

TOWN OF MARBLEHEAD, MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT



Photo by Phil Gouzoule

**For the Year Ended
June 30, 2017**

On the Cover:
Calm seas in Marblehead Harbor on a Spring day.



Wicked Local file photo

Fort Sewall is a popular visiting spot for both residents and tourists.

View of Marblehead Harbor from the roof of Abbot Hall.



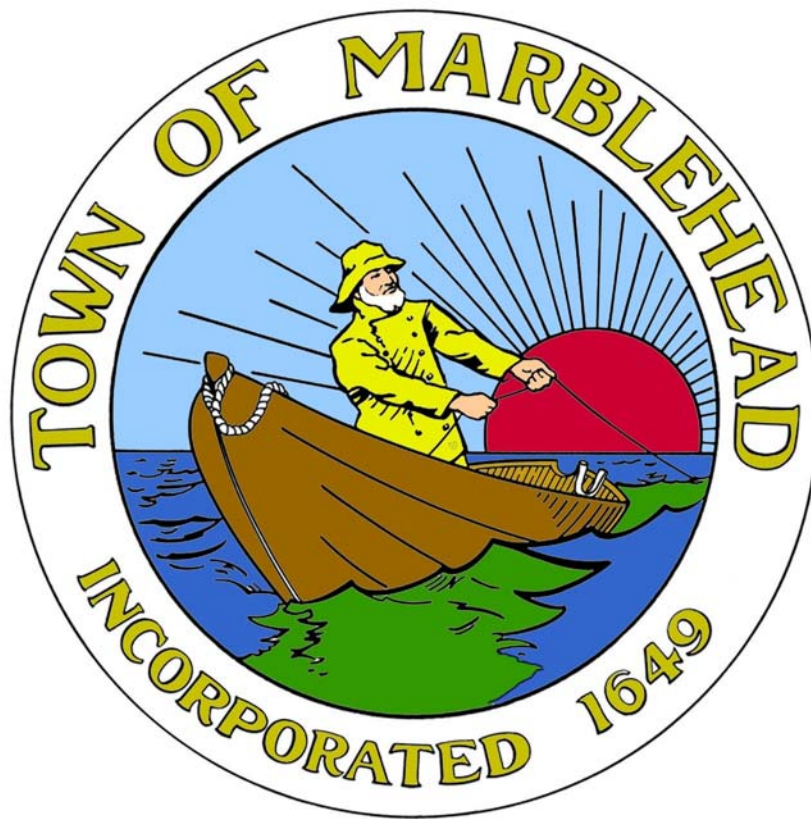
Photo by Rebecca Curran



Photo by Chicki Curtis

A local volunteer organization maintains the beautiful garden that adorns the perimeter of the Community Center building.

TOWN OF MARBLEHEAD, MASSACHUSETTS



COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2017 Prepared by the Finance Department

TOWN OF MARBLEHEAD, MASSACHUSETTS
Comprehensive Annual Financial Report
Year Ended June 30, 2017

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Introductory Section



Photo by Chicki Curtis

A colorful sunrise illuminates the sky.

Introductory Section

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TOWN OF MARBLEHEAD

FINANCIAL SERVICES

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Letter of Transmittal

December 13, 2017

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

It is with great pleasure that the Comprehensive Annual Financial Report of the Town of Marblehead, Massachusetts, for the fiscal year ended June 30, 2017 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 also 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 (as well as 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 the Town's 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, 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, 2017, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion the Town of Marblehead's financial statements for the fiscal year ended June 30, 2017, 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.

This comprehensive annual financial report is broken out into the following three major sections:

- 1) Introductory Section – Includes the Letter of Transmittal, along with the Town's organization chart, a list of Principal Executive Officers, and the FY2016 GFOA Certificate of Achievement in Financial Reporting.
- 2) Financial Section – Includes the Independent Auditor's Report, the MD&A, the basic financial statements, the General Fund budget to actual schedules, the Retirement System schedules, and the combining and individual fund statements.
- 3) Statistical Section – Includes unaudited financial information, as well as trend data, to supplement the financial statements.

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 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 19,531, 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 Essex North Shore Agricultural and Technical School since they have substantial autonomy and separate governmental entity characteristics.

The Town includes the Marblehead Contributory Retirement System (the System) in its financial reporting since the Town represents approximately 98% of the members of the System. The System was established to provide

retirement benefits to its members, including employees and beneficiaries of the Town of Marblehead and the Marblehead Housing Authority.

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 ECONOMIC CONDITION

The Town of Marblehead real estate market continues to experience a strong period of revitalization, both in terms of value and new construction. New growth is anticipated at \$350,000, which is slightly less than the average new growth over the past three-year period. In addition, the median family income has remained significantly higher than state averages and the unemployment rate continues to be lower than the state average (2.2% vs. 4.2% 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 6,218 single family dwellings as of January 1, 2016. There are 1,941 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. Additionally, there are 984 condominiums, 307 two-family properties, and 151 properties with three or more units. A total of 53% of the single family housing stock was built prior to 1950 and Marblehead has one of largest inventories of homes built prior to 1800, including 229 properties built before 1750. The vast majority of early construction is located in the area of town referred to as "Old Town" and designated as the Historic District. The Historic District is a high density, homogeneous, and distinct area. Antique architecture is predominant and lots rarely exceed 5,000 square feet with some lots mirroring only the foundation of the dwelling. The Historic District has a more rigorous building standard than the standard zoning by-laws with regard to permit work involving the exterior.

Residential properties comprise 95% of the tax levy. In FY 2017, single family dwellings had an average assessment of \$754,460, representing an increase of \$36,118 from FY 2016. The average tax bill of \$8,307 is based on a single tax rate of \$11.01.

Commercial properties are typically one and two-story 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 three small strip centers located on Pleasant Street and a 15,000 square foot supermarket with attached residential improvements located in the Historic District. Commercial vacancies remain at historic lows and higher rental rates reflect the strong demand for space. Building permits continue to be issued at an unprecedented rate and reflect the ongoing revitalization of properties approaching the end of their economic life.

The Town continues to be in the revitalization stage of the real estate cycle as demonstrated by the continued number of "tear downs" and the redevelopment of 12 new dwellings. All relevant data from multiple sources, particularly sales data and assessment analysis, indicate a very strong real estate market with an aggregate increase of 5% for Marblehead in FY 2017. Average marketing time for properties is 30 to 60 days, with many properties selling in less than 30 days if priced properly. Demand continues to outweigh supply, resulting in a seller's market and an upward trend in values.

Based on market demand, current and proposed development, and increasing sale prices (in calendar year 2016 and the first 8 months of 2017), it is anticipated that a strong real estate market is in place. This will result in a continued increase in market values for FY 2018 and similarly, a corresponding increase in assessments. It is expected that for FY 2018 the aggregate value of the community will continue to set new highs for assessments, surpassing the previous high point of 2017.

FINANCIAL AND MANAGEMENT POLICIES

Minimal Changes to FY17 Approved Operating Budget

The Town's Finance Committee is responsible for reviewing departmental budget requests and submits to Town Meeting an operating budget for the proposed expenditures and other financing uses for the next fiscal year. The budget, as enacted by 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 FY17, no such budget amendments occurred.

During the fiscal year, the Finance Committee may transfer funds from a reserve for extraordinary or unforeseen expenditures. The Town appropriated \$144,000 for this purpose in fiscal 2017 and transfers of \$49,218 were made from this appropriation. This marked the lowest amount of reserve fund transfers over the past 25 years, which indicates that departments were successfully able to manage their operations within their original approved budgets.

Formal budgetary integration is employed as a management control device during the year for the General Fund and 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 Town Meeting for line items within departments. Typical line items are salaries, operating expenses and local travel. These are the legal levels of budgetary control, in 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.

Ongoing Long-Term Financial Planning

The Town manages its financial matters in a prudent manner, which has been affirmed by its ability to maintain its AAA bond rating for nine consecutive 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 employee health insurance costs and pension obligations, and establishment of reserves to alleviate volatility in departmental budgets.

The Town of Marblehead has also enhanced its revenue flexibility by establishing 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.

In FY17, the Town borrowed \$7.8 million in long-term bonds and \$10.4 million in short-term debt to fund a number of ongoing capital projects. The details of these projects and the related financing are included in the accompanying notes to the financial statements.

Positive Trend in General Fund Undesignated Fund Balance

The Town's management of its finances has resulted in a continued positive trend in General Fund equity. Since FY2007, the General Fund undesignated fund balance at year end has increased by approximately 313%. At the end of FY17, the undesignated fund balance in the General Fund increased from the previous year by approximately 3.4%.

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 98%. This collection rate was achieved again in FY2017.

Funding of Energy and Utility Reserves to Manage 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). Similarly, the Town established a utility reserve as part of the Fiscal Year 2017 operating budget. The utility reserve is used by departments that expend their utility budgets during the year, particularly for water and sewer costs due to usage and/or rate increases.

The use of both the energy and utility reserves has accomplished two important goals. First, it alleviates pressure on departmental budgets that have been historically pitting increases in these costs against other needs. Second, the reserve ensures that the monies appropriated for increased energy and utility costs are not used for other purposes.

In FY17, the Town appropriated \$533,544 into the energy reserve and a total of \$194,768 was spent. Additionally, the Town appropriated \$100,000 into the utility reserve, of which \$71,948 was spent. For FY18, the Town has once again appropriated \$533,544 for the energy reserve and \$100,000 for the utility reserve to meet the departments' needs.

Continued Funding Towards Other Post-Employment Benefits (OPEB) Liability

The 2013 Annual Town Meeting appropriated \$250,000 to begin funding its actuarially estimated OPEB liability. 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 and these actions initiated the process of funding this liability.

In FY17, the Town appropriated an additional \$300,000 to the OPEB trust and has increased this appropriation to \$350,000 in FY18. Furthermore, the Water and Sewer department has initiated its own contribution into the OPEB trust beginning in FY18. It is anticipated that additional appropriations to the OPEB trust will be made annually.

SIGNIFICANT EVENTS

Town's AAA Bond Rating Affirmed For 9TH Consecutive Year

In August of 2017, 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 9th consecutive year that S&P has set the Town's bond rating at AAA.

Redesign of Town Website

Over 10 years ago, the Town implemented its first website (www.marblehead.org) to provide residents with information about various departments, public meetings, and news items, as well as history about Marblehead. The website had not undergone any technology upgrades since its inception and over time users found that the website's accessibility became increasingly difficult. In early FY2017, the Town looked at options for redesigning its website. Through a competitive procurement process, the Town awarded a contract to a new vendor, who worked with staff to redesign and release a new version of the website in April 2017. The new website has been well received by Town employees, residents, and other stakeholders.

Completion of Abbot Tower Renovation Project

In May of 2013, Marblehead voters approved a debt exclusion override for renovations to the Abbot Hall Clock Tower, along with several accessibility upgrades to Abbot Hall. Most of the project was completed in 2015,

except for the installation of a new handicap accessible wheelchair lift in the auditorium. The lift, as well as new framing and structural beams to support the lift, were installed and the project was completed in June of 2017.

Significant Progress on Drainage Project

In May of 2011, Marblehead voters approved a debt exclusion override to make drainage improvements to the Pleasant Street area. This project began in 2013 and was divided into phases. Phase I started in May of 2013 and was completed by the end of summer 2014. A Federal Emergency Management Agency (FEMA) grant was awarded to the Town to fund a portion of the Phase II work. The pipe and culvert lining were completed in November 2016, while the largest portion of the project, including the replacement and upgrade of the drainage system of School and Pleasant Streets, started in May 2017. All utility replacement work was finished in September 2017 and final paving is scheduled for spring 2018, which will mark the completion of Phase II of the project.

Continued Progress on Landfill Project

The Town approved bond authorizations in 2011 and 2015 to finance the capping of the Town's old landfill, additional work at the landfill property, and the construction of a new transfer station. Construction activities for the capping of the landfill began in the summer of 2015 and were completed by the end of October 2016. The repair work for the 60-inch drainage culvert that crosses the landfill property, as well as removal and relocation of solid waste in the areas adjacent to the landfill project, has also been completed.

The deconstruction of the old transfer station is 90% complete and the remaining 10% of the old transfer station building will be deconstructed once the new building has been completed. Construction of the new transfer station could begin in the spring or early summer of 2018.

Equipment Purchased

The Town purchased several new pieces of equipment in FY17. This included, by department:

Highway	2 Small Dump Trucks with Plows
Tree	Small Dump Truck with Plow
Fire	Pickup Truck with Plow
Park & Recreation	Truck with Plow
Building	Inspection vehicle
Police	2 Police Patrol Vehicles

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, 2016. This was the thirteenth consecutive year that the Town submitted a CAFR to the GFOA. The Town was awarded this Certificate for all thirteen years of submissions. In order to receive this prestigious award, a government must publish an easily readable and efficiently organized CAFR that satisfies 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 the FY2017 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 diligent and dedicated staff of the Financial Services Department, which includes the Treasurer, Accounting, Payroll, and Retirement offices. I would like to express my sincere 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 the Town Administrator, the Board of Selectmen, the Board of Assessors, and the Finance Committee for their ongoing support in conducting the financial operations of the Town in a responsible and efficient manner.

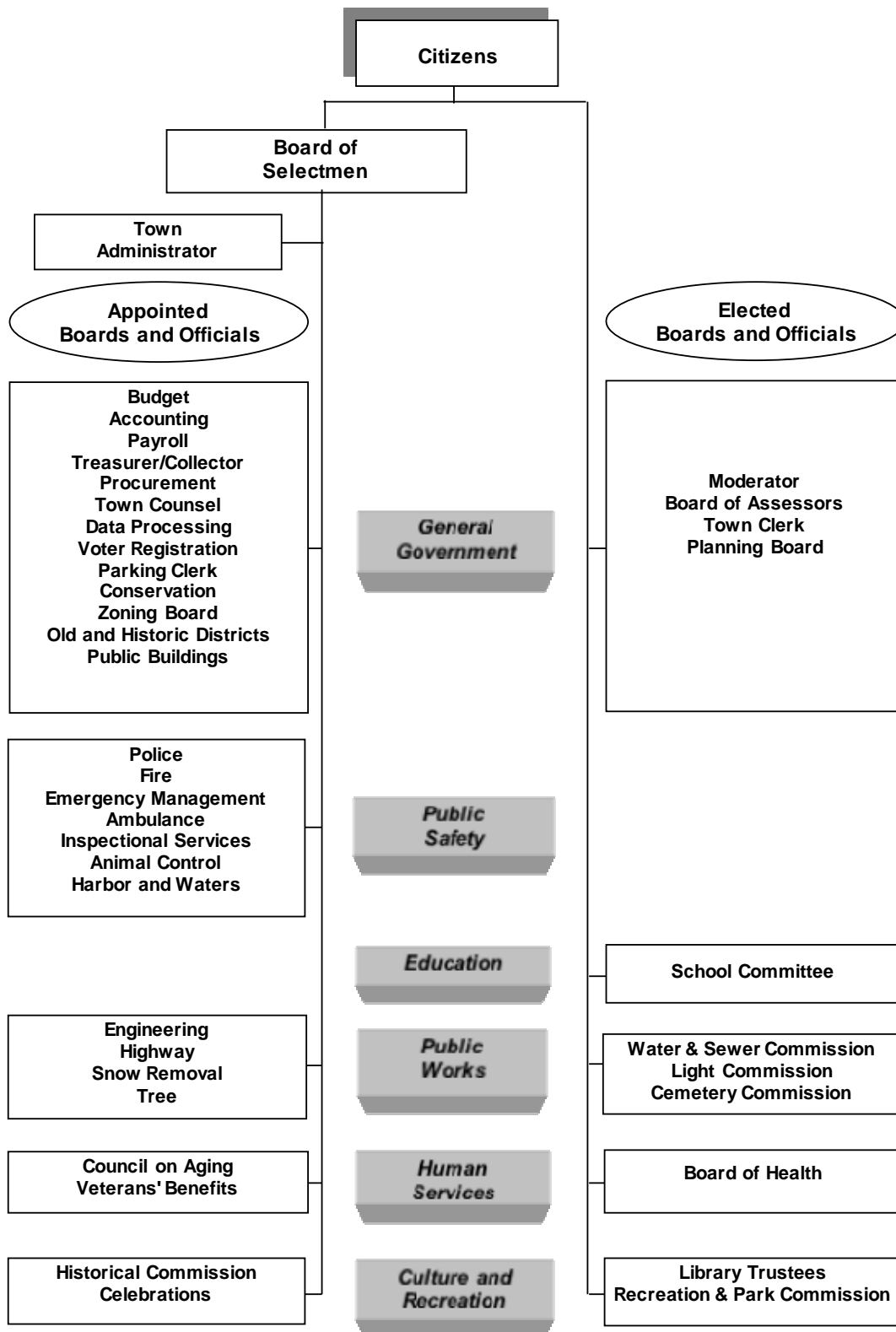
Respectfully submitted,

A handwritten signature in black ink, appearing to read "Alison Nieto". The signature is written in a cursive, flowing style.

Alison Nieto
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	2018
Selectmen	Harry C. Christensen, Jr.	Elected	2018
Selectmen	Judith R. Jacobi	Elected	2018
Selectmen	M. C. Moses Grader	Elected	2018
Selectmen	James E. Nye	Elected	2018
Town Administrator	John J. McGinn	Appointed	2018
Finance Director/Town Accountant	Alison B. Nieto	Appointed	2018
Treasurer/Collector	Patricia K. Murray	Appointed	2018
Town Clerk	Robin A. Michaud	Elected	2019



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, 2016

Executive Director/CEO

Financial Section



Wicked Local file photo

The historic Marblehead Light sits tall on top of Chandler Hovey Park.

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 year ended June 30, 2017 (except for the Marblehead Contributory Retirement System and the Marblehead Municipal Light Department which are as of and for the year ended December 31, 2016), 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%, 42%, and 61%, respectively, of the assets, net position, and revenues of the business-type activities, for the year ended December 31, 2016. Those statements were audited by other auditors whose report thereon has been furnished to us and our opinion, insofar as it relates to the amounts included for the Marblehead Municipal Light Department, 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, 2017 (except for the Marblehead Contributory Retirement System and the Marblehead Municipal Light Department which are as of and for the year ended December 31, 2016), 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 13, 2017 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 13, 2017

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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 year ended June 30, 2017. 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, liabilities and deferred inflows/outflows of resources, with the difference between them 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 year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, education, public works, landfill closure, 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 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.

The fiduciary fund financial statements provide separate information for the pension and OPEB trust funds of the Town. The other postemployment benefits trust fund is used to account for assets accumulated to provide funding for future other postemployment benefits (OPEB) liabilities. Private-purpose trust funds and agency funds are reported and combined into a single, aggregate presentation in the fiduciary fund financial statements under the captions "private purpose trust funds" and "agency funds", respectively.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

At the end of the current year, the Town is able to report positive balances in two out of three categories of net position for its governmental activities and for the Town as a whole. Its business-type activities report positive balances in both categories of net position. Overall the net position of the primary government decreased by \$1.2 million during fiscal year 2017. This was comprised of a \$3.5 million decrease in governmental net position and a \$2.3 million increase in business-type net position. The \$70.6 million deficit in unrestricted government-wide net position is primarily attributable to the Town's recognition of \$48.5 million in OPEB liabilities and the recognition of \$47.6 million in net pension 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 deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$11.7 million, at the close of 2017.

	2017	2016
Assets:		
Current assets.....	\$ 43,758,483	\$ 49,092,474
Capital assets, net of accumulated depreciation.....	129,235,081	127,377,183
Capital assets, not being depreciated.....	8,141,798	8,091,071
Total assets.....	181,135,362	184,560,728
Deferred Outflows of Resources:		
Deferred outflows of resources related to pensions...	6,065,318	8,073,525
Liabilities:		
Current liabilities (excluding debt).....	7,826,679	12,135,749
Noncurrent liabilities (excluding debt).....	87,771,444	81,213,967
Current debt.....	4,836,748	5,445,500
Noncurrent debt.....	74,041,656	77,214,932
Total liabilities.....	174,476,527	176,010,148
Deferred Inflows of Resources:		
Deferred inflows of resources related to pensions.....	1,054,817	1,418,547
Net Position:		
Net investment in capital assets.....	80,043,188	74,362,302
Restricted.....	10,142,342	10,358,396
Unrestricted.....	(90,185,530)	(69,515,140)
Total net position.....	\$ -	\$ 15,205,558
Program revenues:		
Charges for services.....	\$ 6,575,987	\$ 5,546,630
Operating grants and contributions.....	18,290,706	15,344,880
Capital grants and contributions.....	521,930	723,405
General revenues:		
Real estate and personal property taxes.....	63,759,278	60,478,448
Motor vehicle excise taxes.....	3,637,261	3,570,737
Nonrestricted grants.....	1,270,198	1,822,044
Unrestricted investment income.....	328,165	457,116
Penalties and interest on taxes.....	276,660	244,181
Total revenues.....	94,660,185	88,187,441
Expenses:		
General government.....	4,519,835	4,621,418
Public safety.....	13,546,839	13,059,638
Education.....	68,164,424	63,223,425
Public works.....	5,120,344	7,904,473
Landfill closure.....	-	8,570,701
Human services.....	1,302,548	1,161,803
Culture and recreation.....	3,721,534	3,722,667
Interest.....	2,341,770	2,055,607
Total expenses.....	98,717,294	104,319,732
Excess (Deficiency) before transfers.....	(4,057,109)	(16,132,291)
Transfers.....	520,887	571,538
Change in net position.....	(3,536,222)	(15,560,753)
Net position - beginning.....	15,205,558	30,766,311
Net position - ending.....	\$ 11,669,336	\$ 15,205,558

Governmental net position of \$80.0 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, \$10.1 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* has a year-end deficit balance of \$78.5 million. The primary reason for this deficit balance in net position is the recognition of other postemployment benefit (OPEB) liabilities of \$45.7 million and the recognition of net pension liability in accordance with GASB 67 and 68 in the amount of \$38.4 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. Under current requirements, the Town is allowed to amortize the liability, which totaled \$181.5 million, over 30 years. Future GASBs will require the entire liability to be recognized. Since there is no legal obligation to fund the liability at this time, the Town has opted to continue to fund the majority of the other postemployment benefits on a pay-as-you-go basis. The Town began to partially fund the liability in 2014 and as of June 30, 2017, the OPEB trust fund has a balance of \$2.9 million. As a result of the Town's mainly 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 \$5.7 million for 2017. The current year is the Town's ninth year of amortizing this liability. GASB standards require the entire unfunded pension liability to be recorded on the full accrual financial statements.

