

# **TOWN OF MARBLEHEAD, MASSACHUSETTS**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**



Photo by Yacht Shotz LLC

**For the Year Ended  
June 30, 2019**

On the Cover:  
*Aerial view of the Abbot Hall Tower on a clear, bright day.*



Photo by Brad Smith

*View of the harbor from the roof of Abbot Hall.*

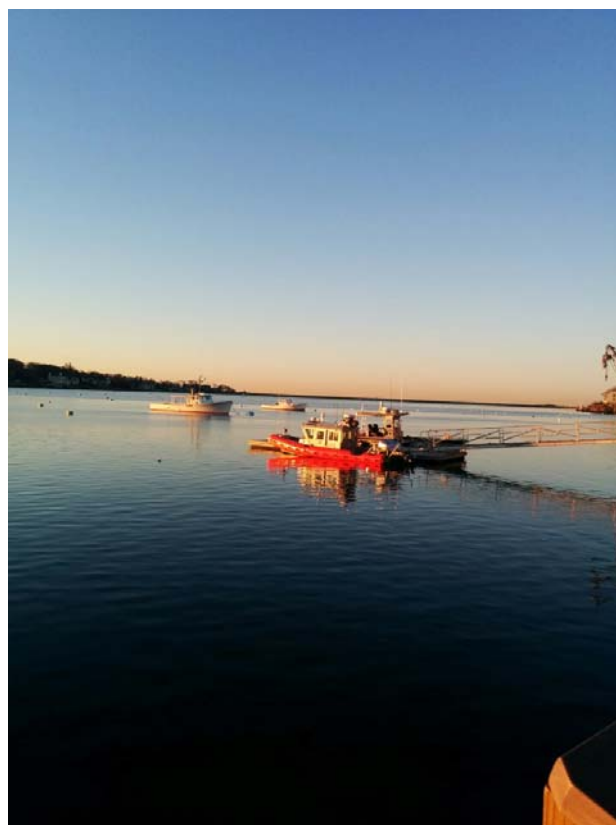


Photo by Laurie Blaisdell

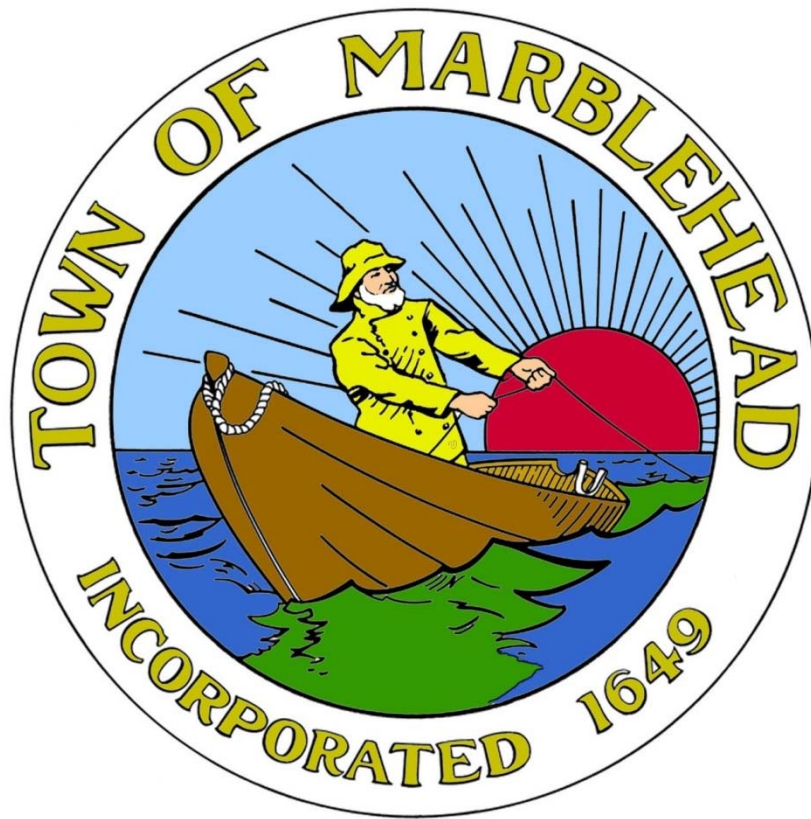
*Fire boat on the water during a quiet winter morning.*



Photo by Matt Freeman

*The Police Station after digging out from two significant  
snow storms in March 2015.*

# TOWN OF MARBLEHEAD, MASSACHUSETTS



## COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2019 Prepared by the Finance Department

TOWN OF MARBLEHEAD, MASSACHUSETTS  
Comprehensive Annual Financial Report  
Year Ended June 30, 2019

**TABLE OF CONTENTS**

|  |           |
|--|-----------|
| <b>Introductory Section.....</b>   | <b>1</b>  |
| Letter of Transmittal .....  | 3         |
| Organizational Chart .....   | 9         |
| Principal Executive Officers .....   | 10        |
| Certificate of Achievement for Excellence in Financial Reporting .....                     | 11        |
| <b>Financial Section .....</b>   | <b>13</b> |
| Independent Auditor's Report .....   | 15        |
| Management's Discussion and Analysis .....   | 19        |
| Basic Financial Statements.....  | 27        |
| Government-Wide Financial Statements.....  | 29        |
| Statement of Net Position .....  | 29        |
| Statement of Activities .....  | 30        |
| Fund Financial Statements.....   | 32        |
| Governmental Funds – Balance Sheet.....  | 32        |
| Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the          |           |
| Statement of Net Position .....  | 33        |
| Governmental Funds – Statement of Revenues, Expenditures and Changes in Fund Balances..... | 34        |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of |           |
| Governmental Funds to the Statement of Activities.....                                     | 35        |
| Proprietary Funds – Statement of Net Position .....  | 36        |
| Proprietary Funds – Statement of Revenues, Expenses and Changes in Net Position.....       | 37        |
| Proprietary Funds – Statement of Cash Flows.....   | 38        |
| Fiduciary Funds – Statement of Fiduciary Net Position.....                                 | 39        |
| Fiduciary Funds – Statement of Changes in Fiduciary Net Position .....                     | 40        |
| Notes to the Basic Financial Statements.....   | 41        |
| Required Supplementary Information .....   | 86        |
| General Fund.....  | 87        |
| General Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and |           |
| Actual .....   | 88        |
| Pension Plan Schedules - Retirement System.....  | 91        |
| Schedule of Changes in the Net Pension Liability and Related Ratios .....                  | 92        |



|  |            |
|--|------------|
| Schedule of Contributions .....  | 93         |
| Schedule of Investment Returns.....  | 94         |
| Pension Plan Schedules – Town & Municipal Light Enterprise.....  | 95         |
| Schedule of the Town's Proportionate Share of the Net Pension Liability .....                                    | 96         |
| Schedule of the Municipal Light Enterprise's Proportionate Share of the Net Pension Liability .....              | 97         |
| Schedule of the Town's Contributions .....   | 98         |
| Schedule of Special Funding Amounts of the Net Pension Liability .....   | 99         |
| Other Postemployment Benefits Plan Schedules.....  | 100        |
| Schedule of Changes in the Town's Net OPEB Liability and Related Ratios.....                                     | 101        |
| Schedule of the Town's Contributions .....   | 102        |
| Schedule of Investment Returns.....  | 103        |
| Schedule of Changes in the Municipal Light Enterprise's Net OPEB Liability and Related Ratios .....              | 104        |
| Schedule of the Municipal Light Enterprise's Contributions .....   | 105        |
| Schedule of the Municipal Light Enterprise's Investment Returns .....  | 106        |
| Notes to Required Supplementary Information .....  | 107        |
| Other Supplementary Information .....  | 111        |
| Combining and Individual Fund Financial Statements .....   | 112        |
| Nonmajor Governmental Funds.....   | 113        |
| Nonmajor Governmental Funds - Combining Balance Sheet .....  | 114        |
| Nonmajor Governmental Funds - Combining Statement of Revenues, Expenditures and Changes in<br>Fund Balances..... | 116        |
| Fiduciary Funds.....   | 118        |
| Private Purpose Trust Funds - Combining Statement of Net Position .....  | 119        |
| Private Purpose Trust Funds - Combining Statement of Changes in Net Position.....                                | 120        |
| Agency Fund - Statement of Changes in Assets and Liabilities.....  | 121        |
| <b>Statistical Section.....</b>  | <b>123</b> |
| Financial Trends.....  | 125        |
| Net Position by Component.....   | 125        |
| Changes in Net Position .....  | 126        |
| Fund Balances – Governmental Funds.....  | 127        |
| Changes in Fund Balance – Governmental Funds .....   | 128        |
| Revenue Capacity.....  | 129        |
| Assessed Value and Actual Value of Taxable Property by Classification and Tax Rates .....                        | 129        |
| Principal Taxpayers .....  | 130        |
| Property Tax Levies and Collections .....  | 131        |
| Debt Capacity.....   | 132        |
| Ratios of Outstanding Debt .....   | 132        |

Ratios of General Bonded Debt.....133

Direct and Overlapping Governmental Activities Debt .....134

Computation of Legal Debt Margin.....135

Demographic and Economic Information.....136

Demographic and Economic Statistics .....136

Principal Employers .....137

Full-time Equivalent Town Employees by Function.....138

Operating Indicators by Function/Program.....139

Capital Asset Statistics by Function/Program .....140

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# *Introductory Section*



© Yacht Shotz

Photo by Yacht Shotz LLC

*Small sailboats lined up on calm waters.*



## ***Introductory Section***

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## **TOWN OF MARBLEHEAD**

### **FINANCIAL SERVICES**

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

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Finance Director  
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#### **Letter of Transmittal**

December 19, 2019

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, 2019 is presented. The financial statements are presented in conformity with accounting principles generally accepted in the United States of America (GAAP) that are audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report also complies with the financial reporting model developed by the Governmental Accounting Standards Board (GASB) Statement 34.

In addition to the fund financial information traditionally presented in the Town's financial statements, this report also includes government-wide financial statements. The government-wide financial statements include a Statement of Net 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, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Marblehead, for the fiscal year ended June 30, 2019, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Town of Marblehead's financial statements for the fiscal year ended June 30,

2019, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

## **PROFILE OF THE TOWN**

The Town of Marblehead, originally incorporated in 1649, is a picturesque seacoast town steeped in history. In its early years, fishing and the shoe industry were its two main sources of income. While Marblehead has been known through the years as the "Birthplace of the American Navy," in recent times the Town has also been known as one of the yachting capitals of the world. Pleasure boating is 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 19,752, 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 2019 was \$317,431. In addition, the median family income has remained significantly higher than state averages and the unemployment rate continues to be lower than the state average (2.5% vs. 3.2% for the state). The Town remains a very desirable community given its close proximity to Boston and for its tourism, history, boating, and the quality of services provided.

Marblehead has 14 miles of seacoast of varying topography. The housing stock is also varied. There are 6,223 single family dwellings as of January 1, 2018. There are 2,047 Colonial style homes, constituting 33% of the single family housing stock. Old Style construction (typically pre-1920) represents 21% with 1,283 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 986 condominiums, 304 two-family properties, and 151 properties with three or more units. A total of 53% of the single family housing stock was built prior to 1950 and Marblehead has one of largest inventories of homes built prior to 1800, including 229 properties built before 1750. The vast majority of early construction is located in the area of town referred to as "Old Town" and designated as the Historic District. The Historic District is a high density, homogeneous, and distinct area. Antique architecture is predominant and lots rarely exceed 5,000 square feet with some lots mirroring only the foundation of the dwelling. The Historic District has a more rigorous building standard than the standard zoning by-laws with regard to permit work involving the exterior.

Residential properties comprise 95% of the tax levy. In FY 2019, single family dwellings had an average assessment of \$820,000, representing an increase of \$39,000 from FY 2018. The average tax bill of \$8,806 is based on a single tax rate of \$11.74.

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 11 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 4.95% for Marblehead in FY 2019. Average marketing time for properties is 30 to 45 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, and several properties selling above asking price.

Based on market demand, current and proposed development, and increasing sale prices (in calendar year 2018 and the first 9 months of 2019), indications are that strong real estate market remains in place. This will result in a continued increase in market values for FY 2020 and similarly, a corresponding increase in assessments. It is expected that for FY 2020 the aggregate value of the community will continue to set new highs for assessments, surpassing the previous high point of 2019.

## **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 eleven 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 FY19, the Town borrowed \$9.1 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 Formal Changes to FY19 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 FY19, no such budget amendments occurred.

However, during the fiscal year, it came to the Town's attention that the School Department paid several tuition bills for out of district special education tuition from FY18 with its FY19 budget. Additionally, the School Department stated that they would be unable to meet its FY19 obligations for out of district tuition bills.

Town Meeting in May 2019 voted to appropriate \$592,783 in free cash to pay for the prior years out of district tuition bills that were originally paid from the FY19 budget. Also, in June 2019, the Town was able to find savings in various appropriation line items to cover the shortfall in the School Department's budget for paying out of district tuition. In accordance with M.G.L. Chapter 44, section 33B, the Board of Selectmen and the Finance Committee approved the transfer of an additional \$270,000 to the School Department appropriation for these bills.

### **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 FY2019 with a rate of 98.8%. Property tax revenue represents approximately 80% 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 FY19, the Town appropriated \$533,544 into the energy reserve and a total of \$331,947 was spent. Additionally, the Town appropriated \$100,000 into the utility reserve, of which \$60,016 was spent. For FY20, the Town has once again appropriated \$533,544 for the energy reserve and \$100,000 for the utility reserve to meet the departments' needs.

**SIGNIFICANT EVENTS**

**Town’s AAA Bond Rating Affirmed for 11<sup>TH</sup> Consecutive Year**

In August of 2019, the Town issued Bonds and 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 11<sup>th</sup> consecutive year that S&P has set the Town’s bond rating at AAA.

**Equipment Purchased**

The Town purchased several new pieces of equipment in FY19. This included, by department:

- Highway.....2 Trucks with Plows
- Cemetery..... Sod cutter, Thaw Units, and Urns for Chapel
- School..... Student Bus
- Police.....2 Police Patrol Vehicles and Bulletproof Vests
- Recreation and Park.....2 Trucks with Plows
- Water..... Truck
- Fire..... Collar for 27 foot Defender Boat

**June 18, 2019 Special Election**

The Town held a special election on June 18, 2019, for two debt exclusion override questions and one operating override question. An affirmative vote on the debt exclusion override 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. An affirmative vote on the operating override question would allow the Town to assess additional funds through real estate and personal property taxes.

The first question was to appropriate a total of \$54,844,767 for the design and construction of a new Pre-K through Third Grade Elementary School. The question was approved, with 3,440 voters in favor and 1,976 voters opposed.

The second question was to appropriate a total of \$750,000 for improvements to Fort Sewall. The question was approved, with 4,492 voters in favor and 903 voters opposed.

The Third question was to assess an additional \$50,000 in real estate and property taxes for the purpose of purchasing and planting trees in the Town of Marblehead. The question was approved, with 3,669 voters in favor and 1,743 voters opposed.

**FEMA Reimbursement**

The Town experienced significant damages from the winter storms of March 2-3, 2018, and March 13, 2018. The Commonwealth received major disaster declarations for both storms, which allowed eligible towns and cities to receive federal funding for disaster-related costs.

Since October 2018, the Town has been working directly with representatives from the Federal Emergency Management Agency (FEMA) to submit worksheets detailing the costs for clean-up and reconstruction of various seawalls, parks, and structures in Town. The Town expects to receive a total of close to \$1 million in reimbursements from FEMA over the next year.

## **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, 2018. This was the fifteenth consecutive year that the Town submitted a CAFR to the GFOA. The Town was awarded this Certificate for all fifteen 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 FY2019 CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report on a timely basis could not be accomplished without the diligent and dedicated staff of the Financial Services Department, which includes the Treasurer, Accounting, Payroll, and Retirement offices. I would like to express my sincere appreciation to all members of the Town's Financial Services Department who assisted and contributed to the preparation of this report. I would also like to thank the Town Administrator, the Board of Selectmen, the Board of Assessors, and the Finance Committee for their ongoing support in conducting the financial operations of the Town in a responsible and efficient manner.

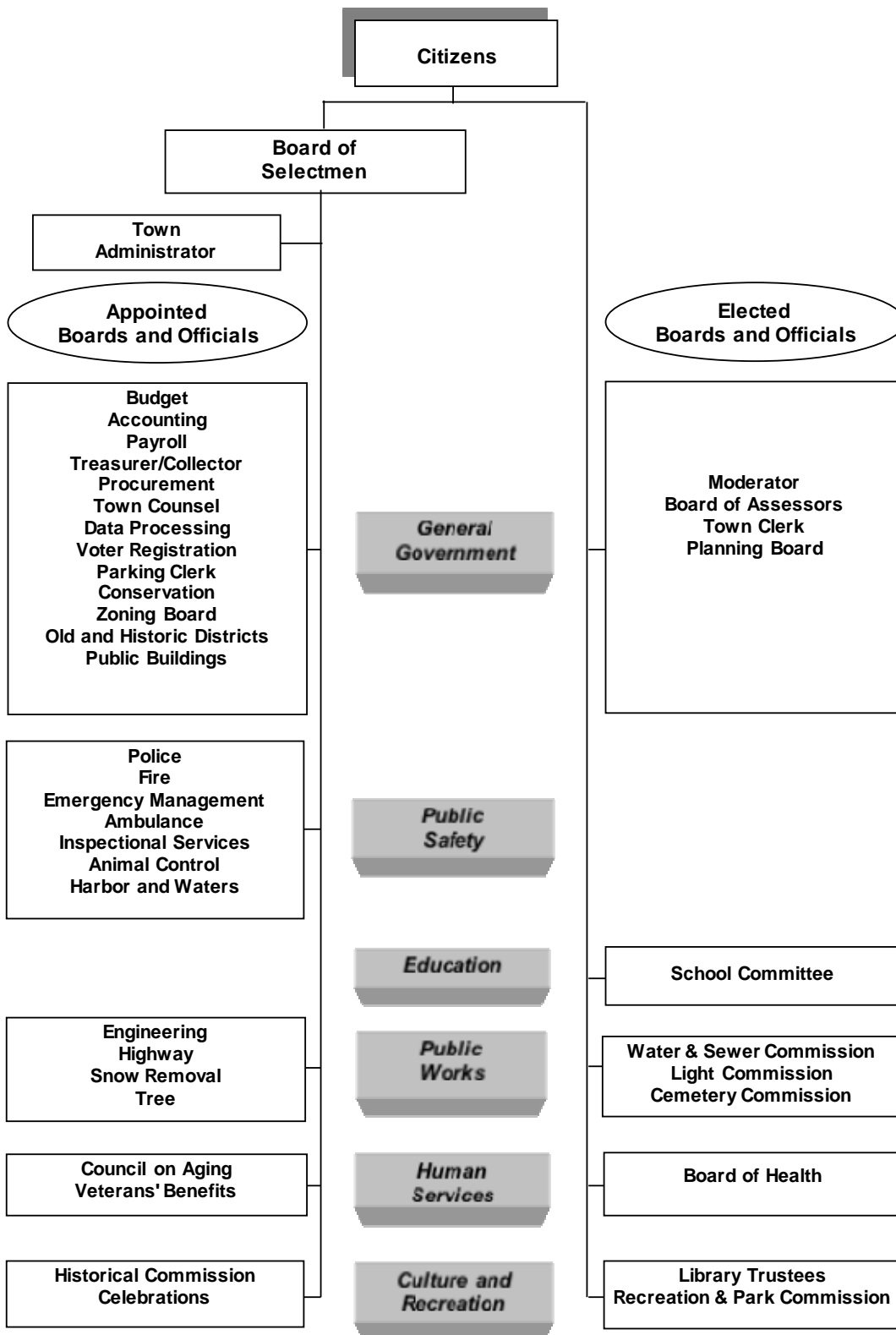
Respectfully submitted,

A handwritten signature in black ink, appearing to read "Alison Nieto".

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                    | 2020                |
| Selectmen                        | Harry C. Christensen, Jr. | Elected                    | 2020                |
| Selectmen                        | Judith R. Jacobi          | Elected                    | 2020                |
| Selectmen                        | M. C. Moses Grader        | Elected                    | 2020                |
| Selectmen                        | James E. Nye              | Elected                    | 2020                |
| Town Administrator               | Jason Silva               | Appointed                  | 2021                |
| Finance Director/Town Accountant | Alison B. Nieto           | Appointed                  | 2021                |
| Treasurer/Collector              | To Be Determined          | Appointed                  |                     |
| Town Clerk                       | Robin A. Michaud          | Elected                    | 2020                |



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
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Presented to

**Town of Marblehead  
Massachusetts**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morill*

Executive Director/CEO

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# *Financial Section*



Photo by Cami Iannarelli

*Sailboats off the coast of Chandler Hovey Park.*

## ***Financial Section***

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## **Independent Auditor's Report**

To the Honorable Board of Selectmen  
Town of 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, 2019 (except for the Marblehead Contributory Retirement System and the Marblehead Municipal Light Department which are as of and for the year ended December 31, 2018), 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 49.3%, 33.9%, and 60.9%, respectively, of the assets and deferred outflows of resources, net position, and operating revenues of the business-type activities, for the year ended December 31, 2018. 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, 2019 (except for the Marblehead Contributory Retirement System and the Marblehead Municipal Light Department which are as of and for the year ended December 31, 2018), 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, 2019, 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, 2019



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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, 2019. 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, 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 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 2019, the Town's overall net position of the primary government decreased by \$9.3 million, to a deficit balance of \$85.4 million. This was comprised of a \$10 million decrease in governmental net position and a \$769,000 increase in business-type net position. The \$228.7 million deficit in unrestricted government-wide net position is attributable to the Town's recognition of \$207.2 million in net OPEB liabilities and the recognition of \$55.8 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 \$127.7 million, at the close of 2019.

|   | 2019                    | 2018                    |
|---|-------------------------|-------------------------|
| <b>Assets:</b>                                      |                         |                         |
| Current assets.....                                 | \$ 48,988,319           | \$ 42,022,370           |
| Capital assets, nondepreciable.....                 | 10,442,735              | 8,633,668               |
| Capital assets, net of accumulated depreciation.... | 123,730,673             | 126,640,049             |
| <b>Total assets.....</b>                            | <b>183,161,727</b>      | <b>177,296,087</b>      |
| <b>Deferred outflows of resources.....</b>          | <b>17,705,481</b>       | <b>10,304,471</b>       |
| <b>Liabilities:</b>                                 |                         |                         |
| Current liabilities (excluding debt).....           | 5,488,038               | 5,765,604               |
| Noncurrent liabilities (excluding debt).....        | 241,922,040             | 216,694,254             |
| Current debt.....                                   | 4,892,112               | 4,520,154               |
| Noncurrent debt.....                                | 71,740,071              | 69,386,482              |
| <b>Total liabilities.....</b>                       | <b>324,042,261</b>      | <b>296,366,494</b>      |
| <b>Deferred inflows of resources.....</b>           | <b>4,490,227</b>        | <b>8,856,384</b>        |
| <b>Net position:</b>                                |                         |                         |
| Net investment in capital assets.....               | 81,183,548              | 81,296,691              |
| Restricted.....                                     | 13,419,904              | 10,425,505              |
| Unrestricted.....                                   | (222,268,732)           | (209,344,516)           |
| <b>Total net position.....</b>                      | <b>\$ (127,665,280)</b> | <b>\$ (117,622,320)</b> |

Governmental net position of \$81.2 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, \$13.4 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 \$222.3 million. The primary reason for this deficit balance in net position is the recognition of net other postemployment benefit (OPEB) liabilities of \$191.7 million and the recognition of net pension liabilities in the amount of \$46.6 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 has begun to partially fund the liability and, as of June 30, 2019, the OPEB trust fund has a balance of \$4.1 million. The Town's net pension liability is on a schedule to be funded in accordance with state regulations. GASB standards require the entire unfunded pension and OPEB liabilities to be recorded on the full accrual financial statements.

|   | 2019                    | 2018                    |
|---|-------------------------|-------------------------|
| <b>Program Revenues:</b>  |                         |                         |
| Charges for services.....   | \$ 7,459,437            | \$ 6,636,560            |
| Operating grants and contributions.....                                     | 19,437,238              | 19,339,810              |
| Capital grants and contributions.....                                       | 699,305                 | 576,960                 |
| <b>General Revenues:</b>  |                         |                         |
| Real estate and personal property taxes,<br>net of tax refunds payable..... | 67,643,148              | 66,330,626              |
| Motor vehicle and other excise taxes.....                                   | 3,869,773               | 3,731,262               |
| Penalties and interest on taxes.....  | 331,608                 | 296,552                 |
| Grants and contributions not restricted to<br>specific programs.....        | 1,415,366               | 1,325,050               |
| Unrestricted investment income.....   | 3,623,438               | 204,081                 |
| <b>Total revenues.....</b>  | <b>104,479,313</b>      | <b>98,440,901</b>       |
| <b>Expenses:</b>  |                         |                         |
| General government.....   | 5,347,875               | 4,149,528               |
| Public safety.....  | 15,803,260              | 15,087,411              |
| Education.....  | 76,926,325              | 72,244,837              |
| Public works.....   | 8,418,205               | 7,004,811               |
| Human services.....   | 1,519,921               | 1,504,584               |
| Culture and recreation.....   | 4,321,098               | 4,052,809               |
| Interest.....   | 2,185,589               | 2,154,964               |
| <b>Total expenses.....</b>  | <b>114,522,273</b>      | <b>106,198,944</b>      |
| <b>Change in net position.....</b>  | <b>(10,042,960)</b>     | <b>(7,758,043)</b>      |
| <b>Net position, beginning of year.....</b>                                 | <b>(117,622,320)</b>    | <b>(109,864,277)</b>    |
| <b>Net position, end of year.....</b>                                       | <b>\$ (127,665,280)</b> | <b>\$ (117,622,320)</b> |

Key components of the \$10 million overall decrease in governmental net position are the \$9.5 million net increase in net OPEB liability and \$4.2 million net increase in the Town's net pension liability and the changes in related deferred outflows and inflows of resources.

The governmental expenses totaled \$114.5 million of which \$27.6 million (24%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$76.9 million, primarily coming from property taxes, motor vehicle excise taxes, and non-restricted state aid.

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

For the Town's business-type activities, assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$42.3 million at the close of 2019.

Business-type net position of \$41.8 million represents investments in capital assets. An additional \$6.9 million is restricted for depreciation within the Municipal Light Enterprise Fund, and the remaining balance of unrestricted

net position has a year-end deficit balance of \$6.5 million. There was a net increase of \$769,000 in total net position reported in the business-type activities during 2019.

