

# **TOWN OF MARBLEHEAD, MASSACHUSETTS**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**



Photo by Eyal Oren

**For the Year Ended  
June 30, 2018**

On the Cover:  
*Ariel view of Marblehead during a late summer sunset.*



Photo by Doug Gordon

*Marblehead Light glows in celebration of the Fourth of July.*

*Angry waves crash over the Causeway seawall during a winter storm.*



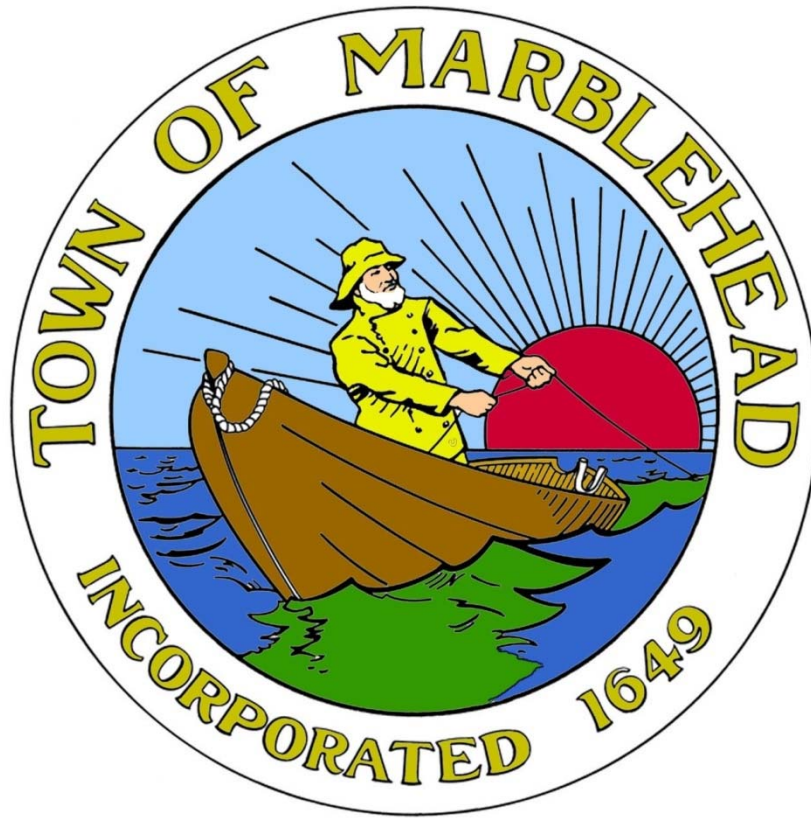
Photo by Rick Cuzner



*A calm day at Crowninshield Island (also known as Brown's Island).*

Photo by Rob Kipp

# TOWN OF MARBLEHEAD, MASSACHUSETTS



## COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2018 Prepared by the Finance Department

TOWN OF MARBLEHEAD, MASSACHUSETTS  
Comprehensive Annual Financial Report  
Year Ended June 30, 2018

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# *Introductory Section*



2018 West Marine J70 Worlds / PhotoBoat.com

Photo by Laurie Willard

Sailboats line up for the start of the 2018 West Marine J70 World Championships held in Marblehead.



## ***Introductory Section***

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## **TOWN OF MARBLEHEAD**

### **FINANCIAL SERVICES**

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

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#### **Letter of Transmittal**

December 19, 2018

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, 2018 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).

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 Assets that provides the total net assets 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, 2018, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion the Town of Marblehead's financial statements for the fiscal year ended June 30, 2018, 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 the 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 FY2017 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 and Other Postemployment Benefit Plan 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 19,907, 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 in fiscal year 2018 was \$368,624. 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 (3.0% vs. 3.7% 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 6,222 single family dwellings as of January 1, 2017. There are 2,041 Colonial style homes, constituting 33% of the single family housing stock. Old Style construction (typically pre-1920) represents 21% with 1,284 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 985 condominiums, 306 two-family properties, and 148 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 2018, single family dwellings had an average assessment of \$781,000, representing an increase of \$26,450 from FY 2017. The average tax bill of \$8,606 is based on a single tax rate of \$11.02.

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 13 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 4.5% for Marblehead in FY 2018. 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 2017 and the first 8 months of 2018), indications are that strong real estate market remains in place. This will result in a continued increase in market values for FY 2019 and similarly, a corresponding increase in assessments. It is expected that for FY 2019 the aggregate value of the community will continue to set new highs for assessments, surpassing the previous high point of 2018.

## **FINANCIAL AND MANAGEMENT POLICIES**

### **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 ten 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 FY18, the Town borrowed \$9.6 million in long-term bonds and \$1.9 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.

### **Minimal Changes to FY18 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 FY18, no such budget amendments occurred.

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.

### **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 FY2018 with a rate of 98.84%. Property tax revenue represents approximately 76% of the Town's revenue base.

### **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 FY18, the Town appropriated \$533,544 into the energy reserve and a total of \$533,533 was spent. Additionally, the Town appropriated \$100,000 into the utility reserve, of which \$58,256 was spent. For FY19, 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.

The Town has steadily increased the appropriation to fund the OPEB liability. In FY18, the Town appropriated \$350,000 to the OPEB trust and will transfer an additional \$350,000 in FY19. Furthermore, the Water and Sewer department initiated its own contribution into the OPEB trust beginning in FY18. The department transferred \$10,000 to the trust in FY18 and will transfer an additional \$10,250 in FY19. It is anticipated that additional appropriations to the OPEB trust will continue to be made annually.

## **SIGNIFICANT EVENTS**

### **Town's AAA Bond Rating Affirmed for 10<sup>TH</sup> Consecutive Year**

In August of 2018, the Town issued Notes 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 10<sup>th</sup> consecutive year that S&P has set the Town's bond rating at AAA.

### **Agreements Reached on Collective Bargaining Contracts**

All of the Town's collective bargaining agreements expiring at the end of FY2018 were successfully re-negotiated and implemented. These contracts are in place for the next three years, which provides stability in future financial planning.

### **Agreement Reached on Town's Health Insurance Coverage**

The Town and the Public Employee Committee ("PEC") negotiated and reached an agreement to continue health insurance coverage for eligible employees, retirees, surviving spouses and dependents with the Commonwealth's Group Insurance Commission ("GIC"). The new agreement is in effect from July 1, 2018 through June 30, 2024. This six-year agreement provides stability in future planning for one of the Town's significant expenses.

## Equipment Purchased

The Town purchased several new pieces of equipment in FY18. This included, by department:

Highway..... Front End loader and Backhoe  
Drain..... Mini Excavator  
Cemetery..... Truck with Plow, Mower & Mulcher, Leaf Vacuum  
Building..... Snow Blower  
Police..... 2 Police Patrol Vehicles  
Schools..... 4-Wheel drive SUV, 8 Passenger Van  
Fire..... SCBA Equipment, Pickup Truck for Chief

## June 21, 2018 Special Election

The Town held a special election on June 21, 2018 for two debt exclusion override questions. An affirmative vote on these questions would allow the Town to borrow for the related projects and exclude the amounts required to repay any borrowing from the limitations of proposition 2 1/2.

The first question was to appropriate a total of \$924,988 (of which \$871,894 shall be borrowed) for the reconstruction of walls and fences that were damaged during the March 2018 storms. The question was approved, with 1,555 voters in favor and 326 voters opposed.

The second question was to appropriate a total of \$8,982,963 for the renovation, repair, and restoration of Abbot Hall. The question was approved, with 1,340 voters in favor and 539 voters opposed.

## AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Marblehead for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2017. This was the fourteenth consecutive year that the Town submitted a CAFR to the GFOA. The Town was awarded this Certificate for all fourteen 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 FY2018 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,

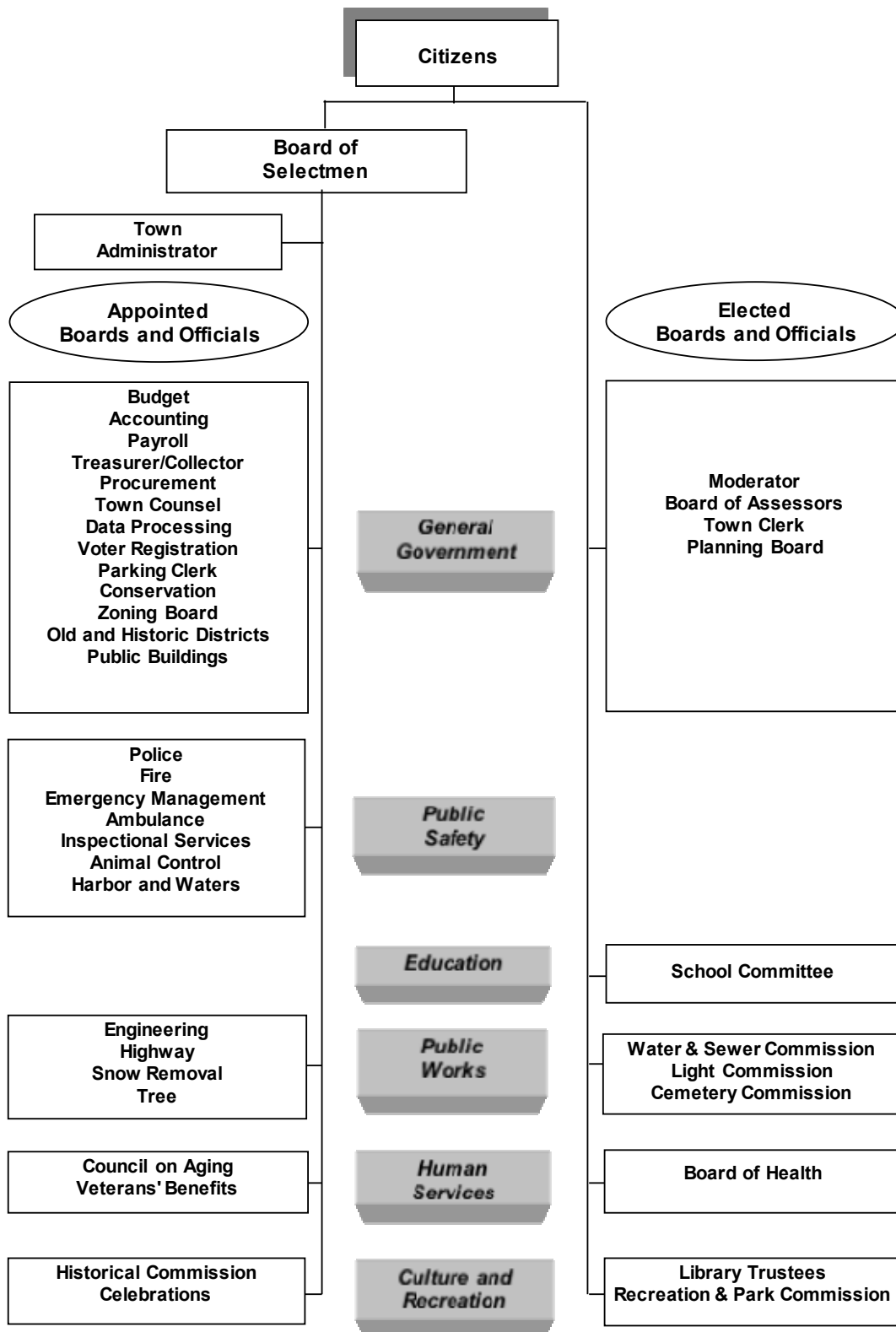


Alison Nieto  
Finance Director/Town Accountant



# Town of Marblehead, Massachusetts

## Organization Chart



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

<b>Title</b>	<b>Name</b>	<b>Manner of Selection</b>	<b>Term Expires</b>
Selectmen (Chair)	Jackie Belf-Becker	Elected	2019
Selectmen	Harry C. Christensen, Jr.	Elected	2019
Selectmen	Judith R. Jacobi	Elected	2019
Selectmen	M. C. Moses Grader	Elected	2019
Selectmen	James E. Nye	Elected	2019
Town Administrator	Jason Silva	Appointed	2021
Finance Director/Town Accountant	Alison B. Nieto	Appointed	2021
Treasurer/Collector	Leslie A. Davidson	Appointed	2019
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, 2017**

*Christopher P. Morill*

Executive Director/CEO

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# *Financial Section*



Photo by Colleen King

*A peaceful sunset over the Harbor in August 2018.*

## ***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, 2018 (except for the Marblehead Contributory Retirement System and the Marblehead Municipal Light Department which are as of and for the year ended December 31, 2017), and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

## **Management's Responsibility for the Financial Statements**

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

## **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Marblehead Municipal Light Department, which is both a major fund and 50%, 45%, and 61%, respectively, of the assets, net position, and revenues of the business-type activities, for the year ended December 31, 2017. 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, 2018 (except for the Marblehead Contributory Retirement System and the Marblehead Municipal Light Department which are as of and for the year ended December 31, 2017), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not 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 19, 2018 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 19, 2018

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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, 2018. 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, 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 combined information for the pension and OPEB trust funds of the Town. The pension and other employee benefits trust fund is used to account for assets accumulated to provide funding for future pension and net 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***

During fiscal year 2018, the Town's overall the net position of the primary government decreased by \$7.5 million, to a deficit balance of \$68.8 million. This was comprised of a \$7.8 million decrease in governmental net position and a \$296,000 increase in business-type net position. The \$207.8 million deficit in unrestricted government-wide net position is attributable to the Town's recognition of \$183 million in net OPEB liabilities and the recognition of \$47.1 million in net pension liabilities. These are long-term unfunded liabilities, which do not require significant short-term resources.

## ***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 liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$117.6 million, at the close of 2018.

Beginning net position of the governmental activities has been revised to reflect the implementation of GASB

Statement #75. The implementation of this standard required the OPEB liability to be revised due to the use of different methods and assumptions as previously required by GASB Statement #45. Accordingly, previously reported net position of \$11.7 million has been revised and totals a deficit \$109.9 million (See Note 17 for details).

	2018	2017 (As Revised)
<b>Assets:</b>		
Current assets.....	\$ 42,022,370	\$ 43,758,483
Capital assets, non depreciable.....	8,633,668	8,141,798
Capital assets, net of accumulated depreciation....	126,640,049	129,235,081
<b>Total assets.....</b>	<b>177,296,087</b>	<b>181,135,362</b>
<b>Deferred outflows of resources.....</b>	<b>10,304,471</b>	<b>6,065,318</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	5,765,604	7,826,679
Noncurrent liabilities (excluding debt).....	213,829,254	209,305,057
Current debt.....	4,520,154	4,836,748
Noncurrent debt.....	72,251,482	74,041,656
<b>Total liabilities.....</b>	<b>296,366,494</b>	<b>296,010,140</b>
<b>Deferred inflows of resources.....</b>	<b>8,856,384</b>	<b>1,054,817</b>
<b>Net position:</b>		
Net investment in capital assets.....	81,296,691	80,043,188
Restricted.....	10,425,505	10,142,342
Unrestricted.....	(209,344,516)	(200,049,807)
<b>Total net position.....</b>	<b>\$ (117,622,320)</b>	<b>\$ (109,864,277)</b>

Governmental net position of \$81.3 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, \$10.4 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 \$209.3 million. The primary reason for this deficit balance in net position is the recognition of net other postemployment benefit (OPEB) liabilities in accordance with GASB 75 of \$175.3 million and the recognition of net pension liability in accordance with GASB 68 in the amount of \$37.7 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. 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, 2018, the OPEB trust fund has a balance of \$3.5 million. GASB standards require the entire unfunded pension and OPEB liabilities to be recorded on the full accrual financial statements.

	2018	2017 (As Revised)
<b>Program Revenues:</b>		
Charges for services.....	\$ 6,636,560	\$ 6,575,987
Operating grants and contributions.....	19,339,810	18,290,706
Capital grants and contributions.....	576,960	521,930
<b>General Revenues:</b>		
Real estate and personal property taxes, net of tax refunds payable.....	66,330,626	63,759,278
Motor vehicle and other excise taxes.....	3,731,262	3,637,261
Penalties and interest on taxes.....	296,552	276,660
Grants and contributions not restricted to specific programs.....	1,328,929	1,270,198
Unrestricted investment income.....	204,081	328,165
<b>Total revenues.....</b>	<b>98,444,780</b>	<b>94,660,185</b>
<b>Expenses:</b>		
General government.....	4,755,297	4,519,835
Public safety.....	15,087,411	13,546,839
Education.....	72,235,555	68,164,424
Public works.....	7,004,811	5,120,344
Human services.....	1,508,463	1,302,548
Culture and recreation.....	4,062,091	3,721,534
Interest.....	2,154,964	2,341,770
<b>Total expenses.....</b>	<b>106,808,592</b>	<b>98,717,294</b>
<b>Excess (Deficiency) before transfers.....</b>	<b>(8,363,812)</b>	<b>(4,057,109)</b>
<b>Transfers.....</b>	<b>605,769</b>	<b>520,887</b>
<b>Change in net position.....</b>	<b>(7,758,043)</b>	<b>(3,536,222)</b>
<b>Net position, beginning of year (as revised).. Net position, end of year.....</b>	<b>(109,864,277)</b>	<b>(106,328,055)</b>
	<b>\$ (117,622,320)</b>	<b>\$ (109,864,277)</b>

Key components of the \$7.8 million overall decrease in governmental net position are the \$8.1 million increase in net OPEB liability due to the implementation of GASB 75 and \$2.5 million net increase in the Town's net pension liability and related deferred outflows and inflows of resources.

The governmental expenses totaled \$106.8 million of which \$26.6 million (25%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$71.9 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 \$627,000 during fiscal year 2018, resulting in corresponding increases in operating grants and contributions and education expenses.

The Town completed the majority of its landfill closure project during fiscal year 2017. The final completion occurred in 2018. This resulted in a decrease in public works expenses in fiscal year 2017 as the estimated cost of closure was adjusted. The remaining landfill liability relates to the 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 \$48.8 million at the close of 2018.

Business-type net position of \$40.3 million (83%) represents investments in capital assets. An additional \$7 million (14%) is restricted for depreciation within the Municipal Light Enterprise Fund, and the remaining \$1.6 million (3%) 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 \$296,000 in total net position reported in the business-type activities during 2018.

The Town's Water, Sewer, 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.

Beginning net position of the Water, Sewer, and Harbor funds has been revised to reflect the implementation of GASB Statement #75. The implementation of this standard required the OPEB liability to be revised due to the use of different methods and assumptions as previously required by GASB Statement #45. Accordingly, previously reported net position of \$52.9 million has been revised and totals \$48.5 million (See Note 17 for details).

	2018	2017 (As Revised)
<b>Assets:</b>		
Current assets.....	\$ 28,168,304	\$ 28,089,692
Noncurrent assets (excluding capital).....	575,150	480,305
Capital assets, non depreciable.....	10,187,355	2,858,544
Capital assets, net of accumulated depreciation...	35,139,148	35,161,720
<b>Total assets.....</b>	<b>74,069,957</b>	<b>66,590,261</b>
<b>Deferred outflows of resources.....</b>	<b>2,055,453</b>	<b>2,239,126</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	3,478,232	2,463,939
Noncurrent liabilities (excluding debt).....	17,058,606	16,382,240
Current debt.....	5,016,073	-
<b>Total liabilities.....</b>	<b>25,552,911</b>	<b>18,846,179</b>
<b>Deferred inflows of resources.....</b>	<b>1,741,407</b>	<b>1,447,852</b>
<b>Net position:</b>		
Net investment in capital assets.....	40,310,430	38,020,264
Restricted.....	6,949,454	6,949,454
Unrestricted.....	1,571,208	3,565,638
<b>Total net position.....</b>	<b>\$ 48,831,092</b>	<b>\$ 48,535,356</b>



The Water Enterprise Fund's net position totaled \$12.8 million at year end; an increase of \$3,000 from the prior year. This balance is approximately 2.9 times the annual operating expenses and has remained consistent over the past several years. Revenues in this fund consist primarily of charges for water service and approximately 55% of the operating expenses consist of assessments paid to the Massachusetts Water Resource Authority. The Sewer Enterprise Fund's net position totaled \$11.6 million at year end; an increase of \$244,000 from the prior year. This balance is approximately 2.4 times the annual operating expenses. Revenues in this fund consist primarily of charges for sewer services and approximately 60% of the Sewer 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 is being 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 Harbor Enterprise Fund's net position totaled \$2.6 million at year end; an increase of \$69,000 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 such as mooring permits, storage, and rent and boat excise taxes assessed.

