

TOWN OF MARBLEHEAD, MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT



Photo by Nick Fader

**For the Fiscal Year Ended
June 30, 2005**

On the Cover: *The famous A.M. Willard Painting of the “Spirit of 76”.*

Sunrise over Marblehead Harbor.



A view of Marblehead Harbor looking towards Abbot Hall.

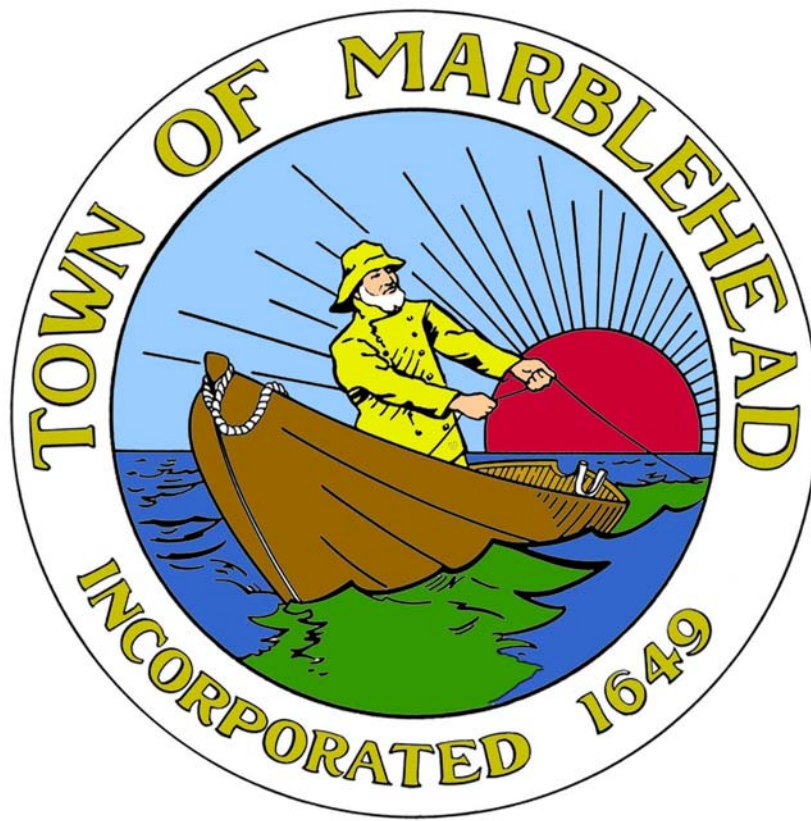


A view of Marblehead Harbor from Crocker Park.



Photos by Rob Kipp

TOWN OF MARBLEHEAD, MASSACHUSETTS



COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Fiscal Year Ended June 30, 2005 Prepared by Finance Department

TOWN OF MARBLEHEAD, MASSACHUSETTS
Comprehensive Annual Financial Report
Year Ended June 30, 2005

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Introductory Section



Photo by Rob Kipp

Abbot Hall Clock Tower

Introductory Section

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TOWN OF MARBLEHEAD

FINANCIAL SERVICES



John McGinn
Finance Director
781-631-1705

Mary Alley Building
7 Widger Road
Marblehead, MA 01945

Letter of Transmittal

December 8, 2005

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

It is with pleasure that the Comprehensive Annual Financial Report of the Town of Marblehead, Massachusetts, for the fiscal year ended June 30, 2005, is presented. The financial statements are presented in conformity with accounting principals generally accepted in the United States of America (GAAP) that are audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report also complies with the financial reporting model developed by the Governmental Accounting Standards Board (GASB) Statement 34.

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

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

This report consists of management's representations concerning the finances of the Town of Marblehead. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making those representations, management has established an internal control framework that is designed to both protect the assets of the Town from loss, theft, or misuse and to allow for the compiling of sufficient reliable information for the preparation of the Town's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of management's knowledge and belief, this financial report is complete and reliable in all material respects.

