

TOWN OF MARBLEHEAD, MASSACHUSETTS

ANNUAL COMPREHENSIVE FINANCIAL REPORT



Photo by Yacht Shotz LLC

**For the Year Ended
June 30, 2023**

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

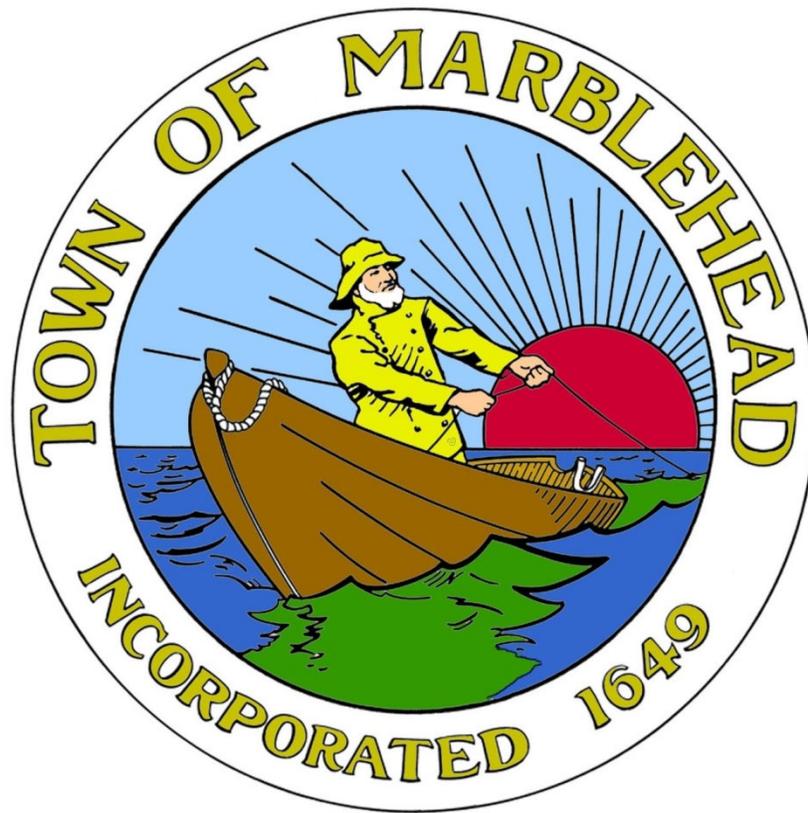
Fire boat on the water during a quiet winter morning.



Photo by Matt Freeman

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

TOWN OF MARBLEHEAD, MASSACHUSETTS



ANNUAL COMPREHENSIVE
FINANCIAL REPORT
For the Year Ended June 30, 2023
Prepared by the Finance Department

TOWN OF MARBLEHEAD, MASSACHUSETTS
Annual Comprehensive Financial Report
Year Ended June 30, 2023

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Introductory Section



© Yacht Shotz

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Small sailboats lined up on calm waters.

Introductory Section

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TOWN OF MARBLEHEAD

FINANCIAL SERVICES

www.marblehead.org/finance

Aleesha Nunley Benjamin
Finance Director/CFO
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7 Widger Road
Marblehead, MA 01945

Letter of Transmittal

March 20, 2024

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

It is with great pleasure that the Annual Comprehensive Financial Report of the Town of Marblehead, Massachusetts, for the fiscal year ended June 30, 2023, is presented. The financial statements are presented in conformity with accounting principles generally accepted in the United States of America (GAAP) that are audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report also complies with the financial reporting model developed by the Governmental Accounting Standards Board (GASB) Statement 34.

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

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

This report consists of management's representations concerning the finances of the Town of Marblehead. Consequently, management assumes full responsibility for the completeness and reliability of all 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, 2023, 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 and that the Town of Marblehead's financial statements for the fiscal year ended June 30, 2023, 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 requires 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 Select Board, 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 20,441, 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 Select Board/Open Town Meeting/Town Administrator form of government. The five-member Select Board, elected annually, makes policy decisions. The Town Administrator is responsible for carrying out the policies and direction of the Select Board 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

Given its proximity and accessibility to Boston, The Town of Marblehead real estate market continues to experience a strong period of revitalization, both in terms of value and new construction. Like all communities, COVID-19 has been an unprecedented challenge for the Town on many levels. Still, at a fundamental level, the Town enjoys a healthy and stable local economy. New growth in fiscal year 2023 was \$434,109. In addition, the median family income has remained significantly higher than state averages and the unemployment rate mirrors the state average. 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 6,240 single family dwellings as of January 1, 2022. There are 2,059 Colonial style homes, constituting 33% of the single family housing stock. Old Style construction (typically pre-1920) represents 21% with 1,282 properties. Cape, Ranch, Contemporary, Split level, and Antique style properties comprise 38% 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 over 1,000 condominiums, 300+ two-family properties, and 146 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 fiscal year 2023, single family dwellings had an average assessment of \$1,030,466, representing an increase of \$86,050 from fiscal year 2022. The average tax bill of \$10,305 is based on a single tax rate of \$10.00.

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 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 4.0% for Marblehead in fiscal year 2023. 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 (as of today there are 10 single family homes for sale) 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 indications are a strong real estate market remains in place. This will result in a continued increase in market values for fiscal year 2023 and similarly, a corresponding increase in assessments. It is expected that for fiscal year 2023 the aggregate value of the community will continue to rise.

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 fifteen 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.

Minimal Formal Changes to Fiscal Year 2023 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 fiscal year 2023, line item transfers were made between appropriated amounts, there were no significant changes between the total original and total final budget.

Property Tax Collection Rates Remain Consistently High

The Town has consistently had a collection rate for net property taxes due in excess of 98%. The collection rate was approximately 97.2% in fiscal year 2023, a reduction of 0.25%, primarily due to outstanding personal property taxes. Property tax revenue represents approximately 69% 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.

SIGNIFICANT EVENTS

COVID-19 Pandemic

The COVID-19 pandemic and its impact continues to be amongst the top of the list of significant events taking place in fiscal year 2023.

As is with most communities, the Town continues to navigate the interruptions caused by COVID-19. The Town has faced supply chain issues with significant delays and increased costs for goods and services due to covid.

Thankfully, with many utilizing vaccinations, the pandemic has now become manageable with many wearing masks when ill to protect others.

Expenses related to the COVID-19 emergency response were paid for through a combination of CARES Act and FEMA available funds. The State has not reduced the Town's free cash due to the FEMA Covid-19 deficit. The Town expects to recoup funds from FEMA in fiscal year 2024.

Town's AAA Bond Rating Affirmed for 15TH Consecutive Year

In September of 2022, the Town issued Bonds for various capital projects. In the process of preparing for these financings, the Town was reviewed by the independent rating agency of Standard and Poor's (S&P). After careful review of the Town's finances and management practices, S&P affirmed the Town's Bond rating at AAA, their highest municipal rating. This represents the 15th consecutive year that S&P has set the Town's bond rating at AAA.

Significant Capital Improvement Projects

The Town completed and started several major capital projects in fiscal year 2023. In the 2022 annual Town Meeting funds were approved for one truck for the Health/Waste Department, one compact utility tractor for the Cemetery Department, one snow blower attachment for the Cemetery Department, one portable air compressor for the Cemetery Department, software for the Cemetery Department, traffic related speed monitors for the Police Department, portable radios for the Fire Department, new frame for Engine 1 for the Fire Department, undercoating of apparatus and utility vehicles for the Fire Department, one F-150 crew cab truck for the Sewer Department, one F-550 dump truck for the Sewer Department, one F-350 utility truck for the Sewer Department, one F-350 utility truck for the Water Department, two cruisers for the Police Department, electric-wide area mower for the Recreation & Parks Department, pickup truck with plow for the School Department, one commercial truck with plow for the Department of Public Works, street paving for the Public Works Department, improvements to various buildings including replace boilers, replace roofs at High School, Police Station, Mary Alley Building, Community Center, Franklin St. Fire Station, and Tower Way DPW building, walls and fences, water construction including mains, water meters, appurtenances, engineering, and sewer construction including reconstruction of sewers, pump stations, equipment, and engineering. Annual Town meeting also approved funds for Storm Drainage Construction.

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 annual comprehensive financial report (ACFR) for the fiscal year ended June 30, 2021. In order to receive this prestigious award, a government must publish an easily readable and efficiently organized ACFR that satisfies both generally accepted accounting principles and applicable legal requirements. The Town was unable to submit the fiscal year 2022 ACFR to the award program and is submitting the fiscal year 2023 ACFR to the GFOA for consideration.

The Town of Marblehead has received the GFOA's Distinguished Budget Presentation Award for the first time for its fiscal year 2022 budget. In fiscal year 2022 only 37 municipalities in Massachusetts received this recognition. We are very proud of this accomplishment achieved through a collaborative effort and leadership from the Select Board and Finance Committee.

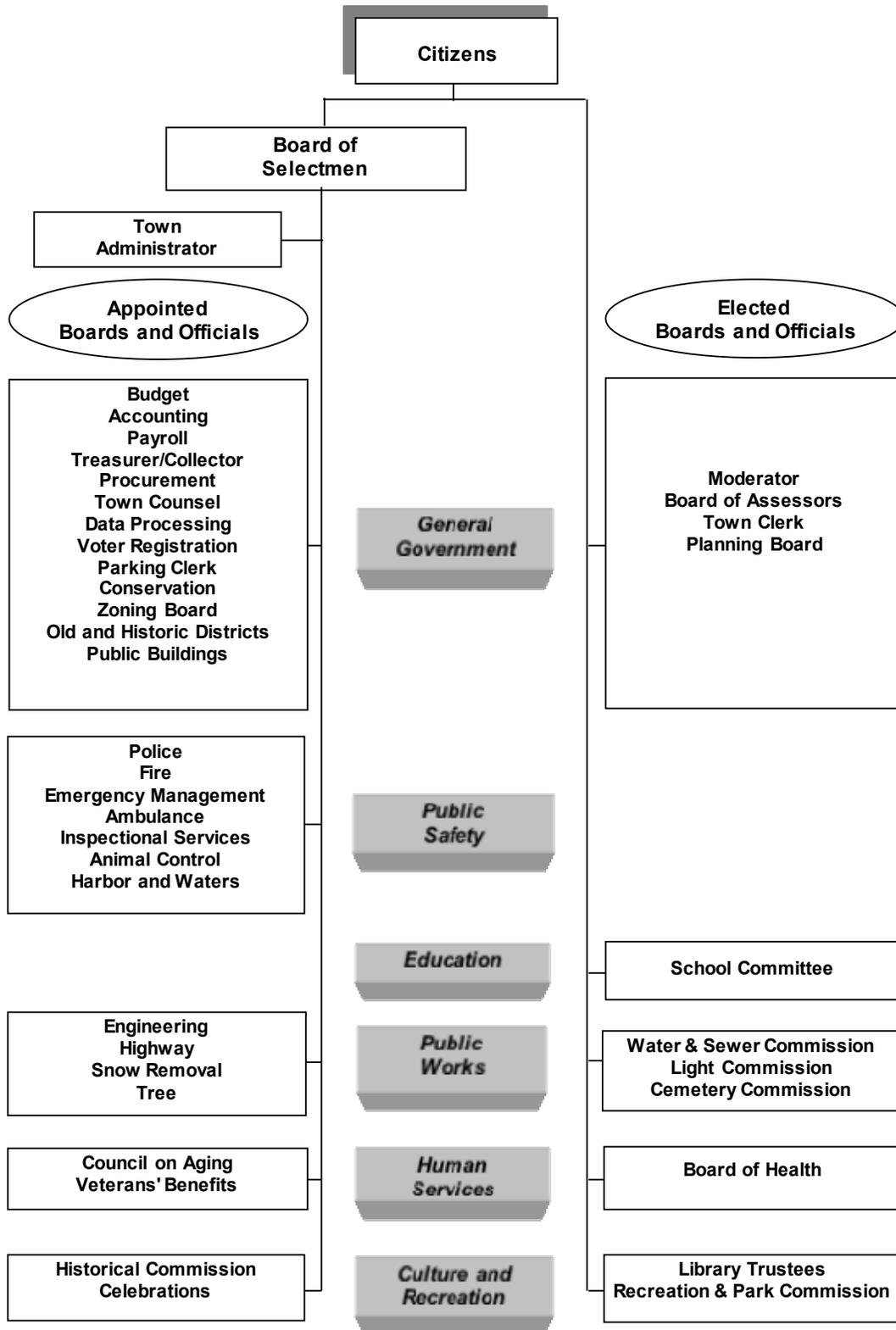
The preparation of this report on a timely basis could not be accomplished without the diligent and dedicated staff of the Finance Department, which includes the Treasurer, Accounting, Payroll, and Retirement offices. I would like to express my sincere appreciation to all members of the Town's Finance Department who assisted and contributed to the preparation of this report. I would also like to thank the Town Administrator, the Select Board, 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 "Aleesha Nunley Benjamin", with a long horizontal flourish extending to the right.

Aleesha Nunley Benjamin
Finance Director/CFO

Town of Marblehead, Massachusetts Organization Chart



Town of Marblehead, Massachusetts
Principal Executive Officers as of June 30, 2023

| Title | Name | Manner of Selection | Term Expires |
|----------------------|-------------------------|---------------------|--------------|
| Board Member (Chair) | M. C. Moses Grader | Elected | 6/20/2023 |
| Board Member | Jackie Belf-Becker* | Elected | 6/20/2023 |
| Board Member | James E. Nye | Elected | 6/20/2023 |
| Board Member | Erin M. Noonan | Elected | 6/20/2023 |
| Board Member | Alexa Singer | Elected | 6/20/2023 |
| Board Member | Brett Murray | Elected | 6/20/2023 |
| Town Administrator | Thatcher Kezer | Appointed | 6/2/2025 |
| Finance Director/CFO | Aleesha Nunley Benjamin | Appointed | 3/6/2026 |
| Town Accountant | Christopher Holak | Appointed | 6/1/2024 |
| Treasurer/Collector | Rachel Blaisdell | Appointed | 6/1/2024 |
| Town Clerk | Robin A. Michaud | Elected | 6/10/2025 |

**Replaced by Brett Murray June election 2023*

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 Select Board
Town of Marblehead, Massachusetts

Report on the Audit of the Financial Statements

Opinions

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, 2023 (except for the Marblehead Contributory Retirement System which is as of and for the year ended December 31, 2022), and the related notes to the financial statements, which collectively comprise the Town of Marblehead, Massachusetts' basic financial statements as listed in the table of contents.

In our opinion, 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, 2023 (except for the Marblehead Contributory Retirement System which is as of and for the year ended December 31, 2022), 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Marblehead, Massachusetts and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Marblehead, Massachusetts' ability to

continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards *and Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Marblehead, Massachusetts' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Marblehead, Massachusetts' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, although not a 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, or 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.

Supplementary Information

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

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2024, on our consideration of the Town of Marblehead, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Town of Marblehead, Massachusetts' 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, Massachusetts' internal control over financial reporting and compliance.



March 20, 2024

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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, 2023. 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 water, sewer, 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 water, sewer, 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 are reported and combined into a single, aggregate presentation in the fiduciary fund financial statements under the caption "private purpose trust funds".

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

Government-wide Financial Analysis

During fiscal year 2023, the Town's overall net position of the primary government increased by \$14.1 million, to a deficit balance of \$59.3 million. This was comprised of a \$10.6 million increase in governmental net position and a \$3.5 million increase in business-type net position. The \$223.9 million deficit in unrestricted government-wide net position is attributable to the Town's recognition of \$155.3 million in net OPEB liabilities and the recognition of \$54.6 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 \$110.0 million, at the close of 2023.

| | 2023 | 2022 |
|---|-------------------------|-------------------------|
| Assets: | | |
| Current assets..... | \$ 76,719,449 | \$ 64,330,380 |
| Capital assets, nondepreciable..... | 12,624,862 | 10,630,647 |
| Capital assets, net of accumulated depreciation.... | 166,853,076 | 170,493,162 |
| Total assets..... | 256,197,387 | 245,454,189 |
| Deferred outflows of resources..... | 38,735,847 | 22,375,813 |
| Liabilities: | | |
| Current liabilities (excluding debt)..... | 10,597,170 | 6,975,381 |
| Noncurrent liabilities (excluding debt)..... | 195,795,112 | 184,981,600 |
| Current debt..... | 8,254,432 | 7,703,702 |
| Noncurrent debt..... | 108,648,315 | 103,344,375 |
| Total liabilities..... | 323,295,029 | 303,005,058 |
| Deferred inflows of resources..... | 81,675,752 | 85,488,195 |
| Net position: | | |
| Net investment in capital assets..... | 94,870,282 | 94,756,565 |
| Restricted..... | 18,469,652 | 18,691,493 |
| Unrestricted..... | (223,377,481) | (234,111,309) |
| Total net position..... | \$ (110,037,547) | \$ (120,663,251) |

Governmental net position of \$94.9 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, \$18.5 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 \$223.4 million. The primary reason for this deficit balance in net position is the recognition of net OPEB liabilities of \$145.6 million and the recognition of net pension liabilities in the amount of \$46.7 million. Accounting standards require the Town to obtain an actuarial valuation of the Town's liability to pay other postemployment benefits to current employees and retirees. Since there is no legal obligation to fund the liability at this time, the Town has opted to continue to fund the majority of the other postemployment benefits on a pay-as-you-go basis. The Town is partially funding the liability and, as of June 30, 2023, the OPEB trust fund has a combined balance of \$6.3 million. Of this amount, \$2.3 million directly relates to prefunding of the Municipal Light Plant and the remaining \$4.0 million has been prefunded by the Town. 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.

| | 2023 | 2022 |
|---|-------------------------|-------------------------|
| Program Revenues: | | |
| Charges for services..... | \$ 7,701,659 | \$ 7,552,579 |
| Operating grants and contributions..... | 18,877,045 | 21,172,543 |
| Capital grants and contributions..... | 1,125,122 | 4,302,332 |
| General Revenues: | | |
| Real estate and personal property taxes, net of tax refunds payable..... | 78,959,380 | 75,856,606 |
| Motor vehicle and other excise taxes..... | 3,666,052 | 4,419,655 |
| Penalties and interest on taxes..... | 456,535 | 372,018 |
| Grants and contributions not restricted to specific programs..... | 1,587,952 | 1,578,261 |
| Unrestricted investment income..... | 1,716,322 | 1,226,075 |
| Gain on sale of capital assets..... | - | 869,932 |
| Total revenues..... | 114,090,067 | 117,350,001 |
| Expenses: | | |
| General government..... | 5,152,221 | 4,321,513 |
| Public safety..... | 13,215,118 | 12,676,904 |
| Education..... | 68,747,259 | 74,090,863 |
| Public works..... | 7,859,316 | 7,544,446 |
| Human services..... | 1,367,356 | 1,137,231 |
| Culture and recreation..... | 4,568,681 | 3,707,860 |
| Interest..... | 2,554,412 | 2,142,461 |
| Total expenses..... | 103,464,363 | 105,621,278 |
| Change in net position..... | 10,625,704 | 11,728,723 |
| Net position, beginning of year..... | (120,663,251) | (132,391,974) |
| Net position, end of year..... | \$ (110,037,547) | \$ (120,663,251) |

Key components of the \$10.6 million overall increase in governmental net position are the increases in the Town's federal grant funds which were mainly caused by the timing between the expenditure and receipt of funds for grant programs along with a decrease in the net OPEB liability and changes in the related deferred outflows and inflows of resources. The recognition of changes in the long-term liabilities related to pension and OPEB are deferred and recognized over several years, in accordance with GASB standards. The decrease in capital grants and contributions are related to the \$3.8 million in school construction aid received in fiscal year 2022 from Commonwealth of Massachusetts for the Gerry School project. The state capital reimbursements for this project were completed in fiscal year 2022.

The governmental expenses totaled \$ 103.5 million of which \$27.7 million (27%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$86.4 million, primarily coming from property taxes, motor vehicle excise taxes, non-restricted state aid and investment income. It is typical for most expense lines to increase through the budget process each year and for normal increases in real estate tax revenue. The majority of the decrease in education expenses came from changes in net OPEB and pension liabilities and related deferred inflows and outflows of resources.

Capital grants and contributions decrease was attributed to no Massachusetts School Building Authority (MSBA) reimbursement receipts being received in the current year.

Business-type Activities

For the Town’s business-type activities, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$50.7 million at the close of 2023.

Business-type net position of \$41.1 million represents investments in capital assets, less any related debt used to acquire those assets that are still outstanding. An additional \$10.2 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 \$554,000. There was a net increase of \$3.5 million in total net position reported in the business-type activities during 2023.

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 to reduce the need to fund capital projects with long-term debt. As a result, the net position remains relatively consistent from year-to-year. The main changes in net position result from changes in the net OPEB and net pension liabilities.

| | 2023 | 2022 |
|--|----------------------|----------------------|
| Assets: | | |
| Current assets..... | \$ 37,428,604 | \$ 34,817,911 |
| Noncurrent assets (excluding capital)..... | 1,444,926 | 1,305,772 |
| Capital assets, nondepreciable..... | 2,380,523 | 2,262,916 |
| Capital assets, net of accumulated depreciation... | 46,307,143 | 46,147,992 |
| Total assets..... | 87,561,196 | 84,534,591 |
| Deferred outflows of resources..... | 3,670,904 | 2,682,372 |
| Liabilities: | | |
| Current liabilities (excluding debt)..... | 2,726,892 | 2,618,343 |
| Noncurrent liabilities (excluding debt)..... | 17,672,203 | 19,805,509 |
| Current debt..... | 828,547 | 818,921 |
| Noncurrent debt..... | 7,163,087 | 7,991,634 |
| Total liabilities..... | 28,390,729 | 31,234,407 |
| Deferred inflows of resources..... | 12,110,500 | 8,722,978 |
| Net position: | | |
| Net investment in capital assets..... | 41,064,549 | 41,078,739 |
| Restricted..... | 10,220,543 | 9,614,061 |
| Unrestricted..... | (554,221) | (3,433,222) |
| Total net position..... | \$ 50,730,871 | \$ 47,259,578 |

The Water Enterprise Fund’s net position totaled \$14.0 million at year end; an increase of \$1.3 million from the prior year. This balance is approximately 2.5 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 52% of the operating expenses consist of assessments paid to the Massachusetts Water Resource Authority (MWRA).

The Sewer Enterprise Fund's net position totaled \$15.3 million at year end; an increase of \$580,000 from the prior year. This balance is approximately 2.6 times the annual operating expenses. Revenues in this fund consist primarily of charges for sewer services and approximately 55% of the non pension and OPEB related Sewer expenses relate to the annual assessment paid to the South Essex Sewerage District (SESD).

The Harbor Enterprise Fund's net position totaled \$2.0 million at year end; a decrease of \$843,000 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 only significant changes relate to the long-term pension and OPEB liabilities.

The Municipal Light Enterprise Fund's net position totaled \$19.4 million at year end; an increase of \$2.5 million. The majority of the revenue in this fund consists of charges for services and 80% of the expenses relate to cost of services and administration.

| | 2023 | 2022 |
|---|-------------------|----------------------|
| Program Revenues: | | |
| Charges for services..... \$ | 34,460,835 | \$ 29,098,160 |
| Operating grants and contributions..... | 9,129 | 11,000 |
| General Revenues: | | |
| Boat excise taxes..... | 106,097 | 355,558 |
| Unrestricted investment income..... | 321,328 | 35,058 |
| Total revenues..... | 34,897,389 | 29,499,776 |
| Expenses: | | |
| Water..... | 5,706,225 | 5,230,346 |
| Sewer..... | 6,000,843 | 3,231,012 |
| Harbor..... | 2,008,866 | 179,724 |
| Municipal Light..... | 17,710,162 | 16,982,831 |
| Total expenses..... | 31,426,096 | 25,623,913 |
| Change in net position..... | 3,471,293 | 3,875,863 |
| Net position, beginning of year..... | 47,259,578 | 43,383,715 |
| Net position, end of year..... \$ | 50,730,871 | \$ 47,259,578 |

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 \$65.9 million, an increase of \$9.2 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 \$10.9 million, while total fund balance was \$22.4 million. Of the \$9.2 million assigned fund balance, \$8.0 million, has been allocated to balance the 2024 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 \$2.3 million as of June 30, 2023. 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 10.5% of total general fund expenditures, while total fund balance represents 21.7% of that same amount.

The General Fund increased by \$99,100. This includes a \$250,000 payment into a newly created Stabilization Fund reported within the General Fund. Revenues totaled \$102.7 million and consisted primarily of real estate taxes, motor vehicle excise taxes, and state aid. Expenditures totaled \$103.1 million and are managed through appropriations approved at Town meeting.

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 project during 2023 has been the Abbot Library Renovation Project and road improvements. The capital projects fund had a net increase of approximately \$8.7 million during 2023, which was the net result of \$13.5 million from the issuance of long-term bonds and related premiums and \$4.7 million spent on projects, as well as transfers within capital projects to reallocate funds.

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 and other state highway grants. Revenues consisted of reimbursements from the state grant program, other state highway grants and expenditures consist of road improvements. The fund had a year-end receivable due from the state of \$822,000 and annual expenditures totaled \$350,000.

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 \$7.5 million and the fund increased by \$180,000 during the year. Revenues consisted of investment earnings and contributions totaling \$268,000; expenditures totaled \$61,000 and transfers out totaled \$26,000.

The Federal Grants major fund is used to account for federal grant revenue. The Town recorded \$1.3 million in revenue and \$1.6 million in expenditures, mostly for education, in fiscal year 2023. The ending balance in this fund totaled \$2.5 million, a decrease of \$331,000 from the prior year.

General Fund Budgetary Highlights

The Town experienced a \$2.2 million surplus of actual over budgeted revenues. The largest surplus was in investment income as markets were up and the Town had higher cash on hand to invest. In addition, the Town does not budget for police detail administration fees, water, sewer and harbor indirect costs which contributed to a \$638,000 surplus in transfers in.

Actual expenditures ended the year approximately \$5.1 million under budget. The most notable is the group insurance appropriation, which ended the year \$3.5 million under budget.

There were no significant changes between the original and final general fund budget.

The Town voted to use \$10.2 million of the prior year's available fund balance to fund the fiscal year 2023 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 the Abbot Library Project. Other capital asset activity consisted of building improvements, machinery and equipment and infrastructure improvements, including roadway repairs.

Capital additions of the business-type activities consisted of upgrades to infrastructure in the Water activities, infrastructure and machinery and equipment in the Sewer activities, machinery and equipment in the Harbor activities, and light plant and equipment in the Municipal Light Plant.

Debt administration. Outstanding long-term debt of the general government, as of June 30, 2023, totaled \$116.9 million in general obligation bonds and unamortized premiums on bonds. Outstanding long-term debt of the business-type activities consists of \$4.0 million Massachusetts Water Resources Authority (MWRA) bonds issued by the water enterprise fund and \$4.0 million Massachusetts Municipal Wholesale Electric Company (MMWEC) pooled financing loans issued by the municipal light plant.