The Municipal Light Enterprise Fund's net position totaled \$21.8 million at year end; a decrease of \$21,000. The majority of the revenue in this fund consists of charges for services and 91% of the expenses relate to cost of services and administration.

	2018	2017 (As Revised)
<b>Program Revenues:</b>		
Charges for services.....	\$ 26,618,769	\$ 27,547,045
Operating grants and contributions.....	78,010	1,680
<b>General Revenues:</b>		
Boat excise taxes.....	164,659	124,716
Unrestricted investment income.....	96,002	68,310
<b>Total revenues.....</b>	<b>26,957,440</b>	<b>27,741,751</b>
<b>Expenses:</b>		
Water.....	4,461,840	4,056,433
Sewer.....	4,782,215	4,547,620
Harbor.....	918,866	967,721
Municipal Light.....	15,893,014	15,301,286
<b>Total expenses.....</b>	<b>26,055,935</b>	<b>24,873,060</b>
<b>Excess (Deficiency) before transfers.....</b>	<b>901,505</b>	<b>2,868,691</b>
<b>Transfers.....</b>	<b>(605,769)</b>	<b>(520,887)</b>
<b>Change in net position.....</b>	<b>295,736</b>	<b>2,347,804</b>
<b>Net position, beginning of year (as revised)...</b>	<b>48,535,356</b>	<b>46,187,552</b>
<b>Net position, end of year.....</b>	<b>\$ 48,831,092</b>	<b>\$ 48,535,356</b>

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

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

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

As of the end of the current year, governmental funds reported combined ending fund balances of \$35.6 million, a decrease of \$1.8 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 \$12.8 million, while total fund balance was \$21.2 million. Of the \$8.1 million assigned fund balance, \$7.9 million, has been allocated to balance the 2019 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 \$404,000 as of June 30, 2018. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 13% of total general fund expenditures, while total fund balance represents 21% of that same amount.

The General Fund decreased by \$922,000. This decrease is primarily attributable to the use of \$7.1 million of free cash used to decrease the tax rate, offset by conservative revenue budgeting. Revenues came in over budget by \$2.9 million; appropriations exceeded actual expenditures and encumbrances by \$3 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 2018 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 2018 have been the completion of the landfill/transfer station project, design costs for the new elementary school, and Town drainage improvements. The capital projects fund had a net decrease of approximately \$643,000 during 2018.

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 \$370,000 and annual expenditures totaled \$478,000.

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 \$4.9 million and the fund increased by \$118,000 during the year.

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

The Town experienced a \$2.9 million surplus of actual over budgeted revenues. The largest surpluses were in motor vehicle excises taxes, real estate and personal property taxes, charges for services, and licenses and permits. These surpluses were the result of conservative budget estimates. In addition, the Town does not budget for police detail administration fees, water, sewer and harbor indirect costs which contributed to a \$286,000 surplus in transfers in.

Actual expenditures ended the year approximately \$3 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 \$307,000; 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 education by \$593,000.

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 increases to upgrade and improve infrastructure totaling \$1.7 million mainly for drain improvements. Other capital asset activity consisted of land improvements, building improvements and machinery and equipment, including the purchase of several new vehicles.

Capital additions of the business-type activities consisted of upgrades to infrastructure, buildings, land improvements and purchases of new equipment in the Sewer and Water activities of approximately \$872,000 and \$1.3 million, respectively; the purchase of equipment and land improvements in the Harbor activities of \$73,000; and Municipal Light construction in progress of approximately \$7.3 million.

**Debt administration.** Outstanding long-term debt of the general government, as of June 30, 2018, totaled \$70.5 million, of which \$36.8 million is related to school projects, \$20.1 million is for land acquisition and remediation projects, \$5.5 million is for the transfer station, \$4.5 million is for drainage projects, \$2.2 million is for the Abbot Hall Clock Tower repair, \$1.2 million is for a fire ladder truck and \$200,000 is for Old Town Hall improvements.

The Town's net long-term debt outstanding decreased by \$5 million during 2018 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, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 38,258,712	\$ 13,613,430	\$ 51,872,142
Restricted cash and cash equivalents.....	-	7,318,649	7,318,649
Investments.....	1,266,157	-	1,266,157
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	1,245,899	-	1,245,899
Tax liens.....	384,900	-	384,900
Motor vehicle and boat excise taxes.....	226,159	105,306	331,465
User fees.....	-	5,156,645	5,156,645
Departmental and other.....	157,363	-	157,363
Intergovernmental.....	409,422	-	409,422
Tax foreclosures.....	39,046	-	39,046
Inventory.....	-	73,026	73,026
Working capital deposit.....	10,000	-	10,000
Other assets.....	24,712	1,396,366	1,421,078
Purchased power advanced deposits.....	-	504,882	504,882
Total current assets.....	42,022,370	28,168,304	70,190,674
<b>NONCURRENT:</b>			
Investment in joint venture.....	-	575,150	575,150
Capital assets, nondepreciable.....	8,633,668	10,187,355	18,821,023
Capital assets, net of accumulated depreciation.....	126,640,049	35,139,148	161,779,197
Total noncurrent assets.....	135,273,717	45,901,653	181,175,370
<b>TOTAL ASSETS.....</b>	<b>177,296,087</b>	<b>74,069,957</b>	<b>251,366,044</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions.....	5,868,826	1,883,491	7,752,317
Deferred outflows related to other postemployment benefits.....	4,435,645	171,962	4,607,607
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES.....</b>	<b>10,304,471</b>	<b>2,055,453</b>	<b>12,359,924</b>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	2,339,310	3,058,229	5,397,539
Tax refunds payable.....	551,930	-	551,930
Accrued interest.....	1,111,643	-	1,111,643
Liabilities due depositors.....	3,590	-	3,590
Other liabilities.....	525,113	-	525,113
Customer deposits.....	-	191,381	191,381
Landfill closure.....	114,600	-	114,600
Compensated absences.....	904,065	228,622	1,132,687
Workers' compensation.....	215,353	-	215,353
Notes payable.....	-	5,016,073	5,016,073
Bonds payable.....	4,520,154	-	4,520,154
Total current liabilities.....	10,285,758	8,494,305	18,780,063
<b>NONCURRENT:</b>			
Landfill closure.....	2,865,000	-	2,865,000
Compensated absences.....	198,229	-	198,229
Workers' compensation.....	595,039	-	595,039
Net pension liability.....	37,687,747	9,362,389	47,050,136
Net other postemployment benefits liability.....	175,348,239	6,868,217	182,216,456
Other postemployment benefits.....	-	828,000	828,000
Bonds payable.....	69,386,482	-	69,386,482
Total noncurrent liabilities.....	286,080,736	17,058,606	303,139,342
<b>TOTAL LIABILITIES.....</b>	<b>296,366,494</b>	<b>25,552,911</b>	<b>321,919,405</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Taxes paid in advance.....	305,718	-	305,718
Rate stabilization reserve.....	-	900,000	900,000
Deferred inflows related to pensions.....	4,095,236	672,876	4,768,112
Deferred inflows related to other postemployment benefits.....	4,455,430	168,531	4,623,961
<b>TOTAL DEFERRED INFLOWS OF RESOURCES.....</b>	<b>8,856,384</b>	<b>1,741,407</b>	<b>10,597,791</b>
<b>NET POSITION</b>			
Net investment in capital assets.....	81,296,691	40,310,430	121,607,121
Restricted for:			
Depreciation.....	-	6,949,454	6,949,454
Permanent funds:			
Expendable.....	1,229,764	-	1,229,764
Nonexpendable.....	3,621,446	-	3,621,446
Gifts and grants.....	5,574,295	-	5,574,295
Unrestricted.....	(209,344,516)	1,571,208	(207,773,308)
<b>TOTAL NET POSITION.....</b>	<b>\$ (117,622,320)</b>	<b>\$ 48,831,092</b>	<b>\$ (68,791,228)</b>

See notes to basic financial statements.

# STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

		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.....	\$ 4,755,297	\$ 377,844	\$ 369,060	\$ -	\$ (4,008,393)
Public safety.....	15,087,411	1,425,496	90,731	-	(13,571,184)
Education.....	72,235,555	2,624,923	17,665,583	126,193	(51,818,856)
Public works.....	7,004,811	1,320,282	853,356	450,767	(4,380,406)
Human services.....	1,508,463	159,686	117,452	-	(1,231,325)
Culture and recreation.....	4,062,091	728,329	243,628	-	(3,090,134)
Interest.....	2,154,964	-	-	-	(2,154,964)
Total Governmental Activities.....	106,808,592	6,636,560	19,339,810	576,960	(80,255,262)
Business-Type Activities:					
Water.....	4,461,840	4,528,184	-	-	66,344
Sewer.....	4,782,215	5,078,499	-	-	296,284
Harbor.....	918,866	904,347	10,894	-	(3,625)
Municipal Light.....	15,893,014	16,107,739	67,116	-	281,841
Total Business-Type Activities....	26,055,935	26,618,769	78,010	-	640,844
Total Primary Government.....	\$ 132,864,527	\$ 33,255,329	\$ 19,417,820	\$ 576,960	\$ (79,614,418)

See notes to basic financial statements.

(Continued)

# STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net position:</b>			
Net (expense) revenue from previous page..... \$	<b>(80,255,262)</b>	<b>\$ 640,844</b>	<b>\$ (79,614,418)</b>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	66,330,626	-	66,330,626
Motor vehicle and boat excise taxes.....	3,731,262	164,659	3,895,921
Penalties and interest on taxes.....	296,552	-	296,552
Grants and contributions not restricted to specific programs.....	1,328,929	-	1,328,929
Unrestricted investment income.....	204,081	96,002	300,083
<i>Transfers, net</i> .....	605,769	(605,769)	-
Total general revenues and transfers.....	72,497,219	(345,108)	72,152,111
Change in net position.....	(7,758,043)	295,736	(7,462,307)
<i>Net position:</i>			
Beginning of year, as revised.....	(109,864,277)	48,535,356	(61,328,921)
End of year..... \$	<u>(117,622,320)</u>	<u>\$ 48,831,092</u>	<u>\$ (68,791,228)</u>

See notes to basic financial statements.

(Concluded)



**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2018

	General	Capital Projects Fund	Highway Improvement Fund	Public Funds	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents.....	\$ 23,311,687	\$ 964,458	\$ -	\$ 4,864,735	\$ 7,880,219	\$ 37,021,099
Investments.....	-	-	-	-	1,266,157	1,266,157
Receivables, net of uncollectibles:						
Real estate and personal property taxes.....	1,245,899	-	-	-	-	1,245,899
Tax liens.....	384,900	-	-	-	-	384,900
Motor vehicle and other excise taxes.....	226,159	-	-	-	-	226,159
Departmental and other.....	59,231	-	-	-	98,132	157,363
Intergovernmental.....	36,277	-	370,147	-	2,998	409,422
Tax foreclosures.....	39,046	-	-	-	-	39,046
Due from other funds.....	6,845	-	-	-	-	6,845
Working capital deposit.....	-	-	-	-	10,000	10,000
Other assets.....	24,712	-	-	-	-	24,712
<b>TOTAL ASSETS.....</b>	<b>\$ 25,334,756</b>	<b>\$ 964,458</b>	<b>\$ 370,147</b>	<b>\$ 4,864,735</b>	<b>\$ 9,257,506</b>	<b>\$ 40,791,602</b>
<b>LIABILITIES</b>						
Warrants payable.....	\$ 1,622,800	\$ 133,148	\$ 2,097	\$ 13,525	\$ 567,740	\$ 2,339,310
Tax refunds payable.....	551,930	-	-	-	-	551,930
Due to other funds.....	-	-	6,845	-	-	6,845
Liabilities due depositors.....	3,590	-	-	-	-	3,590
Other liabilities.....	525,113	-	-	-	-	525,113
<b>TOTAL LIABILITIES.....</b>	<b>2,703,433</b>	<b>133,148</b>	<b>8,942</b>	<b>13,525</b>	<b>567,740</b>	<b>3,426,788</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Taxes paid in advance.....	305,718	-	-	-	-	305,718
Unavailable revenue.....	1,089,852	-	361,205	-	31,921	1,482,978
<b>TOTAL DEFERRED INFLOWS OF RESOURCES....</b>	<b>1,395,570</b>	<b>-</b>	<b>361,205</b>	<b>-</b>	<b>31,921</b>	<b>1,788,696</b>
<b>FUND BALANCES</b>						
Nonspendable.....	-	-	-	3,621,446	-	3,621,446
Restricted.....	-	831,310	-	1,229,764	8,657,845	10,718,919
Committed.....	404,071	-	-	-	-	404,071
Assigned.....	8,068,042	-	-	-	-	8,068,042
Unassigned.....	12,763,640	-	-	-	-	12,763,640
<b>TOTAL FUND BALANCES.....</b>	<b>21,235,753</b>	<b>831,310</b>	<b>-</b>	<b>4,851,210</b>	<b>8,657,845</b>	<b>35,576,118</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....</b>	<b>\$ 25,334,756</b>	<b>\$ 964,458</b>	<b>\$ 370,147</b>	<b>\$ 4,864,735</b>	<b>\$ 9,257,506</b>	<b>\$ 40,791,602</b>

See notes to basic financial statements.

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

JUNE 30, 2018

Total governmental fund balances.....	\$ 35,576,118
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	135,273,717
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....	1,482,978
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.....	1,753,805
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.....	427,221
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....	(1,111,643)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds payable.....	(73,906,636)
Net pension liability.....	(37,687,747)
Net other postemployment benefits liability.....	(175,348,239)
Landfill closure.....	(2,979,600)
Compensated absences.....	(1,102,294)
Net effect of reporting long-term liabilities.....	(291,024,516)
Net position of governmental activities.....	\$ (117,622,320)

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2018

	General	Capital Projects Fund	Highway Improvement Fund	Public Funds	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>						
Real estate and personal property taxes, net of tax refunds.....	\$ 66,431,146	\$ -	\$ -	\$ -	\$ -	\$ 66,431,146
Motor vehicle and other excise taxes.....	3,653,743	-	-	-	-	3,653,743
Charges for services.....	891,419	-	-	-	3,593,041	4,484,460
Penalties and interest on taxes.....	296,552	-	-	-	-	296,552
Licenses and permits.....	755,907	-	-	-	-	755,907
Fines and forfeitures.....	114,002	-	-	-	200	114,202
Intergovernmental - state aid.....	7,145,343	-	-	-	-	7,145,343
Intergovernmental - School Building Authority.....	-	126,193	-	-	-	126,193
Intergovernmental - Teachers Retirement.....	8,952,060	-	-	-	-	8,952,060
Intergovernmental - other.....	156,331	-	478,111	-	3,720,830	4,355,272
Departmental and other.....	-	-	-	-	888,830	888,830
Contributions and donations.....	-	-	-	127,938	578,943	706,881
Investment income (loss).....	253,036	-	-	22,464	(76,110)	199,390
Miscellaneous.....	36,537	-	-	6,713	300,677	343,927
<b>TOTAL REVENUES.....</b>	<b>88,686,076</b>	<b>126,193</b>	<b>478,111</b>	<b>157,115</b>	<b>9,006,411</b>	<b>98,453,906</b>
<b>EXPENDITURES:</b>						
Current:						
General government.....	2,429,115	12,415	-	-	104,039	2,545,569
Public safety.....	8,345,305	8,326	-	-	820,755	9,174,386
Education.....	38,072,882	489,453	-	-	5,256,092	43,818,427
Public works.....	5,110,130	634,298	478,111	-	1,155,452	7,377,991
Human services.....	652,685	-	-	-	238,643	891,328
Culture and recreation.....	1,942,827	-	-	92,577	694,037	2,729,441
Pension benefits.....	2,875,231	-	-	-	-	2,875,231
Pension benefits - Teachers Retirement.....	8,952,060	-	-	-	-	8,952,060
Property and liability insurance.....	393,809	-	-	-	-	393,809
Employee benefits.....	11,912,535	-	-	-	-	11,912,535
State and county charges.....	2,872,858	-	-	-	-	2,872,858
Debt service:						
Principal.....	4,507,000	-	-	-	1,107,000	5,614,000
Principal payment on current refunding.....	9,272,952	-	-	-	-	9,272,952
Interest.....	2,649,767	-	-	-	-	2,649,767
<b>TOTAL EXPENDITURES.....</b>	<b>99,989,156</b>	<b>1,144,492</b>	<b>478,111</b>	<b>92,577</b>	<b>9,376,018</b>	<b>111,080,354</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(11,303,080)</b>	<b>(1,018,299)</b>	<b>-</b>	<b>64,538</b>	<b>(369,607)</b>	<b>(12,626,448)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Issuance of bonds.....	-	375,000	-	-	-	375,000
Issuance of refunding bonds.....	9,272,952	-	-	-	-	9,272,952
Premium from issuance of bonds.....	-	-	-	-	614,322	614,322
Transfers in.....	1,108,145	-	-	84,042	26,000	1,218,187
Transfers out.....	-	-	-	(31,000)	(581,418)	(612,418)
<b>TOTAL OTHER FINANCING SOURCES (USES)...</b>	<b>10,381,097</b>	<b>375,000</b>	<b>-</b>	<b>53,042</b>	<b>58,904</b>	<b>10,868,043</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(921,983)</b>	<b>(643,299)</b>	<b>-</b>	<b>117,580</b>	<b>(310,703)</b>	<b>(1,758,405)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>22,157,736</b>	<b>1,474,609</b>	<b>-</b>	<b>4,733,630</b>	<b>8,968,548</b>	<b>37,334,523</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 21,235,753</b>	<b>\$ 831,310</b>	<b>\$ -</b>	<b>\$ 4,851,210</b>	<b>\$ 8,657,845</b>	<b>\$ 35,576,118</b>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2018

Net change in fund balances - total governmental funds.....		\$ (1,758,405)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	3,445,453	
Depreciation expense.....	<u>(5,548,615)</u>	
Net effect of reporting capital assets.....		(2,103,162)
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		(13,817)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p>		
Issuance of bonds.....	(375,000)	
Issuance of refunding bonds.....	(9,272,952)	
Premium from issuance of bonds.....	(614,322)	
Payments of refunded debt.....	9,272,952	
Net amortization of premium from issuance of bonds.....	347,090	
Debt service principal payments.....	<u>5,614,000</u>	
Net effect of reporting long-term debt.....		4,971,768
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....	39,309	
Net change in accrued interest on long-term debt.....	147,713	
Net change in deferred outflow/(inflow) of resources related to pensions.....	(3,236,911)	
Net change in net pension liability.....	701,810	
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits...	(19,785)	
Net change in other postemployment benefits liability.....	(8,101,626)	
Net change in landfill closure.....	<u>1,440,000</u>	
Net effect of recording long-term liabilities.....		(9,029,490)
The net activity of internal service funds is reported with Governmental Activities.....		<u>175,063</u>
Change in net position of governmental activities.....		<u>\$ (7,758,043)</u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**