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 Light fund 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 \$48.8 million has been revised and totals \$41.5 million (See Note 11 for details).

|  | 2019                 | 2018<br>(As Revised) |
|--|----------------------|----------------------|
| <b>Assets:</b>                                     |                      |                      |
| Current assets.....                                | \$ 27,904,523        | \$ 28,168,304        |
| Noncurrent assets (excluding capital).....         | 684,602              | 575,150              |
| Capital assets, nondepreciable.....                | 3,222,360            | 10,187,355           |
| Capital assets, net of accumulated depreciation... | 43,661,848           | 35,139,148           |
| <b>Total assets.....</b>                           | <b>75,473,333</b>    | <b>74,069,957</b>    |
| <b>Deferred outflows of resources.....</b>         | <b>2,466,965</b>     | <b>2,055,453</b>     |
| <b>Liabilities:</b>                                |                      |                      |
| Current liabilities (excluding debt).....          | 2,609,508            | 3,478,232            |
| Noncurrent liabilities (excluding debt).....       | 24,797,386           | 23,974,267           |
| Current debt.....                                  | 5,077,574            | 5,016,073            |
| <b>Total liabilities.....</b>                      | <b>32,484,468</b>    | <b>32,468,572</b>    |
| <b>Deferred inflows of resources.....</b>          | <b>3,152,534</b>     | <b>2,122,832</b>     |
| <b>Net position:</b>                               |                      |                      |
| Net investment in capital assets.....              | 41,806,634           | 40,310,430           |
| Restricted.....                                    | 6,949,454            | 6,949,454            |
| Unrestricted.....                                  | (6,452,792)          | (5,725,878)          |
| <b>Total net position.....</b>                     | <b>\$ 42,303,296</b> | <b>\$ 41,534,006</b> |

The Water Enterprise Fund's net position totaled \$13.2 million at year end; an increase of \$322,000 from the prior year. This balance is approximately 3.1 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 57.9% of the operating expenses consist of assessments paid to the Massachusetts Water Resource Authority.

The Sewer Enterprise Fund's net position totaled \$12.3 million at year end; an increase of \$728,000 from the prior year. This balance is approximately 2.5 times the annual operating expenses. Revenues in this fund consist primarily of charges for sewer services and approximately 57.7% of the Sewer expenses relate to the annual assessment paid to the South Essex Sewerage District (SESD).



The Harbor Enterprise Fund's net position totaled \$2.5 million at year end; a decrease of \$134,000 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 \$14.3 million at year end; a decrease of \$147,000. The majority of the revenue in this fund consists of charges for services and 91.2% of the expenses relate to cost of services and administration.

|   | 2019                 | 2018<br>(As Revised) |
|---|----------------------|----------------------|
| <b>Program Revenues:</b>                    |                      |                      |
| Charges for services.....                   | \$ 28,595,179        | \$ 26,618,769        |
| Operating grants and contributions.....     | 208,641              | 78,010               |
| <b>General Revenues:</b>                    |                      |                      |
| Boat excise taxes.....                      | 104,797              | 164,659              |
| Unrestricted investment income.....         | 154,278              | 96,002               |
| <b>Total revenues.....</b>                  | <b>29,062,895</b>    | <b>26,957,440</b>    |
| <b>Expenses:</b>                            |                      |                      |
| Water.....                                  | 4,369,277            | 4,553,630            |
| Sewer.....                                  | 5,105,008            | 4,870,418            |
| Harbor.....                                 | 1,078,663            | 1,014,642            |
| Municipal Light.....                        | 17,740,657           | 16,223,014           |
| <b>Total expenses.....</b>                  | <b>28,293,605</b>    | <b>26,661,704</b>    |
| <b>Change in net position.....</b>          | <b>769,290</b>       | <b>295,736</b>       |
| <b>Net position, beginning of year.....</b> | <b>41,534,006</b>    | <b>41,238,270</b>    |
| <b>Net position, end of year.....</b>       | <b>\$ 42,303,296</b> | <b>\$ 41,534,006</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 \$43.2 million, an increase of \$7.6 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 \$11.9 million, while total fund balance was \$21.2 million. Of the \$8.8 million assigned fund balance, \$8.6 million, has been allocated to balance the 2020 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 \$444,000 as of June 30, 2019. 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 12.8% of total general fund expenditures, while total fund balance represents 22.7% of that same amount.

The General Fund decreased by \$79,000. This decrease is primarily attributable to the use of \$7.9 million of free cash used to decrease the tax rate, offset by conservative revenue budgeting. Revenues came in over budget by \$3.9 million; appropriations exceeded actual expenditures and encumbrances by \$3.4 million mainly due to group insurance surplus of \$2.7 million; these surpluses were offset by the use of prior year resources to balance the 2019 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 2019 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 increase of approximately \$4.2 million during 2019, which was the net result of \$7.2 million from the issuance of long-term bonds and \$3.2 million spent on projects.

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 \$454,000 and annual expenditures totaled \$582,000.

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 \$7.2 million and the fund increased by \$2.3 million during the year. The increase was primarily due to a \$2 million trust left to the Town by a former resident, the late Larz J. Anderson.

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

The Town experienced a \$3.9 million surplus of actual over budgeted revenues. The largest surpluses were in motor vehicle excises taxes, charges for services, and investment income. 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 \$312,000 surplus in transfers in.

Budgeted expenditures ended the year approximately \$3.4 million under budget. The most notable is the group insurance appropriation, which ended the year \$2.7 million under budget. Expenditures exceeded the budget for snow removal by \$96,000; under state law, the Town is allowed to overspend for snow and ice removal and to raise any unfunded deficit in the subsequent year.

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 \$1.1 million mainly for drain and road improvements. The other \$3.3 million of capital asset activity consisted of land improvements, building improvements, 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 \$765,000 and \$642,000, respectively; the purchase of equipment, land improvements and piers in the Harbor activities of \$76,000; and Municipal Light construction in progress of approximately \$200,000, \$2.4 million in light plant improvements.

**Debt administration.** Outstanding long-term debt of the general government, as of June 30, 2019, totaled \$76.5 million, of which \$33.9 million is related to school projects, \$19.3 million is for land acquisition and remediation projects, \$5.4 million is for the transfer station, \$4.3 million is for drainage projects, \$8.6 million is for the Abbot Hall Clock Tower repair, \$1 million is for a fire ladder truck, and \$100,000 is for Old Town Hall improvements.

The Town's net long-term debt outstanding increased by \$3 million during 2019 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, 2019

|   | <i>Primary Government</i>      |                             |                               |
|---|--------------------------------|-----------------------------|-------------------------------|
|   | Governmental<br>Activities     | Business-type<br>Activities | Total                         |
| <b>ASSETS</b>   |                                |                             |                               |
| <b>CURRENT:</b>   |                                |                             |                               |
| Cash and cash equivalents.....                                  | \$ 44,212,547                  | \$ 12,849,617               | \$ 57,062,164                 |
| Restricted cash and cash equivalents.....                       | -                              | 6,176,016                   | 6,176,016                     |
| Investments.....  | 1,772,830                      | -                           | 1,772,830                     |
| Receivables, net of allowance for uncollectibles:               |                                |                             |                               |
| Real estate and personal property taxes.....                    | 1,473,938                      | -                           | 1,473,938                     |
| Tax liens.....  | 216,220                        | -                           | 216,220                       |
| Motor vehicle and boat excise taxes.....                        | 218,496                        | 86,034                      | 304,530                       |
| User fees.....  | -                              | 5,842,632                   | 5,842,632                     |
| Departmental and other.....                                     | 192,075                        | -                           | 192,075                       |
| Intergovernmental.....  | 773,248                        | -                           | 773,248                       |
| Tax foreclosures.....   | 77,826                         | -                           | 77,826                        |
| Inventory.....  | -                              | 94,922                      | 94,922                        |
| Working capital deposit.....                                    | 10,000                         | -                           | 10,000                        |
| Other assets.....   | 41,139                         | 1,446,660                   | 1,487,799                     |
| Purchased power advanced deposits.....                          | -                              | 1,408,642                   | 1,408,642                     |
| Total current assets.....                                       | <u>48,988,319</u>              | <u>27,904,523</u>           | <u>76,892,842</u>             |
| <b>NONCURRENT:</b>  |                                |                             |                               |
| Investment in joint venture.....                                | -                              | 684,602                     | 684,602                       |
| Capital assets, nondepreciable.....                             | 10,442,735                     | 3,222,360                   | 13,665,095                    |
| Capital assets, net of accumulated depreciation.....            | <u>123,730,673</u>             | <u>43,661,848</u>           | <u>167,392,521</u>            |
| Total noncurrent assets.....                                    | <u>134,173,408</u>             | <u>47,568,810</u>           | <u>181,742,218</u>            |
| <b>TOTAL ASSETS.....</b>  | <b><u>183,161,727</u></b>      | <b><u>75,473,333</u></b>    | <b><u>258,635,060</u></b>     |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                           |                                |                             |                               |
| Deferred outflows related to pensions.....                      | 6,780,035                      | 1,798,070                   | 8,578,105                     |
| Deferred outflows related to other postemployment benefits..... | <u>10,925,446</u>              | <u>668,895</u>              | <u>11,594,341</u>             |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES.....</b>                | <b><u>17,705,481</u></b>       | <b><u>2,466,965</u></b>     | <b><u>20,172,446</u></b>      |
| <b>LIABILITIES</b>  |                                |                             |                               |
| <b>CURRENT:</b>   |                                |                             |                               |
| Warrants payable.....   | 2,138,245                      | 2,191,859                   | 4,330,104                     |
| Tax refunds payable.....  | 431,209                        | -                           | 431,209                       |
| Accrued interest.....   | 1,183,119                      | -                           | 1,183,119                     |
| Liabilities due depositors.....                                 | 1,590                          | -                           | 1,590                         |
| Other liabilities.....  | 564,864                        | -                           | 564,864                       |
| Customer deposits.....  | -                              | 210,792                     | 210,792                       |
| Landfill closure.....   | 114,600                        | -                           | 114,600                       |
| Compensated absences.....                                       | 913,939                        | 206,857                     | 1,120,796                     |
| Workers' compensation.....                                      | 140,472                        | -                           | 140,472                       |
| Notes payable.....  | 134,933                        | 5,077,574                   | 5,212,507                     |
| Bonds payable.....  | <u>4,757,179</u>               | <u>-</u>                    | <u>4,757,179</u>              |
| Total current liabilities.....                                  | <u>10,380,150</u>              | <u>7,687,082</u>            | <u>18,067,232</u>             |
| <b>NONCURRENT:</b>  |                                |                             |                               |
| Landfill closure.....   | 2,750,400                      | -                           | 2,750,400                     |
| Compensated absences.....                                       | 218,367                        | -                           | 218,367                       |
| Workers' compensation.....                                      | 749,185                        | -                           | 749,185                       |
| Net pension liability.....                                      | 46,552,373                     | 9,208,447                   | 55,760,820                    |
| Net other postemployment benefits liability.....                | 191,651,715                    | 15,588,939                  | 207,240,654                   |
| Bonds payable.....  | <u>71,740,071</u>              | <u>-</u>                    | <u>71,740,071</u>             |
| Total noncurrent liabilities.....                               | <u>313,662,111</u>             | <u>24,797,386</u>           | <u>338,459,497</u>            |
| <b>TOTAL LIABILITIES.....</b>                                   | <b><u>324,042,261</u></b>      | <b><u>32,484,468</u></b>    | <b><u>356,526,729</u></b>     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                            |                                |                             |                               |
| Contributions in aid of construction.....                       | -                              | 178,417                     | 178,417                       |
| Rate stabilization reserve.....                                 | -                              | 1,287,476                   | 1,287,476                     |
| Deferred inflows related to pensions.....                       | 331,980                        | 1,185,687                   | 1,517,667                     |
| Deferred inflows related to other postemployment benefits.....  | <u>4,158,247</u>               | <u>500,954</u>              | <u>4,659,201</u>              |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES.....</b>                 | <b><u>4,490,227</u></b>        | <b><u>3,152,534</u></b>     | <b><u>7,642,761</u></b>       |
| <b>NET POSITION</b>   |                                |                             |                               |
| Net investment in capital assets.....                           | 81,183,548                     | 41,806,634                  | 122,990,182                   |
| Restricted for:   |                                |                             |                               |
| Depreciation.....   | -                              | 6,949,454                   | 6,949,454                     |
| Permanent funds:  |                                |                             |                               |
| Expendable.....   | 3,519,436                      | -                           | 3,519,436                     |
| Nonexpendable.....  | 3,656,980                      | -                           | 3,656,980                     |
| Gifts and grants.....   | 6,243,488                      | -                           | 6,243,488                     |
| Unrestricted.....   | <u>(222,268,732)</u>           | <u>(6,452,792)</u>          | <u>(228,721,524)</u>          |
| <b>TOTAL NET POSITION.....</b>                                  | <b>\$ <u>(127,665,280)</u></b> | <b>\$ <u>42,303,296</u></b> | <b>\$ <u>(85,361,984)</u></b> |

See notes to basic financial statements.

# STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

|                                    |                | 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.....            | \$ 5,347,875   | \$ 824,554           | \$ 389,662                         | \$ -                             | \$ (4,133,659)        |  |
| Public safety.....                 | 15,803,260     | 1,595,340            | 126,423                            | -                                | (14,081,497)          |  |
| Education.....                     | 76,926,325     | 2,618,409            | 18,343,202                         | 104,545                          | (55,860,169)          |  |
| Public works.....                  | 8,418,205      | 1,465,007            | 257,337                            | 543,546                          | (6,152,315)           |  |
| Human services.....                | 1,519,921      | 166,432              | 100,399                            | 16,214                           | (1,236,876)           |  |
| Culture and recreation.....        | 4,321,098      | 789,695              | 220,215                            | 35,000                           | (3,276,188)           |  |
| Interest.....                      | 2,185,589      | -                    | -                                  | -                                | (2,185,589)           |  |
| Total Governmental Activities..... | 114,522,273    | 7,459,437            | 19,437,238                         | 699,305                          | (86,926,293)          |  |
| Business-Type Activities:          |                |                      |                                    |                                  |                       |  |
| Water.....                         | 4,369,277      | 4,652,262            | -                                  | -                                | 282,985               |  |
| Sewer.....                         | 5,105,008      | 5,771,655            | -                                  | -                                | 666,647               |  |
| Harbor.....                        | 1,078,663      | 829,876              | 3,444                              | -                                | (245,343)             |  |
| Municipal Light.....               | 17,740,657     | 17,341,386           | 205,197                            | -                                | (194,074)             |  |
| Total Business-Type Activities.... | 28,293,605     | 28,595,179           | 208,641                            | -                                | 510,215               |  |
| Total Primary Government.....      | \$ 142,815,878 | \$ 36,054,616        | \$ 19,645,879                      | \$ 699,305                       | \$ (86,416,078)       |  |

See notes to basic financial statements.

(Continued)

# STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

|   | Primary Government         |                             |                     |
|---|----------------------------|-----------------------------|---------------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total               |
| <b>Changes in net position:</b>   |                            |                             |                     |
| Net (expense) revenue from previous page..... \$                            | <b>(86,926,293)</b>        | <b>510,215</b>              | <b>(86,416,078)</b> |
| <i>General revenues:</i>  |                            |                             |                     |
| Real estate and personal property taxes,<br>net of tax refunds payable..... | 67,643,148                 | -                           | 67,643,148          |
| Motor vehicle and boat excise taxes.....                                    | 3,869,773                  | 104,797                     | 3,974,570           |
| Penalties and interest on taxes.....  | 331,608                    | -                           | 331,608             |
| Grants and contributions not restricted to<br>specific programs.....        | 1,415,366                  | -                           | 1,415,366           |
| Unrestricted investment income.....   | 3,623,438                  | 154,278                     | 3,777,716           |
| Total general revenues.....   | 76,883,333                 | 259,075                     | 77,142,408          |
| Change in net position.....   | (10,042,960)               | 769,290                     | (9,273,670)         |
| <i>Net position:</i>  |                            |                             |                     |
| Beginning of year, as revised.....  | (117,622,320)              | 41,534,006                  | (76,088,314)        |
| End of year..... \$   | <u>(127,665,280)</u>       | <u>42,303,296</u>           | <u>(85,361,984)</u> |

See notes to basic financial statements.

(Concluded)



**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**

JUNE 30, 2019

|   | General              | Capital<br>Projects<br>Fund | Highway<br>Improvement<br>Fund | Public<br>Funds     | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|----------------------|-----------------------------|--------------------------------|---------------------|-----------------------------------|--------------------------------|
| <b>ASSETS</b>   |                      |                             |                                |                     |                                   |                                |
| Cash and cash equivalents.....  | \$ 22,192,606        | \$ 5,563,623                | \$ -                           | \$ 7,184,351        | \$ 8,061,132                      | \$ 43,001,712                  |
| Investments.....  | -                    | -                           | -                              | -                   | 1,772,830                         | 1,772,830                      |
| Receivables, net of uncollectibles:   |                      |                             |                                |                     |                                   |                                |
| Real estate and personal property taxes.....  | 1,473,938            | -                           | -                              | -                   | -                                 | 1,473,938                      |
| Tax liens.....  | 216,220              | -                           | -                              | -                   | -                                 | 216,220                        |
| Motor vehicle and boat excise taxes.....  | 218,496              | -                           | -                              | -                   | -                                 | 218,496                        |
| Departmental and other.....   | 56,782               | -                           | -                              | -                   | 135,293                           | 192,075                        |
| Intergovernmental.....  | 31,360               | -                           | 454,159                        | -                   | 287,729                           | 773,248                        |
| Tax foreclosures.....   | 77,826               | -                           | -                              | -                   | -                                 | 77,826                         |
| Due from other funds.....   | 5,353                | -                           | -                              | -                   | 153,199                           | 158,552                        |
| Working capital deposit.....  | -                    | -                           | -                              | -                   | 10,000                            | 10,000                         |
| Other assets.....   | 41,139               | -                           | -                              | -                   | -                                 | 41,139                         |
| <b>TOTAL ASSETS.....</b>  | <b>\$ 24,313,720</b> | <b>\$ 5,563,623</b>         | <b>\$ 454,159</b>              | <b>\$ 7,184,351</b> | <b>\$ 10,420,183</b>              | <b>\$ 47,936,036</b>           |
| <b>LIABILITIES</b>  |                      |                             |                                |                     |                                   |                                |
| Warrants payable.....   | \$ 1,138,454         | \$ 439,533                  | \$ 125,973                     | \$ 7,935            | \$ 396,822                        | \$ 2,108,717                   |
| Tax refunds payable.....  | 431,209              | -                           | -                              | -                   | -                                 | 431,209                        |
| Due to other funds.....   | -                    | -                           | 5,353                          | -                   | 153,199                           | 158,552                        |
| Liabilities due depositors.....   | 1,590                | -                           | -                              | -                   | -                                 | 1,590                          |
| Other liabilities.....  | 564,864              | -                           | -                              | -                   | -                                 | 564,864                        |
| Notes payable.....  | -                    | 134,933                     | -                              | -                   | -                                 | 134,933                        |
| <b>TOTAL LIABILITIES.....</b>   | <b>2,136,117</b>     | <b>574,466</b>              | <b>131,326</b>                 | <b>7,935</b>        | <b>550,021</b>                    | <b>3,399,865</b>               |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                      |                             |                                |                     |                                   |                                |
| Unavailable revenue.....  | 1,020,947            | -                           | 322,833                        | -                   | 16,559                            | 1,360,339                      |
| <b>FUND BALANCES</b>  |                      |                             |                                |                     |                                   |                                |
| Nonspendable.....   | -                    | -                           | -                              | 3,656,980           | -                                 | 3,656,980                      |
| Restricted.....   | -                    | 4,989,157                   | -                              | 3,519,436           | 9,853,603                         | 18,362,196                     |
| Committed.....  | 443,895              | -                           | -                              | -                   | -                                 | 443,895                        |
| Assigned.....   | 8,769,666            | -                           | -                              | -                   | -                                 | 8,769,666                      |
| Unassigned.....   | 11,943,095           | -                           | -                              | -                   | -                                 | 11,943,095                     |
| <b>TOTAL FUND BALANCES.....</b>   | <b>21,156,656</b>    | <b>4,989,157</b>            | <b>-</b>                       | <b>7,176,416</b>    | <b>9,853,603</b>                  | <b>43,175,832</b>              |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES, AND FUND BALANCES.....</b> | <b>\$ 24,313,720</b> | <b>\$ 5,563,623</b>         | <b>\$ 454,159</b>              | <b>\$ 7,184,351</b> | <b>\$ 10,420,183</b>              | <b>\$ 47,936,036</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, 2019

|  |                         |
|--|-------------------------|
| Total governmental fund balances.....  | \$ 43,175,832           |
| Capital assets (net) used in governmental activities are not financial resources<br>and, therefore, are not reported in the funds.....   | 134,173,408             |
| Accounts receivable are not available to pay for current-period<br>expenditures and, therefore, are unavailable in the funds.....  | 1,360,339               |
| The statement of net position includes certain deferred inflows of resources<br>and deferred outflows of resources that will be amortized over future periods.<br>In governmental funds, these amounts are not deferred..... | 13,215,254              |
| The assets and liabilities of the internal service funds are included in<br>the governmental activities in the statement of net position.....  | 291,650                 |
| In the statement of activities, interest is accrued on outstanding long-term debt,<br>whereas in governmental funds interest is not reported until due.....  | (1,183,119)             |
| Long-term liabilities are not due and payable in the current period and, therefore,<br>are not reported in the governmental funds:   |                         |
| Bonds payable.....   | (76,497,250)            |
| Net pension liability.....   | (46,552,373)            |
| Net other postemployment benefits liability.....   | (191,651,715)           |
| Landfill closure.....  | (2,865,000)             |
| Compensated absences.....  | <u>(1,132,306)</u>      |
| Net effect of reporting long-term liabilities.....   | <u>(318,698,644)</u>    |
| Net position of governmental activities.....   | \$ <u>(127,665,280)</u> |

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2019

|   | General              | Capital<br>Projects<br>Fund | Highway<br>Improvement<br>Fund | Public<br>Funds     | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|----------------------|-----------------------------|--------------------------------|---------------------|-----------------------------------|--------------------------------|
| <b>REVENUES:</b>  |                      |                             |                                |                     |                                   |                                |
| Real estate and personal property taxes,<br>net of tax refunds.....       | \$ 67,683,970        | \$ -                        | \$ -                           | \$ -                | \$ -                              | \$ 67,683,970                  |
| Motor vehicle and other excise taxes.....                                 | 3,947,263            | -                           | -                              | -                   | -                                 | 3,947,263                      |
| Charges for services.....   | 799,621              | -                           | -                              | -                   | 3,773,356                         | 4,572,977                      |
| Penalties and interest on taxes.....                                      | 331,608              | -                           | -                              | -                   | -                                 | 331,608                        |
| Licenses and permits.....   | 915,577              | -                           | -                              | -                   | -                                 | 915,577                        |
| Fines and forfeitures.....  | 138,759              | -                           | -                              | -                   | -                                 | 138,759                        |
| Intergovernmental - state aid.....  | 7,378,941            | -                           | -                              | -                   | -                                 | 7,378,941                      |
| Intergovernmental - School Building Authority.....                        | -                    | 104,545                     | -                              | -                   | -                                 | 104,545                        |
| Intergovernmental - Teachers Retirement.....                              | 8,950,916            | -                           | -                              | -                   | -                                 | 8,950,916                      |
| Intergovernmental - other.....  | 175,787              | -                           | 581,918                        | -                   | 3,407,109                         | 4,164,814                      |
| Departmental and other.....   | 456,511              | -                           | -                              | -                   | 1,338,651                         | 1,795,162                      |
| Contributions and donations.....  | -                    | -                           | -                              | 2,331,993           | 882,028                           | 3,214,021                      |
| Investment income.....  | 716,343              | -                           | -                              | 62,058              | 613,678                           | 1,392,079                      |
| <b>TOTAL REVENUES.....</b>  | <b>91,495,296</b>    | <b>104,545</b>              | <b>581,918</b>                 | <b>2,394,051</b>    | <b>10,014,822</b>                 | <b>104,590,632</b>             |
| <b>EXPENDITURES:</b>  |                      |                             |                                |                     |                                   |                                |
| Current:  |                      |                             |                                |                     |                                   |                                |
| General government.....   | 1,723,646            | -                           | -                              | -                   | 157,286                           | 1,880,932                      |
| Public safety.....  | 8,698,267            | -                           | -                              | -                   | 771,248                           | 9,469,515                      |
| Education.....  | 39,258,005           | -                           | -                              | 14,105              | 6,114,207                         | 45,386,317                     |
| Public works.....   | 5,126,411            | -                           | 581,918                        | -                   | 815,498                           | 6,523,827                      |
| Human services.....   | 682,214              | -                           | -                              | -                   | 248,903                           | 931,117                        |
| Culture and recreation.....   | 2,059,873            | -                           | -                              | 28,740              | 817,730                           | 2,906,343                      |
| Pension benefits.....   | 3,100,539            | -                           | -                              | -                   | -                                 | 3,100,539                      |
| Pension benefits - Teachers Retirement.....                               | 8,950,916            | -                           | -                              | -                   | -                                 | 8,950,916                      |
| Property and liability insurance.....                                     | 428,360              | -                           | -                              | -                   | -                                 | 428,360                        |
| Employee benefits.....  | 11,836,691           | -                           | -                              | -                   | -                                 | 11,836,691                     |
| State and county charges.....   | 2,995,396            | -                           | -                              | -                   | -                                 | 2,995,396                      |
| Capital outlay.....   | -                    | 3,057,466                   | -                              | -                   | -                                 | 3,057,466                      |
| Debt service:   |                      |                             |                                |                     |                                   |                                |
| Principal.....  | 4,150,000            | 126,193                     | -                              | -                   | -                                 | 4,276,193                      |
| Principal payment on current refunding.....                               | 1,741,759            | -                           | -                              | -                   | -                                 | 1,741,759                      |
| Interest.....   | 2,584,428            | -                           | -                              | -                   | -                                 | 2,584,428                      |
| <b>TOTAL EXPENDITURES.....</b>  | <b>93,336,505</b>    | <b>3,183,659</b>            | <b>581,918</b>                 | <b>42,845</b>       | <b>8,924,872</b>                  | <b>106,069,799</b>             |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES.....</b> | <b>(1,841,209)</b>   | <b>(3,079,114)</b>          | <b>-</b>                       | <b>2,351,206</b>    | <b>1,089,950</b>                  | <b>(1,479,167)</b>             |
| <b>OTHER FINANCING SOURCES (USES):</b>                                    |                      |                             |                                |                     |                                   |                                |
| Issuance of bonds.....  | -                    | 7,236,961                   | -                              | -                   | -                                 | 7,236,961                      |
| Issuance of refunding bonds.....  | 1,741,759            | -                           | -                              | -                   | -                                 | 1,741,759                      |
| Premium from issuance of bonds.....                                       | -                    | -                           | -                              | -                   | 100,161                           | 100,161                        |
| Transfers in.....   | 416,516              | -                           | -                              | -                   | 406,263                           | 822,779                        |
| Transfers out.....  | (396,163)            | -                           | -                              | (26,000)            | (400,616)                         | (822,779)                      |
| <b>TOTAL OTHER FINANCING SOURCES (USES)...</b>                            | <b>1,762,112</b>     | <b>7,236,961</b>            | <b>-</b>                       | <b>(26,000)</b>     | <b>105,808</b>                    | <b>9,078,881</b>               |
| <b>NET CHANGE IN FUND BALANCES.....</b>                                   | <b>(79,097)</b>      | <b>4,157,847</b>            | <b>-</b>                       | <b>2,325,206</b>    | <b>1,195,758</b>                  | <b>7,599,714</b>               |
| <b>FUND BALANCES AT BEGINNING 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>              |
| <b>FUND BALANCES AT END OF YEAR.....</b>                                  | <b>\$ 21,156,656</b> | <b>\$ 4,989,157</b>         | <b>\$ -</b>                    | <b>\$ 7,176,416</b> | <b>\$ 9,853,603</b>               | <b>\$ 43,175,832</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, 2019

|  |                        |
|--|------------------------|
| Net change in fund balances - total governmental funds.....  | \$ 7,599,714           |
| <p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>  |                        |
| Capital outlay.....  | 4,462,179              |
| Depreciation expense.....  | <u>(5,562,488)</u>     |
| Net effect of reporting capital assets.....  | (1,100,309)            |
| <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>  |                        |
|  | (122,639)              |
| <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.....   | (7,236,961)            |
| Issuance of refunding bonds.....   | (1,741,759)            |
| Premium from issuance of bonds.....  | (100,161)              |
| Payments of refunded debt.....   | 1,741,759              |
| Net amortization of premium from issuance of bonds.....  | 470,315                |
| Debt service principal payments.....   | <u>4,276,193</u>       |
| Net effect of reporting long-term debt.....  | (2,590,614)            |
| <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.....  | (30,012)               |
| Net change in accrued interest on long-term debt.....  | (71,476)               |
| Net change in deferred outflow/(inflow) of resources related to pensions.....  | 4,674,465              |
| Net change in net pension liability.....   | (8,864,626)            |
| Net change in deferred outflow/(inflow) of resources related to other postemployment benefits...   | 6,786,984              |
| Net change in other postemployment benefits liability.....   | (16,303,476)           |
| Net change in landfill closure.....  | <u>114,600</u>         |
| Net effect of recording long-term liabilities.....   | (13,693,541)           |
| The net activity of internal service funds is reported with Governmental Activities.....   | <u>(135,571)</u>       |
| Change in net position of governmental activities.....   | <u>\$ (10,042,960)</u> |

See notes to basic financial statements.