The Town issued general obligation bonds of \$12.3 million with a \$1.3 million premium and retired and amortized a total of \$7.7 million during the year in governmental activities. The business type activities redeemed \$819,000 in outstanding 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, 2023

| | <i>Primary Government</i> | | |
|---|--------------------------------|-----------------------------|-------------------------------|
| | Governmental | Business-type | Total |
| | Activities | Activities | |
| ASSETS | | | |
| CURRENT: | | | |
| Cash and cash equivalents..... | \$ 63,583,762 | \$ 18,495,970 | \$ 82,079,732 |
| Restricted cash and cash equivalents..... | - | 10,220,543 | 10,220,543 |
| Investments..... | 8,926,200 | - | 8,926,200 |
| Receivables, net of allowance for uncollectibles: | | | |
| Real estate and personal property taxes..... | 2,101,774 | - | 2,101,774 |
| Tax liens..... | 348,832 | - | 348,832 |
| Motor vehicle and boat excise taxes..... | 336,939 | 39,891 | 376,830 |
| User fees..... | - | 5,179,980 | 5,179,980 |
| Departmental and other..... | 88,351 | - | 88,351 |
| Intergovernmental..... | 1,296,428 | - | 1,296,428 |
| Tax foreclosures..... | 16,067 | - | 16,067 |
| Inventory..... | 21,096 | 221,455 | 242,551 |
| Other assets..... | - | 1,624,056 | 1,624,056 |
| Purchased power advanced deposits..... | - | 1,646,709 | 1,646,709 |
| Total current assets..... | <u>76,719,449</u> | <u>37,428,604</u> | <u>114,148,053</u> |
| NONCURRENT: | | | |
| Investment in joint venture..... | - | 1,444,926 | 1,444,926 |
| Capital assets, nondepreciable..... | 12,624,862 | 2,380,523 | 15,005,385 |
| Capital assets, net of accumulated depreciation..... | <u>166,853,076</u> | <u>46,307,143</u> | <u>213,160,219</u> |
| Total noncurrent assets..... | <u>179,477,938</u> | <u>50,132,592</u> | <u>229,610,530</u> |
| TOTAL ASSETS..... | <u>256,197,387</u> | <u>87,561,196</u> | <u>343,758,583</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows related to pensions..... | 6,690,419 | 1,423,568 | 8,113,987 |
| Deferred outflows related to other postemployment benefits..... | <u>32,045,428</u> | <u>2,247,336</u> | <u>34,292,764</u> |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES..... | <u>38,735,847</u> | <u>3,670,904</u> | <u>42,406,751</u> |
| LIABILITIES | | | |
| CURRENT: | | | |
| Warrants payable..... | 2,663,415 | 2,182,677 | 4,846,092 |
| Accrued payroll..... | 493,469 | 39,500 | 532,969 |
| Tax refunds payable..... | 686,502 | - | 686,502 |
| Accrued interest..... | 1,802,996 | - | 1,802,996 |
| Liabilities due depositors..... | 18,379 | - | 18,379 |
| Other liabilities..... | 9,724 | - | 9,724 |
| Fees collected in advance..... | 28,929 | - | 28,929 |
| Customer deposits..... | - | 214,981 | 214,981 |
| Unearned revenue..... | 3,272,015 | - | 3,272,015 |
| Landfill closure..... | 114,600 | - | 114,600 |
| Compensated absences..... | 1,265,422 | 289,734 | 1,555,156 |
| Workers' compensation..... | 241,719 | - | 241,719 |
| Bonds payable..... | <u>8,254,432</u> | <u>828,547</u> | <u>9,082,979</u> |
| Total current liabilities..... | <u>18,851,602</u> | <u>3,555,439</u> | <u>22,407,041</u> |
| NONCURRENT: | | | |
| Landfill closure..... | 2,292,000 | - | 2,292,000 |
| Compensated absences..... | 374,238 | - | 374,238 |
| Workers' compensation..... | 911,689 | - | 911,689 |
| Net pension liability..... | 46,658,010 | 7,916,896 | 54,574,906 |
| Net other postemployment benefits liability..... | 145,559,175 | 9,755,307 | 155,314,482 |
| Bonds payable..... | <u>108,648,315</u> | <u>7,163,087</u> | <u>115,811,402</u> |
| Total noncurrent liabilities..... | <u>304,443,427</u> | <u>24,835,290</u> | <u>329,278,717</u> |
| TOTAL LIABILITIES..... | <u>323,295,029</u> | <u>28,390,729</u> | <u>351,685,758</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Contributions in aid of construction..... | - | 226,423 | 226,423 |
| Rate stabilization reserve..... | - | 1,411,416 | 1,411,416 |
| Deferred inflows related to pensions..... | 1,869,358 | 2,604,003 | 4,473,361 |
| Deferred inflows related to other postemployment benefits..... | <u>79,806,394</u> | <u>7,868,658</u> | <u>87,675,052</u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES..... | <u>81,675,752</u> | <u>12,110,500</u> | <u>93,786,252</u> |
| NET POSITION | | | |
| Net investment in capital assets..... | 94,870,282 | 41,064,549 | 135,934,831 |
| Restricted for: | | | |
| Depreciation..... | - | 10,220,543 | 10,220,543 |
| Permanent funds: | | | |
| Expendable..... | 3,731,014 | - | 3,731,014 |
| Nonexpendable..... | 3,763,633 | - | 3,763,633 |
| Gifts and grants..... | 10,975,005 | - | 10,975,005 |
| Unrestricted..... | <u>(223,377,481)</u> | <u>(554,221)</u> | <u>(223,931,702)</u> |
| TOTAL NET POSITION..... | <u>\$ (110,037,547)</u> | <u>\$ 50,730,871</u> | <u>\$ (59,306,676)</u> |

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

| <u>Functions/Programs</u> | Program Revenues | | | | |
|------------------------------------|------------------|-------------------------|--|--|--------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Net (Expense) Revenue |
| Primary Government: | | | | | |
| <i>Governmental Activities:</i> | | | | | |
| General government..... | \$ 5,152,221 | \$ 403,957 | \$ 278,911 | \$ 441,898 | \$ (4,027,455) |
| Public safety..... | 13,215,118 | 2,049,255 | 89,944 | - | (11,075,919) |
| Education..... | 68,747,259 | 1,976,204 | 18,004,847 | - | (48,766,208) |
| Public works..... | 7,859,316 | 1,854,503 | 86,085 | 683,224 | (5,235,504) |
| Human services..... | 1,367,356 | 102,222 | 151,751 | - | (1,113,383) |
| Culture and recreation..... | 4,568,681 | 1,315,518 | 265,507 | - | (2,987,656) |
| Interest..... | 2,554,412 | - | - | - | (2,554,412) |
| Total Governmental Activities..... | 103,464,363 | 7,701,659 | 18,877,045 | 1,125,122 | (75,760,537) |
| <i>Business-Type Activities:</i> | | | | | |
| Water..... | 5,706,225 | 6,765,335 | - | - | 1,059,110 |
| Sewer..... | 6,000,843 | 6,476,776 | - | - | 475,933 |
| Harbor..... | 2,008,866 | 1,034,494 | 9,129 | - | (965,243) |
| Municipal Light..... | 17,710,162 | 20,184,230 | - | - | 2,474,068 |
| Total Business-Type Activities.... | 31,426,096 | 34,460,835 | 9,129 | - | 3,043,868 |
| Total Primary Government..... | \$ 134,890,459 | \$ 42,162,494 | \$ 18,886,174 | \$ 1,125,122 | \$ (72,716,669) |

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

| | Primary Government | | |
|---|-----------------------------|-----------------------------|----------------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Changes in net position: | | | |
| Net (expense) revenue from previous page..... \$ | <u>(75,760,537)</u> | <u>3,043,868</u> | <u>(72,716,669)</u> |
| <i>General revenues:</i> | | | |
| Real estate and personal property taxes, net of tax refunds payable..... | 78,959,380 | - | 78,959,380 |
| Motor vehicle and boat excise taxes..... | 3,666,052 | 106,097 | 3,772,149 |
| Penalties and interest on taxes..... | 456,535 | - | 456,535 |
| Grants and contributions not restricted to specific programs..... | 1,587,952 | - | 1,587,952 |
| Unrestricted investment income..... | <u>1,716,322</u> | <u>321,328</u> | <u>2,037,650</u> |
| Total general revenues..... | <u>86,386,241</u> | <u>427,425</u> | <u>86,813,666</u> |
| Change in net position..... | 10,625,704 | 3,471,293 | 14,096,997 |
| <i>Net position:</i> | | | |
| Beginning of year..... | <u>(120,663,251)</u> | <u>47,259,578</u> | <u>(73,403,673)</u> |
| End of year..... \$ | <u><u>(110,037,547)</u></u> | <u><u>50,730,871</u></u> | <u><u>(59,306,676)</u></u> |

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2023

| | General | Capital Projects Fund | Highway Improvement Fund | Public Funds | Federal Grant Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|-----------------------------|--------------------------------|---------------------|--------------------------|-----------------------------------|--------------------------------|
| ASSETS | | | | | | | |
| Cash and cash equivalents..... | \$ 23,557,108 | \$ 18,681,773 | \$ - | \$ 4,046,575 | \$ 6,037,469 | \$ 9,785,583 | \$ 62,108,508 |
| Investments..... | - | - | - | 3,449,103 | - | 5,477,097 | 8,926,200 |
| Receivables, net of uncollectibles: | | | | | | | |
| Real estate and personal property taxes..... | 2,101,774 | - | - | - | - | - | 2,101,774 |
| Tax liens..... | 348,832 | - | - | - | - | - | 348,832 |
| Motor vehicle and boat excise taxes..... | 336,939 | - | - | - | - | - | 336,939 |
| Departmental and other..... | 12,875 | - | - | - | - | 75,476 | 88,351 |
| Intergovernmental..... | 38,099 | 258,220 | 822,377 | - | - | 177,732 | 1,296,428 |
| Tax foreclosures..... | 16,067 | - | - | - | - | - | 16,067 |
| Due from other funds..... | 68,896 | - | - | 14,675 | - | - | 83,571 |
| Inventory..... | - | - | - | - | - | 21,096 | 21,096 |
| TOTAL ASSETS..... | \$ 26,480,590 | \$ 18,939,993 | \$ 822,377 | \$ 7,510,353 | \$ 6,037,469 | \$ 15,536,984 | \$ 75,327,766 |
| LIABILITIES | | | | | | | |
| Warrants payable..... | \$ 1,570,655 | \$ 474,014 | \$ 125 | \$ 15,091 | \$ 260,377 | \$ 340,398 | \$ 2,660,660 |
| Accrued payroll..... | 407,045 | 6,713 | - | 615 | - | 79,096 | 493,469 |
| Tax refunds payable..... | 686,502 | - | - | - | - | - | 686,502 |
| Due to other funds..... | 14,675 | - | 68,896 | - | - | - | 83,571 |
| Liabilities due depositors..... | 18,379 | - | - | - | - | - | 18,379 |
| Other liabilities..... | - | - | - | - | - | 9,724 | 9,724 |
| Fees collected in advance..... | - | - | - | - | - | 28,929 | 28,929 |
| Unearned revenue..... | - | - | - | - | 3,272,015 | - | 3,272,015 |
| TOTAL LIABILITIES..... | 2,697,256 | 480,727 | 69,021 | 15,706 | 3,532,392 | 458,147 | 7,253,249 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Unavailable revenue..... | 1,383,907 | - | 749,563 | - | - | 75,477 | 2,208,947 |
| FUND BALANCES | | | | | | | |
| Nonspendable..... | - | - | - | 3,763,633 | - | - | 3,763,633 |
| Restricted..... | - | 18,459,266 | 3,793 | 3,731,014 | 2,505,077 | 15,003,360 | 39,702,510 |
| Committed..... | 2,113,222 | - | - | - | - | - | 2,113,222 |
| Assigned..... | 9,423,222 | - | - | - | - | - | 9,423,222 |
| Unassigned..... | 10,862,983 | - | - | - | - | - | 10,862,983 |
| TOTAL FUND BALANCES..... | 22,399,427 | 18,459,266 | 3,793 | 7,494,647 | 2,505,077 | 15,003,360 | 65,865,570 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES..... | \$ 26,480,590 | \$ 18,939,993 | \$ 822,377 | \$ 7,510,353 | \$ 6,037,469 | \$ 15,536,984 | \$ 75,327,766 |

See notes to basic financial statements.

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

JUNE 30, 2023

| | | |
|--|--------------------|----------------------|
| Total governmental fund balances..... | \$ | 65,865,570 |
| Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds..... | | 179,477,938 |
| Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds..... | | 2,208,947 |
| The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred..... | | (42,939,905) |
| The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position..... | | 319,091 |
| In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due..... | | (1,802,996) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds: | | |
| Bonds payable..... | (116,902,747) | |
| Net pension liability..... | (46,658,010) | |
| Net other postemployment benefits liability..... | (145,559,175) | |
| Landfill closure..... | (2,406,600) | |
| Compensated absences..... | <u>(1,639,660)</u> | |
| Net effect of reporting long-term liabilities..... | | <u>(313,166,192)</u> |
| Net position of governmental activities..... | \$ | <u>(110,037,547)</u> |

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2023

| | General | Capital Projects Fund | Highway Improvement Fund | Public Funds | Federal Grant Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|-----------------------------|--------------------------------|---------------------|--------------------------|-----------------------------------|--------------------------------|
| REVENUES: | | | | | | | |
| Real estate and personal property taxes, net of tax refunds..... | \$ 79,199,351 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 79,199,351 |
| Motor vehicle and other excise taxes..... | 3,693,836 | - | - | - | - | - | 3,693,836 |
| Charges for services..... | 1,070,934 | - | - | - | - | 3,540,185 | 4,611,119 |
| Penalties and interest on taxes..... | 456,660 | - | - | - | - | - | 456,660 |
| Payments in lieu of taxes..... | 21,429 | - | - | - | - | - | 21,429 |
| Licenses and permits..... | 1,272,378 | - | - | - | - | - | 1,272,378 |
| Fines and forfeitures..... | 65,738 | - | - | - | - | - | 65,738 |
| Intergovernmental - state aid..... | 8,220,573 | - | - | - | - | - | 8,220,573 |
| Intergovernmental - Teachers Retirement..... | 7,204,555 | - | - | - | - | - | 7,204,555 |
| Intergovernmental - other..... | 93,213 | - | 349,800 | - | 1,318,731 | 3,418,463 | 5,180,207 |
| Departmental and other..... | 6,902 | - | - | - | - | 1,610,552 | 1,617,454 |
| Contributions and donations..... | - | - | - | 90,386 | - | 582,723 | 673,109 |
| Investment income (loss)..... | 1,355,756 | - | - | 177,392 | 9,643 | 171,860 | 1,714,651 |
| Miscellaneous..... | - | - | - | - | - | 154,138 | 154,138 |
| TOTAL REVENUES..... | 102,661,325 | - | 349,800 | 267,778 | 1,328,374 | 9,477,921 | 114,085,198 |
| EXPENDITURES: | | | | | | | |
| Current: | | | | | | | |
| General government..... | 1,783,157 | - | - | 52,065 | 412,741 | 1,427,536 | 3,675,499 |
| Public safety..... | 10,415,503 | - | - | - | 41,713 | 845,427 | 11,302,643 |
| Education..... | 44,336,803 | - | - | - | 1,195,429 | 3,908,881 | 49,441,113 |
| Public works..... | 5,673,132 | - | 349,800 | - | - | 906,892 | 6,929,824 |
| Human services..... | 947,309 | - | - | - | - | 243,028 | 1,190,337 |
| Culture and recreation..... | 2,251,053 | - | - | 9,235 | - | 1,253,885 | 3,514,173 |
| Pension benefits..... | 4,151,398 | - | - | - | - | - | 4,151,398 |
| Pension benefits - Teachers Retirement..... | 7,204,555 | - | - | - | - | - | 7,204,555 |
| Property and liability insurance..... | 662,794 | - | - | - | - | - | 662,794 |
| Employee benefits..... | 13,057,424 | - | - | - | - | - | 13,057,424 |
| State and county charges..... | 2,516,077 | - | - | - | - | - | 2,516,077 |
| Capital outlay..... | - | 4,736,864 | - | - | - | - | 4,736,864 |
| Debt service: | | | | | | | |
| Principal..... | 6,465,000 | - | - | - | - | - | 6,465,000 |
| Interest..... | 3,641,619 | - | - | - | - | - | 3,641,619 |
| TOTAL EXPENDITURES..... | 103,105,824 | 4,736,864 | 349,800 | 61,300 | 1,649,883 | 8,585,649 | 118,489,320 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES..... | (444,499) | (4,736,864) | - | 206,478 | (321,509) | 892,272 | (4,404,122) |
| OTHER FINANCING SOURCES (USES): | | | | | | | |
| Issuance of bonds..... | - | 12,300,000 | - | - | - | - | 12,300,000 |
| Premium from issuance of debt..... | - | 1,161,700 | - | - | - | 96,673 | 1,258,373 |
| Transfers in..... | 546,922 | - | - | - | - | 8,229 | 555,151 |
| Transfers out..... | (3,346) | (4,883) | - | (26,000) | (9,643) | (511,279) | (555,151) |
| TOTAL OTHER FINANCING SOURCES (USES).... | 543,576 | 13,456,817 | - | (26,000) | (9,643) | (406,377) | 13,558,373 |
| NET CHANGE IN FUND BALANCES..... | 99,077 | 8,719,953 | - | 180,478 | (331,152) | 485,895 | 9,154,251 |
| FUND BALANCES AT BEGINNING OF YEAR..... | 22,300,350 | 9,739,313 | 3,793 | 7,314,169 | 2,836,229 | 14,517,465 | 56,711,319 |
| FUND BALANCES AT END OF YEAR..... | \$ 22,399,427 | \$ 18,459,266 | \$ 3,793 | \$ 7,494,647 | \$ 2,505,077 | \$ 15,003,360 | \$ 65,865,570 |

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, 2023

| | | |
|--|----|--------------------------|
| Net change in fund balances - total governmental funds..... | \$ | 9,154,251 |
| <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..... | | 5,695,178 |
| Depreciation expense..... | | <u>(7,341,049)</u> |
| Net effect of reporting capital assets..... | | (1,645,871) |
| <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> | | |
| | | (1,167) |
| <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..... | | (12,300,000) |
| Premium from issuance of bonds..... | | (1,258,373) |
| Net amortization of premium from issuance of bonds..... | | 1,238,703 |
| Debt service principal payments..... | | <u>6,465,000</u> |
| Net effect of reporting long-term debt..... | | (5,854,670) |
| <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..... | | (188,683) |
| Net change in accrued interest on long-term debt..... | | (151,496) |
| Net change in deferred outflow/(inflow) of resources related to pensions..... | | 18,290,659 |
| Net change in net pension liability..... | | (18,769,633) |
| Net change in deferred outflow/(inflow) of resources related to other postemployment benefits..... | | 1,871,316 |
| Net change in other postemployment benefits liability..... | | 7,806,032 |
| Net change in landfill closure..... | | <u>114,600</u> |
| Net effect of recording long-term liabilities..... | | 8,972,795 |
| The net activity of internal service funds is reported with Governmental Activities..... | | <u>366</u> |
| Change in net position of governmental activities..... | \$ | <u><u>10,625,704</u></u> |

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2023

| | Business-type Activities - Enterprise Funds | | | | | Governmental Activities - Internal Service Fund |
|---|---|----------------------|---------------------|---|----------------------|--|
| | Water | Sewer | Harbor | Municipal Light December 31, 2022 | Total | |
| ASSETS | | | | | | |
| CURRENT: | | | | | | |
| Cash and cash equivalents..... | \$ 4,627,151 | \$ 4,656,077 | \$ 1,170,676 | \$ 8,042,066 | \$ 18,495,970 | \$ 1,475,254 |
| Restricted cash and cash equivalents..... | - | - | - | 10,220,543 | 10,220,543 | - |
| Receivables, net of allowance for uncollectibles: | | | | | | |
| Boat excise taxes..... | - | - | 39,891 | - | 39,891 | - |
| User fees..... | 731,591 | 1,341,836 | - | 3,106,553 | 5,179,980 | - |
| Inventory..... | - | - | - | 221,455 | 221,455 | - |
| Other assets..... | - | - | - | 1,624,056 | 1,624,056 | - |
| Purchased power advanced deposits..... | - | - | - | 1,646,709 | 1,646,709 | - |
| Total current assets..... | 5,358,742 | 5,997,913 | 1,210,567 | 24,861,382 | 37,428,604 | 1,475,254 |
| NONCURRENT: | | | | | | |
| Investment in joint venture..... | - | 1,444,926 | - | - | 1,444,926 | - |
| Capital assets, nondepreciable..... | 49,426 | 115,466 | 2,044,077 | 171,554 | 2,380,523 | - |
| Capital assets, net of accumulated depreciation..... | 16,836,564 | 12,349,207 | 1,417,473 | 15,703,899 | 46,307,143 | - |
| Total noncurrent assets..... | 16,885,990 | 13,909,599 | 3,461,550 | 15,875,453 | 50,132,592 | - |
| TOTAL ASSETS..... | 22,244,732 | 19,907,512 | 4,672,117 | 40,736,835 | 87,561,196 | 1,475,254 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | |
| Deferred outflows related to pensions..... | 182,165 | 216,726 | 110,883 | 913,794 | 1,423,568 | - |
| Deferred outflows related to other postemployment benefits.. | 490,136 | 516,152 | 318,652 | 922,396 | 2,247,336 | - |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES..... | 672,301 | 732,878 | 429,535 | 1,836,190 | 3,670,904 | - |
| LIABILITIES | | | | | | |
| CURRENT: | | | | | | |
| Warrants payable..... | 15,851 | 22,695 | 42,599 | 2,101,532 | 2,182,677 | 2,755 |
| Accrued payroll..... | 14,686 | 16,307 | 8,507 | - | 39,500 | - |
| Customer deposits..... | - | - | - | 214,981 | 214,981 | - |
| Compensated absences..... | 81,818 | 74,442 | 33,304 | 100,170 | 289,734 | - |
| Workers' compensation..... | - | - | - | - | - | 241,719 |
| Bonds payable..... | 525,940 | - | - | 302,607 | 828,547 | - |
| Total current liabilities..... | 638,295 | 113,444 | 84,410 | 2,719,290 | 3,555,439 | 244,474 |
| NONCURRENT: | | | | | | |
| Workers' compensation..... | - | - | - | - | - | 911,689 |
| Net pension liability..... | 1,270,391 | 1,511,414 | 773,282 | 4,361,809 | 7,916,896 | - |
| Net other postemployment benefits liability..... | 2,230,479 | 2,352,104 | 1,466,536 | 3,706,188 | 9,755,307 | - |
| Bonds payable..... | 3,461,580 | - | - | 3,701,507 | 7,163,087 | - |
| Total noncurrent liabilities..... | 6,962,450 | 3,863,518 | 2,239,818 | 11,769,504 | 24,835,290 | 911,689 |
| TOTAL LIABILITIES..... | 7,600,745 | 3,976,962 | 2,324,228 | 14,488,794 | 28,390,729 | 1,156,163 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Contributions in aid of construction..... | - | - | - | 226,423 | 226,423 | - |
| Rate stabilization reserve..... | - | - | - | 1,411,416 | 1,411,416 | - |
| Deferred inflows related to pensions..... | 50,898 | 60,555 | 30,982 | 2,461,568 | 2,604,003 | - |
| Deferred inflows related to other postemployment benefits.... | 1,220,642 | 1,285,434 | 793,576 | 4,569,006 | 7,868,658 | - |
| TOTAL DEFERRED INFLOWS OF RESOURCES..... | 1,271,540 | 1,345,989 | 824,558 | 8,668,413 | 12,110,500 | - |
| NET POSITION | | | | | | |
| Net investment in capital assets..... | 13,266,987 | 12,464,673 | 3,461,550 | 11,871,339 | 41,064,549 | - |
| Restricted for: | | | | | | |
| Depreciation..... | - | - | - | 10,220,543 | 10,220,543 | - |
| Unrestricted..... | 777,761 | 2,852,766 | (1,508,684) | (2,676,064) | (554,221) | 319,091 |
| TOTAL NET POSITION..... | \$ 14,044,748 | \$ 15,317,439 | \$ 1,952,866 | \$ 19,415,818 | \$ 50,730,871 | \$ 319,091 |

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2023

| | Business-type Activities - Enterprise Funds | | | | Municipal Light December 31, 2022 | Total | Governmental Activities - Internal Service Fund |
|--|---|----------------------|---------------------|----------------------|---|-------------------|--|
| | Water | Sewer | Harbor | | | | |
| OPERATING REVENUES: | | | | | | | |
| Charges for services..... | \$ 6,762,441 | \$ 6,460,693 | \$ 1,034,494 | \$ 20,184,230 | \$ 34,441,858 | \$ 397,169 | |
| Licenses and permits..... | - | 13,750 | - | - | 13,750 | - | |
| Other operating revenues..... | 2,894 | 2,333 | - | - | 5,227 | - | |
| TOTAL OPERATING REVENUES | 6,765,335 | 6,476,776 | 1,034,494 | 20,184,230 | 34,460,835 | 397,169 | |
| OPERATING EXPENSES: | | | | | | | |
| Cost of services and administration..... | 779,031 | 1,219,310 | 626,659 | 14,001,945 | 16,626,945 | - | |
| Salaries and wages..... | 1,137,957 | 862,625 | 372,947 | 2,330,524 | 4,704,053 | - | |
| Pension and other postemployment benefits expense... | 216,580 | 402,394 | 892,923 | - | 1,511,897 | - | |
| Operating assessments..... | 2,941,372 | 3,051,749 | - | - | 5,993,121 | - | |
| Depreciation..... | 631,285 | 464,765 | 116,337 | 1,242,915 | 2,455,302 | - | |
| Employee benefits..... | - | - | - | - | - | 398,474 | |
| TOTAL OPERATING EXPENSES | 5,706,225 | 6,000,843 | 2,008,866 | 17,575,384 | 31,291,318 | 398,474 | |
| OPERATING INCOME (LOSS) | 1,059,110 | 475,933 | (974,372) | 2,608,846 | 3,169,517 | (1,305) | |
| NONOPERATING REVENUES (EXPENSES): | | | | | | | |
| Boat excise taxes..... | - | - | 106,097 | - | 106,097 | - | |
| Investment income (loss)..... | 218,917 | 104,248 | 15,753 | (17,590) | 321,328 | 1,671 | |
| Interest expense..... | - | - | - | (134,778) | (134,778) | - | |
| Intergovernmental assessments..... | - | - | 9,129 | - | 9,129 | - | |
| TOTAL NONOPERATING REVENUES (EXPENSES), NET | 218,917 | 104,248 | 130,979 | (152,368) | 301,776 | 1,671 | |
| CHANGE IN NET POSITION | 1,278,027 | 580,181 | (843,393) | 2,456,478 | 3,471,293 | 366 | |
| NET POSITION AT BEGINNING OF YEAR | 12,766,721 | 14,737,258 | 2,796,259 | 16,959,340 | 47,259,578 | 318,725 | |
| NET POSITION AT END OF YEAR | \$ 14,044,748 | \$ 15,317,439 | \$ 1,952,866 | \$ 19,415,818 | \$ 50,730,871 | \$ 319,091 | |

