)	\$ 2,773,464

Fund Balances, Governmental Funds

Last Ten Fiscal Years

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Reserved.....	\$ 346,436	\$ 242,334	\$ 329,471	\$ 347,480	\$ 795,436	\$ 565,154	\$ 610,212	\$ -	\$ -	\$ -
Unreserved.....	3,321,417	3,468,375	4,905,746	5,434,575	7,183,747	8,349,653	9,178,812	-	-	-
Committed.....	-	-	-	-	-	-	-	-	917,834	591,174
Assigned.....	-	-	-	-	-	-	-	5,097,591	5,906,121	4,559,500
Unassigned.....	-	-	-	-	-	-	-	6,281,372	6,251,245	9,397,403
Total general fund.....	\$ 3,667,853	\$ 3,710,709	\$ 5,235,217	\$ 5,782,055	\$ 7,979,183	\$ 8,914,807	\$ 9,789,024	\$ 11,378,963	\$ 13,075,200	\$ 14,548,077
All Other Governmental Funds										
Reserved.....	\$ 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.....	4,201,446	5,898,953	4,956,638	6,612,669	6,702,589	6,902,667	7,253,938	-	-	-
Capital projects funds.....	2,137,325	13,780	(3,448,847)	(2,231,042)	1,690,445	9,471,649	1,813,173	-	-	-
Permanent funds.....	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	3,437,053
Restricted.....	-	-	-	-	-	-	-	9,044,027	10,424,988	18,463,217
Total all other governmental funds.....	\$ 10,225,356	\$ 9,741,255	\$ 5,969,711	\$ 9,101,024	\$ 13,133,092	\$ 21,211,363	\$ 13,866,582	\$ 12,423,259	\$ 13,835,402	\$ 21,900,270

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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues:										
Real estate and personal property taxes, net of tax refunds.....	\$ 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	\$ 54,653,329
Motor vehicle excise taxes.....	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	2,994,944
Penalties and interest on taxes.....	128,811	142,047	134,274	174,210	152,437	153,284	192,732	226,937	241,114	235,370
Charges for services.....	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	3,265,285
Licenses and permits.....	557,746	805,077	867,875	692,993	604,058	648,799	848,233	729,262	773,464	676,788
Fines and forfeitures.....	184,034	209,571	185,569	162,480	193,511	167,209	157,626	141,860	175,186	153,061
Intergovernmental.....	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	20,163,582
Departmental and other.....	351,221	363,625	339,638	399,086	389,996	269,957	294,815	317,306	570,975	301,435
Contributions.....	366,484	708,368	383,178	814,817	537,030	599,738	439,403	461,556	570,902	1,629,007
Investment income.....	487,621	355,094	787,540	1,250,722	1,299,999	633,687	524,246	382,329	231,290	551,404
Miscellaneous.....	188,506	258,863	356,564	255,420	323,821	321,609	304,615	329,000	351,966	331,532
Total Revenue.....	55,238,090	59,758,272	86,962,188	86,651,161	70,767,221	74,689,423	77,173,717	76,783,317	79,111,981	84,955,737
Expenditures:										
General government.....	1,750,424	1,838,779	1,875,936	2,109,919	2,056,400	2,055,385	2,192,414	2,188,589	168,467	2,075,878
Public safety.....	5,972,372	5,873,710	5,764,771	6,322,114	6,367,594	6,663,357	6,706,967	6,916,177	5,463,055	7,136,638
Education.....	24,776,903	25,346,557	27,185,424	28,195,979	30,042,340	31,437,324	32,711,645	33,258,875	24,840,586	34,488,972
Public works.....	3,887,512	3,641,106	3,507,547	3,800,613	3,762,533	3,641,840	4,338,817	4,095,893	6,385,885	5,255,558
Human services.....	647,358	551,201	798,590	811,195	889,949	804,745	777,377	805,497	709,399	730,629
Culture and recreation.....	1,609,337	1,743,082	1,731,995	1,606,584	1,819,561	2,019,758	1,945,935	2,035,638	2,228,610	1,996,187
Pension benefits.....	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	8,886,922
Property and liability insurance.....	304,088	323,166	334,103	345,231	330,485	277,368	206,956	223,932	216,606	271,764
Employee benefits.....	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	10,037,694
State and county charges.....	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	2,583,423
Capital outlay.....	13,481,291	4,167,893	4,500,085	2,161,981	8,520,528	7,463,678	14,103,307	6,187,452	16,526,990	16,552,382
Debt service:										
Principal.....	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	3,612,000
Interest.....	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	1,508,446
Total Expenditures.....	68,402,478	62,493,974	90,109,981	83,530,940	74,626,879	76,441,661	87,240,852	79,472,566	82,991,481	95,136,493
Excess of revenues over (under) expenditures.....	(13,164,388)	(2,735,702)	(3,147,793)	3,120,221	(3,859,658)	(1,752,238)	(10,067,135)	(2,689,249)	(3,879,500)	(10,180,756)
Other Financing Sources (Uses)										
Issuance of debt.....	8,000,000	-	-	-	9,496,500	9,960,500	2,618,000	1,650,000	6,195,000	18,351,000
Issuance of refunding bonds.....	-	-	-	-	-	-	-	-	15,860,000	-
Premium from issuance of debt.....	471,668	1,806,081	197,483	13,295	33,326	218,930	349,262	600,790	215,393	723,625
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.....	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	1,234,550
Transfers out.....	(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)	(590,674)
Total other financing sources (uses).....	9,298,630	2,294,458	900,756	557,930	10,088,854	10,766,133	3,596,571	2,835,865	6,987,880	19,718,501
Net change in fund balances.....	\$ (3,865,758)	\$ (441,244)	\$ (2,247,037)	\$ 3,678,151	\$ 6,229,196	\$ 9,013,895	\$ (6,470,564)	\$ 146,616	\$ 3,108,380	\$ 9,537,745
Debt service as a percentage of noncapital expenditures	5.97%	7.25%	6.20%	4.68%	4.54%	4.54%	6.05%	6.08%	5.87%	6.52%