Key components of the \$3.5 million overall decrease in governmental net position are the \$5.7 million increase in OPEB liabilities and \$1.1 million increase in the Town's net pension liability related to governmental activities.

The governmental expenses totaled \$98.7 million of which \$25.4 million (26%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$69.3 million, primarily coming from property taxes, motor vehicle excise taxes, and non-restricted state aid.

The Town records the state contributions for retired teacher's pensions as on-behalf payments. These payments increased by \$2.3 million during fiscal year 2017, resulting in corresponding increases in operating grants and contributions and education expenses.

The Town has completed the majority of the landfill closure project during fiscal year 2017. Since the liability was recorded in prior years, there were no landfill closure expenses recorded as of June 30, 2017 on the entity-wide financial statements and an adjustment to the Town's remaining liability has resulted in a reduction in public works expenditures. The remaining landfill liability relates to the final project costs and post closure monitoring.

Business-type Activities

For the Town's business-type activities, assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$52.9 million at the close of 2017.

Business-type net position of \$38.0 million (72%) represents investments in capital assets. An additional \$6.9 million (13%) is restricted for depreciation within the Municipal Light Enterprise Fund, and the remaining \$8 million (15%) 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 \$2.3 million in total net position reported in the business-type activities during 2017.

The Town's Sewer, Water, and Harbor funds have a policy of appropriating available funds at the end of each 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.

	2017	2016
Assets:		
Current assets.....	\$ 28,569,997	\$ 27,685,882
Capital assets, net of accumulated depreciation.....	35,161,720	34,163,715
Capital assets, not being depreciated.....	2,858,544	2,383,728
Total assets.....	66,590,261	64,233,325
Deferred Outflows of Resources:		
Deferred outflows related to pensions.....	2,239,126	1,025,539
Liabilities:		
Current liabilities (excluding debt).....	2,463,939	2,220,981
Noncurrent liabilities (excluding debt).....	11,996,945	11,456,786
Total liabilities.....	14,460,884	13,677,767
Deferred Inflows of Resources:		
Deferred inflows of resources related to pensions.....	547,852	108,250
Reserve for rate stabilization.....	900,000	900,000
Total deferred inflows of resources.....	1,447,852	1,008,250
Net Position:		
Investment in capital assets.....	38,020,264	36,547,443
Restricted.....	6,949,454	6,751,653
Unrestricted.....	7,950,933	7,273,751
Total net position.....	\$ 52,920,651	\$ 50,572,847

The Sewer Enterprise Fund's net position totaled \$13.9 million at year end; an increase of \$1.1 million from the prior year. This balance is approximately 3 times the annual operating expenses. Revenues in this fund consist primarily of charges for sewer services and approximately 61% 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 needed to be replaced at a cost of approximately \$12 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, which began in 2017. The Town completed a rate study which resulted in raised rates to meet the increased assessments.

The Water Enterprise Fund's net position totaled \$13.9 million at year end; an increase of \$771,000 from the prior year. This balance is approximately 4.4 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 73% of the operating expenses consist of assessments paid to the Massachusetts Water Resource Authority.

The Harbor Enterprise Fund's net position totaled \$3.4 million at year end; a decrease of \$234,000 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 \$21.8 million at year end; an increase of \$741,000. The majority of the revenue in this fund consists of charges for services and 90% of the expenses relate to cost of services and administration.

	2017	2016
Program revenues:		
Charges for services - Sewer.....	\$ 5,674,707	\$ 5,449,253
Charges for services - Water.....	4,827,808	4,575,779
Charges for services - Municipal Light.....	16,347,202	16,761,424
Charges for services - Harbor.....	697,328	681,730
Operating grants.....	1,680	2,724
General revenues:		
Boat excise.....	124,716	130,184
Unrestricted investment income.....	68,310	44,896
Total revenues.....	27,741,751	27,645,990
Expenses:		
Water.....	4,056,433	3,913,717
Sewer.....	4,547,620	4,016,985
Municipal Light.....	15,301,286	16,092,803
Harbor.....	967,721	922,156
Total expenses.....	24,873,060	24,945,661
Excess before transfers.....	2,868,691	2,700,329
Transfers.....	(520,887)	(571,538)
Change in net position.....	2,347,804	2,128,791
Net position - beginning.....	50,572,847	48,444,056
Net position - ending.....	\$ 52,920,651	\$ 50,572,847

Financial Analysis of the Government's Funds

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

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

As of the end of the current year, governmental funds reported combined ending fund balances of \$37.3 million, a decrease of \$3.4 million from the prior year.

The General Fund is the chief operating fund. At the end of the current year, unassigned fund balance of the General Fund totaled \$14.3 million, while total fund balance was \$22.2 million. Of the \$7.5 million assigned fund balance, \$7.1 million, has been allocated to balance the 2018 budget and the remainder represents funds encumbered at year end. Articles voted at the Town's Annual Town Meeting that have not been spent as of year-

end, have been classified as committed and have a balance of \$336,000 as of June 30, 2017. 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 14% of total general fund expenditures, while total fund balance represents 22% 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 an overall budgetary surplus of \$1.5 million. Revenues came in over budget by \$3.1 million; appropriations exceeded actual expenditures and encumbrances by \$4 million mainly due to group insurance surplus of \$2.7 million; these surpluses were offset by the use of prior year resources to balance the 2017 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 2017 have been the landfill/transfer station project, Abbot Hall Clock Tower repair projects, and Town drainage improvements. The capital projects fund had a net decrease of approximately \$4.4 million during 2017. This net decrease was primarily due to \$5 million in project expenditures, mostly landfill related, offset by \$995,000 in debt proceeds and \$346,000 in debt payments.

The Highway Improvement Fund is used to account for financial activities associated with highway and road repair projects funded by the State's Chapter 90 Highway Program. Revenues consisted of reimbursements from the state grant program and expenditures consist of road improvements. The fund had a year-end receivable due from the state of \$402,000 and annual expenditures totaled \$609,000.

The Public Funds major fund is used to account for trust funds that have been established to fund public purposes. This fund had a year-end balance of \$4.7 million and the fund decreased by \$94,000 during the year as funds were used for the purposes of the respective trusts.

General Fund Budgetary Highlights

The Town experienced a \$3 million surplus of actual over budgeted revenues. The largest surpluses were in motor vehicle excises taxes, charges for services, licenses and permits and real estate and personal property taxes and were the result of 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 \$332,000 surplus in transfers in.

Actual expenditures ended the year approximately \$4 million under budget. The most notable is the group insurance appropriation, which ended the year \$2.7 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. Expenditures exceeded the budget for snow removal by \$162,000; under state law, the Town is allowed to overspend for snow and ice removal and to raise any unfunded deficit in the subsequent year. Expenditures also exceeded the budget for state assessments. The budget and actual amounts assessed are provided by the state.

The main changes between the original and final budget for the Town consisted of reserve fund transfers within appropriation lines. There were no net increases in appropriations from the original voted budget.

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 \$3.1 million in land improvements related to a new transfer station and related land improvements at the landfill, increases to upgrade and improve infrastructure totaling \$2.1 million mainly for drain improvements. Other capital asset activity consisted of building improvements and machinery and equipment, including the purchase of several new vehicles and a new fire pumper truck.

Capital additions of the business-type activities consisted of upgrades to infrastructure, land improvements and purchases of new equipment in the Sewer and Water activities of approximately \$1.5 million and \$1.2 million, respectively; the purchase of equipment, pier upgrades and land improvements in the Harbor activities of \$61,000; and Municipal Light upgrades to plant and equipment of approximately \$1.4 million.

Debt administration. Outstanding long-term debt of the general government, as of June 30, 2017, totaled \$75.8 million, of which \$39.2 million is related to school projects, \$21.3 million is for land acquisition and remediation projects, \$5.8 million is for the transfer station, \$4.7 million is for drainage projects, \$2.3 million is for the Abbot Hall Clock Tower repair, \$810,000 is for the causeway seawall, \$1.4 million is for a fire ladder truck and \$360,000 is for Old Town Hall improvements.

The Town's net long-term debt outstanding decreased by \$4.2 million during 2017 through a combination of new issuances and the retirement of existing debt.

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, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 39,594,394	\$ 14,351,991	\$ 53,946,385
Restricted cash and cash equivalents.....	-	6,949,454	6,949,454
Investments.....	1,413,333	-	1,413,333
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	629,863	-	629,863
Real estate tax deferrals.....	843,853	-	843,853
Tax liens.....	325,258	-	325,258
Motor vehicle and boat excise taxes.....	228,211	67,702	295,913
User fees.....	-	5,351,868	5,351,868
Interest and dividends.....	14,164	-	14,164
Departmental and other.....	200,840	-	200,840
Intergovernmental.....	459,874	-	459,874
Tax foreclosures.....	38,693	-	38,693
Inventory.....	-	74,693	74,693
Investment in joint venture.....	-	480,305	480,305
Working capital deposit.....	10,000	-	10,000
Other assets.....	-	1,293,984	1,293,984
Total current assets.....	43,758,483	28,569,997	72,328,480
NONCURRENT:			
Capital assets, net of accumulated depreciation.....	129,235,081	35,161,720	164,396,801
Capital assets, not being depreciated.....	8,141,798	2,858,544	11,000,342
Total noncurrent assets.....	137,376,879	38,020,264	175,397,143
TOTAL ASSETS.....	181,135,362	66,590,261	247,725,623
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions.....	6,065,318	2,239,126	8,304,444
LIABILITIES			
CURRENT:			
Warrants payable.....	2,612,769	1,899,472	4,512,241
Tax refunds payable.....	638,379	-	638,379
Accrued interest.....	1,259,356	-	1,259,356
Payroll withholdings.....	468,489	-	468,489
Other liabilities.....	169,681	200,113	369,794
Customer deposits payable.....	4,340	167,044	171,384
Landfill closure and remediation.....	1,554,600	-	1,554,600
Compensated absences.....	971,277	197,310	1,168,587
Workers' compensation.....	147,788	-	147,788
Bonds payable.....	4,836,748	-	4,836,748
Total current liabilities.....	12,663,427	2,463,939	15,127,366
NONCURRENT:			
Landfill closure and remediation.....	2,865,000	-	2,865,000
Compensated absences.....	170,326	3,369	173,695
Workers' compensation.....	633,561	-	633,561
Net pension liability.....	38,389,557	9,230,576	47,620,133
Other postemployment benefits.....	45,713,000	2,763,000	48,476,000
Bonds payable.....	74,041,656	-	74,041,656
Total noncurrent liabilities.....	161,813,100	11,996,945	173,810,045
TOTAL LIABILITIES.....	174,476,527	14,460,884	188,937,411
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions.....	1,054,817	547,852	1,602,669
Provision for rate stabilization.....	-	900,000	900,000
TOTAL DEFERRED INFLOWS OF RESOURCES.....	1,054,817	1,447,852	2,502,669
NET POSITION			
Net investment in capital assets.....	80,043,188	38,020,264	118,063,452
Restricted for:			
Depreciation.....	-	6,949,454	6,949,454
Permanent funds:			
Expendable trust funds.....	1,146,959	-	1,146,959
Nonexpendable trust funds.....	3,586,671	-	3,586,671
Other purposes:			
Gifts and grants.....	5,408,712	-	5,408,712
Unrestricted.....	(78,516,194)	7,950,933	(70,565,261)
TOTAL NET POSITION.....	\$ 11,669,336	\$ 52,920,651	\$ 64,589,987

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

		Program Revenues				
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue	
Primary Government:						
Governmental Activities:						
General government.....	\$ 4,519,835	\$ 454,988	\$ 257,049	\$ -	\$ (3,807,798)	
Public safety.....	13,546,839	1,362,391	195,451	-	(11,988,997)	
Education.....	68,164,424	2,842,596	17,445,451	-	(47,876,377)	
Public works.....	5,120,344	1,136,212	36,808	521,930	(3,425,394)	
Human services.....	1,302,548	151,549	130,473	-	(1,020,526)	
Culture and recreation.....	3,721,534	628,251	225,474	-	(2,867,809)	
Interest.....	2,341,770	-	-	-	(2,341,770)	
Total Governmental Activities.....	98,717,294	6,575,987	18,290,706	521,930	(73,328,671)	
Business-Type Activities:						
Sewer.....	4,547,620	5,674,707	-	-	1,127,087	
Water.....	4,056,433	4,827,808	-	-	771,375	
Municipal Light.....	15,301,286	16,347,202	-	-	1,045,916	
Harbor.....	967,721	697,328	1,680	-	(268,713)	
Total Business-Type Activities.....	24,873,060	27,547,045	1,680	-	2,675,665	
Total Primary Government.....	\$ 123,590,354	\$ 34,123,032	\$ 18,292,386	\$ 521,930	\$ (70,653,006)	

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

YEAR ENDED JUNE 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ (73,328,671)	\$ 2,675,665	\$ (70,653,006)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	63,759,278	-	63,759,278
Motor vehicle excise taxes.....	3,637,261	-	3,637,261
Boat excise taxes.....	-	124,716	124,716
Penalties and interest on taxes.....	276,660	-	276,660
specific programs.....	1,270,198	-	1,270,198
Unrestricted investment income.....	328,165	68,310	396,475
<i>Transfers, net</i>	<u>520,887</u>	<u>(520,887)</u>	<u>-</u>
Total general revenues and transfers.....	<u>69,792,449</u>	<u>(327,861)</u>	<u>69,464,588</u>
Change in net position.....	(3,536,222)	2,347,804	(1,188,418)
<i>Net Position:</i>			
Beginning of year.....	<u>15,205,558</u>	<u>50,572,847</u>	<u>65,778,405</u>
End of year.....	\$ <u><u>11,669,336</u></u>	\$ <u><u>52,920,651</u></u>	\$ <u><u>64,589,987</u></u>

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2017

	General	Capital Projects Fund	Highway Improvement Fund	Public Funds	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents.....	\$ 23,260,353	\$ 2,370,227	\$ -	\$ 3,346,864	\$ 9,522,217	\$ 38,499,661
Investments.....	-	-	-	1,413,333	-	1,413,333
Receivables, net of uncollectibles:						
Property taxes.....	629,863	-	-	-	-	629,863
Real estate tax deferrals.....	843,853	-	-	-	-	843,853
Tax liens.....	325,258	-	-	-	-	325,258
Motor vehicle excise taxes.....	228,211	-	-	-	-	228,211
Interest and dividends.....	14,164	-	-	-	-	14,164
Departmental and other.....	56,349	-	-	-	144,491	200,840
Intergovernmental.....	36,895	-	402,339	-	20,640	459,874
Due from Highway Improvement Fund.....	13,790	-	-	-	-	13,790
Working capital deposit.....	-	-	-	-	10,000	10,000
Tax foreclosures.....	38,693	-	-	-	-	38,693
TOTAL ASSETS.....	\$ 25,447,429	\$ 2,370,227	\$ 402,339	\$ 4,760,197	\$ 9,697,348	\$ 42,677,540
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Warrants payable.....	\$ 906,080	\$ 895,618	\$ -	\$ 26,567	\$ 723,278	\$ 2,551,543
Accrued payroll and amounts withheld.....	468,489	-	-	-	-	468,489
Due to General Fund.....	-	-	13,790	-	-	13,790
Liabilities due depositors.....	4,340	-	-	-	-	4,340
Other liabilities.....	169,681	-	-	-	-	169,681
Tax refunds payable.....	638,379	-	-	-	-	638,379
TOTAL LIABILITIES.....	2,186,969	895,618	13,790	26,567	723,278	3,846,222
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue.....	1,102,724	-	388,549	-	5,522	1,496,795
FUND BALANCES						
Nonspendable.....	-	-	-	3,586,670	-	3,586,670
Restricted.....	-	1,474,609	-	1,146,960	8,968,548	11,590,117
Committed.....	335,975	-	-	-	-	335,975
Assigned.....	7,494,339	-	-	-	-	7,494,339
Unassigned.....	14,327,422	-	-	-	-	14,327,422
TOTAL FUND BALANCES.....	22,157,736	1,474,609	-	4,733,630	8,968,548	37,334,523
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....	\$ 25,447,429	\$ 2,370,227	\$ 402,339	\$ 4,760,197	\$ 9,697,348	\$ 42,677,540

See notes to basic financial statements.

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

JUNE 30, 2017

Total governmental fund balances.....	\$ 37,334,523
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	137,376,879
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....	1,496,795
Certain changes in the net pension liability are required to be included in pension expense over future periods. These changes are reported as deferred outflows of resources or (deferred inflows of resources) related to pensions.....	5,010,501
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.....	252,158
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....	(1,259,356)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Landfill closure.....	(4,419,600)
Bonds notes payable.....	(78,878,404)
Compensated absences.....	(1,141,603)
Net pension liability.....	(38,389,557)
Other postemployment benefits.....	<u>(45,713,000)</u>
Net effect of reporting long-term liabilities.....	<u>(168,542,164)</u>
Net position of governmental activities.....	\$ <u>11,669,336</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2017

	General	Capital Projects Fund	Highway Improvement Fund	Public Funds	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:						
Real estate and personal property taxes.....	\$ 63,692,746	\$ -	\$ -	\$ -	\$ -	\$ 63,692,746
Motor vehicle excise taxes.....	3,627,692	-	-	-	-	3,627,692
Penalties and interest on taxes.....	276,660	-	-	-	-	276,660
Charges for services.....	857,714	-	-	-	3,236,599	4,094,313
Licenses and permits.....	763,738	-	-	-	-	763,738
Fines and forfeitures.....	162,196	-	-	-	-	162,196
Intergovernmental.....	15,710,914	-	609,251	-	3,219,840	19,540,005
Departmental and other.....	-	-	-	-	1,247,506	1,247,506
Contributions.....	-	-	-	71,247	527,403	598,650
Investment income.....	210,647	-	-	14,286	99,142	324,075
Miscellaneous.....	82,885	-	-	-	265,166	348,051
TOTAL REVENUES.....	85,385,192	-	609,251	85,533	8,595,656	94,675,632
EXPENDITURES:						
Current:						
General government.....	2,146,815	130,558	-	94	158,109	2,435,576
Public safety.....	7,834,122	607,763	-	-	623,699	9,065,584
Education.....	35,295,069	3,001	-	-	5,935,489	41,233,559
Public works.....	4,973,413	863,309	609,251	-	646,421	7,092,394
Landfill.....	-	3,407,515	-	-	-	3,407,515
Human services.....	620,569	-	-	3,039	233,810	857,418
Culture and recreation.....	1,864,285	-	-	147,309	783,826	2,795,420
Pension benefits.....	10,955,785	-	-	-	-	10,955,785
Property and liability insurance.....	371,239	-	-	-	-	371,239
Employee benefits.....	11,221,929	-	-	-	-	11,221,929
State and county charges.....	3,082,820	-	-	-	-	3,082,820
Debt service:						
Principal on current refunding.....	17,151,952	335,483	-	-	754,495	18,241,930
Principal.....	4,085,000	-	-	-	-	4,085,000
Interest.....	2,738,406	10,971	-	-	-	2,749,377
TOTAL EXPENDITURES.....	102,341,404	5,358,600	609,251	150,442	9,135,849	117,595,546
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(16,956,212)	(5,358,600)	-	(64,909)	(540,193)	(22,919,914)
OTHER FINANCING SOURCES (USES):						
Issuance of debt.....	-	995,000	-	-	-	995,000
Issuance of refunding debt.....	17,151,952	-	-	-	-	17,151,952
Premiums from issuance of debt.....	-	-	-	-	807,149	807,149
Transfers in.....	1,307,815	-	-	-	4,000	1,311,815
Transfers out.....	-	-	-	(29,000)	(761,928)	(790,928)
TOTAL OTHER FINANCING SOURCES (USES).....	18,459,767	995,000	-	(29,000)	49,221	19,474,988
NET CHANGE IN FUND BALANCES.....	1,503,555	(4,363,600)	-	(93,909)	(490,972)	(3,444,926)
FUND BALANCES AT BEGINNING OF YEAR.....	20,654,181	5,838,209	-	4,827,539	9,459,520	40,779,449
FUND BALANCES AT END OF YEAR.....	\$ 22,157,736	\$ 1,474,609	\$ -	\$ 4,733,630	\$ 8,968,548	\$ 37,334,523