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023

| | Business-type Activities - Enterprise Funds | | | | | Governmental Activities - Internal Service Fund |
|--|---|---------------------|---------------------|---|----------------------|--|
| | Water | Sewer | Harbor | Municipal Light December 31, 2022 | Total | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | | |
| Receipts from customers and users..... | \$ 6,695,688 | \$ 6,388,222 | \$ 1,040,697 | \$ 19,377,290 | \$ 33,501,897 | \$ - |
| Receipts from interfund services provided..... | - | - | - | - | - | 397,169 |
| Payments to vendors..... | (3,801,329) | (4,470,856) | (597,329) | (15,408,496) | (24,278,010) | - |
| Payments to employees..... | (1,123,272) | (855,987) | (365,392) | (2,326,151) | (4,670,802) | - |
| Payments for interfund services used..... | - | - | - | - | - | (402,131) |
| NET CASH FROM OPERATING ACTIVITIES..... | 1,771,087 | 1,061,379 | 77,976 | 1,642,643 | 4,553,085 | (4,962) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | | | |
| Boat excise taxes..... | - | - | 96,363 | - | 96,363 | - |
| Intergovernmental assessments..... | - | - | 9,129 | - | 9,129 | - |
| NET CASH FROM NONCAPITAL FINANCING ACTIVITIES..... | - | - | 105,492 | - | 105,492 | - |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | | | |
| Acquisition and construction of capital assets..... | (1,582,269) | (357,768) | (26,262) | (765,761) | (2,732,060) | - |
| Principal payments on bonds and notes..... | (525,940) | - | - | (292,981) | (818,921) | - |
| Interest expense..... | - | - | - | (134,778) | (134,778) | - |
| NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES..... | (2,108,209) | (357,768) | (26,262) | (1,193,520) | (3,685,759) | - |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | | |
| Investment income..... | 218,917 | 104,248 | 15,753 | (17,590) | 321,328 | 1,671 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS..... | (118,205) | 807,859 | 172,959 | 431,533 | 1,294,146 | (3,291) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR..... | 4,745,356 | 3,848,218 | 997,717 | 17,831,076 | 27,422,367 | 1,478,545 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR..... | \$ 4,627,151 | \$ 4,656,077 | \$ 1,170,676 | \$ 18,262,609 | \$ 28,716,513 | \$ 1,475,254 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH | | | | | | |
| FROM OPERATING ACTIVITIES: | | | | | | |
| Operating income (loss)..... | \$ 1,059,110 | \$ 475,933 | \$ (974,372) | \$ 2,608,846 | \$ 3,169,517 | \$ (1,305) |
| Adjustments to reconcile operating income to net cash from operating activities: | | | | | | |
| Depreciation..... | 631,285 | 464,765 | 116,337 | 1,242,915 | 2,455,302 | - |
| Deferred (outflows)/inflows related to pensions..... | (498,013) | (592,497) | (303,138) | 1,492,192 | 98,544 | - |
| Deferred (outflows)/inflows related to other postemployment benefits..... | 56,319 | 100,703 | 216,619 | 1,926,130 | 2,299,771 | - |
| Deferred (outflows)/inflows related to rate stabilization reserve..... | - | - | - | (25,789) | (25,789) | - |
| Deferred (outflows)/inflows related to contributions in aid of construction..... | - | - | - | 26,464 | 26,464 | - |
| Changes in assets and liabilities: | | | | | | |
| User charges..... | (69,647) | (88,554) | 6,203 | (822,515) | (974,513) | - |
| Inventory..... | - | - | - | (65,003) | (65,003) | - |
| Other assets..... | - | - | - | (29,230) | (29,230) | - |
| Purchased power advanced deposits..... | - | - | - | (238,067) | (238,067) | - |
| Investment in joint venture..... | - | (139,154) | - | - | (139,154) | - |
| Warrants payable..... | (80,926) | (60,643) | 29,330 | 198,426 | 86,187 | (4,931) |
| Accrued payroll..... | 2,115 | 4,240 | 1,870 | - | 8,225 | - |
| Customer deposits..... | - | - | - | (10,889) | (10,889) | - |
| Compensated absences..... | 12,570 | 2,398 | 5,685 | 4,373 | 25,026 | - |
| Workers' compensation..... | - | - | - | - | - | 1,274 |
| Net pension liability..... | 511,054 | 608,013 | 311,077 | (2,006,747) | (576,603) | - |
| Net postemployment benefits liability..... | 147,220 | 286,175 | 668,365 | (2,658,463) | (1,556,703) | - |
| Total adjustments..... | 711,977 | 585,446 | 1,052,348 | (966,203) | 1,383,568 | (3,657) |
| NET CASH FROM OPERATING ACTIVITIES..... | \$ 1,771,087 | \$ 1,061,379 | \$ 77,976 | \$ 1,642,643 | \$ 4,553,085 | \$ (4,962) |

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2023

| | Pension and Other Employee Benefit Trust Funds (1) | Private Purpose Trust Funds |
|--|---|-----------------------------------|
| ASSETS | | |
| Cash and cash equivalents..... | \$ 611,915 | \$ 1,556,185 |
| Investments: | | |
| Investments in Pension Reserve Investment Trust..... | 121,256,401 | - |
| U.S. treasuries..... | - | 876,706 |
| Government sponsored enterprises..... | - | 3,080 |
| Corporate bonds..... | - | 1,298,115 |
| Equity securities..... | - | 884,714 |
| Fixed income mutual funds..... | - | 17,867 |
| Receivables, net of allowance for uncollectibles: | | |
| Departmental and other..... | 5,683 | - |
| Capital assets, nondepreciable..... | - | 2,045 |
| Capital assets, net of accumulated depreciation..... | - | 96,381 |
| TOTAL ASSETS | <u>121,873,999</u> | <u>4,735,093</u> |
| LIABILITIES | | |
| Warrants payable..... | <u>1,724</u> | <u>129,423</u> |
| NET POSITION | | |
| Restricted for pensions..... | 115,533,041 | - |
| Restricted for other postemployment benefits..... | 6,339,234 | - |
| Held in trust for other purposes..... | - | 4,605,670 |
| TOTAL NET POSITION | <u>\$ 121,872,275</u> | <u>\$ 4,605,670</u> |

(1) The Pension Trust Fund is as of December 31, 2022.

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2023

| | Pension and Other Employee Benefit Trust Funds (1) | Private Purpose Trust Funds |
|---|---|-----------------------------------|
| ADDITIONS: | | |
| Contributions: | | |
| Employer contributions..... | \$ 5,456,691 | \$ - |
| Employer contributions for other postemployment benefit payments..... | 6,018,859 | - |
| Member contributions..... | 2,368,159 | - |
| Transfers from other systems..... | 466,508 | - |
| 3(8)c contributions from other systems..... | 228,565 | - |
| State COLA reimbursements..... | 42,004 | - |
| Private donations..... | - | 74,174 |
| | <u>14,580,786</u> | <u>74,174</u> |
| Total contributions..... | | |
| | <u>14,580,786</u> | <u>74,174</u> |
| Net investment income (loss): | | |
| Investment income (loss)..... | (14,222,012) | 139,543 |
| Less: investment expense..... | (609,268) | - |
| | <u>(14,831,280)</u> | <u>139,543</u> |
| Net investment income (loss)..... | | |
| | <u>(14,831,280)</u> | <u>139,543</u> |
| TOTAL ADDITIONS..... | | |
| | <u>(250,494)</u> | <u>213,717</u> |
| DEDUCTIONS: | | |
| Administration..... | 164,237 | 93,570 |
| Transfers to other systems..... | 699,780 | - |
| Retirement benefits and refunds..... | 10,713,310 | - |
| Depreciation..... | - | 12,632 |
| Other postemployment benefit payments..... | 6,018,859 | - |
| Educational scholarships..... | - | 92,500 |
| | <u>17,596,186</u> | <u>198,702</u> |
| TOTAL DEDUCTIONS..... | | |
| | <u>17,596,186</u> | <u>198,702</u> |
| NET INCREASE (DECREASE) IN NET POSITION..... | | |
| | (17,846,680) | 15,015 |
| NET POSITION AT BEGINNING OF YEAR..... | | |
| | <u>139,718,955</u> | <u>4,590,655</u> |
| NET POSITION AT END OF YEAR..... | | |
| | <u>\$ 121,872,275</u> | <u>\$ 4,605,670</u> |

(1) The Pension Trust Fund is as of the year ended December 31, 2022.

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 Select Board.

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, 2022, 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 Select Board 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, 2023, the Town's equity interest in the operations of the District is \$1.4 million, 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 2023 assessment was \$584,223. Complete financial information can be obtained by contacting them at 565 Maple Street, Danvers, MA 01923.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

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

Major Fund Criteria

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

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

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

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

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

Government-Wide Financial Statements

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

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

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operation requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items are not identifiable as program revenues and are reported as general revenues.

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

Fund Financial Statements

Governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are due and payable. Obligations for compensated absences and claims and judgements are recognized in the general fund only when they are due.

Real estate and personal property taxes 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 and other state highway grants.

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 *Federal Grant Fund* is used to account for financial activities associated with federal grants.

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. 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 funds* 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.

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 estate 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 estate 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, Sewer and Light 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.

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, 2022. 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.

All purchases and construction costs in excess of \$10,000, and with the expected useful lives of greater than one year, are capitalized at the date of acquisition or construction. Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis.

The estimated useful lives of capital assets are as follows:

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

I. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

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

J. Compensated Absences*Government-Wide and Fund Financial Statements*

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

K. Long-term Debt*Government-Wide and Proprietary Fund Financial Statements*

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

Governmental Fund Financial Statements

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

L. Net Position and Fund Equity*Government-Wide Financial Statements (Net Position)*

Net position is 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 and Capital Projects, 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 June 30, 2023, the Town was not in compliance with this policy due to bank mergers. At year-end, the carrying amount of deposits totaled \$64,301,427 and the bank balance totaled \$66,542,626. Of the bank balance, \$1,500,135 was covered by Federal Depository Insurance, \$18,390,394 was covered by DIF Insurance, \$7,724,517 was collateralized and \$38,927,580 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Restricted cash of \$10,220,543 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, 2022, the carrying amount of deposits for the System totaled \$93,547, and the bank balance of \$183,349, 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, 2023: | | Maturities | | |
|---|----------------------|---------------------|---------------------|-------------------|
| <u>Investment Type</u> | <u>Fair value</u> | <u>Under 1 Year</u> | <u>1-5 Years</u> | <u>6-10 Years</u> |
| <u>Debt securities:</u> | | | | |
| U.S. treasury notes..... | \$ 2,471,263 | \$ 540,125 | \$ 1,931,138 | \$ - |
| Government sponsored enterprises..... | 8,950 | - | 8,950 | - |
| Corporate bonds..... | 3,658,354 | 1,002,282 | 2,656,072 | - |
| Bond mutual funds..... | 49,683 | 49,683 | - | - |
| Total debt securities..... | 6,188,250 | <u>\$ 1,592,090</u> | <u>\$ 4,596,160</u> | <u>\$ -</u> |
| <u>Other investments:</u> | | | | |
| Equity securities..... | 5,818,432 | | | |
| Money market mutual funds..... | 279,299 | | | |
| Pension Reserve Investment Trust (PRIT).... | 5,820,866 | | | |
| MMDT - Cash portfolio..... | <u>29,794,103</u> | | | |
| Total investments..... | <u>\$ 47,900,950</u> | | | |

System balances at December 31, 2022:

| <u>Investment Type</u> | <u>Fair value</u> |
|--|-----------------------|
| Pension Reserve Investment Trust (PRIT)..... | <u>\$ 115,435,535</u> |

The Town participates in the MMDT Cash Portfolio. MMDT maintains a cash portfolio with weighted average maturity 33 days. 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 1.98 to 14.64 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, 2023, because the investments are either held by the Town or are registered in the name of the Town. Investments in open-end mutual funds, MMDT, and PRIT are not subject to custodial credit risk exposure because they are not evidenced by securities that exist in physical or book-entry form.

At December 31, 2022, the System’s \$115,435,535 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.

At June 30, 2023, the Town’s investments were rated as follows:

| Quality Rating | U.S. Treasury Notes | Government Sponsored Enterprises | Corporate Bonds | Bond Mutual Funds |
|----------------|---------------------|----------------------------------|-----------------|-------------------|
| AAA..... | \$ 2,471,263 | \$ - | \$ 380,281 | \$ - |
| AA+..... | - | 8,950 | - | - |
| A+..... | - | - | 616,773 | - |
| A..... | - | - | 379,041 | - |
| A-..... | - | - | 371,125 | - |
| BBB+..... | - | - | 428,568 | - |
| BBB..... | - | - | 1,482,566 | - |
| Not Rated..... | - | - | - | 49,683 |
| Total..... | \$ 2,471,263 | \$ 8,950 | \$ 3,658,354 | \$ 49,683 |

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 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, 2023:

| Investment Type | June 30, 2023 | Fair Value Measurements Using | | |
|---|------------------|--|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments measured at fair value: | | | | |
| <u>Debt securities:</u> | | | | |
| U.S. treasury notes..... | \$ 2,471,263 | \$ 2,471,263 | \$ - | \$ - |
| Government sponsored enterprises..... | 8,950 | 8,950 | - | - |
| Corporate bonds..... | 3,658,354 | - | 3,658,354 | - |
| Bond mutual funds..... | 49,683 | 49,683 | - | - |
| Total debt securities..... | 6,188,250 | 2,529,896 | 3,658,354 | - |
| <u>Other investments:</u> | | | | |
| Equity securities..... | 5,818,432 | 5,818,432 | - | - |
| Money market mutual funds..... | 279,299 | 279,299 | - | - |
| Total other investments..... | 6,097,731 | 6,097,731 | - | - |
| Total investments measured at fair value..... | 12,285,981 | \$ 8,627,627 | \$ 3,658,354 | \$ - |
| Investments measured at amortized cost: | | | | |
| MMDT - Cash portfolio..... | 29,794,103 | | | |
| Investments measured at net asset value: | | | | |
| Pension Reserve Investment Trust (PRIT)..... | 5,820,866 | | | |
| Total investments..... | \$ 47,900,950 | | | |

Equity securities, U.S. treasury notes, government sponsored enterprises, bond mutual funds and money market mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Corporate bonds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices.

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.

The System’s investments in PRIT are valued at \$155,435,535 as of December 31, 2022. 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, 2023, receivables for the individual major and non-major governmental funds; and the fiduciary funds in the aggregate, including the applicable allowance for uncollectible accounts are as follows:

| | Gross Amount | Allowance for Uncollectibles | Net Amount |
|---|---------------------|------------------------------------|---------------------|
| <u>Receivables:</u> | | | |
| Real estate and personal property taxes.... | \$ 2,133,874 | \$ (32,100) | \$ 2,101,774 |
| Tax liens..... | 348,832 | - | 348,832 |
| Motor vehicle excise taxes..... | 425,839 | (88,900) | 336,939 |
| Departmental and other..... | 88,351 | - | 88,351 |
| Intergovernmental - governmental funds..... | 1,296,428 | - | 1,296,428 |
| Intergovernmental - pension fund..... | 5,683 | - | 5,683 |
| Total..... | <u>\$ 4,299,007</u> | <u>\$ (121,000)</u> | <u>\$ 4,178,007</u> |

At June 30, 2023, receivables for the enterprise funds consist of the following:

| | Gross Amount | Allowance for Uncollectibles | Net Amount |
|---|---------------------|------------------------------------|---------------------|
| <u>Receivables:</u> | | | |
| Water user fees..... | \$ 771,168 | \$ (39,577) | \$ 731,591 |
| Sewer user fees..... | 1,412,459 | (70,623) | 1,341,836 |
| Boat excise taxes..... | 41,991 | (2,100) | 39,891 |
| Municipal light user charges (December 31, 2022)... | 3,106,553 | - | 3,106,553 |
| Total..... | <u>\$ 5,332,171</u> | <u>\$ (112,300)</u> | <u>\$ 5,219,871</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, 2023, as follows:

| | General Fund | Other Governmental Funds | Total |
|--|-------------------------|--------------------------------|-------------------------|
| <u>Receivable and other asset type:</u> | | | |
| Real estate and personal property taxes..... | \$ 631,096 | \$ - | \$ 631,096 |
| Tax liens..... | 348,832 | - | 348,832 |
| Motor vehicle excise taxes..... | 336,939 | - | 336,939 |
| Departmental and other..... | 12,874 | 75,477 | 88,351 |
| Intergovernmental..... | 38,099 | 749,563 | 787,662 |
| Tax foreclosures..... | 16,067 | - | 16,067 |
| Total..... | \$ <u>1,383,907</u> | \$ <u>825,040</u> | \$ <u>2,208,947</u> |

NOTE 4 – INTERFUND TRANSFERS, RECEIVABLES AND PAYABLES

At June 30, 2023, the Town had an interfund receivable/payable between the general fund and the Highway Improvement fund and between the general fund and the public fund. These balances represent temporary cash borrowings between funds.

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, 2023, have been reported as follows:

| <u>Transfers Out:</u> | <u>Transfers In:</u> | | |
|---------------------------------|-----------------------|-----------------------------------|-----------------------|
| | General fund | Nonmajor governmental funds | Total |
| General fund..... | \$ - | \$ 3,346 | \$ 3,346 (1) |
| Capital projects fund..... | - | 4,883 | 4,883 (2) |
| Public funds..... | 26,000 | - | 26,000 (3) |
| Federal grant fund..... | 9,643 | - | 9,643 (4) |
| Nonmajor governmental funds.... | 511,279 | - | 511,279 (5) |
| Total..... | \$ <u>546,922</u> | \$ <u>8,229</u> | \$ <u>555,151</u> |

- (1) Transfers from general fund to the nonmajor governmental funds to return unspent funds from receipts reserved for appropriation.
- (2) Transfer from the capital projects fund to return unspent funds from the receipts reserved for appropriation fund.
- (3) Transfers from the public funds to the general fund to support the cemetery budget from the perpetual care trust.
- (4) Transfers from the federal grant fund to the general fund to reimburse eligible expenditures.
- (5) Budgeted transfers from revolving funds and receipts reserved for appropriations fund to the general fund to support the budget.

NOTE 5 – CAPITAL ASSETS

Capital asset activity in the Governmental Funds for the year ended June 30, 2023, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|-----------------------|-----------------------|---------------------|-----------------------|
| Governmental Activities: | | | | |
| <u>Capital assets not being depreciated:</u> | | | | |
| Land..... | \$ 8,057,538 | \$ - | \$ - | \$ 8,057,538 |
| Construction in progress..... | 2,573,109 | 2,506,463 | (512,248) | 4,567,324 |
| Total capital assets not being depreciated.... | <u>10,630,647</u> | <u>2,506,463</u> | <u>(512,248)</u> | <u>12,624,862</u> |
| <u>Capital assets being depreciated:</u> | | | | |
| Land improvements..... | 8,327,469 | 190,848 | - | 8,518,317 |
| Buildings and building improvements..... | 198,832,693 | 1,273,807 | - | 200,106,500 |
| Machinery and equipment..... | 7,274,772 | 886,567 | - | 8,161,339 |
| Vehicles..... | 6,775,189 | 397,220 | - | 7,172,409 |
| Software..... | 664,228 | - | - | 664,228 |
| Infrastructure..... | 45,508,466 | 952,521 | - | 46,460,987 |
| Total capital assets being depreciated..... | <u>267,382,817</u> | <u>3,700,963</u> | <u>-</u> | <u>271,083,780</u> |
| <u>Less accumulated depreciation for:</u> | | | | |
| Land improvements..... | (3,311,596) | (274,995) | - | (3,586,591) |
| Buildings and building improvements..... | (66,264,718) | (5,154,941) | - | (71,419,659) |
| Machinery and equipment..... | (5,194,703) | (391,642) | - | (5,586,345) |
| Vehicles..... | (4,747,196) | (391,345) | - | (5,138,541) |
| Software..... | (631,373) | (1,878) | - | (633,251) |
| Infrastructure..... | (16,740,069) | (1,126,248) | - | (17,866,317) |
| Total accumulated depreciation..... | <u>(96,889,655)</u> | <u>(7,341,049)</u> | <u>-</u> | <u>(104,230,704)</u> |
| Total capital assets being depreciated, net..... | <u>170,493,162</u> | <u>(3,640,086)</u> | <u>-</u> | <u>166,853,076</u> |
| Total governmental activities capital assets, net..... | <u>\$ 181,123,809</u> | <u>\$ (1,133,623)</u> | <u>\$ (512,248)</u> | <u>\$ 179,477,938</u> |

Capital asset activity for the Business Type Activities for the year ended June 30, 2023, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|--------------|-----------|-------------------|
| Water: | | | | |
| <u>Capital assets not being depreciated:</u> | | | | |
| Land..... | \$ 49,426 | \$ - | \$ - | \$ 49,426 |
| <u>Capital assets being depreciated:</u> | | | | |
| Buildings and building improvements..... | 1,228,719 | - | - | 1,228,719 |
| Machinery and equipment..... | 653,817 | - | - | 653,817 |
| Vehicles..... | 968,538 | - | - | 968,538 |
| Infrastructure..... | 22,429,361 | 1,582,269 | - | 24,011,630 |
| Total capital assets being depreciated... | 25,280,435 | 1,582,269 | - | 26,862,704 |
| <u>Less accumulated depreciation for:</u> | | | | |
| Buildings and building improvements..... | (450,031) | (30,718) | - | (480,749) |
| Machinery and equipment..... | (375,835) | (21,603) | - | (397,438) |
| Vehicles..... | (749,684) | (65,994) | - | (815,678) |
| Infrastructure..... | (7,819,305) | (512,970) | - | (8,332,275) |
| Total accumulated depreciation..... | (9,394,855) | (631,285) | - | (10,026,140) |
| Total capital assets being depreciated, net..... | 15,885,580 | 950,984 | - | 16,836,564 |
| Total water activities capital assets, net..... | \$ 15,935,006 | \$ 950,984 | \$ - | \$ 16,885,990 |
| | Beginning Balance | Increases | Decreases | Ending Balance |
| Sewer: | | | | |
| <u>Capital assets not being depreciated:</u> | | | | |
| Land..... | \$ 115,466 | \$ - | \$ - | \$ 115,466 |
| <u>Capital assets being depreciated:</u> | | | | |
| Buildings and building improvements..... | 123,198 | - | - | 123,198 |
| Machinery and equipment..... | 1,343,317 | 129,136 | - | 1,472,453 |
| Vehicles..... | 472,318 | - | - | 472,318 |
| Infrastructure..... | 18,558,194 | 228,632 | - | 18,786,826 |
| Total capital assets being depreciated... | 20,497,027 | 357,768 | - | 20,854,795 |
| <u>Less accumulated depreciation for:</u> | | | | |
| Buildings and building improvements..... | (114,616) | (177) | - | (114,793) |
| Machinery and equipment..... | (613,963) | (51,913) | - | (665,876) |
| Vehicles..... | (440,255) | (15,975) | - | (456,230) |
| Infrastructure..... | (6,871,989) | (396,700) | - | (7,268,689) |
| Total accumulated depreciation..... | (8,040,823) | (464,765) | - | (8,505,588) |
| Total capital assets being depreciated, net..... | 12,456,204 | (106,997) | - | 12,349,207 |
| Total sewer activities capital assets, net..... | \$ 12,571,670 | \$ (106,997) | \$ - | \$ 12,464,673 |

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|--------------|-----------|-------------------|
| Harbor: | | | | |
| <u>Capital assets not being depreciated:</u> | | | | |
| Land..... | \$ 2,044,077 | \$ - | \$ - | \$ 2,044,077 |
| <u>Capital assets being depreciated:</u> | | | | |
| Land improvements..... | 161,983 | - | - | 161,983 |
| Buildings and building improvements..... | 1,033,242 | - | - | 1,033,242 |
| Machinery and equipment..... | 997,175 | 26,262 | - | 1,023,437 |
| Vehicles..... | 505,036 | - | - | 505,036 |
| Software..... | 5,931 | - | - | 5,931 |
| Infrastructure..... | 1,365,458 | - | - | 1,365,458 |
| Total capital assets being depreciated.... | 4,068,825 | 26,262 | - | 4,095,087 |
| <u>Less accumulated depreciation for:</u> | | | | |
| Land improvements..... | (92,738) | (4,704) | - | (97,442) |
| Buildings and building improvements..... | (635,448) | (22,342) | - | (657,790) |
| Machinery and equipment..... | (815,497) | (32,293) | - | (847,790) |
| Vehicles..... | (300,525) | (23,110) | - | (323,635) |
| Software..... | (4,942) | (839) | - | (5,781) |
| Infrastructure..... | (712,127) | (33,049) | - | (745,176) |
| Total accumulated depreciation..... | (2,561,277) | (116,337) | - | (2,677,614) |
| Total capital assets being depreciated, net..... | 1,507,548 | (90,075) | - | 1,417,473 |
| Total harbor activities capital assets, net..... | \$ 3,551,625 | \$ (90,075) | \$ - | \$ 3,461,550 |
| Municipal Light: | | | | |
| <u>Capital assets not being depreciated:</u> | | | | |
| Land..... | \$ 53,947 | \$ - | \$ - | \$ 53,947 |
| Construction in progress..... | - | 117,607 | - | 117,607 |
| Total capital assets not being depreciated.... | 53,947 | 117,607 | - | 171,554 |
| <u>Capital assets being depreciated:</u> | | | | |
| Light plant and equipment..... | 41,627,076 | 654,909 | (119,254) | 42,162,731 |
| <u>Less accumulated depreciation for:</u> | | | | |
| Light plant and equipment..... | (25,328,416) | (1,249,670) | 119,254 | (26,458,832) |
| Total capital assets being depreciated, net..... | 16,298,660 | (594,761) | - | 15,703,899 |
| Total municipal light activities capital assets, net.... | \$ 16,352,607 | \$ (477,154) | \$ - | \$ 15,875,453 |

Capital asset activity for the Fiduciary Funds for the year ended June 30, 2023, was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|--------------------|------------------|---------------------------|
| Fiduciary Activities: | | | | |
| <u>Capital assets not being depreciated:</u> | | | | |
| Land..... | \$ 2,045 | \$ - | \$ - | \$ 2,045 |
| <u>Capital assets being depreciated:</u> | | | | |
| Buildings and building improvements..... | 294,455 | - | - | 294,455 |
| Machinery and equipment..... | 25,940 | - | - | 25,940 |
| Total capital assets being depreciated.. | <u>320,395</u> | <u>-</u> | <u>-</u> | <u>320,395</u> |
| <u>Less accumulated depreciation for:</u> | | | | |
| Buildings and building improvements..... | (189,333) | (10,038) | - | (199,371) |
| Machinery and equipment..... | (22,049) | (2,594) | - | (24,643) |
| Total accumulated depreciation..... | <u>(211,382)</u> | <u>(12,632)</u> | <u>-</u> | <u>(224,014)</u> |
| Total capital assets being depreciated, net..... | <u>109,013</u> | <u>(12,632)</u> | <u>-</u> | <u>96,381</u> |
| Total fiduciary activities capital assets, net..... | <u>\$ 111,058</u> | <u>\$ (12,632)</u> | <u>\$ -</u> | <u>\$ 98,426</u> |

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

| | |
|--|---------------------|
| Governmental Activities: | |
| General government..... | \$ 534,915 |
| Public safety..... | 340,557 |
| Education..... | 4,622,457 |
| Public works..... | 1,432,588 |
| Human services..... | 36,265 |
| Culture and recreation..... | <u>374,267</u> |
| Total depreciation expense - governmental activities.... | <u>\$ 7,341,049</u> |
| Business-Type Activities: | |
| Water..... | \$ 631,285 |
| Sewer..... | 464,765 |
| Harbor..... | 116,337 |
| Municipal Light (1)..... | <u>1,242,915</u> |
| Total depreciation expense - business-type activities... | <u>\$ 2,455,302</u> |
| Fiduciary Activities: | |
| Private purpose trust funds..... | <u>\$ 12,632</u> |

(1) - Municipal light depreciation is net of amortization of contribution in aid of construction of \$6,755.

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 no short-term debt activity during fiscal year 2023 and the Town had no short-term debt outstanding as of June 30, 2023.