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

JUNE 30, 2019

|   | Business-type Activities - Enterprise Funds |               |              |   |               | Governmental<br>Activities -<br>Internal Service<br>Fund |
|---|---|---------------|--------------|---|---------------|--|
|   | Water                                       | Sewer         | Harbor       | Municipal Light<br>December 31,<br>2018 | Total         |  |
| <b>ASSETS</b>   |   |               |              |   |               |  |
| <b>CURRENT:</b>   |   |               |              |   |               |  |
| Cash and cash equivalents.....                                | \$ 2,919,204                                | \$ 3,618,169  | \$ 763,696   | \$ 5,548,548                            | \$ 12,849,617 | \$ 1,210,835   |
| Restricted cash and cash equivalents.....                     | -   | -             | -            | 6,176,016                               | 6,176,016     | -  |
| Receivables, net of allowance for uncollectibles:             |   |               |              |   |               |  |
| Boat excise taxes.....  | -   | -             | 86,034       | -                                       | 86,034        | -  |
| User fees.....  | 1,190,157                                   | 2,133,757     | 10,405       | 2,508,313                               | 5,842,632     | -  |
| Inventory.....  | -   | -             | -            | 94,922                                  | 94,922        | -  |
| Other assets.....   | -   | -             | -            | 1,446,660                               | 1,446,660     | -  |
| Purchased power advanced deposits.....                        | -   | -             | -            | 1,408,642                               | 1,408,642     | -  |
|   |   |               |              |   |               |  |
| Total current assets.....                                     | 4,109,361                                   | 5,751,926     | 860,135      | 17,183,101                              | 27,904,523    | 1,210,835  |
| <b>NONCURRENT:</b>  |   |               |              |   |               |  |
| Investment in joint venture.....                              | -   | 684,602       | -            | -                                       | 684,602       | -  |
| Capital assets, nondepreciable.....                           | 49,427                                      | 115,466       | 2,004,077    | 1,053,390                               | 3,222,360     | -  |
| Capital assets, net of accumulated depreciation.....          | 12,293,138                                  | 10,933,386    | 1,808,389    | 18,626,935                              | 43,661,848    | -  |
|   |   |               |              |   |               |  |
| Total noncurrent assets.....                                  | 12,342,565                                  | 11,733,454    | 3,812,466    | 19,680,325                              | 47,568,810    | -  |
| TOTAL ASSETS.....   | 16,451,926                                  | 17,485,380    | 4,672,601    | 36,863,426                              | 75,473,333    | 1,210,835  |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                         |   |               |              |   |               |  |
| Deferred outflows related to pensions.....                    | 191,551                                     | 207,574       | 104,151      | 1,294,794                               | 1,798,070     | -  |
| Deferred outflows related to other postemployment benefits..  | 119,561                                     | 215,987       | 88,012       | 245,335                                 | 668,895       | -  |
|   |   |               |              |   |               |  |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES.....                     | 311,112                                     | 423,561       | 192,163      | 1,540,129                               | 2,466,965     | -  |
| <b>LIABILITIES</b>  |   |               |              |   |               |  |
| <b>CURRENT:</b>   |   |               |              |   |               |  |
| Warrants payable.....   | 63,840                                      | 186,248       | 22,450       | 1,919,321                               | 2,191,859     | 29,528   |
| Customer deposits.....  | 1,517                                       | -             | -            | 209,275                                 | 210,792       | -  |
| Compensated absences.....                                     | 48,270                                      | 47,252        | 27,101       | 84,234                                  | 206,857       | -  |
| Workers' compensation.....                                    | -   | -             | -            | -                                       | -             | 140,472  |
| Notes payable.....  | -   | -             | -            | 5,077,574                               | 5,077,574     | -  |
|   |   |               |              |   |               |  |
| Total current liabilities.....                                | 113,627                                     | 233,500       | 49,551       | 7,290,404                               | 7,687,082     | 170,000  |
| <b>NONCURRENT:</b>  |   |               |              |   |               |  |
| Workers' compensation.....                                    | -   | -             | -            | -                                       | -             | 749,185  |
| Net pension liability.....                                    | 1,315,208                                   | 1,425,226     | 715,113      | 5,752,900                               | 9,208,447     | -  |
| Net other postemployment benefits liability.....              | 2,122,514                                   | 3,834,332     | 1,562,422    | 8,069,671                               | 15,588,939    | -  |
|   |   |               |              |   |               |  |
| Total noncurrent liabilities.....                             | 3,437,722                                   | 5,259,558     | 2,277,535    | 13,822,571                              | 24,797,386    | 749,185  |
| TOTAL LIABILITIES.....  | 3,551,349                                   | 5,493,058     | 2,327,086    | 21,112,975                              | 32,484,468    | 919,185  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                          |   |               |              |   |               |  |
| Contributions in aid of construction.....                     | -   | -             | -            | 178,417                                 | 178,417       | -  |
| Rate stabilization reserve.....                               | -   | -             | -            | 1,287,476                               | 1,287,476     | -  |
| Deferred inflows related to pensions.....                     | 9,379                                       | 10,164        | 5,099        | 1,161,045                               | 1,185,687     | -  |
| Deferred inflows related to other postemployment benefits.... | 44,399                                      | 80,208        | 32,683       | 343,664                                 | 500,954       | -  |
|   |   |               |              |   |               |  |
| TOTAL DEFERRED INFLOWS OF RESOURCES.....                      | 53,778                                      | 90,372        | 37,782       | 2,970,602                               | 3,152,534     | -  |
| <b>NET POSITION</b>   |   |               |              |   |               |  |
| Net investment in capital assets.....                         | 12,342,565                                  | 11,048,852    | 3,812,466    | 14,602,751                              | 41,806,634    | -  |
| Restricted for:   |   |               |              |   |               |  |
| Depreciation.....   | -   | -             | -            | 6,176,016                               | 6,176,016     | -  |
| Unrestricted.....   | 815,346                                     | 1,276,659     | (1,312,570)  | (6,458,789)                             | (5,679,354)   | 291,650  |
|   |   |               |              |   |               |  |
| TOTAL NET POSITION.....                                       | \$ 13,157,911                               | \$ 12,325,511 | \$ 2,499,896 | \$ 14,319,978                           | \$ 42,303,296 | \$ 291,650   |

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2019**

| Business-type Activities - Enterprise Funds                   |                      |                      |                     |   |                      |                   | Governmental<br>Activities -<br>Internal Service<br>Fund |
|---|----------------------|----------------------|---------------------|---|----------------------|-------------------|--|
|   | Water                | Sewer                | Harbor              | Municipal Light<br>December 31,<br>2018 | Total                |                   |  |
| <b>OPERATING REVENUES:</b>                                    |                      |                      |                     |   |                      |                   |  |
| Charges for services.....                                     | \$ 4,637,933         | \$ 5,759,795         | \$ 829,876          | \$ 17,341,386                           | \$ 28,568,990        | \$ 382,225        |  |
| Licenses and permits.....                                     | -                    | 11,375               | -                   | -                                       | 11,375               | -                 |  |
| Other operating revenues.....                                 | 14,329               | 485                  | -                   | 205,197                                 | 220,011              | -                 |  |
| <b>TOTAL OPERATING REVENUES .....</b>                         | <b>4,652,262</b>     | <b>5,771,655</b>     | <b>829,876</b>      | <b>17,546,583</b>                       | <b>28,800,376</b>    | <b>382,225</b>    |  |
| <b>OPERATING EXPENSES:</b>                                    |                      |                      |                     |   |                      |                   |  |
| Cost of services and administration.....                      | 421,236              | 1,051,039            | 583,852             | 16,134,156                              | 18,190,283           | -                 |  |
| Salaries and wages.....                                       | 916,147              | 715,188              | 358,709             | -                                       | 1,990,044            | -                 |  |
| Operating assessments.....                                    | 2,531,598            | 2,943,662            | -                   | -                                       | 5,475,260            | -                 |  |
| Depreciation.....   | 500,296              | 395,119              | 136,102             | 1,526,383                               | 2,557,900            | -                 |  |
| Employee benefits.....  | -                    | -                    | -                   | -                                       | -                    | 529,116           |  |
| <b>TOTAL OPERATING EXPENSES.....</b>                          | <b>4,369,277</b>     | <b>5,105,008</b>     | <b>1,078,663</b>    | <b>17,660,539</b>                       | <b>28,213,487</b>    | <b>529,116</b>    |  |
| <b>OPERATING INCOME (LOSS).....</b>                           | <b>282,985</b>       | <b>666,647</b>       | <b>(248,787)</b>    | <b>(113,956)</b>                        | <b>586,889</b>       | <b>(146,891)</b>  |  |
| <b>NONOPERATING REVENUES (EXPENSES):</b>                      |                      |                      |                     |   |                      |                   |  |
| Boat excise taxes.....  | -                    | -                    | 104,797             | -                                       | 104,797              | -                 |  |
| Investment income.....  | 39,369               | 61,009               | 7,042               | 46,858                                  | 154,278              | 11,320            |  |
| Interest expense.....   | -                    | -                    | -                   | (80,118)                                | (80,118)             | -                 |  |
| Intergovernmental assessments.....                            | -                    | -                    | 3,444               | -                                       | 3,444                | -                 |  |
| <b>TOTAL NONOPERATING<br/>REVENUES (EXPENSES), NET.....</b>   | <b>39,369</b>        | <b>61,009</b>        | <b>115,283</b>      | <b>(33,260)</b>                         | <b>182,401</b>       | <b>11,320</b>     |  |
| <b>CHANGE IN NET POSITION.....</b>                            | <b>322,354</b>       | <b>727,656</b>       | <b>(133,504)</b>    | <b>(147,216)</b>                        | <b>769,290</b>       | <b>(135,571)</b>  |  |
| <b>NET POSITION AT BEGINNING OF YEAR,<br/>AS REVISED.....</b> | <b>12,835,557</b>    | <b>11,597,855</b>    | <b>2,633,400</b>    | <b>14,467,194</b>                       | <b>41,534,006</b>    | <b>427,221</b>    |  |
| <b>NET POSITION AT END OF YEAR.....</b>                       | <b>\$ 13,157,911</b> | <b>\$ 12,325,511</b> | <b>\$ 2,499,896</b> | <b>\$ 14,319,978</b>                    | <b>\$ 42,303,296</b> | <b>\$ 291,650</b> |  |

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2019**

|  | Business-type Activities - Enterprise Funds |                     |                   |   |                      | Governmental<br>Activities -<br>Internal Service<br>Fund |
|--|---|---------------------|-------------------|---|----------------------|--|
|  | Water                                       | Sewer               | Harbor            | Municipal Light<br>December 31,<br>2018 | Total                |  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                     |   |                     |                   |   |                      |  |
| Receipts from customers and users.....   | \$ 4,542,347                                | \$ 5,360,987        | \$ 836,883        | \$ 17,572,000                           | \$ 28,312,217        | \$ -   |
| Receipts from interfund services provided.....                                   | -   | -                   | -                 | -                                       | -                    | 382,225  |
| Payments to vendors.....   | (2,889,943)                                 | (3,757,273)         | (440,408)         | (17,288,564)                            | (24,376,188)         | -  |
| Payments to employees.....   | (916,147)                                   | (715,188)           | (358,709)         | -                                       | (1,990,044)          | -  |
| Payments for interfund services used.....  | -   | -                   | -                 | -                                       | -                    | (420,323)  |
| <b>NET CASH FROM OPERATING ACTIVITIES.....</b>                                   | <b>736,257</b>                              | <b>888,526</b>      | <b>37,766</b>     | <b>283,436</b>                          | <b>1,945,985</b>     | <b>(38,098)</b>  |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>                          |   |                     |                   |   |                      |  |
| Boat excise taxes.....   | -   | -                   | 124,069           | -                                       | 124,069              | -  |
| Intergovernmental assessments.....   | -   | -                   | 3,444             | -                                       | 3,444                | -  |
| <b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....</b>                        | <b>-</b>                                    | <b>-</b>            | <b>127,513</b>    | <b>-</b>                                | <b>127,513</b>       | <b>-</b>   |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>                 |   |                     |                   |   |                      |  |
| Proceeds from the issuance of notes.....   | -   | -                   | -                 | 61,501                                  | 61,501               | -  |
| Acquisition and construction of capital assets.....                              | (641,776)                                   | (764,836)           | (76,330)          | (2,632,663)                             | (4,115,605)          | -  |
| Interest expense.....  | -   | -                   | -                 | (80,118)                                | (80,118)             | -  |
| <b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>               | <b>(641,776)</b>                            | <b>(764,836)</b>    | <b>(76,330)</b>   | <b>(2,651,280)</b>                      | <b>(4,134,222)</b>   | <b>-</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                     |   |                     |                   |   |                      |  |
| Investment income.....   | 39,369                                      | 61,009              | 7,042             | 46,858                                  | 154,278              | 11,320   |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>                              | <b>133,850</b>                              | <b>184,699</b>      | <b>95,991</b>     | <b>(2,320,986)</b>                      | <b>(1,906,446)</b>   | <b>(26,778)</b>  |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING 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>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>                             | <b>\$ 2,919,204</b>                         | <b>\$ 3,618,169</b> | <b>\$ 763,696</b> | <b>\$ 11,724,564</b>                    | <b>\$ 19,025,633</b> | <b>\$ 1,210,835</b>                                      |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</b>                     |   |                     |                   |   |                      |  |
| <b>FROM OPERATING ACTIVITIES:</b>  |   |                     |                   |   |                      |  |
| Operating income (loss).....   | \$ 282,985                                  | \$ 666,647          | \$ (248,787)      | \$ (113,956)                            | \$ 586,889           | \$ (146,891)   |
| Adjustments to reconcile operating income to net cash from operating activities: |   |                     |                   |   |                      |  |
| Depreciation.....  | 500,296                                     | 395,119             | 136,102           | 1,526,383                               | 2,557,900            | -  |
| Deferred (outflows)/inflows related to pensions.....                             | (126,813)                                   | (144,914)           | (71,563)          | 941,522                                 | 598,232              | -  |
| Deferred (outflows)/inflows related to other postemployment benefits.....        | (74,193)                                    | (134,030)           | (54,616)          | 98,329                                  | (164,510)            | -  |
| Deferred (outflows)/inflows related to rate stabilization reserve.....           | -   | -                   | -                 | 6,051                                   | 6,051                | -  |
| Deferred (outflows)/inflows related to contributions in aid of construction..... | -   | -                   | -                 | 178,417                                 | 178,417              | -  |
| Changes in assets and liabilities:   |   |                     |                   |   |                      |  |
| User charges.....  | (109,916)                                   | (410,668)           | 7,007             | (172,410)                               | (685,987)            | -  |
| Inventory.....   | -   | -                   | -                 | (21,896)                                | (21,896)             | -  |
| Other assets.....  | -   | -                   | -                 | (50,294)                                | (50,294)             | -  |
| Purchased power advanced deposits.....   | -   | -                   | -                 | (903,760)                               | (903,760)            | -  |
| Investment in joint venture.....   | -   | (109,452)           | -                 | -                                       | (109,452)            | -  |
| Warrants payable.....  | (69,367)                                    | (16,046)            | (991)             | (779,966)                               | (866,370)            | 29,528   |
| Customer deposits.....   | 1   | -                   | -                 | 19,410                                  | 19,411               | -  |
| Compensated absences.....  | 10,627                                      | 153                 | 4,337             | (36,882)                                | (21,765)             | -  |
| Workers' compensation.....   | -   | -                   | -                 | -                                       | -                    | 79,265   |
| Net pension liability.....   | 138,860                                     | 309,724             | 130,996           | (733,522)                               | (153,942)            | -  |
| Other postemployment benefits.....   | 183,777                                     | 331,993             | 135,281           | 326,010                                 | 977,061              | -  |
| <b>Total adjustments.....</b>  | <b>453,272</b>                              | <b>221,879</b>      | <b>286,553</b>    | <b>397,392</b>                          | <b>1,359,096</b>     | <b>108,793</b>   |
| <b>NET CASH FROM OPERATING ACTIVITIES.....</b>                                   | <b>\$ 736,257</b>                           | <b>\$ 888,526</b>   | <b>\$ 37,766</b>  | <b>\$ 283,436</b>                       | <b>\$ 1,945,985</b>  | <b>\$ (38,098)</b>                                       |

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2019

|  | Pension and Other<br>Employee<br>Benefit<br>Trust Funds (1) | Private<br>Purpose<br>Trust Funds | Agency<br>Funds |
|--|---|-----------------------------------|-----------------|
| <b>ASSETS</b>  |   |                                   |                 |
| Cash and cash equivalents.....                       | \$ 153,126  | \$ 3,154,014                      | \$ 364,200      |
| Investments:   |   |                                   |                 |
| Investments in Pension Reserve Investment Trust..... | 98,991,171  | -                                 | -               |
| Receivables, net of allowance for uncollectibles:    |   |                                   |                 |
| Departmental and other.....                          | 4,601   | 175                               | -               |
| Capital assets, nodepreciable.....                   | -   | 2,045                             | -               |
| Capital assets, net of accumulated depreciation..... | -   | 150,734                           | -               |
| <b>TOTAL ASSETS</b> .....                            | <b>99,148,898</b>   | <b>3,306,968</b>                  | <b>364,200</b>  |
| <b>LIABILITIES</b>                                   |   |                                   |                 |
| Warrants payable.....                                | 1,309   | 1,685                             | -               |
| Liabilities due depositors.....                      | -   | -                                 | 364,200         |
| Other liabilities.....                               | -   | 175                               | -               |
| <b>TOTAL LIABILITIES</b> .....                       | <b>1,309</b>  | <b>1,860</b>                      | <b>364,200</b>  |
| <b>NET POSITION</b>                                  |   |                                   |                 |
| Restricted for pensions.....                         | 95,016,993  | -                                 | -               |
| Restricted for other postemployment benefits.....    | 4,130,596   | -                                 | -               |
| Held in trust for other purposes.....                | -   | 3,305,108                         | -               |
| <b>TOTAL NET POSITION</b> .....                      | <b>\$ 99,147,589</b>  | <b>\$ 3,305,108</b>               | <b>\$ -</b>     |

(1) The Pension Trust Fund is as of December 31, 2018

See notes to basic financial statements.



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

YEAR ENDED JUNE 30, 2019

|   | Pension and Other<br>Employee<br>Benefit<br>Trust Funds (1) | Private<br>Purpose<br>Trust Funds |
|---|---|-----------------------------------|
| <b>ADDITIONS:</b>   |   |                                   |
| Contributions:  |   |                                   |
| Employer contributions.....   | \$ 4,135,523  | \$ -                              |
| Employer contributions for other postemployment benefit payments..... | 3,889,738   | -                                 |
| Member contributions.....   | 2,264,073   | -                                 |
| Transfers from other systems.....                                     | 212,900   | -                                 |
| 3(8)c contributions from other systems.....                           | 139,177   | -                                 |
| State COLA reimbursements.....  | 77,151  | -                                 |
| Private donations.....  | -   | 69,596                            |
| Total contributions.....  | 10,718,562  | 69,596                            |
| Net investment income:  |   |                                   |
| Investment income.....  | 2,979,132   | 42,845                            |
| Net change in fair value of investments.....                          | (4,459,022)   | -                                 |
| Less: investment expense.....   | (524,059)   | -                                 |
| Net investment income (loss).....                                     | (2,003,949)   | 42,845                            |
| TOTAL ADDITIONS.....  | 8,714,613   | 112,441                           |
| <b>DEDUCTIONS:</b>  |   |                                   |
| Administration.....   | 150,184   | 55,916                            |
| Transfers to other systems.....                                       | 643,207   | -                                 |
| Retirement benefits and refunds.....                                  | 9,843,616   | -                                 |
| Depreciation.....   | -   | 10,163                            |
| Other postemployment benefit payments.....                            | 3,889,738   | -                                 |
| Educational scholarships.....   | -   | 18,463                            |
| TOTAL DEDUCTIONS.....   | 14,526,745  | 84,542                            |
| NET INCREASE (DECREASE) IN NET POSITION.....                          | (5,812,132)   | 27,899                            |
| NET POSITION AT BEGINNING OF YEAR.....                                | 104,959,721   | 3,277,209                         |
| NET POSITION AT END OF YEAR.....                                      | \$ 99,147,589   | \$ 3,305,108                      |

(1) The Pension Trust Fund is as of the year ended December 31, 2018

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, 2018, 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, 2019, the Town's equity interest in the operations of the District is \$685,000, 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 2019 assessment was \$455,000. 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 judgments 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 Town'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 at December 31, 2018. 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<br/>Useful Life<br/>(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, contributions in aid of construction, 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 \$52,177,958 and the bank balance totaled \$53,878,105. Of the bank balance, \$2,000,000 was covered by Federal Depository Insurance, \$13,787,478 was covered by DIF Insurance, \$37,189,162 was collateralized and \$901,465 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Restricted cash of \$6,176,016 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, 2018, the carrying amount of deposits for the System totaled \$153,126, and the bank balance of \$164,697, 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, 2019:**

| <u>Investment Type</u>                      | <u>Fair value</u>    |
|---|----------------------|
| <u>Other investments:</u>                   |                      |
| Equity securities.....                      | \$ 1,772,830         |
| Money market mutual funds.....              | 2,220,039            |
| Pension Reserve Investment Trust (PRIT).... | 4,130,596            |
| MMDT - Cash portfolio.....                  | <u>12,358,397</u>    |
| Total investments.....                      | \$ <u>20,481,862</u> |

**System balances at December 31, 2018:**

| <u>Investment Type</u>                       | <u>Fair value</u>    |
|--|----------------------|
| Pension Reserve Investment Trust (PRIT)..... | \$ <u>94,860,575</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 33 to 77 days and a weighted average maturity of 2.78 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 0.18 to 15.31 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, 2019, because the \$1,772,830 in equity securities are held by the Town and the \$12,358,397 in shares of MMDT and \$4,130,596 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, 2018, the System's \$94,860,575 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, 2019:

| Investment Type                                 | June 30,<br>2019 | Fair Value Measurements Using  |   |  |
|---|------------------|--|---|--|
|   |                  | Quoted Prices<br>in Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <b>Investments measured at fair value:</b>      |                  |  |   |  |
| Equity securities.....                          | \$ 1,772,830     | \$ 1,772,830   | \$ -  | \$ -   |
| Money market mutual funds.....                  | 2,220,039        | 2,220,039  | -   | -  |
| Total investments measured at fair value.....   | 3,992,869        | \$ 3,992,869   | \$ -  | \$ -   |
| <b>Investments measured at amortized cost:</b>  |                  |  |   |  |
| MMDT - Cash portfolio.....                      | 12,358,397       |  |   |  |
| <b>Investments measured at net asset value:</b> |                  |  |   |  |
| Pension Reserve Investment Trust (PRIT).....    | 4,130,596        |  |   |  |
| Total investments.....                          | \$ 20,481,862    |  |   |  |

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 \$94,860,575 as of December 31, 2018. 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, 2019, 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<br>Amount  | Allowance<br>for<br>Uncollectibles | Net<br>Amount       |
|--|------------------|------------------------------------|---------------------|
| <b>Receivables:</b>                            |                  |                                    |                     |
| Real estate and personal property taxes.... \$ | 1,490,954        | \$ (17,016)                        | \$ 1,473,938        |
| Tax liens.....                                 | 216,220          | -                                  | 216,220             |
| Motor vehicle and other excise taxes.....      | 290,855          | (72,359)                           | 218,496             |
| Departmental and other.....                    | 193,534          | (1,459)                            | 192,075             |
| Intergovernmental - governmental funds.....    | 773,248          | -                                  | 773,248             |
| Intergovernmental - pension fund.....          | 4,601            | -                                  | 4,601               |
| Total..... \$                                  | <u>2,969,412</u> | <u>\$ (90,834)</u>                 | <u>\$ 2,878,578</u> |

At June 30, 2019, receivables for the enterprise funds consist of the following:

|   | Gross<br>Amount     | Allowance<br>for<br>Uncollectibles | Net<br>Amount       |
|---|---------------------|------------------------------------|---------------------|
| <u>Receivables:</u>                                 |                     |                                    |                     |
| Water user fees.....                                | \$ 1,225,743        | \$ (35,586)                        | \$ 1,190,157        |
| Sewer user fees.....                                | 2,199,054           | (65,297)                           | 2,133,757           |
| Harbor user fees.....                               | 13,006              | (2,601)                            | 10,405              |
| Boat excise taxes.....                              | 90,562              | (4,528)                            | 86,034              |
| Municipal light user charges (December 31, 2018)... | 2,508,313           | -                                  | 2,508,313           |
| Total.....  | \$ <u>6,036,678</u> | \$ <u>(108,012)</u>                | \$ <u>5,928,666</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, 2019, as follows:

|   | General<br>Fund     | Other<br>Governmental<br>Funds | Total               |
|---|---------------------|--------------------------------|---------------------|
| <u>Receivable and other asset type:</u>       |                     |                                |                     |
| Real estate and personal property taxes... \$ | 591,821             | \$ -                           | \$ 591,821          |
| Tax liens.....                                | 216,220             | -                              | 216,220             |
| Motor vehicle and other excise taxes.....     | 113,950             | -                              | 113,950             |
| Departmental and other.....                   | 5,837               | 16,559                         | 22,396              |
| Intergovernmental.....                        | 31,360              | 322,833                        | 354,193             |
| Tax foreclosures.....                         | 61,759              | -                              | 61,759              |
| Total.....                                    | \$ <u>1,020,947</u> | \$ <u>339,392</u>              | \$ <u>1,360,339</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, 2019, have been reported as follows:

| Transfers Out:                  | Transfers In:     |                             |                   |
|---------------------------------|-------------------|-----------------------------|-------------------|
|                                 | General fund      | Nonmajor governmental funds | Total             |
| General fund.....               | \$ -              | \$ 396,163                  | \$ 396,163 (1)    |
| Public funds.....               | 26,000            | -                           | 26,000 (2)        |
| Nonmajor governmental funds.... | 390,516           | 10,100                      | 400,616 (3)       |
| Total.....                      | \$ <u>416,516</u> | \$ <u>406,263</u>           | \$ <u>822,779</u> |

- (1) Transfers from General Fund to the School Lunch Fund and the Revolving Special Revenue Nonmajor Governmental Funds.
- (2) Transfer from Public Funds to the General fund support the cemetery budget from the perpetual care trust.
- (3) Transfers from Nonmajor Governmental Funds to the General Fund to support the general operating budget; these items include police detail administration fees and the use of bond premiums. Transfer to Nonmajor governmental funds is a one- time transfer to support the Other Grant Investment Nonmajor Governmental Fund.