The Town of Marblehead's financial statements have been audited by Powers & Sullivan, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Marblehead for the fiscal year ended June 30,

2005, 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 principals used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion the Town of Marblehead's financial statements for the fiscal year ended June 30, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

This comprehensive annual financial report is presented in three sections:

1. The Introductory Section, which is unaudited, includes this letter of transmittal a chart of principal executive officers, the Town's organization chart, and the Certificate of Achievement for Excellence in Financial Reporting for the Town's fiscal year 2004 CAFR.
2. The Financial section, which includes the MD&A, the basic financial statements, the independent auditor's report on the financial statement, and combining and individual fund statements and schedules.
3. The Statistical Section, which is unaudited, includes selected financial and demographic information, generally presented on a multi-year basis.

PROFILE OF THE TOWN

The Town of Marblehead, originally incorporated in 1649, is a picturesque seacoast town steeped in history. In its early years fishing and the shoe industry were its two main sources of income. While Marblehead has been known through the years as the "Birthplace of the American Navy," in recent times the town has also been known as one of the yachting capitals of the world. Pleasure boating is certainly a popular pastime of its residents. Visitors come from all over the world to view the original of the famous painting, "The Spirit of '76", which is housed in Abbot Hall in the office of the Board of Selectmen, as well as to see the beautiful harbor crowded with sailing, fishing, lobster and pleasure boats. Another major attraction for visitors is the Town's historic district, the largest in the State, and the narrow crooked streets lined with Colonial and Victorian buildings, many of which have been placed on the National Register.

With a population of 21,360, Marblehead is located in the Greater Boston Area, 18 miles northeast of Boston, with a land area of 4.53 square miles. Marblehead is situated in eastern Massachusetts, bordered by Swampscott on the south, Salem on the southwest, and the Atlantic Ocean on the west, north, and east. Commuter rail service to North Station in Boston is convenient from the Salem or

Swampscott stations and Marblehead is a member of the Massachusetts Bay Transportation Authority which provides bus service to Swampscott, Lynn and Boston.

The Town operates under a Board of Selectmen/Open Town Meeting/Town Administrator form of government. The five-member Board of Selectmen, elected annually, makes policy decisions. The Town Administrator is responsible for carrying out the policies and direction of the Board of Selectmen and for managing the day-to-day operations of the Town.

THE REPORTING ENTITY AND ITS SERVICE

The financial reporting entity (the Town) of the primary government includes all funds, account groups, and activities considered a part of the Town of Marblehead. Specifically excluded are the Marblehead Housing Authority and The North Shore Regional Vocational School District since they have substantial autonomy and separate governmental entity characteristics.

The Town provides a range of municipal services normally associated with municipal government including education, public safety (police, fire and emergency medical services), recreation and parks, 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.

BUDGETARY CONTROLS

The finance committee is responsible for reviewing departmental budget requests and submits to the town meeting an operating budget for the proposed expenditures and other financing uses for the next fiscal year. The budget, as enacted by the town meeting, also establishes that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings or at the next annual town meeting held prior to the end of the fiscal year. During the fiscal year the finance committee may transfer funds for extraordinary or unforeseen expenditures. The Town appropriated \$145,000 for this purpose in fiscal 2005 and transfers of \$122,233 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, Capital Projects Fund and the Sewer, Water and Harbor Enterprise Funds. Although formal budgetary integration is not employed for Special Revenue Funds, effective budgetary control is alternatively achieved through provisions of the Massachusetts General Laws and the Town's by-laws.

Appropriations are authorized by the Town meeting for line items within departments. Typical line items are salaries, expense, and local travel. These are the legal levels of budgetary control (level at which expenditures may not exceed budget). However, the Town is statutorily required to pay debt service, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final legal judgments may exceed the level of spending authorized by majority vote at a Town Meeting.

FACTORS AFFECTING ECONOMIC CONDITION

The Town of Marblehead continues to reflect a strong economic condition. The median family income is significantly higher than state averages and the unemployment rate continues to be lower than the State average (3.8% vs. 4.8% for the state). The Town remains a very desirable community given its close proximity to Boston, and for its tourism, history and boating and the quality of services provided. The residential sales market has been very strong, reflecting the solid interest in the community.

Based in part on its unique geography, which encompasses 14.2 miles of coastline, the Town has been experiencing strong high-end residential waterfront real estate sales (\$1 to \$5 million range). The combination of new development and a strong real estate market has contributed to steady tax base growth and significant growth in residential property value. The tax base (current market valuation \$4.8 billion) has increased a significant 8.1% over fiscal 2004 and 17.8% over fiscal 2003 reflecting strong development and real estate appreciation. Per capita market value of over \$226,000 is also among the highest in the state. This increase in values demonstrates the continued desirability of the Town.