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, 2023:

General Obligation Bonds – Governmental Activities

| Project | Maturities Through | Original Loan Amount | Interest Rate (%) | Outstanding at June 30, 2023 |
|---|--------------------|----------------------|-------------------|------------------------------|
| Village School..... | 2031 | \$ 2,600,000 | 3.08 | \$ 1,265,000 |
| School Refunding Bonds of 2012..... | 2025 | 15,860,000 | 5.00 | 3,645,000 |
| General Obligation Bonds of 2012..... | 2033 | 9,171,000 | 2.39 | 4,680,000 |
| General Obligation Bonds of 2013..... | 2034 | 8,974,000 | 3.51 | 5,860,000 |
| General Obligation Bonds of 2014..... | 2035 | 7,588,000 | 3.36 | 5,290,000 |
| General Obligation Bonds of 2015..... | 2036 | 9,225,000 | 3.81 | 7,010,000 |
| General Obligation Bonds of 2016..... | 2037 | 7,767,000 | 2.00 | 6,160,000 |
| General Obligation Bonds of 2017..... | 2038 | 7,780,000 | 2.00 | 5,941,100 |
| General Obligation Bonds of 2019..... | 2040 | 11,495,000 | 3.00-5.00 | 9,978,900 |
| General Obligation Bonds of 2021..... | 2042 | 31,385,000 | 2.00-5.00 | 31,020,000 |
| General Obligation Refunding Bonds of 2021..... | 2031 | 5,720,000 | 4.00-5.00 | 4,895,000 |
| General Obligation Bonds of 2022..... | 2041 | 10,220,000 | 2.00-5.00 | 10,000,000 |
| General Obligation Bonds of 2023..... | 2043 | 12,300,000 | 4.00-5.00 | 12,300,000 |
| Total Bonds Payable..... | | | | 108,045,000 |
| Add: Unamortized premium on bonds..... | | | | 8,857,747 |
| Total Bonds Payable, net..... | | | | \$ <u>116,902,747</u> |

As of June 30, 2023, the Town has approximately \$686,000 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 2023, the Town released \$294,000 from this fund to offset interest expenses and bond issuance costs and \$97,000 in premiums were added to the fund.

Annual Requirements

The annual requirements to amortize all governmental long-term debt outstanding as of June 30, 2023, are as follows:

| Year | General Obligation Bonds Payable | | |
|----------------|----------------------------------|----------------------|-----------------------|
| | Principal | Interest | Total |
| 2024..... | \$ 6,980,000 | \$ 4,021,615 | \$ 11,001,615 |
| 2025..... | 7,540,000 | 3,453,076 | 10,993,076 |
| 2026..... | 5,955,000 | 3,162,150 | 9,117,150 |
| 2027..... | 6,225,000 | 2,888,898 | 9,113,898 |
| 2028..... | 6,500,000 | 2,608,654 | 9,108,654 |
| 2029-2033..... | 34,410,000 | 8,796,570 | 43,206,570 |
| 2034-2038..... | 27,180,000 | 3,444,811 | 30,624,811 |
| 2039-2043..... | 13,255,000 | 649,300 | 13,904,300 |
| Total..... | \$ <u>108,045,000</u> | \$ <u>29,025,075</u> | \$ <u>137,070,075</u> |

Direct Borrowings Payable – Enterprise Funds

| Water: | Maturities | Original Loan Amount | Interest Rate (%) | Outstanding at June 30, 2023 |
|--------------------------|------------|----------------------|-------------------|------------------------------|
| Project | Through | | | |
| MWRA Water Bonds..... | 2030 | \$ 2,200,000 | 0.00 | \$ 1,540,000 |
| MWRA Water Bonds..... | 2031 | 3,059,400 | 0.00 | <u>2,447,520</u> |
| Total Bonds Payable..... | | | | \$ <u>3,987,520</u> |

Annual Requirements

The annual requirements to amortize all long-term debt outstanding of the water enterprise fund as of June 30, 2023, are as follows:

| Year | Direct Borrowings Payable | | |
|---------------|---------------------------|-------------|---------------------|
| | Principal | Interest | Total |
| 2024..... | \$ 525,940 | \$ - | \$ 525,940 |
| 2025..... | 525,940 | - | 525,940 |
| 2026..... | 525,940 | - | 525,940 |
| 2027..... | 525,940 | - | 525,940 |
| 2028..... | 525,940 | - | 525,940 |
| 2029 - 2031.. | 831,880 | - | 831,880 |
| Total..... | \$ <u>3,461,580</u> | \$ <u>-</u> | \$ <u>3,461,580</u> |

The Town is a member of the Massachusetts Water Resources Authority (MWRA) which offers its members interest free loans for various purposes. The Town has \$4.0 million in loans outstanding at year end. The imputed interest on this loan is immaterial and has not been recognized by the Town.

| Municipal Light: | | Original | Interest | Outstanding |
|----------------------------------|------------|--------------|----------|-----------------|
| Project | Maturities | Loan | Rate | at December 31, |
| | Through | Amount | (%) | 2022 |
| MMWEC Pooled Financing Loan..... | 2034 | \$ 5,016,073 | 3.24 | \$ 4,004,114 |

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. The loan was a short-term interest only obligation, but was termed-out in March of 2019. The outstanding principal balance as of December 31, 2022, was \$4.0 million.

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, 2022, was \$474,401.

Annual Requirements

The annual requirements to amortize all long-term debt outstanding of the municipal light enterprise fund as of December 31, 2022, are as follows:

| Year | Direct Borrowings Payable | | |
|----------------|---------------------------|--------------|--------------|
| | Principal | Interest | Total |
| 2023..... | \$ 302,607 | \$ 129,733 | \$ 432,340 |
| 2024..... | 312,549 | 119,929 | 432,478 |
| 2025..... | 322,818 | 109,802 | 432,620 |
| 2026..... | 333,424 | 99,343 | 432,767 |
| 2027..... | 344,379 | 88,540 | 432,919 |
| 2028-2032..... | 1,899,237 | 386,910 | 2,286,147 |
| 2033-2034..... | 489,100 | 79,235 | 568,335 |
| Total..... | \$ 4,004,114 | \$ 1,013,492 | \$ 5,017,606 |

Bond Authorizations

Long-term debt authorizations voted by Town Meetings which have not been issued or rescinded as of June 30, 2023, are as follows:

| Date Authorized | Purpose | Amount |
|-----------------|--|----------------------|
| June 2019 | New Gerry School..... | \$ 1,850,363 |
| May 2021 | Water Distribution System..... | 1,022,400 |
| June 2021 | Abbot Public Library Renovations..... | 1,000,000 |
| May 2022 | Road and Sidewalk Repairs..... | 9,980,000 |
| May 2022 | IT Equipment and Software Upgrades..... | 312,000 |
| May 2022 | Mary Alley Building Roof Replacement..... | 480,000 |
| May 2022 | Franklin Street Fire Station Roof & Gutter Replacement.. | 130,598 |
| Total..... | | <u>\$ 14,775,361</u> |

Changes in Long-term Liabilities

During the year ended June 30, 2023, the following changes occurred in long-term liabilities:

| | Beginning Balance | Bonds and Notes Issued | Bonds and Notes Redeemed | Other Increases | Other Decreases | Ending Balance | Due Within One Year |
|--|-----------------------|------------------------------|--------------------------------|-----------------------|-------------------------|-----------------------|------------------------|
| Governmental Activities: | | | | | | | |
| General obligation bonds payable..... | \$ 102,210,000 | \$ 12,300,000 | \$ (6,465,000) | \$ - | \$ - | \$ 108,045,000 | \$ 6,980,000 |
| Add: Unamortized premium on bonds..... | 8,838,077 | 1,258,373 | (1,238,703) | - | - | 8,857,747 | 1,274,432 |
| Total bonds payable..... | 111,048,077 | 13,558,373 | (7,703,703) | - | - | 116,902,747 | 8,254,432 |
| Landfill closure..... | 2,521,200 | - | - | - | (114,600) | 2,406,600 | 114,600 |
| Compensated absences..... | 1,450,977 | - | - | 1,296,210 | (1,107,527) | 1,639,660 | 1,265,422 |
| Workers' compensation..... | 1,152,134 | - | - | 175,442 | (174,168) | 1,153,408 | 241,719 |
| Net pension liability..... | 27,888,377 | - | - | 30,656,126 | (11,886,493) | 46,658,010 | - |
| Net other postemployment benefits liability.. | 153,365,207 | - | - | 79,302,916 | (87,108,948) | 145,559,175 | - |
| Total governmental activity long-term liabilities..... | <u>\$ 297,425,972</u> | <u>\$ 13,558,373</u> | <u>\$ (7,703,703)</u> | <u>\$ 111,430,694</u> | <u>\$ (100,391,736)</u> | <u>\$ 314,319,600</u> | <u>\$ 9,876,173</u> |
| Business-Type Activities: | | | | | | | |
| Direct borrowings payable..... | \$ 8,810,555 | \$ - | \$ (818,921) | \$ - | \$ - | \$ 7,991,634 | \$ 828,547 |
| Compensated absences..... | 264,708 | - | - | 289,734 | (264,708) | 289,734 | 289,734 |
| Net pension liability..... | 8,493,499 | - | - | 862,577 | (1,439,180) | 7,916,896 | - |
| Net other postemployment benefits liability.. | 11,312,010 | - | - | 92,946 | (1,649,649) | 9,755,307 | - |
| Total business-type activity long-term liabilities..... | <u>\$ 28,880,772</u> | <u>\$ -</u> | <u>\$ (818,921)</u> | <u>\$ 1,245,257</u> | <u>\$ (3,353,537)</u> | <u>\$ 25,953,571</u> | <u>\$ 1,118,281</u> |

Long-term liabilities related to both governmental and business-type activities are normally paid from the funds reporting payroll and related expenditures, which consist of the general fund and the 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, 2023, the governmental fund balances consisted of the following:

| | General | Capital Projects Fund | Highway Improvement Fund | Public Funds | Federal Grants Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------|-----------------------|--------------------------|---------------------|---------------------|-----------------------------|--------------------------|
| Fund Balances: | | | | | | | |
| Nonspendable: | | | | | | | |
| Permanent fund principal..... | \$ - | \$ - | \$ - | \$ 3,763,633 | \$ - | \$ - | \$ 3,763,633 |
| Restricted for: | | | | | | | |
| Capital projects fund..... | - | 18,459,266 | - | - | - | - | 18,459,266 |
| Highway improvement fund..... | - | - | 3,793 | - | - | - | 3,793 |
| Public funds..... | - | - | - | 3,731,014 | - | - | 3,731,014 |
| Federal grants..... | - | - | - | - | 2,505,077 | - | 2,505,077 |
| State grants..... | - | - | - | - | - | 373,492 | 373,492 |
| Other grants..... | - | - | - | - | - | 1,141,372 | 1,141,372 |
| Revolving fund..... | - | - | - | - | - | 6,143,823 | 6,143,823 |
| Receipts reserved for appropriation..... | - | - | - | - | - | 856,502 | 856,502 |
| Gifts..... | - | - | - | - | - | 649,418 | 649,418 |
| Special revenue trust fund..... | - | - | - | - | - | 5,552,290 | 5,552,290 |
| Student activity fund..... | - | - | - | - | - | 286,463 | 286,463 |
| Committed to: | | | | | | | |
| Articles and continuing appropriations: | | | | | | | |
| General government: | | | | | | | |
| Finance..... | 12,253 | - | - | - | - | - | 12,253 |
| Transportation network..... | 12,129 | - | - | - | - | - | 12,129 |
| Road improvement..... | 142,569 | - | - | - | - | - | 142,569 |
| Building improvements..... | 894,050 | - | - | - | - | - | 894,050 |
| Public safety: | | | | | | | |
| Purchase of equipment..... | 206,496 | - | - | - | - | - | 206,496 |
| Public works: | | | | | | | |
| Road improvement..... | 17,419 | - | - | - | - | - | 17,419 |
| Walls and fences..... | 52,599 | - | - | - | - | - | 52,599 |
| Purchase of equipment..... | 265,000 | - | - | - | - | - | 265,000 |
| Drain construction..... | 376,218 | - | - | - | - | - | 376,218 |
| Health and human services: | | | | | | | |
| Equipment..... | 100 | - | - | - | - | - | 100 |
| Culture and recreation: | | | | | | | |
| Lease purchase..... | 134,389 | - | - | - | - | - | 134,389 |
| Assigned to: | | | | | | | |
| General government: | | | | | | | |
| Selectmen..... | 2,877 | - | - | - | - | - | 2,877 |
| Finance..... | 56,316 | - | - | - | - | - | 56,316 |
| Public safety: | | | | | | | |
| Police..... | 7,297 | - | - | - | - | - | 7,297 |
| Fire..... | 2,310 | - | - | - | - | - | 2,310 |
| Education: | | | | | | | |
| Schools..... | 1,306,095 | - | - | - | - | - | 1,306,095 |
| Public works & facilities: | | | | | | | |
| Highway department..... | 42,576 | - | - | - | - | - | 42,576 |
| Waste collection..... | 5,500 | - | - | - | - | - | 5,500 |
| Utility reserve..... | 251 | - | - | - | - | - | 251 |
| Free cash used for subsequent year budget..... | 8,000,000 | - | - | - | - | - | 8,000,000 |
| Unassigned..... | 10,862,983 | - | - | - | - | - | 10,862,983 |
| Total Fund Balances..... | \$ 22,399,427 | \$ 18,459,266 | \$ 3,793 | \$ 7,494,647 | \$ 2,505,077 | \$ 15,003,360 | \$ 65,865,570 |

Massachusetts General Law Ch. 40 §5B allows for the establishment of Stabilization funds for one or more different purposes. The creation of a fund requires two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body. The Stabilization fund balance can be used for general and/or capital purposes upon approval of Town Meeting. In accordance with Massachusetts General Law, the Town has established a general stabilization fund. At year end, the Town’s general fund’s unassigned fund balance included \$256,000 in the general stabilization fund.

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 <https://www.macomptroller.org/gasb-68-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, 2022. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$7,204,555 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 \$87,582,989, 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, 2022.

At December 31, 2022, the MCRS membership consists of the following:

| | |
|--|-------------------|
| Active members..... | 372 |
| Inactive members..... | 158 |
| Retirees and beneficiaries currently receiving benefits..... | <u>359</u> |
| Total..... | <u><u>889</u></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, 2022, was \$5,195,313, 22.87% 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, 2022, was \$4,467,611, and equaled its actual contribution.

Pension Liabilities

The components of the net pension liability of the participating member units at December 31, 2022, were as follows:

| | | |
|--|----|--------------------------|
| Total pension liability..... | \$ | 173,925,267 |
| Total pension plan's fiduciary net position..... | | <u>(115,533,041)</u> |
| Total net pension liability..... | \$ | <u><u>58,392,226</u></u> |
| The pension plan's fiduciary net position as | | |
| a percentage of the total pension liability..... | | 66.43% |

At June 30, 2023, the Governmental Activities, Water, Sewer and Harbor enterprise reported a liability of \$50,213,097, for its proportionate share of the net pension liability measured at December 31, 2022. The Municipal Light enterprise fund net pension liability of \$4,361,809 was measured as of December 31, 2021 for their year ended December 31, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. 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, 2022, the Town's proportion was 85.993% (excluding the Municipal Light Department).

Pension Expense

For the year ended June 30, 2023, the Town recognized pension expense of \$4,983,081, exclusive of the Municipal Light Department. At June 30, 2023, the Town and the Municipal Light Department reported deferred outflows of resources related to pensions of \$7,200,193, and \$913,794, respectively. At June 30, 2023, the Town exclusive of the Municipal Light Department reported deferred inflows of resources related to pensions of \$2,011,793, and \$2,461,568, respectively. The balances of deferred outflows and inflows at June 30, 2023, for the Town, excluding the Municipal Light Department are as follows:

| Deferred Category | Deferred Outflows of Resources | Deferred Inflows of Resources | Total |
|--|--------------------------------------|-------------------------------------|---------------------|
| Differences between expected and actual experience..... | \$ - | \$ (2,011,793) | \$ (2,011,793) |
| Difference between projected and actual earnings, net..... | 6,431,671 | - | 6,431,671 |
| Changes in assumptions..... | 768,522 | - | 768,522 |
| Total deferred outflows/(inflows) of resources..... | <u>\$ 7,200,193</u> | <u>\$ (2,011,793)</u> | <u>\$ 5,188,400</u> |

The balances of deferred outflows and inflows at December 31, 2022, for the Municipal Light Department are as follows:

| Deferred Category | Deferred Outflows of Resources | Deferred Inflows of Resources | Total |
|---|--------------------------------------|-------------------------------------|-----------------------|
| Differences between expected and actual experience..... | - | \$ (436,455) | \$ (436,455) |
| Difference between projected and actual earnings, net..... | - | (1,945,249) | (1,945,249) |
| Changes in assumptions..... | 264,520 | - | 264,520 |
| Changes in proportion and proportionate share of contributions... | - | (79,864) | (79,864) |
| Contributions made subsequent to the measurement date..... | 649,274 | - | 649,274 |
| Total deferred outflows/(inflows) of resources..... | <u>\$ 913,794</u> | <u>\$ (2,461,568)</u> | <u>\$ (1,547,774)</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 |
|---|------------------|-----------------------|---------------------|
| 2023..... | \$ (938,866) | \$ (550,015) | \$ (1,488,881) |
| 2024..... | 239,910 | (729,096) | (489,186) |
| 2025..... | 1,689,001 | (561,799) | 1,127,202 |
| 2026..... | <u>4,198,355</u> | <u>(356,138)</u> | <u>3,842,217</u> |
| Subtotal amortized deferred outflows/(inflows) of resources..... | <u>5,188,400</u> | <u>(2,197,048)</u> | <u>2,991,352</u> |
| Contributions made subsequent to the measurement date..... | - | 649,274 | 649,274 |
| Total deferred outflows/(inflows) of resources... \$ | <u>5,188,400</u> | <u>\$ (1,547,774)</u> | <u>\$ 3,640,626</u> |

Actuarial Assumptions

The total pension liability in the January 1, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement that was rolled-forward to December 31, 2022, for the Town’s measurement date:

| | |
|--|---|
| Valuation date..... | January 1, 2022. |
| Actuarial cost method..... | Entry age normal cost method. |
| Amortization method..... | Total appropriation increases 8.6% per year until FY35 with a final amortization payment in FY36. |
| Remaining amortization period..... | 13 years from July 1, 2023. |
| Asset valuation method..... | The actuarial value of assets is determined in accordance with the deferred recognition method under which 20% of the gains or losses occurring in the prior year are recognized, 40% of those occurring 2 years ago are recognized, etc., so that 100% of gains or losses occurring 5 years ago are recognized. The actuarial value of assets will be adjusted, if necessary, in order to remain between 90% and 110% of market value. |
| Investment rate of return/discount rate..... | 7.00% net of pension plan investment expense, including inflation (previously 7.15%). |
| Inflation rate..... | 2.5% per year. |
| 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% per year (on the first \$12,000 of an allowance). |
| Mortality Rates: | |
| Pre-Retirement..... | Rates reflect the RP-2014 Blue Collar Employees table projected generationally with Scale MP-2020 (gender distinct). |
| Post-Retirement..... | Rates reflect the RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2020 (gender distinct). |
| Disabled Retirees..... | Rates reflect the RP-2014 Blue Collar Healthy Annuitant table set forward 1 year projected generationally with Scale MP-2020 (gender distinct). |

Changes of Assumptions

None.

Changes in Plan Provisions

None.

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, 2022, are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|------------------------------------|-------------------|--|
| Domestic Equity..... | 21.20% | 7.10% |
| International Equity..... | 12.20% | 6.90% |
| Emerging International Equity..... | 4.70% | 9.60% |
| Core Fixed Income..... | 13.80% | 4.20% |
| Value-Added Fixed Income..... | 7.00% | 7.80% |
| Private Equity..... | 17.70% | 10.20% |
| Real Estate..... | 11.20% | 5.70% |
| Timberland..... | 3.20% | 7.00% |
| Hedge Funds PCS..... | 8.60% | 6.50% |
| Overlay..... | 0.40% | 0.00% |
| | 100.00% | |

Rate of Return

For the year ended December 31, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -11.45%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2023. 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 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

| | 1% Decrease (6.00%) | Current Discount (7.00%) | 1% Increase (8.00%) |
|---|------------------------|--------------------------------|------------------------|
| <u>December 31, 2022 Measurement Date</u> | | | |
| The Town's proportionate share of the net pension liability..... | \$ 66,386,681 | \$ 50,213,097 | \$ 36,547,072 |
| The Retirement System's total net pension liability.. | \$ 77,200,000 | \$ 58,392,000 | \$ 42,500,000 |
| <u>December 31, 2021 Measurement Date</u> | | | |
| The Municipal Light Plant's proportionate share of the net pension liability..... | \$ 6,642,315 | \$ 4,361,809 | \$ 2,429,475 |

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% of the cost of pre-Medicare coverage and 75% of the cost of the Medex plan and Medicare Part B. Plan members receiving benefits contribute the remaining 17-35% of the cost of pre-Medicare and 25% of the cost of Medex plan and Medicare Part B. For 2023, the Town’s age-adjusted contribution to the plan totaled \$6.3 million. For the year ended June 30, 2023, the Town’s average contribution rate was 10.79% of covered-employee payroll.

The Commonwealth of Massachusetts passed special legislation that has allowed the Town to establish the Other Postemployment Benefits Trust Fund which allows the Town to set aside amounts to begin pre-funding its OPEB liabilities. The Town has named the Health Care Security Board of Trustees (HCSBT) as Trustees of the OPEB Fund and as such has authorized the OPEB Trust Funds to be invested entirely in the State Retirement Benefits Trust Fund (SRBT Fund). Massachusetts General Law directs the HSCBT to invest the SRBT Fund in the Pension Reserves Investment Trust (PRIT) Fund. The Trustees have adopted a trust agreement detailing their duties and responsibilities as Trustees. The PRIT Fund is subject to oversight by the Pension Reserves Investment Management Board (PRIM) Board. A nine-member Board of Trustees governs the PRIM Board. The

Board of Trustees has the authority to employ an Executive Director, outside investment managers, custodians, consultants, and others as it deems necessary to formulate policies and procedures and to take such other actions as necessary and appropriate to manage the assets of the PRIT Fund.

During fiscal year 2023, the Town pre-funded \$261,378 of future OPEB liabilities 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 \$6.3 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, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2022. The Municipal Light Plant has a fiscal year end of December 31st, and uses a measurement date of June 30, 2021. The following disclosures for the Town as a whole, include the Municipal Light Plant as of June 30, 2023. The disclosures for the Municipal Light Plant as of June 30, 2022, are presented separately, following the Town’s disclosures below.

Plan Membership

At June 30, 2023, the Plan’s membership consists of the following:

| | |
|---|---------------------|
| Active members..... | 713 |
| Inactive members currently receiving benefits.... | <u>775</u> |
| Total..... | <u><u>1,488</u></u> |

Components of OPEB Liability

The following table represents the components of the Plan’s OPEB liability as of June 30, 2023:

| | |
|--|-----------------------|
| Total OPEB liability..... | \$ 162,214,254 |
| Less: OPEB plan's fiduciary net position..... | <u>(6,339,234)</u> |
| Net OPEB liability..... | 155,875,020 |
| Liability related to Municipal Light Department June 30, 2023..... | (4,266,726) |
| Liability recorded by Municipal Light Department as of June 30, 2022.. | <u>3,706,188</u> |
| Net OPEB liability reported on Statement of Net Position..... | <u>\$ 155,314,482</u> |
| | |
| The OPEB plan's fiduciary net position as a percentage of the total OPEB liability..... | 3.91% |

Significant Actuarial Methods and Assumptions

The total OPEB liability in the July 1, 2022, 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, 2023.

| | |
|--------------------------------|---|
| Valuation date..... | July 1, 2022. |
| Actuarial cost method..... | Entry Age Normal. |
| Asset valuation method..... | Fair value. |
| Discount rate..... | 5.24% |
| Inflation rate..... | 2.50% |
| Healthcare cost trend rate.... | 6.50% for the first year, decreases by .04% per year through year 7 to .75% 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, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 6.30%. 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 Select Board 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, 2023, are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|---|--------------------------|---|
| Domestic Equity - Large Cap..... | 14.50% | 4.10% |
| Domestic Equity - Small/Mid Cap..... | 3.50% | 4.55% |
| International Equity - Developed Market.. | 16.00% | 4.64% |
| International Equity - Emerging Market.. | 6.00% | 5.45% |
| Domestic Fixed Income..... | 20.00% | 1.05% |
| International Fixed Income..... | 3.00% | 0.96% |
| Alternatives..... | 23.00% | 5.95% |
| Real Estate..... | <u>14.00%</u> | 6.25% |
| 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, 2023, which is 5.24%. 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

| | <u>Increase (Decrease)</u> | | |
|--|-----------------------------|------------------------------------|---------------------------|
| | <u>Total OPEB Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Net OPEB Liability</u> |
| | <u>(a)</u> | <u>(b)</u> | <u>(a) - (b)</u> |
| Balances at June 30, 2022..... | \$ 167,881,774 | \$ 5,763,010 | \$ 162,118,764 |
| Changes for the year: | | | |
| Service cost..... | 3,427,505 | - | 3,427,505 |
| Interest..... | 6,880,607 | - | 6,880,607 |
| Differences between expected and actual experience.... | 20,865,562 | - | 20,865,562 |
| Changes in assumptions and other inputs..... | (30,722,335) | - | (30,722,335) |
| Benefit payments..... | (6,018,859) | (6,018,859) | - |
| Contributions - employer..... | - | 6,280,237 | (6,280,237) |
| Net investment income (loss)..... | - | 314,846 | (314,846) |
| Net change..... | <u>(5,567,520)</u> | <u>576,224</u> | <u>(6,143,744)</u> |
| Balances at June 30, 2023..... | <u>\$ 162,314,254</u> | <u>\$ 6,339,234</u> | <u>\$ 155,975,020</u> |

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 5.24%, 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 (4.24%) or 1-percentage-point higher (6.24%) than the current rate.

| | 1% Decrease (4.24%) | Current Discount Rate (5.24%) | 1% Increase (6.24%) |
|---------------------------|------------------------|-------------------------------------|------------------------|
| Net OPEB liability.... \$ | \$ 180,729,251 | \$ 155,875,020 | \$ 135,956,368 |

Sensitivity of the Net Other Postemployment Liability to Changes in the Healthcare Trend

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

| | 1% Decrease (7.00% decreasing to 4.00%) | Current Trend (8.00% decreasing to 5.00%) | 1% Increase (9.00% decreasing to 6.00%) |
|---------------------------|---|---|---|
| Net OPEB liability.... \$ | \$ 134,150,381 | \$ 155,875,020 | \$ 183,274,765 |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the Town recognized OPEB income of \$8,663,562 and the municipal light plant recognized \$469,642 for a total of \$9,133,204. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| Deferred Category | Deferred Outflows of Resources | Deferred Inflows of Resources | Total |
|--|--------------------------------------|-------------------------------------|-----------------|
| Differences between expected and actual experience..... | \$ 17,644,434 | \$ (20,202,275) | \$ (2,557,841) |
| Difference between projected and actual earnings, net..... | 145,308 | (767,173) | (621,865) |
| Changes in assumptions..... | 16,503,022 | (66,705,604) | (50,202,582) |
| Total deferred outflows/(inflows) of resources..... | \$ 34,292,764 | \$ (87,675,052) | \$ (53,382,288) |

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

| | |
|----------------------------|------------------------|
| <u>Year ended June 30:</u> | |
| 2023..... | \$ (780,628) |
| 2024..... | (13,071,694) |
| 2025..... | (13,081,228) |
| 2026..... | (13,988,405) |
| 2027..... | (14,082,173) |
| 2028..... | 1,600,420 |
| Thereafter..... | <u>21,420</u> |
| Total..... | \$ <u>(53,382,288)</u> |

Changes of Assumptions

The discount rate was increased from 4.09% to 5.24%.

Changes in Plan Provisions

None.