JUNE 30, 2018

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Water	Sewer	Harbor	Municipal Light December 31, 2017	Total	
<b>ASSETS</b>						
<b>CURRENT:</b>						
Cash and cash equivalents.....	\$ 2,785,354	\$ 3,433,470	\$ 667,705	\$ 6,726,901	\$ 13,613,430	\$ 1,237,613
Restricted cash and cash equivalents.....	-	-	-	7,318,649	7,318,649	-
Receivables, net of allowance for uncollectibles:						
Boat excise taxes.....	-	-	105,306	-	105,306	-
User fees.....	1,080,241	1,723,089	17,412	2,335,903	5,156,645	-
Inventory.....	-	-	-	73,026	73,026	-
Other assets.....	-	-	-	1,396,366	1,396,366	-
Purchased power advanced deposits.....	-	-	-	504,882	504,882	-
Total current assets.....	3,865,595	5,156,559	790,423	18,355,727	28,168,304	1,237,613
<b>NONCURRENT:</b>						
Investment in joint venture.....	-	575,150	-	-	575,150	-
Capital assets, non depreciable.....	49,427	115,466	2,004,077	8,018,385	10,187,355	-
Capital assets, net of accumulated depreciation.....	12,151,658	10,563,669	1,868,161	10,555,660	35,139,148	-
Total noncurrent assets.....	12,201,085	11,254,285	3,872,238	18,574,045	45,901,653	-
TOTAL ASSETS.....	16,066,680	16,410,844	4,662,661	36,929,772	74,069,957	1,237,613
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred outflows related to pensions.....	183,184	173,709	90,960	1,435,638	1,883,491	-
Deferred outflows related to other postemployment benefits...	48,541	87,689	35,732	-	171,962	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	231,725	261,398	126,692	1,435,638	2,055,453	-
<b>LIABILITIES</b>						
<b>CURRENT:</b>						
Warrants payable.....	133,207	202,294	23,441	2,699,287	3,058,229	-
Customer deposits.....	1,516	-	-	189,865	191,381	-
Compensated absences.....	37,643	47,099	22,764	121,116	228,622	-
Workers' compensation.....	-	-	-	-	-	215,353
Notes payable.....	-	-	-	5,016,073	5,016,073	-
Total current liabilities.....	172,366	249,393	46,205	8,026,341	8,494,305	215,353
<b>NONCURRENT:</b>						
Workers' compensation.....	-	-	-	-	-	595,039
Net pension liability.....	1,176,348	1,115,502	584,117	6,486,422	9,362,389	-
Net other postemployment benefits liability.....	1,938,737	3,502,339	1,427,141	-	6,868,217	-
Other postemployment benefits.....	-	-	-	828,000	828,000	-
Total noncurrent liabilities.....	3,115,085	4,617,841	2,011,258	7,314,422	17,058,606	595,039
TOTAL LIABILITIES.....	3,287,451	4,867,234	2,057,463	15,340,763	25,552,911	810,392
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Rate stabilization reserve.....	-	-	-	900,000	900,000	-
Deferred inflows related to pensions.....	127,825	121,213	63,471	360,367	672,876	-
Deferred inflows related to other postemployment benefits.....	47,572	85,940	35,019	-	168,531	-
TOTAL DEFERRED INFLOWS OF RESOURCES.....	175,397	207,153	98,490	1,260,367	1,741,407	-
<b>NET POSITION</b>						
Net investment in capital assets.....	12,201,085	10,679,135	3,872,238	13,557,972	40,310,430	-
Restricted for:						
Depreciation.....	-	-	-	7,318,649	7,318,649	-
Unrestricted.....	634,472	918,720	(1,238,838)	887,659	1,202,013	427,221
TOTAL NET POSITION.....	\$ 12,835,557	\$ 11,597,855	\$ 2,633,400	\$ 21,764,280	\$ 48,831,092	\$ 427,221

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2018**

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Water	Sewer	Harbor	Municipal Light December 31, 2017	Total	
<b>OPERATING REVENUES:</b>						
Charges for services.....	\$ 4,513,854	\$ 5,071,589	\$ 904,277	\$ 16,107,739	\$ 26,597,459	\$ 372,169
Licenses and permits.....	-	6,375	-	-	6,375	-
Other operating revenues.....	14,330	535	70	67,116	82,051	-
<b>TOTAL OPERATING REVENUES .....</b>	<b>4,528,184</b>	<b>5,078,499</b>	<b>904,347</b>	<b>16,174,855</b>	<b>26,685,885</b>	<b>372,169</b>
<b>OPERATING EXPENSES:</b>						
Cost of services and administration.....	431,288	781,519	441,590	14,358,322	16,012,719	-
Salaries and wages.....	909,494	702,274	347,604	-	1,959,372	-
Operating assessments.....	2,469,760	2,879,277	-	-	5,349,037	-
Depreciation.....	651,298	419,145	129,672	1,499,510	2,699,625	-
Employee benefits.....	-	-	-	-	-	201,797
<b>TOTAL OPERATING EXPENSES.....</b>	<b>4,461,840</b>	<b>4,782,215</b>	<b>918,866</b>	<b>15,857,832</b>	<b>26,020,753</b>	<b>201,797</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>66,344</b>	<b>296,284</b>	<b>(14,519)</b>	<b>317,023</b>	<b>665,132</b>	<b>170,372</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>						
Boat excise taxes.....	-	-	164,659	-	164,659	-
Investment income.....	28,919	35,816	4,227	27,040	96,002	4,691
Interest expense.....	-	-	-	(35,182)	(35,182)	-
Intergovernmental assessments.....	-	-	10,894	-	10,894	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<b>28,919</b>	<b>35,816</b>	<b>179,780</b>	<b>(8,142)</b>	<b>236,373</b>	<b>4,691</b>
<b>INCOME (LOSS) BEFORE TRANSFERS.....</b>	<b>95,263</b>	<b>332,100</b>	<b>165,261</b>	<b>308,881</b>	<b>901,505</b>	<b>175,063</b>
<b>TRANSFERS:</b>						
Transfers out.....	(91,790)	(88,203)	(95,776)	(330,000)	(605,769)	-
<b>CHANGE IN NET POSITION.....</b>	<b>3,473</b>	<b>243,897</b>	<b>69,485</b>	<b>(21,119)</b>	<b>295,736</b>	<b>175,063</b>
<b>NET POSITION AT BEGINNING OF YEAR, AS REVISED.....</b>	<b>12,832,084</b>	<b>11,353,958</b>	<b>2,563,915</b>	<b>21,785,399</b>	<b>48,535,356</b>	<b>252,158</b>
<b>NET POSITION AT END OF YEAR.....</b>	<b>\$ 12,835,557</b>	<b>\$ 11,597,855</b>	<b>\$ 2,633,400</b>	<b>\$ 21,764,280</b>	<b>\$ 48,831,092</b>	<b>\$ 427,221</b>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2018

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Water	Sewer	Harbor	Municipal Light December 31, 2017	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Receipts from customers and users.....	\$ 4,531,260	\$ 5,321,938	\$ 897,382	\$ 16,154,865	\$ 26,905,445	\$ -
Receipts from interfund services provided.....	-	-	-	-	-	372,169
Payments to vendors.....	(2,649,110)	(3,680,557)	(533,129)	(12,683,796)	(19,546,592)	-
Payments to employees.....	(906,950)	(707,881)	(337,411)	20,814	(1,931,428)	29,042
Payments for interfund services used.....	-	-	-	-	-	(263,023)
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>975,200</b>	<b>933,500</b>	<b>26,842</b>	<b>3,491,883</b>	<b>5,427,425</b>	<b>138,188</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Transfers out.....	(91,790)	(88,203)	(95,776)	(330,000)	(605,769)	-
Boat excise taxes.....	-	-	127,055	-	127,055	-
Intergovernmental assessments.....	-	-	10,894	-	10,894	-
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....</b>	<b>(91,790)</b>	<b>(88,203)</b>	<b>42,173</b>	<b>(330,000)</b>	<b>(467,820)</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Proceeds from the issuance of notes.....	-	-	-	5,016,073	5,016,073	-
Acquisition and construction of capital assets.....	(1,293,396)	(871,682)	(73,062)	(8,167,724)	(10,405,864)	-
Interest expense.....	-	-	-	(35,182)	(35,182)	-
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(1,293,396)</b>	<b>(871,682)</b>	<b>(73,062)</b>	<b>(3,186,833)</b>	<b>(5,424,973)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Investment income.....	28,919	35,816	4,227	27,040	96,002	4,691
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>(381,067)</b>	<b>9,431</b>	<b>180</b>	<b>2,090</b>	<b>(369,366)</b>	<b>142,879</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>	<b>3,166,421</b>	<b>3,424,039</b>	<b>667,525</b>	<b>14,043,460</b>	<b>21,301,445</b>	<b>1,094,734</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>	<b>\$ 2,785,354</b>	<b>\$ 3,433,470</b>	<b>\$ 667,705</b>	<b>\$ 14,045,550</b>	<b>\$ 20,932,079</b>	<b>\$ 1,237,613</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</b>						
Operating income (loss).....	\$ 66,344	\$ 296,284	\$ (14,519)	\$ 317,023	\$ 665,132	\$ 170,372
Adjustments to reconcile operating income to net cash from operating activities:						
Depreciation.....	651,298	419,145	129,672	1,499,510	2,699,625	-
Loss on sale of capital assets.....	-	-	-	400,000	400,000	-
Deferred (outflows)/inflows related to pensions.....	101,034	95,808	50,169	233,648	480,659	-
Deferred (outflows)/inflows related to other postemployment benefits.....	(969)	(1,749)	(713)	-	(3,431)	-
User charges.....	4,510	243,439	(6,965)	(45,761)	195,223	-
Inventory.....	-	-	-	1,667	1,667	-
Other assets.....	-	-	-	(102,382)	(102,382)	-
Purchased power advanced deposits.....	-	-	-	(504,882)	(504,882)	-
Investment in joint venture.....	-	(94,845)	-	-	(94,845)	-
Warrants payable.....	79,520	(168,480)	610	1,247,106	1,158,756	(61,226)
Customer deposits.....	(1,434)	-	-	25,771	24,337	-
Other liabilities.....	-	-	(200,113)	-	(200,113)	-
Compensated absences.....	2,544	(5,607)	10,193	20,814	27,944	-
Workers' compensation.....	-	-	-	-	-	29,042
Net pension liability.....	(21,905)	(20,773)	(10,878)	185,369	131,813	-
Other postemployment benefits.....	94,258	170,278	69,386	214,000	547,922	-
<b>Total adjustments.....</b>	<b>908,856</b>	<b>637,216</b>	<b>41,361</b>	<b>3,174,860</b>	<b>4,762,293</b>	<b>(32,184)</b>
<b>NET CASH FROM OPERATING ACTIVITIES.....</b>	<b>\$ 975,200</b>	<b>\$ 933,500</b>	<b>\$ 26,842</b>	<b>\$ 3,491,883</b>	<b>\$ 5,427,425</b>	<b>\$ 138,188</b>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2018

	Pension and Other Employee Benefit Trust Funds (1)	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>			
Cash and cash equivalents.....	\$ 41,035	\$ 3,116,244	\$ 352,146
Investments:			
Investments in Pension Reserve Investment Trust.....	104,873,764	-	-
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	45,982	175	-
Capital assets, net of accumulated depreciation.....	-	162,942	-
<b>TOTAL ASSETS</b> .....	<u>104,960,781</u>	<u>3,279,361</u>	<u>352,146</u>
<b>LIABILITIES</b>			
Warrants payable.....	1,060	1,977	-
Liabilities due depositors.....	-	-	352,146
Other liabilities.....	-	175	-
<b>TOTAL LIABILITIES</b> .....	<u>1,060</u>	<u>2,152</u>	<u>352,146</u>
<b>NET POSITION</b>			
Restricted for pensions.....	101,424,829	-	-
Restricted for other postemployment benefits.....	3,534,892	-	-
Held in trust for other purposes.....	-	3,277,209	-
<b>TOTAL NET POSITION</b> .....	<u>\$ 104,959,721</u>	<u>\$ 3,277,209</u>	<u>\$ -</u>

(1) The Pension Trust Fund is as of December 31, 2017

See notes to basic financial statements.



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

YEAR ENDED JUNE 30, 2018

	Pension and Other Employee Benefit Trust Funds (1)	Private Purpose Trust Funds
<b>ADDITIONS:</b>		
Contributions:		
Employer contributions.....	\$ 3,862,012	\$ -
Employer contributions for other postemployment benefit payments.....	4,054,972	-
Member contributions.....	2,108,074	-
Transfers from other systems.....	353,728	-
3(8)c contributions from other systems.....	132,651	-
Workers compensation settlements.....	9,500	-
State COLA reimbursements.....	82,310	-
Private donations.....	-	57,047
	<u>10,603,247</u>	<u>57,047</u>
Total contributions.....		
	<u>10,603,247</u>	<u>57,047</u>
Net investment income:		
Investment income.....	2,950,872	27,528
Net change in fair value of investments.....	12,945,917	-
Less: investment expense.....	(501,662)	-
	<u>15,395,127</u>	<u>27,528</u>
Net investment income (loss).....		
	<u>15,395,127</u>	<u>27,528</u>
TOTAL ADDITIONS.....	<u>25,998,374</u>	<u>84,575</u>
<b>DEDUCTIONS:</b>		
Administration.....	129,292	67,772
Transfers to other systems.....	317,959	-
Retirement benefits and refunds.....	9,354,790	-
Depreciation.....	-	11,238
Other postemployment benefit payments.....	4,054,972	-
Educational scholarships.....	-	11,884
	<u>13,857,013</u>	<u>90,894</u>
TOTAL DEDUCTIONS.....		
	<u>13,857,013</u>	<u>90,894</u>
NET INCREASE (DECREASE) IN NET POSITION.....	12,141,361	(6,319)
NET POSITION AT BEGINNING OF YEAR.....	<u>92,818,360</u>	<u>3,283,528</u>
NET POSITION AT END OF YEAR.....	<u>\$ 104,959,721</u>	<u>\$ 3,277,209</u>

(1) The Pension Trust Fund is as of the year ended December 31, 2017

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 Essex North Shore Agricultural and Technical 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, 2017, were audited by other independent public accountants. A copy of the report can be obtained by contacting the MMLP at 80 Commercial Street, Marblehead, MA 01945.

*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, 2018, the Town's equity interest in the operations of the District is \$575,000, 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 2018 assessment was \$329,000. 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 or 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 and other employee benefit trust funds* are used to account for the activities of the Retirement System and the City's defined benefit healthcare plan, which accumulate resources to provide pension and OPEB benefits to eligible retirees and their beneficiaries.

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 user 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 user 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, 2017. 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>
Land improvements.....	10-30
Buildings.....	40
Buildings and improvements.....	6-20
Machinery and equipment.....	3-15
Light plant and equipment.....	20
Piers.....	15-75
Infrastructure.....	5-50

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 and other postemployment benefits in this category.



In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net 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, other postemployment benefits, taxes paid in advance, 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 taxes paid in advance and 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. Outstanding debt related to landfill monitoring are not considered to be capital related debt.

Net position has been “restricted for” the following:

Depreciation – represents amounts restricted in the Municipal Light for the statutory reserve for funded depreciation.

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 general fund is the only fund that reports a positive unassigned fund balance amount.

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 \$50,724,729 and the bank balance totaled \$50,770,828. Of the bank balance, \$1,362,564 was covered by Federal Depository Insurance, \$12,187,295 was covered by DIF Insurance, \$37,182,599 was collateralized and \$38,370 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Restricted cash of \$7,318,649 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, 2017, the carrying amount of deposits for the System totaled \$41,035, and the bank balance of \$168,453, 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, 2018:**

<u>Investment Type</u>	<u>Fair value</u>
<u>Other investments:</u>	
Equity securities.....	\$ 1,266,157
Pension Reserve Investment Trust (PRIT)....	3,534,892
MMDT - Cash portfolio.....	<u>11,934,452</u>
Total investments.....	\$ <u>16,735,501</u>

**System balances at December 31, 2017:**

<u>Investment Type</u>	<u>Fair value</u>
Pension Reserve Investment Trust (PRIT).....	\$ <u>101,338,872</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 28 to 68 days and a weighted average maturity of 2.82 years, respectively. 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 0.15 to 16.31 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, 2018, because the \$1,266,157 in equity securities are held by the Town and the \$11,934,452 in shares of MMDT and \$3,534,892 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, 2017, the System's \$101,338,872 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, 2018:

Investment Type	June 30, 2018	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)
<b>Investments measured at fair value:</b>				
Equity securities.....	\$ 1,266,157	\$ 1,266,157	\$ -	\$ -
<b>Investments measured at amortized cost:</b>				
MMDT - Cash portfolio.....	11,934,452			
<b>Investments measured at net asset value:</b>				
Pension Reserve Investment Trust (PRIT).....	3,534,892			
Total investments.....	\$ 16,735,501			

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 System's activities, the plan shows greater disaggregation in its disclosures. The System 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 \$101,338,872 as of December 31, 2017. 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, 2018, receivables for the individual major and non-major governmental funds; and the fiduciary funds in the aggregate, including the applicable allowance for uncollectible accounts are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes....	\$ 1,262,985	\$ (17,086)	\$ 1,245,899
Tax liens.....	384,900	-	384,900
Motor vehicle and other excise taxes.....	294,512	(68,353)	226,159
Departmental and other.....	160,681	(3,318)	157,363
Intergovernmental - governmental funds.....	409,422	-	409,422
Intergovernmental - pension fund.....	45,982	-	45,982
Total.....	\$ <u>2,558,482</u>	\$ <u>(88,757)</u>	\$ <u>2,469,725</u>

At June 30, 2018, receivables for the enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Water user fees.....	\$ 1,116,260	\$ (36,019)	\$ 1,080,241
Sewer user fees.....	1,781,402	(58,313)	1,723,089
Harbor user fees.....	21,765	(4,353)	17,412
Boat excise taxes.....	110,848	(5,542)	105,306
Municipal light user charges (December 31, 2017)...	2,335,903	-	2,335,903
Total.....	\$ <u>5,366,178</u>	\$ <u>(104,227)</u>	\$ <u>5,261,951</u>

#### 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, 2018, as follows:

	General Fund	Other Governmental Funds	Total
<u>Receivable and other asset type:</u>			
Real estate and personal property taxes... \$	463,963	\$ -	\$ 463,963
Tax liens.....	384,900	-	384,900
Motor vehicle and other excise taxes.....	191,440	-	191,440
Departmental and other.....	13,272	30,173	43,445
Intergovernmental.....	36,277	362,953	399,230
Total.....	\$ <u>1,089,852</u>	\$ <u>393,126</u>	\$ <u>1,482,978</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, 2018, have been reported as follows:

Transfers Out:	Transfers In:				
	General fund	Public funds	Nonmajor governmental funds	Total	
Public funds.....	\$ 26,000	\$ -	\$ 5,000	\$ 31,000	(1)
Nonmajor governmental funds....	476,376	84,042	21,000	581,418	(2)
Water enterprise.....	91,790	-	-	91,790	(3)
Sewer enterprise.....	88,203	-	-	88,203	(3)
Harbor enterprise.....	95,776	-	-	95,776	(3)
Municipal light enterprise.....	330,000	-	-	330,000	(3)
Total.....	<u>\$ 1,108,145</u>	<u>\$ 84,042</u>	<u>\$ 26,000</u>	<u>\$ 1,218,187</u>	

- (1) Transfers from Public Funds to the General fund to support cemetery care and one-time transfers to Nonmajor Governmental funds to support specific trusts.
- (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, the use of bond premiums, one-time insurance reimbursements and cemetery sale of lots. Transfer to Public funds is a one-time transfer to support the Fort Sewall grant. Transfer to Nonmajor governmental funds is a one-time transfer to support the Abbot Hall study.
- (3) Payments in lieu of taxes and reimbursements for general government services