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds.....	\$	(3,444,926)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay.....	7,427,838	
Depreciation expense.....	<u>(5,519,213)</u>	
Net effect of reporting capital assets.....		1,908,625

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 unavailable revenue..... (18,537)

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:

Issuance of debt.....	(995,000)	
Issuance of refunding bonds.....	(17,151,952)	
Payments of refunded debt.....	18,241,930	
Premiums from issuance of debt.....	(807,149)	
Amortization of bond premiums.....	409,199	
Debt service principal payments.....	<u>4,085,000</u>	
Net effect of reporting long-term debt.....		3,782,028

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

Net change in compensated absences accrual.....	(33,070)	
Net change in deferred outflow/(inflow) of resources related to pensions.....	(1,644,477)	
Net change in landfill liability accrual.....	2,644,600	
Net change in accrued interest on long-term debt.....	(1,592)	
Net change in net pension liability.....	(1,097,096)	
Net change in other postemployment benefits.....	<u>(5,714,784)</u>	
Net effect of recording long-term liabilities.....		(5,846,419)

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

The net activity of internal service funds is reported with governmental activities.....		<u>83,007</u>
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Change in net position of governmental activities.....	\$	<u><u>(3,536,222)</u></u>
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See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2017

	Business-type Activities - Enterprise Funds					
	Sewer	Water	Harbor	Municipal Light (as of December 31, 2016)	Total	Workers' Compensation Internal Service Fund
ASSETS						
CURRENT:						
Cash and cash equivalents.....	\$ 3,424,039	\$ 3,166,421	\$ 667,525	\$ 7,094,006	\$ 14,351,991	\$ 1,094,733
Restricted cash and cash equivalents.....	-	-	-	6,949,454	6,949,454	-
Receivables, net of allowance for uncollectibles:						
Boat excise taxes.....	-	-	67,702	-	67,702	-
User fees.....	1,966,528	1,084,751	10,447	2,290,142	5,351,868	-
Inventory.....	-	-	-	74,693	74,693	-
Investment in joint venture.....	480,305	-	-	-	480,305	-
Other assets.....	-	-	-	1,293,984	1,293,984	-
Total current assets.....	5,870,872	4,251,172	745,674	17,702,279	28,569,997	1,094,733
NONCURRENT:						
Capital assets, net of accumulated depreciation.....	10,111,132	11,509,560	1,924,771	11,616,257	35,161,720	-
Capital assets, not being depreciated.....	115,466	49,427	2,004,077	689,574	2,858,544	-
Total noncurrent assets.....	10,226,598	11,558,987	3,928,848	12,305,831	38,020,264	-
TOTAL ASSETS.....	16,097,470	15,810,159	4,674,522	30,008,110	66,590,261	1,094,733
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows of resources related to pensions.....	179,525	189,317	94,006	1,776,278	2,239,126	-
LIABILITIES						
CURRENT:						
Warrants payable.....	370,773	53,687	22,831	1,452,181	1,899,472	61,226
Compensated absences.....	49,338	35,099	12,571	100,302	197,310	-
Other liabilities.....	-	-	200,113	-	200,113	-
Customer deposits payable.....	-	2,950	-	164,094	167,044	-
Workers' compensation.....	-	-	-	-	-	147,788
Total current liabilities.....	420,111	91,736	235,515	1,716,577	2,463,939	209,014
NONCURRENT:						
Compensated absences.....	3,369	-	-	-	3,369	-
Workers' compensation.....	-	-	-	-	-	633,561
Net pension liability.....	1,136,275	1,198,253	594,995	6,301,053	9,230,576	-
Other postemployment benefits.....	831,000	811,000	507,000	614,000	2,763,000	-
Total noncurrent liabilities.....	1,970,644	2,009,253	1,101,995	6,915,053	11,996,945	633,561
TOTAL LIABILITIES.....	2,390,755	2,100,989	1,337,510	8,631,630	14,460,884	842,575
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources related to pensions.....	31,221	32,924	16,348	467,359	547,852	-
Provision for rate stabilization.....	-	-	-	900,000	900,000	-
TOTAL DEFERRED INFLOWS OF RESOURCES.....	31,221	32,924	16,348	1,367,359	1,447,852	-
NET POSITION						
Investment in capital assets.....	10,226,598	11,558,987	3,928,848	12,305,831	38,020,264	-
Restricted for:						
Depreciation.....	-	-	-	6,949,454	6,949,454	-
Unrestricted.....	3,628,421	2,306,576	(514,178)	2,530,114	7,950,933	252,158
TOTAL NET POSITION.....	\$ 13,855,019	\$ 13,865,563	\$ 3,414,670	\$ 21,785,399	\$ 52,920,651	\$ 252,158

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2017

	Business-type Activities - Enterprise Funds					Workers' Compensation Internal Service Fund
	Sewer	Water	Harbor	Municipal Light (as of December 31, 2016)	Total	
OPERATING REVENUES:						
Charges for services.....	\$ 5,665,274	\$ 4,799,494	\$ 697,328	\$ 16,347,202	\$ 27,509,298	\$ 357,169
Licenses and permits.....	8,775	-	-	-	8,775	-
Miscellaneous.....	658	28,314	-	-	28,972	-
TOTAL OPERATING REVENUES.....	5,674,707	4,827,808	697,328	16,347,202	27,547,045	357,169
OPERATING EXPENSES:						
Cost of services and administration.....	709,292	387,306	442,318	13,818,481	15,357,397	-
Cost of interfund services provided.....	-	-	-	-	-	277,252
Personal services.....	743,814	880,573	397,720	-	2,022,107	-
Operating assessments.....	2,729,288	2,341,415	-	-	5,070,703	-
Depreciation.....	365,226	447,139	127,683	1,482,805	2,422,853	-
TOTAL OPERATING EXPENSES.....	4,547,620	4,056,433	967,721	15,301,286	24,873,060	277,252
OPERATING INCOME (LOSS).....	1,127,087	771,375	(270,393)	1,045,916	2,673,985	79,917
NONOPERATING REVENUES (EXPENSES):						
Boat excise taxes.....	-	-	124,716	-	124,716	-
Investment income.....	21,881	19,063	2,581	24,785	68,310	3,090
Capital outlay.....	-	-	-	-	-	-
Intergovernmental assessments.....	-	-	1,680	-	1,680	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	21,881	19,063	128,977	24,785	194,706	3,090
INCOME (LOSS) BEFORE TRANSFERS.....	1,148,968	790,438	(141,416)	1,070,701	2,868,691	83,007
TRANSFERS:						
Transfers in.....	-	57,000	-	-	57,000	-
Transfers out.....	(79,789)	(75,954)	(92,145)	(329,999)	(577,887)	-
CHANGE IN NET POSITION.....	1,069,179	771,484	(233,561)	740,702	2,347,804	83,007
NET POSITION AT BEGINNING OF YEAR.....	12,785,840	13,094,079	3,648,231	21,044,697	50,572,847	169,151
NET POSITION AT END OF YEAR.....	\$ 13,855,019	\$ 13,865,563	\$ 3,414,670	\$ 21,785,399	\$ 52,920,651	\$ 252,158

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2017

	Business-type Activities - Enterprise Funds					Workers' Compensation Internal Service Fund
	Sewer	Water	Harbor	Municipal Light (as of December 31, 2016)	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers and users.....	\$ 5,353,752	\$ 4,813,207	\$ 694,151	\$ 16,236,016	\$ 27,097,126	\$ -
Receipts from interfund services provided.....	-	-	-	-	-	357,169
Payments to vendors.....	(3,542,733)	(2,587,363)	(336,598)	(11,607,169)	(18,073,863)	(242,103)
Payments to employees.....	(656,165)	(792,250)	(359,055)	(2,907,725)	(4,715,195)	-
NET CASH FROM OPERATING ACTIVITIES.....	1,154,854	1,433,594	(1,502)	1,721,122	4,308,068	115,066
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfers in.....	-	57,000	-	-	57,000	-
Transfers out.....	(79,789)	(75,954)	(92,145)	(329,999)	(577,887)	-
Boat excise taxes.....	-	-	123,823	-	123,823	-
Intergovernmental assessments.....	-	-	1,680	-	1,680	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	(79,789)	(18,954)	33,358	(329,999)	(395,384)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition and construction of capital assets.....	(1,258,709)	(899,341)	(61,234)	(1,385,796)	(3,605,080)	-
CASH FLOWS FROM INVESTING ACTIVITIES:						
Investment income.....	21,881	19,063	2,581	24,785	68,310	3,090
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(161,763)	534,362	(26,797)	30,112	375,914	118,156
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR....	3,585,802	2,632,059	694,322	14,013,348	20,925,531	976,577
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 3,424,039	\$ 3,166,421	\$ 667,525	\$ 14,043,460	\$ 21,301,445	\$ 1,094,733
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:						
Operating income (loss).....	\$ 1,127,087	\$ 771,375	\$ (270,393)	\$ 1,045,916	\$ 2,673,985	\$ 79,917
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation.....	365,226	447,139	127,683	1,482,805	2,422,853	-
Deferred (outflows)/inflows related to pension.....	48,674	51,329	25,487	(899,475)	(773,985)	-
Changes in assets and liabilities:						
User fees.....	(320,955)	(16,902)	(3,177)	(96,653)	(437,687)	-
Inventory.....	-	-	-	19,496	19,496	-
Investment in joint venture.....	(213,108)	-	-	-	(213,108)	-
Other assets.....	-	-	-	123,991	123,991	-
Warrants payable.....	-	-	(1,533)	(51,984)	(53,517)	55,417
Other liabilities.....	-	-	1,850	-	1,850	-
Customer deposits payable.....	-	2,301	-	(14,533)	(12,232)	-
Accrued compensated absences.....	6,502	2,751	(3,826)	10,384	15,811	-
Workers' compensation.....	-	-	-	-	-	(20,268)
Other postemployment benefits.....	108,955	141,358	105,403	(1,106,000)	(750,284)	-
Net pension liability.....	32,473	34,243	17,004	1,207,175	1,290,895	-
Total adjustments.....	27,767	662,219	268,891	675,206	1,634,083	35,149
NET CASH FROM OPERATING ACTIVITIES.....	\$ 1,154,854	\$ 1,433,594	\$ (1,502)	\$ 1,721,122	\$ 4,308,068	\$ 115,066

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2017

	Pension Trust Fund (as of December 31, 2016)	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS				
Cash and cash equivalents.....	\$ 63,894	\$ -	\$ 3,112,503	\$ 356,877
Investments - PRIT.....	89,869,248	2,880,628	-	-
Receivables, net of allowance for uncollectibles:				
Departmental and other.....	-	-	175	-
Intergovernmental.....	6,214	-	-	-
Capital assets, net of accumulated depreciation.....	-	-	172,135	-
Capital assets, not being depreciated.....	-	-	2,045	-
TOTAL ASSETS.....	89,939,356	2,880,628	3,286,858	356,877
LIABILITIES				
Warrants payable.....	1,624	-	3,155	36
Liabilities due depositors.....	-	-	-	356,841
Other liabilities.....	-	-	175	-
TOTAL LIABILITIES.....	1,624	-	3,330	356,877
NET POSITION				
Restricted for pensions.....	89,937,732	-	-	-
Restricted for OPEB.....	-	2,880,628	-	-
Held for other purposes.....	-	-	3,283,528	-
Total Net Position.....	\$ 89,937,732	\$ 2,880,628	\$ 3,283,528	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2017

	Pension Trust Fund (as of December 31, 2016)	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds
ADDITIONS:			
Contributions:			
Employer contributions.....	\$ 3,247,889	\$ 1,700,000	\$ -
Employer contributions to pay benefit payments.....	-	4,700,000	-
Member contributions.....	2,024,341	-	-
Member contributions - transfers from other systems.....	380,970	-	-
Retirement benefits - 3(8)c contributions from other systems.....	114,654	-	-
Retirement benefits - state COLA reimbursements.....	90,881	-	-
Private donations.....	-	-	53,563
Total contributions.....	5,858,735	6,400,000	53,563
Net investment income (loss):			
Net change in fair value of investments.....	4,286,977	-	-
Investment income.....	2,530,146	326,130	28,327
Total investment income (loss).....	6,817,123	326,130	28,327
Less: investment expense.....	(471,002)	-	-
Net investment income (loss).....	6,346,121	326,130	28,327
TOTAL ADDITIONS.....	12,204,856	6,726,130	81,890
DEDUCTIONS:			
Administration.....	140,850	-	-
Member contributions - transfers to other systems.....	209,518	-	-
Retirement benefits and refunds.....	8,936,861	-	-
Other postemployment benefits.....	-	4,700,000	-
Depreciation.....	-	-	13,693
Charitable payments.....	-	-	68,303
Educational scholarships.....	-	-	8,800
TOTAL DEDUCTIONS.....	9,287,229	4,700,000	90,796
CHANGE IN NET POSITION.....	2,917,627	2,026,130	(8,906)
NET POSITION AT BEGINNING OF YEAR.....	87,020,105	854,498	3,292,434
NET POSITION AT END OF YEAR.....	\$ 89,937,732	\$ 2,880,628	\$ 3,283,528

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.

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 is a department of the Town of Marblehead that 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, 2016, were audited by other independent public accountants. A copy of the report can be obtained by contacting the MMLP at 40 Tioga Way, #350, Marblehead, MA 01945.

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.

Joint Ventures – The South Essex Sewerage District (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, 2017, the Town's equity interest in the operations of the District is \$480,000, 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.

The Town is a member of the Essex North Shore Agricultural and Technical School District that serves the members' students seeking an education in academic, technical and agricultural studies. The members' share in the operations of the Essex North Shore Agricultural and Technical School District and each member is

responsible for its proportionate share of the operational and capital cost of the Essex North Shore Agricultural and Technical School District, which are paid in the form of assessments. The Town does not have an equity interest in the Essex North Shore Agricultural and Technical School District and the 2017 assessment was \$274,000. Complete financial information can be obtained by contacting them at 565 Maple Street, Danvers, MA 01923.

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 and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets and deferred outflows of resources, liabilities and deferred inflows of resources, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, 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 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 due and payable. Obligations for compensated absences and claims and judgements are recognized in the general fund only when they are due.

Property taxes, excise taxes, police detail fees and trash user charges are considered available if they are collected within 60 days after year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become 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 *Highway Improvement Fund* is used to account for financial activities associated with highway and road repair projects funded by the State's Chapter 90 Highway Program.

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 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 *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.

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

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

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. Fair Value Measurements

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

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

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

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

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

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

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

F. Accounts Receivable 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 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 year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

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

G. 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, 2016. 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.

H. 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, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. 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 \$10,000, 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

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

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

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

Governmental Fund Financial Statements

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town has recorded unavailable revenue as deferred inflows of resources in the governmental funds balance sheet. Unavailable revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

J. 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.

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 Trust Funds - 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 to support governmental programs.

Permanent Funds – Nonexpendable Trust Funds - 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. Town management is authorized by state law the ability to assign fund balance when there is an obligation to purchase goods or services from the current years’ appropriation. The Finance Director is responsible making the assignment. Assignments generally only exist temporarily. Additional action does not have to be taken for the removal of an assignment.

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

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

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. Pensions

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

O. 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.

P. 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.

Q. 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 (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 and the OPEB trust fund participate 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's policy limits unsecured bank deposits to no more than 10% of the Town's cash. At year-end, the carrying amount of deposits totaled \$52,634,309 and the bank balance totaled \$54,722,147. Of the bank balance, \$1,641,014 was covered by Federal Depository Insurance, \$12,081,398 was covered by DIF Insurance, \$40,924,668 was collateralized and \$75,067 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Restricted cash of \$6,949,454 consisted of the Municipal Light Plant's depreciation fund which may be used for the cost of plant, nuclear decommissioning costs, costs of contractual commitments, and future costs related to such commitments which the Municipal Light Board determines are above market value.

At December 31, 2016, the carrying amount of deposits for the System totaled \$63,894, and the bank balance of \$80,463, was fully covered by Federal Depository Insurance.

Investments

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

Town balances at June 30, 2017:

Investment Type	Fair Value
<u>Other Investments</u>	
Equity Securities.....	\$ 1,413,333
MMDT.....	11,730,910
PRIT.....	2,880,629
Total Investments.....	\$ <u>16,024,872</u>

System balances at December 31, 2016:

Investment Type	Fair Value
PRIT.....	\$ <u>89,869,248</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 Town and the System participate in PRIT. The effective weighted duration rate for PRIT investments ranged from 0.45 to 22.60 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 primary objective of the Town's investment policy for custodial credit risk is to minimize the risk to investment principal through the careful selection of investment custodians. The Town does not have any custodial credit risk exposure as of June 30, 2017, because the \$1,413,333 in equity securities are held by the Town and the \$11,730,910 in shares of MMDT and \$2,880,629 in PRIT are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

At December 31, 2016, the System's \$89,869,248 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

The Town has a formal investment policy limiting investment maturities up to one year as a means of managing its exposure to fair value losses arising from increasing interest rates. The System does not have a formal investment policy related to interest rate risk.

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

Credit Risk

The Town has not adopted a formal policy related to Credit Risk. The Town's investments in MMDT and PRIT 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 restricts investments to no more than 5% in any one issue. The Town did not have more than 5% of its investments in any one individual security.

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

Fair Market Value of Investments

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

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Town has the following recurring fair value measurements as of June 30, 2017:

Investment Type	6/30/17	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Equity securities.....	\$ 1,413,333	\$ <u>1,413,333</u>	\$ <u>-</u>	\$ <u>-</u>
Investments measured at the net asset value (NAV):				
PRIT.....	2,880,629			
Investments measured at amortized cost:				
MMDT.....	<u>11,730,910</u>			
Total investments.....	\$ <u>16,024,872</u>			

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

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

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

Retirement System

The retiree pension defined benefit plan holds significant amounts of investments that are measured at fair value on a recurring basis. Because investing is a key part of the plan's activities, the plan shows greater disaggregation in its disclosures. The plan chooses a narrative format for disclosing the levels within the fair value hierarchy.

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

The System's investments in PRIT are valued at \$89,869,248 as of December 31, 2016. The PRIT Investments are valued using the net asset value (NAV) method. This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management Board (PRIM). The values of the positions in each investment pool are the same as the value of each Pool's shares. The System does not have the ability to control any of the investment decisions relative to its funds in PRIT.

NOTE 3 – RECEIVABLES

At June 30, 2017, 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.....	\$ 639,897	\$ (10,034)	\$ 629,863
Real estate tax deferrals.....	843,853	-	843,853
Tax liens.....	325,258	-	325,258
Motor vehicle excise taxes.....	296,703	(68,492)	228,211
Interest and dividends.....	14,164	-	14,164
Departmental and other.....	203,521	(2,506)	201,015
Intergovernmental - pension fund.....	6,214	-	6,214
Intergovernmental - governmental funds.....	459,874	-	459,874
Total.....	<u>\$ 2,789,484</u>	<u>\$ (81,032)</u>	<u>\$ 2,708,452</u>

At June 30, 2017, 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.....	\$ 2,038,176	\$ (71,648)	\$ 1,966,528
Water user fees.....	1,121,362	(36,611)	1,084,751
Harbor user fees.....	13,059	(2,612)	10,447
Municipal Light user fees (December 31, 2016).. <td>2,290,142</td> <td>-</td> <td>2,290,142</td>	2,290,142	-	2,290,142
Boat excise taxes.....	71,265	(3,563)	67,702
Total.....	\$ 5,534,004	\$ (114,434)	\$ 5,419,570

Unavailable Revenue

Property taxes and other receivables in Governmental Funds that are measurable but not available have been classified as deferred inflows of resources on June 30, 2017, as follows:

	General Fund	Other Governmental Funds	Total
<u>Receivable and other asset type:</u>			
Real estate and personal property taxes.....	\$ 624,126	\$ -	\$ 624,126
Tax liens.....	325,258	-	325,258
Motor vehicle excise taxes.....	113,921	-	113,921
Departmental and other.....	10,022	5,522	15,544
Intergovernmental.....	29,397	388,549	417,946
Total.....	\$ <u>1,102,724</u>	\$ <u>394,071</u>	\$ <u>1,496,795</u>

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, 2017, have been reported as follows:

Transfers Out	Transfers In			Total	
	General Fund	Nonmajor Governmental Funds	Water Enterprise Fund		
Public Funds.....	\$ 25,000	\$ 4,000	\$ -	\$ 29,000	(1)
Nonmajor Governmental Funds.....	704,928	-	57,000	761,928	(2)
Water Enterprise.....	75,954	-	-	75,954	(3)
Sewer Enterprise.....	79,789	-	-	79,789	(3)
Municipal Light Enterprise.....	329,999	-	-	329,999	(3)
Harbor Enterprise.....	92,145	-	-	92,145	(3)
Total.....	\$ <u>1,307,815</u>	\$ <u>4,000</u>	\$ <u>57,000</u>	\$ <u>1,368,815</u>	

- (1) Transfers from Public Funds to the General fund to support cemetery care and to Nonmajor Governmental Funds to support public park care.
- (2) Transfers from Nonmajor Governmental Funds to the General Fund to support the general operating budget; these items include police detail administration fees, wetland fees and the use of bond premiums.
- (3) Payments in lieu of taxes and reimbursements for general government services.