OPEB Employer Financial Reporting for the Marblehead Municipal Light Plant as of December 31, 2022

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 June 30, 2022, the Plan’s membership consisted of the following:

| | |
|---|------------------|
| Active members..... | 16 |
| Inactive employees or beneficiaries currently receiving benefits..... | <u>28</u> |
| Total..... | <u><u>44</u></u> |

Components of OPEB Liability

The following table represents the components of the Plan’s OPEB liability as of June 30, 2022:

| | | |
|--|----|--------------------|
| Total OPEB liability..... | \$ | 6,026,169 |
| Less: OPEB plan's fiduciary net position..... | | <u>(2,319,981)</u> |
| Net OPEB liability..... | \$ | <u>3,706,188</u> |
| | | |
| The OPEB plan's fiduciary net position as a percentage of the total OPEB liability..... | | 38.50% |

Significant Actuarial Methods and Assumptions

The total OPEB liability in the July 1, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|--|
| Valuation date..... | July 1, 2021. |
| Healthcare cost trend rate..... | 8% for 2018, decreasing by .5% per year to an ultimate rate of 5%. |
| Inflation rate..... | 3.0% per annum. |
| Discount Rate / Investment Rate of Return.. | 4.09% as of 6/30/2022; 2.18% as of 6/30/2021. |
| Mortality rates..... | PUB-2010 Mortality table with MP-2021 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, 2022, are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation (Town)</u> | <u>Long-Term Expected 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 4.09% as of June 30, 2022. 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 4.09%, 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 (3.09%) and 1-percentage-point higher (5.09%) than the current rate.

| | 1% Decrease (3.09%) | Current Discount Rate (4.09%) | 1% Increase (5.09%) |
|---------------------------|------------------------|-------------------------------------|------------------------|
| Net OPEB liability.... \$ | \$ 4,624,402 | \$ 3,706,188 | \$ 2,966,332 |

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 (7.00% year 1 decreasing to 4.00%) and 1-percentage-point higher (9.00% year 1 decreasing to 6.00%) than the current healthcare trend rate.

| | 1% Decrease (7.00% decreasing to 4.00%) | Current Trend (8.00% decreasing to 5.00%) | 1% Increase (9.00% decreasing to 6.00%) |
|---------------------------|---|---|---|
| Net OPEB liability.... \$ | \$ 2,938,098 | \$ 3,706,188 | \$ 4,668,410 |

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended December 31, 2022, the Department recognized OPEB expense of \$3,531,788. Deferred outflows and deferred inflows of resources related to OPEB at December 31, 2022, were reported as follows:

| Deferred Category | Deferred Outflows of Resources | Deferred Inflows of Resources | Total |
|--|--------------------------------------|-------------------------------------|----------------|
| Differences between expected and actual experience..... | \$ 61,514 | \$ (2,463,138) | \$ (2,401,624) |
| Difference between projected and actual earnings, net..... | - | (328,798) | (328,798) |
| Changes in assumptions..... | 860,882 | (1,777,070) | (916,188) |
| Total deferred outflows/(inflows) of resources..... | \$ 922,396 | \$ (4,569,006) | \$ (3,646,610) |

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:

| | | |
|-----------------|--------|-------------------------------|
| 2023..... | \$ | (780,628) |
| 2024..... | | (750,731) |
| 2025..... | | (753,740) |
| 2026..... | | (701,257) |
| 2027..... | | (729,888) |
| Thereafter..... | | <u>69,634</u> |
| Total..... | \$ | <u><u>(3,646,610)</u></u> |

Changes of Assumptions

- The discount rate was increased from 4.09% to 5.24%.
- The Town has adopted the Getzen model for future projected healthcare costs.
- Retirement, mortality, and termination rates for teachers have been updated.

Changes in Plan Provisions

None.

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

GAAP requires that all Pension and Other Employee Benefit Trust Funds be combined and presented in one column in the Fiduciary Funds financial statements and that the individual financial statements for each trust fund plan are reported in the notes to the financial statements. Provided on the following page 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 Trust Fund (as of December 31, 2022) | Other Postemployee Benefit Trust Fund | Total Pension and Other Employee Benefit Trust Funds |
|---|---|--|--|
| ASSETS | | | |
| Cash and cash equivalents..... | \$ 93,547 | \$ 518,368 | \$ 611,915 |
| Investments: | | | |
| Investments in Pension Reserve Investment Trust.... | 115,435,535 | 5,820,866 | 121,256,401 |
| Receivables, net of allowance for uncollectibles: | | | |
| Departmental and other..... | <u>5,683</u> | <u>-</u> | <u>5,683</u> |
| TOTAL ASSETS..... | <u>115,534,765</u> | <u>6,339,234</u> | <u>121,873,999</u> |
| LIABILITIES | | | |
| Warrants payable..... | <u>1,724</u> | <u>-</u> | <u>1,724</u> |
| NET POSITION | | | |
| Restricted for pensions..... | 115,533,041 | - | 115,533,041 |
| Restricted for other postemployment benefits..... | <u>-</u> | <u>6,339,234</u> | <u>6,339,234</u> |
| TOTAL NET POSITION..... | <u>\$ 115,533,041</u> | <u>\$ 6,339,234</u> | <u>\$ 121,872,275</u> |

| | Pension Trust Fund (as of December 31, 2022) | Other Postemployee Benefit Trust Fund | Total Pension and Other Employee Benefit Trust Funds |
|---|---|--|--|
| ADDITIONS: | | | |
| Contributions: | | | |
| Employer contributions..... | \$ 5,195,313 | \$ 261,378 | \$ 5,456,691 |
| Employer contributions for other postemployment benefit payments..... | - | 6,018,859 | 6,018,859 |
| Member contributions..... | 2,368,159 | - | 2,368,159 |
| Transfers from other systems..... | 466,508 | - | 466,508 |
| 3(8)c contributions from other systems..... | 228,565 | - | 228,565 |
| State COLA reimbursements..... | 42,004 | - | 42,004 |
| Total contributions..... | <u>8,300,549</u> | <u>6,280,237</u> | <u>14,580,786</u> |
| Net investment income (loss): | | | |
| Investment income (loss)..... | (14,536,858) | 314,846 | (14,222,012) |
| Less: investment expense..... | (609,268) | - | (609,268) |
| Net investment income (loss)..... | <u>(15,146,126)</u> | <u>314,846</u> | <u>(14,831,280)</u> |
| TOTAL ADDITIONS..... | <u>(6,845,577)</u> | <u>6,595,083</u> | <u>(250,494)</u> |
| DEDUCTIONS: | | | |
| Administration..... | 164,237 | - | 164,237 |
| Transfers to other systems..... | 699,780 | - | 699,780 |
| Retirement benefits and refunds..... | 10,713,310 | - | 10,713,310 |
| Other postemployment benefit payments..... | - | 6,018,859 | 6,018,859 |
| TOTAL DEDUCTIONS..... | <u>11,577,327</u> | <u>6,018,859</u> | <u>17,596,186</u> |
| NET INCREASE (DECREASE) IN NET POSITION..... | (18,422,904) | 576,224 | (17,846,680) |
| NET POSITION AT BEGINNING OF YEAR..... | <u>133,955,945</u> | <u>5,763,010</u> | <u>139,718,955</u> |
| NET POSITION AT END OF YEAR..... | <u>\$ 115,533,041</u> | <u>\$ 6,339,234</u> | <u>\$ 121,872,275</u> |

NOTE 12 – COMMITMENTS

The Town has entered into contracts, or is planning to enter into contracts, totaling \$8.5 million for the Abbot Public Library Renovations.

The general fund has various commitments for goods and services related to encumbrances of \$1,423,222.

NOTE 13 – CONTINGENCIES

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

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

NOTE 14 – CONTINGENT LIABILITIES OF THE MARBLEHEAD MUNICIPAL LIGHT DEPARTMENT

Berkshire Wind Cooperative Corporation

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

The Cooperative is organized under Chapters 157 and 164; Section 47C of the State of Massachusetts Statutes and constitutes a municipal lighting plant cooperative. The Cooperative was formed by the Massachusetts Municipal Wholesale Electric Company (MMWEC) and 16 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.

The Berkshire Wind Facility is comprised of two Phases. Phase 1 is comprised of ten 1.5-megawatt wind turbines which have been commercially operating since 2011, and Phase 2 is comprised of two 2.3-megawatt wind turbines which began commercial operations in November 2019.

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, and its pro rata share of the Operation and Maintenance (O&M) costs of the Berkshire Wind Facility. 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. Additionally, 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.

The total capital expenditures, debt service, and operation and maintenance (O&M) costs are associated with the Department’s pro rata share of the Phases in which it participates for the years ended December 31, 2022 and 2021, respectively are listed in the table below.

| Phase | Percentage Share | Total Capital Expenditures 2022 | Debt Service Billed 2022 | Debt Service Billed 2021 | Operations and Maintenance Billed 2022 | Operations and Maintenance Billed 2021 |
|------------------------|------------------|---------------------------------|--------------------------|--------------------------|--|--|
| Berkshire Phase 1..... | 6.7270% | \$ 3,721,415 | \$ 325,587 | \$ 325,570 | \$ 144,071 | \$ 116,159 |
| Berkshire Phase 2..... | 13.4780% | 2,200,213 | 131,945 | 131,945 | 133,049 | 89,413 |
| | | <u>\$ 5,921,628</u> | <u>\$ 457,532</u> | <u>\$ 457,515</u> | <u>\$ 277,120</u> | <u>\$ 205,572</u> |

In addition, the estimated aggregate amount of the required payments for future years for the Plant’s pro rata share of the Phases in which it participates is shown.

| <u>For the years ended December 31,</u> | <u>Phase 1 Debt Service 6.7270%</u> | <u>Phase 2 Debt Service 15.71%</u> | <u>Total Debt Service</u> |
|---|---|--|-------------------------------|
| 2023..... | \$ 325,553 | \$ 177,232 | \$ 502,785 |
| 2024..... | 325,974 | 177,232 | 503,206 |
| 2025..... | 325,486 | 177,232 | 502,718 |
| 2026..... | 325,789 | 177,232 | 503,021 |
| 2027..... | 325,805 | 177,232 | 503,037 |
| 2028-2032..... | 976,727 | 886,158 | 1,862,885 |
| 2033..... | - | 974,054 | 974,054 |
| | <u>\$ 2,605,334</u> | <u>\$ 2,746,372</u> | <u>\$ 5,351,706</u> |

Other Power Supply

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

Under the terms of the All Requirements Agreement, the Department is committed to purchase additional power through MMWEC in the amount of \$2,805,116 in 2023, \$462,888 in 2024, and \$210,643 in 2025.

MMWEC Contingencies and Liabilities

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

MMWEC is a public corporation and a political subdivision of the Commonwealth of Massachusetts, created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in, and to issue revenue bonds to finance, electric facilities (Projects). MMWEC has acquired ownership interests in electric facilities operated by other entities and also owns and operates its own electric facilities. MMWEC operates the Stony Brook Intermediate Project and the Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has the Nuclear Mix No 1 Project, Nuclear Project Three, Nuclear Project Four, Nuclear Project Five and Project Six, which comprise an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by NextEra Energy Seabrook, LLC and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit, operated by Dominion Nuclear Connecticut, Inc. The operating license for Seabrook Station extends to March 15, 2050. The operating license for the Millstone Unit 3 nuclear unit extends to November 25, 2045.

The Light Department is also a Participant in MMWEC Project 2015A, a capacity reliability resource in Peabody, Massachusetts, and in MWECE Project 2020A, a solar resource in Ludlow, MA. Both Project 2015A and Project 2020A are under construction as of December 31, 2021. As of December 31, 2022, the Light Department has contributed \$432,355 and \$50,642 for design and construction costs for Project 2015A and Project 2020A, respectively.

MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other utilities (Project Participants) under Power Sales Agreements (PSAs). The Light Department has entered into PSAs with MMWEC. Under the PSAs the Department is required to make certain payments to MMWEC payable solely from

the Municipal Light Department revenues. Among other things, the PSAs require each Project Participant to pay its pro rata share of MMWEC’s costs related to the Project, which costs include debt service on the revenue bonds issued by MMWEC to finance the Project. In addition, should a Project Participant fail to make any payment when due, other Project Participants of that Project may be required to increase (step-up) their payments and correspondingly their Participant’s share of that Project’s Project Capability. Project Participants have covenanted to fix, revise and collect rates at least sufficient to meet their obligations under the PSAs. Each Participant is unconditionally obligated to make payments due to MMWEC whether or not the Project(s) is completed or operating notwithstanding the suspension or interruption of the output of the Project(s).

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 management, the outcome of such litigation or claims will not have a material adverse effect on the financial position of the company.

The total capital expenditures and annual capacity, fuel and transmission costs (which include debt service and decommissioning expenses as discussed above) associated with the Department’s Project Capability of the Projects in which it participates for the years ended December 31, 2022 and 2021, respectively are listed in the table below.

| Projects | Percentage Share | Total Capital Expenditures 2022 | Capacity, Fuel and Transmission Billed 2022 | Capacity, Fuel and Transmission Billed 2021 |
|------------------------------|------------------|---------------------------------|---|---|
| Stony Brook Peaking..... | 1.5980% | \$ 990,047 | \$ 85,639 | \$ 63,775 |
| Stony Brook Int. | 2.9573% | 5,418,226 | 681,564 | 430,833 |
| Nuclear Mix 1 - SBK..... | 3.7420% | 387,915 | 17,943 | 16,048 |
| Nuclear Mix 1 - MLS..... | 3.7420% | 2,390,903 | 222,320 | 248,665 |
| Nuclear Project 3 - MLS..... | 2.9546% | 4,571,467 | 348,838 | 391,187 |
| Nuclear Project 4 - SBK..... | 2.6500% | 8,115,397 | 334,419 | 303,608 |
| Nuclear Project 5 - SBK..... | 1.2908% | 1,069,249 | 42,238 | 38,051 |
| Project 2015A - CR..... | 4.4260% | 2,868,507 | - | - |
| Project 2015A - LS..... | 10.8700% | 1,286,032 | - | - |
| | | <u>\$ 27,097,743</u> | <u>\$ 1,732,961</u> | <u>\$ 1,492,167</u> |

NOTE 15 – RISK FINANCING

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

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

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

An analysis of workers' compensation activity is presented below:

| | Balance at Beginning of Year | Current Year Claims and Changes in Estimate | Claims Payments | Balance at Year-End | Current Portion |
|-----------|------------------------------------|--|--------------------|------------------------|--------------------|
| 2022..... | \$ 1,063,181 | \$ 280,279 | \$ (191,326) | \$ 1,152,134 | \$ 174,168 |
| 2023..... | 1,152,134 | 175,442 | (174,168) | 1,153,408 | 241,719 |

NOTE 16 – CLEANUP AND REMEDIATION LIABILITY RELATED TO THE OLD LANDFILL

State and federal laws and regulations require the Town to construct a final capping system on its inactive landfill located at the rear of the Transfer Station at 5 Woodfin Terrace and to perform certain maintenance and monitoring functions at the site after closure. The Town stopped accepting waste and closed the site in 1975 in accordance with the regulations in place at that time. The Town was compelled to provide for the capping and monitoring of its landfill by an administrative consent order issued by the Department of Environmental Protection. During 2018, the Town completed capping the landfill. Since the capping and closure project is complete, the Town is required to pay monitoring costs of approximately \$115,000 per year for 30 years. The total remaining monitoring costs have been reported as a total \$2.4 million liability of the Town as of June 30, 2023. Actual costs may change due to inflation, changes in technology, or changes in regulations.

NOTE 17 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 20, 2024, which is the date the financial statements were available to be issued.

NOTE 18 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2023, the following GASB pronouncements were implemented:

- GASB Statement #91, *Conduit Debt Obligations*. This pronouncement did not impact the annual comprehensive financial report.
- GASB Statement #94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This pronouncement did not impact the annual comprehensive financial report.
- GASB Statement #96, *Subscription-Based Information Technology Arrangements*. This pronouncement did not impact the annual comprehensive financial report.
- GASB Statement #99, *Omnibus 2022*. This pronouncement did not impact the annual comprehensive financial report.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #100, *Accounting Changes and Error Corrections*, which is required to be implemented in 2024.
- The GASB issued Statement #101, *Compensated Absences*, which is required to be implemented in 2025.

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, 2023

| | Budgeted Amounts | | Actual Budgetary Amounts | Amounts Carried Forward To Next Year | Variance to Final Budget |
|---|--------------------|-------------------|--------------------------------|--|--------------------------------|
| | Original Budget | Final Budget | | | |
| REVENUES: | | | | | |
| Real estate and personal property taxes, net of tax refunds..... | \$ 79,057,751 | \$ 79,057,751 | \$ 78,874,456 | \$ - | \$ (183,295) |
| Motor vehicle excise taxes..... | 3,485,000 | 3,485,000 | 3,693,836 | - | 208,836 |
| Charges for services..... | 931,900 | 931,900 | 1,070,934 | - | 139,034 |
| Penalties and interest on taxes..... | 295,000 | 295,000 | 456,660 | - | 161,660 |
| Payments in lieu of taxes..... | 30,000 | 30,000 | 21,429 | - | (8,571) |
| Licenses and permits..... | 714,900 | 714,900 | 1,272,378 | - | 557,478 |
| Fines and forfeitures..... | 44,005 | 44,005 | 65,738 | - | 21,733 |
| Intergovernmental..... | 8,255,455 | 8,255,455 | 8,313,786 | - | 58,331 |
| Investment income..... | 60,000 | 60,000 | 1,349,593 | - | 1,289,593 |
| Departmental and other..... | 31,404 | 31,404 | 6,902 | - | (24,502) |
| TOTAL REVENUES..... | 92,905,415 | 92,905,415 | 95,125,712 | - | 2,220,297 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| GENERAL GOVERNMENT | | | | | |
| Moderator - Officials Expense..... | 100 | 106 | - | - | 106 |
| Selectmen Officials Expense..... | 5,500 | 5,500 | 5,500 | - | - |
| Selectmen Salaries..... | 388,773 | 439,773 | 438,770 | - | 1,003 |
| Expense..... | 105,179 | 125,178 | 94,300 | 2,877 | 28,001 |
| Zoning Board Legal Services..... | 27,000 | 27,000 | 1,197 | - | 25,803 |
| Out of State Travel..... | 2,000 | 2,000 | 2,000 | - | - |
| Finance Committee - Expense..... | 5,585 | 5,585 | 2,805 | - | 2,780 |
| Local Travel..... | 175 | 175 | - | - | 175 |
| Reserve Fund..... | 144,000 | 106,797 | - | - | 106,797 |
| Finance - Salaries..... | 868,659 | 828,659 | 723,945 | - | 104,714 |
| Expense..... | 619,913 | 598,346 | 406,603 | 56,316 | 135,427 |
| Art. 9, 2020 - Equipment..... | 20,108 | 20,109 | 17,233 | 2,876 | - |
| Art. 8, 2018 - Equipment..... | 9,377 | 9,377 | - | 9,377 | - |
| Assessors - Officials Expense..... | 300 | 300 | 300 | - | - |
| Assessors - Salaries..... | 221,222 | 188,222 | 185,204 | - | 3,018 |
| Expense..... | 54,251 | 57,251 | 54,867 | - | 2,384 |
| Local Travel..... | 500 | 500 | 132 | - | 368 |
| Town Counsel - Salaries..... | 2,000 | 2,000 | 2,000 | - | - |
| Expense..... | 110,000 | 110,000 | 90,079 | - | 19,921 |
| Parking Tickets - Expense..... | 12,650 | 12,650 | 2,675 | - | 9,975 |
| Town Clerk - Salaries..... | 206,231 | 223,046 | 208,611 | - | 14,435 |
| Expense..... | 10,137 | 36,137 | 20,695 | - | 15,442 |
| Election and Registration - Salaries..... | 32,501 | 32,501 | 22,713 | - | 9,788 |
| Expense..... | 24,825 | 49,825 | 48,430 | - | 1,395 |
| Planning Board - Expense..... | 1,675 | 3,175 | 3,175 | - | - |
| Public Buildings - Salaries..... | 126,081 | 206,081 | 124,161 | - | 81,920 |
| Expense..... | 121,034 | 131,034 | 118,443 | - | 12,591 |
| Local Travel..... | 400 | 400 | - | - | 400 |
| Art. 19, 2020 - Road Improvement..... | 142,569 | 142,569 | - | 142,569 | - |
| Art. 10, 2021 - Building Improvements..... | 615,159 | 615,160 | 190,968 | 424,192 | - |
| Art. 41, 2019 - Transportation Network..... | 12,129 | 12,129 | - | 12,129 | - |
| Art. 10, 2020 - Improve Public Buildings..... | 41,897 | 41,897 | 2,063 | 39,834 | - |
| Art. 11, 2019 - Improve Public Buildings..... | 71,260 | 71,260 | - | 71,260 | - |
| Art. 9, 2018 - Improve Public Buildings..... | 38,251 | 38,250 | 2,677 | 35,573 | - |
| Art. 10, 2017 - Improve Public Buildings..... | 52,899 | 52,898 | 510 | 52,388 | - |
| Art 11, 2022 - Building Improvements..... | 429,619 | 429,619 | 158,816 | 270,803 | - |
| Town Reports..... | 4,300 | 4,300 | 3,840 | - | 460 |
| Town Audit of Accounts..... | 88,460 | 54,500 | 52,060 | - | 2,440 |
| Training Expense..... | 15,000 | 15,000 | 11,882 | - | 3,118 |
| TOTAL GENERAL GOVERNMENT..... | 4,631,719 | 4,699,309 | 2,996,654 | 1,120,194 | 582,461 |

(Continued)

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

YEAR ENDED JUNE 30, 2023

| | Budgeted Amounts | | Actual Budgetary Amounts | Amounts Carried Forward To Next Year | Variance to Final Budget |
|---|--------------------|-------------------|--------------------------------|--|--------------------------------|
| | Original Budget | Final Budget | | | |
| PUBLIC SAFETY | | | | | |
| Police - Salaries..... | 4,563,405 | 4,650,405 | 4,627,646 | - | 22,759 |
| Expense..... | 203,490 | 219,670 | 211,209 | 7,297 | 1,164 |
| Indemnification..... | 5,000 | 37,000 | 30,322 | - | 6,678 |
| Art. 8, 2021 - Purchase of Equipment..... | 3,777 | 3,776 | 493 | 3,283 | - |
| Art. 9, 2022 - Purchase of Equipment..... | 10,400 | 10,400 | 9,980 | 420 | - |
| Fire - Salaries..... | 4,810,172 | 4,635,172 | 4,515,271 | - | 119,901 |
| Expense..... | 212,674 | 217,674 | 213,404 | 2,310 | 1,960 |
| Alarm Expense..... | 5,000 | 5,000 | 5,000 | - | - |
| Art. 9, 2022 - Purchase of Equipment..... | 206,000 | 206,000 | 3,207 | 202,793 | - |
| Building Commissioner - Salaries..... | 580,016 | 580,016 | 541,796 | - | 38,220 |
| Expense..... | 49,102 | 49,102 | 47,868 | - | 1,234 |
| Local Travel..... | 6,000 | 6,000 | 3,187 | - | 2,813 |
| Sealer of Weights & Measurers - Expense..... | 250 | 250 | - | - | 250 |
| Animal Inspector - Salaries..... | 2,400 | 2,400 | 2,400 | - | - |
| TOTAL PUBLIC SAFETY..... | 10,657,686 | 10,622,865 | 10,211,783 | 216,103 | 194,979 |
| EDUCATION | | | | | |
| Schools..... | 44,564,604 | 44,553,962 | 43,170,392 | 1,306,095 | 77,475 |
| Art. 26, 2022 - Essex North Shore..... | 584,223 | 584,223 | 584,223 | - | - |
| TOTAL EDUCATION..... | 45,148,827 | 45,138,185 | 43,754,615 | 1,306,095 | 77,475 |
| PUBLIC WORKS & FACILITIES | | | | | |
| Engineering - Salaries..... | 186,498 | 186,498 | 180,526 | - | 5,972 |
| Expense..... | 11,795 | 11,795 | 9,131 | - | 2,664 |
| Highway - Salaries..... | 1,480,708 | 1,420,706 | 1,376,614 | - | 44,092 |
| Expense..... | 173,918 | 269,918 | 214,353 | 42,576 | 12,989 |
| Rebuild & Maintain HTTP STS..... | 50,875 | 50,875 | 26,845 | 17,419 | 6,611 |
| Snow Removal..... | 102,510 | 194,910 | 194,857 | - | 53 |
| Street Lighting..... | 128,820 | 128,820 | 98,299 | - | 30,521 |
| Art. 12, 2022 - Walls and Fences..... | 50,000 | 50,000 | - | 50,000 | - |
| Art. 12, 2019 - Walls and Fences..... | 3,814 | 3,814 | 1,215 | 2,599 | - |
| Art. 10, 2018 - Walls and Fences..... | 1,334 | 1,335 | 1,333 | - | 2 |
| Art. 9, 2022 - Purchase of Equipment..... | 265,000 | 265,000 | - | 265,000 | - |
| Waste Collection - Salaries..... | 456,443 | 441,443 | 439,916 | - | 1,527 |
| Expense..... | 2,022,847 | 2,022,847 | 1,958,320 | 5,500 | 59,027 |
| Landfill Monitor Expense..... | 114,600 | 114,600 | 114,600 | - | - |
| Art. 13, 2022 - Drain Construction..... | 400,000 | 400,000 | 43,678 | 356,322 | - |
| Art. 15, 2021 - Drain Construction..... | 201,645 | 201,646 | 181,750 | 19,896 | - |
| Art. 15, 2020 - Drain Construction..... | 64,779 | 64,779 | 64,779 | - | - |
| Cemetery - Officials Expense..... | 300 | 300 | 300 | - | - |
| Salaries..... | 424,902 | 424,902 | 410,289 | - | 14,613 |
| Expense..... | 26,919 | 26,919 | 26,310 | - | 609 |
| Art. 9, 2022 - Purchase of Equipment..... | 52,660 | 52,660 | 52,660 | - | - |
| TOTAL PUBLIC WORKS & FACILITIES..... | 6,220,367 | 6,333,767 | 5,395,775 | 759,312 | 178,680 |
| HUMAN SERVICES | | | | | |
| Health - Officials Expense..... | 400 | 400 | 400 | - | - |
| Salaries..... | 223,929 | 223,929 | 220,817 | - | 3,112 |
| Expense..... | 19,121 | 19,121 | 14,748 | - | 4,373 |
| Local Travel..... | 1,632 | 1,632 | 651 | - | 981 |
| Healing Abuse Working for Change (HAWC)..... | 4,000 | 4,000 | - | - | 4,000 |
| Art. 9, 2022 - Purchase of Equipment..... | 188,100 | 188,100 | 188,000 | 100 | - |
| Mental Health - Contractual Services..... | 60,000 | 60,000 | 60,000 | - | - |
| Council on Aging - Salaries..... | 328,005 | 328,005 | 328,005 | - | - |
| Expense..... | 11,990 | 11,990 | 11,990 | - | - |
| Veterans Benefits - Salaries..... | 75,096 | 75,096 | 74,587 | - | 509 |
| Expense..... | 1,243 | 1,243 | 831 | - | 412 |
| Local Travel..... | 1,100 | 1,100 | 952 | - | 148 |
| Benefits..... | 45,000 | 46,364 | 46,328 | - | 36 |
| TOTAL HUMAN SERVICES..... | 959,616 | 960,980 | 947,309 | 100 | 13,571 |

(Continued)

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

YEAR ENDED JUNE 30, 2023

| | Budgeted Amounts | | Actual Budgetary Amounts | Amounts Carried Forward To Next Year | Variance to Final Budget |
|---|----------------------|----------------------|--------------------------------|--|--------------------------------|
| | Original Budget | Final Budget | | | |
| CULTURE & RECREATION | | | | | |
| Library - Salaries..... | 1,008,619 | 1,008,619 | 980,752 | - | 27,867 |
| Expense..... | 268,826 | 277,596 | 274,583 | - | 3,013 |
| Local Travel..... | 100 | 100 | 79 | - | 21 |
| Park - Salaries..... | 660,955 | 660,955 | 654,765 | - | 6,190 |
| Expense..... | 171,590 | 171,590 | 159,392 | - | 12,198 |
| Park Facility Expense..... | 46,093 | 46,093 | 45,784 | - | 309 |
| Memorial & Veterans Day..... | 7,050 | 7,050 | 6,840 | - | 210 |
| Art. 9, 2021 - Lease Purchase..... | 70,875 | 70,876 | 68,155 | 2,721 | - |
| Art. 10, 2022 - Lease Purchase..... | 396,155 | 396,156 | 264,488 | 131,668 | - |
| TOTAL CULTURE & RECREATION..... | 2,630,263 | 2,639,035 | 2,454,838 | 134,389 | 49,808 |
| ENERGY & UTILITY RESERVE | | | | | |
| Energy Reserve..... | 533,544 | 533,636 | 463,812 | 251 | 69,573 |
| Utility Reserve..... | 100,000 | 110,550 | 84,683 | - | 25,867 |
| TOTAL ENERGY & UTILITY RESERVE..... | 633,544 | 644,186 | 548,495 | 251 | 95,440 |
| PENSION BENEFITS | | | | | |
| Contributory Retirement Fund..... | 4,151,398 | 4,151,398 | 4,151,398 | - | - |
| PROPERTY AND LIABILITY INSURANCE | | | | | |
| Other Insurance..... | 725,000 | 725,000 | 662,794 | - | 62,206 |
| FRINGE BENEFITS | | | | | |
| Medicare..... | 754,000 | 754,000 | 709,885 | - | 44,115 |
| Salary Reserve..... | 173,641 | 73,641 | 42,695 | - | 30,946 |
| Group Insurance..... | 15,891,285 | 15,801,026 | 12,330,471 | - | 3,470,555 |
| TOTAL FRINGE BENEFITS..... | 16,818,926 | 16,628,667 | 13,083,051 | - | 3,545,616 |
| INTERGOVERNMENTAL | | | | | |
| State..... | 2,858,517 | 2,858,517 | 2,516,077 | - | 342,440 |
| DEBT SERVICES | | | | | |
| Maturing Debt..... | 6,465,000 | 6,465,000 | 6,465,000 | - | - |
| Interest..... | 3,641,619 | 3,641,619 | 3,641,619 | - | - |
| TOTAL DEBT SERVICES..... | 10,106,619 | 10,106,619 | 10,106,619 | - | - |
| TOTAL EXPENDITURES..... | 105,542,482 | 105,508,528 | 96,829,408 | 3,536,444 | 5,142,676 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES..... | (12,637,067) | (12,603,113) | (1,703,696) | (3,536,444) | 7,362,973 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Prior year deficit raised..... | (202,769) | (202,769) | - | - | 202,769 |
| Use of prior year reserves..... | 2,056,225 | 2,022,271 | - | - | (2,022,271) |
| Use of free cash to reduce the tax rate..... | 10,200,000 | 10,200,000 | - | - | (10,200,000) |
| Transfers in..... | 836,957 | 836,957 | 1,475,061 | - | 638,104 |
| Transfers out..... | (253,346) | (253,346) | (253,346) | - | - |
| TOTAL OTHER FINANCING SOURCES (USES)..... | 12,637,067 | 12,603,113 | 1,221,715 | - | (11,381,398) |
| NET CHANGE IN FUND BALANCE..... | - | - | (481,981) | (3,536,444) | (4,018,425) |
| BUDGETARY FUND BALANCE, Beginning of year..... | 21,563,443 | 21,563,443 | 21,563,443 | - | - |
| BUDGETARY FUND BALANCE, End of year..... | \$ 21,563,443 | \$ 21,563,443 | \$ 21,081,462 | \$ (3,536,444) | \$ (4,018,425) |

(Concluded)

See notes to required supplementary information.