The Town's interfund balance at June 30, 2018, consisted of \$6,845 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, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 8,057,539	\$ -	\$ -	\$ 8,057,539
Construction in progress.....	84,259	501,870	(10,000)	576,129
Total capital assets not being depreciated...	8,141,798	501,870	(10,000)	8,633,668
<u>Capital assets being depreciated:</u>				
Land improvements.....	8,577,495	357,542	(65,004)	8,870,033
Buildings.....	106,953,193	-	(166,325)	106,786,868
Buildings and improvements.....	32,382,444	238,541	-	32,620,985
Machinery and equipment.....	14,207,641	680,712	(1,255,732)	13,632,621
Infrastructure.....	38,364,928	1,676,788	(105,234)	39,936,482
Total capital assets being depreciated.....	200,485,701	2,953,583	(1,592,295)	201,846,989
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(2,152,426)	(295,027)	65,004	(2,382,449)
Buildings.....	(37,546,917)	(2,492,293)	166,325	(39,872,885)
Buildings and improvements.....	(10,186,570)	(909,136)	-	(11,095,706)
Machinery and equipment.....	(9,487,894)	(960,208)	1,255,732	(9,192,370)
Infrastructure.....	(11,876,813)	(891,951)	105,234	(12,663,530)
Total accumulated depreciation.....	(71,250,620)	(5,548,615)	1,592,295	(75,206,940)
Total capital assets being depreciated, net.....	129,235,081	(2,595,032)	-	126,640,049
Total governmental activities capital assets, net.....	\$ 137,376,879	\$ (2,093,162)	\$ (10,000)	\$ 135,273,717

Capital asset activity for the Business Type Activities for the year ended June 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Water:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 49,427	\$ -	\$ -	\$ 49,427
<u>Capital assets being depreciated:</u>				
Land improvements.....	1,574,820	-	-	1,574,820
Buildings.....	946,475	729,839	(447,595)	1,228,719
Machinery and equipment.....	1,363,989	20,344	(26,000)	1,358,333
Infrastructure.....	14,806,169	543,213	(75,000)	15,274,382
Total capital assets being depreciated...	18,691,453	1,293,396	(548,595)	19,436,254
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(81,295)	(63,089)	-	(144,384)
Buildings.....	(582,096)	(192,657)	447,595	(327,158)
Machinery and equipment.....	(645,333)	(104,847)	26,000	(724,180)
Infrastructure.....	(5,873,169)	(290,705)	75,000	(6,088,874)
Total accumulated depreciation.....	(7,181,893)	(651,298)	548,595	(7,284,596)
Total capital assets being depreciated, net.....	11,509,560	642,098	-	12,151,658
Total water activities capital assets, net.....	\$ 11,558,987	\$ 642,098	\$ -	\$ 12,201,085
<b>Sewer:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 115,466	\$ -	\$ -	\$ 115,466
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	208,494	280,767	-	489,261
Machinery and equipment.....	1,242,217	52,511	(79,828)	1,214,900
Infrastructure.....	15,341,022	538,404	(250,000)	15,629,426
Total capital assets being depreciated...	16,791,733	871,682	(329,828)	17,333,587
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(135,531)	(8,217)	-	(143,748)
Machinery and equipment.....	(945,034)	(88,896)	79,828	(954,102)
Infrastructure.....	(5,600,036)	(322,032)	250,000	(5,672,068)
Total accumulated depreciation.....	(6,680,601)	(419,145)	329,828	(6,769,918)
Total capital assets being depreciated, net.....	10,111,132	452,537	-	10,563,669
Total sewer activities capital assets, net.....	\$ 10,226,598	\$ 452,537	\$ -	\$ 10,679,135

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Harbor:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 2,004,077	\$ -	\$ -	\$ 2,004,077
<u>Capital assets being depreciated:</u>				
Land improvements.....	959,264	20,935	-	980,199
Piers.....	439,955	-	-	439,955
Buildings.....	883,440	-	-	883,440
Buildings and improvements.....	129,160	-	-	129,160
Machinery and equipment.....	1,579,550	52,127	-	1,631,677
Total capital assets being depreciated....	3,991,369	73,062	-	4,064,431
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(499,443)	(20,233)	-	(519,676)
Piers.....	(71,379)	(13,748)	-	(85,127)
Buildings.....	(430,291)	(21,563)	-	(451,854)
Buildings and improvements.....	(70,925)	(3,930)	-	(74,855)
Machinery and equipment.....	(994,560)	(70,198)	-	(1,064,758)
Total accumulated depreciation.....	(2,066,598)	(129,672)	-	(2,196,270)
Total capital assets being depreciated, net.....	1,924,771	(56,610)	-	1,868,161
Total harbor activities capital assets, net.....	\$ 3,928,848	\$ (56,610)	\$ -	\$ 3,872,238
<b>Municipal Light:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 53,947	\$ -	\$ -	\$ 53,947
Construction in progress.....	635,627	7,328,811	-	7,964,438
Total capital assets not being depreciated....	689,574	7,328,811	-	8,018,385
<u>Capital assets being depreciated:</u>				
Light plant and equipment.....	30,390,191	838,913	(701,453)	30,527,651
<u>Less accumulated depreciation for:</u>				
Light plant and equipment.....	(18,773,934)	(1,499,510)	301,453	(19,971,991)
Total capital assets being depreciated, net.....	11,616,257	(660,597)	(400,000)	10,555,660
Total municipal light activities capital assets, net....	\$ 12,305,831	\$ 6,668,214	\$ (400,000)	\$ 18,574,045

Capital asset activity for the Fiduciary Funds for the year ended June 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Fiduciary Activities:</b>				
Capital assets not being depreciated:				
Land.....	\$ 2,045	\$ -	\$ -	\$ 2,045
Capital assets being depreciated:				
Buildings and improvements.....	294,455	-	-	294,455
Equipment.....	25,940	-	-	25,940
Total capital assets being depreciated..	320,395	-	-	320,395
Less accumulated depreciation for:				
Buildings and improvements.....	(139,181)	(10,438)	-	(149,619)
Equipment.....	(9,079)	(800)	-	(9,879)
Total accumulated depreciation.....	(148,260)	(11,238)	-	(159,498)
Total capital assets being depreciated, net.....	172,135	(11,238)	-	160,897
Total fiduciary activities capital assets, net.....	\$ 174,180	\$ (11,238)	\$ -	\$ 162,942

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

**Governmental Activities:**

General government.....	\$ 263,386
Public safety.....	352,394
Education.....	3,169,703
Public works.....	1,294,567
Human services.....	40,370
Culture and recreation.....	428,195

Total depreciation expense - governmental activities..... \$ 5,548,615

**Business-Type Activities:**

Water.....	\$ 651,298
Sewer.....	419,145
Harbor.....	129,672
Municipal Light.....	1,499,510

Total depreciation expense - business-type activities... \$ 2,699,625

**Fiduciary Activities:**

Private purpose trust funds.....	\$ <u>11,238</u>
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**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 2018, \$1.9 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, 2018.

As of September 2017, the Marblehead Municipal Light Department entered into a Pooled Loan Program Agreement with the Massachusetts Municipal Wholesale Electric Company ("MMWEC") for the purpose of financing renovations on the Department's existing office building. Interest only is due monthly at a fixed interest rate of 2.50% per annum. Interest amounted to \$35,182 as of December 31, 2017, which has been capitalized. The outstanding principal balance as of December 31, 2017 was \$5,016,073.

At the inception of the loan, MMWEC was required to collect 10% of the initial borrowing amount to be deposited into a Reserve Requirement Account to serve as collateral for the bank. MMWEC is also required to collect 10% of the amount of interest due monthly from each Pooled Loan Participant to further fund the Pooled Financing Reserve Account. These funds will either be returned to the Department, or used as the final loan payments at the end of the amortization period. The balance in the Pooled Financing Reserve Account as of December 31, 2017, was \$504,882.

**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, 2018:

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2018
Village School.....	2031	\$ 2,600,000	3.08	\$ 1,935,000
Village School.....	2031	12,000,000	3.06	8,790,000
School Refunding Bonds of 2012.....	2025	15,860,000	5.00	11,620,000
General Obligation Bonds of 2012.....	2033	9,171,000	2.39	7,175,000
General Obligation Bonds of 2013.....	2034	8,974,000	3.51	7,815,000
General Obligation Bonds of 2014.....	2035	8,158,000	3.36	7,120,000
General Obligation Bonds of 2015.....	2036	9,225,000	3.81	8,790,000
General Obligation Bonds of 2016.....	2037	7,767,000	2.00	7,645,000
General Obligation Bonds of 2017.....	2038	7,780,000	2.00	7,780,000
General Obligation Long-term refunding BAN of 2018...	2019	1,492,952	2.00	1,492,952
General Obligation Long-term BAN of 2018.....	2019	375,000	2.00	375,000
Total Bonds Payable.....				70,537,952
Add: Unamortized premium on bonds.....				3,368,684
Total Bonds Payable, net.....				\$ 73,906,636

As of June 30, 2018, the Town has approximately \$1.9 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 2018, the Town released \$923,000 from this fund to offset interest expenses and the Town added \$82,000 of bond premiums received.

On June 30, 2017, the Town had \$10.4 million in long-term BANs outstanding which were due on August 4, 2017. In 2018, the Town permanently financed the majority of the BAN and reissued \$1.5 million as part of a new BAN with an interest rate of 2.0% due August 3, 2018; and paid \$1.1 million of the BAN with available funds. The \$1.5 million BAN, along with \$375,000 in new BAN funds have been classified as long-term debt in the financial statements.

Subsequent to year-end the Town issued \$1,741,759 of long-term refunding BAN's which, along with additional Town funds, were used to pay off the \$1,492,952 and \$375,000 long-term BAN's outstanding at June 30, 2018.

Annual Requirements

The annual requirements to amortize all long-term debt outstanding as of June 30, 2018, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019.....	\$ 4,150,000	\$ 2,584,428	\$ 6,734,428
2020.....	6,292,952	2,490,989	8,783,941
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	1,019,023	4,534,023
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
Total.....	\$ 70,537,952	\$ 19,482,090	\$ 90,020,042

Bond Authorizations

Long-term debt authorizations voted by Town Meetings which have not been issued or rescinded as of June 30, 2018, are as follows:

<u>Date Authorized</u>	<u>Purpose</u>	<u>Amount</u>
May 2015	New Transfer Station.....	\$ 1,117,952
May 2016	Gerry School Feasibility.....	750,000
June 2018	Abbott Hall Repairs.....	8,982,963
June 2018	Seawall Repairs.....	871,894
	Total.....	\$ 11,722,809



Changes in Long-term Liabilities

During the year ended June 30, 2018, the following changes occurred in long-term liabilities:

	Beginning Balance	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>							
Long-term bonds payable.....	\$ 75,776,952	\$ 9,647,952	\$ (14,886,952)	\$ -	\$ -	\$ 70,537,952	\$ 4,150,000
Add: Unamortized premium on bonds.....	3,101,452	614,322	(347,090)	-	-	3,368,684	370,154
Total bonds payable.....	78,878,404	10,262,274	(15,234,042)	-	-	73,906,636	4,520,154
Landfill closure.....	4,419,600	-	-	114,600	(1,554,600)	2,979,600	114,600
Compensated absences.....	1,141,603	-	-	931,968	(971,277)	1,102,294	904,065
Workers' compensation.....	781,349	-	-	176,832	(147,789)	810,392	215,353
Net pension liability.....	38,389,557	-	-	2,095,622	(2,797,432)	37,687,747	-
Net other postemployment benefits liability..	167,246,613	-	-	12,160,278	(4,058,652)	175,348,239	-
Total governmental activity long-term liabilities.....	\$ 290,857,126	\$ 10,262,274	\$ (15,234,042)	\$ 15,479,300	\$ (9,529,750)	\$ 291,834,908	\$ 5,754,172
<b>Business-Type Activities:</b>							
Compensated absences.....	\$ 200,679	\$ -	\$ -	\$ 225,252	\$ (197,309)	\$ 228,622	\$ 228,622
Net pension liability.....	9,230,576	-	-	777,678	(645,865)	9,362,389	-
Net other postemployment benefits liability..	7,148,295	-	-	938,552	(390,630)	7,696,217	-
Total business-type activity long-term liabilities.....	\$ 16,579,550	\$ -	\$ -	\$ 1,941,482	\$ (1,233,804)	\$ 17,287,228	\$ 228,622

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 water, sewer, harbor, and municipal light 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 general fund is the only fund that reports a positive unassigned fund balance amount.

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.

The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purpose exceed the amounts that are restricted, committed, or assigned to those purpose, it may be necessary to report a negative unassigned fund balance in that fund.

As of June 30, 2018, the governmental fund balances consisted of the following:

	General	Capital Projects Fund	Public Funds	Nonmajor Governmental Funds	Total Governmental Funds
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Permanent fund principal.....	\$ -	\$ -	\$ 3,621,446	\$ -	\$ 3,621,446
<b>Restricted for:</b>					
Capital projects fund.....	-	831,310	-	-	831,310
Public funds.....	-	-	1,229,764	-	1,229,764
Federal grants.....	-	-	-	212,101	212,101
State grants.....	-	-	-	108,833	108,833
Other grants.....	-	-	-	1,154,052	1,154,052
Revolving funds.....	-	-	-	1,397,277	1,397,277
Receipts reserved for appropriation.....	-	-	-	2,049,226	2,049,226
Gifts.....	-	-	-	456,955	456,955
Special revenue trust funds.....	-	-	-	3,279,401	3,279,401
<b>Committed to:</b>					
<b>Articles and continuing appropriations:</b>					
<b>General government:</b>					
Equipment.....	530	-	-	-	530
Improving public buildings.....	84,548	-	-	-	84,548
<b>Public works:</b>					
Walls and fences.....	26,879	-	-	-	26,879
Drain construction.....	292,114	-	-	-	292,114
<b>Assigned to:</b>					
<b>Encumbrances:</b>					
General government.....	38,077	-	-	-	38,077
<b>Public safety:</b>					
Building commissioner.....	43,569	-	-	-	43,569
<b>Public works &amp; facilities:</b>					
Highway department.....	28,228	-	-	-	28,228
<b>Culture and recreation:</b>					
Parks department.....	11,381	-	-	-	11,381
<b>Fringe benefits:</b>					
Group insurance.....	46,787	-	-	-	46,787
Free cash used for subsequent year budget.....	7,900,000	-	-	-	7,900,000
Unassigned.....	12,763,640	-	-	-	12,763,640
<b>Total Fund Balances.....</b>	<b>\$ 21,235,753</b>	<b>\$ 831,310</b>	<b>\$ 4,851,210</b>	<b>\$ 8,657,845</b>	<b>\$ 35,576,118</b>

**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, 2017. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$8,952,060, 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 \$85,769,953, 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, 2017.

At December 31, 2017, the MCRS membership consists of the following:

Active members.....	436
Inactive members.....	182
Retirees and beneficiaries currently receiving benefits.....	<u>352</u>
Total.....	<u>970</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, 2017, was \$3,496,880, 16.40% 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, 2017, was \$3,010,905, and equaled its actual contribution.

### *Pension Liabilities*

The components of the net pension liability of the participating member units at December 31, 2017, were as follows:

Total pension liability.....	\$	148,535,728
Total pension plan's fiduciary net position.....		<u>(101,424,829)</u>
Total net pension liability.....	\$	<u>47,110,899</u>
The pension plan's fiduciary net position as a percentage of the total pension liability.....		68.28%

At June 30, 2018, the Town reported a liability of \$47,050,136, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, for the Town and December 31, 2016, 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, 2018. 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, 2017, the Town's proportion was 98.314% (including the Municipal Light Department), which decreased 0.108% from its proportion of 98.422% measured at December 31, 2016.

### *Pension Expense*

For the year ended June 30, 2018, the Town recognized pension expense of \$5,769,461, exclusive of the Municipal Light Department. At June 30, 2018, the Town and the Municipal Light Department reported deferred outflows of resources related to pensions of \$8,510,202, and \$1,435,638, respectively. At June 30, 2018, the Town and the Municipal Light Department reported deferred inflows of resources related to pensions of \$6,601,268 and \$360,367, respectively.

The balances of deferred outflows and inflows at June 30, 2018, for the Town, excluding the Municipal Light Department are as follows:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 1,618,768	\$ (752,870)	\$ 865,898
Difference between projected and actual earnings, net.....	-	(3,654,875)	(3,654,875)
Changes in assumptions.....	4,259,060	-	4,259,060
Changes in proportion and proportionate share of contributions...	438,851	-	438,851
Total deferred outflows/(inflows) of resources.....	\$ <u>6,316,679</u>	\$ <u>(4,407,745)</u>	\$ <u>1,908,934</u>

The balances of deferred outflows and inflows at December 31, 2017, for the Municipal Light Department are as follows:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ -	\$ (178,225)	\$ (178,225)
Difference between projected and actual earnings, net.....	510,696	-	510,696
Changes in assumptions.....	497,924	-	497,924
Changes in proportion and proportionate share of contributions...	-	(182,142)	(182,142)
Contributions made subsequent to the measurement date.....	427,018	-	427,018
Total deferred outflows/(inflows) of resources.....	\$ <u>1,435,638</u>	\$ <u>(360,367)</u>	\$ <u>1,075,271</u>

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

Year ended June 30/December 31:	Town	Municipal Light	Total
2018.....	\$ -	\$ 235,192	\$ 235,192
2019.....	1,556,131	235,192	1,791,323
2020.....	1,471,214	222,022	1,693,236
2021.....	(244,955)	(44,153)	(289,108)
2022.....	(945,753)	-	(945,753)
2023.....	72,297	-	72,297
Subtotal amortized deferred outflows/(inflows) of resources.....	<u>1,908,934</u>	<u>648,253</u>	<u>2,557,187</u>
Contributions made subsequent to the measurement date.....	<u>-</u>	<u>427,018</u>	<u>427,018</u>
Total deferred outflows/(inflows) of resources...	\$ <u>1,908,934</u>	\$ <u>1,075,271</u>	\$ <u>2,984,205</u>

*Changes of Assumptions*

The most recent actuarial valuation as of January 1, 2018, included several changes of assumptions from the prior actuarial valuation. These changes include a decrease in the assumed discount rate from 7.50% down to 7.35%, as well as changes in the applied mortality tables.

*Changes in Plan Provisions*

None.