On the Town's operating side, recent state fiscal problems have had some impact on the delivery of Town services. State aid has declined, but is expected to increase in the following years. The Town has been in a position of having to rely mainly on property taxes to cover the increasing cost of providing services and replace the revenue lost from the state. As the Town is not highly dependent on state aid, the Town will not be as adversely affected as other communities in the state.

The Town of Marblehead has also enhanced its revenue flexibility by establishing totally self sufficient enterprise funds for sewer, water, electric and harbor operations. All debt related to the enterprises is funded through user fees and each enterprise pays the Town for its share of general government services and an in lieu of tax payment. By doing so the Town is able to provide the maximum tax dollars available to all other services.

DEBT ADMINISTRATION

Outstanding general obligation bonds and notes at June 30, 2005 totaled \$68,725,000 of which \$335,000 are harbor bonds which will be paid from enterprise revenues.

The ratio of net bonded debt to assessed valuation and the amount of bonded debt per capita are useful indicators of the Town's debt position to Town management, citizens and investors. These data for the Town at the end of the 2005 Fiscal Year were as follows:

	<u>Amount</u>	<u>Ratio of Debt to Assessed Value</u>	<u>Debt per Capita</u>
General Bonded Debt	\$68,390,000	1.42%	\$3,202

The Town's bonds, last issued on August 15, 2004, were rated by the rating agency of Standard & Poor's at 'AA+' which is the same rating which they have carried since being upgraded on June 15, 2000.

The debt section of the notes to financial statements and the statistical tables on long-term debt present more detailed information about the debt position of the Town.

TREASURY MANAGEMENT

The Town utilizes a pooled cash concept in order to invest greater amounts of cash at favorable interest rates. The Town's investment of temporary idle cash excluding trust fund investments as of June 30, 2005 was in the Massachusetts Municipal Depository Trust (a depository for municipal subdivisions of the Commonwealth under the direction of the State Treasurer). Investment income/ (loss) for the year ended June 30, 2005 as follows:

General Fund.....	\$ 246,869
Restricted and Enterprise Funds.....	104,009
Pension Trust Funds.....	8,710,443
Nonmajor Governmental Funds.....	108,225
Internal Service Funds.....	13,965
Private Purpose Trust Funds.....	<u>63,358</u>
Total.....	<u>\$ 9,246,869</u>

PROPERTY TAX LIMITATIONS

Chapter 580 of the Massachusetts General Laws, Acts of 1980, known as "Proposition 2 1/2", limits the amount of revenue the Town can derive from property taxes. In any fiscal year the total property taxes assessed cannot exceed 2.5 percent of the full and fair cash valuation of the Town.

Maximum Fiscal 2005 Levy:

<u>Full and Fair Cash Value of Property</u>			<u>Levy Limit</u>
\$4,286,921,577	X	2.5%	\$120,673,039

However, the total property taxes levied in any fiscal year cannot exceed an amount equal to 102.5 percent of the total property taxes levied for the preceding year, except under the override and new growth provisions of the tax limitation legislation.

Fiscal 2005 Levy Limit

Fiscal 2004:

Levy Limit.....	\$ 37,879,859
Less Debt and Capital Exclusions.....	<u>(4,511,541)</u>
Fiscal Year 2004 Base.....	33,368,318
Fiscal Year 2005 Maximum Increase.....	<u>102.5%</u>
Fiscal Year 2005 Levy Limit Base.....	<u>34,202,526</u>

Fiscal 2005:

New Growth Factor.....	459,141
Permanent Overrides.....	512,397
Debt and Capital Exclusions.....	<u>4,735,482</u>
Fiscal 2005 Levy Limit.....	<u>\$ 39,909,546</u>

Actual Fiscal 2005 Tax Levy.....	<u>\$ 37,870,060</u>
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RISK MANAGEMENT

The Town of Marblehead manages its risk through a combination of self-insured programs and premium-based coverage with commercial insurance carriers. Workers compensation and unemployment activities are self-insured while exposures to various risks of loss related to torts, theft of assets, damage to and destruction of assets, errors and omissions, and natural disasters are covered through policies purchased from commercial carriers. Various control techniques, including employee accident prevention training, have been performed to

minimize accident-related losses. The Town administers an insurance reserve fund to help offset the annual cost of its workers compensation program. Additional information on the Town of Marblehead's risk management activity can be found in the notes to the financial statements.