The Town's interfund balance at June 30, 2019, consisted of \$5,353 due from the Highway Improvement Fund to the General Fund and \$153,199 within the nonmajor governmental funds for interfund borrowings for cash flow purposes.

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity in the Governmental Funds for the year ended June 30, 2019, was as follows:

|   | Beginning<br>Balance | Increases      | Decreases | Ending<br>Balance |
|---|----------------------|----------------|-----------|-------------------|
| <b>Governmental Activities:</b>                       |                      |                |           |                   |
| <u>Capital assets not being depreciated:</u>          |                      |                |           |                   |
| Land.....   | \$ 8,057,539         | \$ -           | \$ -      | \$ 8,057,539      |
| Construction in progress.....                         | 576,129              | 1,809,067      | -         | 2,385,196         |
| Total capital assets not being depreciated...         | 8,633,668            | 1,809,067      | -         | 10,442,735        |
| <u>Capital assets being depreciated:</u>              |                      |                |           |                   |
| Land improvements.....                                | 8,870,033            | 445,891        | -         | 9,315,924         |
| Buildings.....  | 106,786,868          | -              | -         | 106,786,868       |
| Buildings and improvements.....                       | 32,620,985           | 350,019        | (141,142) | 32,829,862        |
| Machinery and equipment.....                          | 13,632,621           | 703,152        | (606,382) | 13,729,391        |
| Infrastructure.....                                   | 39,936,482           | 1,154,050      | -         | 41,090,532        |
| Total capital assets being depreciated.....           | 201,846,989          | 2,653,112      | (747,524) | 203,752,577       |
| <u>Less accumulated depreciation for:</u>             |                      |                |           |                   |
| Land improvements.....                                | (2,382,449)          | (306,930)      | -         | (2,689,379)       |
| Buildings.....  | (39,872,885)         | (2,492,063)    | -         | (42,364,948)      |
| Buildings and improvements.....                       | (11,095,706)         | (888,223)      | 141,142   | (11,842,787)      |
| Machinery and equipment.....                          | (9,192,370)          | (950,552)      | 606,382   | (9,536,540)       |
| Infrastructure.....                                   | (12,663,530)         | (924,720)      | -         | (13,588,250)      |
| Total accumulated depreciation.....                   | (75,206,940)         | (5,562,488)    | 747,524   | (80,021,904)      |
| Total capital assets being depreciated, net.....      | 126,640,049          | (2,909,376)    | -         | 123,730,673       |
| Total governmental activities capital assets, net.... | \$ 135,273,717       | \$ (1,100,309) | \$ -      | \$ 134,173,408    |

Capital asset activity for the Business Type Activities for the year ended June 30, 2019, was as follows:

|  | Beginning<br>Balance | Increases  | Decreases | Ending<br>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.....                                   | 1,228,719            | -          | -         | 1,228,719         |
| Machinery and equipment.....                     | 1,358,333            | 74,164     | (24,472)  | 1,408,025         |
| Infrastructure.....                              | 15,274,382           | 567,612    | (68,500)  | 15,773,494        |
| Total capital assets being depreciated...        | 19,436,254           | 641,776    | (92,972)  | 19,985,058        |
| <u>Less accumulated depreciation for:</u>        |                      |            |           |                   |
| Land improvements.....                           | (144,384)            | (63,089)   | -         | (207,473)         |
| Buildings.....                                   | (327,158)            | (30,718)   | -         | (357,876)         |
| Machinery and equipment.....                     | (724,180)            | (103,303)  | 24,472    | (803,011)         |
| Infrastructure.....                              | (6,088,874)          | (303,186)  | 68,500    | (6,323,560)       |
| Total accumulated depreciation.....              | (7,284,596)          | (500,296)  | 92,972    | (7,691,920)       |
| Total capital assets being depreciated, net..... | 12,151,658           | 141,480    | -         | 12,293,138        |
| Total water activities capital assets, net.....  | \$ 12,201,085        | \$ 141,480 | \$ -      | \$ 12,342,565     |
|  | Beginning<br>Balance | Increases  | Decreases | Ending<br>Balance |
| <b>Sewer:</b>                                    |                      |            |           |                   |
| <u>Capital assets not being depreciated:</u>     |                      |            |           |                   |
| Land.....  | \$ 115,466           | \$ -       | \$ -      | \$ 115,466        |
| <u>Capital assets being depreciated:</u>         |                      |            |           |                   |
| Buildings and improvements.....                  | 489,261              | 73,716     | -         | 562,977           |
| Machinery and equipment.....                     | 1,214,900            | 27,705     | -         | 1,242,605         |
| Infrastructure.....                              | 15,629,426           | 663,415    | (241,442) | 16,051,399        |
| Total capital assets being depreciated...        | 17,333,587           | 764,836    | (241,442) | 17,856,981        |
| <u>Less accumulated depreciation for:</u>        |                      |            |           |                   |
| Buildings and improvements.....                  | (143,748)            | (13,569)   | -         | (157,317)         |
| Machinery and equipment.....                     | (954,102)            | (69,283)   | -         | (1,023,385)       |
| Infrastructure.....                              | (5,672,068)          | (312,267)  | 241,442   | (5,742,893)       |
| Total accumulated depreciation.....              | (6,769,918)          | (395,119)  | 241,442   | (6,923,595)       |
| Total capital assets being depreciated, net..... | 10,563,669           | 369,717    | -         | 10,933,386        |
| Total sewer activities capital assets, net.....  | \$ 10,679,135        | \$ 369,717 | \$ -      | \$ 11,048,852     |

|  | Beginning<br>Balance | Increases    | Decreases      | Ending<br>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.....                                   | 980,199              | 15,400       | -              | 995,599           |
| Piers.....   | 439,955              | 13,592       | -              | 453,547           |
| Buildings.....   | 883,440              | -            | -              | 883,440           |
| Buildings and improvements.....                          | 129,160              | -            | -              | 129,160           |
| Machinery and equipment.....                             | 1,631,677            | 47,338       | -              | 1,679,015         |
| Total capital assets being depreciated....               | 4,064,431            | 76,330       | -              | 4,140,761         |
| <u>Less accumulated depreciation for:</u>                |                      |              |                |                   |
| Land improvements.....                                   | (519,676)            | (20,854)     | -              | (540,530)         |
| Piers.....   | (85,127)             | (14,427)     | -              | (99,554)          |
| Buildings.....   | (451,854)            | (21,563)     | -              | (473,417)         |
| Buildings and improvements.....                          | (74,855)             | (3,822)      | -              | (78,677)          |
| Machinery and equipment.....                             | (1,064,758)          | (75,436)     | -              | (1,140,194)       |
| Total accumulated depreciation.....                      | (2,196,270)          | (136,102)    | -              | (2,332,372)       |
| Total capital assets being depreciated, net.....         | 1,868,161            | (59,772)     | -              | 1,808,389         |
| Total harbor activities capital assets, net.....         | \$ 3,872,238         | \$ (59,772)  | \$ -           | \$ 3,812,466      |
| <b>Municipal Light:</b>                                  |                      |              |                |                   |
| <u>Capital assets not being depreciated:</u>             |                      |              |                |                   |
| Land.....  | \$ 53,947            | \$ -         | \$ -           | \$ 53,947         |
| Construction in progress.....                            | 7,964,438            | 200,000      | (7,164,995)    | 999,443           |
| Total capital assets not being depreciated....           | 8,018,385            | 200,000      | (7,164,995)    | 1,053,390         |
| <u>Capital assets being depreciated:</u>                 |                      |              |                |                   |
| Light plant and equipment.....                           | 30,527,651           | 9,597,658    | (802,892)      | 39,322,417        |
| <u>Less accumulated depreciation for:</u>                |                      |              |                |                   |
| Light plant and equipment.....                           | (19,971,991)         | (1,526,383)  | 802,892        | (20,695,482)      |
| Total capital assets being depreciated, net.....         | 10,555,660           | 8,071,275    | -              | 18,626,935        |
| Total municipal light activities capital assets, net.... | \$ 18,574,045        | \$ 8,271,275 | \$ (7,164,995) | \$ 19,680,325     |

Capital asset activity for the Fiduciary Funds for the year ended June 30, 2019, was as follows:

|   | Beginning<br>Balance | Increases   | Decreases | Ending<br>Balance |
|---|----------------------|-------------|-----------|-------------------|
| <b>Fiduciary Activities:</b>                        |                      |             |           |                   |
| <u>Capital assets not being depreciated:</u>        |                      |             |           |                   |
| Land.....   | \$ 2,045             | \$ -        | \$ -      | \$ 2,045          |
| <u>Capital assets being depreciated:</u>            |                      |             |           |                   |
| Buildings and improvements.....                     | 294,455              | -           | -         | 294,455           |
| Equipment.....                                      | 25,940               | -           | -         | 25,940            |
| Total capital assets being depreciated..            | 320,395              | -           | -         | 320,395           |
| <u>Less accumulated depreciation for:</u>           |                      |             |           |                   |
| Buildings and improvements.....                     | (149,619)            | (9,363)     | -         | (158,982)         |
| Equipment.....                                      | (9,879)              | (800)       | -         | (10,679)          |
| Total accumulated depreciation.....                 | (159,498)            | (10,163)    | -         | (169,661)         |
| Total capital assets being depreciated, net.....    | 160,897              | (10,163)    | -         | 150,734           |
| Total fiduciary activities capital assets, net..... | \$ 162,942           | \$ (10,163) | \$ -      | \$ 152,779        |

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

**Governmental Activities:**

|                             |            |
|-----------------------------|------------|
| General government.....     | \$ 244,250 |
| Public safety.....          | 361,112    |
| Education.....              | 3,131,467  |
| Public works.....           | 1,355,006  |
| Human services.....         | 40,094     |
| Culture and recreation..... | 430,559    |

Total depreciation expense - governmental activities..... \$ 5,562,488

**Business-Type Activities:**

|                      |            |
|----------------------|------------|
| Water.....           | \$ 500,296 |
| Sewer.....           | 395,119    |
| Harbor.....          | 136,102    |
| Municipal Light..... | 1,526,383  |

Total depreciation expense - business-type activities... \$ 2,557,900

**Fiduciary Activities:**

|                                  |                  |
|----------------------------------|------------------|
| Private purpose trust funds..... | \$ <u>10,163</u> |
|----------------------------------|------------------|

**NOTE 6 – SHORT-TERM FINANCING**

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

The Town had \$9,113,653 in outstanding Bond Anticipation Notes as of June 30, 2019. The BANs had a 2% interest rate and matured on August 2, 2019. Subsequent to year end, \$30,388 was retired with available funds and \$104,545 was retired with grant reimbursements. The remaining \$9 million of the Town's BANs have been classified as long-term debt. Refer to Note 7 for information regarding BANs classified as long-term debt as of June 30, 2019.

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 \$80,118 as of December 31, 2018, which has been capitalized. The outstanding principal balance as of December 31, 2018, was \$5,077,574.

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, 2018, was \$1,408,642.

**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, 2019:

| Project  | Maturities<br>Through | Original<br>Loan<br>Amount | Interest<br>Rate<br>(%) | Outstanding<br>at June 30,<br>2019 |
|--|-----------------------|----------------------------|-------------------------|------------------------------------|
| Village School.....                                  | 2031                  | \$ 2,600,000               | 3.08                    | \$ 1,810,000                       |
| Village School.....                                  | 2031                  | 12,000,000                 | 3.06                    | 8,250,000                          |
| School Refunding Bonds of 2012.....                  | 2025                  | 15,860,000                 | 5.00                    | 10,145,000                         |
| General Obligation Bonds of 2012.....                | 2033                  | 9,171,000                  | 2.39                    | 6,715,000                          |
| General Obligation Bonds of 2013.....                | 2034                  | 8,974,000                  | 3.51                    | 7,455,000                          |
| General Obligation Bonds of 2014.....                | 2035                  | 8,158,000                  | 3.36                    | 6,705,000                          |
| General Obligation Bonds of 2015.....                | 2036                  | 9,225,000                  | 3.81                    | 8,470,000                          |
| General Obligation Bonds of 2016.....                | 2037                  | 7,767,000                  | 2.00                    | 7,375,000                          |
| General Obligation Bonds of 2017.....                | 2038                  | 7,780,000                  | 2.00                    | 7,595,000                          |
| General Obligation Long-term Refunding BAN of 2019.. | 2021                  | 1,741,759                  | 2.75                    | 1,741,759                          |
| General Obligation Long-term BAN of 2019.....        | 2021                  | 8,978,720                  | 2.75                    | <u>7,236,961</u>                   |
| Total Bonds Payable.....                             |                       |                            |                         | 73,498,720                         |
| Add: Unamortized premium on bonds.....               |                       |                            |                         | <u>2,998,530</u>                   |
| Total Bonds Payable, net.....                        |                       |                            |                         | <u>\$ 76,497,250</u>               |

As of June 30, 2019, the Town has approximately \$1.7 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 2019, the Town released \$293,000 from this fund to offset interest expenses and the Town added \$100,000 of bond premiums received.

On June 30, 2018, the Town had \$1.9 million in long-term BANs outstanding which were due on August 3, 2018. In 2019, the Town reissued \$1.7 million as part of a new BAN with an interest rate of 2.75% due August 2, 2019; and paid \$126,000 of the BAN with available funds. The \$1.7 million BAN, along with \$7.3 million in new BAN funds have been classified as long-term debt in the financial statements.

Subsequent to year-end the Town permanently financed \$2.9 million of the long-term BAN's and reissued \$6.1 million as part of a new long-term refunding BAN with an interest rate of 1.5%, which will mature on July 31, 2020.

Annual Requirements

The annual requirements to amortize all long-term debt outstanding as of June 30, 2019, are as follows:

| Year       | Principal     | Interest      | Total         |
|------------|---------------|---------------|---------------|
| 2020.....  | \$ 4,425,000  | \$ 2,241,060  | \$ 6,666,060  |
| 2021.....  | 13,468,720    | 2,301,691     | 15,770,411    |
| 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..... | \$ 73,498,720 | \$ 16,897,662 | \$ 90,396,382 |

Bond Authorizations

Long-term debt authorizations voted by Town Meetings which have not been issued or rescinded as of June 30, 2019, are as follows:

| Date Authorized | Purpose                       | Amount        |
|-----------------|-------------------------------|---------------|
| 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       |
| June 2019       | Fort Sewall Repairs.....      | 750,000       |
| June 2019       | New Gerry School.....         | 54,844,767    |
| Total.....      |                               | \$ 67,317,576 |



Changes in Long-term Liabilities

During the year ended June 30, 2019, the following changes occurred in long-term liabilities:

|  | Beginning<br>Balance | Bonds and<br>Notes<br>Issued | Bonds and<br>Notes<br>Redeemed | Other<br>Increases | Other<br>Decreases | Ending<br>Balance | Due Within<br>One Year |
|--|----------------------|------------------------------|--------------------------------|--------------------|--------------------|-------------------|------------------------|
| <b>Governmental Activities:</b>                            |                      |                              |                                |                    |                    |                   |                        |
| Long-term bonds payable.....                               | \$ 70,537,952        | \$ 8,978,720                 | \$ (6,017,952)                 | \$ -               | \$ -               | \$ 73,498,720     | \$ 4,425,000           |
| Add: Unamortized premium on bonds.....                     | 3,368,684            | 100,161                      | (470,315)                      | -                  | -                  | 2,998,530         | 332,179                |
| Total bonds payable.....                                   | 73,906,636           | 9,078,881                    | (6,488,267)                    | -                  | -                  | 76,497,250        | 4,757,179              |
| Landfill closure.....                                      | 4,419,600            | -                            | -                              | (1,440,000)        | (114,600)          | 2,865,000         | 114,600                |
| Compensated absences.....                                  | 1,141,603            | -                            | -                              | 894,768            | (904,065)          | 1,132,306         | 913,939                |
| Workers' compensation.....                                 | 781,349              | -                            | -                              | 323,661            | (215,353)          | 889,657           | 140,472                |
| Net pension liability.....                                 | 38,389,557           | -                            | -                              | 10,960,248         | (2,797,432)        | 46,552,373        | -                      |
| Net other postemployment benefits liability..              | 167,246,613          | -                            | -                              | 28,463,754         | (4,058,652)        | 191,651,715       | -                      |
| Total governmental activity<br>long-term liabilities.....  | \$ 285,885,358       | \$ 9,078,881                 | \$ (6,488,267)                 | \$ 39,202,431      | \$ (8,090,102)     | \$ 319,588,301    | \$ 5,926,190           |
| <b>Business-Type Activities:</b>                           |                      |                              |                                |                    |                    |                   |                        |
| Compensated absences.....                                  | \$ 200,679           | \$ -                         | \$ -                           | \$ 234,800         | \$ (228,622)       | \$ 206,857        | \$ 206,857             |
| Net pension liability.....                                 | 9,230,576            | -                            | -                              | 623,736            | (645,865)          | 9,208,447         | -                      |
| Net other postemployment benefits liability..              | 7,148,295            | -                            | -                              | 8,831,274          | (390,630)          | 15,588,939        | -                      |
| Total business-type activity<br>long-term liabilities..... | \$ 16,579,550        | \$ -                         | \$ -                           | \$ 9,689,810       | \$ (1,265,117)     | \$ 25,004,243     | \$ 206,857             |

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, 2019, the governmental fund balances consisted of the following:

|  | General              | Capital<br>Projects<br>Fund | Public<br>Funds     | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|-----------------------------|---------------------|-----------------------------------|--------------------------------|
| <b>Fund Balances:</b>                          |                      |                             |                     |                                   |                                |
| <b>Nonspendable:</b>                           |                      |                             |                     |                                   |                                |
| Permanent fund principal..... \$               | - \$                 | - \$                        | 3,656,980 \$        | - \$                              | 3,656,980                      |
| <b>Restricted for:</b>                         |                      |                             |                     |                                   |                                |
| Capital projects fund.....                     | -                    | 4,989,157                   | -                   | -                                 | 4,989,157                      |
| Public funds.....                              | -                    | -                           | 3,519,436           | -                                 | 3,519,436                      |
| Federal grants.....                            | -                    | -                           | -                   | 237,354                           | 237,354                        |
| State grants.....                              | -                    | -                           | -                   | 27,707                            | 27,707                         |
| Other grants.....                              | -                    | -                           | -                   | 1,148,436                         | 1,148,436                      |
| Revolving funds.....                           | -                    | -                           | -                   | 2,086,650                         | 2,086,650                      |
| Receipts reserved for appropriation.....       | -                    | -                           | -                   | 1,846,298                         | 1,846,298                      |
| Gifts.....                                     | -                    | -                           | -                   | 683,541                           | 683,541                        |
| Special revenue trust funds.....               | -                    | -                           | -                   | 3,823,617                         | 3,823,617                      |
| <b>Committed to:</b>                           |                      |                             |                     |                                   |                                |
| Articles and continuing appropriations:        |                      |                             |                     |                                   |                                |
| General government:                            |                      |                             |                     |                                   |                                |
| Equipment.....                                 | 14,093               | -                           | -                   | -                                 | 14,093                         |
| Improving public buildings.....                | 109,553              | -                           | -                   | -                                 | 109,553                        |
| Public works:                                  |                      |                             |                     |                                   |                                |
| Walls and fences.....                          | 75,216               | -                           | -                   | -                                 | 75,216                         |
| Drain construction.....                        | 245,033              | -                           | -                   | -                                 | 245,033                        |
| <b>Assigned to:</b>                            |                      |                             |                     |                                   |                                |
| Encumbrances:                                  |                      |                             |                     |                                   |                                |
| General government.....                        | 47,811               | -                           | -                   | -                                 | 47,811                         |
| Public safety:                                 |                      |                             |                     |                                   |                                |
| Building commissioner.....                     | 25,093               | -                           | -                   | -                                 | 25,093                         |
| Public works & facilities:                     |                      |                             |                     |                                   |                                |
| Engineering department.....                    | 2,451                | -                           | -                   | -                                 | 2,451                          |
| Highway department.....                        | 18,386               | -                           | -                   | -                                 | 18,386                         |
| Tree Department.....                           | 10,000               | -                           | -                   | -                                 | 10,000                         |
| Culture and recreation:                        |                      |                             |                     |                                   |                                |
| Library.....                                   | 2,500                | -                           | -                   | -                                 | 2,500                          |
| Parks department.....                          | 7,293                | -                           | -                   | -                                 | 7,293                          |
| Property and liability insurance.....          | 10,000               | -                           | -                   | -                                 | 10,000                         |
| Fringe benefits:                               |                      |                             |                     |                                   |                                |
| Salary Reserve.....                            | 50,000               | -                           | -                   | -                                 | 50,000                         |
| Group insurance.....                           | 21,132               | -                           | -                   | -                                 | 21,132                         |
| Free cash used for subsequent year budget..... | 8,575,000            | -                           | -                   | -                                 | 8,575,000                      |
| Unassigned.....                                | 11,943,095           | -                           | -                   | -                                 | 11,943,095                     |
| <b>Total Fund Balances..... \$</b>             | <b>21,156,656 \$</b> | <b>4,989,157 \$</b>         | <b>7,176,416 \$</b> | <b>9,853,603 \$</b>               | <b>43,175,832</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, 2018. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$8,950,916, 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 \$88,329,506, 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, 2018.

At December 31, 2018, the MCRS membership consists of the following:

|  |            |
|--|------------|
| Active members.....  | 427        |
| Inactive members.....  | 155        |
| Retirees and beneficiaries currently receiving benefits..... | <u>358</u> |
| Total.....   | <u>940</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, 2018, was \$3,776,631, 17.36% 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, 2018, was \$3,251,778, and equaled its actual contribution.

### *Pension Liabilities*

The components of the net pension liability of the participating member units at December 31, 2018, were as follows:

|  |    |                     |
|--|----|---------------------|
| Total pension liability.....   | \$ | 153,096,440         |
| Total pension plan's fiduciary net position.....   |    | <u>(95,016,993)</u> |
| Total net pension liability.....   | \$ | <u>58,079,447</u>   |
| The pension plan's fiduciary net position as<br>a percentage of the total pension liability..... |    | 62.06%              |

At June 30, 2019, the Governmental Activities, Water, Sewer and Harbor enterprise reported a liability of \$50,007,920, for its proportionate share of the net pension liability measured at December 31, 2018. The Municipal Light enterprise fund net pension liability of \$5,752,900 was measured as of December 31, 2017 for their year ended December 31, 2018. 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, 2018, the Town's proportion was 98.314% (including the Municipal Light Department).