*Actuarial Assumptions*

The total pension liability in the January 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement that was rolled-back to December 31, 2017, for the Town's measurement date:

Valuation date.....	January 1, 2018
Actuarial cost method.....	Entry age normal cost method
Amortization method.....	Total appropriation increases 8.0% per year until FY38 with a final amortization payment in FY39
Remaining amortization period.....	21 years from July 1, 2018
Asset valuation method.....	Market value for GASB 67/68. For funding purposes, gains and losses each year are recognized over 5 years
Investment rate of return/discount rate.....	7.35% net of pension plan investment expense, including inflation
Inflation rate.....	Not explicitly assumed
Projected salary increases.....	Select and ultimate by job group, ultimate rates 4.28% for Group 1 and 4.75% for Group 4
Cost of living adjustments.....	3% of first \$12,000
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:	
Pre-Retirement.....	Rates reflect the RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct)
Post-Retirement.....	Rates reflect the RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct)
Disabled Retirees.....	Rates reflect the RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year of 2012 (gender distinct)

*Investment Policy*

The System'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, 2017, 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%	7.80%
Emerging International Equities.....	6.00%	9.30%
Core Bonds.....	5.00%	3.75%
Long Treasuries.....	2.00%	3.50%
TIPS.....	5.00%	3.75%
High-Yield Bonds.....	1.50%	5.50%
Bank Loans.....	2.50%	5.50%
EMD (external).....	1.00%	5.00%
EMD (local currency).....	0.00%	6.50%
Distressed Debt.....	3.00%	8.80%
Other Credit Opportunities.....	2.00%	6.50%
Private Equity.....	11.00%	9.50%
Real Estate.....	10.00%	6.70%
Timber/Natural Resources.....	4.00%	6.25%
Hedge Funds & Portfolio Completion.....	13.00%	6.40%
	<u>100.00%</u>	

*Rate of Return*

For the year ended December 31, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 17.14%. 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 7.35% as of June 30, 2018, and 7.50% as of June 30, 2017. 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 System'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 7.35%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.35%) or 1-percentage-point higher (8.35%) than the current rate:

	1% Decrease (6.35%)	Current Discount (7.35%)	1% Increase (8.35%)
December 31, 2017 Measurement Date			
The Town's proportionate share of the net pension liability.....	\$ 54,435,792	\$ 40,563,714	\$ 28,784,964
The Retirement System's total net pension liability..	\$ 63,222,000	\$ 47,110,899	\$ 33,431,000
December 31, 2016 Measurement Date			
The Municipal Light Plant's proportionate share of the net pension liability.....	\$ 8,499,471	\$ 6,486,422	\$ 4,780,302

**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 2018, the Town’s age-adjusted contribution to the plan totaled \$4.4 million. For the year ended June 30, 2018, the Town’s average contribution rate was 8.79% of covered-employee 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 2018, the Town pre-funded future OPEB liabilities in the amount of \$360,000 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 \$3.5 million, which is reported within the Fiduciary Fund financial statements.



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

**GASB Statement #74 & #75 – OPEB Plan Financial Reporting & OPEB Employer Reporting for the Town**

**Measurement Date** – The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017.

**Plan Membership** – The following table represents the Plan's membership at July 1, 2017:

Active members.....	717
Inactive members currently receiving benefits....	<u>537</u>
Total.....	<u>1,254</u>

**Components of OPEB Liability** – The following table represents the components of the Plan's OPEB liability as of June 30, 2018:

Total OPEB liability.....	\$ 193,821,017
Less: OPEB plan's fiduciary net position.....	<u>(3,534,892)</u>
Net OPEB liability.....	190,286,125
Liability related to Municipal Light Department.....	(8,069,669)
GASB #45 liability recorded by Municipal Light Department...	<u>828,000</u>
Total OPEB liability reported on Statement of Net Position....	<u>\$ 183,044,456</u>
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.....	1.82%

**Significant Actuarial Methods and Assumptions** – The total OPEB liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, that was updated to June 30, 2018, to be in accordance with GASB Statements #74 and #75.

Valuation date.....	July 1, 2017
Actuarial cost method.....	Entry Age Normal
Asset valuation method.....	Market Value
Discount rate.....	2.98%
Inflation rate.....	3.0% 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% per annum (for EAN)
Mortality rates.....	RP-2014 Mortality table with MP-2016 projection

*Rate of return* – For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 10.50%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*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 the 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 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. The Plan's expected future real rate of return is added to the expected inflation to produce the long-term expected nominal rate of return. 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, 2018, are summarized in the following table:

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

*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, 2018, which is 2.98%. 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.

*Changes in the Net OPEB Liability*

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2017.....	\$ 184,405,198	\$ 2,880,628	\$ 181,524,570
Changes for the year:			
Service cost.....	7,763,590	-	7,763,590
Interest.....	5,610,395	-	5,610,395
Differences between expected and actual experience....	(4,756,135)	-	(4,756,135)
Changes in assumptions and other inputs.....	4,852,941	-	4,852,941
Benefit payments.....	(4,054,972)	(4,054,972)	-
Contributions - employer.....	-	4,414,972	(4,414,972)
Net investment income.....	-	294,264	(294,264)
Net change.....	9,415,819	654,264	8,761,555
Balances at June 30, 2018.....	\$ 193,821,017	\$ 3,534,892	\$ 190,286,125

*Sensitivity of the net other postemployment 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 2.98%, 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 (1.98%) or 1-percentage-point higher (3.98%) than the current rate.

	1% Decrease (1.98%)	Current Discount Rate (2.98%)	1% Increase (3.98%)
Net OPEB liability....	\$ 221,004,375	\$ 190,286,125	\$ 159,567,874

*Sensitivity of the net other postemployment liability to changes in the healthcare trend* – The following table presents the net other postemployment benefit liability and service cost, calculated using the current healthcare trend rate of 8.00% decreasing to 5.00% as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower (7.00% decreasing to 4.00%) or 1-percentage-point higher (9.00% decreasing to 6.00%).

	1% Decrease (7.00% decreasing to 4.00%)	Current Trend (8.00% decreasing to 5.00%)	1% Increase (9.00% decreasing to 6.00%)
Net OPEB liability....	\$ 155,197,349	\$ 190,286,125	\$ 232,635,320

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB* – For the year ended June 30, 2018, the GASB Statement #75 measurement date, the Town recognized OPEB expense of \$9,121,555. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ -	\$ (4,412,471)	\$ (4,412,471)
Difference between projected and actual earnings, net.....	-	(211,490)	(211,490)
Changes in assumptions.....	4,607,607	-	4,607,607
Total deferred outflows/(inflows) of resources.....	\$ 4,607,607	\$ (4,623,961)	\$ (16,354)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2019.....	\$ 63,479
2020.....	(34,851)
2021.....	(34,851)
2022.....	(34,851)
2023.....	(34,851)
Thereafter.....	59,571
	<u>\$ (16,354)</u>

*Changes in Assumptions* – The discount rate was lowered from 3.13% to 2.98%.

*Changes in Plan Provisions* – None.

***GASB Statement #45 – Electric Light Department OPEB Liability***

*Plan Description* – The Municipal Light Department (Department) participates in the Town sponsored single employer defined benefit health plan. The Department provides certain health care and life insurance benefits for eligible retirees, spouse and dependents. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan.

At July 1, 2014, the Department's membership consisted of the following:

Active members.....	33
Inactive employees or beneficiaries currently receiving benefits.....	<u>16</u>
Total.....	<u>49</u>

*Funding Policy* – The Department recognizes the cost of providing these benefits, in accordance with government accounting standards, on a pay-as-you-go basis, by expensing the annual insurance premiums charged to Department by the Town, which aggregated to approximately \$509,000 for the year ended December 31, 2017.

The cost of providing these benefits for retirees is not readily separable from the costs for active employees. Retired plan members and beneficiaries currently receiving benefits are required to contribute 17-35% of the cost of benefits provided depending on the plan they chose.

*Annual OPEB Costs* – Department's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (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 normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The components of Department's annual OPEB cost for the year ending December 31, 2017, the amount actually contributed to the plan, and the changes in the department's net OPEB obligation based on an actuarial valuation as of July 1, 2014, as summarized in the following table:

Annual required contribution.....	\$ 466,000
Interest on net OPEB obligation.....	91,000
Contributions made.....	<u>(93,000)</u>
Increase in the net OPEB obligation.....	464,000
Contributions made.....	<u>(250,000)</u>
Change in the net OPEB obligation.....	214,000
Net OPEB obligation, beginning of year.....	<u>614,000</u>
Net OPEB obligation, end of year.....	<u>\$ 828,000</u>

The Department's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years were as follows:

<u>Year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/13/2017	\$ 464,000	53.8%	\$ 828,000
12/31/2016	524,000	43.9%	614,000
12/13/2015	502,000	36.1%	1,720,000

*Funded Status and Funding Progress* – As of July 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$8.3 million. At December 31, 2017 the Plan had assets of \$1.7 million for this obligation.

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 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 multi-year 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 benefit costs between the employer and the 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.

As of the July 1, 2014 actuarial valuation the projected unit credit cost method was used. The actuarial assumptions included a 4.50% investment return assumption, projected salary increase of 4.50% and an annual medical/drug cost trend rate of 9.50% initially, graded to 5.00% over 10 years. The UALL is being amortized over a 30 year closed period using a level percentage of projected payroll with amortization payments increasing at 4.50% per year.

#### **NOTE 11 – FINANCIAL STATEMENTS FOR INDIVIDUAL PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS**

GAAP requires that all Pension and Other Employee Benefit Trust Funds be combined and presented in one column in the Fiduciary Funds financial statements and that the individual financial statements for each trust fund plan are reported in the notes to the financial statements. Provided below are the individual financial statements for the pension and OPEB plans that are included in the Fiduciary Funds as Pension and Other Postemployee Benefit Trust Funds.

	Pension Trust Fund (as of December 31, 2017)	Other Postemployee Benefit Trust Fund	Total Pension and Other Employee Benefit Trust Funds
<b>ASSETS</b>			
Cash and cash equivalents.....	\$ 41,035	\$ -	\$ 41,035
Investments:			
Investments in Pension Reserve Investment Trust....	101,338,872	3,534,892	104,873,764
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	45,982	-	45,982
<b>TOTAL ASSETS.....</b>	<b>101,425,889</b>	<b>3,534,892</b>	<b>104,960,781</b>
<b>LIABILITIES</b>			
Warrants payable.....	1,060	-	1,060
<b>NET POSITION</b>			
Restricted for pensions.....	101,424,829	-	101,424,829
Restricted for other postemployment benefits.....	-	3,534,892	3,534,892
<b>TOTAL NET POSITION.....</b>	<b>\$ 101,424,829</b>	<b>\$ 3,534,892</b>	<b>\$ 104,959,721</b>

	Pension Trust Fund (as of December 31, 2017)	Other Postemployee Benefit Trust Fund	Total Pension and Other Employee Benefit Trust Funds
<b>ADDITIONS:</b>			
Contributions:			
Employer contributions.....	\$ 3,502,012	\$ 360,000	\$ 3,862,012
Employer contributions for other postemployment benefit payments.....	-	4,054,972	4,054,972
Member contributions.....	2,108,074	-	2,108,074
Transfers from other systems.....	353,728	-	353,728
3(8)c contributions from other systems.....	132,651	-	132,651
Workers compensation settlements.....	9,500	-	9,500
State COLA reimbursements.....	82,310	-	82,310
Total contributions.....	6,188,275	4,414,972	10,603,247
Net investment income:			
Investment income.....	2,656,608	294,264	2,950,872
Net change in fair value of investments.....	12,945,917	-	12,945,917
Less: investment expense.....	(501,662)	-	(501,662)
Net investment income (loss).....	15,100,863	294,264	15,395,127
TOTAL ADDITIONS.....	21,289,138	4,709,236	25,998,374
<b>DEDUCTIONS:</b>			
Administration.....	129,292	-	129,292
Transfers to other systems.....	317,959	-	317,959
Retirement benefits and refunds.....	9,354,790	-	9,354,790
Other postemployment benefit payments.....	-	4,054,972	4,054,972
TOTAL DEDUCTIONS.....	9,802,041	4,054,972	13,857,013
NET INCREASE (DECREASE) IN NET POSITION.....	11,487,097	654,264	12,141,361
NET POSITION AT BEGINNING OF YEAR.....	89,937,732	2,880,628	92,818,360
NET POSITION AT END OF YEAR.....	\$ 101,424,829	\$ 3,534,892	\$ 104,959,721

**NOTE 12 – COMMITMENTS**

The Town has various commitments through its participation in a bulk power supply agency, as discussed more fully in Note 14.

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. All planned utility replacement work was completed in September 2017. Additional upgrades to the gravity sewer main were completed in spring of 2018. Final paving was re-scheduled

for fall of 2018 to allow for upgrades to the gas mains on Pleasant Street. Once the paving is finished, Phase II of the drainage project will be complete.

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) has issued the certification of the landfill. The Town is in the process of filing for the Certificate of Compliance with Conservation and completing the required deed recording. 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 2019.

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). Under the guidance and direction of the Building Committee and the School Committee, working with the Owner's Project Manager (OPM), Leftfield, and the Designer/Architect, Raymond Design Associates, the feasibility study portion of the project is winding down, culminating in a final project recommendation to go before 2019 Town Meeting. Aspects of the feasibility study included exploration of potential school sites, traffic studies, enrollment and space studies, educational planning and goals, sustainability and environmental impact, as well as maximizing the MSBA reimbursement partnership and financial efficiencies. The outcome of these studies and committee work, in partnership with the OPM and Designer, brings us to the current status of the project. The selected site is the current Bell School campus, the largest site studied. The building will integrate the Gerry School, Coffin School and Bell School into one elementary school. The building design is in its final stages as the committee works to shave costs and recommend a building with maximized efficiencies and the greatest potential for positive student, staff and community outcomes and achievement. The School Committee expects to bring forward a final building and project recommendation to the May 2019 Town Meeting.

In May of 2018, the Town voted to authorize the Treasurer to borrow \$8,982,963 to renovate, repair, and restore Abbot Hall. The Abbot Hall project involves major exterior work to the building, which includes: work on the slate roof, copper gutter and skirt; replacing galvanized iron finials and historic ridge; installing new windows; rebuilding the southwest chimney; removing the existing coating on masonry and the non-breathable coating from sandstone; applying a breathable coating to sandstone and a coating to black brick; replacing brick course under gutter; adding lead weather caps to joints at the top stone cornice; repairing structural wall cracks; cutting and pointing of exterior brick and stone work; dismantling and reconstructing of projecting corbels; repairing and replacing sandstone; cutting and pointing granite stairs; replacing column capitals; replacing weather sculpted bands; sistering rafters; reinforcing the truss connection; reinforcing the damaged truss chord; replacing damaged roof sheathing; reinforcing the attic floor; installing floor sheathing; replacing the dormer trim; repairing and painting the circular window; replacing existing asbestos piping with copper; repairing the brick trough; replacing the iron fence rails; replacing broken granite posts; and rebuilding granite site walls. The Abbot Hall project commenced in FY2019 and is expected to be completed by November 2019.

Additionally, in May of 2018, the Town voted to authorize the Treasurer to borrow \$871,894 to repair and reconstruct seawalls and fences in town that were impacted by the March 2018 winter storms. Major seawall repair and reconstruction will occur at Grace Oliver Beach, Front Street and Fort Sewall. Work is also being done at the Beacon Street boat ramp and Lead Mills. Most of the work is anticipated to be completed in FY2019.



**NOTE 13 – 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 14 – 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, 2017, 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 \$46,000,000, of which \$3,094,000 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, 2017, the Cooperative's total future debt service requirement on outstanding bonds issued for the Projects is \$62,399,000, of which \$4,198,000 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, 2017, and estimated for future years is shown in the following table.

<u>For years ended December 31:</u>	<u>Annual Cost</u>
2018.....	\$ 344,000
2019.....	340,000
2020.....	321,000
2021.....	321,000
2022.....	321,000
2023-2027.....	1,599,000
2028-2030.....	952,000
Total	<u>\$ 4,198,000</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 \$1,896,821 in 2018, \$1,187,620 in 2019, \$1,044,148 in 2020, and \$489,426 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, 2017, total capital expenditures for MMWEC's projects amounted to \$1,583,481,000, of which \$26,113,000 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 \$10,680,000 of which \$97,000 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, 2017, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$11,425,000, of which \$101,000 is anticipated to be billed to the Department in the future.

The 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, 2017, for the year ending December 31, 2018, is \$101,000.

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 \$1,869,000 and \$2,730,000 for the years ended December 31, 2017 and 2016, respectively.

#### NOTE 15 – 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
2017.....	\$ 801,617	\$ 221,835	\$ (242,102)	\$ 781,350	\$ 147,789
2018.....	781,350	176,832	(147,790)	810,392	215,353

#### NOTE 16 – 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. During 2018, the Town completed capping the landfill. Since the capping and closure project is complete, the Town is required to pay monitoring costs of approximately \$115,000 per year for 30 years. The total remaining monitoring costs have been reported as a total \$3.0 million liability of the Town as of June 30, 2018. Actual costs may change due to inflation, changes in technology, or changes in regulations.

**NOTE 17 – REVISION OF NET POSITION PREVIOUSLY REPORTED**

Beginning net position of the governmental and business-type activities has been revised to reflect the implementation of GASB Statement #75. To reflect this change, the Town has revised the net other postemployment liability (OPEB), which has resulted in the revision of the June 30, 2017 balances as follows:

	06/30/2017 Previously Reported Balances	Implementation of GASB #75	06/30/2017 Revised Balances
<b>Government-Wide Financial Statements</b>			
Governmental activities.....	\$ 11,669,336	\$ (121,533,613)	\$ (109,864,277)
Business-type activities.....	52,920,651	(4,385,295)	48,535,356
Total.....	<u>\$ 64,589,987</u>	<u>\$ (125,918,908)</u>	<u>\$ (61,328,921)</u>
<b>Business-type Activities - Enterprise Funds</b>			
Water enterprise fund.....	\$ 13,865,563	\$ (1,033,479)	\$ 12,832,084
Sewer enterprise fund.....	13,855,019	(2,501,061)	11,353,958
Harbor Enterprise fund.....	3,414,670	(850,755)	2,563,915
Total.....	<u>\$ 31,135,252</u>	<u>\$ (4,385,295)</u>	<u>\$ 26,749,957</u>

**NOTE 18 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 19, 2018, which is the date the financial statements were available to be issued.

**NOTE 19– IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During 2018, the following GASB pronouncements were implemented:

- GASB Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The basic financial statements, related notes and required supplementary information were updated to be in compliance with this pronouncement.
- GASB Statement #81, *Irrevocable Split-Interest Agreements*. This pronouncement did not impact the basic financial statements.
- GASB Statement #85, *Omnibus 2017*. This pronouncement did not impact the basic financial statements.
- GASB Statement #86, *Certain Debt Extinguishment Issues*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- 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 2019.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2021.
- The GASB issued Statement #88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which is required to be implemented in 2019.
- The GASB issued Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in 2021.
- The GASB issued Statement #90, *Majority Equity Interests – an amendment of GASB Statements #14 and #61*, which is required to be implemented in 2020.