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	
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	
2013	(1) 4,773,366,165	10.85	203,018,401	17,367,700	55,583,590	275,969,691	10.85	10.85	5,049,335,856	

(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	2013			2004		
	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Various Edward T. Moore LLC/Trusts	\$ 55,257,500	1	1.08%	\$ 40,382,900	1	0.09%
Algonquin Gas Transmission Co.	\$ 28,459,300	2	0.56%			
Various Rockett LLC/Trusts	\$ 25,731,700	3	0.50%	\$ 29,947,900	2	0.07%
Bessom Associates	\$ 17,469,600	4	0.34%	\$ 10,801,300	3	0.02%
Eastern Yacht Club	\$ 14,971,600	5	0.29%	\$ 10,538,500	4	0.02%
Individual	\$ 12,800,900	6	0.25%	\$ 9,795,800	6	0.02%
Boston Gas (dba National Grid)	\$ 10,052,530	7	0.20%			0.17%
Tedesco Country Club	\$ 9,008,136	8	0.18%			0.24%
James Crosby	\$ 8,979,100	9	0.18%	\$ 7,314,600	7	0.02%
Corinthian Yacht Club	\$ 8,852,110	10	0.17%	\$ 6,506,000	9	0.02%
Angelo Arena				\$ 10,309,900	5	0.02%
Robert W. Green				\$ 7,042,000	8	0.28%
John B..McCarthy				\$ 6,244,700	10	0.01%
	<u>\$ 191,582,476</u>		<u>3.76%</u>	<u>\$ 138,883,600</u>		<u>0.99%</u>

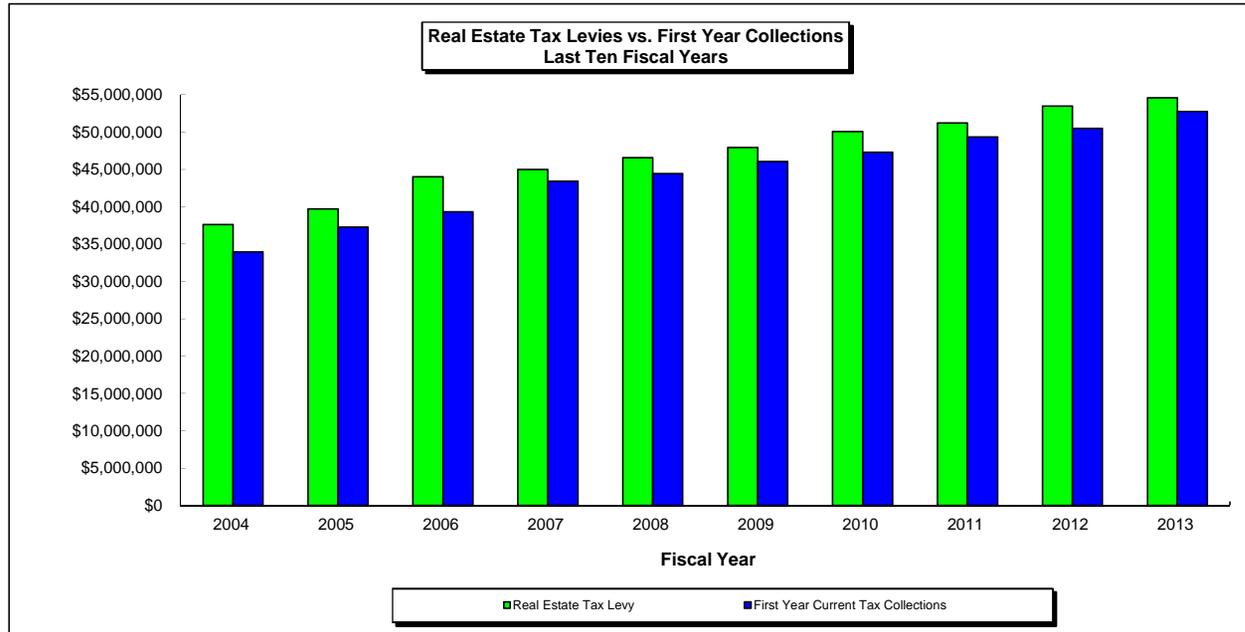
Source: Town of Marblehead, Assessor's Department