*Pension Expense*

For the year ended June 30, 2019, the Town recognized pension expense of \$7,678,229, exclusive of the Municipal Light Department. At June 30, 2019, the Town and the Municipal Light Department reported deferred outflows of resources related to pensions of \$7,283,311, and \$1,294,794, respectively. At June 30, 2019, the Town and the Municipal Light Department reported deferred inflows of resources related to pensions of \$356,622 and \$1,161,045, respectively. The balances of deferred outflows and inflows at June 30, 2019, for the Town, excluding the Municipal Light Department are as follows:

| Deferred Category   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources | Total               |
|---|--------------------------------------|-------------------------------------|---------------------|
| Differences between expected and actual experience.....           | \$ 1,142,659                         | \$ (356,622)                        | \$ 786,037          |
| Difference between projected and actual earnings, net.....        | 3,281,889                            | -                                   | 3,281,889           |
| Changes in assumptions.....                                       | 2,517,999                            | -                                   | 2,517,999           |
| Changes in proportion and proportionate share of contributions... | 340,764                              | -                                   | 340,764             |
| Total deferred outflows/(inflows) of resources.....               | \$ <u>7,283,311</u>                  | \$ <u>(356,622)</u>                 | \$ <u>6,926,689</u> |

The balances of deferred outflows and inflows at December 31, 2018, for the Municipal Light Department are as follows:

| Deferred Category   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources | Total             |
|---|--------------------------------------|-------------------------------------|-------------------|
| Differences between expected and actual experience.....           | \$ 229,580                           | \$ (106,775)                        | \$ 122,805        |
| Difference between projected and actual earnings, net.....        | -                                    | (518,348)                           | (518,348)         |
| Changes in assumptions.....                                       | 604,035                              | -                                   | 604,035           |
| Changes in proportion and proportionate share of contributions... | -                                    | (535,922)                           | (535,922)         |
| Contributions made subsequent to the measurement date.....        | 461,179                              | -                                   | 461,179           |
| Total deferred outflows/(inflows) of resources.....               | \$ <u>1,294,794</u>                  | \$ <u>(1,161,045)</u>               | \$ <u>133,749</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               |
|---|---------------------|-------------------|---------------------|
| 2019.....   | \$ -                | \$ 81,387         | \$ 81,387           |
| 2020.....   | 3,114,686           | 69,343            | 3,184,029           |
| 2021.....   | 1,398,517           | (174,048)         | 1,224,469           |
| 2022.....   | 697,718             | (224,247)         | 473,471             |
| 2023.....   | 1,715,768           | (79,865)          | 1,635,903           |
| Subtotal amortized deferred outflows/(inflows)<br>of resources..... | <u>6,926,689</u>    | <u>(327,430)</u>  | <u>6,599,259</u>    |
| Contributions made subsequent to the<br>measurement date.....       | -                   | 461,179           | 461,179             |
| Total deferred outflows/(inflows) of resources...                   | \$ <u>6,926,689</u> | \$ <u>133,749</u> | \$ <u>7,060,438</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-forward to December 31, 2018, 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, 2019   |
| 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 4.25% 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, 2018, are summarized in the following table:

| Asset Class                          | Target Allocation | Long-Term Expected Real Rate of Return |
|--------------------------------------|-------------------|--|
| US Equity.....                       | 17.50%            | 7.62%                                  |
| International Equities.....          | 15.50%            | 7.80%                                  |
| Emerging International Equities..... | 6.00%             | 9.31%                                  |
| Core Bonds.....                      | 5.00%             | 4.37%                                  |
| Long Treasuries.....                 | 2.00%             | 3.50%                                  |
| TIPS.....                            | 5.00%             | 4.00%                                  |
| Value-Added Fixed Income.....        | 10.00%            | 7.58%                                  |
| Private Equity.....                  | 12.00%            | 11.15%                                 |
| Real Estate.....                     | 10.00%            | 6.59%                                  |
| Timberland.....                      | 4.00%             | 7.00%                                  |
| Portfolio Completion.....            | 13.00%            | 6.83%                                  |
|                                      | <u>100.00%</u>    |  |

*Rate of Return*

For the year ended December 31, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -2.28%. 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, 2019. 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<br>(6.35%) | Current<br>Discount<br>(7.35%) | 1% Increase<br>(8.35%) |
|---|------------------------|--------------------------------|------------------------|
| December 31, 2018 Measurement Date  |                        |                                |                        |
| The Town's proportionate share of the net pension liability.....                  | \$ 64,305,734          | \$ 50,007,920                  | \$ 37,867,928          |
| The Retirement System's total net pension liability..                             | \$ 74,685,000          | \$ 58,079,447                  | \$ 43,980,000          |
| December 31, 2017 Measurement Date  |                        |                                |                        |
| The Municipal Light Plant's proportionate share of the net pension liability..... | \$ 7,720,291           | \$ 5,752,900                   | \$ 4,082,393           |

**NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

*Plan Description* – The Town of Marblehead administers a single-employer defined benefit healthcare plan (“the 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 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 2019, the Town’s age-adjusted contribution to the plan totaled \$4.2 million. For the year ended June 30, 2019, the Town’s average contribution rate was 8.47% 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 fiscal year 2019, 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 \$4.1 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.

**OPEB Plan Financial Reporting & OPEB Employer Reporting for the Town, inclusive of the Municipal Light Plant**

**Measurement Date** – The net OPEB liability for the Town was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2018. The Municipal Light Plant has a fiscal year end of December 31<sup>st</sup>, and uses a measurement date of June 30, 2018. The following disclosures for the Town as a whole, include the Municipal Light Plant as of June 30, 2019. The disclosures for the Municipal Light Plant as of June 30, 2018 are presented separately, following the Town's disclosures below.

**Plan Membership** – The following table represents the Plan's membership at July 1, 2018:

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

**Components of OPEB Liability** – The following table represents the components of the Plan's OPEB liability as of June 30, 2019:

|  |                              |
|--|------------------------------|
| Total OPEB liability.....  | \$ 211,877,452               |
| Less: OPEB plan's fiduciary net position.....                          | <u>(4,130,596)</u>           |
| Net OPEB liability.....  | 207,746,856                  |
| Liability related to Municipal Light Department June 30, 2019.....     | (8,575,873)                  |
| Liability recorded by Municipal Light Department as of June 30, 2018.. | <u>8,069,671</u>             |
| Total OPEB liability reported on Statement of Net Position.....        | <u><u>\$ 207,240,654</u></u> |
| The OPEB plan's fiduciary net position                                 |                              |
| as a percentage of the total OPEB liability.....                       | 1.95%                        |

**Significant Actuarial Methods and Assumptions** – The total OPEB liability in the July 1, 2018, 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, 2019.

|                                |  |
|--------------------------------|--|
| Valuation date.....            | July 1, 2018   |
| Actuarial cost method.....     | Entry Age Normal   |
| Asset valuation method.....    | Market Value   |
| Discount rate.....             | 2.79%  |
| 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   |
| Mortality rates.....           | RP-2014 Mortality table with MP-2016 projection                                  |

*Rate of return* – For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 6.40%. 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, 2019, 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, 2019, which is 2.79%. 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<br>Liability<br>(a) | Plan<br>Fiduciary<br>Net Position<br>(b) | Net OPEB<br>Liability<br>(a) - (b) |
| Balances at June 30, 2018.....                         | \$ 193,821,017                 | \$ 3,534,892                             | \$ 190,286,125                     |
| Changes for the year:                                  |                                |  |                                    |
| Service cost.....                                      | 7,611,613                      | -  | 7,611,613                          |
| Interest.....  | 5,726,006                      | -  | 5,726,006                          |
| Differences between expected and actual experience.... | 2,387,552                      | -  | 2,387,552                          |
| Changes in assumptions and other inputs.....           | 6,221,002                      | -  | 6,221,002                          |
| Benefit payments.....                                  | (3,889,738)                    | (3,889,738)                              | -                                  |
| Contributions - employer.....                          | -                              | 4,249,988                                | (4,249,988)                        |
| Net investment income.....                             | -                              | 235,454                                  | (235,454)                          |
| Net change.....  | 18,056,435                     | 595,704                                  | 17,460,731                         |
| Balances at June 30, 2019.....                         | \$ 211,877,452                 | \$ 4,130,596                             | \$ 207,746,856                     |

*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 2.79%, 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 (1.79%) or 1-percentage-point higher (3.79%) than the current rate.

|                        | 1% Decrease<br>(1.79%) | Current<br>Discount Rate<br>(2.79%) | 1% Increase<br>(3.79%) |
|------------------------|------------------------|-------------------------------------|------------------------|
| Net OPEB liability.... | \$ 240,486,948         | \$ 207,746,856                      | \$ 175,006,765         |

*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<br>(7.00% decreasing<br>to 4.00%) | Current Trend<br>(8.00% decreasing<br>to 5.00%) | 1% Increase<br>(9.00% decreasing<br>to 6.00%) |
|------------------------|---|---|---|
| Net OPEB liability.... | \$ 168,455,409                                | \$ 207,746,856                                  | \$ 255,398,486                                |

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB* – For the year ended June 30, 2019, the Town recognized OPEB expense of \$17,820,981. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| Deferred Category  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources | Total               |
|--|--------------------------------------|-------------------------------------|---------------------|
| Differences between expected and actual experience.....    | \$ 1,958,564                         | \$ (4,068,298)                      | \$ (2,109,734)      |
| Difference between projected and actual earnings, net..... | -                                    | (247,239)                           | (247,239)           |
| Changes in assumptions.....                                | 9,390,442                            | -                                   | 9,390,442           |
| Total deferred outflows/(inflows) of resources.....        | \$ <u>11,349,006</u>                 | \$ <u>(4,315,537)</u>               | \$ <u>7,033,469</u> |

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:

|                 |                     |
|-----------------|---------------------|
| 2020.....       | \$ 1,143,257        |
| 2021.....       | 1,143,257           |
| 2022.....       | 1,143,257           |
| 2023.....       | 1,143,257           |
| 2024.....       | 1,208,403           |
| Thereafter..... | <u>1,252,038</u>    |
|                 | \$ <u>7,033,469</u> |

*Changes in Assumptions* – The discount rate was lowered from 2.98% to 2.79%.

*Changes in Plan Provisions* – None.

***OPEB Employer Financial Reporting for the Marblehead Municipal Light Plant as of December 31, 2018***

*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.

*Employees Covered by Benefit Terms* - At the measurement date of June 30, 2018, OPEB plan membership consisted of the following:

|   |           |
|---|-----------|
| Active members.....   | 21        |
| Inactive employees or beneficiaries currently receiving benefits..... | <u>31</u> |
| Total.....  | <u>52</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.....  | \$ 9,798,802        |
| Less: OPEB plan's fiduciary net position.....  | <u>(1,729,131)</u>  |
| Net OPEB liability.....  | <u>\$ 8,069,671</u> |
| The OPEB plan's fiduciary net position<br>as a percentage of the total OPEB liability..... | 17.65%              |

*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:

|   |   |
|---|---|
| Valuation date.....                         | July 1, 2017  |
| Healthcare cost trend rate.....             | 8% for 2017, decreasing by .5% per year to an ultimate rate of 5% for 2023 and later years. |
| Inflation rate.....                         | 3.0% per annum  |
| Discount Rate / Investment Rate of Return.. | 2.98% 6/30/2018; 3.13% 7/1/2017   |
| Mortality rates.....                        | RP-2014 Mortality table with MP-2016 projection   |

*Rate of Return* – The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amounts of OPEB plan investments by the proportion of time they are available to earn a return during that period. The rate of return is then calculated by solving, through an iterative process, for the rate that equals the sum of the weighted external cash flows into and out of the OPEB plan investments to the ending fair value of OPEB plan investments.

The long-term expected rate of return on OPEB plan investment was determined using a building-block method in which best-estimate ranges of expected future real rates of returns (expected returns, net of OPEB 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 arithmetic real rates of return for each major asset class included in the target asset allocation as of the measurement date of June 30, 2018, are summarized in the following table:

| <u>Asset Class</u>  | <u>Target<br/>Allocation (Town)</u> | <u>Long-Term Expected<br/>Real Rate of Return (Town)</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.....          | <u>17.00%</u>                       | 0.00%  |
| Total.....          | <u>100.00%</u>                      |  |

**Discount Rate** – The discount rate used to measure the total OPEB liability was 2.98% as of June 30, 2018. The discount rate is determined by the S&P 20 AA Municipal Bond Index due to the small OPEB Trust asset levels versus Plan liabilities. The Plan is not projected to have a Plan fiduciary net position in excess of benefits payments for any year.

**Sensitivity of Net OPEB Liability to Changes in the Discount Rate** – The following table presents the net other postemployment benefit liability and service cost, calculates 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%) and 1-percentage-point higher (3.98%) than the current rate.

|                           | 1% Decrease<br>(1.98%) | Current<br>Discount Rate<br>(2.98%) | 1% Increase<br>(3.98%) |
|---------------------------|------------------------|-------------------------------------|------------------------|
| Net OPEB liability.... \$ | \$ 9,402,990           | \$ 8,069,671                        | \$ 6,736,352           |

**Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate** – The following table presents the net other postemployment benefit liability and service cost, calculated using the current healthcare trend rate as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower (7% year 1 decreasing to 4%) and 1-percentage-point higher (9% year 1 decreasing to 6%) than the current healthcare trend rate.

|                           | 1% Decrease<br>(7.00% decreasing<br>to 4.00%) | Current Trend<br>(8.00% decreasing<br>to 5.00%) | 1% Increase<br>(9.00% decreasing<br>to 6.00%) |
|---------------------------|---|---|---|
| Net OPEB liability.... \$ | \$ 6,556,626                                  | \$ 8,069,671                                    | \$ 9,831,605                                  |

**OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB**– For the year ended December 31, 2018, the Department recognized OPEB expense of \$640,029. Deferred outflows and deferred inflows of resources related to OPEB at December 31, 2018 were reported as follows:

| Deferred Category  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources | Total        |
|--|--------------------------------------|-------------------------------------|--------------|
| Differences between expected and actual experience.....    | \$ -                                 | \$ (240,441)                        | \$ (240,441) |
| Difference between projected and actual earnings, net..... | -                                    | (103,223)                           | (103,223)    |
| Changes in assumptions.....                                | 245,335                              | -                                   | 245,335      |
| Total deferred outflows/(inflows) of resources.....        | \$ 245,335                           | \$ (343,664)                        | \$ (98,329)  |

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

Year ended December 31:

|                 |    |                 |
|-----------------|----|-----------------|
| 2019.....       | \$ | (20,268)        |
| 2020.....       |    | (20,268)        |
| 2021.....       |    | (20,268)        |
| 2022.....       |    | (20,268)        |
| 2023.....       |    | (20,266)        |
| Thereafter..... |    | 3,009           |
|                 | \$ | <u>(98,329)</u> |

#### NOTE 11 – REVISION OF NET POSITION PREVIOUSLY REPORTED

Beginning net position of the Municipal Light business-type activity has been revised to reflect the implementation of GASB Statement #75 and an increase of the Rate Stabilization Reserve. Beginning balance from this fund was revised from \$21.8 million to \$14.5 million.

#### NOTE 12 – 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 Employee Benefit Trust Funds.

|   | Pension<br>Trust Fund<br>(as of December<br>31, 2018) | Other<br>Postemployment<br>Benefit<br>Trust Fund | Total Pension<br>and Other<br>Employee<br>Benefit<br>Trust Funds |
|---|---|--|--|
| <b>ASSETS</b>                                       |   |  |  |
| Cash and cash equivalents.....                      | \$ 153,126  | \$ -   | \$ 153,126   |
| Investments:  |   |  |  |
| Investments in Pension Reserve Investment Trust.... | 94,860,575  | 4,130,596  | 98,991,171   |
| Receivables, net of allowance for uncollectibles:   |   |  |  |
| Departmental and other.....                         | 4,601   | -  | 4,601  |
| <b>TOTAL ASSETS.....</b>                            | <b>95,018,302</b>                                     | <b>4,130,596</b>                                 | <b>99,148,898</b>  |
| <b>LIABILITIES</b>                                  |   |  |  |
| Warrants payable.....                               | 1,309   | -  | 1,309  |
| <b>NET POSITION</b>                                 |   |  |  |
| Restricted for pensions.....                        | 95,016,993  | -  | 95,016,993   |
| Restricted for other postemployment benefits.....   | -   | 4,130,596  | 4,130,596  |
| <b>TOTAL NET POSITION.....</b>                      | <b>\$ 95,016,993</b>                                  | <b>\$ 4,130,596</b>                              | <b>\$ 99,147,589</b>   |

|   | Pension<br>Trust Fund<br>(as of December<br>31, 2018) | Other<br>Postemployee<br>Benefit<br>Trust Fund | Total Pension<br>and Other<br>Employee<br>Benefit<br>Trust Funds |
|---|---|--|--|
| <b>ADDITIONS:</b>   |   |  |  |
| Contributions:  |   |  |  |
| Employer contributions.....   | \$ 3,775,273  | \$ 360,250                                     | \$ 4,135,523   |
| Employer contributions for other postemployment benefit payments..... | -   | 3,889,738                                      | 3,889,738  |
| Member contributions.....   | 2,264,073   | -  | 2,264,073  |
| Transfers from other systems.....                                     | 212,900   | -  | 212,900  |
| 3(8)c contributions from other systems.....                           | 139,177   | -  | 139,177  |
| State COLA reimbursements.....  | 77,151  | -  | 77,151   |
| Total contributions.....  | 6,468,574   | 4,249,988                                      | 10,718,562   |
| Net investment income:  |   |  |  |
| Investment income.....  | 2,743,678   | 235,454  | 2,979,132  |
| Net change in fair value of investments.....                          | (4,459,022)   | -  | (4,459,022)  |
| Less: investment expense.....   | (524,059)   | -  | (524,059)  |
| Net investment income (loss).....                                     | (2,239,403)   | 235,454  | (2,003,949)  |
| TOTAL ADDITIONS.....  | 4,229,171   | 4,485,442                                      | 8,714,613  |
| <b>DEDUCTIONS:</b>  |   |  |  |
| Administration.....   | 150,184   | -  | 150,184  |
| Transfers to other systems.....                                       | 643,207   | -  | 643,207  |
| Retirement benefits and refunds.....                                  | 9,843,616   | -  | 9,843,616  |
| Other postemployment benefit payments.....                            | -   | 3,889,738                                      | 3,889,738  |
| TOTAL DEDUCTIONS.....   | 10,637,007  | 3,889,738                                      | 14,526,745   |
| NET INCREASE (DECREASE) IN NET POSITION.....                          | (6,407,836)   | 595,704  | (5,812,132)  |
| NET POSITION AT BEGINNING OF YEAR.....                                | 101,424,829   | 3,534,892                                      | 104,959,721  |
| NET POSITION AT END OF YEAR.....                                      | \$ 95,016,993   | \$ 4,130,596                                   | \$ 99,147,589  |

**NOTE 13 – COMMITMENTS**

The Town has various commitments through its participation in a bulk power supply agency, as discussed more fully in Note 15.

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 commenced in 2013 and were divided into three phases. The first phase of the project began in May 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. Phase II work included the replacement and upgrade of the drainage system on School and Pleasant Streets and was completed in the fall of 2018. A request for additional funding was submitted to FEMA in December of 2018. As of this report, FEMA has not advised the town of the status of that request. The Town continues to monitor the drainage catchment area that this project was intended to improve and has noticed a marked improvement. The Phase III scope of work is currently under revision to reflect the improvements that have been seen to date.



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 has received a Certificate of Compliance from the Marblehead Conservation Commission and has completed 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.

In May of 2016, the Town voted to authorize the Treasurer to borrow \$750,000 for a feasibility study to analyze various options and probable 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). As part of this collaboration with the MSBA, the study was comprised of two student enrollment options. One for the Elbridge Gerry School and the other for integrating the Gerry School, Coffin School, and Bell School into one elementary school. During the feasibility study it was clear that the larger enrollment option (combining all three schools) was the preferred choice. Under the guidance and direction of the Elbridge Gerry School Building Committee, the School Committee, and working with the Owner's Project Manager (OPM), Leftfield, and the Designer/Architect, Raymond Design Associates, the feasibility study and schematic design culminated in a preferred option to construct a 81,935 square foot, 450-student elementary school on the current Bell Elementary School site located at 40 Baldwin Rd. The preferred option resulted in a total project cost of \$54,844,767 with a maximum reimbursement of \$13,989,674 from the MSBA. On February 13, 2019, the MSBA board of directors unanimously voted to approve the project to enter into a Project Funding Agreement (PFA) with the Town. On May 6th and May 7th, the Town conducted its annual Town Meeting during which time, Article 51 – Construct New School, recommend that the sum of \$54,844,767 be appropriated subject to a Proposition 2 ½ override. Article 51 passed overwhelmingly. Subsequently, on June 18th, 2019; Question One, Construct New School, successfully passed. In early August of 2019, the Town and the MSBA executed a PFA for the project. Currently, the project is completing various design elements, procuring a construction manager, and reviewing early permitting and enabling opportunities. The school is planned to commence construction in earnest in spring of 2020 with completion slated in summer of 2022.

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 June 2020.

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. Permitting, design, and construction of the Grace Oliver Beach and Front Street seawalls have been permitted, designed, and

constructed. New railings are to be installed at the Grace Oliver Beach seawall in December of 2019. Also, the Fort Sewall revetment has been permitted, designed, and constructed. Work on the Peabody Lane, Parker Lane, Lovis Cove, Front Street, and Harvard Street seawalls have all been permitted and design is currently underway for repairs. Permitting and design are under way for repairs to the Ferry Lane parking lot. The embankment supporting the former railroad right of way at the Lead Mills was also severely damaged by the storms of 2018. The damage wasn't discovered until after this report was printed last year. The right of way, commonly referred to as the rail trail, has buried electric cables that supply power to the Town of Marblehead. The damage consisted of erosion to the beach and the formation of escarpments in the slope supporting the right of way. The facility was previously protected by a soft treatment of coir fascines (coir logs) fastened in place with stainless steel cables and duckbill anchors. The coir logs were destroyed by storm wave action leaving the embankment unprotected. Due to the failure of the coir logs and the critical nature of the facility to public health and safety, it was determined that armoring the slope with rip-rap was necessary. This work was permitted with an emergency certificate issued by the Conservation Commission and completed in October 2018.

#### **NOTE 14 – 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 15 – 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 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, 2018, total capital expenditures for the Berkshire Wind Facility amounted to \$64,863,000, of which \$5,047,000, 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 \$54,955,000, of which \$4,754,000 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, 2018, the Cooperative's total future debt service requirement on outstanding bonds issued for the Projects is \$73,317,000, of which \$6,373,000 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, 2018, and estimated for future years is shown in the following table:

| <u>For years ended December 31:</u> | <u>Annual<br/>Cost</u> |
|-------------------------------------|------------------------|
| 2019.....                           | \$ 416,000             |
| 2020.....                           | 453,000                |
| 2021.....                           | 453,000                |
| 2022.....                           | 453,000                |
| 2023.....                           | 452,000                |
| 2024-2028.....                      | 2,257,000              |
| 2029-2033.....                      | <u>1,889,000</u>       |
| Total.....                          | <u>\$ 6,373,000</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 \$1,927,530 in 2019, \$1,710,217 in 2020, \$1,028,844 in 2021, \$683,151 in 2022, \$502,200 in 2023, and \$209,250 in 2024.

#### MMWEC Contingencies and Liabilities

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, 2018, total capital expenditures for MMWEC's projects amounted to \$1,652,338,000, of which \$27,196,000 represents the amount associated with the Department's Project Capability. MMWEC's debt outstanding for the Projects from Power Supply System Revenue Bonds totals \$7,110,000, of which \$0 is associated with the Department's Project Capability. As of December 31, 2018, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$7,419,000, of which \$0 is anticipated to be billed to the Department in the future.

There is no aggregate amount of the Marblehead Municipal Light Department's required payments under the PSAs and the PPAs, exclusive of the Reserve and Contingency Fund billings, to MMWEC at December 31, 2018.

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 \$1,850,000 and \$1,869,000 for the years ended December 31, 2018 and 2017, respectively.

#### NOTE 16 – 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<br>Beginning of<br>Year | Current Year<br>Claims and<br>Changes in<br>Estimate | Claims<br>Payments | Balance at<br>Year-End | Current<br>Portion |
|-----------|------------------------------------|--|--------------------|------------------------|--------------------|
| 2018..... | \$ 781,350                         | \$ 176,832   | \$ (147,790)       | \$ 810,392             | \$ 215,353         |
| 2019..... | 810,392                            | 294,618  | (215,353)          | 889,657                | 140,472            |

#### NOTE 17 – 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 \$2.9 million liability of the Town as of June 30, 2019. Actual costs may change due to inflation, changes in technology, or changes in regulations.

#### NOTE 18 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 19, 2019, which is the date the financial statements were available to be issued.

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

During 2019, the following GASB pronouncements were implemented:

- GASB Statement #83, *Certain Asset Retirement Obligations*. This pronouncement did not impact the basic financial statements.
- GASB Statement #88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2020.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2021.
- 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.
- The GASB issued Statement #91, *Conduit Debt Obligations*, which is required to be implemented in 2022.