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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 Returns presents multi-year trend information on the money-weighted investment return on retirement assets, net of investment expense.

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

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

| | December 31, 2014 | December 31, 2015 | December 31, 2016 | December 31, 2017 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Total pension liability: | | | | |
| Service cost..... | \$ 2,681,899 | \$ 2,769,061 | \$ 3,069,000 | \$ 3,207,000 |
| Interest..... | 9,363,589 | 9,660,905 | 9,968,038 | 10,286,000 |
| Differences between expected and actual experience..... | - | (2,255,000) | - | 2,433,000 |
| Changes in assumptions..... | - | 6,300,000 | - | 3,240,000 |
| Benefit payments, including refunds of employee contributions..... | <u>(8,275,382)</u> | <u>(8,317,787)</u> | <u>(8,731,326)</u> | <u>(9,139,829)</u> |
| Net change in total pension liability..... | 3,770,106 | 8,157,179 | 4,305,712 | 10,026,171 |
| Total pension liability - beginning..... | <u>122,276,560</u> | <u>126,046,666</u> | <u>134,203,845</u> | <u>138,509,557</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> |
| Plan fiduciary net position: | | | | |
| Employer contributions..... | \$ 2,791,015 | \$ 3,004,813 | \$ 3,247,889 | \$ 3,502,012 |
| Member contributions..... | 1,820,099 | 1,913,812 | 2,195,793 | 2,153,343 |
| Net investment income (loss)..... | 6,532,623 | 585,701 | 6,346,121 | 15,100,863 |
| Administrative expenses..... | (135,341) | (141,511) | (140,850) | (129,292) |
| Retirement benefits and refunds..... | (8,275,382) | (8,317,787) | (8,731,326) | (9,139,829) |
| Military service fund contribution..... | <u>16,440</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 |
| 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> |
| 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> |
| Net pension liability - ending (a)-(b)..... | <u>\$ 36,071,589</u> | <u>\$ 47,183,740</u> | <u>\$ 48,571,825</u> | <u>\$ 47,110,899</u> |
| Plan fiduciary net position as a percentage of the total pension liability..... | 71.38% | 64.84% | 64.93% | 68.28% |
| Covered payroll..... | \$ 18,842,144 | \$ 20,286,731 | \$ 20,692,466 | \$ 21,325,000 |
| Net pension liability as a percentage of covered payroll..... | 191.44% | 232.58% | 234.73% | 220.92% |

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

See notes to required supplementary information.

| | December 31, 2018 | December 31, 2019 | December 31, 2020 | December 31, 2021 | December 31, 2022 |
|----|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ | 3,376,000 | \$ 3,528,000 | \$ 3,515,000 | \$ 3,673,000 | \$ 3,790,000 |
| | 10,812,000 | 11,152,000 | 11,461,000 | 11,826,000 | 11,720,000 |
| | - | (195,000) | - | (4,541,000) | - |
| | - | 4,000,000 | - | 1,200,000 | - |
| | <u>(9,627,288)</u> | <u>(9,783,600)</u> | <u>(10,025,882)</u> | <u>(10,047,950)</u> | <u>(10,442,741)</u> |
| | 4,560,712 | 8,701,400 | 4,950,118 | 2,110,050 | 5,067,259 |
| | <u>148,535,728</u> | <u>153,096,440</u> | <u>161,797,840</u> | <u>166,747,958</u> | <u>168,858,008</u> |
| \$ | <u>153,096,440</u> | <u>161,797,840</u> | <u>166,747,958</u> | <u>168,858,008</u> | <u>173,925,267</u> |
| \$ | 3,775,273 | \$ 4,081,162 | \$ 4,407,922 | \$ 4,786,596 | \$ 5,195,313 |
| | 1,833,766 | 1,900,271 | 2,037,727 | 2,552,273 | 2,134,887 |
| | (2,239,403) | 15,021,634 | 12,212,886 | 22,273,726 | (15,146,126) |
| | (150,184) | (147,864) | (155,326) | (174,623) | (164,237) |
| | <u>(9,627,288)</u> | <u>(9,783,600)</u> | <u>(10,025,882)</u> | <u>(10,047,950)</u> | <u>(10,442,741)</u> |
| | - | - | - | - | - |
| | (6,407,836) | 11,071,603 | 8,477,327 | 19,390,022 | (18,422,904) |
| | <u>101,424,829</u> | <u>95,016,993</u> | <u>106,088,596</u> | <u>114,565,923</u> | <u>133,955,945</u> |
| \$ | <u>95,016,993</u> | <u>106,088,596</u> | <u>114,565,923</u> | <u>133,955,945</u> | <u>115,533,041</u> |
| \$ | <u>58,079,447</u> | <u>55,709,244</u> | <u>52,182,035</u> | <u>34,902,063</u> | <u>58,392,226</u> |
| | 62.06% | 65.57% | 68.71% | 79.33% | 66.43% |
| \$ | 21,751,500 | \$ 18,642,016 | \$ 22,077,899 | \$ 22,267,000 | \$ 22,267,000 |
| | 267.01% | 298.84% | 236.35% | 156.74% | 262.24% |

SCHEDULE OF CONTRIBUTIONS
MARBLEHEAD CONTRIBUTORY RETIREMENT SYSTEM

| Year | Actuarially determined contribution | Contributions in relation to the actuarially determined contribution | Contribution deficiency (excess) | Covered payroll | Contributions as a percentage of covered payroll |
|------------------------|---|--|--|--------------------|---|
| December 31, 2022..... | \$ 5,195,313 | \$ (5,195,313) | \$ - | \$ 22,267,000 | 23.33% |
| December 31, 2021..... | 4,783,897 | (4,783,897) | - | 22,267,000 | 21.48% |
| December 31, 2020..... | 4,405,062 | (4,405,062) | - | 22,077,899 | 19.95% |
| December 31, 2019..... | 4,078,761 | (4,078,761) | - | 21,645,000 | 18.84% |
| 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

| <u>Year</u> | <u>Annual money-weighted rate of return, net of investment expense</u> |
|------------------------|--|
| December 31, 2022..... | -11.45% |
| December 31, 2021..... | 19.73% |
| December 31, 2020..... | 11.75% |
| December 31, 2019..... | 16.13% |
| 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 the 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 Municipal Light Enterprise's Contributions presents multi-year trend information on the Light'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**

| Year | Proportion of the net pension liability (asset) | Proportionate share of the net pension liability (asset) | Covered payroll | Net pension liability as a percentage of covered payroll | Plan fiduciary net position as a percentage of the total pension liability |
|------------------------|---|---|--------------------|--|--|
| December 31, 2022..... | 85.99% | \$ 50,213,097 | \$ 19,148,083 | 262.24% | 66.43% |
| December 31, 2021..... | 85.99% | 30,013,320 | 19,148,083 | 156.74% | 79.33% |
| December 31, 2020..... | 86.13% | 44,942,399 | 19,014,856 | 236.35% | 68.71% |
| December 31, 2019..... | 86.13% | 47,980,255 | 18,642,016 | 257.38% | 65.57% |
| 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**

| Year | Proportion of the net pension liability (asset) | Proportionate share of the net pension liability (asset) | Covered payroll | Net pension liability as a percentage of covered payroll | Plan fiduciary net position as a percentage of the total pension liability |
|------------------------|---|---|--------------------|--|--|
| December 31, 2022..... | 12.50% | \$ 7,297,423 | \$ 2,782,774 | 262.24% | 66.43% |
| December 31, 2021..... | 12.50% | 4,361,809 | 2,782,774 | 156.74% | 79.33% |
| December 31, 2020..... | 12.20% | 6,368,556 | 2,694,497 | 236.35% | 68.71% |
| December 31, 2019..... | 12.20% | 6,799,029 | 2,641,664 | 257.38% | 65.57% |
| 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 determined contribution</u> | <u>Contributions in relation to the actuarially determined contribution</u> | <u>Contribution deficiency (excess)</u> | <u>Covered payroll</u> | <u>Contributions as a percentage of covered payroll</u> |
|--------------------|--|---|---|----------------------------|---|
| June 30, 2023..... | \$ 4,467,611 | \$ (4,467,611) | \$ - | \$ 19,531,045 | 22.87% |
| June 30, 2022..... | 4,113,821 | (4,113,821) | - | 19,531,045 | 21.06% |
| June 30, 2021..... | 3,793,912 | (3,793,912) | - | 19,395,153 | 19.56% |
| June 30, 2020..... | 3,512,882 | (3,512,882) | - | 19,014,856 | 18.47% |
| 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 MUNICIPAL LIGHT ENTERPRISE'S CONTRIBUTIONS
MARBLEHEAD CONTRIBUTORY RETIREMENT SYSTEM

| <u>Year</u> | <u>Actuarially determined contribution</u> | <u>Contributions in relation to the actuarially determined contribution</u> | <u>Contribution deficiency (excess)</u> | <u>Covered payroll</u> | <u>Contributions as a percentage of covered payroll</u> |
|------------------------|--|---|---|----------------------------|---|
| December 31, 2022..... | \$ 597,858 | \$ (597,858) | \$ - | \$ 2,782,774 | 21.48% |
| December 31, 2021..... | 537,616 | (537,616) | - | 2,694,497 | 19.95% |
| December 31, 2020..... | 497,792 | (497,792) | - | 2,641,664 | 18.84% |
| December 31, 2019..... | 461,179 | (461,179) | - | 2,656,163 | 17.36% |
| December 31, 2018..... | 427,018 | (427,018) | - | 2,604,081 | 16.40% |
| December 31, 2017..... | 432,392 | (432,392) | - | 2,061,388 | 20.98% |
| December 31, 2016..... | 400,363 | (400,363) | - | 1,847,887 | 21.67% |
| December 31, 2015..... | 392,006 | (392,006) | - | 1,844,019 | 21.26% |

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

See notes to required supplementary information.

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

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. 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.

| Year | Commonwealth's 100% Share of the Associated Net Pension Liability | Expense and Revenue Recognized for the Commonwealth's Support | Plan Fiduciary Net Position as a Percentage of the Total Liability |
|-----------|--|---|---|
| 2023..... | \$ 87,582,989 | \$ 7,204,555 | 57.75% |
| 2022..... | 81,586,653 | 6,546,989 | 62.03% |
| 2021..... | 100,882,015 | 12,460,374 | 50.67% |
| 2020..... | 93,152,763 | 11,296,389 | 53.95% |
| 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, 2017 | June 30, 2018 | June 30, 2019 | June 30, 2020 | June 30, 2021 | June 30, 2022 | June 30, 2023 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total OPEB Liability | | | | | | | |
| Service cost..... | \$ 5,000,000 | \$ 7,763,590 | \$ 7,611,613 | \$ 8,506,027 | \$ 8,617,688 | \$ 9,848,848 | \$ 3,427,505 |
| Interest..... | 5,822,000 | 5,610,395 | 5,726,006 | 5,854,804 | 5,210,583 | 4,839,066 | 6,880,607 |
| Differences between expected and actual experience.... | - | (4,756,135) | 2,387,552 | (28,170,165) | 1,218,953 | (2,240,646) | 20,865,562 |
| Changes of assumptions..... | 129,593,198 | 4,852,941 | 6,221,002 | 3,865,107 | 15,394,678 | (64,279,033) | (30,722,335) |
| Benefit payments..... | (4,700,000) | (4,054,972) | (3,889,738) | (4,055,705) | (3,981,868) | (4,724,015) | (6,018,859) |
| Net change in total OPEB liability..... | 135,715,198 | 9,415,819 | 18,056,435 | (13,999,932) | 26,460,034 | (56,555,780) | (5,567,520) |
| Total OPEB liability - beginning..... | 48,690,000 | 184,405,198 | 193,821,017 | 211,877,452 | 197,877,520 | 224,337,554 | 167,781,774 |
| Total OPEB liability - ending (a)..... | <u>\$ 184,405,198</u> | <u>\$ 193,821,017</u> | <u>\$ 211,877,452</u> | <u>\$ 197,877,520</u> | <u>\$ 224,337,554</u> | <u>\$ 167,781,774</u> | <u>\$ 162,214,254</u> |
| Plan fiduciary net position | | | | | | | |
| Employer contributions..... | \$ 1,700,000 | \$ 360,000 | \$ 360,250 | \$ 250,000 | \$ 10,900 | \$ 250,000 | \$ 261,378 |
| Employer contributions for OPEB payments..... | 4,700,000 | 4,054,972 | 3,889,738 | 4,055,705 | 3,981,868 | 4,724,015 | 6,018,859 |
| Net investment income..... | 326,130 | 294,264 | 235,454 | 81,254 | 1,248,330 | (208,070) | 314,846 |
| Benefit payments..... | (4,700,000) | (4,054,972) | (3,889,738) | (4,055,705) | (3,981,868) | (4,724,015) | (6,018,859) |
| Net change in plan fiduciary net position..... | 2,026,130 | 654,264 | 595,704 | 331,254 | 1,259,230 | 41,930 | 576,224 |
| Plan fiduciary net position - beginning of year..... | 854,498 | 2,880,628 | 3,534,892 | 4,130,596 | 4,461,850 | 5,721,080 | 5,763,010 |
| Plan fiduciary net position - end of year (b)..... | <u>\$ 2,880,628</u> | <u>\$ 3,534,892</u> | <u>\$ 4,130,596</u> | <u>\$ 4,461,850</u> | <u>\$ 5,721,080</u> | <u>\$ 5,763,010</u> | <u>\$ 6,339,234</u> |
| Net OPEB liability - ending (a)-(b)..... | <u>\$ 181,524,570</u> | <u>\$ 190,286,125</u> | <u>\$ 207,746,856</u> | <u>\$ 193,415,670</u> | <u>\$ 218,616,474</u> | <u>\$ 162,018,764</u> | <u>\$ 155,875,020</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability..... | 1.56% | 1.82% | 1.95% | 2.25% | 2.55% | 3.43% | 3.91% |
| Covered-employee payroll..... | \$ 50,200,000 | \$ 50,300,000 | \$ 53,800,000 | \$ 54,300,000 | \$ 54,856,274 | \$ 57,259,888 | \$ 58,186,736 |
| Net OPEB liability as a percentage of covered-employee payroll..... | 361.60% | 378.30% | 386.15% | 356.20% | 398.53% | 282.95% | 267.89% |

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

See notes to required supplementary information.

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

| <u>Year</u> | <u>Actuarially determined contribution</u> | <u>Contributions in relation to the actuarially determined contribution</u> | <u>Contribution deficiency (excess)</u> | <u>Covered- employee payroll</u> | <u>Contributions as a percentage of covered- employee payroll</u> |
|--------------------|--|---|---|--------------------------------------|---|
| June 30, 2023..... | \$ 10,403,952 | \$ (6,280,237) | \$ 4,123,715 | \$ 58,186,736 | 10.79% |
| June 30, 2022..... | 23,808,041 | (4,974,015) | 18,834,026 | 57,259,888 | 8.69% |
| June 30, 2021..... | 21,503,577 | (4,235,758) | 17,267,819 | 54,856,274 | 7.72% |
| June 30, 2020..... | 22,472,490 | (4,055,705) | 18,416,785 | 54,300,000 | 7.47% |
| 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

| <u>Year</u> | <u>Annual money-weighted rate of return, net of investment expense</u> |
|--------------------|--|
| June 30, 2023..... | 6.30% |
| June 30, 2022..... | -3.60% |
| June 30, 2021..... | 29.40% |
| June 30, 2020..... | 2.00% |
| 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, 2018 | June 30, 2019 | June 30, 2020 | June 30, 2021 | June 30, 2022 |
|---|---------------------|----------------------|---------------------|---------------------|---------------------|
| Total OPEB Liability | | | | | |
| Service cost..... | \$ 189,381 | \$ 223,859 | \$ 250,164 | \$ 205,139 | \$ 234,446 |
| Interest..... | 497,819 | 288,452 | 286,669 | 211,601 | 187,797 |
| Differences between expected and actual experience..... | (240,441) | 74,655 | (2,718,093) | 39,360 | (717,444) |
| Changes of assumptions..... | 245,335 | 255,429 | 130,761 | 505,725 | (2,132,484) |
| Benefit payments..... | (215,690) | (238,386) | (255,923) | (282,966) | (321,394) |
| Net change in total OPEB liability..... | 476,404 | 604,009 | (2,306,422) | 678,859 | (2,749,079) |
| Total OPEB liability - beginning..... | <u>9,322,398</u> | <u>9,798,802</u> | <u>10,402,811</u> | <u>8,096,389</u> | <u>8,775,248</u> |
| Total OPEB liability - ending (a)..... | <u>\$ 9,798,802</u> | <u>\$ 10,402,811</u> | <u>\$ 8,096,389</u> | <u>\$ 8,775,248</u> | <u>\$ 6,026,169</u> |
| Plan fiduciary net position | | | | | |
| Employer contributions..... | \$ 215,690 | \$ 238,386 | \$ 255,923 | \$ 282,966 | \$ 321,394 |
| Net investment income..... | 150,394 | 97,807 | 35,938 | 547,721 | (90,616) |
| Benefit payments..... | (215,690) | (238,386) | (255,923) | (282,966) | (321,394) |
| Net change in plan fiduciary net position..... | 150,394 | 97,807 | 35,938 | 547,721 | (90,616) |
| Plan fiduciary net position - beginning of year..... | <u>1,578,737</u> | <u>1,729,131</u> | <u>1,826,938</u> | <u>1,862,876</u> | <u>2,410,597</u> |
| Plan fiduciary net position - end of year (b)..... | <u>\$ 1,729,131</u> | <u>\$ 1,826,938</u> | <u>\$ 1,862,876</u> | <u>\$ 2,410,597</u> | <u>\$ 2,319,981</u> |
| Net OPEB liability - ending (a)-(b)..... | <u>\$ 8,069,671</u> | <u>\$ 8,575,873</u> | <u>\$ 6,233,513</u> | <u>\$ 6,364,651</u> | <u>\$ 3,706,188</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability..... | 17.65% | 17.56% | 23.01% | 27.47% | 38.50% |
| Covered-employee payroll..... | \$ 2,240,000 | \$ 2,284,800 | \$ 2,300,000 | \$ 2,300,000 | \$ 2,336,000 |
| Net OPEB liability as a percentage of covered-employee payroll..... | 360.25% | 375.34% | 271.02% | 276.72% | 158.66% |

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.

**SCHEDULE OF THE MUNICIPAL LIGHT ENTERPRISE FUND'S CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

| Year | Actuarially determined contribution | Contributions in relation to the actuarially determined contribution | Contribution deficiency (excess) | Covered- employee payroll | Contributions as a percentage of covered- employee payroll |
|--------------------|---|--|--|------------------------------|---|
| June 30, 2022..... | \$ 780,478 | \$ (321,394) | \$ 459,084 | \$ 2,336,000 | 13.76% |
| June 30, 2021..... | 732,381 | (282,966) | 449,415 | 2,300,000 | 12.30% |
| June 30, 2020..... | 935,893 | (255,923) | 679,970 | 2,300,000 | 11.13% |
| June 30, 2019..... | 765,265 | (238,386) | 526,879 | 2,284,800 | 10.43% |
| June 30, 2018..... | 495,228 | (215,690) | 279,538 | 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**

| <u>Year</u> | <u>Annual money-weighted rate of return, net of investment expense</u> |
|--------------------|--|
| June 30, 2022..... | -3.60% |
| June 30, 2021..... | 29.40% |
| June 30, 2020..... | 2.00% |
| June 30, 2019..... | 6.40% |
| 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

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 2023 and transfers of \$37,000 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 2023 approved budget authorized approximately \$105.8 million in appropriations and other amounts to be raised. During the year, line item transfers were made between appropriated amounts, there were no significant changes between the total original and total final budget.

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..... | \$ | (481,981) |
| <u>Perspective differences:</u> | | |
| Activity of the stabilization fund recorded in the general fund for GAAP..... | | 256,163 |
| <u>Basis of accounting differences:</u> | | |
| Net change in recording 60 day receipts..... | | 324,895 |
| Recognition of revenue for on-behalf payments..... | | 7,204,555 |
| Recognition of expenditures for on-behalf payments.... | | <u>(7,204,555)</u> |
| Net change in fund balance - GAAP basis..... | \$ | <u>99,077</u> |

Appropriation Deficits

During 2023, the Town did not report any appropriation over expenditures.

NOTE B – PENSION PLAN***Pension Plan Schedules – Retirement System****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.

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.

Schedule of Investment Returns

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*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.

Schedule of the 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".

Schedule of the Special Funding Amounts of the Net Pension Liability

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.

Changes of Assumptions

None.

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*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.

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 presented in the table on the following page.

| | |
|--------------------------------|---|
| Valuation date..... | July 1, 2022. |
| Actuarial cost method..... | Entry Age Normal. |
| Asset valuation method..... | Fair value. |
| Discount rate..... | 5.24% |
| Inflation rate..... | 2.50% |
| Healthcare cost trend rate.... | 6.50% for the first year, decreases by .04% per year through year 7 to .75% thereafter. |
| Salary increases..... | 3% per annum. |
| Mortality rates..... | RP-2014 mortality table with MP-2016 projection. |

Schedule of the Town's and Municipal Light Enterprise Fund's Investment Returns

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

Changes of Assumptions

- The discount rate was increased from 4.09% to 5.24%.
- The Town has adopted the Getzen model for future projected healthcare costs.
- Retirement, mortality, and termination rates for teachers have been updated.

Changes in Plan Provisions

None.

Other Supplementary Information

Combining 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.

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 Fund - 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 Fund - To account for contributions where both principal and investment earnings may be spent to support the government.

Other Special Revenue - This fund is used to account for contractor performance bonds, deposits, off duty details and funds due to the Commonwealth.

Student Activity Fund – This fund is used to account for all student activities and is funded through user charges.