The Town's interfund balance at June 30, 2017, consisted of \$13,790 due from the Highway Improvement Fund to the General Fund for interfund borrowings for cash flow purposes.

NOTE 5 – CAPITAL ASSETS

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

	Beginning Balance	Additions	(Retirements)	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 8,057,539	\$ -	\$ -	\$ 8,057,539
Construction in progress.....	33,532	50,727	-	84,259
Total capital assets not being depreciated...	8,091,071	50,727	-	8,141,798
<u>Capital assets being depreciated:</u>				
Land improvements.....	5,524,460	3,053,035	-	8,577,495
Buildings.....	107,593,640	-	(640,447)	106,953,193
Building improvements.....	33,956,787	656,162	(2,230,505)	32,382,444
Machinery and equipment.....	13,428,202	1,547,746	(768,307)	14,207,641
Infrastructure.....	36,364,760	2,120,168	(120,000)	38,364,928
Total capital assets being depreciated.....	196,867,849	7,377,111	(3,759,259)	200,485,701
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(1,914,594)	(237,832)	-	(2,152,426)
Buildings.....	(35,694,119)	(2,493,245)	640,447	(37,546,917)
Building improvements.....	(11,506,851)	(910,224)	2,230,505	(10,186,570)
Machinery and equipment.....	(9,190,652)	(1,065,549)	768,307	(9,487,894)
Infrastructure.....	(11,184,450)	(812,363)	120,000	(11,876,813)
Total accumulated depreciation.....	(69,490,666)	(5,519,213)	3,759,259	(71,250,620)
Total capital assets being depreciated, net.....	127,377,183	1,857,898	-	129,235,081
Total governmental activities capital assets, net....	\$ 135,468,254	\$ 1,908,625	\$ -	\$ 137,376,879

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

Business-Type Activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Retirements)</u>	<u>Ending Balance</u>
<u>Sewer:</u>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 115,466	\$ -	\$ -	\$ 115,466
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	208,494	-	-	208,494
Machinery and equipment.....	1,191,978	50,239	-	1,242,217
Infrastructure.....	14,358,392	1,482,630	(500,000)	15,341,022
Total capital assets being depreciated.....	15,758,864	1,532,869	(500,000)	16,791,733
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(130,824)	(4,707)	-	(135,531)
Machinery and equipment.....	(861,683)	(83,351)	-	(945,034)
Infrastructure.....	(5,822,868)	(277,168)	500,000	(5,600,036)
Total accumulated depreciation.....	(6,815,375)	(365,226)	500,000	(6,680,601)
Total capital assets being depreciated, net.....	8,943,489	1,167,643	-	10,111,132
Total sewer activities capital assets, net.....	\$ 9,058,955	\$ 1,167,643	\$ -	\$ 10,226,598
	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Retirements)</u>	<u>Ending Balance</u>
<u>Water:</u>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 49,427	\$ -	\$ -	\$ 49,427
<u>Capital assets being depreciated:</u>				
Land improvements.....	1,033,910	540,910	-	1,574,820
Buildings.....	946,475	-	-	946,475
Machinery and equipment.....	989,124	374,865	-	1,363,989
Infrastructure.....	14,953,288	-	(147,119)	14,806,169
Total capital assets being depreciated.....	17,922,797	915,775	(147,119)	18,691,453
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(32,518)	(48,777)	-	(81,295)
Buildings.....	(559,849)	(22,247)	-	(582,096)
Machinery and equipment.....	(554,139)	(91,194)	-	(645,333)
Infrastructure.....	(5,735,367)	(284,921)	147,119	(5,873,169)
Total accumulated depreciation.....	(6,881,873)	(447,139)	147,119	(7,181,893)
Total capital assets being depreciated, net.....	11,040,924	468,636	-	11,509,560
Total water activities capital assets, net.....	\$ 11,090,351	\$ 468,636	\$ -	\$ 11,558,987

	Beginning Balance	Additions	(Retirements)	Ending Balance
<u>Harbor:</u>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 2,004,077	\$ -	\$ -	\$ 2,004,077
Construction in progress.....	-	-	-	-
Total capital assets not being depreciated...	2,004,077	-	-	2,004,077
<u>Capital assets being depreciated:</u>				
Piers.....	409,300	30,655	-	439,955
Buildings.....	883,440	-	-	883,440
Building improvements.....	129,160	-	-	129,160
Land improvements.....	940,919	18,345	-	959,264
Machinery and equipment.....	1,567,316	12,234	-	1,579,550
Total capital assets being depreciated.....	3,930,135	61,234	-	3,991,369
<u>Less accumulated depreciation for:</u>				
Piers.....	(58,142)	(13,237)	-	(71,379)
Buildings.....	(408,705)	(21,586)	-	(430,291)
Building improvements.....	(66,887)	(4,038)	-	(70,925)
Land improvements.....	(480,140)	(19,303)	-	(499,443)
Machinery and equipment.....	(925,041)	(69,519)	-	(994,560)
Total accumulated depreciation.....	(1,938,915)	(127,683)	-	(2,066,598)
Total capital assets being depreciated, net.....	1,991,220	(66,449)	-	1,924,771
Total harbor activities capital assets, net.....	\$ 3,995,297	\$ (66,449)	\$ -	\$ 3,928,848
<u>Municipal Light:</u>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 53,947	\$ -	\$ -	\$ 53,947
Construction in progress.....	160,811	474,816	-	635,627
Total capital assets not being depreciated...	214,758	474,816	-	689,574
<u>Capital assets being depreciated:</u>				
Light plant and equipment.....	29,656,105	910,980	(176,894)	30,390,191
<u>Less accumulated depreciation for:</u>				
Light plant and equipment.....	(17,468,023)	(1,482,805)	176,894	(18,773,934)
Total capital assets being depreciated, net.....	12,188,082	(571,825)	-	11,616,257
Total light activities capital assets, net.....	\$ 12,402,840	\$ (97,009)	\$ -	\$ 12,305,831

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

	Beginning Balance	Additions	(Retirements)	Ending Balance
<u>Fiduciary Activities:</u>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 2,045	\$ -	\$ -	\$ 2,045
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	294,455	-	-	294,455
Equipment.....	25,940	-	-	25,940
Total capital assets being depreciated.....	320,395	-	-	320,395
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(130,676)	(8,505)	-	(139,181)
Equipment.....	(3,891)	(5,188)	-	(9,079)
Total accumulated depreciation.....	(134,567)	(13,693)	-	(148,260)
Total capital assets being depreciated, net.....	185,828	(13,693)	-	172,135
Total fiduciary activities capital assets, net.....	\$ 187,873	\$ (13,693)	\$ -	\$ 174,180

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

Governmental Activities:

General government.....	\$ 257,369
Public safety.....	335,776
Education.....	3,180,013
Public works.....	1,131,404
Human services.....	41,275
Culture and recreation.....	573,376
Total depreciation expense - governmental activities.....	\$ 5,519,213

Business-Type Activities:

Sewer.....	\$ 365,226
Water.....	447,139
Harbor.....	127,683
Municipal Light.....	1,482,805
Total depreciation expense - business-type activities.....	\$ 2,422,853

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 2017, \$10.4 million of the Town's BANS have been classified as long-term. Refer to Note 7 for information regarding BANS classified as long-term debt as of June 30, 2017.

NOTE 7 – LONG-TERM DEBT

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

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

The following is a summary of the long-term debt transactions of the Town for the year ended June 30, 2017:

Project	Original Amount	Interest % Rate	Balance 6/30/16	Issued and Transferred	Redeemed	Balance 6/30/17
Causeway Seawall, maturities through 2018.....	\$ 6,500,000	2.00	\$ 1,620,000	\$ -	\$ (810,000)	\$ 810,000
Village School, maturities through 2031.....	2,600,000	3.08	2,185,000	-	(125,000)	2,060,000
Village School, maturities through 2031.....	12,000,000	3.06	9,825,000	-	(510,000)	9,315,000
School Refunding Bonds of 2012, maturities through 2025.....	15,860,000	5.00	14,385,000	-	(1,350,000)	13,035,000
General Obligation Bonds of 2012, maturities through 2033.....	9,171,000	2.39	8,065,000	-	(440,000)	7,625,000
General Obligation Bonds of 2013, maturities through 2034.....	8,974,000	3.51	8,495,000	-	(330,000)	8,165,000
General Obligation Bonds of 2014, maturities through 2035.....	8,158,000	3.36	7,915,000	-	(395,000)	7,520,000
General Obligation Bonds of 2015, maturities through 2036.....	9,225,000	3.81	9,225,000	-	(125,000)	9,100,000
General Obligation Bonds of 2016, maturities through 2037.....	7,767,000	2.00	-	7,767,000	-	7,767,000
General Obligation Long-term refunding BAN of 2016.....	18,241,930	1.00	18,241,930	-	(18,241,930)	-
General Obligation Long-term refunding BAN of 2017.....	9,384,952	0.77	-	9,384,952	-	9,384,952
General Obligation Long-term BAN of 2017.....	995,000	1.00	-	995,000	-	995,000
Total General Obligation Bonds and Notes.....			79,956,930	18,146,952	(22,326,930)	75,776,952
Unamortized Premiums on Bonds and Notes.....			2,703,502	807,149	(409,199)	3,101,452
Total Governmental Bonds Payable as reported on the Statement of Net Position.....			<u>\$ 82,660,432</u>	<u>\$ 18,954,101</u>	<u>\$ (22,736,129)</u>	<u>\$ 78,878,404</u>

As of June 30, 2017, the Town has approximately \$3 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 2017, the Town released \$563,000 from this fund to offset interest expenses and the Town added \$94,000 of bond premiums received.

On June 30, 2016, the Town had \$18.2 million in long-term BANS outstanding which were due on August 6, 2016. In 2017, the Town retired approximately \$7.8 million through the issuance of long-term debt; reissued \$9.4 million as part of a new BAN with an interest rate of 2.0% due August 4, 2017; and paid \$1.1 million of the BAN with available funds. The \$9.4 million BAN, along with \$995,000 in new BAN funds have been classified as long-term debt in the financial statements.

Subsequent to year-end the Town issued \$7,780,000 of long-term bonds and \$1,492,952 of long-term refunding BAN's which, along with additional Town funds, were used to pay off the \$9,384,952 and \$995,000 long-term BAN's outstanding at June 30, 2017.

Annual Requirements

The annual requirements to amortize all long-term debt outstanding as of June 30, 2017, are as follows:

<u>Governmental Activities</u>			
Exempt from Proposition 2 1/2			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2018	\$ 5,614,000	\$ 2,522,905	\$ 8,136,905
2019	5,642,952	2,584,426	8,227,378
2020	4,425,000	2,241,060	6,666,060
2021	4,490,000	2,051,762	6,541,762
2022	4,665,000	1,858,306	6,523,306
2023	4,870,000	1,666,348	6,536,348
2024	4,925,000	1,479,423	6,404,423
2025	5,095,000	1,300,713	6,395,713
2026	3,385,000	1,147,894	4,532,894
2027	3,515,000	1,019,022	4,534,022
2028	3,630,000	890,204	4,520,204
2029	3,710,000	756,845	4,466,845
2030	3,840,000	627,746	4,467,746
2031	3,875,000	500,893	4,375,893
2032	3,035,000	388,232	3,423,232
2033	3,135,000	293,323	3,428,323
2034	2,680,000	198,227	2,878,227
2035	2,110,000	123,646	2,233,646
2036	1,635,000	67,562	1,702,562
2037	1,000,000	29,026	1,029,026
2038	500,000	7,500	507,500
Totals	\$ <u>75,776,952</u>	\$ <u>21,755,063</u>	\$ <u>97,532,015</u>

Bond Authorizations

Long-term debt authorizations voted by Town Meetings which have not been issued or rescinded as of June 30, 2017, are as follows:

<u>Date Authorized</u>	<u>Project</u>	<u>Amount</u>
May 2008	Village School Reconstruction.....	\$ 248,356
May 2012	Surface Drainage Construction.....	1,158,357
May 2012	Old Town House Improvements.....	19,708
May 2013	Abbot Hall Tower Renovation.....	195,815
May 2013	151 Green Street Cleanup.....	143,780
May 2015	Landfill Drainage.....	550,000
May 2015	Landfill Closure.....	1,000,000
May 2015	New Transfer Station.....	5,750,000
May 2016	Fire Pumper Truck.....	620,000
May 2016	Gerry School Feasibility Study.....	750,000
Total.....		<u>\$ 10,436,016</u>

Changes in Long-term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Long-term bonds and notes.....	\$ 79,956,930	\$ 18,146,952	\$ (22,326,930)	\$ 75,776,952	\$ 5,614,000
Add: unamortized premium.....	2,703,502	807,149	(409,199)	3,101,452	329,748
Total bonds payable.....	82,660,432	18,954,101	(22,736,129)	78,878,404	5,943,748
Other postemployment benefits.....	39,998,216	10,301,784	(4,587,000)	45,713,000	-
Compensated absences.....	1,108,533	929,424	(896,354)	1,141,603	971,277
Landfill closure.....	7,064,200	2,865,000	(5,509,600)	4,419,600	1,554,600
Net pension liability.....	37,292,461	3,656,186	(2,559,090)	38,389,557	-
Workers' compensation.....	801,617	221,835	(242,103)	781,349	147,788
Total governmental activity long-term liabilities.....	<u>\$ 168,925,459</u>	<u>\$ 36,928,330</u>	<u>\$ (36,530,276)</u>	<u>\$ 169,323,513</u>	<u>\$ 8,617,413</u>
Business-Type Activities:					
Other postemployment benefits.....	\$ 3,513,284	\$ 1,042,716	\$ (1,793,000)	\$ 2,763,000	\$ -
Net pension liability.....	7,939,681	7,787,234	(6,496,339)	9,230,576	-
Compensated absences.....	184,868	106,940	(91,129)	200,679	197,310
Total business-type activity long-term liabilities.....	<u>\$ 11,637,833</u>	<u>\$ 8,936,890</u>	<u>\$ (8,380,468)</u>	<u>\$ 12,194,255</u>	<u>\$ 197,310</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 and the deficit fund balances for other funds that would otherwise be restricted, committed, or assigned.

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.

As of June 30, 2017, the governmental fund balances consisted of the following:

	General	Capital Projects Fund	Public Funds	Nonmajor Governmental Funds	Total Governmental Funds
FUND BALANCES					
Nonspendable:					
Permanent fund principal..... \$	- \$	- \$	3,586,670 \$	- \$	3,586,670
Restricted for:					
Capital projects fund.....	-	1,474,609	-	-	1,474,609
Public funds.....	-	-	1,146,960	-	1,146,960
Federal grants.....	-	-	-	18,198	18,198
State grants.....	-	-	-	172,179	172,179
Other grants.....	-	-	-	1,144,372	1,144,372
Revolving funds.....	-	-	-	897,710	897,710
Receipts reserved for appropriation..	-	-	-	3,050,675	3,050,675
Gifts.....	-	-	-	248,980	248,980
Special revenue trust funds.....	-	-	-	3,436,434	3,436,434
Committed to:					
General government:					
Equipment.....	20,911	-	-	-	20,911
Improving Public Buildings.....	46,759	-	-	-	46,759
Ocean Ave Seawall.....	45,594	-	-	-	45,594
Public works:					
Walls and Fences.....	20,418	-	-	-	20,418
Landfill Regulator.....	82,090	-	-	-	82,090
Drain Construction.....	120,203	-	-	-	120,203
Assigned to:					
General government.....	73,373	-	-	-	73,373
Public safety:					
Police - Salaries.....	207	-	-	-	207
Building Commissioner.....	28,515	-	-	-	28,515
Public works & Facilities:					
Highway Department.....	49,820	-	-	-	49,820
Tree Department.....	21,261	-	-	-	21,261
Culture and recreation:					
Parks Department.....	21,411	-	-	-	21,411
Fringe benefits:					
Salary Reserve.....	126,653	-	-	-	126,653
Group Insurance.....	73,099	-	-	-	73,099
Free cash used for subsequent year's expenditures.....	7,100,000	-	-	-	7,100,000
Unassigned.....	14,327,422	-	-	-	14,327,422
TOTAL FUND BALANCES..... \$	22,157,736 \$	1,474,609 \$	4,733,630 \$	8,968,548 \$	37,334,523

NOTE 9 – PENSION PLAN*Plan Description*

The Town is a member of the Marblehead Contributory Retirement System (MCRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 2 member units. The System is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The System is a component unit and is reported as a pension trust fund in the fiduciary fund financial statements.

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

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2016. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$8,325,456, is reported in the general fund as intergovernmental revenue and pension benefits in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Town is \$81,616,869, as of the measurement date.

Benefits Provided

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

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

Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System. There were no changes in benefit terms that effected the measurement of the total pension liability at December 31, 2016.

At December 31, 2016, the MCRS membership consists of the following:

Retirees and beneficiaries currently receiving benefits.....	348
Active employees.....	442
Inactive employees.....	<u>162</u>
Total.....	<u>952</u>

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the MCRS a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The total member units' contribution for the year ended December 31, 2016, was \$3,237,852, 15.96% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The Town's proportionate share of the required contribution for the year ended December 31, 2016, was \$2,754,376, and equaled its actual contribution.

Pension Liabilities

The components of the net pension liability of the participating member units at June 30, 2017, were as follows:

Total pension liability.....	\$ 138,509,557
The pension plan's fiduciary net position.....	<u>(89,937,732)</u>
The net pension liability.....	<u>\$ 48,571,825</u>
The pension plan's fiduciary net position as a percentage of the total pension liability.....	65%

At June 30, 2017, the Town reported a liability of \$47,620,133, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, for the Town and December 31, 2015, for the Municipal Light Enterprise, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. Accordingly, update procedures were used to roll forward the total pension liability to the Town's measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At December 31, 2016, the Town's proportion was 98.422% (including the light plant), which is the same as its proportion measured at December 31, 2015.

Pension Expense

For the year ended June 30, 2017, the Town recognized pension expense of \$5,705,159, exclusive of the Light Plant. At June 30, 2017, the Town and the Light Plant reported deferred outflows of resources related to pensions of \$6,528,166, and \$1,776,278, respectively. At June 30, 2017, the Town and the Light Plant reported deferred inflows of resources related to pensions of \$1,135,310 and \$467,359, respectively. The balances of deferred outflows and inflows at June 30, 2017, for the Town, excluding the municipal light plant are as follows:

Deferred category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ -	\$ (1,135,310)	\$ (1,135,310)
Changes of assumptions.....	3,171,822	-	3,171,822
Difference between projected and actual earnings.....	3,253,178	-	3,253,178
Changes in proportion.....	103,166	-	103,166
Total Deferred Outflows/(Inflows) of Resources.....	\$ <u>6,528,166</u>	\$ <u>(1,135,310)</u>	\$ <u>5,392,856</u>

The balances of deferred outflows and inflows at June 30, 2017, for the municipal light plant are as follows:

Deferred category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ -	\$ (239,682)	\$ (239,682)
Changes of assumptions.....	669,623	-	669,623
Difference between projected and actual earnings.....	674,263	-	674,263
Changes in proportion.....	-	(227,677)	(227,677)
Contributions made subsequent to the measurement date.....	432,392	-	432,392
Total Deferred Outflows/(Inflows) of Resources.....	\$ <u>1,776,278</u>	\$ <u>(467,359)</u>	\$ <u>1,308,919</u>

The deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Town	Light Plant	Total
2017.....	\$ -	\$ 642,773	\$ 642,773
2018.....	1,814,048	210,381	2,024,429
2019.....	1,814,047	210,381	2,024,428
2020.....	1,730,150	208,234	1,938,384
2021.....	34,611	37,150	71,761
Total.....	\$ <u>5,392,856</u>	\$ <u>1,308,919</u>	\$ <u>6,701,775</u>

Changes of Assumptions

The most recent actuarial valuation as of January 1, 2016, included several changes of assumptions from the prior actuarial valuation. These changes include a decrease in the assumed discount rate from 7.75% down to 7.5%, as well as changes in the applied mortality tables.

Changes in Plan Provisions

None.