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

## ***Required Supplementary Information***

# ***General Fund***

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



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

YEAR ENDED JUNE 30, 2019

|   | 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,<br>net of tax refunds..... | \$ 67,329,212    | \$ 67,329,212 | \$ 67,683,970 | \$ -            | \$ 354,758 |
| Motor vehicle and boat excise taxes.....                            | 2,844,821        | 2,844,821     | 3,947,263     | -               | 1,102,442  |
| Charges for services.....   | 151,000          | 151,000       | 758,137       | -               | 607,137    |
| Penalties and interest on taxes.....                                | 105,000          | 105,000       | 331,958       | -               | 226,958    |
| Payments in lieu of taxes.....                                      | 12,000           | 12,000        | 24,343        | -               | 12,343     |
| Licenses and permits.....   | 364,500          | 364,500       | 915,577       | -               | 551,077    |
| Fines and forfeitures.....  | 51,000           | 51,000        | 138,759       | -               | 87,759     |
| Intergovernmental.....  | 7,447,563        | 7,585,383     | 7,554,728     | -               | (30,655)   |
| Investment income.....  | 80,000           | 80,000        | 716,343       | -               | 636,343    |
| Miscellaneous.....  | 154,000          | 154,000       | 473,302       | -               | 319,302    |
| TOTAL REVENUES.....   | 78,539,096       | 78,676,916    | 82,544,380    | -               | 3,867,464  |
| <b>EXPENDITURES:</b>  |                  |               |               |                 |            |
| Current:  |                  |               |               |                 |            |
| <b>GENERAL GOVERNMENT</b>   |                  |               |               |                 |            |
| Moderator - Officials Expense.....                                  | 100              | 100           | 100           | -               | -          |
| Selectmen Officials Expense.....                                    | 5,500            | 5,500         | 4,631         | -               | 869        |
| Salaries.....   | 424,783          | 409,783       | 395,865       | -               | 13,918     |
| Expense.....  | 108,245          | 108,245       | 78,533        | 28,000          | 1,712      |
| Zoning Board Legal Services.....                                    | 32,262           | 32,262        | 21,805        | 10,457          | -          |
| Out of State Travel.....  | 2,000            | 2,000         | 2,000         | -               | -          |
| Finance Committee - Salaries.....                                   | 9,942            | 9,942         | 9,942         | -               | -          |
| Expense.....  | 5,585            | 5,585         | 2,480         | -               | 3,105      |
| Local Travel.....   | 175              | 175           | -             | -               | 175        |
| Reserve Fund.....   | 144,000          | -             | -             | -               | -          |
| Finance - Salaries.....   | 652,286          | 652,286       | 637,899       | -               | 14,387     |
| Expense.....  | 268,310          | 268,310       | 250,097       | -               | 18,213     |
| Art. 8, 2018 - Equipment.....                                       | 422,282          | 422,282       | 408,189       | 14,093          | -          |
| Art. 9, 2017 - Equipment.....                                       | 530              | 530           | 530           | -               | -          |
| Assessors - Officials Expense.....                                  | 300              | 300           | 300           | -               | -          |
| Assessors - Salaries.....   | 217,217          | 217,217       | 217,216       | -               | 1          |
| Expense.....  | 33,685           | 33,685        | 33,354        | -               | 331        |
| Local Travel.....   | 500              | 500           | 106           | -               | 394        |
| Town Counsel - Salaries.....  | 2,000            | 2,000         | 2,000         | -               | -          |
| Expense.....  | 85,576           | 145,576       | 141,529       | 4,001           | 46         |
| Parking Tickets - Expense.....                                      | 13,095           | 13,095        | 9,383         | 3,712           | -          |
| Town Clerk - Salaries.....  | 186,807          | 186,807       | 185,596       | -               | 1,211      |
| Expense.....  | 10,137           | 10,137        | 8,721         | -               | 1,416      |
| Election and Registration - Salaries.....                           | 32,462           | 32,462        | 30,821        | -               | 1,641      |
| Expense.....  | 25,375           | 29,375        | 28,982        | -               | 393        |
| Planning Board - Expense.....                                       | 5,616            | 5,616         | 3,197         | 1,641           | 778        |
| Public Buildings - Salaries.....                                    | 106,899          | 106,899       | 100,496       | -               | 6,403      |
| Expense.....  | 114,663          | 114,663       | 100,943       | -               | 13,720     |
| Local Travel.....   | 400              | 400           | -             | -               | 400        |
| Art. 9, 2018 - Improve Public Buildings.....                        | 463,596          | 463,596       | 406,941       | 56,655          | -          |
| Art. 10, 2017 - Improve Public Buildings.....                       | 84,548           | 84,548        | 31,650        | 52,898          | -          |
| Art. 11, 2016 - Ocean Ave Seawall.....                              | -                | -             | -             | -               | -          |
| Art. 14, 2015 - Improve Public Buildings.....                       | -                | -             | -             | -               | -          |
| Town Reports.....   | 4,300            | 4,300         | 3,377         | -               | 923        |
| Town Audit of Accounts.....   | 54,500           | 54,500        | 54,500        | -               | -          |
| Training Expense.....   | 15,000           | 15,000        | 13,937        | -               | 1,063      |
| TOTAL GENERAL GOVERNMENT.....                                       | 3,532,676        | 3,437,676     | 3,185,120     | 171,457         | 81,099     |

(Continued)

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

YEAR ENDED JUNE 30, 2019

|  | Budgeted Amounts   |                 |                                |  |                                |
|--|--------------------|-----------------|--------------------------------|--|--------------------------------|
|  | Original<br>Budget | Final<br>Budget | Actual<br>Budgetary<br>Amounts | Amounts<br>Carried Forward<br>To Next Year | Variance<br>to Final<br>Budget |
| <b><u>PUBLIC SAFETY</u></b>                  |                    |                 |                                |  |                                |
| Police - Salaries.....                       | 3,854,203          | 3,906,788       | 3,889,532                      | -  | 17,256                         |
| Expense.....                                 | 182,392            | 182,392         | 182,392                        | -  | -                              |
| Indemnification.....                         | 5,000              | 5,000           | 273                            | -  | 4,727                          |
| Fire - Salaries.....                         | 3,667,954          | 3,652,954       | 3,651,894                      | -  | 1,060                          |
| Expense.....                                 | 187,020            | 202,020         | 201,273                        | -  | 747                            |
| Alarm Expense.....                           | 5,000              | 5,000           | 4,028                          | -  | 972                            |
| Fire SCBA Equipment.....                     | -                  | -               | -                              | -  | -                              |
| Building Commissioner - Salaries.....        | 531,978            | 506,978         | 495,815                        | -  | 11,163                         |
| Expense.....                                 | 64,924             | 64,924          | 25,930                         | 25,093                                     | 13,901                         |
| Local Travel.....                            | 6,000              | 6,000           | 3,076                          | -  | 2,924                          |
| Sealer of Weights & Measurers - Expense..... | 725                | 725             | 535                            | -  | 190                            |
| Animal Inspector - Salaries.....             | 2,400              | 2,400           | 2,200                          | -  | 200                            |
| TOTAL PUBLIC SAFETY.....                     | 8,507,596          | 8,535,181       | 8,456,948                      | 25,093                                     | 53,140                         |
| <b><u>EDUCATION</u></b>                      |                    |                 |                                |  |                                |
| Schools.....                                 | 37,874,291         | 38,224,285      | 38,224,285                     | -  | -                              |
| Art. 27, 2016 - Essex North Shore.....       | 455,256            | 455,256         | 449,603                        | -  | 5,653                          |
| TOTAL SCHOOL.....                            | 38,329,547         | 38,679,541      | 38,673,888                     | -  | 5,653                          |
| <b><u>PUBLIC WORKS &amp; FACILITIES</u></b>  |                    |                 |                                |  |                                |
| Engineering - Salaries.....                  | 162,646            | 162,646         | 161,042                        | -  | 1,604                          |
| Expense.....                                 | 10,645             | 10,645          | 8,193                          | 2,451                                      | 1                              |
| Highway - Salaries.....                      | 883,105            | 863,105         | 843,190                        | -  | 19,915                         |
| Expense.....                                 | 107,084            | 107,084         | 104,814                        | -  | 2,270                          |
| Rebuild & Maintain HTTP STS.....             | 76,978             | 76,978          | 58,309                         | 18,386                                     | 283                            |
| Snow Removal.....                            | 100,000            | 100,000         | 195,939                        | -  | (95,939)                       |
| Street Lighting.....                         | 128,820            | 128,820         | 128,820                        | -  | -                              |
| Art. 10, 2018 - Walls and Fences.....        | 53,094             | 53,094          | 4,757                          | 48,337                                     | -                              |
| Art. 11, 2017 - Walls and Fences.....        | 7,500              | 7,500           | -                              | 7,500                                      | -                              |
| 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. 9, 2014 - Walls and Fences.....         | 7,500              | 7,500           | -                              | 7,500                                      | -                              |
| Art. 10, 2013 - Walls and Fences.....        | 2,680              | 2,680           | -                              | 2,680                                      | -                              |
| Waste Collection - Salaries.....             | 352,987            | 352,987         | 341,459                        | -  | 11,528                         |
| Expense.....                                 | 1,801,556          | 1,755,403       | 1,598,417                      | -  | 156,986                        |
| Landfill Monitor Expense.....                | 114,600            | 114,600         | 112,602                        | -  | 1,998                          |
| Art. 13, 2014 - Landfill Regulatory.....     | -                  | -               | -                              | -  | -                              |
| Drains - Salaries.....                       | 163,828            | 163,828         | 147,711                        | -  | 16,117                         |
| Expense.....                                 | 5,650              | 5,650           | 4,622                          | -  | 1,028                          |
| Art. 16, 2018 - Drain Construction.....      | 417,000            | 417,000         | 173,584                        | 243,416                                    | -                              |
| Art. 17, 2017 - Drain Construction.....      | 290,639            | 290,639         | 289,022                        | 1,617                                      | -                              |
| Art. 16, 2016 - Drain Construction.....      | 1,475              | 1,475           | 1,475                          | -  | -                              |
| Cemetery - Officials Expense.....            | 300                | 300             | 300                            | -  | -                              |
| Salaries.....                                | 367,805            | 367,805         | 359,290                        | -  | 8,515                          |
| Expense.....                                 | 26,226             | 26,226          | 26,111                         | -  | 115                            |
| Tree - Salaries.....                         | 289,852            | 289,852         | 277,401                        | -  | 12,451                         |
| Expense.....                                 | 51,578             | 51,578          | 40,342                         | 10,000                                     | 1,236                          |
| TOTAL PUBLIC WORKS & FACILITIES.....         | 5,432,747          | 5,366,594       | 4,877,400                      | 351,086                                    | 138,108                        |
| <b><u>HUMAN SERVICES</u></b>                 |                    |                 |                                |  |                                |
| Health - Officials Expense.....              | 400                | 400             | 400                            | -  | -                              |
| Salaries.....                                | 167,356            | 167,356         | 167,355                        | -  | 1                              |
| Expense.....                                 | 15,655             | 15,655          | 6,292                          | -  | 9,363                          |
| Local Travel.....                            | 1,632              | 1,632           | 495                            | -  | 1,137                          |
| 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.....             | 312,340            | 312,340         | 312,111                        | -  | 229                            |
| Expense.....                                 | 11,990             | 11,990          | 11,986                         | -  | 4                              |
| Veterans Benefits - Salaries.....            | 66,238             | 66,238          | 66,238                         | -  | -                              |
| Expense.....                                 | 1,243              | 1,243           | 1,240                          | -  | 3                              |
| Local Travel.....                            | 1,100              | 1,100           | 764                            | -  | 336                            |
| Benefits.....                                | 40,000             | 40,000          | 39,572                         | -  | 428                            |
| TOTAL HUMAN SERVICES.....                    | 681,954            | 681,954         | 666,453                        | -  | 15,501                         |

(Continued)

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

YEAR ENDED JUNE 30, 2019

|   | Budgeted Amounts     |                      | Actual<br>Budgetary<br>Amounts | Amounts<br>Carried Forward<br>To Next Year | Variance<br>to Final<br>Budget |
|---|----------------------|----------------------|--------------------------------|--|--------------------------------|
|   | Original<br>Budget   | Final<br>Budget      |                                |  |                                |
| <b><u>CULTURE &amp; RECREATION</u></b>                |                      |                      |                                |  |                                |
| Library - Salaries.....                               | 853,390              | 778,390              | 747,394                        | -  | 30,996                         |
| Expense.....  | 267,448              | 267,448              | 263,564                        | 2,500                                      | 1,384                          |
| Local Travel.....                                     | 100                  | 100                  | 100                            | -  | -                              |
| Park - Salaries.....                                  | 676,596              | 676,596              | 646,063                        | -  | 30,533                         |
| Expense.....  | 176,190              | 176,190              | 161,597                        | 5,000                                      | 9,593                          |
| Park Facility Expense.....                            | 52,874               | 52,874               | 50,505                         | 2,293                                      | 76                             |
| Memorial & Veterans Day.....                          | 6,300                | 6,300                | 4,883                          | -  | 1,417                          |
| <b>TOTAL CULTURE &amp; RECREATION.....</b>            | <b>2,032,898</b>     | <b>1,957,898</b>     | <b>1,874,106</b>               | <b>9,793</b>                               | <b>73,999</b>                  |
| <b><u>ENERGY &amp; UTILITY RESERVE</u></b>            |                      |                      |                                |  |                                |
| Energy Reserve.....                                   | 533,544              | 433,544              | 331,948                        | -  | 101,596                        |
| Utility Reserve.....                                  | 100,000              | 75,000               | 60,016                         | -  | 14,984                         |
| <b>TOTAL ENERGY &amp; UTILITY RESERVE.....</b>        | <b>633,544</b>       | <b>508,544</b>       | <b>391,964</b>                 | <b>-</b>                                   | <b>116,580</b>                 |
| <b><u>PENSION BENEFITS</u></b>                        |                      |                      |                                |  |                                |
| Contributory Retirement Fund.....                     | 3,027,427            | 3,027,427            | 3,027,427                      | -  | -                              |
| Noncontributory Retirement.....                       | 79,524               | 79,524               | 73,112                         | -  | 6,412                          |
| <b>TOTAL PENSION BENEFITS.....</b>                    | <b>3,106,951</b>     | <b>3,106,951</b>     | <b>3,100,539</b>               | <b>-</b>                                   | <b>6,412</b>                   |
| <b><u>PROPERTY AND LIABILITY INSURANCE</u></b>        |                      |                      |                                |  |                                |
| Other Insurance.....                                  | 475,888              | 475,888              | 428,360                        | 10,000                                     | 37,528                         |
| <b><u>FRINGE BENEFITS</u></b>                         |                      |                      |                                |  |                                |
| Medicare.....   | 690,000              | 690,000              | 653,319                        | -  | 36,681                         |
| Salary Reserve.....                                   | 110,770              | 94,344               | 44,344                         | 50,000                                     | -                              |
| Group Insurance.....                                  | 13,848,753           | 13,848,753           | 11,157,717                     | -  | 2,691,036                      |
| Group Insurance FY13.....                             | 46,787               | 46,787               | 25,655                         | 21,132                                     | -                              |
| <b>TOTAL FRINGE BENEFITS.....</b>                     | <b>14,696,310</b>    | <b>14,679,884</b>    | <b>11,881,035</b>              | <b>71,132</b>                              | <b>2,727,717</b>               |
| <b><u>INTERGOVERNMENTAL</u></b>                       |                      |                      |                                |  |                                |
| State.....  | 3,152,584            | 3,152,584            | 2,995,396                      | -  | 157,188                        |
| <b><u>DEBT SERVICES</u></b>                           |                      |                      |                                |  |                                |
| Maturing Debt.....                                    | 4,150,000            | 4,150,000            | 4,150,000                      | -  | -                              |
| Interest.....   | 2,585,428            | 2,585,428            | 2,584,428                      | -  | 1,000                          |
| <b>TOTAL DEBT SERVICES.....</b>                       | <b>6,735,428</b>     | <b>6,735,428</b>     | <b>6,734,428</b>               | <b>-</b>                                   | <b>1,000</b>                   |
| <b>TOTAL EXPENDITURES.....</b>                        | <b>87,318,123</b>    | <b>87,318,123</b>    | <b>83,265,637</b>              | <b>638,561</b>                             | <b>3,413,925</b>               |
| <b>EXCESS (DEFICIENCY) OF REVENUES</b>                |                      |                      |                                |  |                                |
| <b>OVER EXPENDITURES.....</b>                         | <b>(8,779,027)</b>   | <b>(8,641,207)</b>   | <b>(721,257)</b>               | <b>(638,561)</b>                           | <b>7,281,389</b>               |
| <b><u>OTHER FINANCING SOURCES (USES):</u></b>         |                      |                      |                                |  |                                |
| Transfers in.....                                     | 718,418              | 718,418              | 1,029,980                      | -  | 311,562                        |
| Transfers out.....                                    | (250,000)            | (387,820)            | (387,820)                      | -  | -                              |
| <b>TOTAL OTHER FINANCING</b>                          |                      |                      |                                |  |                                |
| <b>SOURCES (USES).....</b>                            | <b>468,418</b>       | <b>330,598</b>       | <b>642,160</b>                 | <b>-</b>                                   | <b>311,562</b>                 |
| <b>NET CHANGE IN FUND BALANCE.....</b>                | <b>(8,310,609)</b>   | <b>(8,310,609)</b>   | <b>(79,097)</b>                | <b>(638,561)</b>                           | <b>7,592,951</b>               |
| <b>BUDGETARY FUND BALANCE, Beginning of year.....</b> | <b>21,235,753</b>    | <b>21,235,753</b>    | <b>21,235,753</b>              | <b>-</b>                                   | <b>-</b>                       |
| <b>BUDGETARY FUND BALANCE, End of year.....</b>       | <b>\$ 12,925,144</b> | <b>\$ 12,925,144</b> | <b>\$ 21,156,656</b>           | <b>\$ (638,561)</b>                        | <b>\$ 7,592,951</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,<br>2014        | December 31,<br>2015        | December 31,<br>2016        | December 31,<br>2017        | December 31,<br>2018        |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>Total pension liability:</b>  |                             |                             |                             |                             |                             |
| Service cost.....  | \$ 2,681,899                | \$ 2,769,061                | \$ 3,069,000                | \$ 3,207,000                | \$ 3,376,000                |
| Interest.....  | 9,363,589                   | 9,660,905                   | 9,968,038                   | 10,286,000                  | 10,812,000                  |
| 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.....                 | <u>(8,275,382)</u>          | <u>(8,317,787)</u>          | <u>(8,731,326)</u>          | <u>(9,139,829)</u>          | <u>(9,627,288)</u>          |
| Net change in total pension liability.....   | 3,770,106                   | 8,157,179                   | 4,305,712                   | 10,026,171                  | 4,560,712                   |
| Total pension liability - beginning.....   | <u>122,276,560</u>          | <u>126,046,666</u>          | <u>134,203,845</u>          | <u>138,509,557</u>          | <u>148,535,728</u>          |
| 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>       | <u>\$ 153,096,440</u>       |
| <b>Plan fiduciary net position:</b>  |                             |                             |                             |                             |                             |
| Employer contributions.....  | \$ 2,791,015                | \$ 3,004,813                | \$ 3,247,889                | \$ 3,502,012                | \$ 3,775,273                |
| Member contributions.....  | 1,820,099                   | 1,913,812                   | 2,195,793                   | 2,153,343                   | 1,833,766                   |
| Net investment income (loss).....  | 6,532,623                   | 585,701                     | 6,346,121                   | 15,100,863                  | (2,239,403)                 |
| Administrative expenses.....   | (135,341)                   | (141,511)                   | (140,850)                   | (129,292)                   | (150,184)                   |
| Retirement benefits and refunds.....   | (8,275,382)                 | (8,317,787)                 | (8,731,326)                 | (9,139,829)                 | (9,627,288)                 |
| Military service fund contribution.....  | <u>16,440</u>               | <u>-</u>                    | <u>-</u>                    | <u>-</u>                    | <u>-</u>                    |
| Net increase (decrease) in fiduciary net position.....                             | 2,749,454                   | (2,954,972)                 | 2,917,627                   | 11,487,097                  | (6,407,836)                 |
| Fiduciary net position - beginning of year.....                                    | <u>87,225,623</u>           | <u>89,975,077</u>           | <u>87,020,105</u>           | <u>89,937,732</u>           | <u>101,424,829</u>          |
| 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>       | <u>\$ 95,016,993</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> | <u><b>\$ 58,079,447</b></u> |
| Plan fiduciary net position as a percentage of the<br>total pension liability..... | 71.38%                      | 64.84%                      | 64.93%                      | 68.28%                      | 62.06%                      |
| Covered payroll.....   | \$ 18,842,144               | \$ 20,286,731               | \$ 20,692,466               | \$ 21,325,000               | \$ 21,751,500               |
| Net pension liability as a percentage of<br>covered payroll.....                   | 191.44%                     | 232.58%                     | 234.73%                     | 220.92%                     | 267.01%                     |

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<br/>determined<br/>contribution</u> | <u>Contributions in<br/>relation to the<br/>actuarially<br/>determined<br/>contribution</u> | <u>Contribution<br/>deficiency<br/>(excess)</u> | <u>Covered<br/>payroll</u> | <u>Contributions as<br/>a percentage of<br/>covered<br/>payroll</u> |
|---------------------------|--|---|---|----------------------------|---|
| December 31, 2018..... \$ | 3,776,631  | \$ (3,776,631)  | \$ -  | \$ 21,751,500              | 17.36%  |
| December 31, 2017.....    | 3,496,880  | (3,496,880)   | -   | 21,325,000                 | 16.40%  |
| December 31, 2016.....    | 3,237,852  | (3,237,852)   | -   | 20,692,466                 | 15.65%  |
| 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<br/>rate of return,<br/>net of investment expense</u> |
|------------------------|--|
| December 31, 2018..... | -2.28%   |
| 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<br/>the net pension<br/>liability (asset)</u> | <u>Proportionate<br/>share of the<br/>net pension<br/>liability (asset)</u> | <u>Covered<br/>payroll</u> | <u>Net pension<br/>liability as a<br/>percentage of<br/>covered<br/>payroll</u> | <u>Plan fiduciary<br/>net position as<br/>a percentage of<br/>the total<br/>pension liability</u> |
|------------------------|--|---|----------------------------|---|---|
| December 31, 2018..... | 86.10%   | \$ 50,007,920   | \$ 18,728,607              | 267.01%   | 62.06%  |
| 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<br/>the net pension<br/>liability (asset)</u> | <u>Proportionate<br/>share of the<br/>net pension<br/>liability (asset)</u> | <u>Covered<br/>payroll</u> | <u>Net pension<br/>liability as a<br/>percentage of<br/>covered<br/>payroll</u> | <u>Plan fiduciary<br/>net position as<br/>a percentage of<br/>the total<br/>pension liability</u> |
|------------------------|--|---|----------------------------|---|---|
| December 31, 2018..... | 12.21%   | \$ 7,092,308  | \$ 2,656,163               | 267.01%   | 62.06%  |
| December 31, 2017..... | 12.21%   | 5,752,900   | 2,604,081                  | 220.92%   | 68.28%  |
| December 31, 2016..... | 13.35%   | 6,486,422   | 2,763,332                  | 234.73%   | 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.

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<br/>determined<br/>contribution</u> | <u>Contributions in<br/>relation to the<br/>actuarially<br/>determined<br/>contribution</u> | <u>Contribution<br/>deficiency<br/>(excess)</u> | <u>Covered<br/>payroll</u> | <u>Contributions as<br/>a percentage of<br/>covered<br/>payroll</u> |
|--------------------|--|---|---|----------------------------|---|
| June 30, 2019..... | \$ 3,251,778                                       | \$ (3,251,778)  | \$ -  | \$ 18,916,000              | 17.19%  |
| June 30, 2018..... | 3,010,905  | (3,010,905)   | -   | 18,545,000                 | 16.24%  |
| June 30, 2017..... | 2,754,376  | (2,754,376)   | -   | 18,222,000                 | 15.12%  |
| June 30, 2016..... | 2,550,338  | (2,550,338)   | -   | 17,692,000                 | 14.42%  |
| June 30, 2015..... | 2,349,370  | (2,349,370)   | -   | 16,348,000                 | 14.37%  |

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<br/>100% Share of the<br/>Associated Net<br/>Pension Liability</u> | <u>Expense and<br/>Revenue<br/>Recognized for the<br/>Commonwealth's<br/>Support</u> | <u>Plan Fiduciary Net<br/>Position as a<br/>Percentage of the<br/>Total Liability</u> |
|-------------|--|--|---|
| 2019.....   | \$ 88,329,506  | \$ 8,950,916   | 54.84%  |
| 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.

## **Municipal Light Enterprise**

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

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

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

|   | June 30,<br>2017             | June 30,<br>2018             | June 30,<br>2019             |
|---|------------------------------|------------------------------|------------------------------|
| <b>Total OPEB Liability</b>   |                              |                              |                              |
| Service Cost.....   | \$ 5,000,000                 | \$ 7,763,590                 | \$ 7,611,613                 |
| Interest.....   | 5,822,000                    | 5,610,395                    | 5,726,006                    |
| Differences between expected and actual experience....                          | -                            | (4,756,135)                  | 2,387,552                    |
| Changes of assumptions.....   | 129,593,198                  | 4,852,941                    | 6,221,002                    |
| Benefit payments.....   | <u>(4,700,000)</u>           | <u>(4,054,972)</u>           | <u>(3,889,738)</u>           |
| Net change in total OPEB liability.....   | 135,715,198                  | 9,415,819                    | 18,056,435                   |
| Total OPEB liability - beginning.....   | <u>48,690,000</u>            | <u>184,405,198</u>           | <u>193,821,017</u>           |
| Total OPEB liability - ending (a).....  | <u>\$ 184,405,198</u>        | <u>\$ 193,821,017</u>        | <u>\$ 211,877,452</u>        |
| <b>Plan fiduciary net position</b>  |                              |                              |                              |
| Employer contributions.....   | \$ 1,700,000                 | \$ 360,000                   | \$ 360,250                   |
| Employer contributions for OPEB payments.....                                   | 4,700,000                    | 4,054,972                    | 3,889,738                    |
| Net investment income.....  | 326,130                      | 294,264                      | 235,454                      |
| Benefit payments.....   | <u>(4,700,000)</u>           | <u>(4,054,972)</u>           | <u>(3,889,738)</u>           |
| Net change in plan fiduciary net position.....                                  | 2,026,130                    | 654,264                      | 595,704                      |
| Plan fiduciary net position - beginning of year.....                            | <u>854,498</u>               | <u>2,880,628</u>             | <u>3,534,892</u>             |
| Plan fiduciary net position - end of year (b).....                              | <u>\$ 2,880,628</u>          | <u>\$ 3,534,892</u>          | <u>\$ 4,130,596</u>          |
| <b>Net OPEB liability - ending (a)-(b).....</b>                                 | <b><u>\$ 181,524,570</u></b> | <b><u>\$ 190,286,125</u></b> | <b><u>\$ 207,746,856</u></b> |
| Plan fiduciary net position as a percentage of the<br>total OPEB liability..... | 1.56%                        | 1.82%                        | 1.95%                        |
| Covered-employee payroll.....   | \$ 50,200,000                | \$ 50,300,000                | \$ 53,800,000                |
| Net OPEB liability as a percentage of<br>covered-employee payroll.....          | 361.60%                      | 378.30%                      | 386.15%                      |

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<br/>determined<br/>contribution</u> | <u>Contributions in<br/>relation to the<br/>actuarially<br/>determined<br/>contribution</u> | <u>Contribution<br/>deficiency<br/>(excess)</u> | <u>Covered-<br/>employee payroll</u> | <u>Contributions as<br/>a percentage of<br/>covered-<br/>employee payroll</u> |
|--------------------|--|---|---|--------------------------------------|---|
| June 30, 2019..... | \$ 20,615,873                                      | \$ (4,249,988)  | \$ 16,365,885                                   | \$ 53,800,000                        | 7.90%   |
| 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<br/>rate of return,<br/>net of investment expense</u> |
|--------------------|--|
| June 30, 2019..... | 6.40%  |
| 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 CHANGES IN THE  
MUNICIPAL LIGHT ENTERPRISE FUND'S NET OPEB LIABILITY AND RELATED RATIOS  
OTHER POSTEMPLOYMENT BENEFIT PLAN**

|   | June 30,<br>2018           |
|---|----------------------------|
| <b>Total OPEB Liability</b>   |                            |
| Service Cost.....   | \$ 189,381                 |
| Interest.....   | 497,819                    |
| Changes of benefit terms.....   | -                          |
| Differences between expected and actual experience.....                         | (240,441)                  |
| Changes of assumptions.....   | 245,335                    |
| Benefit payments.....   | <u>(215,690)</u>           |
| Net change in total OPEB liability.....   | 476,404                    |
| Total OPEB liability - beginning.....   | <u>9,322,398</u>           |
| Total OPEB liability - ending (a).....  | <u><u>\$ 9,798,802</u></u> |
| <b>Plan fiduciary net position</b>  |                            |
| Employer contributions.....   | \$ 215,690                 |
| Employer contributions for OPEB payments.....                                   |                            |
| Net investment income.....  | 150,394                    |
| Benefit payments.....   | <u>(215,690)</u>           |
| Net change in plan fiduciary net position.....                                  | 150,394                    |
| Plan fiduciary net position - beginning of year.....                            | <u>1,578,737</u>           |
| Plan fiduciary net position - end of year (b).....                              | <u><u>\$ 1,729,131</u></u> |
| <b>Net OPEB liability - ending (a)-(b).....</b>                                 | <u><u>\$ 8,069,671</u></u> |
| Plan fiduciary net position as a percentage of the<br>total OPEB liability..... | 17.65%                     |
| Covered-employee payroll.....   | \$ 2,240,000               |
| Net OPEB liability as a percentage of<br>covered-employee payroll.....          | 360.25%                    |

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 Municipal Light Department implemented GASB 75 for the year ended December 31, 2018 using a measurement date of June 30, 2018.