SIGNIFICANT EVENTS

TWO NEW TRUST FUNDS

The Town was left cash gifts during fiscal year 2005 by two different benefactors. At Annual Town Meeting these gifts were accepted and two new trust funds were established.

The first gift was left by the estate of Curtis S. Coffin and totaled \$451,642. In accordance with Mr. Coffin's wishes these funds are available to the Town's Park and Recreation Commission for improvements to Fort Sewell Park and Crocker Park.

The second gift was left by the estate of Frederick L. Woods, Jr. and totaled \$32,758. In accordance with Mr. Woods' wishes these funds are to be used to aid the poor and needy of Marblehead.

NEW RECEIVABLE SOFTWARE FOR TAX COLLECTION

The Town determined in FY05 a need to replace and upgrade the software being used to account for all of its tax collection activity. Patriot Properties was chosen as the company whose receivable software would be used. Installation of the new software began in the spring of 2005 and is scheduled to be completed in late 2005.

NEW TOWN WEBSITE PLANNED

The Town's Website Committee developed a Request for Proposal for the design of a new Town website during FY05. Although this procurement process concluded in FY06, a contract was awarded to CivicPlus, a firm specializing in municipal websites. The new website is scheduled to be activated in January 2006. All of the funding for the design of the new website was donated.

OPEN SPACE TO BE ACQUIRED

At the May 2005 Annual Town Meeting residents voted to acquire one of the few remaining pieces of available open space in the Town of Marblehead. The property referred to as the Robinson Farm is a 3.2 acre parcel of property. In June of 2005, voters by a margin of 4937 to 2315 approved a \$2,025,000 override of Proposition 2 ½ to fund the acquisition of this property.

VETERANS MIDDLE SCHOOL OPENS

In September 2004, the Town opened to students the newly renovated Veterans Middle School located on Pleasant Street. The renovation of the Town's former High School to a modern Middle School was a \$23.2 million project.

NEW HARBORMASTER'S QUARTERS OPENS

In late October 2004, the Town opened its new Harbormaster's Quarters located on Tucker's Wharf. This new modern facility is equipped with public laundry facilities, showers, and restrooms and is within walking distance of grocery stores, restaurants, and shopping.

The Harbors and Waters Board also took delivery of a new thirty-one foot patrol boat, which was put into service at the beginning of the 2005 boating season.

PROPOSITION 2 ½ OVERRIDES - SPECIAL ELECTION

On June 15, 2005, a special election was held and five questions were presented to the voters to exclude appropriations from the limitations of proposition 2 ½. Two debt exclusion overrides were approved by the voters. The first was for the purchase of various pieces of heavy equipment totaling \$811,500 (4384 in favor, 2778 opposed). The second for \$2,025,000 was for the purchase of land to be used as open space (4937 in favor, 2315 opposed). Two one-time capital improvement overrides were presented and approved by the voters: \$113,500 for the assessment, engineering and remediation of the old ash landfill located in the disposal area at the Town Transfer Station passed (4604 in favor, 2551 opposed) and \$155,000 for the repair of various Town buildings passed (4555 in favor, 2639 opposed). One permanent override was presented to the voters and passed (3869 in favor, 3456 opposed). This permanent override totaled \$2,730,167 and included supplemental expenses for several town departments.

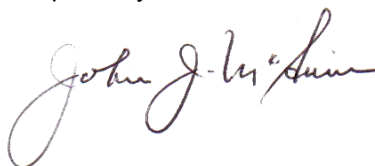
AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Marblehead for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2004. This was the first year that the Town submitted a CAFR to the GFOA. In order to receive this prestigious award, a government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated staff of the Finance Department. I would like to express my appreciation to all members of the Department who assisted and contributed to its preparation. I would also like to thank the Board of Selectmen and Town Administrator, Anthony Sasso, for their interest and support in planning and conducting the financial operation to the Town in a responsible and progressive manner.