Actuarial Assumptions

The total pension liability in the January 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement that was updated to December 31, 2016, for the Town's measurement date:

Valuation date.....	January 1, 2016
Actuarial cost method.....	Entry age normal cost method
Amortization method.....	Total appropriation increases 8% each year
Remaining amortization period.....	22 years
Asset valuation method.....	Deferred recognition method
Investment rate of return/discount rate.....	7.5% as of June 30, 2017, 7.75% as of June 30, 2016.
Inflation rate.....	Not explicitly assumed
Projected salary increases.....	Varies by length of service with ultimate rates of 4.25% for Group 1 (General Employees), 4.50% for Group 2 (Hazardous Duty Positions) and 4.75% for Group 4 (Police & Firefighters).
Cost of living adjustments.....	3.0% per year of the first \$12,000 of retirement income
Rates of retirement.....	Varies based upon age and gender for Groups 1 & 2, varies upon age for Group 4.
Rates of disability.....	It is assumed that the percentage of job-related disabilities is 55% for Groups 1 & 2 and 90% for Group 4.
Mortality Rates.....	<p>Pre-retirement rates reflect the RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct).</p> <p>Post-Retirement rates reflect the RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct).</p> <p>For disabled members, the mortality rate is assumed to be in accordance with RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year of 2012 (gender distinct).</p> <p>It is assumed 55% of pre-retirement deaths are job related for Group 1 & 2 members and 90% are job-related for Group 4 members. For members retired under an accidental disability, 40% of deaths are assumed to be from the same cause as the disability.</p>

Investment Policy

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2016, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Equities.....	14.50%	7.50%
Small/Mid Cap Equities.....	3.50%	7.75%
International Equities (Unhedged).....	16.00%	7.83%
Emerging International Equities.....	6.00%	9.61%
High-Yield Bonds.....	1.50%	5.75%
Core Bonds.....	5.00%	4.00%
Bank Loans.....	1.50%	6.00%
EMD (external).....	1.00%	5.75%
EMD (local currency).....	2.00%	6.50%
TIPS.....	3.00%	3.75%
Long Treasuries.....	5.00%	3.75%
Private Debt.....	4.00%	9.06%
Private Equity.....	10.00%	9.50%
Real Estate.....	10.00%	6.50%
Hedge Funds & Portfolio Completion.....	13.00%	6.48%
Timber/Natural Resources.....	4.00%	6.00%
	<u>100.00%</u>	

Rate of Return

For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.45%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

The discount rate used to measure the total pension liability was 7.50% as of June 30, 2017 and 7.75% as of June 30, 2016. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 7.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	December 31, 2016 Measurement Date		
	1% Decrease (6.50%)	Current Discount (7.50%)	1% Increase (8.50%)
The Town's proportionate share of the net pension liability.....	\$ 54,142,379	\$ 41,319,080	\$ 30,450,941
The Retirement System's total net pension liability.....	\$ 63,646,000	\$ 48,571,825	\$ 35,796,000

	December 31, 2015 Measurement Date		
	1% Decrease (6.50%)	Current Discount (7.50%)	1% Increase (8.50%)
Municipal Light's proportionate share of the net pension liability.....	\$ 8,203,006	\$ 6,301,053	\$ 4,685,086

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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.

Funding Policy – The contribution requirements of plan members and the Town are established and may be amended by the Town. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 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 2017, the Town’s age-adjusted contribution to the plan totaled \$6.4 million. For the year ended June 30, 2017, the Town’s average contribution rate was 12.75% of covered payroll.

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

During year 2017, the Town pre-funded future OPEB liabilities in the amount of \$1.7 million by contributing funds to the Other Postemployment Benefits Trust Fund in excess of the pay-as-you-go required contribution. The balance of the Fund at year end is \$2.9 million, which is reported within the Fiduciary Fund financial statements.

The annual money-weighted rate of return on OPEB plan investments was 13%. The money-weighted rate of return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amounts actually invested.

Plan Membership – The following table represents the Plan's membership at June 30, 2017:

Active participants.....	717
Retired participants.....	<u>537</u>
Total participants.....	<u><u>1,254</u></u>

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

Total OPEB liability.....	\$ 184,405,198
Less: OPEB plan's fiduciary net position.....	<u>(2,880,628)</u>
Net OPEB liability.....	<u><u>\$ 181,524,570</u></u>
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.....	1.56%

Significant Actuarial Methods and Assumptions – The total OPEB liability in the June 30, 2017 actuarial valuation was determined by using the following actuarial assumptions:

Valuation date.....	June 30, 2017
Actuarial cost method.....	Projected Unit Credit
Asset valuation method.....	Market Value as of June 30, 2017.
Discount rate.....	3.13% per annum
Nominal investment rate of return.....	7.10%
Inflation rate.....	3.00% per annum
Healthcare cost trend rate.....	8% for the first year, decreases by .5% per year through year 7 to 5% thereafter.
Salary increases.....	3.00% per annum.
Mortality rates.....	RP-2014 Mortality table with MP-2014 projection.

Investment Policy

The Town's policy in regard to the allocation of invested assets is established and may be amended by the Board of Selectmen by a majority vote of its members. The OPEB plan's assets are managed on a total return basis

with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan. The long-term real rate of return on OPEB investments was determined using the Town's investment policy.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return of by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The Plan's expected future real rate of return of 4.10% is added to the expected inflation of 3.00% to produce the long-term expected nominal rate of return of 7.10%. Best estimates of geometric real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity.....	40.00%	6.50%
Fixed income.....	23.00%	1.50%
Private equity.....	10.00%	6.00%
Real estate.....	10.00%	5.50%
Cash.....	17.00%	0.00%
Total Asset Allocation.....	100.00%	

Discount Rate

The Town's Net Other Postemployment Benefits liability was determined based on the Standard & Poor's Municipal Bond 20-year High Grade Rate Index as of June 30, 2017, which is 3.13%. Due to the low value of the OPEB trust compared to the Town's liability, the Plan fiduciary net position is not projected to satisfy future benefit payments and, accordingly, the Municipal Bond Rate was applied rather than the projected investment return.

Sensitivity of the net other postemployment benefit liability to changes in the discount rate – The following table presents the net other postemployment benefit liability and service cost, calculated using the discount rate of 3.13%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a discount rate that is 1-percentage-point lower (2.13%) or 1-percentage-point higher (4.13%) than the current rate.

	1% Decrease (2.13%)	Current Discount Rate (3.13%)	1% Increase (4.13%)
Net OPEB liability.....	\$ 210,883,559	\$ 181,524,570	\$ 152,165,579

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

	1% Decrease	Current Trend	1% Increase
Net OPEB liability.....	\$ 148,876,686	\$ 181,524,570	\$ 220,746,967

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.....	\$ 11,415,000
Interest on net OPEB obligation.....	1,942,000
Adjustments to annual required contribution.....	<u>(2,012,500)</u>
Annual OPEB cost (expense).....	11,344,500
Contributions made.....	<u>(6,380,000)</u>
Increase in net OPEB obligation.....	4,964,500
Net OPEB obligation-beginning of year.....	<u>43,511,500</u>
Net OPEB obligation-end of year.....	<u><u>\$ 48,476,000</u></u>

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	\$ 11,344,500	56%	\$ 48,476,000
6/30/2015	10,920,000	44%	37,121,500
6/30/2014	11,982,000	41%	31,011,500

Funded Status and Funding Progress – As of June 30, 2017, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$184.4 million. The has funded \$2.9 million, which resulted in a funded ratio of 1.6% and an unfunded actuarial accrued liability for benefits of \$181.5 million. The covered payroll (annual payroll of active employees covered by the plan) was \$50.2 million and the ratio of the UAAL to the covered payroll was 362%.

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 June 30, 2017, actuarial valuation, actuarial liabilities were determined using the entry age normal method. The actuarial assumptions included a 3.13% investment return assumption, which is the Standard & Poor's Municipal Bond 20-year High Grade Rate Index as of June 30, 2017. Actuarial assumptions included an inflation rate of 3%, salary increases of 3% and healthcare cost trend rates of 8% initially, graded to an ultimate rate of 5%. The UAAL is being amortized over a 30 year closed period using a level percentage of projected payroll, with a new base created annually. The inflation rate assumption is based on projected payroll which is assumed to increase at 3% per 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 \$15,102,000 to finance the capping of the Town's old landfill and the construction of a new transfer station. Both the permitting process and the awarding of a contract for the landfill capping portion of the project were completed in 2014. Construction activities began in early summer of 2015 and were completed in the fall of 2016.

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. These drainage improvements began in 2013 and were divided into phases. The first phase of the project began in May of 2013 and was completed by the end of summer 2014. A Federal Emergency Management Agency (FEMA) grant was awarded to the Town for a portion of the Phase II work. The trenchless technology portion of Phase II, which included pipe and culvert lining, was completed in November 2016. The largest portion of the Phase II work was the replacement and upgrade of the drainage system of School and Pleasant Streets. The contract for replacement work was awarded in April 2017, while mobilization and temporary water installation began in May 2017. All utility replacement work was completed in September 2017. Final paving is scheduled for spring 2018 and this will complete the second phase of the Drainage Project.

In May of 2013, the Town voted to authorize the Treasurer to borrow \$2,465,966 for renovations to the Abbot Hall Clock Tower, as well as several accessibility upgrades to Abbot Hall. The project was substantially completed in 2015, except for the installation of a new handicap accessible wheelchair lift in the auditorium. The lift provides universal access from the second floor to the stage in the auditorium. New framing and structural beams to support the new wheelchair lift were installed as part of this project. With the completion of the lift in June 2017, the Abbot Hall Clock Tower and accessibility project is finished.

In May of 2015, the Town voted to authorize the Treasurer to borrow \$8,000,000 for additional work on the landfill and transfer station projects. This work includes repair of the drainage culvert that crosses the landfill property, removal or disposal of solid waste in areas adjacent to the landfill closure project, and work associated with deconstruction of the old transfer station and construction of a new transfer station. The repair work of the 60-inch culvert, as well as removal and relocation of solid waste in areas adjacent to the landfill closure project, was completed in the fall of 2016. All properties have been restored to preconstruction conditions and the capping of the landfill is complete. The Massachusetts Department of Environmental Protection (MassDEP) is in the process of reviewing required documents in order to complete the certification of the landfill. The deconstruction of the old transfer station building is 90% complete, leaving just the compactor in place to handle daily solid waste. The remaining 10% of the old transfer station building will be deconstructed once the new building has been completed. Construction of the new transfer station building could begin in the spring or early summer of 2018.

In May of 2016, the Town voted to authorize the Treasurer to borrow \$750,000 for a feasibility study to analyze the options and costs for the renovation and/or reconstruction of the Elbridge Gerry School. The project is being conducted in conjunction with the Massachusetts School Building Authority (MSBA). The Town has hired the OPM (Owner's Project Manager) and the design firm. The feasibility study will examine several options involving the Gerry, Coffin, and Bell schools. The study should take until early 2019 to complete.

In May of 2016, the Town voted to authorize the Treasurer to borrow \$620,000 for the purchase of a new fire pumper truck and related equipment for the Fire Department. On June 15, 2017, the Fire Department took delivery of a new 2017 Pierce Enforcer Triple Combination Pumper. It is powered by a 470 horsepower Detroit Diesel engine and an Allison six speed automatic transmission. The frame is constructed of ten-inch galvanized steel rails and the body was fabricated using 12 gauge stainless steel and aluminum sheet metal. The firefighting capabilities are comprised of a Waterous manufactured 1500GPM single stage pump and a 750 gallon water tank. The overall height is nine feet and the length is thirty feet, six inches. The new pumper has been designated Engine Two and replaces a nineteen year old Seagrave pumper. The new pumper will be housed at the Franklin Street Fire Station. The life expectancy of the new pumper is fifteen years as a front line response pumper and five years in reserve status for a total of twenty years of service.

NOTE 12 – CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

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 – CONTINGENT LIABILITIES OF THE MARBLEHEAD MUNICIPAL LIGHT DEPARTMENT

Berkshire Wind Cooperative Corporation

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

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

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

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

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

The Marblehead Municipal Light Department has entered into a PPA with the Berkshire Wind Cooperative Corporation. Under the PPA, the Department is required to make certain payments to the Cooperative. Under the PPA, each Participant is unconditionally obligated to make all payments due to the Berkshire Wind Cooperative Corporation, whether or not the Berkshire Wind Facility is completed or operating, and notwithstanding the suspension or interruption of the output of the Berkshire Wind Facility. In addition, under the PPA, the Department is required to pay to the Cooperative its share of the Operation and Maintenance (O&M) costs of the Berkshire Wind Facility.

As of December 31, 2016, total capital expenditures for the Berkshire Wind Facility amounted to \$59,256,145, of which \$3,986,000, represents the amount associated with the Department's share of the Capability of the Berkshire Wind Facility of which it is a Member, although such amount is not allocated to the Department. The Cooperative's debt outstanding for the Berkshire Wind Facility includes bonds totaling \$52,855,000, of which \$3,556,000 is associated with the Department's share of Capability of the Berkshire Wind Facility or which it is a Member, although such amount is not allocated to the Department. As of December 31, 2016, the Cooperative's total future debt service requirement on outstanding bonds issued for the Projects is \$75,587,000, of which \$5,085,000 is anticipated to be billed to the Department in the future.

The estimated aggregate amount of the Marblehead Municipal Light Department's required payments under the PSA, exclusive of the Reserve and Contingency Fund billings, to the Cooperative at December 31, 2016 and estimated for future years is shown in the following table.

		Annual Cost
For years ended December 31,	2017	\$ 363,000
	2018	363,000
	2019	363,000
	2020	363,000
	2021	363,000
	2022-2026	1,817,000
	2027-2030	<u>1,453,000</u>
	Total	\$ <u>5,085,000</u>

Other Power Supply

The Department has entered into an All Requirements Bulk Power Sales Agreement (All Requirements Agreements) with MMWEC, under which MMWEC provides, delivers and sells all electric power and energy to the Department whether through owned generation, purchased power contracts or other power supply arrangements.

Under the terms of the All Requirements Agreement, the Department is committed to purchase additional power through MMWEC in the amount of \$2,092,436 in 2017, \$1,311,993 in 2018, \$1,059,873 in 2019, \$624,858 in 2020 and \$189,216 in 2021.

MMWEC Contingencies and Liabilities

The Town of Marblehead acting through its Municipal Light Department is a Participant in certain Projects of 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.

Through membership in MMWEC, the Light Department is contingently liable on the various projects in which they participate as detailed below:

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

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

A substantial portion of MMWEC's plant investment and financing program is an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by NextEra Energy Seabrook, LLC (NextEra Seabrook), the majority owner and an indirect subsidiary of NextEra Energy Resources LLC. The operating license for Seabrook Station extends to March 15, 2030. NextEra Seabrook has submitted an application to extend the Seabrook Station operating license for an additional 20 years.

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

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

As of December 31, 2016, total capital expenditures for MMWEC's projects amounted to \$1,636,374,000, of which \$26,863,000 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 \$55,795,000, of which \$455,000 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, 2016, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$59,281,000, of which \$479,000 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, 2016, and estimated for future years is shown below:

		Annual Cost
For years ended December 31,	2017	\$ 378,000
	2018	101,000
	Total	\$ 479,000

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 \$2,730,000 and \$3,350,000 for the years ended December 31, 2016 and 2015, 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 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 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. 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 Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Year-End	Current Portion
2016..... \$	807,078 \$	208,253 \$	(213,714) \$	801,617 \$	184,706
2017.....	801,617	221,835	(242,103)	781,349	147,788

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. 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 is in the process of capping the landfill. After the capping and closure project is complete, the Town is required to pay monitoring costs at approximately \$115,000 per year for 30 years. The total remaining capping and closure and future monitoring costs have been reported as a total \$4.5 million liability to the Town as of June 30, 2017. Actual costs may change due to inflation, changes in technology, or changes in regulations.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 13, 2017, which is the date the financial statements were available to be issued.

NOTE 17– IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2017, the following GASB pronouncements were implemented:

- GASB Statement #74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The basic financial statements, related notes and required supplementary information were updated to be in compliance with this pronouncement.
- GASB Statement #77, *Tax Abatement Disclosures*. This pronouncement did not impact the basic financial statements.
- GASB Statement #78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This pronouncement did not impact the basic financial statements.
- GASB Statement #80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement #14*. This pronouncement did not impact the basic financial statements.
- GASB Statement #82, *Pension Issues – an amendment of GASB Statements #67, #68, and #73*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.

The following GASB pronouncements will be implemented in the future:

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

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

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

YEAR ENDED JUNE 30, 2017

	Budgeted Amounts				
	Original Budget	Final Budget	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 63,448,938	\$ 63,448,938	\$ 63,692,746	\$ -	\$ 243,808
Motor vehicle excise taxes.....	2,472,956	2,472,956	3,627,692	-	1,154,736
Charges for services.....	300,000	300,000	857,714	-	557,714
Penalties and interest on taxes.....	100,000	100,000	276,660	-	176,660
Licenses and permits.....	351,500	351,500	763,738	-	412,238
Fines and forfeitures.....	48,000	48,000	162,196	-	114,196
Intergovernmental.....	7,167,322	7,167,322	7,385,458	-	218,136
Investment income.....	80,000	80,000	210,647	-	130,647
Miscellaneous.....	-	-	82,885	-	82,885
TOTAL REVENUES.....	73,968,716	73,968,716	77,059,736	-	3,091,020
EXPENDITURES:					
Current:					
GENERAL GOVERNMENT					
Moderator - Officials Expense.....	100	100	100	-	-
Selectmen Officials Expense.....	5,500	5,500	5,500	-	-
Salaries.....	377,549	377,549	375,800	-	1,749
Expense.....	92,117	92,117	77,404	10,000	4,713
Zoning Board Legal Services.....	7,762	22,762	20,099	2,663	-
Out of State Travel.....	2,000	2,000	-	-	2,000
Finance Committee - Salaries.....	9,279	9,279	9,279	-	-
Expense.....	5,585	5,585	2,187	-	3,398
Local Travel.....	175	175	-	-	175
Reserve Fund.....	144,000	94,782	-	-	94,782
Finance - Salaries.....	637,685	637,685	615,296	-	22,389
Expense.....	288,310	288,310	267,004	10,000	11,306
Assessors - Officials Expense.....	300	300	300	-	-
Assessors - Salaries.....	207,031	207,031	201,996	-	5,035
Expense.....	53,652	33,685	25,173	-	8,512
Local Travel.....	500	500	364	-	136
Town Counsel - Salaries.....	2,000	2,000	2,000	-	-
Expense.....	66,575	105,763	76,370	19,967	9,426
Parking Tickets - Expense.....	10,484	10,484	5,884	-	4,600
Town Clerk - Salaries.....	174,697	174,697	170,974	-	3,723
Expense.....	10,137	10,137	8,054	-	2,083
Election and Registration - Salaries.....	32,462	32,462	23,842	-	8,620
Expense.....	24,565	24,565	23,227	-	1,338
Planning Board - Expense.....	1,675	1,675	1,675	-	-
Public Buildings - Salaries.....	98,061	98,061	93,872	-	4,189
Expense.....	124,586	105,365	83,779	30,743	(9,157)
Local Travel.....	400	400	18	-	382
Art. 10, 2014 - Equipment.....	19,622	19,623	19,623	-	-
Art. 13, 2015 - Equipment.....	6,942	6,942	6,942	-	-
Art. 8, 2016 - Equipment.....	379,615	379,614	358,703	20,911	-
Art. 11, 2014 - Improve Public Buildings.....	9,379	9,380	9,380	-	-
Art. 14, 2015 - Improve Public Buildings.....	69,934	69,935	43,154	26,781	-
Art. 9, 2016 - Improve Public Buildings.....	260,000	259,999	240,021	19,978	-
Art. 10, 2015 - Ocean Ave Seawall.....	70,717	70,718	70,718	-	-
Art. 11, 2016 - Ocean Ave Seawall.....	96,500	96,500	50,906	45,594	-
Town Reports.....	4,300	4,300	3,186	-	1,114
Town Audit of Accounts.....	54,500	54,500	51,718	-	2,782
Training Expense.....	15,000	15,000	13,850	-	1,150
TOTAL GENERAL GOVERNMENT.....	3,363,696	3,329,480	2,958,398	186,637	184,445

(Continued)