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year		(2) Total Tax Levy	Less Abatements & Exemptions	(2) Net Tax Levy	First Year Current Tax Collections	Percent of Net Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Net Tax Levy
2004	(1)	\$ 37,870,060	\$ 282,314	\$ 37,587,746	\$ 37,251,701	99.1%	\$ 258,079	\$ 37,509,780	99.8%
2005		39,870,372	199,264	39,671,108	39,322,124	99.1%	229,540	39,551,665	99.7%
2006		44,199,627	212,216	43,987,411	43,414,941	98.7%	393,466	43,808,407	99.6%
2007	(1)	45,347,717	383,435	44,964,282	44,430,925	98.8%	345,563	44,776,488	99.6%
2008		46,775,321	211,367	46,563,954	46,024,701	98.8%	349,933	46,374,634	99.6%
2009		48,097,849	162,863	47,934,986	47,278,421	98.6%	438,987	47,717,409	99.5%
2010	(1)	50,236,558	185,806	50,050,752	49,329,485	98.6%	429,851	49,759,336	99.4%
2011		51,376,323	156,353	51,219,970	50,460,080	98.5%	461,176	50,921,256	99.4%
2012		53,651,430	185,779	53,465,651	52,730,436	98.6%	467,566	53,198,002	99.5%
2013	(1)	54,785,294	193,169	54,592,125	53,962,422	98.8%	-	53,962,411	98.8%

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	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
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	46,114,891	2,337	3.40%	0.91%
2013	19,808	1,122,162,816	5,049,335,856	61,267,217	3,097	5.47%	1.22%

Fiscal Year	Enterprise General Obligation Bonds (1)	Total Primary Government			
		Total Debt Outstanding	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
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	-	46,297,284	2,337	3.40%	0.91%
2013	-	61,267,217	2,284	5.46%	1.21%

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

Source: Audited Financial Statements, U. S. Census

Direct and Overlapping Governmental Activities Debt

As of June 30, 2013

<u>Town of Marblehead, Massachusetts</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable (1)</u>	<u>Share of Overlapping Debt</u>
Debt repaid with property taxes:			
North Shore Regional Vocational Technical School District.....	\$ 405,000	1.073%	\$ <u>4,346</u>
Subtotal, overlapping debt.....			4,346
Town direct debt.....			<u>61,267,217</u>
Total direct and overlapping debt.....			<u>\$ 61,271,563</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.

(1) The percentage applicable for the North Shore Regional Vocational Technical School District is based on the number of students attending from the Town of Marblehead as a percentage of all students at the Regional School.

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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Equalized valuation.....	\$ 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	\$ 5,362,642,300
Debt Limit - 5% of equalized valuation.....	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	268,132,115
Less:										
Total debt applicable to limitation.....	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	45,151,000
Legal debt margin.....	\$ 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	\$ 222,981,115
Total debt applicable to the limit as a percentage of debt limit.....	4%	15%	11%	11%	13%	8%	11%	16%	17%	20%

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
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%
2013	19,808	1,122,162,816	56,652	38.7	3,269	5.30%