See notes to required supplementary information.

**SCHEDULES OF THE MUNICIPAL LIGHT ENTERPRISE FUND'S NET OPEB LIABILITY,  
EMPLOYER CONTRIBUTIONS AND INVESTMENT RETURNS  
OTHER POSTEMPLOYMENT BENEFIT PLAN**

| <u>Year</u>        | <u>Actuarially<br/>determined<br/>contribution</u> | <u>Contributions in<br/>relation to the<br/>actuarially<br/>determined<br/>contribution</u> | <u>Contribution<br/>deficiency<br/>(excess)</u> | <u>Covered-<br/>employee payroll</u> | <u>Contributions as<br/>a percentage of<br/>covered-<br/>employee payroll</u> |
|--------------------|--|---|---|--------------------------------------|---|
| June 30, 2018..... | \$ 9,798,802                                       | \$ (215,690)  | \$ 9,583,112                                    | \$ 2,240,000                         | 9.63%   |

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 Municipal Light Department implemented GASB 75 for the year ended December 31, 2018 using a measurement date of June 30, 2018.

See notes to required supplementary information.

**MUNICIPAL LIGHT ENTERPRISE FUND'S  
SCHEDULE OF INVESTMENT RETURNS  
OTHER POSTEMPLOYMENT BENEFIT PLAN**

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

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

See notes to required supplementary information.

**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 2019 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 2019 approved budget authorized approximately \$87.1 million in appropriations and other amounts to be raised. During the year, line item transfers were made between appropriated amounts and transfers out was increased by \$137,820 from the 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.....      | \$ | (79,097)           |
| <u>Basis of accounting differences:</u>                |    |                    |
| Recognition of revenue for on-behalf payments.....     |    | 8,950,916          |
| Recognition of expenditures for on-behalf payments.... |    | <u>(8,950,916)</u> |
| Net change in fund balance - GAAP basis.....           | \$ | <u>(79,097)</u>    |

**3. Appropriation Deficits**

During 2019, expenditures exceeded budgeted appropriations for snow removal. These over expenditures will be funded in 2020.

**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. Schedules of Changes in the Town's and the Municipal Light Enterprise Fund's Net Other Postemployment Benefit Liability and Related Ratios

The Schedules of Changes in the Town's and the Municipal Light Enterprise Fund's Net Other Postemployment Benefit Liability and Related Ratios present 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. Schedules of the Town's and the Municipal Light Enterprise Fund's Contributions

The Schedules of the Town's and the Municipal Light Enterprise Fund's Contributions include the annual required contributions to the Plans, along with the contributions made in relation to the actuarially determined contributions and the covered employee payroll. The Town and Municipal Light Enterprise Fund are not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered payroll. Actuarially determined 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, 2018  |
| Actuarial cost method.....     | Entry Age Normal  |
| Asset valuation method.....    | Market Value  |
| Discount rate.....             | 2.79%   |
| Inflation rate.....            | 3.0% per annum  |
| Healthcare cost trend rate.... | 8% for the first year, decreases by .5% per year<br>through year 7 to 5% thereafter |
| Salary increases.....          | 3% per annum  |
| Mortality rates.....           | RP-2014 Mortality table with MP-2016 projection                                     |

#### C. Schedules of Investment Returns

The Schedules of Investment Returns include the money-weighted investment returns on the Plan's other postemployment assets, net of investment expense.

D. Changes in Assumptions – For The Town, the Discount rate was decreased from 2.98% to 2.79%. For the Municipal Light Enterprise Fund, the Discount rate was decreased from 3.13% to 2.98%.

E. Changes in Plan Provisions – None.

## ***Other Supplementary Information***



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

# ***Nonmajor Governmental Funds***

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

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

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

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

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

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

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

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

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

**NONMAJOR GOVERNMENTAL FUNDS**  
COMBINING BALANCE SHEET

JUNE 30, 2019

|   | <i>Special Revenue Funds</i> |                   |                     |                     |   |
|---|------------------------------|-------------------|---------------------|---------------------|---|
|   | Federal<br>Grants            | State<br>Grants   | Other<br>Grants     | Revolving<br>Funds  | Receipts<br>Reserved for<br>Appropriation |
| <b>ASSETS</b>   |                              |                   |                     |                     |   |
| Cash and cash equivalents.....  | \$ 131,129                   | \$ -              | \$ 1,149,500        | \$ 2,173,126        | \$ 1,846,298                              |
| Investments.....  | -                            | -                 | -                   | -                   | -   |
| Receivables, net of uncollectibles:   |                              |                   |                     |                     |   |
| Departmental and other.....   | -                            | -                 | -                   | 134,468             | 825                                       |
| Intergovernmental - other.....  | 4,492                        | 283,237           | -                   | -                   | -   |
| Due from other funds.....   | 153,199                      | -                 | -                   | -                   | -   |
| Working capital deposit.....  | -                            | -                 | -                   | -                   | -   |
| <b>TOTAL ASSETS.....</b>  | <b>\$ 288,820</b>            | <b>\$ 283,237</b> | <b>\$ 1,149,500</b> | <b>\$ 2,307,594</b> | <b>\$ 1,847,123</b>                       |
| <b>LIABILITIES</b>  |                              |                   |                     |                     |   |
| Warrants payable.....   | \$ 51,466                    | \$ 102,331        | \$ 1,064            | \$ 205,210          | \$ -                                      |
| Due to other funds.....   | -                            | 153,199           | -                   | -                   | -   |
| <b>TOTAL LIABILITIES.....</b>   | <b>51,466</b>                | <b>255,530</b>    | <b>1,064</b>        | <b>205,210</b>      | <b>-</b>                                  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                              |                   |                     |                     |   |
| Unavailable revenue.....  | -                            | -                 | -                   | 15,734              | 825                                       |
| <b>FUND BALANCES</b>  |                              |                   |                     |                     |   |
| Restricted.....   | 237,354                      | 27,707            | 1,148,436           | 2,086,650           | 1,846,298                                 |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES, AND FUND BALANCES.....</b> | <b>\$ 288,820</b>            | <b>\$ 283,237</b> | <b>\$ 1,149,500</b> | <b>\$ 2,307,594</b> | <b>\$ 1,847,123</b>                       |

(Continued)

| <b><i>Special Revenue Funds</i></b> |  |  |
|-------------------------------------|--|--|
| <u>Gifts</u>                        | <u>Special<br/>Revenue<br/>Trust Funds</u> | <u>Total<br/>Nonmajor<br/>Governmental<br/>Funds</u> |
| \$ 720,292                          | \$ 2,040,787                               | \$ 8,061,132   |
| -                                   | 1,772,830                                  | 1,772,830  |
| -                                   | -  | 135,293  |
| -                                   | -  | 287,729  |
| -                                   | -  | 153,199  |
| -                                   | 10,000                                     | 10,000   |
| <u>\$ 720,292</u>                   | <u>\$ 3,823,617</u>                        | <u>\$ 10,420,183</u>                                 |
| <br>\$ 36,751                       | <br>\$ -                                   | <br>\$ 396,822                                       |
| -                                   | -  | 153,199  |
| <u>36,751</u>                       | <u>-</u>                                   | <u>550,021</u>                                       |
| <br>-                               | <br>-                                      | <br>16,559   |
| <u>683,541</u>                      | <u>3,823,617</u>                           | <u>9,853,603</u>                                     |
| <br>\$ <u>720,292</u>               | <br>\$ <u>3,823,617</u>                    | <br>\$ <u>10,420,183</u>                             |

(Concluded)

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

YEAR ENDED JUNE 30, 2019

|   | <i>Special Revenue Funds</i> |                  |                     |                     |   |
|---|------------------------------|------------------|---------------------|---------------------|---|
|   | Federal<br>Grants            | State<br>Grants  | Other<br>Grants     | Revolving<br>Funds  | Receipts<br>Reserved for<br>Appropriation |
| <b>REVENUES:</b>  |                              |                  |                     |                     |   |
| Charges for services.....   | \$ -                         | \$ -             | \$ -                | \$ 3,732,217        | \$ 40,350                                 |
| Intergovernmental - other.....  | 1,104,211                    | 2,112,610        | -                   | 176,916             | 6,200                                     |
| Departmental and other.....   | -                            | -                | -                   | 1,338,651           | -   |
| Contributions and donations.....  | -                            | -                | 122,139             | 92,523              | -   |
| Investment income.....  | -                            | 94               | 25,764              | 5,017               | -   |
| <b>TOTAL REVENUES.....</b>  | <b>1,104,211</b>             | <b>2,112,704</b> | <b>147,903</b>      | <b>5,345,324</b>    | <b>46,550</b>                             |
| <b>EXPENDITURES:</b>  |                              |                  |                     |                     |   |
| Current:  |                              |                  |                     |                     |   |
| General government.....   | -                            | 101,432          | -                   | 14,268              | 21,220                                    |
| Public safety.....  | 20,630                       | 74,511           | -                   | 670,306             | -   |
| Education.....  | 919,878                      | 1,867,408        | 41                  | 3,016,203           | -   |
| Public works.....   | 138,450                      | 62,234           | -                   | 614,814             | -   |
| Human services.....   | -                            | 59,038           | 16,214              | 139,517             | -   |
| Culture and recreation.....   | -                            | 27,207           | 145,264             | 534,909             | -   |
| <b>TOTAL EXPENDITURES.....</b>  | <b>1,078,958</b>             | <b>2,191,830</b> | <b>161,519</b>      | <b>4,990,017</b>    | <b>21,220</b>                             |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES.....</b> | <b>25,253</b>                | <b>(79,126)</b>  | <b>(13,616)</b>     | <b>355,307</b>      | <b>25,330</b>                             |
| <b>OTHER FINANCING SOURCES (USES):</b>                                    |                              |                  |                     |                     |   |
| Premium from issuance of bonds.....                                       | -                            | -                | -                   | -                   | 100,161                                   |
| Transfers in.....   | -                            | -                | 8,000               | 396,163             | -   |
| Transfers out.....  | -                            | (2,000)          | -                   | (62,097)            | (328,419)                                 |
| <b>TOTAL OTHER FINANCING SOURCES (USES).....</b>                          | <b>-</b>                     | <b>(2,000)</b>   | <b>8,000</b>        | <b>334,066</b>      | <b>(228,258)</b>                          |
| <b>NET CHANGE IN FUND BALANCES.....</b>                                   | <b>25,253</b>                | <b>(81,126)</b>  | <b>(5,616)</b>      | <b>689,373</b>      | <b>(202,928)</b>                          |
| <b>FUND BALANCES AT BEGINNING 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>                          |
| <b>FUND BALANCES AT END OF YEAR.....</b>                                  | <b>\$ 237,354</b>            | <b>\$ 27,707</b> | <b>\$ 1,148,436</b> | <b>\$ 2,086,650</b> | <b>\$ 1,846,298</b>                       |

(Continued)

| <b><i>Special Revenue Funds</i></b> |                                   |  |
|-------------------------------------|-----------------------------------|--|
| Gifts                               | Special<br>Revenue<br>Trust Funds | Total<br>Nonmajor<br>Governmental<br>Funds |
| \$ 789                              | \$ -                              | \$ 3,773,356                               |
| -                                   | 7,172                             | 3,407,109                                  |
| -                                   | -                                 | 1,338,651                                  |
| 563,258                             | 104,108                           | 882,028                                    |
| -                                   | 582,803                           | 613,678                                    |
| <u>564,047</u>                      | <u>694,083</u>                    | <u>10,014,822</u>                          |
| 20,366                              | -                                 | 157,286                                    |
| 1,792                               | 4,009                             | 771,248                                    |
| 310,677                             | -                                 | 6,114,207                                  |
| -                                   | -                                 | 815,498                                    |
| 1,537                               | 32,597                            | 248,903                                    |
| <u>5,189</u>                        | <u>105,161</u>                    | <u>817,730</u>                             |
| <u>339,561</u>                      | <u>141,767</u>                    | <u>8,924,872</u>                           |
| <u>224,486</u>                      | <u>552,316</u>                    | <u>1,089,950</u>                           |
| -                                   | -                                 | 100,161                                    |
| 2,100                               | -                                 | 406,263                                    |
| <u>-</u>                            | <u>(8,100)</u>                    | <u>(400,616)</u>                           |
| <u>2,100</u>                        | <u>(8,100)</u>                    | <u>105,808</u>                             |
| 226,586                             | 544,216                           | 1,195,758                                  |
| <u>456,955</u>                      | <u>3,279,401</u>                  | <u>8,657,845</u>                           |
| <u>\$ 683,541</u>                   | <u>\$ 3,823,617</u>               | <u>\$ 9,853,603</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, 2019

|  | Charity<br>Funds    | Scholarship<br>Funds | Other<br>Funds    | Total<br>Private<br>Purpose<br>Trust Funds |
|--|---------------------|----------------------|-------------------|--|
| <b>ASSETS</b>  |                     |                      |                   |  |
| Cash and cash equivalents.....                       | \$ 2,142,377        | \$ 861,250           | \$ 150,387        | \$ 3,154,014                               |
| Receivables, net of allowance for uncollectibles:    |                     |                      |                   |  |
| Departmental and other.....                          | -                   | 175                  | -                 | 175  |
| Capital assets, net of accumulated depreciation..... | 152,779             | -                    | -                 | 152,779                                    |
| <b>TOTAL ASSETS.....</b>                             | <b>2,295,156</b>    | <b>861,425</b>       | <b>150,387</b>    | <b>3,306,968</b>                           |
| <b>LIABILITIES</b>                                   |                     |                      |                   |  |
| Warrants payable.....                                | -                   | 1,685                | -                 | 1,685                                      |
| Other liabilities.....                               | -                   | 175                  | -                 | 175  |
| <b>TOTAL LIABILITIES.....</b>                        | <b>-</b>            | <b>1,860</b>         | <b>-</b>          | <b>1,860</b>                               |
| <b>NET POSITION</b>                                  |                     |                      |                   |  |
| Held in trust for other purposes.....                | \$ <u>2,295,156</u> | \$ <u>859,565</u>    | \$ <u>150,387</u> | \$ <u>3,305,108</u>                        |



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

YEAR ENDED JUNE 30, 2019

|   | Charity<br>Funds    | Scholarship<br>Funds | Other<br>Funds    | Total<br>Private<br>Purpose<br>Trust Funds |
|---|---------------------|----------------------|-------------------|--|
| <b>ADDITIONS:</b>                                   |                     |                      |                   |  |
| Contributions:                                      |                     |                      |                   |  |
| Private donations.....                              | \$ 69,596           | \$ -                 | \$ -              | \$ 69,596                                  |
| Net investment income:                              |                     |                      |                   |  |
| Net investment income (loss).....                   | 29,574              | 11,331               | 1,940             | 42,845                                     |
| <b>TOTAL ADDITIONS.....</b>                         | <b>99,170</b>       | <b>11,331</b>        | <b>1,940</b>      | <b>112,441</b>                             |
| <b>DEDUCTIONS:</b>                                  |                     |                      |                   |  |
| Administration.....                                 | 55,916              | -                    | -                 | 55,916                                     |
| Depreciation.....                                   | 10,163              | -                    | -                 | 10,163                                     |
| Educational scholarships.....                       | -                   | 18,463               | -                 | 18,463                                     |
| <b>TOTAL DEDUCTIONS.....</b>                        | <b>66,079</b>       | <b>18,463</b>        | <b>-</b>          | <b>84,542</b>                              |
| <b>NET INCREASE (DECREASE) IN NET POSITION.....</b> | <b>33,091</b>       | <b>(7,132)</b>       | <b>1,940</b>      | <b>27,899</b>                              |
| <b>NET POSITION AT BEGINNING OF YEAR.....</b>       | <b>2,262,065</b>    | <b>866,697</b>       | <b>148,447</b>    | <b>3,277,209</b>                           |
| <b>NET POSITION AT END OF YEAR.....</b>             | <b>\$ 2,295,156</b> | <b>\$ 859,565</b>    | <b>\$ 150,387</b> | <b>\$ 3,305,108</b>                        |

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

YEAR ENDED JUNE 30, 2019

|                                 | June 30,<br>2018 | Additions  | Deletions    | June 30,<br>2019 |
|---------------------------------|------------------|------------|--------------|------------------|
| <b>ASSETS</b>                   |                  |            |              |                  |
| CURRENT:                        |                  |            |              |                  |
| Cash and cash equivalents.....  | \$ 352,146       | \$ 593,211 | \$ (581,157) | \$ 364,200       |
| <b>LIABILITIES</b>              |                  |            |              |                  |
| Liabilities due depositors..... | \$ 352,146       | \$ 593,211 | \$ (581,157) | \$ 364,200       |

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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 Brad Smith

*An iconic tree at Fort Sewall still stands after a storm hits Town.*

## ***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**

|   | 2010                  | 2011                  | 2012                  | 2013                  | 2014 (1)             | 2015                 | 2016                 | 2017 (2)                | 2018 (3)                | 2019                    |
|---|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|----------------------|----------------------|-------------------------|-------------------------|-------------------------|
| <b>Governmental activities</b>                          |                       |                       |                       |                       |                      |                      |                      |                         |                         |                         |
| Net investment in capital assets.....                   | \$ 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           | \$ 81,183,548           |
| Restricted.....   | 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              | 13,419,904              |
| Unrestricted.....                                       | (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)           | (222,268,732)           |
| <b>Total governmental activities net position.....</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>\$ (127,665,280)</b> |
| <b>Business-type activities</b>                         |                       |                       |                       |                       |                      |                      |                      |                         |                         |                         |
| Net investment in capital assets.....                   | \$ 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           | \$ 41,806,634           |
| Restricted.....   | 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               | 6,949,454               |
| Unrestricted.....                                       | 11,977,792            | 11,996,780            | 12,095,677            | 11,924,405            | 10,517,972           | 11,706,630           | 7,273,751            | 3,565,638               | (5,725,878)             | (6,452,792)             |
| <b>Total business-type activities net position.....</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>\$ 41,534,006</b>    | <b>\$ 42,303,296</b>    |
| <b>Primary government</b>                               |                       |                       |                       |                       |                      |                      |                      |                         |                         |                         |
| Net investment in capital assets.....                   | \$ 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          | \$ 122,990,182          |
| Restricted.....   | 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              | 20,369,358              |
| Unrestricted.....                                       | 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)           | (228,721,524)           |
| <b>Total primary government net position.....</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>  | <b>\$ (85,361,984)</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.

(3) Unrestricted net position of the Municipal Light Plant has been revised to reflect the implementation of GASB #75 in fiscal year 2019.

**Changes in Net Position**

**Last Ten Years**

|   | 2010            | 2011            | 2012            | 2013            | 2014            | 2015            | 2016            | 2017            | 2018            | 2019            |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Expenses</b>   |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| <b>Governmental activities:</b>   |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| General government.....   | \$ 3,134,661    | \$ 3,179,481    | \$ 3,513,212    | \$ 3,076,096    | \$ 3,499,711    | \$ 3,914,552    | \$ 4,049,880    | \$ 3,998,948    | \$ 4,149,528    | \$ 5,347,875    |
| Public safety.....  | 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      | 15,803,260      |
| Education.....  | 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      | 76,926,325      |
| Public works.....   | 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       | 8,418,205       |
| Landfill closure.....   | 1,800,000       | 2,314,578       | -               | -               | 7,306,000       | 3,189,744       | 8,010,805       | -               | -               | -               |
| Human services.....   | 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       | 1,519,921       |
| Culture and recreation.....   | 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       | 4,321,098       |
| Interest.....   | 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       | 2,185,589       |
| Total government activities expenses.....                                   | 78,675,403      | 82,405,028      | 80,732,506      | 83,446,026      | 96,736,957      | 90,519,567      | 103,748,194     | 98,196,407      | 106,202,823     | 114,522,273     |
| <b>Business-type activities:</b>  |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Water.....  | 3,128,927       | 3,557,383       | 3,609,833       | 3,930,931       | 3,933,073       | 3,724,151       | 3,987,766       | 4,132,387       | 4,553,630       | 4,369,277       |
| Sewer.....  | 3,508,376       | 3,202,370       | 3,303,657       | 3,499,343       | 3,598,145       | 5,797,156       | 4,095,094       | 4,627,409       | 4,870,418       | 5,105,008       |
| Municipal Light.....  | 14,008,068      | 14,127,177      | 14,596,683      | 14,280,634      | 14,848,824      | 15,701,747      | 16,422,802      | 15,631,285      | 16,223,014      | 17,740,657      |
| Harbor.....   | 671,745         | 730,953         | 786,565         | 904,765         | 874,951         | 911,766         | 1,011,537       | 1,059,866       | 1,014,642       | 1,078,663       |
| Total business-type activities expenses.....                                | 21,317,116      | 21,032,808      | 22,296,738      | 22,615,673      | 23,254,993      | 26,134,820      | 25,517,199      | 25,450,947      | 26,661,704      | 28,293,605      |
| Total primary government expenses.....                                      | \$ 99,992,519   | \$ 103,437,836  | \$ 103,029,244  | \$ 106,061,699  | \$ 119,991,950  | \$ 116,654,387  | \$ 129,265,393  | \$ 123,647,354  | \$ 132,864,527  | \$ 142,815,878  |
| <b>Program Revenues</b>   |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| <b>Governmental activities:</b>   |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Public Safety charges for services.....                                     | \$ 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    | \$ 1,595,340    |
| Education charges for services.....   | 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       | 2,618,409       |
| Public Works charges for services.....                                      | 634,244         | 668,395         | 694,942         | 742,302         | 781,471         | 757,319         | 866,927         | 1,136,212       | 1,320,282       | 1,465,007       |
| Other charges for services.....   | 971,731         | 954,162         | 996,624         | 1,027,894       | 1,009,683       | 1,036,822       | 1,174,048       | 1,234,788       | 1,265,859       | 1,780,681       |
| Operating grants and contributions.....                                     | 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      | 19,437,238      |
| Capital grant and contributions.....  | 3,817,694       | 761,615         | 555,654         | 5,517,233       | 6,114,742       | 1,006,775       | 723,405         | 521,930         | 576,960         | 699,305         |
| Total government activities program revenues.....                           | 23,444,934      | 20,502,314      | 20,982,801      | 25,755,412      | 27,043,265      | 18,524,931      | 21,614,915      | 25,388,623      | 26,553,330      | 27,595,980      |
| <b>Business-type activities:</b>  |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Charges for services - Water.....   | 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       | 4,652,262       |
| Charges for services - Sewer.....   | 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       | 5,771,655       |
| Charges for services - Municipal Light.....                                 | 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      | 17,341,386      |
| Charges for services - Harbor.....  | 591,969         | 632,242         | 633,384         | 638,807         | 637,156         | 674,827         | 681,730         | 697,328         | 904,347         | 829,876         |
| Operating grants and contributions.....                                     | 22,634          | 17,260          | 2,832           | 3,407           | 12,092          | 129,482         | 2,724           | 1,680           | 78,010          | 208,641         |
| Capital grant and contributions.....  | -               | -               | -               | -               | 228,749         | -               | -               | -               | -               | -               |
| Total business-type activities program revenues.....                        | 21,794,209      | 23,445,354      | 23,537,260      | 23,320,982      | 24,372,062      | 27,020,884      | 27,470,910      | 27,548,725      | 26,696,779      | 28,803,820      |
| Total primary government program revenues.....                              | \$ 45,239,143   | \$ 43,947,668   | \$ 44,520,061   | \$ 49,076,394   | \$ 51,415,327   | \$ 45,545,815   | \$ 49,085,825   | \$ 52,937,348   | \$ 53,250,109   | \$ 56,399,800   |
| <b>Net (Expense)/Revenue</b>  |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Governmental activities.....  | \$ (55,230,469) | \$ (61,902,714) | \$ (59,749,705) | \$ (57,690,614) | \$ (69,693,692) | \$ (71,994,636) | \$ (82,133,279) | \$ (72,807,784) | \$ (80,255,262) | \$ (86,926,293) |
| Business-type activities.....   | 477,093         | 2,412,546       | 1,240,522       | 705,309         | 1,117,069       | 886,064         | 1,953,711       | 2,097,778       | 640,844         | 510,215         |
| Total primary government net expense.....                                   | \$ (54,753,376) | \$ (59,490,168) | \$ (58,509,183) | \$ (56,985,305) | \$ (68,576,623) | \$ (71,108,572) | \$ (80,179,568) | \$ (70,710,006) | \$ (79,614,418) | \$ (86,416,078) |
| <b>General Revenues and Other Changes in Net Position</b>                   |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| <b>Governmental activities:</b>   |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Real estate and personal property taxes,<br>net of tax refunds payable..... | \$ 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   | \$ 67,643,148   |
| Motor vehicle excise taxes.....   | 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       | 3,869,773       |
| Penalties and interest on taxes.....  | 192,715         | 226,937         | 241,114         | 235,370         | 231,501         | 287,496         | 244,181         | 276,660         | 296,552         | 331,608         |
| Grants and contributions not restricted to<br>specific programs.....        | 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       | 1,415,366       |
| Unrestricted investment income.....   | 547,427         | 389,792         | 237,753         | 553,733         | 351,665         | 309,527         | 457,113         | 328,165         | 204,081         | 3,623,438       |
| Total governmental activities.....  | 54,607,520      | 56,281,942      | 57,978,903      | 59,599,016      | 61,461,643      | 64,447,064      | 66,572,523      | 69,271,562      | 71,891,450      | 76,883,333      |
| <b>Business-type activities:</b>  |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Boat excise.....  | 140,873         | 136,513         | 134,871         | 125,100         | 135,970         | 104,504         | 130,184         | 124,716         | 164,659         | 104,797         |
| Unrestricted investment income.....   | 92,386          | 64,263          | 54,338          | 34,653          | 27,679          | 32,086          | 44,896          | 68,310          | 96,002          | 154,278         |
| Settlements and refunds.....  | -               | -               | 8,218           | -               | -               | -               | -               | -               | -               | -               |
| Transfers.....  | -               | -               | 43,264          | -               | -               | -               | -               | 57,000          | -               | -               |
| Total business-type activities.....   | \$ 233,259      | \$ (384,299)    | \$ 240,691      | \$ 159,753      | \$ 163,649      | \$ 136,590      | \$ 175,080      | \$ 250,026      | \$ 260,661      | \$ 259,075      |
| <b>Changes in Net Position</b>  |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Governmental activities.....  | \$ (622,949)    | \$ (5,620,772)  | \$ (1,770,802)  | \$ 1,908,402    | \$ (8,232,049)  | \$ (7,547,572)  | \$ (15,560,756) | \$ (3,536,222)  | \$ (7,758,043)  | \$ (10,042,960) |
| Business-type activities.....   | 710,352         | 2,028,247       | 1,481,213       | 865,062         | 1,280,718       | 1,022,654       | 2,128,791       | 2,347,804       | 295,736         | 769,290         |
| Total primary government.....   | \$ 87,403       | \$ (3,592,525)  | \$ (289,589)    | \$ 2,773,464    | \$ (6,951,331)  | \$ (6,524,918)  | \$ (13,431,965) | \$ (1,188,418)  | \$ (7,462,307)  | \$ (9,273,670)  |