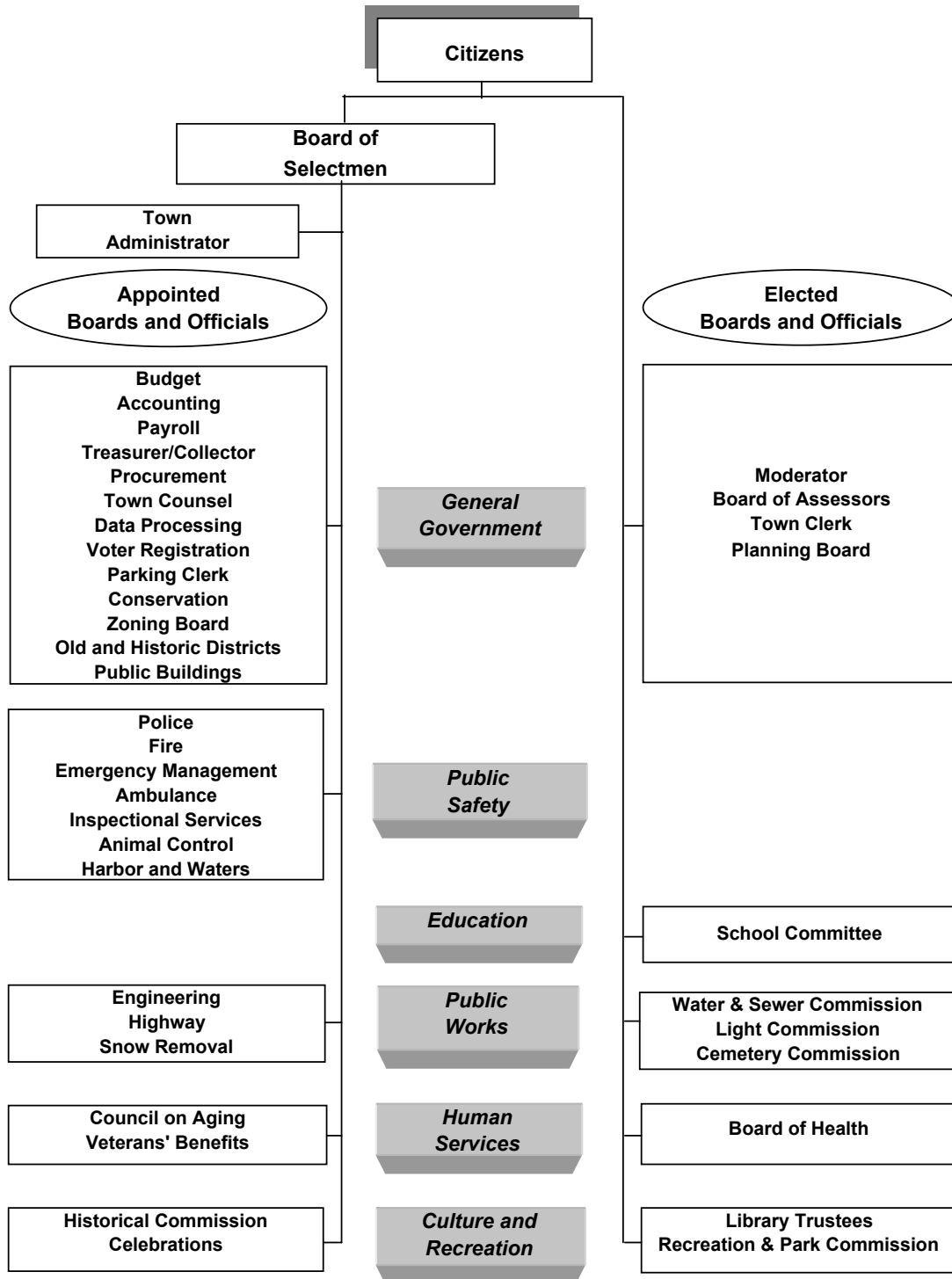
Respectfully submitted,

A handwritten signature in dark ink, appearing to read "John J. McGinn". The signature is fluid and cursive, with the first and last names being more prominent.