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

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## ***Required Supplementary Information***



# ***General Fund***

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

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

YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Amounts	Variance
	Original	Final	Budgetary	Carried Forward	to Final
	Budget	Budget	Amounts	To Next Year	Budget
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 65,815,447	\$ 65,815,447	\$ 66,431,499	\$ -	\$ 616,052
Motor vehicle and boat excise taxes.....	2,844,926	2,844,926	3,653,743	-	808,817
Charges for services.....	306,000	306,000	840,896	-	534,896
Penalties and interest on taxes.....	105,000	105,000	296,877	-	191,877
Payments in lieu of taxes.....	12,000	12,000	26,846	-	14,846
Licenses and permits.....	364,500	364,500	755,907	-	391,407
Fines and forfeitures.....	51,000	51,000	118,010	-	67,010
Intergovernmental.....	7,302,577	7,302,577	7,301,674	-	(903)
Investment income.....	80,000	80,000	253,036	-	173,036
Miscellaneous.....	-	-	55,528	-	55,528
TOTAL REVENUES.....	76,881,450	76,881,450	79,734,016	-	2,852,566
<b>EXPENDITURES:</b>					
Current:					
<b>GENERAL GOVERNMENT</b>					
Moderator - Officials Expense.....	100	100	100	-	-
Selectmen Officials Expense.....	5,500	5,500	5,500	-	-
Salaries.....	413,528	413,528	399,567	-	13,961
Expense.....	108,245	121,245	107,450	10,000	3,795
Zoning Board Legal Services.....	16,663	55,663	44,401	11,262	-
Out of State Travel.....	2,000	2,000	1,606	-	394
Finance Committee - Salaries.....	9,558	9,558	9,558	-	-
Expense.....	5,585	5,585	5,573	-	12
Local Travel.....	175	175	76	-	99
Reserve Fund.....	144,000	-	-	-	-
Finance - Salaries.....	644,512	633,512	617,606	-	15,906
Expense.....	278,310	278,310	267,755	-	10,555
Art. 9, 2017 - Equipment.....	460,610	460,610	460,080	530	-
Assessors - Officials Expense.....	300	300	300	-	-
Assessors - Salaries.....	209,693	209,698	209,697	-	1
Expense.....	33,685	33,680	31,715	-	1,965
Local Travel.....	500	500	-	-	500
Town Counsel - Salaries.....	2,000	2,000	2,000	-	-
Expense.....	86,542	137,471	133,470	4,001	-
Parking Tickets - Expense.....	10,484	10,484	5,118	-	5,366
Town Clerk - Salaries.....	180,685	180,685	179,384	-	1,301
Expense.....	10,137	10,137	9,708	-	429
Election and Registration - Salaries.....	17,056	29,056	27,824	-	1,232
Expense.....	25,375	25,375	21,875	-	3,500
Planning Board - Expense.....	1,675	5,675	1,733	3,941	1
Public Buildings - Salaries.....	102,407	102,407	97,575	-	4,832
Expense.....	133,293	133,293	124,418	8,873	2
Local Travel.....	400	400	-	-	400
Art. 10, 2017 - Improve Public Buildings.....	333,826	333,826	249,278	84,548	-
Art. 11, 2016 - Ocean Ave Seawall.....	45,594	45,594	-	-	45,594
Art. 14, 2015 - Improve Public Buildings.....	26,781	26,781	26,781	-	-
Town Reports.....	4,300	4,300	3,290	-	1,010
Town Audit of Accounts.....	54,500	54,500	51,060	-	3,440
Training Expense.....	15,000	15,000	4,760	-	10,240
TOTAL GENERAL GOVERNMENT.....	3,383,019	3,346,948	3,099,258	123,155	124,535

(Continued)

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

YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
<b><u>PUBLIC SAFETY</u></b>					
Police - Salaries.....	3,633,680	3,633,680	3,627,861	-	5,819
Expense.....	182,390	182,390	181,619	-	771
Indemnification.....	5,000	5,000	2,188	-	2,812
Fire - Salaries.....	3,428,810	3,508,810	3,497,065	-	11,745
Expense.....	185,827	185,827	184,235	-	1,592
Alarm Expense.....	5,000	5,000	2,538	-	2,462
Fire SCBA Equipment.....	114,179	153,250	153,250	-	-
Building Commissioner - Salaries.....	517,298	502,298	484,499	-	17,799
Expense.....	49,870	49,870	6,301	43,569	-
Local Travel.....	6,000	6,000	2,993	-	3,007
Sealer of Weights & Measurers - Expense.....	250	250	210	-	40
Animal Inspector - Salaries.....	2,400	2,400	2,400	-	-
TOTAL PUBLIC SAFETY.....	8,130,704	8,234,775	8,145,159	43,569	46,047
<b><u>EDUCATION</u></b>					
Schools.....	36,539,604	36,539,604	37,132,387	-	(592,783)
Art. 27, 2016 - Essex North Shore.....	329,187	329,187	314,542	-	14,645
TOTAL SCHOOL.....	36,868,791	36,868,791	37,446,929	-	(578,138)
<b><u>PUBLIC WORKS &amp; FACILITIES</u></b>					
Engineering - Salaries.....	153,662	153,662	148,810	-	4,852
Expense.....	10,645	10,645	10,576	-	69
Highway - Salaries.....	844,364	806,364	772,226	-	34,138
Expense.....	107,084	107,084	97,905	-	9,179
Rebuild & Maintain HTTP STS.....	98,569	98,569	70,339	28,228	2
Snow Removal.....	100,000	100,000	407,101	-	(307,101)
Street Lighting.....	128,820	128,820	127,289	-	1,531
Art. 11, 2017 - Walls and Fences.....	15,000	15,000	-	15,000	-
Art. 10, 2016 - Walls and Fences.....	1,937	1,937	-	1,937	-
Art. 9, 2015 - Walls and Fences.....	7,262	7,262	-	7,262	-
Art. 10, 2013 - Walls and Fences.....	3,719	3,719	1,039	2,680	-
Waste Collection - Salaries.....	336,774	336,774	324,125	-	12,649
Expense.....	1,801,562	1,801,562	1,597,628	-	203,934
Landfill Monitor Expense.....	114,600	114,600	114,600	-	-
Art. 13, 2014 - Landfill Regulatory.....	82,090	82,090	82,090	-	-
Drains - Salaries.....	144,769	144,769	139,201	-	5,568
Expense.....	5,650	5,650	5,178	-	472
Art. 17, 2017 - Drain Construction.....	332,000	332,000	41,360	290,639	1
Art. 16, 2016 - Drain Construction.....	120,203	120,203	118,728	1,475	-
Cemetery - Officials Expense.....	300	300	300	-	-
Salaries.....	345,795	345,795	338,342	-	7,453
Expense.....	26,226	26,226	25,447	-	779
Tree - Salaries.....	277,360	267,360	250,855	-	16,505
Expense.....	72,839	72,839	52,124	-	20,715
TOTAL PUBLIC WORKS & FACILITIES.....	5,131,230	5,083,230	4,725,263	347,221	10,746
<b><u>HUMAN SERVICES</u></b>					
Health - Officials Expense.....	400	400	400	-	-
Salaries.....	163,161	163,161	163,160	-	1
Expense.....	15,655	15,655	7,597	-	8,058
Local Travel.....	1,632	1,632	331	-	1,301
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.....	297,634	297,634	297,165	-	469
Expense.....	11,990	11,990	11,985	-	5
Veterans Benefits - Salaries.....	64,960	64,960	64,958	-	2
Expense.....	1,243	1,243	1,102	-	141
Local Travel.....	1,100	1,100	994	-	106
Benefits.....	33,000	48,000	44,993	-	3,007
TOTAL HUMAN SERVICES.....	654,775	669,775	652,685	-	17,090

(Continued)

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

YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
<b><u>CULTURE &amp; RECREATION</u></b>					
Library - Salaries.....	845,938	825,938	794,986	-	30,952
Expense.....	265,815	265,815	264,667	-	1,148
Local Travel.....	100	100	100	-	-
Park - Salaries.....	658,853	643,853	609,581	-	34,272
Expense.....	173,990	173,990	168,050	4,600	1,340
Park Facility Expense.....	55,104	55,104	48,323	6,781	-
Memorial & Veterans Day.....	6,150	6,150	6,150	-	-
<b>TOTAL CULTURE &amp; RECREATION.....</b>	<b>2,005,950</b>	<b>1,970,950</b>	<b>1,891,857</b>	<b>11,381</b>	<b>67,712</b>
<b><u>ENERGY &amp; UTILITY RESERVE</u></b>					
Energy Reserve.....	533,544	533,544	533,533	-	11
Utility Reserve.....	100,000	100,000	58,256	-	41,744
<b>TOTAL ENERGY &amp; UTILITY RESERVE.....</b>	<b>633,544</b>	<b>633,544</b>	<b>591,789</b>	<b>-</b>	<b>41,755</b>
<b><u>PENSION BENEFITS</u></b>					
Contributory Retirement Fund.....	2,803,173	2,803,173	2,803,173	-	-
Noncontributory Retirement.....	78,084	78,084	72,058	-	6,026
<b>TOTAL PENSION BENEFITS.....</b>	<b>2,881,257</b>	<b>2,881,257</b>	<b>2,875,231</b>	<b>-</b>	<b>6,026</b>
<b><u>PROPERTY AND LIABILITY INSURANCE</u></b>					
Other Insurance.....	475,888	475,888	393,809	-	82,079
<b><u>FRINGE BENEFITS</u></b>					
Medicare.....	660,000	660,000	633,529	-	26,471
Salary Reserve.....	237,423	237,423	171,775	-	65,648
Group Insurance.....	13,778,934	13,778,934	11,080,919	-	2,698,015
Group Insurance FY13.....	73,099	73,099	26,312	46,787	-
<b>TOTAL FRINGE BENEFITS.....</b>	<b>14,749,456</b>	<b>14,749,456</b>	<b>11,912,535</b>	<b>46,787</b>	<b>2,790,134</b>
<b><u>INTERGOVERNMENTAL</u></b>					
State.....	3,298,675	3,298,675	2,872,858	-	425,817
<b><u>DEBT SERVICES</u></b>					
Maturing Debt.....	4,507,000	4,507,000	4,507,000	-	-
Interest.....	2,650,767	2,650,767	2,649,767	-	1,000
<b>TOTAL DEBT SERVICES.....</b>	<b>7,157,767</b>	<b>7,157,767</b>	<b>7,156,767</b>	<b>-</b>	<b>1,000</b>
<b>TOTAL EXPENDITURES.....</b>	<b>85,371,056</b>	<b>85,371,056</b>	<b>81,764,140</b>	<b>572,113</b>	<b>3,034,803</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(8,489,606)</b>	<b>(8,489,606)</b>	<b>(2,030,124)</b>	<b>(572,113)</b>	<b>5,887,369</b>
<b><u>OTHER FINANCING SOURCES (USES):</u></b>					
Transfers in.....	821,658	821,658	1,108,145	-	286,487
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(7,667,948)</b>	<b>(7,667,948)</b>	<b>(921,979)</b>	<b>(572,113)</b>	<b>6,173,856</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>22,157,736</b>	<b>22,157,736</b>	<b>22,157,736</b>	<b>-</b>	<b>-</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$ 14,489,788</b>	<b>\$ 14,489,788</b>	<b>\$ 21,235,757</b>	<b>\$ (572,113)</b>	<b>\$ 6,173,856</b>

(Concluded)

See notes to required supplementary information.

# ***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	December 31, 2017
<b>Total pension liability:</b>				
Service cost.....	\$ 2,681,899	\$ 2,769,061	\$ 3,069,000	\$ 3,207,000
Interest.....	9,363,589	9,660,905	9,968,038	10,286,000
Differences between expected and actual experience.....	-	(2,255,000)	-	2,433,000
Changes in assumptions.....	-	6,300,000	-	3,240,000
Benefit payments, including refunds of employee contributions.....	(8,275,382)	(8,317,787)	(8,731,326)	(9,139,829)
Net change in total pension liability.....	3,770,106	8,157,179	4,305,712	10,026,171
Total pension liability - beginning.....	122,276,560	126,046,666	134,203,845	138,509,557
Total pension liability - ending (a).....	<u>\$ 126,046,666</u>	<u>\$ 134,203,845</u>	<u>\$ 138,509,557</u>	<u>\$ 148,535,728</u>
<b>Plan fiduciary net position:</b>				
Employer contributions.....	\$ 2,791,015	\$ 3,004,813	\$ 3,247,889	\$ 3,502,012
Member contributions.....	1,820,099	1,913,812	2,195,793	2,153,343
Net investment income (loss).....	6,532,623	585,701	6,346,121	15,100,863
Administrative expenses.....	(135,341)	(141,511)	(140,850)	(129,292)
Retirement benefits and refunds.....	(8,275,382)	(8,317,787)	(8,731,326)	(9,139,829)
Military service fund contribution.....	16,440	-	-	-
Net increase (decrease) in fiduciary net position.....	2,749,454	(2,954,972)	2,917,627	11,487,097
Fiduciary net position - beginning of year.....	87,225,623	89,975,077	87,020,105	89,937,732
Fiduciary net position - end of year (b).....	<u>\$ 89,975,077</u>	<u>\$ 87,020,105</u>	<u>\$ 89,937,732</u>	<u>\$ 101,424,829</u>
<b>Net pension liability - ending (a)-(b).....</b>	<u><b>\$ 36,071,589</b></u>	<u><b>\$ 47,183,740</b></u>	<u><b>\$ 48,571,825</b></u>	<u><b>\$ 47,110,899</b></u>
Plan fiduciary net position as a percentage of the total pension liability.....	71.38%	64.84%	64.93%	68.28%
Covered payroll.....	\$ 18,842,144	\$ 20,286,731	\$ 20,895,333	\$ 21,325,000
Net pension liability as a percentage of covered payroll.....	191.44%	232.58%	232.45%	220.92%

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**

<u>Year</u>	<u>Actuarially determined contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
December 31, 2017.....	\$ 3,496,880	\$ (3,496,880)	\$ -	\$ 21,325,000	16.40%
December 31, 2016.....	3,237,852	(3,237,852)	-	20,895,333	15.50%
December 31, 2015.....	2,998,011	(2,998,011)	-	20,286,731	14.78%
December 31, 2014.....	2,775,936	(2,775,936)	-	18,842,144	14.73%

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**

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<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
December 31, 2017.....	17.14%
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.

See notes to required supplementary information.



# ***Pension Plan Schedules – Town & Municipal Light Enterprise***

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 Enterprise'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**

<u>Year</u>	<u>Proportion of the net pension liability (asset)</u>	<u>Proportionate share of the net pension liability (asset)</u>	<u>Covered payroll</u>	<u>Net pension liability as a percentage of covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
December 31, 2017.....	86.10%	\$ 40,563,714	\$ 18,361,000	220.92%	68.28%
December 31, 2016.....	85.07%	41,319,080	18,042,000	229.02%	64.93%
December 31, 2015.....	85.07%	40,138,264	17,517,000	229.14%	64.84%
December 31, 2014.....	84.63%	30,528,625	16,186,000	188.61%	71.38%

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

The Town's Municipal Light Enterprise year end is December 31st while the Town's is June 30th.

This schedule does not include the Municipal Light Enterprise 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**

<u>Year</u>	<u>Proportion of the net pension liability (asset)</u>	<u>Proportionate share of the net pension liability (asset)</u>	<u>Covered payroll</u>	<u>Net pension liability as a percentage of covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
December 31, 2017.....	12.21%	\$ 5,752,900	\$ 2,604,081	220.92%	68.28%
December 31, 2016.....	13.35%	6,486,422	2,790,423	232.45%	64.93%
December 31, 2015.....	13.35%	6,301,053	2,709,151	232.58%	64.84%
December 31, 2014.....	14.12%	5,093,878	1,844,000	276.24%	71.38%

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

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**

<u>Year</u>	<u>Actuarially determined contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
December 31, 2017.....	\$ 3,010,905	\$ (3,010,905)	\$ -	\$ 18,361,000	16.40%
December 31, 2016.....	2,754,376	(2,754,376)	-	18,042,000	15.27%
December 31, 2015.....	2,550,338	(2,550,338)	-	17,517,000	14.56%
December 31, 2014.....	2,349,370	(2,349,370)	-	16,186,000	14.51%

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**

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The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Therefore, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the associated collective net pension liability; the portion of the collective pension expense as both a revenue and pension expense recognized; and the Plan's fiduciary net position as a percentage of the total liability.

<u>Year</u>		<u>Commonwealth's 100% Share of the Associated Net Pension Liability</u>	<u>Expense and Revenue Recognized for the Commonwealth's Support</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Liability</u>
2018.....	\$	85,769,953	\$ 8,952,060	54.25%
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***

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 – Municipal Light Enterprise**

The Municipal Light Enterprise reports on a calendar year basis and their plan is to implement GASB 75 for the year ended December 31, 2018. The Municipal Light Enterprise obtains a separate valuation which is not currently available.

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

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

The Schedule of the Municipal Light Enterprise's Actuarial Methods and Assumptions presents factors that significantly affect the identification 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	June 30, 2018
<b>Total OPEB Liability</b>		
Service Cost.....	\$ 5,000,000	\$ 7,763,590
Interest.....	5,822,000	5,610,395
Changes of benefit terms.....	-	-
Differences between expected and actual experience....	-	(4,756,135)
Changes of assumptions.....	129,593,198	4,852,941
Benefit payments.....	<u>(4,700,000)</u>	<u>(4,054,972)</u>
Net change in total OPEB liability.....	135,715,198	9,415,819
Total OPEB liability - beginning.....	<u>48,690,000</u>	<u>184,405,198</u>
Total OPEB liability - ending (a).....	<u>\$ 184,405,198</u>	<u>\$ 193,821,017</u>
<b>Plan fiduciary net position</b>		
Employer contributions.....	\$ 1,700,000	\$ 360,000
Employer contributions for OPEB payments.....	4,700,000	4,054,972
Net investment income.....	326,130	294,264
Benefit payments.....	<u>(4,700,000)</u>	<u>(4,054,972)</u>
Net change in plan fiduciary net position.....	2,026,130	654,264
Plan fiduciary net position - beginning of year.....	<u>854,498</u>	<u>2,880,628</u>
Plan fiduciary net position - end of year (b).....	<u>\$ 2,880,628</u>	<u>\$ 3,534,892</u>
<b>Net OPEB liability - ending (a)-(b).....</b>	<b><u>\$ 181,524,570</u></b>	<b><u>\$ 190,286,125</u></b>
Plan fiduciary net position as a percentage of the total OPEB liability.....	1.56%	1.82%
Covered-employee payroll.....	\$ 50,200,000	\$ 50,300,000
Net OPEB liability as a percentage of covered-employee payroll.....	361.60%	378.30%

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

See notes to required supplementary information.

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

<u>Year</u>	<u>Actuarially determined contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered- employee payroll</u>	<u>Contributions as a percentage of covered- employee payroll</u>
June 30, 2018.....	\$ 13,381,849	\$ (4,414,972)	\$ 8,966,877	\$ 50,300,000	8.78%
June 30, 2017.....	11,310,000	(6,400,000)	4,910,000	50,200,000	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**

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<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2018.....	10.50%
June 30, 2017.....	13.00%

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 MUNICIPAL LIGHT ENTERPRISE'S FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS**  
**OTHER POSTEMPLOYMENT BENEFITS PLAN**

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered- Employee Payroll (C)	UAAL as a Percentage of Covered- Employee Payroll ((B-A)/C)
7/1/2014	\$ -	\$ 6,376,000	\$ 6,376,000	0.0%	\$ 2,024,774	314.90%
7/1/2013	-	8,553,012	8,553,012	0.0%	1,807,892	473.09%
7/1/2010	-	8,030,000	8,030,000	0.0%	1,836,358	437.28%
7/1/2008	1,704,065	8,265,000	6,560,935	20.6%	2,061,388	318.28%

**Schedule of Employer Contributions**

Year Ended	Annual Required Contribution (ARC)	Actual Contributions Made	Percentage of the ARC Contributed
12/31/2017	\$ 464,000	\$ 250,000	54%
12/31/2016	524,000	230,000	44%
12/31/2015	502,000	181,000	36%
12/31/2014	537,000	218,000	41%
12/31/2013	409,707	218,000	53%
12/31/2012	462,705	242,471	52%

See notes to required supplementary information.

**THE MUNICIPAL LIGHT ENTERPRISE'S ACTUARIAL METHODS AND ASSUMPTIONS**  
**OTHER POSTEMPLOYMENT BENEFITS PLAN**

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Actuarial Methods:

Valuation date.....	7/1/2014
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Level percentage of payroll over thirty years
Remaining amortization period.....	20 years as of December 31, 2017
Asset valuation method.....	Market value

Actuarial Assumptions:

Investment rate of return.....	4.5% per annum
Inflation rate.....	4.00%
Projected salary increases.....	4.50%
Medical/drug cost trend rate.....	8.00% for the first year, decreases by 0.50% per year through year 7 to 5.00% thereafter.