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2023

| | <i>Special Revenue Funds</i> | | | |
|---|------------------------------|---------------------|---------------------|---|
| | State Grants | Other Grants | Revolving Fund | Receipts Reserved for Appropriation |
| ASSETS | | | | |
| Cash and cash equivalents..... | \$ 539,137 | \$ 1,141,866 | \$ 6,207,694 | \$ 856,502 |
| Investments..... | - | - | - | - |
| Receivables, net of uncollectibles: | | | | |
| Departmental and other..... | - | - | 75,476 | - |
| Intergovernmental - other..... | - | - | 177,732 | - |
| Inventory..... | - | - | 21,096 | - |
| TOTAL ASSETS..... | \$ 539,137 | \$ 1,141,866 | \$ 6,481,998 | \$ 856,502 |
| LIABILITIES | | | | |
| Warrants payable..... | \$ 160,967 | \$ 494 | \$ 159,522 | \$ - |
| Accrued payroll..... | 4,678 | - | 74,247 | - |
| Other liabilities..... | - | - | - | - |
| Fees collected in advance..... | - | - | 28,929 | - |
| TOTAL LIABILITIES..... | 165,645 | 494 | 262,698 | - |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue..... | - | - | 75,477 | - |
| FUND BALANCES | | | | |
| Restricted..... | 373,492 | 1,141,372 | 6,143,823 | 856,502 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES..... | \$ 539,137 | \$ 1,141,866 | \$ 6,481,998 | \$ 856,502 |

(Continued)

| | Special Revenue Funds | | | | Total Nonmajor Governmental Funds |
|---|------------------------------|----------------------------------|-----------------------------|-----------------------------|--|
| | Gifts | Special Revenue Trust Fund | Other Special Revenue | Student Activity Fund | |
| ASSETS | | | | | |
| Cash and cash equivalents..... | \$ 654,826 | \$ 75,193 | \$ 10,026 | \$ 300,339 | \$ 9,785,583 |
| Investments..... | - | 5,477,097 | - | - | 5,477,097 |
| Receivables, net of uncollectibles: | | | | | |
| Departmental and other..... | - | - | - | - | 75,476 |
| Intergovernmental - other..... | - | - | - | - | 177,732 |
| Inventory..... | - | - | - | - | 21,096 |
| TOTAL ASSETS..... | \$ 654,826 | \$ 5,552,290 | \$ 10,026 | \$ 300,339 | \$ 15,536,984 |
| LIABILITIES | | | | | |
| Warrants payable..... | \$ 5,408 | \$ - | \$ 131 | \$ 13,876 | \$ 340,398 |
| Accrued payroll..... | - | - | 171 | - | 79,096 |
| Other liabilities..... | - | - | 9,724 | - | 9,724 |
| Fees collected in advance..... | - | - | - | - | 28,929 |
| TOTAL LIABILITIES..... | 5,408 | - | 10,026 | 13,876 | 458,147 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue..... | - | - | - | - | 75,477 |
| FUND BALANCES | | | | | |
| Restricted..... | 649,418 | 5,552,290 | - | 286,463 | 15,003,360 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES..... | \$ 654,826 | \$ 5,552,290 | \$ 10,026 | \$ 300,339 | \$ 15,536,984 |

(Concluded)

NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 YEAR ENDED JUNE 30, 2023

| | <u>Special Revenue Funds</u> | | | |
|---|------------------------------|---------------------|---------------------|---|
| | State Grants | Other Grants | Revolving Fund | Receipts Reserved for Appropriation |
| REVENUES: | | | | |
| Charges for services..... | \$ - | \$ - | \$ 3,005,709 | \$ 63,775 |
| Intergovernmental - other..... | 2,154,844 | 1,300 | 1,251,855 | 4,921 |
| Departmental and other..... | - | - | 1,610,552 | - |
| Contributions and donations..... | - | 200,769 | 90,656 | - |
| Investment income..... | 247 | 29,844 | 1,094 | - |
| Miscellaneous..... | - | - | 154,138 | - |
| TOTAL REVENUES..... | 2,155,091 | 231,913 | 6,114,004 | 68,696 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government..... | 782,492 | - | 273,411 | 91,423 |
| Public safety..... | 67,494 | 1,140 | 766,822 | - |
| Education..... | 1,446,039 | 9,391 | 1,813,195 | - |
| Public works..... | 75,555 | - | 823,520 | - |
| Human services..... | 88,092 | 13,637 | 100,629 | - |
| Culture and recreation..... | 35,791 | 150,208 | 913,596 | - |
| TOTAL EXPENDITURES..... | 2,495,463 | 174,376 | 4,691,173 | 91,423 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES..... | (340,372) | 57,537 | 1,422,831 | (22,727) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Premium from issuance of bonds..... | - | - | - | 96,673 |
| Transfers in..... | - | - | - | 8,229 |
| Transfers out..... | - | - | (246,118) | (265,161) |
| TOTAL OTHER FINANCING SOURCES (USES)..... | - | - | (246,118) | (160,259) |
| NET CHANGE IN FUND BALANCES..... | (340,372) | 57,537 | 1,176,713 | (182,986) |
| FUND BALANCES AT BEGINNING OF YEAR..... | 713,864 | 1,083,835 | 4,967,110 | 1,039,488 |
| FUND BALANCES AT END OF YEAR..... | \$ 373,492 | \$ 1,141,372 | \$ 6,143,823 | \$ 856,502 |

(Continued)

| | <u>Special Revenue Funds</u> | | | Total Nonmajor Governmental Funds |
|---|------------------------------|----------------------------------|-----------------------------|--|
| | Gifts | Special Revenue Trust Fund | Student Activity Fund | |
| REVENUES: | | | | |
| Charges for services..... | \$ - | \$ - | \$ 470,701 | \$ 3,540,185 |
| Intergovernmental - other..... | - | 5,543 | - | 3,418,463 |
| Departmental and other..... | - | - | - | 1,610,552 |
| Contributions and donations..... | 191,093 | 100,205 | - | 582,723 |
| Investment income..... | - | 140,675 | - | 171,860 |
| Miscellaneous..... | - | - | - | 154,138 |
| TOTAL REVENUES..... | 191,093 | 246,423 | 470,701 | 9,477,921 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government..... | 280,210 | - | - | 1,427,536 |
| Public safety..... | 5,448 | 4,523 | - | 845,427 |
| Education..... | 66,314 | - | 573,942 | 3,908,881 |
| Public works..... | 7,817 | - | - | 906,892 |
| Human services..... | 984 | 39,686 | - | 243,028 |
| Culture and recreation..... | 24,615 | 129,675 | - | 1,253,885 |
| TOTAL EXPENDITURES..... | 385,388 | 173,884 | 573,942 | 8,585,649 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES..... | (194,295) | 72,539 | (103,241) | 892,272 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Premium from issuance of bonds..... | - | - | - | 96,673 |
| Transfers in..... | - | - | - | 8,229 |
| Transfers out..... | - | - | - | (511,279) |
| TOTAL OTHER FINANCING SOURCES (USES)..... | - | - | - | (406,377) |
| NET CHANGE IN FUND BALANCES..... | (194,295) | 72,539 | (103,241) | 485,895 |
| FUND BALANCES AT BEGINNING OF YEAR..... | 843,713 | 5,479,751 | 389,704 | 14,517,465 |
| FUND BALANCES AT END OF YEAR..... | \$ 649,418 | \$ 5,552,290 | \$ 286,463 | \$ 15,003,360 |

(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.

PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF NET POSITION

JUNE 30, 2023

| | Charity Funds | Scholarship Funds | Other Funds | Total Private Purpose Trust Funds |
|--|---------------------|----------------------|-------------------|--|
| ASSETS | | | | |
| Cash and cash equivalents..... | \$ 558,471 | \$ 931,097 | \$ 66,617 | \$ 1,556,185 |
| Investments: | | | | |
| U.S. treasuries..... | 420,818 | 429,587 | 26,301 | 876,706 |
| Certificates of deposit..... | 1,479 | 1,509 | 92 | 3,080 |
| Corporate bonds..... | 623,095 | 636,077 | 38,943 | 1,298,115 |
| Equity securities..... | 424,663 | 433,510 | 26,541 | 884,714 |
| Fixed income mutual funds..... | 8,576 | 8,755 | 536 | 17,867 |
| Capital assets, nondepreciable..... | 2,045 | - | - | 2,045 |
| Capital assets, net of accumulated depreciation..... | 96,381 | - | - | 96,381 |
| TOTAL ASSETS..... | 2,135,528 | 2,440,535 | 159,030 | 4,735,093 |
| LIABILITIES | | | | |
| Warrants payable..... | - | 129,423 | - | 129,423 |
| NET POSITION | | | | |
| Held in trust for other purposes..... | \$ <u>2,135,528</u> | \$ <u>2,311,112</u> | \$ <u>159,030</u> | \$ <u>4,605,670</u> |

PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2023

| | Charity Funds | Scholarship Funds | Other Funds | Total Private Purpose Trust Funds |
|---|---------------------|----------------------|-------------------|--|
| ADDITIONS: | | | | |
| Contributions: | | | | |
| Private donations..... | \$ - | \$ 74,174 | \$ - | \$ 74,174 |
| Net investment income: | | | | |
| Investment income (loss)..... | 66,133 | 68,720 | 4,690 | 139,543 |
| TOTAL ADDITIONS..... | 66,133 | 142,894 | 4,690 | 213,717 |
| DEDUCTIONS: | | | | |
| Administration..... | 93,570 | - | - | 93,570 |
| Depreciation..... | 12,632 | - | - | 12,632 |
| Educational scholarships..... | - | 92,500 | - | 92,500 |
| TOTAL DEDUCTIONS..... | 106,202 | 92,500 | - | 198,702 |
| NET INCREASE (DECREASE) IN NET POSITION..... | (40,069) | 50,394 | 4,690 | 15,015 |
| NET POSITION AT BEGINNING OF YEAR..... | 2,175,597 | 2,260,718 | 154,340 | 4,590,655 |
| NET POSITION AT END OF YEAR..... | \$ 2,135,528 | \$ 2,311,112 | \$ 159,030 | \$ 4,605,670 |

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 Annual Comprehensive 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 Annual Comprehensive Financial Reports for the relevant year.

Net Position By Component

Last Ten Years

| | 2014 | 2015 | 2016 | 2017 (1) | 2018 (2) | 2019 | 2020 (3) | 2021 | 2022 | 2023 |
|---|----------------------|----------------------|----------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets..... | \$ 79,318,461 | \$ 83,481,653 | \$ 74,362,302 | \$ 80,043,188 | \$ 81,296,691 | \$ 81,183,548 | \$ 81,262,886 | \$ 90,122,607 | \$ 94,756,565 | \$ 94,870,282 |
| Restricted..... | 10,146,657 | 10,617,440 | 10,358,396 | 10,142,342 | 10,425,505 | 13,419,904 | 13,926,084 | 14,680,190 | 18,691,493 | 18,469,652 |
| Unrestricted..... | <u>(51,151,235)</u> | <u>(63,332,782)</u> | <u>(69,515,140)</u> | <u>(200,049,807)</u> | <u>(209,344,516)</u> | <u>(222,268,732)</u> | <u>(228,077,280)</u> | <u>(237,194,771)</u> | <u>(243,111,309)</u> | <u>(223,377,481)</u> |
| Total governmental activities net position..... | \$ 38,313,883 | \$ 30,766,311 | \$ 15,205,558 | \$ (109,864,277) | \$ (117,622,320) | \$ (127,665,280) | \$ (132,888,310) | \$ (132,391,974) | \$ (129,663,251) | \$ (110,037,547) |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets..... | \$ 36,510,098 | \$ 35,675,503 | \$ 36,547,443 | \$ 38,020,264 | \$ 40,310,430 | \$ 41,806,634 | \$ 41,173,750 | \$ 42,052,659 | \$ 41,078,739 | \$ 41,064,549 |
| Restricted..... | 5,147,074 | 5,815,665 | 6,751,653 | 6,949,454 | 6,949,454 | 6,949,454 | 6,671,639 | 8,085,153 | 9,614,061 | 10,220,543 |
| Unrestricted..... | <u>10,517,972</u> | <u>11,706,630</u> | <u>7,273,751</u> | <u>3,565,638</u> | <u>(5,725,878)</u> | <u>(6,452,792)</u> | <u>(6,548,633)</u> | <u>(6,754,097)</u> | <u>(3,433,222)</u> | <u>(554,221)</u> |
| Total business-type activities net position..... | \$ 52,175,144 | \$ 53,197,798 | \$ 50,572,847 | \$ 48,535,356 | \$ 41,534,006 | \$ 42,303,296 | \$ 41,296,756 | \$ 43,383,715 | \$ 47,259,578 | \$ 50,730,871 |
| Primary government | | | | | | | | | | |
| Net investment in capital assets..... | \$ 115,828,559 | \$ 119,157,156 | \$ 110,909,745 | \$ 118,063,452 | \$ 121,607,121 | \$ 122,990,182 | \$ 122,436,636 | \$ 132,175,266 | \$ 135,835,304 | \$ 135,934,831 |
| Restricted..... | 15,293,731 | 16,433,105 | 17,110,049 | 17,091,796 | 17,374,959 | 20,369,358 | 20,597,723 | 22,765,343 | 28,305,554 | 28,690,195 |
| Unrestricted..... | <u>(40,633,263)</u> | <u>(51,626,152)</u> | <u>(62,241,389)</u> | <u>(196,484,169)</u> | <u>(207,773,308)</u> | <u>(228,721,524)</u> | <u>(235,035,952)</u> | <u>(243,948,868)</u> | <u>(246,544,531)</u> | <u>(223,931,702)</u> |
| Total primary government net position..... | \$ 90,489,027 | \$ 83,964,109 | \$ 65,778,405 | \$ (61,328,921) | \$ (68,791,228) | \$ (85,361,984) | \$ (92,001,593) | \$ (89,008,259) | \$ (82,403,673) | \$ (59,306,676) |

(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

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government..... | \$ 3,499,711 | \$ 3,914,552 | \$ 4,049,880 | \$ 3,998,948 | \$ 4,149,528 | \$ 5,347,875 | \$ 5,098,400 | \$ 5,908,437 | \$ 4,321,513 | \$ 5,152,221 |
| Public safety..... | 11,614,901 | 12,092,961 | 13,059,638 | 13,546,839 | 15,087,411 | 15,803,260 | 15,289,243 | 15,099,843 | 12,676,904 | 13,215,118 |
| Education..... | 60,720,945 | 57,790,071 | 63,223,425 | 68,164,424 | 72,235,555 | 76,926,325 | 78,027,196 | 80,195,747 | 74,090,863 | 68,747,259 |
| Public works..... | 7,225,046 | 7,602,455 | 8,464,369 | 5,120,344 | 7,004,811 | 8,418,205 | 8,606,646 | 8,801,433 | 7,544,446 | 7,859,316 |
| Landfill closure..... | 7,306,000 | 3,189,744 | 8,010,805 | - | - | - | - | - | - | - |
| Human services..... | 1,103,986 | 1,091,063 | 1,161,803 | 1,302,548 | 1,508,463 | 1,519,921 | 1,521,848 | 1,369,059 | 1,137,231 | 1,367,356 |
| Culture and recreation..... | 3,203,979 | 3,080,540 | 3,722,667 | 3,721,534 | 4,062,091 | 4,321,098 | 4,198,451 | 483,529 | 3,707,860 | 4,568,681 |
| Interest..... | 2,062,389 | 1,758,181 | 2,055,607 | 2,341,770 | 2,154,964 | 2,185,589 | 2,344,706 | 3,009,504 | 2,142,461 | 2,554,412 |
| Total government activities expenses..... | 96,736,957 | 90,519,567 | 103,748,194 | 98,196,407 | 106,202,823 | 114,522,273 | 115,086,490 | 114,867,552 | 105,621,278 | 103,464,363 |
| Business-type activities: | | | | | | | | | | |
| Water..... | 3,933,073 | 3,724,151 | 3,987,766 | 4,132,387 | 4,553,630 | 4,369,277 | 5,093,532 | 5,648,873 | 5,230,346 | 5,706,225 |
| Sewer..... | 3,598,145 | 5,797,156 | 4,095,094 | 4,627,409 | 4,870,418 | 5,105,008 | 6,039,576 | 5,369,856 | 3,231,012 | 6,000,843 |
| Municipal Light..... | 14,848,824 | 15,701,747 | 16,422,802 | 15,631,285 | 16,223,014 | 17,740,657 | 16,485,516 | 16,521,136 | 16,982,831 | 17,710,162 |
| Harbor..... | 874,951 | 911,766 | 1,011,537 | 1,059,866 | 1,014,642 | 1,078,663 | 1,242,871 | 1,176,742 | 179,724 | 2,008,866 |
| Total business-type activities expenses..... | 23,254,993 | 26,134,820 | 25,517,199 | 25,450,947 | 26,661,704 | 28,293,605 | 28,861,495 | 28,716,607 | 25,623,913 | 31,426,096 |
| Total primary government expenses..... | \$ 119,991,950 | \$ 116,654,387 | \$ 129,265,393 | \$ 123,647,354 | \$ 132,864,527 | \$ 142,815,878 | \$ 143,947,985 | \$ 143,584,159 | \$ 131,245,191 | \$ 134,890,459 |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Public Safety charges for services..... | \$ 1,234,957 | \$ 1,239,297 | \$ 1,249,704 | \$ 1,362,391 | \$ 1,425,496 | \$ 1,595,340 | \$ 1,600,988 | \$ 1,758,837 | \$ 1,891,879 | \$ 2,049,255 |
| Education charges for services..... | 1,865,241 | 1,952,485 | 2,255,951 | 2,842,596 | 2,624,923 | 2,618,409 | 2,107,218 | 1,229,438 | 2,120,490 | 1,976,204 |
| Public Works charges for services..... | 781,471 | 757,319 | 866,927 | 1,136,212 | 1,320,282 | 1,465,007 | 3,229,251 | 1,822,313 | 1,908,235 | 1,854,503 |
| Other charges for services..... | 1,009,683 | 1,036,822 | 1,174,048 | 1,234,788 | 1,265,859 | 1,780,681 | 1,471,926 | 1,887,997 | 1,631,975 | 1,821,697 |
| Operating grants and contributions..... | 16,037,171 | 12,532,233 | 15,344,880 | 18,290,706 | 19,339,810 | 19,437,238 | 22,707,520 | 25,755,541 | 21,172,543 | 18,877,045 |
| Capital grant and contributions..... | 6,114,742 | 1,006,775 | 723,405 | 521,930 | 576,960 | 699,305 | 2,394,292 | 8,758,846 | 4,302,332 | 1,125,122 |
| Total government activities program revenues..... | 27,043,265 | 18,524,931 | 21,614,915 | 25,388,623 | 26,553,330 | 27,595,980 | 33,511,195 | 41,212,972 | 33,027,454 | 27,703,826 |
| Business-type activities: | | | | | | | | | | |
| Charges for services - Water..... | 3,863,695 | 4,231,978 | 4,575,779 | 4,827,808 | 4,528,184 | 4,652,262 | 4,387,954 | 5,966,500 | 5,163,439 | 6,765,335 |
| Charges for services - Sewer..... | 3,933,742 | 5,779,133 | 5,449,253 | 5,674,707 | 5,078,499 | 5,771,655 | 5,356,645 | 6,268,148 | 5,364,868 | 6,476,776 |
| Charges for services - Municipal Light..... | 15,696,628 | 16,205,464 | 16,761,424 | 16,347,202 | 16,107,739 | 17,341,386 | 17,019,678 | 17,538,146 | 17,937,756 | 20,184,230 |
| Charges for services - Harbor..... | 637,156 | 674,827 | 681,730 | 697,328 | 904,347 | 829,876 | 823,240 | 828,468 | 632,097 | 1,034,494 |
| Operating grants and contributions..... | 12,092 | 129,482 | 2,724 | 1,680 | 78,010 | 208,641 | 12,873 | 11,000 | 11,000 | 9,129 |
| Capital grant and contributions..... | 228,749 | - | - | - | - | - | - | - | - | - |
| Total business-type activities program revenues..... | 24,372,062 | 27,020,884 | 27,470,910 | 27,548,725 | 26,696,779 | 28,803,820 | 27,600,390 | 30,612,262 | 29,109,160 | 34,469,964 |
| Total primary government program revenues..... | \$ 51,415,327 | \$ 45,545,815 | \$ 49,085,825 | \$ 52,937,348 | \$ 53,250,109 | \$ 56,399,800 | \$ 61,111,585 | \$ 71,825,234 | \$ 62,136,614 | \$ 62,173,790 |
| Net (Expense)/Revenue | | | | | | | | | | |
| Governmental activities..... | \$ (69,693,692) | \$ (71,994,636) | \$ (82,133,279) | \$ (72,807,784) | \$ (80,255,262) | \$ (86,926,293) | \$ (81,575,295) | \$ (77,254,580) | \$ (72,593,824) | \$ (75,760,537) |
| Business-type activities..... | 1,117,069 | 886,064 | 1,953,711 | 2,097,778 | 640,844 | 510,215 | (1,261,105) | 1,895,655 | 3,485,247 | 3,043,868 |
| Total primary government net expense..... | \$ (68,576,623) | \$ (71,108,572) | \$ (80,179,568) | \$ (70,710,006) | \$ (79,614,418) | \$ (86,416,078) | \$ (82,836,400) | \$ (75,358,925) | \$ (69,108,577) | \$ (72,716,669) |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Real estate and personal property taxes, net of tax refunds payable..... | \$ 56,625,268 | \$ 59,012,950 | \$ 60,478,448 | \$ 63,759,278 | \$ 66,330,626 | \$ 67,643,148 | \$ 69,628,786 | \$ 72,483,161 | \$ 75,856,606 | \$ 78,959,380 |
| Motor vehicle excise taxes..... | 3,169,957 | 3,365,276 | 3,570,737 | 3,637,261 | 3,731,262 | 3,869,773 | 3,695,922 | 3,037,816 | 4,419,655 | 3,666,052 |
| Penalties and interest on taxes..... | 231,501 | 287,496 | 244,181 | 276,660 | 296,552 | 331,608 | 343,900 | 310,570 | 372,018 | 456,535 |
| Grants and contributions not restricted to specific programs..... | 1,083,252 | 1,471,815 | 1,822,044 | 1,270,198 | 1,328,929 | 1,415,366 | 1,380,986 | 1,415,509 | 1,578,261 | 1,587,952 |
| Unrestricted investment income..... | 351,665 | 309,527 | 457,113 | 328,165 | 204,081 | 3,623,438 | 892,542 | 503,860 | 1,226,075 | 1,716,322 |
| Gain (loss) on disposal of capital assets..... | - | - | - | - | - | - | - | - | 869,932 | - |
| Total governmental activities..... | 61,461,643 | 64,447,064 | 66,572,523 | 69,271,562 | 71,891,450 | 76,883,333 | 75,942,136 | 77,750,916 | 84,322,547 | 86,386,241 |
| Business-type activities: | | | | | | | | | | |
| Boat excise..... | 135,970 | 104,504 | 130,184 | 124,716 | 164,659 | 104,797 | 89,787 | 121,000 | 355,558 | 106,097 |
| Unrestricted investment income..... | 27,679 | 32,086 | 44,896 | 68,310 | 96,002 | 154,278 | 164,778 | 70,304 | 35,058 | 321,328 |
| Transfers..... | - | - | - | 57,000 | - | - | - | - | - | - |
| Total business-type activities..... | \$ 163,649 | \$ 136,590 | \$ 175,080 | \$ 250,026 | \$ 260,661 | \$ 259,075 | \$ 254,565 | \$ 191,304 | \$ 390,616 | \$ 427,425 |
| Changes in Net Position | | | | | | | | | | |
| Governmental activities..... | \$ (8,232,049) | \$ (7,547,572) | \$ (15,560,756) | \$ (3,536,222) | \$ (7,758,043) | \$ (10,042,960) | \$ (5,633,069) | \$ 4,096,336 | \$ 11,728,723 | \$ 10,625,704 |
| Business-type activities..... | 1,280,718 | 1,022,654 | 2,128,791 | 2,347,804 | 295,736 | 769,290 | (1,066,540) | 2,086,959 | 3,875,863 | 3,471,293 |
| Total primary government..... | \$ (6,951,331) | \$ (6,524,918) | \$ (13,431,965) | \$ (1,188,418) | \$ (7,462,307) | \$ (9,273,670) | \$ (6,699,609) | \$ 6,183,295 | \$ 15,604,586 | \$ 14,096,997 |

Fund Balances, Governmental Funds

Last Ten Years

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| General Fund | | | | | | | | | | |
| Committed..... | \$ 676,235 | \$ 501,644 | \$ 437,823 | \$ 335,975 | \$ 404,071 | \$ 443,895 | \$ 771,466 | \$ 1,082,587 | \$ 1,352,750 | \$ 2,113,222 |
| Assigned..... | 4,582,975 | 5,624,815 | 6,307,165 | 7,494,339 | 8,068,042 | 8,769,666 | 7,329,283 | 9,801,596 | 10,869,515 | 9,423,222 |
| Unassigned..... | <u>11,371,120</u> | <u>12,480,102</u> | <u>13,909,193</u> | <u>14,327,422</u> | <u>12,763,640</u> | <u>11,943,095</u> | <u>13,447,221</u> | <u>11,679,648</u> | <u>10,078,085</u> | <u>10,862,983</u> |
| Total general fund..... | \$ <u>16,630,330</u> | \$ <u>18,606,561</u> | \$ <u>20,654,181</u> | \$ <u>22,157,736</u> | \$ <u>21,235,753</u> | \$ <u>21,156,656</u> | \$ <u>21,547,970</u> | \$ <u>22,563,831</u> | \$ <u>22,300,350</u> | \$ <u>22,399,427</u> |
| All Other Governmental Funds | | | | | | | | | | |
| Nonspendable..... | \$ 3,483,784 | \$ 3,513,939 | \$ 3,553,879 | \$ 3,586,670 | \$ 3,621,446 | \$ 3,656,980 | \$ 3,650,055 | \$ 3,687,584 | \$ 3,730,257 | \$ 3,763,633 |
| Restricted..... | <u>9,558,967</u> | <u>14,485,534</u> | <u>16,571,389</u> | <u>11,590,117</u> | <u>10,718,919</u> | <u>18,362,196</u> | <u>21,240,785</u> | <u>24,961,970</u> | <u>30,680,712</u> | <u>39,702,510</u> |
| Total all other governmental funds..... | \$ <u>13,042,751</u> | \$ <u>17,999,473</u> | \$ <u>20,125,268</u> | \$ <u>15,176,787</u> | \$ <u>14,340,365</u> | \$ <u>22,019,176</u> | \$ <u>24,890,840</u> | \$ <u>28,649,554</u> | \$ <u>34,410,969</u> | \$ <u>43,466,143</u> |

GASB 84 was implemented in 2021. This also required the revision of the ending fund balance in 2020.