John McGinn
Finance Director

Town of Marblehead, Massachusetts

Organization Chart



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

<u>Title</u>	<u>Name</u>	<u>Manner of Selection</u>	<u>Term Expires</u>
Selectmen (Chairman)	Judith R. Jacobi	Elected	2006
Selectmen	Harry C. Christensen, Jr.	Elected	2006
Selectmen	Jeffrey N. Shribman	Elected	2006
Selectmen	James E. Nye	Elected	2006
Selectmen	Jackie Belf-Becker	Elected	2006
Town Administrator	Anthony Sasso	Appointed	2008
Finance Director/Accountant	John McGinn	Appointed	2008
Treasurer/Collector	Patricia K. Murray	Appointed	2006
Town Clerk	Thomas A. McNulty	Elected	2007

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Marblehead,
Massachusetts

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

President

Jeffrey R. Enos

Executive Director

Financial Section



A view of the Old Town House (built in 1727) in winter.

Financial Section

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Independent Auditors' Report

To the Honorable Board of Selectmen
Marblehead, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Marblehead, Massachusetts, as of and for the fiscal year ended June 30, 2005 (except for the Marblehead Contributory Retirement System and the Marblehead Municipal Light Department which are as of and for the year ended December 31, 2004), which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Marblehead, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Marblehead Municipal Light Department, which reflects approximately 43% of the total assets and approximately 60% of the total revenues of the business-type activities, for the fiscal year ended December 31, 2004. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included in these financial statements is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Marblehead, Massachusetts, as of June 30, 2005 (except for the Marblehead Contributory Retirement System and the Marblehead Municipal Light Department which are as of and for the year ended December 31, 2004), and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2005, on our consideration of the Town of Marblehead, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The combining and individual fund statements and schedules, as listed in the table of contents, are presented for the purpose of supplementary analysis and are not a required part of the financial statements of the Town of Marblehead, Massachusetts. Such supplementary information has been subjected to the auditing procedures

applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Management's discussion and analysis, located on the following pages, and the schedule of revenues, expenditures and changes in fund balance-general fund-budgetary basis, located after the notes to the basic financial statements, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in cursive script that reads "Powers + Sullivan".

October 28, 2005

Management's Discussion and Analysis

As management of the Town of Marblehead, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2005. 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 comprise 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 other 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 assets* presents information on all assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, education, public works, human services, culture and recreation, interest and state and county charges. The business-type activities include the activities of the sewer, water, harbor and light departments.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Marblehead adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The Town maintains two types of propriety funds.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its sewer, water, harbor and electric 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 and employee contributions used to fund Workmen's Compensation Claims, Medical Claims and Medex claims to supplement Medicare. Because these services predominantly benefit the governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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 statement 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 propriety funds.

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

Government-wide Financial Analysis

At the end of the current fiscal year, the Town is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. Overall net assets of the primary government increased by \$2.4 million during fiscal year 2005, this is an indication that the financial position of the Town has improved.

Governmental Activities

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the Governmental Activities, Marblehead's assets exceeded liabilities by \$72.7 million, at the close of FY2005.

	Governmental Activities	
	2005	2004
Assets:		
Current assets.....	\$ 38,059,699	\$ 19,247,413
Noncurrent assets (excluding capital).....	17,133,697	38,409,334
Capital assets, net of accumulated depreciation.....	90,402,994	69,134,998
Capital assets, not being depreciated.....	2,940,302	23,007,711
Total assets.....	148,536,692	149,799,456
Liabilities:		
Current liabilities (excluding debt).....	5,528,106	6,983,418
Noncurrent liabilities (excluding debt).....	1,852,845	695,493
Current debt.....	28,410,000	2,269,726
Noncurrent debt.....	39,980,274	68,390,274
Total liabilities.....	75,771,225	78,338,911
Net Assets:		
Invested in capital assets, net of related debt.....	63,376,136	62,029,368
Restricted.....	8,369,340	7,367,241
Unrestricted.....	1,019,991	2,063,936
Total net assets.....	\$ 72,765,467	\$ 71,460,545

Governmental net assets of \$63.4 million (87%) reflects its investment in capital assets (e.g., land, construction in progress, 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 assets \$8.4 million (12%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$1 million may be used to meet the government's ongoing obligations to citizens and creditors.