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

Principal Employers
Current and Five Years Ago

Employer	Nature of Business	2013			2008 (a)		
		Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Town of Marblehead	Municipal Government	717	1	14.09%	673	1	13.40%
Marblehead/Swampscott YMCA	Recreational	364	2	7.15%	125	5	2.49%
Crointhian Yacht Club	Yacht Club	141	3	2.77%	135	3	2.69%
Devereux Nursing Home	Health Care	136	4	2.67%	123	6	2.45%
Tedesco Country Club	Country Club	110	5	2.16%	120	7	2.39%
Boston Yacht Club	Yacht Club	108	6	2.12%	80	9	1.79%
Eastern Yacht Club	Yacht Club	100	7	1.96%	220	2	4.38%
Lafayette Nursing Home	Health Care	91	8	1.79%	125	4	2.49%
Crosby's Marketplace	Food Market	90	9	1.77%	90	8	1.79%
National Grand Bank	Banking	53	10	1.04%	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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Function										
General government.....	23.25	23.25	22.50	22.75	22.75	22.75	22.75	22.75	22.50	22.50
Public safety.....	58.50	58.50	55.50	55.50	55.75	56.00	56.00	55.75	55.75	56.75
Fire.....	42.00	42.50	40.50	42.50	42.50	42.50	42.50	42.50	42.75	42.75
Education.....	426.00	448.40	466.32	474.67	479.79	488.11	487.71	488.01	480.00	490.00
Public works.....	37.00	36.25	35.25	36.45	35.95	34.25	36.10	36.18	36.18	36.18
Human services.....	6.75	6.00	6.50	6.50	7.00	7.75	8.18	8.18	8.18	8.93
Culture and recreation.....	30.75	28.00	28.00	28.75	29.25	28.50	29.00	29.25	29.50	29.00
Total.....	<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>	<u>686.10</u>

Source: Town Records

Operating Indicators by Function/Program

Last Ten Fiscal Years

Fiscal Year

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police										
Physical arrests.....	283	317	285	340	204	306	250	146	144	171
Motor vehicle violations.....	1,488	1,309	3,110	1,499	1,363	2,310	2,118	1,443	1,323	1,344
Parking violations.....	4,995	4,998	3,545	3,752	4,119	3,242	3,039	2,230	2,782	2,857
Fire										
Inspections.....	1,622	1,860	1,707	1,651	1,738	1,618	1,817	2,160	1,793	2,571
Emergency responses.....	2,105	2,347	2,167	2,361	2,378	2,341	2,396	2,540	2,540	2,307
Libraries										
Volumes in circulation.....	119,867	120,989	118,078	117,041	127,278	123,463	125,975	126,230	135,433	138,683
Total volumes borrowed.....	212,263	210,510	208,820	203,170	204,172	218,310	240,518	226,953	245,447	228,339
Water										
Service connections.....	7,877	8,004	7,459	7,962	8,080	8,080	8,080	7,991	7,991	8,030
Consumption in gallons.....	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	1,742,740
Daily consumption.....	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	3,428,000
Sewer										
Service connections.....	7,792	7,901	7,223	7,773	7,883	7,883	8,160	7,883	7,883	7,883
Daily average collection.....	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	1,584,300

Source: Various Town departments

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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	6	6	6	6	6	6	6	6
Number of middle schools.....	2	2	1	1	1	1	1	1	1	1
Number of high schools.....	1	1	1	1	1	1	1	1	1	1
Number of teachers.....	265	260	260	249	258	239	294	243	285	289
Number of administrators.....	9	18	17	17	19	22	26	22	22	22
Number of students.....	2,982	3,079	3,150	3,242	3,212	3,262	3,250	3,262	3,188	3,269
Water										
Water mains (miles).....	75	87	87	87	28	88	88	88	89	88
Fire hydrants.....	828	851	852	855	860	860	860	860	860	860
Sewer										
Sanitary sewers (miles).....	96	88	88	88	89	89	89	89	89	89
Storm sewers (miles).....	37	51	51	51	52	52	52	52	52	52
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
Conservation land (acreage).....	127	127	127	133	134	134	134	134	134	203
Railroad right of way (acreage).....	19	19	19	19	19	19	19	19	19	19
Public beaches.....	6	6	6	6	6	6	6	6	6	6
Ball fields.....	15	15	15	15	15	15	15	16	16	16
Tennis courts.....	12	12	10	12	12	12	12	13	14	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	2,400	2,600
Private yacht clubs.....	5	6	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	7	7
Emergency rescue watercraft.....	3	2	2	2	2	2	2	2	2	2

Source: Various Town Departments



A serene illustration of the Old Town House located in downtown historic Marblehead in the early morning hours.



Photos by Eyal Oren

This unique roof top view reveals beautiful residential houses located in close proximity to Marblehead Harbor