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

YEAR ENDED JUNE 30, 2017

	Budgeted Amounts				
	Original Budget	Final Budget	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
<u>PUBLIC SAFETY</u>					
Police - Salaries.....	3,505,061	3,505,061	3,491,324	-	13,737
Expense.....	180,724	190,642	190,038	-	604
Indemnification.....	5,000	5,000	1,454	-	3,546
Fire - Salaries.....	3,339,974	3,339,974	3,274,997	-	64,977
Expense.....	178,620	193,620	184,897	207	8,516
Alarm Expense.....	5,000	5,000	5,000	-	-
Building Commissioner - Salaries.....	495,742	495,742	461,334	-	34,408
Expense.....	36,357	36,355	7,840	28,515	-
Local Travel.....	6,000	6,000	4,118	-	1,882
Sealer of Weights & Measurers - Expense.....	250	250	105	-	145
Animal Inspector - Salaries.....	2,400	2,400	2,400	-	-
TOTAL PUBLIC SAFETY.....	7,755,128	7,780,044	7,623,507	28,722	127,815
<u>EDUCATION</u>					
Schools.....	34,754,708	34,754,708	34,754,708	-	-
Art. 27, 2016 - Essex North Shore.....	276,467	276,467	271,586	-	4,881
TOTAL SCHOOL.....	35,031,175	35,031,175	35,026,294	-	4,881
<u>PUBLIC WORKS & FACILITIES</u>					
Engineering - Salaries.....	138,056	138,056	130,002	-	8,054
Expense.....	10,645	10,645	9,566	-	1,079
Highway - Salaries.....	808,138	808,138	713,657	-	94,481
Expense.....	107,084	107,083	107,083	-	-
Rebuild & Maintain HTTP STS.....	85,171	85,170	35,350	49,820	-
Snow Removal.....	100,000	100,000	262,367	-	(162,367)
Street Lighting.....	128,820	128,820	128,820	-	-
Art. 9, 2014 - Walls and Fences.....	7,500	7,500	-	7,500	-
Art. 9, 2015 - Walls and Fences.....	7,262	7,262	-	7,262	-
Art. 10, 2013 - Walls and Fences.....	3,719	3,719	-	3,719	-
Art. 10, 2016 - Walls and Fences.....	7,500	7,500	5,563	1,937	-
Waste Collection - Salaries.....	324,713	324,713	312,614	-	12,099
Expense.....	1,756,143	1,756,143	1,447,916	-	308,227
Art. 13, 2016 - Landfill Monitoring & Assessments.....	114,600	114,600	32,510	82,090	-
Art. 32, 2014 - Landfill Regulator.....	77,772	77,772	77,772	-	-
Art. 34, 2013 - Landfill Regulator.....	21,431	21,431	21,431	-	-
Drains - Salaries.....	129,508	129,508	119,928	-	9,580
Expense.....	5,650	5,650	5,468	-	182
Art. 17, 2015 - Drain Construction.....	143,545	143,546	143,546	-	-
Art. 16, 2016 - Drain Construction.....	332,000	332,000	211,797	120,203	-
Cemetery - Officials Expense.....	300	300	300	-	-
Salaries.....	332,672	332,672	318,683	-	13,989
Expense.....	25,346	25,346	24,729	-	617
Tree - Salaries.....	268,350	268,350	267,492	-	858
Expense.....	72,578	72,577	51,316	21,261	-
Utility Reserve.....	100,000	100,000	71,947	-	28,053
TOTAL PUBLIC WORKS & FACILITIES.....	5,108,503	5,108,501	4,499,857	293,792	314,852
<u>HUMAN SERVICES</u>					
Health - Officials Expense.....	400	400	400	-	-
Salaries.....	155,245	155,245	155,157	-	88
Expense.....	15,655	15,655	8,346	-	7,309
Local Travel.....	1,632	1,632	576	-	1,056
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.....	285,414	285,414	285,231	-	183
Expense.....	8,490	8,490	8,482	-	8
Veterans Benefits - Salaries.....	63,336	63,335	63,335	-	-
Expense.....	1,243	1,243	1,203	-	40
Local Travel.....	1,100	1,100	743	-	357
Benefits.....	33,000	39,000	37,096	-	1,904
TOTAL HUMAN SERVICES.....	629,515	635,514	620,569	-	14,945

(Continued)

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

YEAR ENDED JUNE 30, 2017

	Budgeted Amounts				
	Original Budget	Final Budget	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
<u>CULTURE & RECREATION</u>					
Library - Salaries.....	828,071	828,071	782,001	-	46,070
Expense.....	253,812	257,112	256,882	-	230
Local Travel.....	100	100	100	-	
Park - Salaries.....	641,700	641,700	535,093	10,000	96,607
Expense.....	171,590	171,590	168,411	2,400	779
Park Facility Expense.....	52,183	52,182	42,288	9,011	883
Memorial & Veterans Day.....	6,150	6,150	4,444	-	1,706
TOTAL CULTURE & RECREATION.....	1,953,606	1,956,905	1,789,219	21,411	146,275
<u>ENERGY</u>					
Energy Reserve.....	533,544	533,544	194,769	-	338,775
<u>PENSION BENEFITS</u>					
Contributory Retirement Fund.....	2,559,292	2,559,292	2,559,292	-	-
Noncontributory Retirement.....	90,135	90,135	71,037	-	19,098
TOTAL PENSION BENEFITS.....	2,649,427	2,649,427	2,630,329	-	19,098
<u>PROPERTY AND LIABILITY INSURANCE</u>					
Other Insurance.....	475,888	475,888	371,239	-	104,649
<u>FRINGE BENEFITS</u>					
Medicare.....	630,000	630,000	611,840	-	18,160
Salary Reserve.....	157,906	157,903	31,250	126,653	-
Group Insurance.....	13,320,570	13,320,570	10,580,051	-	2,740,519
Group Insurance FY13.....	93,547	93,547	20,448	73,099	-
TOTAL FRINGE BENEFITS.....	14,202,023	14,202,020	11,243,589	199,752	2,758,679
<u>INTERGOVERNMENTAL</u>					
State.....	3,058,786	3,058,786	3,082,820	-	(24,034)
<u>DEBT SERVICES</u>					
Maturing Debt.....	4,085,000	4,085,000	4,085,000	-	-
Interest.....	2,739,406	2,739,406	2,738,406	-	1,000
TOTAL DEBT SERVICES.....	6,824,406	6,824,406	6,823,406	-	1,000
TOTAL EXPENDITURES.....	81,585,697	81,585,690	76,863,996	730,314	3,991,380
EXCESS (DEFICIENCY) OF REVENUES					
OVER EXPENDITURES.....	(7,616,981)	(7,616,974)	195,740	(730,314)	7,082,400
<u>OTHER FINANCING SOURCES (USES):</u>					
Transfers in.....	976,190	976,190	1,307,815	-	331,625
NET CHANGE IN FUND BALANCE.....	(6,640,791)	(6,640,784)	1,503,555	(730,314)	7,414,025
BUDGETARY FUND BALANCE, Beginning of year.....	20,654,181	20,654,181	20,654,181	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 14,013,390	\$ 14,013,397	\$ 22,157,736	\$ (730,314)	\$ 7,414,025

See notes to required supplementary information.

(Concluded)

Pension Plan Schedules – Retirement System

The Pension Plan's Schedule of Changes in the Net Pension Liability presents multi-year trend information on the net pension liability and related ratios.

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

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

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

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
AND RELATED RATIOS
MARBLEHEAD CONTRIBUTORY RETIREMENT SYSTEM**

	December 31, 2014	December 31, 2015	December 31, 2016
Total pension liability:			
Service cost.....	\$ 2,681,899	\$ 2,769,061	\$ 3,069,000
Interest.....	9,363,589	9,660,905	9,968,038
Changes in benefit terms.....	-	-	-
Differences between expected and actual experience.....	-	(2,255,000)	-
Changes in assumptions.....	-	6,300,000	-
Benefit payments, including refunds of employee contributions.....	(8,275,382)	(8,317,787)	(8,731,326)
Net change in total pension liability.....	3,770,106	8,157,179	4,305,712
Total pension liability, beginning.....	122,276,560	126,046,666	134,203,845
Total pension liability, ending (a).....	\$ <u>126,046,666</u>	\$ <u>134,203,845</u>	\$ <u>138,509,557</u>
Plan fiduciary net position:			
Member contributions.....	\$ 1,820,099	\$ 1,913,812	\$ 2,195,793
Employer contributions.....	2,791,015	3,004,813	3,247,889
Net investment income (loss).....	6,532,623	585,701	6,346,121
Retirement benefits and refunds.....	(8,275,382)	(8,317,787)	(8,731,326)
Administrative expenses.....	(135,341)	(141,511)	(140,850)
Military Service Fund Contribution.....	16,440	-	-
Net increase (decrease) in fiduciary net position.....	2,749,454	(2,954,972)	2,917,627
Fiduciary net position at beginning of year.....	87,225,623	89,975,077	87,020,105
Fiduciary net position at end of year (b).....	\$ <u>89,975,077</u>	\$ <u>87,020,105</u>	\$ <u>89,937,732</u>
Net pension liability - ending (a) - (b).....	\$ <u>36,071,589</u>	\$ <u>47,183,740</u>	\$ <u>48,571,825</u>
Plan fiduciary net position as a percentage of the total pension liability.....	71.38%	64.84%	64.93%
Covered-employee payroll.....	\$ 18,842,144	\$ 20,286,731	\$ 20,895,333
Net pension liability as a percentage of covered-employee payroll.....	191.44%	232.58%	232.45%

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

See notes to required supplementary information.

SCHEDULE OF CONTRIBUTIONS
MARBLEHEAD CONTRIBUTORY RETIREMENT SYSTEM

	December 31, 2014	December 31, 2015	December 31, 2016
Actuarially determined contribution.....	\$ 2,775,936	\$ 2,998,011	\$ 3,237,852
Contributions in relation to the actuarially determined contribution.....	<u>(2,775,936)</u>	<u>(2,998,011)</u>	<u>(3,237,852)</u>
Contribution deficiency (excess).....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll.....	\$ 18,842,144	\$ 20,286,731	\$ 20,895,333
Contributions as a percentage of covered- employee payroll.....	14.73%	14.78%	15.50%

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

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
MARBLEHEAD CONTRIBUTORY RETIREMENT SYSTEM

	Annual money-weighted rate of return, net of investment expense
December 31, 2016.....	7.45%
December 31, 2015.....	0.66%
December 31, 2014.....	7.64%

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

The annual money-weighted rate of return has been calculated by
the Pension Reserves Investment Management Board (PRIM).

See notes to required supplementary information.

Pension Plan Schedules – Town & Municipal Light Plant

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

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

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

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

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

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
MARBLEHEAD CONTRIBUTORY RETIREMENT SYSTEM**

	December 31, 2014	December 31, 2015	December 31, 2016
Town's proportion of the net pension liability (asset).....	84.63%	85.07%	85.07%
Town's proportionate share of the net pension liability (asset)..... \$	30,528,625	\$ 40,138,264	\$ 41,319,008
Town's covered employee payroll..... \$	15,947,000	\$ 17,258,000	\$ 17,775,000
Net pension liability as a percentage of covered-employee payroll.....	191.44%	232.58%	232.46%
Plan fiduciary net position as a percentage of the total pension liability.....	71.38%	64.84%	64.93%

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

The Town's Municipal Light Enterprise Fund year end is December 31st while the Town's is June 30th.
This schedule does not include the Municipal Light Plant which is presented on a separate schedule.

See notes to required supplementary information.

**SCHEDULE OF THE MUNICIPAL LIGHT ENTERPRISE'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
MARBLEHEAD CONTRIBUTORY RETIREMENT SYSTEM**

	December 31, 2014	December 31, 2015	December 31, 2016
Municipal Light's proportion of the net pension liability (asset).....	14.12%	13.35%	13.35%
Municipal Light's proportionate share of the net pension liability (asset)..... \$	5,093,878	\$ 6,301,053	\$ 6,486,411
Municipal Light's covered employee payroll..... \$	1,844,000	\$ 2,709,151	\$ 2,790,423
Net pension liability as a percentage of covered-employee payroll.....	276.24%	232.58%	232.45%
Plan fiduciary net position as a percentage of the total pension liability.....	71.38%	64.84%	64.93%

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

The Town's Municipal Light Enterprise Fund year end is December 31st while the Town is June 30th.
The Municipal Light Enterprise initial implementation of GASB 68 was for the year ended December 31, 2015 and used the measurement date of December 31, 2014. This schedule provides only the Municipal Light information.

See notes to required supplementary information.

SCHEDULE OF THE TOWN'S CONTRIBUTIONS
MARBLEHEAD CONTRIBUTORY RETIREMENT SYSTEM

	June 30, 2015	June 30, 2016	June 30, 2017
Actuarially determined contribution.....	\$ 2,349,370	\$ 2,550,338	\$ 2,754,376
Contributions in relation to the actuarially determined contribution.....	<u>(2,349,370)</u>	<u>(2,550,338)</u>	<u>(2,754,376)</u>
Contribution deficiency (excess).....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll.....	\$ 16,186,000	\$ 17,517,000	\$ 18,042,000
Contributions as a percentage of covered- employee payroll.....	14.51%	14.56%	15.27%

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

See notes to required supplementary information.

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

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

<u>Fiscal Year</u>	Commonwealth's 100% Share of the Net Pension Liability Associated with the Town	Town's Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2017.....	\$ 81,616,869	\$ 8,325,456	52.73%
2016.....	73,593,284	5,969,070	55.38%
2015.....	56,034,714	3,893,000	61.64%

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

See notes to required supplementary information.

Other Postemployment Benefits Plan Schedules

GASB #74 Schedules

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

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

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

GASB #45 Schedules

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

The Schedule of Employer Contributions presents, 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.

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

	June 30, 2017
Total OPEB Liability	
Service Cost.....	\$ 5,000,000
Interest.....	5,822,000
Changes of benefit terms.....	-
Differences between expected and actual experience.....	-
Changes of assumptions.....	129,593,198
Benefit payments.....	<u>(4,700,000)</u>
Net change in total OPEB liability.....	135,715,198
Total OPEB liability- beginning.....	<u>48,690,000</u>
Total OPEB liability- ending (a).....	<u><u>\$ 184,405,198</u></u>
Plan fiduciary net position	
Contributions- employer	\$ 6,400,000
Net investment income.....	326,130
Benefit payments.....	<u>(4,700,000)</u>
Net change in plan fiduciary net position.....	2,026,130
Plan fiduciary net position- beginning.....	<u>854,498</u>
Plan fiduciary net position- ending (b).....	<u><u>\$ 2,880,628</u></u>
Town's net OPEB liability- ending (a)-(b).....	<u><u>\$ 181,524,570</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	1.56%
Covered-employee payroll.....	\$ 50,200,000
Town's net OPEB liability as a percentage of covered-employee payroll.....	361.60%

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

See notes to required supplementary information.

SCHEDULE OF TOWN CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN

	<u>June 30, 2017</u>
Actuarially determined contribution.....	\$ 11,310,000
Contributions in relation to the actuarially determined contribution.....	<u>(6,400,000)</u>
Contribution deficiency (excess).....	\$ <u>4,910,000</u>
Covered-employee payroll.....	\$ 50,200,000
Contributions as a percentage of covered- employee payroll.....	12.75%

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

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

June 30, 2017

Annual money-weighted rate of return, net of investment expense.....	13.00%
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Note: This schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those
years for which information is available.

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
6/30/2017	\$ 2,880,628	\$ 184,400,000	\$ 181,519,372	1.56%	\$ 50,200,000	361.6%
7/1/2016	854,498	129,380,000	128,525,502	0.66%	50,200,000	256.0%
7/1/2015	540,539	139,180,000	138,639,461	0.39%	46,300,000	299.4%
7/1/2014	272,909	133,390,000	133,117,091	0.20%	46,300,000	287.5%
7/1/2013	-	142,090,000	142,090,000	0.00%	43,000,000	330.4%
7/1/2012	-	135,890,000	135,890,000	0.00%	34,450,000	394.5%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution (ARC)	Actual Contributions Made	Percentage of the ARC Contributed
2017	\$ 11,415,000	\$ 6,380,000	56%
2016	11,330,000	5,010,000	44%
2015	10,800,000	4,810,000	45%
2014	11,840,000	4,870,000	41%
2013	11,090,000	4,480,000	40%
2012	10,565,000	5,592,000	53%

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial Methods:

Valuation date.....	7/1/2016
Actuarial cost method.....	Projected Unit Credit
Amortization basis.....	Level percent of payroll, closed over 30 years.
Remaining amortization period.....	New base created annually; 8 bases as of 7/1/2016.
Asset valuation method.....	Market value

Actuarial Assumptions:

Discount rate.....	3.13%
Investment rate of return.....	4.5% per annum.
Medical/drug cost trend rate.....	8% for the first year, decreases by .5% per year through year 7 to 5% thereafter.
Inflation rate.....	4.0%
Salary scale.....	4.5%

Plan Membership:

Current retirees, beneficiaries, and dependents.....	537
Current active members.....	<u>717</u>
Total.....	<u><u>1,254</u></u>

See notes to required supplementary information.

NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**1. Budgetary information**

During the year, the finance committee submits to the Town Meeting an operating budget for the proposed expenditures and other financing uses for the 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 year at Special Town Meetings or at the next Annual Town Meeting held prior to the end of the year. During the year the finance committee may transfer funds for extraordinary or unforeseen expenditures. The Town appropriated \$144,000 for this purpose in 2017 and transfers of \$49,218 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 2017 approved budget authorized approximately \$81.6 million in appropriations and other amounts to be raised. During the 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.....	\$	1,503,555
<u>Basis of accounting differences:</u>		
Recognition of revenue for on-behalf payments.....		8,325,456
Recognition of expenditures for on-behalf payments.....		<u>(8,325,456)</u>
Net change in fund balance - GAAP basis (modified accrual).....	\$	<u><u>1,503,555</u></u>

3. Appropriation Deficits

During 2017, expenditures exceeded budgeted appropriations for snow removal, state assessments, and public buildings expenses. These over expenditure will be funded in 2018.

NOTE B – PENSION PLAN***Pension Plan Schedules – Retirement System*****A. Schedule of Changes in the Net Pension Liability and Related Ratios**

The Schedule of Changes in the Net Pension Liability and Related Ratios includes the detailed changes in the System's total pension liability, changes in the System's net position, and the ending net pension liability. It also demonstrates the plan's net position as a percentage of the total pension liability and the net pension liability as a percentage of covered payroll.

B. Schedule of Contributions

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

C. Schedule of Investment Return

The money weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense. A money weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested. Inputs to the money weighted rate of return calculation are determined monthly.

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

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

B. Schedule of Town's Contributions

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

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

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

D. Changes in Assumptions

The most recent actuarial valuation as of January 1, 2016, included several changes of assumptions from the prior actuarial valuation. These changes include a decrease in the assumed discount rate from 7.75% down to 7.5%, as well as changes in the applied mortality tables.

E. Changes in Plan Provisions

None

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

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

B. Schedule of the Town's Contributions

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

C. Schedule of Investment Returns

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

The Town

The Town currently finances its other postemployment benefits (OPEB) on a 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 1.56%.

In accordance with Governmental Accounting Standards, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

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

A. Schedule of Funding Progress

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

B. Schedule of Employer Contributions

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

C. Schedule of Actuarial Methods and Assumptions

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

D. Changes in Assumptions

None.