Changes in Fund Balances, Governmental Funds

Last Ten Years

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---------------------|-----------------------|---------------------|-----------------------|-----------------------|---------------------|---------------------|---------------------|----------------------|--------------------|
| Revenues: | | | | | | | | | | |
| Real estate and personal property taxes, net of tax refunds..... | \$ 56,513,528 | \$ 58,955,860 | \$ 61,069,137 | \$ 63,692,746 | \$ 66,431,146 | \$ 67,683,970 | \$ 69,552,355 | \$ 72,071,938 | \$ 75,916,336 | \$ 79,199,351 |
| Motor vehicle excise taxes..... | 3,212,814 | 3,317,889 | 3,575,360 | 3,627,692 | 3,653,743 | 3,947,263 | 3,671,847 | 3,036,787 | 4,193,986 | 3,693,836 |
| Penalties and interest on taxes..... | 231,501 | 287,496 | 244,181 | 276,660 | 296,552 | 331,608 | 343,990 | 310,895 | 372,168 | 456,660 |
| Payments in lieu of taxes..... | - | - | - | - | - | - | - | 39,034 | 2 | 21,429 |
| Charges for services..... | 3,302,028 | 3,281,158 | 3,479,049 | 4,094,313 | 4,484,460 | 4,572,977 | 4,337,337 | 3,628,465 | 4,386,950 | 4,611,119 |
| Licenses and permits..... | 723,707 | 780,713 | 793,817 | 763,738 | 755,907 | 915,577 | 698,671 | 1,037,062 | 1,342,352 | 1,272,378 |
| Fines and forfeitures..... | 144,147 | 126,021 | 131,209 | 162,196 | 114,202 | 138,759 | 111,026 | 50,406 | 81,112 | 65,738 |
| Intergovernmental..... | 22,368,797 | 13,949,896 | 16,761,528 | 19,540,005 | 20,578,868 | 20,599,216 | 25,623,081 | 34,825,369 | 26,120,596 | 20,605,335 |
| Intergovernmental - COVID-19 relief..... | - | - | - | - | - | - | 293,726 | 228,559 | - | - |
| Departmental and other..... | 682,753 | 752,356 | 1,138,951 | 1,247,506 | 888,830 | 1,795,162 | 3,235,265 | 1,860,862 | 1,742,345 | 1,617,454 |
| Contributions..... | 508,769 | 1,354,054 | 1,062,116 | 598,650 | 706,881 | 3,214,021 | 887,822 | 811,769 | 715,366 | 673,109 |
| Investment income..... | 341,630 | 302,750 | 453,940 | 324,075 | 199,390 | 1,392,079 | 856,177 | 500,812 | 1,225,965 | 1,714,651 |
| Miscellaneous..... | 48,727 | 41,569 | 44,823 | 348,051 | 343,927 | - | - | - | - | 154,138 |
| Total Revenue..... | 88,078,401 | 83,149,762 | 88,754,111 | 94,675,632 | 98,453,906 | 104,590,632 | 109,611,297 | 118,401,958 | 116,097,178 | 114,085,198 |
| Expenditures: | | | | | | | | | | |
| General government..... | 1,611,320 | 1,965,464 | 1,865,701 | 1,706,411 | 1,890,127 | 2,687,135 | 2,729,401 | 3,989,687 | 2,341,901 | 3,777,074 |
| Public safety..... | 7,507,189 | 7,751,988 | 7,982,485 | 8,213,378 | 9,053,076 | 9,317,504 | 9,461,784 | 9,826,758 | 9,653,179 | 12,259,722 |
| Education..... | 36,141,943 | 36,777,030 | 39,049,399 | 40,923,146 | 43,080,416 | 45,035,283 | 45,315,531 | 45,217,346 | 38,294,070 | 60,156,453 |
| Public works..... | 5,037,579 | 5,311,258 | 5,876,241 | 5,088,393 | 5,088,820 | 5,151,787 | 5,532,760 | 5,214,315 | 5,776,214 | 5,436,153 |
| Landfill..... | - | 8,476,944 | 9,595,405 | - | - | - | - | - | - | - |
| Human services..... | 709,822 | 738,308 | 749,688 | 857,418 | 891,328 | 931,117 | 956,402 | 853,114 | 896,595 | 1,190,337 |
| Culture and recreation..... | 2,035,713 | 1,859,522 | 2,528,741 | 2,149,995 | 2,482,153 | 2,570,512 | 2,569,402 | 2,673,942 | 2,963,114 | 1,006,970 |
| Pension benefits..... | 9,231,574 | 6,171,613 | 8,420,207 | 10,955,785 | 11,827,291 | 12,051,455 | 14,608,035 | 16,031,873 | 10,372,915 | 11,355,953 |
| Property and liability insurance..... | 302,420 | 318,315 | 347,329 | 371,239 | 393,809 | 428,360 | 475,888 | 508,622 | 640,395 | 662,794 |
| Employee benefits..... | 10,633,116 | 10,423,210 | 11,017,859 | 11,221,929 | 11,912,535 | 11,836,691 | 11,999,760 | 12,329,776 | 12,845,878 | 13,057,424 |
| State and county charges..... | 2,672,504 | 2,705,864 | 2,868,544 | 3,082,820 | 2,872,858 | 2,995,396 | 3,286,263 | 2,294,253 | 2,774,145 | 2,516,077 |
| Capital outlay..... | 17,526,722 | 4,437,596 | 1,136,720 | 7,427,838 | 3,445,453 | 4,462,179 | 15,261,598 | 37,537,813 | 13,111,655 | 5,695,178 |
| Debt service: | | | | | | | | | | |
| Principal payment on current refunding..... | 5,527,000 | 21,553,239 | 6,541,205 | 18,241,930 | 9,272,952 | 1,741,759 | 8,978,720 | - | - | - |
| Principal..... | 2,866,000 | 3,219,000 | 3,718,000 | 4,085,000 | 5,614,000 | 4,276,193 | 4,425,000 | 5,224,814 | 5,375,000 | 6,465,000 |
| Interest..... | 1,912,631 | 2,221,195 | 2,254,324 | 2,749,377 | 2,649,767 | 2,584,428 | 2,490,992 | 2,867,948 | 4,063,701 | 3,641,619 |
| Total Expenditures..... | 103,715,533 | 113,930,546 | 103,951,848 | 117,074,659 | 110,474,585 | 106,069,799 | 128,091,536 | 144,570,261 | 109,108,762 | 127,220,754 |
| Excess of revenues over (under) expenditures..... | (15,637,132) | (30,780,784) | (15,197,737) | (22,399,027) | (12,020,679) | (1,479,167) | (18,480,239) | (26,168,303) | 6,988,416 | (13,135,556) |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Issuance of debt..... | 8,158,000 | 10,000 | - | 995,000 | 375,000 | 7,236,961 | 8,911,000 | 26,977,012 | 7,317,000 | 12,300,000 |
| Issuance of long term BANS..... | - | - | - | - | - | - | 2,243,908 | - | - | - |
| Issuance of refunding BANS..... | - | - | - | - | - | - | 6,081,894 | - | - | - |
| Issuance of refunding bonds..... | 12,328,239 | 24,991,205 | 18,241,930 | 17,151,952 | 9,272,952 | 1,741,759 | 2,584,000 | 5,720,000 | - | - |
| Premium from issuance of debt..... | 504,391 | 583,768 | 1,129,222 | 807,149 | 614,322 | 100,161 | 1,512,322 | 3,965,866 | 1,355,710 | 1,258,373 |
| Premium from issuance of refunding bonds..... | - | - | - | - | - | - | - | 1,311,723 | - | - |
| Payments to refunding bond escrow agent..... | - | - | - | - | - | - | - | (7,031,723) | - | - |
| Transfers in..... | 1,179,791 | 1,074,316 | 628,193 | 790,928 | 612,418 | 822,779 | 731,669 | 978,066 | 1,289,492 | 555,151 |
| Transfers out..... | (1,179,791) | (1,074,316) | (628,193) | (790,928) | (612,418) | (822,779) | (731,669) | (978,066) | (1,289,492) | (555,151) |
| Total other financing sources (uses)..... | 20,990,630 | 25,584,973 | 19,371,152 | 18,954,101 | 10,262,274 | 9,078,881 | 21,333,124 | 30,942,878 | 8,672,710 | 13,558,373 |
| Net change in fund balances..... | \$ 5,353,498 | \$ (5,195,811) | \$ 4,173,415 | \$ (3,444,926) | \$ (1,758,405) | \$ 7,599,714 | \$ 2,852,885 | \$ 4,774,575 | \$ 15,661,126 | \$ 422,817 |
| Debt service as a percentage of noncapital expenditures..... | 12.78% | 30.70% | 13.35% | 22.87% | 16.38% | 8.47% | 14.09% | 7.56% | 9.83% | 8.32% |

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

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

Last Ten Years

| Year | Assessed and Actual Values and Tax Rates | | | | | | | | | |
|------|--|----------------------|------------------|------------------|-------------------|------------------------|---------------------|-------------------|------------------|--|
| | Residential Value | Residential Tax Rate | Commercial Value | Industrial Value | Personal Property | Total Commercial Value | Commercial Tax Rate | Total Direct Rate | Total Town Value | |
| 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 | |
| 2020 | 6,377,782,863 | 10.39 | 248,077,728 | 17,652,300 | 75,739,520 | 341,469,548 | 10.39 | 10.39 | 6,719,252,411 | |
| 2021 | 6,605,727,026 | 10.42 | 243,872,720 | 16,653,500 | 79,764,010 | 340,290,230 | 10.42 | 10.42 | 6,946,017,256 | |
| 2022 | 6,893,368,297 | 10.52 | 257,038,911 | 17,593,000 | 83,162,860 | 357,794,771 | 10.52 | 10.52 | 7,251,163,068 | |
| 2023 | 7,525,504,672 | 10.00 | 273,846,443 | 18,303,300 | 90,872,590 | 383,022,333 | 10.00 | 10.00 | 7,908,527,005 | |

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 | 2023 | | | 2014 | | |
|----------------------------------|-----------------------|------|--|-----------------------|------|--|
| | Assessed Valuation | Rank | Percentage of Total Taxable Assessed Value | Assessed Valuation | Rank | Percentage of Total Taxable Assessed Value |
| Edward T. Moore LLC/Trusts | \$ 65,789,300 | 1 | 0.83% | \$ 57,942,600 | 1 | 1.13% |
| Algonquin Gas Transmission Co. | 42,961,000 | 2 | 0.54% | 27,569,100 | 2 | 0.54% |
| Boston Gas (dba National Grid) | 32,769,940 | 3 | 0.41% | 11,906,270 | 8 | 0.23% |
| Various Rockett LLC/Trusts | 25,593,000 | 4 | 0.32% | 25,354,400 | 3 | 0.50% |
| Bessom Associates | 23,151,801 | 5 | 0.29% | 17,004,100 | 4 | 0.33% |
| Eastern Yacht Club | 20,926,560 | 6 | 0.26% | 15,016,800 | 5 | 0.29% |
| Old Town Properties LLC | 12,490,900 | 7 | 0.16% | | | |
| Corinthian Yacht Club | 12,237,800 | 8 | 0.15% | 8,972,310 | 10 | 0.18% |
| Tedesco Country Club | 12,080,186 | 9 | 0.15% | 8,997,266 | 9 | 0.18% |
| Eyk Van Otterloo & Various LLC's | 11,477,400 | 10 | 0.15% | 14,476,100 | 6 | 0.28% |
| James Crosby | | | | 12,800,900 | 7 | 0.25% |
| | <u>\$ 259,477,887</u> | | <u>3.28%</u> | <u>\$ 200,039,846</u> | | <u>3.91%</u> |

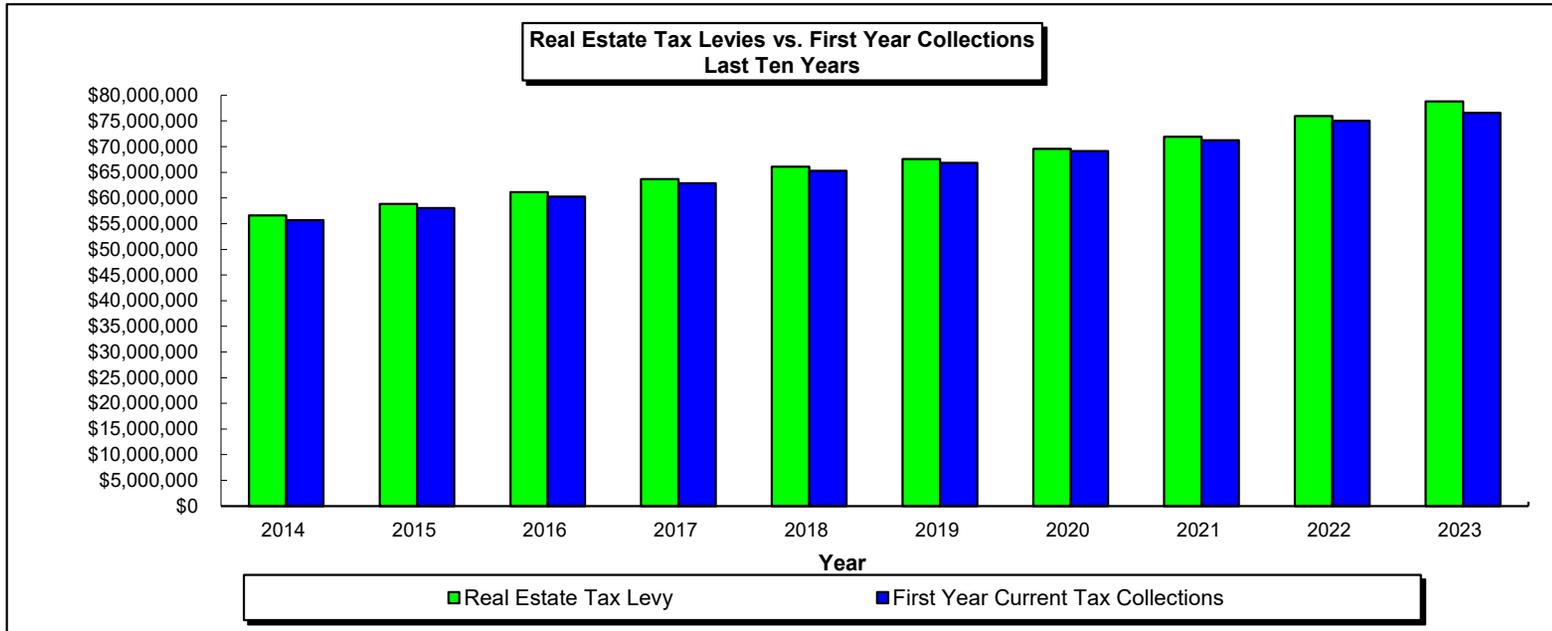
Source: Town of Marblehead, Assessor's Department

Property Tax Levies and Collections

Last Ten Years

| Year | (1) Total Tax Levy | Less Abatements & Exemptions | (1) Net Tax Levy | First Year Current Tax Collections | Percent of Net Levy Collected | Delinquent Tax Collections | Total Tax Collections | Percent of Total Tax Collections to Net Tax Levy |
|------|--------------------------|------------------------------------|------------------------|--|-------------------------------------|----------------------------------|-----------------------------|---|
| 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% | 517,497 | 58,566,311 | 99.6% |
| 2016 | 61,337,920 | 211,730 | 61,126,190 | 60,294,264 | 98.6% | 506,210 | 60,800,474 | 99.5% |
| 2017 | 63,948,938 | 255,507 | 63,693,431 | 62,843,686 | 98.7% | 539,943 | 63,383,629 | 99.5% |
| 2018 | 66,315,447 | 202,656 | 66,112,791 | 65,319,217 | 98.8% | 480,017 | 65,799,234 | 99.5% |
| 2019 | 67,829,212 | 228,686 | 67,600,526 | 66,815,929 | 98.8% | 868,066 | 67,683,995 | 100.1% |
| 2020 | 69,813,033 | 228,199 | 69,584,834 | 69,160,200 | 99.4% | 596,155 | 69,756,355 | 100.2% |
| 2021 | 72,154,578 | 222,922 | 71,931,656 | 71,233,111 | 99.0% | 1,108,859 | 72,341,970 | 100.6% |
| 2022 | 76,282,235 | 300,000 | 75,982,235 | 75,024,629 | 98.7% | 840,212 | 75,864,841 | 99.8% |
| 2023 | 79,085,270 | 300,000 | 78,785,270 | 76,586,757 | 97.2% | - | 76,586,757 | 97.2% |

Source: Town of Marblehead's, Finance Department



(1) Includes omitted and revised assessments.

Ratios of Outstanding Debt by Type

Last Ten Years

| Year | U. S. Census Population | Personal Income | Assessed Value | Governmental Activities | Business-type Activites | Total Debt Outstanding | Per Capita | Percentage of Personal Income | Percentage of Assessed Value |
|------|----------------------------|--------------------|-------------------|--------------------------------|----------------------------|------------------------------|---------------|-------------------------------------|------------------------------------|
| | | | | General Obligation Bonds | Direct Borrowings | | | | |
| 2014 | 20,187 | \$ 1,167,313,275 | \$ 5,118,227,956 | \$ 73,758,730 | \$ - | \$ 73,758,730 | \$ 3,654 | 6.32% | 1.44% |
| 2015 | 20,454 | 1,188,009,228 | 5,326,282,656 | 74,064,865 | - | 74,064,865 | 3,621 | 6.23% | 1.39% |
| 2016 | 20,517 | 1,222,505,445 | 5,525,938,716 | 82,660,432 | - | 82,660,432 | 4,029 | 6.76% | 1.50% |
| 2017 | 20,493 | 1,176,236,721 | 5,808,259,597 | 78,878,404 | - | 78,878,404 | 3,849 | 6.71% | 1.36% |
| 2018 | 20,517 | 1,274,023,632 | 6,017,735,687 | 73,906,636 | - | 73,906,636 | 3,602 | 5.80% | 1.23% |
| 2019 | 19,752 | 1,222,505,445 | 6,315,569,047 | 76,497,250 | - | 76,497,250 | 3,873 | 6.26% | 1.21% |
| 2020 | 19,789 | 1,368,369,772 | 6,719,252,411 | 84,079,104 | 2,200,000 | 86,279,104 | 4,360 | 6.31% | 1.28% |
| 2021 | 20,500 | 1,417,554,500 | 6,946,017,256 | 109,140,626 | 9,620,157 | 118,760,783 | 5,793 | 8.38% | 1.71% |
| 2022 | 20,233 | 1,417,554,500 | 7,251,163,068 | 111,048,077 | 8,810,555 | 119,858,632 | 5,924 | 8.46% | 1.65% |
| 2023 | 20,441 | 1,923,335,000 | 7,908,527,005 | 116,902,747 | 7,991,634 | 124,894,381 | 6,110 | 6.49% | 1.58% |

Source: Audited Financial Statements, U. S. Census

Ratios of General Bonded Debt

Last Ten Years

| Year | Total Primary Government | | | |
|------|--------------------------------|---------------|-------------------------------------|------------------------------------|
| | General Obligation Bonds | Per Capita | Percentage of Personal Income | Percentage of Assessed Value |
| 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% |
| 2020 | 84,079,104 | 4,249 | 6.04% | 1.23% |
| 2021 | 109,140,626 | 5,324 | 7.70% | 1.57% |
| 2022 | 111,048,077 | 5,488 | 7.83% | 1.53% |
| 2023 | 116,902,747 | 5,719 | 6.08% | 1.48% |

Source: Audited Financial Statements, U. S. Census

Direct and Overlapping Governmental Activities Debt

As of June 30, 2023

| <u>Town of Marblehead, Massachusetts</u> | <u>Debt Outstanding</u> | <u>Percentage Applicable (1)</u> | <u>Share of Overlapping Debt</u> |
|--|-----------------------------|--------------------------------------|--|
| Overlapping debt: | | | |
| Essex North Shore Agriculture & Technical School District..... | \$ 25,230,000 | 2.60% | \$ 655,980 |
| Massachusetts Bay Transit Authority..... | 5,546,685,000 | 0.26% | 14,421,381 |
| Subtotal, overlapping debt..... | | | 15,077,361 |
| Town direct debt..... | | | <u>116,902,747</u> |
| Total direct and overlapping debt..... | | | <u>\$ 131,980,108</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>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Equalized valuation..... | \$ 5,118,227,956 | \$ 5,326,282,656 | \$ 5,525,938,716 | \$ 5,808,259,597 | \$ 6,017,735,687 | \$ 6,315,569,047 | \$ 6,719,252,411 | \$ 6,946,017,256 | \$ 7,251,163,068 | \$ 7,908,527,005 |
| Debt Limit - 5% of equalized valuation..... | 255,911,398 | 266,314,133 | 276,296,936 | 290,412,980 | 300,886,784 | 309,132,470 | 309,132,470 | 309,132,470 | 309,132,470 | 395,426,350 |
| Less: | | | | | | | | | | |
| Total debt applicable to limitation..... | <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> | <u>73,790,000</u> | <u>102,404,400</u> | <u>106,726,460</u> | <u>112,032,520</u> |
| Legal debt margin..... | <u>\$ 204,652,398</u> | <u>\$ 209,991,133</u> | <u>\$ 214,581,936</u> | <u>\$ 225,015,980</u> | <u>\$ 232,216,784</u> | <u>\$ 244,612,470</u> | <u>\$ 235,342,470</u> | <u>\$ 206,728,070</u> | <u>\$ 202,406,010</u> | <u>\$ 283,393,830</u> |
| Total debt applicable to the limit as a percentage of debt limit..... | 25% | 27% | 29% | 29% | 30% | 26% | 31% | 50% | 53% | 40% |

Source: Town of Marblehead's, Finance Department

Demographic and Economic Statistics

Last Ten Years

| Year | Population Estimates | Personal Income | Per Capita Personal Income | Median Age | School Enrollment | Unemployment Rate |
|------|-------------------------|--------------------|-------------------------------------|---------------|----------------------|----------------------|
| 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% |
| 2020 | 19,789 | 1,368,369,772 | 69,148 | 47.9 | 2,963 | 4.90% |
| 2021 | 20,500 | 1,417,554,500 | 69,149 | 47.9 | 2,703 | 4.90% |
| 2022 | 20,233 | 1,718,700,000 | 84,945 | 47.9 | 2,602 | 3.20% |
| 2023 | 20,441 | 1,923,335,000 | 94,092 | 47.9 | 2,622 | 2.60% |

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

Principal Employers

Current and Nine Years Ago

| Employer | Nature of Business | 2023 | | | 2014 | | |
|-------------------------|----------------------|-----------|------|-------------------------------------|-----------|------|-------------------------------------|
| | | Employees | Rank | Percentage of Total Town Employment | Employees | Rank | Percentage of Total Town Employment |
| Town of Marblehead | Municipal Government | 1,172 | 1 | 22.98% | 712 | 1 | 15.04% |
| Lynch/van Otterloo YMCA | Recreational | 481 | 2 | 9.43% | 364 | 2 | 7.69% |
| Corinthian Yacht Club | Yacht Club | 213 | 3 | 4.18% | 130 | 4 | 2.75% |
| Eastern Yacht Club | Yacht Club | 205 | 4 | 4.02% | 115 | 6 | 2.43% |
| Boston Yacht Club | Yacht Club | 157 | 5 | 3.08% | 103 | 7 | 2.18% |
| Tedesco Country Club | Country Club | 110 | 6 | 2.16% | 101 | 8 | 2.13% |
| Lafayette Nursing Home | Health Care | 93 | 7 | 1.82% | 125 | 5 | 2.64% |
| Devereux House | Health Care | 67 | 8 | 1.31% | 206 | 3 | 4.35% |
| Crosby's Marketplace | Food Market | 58 | 9 | 1.14% | 88 | 9 | 1.86% |
| Marblehead Bank | Banking | 55 | 10 | 1.08% | | | |
| National Grand Bank | Banking | | | | 53 | 10 | 1.12% |

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>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Function | | | | | | | | | | |
| General government..... | 21.50 | 22.03 | 21.55 | 21.50 | 21.98 | 22.03 | 21.51 | 19.37 | 20.97 | 19.00 |
| Public safety..... | 98.50 | 98.29 | 95.54 | 90.98 | 92.88 | 94.44 | 95.10 | 94.22 | 94.58 | 91.00 |
| Education..... | 492.00 | 489.80 | 489.17 | 493.17 | 504.20 | 483.90 | 480.30 | 483.87 | 482.69 | 537.00 |
| Public works..... | 36.18 | 36.06 | 34.37 | 33.40 | 36.51 | 33.96 | 34.64 | 33.52 | 34.04 | 30.00 |
| Human services..... | 9.93 | 9.64 | 8.40 | 9.35 | 9.54 | 11.16 | 11.08 | 10.52 | 10.92 | 8.00 |
| Culture and recreation..... | 29.00 | 30.78 | 25.64 | 27.25 | 26.21 | 25.61 | 25.08 | 25.22 | 25.30 | 24.00 |
| Total..... | <u>687.11</u> | <u>686.60</u> | <u>674.67</u> | <u>675.65</u> | <u>691.32</u> | <u>671.10</u> | <u>667.71</u> | <u>666.72</u> | <u>668.50</u> | <u>709.00</u> |

Source: Town Records

Operating Indicators by Function/Program

Last Ten Years

| <u>Function/Program</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> |
|---------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Police | | | | | | | | | | |
| Physical arrests..... | 157 | 167 | 153 | 188 | 137 | 103 | 67 | 61 | 48 | 56 |
| Motor vehicle violations..... | 553 | 1,096 | 964 | 1,104 | 1,036 | 765 | 482 | 384 | 364 | 598 |
| Parking violations..... | 2,200 | 2,097 | 2,645 | 3,195 | 3,164 | 2,971 | 2,308 | 1,577 | 1,300 | 1,339 |
| Fire | | | | | | | | | | |
| Inspections..... | 2,375 | 937 | 1,315 | 1,755 | 565 | 933 | 710 | 580 | 710 | 684 |
| Emergency responses..... | 2,522 | 2,663 | 2,645 | 2,634 | 2,548 | 2,344 | 2,718 | 2,746 | 2,961 | 2,929 |
| Libraries | | | | | | | | | | |
| Total Holdings..... | 143,559 | 143,559 | 150,050 | 142,915 | 144,322 | 145,171 | 147,634 | 141,010 | 130,024 | 181,554 |
| Total Collection Use..... | 230,625 | 217,318 | 211,233 | 203,800 | 190,975 | 245,747 | 148,026 | 120,092 | 188,081 | 210,168 |
| Water | | | | | | | | | | |
| Service connections..... | 8,045 | 8,032 | 8,032 | 8,041 | 8,047 | 8,051 | 8,060 | 8,065 | 8,090 | 8,110 |
| Average Daily consumption (gals)..... | 1,776,000 | 1,789,600 | 1,893,400 | 1,817,194 | 1,750,000 | 1,657,900 | 1,689,000 | 1,926,000 | 1,741,000 | 1,890,000 |
| Maximum Daily consumption..... | 3,165,000 | 3,470,000 | 3,294,000 | 3,640,000 | 3,320,000 | 3,487,000 | 3,244,000 | 4,041,000 | 3,624,000 | 4,323,000 |
| Sewer | | | | | | | | | | |
| Service connections..... | 7,883 | 7,885 | 7,865 | 7,874 | 7,880 | 7,885 | 7,887 | 7,892 | 7,897 | 7,900 |
| Daily average collection..... | 1,155,000 | 1,878,028 | 1,780,800 | 1,830,500 | 2,059,733 | 2,343,468 | 2,111,054 | 1,895,683 | 2,247,184 | 1,679,928 |

Source: Various Town departments

Capital Asset Statistics by Function/Program

Last Ten Years

| <u>Function/Program</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Education | | | | | | | | | | |
| Number of elementary schools..... | 6 | 6 | 6 | 6 | 5 | 4 | 4 | 3 | 3 | 3 |
| 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..... | 288 | 289 | 294 | 297 | 293 | 290 | 287 | 289 | 320 | 250 |
| Number of administrators..... | 27 | 22 | 22 | 22 | 22 | 19 | 20 | 21 | 21 | 16 |
| Number of students..... | 3,304 | 3,255 | 3,208 | 3,264 | 3,185 | 3,051 | 2,963 | 2,599 | 2,602 | 2,627 |
| Water | | | | | | | | | | |
| Water mains (miles)..... | 88 | 88 | 88 | 88 | 88 | 88 | 88 | 88 | 88 | 88 |
| Fire hydrants..... | 860 | 861 | 861 | 861 | 861 | 861 | 861 | 862 | 862 | 862 |
| 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)..... | 203 | 203 | 203 | 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..... | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 |
| Tennis courts..... | 14 | 14 | 14 | 14 | 14 | 12 | 12 | 12 | 11 | 10 |
| Pickleball courts..... | - | - | - | - | - | 6 | 6 | 6 | 10 | 10 |
| Harbor | | | | | | | | | | |
| Harbors..... | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Moorings..... | 2,800 | 2,800 | 2,800 | 2,800 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 2,951 |
| 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..... | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Emergency rescue watercraft..... | 2 | 3 | 3 | 3 | 3 | 3 | 4 | 4 | 4 | 4 |

Source: Various Town Departments

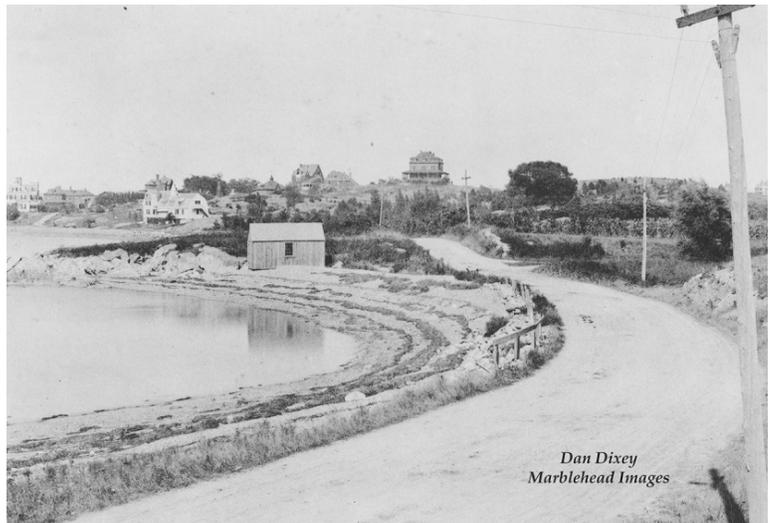


Old Marblehead Fire Department horse drawn rig passing the Train Depot on Pleasant Street.

*Dan Dixey
Marblehead Images*

Photo by Dan Dixey

Marblehead Neck from the end of the Causeway in 1891.



*Dan Dixey
Marblehead Images*

Photo by Dan Dixey



*Dan Dixey
Marblehead Images*

The Devereux Train Station on Devereux Street in 1891.

Photo by Dan Dixey