Plan Membership:

Current retirees, beneficiaries, and dependents.....	33
Current active members.....	<u>16</u>
Total.....	<u><u>49</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 2018 and transfers equal to that amount 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 2018 approved budget authorized approximately \$85.4 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.....	\$ (921,983)
<u>Basis of accounting differences:</u>	
Recognition of revenue for on-behalf payments.....	8,952,060
Recognition of expenditures for on-behalf payments....	<u>(8,952,060)</u>
Net change in fund balance - GAAP basis.....	<u>\$ (921,983)</u>

**3. Appropriation Deficits**

During 2018, expenditures exceeded budgeted appropriations for schools and snow removal. These over expenditures will be funded in 2019.

**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 System'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 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, 2018, included several changes of assumptions from the prior actuarial valuation. These changes include a decrease in the assumed discount rate from 7.50% down to 7.35%, 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. Additionally, retired teachers and their spouses receive health insurance through the Group Insurance Commission of the Commonwealth of Massachusetts (GIC). Each participating municipality is assessed for the governmental share of health and life insurance premiums paid on behalf of its teacher retirees by the state.

#### **The Other Postemployment Benefit Plan**

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

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

##### B. Schedule of the Town's Contributions

The Schedule of the Town's Contributions includes the Town's annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered employee payroll. The Town is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered payroll. Actuarially contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Methods and assumptions used to determine contribution rates are as follows:

Valuation date.....	July 1, 2017
Actuarial cost method.....	Entry Age Normal
Asset valuation method.....	Market Value
Discount rate.....	2.98%
Inflation rate.....	3.0% 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% per annum (for EAN)
Mortality rates.....	RP-2014 Mortality table with MP-2016 projection

C. Schedule of Investment Returns

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

D. Changes in Assumptions – The Discount rate was decreased from 3.13% to 2.98%.

E. Changes in Plan Provisions – None.

F. Schedule of Funding Progress

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

G. Schedule of Employer Contributions

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

H. 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 for the Department.

## ***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, 2018

	<b><i>Special Revenue Funds</i></b>				
	Federal Grants	State Grants	Other Grants	Revolving Funds	Receipts Reserved for Appropriation
<b>ASSETS</b>					
Cash and cash equivalents.....	\$ 326,292	\$ 246,910	\$ 1,160,871	\$ 1,636,060	\$ 2,049,226
Investments.....	-	-	-	-	-
Receivables, net of uncollectibles:					
Departmental and other.....	-	-	-	97,307	825
Intergovernmental - other.....	32	2,966	-	-	-
Working capital deposit.....	-	-	-	-	-
<b>TOTAL ASSETS.....</b>	<b>\$ 326,324</b>	<b>\$ 249,876</b>	<b>\$ 1,160,871</b>	<b>\$ 1,733,367</b>	<b>\$ 2,050,051</b>
<b>LIABILITIES</b>					
Warrants payable.....	\$ 114,191	\$ 139,327	\$ 6,819	\$ 306,742	\$ -
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue.....	32	1,716	-	29,348	825
<b>FUND BALANCES</b>					
Restricted.....	212,101	108,833	1,154,052	1,397,277	2,049,226
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....</b>	<b>\$ 326,324</b>	<b>\$ 249,876</b>	<b>\$ 1,160,871</b>	<b>\$ 1,733,367</b>	<b>\$ 2,050,051</b>

(Continued)

<b><i>Special Revenue Funds</i></b>		
<u>Gifts</u>	<u>Special Revenue Trust Funds</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 457,616	\$ 2,003,244	\$ 7,880,219
-	1,266,157	1,266,157
-	-	98,132
-	-	2,998
-	10,000	10,000
<u>\$ 457,616</u>	<u>\$ 3,279,401</u>	<u>\$ 9,257,506</u>
 \$ 661	 \$ -	 \$ 567,740
 -	 -	 31,921
 456,955	 3,279,401	 8,657,845
 <u>\$ 457,616</u>	 <u>\$ 3,279,401</u>	 <u>\$ 9,257,506</u>

(Concluded)

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

YEAR ENDED JUNE 30, 2018

	<i>Special Revenue Funds</i>				
	Federal Grants	State Grants	Other Grants	Revolving Funds	Receipts Reserved for Appropriation
<b>REVENUES:</b>					
Charges for services.....	\$ -	\$ -	\$ 5,596	\$ 3,560,357	\$ 25,250
Fines and forfeitures.....	-	-	-	200	-
Intergovernmental - other.....	1,788,080	1,737,444	-	190,119	4,318
Departmental and other.....	-	-	-	888,830	-
Contributions and donations.....	-	-	127,816	36,116	-
Investment income (loss).....	-	83	10,890	36	-
Miscellaneous.....	-	-	-	300,677	-
<b>TOTAL REVENUES.....</b>	<b>1,788,080</b>	<b>1,737,527</b>	<b>144,302</b>	<b>4,976,335</b>	<b>29,568</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	-	-	-	8,131	81,680
Public safety.....	6,543	80,229	-	723,147	-
Education.....	887,948	1,541,311	5,819	2,732,268	-
Public works.....	699,686	1,250	-	454,516	-
Human services.....	-	47,725	24,644	129,880	-
Culture and recreation.....	-	25,316	129,159	409,109	-
Debt service:					
Principal.....	-	-	-	-	1,107,000
<b>TOTAL EXPENDITURES.....</b>	<b>1,594,177</b>	<b>1,695,831</b>	<b>159,622</b>	<b>4,457,051</b>	<b>1,188,680</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>193,903</b>	<b>41,696</b>	<b>(15,320)</b>	<b>519,284</b>	<b>(1,159,112)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Premium from issuance of bonds.....	-	-	-	-	614,322
Transfers in.....	-	-	25,000	-	-
Transfers out.....	-	(105,042)	-	(19,717)	(456,659)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>-</b>	<b>(105,042)</b>	<b>25,000</b>	<b>(19,717)</b>	<b>157,663</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>193,903</b>	<b>(63,346)</b>	<b>9,680</b>	<b>499,567</b>	<b>(1,001,449)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>18,198</b>	<b>172,179</b>	<b>1,144,372</b>	<b>897,710</b>	<b>3,050,675</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 212,101</b>	<b>\$ 108,833</b>	<b>\$ 1,154,052</b>	<b>\$ 1,397,277</b>	<b>\$ 2,049,226</b>

(Continued)

<b><i>Special Revenue Funds</i></b>		
Gifts	Special Revenue Trust Funds	Total Nonmajor Governmental Funds
\$ 1,838	\$ -	\$ 3,593,041
-	-	200
-	869	3,720,830
-	-	888,830
325,338	89,673	578,943
-	(87,119)	(76,110)
-	-	300,677
<u>327,176</u>	<u>3,423</u>	<u>9,006,411</u>
14,228	-	104,039
6,028	4,808	820,755
88,746	-	5,256,092
-	-	1,155,452
1,894	34,500	238,643
9,305	121,148	694,037
-	-	1,107,000
<u>120,201</u>	<u>160,456</u>	<u>9,376,018</u>
<u>206,975</u>	<u>(157,033)</u>	<u>(369,607)</u>
-	-	614,322
1,000	-	26,000
-	-	(581,418)
<u>1,000</u>	<u>-</u>	<u>58,904</u>
207,975	(157,033)	(310,703)
<u>248,980</u>	<u>3,436,434</u>	<u>8,968,548</u>
<u>\$ 456,955</u>	<u>\$ 3,279,401</u>	<u>\$ 8,657,845</u>

(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, 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, 2018

	Charity Funds	Scholarship Funds	Other Funds	Total Private Purpose Trust Funds
<b>ASSETS</b>				
Cash and cash equivalents.....	\$ 2,099,123	\$ 868,674	\$ 148,447	\$ 3,116,244
Receivables, net of allowance for uncollectibles:				
Departmental and other.....	-	175	-	175
Capital assets, net of accumulated depreciation.....	162,942	-	-	162,942
TOTAL ASSETS.....	2,262,065	868,849	148,447	3,279,361
<b>LIABILITIES</b>				
Warrants payable.....	-	1,977	-	1,977
Other liabilities.....	-	175	-	175
TOTAL LIABILITIES.....	-	2,152	-	2,152
<b>NET POSITION</b>				
Held in trust for other purposes.....	\$ 2,262,065	\$ 866,697	\$ 148,447	\$ 3,277,209



**PRIVATE PURPOSE TRUST FUNDS**  
COMBINING STATEMENT OF CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2018

	Charity Funds	Scholarship Funds	Other Funds	Total Private Purpose Trust Funds
<u>ADDITIONS:</u>				
Contributions:				
Private donations.....	\$ 57,047	\$ -	\$ -	\$ 57,047
Net investment income:				
Net investment income (loss).....	18,989	7,305	1,234	27,528
TOTAL ADDITIONS.....	76,036	7,305	1,234	84,575
<u>DEDUCTIONS:</u>				
Administration.....	67,772	-	-	67,772
Depreciation.....	11,238	-	-	11,238
Educational scholarships.....	-	11,884	-	11,884
TOTAL DEDUCTIONS.....	79,010	11,884	-	90,894
NET INCREASE (DECREASE) IN NET POSITION.....	(2,974)	(4,579)	1,234	(6,319)
NET POSITION AT BEGINNING OF YEAR.....	2,265,039	871,276	147,213	3,283,528
NET POSITION AT END OF YEAR.....	\$ 2,262,065	\$ 866,697	\$ 148,447	\$ 3,277,209

**AGENCY FUND**  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

YEAR ENDED JUNE 30, 2018

	June 30, 2017	Additions	Deletions	June 30, 2018
<b>ASSETS</b>				
CURRENT:				
Cash and cash equivalents.....	\$ 356,877	\$ 572,424	\$ (577,155)	\$ 352,146
<b>LIABILITIES</b>				
Liabilities due depositors.....	\$ 356,877	\$ 572,424	\$ (577,155)	\$ 352,146

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# *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 Eyal Oren

*A lunar eclipse illuminates the sky over Abbot Hall Tower.*

## ***Statistical Section***

# ***Statistical Section***

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

## ***Financial Trends***

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

## ***Revenue Capacity***

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

## ***Debt Capacity***

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

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

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

## ***Operating Information***

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

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

**Net Position By Component**

**Last Ten Years**

	2009	2010	2011	2012	2013	2014 (1)	2015	2016	2017 (2)	2018
<b>Governmental activities</b>										
Net investment in capital assets.....	\$ 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	\$ 81,296,691
Restricted.....	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	10,425,505
Unrestricted.....	2,796,688	(509,557)	(6,852,476)	(12,034,478)	(14,679,598)	(51,151,235)	(63,332,782)	(69,515,140)	(200,049,807)	(209,344,516)
<b>Total governmental activities net position.....</b>	<b>\$ 80,221,731</b>	<b>\$ 79,598,782</b>	<b>\$ 73,978,010</b>	<b>\$ 72,207,208</b>	<b>\$ 74,115,610</b>	<b>\$ 38,313,883</b>	<b>\$ 30,766,311</b>	<b>\$ 15,205,558</b>	<b>\$ (109,864,277)</b>	<b>\$ (117,622,320)</b>
<b>Business-type activities</b>										
Net investment in capital assets.....	\$ 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	\$ 40,310,430
Restricted.....	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	6,949,454
Unrestricted.....	11,577,387	11,977,792	11,996,780	12,095,677	11,924,405	10,517,972	11,706,630	7,273,751	3,565,638	1,571,208
<b>Total business-type activities net position.....</b>	<b>\$ 47,446,605</b>	<b>\$ 48,156,957</b>	<b>\$ 50,185,204</b>	<b>\$ 51,666,417</b>	<b>\$ 52,531,479</b>	<b>\$ 52,175,144</b>	<b>\$ 53,197,798</b>	<b>\$ 50,572,847</b>	<b>\$ 48,535,356</b>	<b>\$ 48,831,092</b>
<b>Primary government</b>										
Net investment in capital assets.....	\$ 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	\$ 121,607,121
Restricted.....	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	17,374,959
Unrestricted.....	18,145,746	13,936,573	8,453,979	61,199	349,422	(40,633,263)	(51,626,152)	(62,241,389)	(196,484,169)	(207,773,308)
<b>Total primary government net position.....</b>	<b>\$ 127,668,336</b>	<b>\$ 127,755,739</b>	<b>\$ 124,163,214</b>	<b>\$ 123,873,625</b>	<b>\$ 126,647,089</b>	<b>\$ 90,489,027</b>	<b>\$ 83,964,109</b>	<b>\$ 65,778,405</b>	<b>\$ (61,328,921)</b>	<b>\$ (68,791,228)</b>

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

(2) Unrestricted net position has been revised to reflect the implementation of GASB #75 in fiscal year 2018.

**Changes in Net Position**

**Last Ten Years**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses</b>										
<b>Governmental activities:</b>										
General government.....	\$ 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	\$ 4,755,297
Public safety.....	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	15,087,411
Education.....	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	72,235,555
Public works.....	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	7,004,811
Landfill closure.....	-	1,800,000	2,314,578	-	-	7,306,000	3,189,744	8,010,805	-	-
Human services.....	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	1,508,463
Culture and recreation.....	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	4,062,091
Interest.....	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	2,154,964
Total government activities expenses.....	<u>74,712,479</u>	<u>79,304,712</u>	<u>82,405,028</u>	<u>81,272,026</u>	<u>84,089,902</u>	<u>97,337,015</u>	<u>91,096,786</u>	<u>104,319,732</u>	<u>98,717,294</u>	<u>106,808,592</u>
<b>Business-type activities:</b>										
Water.....	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	4,461,840
Sewer.....	3,278,347	3,404,568	3,114,228	3,219,258	3,411,622	3,513,080	5,722,786	4,016,985	4,547,620	4,782,215
Municipal Light.....	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	15,893,014
Harbor.....	658,183	581,573	639,917	695,699	771,455	775,103	819,746	922,156	967,721	918,866
Total business-type activities expenses.....	<u>21,646,440</u>	<u>20,687,807</u>	<u>21,032,808</u>	<u>21,713,954</u>	<u>21,971,797</u>	<u>22,654,935</u>	<u>25,557,601</u>	<u>24,945,661</u>	<u>24,873,060</u>	<u>26,055,935</u>
Total primary government expenses.....	<u>\$ 96,358,919</u>	<u>\$ 99,992,519</u>	<u>\$ 103,437,836</u>	<u>\$ 102,985,980</u>	<u>\$ 106,061,699</u>	<u>\$ 119,991,950</u>	<u>\$ 116,654,387</u>	<u>\$ 129,265,393</u>	<u>\$ 123,590,354</u>	<u>\$ 132,864,527</u>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
Public Safety charges for services.....	\$ 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	\$ 1,425,496
Education charges for services.....	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	2,624,923
Public Works charges for services.....	644,406	634,244	668,395	694,942	742,302	781,471	757,319	866,927	1,136,212	1,320,282
Other charges for services.....	964,181	971,731	954,162	996,624	1,027,894	1,009,683	1,036,822	1,174,048	1,234,788	1,265,859
Operating grants and contributions.....	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	19,339,810
Capital grant and contributions.....	2,033,978	3,817,694	761,615	555,654	5,517,233	6,114,742	1,006,775	723,405	521,930	576,960
Total government activities program revenues.....	<u>21,575,206</u>	<u>23,444,934</u>	<u>20,502,314</u>	<u>20,982,801</u>	<u>25,755,412</u>	<u>27,043,265</u>	<u>18,524,931</u>	<u>21,614,915</u>	<u>25,388,623</u>	<u>26,553,330</u>
<b>Business-type activities:</b>										
Charges for services - Water.....	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	4,528,184
Charges for services - Sewer.....	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	5,078,499
Charges for services - Municipal Light.....	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	16,107,739
Charges for services - Harbor.....	627,795	591,969	632,242	633,384	638,807	637,156	674,827	681,730	697,328	904,347
Operating grants and contributions.....	13,255	22,634	17,260	2,832	3,407	12,092	129,482	2,724	1,680	78,010
Capital grant and contributions.....	-	-	-	-	-	228,749	-	-	-	-
Total business-type activities program revenues.....	<u>22,714,678</u>	<u>21,794,209</u>	<u>23,445,354</u>	<u>23,537,260</u>	<u>23,320,982</u>	<u>24,372,062</u>	<u>27,020,884</u>	<u>27,470,910</u>	<u>27,548,725</u>	<u>26,696,779</u>
Total primary government program revenues.....	<u>\$ 44,289,884</u>	<u>\$ 45,239,143</u>	<u>\$ 43,947,668</u>	<u>\$ 44,520,061</u>	<u>\$ 49,076,394</u>	<u>\$ 51,415,327</u>	<u>\$ 45,545,815</u>	<u>\$ 49,085,825</u>	<u>\$ 52,937,348</u>	<u>\$ 53,250,109</u>
<b>Net (Expense)/Revenue</b>										
Governmental activities.....	\$ (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)	\$ (80,255,262)
Business-type activities.....	<u>1,068,238</u>	<u>1,106,402</u>	<u>2,412,546</u>	<u>1,823,306</u>	<u>1,349,185</u>	<u>1,717,127</u>	<u>1,463,283</u>	<u>2,525,249</u>	<u>2,675,665</u>	<u>640,844</u>
Total primary government net expense.....	<u>\$ (52,069,035)</u>	<u>\$ (54,753,376)</u>	<u>\$ (59,490,168)</u>	<u>\$ (58,465,919)</u>	<u>\$ (56,985,305)</u>	<u>\$ (68,576,623)</u>	<u>\$ (71,108,572)</u>	<u>\$ (80,179,568)</u>	<u>\$ (70,653,006)</u>	<u>\$ (79,614,418)</u>
<b>General Revenues and Other Changes in Net Position</b>										
<b>Governmental activities:</b>										
Real estate and personal property taxes, net of tax refunds payable.....	\$ 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	\$ 66,330,626
Motor vehicle excise taxes.....	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	3,731,262
Penalties and interest on taxes.....	153,284	192,715	226,937	241,114	235,370	231,501	287,496	244,181	276,660	296,552
Grants and contributions not restricted to specific programs.....	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	1,328,929
Unrestricted investment income.....	694,664	547,427	389,792	237,753	553,733	351,665	309,527	457,116	328,165	204,081
Transfers.....	586,703	629,309	585,075	539,520	643,876	600,058	577,219	571,535	520,887	605,769
Total governmental activities.....	<u>53,694,451</u>	<u>55,236,829</u>	<u>56,281,942</u>	<u>58,518,423</u>	<u>60,242,892</u>	<u>62,061,701</u>	<u>65,024,283</u>	<u>67,144,061</u>	<u>69,792,449</u>	<u>72,497,219</u>
<b>Business-type activities:</b>										
Boat excise.....	140,197	140,873	136,513	134,871	125,100	135,970	104,504	130,184	124,716	164,659
Unrestricted investment income.....	231,740	92,386	64,263	54,338	34,653	27,679	32,086	44,896	68,310	96,002
Settlements and refunds.....	-	-	-	8,218	-	-	-	-	-	-
Transfers.....	(586,703)	(629,309)	(585,075)	(539,520)	(643,876)	(600,058)	(577,219)	(571,538)	(520,887)	(605,769)
Total business-type activities.....	<u>\$ (214,766)</u>	<u>\$ (396,050)</u>	<u>\$ (384,299)</u>	<u>\$ (342,093)</u>	<u>\$ (484,123)</u>	<u>\$ (436,409)</u>	<u>\$ (440,629)</u>	<u>\$ (396,458)</u>	<u>\$ (327,861)</u>	<u>\$ (345,108)</u>
<b>Changes in Net Position</b>										
Governmental activities.....	\$ 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)	\$ (7,758,043)
Business-type activities.....	<u>853,472</u>	<u>710,352</u>	<u>2,028,247</u>	<u>1,481,213</u>	<u>865,062</u>	<u>1,280,718</u>	<u>1,022,654</u>	<u>2,128,791</u>	<u>2,347,804</u>	<u>295,736</u>
Total primary government.....	<u>\$ 1,410,650</u>	<u>\$ 87,403</u>	<u>\$ (3,592,525)</u>	<u>\$ (289,589)</u>	<u>\$ 2,773,464</u>	<u>\$ (6,951,331)</u>	<u>\$ (6,524,918)</u>	<u>\$ (13,431,962)</u>	<u>\$ (1,188,418)</u>	<u>\$ (7,462,307)</u>