E. Changes in Plan Provisions

None

Other Supplementary Information

***Combining and Individual Fund
Financial Statements***

Nonmajor Governmental Funds

Special Revenue Funds:

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

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, 2017

	Special Revenue Funds				
	Federal Grants	State Grants	Other Grants	Revolving Funds	Receipts Reserved for Appropriation
ASSETS					
Cash and cash equivalents.....	\$ 104,407	\$ 423,545	\$ 1,178,677	\$ 1,028,269	\$ 3,050,675
Receivables, net of uncollectibles:					
Departmental and other.....	-	-	-	136,178	825
Intergovernmental.....	20,640	-	-	-	-
Working capital deposit.....	-	-	-	-	-
TOTAL ASSETS.....	\$ 125,047	\$ 423,545	\$ 1,178,677	\$ 1,164,447	\$ 3,051,500
LIABILITIES					
Warrants payable.....	\$ 106,849	\$ 251,366	\$ 34,305	\$ 262,040	\$ -
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue.....	-	-	-	4,697	825
FUND BALANCES					
Restricted.....	18,198	172,179	1,144,372	897,710	3,050,675
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....	\$ 125,047	\$ 423,545	\$ 1,178,677	\$ 1,164,447	\$ 3,051,500

(Continued)

<i>Special Revenue Funds</i>		
<u>Gifts</u>	<u>Special Revenue Trust Funds</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 310,210	\$ 3,426,434	\$ 9,522,217
7,488	-	144,491
-	-	20,640
<u>-</u>	<u>10,000</u>	<u>10,000</u>
<u>\$ 317,698</u>	<u>\$ 3,436,434</u>	<u>\$ 9,697,348</u>
 \$ 68,718	 \$ -	 \$ 723,278
 <u>-</u>	 <u>-</u>	 <u>5,522</u>
 <u>248,980</u>	 <u>3,436,434</u>	 <u>8,968,548</u>
 <u>\$ 317,698</u>	 <u>\$ 3,436,434</u>	 <u>\$ 9,697,348</u>
(Concluded)		

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	Special Revenue Funds				
	Federal Grants	State Grants	Other Grants	Revolving Funds	Receipts Reserved for Appropriation
REVENUES:					
Charges for services.....	\$ -	\$ -	\$ 8,112	\$ 3,195,228	\$ 30,313
Intergovernmental.....	1,316,839	1,700,137	14,263	188,601	-
Departmental and other.....	-	-	32,500	1,215,006	-
Contributions.....	-	-	182,921	81,736	-
Investment income.....	-	46	7,065	16	-
Miscellaneous.....	-	-	-	265,166	-
TOTAL REVENUES.....	1,316,839	1,700,183	244,861	4,945,753	30,313
EXPENDITURES:					
Current:					
General government.....	-	-	39,455	18,169	93,852
Public safety.....	4,960	76,651	-	541,281	-
Education.....	1,192,770	1,468,801	48,855	3,056,100	-
Public works.....	181,985	743	13,501	450,192	-
Human services.....	-	49,201	26,275	123,811	-
Culture and recreation.....	-	24,959	229,309	439,535	-
Debt service:					
Principal on current refunding.....	-	-	-	-	754,495
TOTAL EXPENDITURES.....	1,379,715	1,620,355	357,395	4,629,088	848,347
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(62,876)	79,828	(112,534)	316,665	(818,034)
OTHER FINANCING SOURCES (USES):					
Premium from issuance of debt.....	-	-	-	-	807,149
Transfers in.....	-	-	4,000	-	-
Transfers out.....	-	-	-	(89,737)	(672,191)
TOTAL OTHER FINANCING SOURCES (USES)...	-	-	4,000	(89,737)	134,958
NET CHANGE IN FUND BALANCES.....	(62,876)	79,828	(108,534)	226,928	(683,076)
FUND BALANCES AT BEGINNING OF YEAR.....	81,074	92,351	1,252,906	670,782	3,733,751
FUND BALANCES AT END OF YEAR.....	\$ 18,198	\$ 172,179	\$ 1,144,372	\$ 897,710	\$ 3,050,675

(Continued)

Special Revenue Funds		
Gifts	Special Revenue Trust Funds	Total Nonmajor Governmental Funds
\$ 2,946	\$ -	\$ 3,236,599
-	-	3,219,840
-	-	1,247,506
156,864	105,882	527,403
-	92,015	99,142
-	-	265,166
159,810	197,897	8,595,656
6,633	-	158,109
807	-	623,699
168,963	-	5,935,489
-	-	646,421
3,134	31,389	233,810
5,061	84,962	783,826
-	-	754,495
184,598	116,351	9,135,849
(24,788)	81,546	(540,193)
-	-	807,149
-	-	4,000
-	-	(761,928)
-	-	49,221
(24,788)	81,546	(490,972)
273,768	3,354,888	9,459,520
\$ 248,980	\$ 3,436,434	\$ 8,968,548
(Concluded)		

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, 2017

	Charity Funds	Scholarship Funds	Other Funds	Total
ASSETS				
Cash and cash equivalents.....	\$ 2,090,859	\$ 874,431	\$ 147,213	\$ 3,112,503
Receivables, net of allowance for uncollectibles:				
Departmental and other.....	-	175	-	175
Capital assets, net of accumulated depreciation.....	172,135	-	-	172,135
Capital assets, not being depreciated.....	2,045	-	-	2,045
TOTAL ASSETS.....	2,265,039	874,606	147,213	3,286,858
LIABILITIES				
Warrants payable.....	-	3,155	-	3,155
Other liabilities.....	-	175	-	175
TOTAL LIABILITIES.....	-	3,330	-	3,330
NET POSITION				
Held in trust for other purposes.....	\$ 2,265,039	\$ 871,276	\$ 147,213	\$ 3,283,528

PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2017

	Charity Funds	Scholarship Funds	Other Funds	Total
ADDITIONS:				
Contributions:				
Private donations.....	\$ 53,563	\$ -	\$ -	\$ 53,563
Net investment income:				
Interest.....	19,563	7,507	1,257	28,327
TOTAL ADDITIONS.....	73,126	7,507	1,257	81,890
DEDUCTIONS:				
Charitable payments.....	68,303	-	-	68,303
Depreciation.....	13,693	-	-	13,693
Educational scholarships.....	-	8,800	-	8,800
TOTAL DEDUCTIONS.....	81,996	8,800	-	90,796
CHANGE IN NET POSITION.....	(8,870)	(1,293)	1,257	(8,906)
NET POSITION AT BEGINNING OF YEAR.....	2,273,909	872,569	145,956	3,292,434
NET POSITION AT END OF YEAR.....	\$ 2,265,039	\$ 871,276	\$ 147,213	\$ 3,283,528

AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FOR THE YEAR ENDED JUNE 30, 2017

	Balance at June 30, 2016	Additions	Deductions	Balance at June 30, 2017
ASSETS				
Cash and cash equivalents.....	\$ 345,504	\$ 617,899	\$ (606,526)	\$ 356,877
LIABILITIES				
Liabilities due depositors.....	\$ 345,504	\$ 617,899	\$ (606,526)	\$ 356,877

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Statistical Section

Statistical Section

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

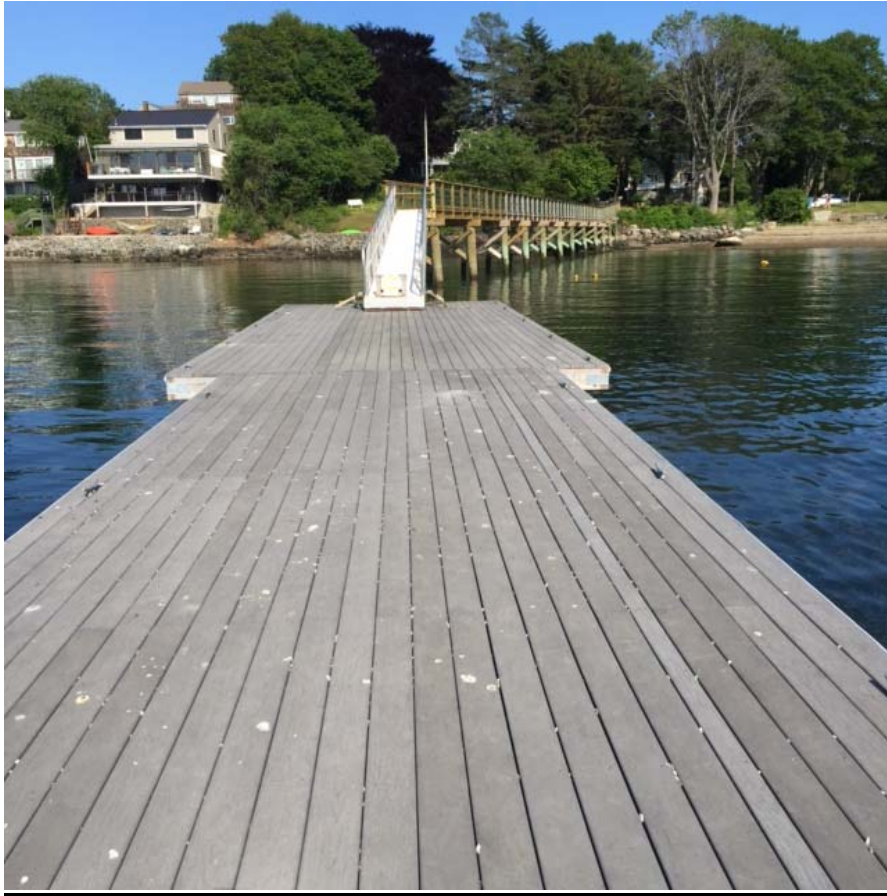


Photo by Webb Russell

After many years of work, Pattison Pier (formerly known as Stramski's Pier) was completed and a dedication ceremony was held on June 24, 2017.

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 Years

	2008	2009	2010	2011	2012	2013	(1) 2014	2015	2016	2017
Governmental activities										
Net investment in capital assets.....	\$ 67,584,804	\$ 68,262,258	\$ 70,685,450	\$ 71,782,028	\$ 75,341,535	\$ 77,717,668	\$ 79,318,461	\$ 83,481,653	\$ 74,362,302	\$ 80,043,188
Restricted.....	9,566,795	9,162,785	9,422,889	9,048,458	8,900,151	11,077,540	10,146,657	10,617,440	10,358,396	10,142,342
Unrestricted.....	<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>	<u>(51,151,235)</u>	<u>(63,332,782)</u>	<u>(69,515,140)</u>	<u>(78,516,194)</u>
Total governmental activities net position.....	<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>	<u>\$ 38,313,883</u>	<u>\$ 30,766,311</u>	<u>\$ 15,205,558</u>	<u>\$ 11,669,336</u>
Business-type activities										
Net investment in capital assets.....	\$ 31,548,537	\$ 32,097,547	\$ 33,710,827	\$ 34,878,749	\$ 35,945,212	\$ 36,688,303	\$ 36,510,098	\$ 35,675,503	\$ 36,547,443	\$ 38,020,264
Restricted.....	2,857,651	3,771,671	2,468,338	3,309,675	3,625,528	3,918,771	5,147,074	5,815,665	6,751,653	6,949,454
Unrestricted.....	<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>	<u>10,517,972</u>	<u>11,706,630</u>	<u>7,273,751</u>	<u>7,950,933</u>
Total business-type activities net position.....	<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>	<u>\$ 52,175,144</u>	<u>\$ 53,197,798</u>	<u>\$ 50,572,847</u>	<u>\$ 52,920,651</u>
Primary government										
Net investment in capital assets.....	\$ 99,133,341	\$ 100,359,805	\$ 104,396,277	\$ 106,660,777	\$ 111,286,747	\$ 111,301,356	\$ 115,828,559	\$ 119,157,156	\$ 110,909,745	\$ 118,063,452
Restricted.....	9,566,795	9,162,785	9,422,889	9,048,458	12,525,679	14,996,311	15,293,731	16,433,105	17,110,049	17,091,796
Unrestricted.....	<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>349,422</u>	<u>(40,633,263)</u>	<u>(51,626,152)</u>	<u>(62,241,389)</u>	<u>(70,565,261)</u>
Total primary government net position.....	<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>	<u>\$ 90,489,027</u>	<u>\$ 83,964,109</u>	<u>\$ 65,778,405</u>	<u>\$ 64,589,987</u>

(1) Unrestricted net position has been revised to reflect the implementation of GASB #68.

Changes in Net Position

Last Ten Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government.....	\$ 3,490,002	\$ 3,709,427	\$ 3,763,970	\$ 3,764,556	\$ 4,052,732	\$ 3,719,972	\$ 4,099,769	\$ 4,491,771	\$ 4,621,418	\$ 4,519,835
Public safety.....	9,118,679	10,129,416	10,288,405	10,586,017	10,651,355	10,936,104	11,614,901	12,092,961	13,059,638	13,546,839
Education.....	43,648,218	49,890,761	52,081,576	53,942,639	55,866,599	57,452,006	60,720,945	57,790,071	63,223,425	68,164,424
Public works.....	5,407,535	5,538,314	6,331,557	6,214,732	4,510,987	6,719,828	7,225,046	7,602,455	8,464,369	5,120,344
Landfill closure.....	1,100,000	-	1,800,000	2,314,578	-	-	7,306,000	3,189,744	8,010,805	-
Human services.....	1,197,716	1,147,405	1,120,478	1,150,910	1,025,102	1,074,478	1,103,986	1,091,063	1,161,803	1,302,548
Culture and recreation.....	2,586,664	2,926,073	3,019,415	3,111,617	3,271,325	3,132,696	3,203,979	3,080,540	3,722,667	3,721,534
Interest.....	1,484,146	1,371,083	899,311	1,319,979	1,893,926	1,054,818	2,062,389	1,758,181	2,055,607	2,341,770
Total government activities expenses.....	68,032,960	74,712,479	79,304,712	82,405,028	81,272,026	84,089,902	97,337,015	91,096,786	104,319,732	98,717,294
Business-type activities:										
Water.....	2,825,383	3,065,981	3,023,598	3,481,486	3,532,314	3,838,086	3,847,928	3,643,321	3,913,717	4,056,433
Sewer.....	3,044,040	3,278,347	3,404,568	3,114,228	3,219,258	3,411,622	3,513,080	3,722,786	4,016,985	4,547,620
Municipal Light.....	12,879,054	14,643,929	13,678,068	13,797,177	14,266,683	13,950,634	14,518,824	15,371,748	16,092,803	15,301,286
Harbor.....	573,268	658,183	581,573	639,917	695,699	771,455	775,103	819,746	922,156	967,721
Total business-type activities expenses.....	19,321,745	21,646,440	20,687,807	21,032,808	21,713,954	21,971,797	22,654,935	25,557,601	24,945,661	24,873,060
Total primary government expenses.....	\$ 87,354,705	\$ 96,358,919	\$ 99,992,519	\$ 103,437,836	\$ 102,985,980	\$ 106,061,699	\$ 119,991,950	\$ 116,654,387	\$ 129,265,393	\$ 123,590,354
Program Revenues										
Governmental activities:										
Public Safety charges for services.....	\$ 852,159	\$ 997,699	\$ 1,216,490	\$ 994,204	\$ 1,147,383	\$ 1,052,468	\$ 1,234,957	\$ 1,239,297	\$ 1,249,704	\$ 1,362,391
Education charges for services.....	1,693,799	1,719,034	1,763,683	1,870,151	1,897,607	1,865,303	1,865,241	1,952,485	2,255,951	2,842,596
Public Works charges for services.....	742,708	644,406	634,244	668,395	694,942	742,302	781,471	757,319	866,927	1,136,212
Other charges for services.....	1,049,707	964,181	971,731	954,162	996,624	1,027,894	1,009,683	1,036,822	1,174,048	1,234,788
Operating grants and contributions.....	13,164,337	15,215,908	15,041,092	15,253,787	15,690,591	15,550,212	16,037,171	12,532,233	15,344,880	18,290,706
Capital grant and contributions.....	467,866	2,033,978	3,817,694	761,615	555,654	5,517,233	6,114,742	1,006,775	723,405	521,930
Total government activities program revenues.....	17,970,576	21,575,206	23,444,934	20,502,314	20,982,801	25,755,412	27,043,265	18,524,931	21,614,915	25,388,623
Business-type activities:										
Charges for services - Water.....	3,426,794	3,395,280	3,251,067	3,904,213	3,884,316	3,833,234	3,863,695	4,231,978	4,575,779	4,827,808
Charges for services - Sewer.....	3,711,954	3,493,052	3,694,883	3,730,846	3,595,910	3,680,594	3,933,742	5,779,133	5,449,253	5,674,707
Charges for services - Municipal Light.....	13,410,728	15,185,296	14,233,656	15,160,793	15,420,818	15,164,940	15,696,628	16,205,464	16,761,424	16,347,202
Charges for services - Harbor.....	638,397	627,795	591,969	632,242	633,384	638,807	637,156	674,827	681,730	697,328
Operating grants and contributions.....	8,144	13,255	22,634	17,260	2,832	3,407	12,092	129,482	2,724	1,680
Capital grant and contributions.....	-	-	-	-	-	-	228,749	-	-	-
Total business-type activities program revenues.....	21,196,017	22,714,678	21,794,209	23,445,354	23,537,260	23,320,982	24,372,062	27,020,884	27,470,910	27,548,725
Total primary government program revenues.....	\$ 39,166,593	\$ 44,289,884	\$ 45,239,143	\$ 43,947,668	\$ 44,520,061	\$ 49,076,394	\$ 51,415,327	\$ 45,545,815	\$ 49,085,825	\$ 52,937,348
Net (Expense)/Revenue										
Governmental activities.....	\$ (50,062,384)	\$ (53,137,273)	\$ (55,859,778)	\$ (61,902,714)	\$ (60,289,225)	\$ (58,334,490)	\$ (70,293,750)	\$ (72,571,855)	\$ (82,704,817)	\$ (73,328,671)
Business-type activities.....	1,874,272	1,068,238	1,106,402	2,412,546	1,823,306	1,349,185	1,717,127	1,463,283	2,525,249	2,675,665
Total primary government net expense.....	\$ (48,188,112)	\$ (52,069,035)	\$ (54,753,376)	\$ (59,490,168)	\$ (58,465,919)	\$ (56,985,305)	\$ (68,576,623)	\$ (71,108,572)	\$ (80,179,568)	\$ (70,653,006)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Real estate and personal property taxes, net of tax refunds payable.....	\$ 46,455,796	\$ 48,062,992	\$ 50,046,317	\$ 51,217,033	\$ 53,545,032	\$ 54,731,549	\$ 56,625,268	\$ 59,012,950	\$ 60,478,448	\$ 63,759,278
Motor vehicle excise taxes.....	2,856,787	2,717,571	2,656,948	2,752,897	2,843,878	3,016,278	3,169,957	3,365,276	3,570,737	3,637,261
Penalties and interest on taxes.....	152,437	153,284	192,715	226,937	241,114	235,370	231,501	287,496	244,181	276,660
Grants and contributions not restricted to specific programs.....	1,693,092	1,479,237	1,164,113	1,110,208	1,111,126	1,062,086	1,083,252	1,471,815	1,822,044	1,270,198
Unrestricted investment income.....	1,366,744	694,664	547,427	389,792	237,753	553,733	351,665	309,527	457,116	328,165
Transfers.....	559,028	586,703	629,309	585,075	539,520	643,876	600,058	577,219	571,535	520,887
Total governmental activities.....	53,083,884	53,694,451	55,236,829	56,281,942	58,518,423	60,242,892	62,061,701	65,024,283	67,144,061	69,792,449
Business-type activities:										
Boat excise.....	134,306	140,197	140,873	136,513	134,871	125,100	135,970	104,504	130,184	124,716
Unrestricted investment income.....	337,377	231,740	92,386	64,263	54,338	34,653	27,679	32,086	44,896	68,310
Settlements and refunds.....	1,012,370	-	-	-	8,218	-	-	-	-	-
Transfers.....	(559,028)	(586,703)	(629,309)	(585,075)	(539,520)	(643,876)	(600,058)	(577,219)	(571,538)	(520,887)
Total business-type activities.....	\$ 925,025	\$ (214,766)	\$ (396,050)	\$ (384,299)	\$ (342,093)	\$ (484,123)	\$ (436,409)	\$ (440,629)	\$ (396,458)	\$ (327,861)
Changes in Net Position										
Governmental activities.....	\$ 3,021,500	\$ 557,178	\$ (622,949)	\$ (5,620,772)	\$ (1,770,802)	\$ 1,908,402	\$ (8,232,049)	\$ (7,547,572)	\$ (15,560,753)	\$ (3,536,222)
Business-type activities.....	2,799,297	853,472	710,352	2,028,247	1,481,213	865,062	1,280,718	1,022,654	2,128,791	2,347,804
Total primary government.....	\$ 5,820,797	\$ 1,410,650	\$ 87,403	\$ (3,592,525)	\$ (289,589)	\$ 2,773,464	\$ (6,951,331)	\$ (6,524,918)	\$ (13,431,962)	\$ (1,188,418)

Fund Balances, Governmental Funds

Last Ten Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved.....	\$ 795,436	\$ 565,154	\$ 610,212	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved.....	7,183,747	8,349,653	9,178,812	-	-	-	-	-	-	-
Committed.....	-	-	-	-	917,834	591,174	676,235	501,644	437,823	335,975
Assigned.....	-	-	-	5,097,591	5,906,121	4,559,500	4,582,975	5,624,815	6,307,165	7,494,339
Unassigned.....	-	-	-	6,281,372	6,251,245	9,397,403	11,371,120	12,480,102	13,909,193	14,327,422
Total general fund.....	\$ 7,979,183	\$ 8,914,807	\$ 9,789,024	\$ 11,378,963	\$ 13,075,200	\$ 14,548,077	\$ 16,630,330	\$ 18,606,561	\$ 20,654,181	\$ 22,157,736
All Other Governmental Funds										
Reserved.....	\$ 3,309,253	\$ 3,348,145	\$ 3,379,233	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds.....	6,702,589	6,902,667	7,253,938	-	-	-	-	-	-	-
Capital projects funds.....	1,690,445	9,471,649	1,813,173	-	-	-	-	-	-	-
Permanent funds.....	1,430,805	1,488,902	1,420,238	-	-	-	-	-	-	-
Nonspendable.....	-	-	-	3,379,232	3,410,414	3,437,053	3,483,784	3,513,939	3,553,879	3,586,670
Restricted.....	-	-	-	9,044,027	10,424,988	18,463,217	9,558,967	14,485,534	16,571,389	11,590,117
Total all other governmental funds.....	\$ 13,133,092	\$ 21,211,363	\$ 13,866,582	\$ 12,423,259	\$ 13,835,402	\$ 21,900,270	\$ 13,042,751	\$ 17,999,473	\$ 20,125,268	\$ 15,176,787