**Fund Balances, Governmental Funds**

**Last Ten Years**

|  | 2010                 | 2011                 | 2012                 | 2013                 | 2014                 | 2015                 | 2016                 | 2017                 | 2018                 | 2019                 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>General Fund</b>                            |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Reserved.....                                  | \$ 610,212           | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 |
| Unreserved.....                                | 9,178,812            | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    |
| Committed.....                                 | -                    | -                    | 917,834              | 591,174              | 676,235              | 501,644              | 437,823              | 335,975              | 404,071              | 443,895              |
| 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            | 8,769,666            |
| 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           | 11,943,095           |
| <b>Total general fund.....</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>\$ 21,156,656</b> |
| <b>All Other Governmental Funds</b>            |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Reserved.....                                  | \$ 3,379,233         | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 |
| Unreserved, reported in:                       |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Special revenue funds.....                     | 7,253,938            | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    |
| Capital projects funds.....                    | 1,813,173            | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    |
| Permanent funds.....                           | 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            | 3,656,980            |
| 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           | 18,362,196           |
| <b>Total all other governmental funds.....</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> | <b>\$ 22,019,176</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**

|   | 2010                  | 2011                | 2012                | 2013                | 2014                | 2015                  | 2016                | 2017                  | 2018                  | 2019                |
|---|-----------------------|---------------------|---------------------|---------------------|---------------------|-----------------------|---------------------|-----------------------|-----------------------|---------------------|
| <b>Revenues:</b>  |                       |                     |                     |                     |                     |                       |                     |                       |                       |                     |
| Real estate and personal property taxes,<br>net of tax refunds..... | \$ 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         | \$ 67,683,970       |
| Motor vehicle excise taxes.....                                     | 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             | 3,947,263           |
| Penalties and interest on taxes.....                                | 192,732               | 226,937             | 241,114             | 235,370             | 231,501             | 287,496               | 244,181             | 276,660               | 296,552               | 331,608             |
| Charges for services.....   | 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             | 4,572,977           |
| Licenses and permits.....   | 848,233               | 729,262             | 773,464             | 676,788             | 723,707             | 780,713               | 793,817             | 763,738               | 755,907               | 915,577             |
| Fines and forfeitures.....  | 157,626               | 141,860             | 175,186             | 153,061             | 144,147             | 126,021               | 131,209             | 162,196               | 114,202               | 138,759             |
| Intergovernmental.....  | 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            | 20,599,216          |
| Departmental and other.....   | 294,815               | 317,306             | 570,975             | 301,435             | 682,753             | 752,356               | 1,138,951           | 1,247,506             | 888,830               | 1,795,162           |
| Contributions.....  | 439,403               | 461,556             | 570,902             | 1,629,007           | 508,769             | 1,354,054             | 1,062,116           | 598,650               | 706,881               | 3,214,021           |
| Investment income.....  | 524,246               | 382,329             | 231,290             | 551,404             | 341,630             | 302,750               | 453,940             | 324,075               | 199,390               | 1,392,079           |
| Miscellaneous.....  | 304,615               | 329,000             | 351,966             | 331,532             | 48,727              | 41,569                | 44,823              | 348,051               | 343,927               | -                   |
| <b>Total Revenue.....</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>104,590,632</b>  |
| <b>Expenditures:</b>  |                       |                     |                     |                     |                     |                       |                     |                       |                       |                     |
| General government.....   | 1,563,105             | 1,603,514           | 168,467             | 1,432,002           | 1,611,320           | 1,965,464             | 1,865,701           | 1,706,411             | 1,890,127             | 2,687,135           |
| Public safety.....  | 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             | 9,317,504           |
| Education.....  | 32,711,645            | 33,258,875          | 24,301,066          | 34,488,972          | 36,141,943          | 36,777,030            | 39,049,399          | 40,923,146            | 43,080,416            | 45,035,283          |
| Public works.....   | 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             | 5,151,787           |
| Landfill.....   | -                     | -                   | -                   | -                   | -                   | 8,476,944             | 9,595,405           | -                     | -                     | -                   |
| Human services.....   | 777,377               | 805,497             | 709,399             | 730,629             | 709,822             | 738,308               | 749,688             | 857,418               | 891,328               | 931,117             |
| Culture and recreation.....   | 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             | 2,570,512           |
| Pension benefits.....   | 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            | 12,051,455          |
| Property and liability insurance.....                               | 206,956               | 223,932             | 216,606             | 271,764             | 302,420             | 318,315               | 347,329             | 371,239               | 393,809               | 428,360             |
| Employee benefits.....  | 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            | 11,836,691          |
| State and county charges.....                                       | 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             | 2,995,396           |
| Capital outlay.....   | 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             | 4,462,179           |
| Debt service:   |                       |                     |                     |                     |                     |                       |                     |                       |                       |                     |
| Principal payment on current refunding.....                         | 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             | 1,741,759           |
| Principal.....  | 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             | 4,276,193           |
| Interest.....   | 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             | 2,584,428           |
| <b>Total Expenditures.....</b>                                      | <b>98,393,543</b>     | <b>92,569,491</b>   | <b>82,694,961</b>   | <b>94,492,617</b>   | <b>103,715,533</b>  | <b>113,930,546</b>    | <b>103,951,848</b>  | <b>117,074,659</b>    | <b>110,474,585</b>    | <b>106,069,799</b>  |
| <b>Excess of revenues over (under) expenditures.....</b>            | <b>(21,219,826)</b>   | <b>(15,786,174)</b> | <b>(3,582,980)</b>  | <b>(9,536,880)</b>  | <b>(15,637,132)</b> | <b>(30,780,784)</b>   | <b>(15,197,737)</b> | <b>(22,399,027)</b>   | <b>(12,020,679)</b>   | <b>(1,479,167)</b>  |
| <b>Other Financing Sources (Uses)</b>                               |                       |                     |                     |                     |                     |                       |                     |                       |                       |                     |
| Issuance of debt.....   | 2,618,000             | 1,650,000           | 6,195,000           | 12,824,000          | 8,158,000           | 10,000                | -                   | 995,000               | 375,000               | 7,236,961           |
| Issuance of refunding bonds.....                                    | 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             | 1,741,759           |
| Premium from issuance of debt.....                                  | 349,262               | 600,790             | 2,270,852           | 723,625             | 504,391             | 583,768               | 1,129,222           | 807,149               | 614,322               | 100,161             |
| Payments to refunding bond escrow agent.....                        | -                     | -                   | (17,877,492)        | -                   | -                   | -                     | -                   | -                     | -                     | -                   |
| Transfers in.....   | 3,318,191             | 2,972,243           | 581,477             | 590,674             | 1,179,791           | 1,074,316             | 628,193             | 790,928               | 612,418               | 822,779             |
| Transfers out.....  | (3,318,191)           | (2,972,243)         | (581,477)           | (590,674)           | (1,179,791)         | (1,074,316)           | (628,193)           | (790,928)             | (612,418)             | (822,779)           |
| <b>Total other financing sources (uses).....</b>                    | <b>14,749,262</b>     | <b>15,932,790</b>   | <b>6,691,360</b>    | <b>19,074,625</b>   | <b>20,990,630</b>   | <b>25,584,973</b>     | <b>19,371,152</b>   | <b>18,954,101</b>     | <b>10,262,274</b>     | <b>9,078,881</b>    |
| <b>Net change in fund balances.....</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> | <b>\$ 7,599,714</b> |
| <b>Debt service as a percentage of noncapital expenditures.....</b> | <b>19.22%</b>         | <b>24.75%</b>       | <b>7.15%</b>        | <b>6.64%</b>        | <b>12.78%</b>       | <b>30.70%</b>         | <b>13.35%</b>       | <b>22.87%</b>         | <b>16.38%</b>         | <b>8.47%</b>        |

In 2009 though 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 |
| 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    |
| 2019 | 5,986,503,712                            | 10.74                | 238,506,055      | 16,088,200       | 74,471,080        | 329,065,335            | 10.74               | 10.74             | 6,315,569,047    |

Source: Town of Marblehead, Assessor's Department

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

# Principal Taxpayers

## Current Year and Nine Years Ago

| Name                               | 2019                  |      |   | 2008                  |      |   |
|------------------------------------|-----------------------|------|---|-----------------------|------|---|
|                                    | Assessed<br>Valuation | Rank | Percentage of<br>Total Taxable<br>Assessed<br>Value | Assessed<br>Valuation | Rank | Percentage of<br>Total Taxable<br>Assessed<br>Value |
| Various Edward T. Moore LLC/Trusts | \$ 62,877,500         | 1    | 1.00%   | \$ 62,274,500         | 1    | 1.11%   |
| Algonquin Gas Transmission Co.     | 42,893,700            | 2    | 0.68%   | 16,193,100            | 4    | 0.29%   |
| Various Rockett LLC/Trusts         | 22,089,700            | 3    | 0.35%   | 35,334,800            | 2    | 0.63%   |
| Eastern Yacht Club                 | 18,388,850            | 4    | 0.29%   | 14,971,200            | 5    | 0.27%   |
| Bessom Associates                  | 16,918,900            | 5    | 0.27%   | 17,277,500            | 3    | 0.31%   |
| Boston Gas (dba National Grid)     | 15,743,880            | 6    | 0.25%   |                       |      |   |
| Henricus A. Termeer                | 13,475,600            | 7    | 0.21%   |                       |      |   |
| Eyk Van Otterloo & Various LLC's   | 11,662,100            | 8    | 0.18%   | 8,991,100             | 9    | 0.16%   |
| Corinthian Yacht Club              | 11,020,310            | 9    | 0.17%   |                       |      |   |
| Tedesco Country Club               | 10,500,096            | 10   | 0.17%   |                       |      |   |
| Angelo Arena                       |                       |      |   | 11,453,400            | 6    | 0.20%   |
| Peter S. Lynch                     |                       |      |   | 10,226,300            | 7    | 0.18%   |
| Philip A. Gianatasio               |                       |      |   | 9,657,000             | 8    | 0.17%   |
| Robert W. Green                    |                       |      |   | 8,789,800             | 10   | 0.16%   |
|                                    | <u>\$ 225,570,636</u> |      | <u>3.57%</u>  | <u>\$ 195,168,700</u> |      | <u>3.48%</u>  |

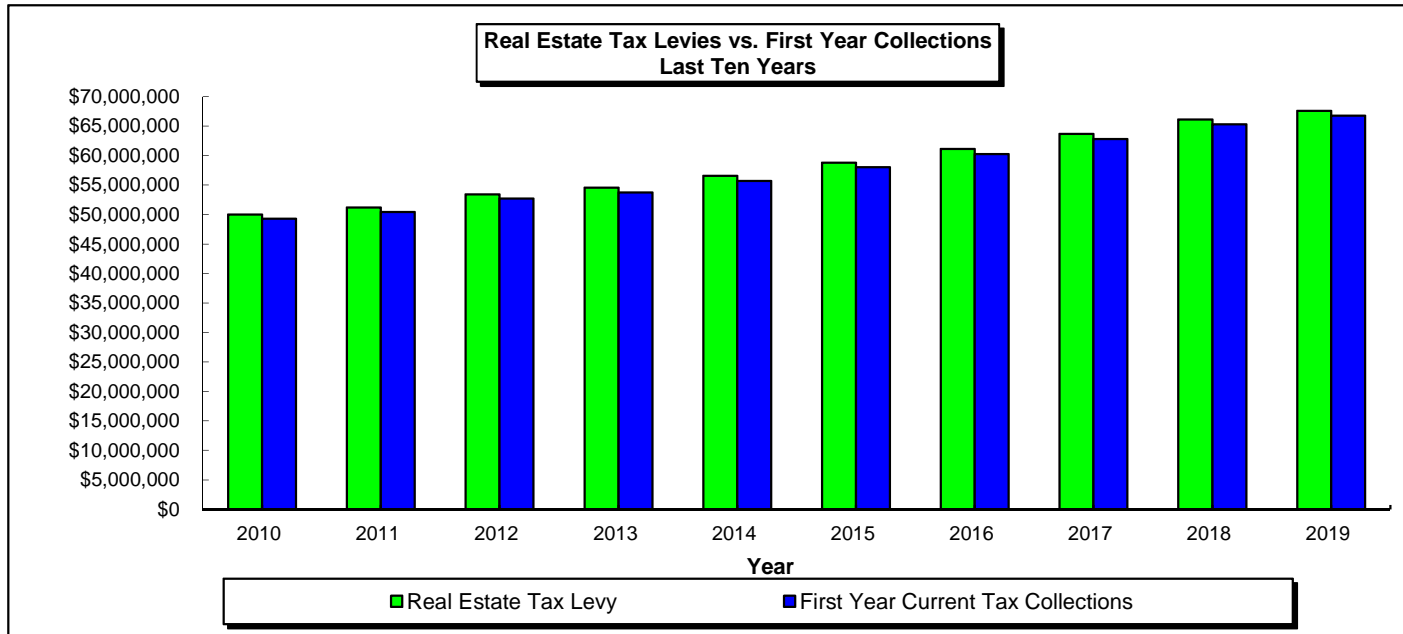
Source: Town of Marblehead, Assessor's Department

# Property Tax Levies and Collections

## Last Ten Years

| Year | (1)<br>Total<br>Tax Levy | Less<br>Abatements &<br>Exemptions | (1)<br>Net<br>Tax Levy | First Year<br>Current<br>Tax Collections | Percent of<br>Net Levy<br>Collected | Delinquent<br>Tax<br>Collections | Total<br>Tax<br>Collections | Percent of<br>Total Tax<br>Collections to<br>Net Tax Levy |
|------|--------------------------|------------------------------------|------------------------|--|-------------------------------------|----------------------------------|-----------------------------|---|
| 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%                               | 477,284                          | 65,796,501                  | 99.5%   |
| 2019 | 67,829,212               | 228,686                            | 67,600,526             | 66,815,929                               | 98.8%                               | -                                | 66,815,929                  | 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<br>Population | Personal<br>Income | Assessed<br>Value | Governmental Activities Debt   |                   |               |                                     |                                    |
|------|----------------------------|--------------------|-------------------|--------------------------------|-------------------|---------------|-------------------------------------|------------------------------------|
|      |                            |                    |                   | General<br>Obligation<br>Bonds | Capital<br>Leases | Per<br>Capita | Percentage<br>of Personal<br>Income | Percentage<br>of Assessed<br>Value |
| 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%                              |
| 2019 | 19,752                     | 1,222,505,445      | 6,315,569,047     | 76,497,250                     | -                 | 3,728         | 6.26%                               | 1.21%                              |

Source: Audited Financial Statements, U. S. Census

## Ratios of General Bonded Debt

### Last Ten Years

| Year | Total Primary Government                            |                              |               |                                     |                                    |
|------|---|------------------------------|---------------|-------------------------------------|------------------------------------|
|      | Enterprise<br>General<br>Obligation<br>Bonds<br>(1) | Total<br>Debt<br>Outstanding | Per<br>Capita | Percentage<br>of Personal<br>Income | Percentage<br>of Assessed<br>Value |
| 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%                              |
| 2019 | -   | 76,497,250                   | 3,728         | 5.76%                               | 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, 2019

| <u>Town of Marblehead, Massachusetts</u>                       | <u>Debt<br/>Outstanding</u> | <u>Percentage<br/>Applicable (1)</u> | <u>Share of<br/>Overlapping<br/>Debt</u> |
|--|-----------------------------|--------------------------------------|--|
| Overlapping debt:  |                             |                                      |  |
| Essex North Shore Agriculture & Technical School District..... | \$ 28,338,000               | 2.58%                                | \$ 455,256                               |
| Massachusetts Bay Transit Authority.....                       |                             |                                      | 452,136                                  |
| South Essex Sewerage District.....                             | 6,680,669                   | 40.32%                               | 3,225,157                                |
| Massachusetts Water Resource Authority.....                    | 20,712,500                  | 1.01%                                | <u>2,677,308</u>                         |
| Subtotal, overlapping debt.....                                |                             |                                      | 6,809,857                                |
| Town direct debt.....  |                             |                                      | <u>76,497,250</u>                        |
| Total direct and overlapping debt.....                         |                             |                                      | \$ <u><u>83,307,107</u></u>              |

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

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

Source: Town of Marblehead's, Finance Department

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



**Computation of Legal Debt Margin**

**Last Ten Years**

|  | <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>           | <u>2019</u>           |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Equalized valuation.....   | \$ 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      | \$ 6,182,649,400      |
| Debt Limit - 5% of equalized valuation.....                              | 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           | 309,132,470           |
| Less:  |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Total debt applicable to limitation.....                                 | <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>     | <u>64,520,000</u>     |
| Legal debt margin.....   | \$ <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> | \$ <u>244,612,470</u> |
| Total debt applicable to the limit as a<br>percentage of debt limit..... | 11%                   | 16%                   | 17%                   | 20%                   | 24%                   | 27%                   | 27%                   | 30%                   | 31%                   | 26%                   |

Source: Town of Marblehead's, Finance Department

## Demographic and Economic Statistics

### Last Ten Years

| Year | Population<br>Estimates | Personal<br>Income | Per<br>Capita<br>Personal<br>Income | Median<br>Age | School<br>Enrollment | Unemployment<br>Rate |
|------|-------------------------|--------------------|-------------------------------------|---------------|----------------------|----------------------|
|------|-------------------------|--------------------|-------------------------------------|---------------|----------------------|----------------------|

|      |        |                  |           |      |       |       |
|------|--------|------------------|-----------|------|-------|-------|
| 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% |
| 2019 | 19,752 | 1,279,080,264    | 64,757    | 47.8 | 3,051 | 3.04% |

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

# Principal Employers

Current and Nine Years Ago

| Employer                | Nature of Business   | 2019      |      |                                     | 2009      |      |                                     |
|-------------------------|----------------------|-----------|------|-------------------------------------|-----------|------|-------------------------------------|
|                         |                      | Employees | Rank | Percentage of Total Town Employment | Employees | Rank | Percentage of Total Town Employment |
| Town of Marblehead      | Municipal Government | 1,264     | 1    | 24.78%                              | 605       | 1    | 12.45%                              |
| Lynch/van Otterloo YMCA | Recreational         | 558       | 2    | 10.94%                              | 175       | 2    | 3.60%                               |
| Eastern Yacht Club      | Yacht Club           | 253       | 3    | 4.96%                               | 126       | 4    | 2.59%                               |
| Corinthian Yacht Club   | Yacht Club           | 180       | 4    | 3.53%                               | 150       | 3    | 3.09%                               |
| Tedesco Country Club    | Country Club         | 169       | 5    | 3.31%                               | 85        | 8    | 1.75%                               |
| Boston Yacht Club       | Yacht Club           | 151       | 6    | 2.96%                               | 80        | 9    | 1.65%                               |
| Lafayette Nursing Home  | Health Care          | 115       | 7    | 2.25%                               | 125       | 5    | 2.57%                               |
| Devereux House          | Health Care          | 88        | 8    | 1.73%                               | 120       | 6    | 2.47%                               |
| Crosby's Marketplace    | Food Market          | 69        | 9    | 1.35%                               | 86        | 7    | 1.77%                               |
| Marblehead Bank         | Banking              | 55        | 10   | 1.08%                               |           |      |                                     |
| National Grand Bank     | Banking              |           |      |                                     | 57        | 10   | 1.17%                               |

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>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>   | <u>2019</u>   |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Function                    |               |               |               |               |               |               |               |               |               |               |
| General government.....     | 22.75         | 22.75         | 22.50         | 22.50         | 21.50         | 22.03         | 21.55         | 21.50         | 21.98         | 22.03         |
| Public safety.....          | 56.00         | 55.75         | 55.75         | 56.75         | 55.75         | 55.54         | 55.84         | 51.28         | 53.18         | 54.44         |
| Fire.....                   | 42.50         | 42.50         | 42.75         | 42.75         | 42.75         | 42.75         | 39.70         | 39.70         | 39.70         | 40.00         |
| Education.....              | 487.71        | 488.01        | 480.00        | 490.00        | 492.00        | 489.80        | 489.17        | 493.17        | 504.20        | 483.90        |
| Public works.....           | 36.10         | 36.18         | 36.18         | 36.18         | 36.18         | 36.06         | 34.37         | 33.40         | 36.51         | 33.96         |
| Human services.....         | 8.18          | 8.18          | 8.18          | 8.93          | 9.93          | 9.64          | 8.40          | 9.35          | 9.54          | 11.16         |
| Culture and recreation..... | 29.00         | 29.25         | 29.50         | 29.00         | 29.00         | 30.78         | 25.64         | 27.25         | 26.21         | 25.61         |
| Total.....                  | <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> | <u>671.10</u> |

Source: Town Records

**Operating Indicators by Function/Program**

**Last Ten Years**

| <b>Function/Program</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> | <b>2019</b> |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Police                        |             |             |             |             |             |             |             |             |             |             |
| Physical arrests.....         | 250         | 146         | 144         | 171         | 157         | 167         | 153         | 188         | 137         | 103         |
| Motor vehicle violations..... | 2,118       | 1,443       | 1,323       | 1,344       | 553         | 1,096       | 964         | 1,104       | 1,036       | 765         |
| Parking violations.....       | 3,039       | 2,230       | 2,782       | 2,857       | 2,200       | 2,097       | 2,645       | 3,195       | 3,164       | 2,971       |
| Fire                          |             |             |             |             |             |             |             |             |             |             |
| Inspections.....              | 1,817       | 2,160       | 1,793       | 2,571       | 2,375       | 937         | 1,315       | 1,755       | 565         | 933         |
| Emergency responses.....      | 2,396       | 2,540       | 2,540       | 2,307       | 2,522       | 2,663       | 2,645       | 2,634       | 2,548       | 2,344       |
| Libraries                     |             |             |             |             |             |             |             |             |             |             |
| Volumes in circulation.....   | 125,975     | 126,230     | 135,433     | 138,683     | 143,559     | 143,559     | 150,050     | 142,915     | 137,086     | 130,460     |
| Total volumes borrowed.....   | 240,518     | 226,953     | 245,447     | 228,339     | 230,625     | 217,318     | 211,233     | 203,800     | 190,975     | 187,911     |
| Water                         |             |             |             |             |             |             |             |             |             |             |
| Service connections.....      | 8,080       | 7,991       | 7,991       | 8,030       | 8,045       | 8,032       | 8,032       | 8,041       | 8,047       | 8,051       |
| Consumption in gallons.....   | 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   | 1,657,900   |
| Daily consumption.....        | 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   | 3,487,000   |
| Sewer                         |             |             |             |             |             |             |             |             |             |             |
| Service connections.....      | 8,160       | 7,883       | 7,883       | 7,883       | 7,883       | 7,885       | 7,865       | 7,874       | 7,880       | 7,885       |
| Daily average collection..... | 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   | 2,343,468   |

Source: Various Town departments

## Capital Asset Statistics by Function/Program

### Last Ten Years

| <u>Function/Program</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> | <u>2019</u> |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Education                            |             |             |             |             |             |             |             |             |             |             |
| Number of elementary schools.....    | 6           | 6           | 6           | 6           | 6           | 6           | 6           | 6           | 5           | 4           |
| 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.....              | 294         | 243         | 285         | 289         | 288         | 289         | 294         | 297         | 293         | 290         |
| Number of administrators.....        | 26          | 22          | 22          | 22          | 27          | 22          | 22          | 22          | 22          | 19          |
| Number of students.....              | 3,250       | 3,262       | 3,188       | 3,269       | 3,304       | 3,255       | 3,208       | 3,264       | 3,185       | 3,051       |
| Water                                |             |             |             |             |             |             |             |             |             |             |
| Water mains (miles).....             | 88          | 88          | 89          | 88          | 88          | 88          | 88          | 88          | 88          | 88          |
| Fire hydrants.....                   | 860         | 860         | 860         | 860         | 860         | 861         | 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         | 203         | 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          | 16          | 16          | 16          | 16          | 16          | 16          | 16          | 16          | 16          |
| Tennis courts.....                   | 12          | 13          | 14          | 14          | 14          | 14          | 14          | 14          | 14          | 12          |
| Pickleball courts.....               |             |             |             |             |             |             |             |             |             | 6           |
| Harbor                               |             |             |             |             |             |             |             |             |             |             |
| Harbors.....                         | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           |
| Moorings.....                        | 2,200       | 2,200       | 2,400       | 2,600       | 2,800       | 2,800       | 2,800       | 2,800       | 3,000       | 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           | 7           | 7           | 7           | 7           | 7           | 7           | 7           | 7           |
| Emergency rescue watercraft.....     | 2           | 2           | 2           | 2           | 2           | 3           | 3           | 3           | 3           | 3           |

Source: Various Town Departments



*Old Marblehead Fire Department horse drawn rig passing the Train Depot on Pleasant Street.*

Photo by Dan Dixey

*Marblehead Neck from the end of the Causeway in 1891.*

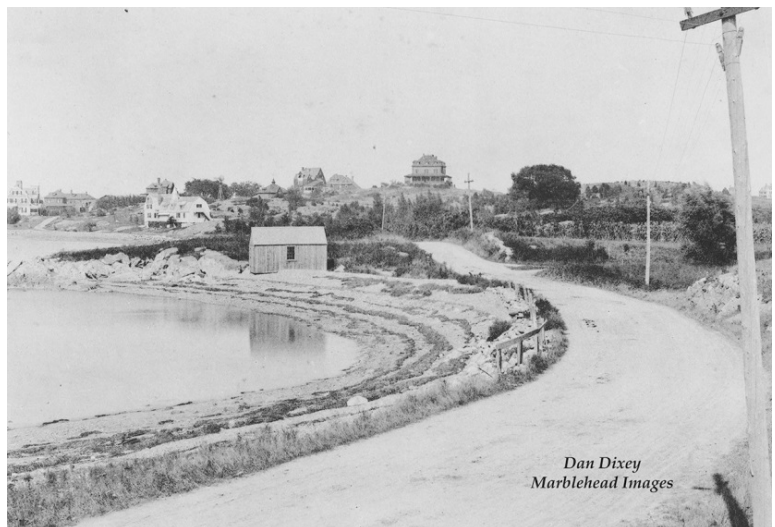


Photo by Dan Dixey



*The Devereux Train Station on Devereux Street in 1891.*

Photo by Dan Dixey