**Fund Balances, Governmental Funds**

**Last Ten Years**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>General Fund</b>										
Reserved.....	\$ 565,154	\$ 610,212	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved.....	8,349,653	9,178,812	-	-	-	-	-	-	-	-
Committed.....	-	-	-	917,834	591,174	676,235	501,644	437,823	335,975	404,071
Assigned.....	-	-	5,097,591	5,906,121	4,559,500	4,582,975	5,624,815	6,307,165	7,494,339	8,068,042
Unassigned.....	-	-	6,281,372	6,251,245	9,397,403	11,371,120	12,480,102	13,909,193	14,327,422	12,763,640
<b>Total general fund.....</b>	<b>\$ 8,914,807</b>	<b>\$ 9,789,024</b>	<b>\$ 11,378,963</b>	<b>\$ 13,075,200</b>	<b>\$ 14,548,077</b>	<b>\$ 16,630,330</b>	<b>\$ 18,606,561</b>	<b>\$ 20,654,181</b>	<b>\$ 22,157,736</b>	<b>\$ 21,235,753</b>
<b>All Other Governmental Funds</b>										
Reserved.....	\$ 3,348,145	\$ 3,379,233	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds.....	6,902,667	7,253,938	-	-	-	-	-	-	-	-
Capital projects funds.....	9,471,649	1,813,173	-	-	-	-	-	-	-	-
Permanent funds.....	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	3,621,446
Restricted.....	-	-	9,044,027	10,424,988	18,463,217	9,558,967	14,485,534	16,571,389	11,590,117	10,718,919
<b>Total all other governmental funds.....</b>	<b>\$ 21,211,363</b>	<b>\$ 13,866,582</b>	<b>\$ 12,423,259</b>	<b>\$ 13,835,402</b>	<b>\$ 21,900,270</b>	<b>\$ 13,042,751</b>	<b>\$ 17,999,473</b>	<b>\$ 20,125,268</b>	<b>\$ 15,176,787</b>	<b>\$ 14,340,365</b>

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**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues:</b>										
Real estate and personal property taxes, net of tax refunds.....	\$ 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	\$ 66,431,146
Motor vehicle excise taxes.....	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	3,653,743
Penalties and interest on taxes.....	153,284	192,732	226,937	241,114	235,370	231,501	287,496	244,181	276,660	296,552
Charges for services.....	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	4,484,460
Licenses and permits.....	648,799	848,233	729,262	773,464	676,788	723,707	780,713	793,817	763,738	755,907
Fines and forfeitures.....	167,209	157,626	141,860	175,186	153,061	144,147	126,021	131,209	162,196	114,202
Intergovernmental.....	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	20,578,868
Departmental and other.....	269,957	294,815	317,306	570,975	301,435	682,753	752,356	1,138,951	1,247,506	888,830
Contributions.....	599,738	439,403	461,556	570,902	1,629,007	508,769	1,354,054	1,062,116	598,650	706,881
Investment income.....	633,687	524,246	382,329	231,290	551,404	341,630	302,750	453,940	324,075	199,390
Miscellaneous.....	321,609	304,615	329,000	351,966	331,532	48,727	41,569	44,823	348,051	343,927
<b>Total Revenue.....</b>	<b>74,689,423</b>	<b>77,173,717</b>	<b>76,783,317</b>	<b>79,111,981</b>	<b>84,955,737</b>	<b>88,078,401</b>	<b>83,149,762</b>	<b>88,754,111</b>	<b>94,675,632</b>	<b>98,453,906</b>
<b>Expenditures:</b>										
General government.....	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	2,495,896
Public safety.....	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	9,053,076
Education.....	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	43,080,416
Public works.....	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	5,088,820
Landfill.....	-	-	-	-	-	-	8,476,944	9,595,405	-	-
Human services.....	804,745	777,377	805,497	709,399	730,629	709,822	738,308	749,688	857,418	891,328
Culture and recreation.....	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	2,482,153
Pension benefits.....	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	11,827,291
Property and liability insurance.....	277,368	206,956	223,932	216,606	271,764	302,420	318,315	347,329	371,239	393,809
Employee benefits.....	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	11,912,535
State and county charges.....	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	2,872,858
Capital outlay.....	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	3,445,453
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	9,272,952
Principal.....	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	5,614,000
Interest.....	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	2,649,767
<b>Total Expenditures.....</b>	<b>85,938,161</b>	<b>99,022,852</b>	<b>93,154,566</b>	<b>83,234,481</b>	<b>95,136,493</b>	<b>104,315,591</b>	<b>114,507,765</b>	<b>104,523,386</b>	<b>117,595,546</b>	<b>111,080,354</b>
<b>Excess of revenues over (under) expenditures.....</b>	<b>(11,248,738)</b>	<b>(21,849,135)</b>	<b>(16,371,249)</b>	<b>(4,122,500)</b>	<b>(10,180,756)</b>	<b>(16,237,190)</b>	<b>(31,358,003)</b>	<b>(15,769,275)</b>	<b>(22,919,914)</b>	<b>(12,626,448)</b>
<b>Other Financing Sources (Uses)</b>										
Issuance of debt.....	9,960,500	2,618,000	1,650,000	6,195,000	12,824,000	8,158,000	10,000	-	995,000	375,000
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	9,272,952
Premium from issuance of debt.....	218,930	349,262	600,790	2,270,852	723,625	504,391	583,768	1,129,222	807,149	614,322
Payments to refunding bond escrow agent.....	-	-	-	(17,877,492)	-	-	-	-	-	-
Transfers in.....	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	1,218,187
Transfers out.....	(1,474,476)	(3,318,191)	(2,972,243)	(581,477)	(590,674)	(1,179,791)	(1,074,316)	(628,193)	(790,928)	(612,418)
<b>Total other financing sources (uses).....</b>	<b>20,262,633</b>	<b>15,378,571</b>	<b>16,517,865</b>	<b>7,230,880</b>	<b>19,718,501</b>	<b>21,590,688</b>	<b>26,162,192</b>	<b>19,942,690</b>	<b>19,474,988</b>	<b>10,868,043</b>
<b>Net change in fund balances.....</b>	<b>\$ 9,013,895</b>	<b>\$ (6,470,564)</b>	<b>\$ 146,616</b>	<b>\$ 3,108,380</b>	<b>\$ 9,537,745</b>	<b>\$ 5,353,498</b>	<b>\$ (5,195,811)</b>	<b>\$ 4,173,415</b>	<b>\$ (3,444,926)</b>	<b>\$ (1,758,405)</b>
Debt service as a percentage of noncapital expenditures.....	16.09%	19.08%	24.75%	7.09%	6.59%	12.68%	30.50%	13.27%	22.76%	16.29%

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
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	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	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	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
2018	5,698,494,403	11.02	231,431,764	15,770,800	72,038,720	319,241,284	11.02	11.02	6,017,735,687

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.

### Current Year and Nine Years Ago

Name	2018			2009		
	Assessed Valuation	Rank	Percentage of Total Taxable	Assessed Valuation	Rank	Percentage of Total Taxable
			Assessed Value			Assessed Value
Various Edward T. Moore LLC/Trusts	\$ 61,152,400	1	1.02%	\$ 57,993,781	1	1.08%
Algonquin Gas Transmission Co.	42,594,100	2	0.71%	22,504,100	3	0.42%
Various Rockett LLC/Trusts	21,216,700	3	0.35%	32,850,700	2	0.61%
Bessom Associates	20,730,600	4	0.34%	16,994,800	4	0.32%
Eastern Yacht Club	18,380,780	5	0.31%	14,703,000	5	0.27%
Boston Gas (dba National Grid)	15,743,880	6	0.26%			
Eyk Van Otterloo & Various LLC's	11,370,600	7	0.19%			
Corinthian Yacht Club	10,852,010	8	0.18%	8,638,300	9	0.16%
Tedesco Country Club	10,262,696	9	0.17%			
Philip A. Gianatasio	9,581,200	10	0.16%	8,233,800	10	0.15%
Angelo Arena				10,352,100	6	0.19%
Peter S. Lynch				9,912,600	7	0.19%
James Crosby				8,686,500	8	0.16%
	<u>\$ 221,884,966</u>		<u>3.69%</u>	<u>\$ 190,869,681</u>		<u>3.57%</u>

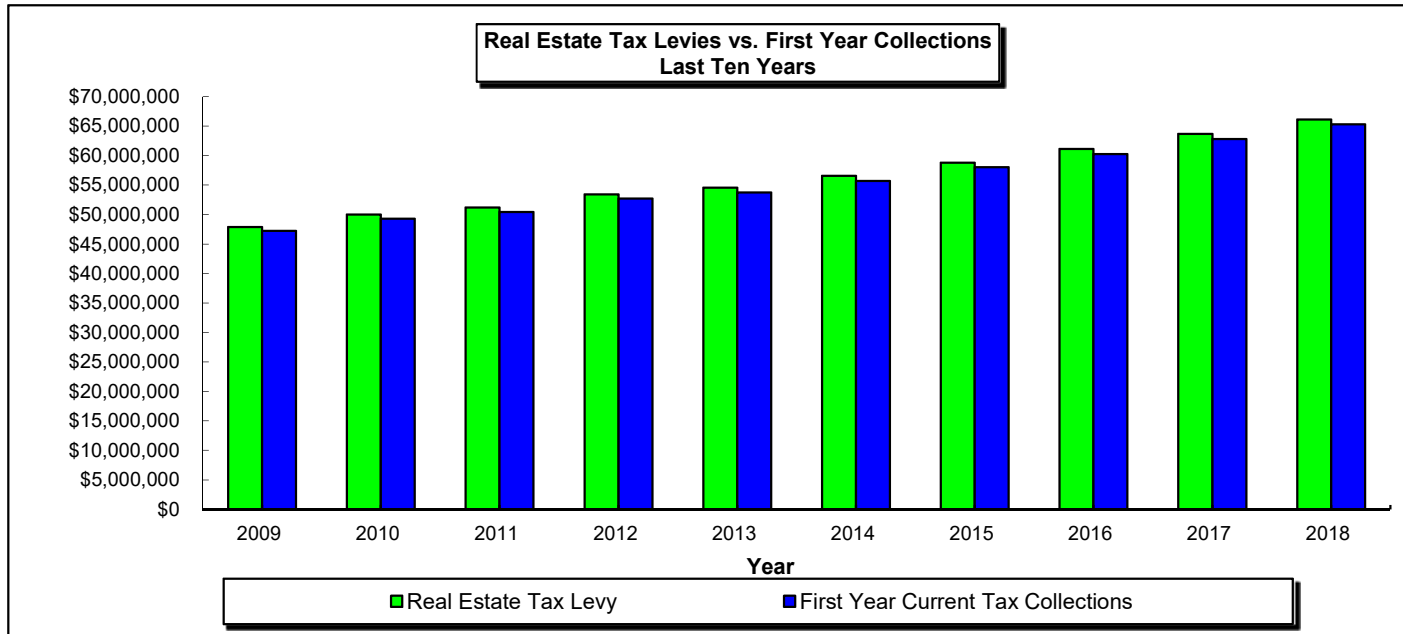
Source: Town of Marblehead, Assessor's Department

# Property Tax Levies and Collections

## Last Ten Years

Year	(1) Total Tax Levy	Less Abatements & Exemptions	(1) 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
2009	\$ 48,097,849	\$ 205,900	\$ 47,891,949	\$ 47,278,421	98.7%	\$ 438,987	\$ 47,717,409	99.6%
2010	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	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	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%	539,918	63,383,604	99.5%
2018	66,315,447	202,656	66,112,791	65,319,217	98.8%	-	65,319,217	98.8%

Source: Town of Marblehead's, Finance Department



(1) 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
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%
2018	20,517	1,274,023,632	6,017,735,687	73,906,636	-	3,602	5.80%	1.23%

Source: Audited Financial Statements, U. S. Census

## Ratios of General Bonded Debt

### Last Ten Years

Year	Total Primary Government				
	Enterprise General Obligation Bonds (1)	Total Debt Outstanding	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
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%
2018	-	73,906,636	3,438	5.54%	1.17%

(1) Sewer, Water, Harbor and Municipal Light Enterprise Funds

Source: Audited Financial Statements, U. S. Census

# Direct and Overlapping Governmental Activities Debt

As of June 30, 2018

<u>Town of Marblehead, Massachusetts</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable (1)</u>	<u>Share of Overlapping Debt</u>
Overlapping debt:			
Essex North Shore Agriculture & Technical School District.....	\$ 29,035,000	2.00%	\$ 581,861
Massachusetts Water Resource Authority.....	20,712,500	1.01%	<u>209,196</u>
Subtotal, overlapping debt.....			791,057
Town direct debt.....			<u>73,906,636</u>
Total direct and overlapping debt.....			\$ <u>74,697,693</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**

	<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>	<u>2018</u>
Equalized valuation.....	\$ 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	\$ 5,735,475,100
Debt Limit - 5% of equalized valuation.....	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	286,773,755
Less:										
Total debt applicable to limitation.....	<u>23,270,000</u>	<u>28,080,000</u>	<u>37,790,000</u>	<u>38,475,000</u>	<u>45,151,000</u>	<u>51,259,000</u>	<u>56,323,000</u>	<u>61,715,000</u>	<u>65,397,000</u>	<u>68,670,000</u>
Legal debt margin.....	\$ <u>275,539,420</u>	\$ <u>250,957,515</u>	\$ <u>241,247,515</u>	\$ <u>229,657,115</u>	\$ <u>222,981,115</u>	\$ <u>214,934,310</u>	\$ <u>209,870,310</u>	\$ <u>225,058,755</u>	\$ <u>221,376,755</u>	\$ <u>218,103,755</u>
Total debt applicable to the limit as a percentage of debt limit.....	8%	11%	16%	17%	20%	24%	27%	27%	30%	31%

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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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%
2018	20,517	1,274,023,632	62,096	48.0	3,185	3.00%

Source: U. S. Census; Labor and Workforce Development

# Principal Employers

Current and Nine Years Ago

Employer	Nature of Business	2018			2009		
		Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Town of Marblehead	Municipal Government	1,214	1	22.96%	970	1	19.44%
Lynch/van Otterloo YMCA	Recreational	558	2	10.55%	125	4	2.51%
Eastern Yacht Club	Yacht Club	185	3	3.50%	100	6	2.00%
Corinthian Yacht Club	Yacht Club	149	4	2.82%	150	2	3.01%
Boston Yacht Club	Yacht Club	146	5	2.76%	79	9	1.76%
Tedesco Country Club	Country Club	135	6	2.55%	90	7	1.80%
Lafayette Nursing Home	Health Care	121	7	2.29%	125	3	2.51%
Devereux House	Health Care	108	8	2.04%	116	5	2.33%
Crosby's Marketplace	Food Market	69	9	1.31%	88	8	1.80%
Marblehead Bank	Banking	54	10	1.02%			
National Grand Bank	Banking				56	10	1.58%

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>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>	<u>2018</u>
Function										
General government.....	22.75	22.75	22.75	22.50	22.50	21.50	22.03	21.55	21.50	21.98
Public safety.....	56.00	56.00	55.75	55.75	56.75	55.75	55.54	55.84	51.28	53.18
Fire.....	42.50	42.50	42.50	42.75	42.75	42.75	42.75	39.70	39.70	39.70
Education.....	488.11	487.71	488.01	480.00	490.00	492.00	489.80	489.17	493.17	504.20
Public works.....	34.25	36.10	36.18	36.18	36.18	36.18	36.06	34.37	33.40	36.51
Human services.....	7.75	8.18	8.18	8.18	8.93	9.93	9.64	8.4	9.35	9.54
Culture and recreation.....	28.50	29.00	29.25	29.50	29.00	29.00	30.78	25.64	27.25	26.21
Total.....	<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>	<u>691.32</u>

Source: Town Records

**Operating Indicators by Function/Program**

**Last Ten Years**

<b>Function/Program</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Police										
Physical arrests.....	306	250	146	144	171	157	167	153	188	137
Motor vehicle violations.....	2,310	2,118	1,443	1,323	1,344	553	1,096	964	1,104	1,036
Parking violations.....	3,242	3,039	2,230	2,782	2,857	2,200	2,097	2,645	3,195	3,164
Fire										
Inspections.....	1,618	1,817	2,160	1,793	2,571	2,375	937	1,315	1,755	565
Emergency responses.....	2,341	2,396	2,540	2,540	2,307	2,522	2,663	2,645	2,634	2,548
Libraries										
Volumes in circulation.....	123,463	125,975	126,230	135,433	138,683	143,559	143,559	150,050	142,915	137,086
Total volumes borrowed.....	218,310	240,518	226,953	245,447	228,339	230,625	217,318	211,233	203,800	190,975
Water										
Service connections.....	8,080	8,080	7,991	7,991	8,030	8,045	8,032	8,032	8,041	8,047
Consumption in gallons.....	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	1,750,000
Daily consumption.....	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	3,320,000
Sewer										
Service connections.....	7,883	8,160	7,883	7,883	7,883	7,883	7,885	7,865	7,874	7,880
Daily average collection.....	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	2,059,733

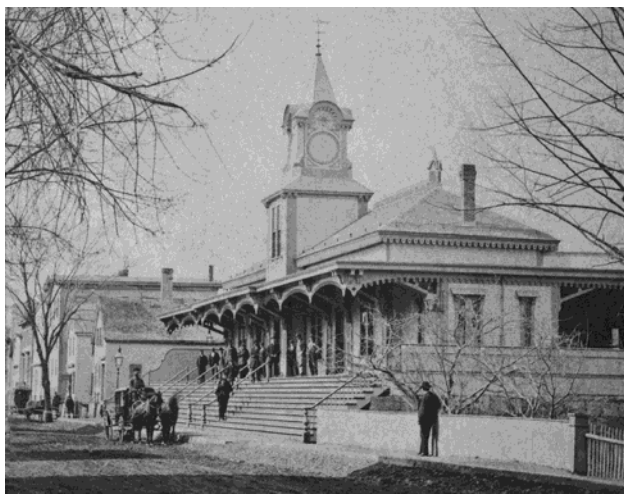
Source: Various Town departments

## Capital Asset Statistics by Function/Program

### Last Ten Years

<u>Function/Program</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>	<u>2018</u>
Education										
Number of elementary schools.....	6	6	6	6	6	6	6	6	6	5
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.....	239	294	243	285	289	288	289	294	297	293
Number of administrators.....	22	26	22	22	22	27	22	22	22	22
Number of students.....	3,262	3,250	3,262	3,188	3,269	3,304	3,255	3,208	3,264	3,185
Water										
Water mains (miles).....	88	88	88	89	88	88	88	88	88	88
Fire hydrants.....	860	860	860	860	860	860	861	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	203	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	16	16	16	16	16	16	16	16
Tennis courts.....	12	12	13	14	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	2,400	2,600	2,800	2,800	2,800	2,800	3,000
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	7	7	7	7	7	7	7
Emergency rescue watercraft.....	2	2	2	2	2	2	3	3	3	3

Source: Various Town Departments



*Railroad Depot on Pleasant Street in 1871, now the location of the National Grand Bank.*

Photo by Dan Dixey

*Crocker Park looking towards town before Abbot Hall was built. Circa 1860s.*



Photo by Dan Dixey



*The Sou'Wester Restaurant and antique shops on Front Street, looking from end of State Street towards Glover Street in 1938.*

Photo by Dan Dixey