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

Changes in Fund Balances, Governmental Funds

Last Ten Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues:										
Real estate and personal property taxes, net of tax refunds.....	\$ 46,419,642	\$ 47,865,181	\$ 49,720,655	\$ 51,170,197	\$ 53,542,174	\$ 54,653,329	\$ 56,513,528	\$ 58,955,860	\$ 61,069,137	\$ 63,692,746
Motor vehicle excise taxes.....	2,839,549	2,756,859	2,649,742	2,757,607	2,851,176	2,994,944	3,212,814	3,317,889	3,575,360	3,627,692
Penalties and interest on taxes.....	152,437	153,284	192,732	226,937	241,114	235,370	231,501	287,496	244,181	276,660
Charges for services.....	2,896,961	2,933,547	3,017,786	2,984,996	3,135,718	3,265,285	3,302,028	3,281,158	3,479,049	4,094,313
Licenses and permits.....	604,058	648,799	848,233	729,262	773,464	676,788	723,707	780,713	793,817	763,738
Fines and forfeitures.....	193,511	167,209	157,626	141,860	175,186	153,061	144,147	126,021	131,209	162,196
Intergovernmental.....	15,110,217	18,339,553	19,023,864	17,282,267	16,668,016	20,163,582	22,368,797	13,949,896	16,761,528	19,540,005
Departmental and other.....	389,996	269,957	294,815	317,306	570,975	301,435	682,753	752,356	1,138,951	1,247,506
Contributions.....	537,030	599,738	439,403	461,556	570,902	1,629,007	508,769	1,354,054	1,062,116	598,650
Investment income.....	1,299,999	633,687	524,246	382,329	231,290	551,404	341,630	302,750	453,940	324,075
Miscellaneous.....	323,821	321,609	304,615	329,000	351,966	331,532	48,727	41,569	44,823	348,051
Total Revenue.....	70,767,221	74,689,423	77,173,717	76,783,317	79,111,981	84,955,737	88,078,401	83,149,762	88,754,111	94,675,632
Expenditures:										
General government.....	2,056,400	2,055,385	2,192,414	2,188,589	168,467	2,075,878	2,211,378	2,542,683	2,437,239	2,227,298
Public safety.....	6,367,594	6,663,357	6,706,967	6,916,177	5,463,055	7,136,638	7,507,189	7,751,988	7,982,485	8,213,378
Education.....	30,042,340	31,437,324	32,711,645	33,258,875	24,840,586	34,488,972	36,141,943	36,777,030	39,049,399	40,923,146
Public works.....	3,762,533	3,641,840	4,338,817	4,095,893	6,385,885	5,255,558	5,037,579	5,311,258	5,876,241	5,088,393
Landfill.....	-	-	-	-	-	-	-	8,476,944	9,595,405	-
Human services.....	889,949	804,745	777,377	805,497	709,399	730,629	709,822	738,308	749,688	857,418
Culture and recreation.....	1,819,561	2,019,758	1,945,935	2,035,638	2,228,610	1,996,187	2,035,713	1,859,522	2,528,741	2,149,995
Pension benefits.....	7,252,902	7,771,803	8,117,079	8,333,338	8,758,191	8,886,922	9,231,574	6,171,613	8,420,207	10,955,785
Property and liability insurance.....	330,485	277,368	206,956	223,932	216,606	271,764	302,420	318,315	347,329	371,239
Employee benefits.....	9,242,492	9,716,952	9,999,049	8,786,164	10,841,607	10,037,694	10,633,116	10,423,210	11,017,859	11,221,929
State and county charges.....	1,340,304	1,457,485	1,719,351	2,188,061	2,365,570	2,583,423	2,672,504	2,705,864	2,868,544	3,082,820
Capital outlay.....	8,520,528	7,463,678	14,103,307	6,187,452	16,526,990	16,552,382	17,526,722	4,437,596	1,136,720	7,427,838
Debt service:										
Principal payment on current refunding.....	-	9,496,500	11,782,000	13,682,000	243,000	874,000	5,527,000	21,553,239	6,541,205	18,241,930
Principal.....	1,745,000	1,615,000	2,820,000	3,008,000	2,614,000	2,738,000	2,866,000	3,219,000	3,718,000	4,085,000
Interest.....	1,256,791	1,516,966	1,601,955	1,444,950	1,872,515	1,508,446	1,912,631	2,221,195	2,254,324	2,749,377
Total Expenditures.....	74,626,879	85,938,161	99,022,852	93,154,566	83,234,481	95,136,493	104,315,591	114,507,765	104,523,386	117,595,546
Excess of revenues over (under) expenditures.....	(3,859,658)	(11,248,738)	(21,849,135)	(16,371,249)	(4,122,500)	(10,180,756)	(16,237,190)	(31,358,003)	(15,769,275)	(22,919,914)
Other Financing Sources (Uses)										
Issuance of debt.....	9,496,500	9,960,500	2,618,000	1,650,000	6,195,000	12,824,000	8,158,000	10,000	-	995,000
Issuance of refunding bonds.....	-	9,496,500	11,782,000	13,682,000	16,103,000	5,527,000	12,328,239	24,991,205	18,241,930	17,151,952
Premium from issuance of debt.....	33,326	218,930	349,262	600,790	2,270,852	723,625	504,391	583,768	1,129,222	807,149
Payments to refunding bond escrow agent.....	-	-	-	-	(17,877,492)	-	-	-	-	-
Transfers in.....	2,104,004	2,061,179	3,947,500	3,557,318	1,120,997	1,234,550	1,779,849	1,651,535	1,199,731	1,311,815
Transfers out.....	(1,544,976)	(1,474,476)	(3,318,191)	(2,972,243)	(581,477)	(590,674)	(1,179,791)	(1,074,316)	(628,193)	(790,928)
Total other financing sources (uses).....	10,088,854	20,262,633	15,378,571	16,517,865	7,230,880	19,718,501	21,590,688	26,162,192	19,942,690	19,474,988
Net change in fund balances.....	\$ 6,229,196	\$ 9,013,895	\$ (6,470,564)	\$ 146,616	\$ 3,108,380	\$ 9,537,745	\$ 5,353,498	\$ (5,195,811)	\$ 4,173,415	\$ (3,444,926)
Debt service as a percentage of noncapital expenditures.....	4.54%	3.99%	5.21%	6.08%	6.73%	5.46%	5.88%	6.15%	6.33%	7.43%

In 2009 through 2017 the debt service % has been adjusted for the current refunding of long-term BANs.

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

Last Ten Years

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
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
2014	4,840,763,845	11.09	206,220,721	16,553,800	54,689,890	277,464,411	11.09	11.09	5,118,228,256
2015	5,048,269,078	11.08	207,099,668	16,058,600	54,855,310	278,013,578	11.08	11.08	5,326,282,656
2016	(1) 5,233,392,658	11.10	218,833,428	16,094,900	57,617,730	292,546,058	11.10	11.10	5,525,938,716
2017	5,499,968,414	11.01	225,864,473	16,577,200	65,849,510	308,291,183	11.01	11.01	5,808,259,597

(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 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	2017			2008		
	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Various Edward T. Moore LLC/Trusts	\$ 59,545,500	1	1.03%	\$ 62,274,500	1	1.11%
Algonquin Gas Transmission Co.	34,668,500	2	0.60%	16,193,100	4	0.29%
Various Rockett LLC/Trusts	23,455,700	3	0.40%	35,334,800	2	0.63%
Bessom Associates	20,458,900	4	0.35%	17,277,500	3	0.31%
Eastern Yacht Club	18,367,500	5	0.32%	14,971,200	5	0.27%
Boston Gas (dba National Grid)	15,743,340	6	0.27%			
Eyk Van Otterloo & Various LLC's	14,615,100	7	0.25%			
Individual	13,475,600	8	0.23%			
Corinthian Yacht Club	10,803,910	9	0.19%	8,991,100	9	0.16%
Tedesco Country Club	9,973,516	10	0.17%			
Angelo Arena				11,453,400	6	0.20%
Peter S. Lynch				10,226,300	7	0.18%
Philip A. Gianatasio				9,657,000	8	0.17%
Robert W. Green				8,789,800	10	0.16%
	<u>\$ 221,107,566</u>		<u>3.81%</u>	<u>\$ 195,168,700</u>		<u>3.48%</u>

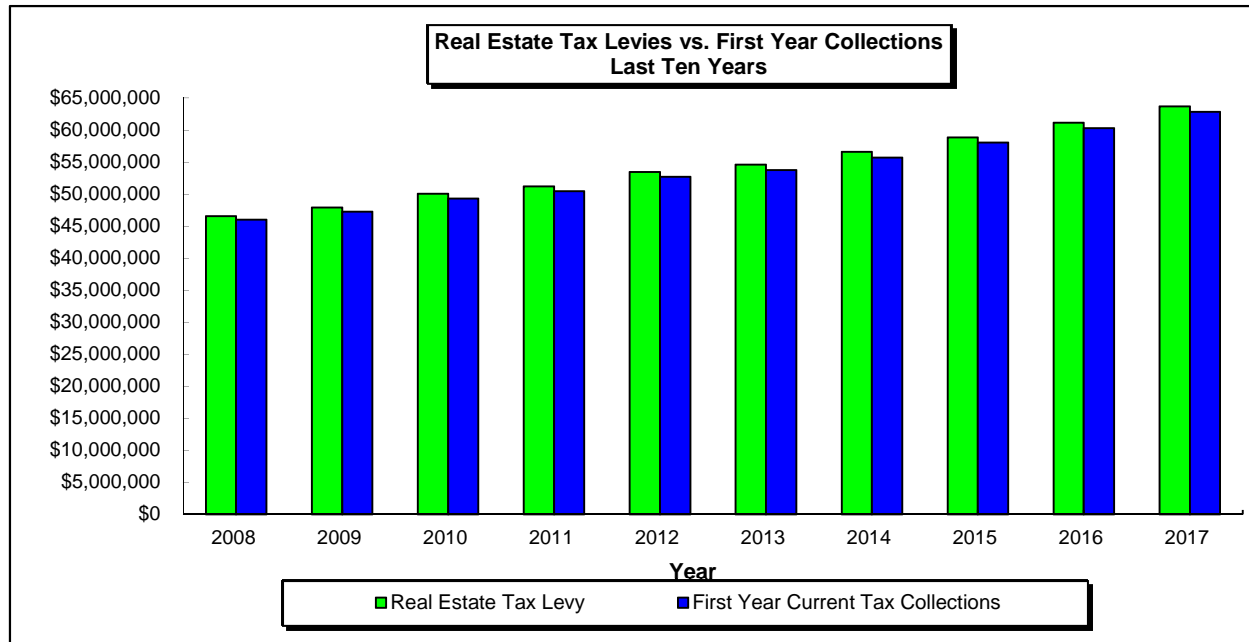
Source: Town of Marblehead, Assessor's Department

Property Tax Levies and Collections

Last Ten Years

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
2008	\$ 46,775,321	\$ 219,158	\$ 46,556,163	\$ 46,024,701	98.9%	\$ 349,933	\$ 46,374,634	99.6%
2009	48,097,849	205,900	47,891,949	47,278,421	98.7%	438,987	47,717,409	99.6%
2010	(1) 50,236,558	202,945	50,033,613	49,329,485	98.6%	430,008	49,759,493	99.5%
2011	51,376,323	170,026	51,206,297	50,460,080	98.5%	458,017	50,918,097	99.4%
2012	53,651,430	190,822	53,460,608	52,730,436	98.6%	467,619	53,198,055	99.5%
2013	(1) 54,785,294	196,959	54,588,335	53,749,406	98.5%	534,587	54,283,993	99.4%
2014	56,761,148	178,533	56,582,615	55,709,938	98.5%	583,231	56,293,169	99.5%
2015	59,015,212	184,531	58,830,681	58,048,814	98.7%	517,460	58,566,274	99.6%
2016	(1) 61,337,920	211,730	61,126,190	60,294,264	98.6%	506,186	60,800,450	99.5%
2017	63,948,938	255,507	63,693,431	62,843,686	98.7%	-	62,843,686	98.7%

Source: Town of Marblehead's, Finance Department



(1) Revaluation year.

(2) Includes omitted and revised assessments.

Ratios of Outstanding Debt by Type

Last Ten Years

Year	U. S. Census Population	Personal Income	Assessed Value	Governmental Activities Debt				
				General Obligation Bonds	Capital Leases	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
2008	20,039	\$ 1,097,356,003	\$ 5,608,551,644	\$ 36,481,098	\$ -	\$ 1,821	3.32%	0.65%
2009	20,449	1,142,199,344	5,350,150,064	43,600,210	-	2,132	3.82%	0.81%
2010	19,808	1,160,939,921	5,249,413,281	43,340,822	-	2,127	3.73%	0.83%
2011	19,961	1,079,516,192	5,031,961,071	42,405,271	-	2,141	3.93%	0.84%
2012	20,076	1,100,506,092	5,099,945,946	46,114,891	182,393	2,306	4.21%	0.91%
2013	19,808	1,122,162,816	5,049,335,856	61,267,217	87,365	3,097	5.47%	1.22%
2014	20,187	1,167,313,275	5,118,227,956	73,758,730	-	3,654	6.32%	1.44%
2015	20,454	1,188,009,228	5,326,282,656	74,064,865	-	3,621	6.23%	1.39%
2016	20,517	1,222,505,445	5,525,938,716	82,660,432	-	4,029	6.76%	1.50%
2017	20,493	1,176,236,721	5,808,259,597	78,878,404	-	3,849	6.71%	1.36%

Source: Audited Financial Statements, U. S. Census

Ratios of General Bonded Debt

Last Ten Years

Year	Enterprise General Obligation Bonds (1)	Total Primary Government			
		Total Debt Outstanding	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
2008	\$ 90,000	\$ 36,481,098	\$ 1,718	3.14%	0.61%
2009	45,000	43,600,210	2,089	3.74%	0.80%
2010	-	43,340,822	2,036	3.57%	0.79%
2011	-	42,405,271	2,076	3.81%	0.82%
2012	-	46,114,891	2,246	4.10%	0.88%
2013	-	61,267,217	3,012	5.32%	1.18%
2014	-	73,758,730	3,554	6.15%	1.40%
2015	-	74,064,865	3,519	6.06%	1.35%
2016	-	82,660,432	3,897	6.54%	1.45%
2017	-	78,878,404	3,698	6.44%	1.30%

(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, 2017

<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:			
Essex North Shore Agricultural and Technical School District.....	\$ 29,720,000	1.79%	\$ <u>531,988</u>
Subtotal, overlapping debt.....			531,988
Town direct debt.....			<u>78,878,404</u>
Total direct and overlapping debt.....			\$ <u><u>79,410,392</u></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 Essex North Shore Agricultural and 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 Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Equalized valuation.....	\$ 5,976,188,400	\$ 5,976,188,400	\$ 5,580,750,300	\$ 5,580,750,300	\$ 5,362,642,300	\$ 5,362,642,300	\$ 5,323,866,200	\$ 5,323,866,200	\$ 5,735,475,100	\$ 5,735,475,100
Debt Limit - 5% of equalized valuation.....	298,809,420	298,809,420	279,037,515	279,037,515	268,132,115	268,132,115	266,193,310	266,193,310	286,773,755	286,773,755
Less:										
Total debt applicable to limitation.....	34,426,500	23,270,000	28,080,000	37,790,000	38,475,000	45,151,000	51,259,000	56,323,000	61,715,000	65,397,000
Legal debt margin.....	\$ 264,382,920	\$ 275,539,420	\$ 250,957,515	\$ 241,247,515	\$ 229,657,115	\$ 222,981,115	\$ 214,934,310	\$ 209,870,310	\$ 225,058,755	\$ 221,376,755
Total debt applicable to the limit as a percentage of debt limit.....	13%	8%	11%	16%	17%	20%	24%	27%	27%	30%

Source: Town of Marblehead's, Finance Department

Demographic and Economic Statistics

Last Ten Years

Year	Population Estimates	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
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2008	20,039	\$ 1,097,356,003	\$ 54,761	41.9	3,209	4.00%
2009	20,449	1,142,204,180	55,856	41.9	3,261	6.80%
2010	19,808	1,136,792,076	55,788	41.9	3,232	6.60%
2011	19,961	1,079,516,192	54,499	41.9	3,206	5.40%
2012	20,076	1,100,506,092	54,817	38.7	3,170	4.70%
2013	19,808	1,122,162,816	56,652	38.7	3,246	5.30%
2014	20,187	1,167,313,275	57,825	45.7	3,327	4.10%
2015	20,454	1,188,009,228	58,082	45.7	3,245	3.90%
2016	20,517	1,222,505,445	59,585	46.5	3,208	3.50%
2017	20,493	1,176,236,721	57,397	47.4	3,264	3.60%

Sourc U. S. Census; Labor and Workforce Development

Principal Employers

Current and Nine Years Ago

Employer	Nature of Business	2017			2008		
		Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Town of Marblehead	Municipal Government	1,200	1	25.09%	673	1	13.40%
Lynch/van Otterloo YMCA	Recreational	594	2	12.42%	125	5	2.49%
Eastern Yacht Club	Yacht Club	185	3	3.87%	220	2	4.38%
Boston Yacht Club	Yacht Club	147	4	3.07%	80	9	1.79%
Corinthian Yacht Club	Yacht Club	133	5	2.78%	135	3	2.45%
Lafayette Nursing Home	Health Care	112	6	2.34%	125	4	2.49%
Tedesco Country Club	Country Club	105	7	2.20%	120	7	2.49%
Devereux House	Health Care	82	8	1.71%	123	6	2.69%
Crosby's Marketplace	Food Market	62	9	1.30%	90	8	1.79%
National Grand Bank	Banking	55	10	1.15%	60	10	1.19%

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 Years

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Function										
General government.....	22.75	22.75	22.75	22.75	22.50	22.50	21.50	22.03	21.55	21.50
Public safety.....	55.75	56.00	56.00	55.75	55.75	56.75	55.75	55.54	55.84	51.28
Fire.....	42.50	42.50	42.50	42.50	42.75	42.75	42.75	42.75	39.70	39.70
Education.....	479.79	488.11	487.71	488.01	480.00	490.00	492.00	489.80	489.17	493.17
Public works.....	35.95	34.25	36.10	36.18	36.18	36.18	36.18	36.06	34.37	33.40
Human services.....	7.00	7.75	8.18	8.18	8.18	8.93	9.93	9.64	8.4	9.35
Culture and recreation.....	<u>29.25</u>	<u>28.50</u>	<u>29.00</u>	<u>29.25</u>	<u>29.50</u>	<u>29.00</u>	<u>29.00</u>	<u>30.78</u>	<u>25.64</u>	<u>27.25</u>
Total.....	<u>672.99</u>	<u>679.86</u>	<u>682.24</u>	<u>682.62</u>	<u>674.86</u>	<u>686.10</u>	<u>687.11</u>	<u>686.60</u>	<u>674.67</u>	<u>675.65</u>

Source: Town Records

Operating Indicators by Function/Program

Last Ten Years

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police										
Physical arrests.....	204	306	250	146	144	171	157	167	153	188
Motor vehicle violations.....	1,363	2,310	2,118	1,443	1,323	1,344	553	1,096	964	1,104
Parking violations.....	4,119	3,242	3,039	2,230	2,782	2,857	2,200	2,097	2,645	3,195
Fire										
Inspections.....	1,738	1,618	1,817	2,160	1,793	2,571	2,375	937	1,315	1,755
Emergency responses.....	2,378	2,341	2,396	2,540	2,540	2,307	2,522	2,663	2,645	2,634
Libraries										
Volumes in circulation.....	127,278	123,463	125,975	126,230	135,433	138,683	143,559	143,559	150,050	142,915
Total volumes borrowed.....	204,172	218,310	240,518	226,953	245,447	228,339	230,625	217,318	211,233	203,800
Water										
Service connections.....	8,080	8,080	8,080	7,991	7,991	8,030	8,045	8,032	8,032	8,041
Consumption in gallons.....	1,993,000	1,993,000	1,993,000	1,815,000	1,649,863	1,742,740	1,776,000	1,789,600	1,893,400	1,817,194
Daily consumption.....	3,820,000	3,820,000	3,820,000	4,118,000	3,445,000	3,428,000	3,165,000	3,470,000	3,294,000	3,640,000
Sewer										
Service connections.....	7,883	7,883	8,160	7,883	7,883	7,883	7,883	7,885	7,865	7,874
Daily average collection.....	2,244,000	2,244,000	2,244,000	2,244,000	2,244,000	1,584,300	1,155,000	1,878,028	1,780,800	1,830,500

Source: Various Town departments

Capital Asset Statistics by Function/Program

<u>Function/Program</u>	<u>Last Ten Years</u>									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
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	40	40	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.....	6	6	6	6	6	6	6	6	6	6
Number of middle schools.....	1	1	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.....	258	239	294	243	285	289	288	289	294	297
Number of administrators.....	19	22	26	22	22	22	27	22	22	22
Number of students.....	3,212	3,262	3,250	3,262	3,188	3,269	3,304	3,255	3,208	3,264
Water										
Water mains (miles).....	28	88	88	88	89	88	88	88	88	88
Fire hydrants.....	860	860	860	860	860	860	860	861	861	861
Sewer										
Sanitary sewers (miles).....	89	89	89	89	89	89	89	89	89	89
Storm sewers (miles).....	52	52	52	52	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).....	134	134	134	134	134	203	203	203	203	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	16	16	16	16	16	16	16
Tennis courts.....	12	12	12	13	14	14	14	14	14	14
Harbor										
Harbors.....	2	2	2	2	2	2	2	2	2	2
Moorings.....	2,200	2,200	2,200	2,200	2,400	2,600	2,800	2,800	2,800	2,800
Private yacht clubs.....	6	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	7	7	7	7	7	7
Emergency rescue watercraft.....	2	2	2	2	2	2	2	3	3	3

Source: Various Town Departments



A new catch basin and manhole being placed in the old drain culvert on School Street as part of the Town's Drainage project.

Photo by Amy McHugh

A new footpath is constructed at Old Burial Hill.



Photo by Charles Quigley

The Town completed the rebuilding of the revetment protection on Ocean Avenue.



Photo by Charles Quigley