Current assets and noncurrent assets (excluding capital) in total declined from previous year by approximately \$2.3 million. Additionally, there was a shift from noncurrent to current assets of approximately \$21 million which relates to the school capital grants from the Massachusetts School Building Authority (MSBA). During fiscal year 2005 the MSBA was established and assumed responsibility for administering the school construction reimbursement program for the Commonwealth of Massachusetts. The reimbursement program has changed rather significantly; from a program where cities and towns were reimbursed for the state's share of school construction costs over an approximate 20 year period, to a program that provides capital grants in a lump sum and over the life of remaining long-term debt where a city or town has permanently bonded a project. Since the Town of Marblehead has constructed a new high school and made significant renovations to the old high school/new middle school by issuing short-term notes, the Town is eligible for the new lump-sum funding program offered by the MSBA. Consequently, of the \$38 million long-term receivable balance in fiscal year 2004, \$21.2 million has been reclassified as a current receivable in fiscal year 2005.

	Governmental Activities	
	2005	2004
Program revenues:		
Charges for services.....	\$ 3,885,636	\$ 3,532,315
Operating grants and contributions.....	11,965,143	10,236,741
Capital grants and contributions.....	-	6,184,306
General Revenues:		
Real estate and personal property taxes.....	39,608,751	37,663,340
Motor vehicle and other excise taxes.....	3,008,370	2,815,852
Nonrestricted grants.....	1,120,708	1,104,617
Unrestricted investment income.....	369,109	494,060
Other revenues.....	146,868	128,811
Total revenues.....	60,104,585	62,160,042
Expenses:		
General government.....	2,966,862	2,880,992
Public safety.....	7,729,360	7,935,214
Education.....	36,691,945	34,947,347
Public works.....	4,903,611	5,101,138
Human services.....	826,827	929,242
Culture and recreation.....	2,427,894	2,301,611
Interest.....	1,847,413	1,059,107
State and county charges.....	2,094,128	1,714,756
Total expenses.....	59,488,040	56,869,407
Excess before transfers.....	616,545	5,290,635
Transfers.....	688,377	1,026,962
Change in net assets.....	\$ 1,304,922	\$ 6,317,597

Education expenses have increased by approximately \$1.7 million from fiscal year 2004. This is partially due to the increase in depreciation expense incurred from the new school buildings and partially due to increases in school user fees, school choice expenses, school lunch expenses and increases in special education expenses.

The activity of the Town's internal service funds is included in the Governmental Activities in the government-wide financial statements. The combined internal service funds had an ending deficit balance of \$1.9 million. This includes approximately \$1 million in accrued liabilities for incurred but not reported claims (IBNR). The Town is currently required to raise any cash deficit in the fund in the subsequent fiscal year. The Commonwealth of Massachusetts has recently changed the law related to self-insured funds. The new law will require the Town to fund any deficit, including that resulting from IBNR, beginning in fiscal year 2006.

Business-type Activities

For the Town's business-type activities, assets exceeded liabilities by \$42 million at the close of FY2005.

	Business-type Activities	
	2005	2004
Assets:		
Current assets.....	\$ 12,961,548	\$ 13,214,520
Capital assets, net of accumulated depreciation.....	28,395,856	28,113,837
Capital assets, not being depreciated.....	2,237,246	2,533,170
Total assets.....	43,594,650	43,861,527
Liabilities:		
Current liabilities (excluding debt).....	1,377,617	1,671,299
Noncurrent liabilities (excluding debt).....	98,188	144,847
Current debt.....	155,000	160,000
Noncurrent debt.....	180,000	335,000
Total liabilities.....	1,810,805	2,311,146
Net Assets:		
Invested in capital assets, net of related debt.....	31,295,883	31,496,697
Unrestricted.....	10,487,962	11,398,374
Total net assets.....	\$ 41,783,845	\$ 42,895,071

Business-type net assets of \$31.3 million (75%) represent investments in capital assets net of related debt. The remaining \$10.5 million (25%) is available to be used for the ongoing operation of the Town's Water, Sewer, Harbor and Electric activities. There was an increase of \$1.1 million in net assets reported in connection with the Water, Sewer, Electric and Harbor activities.

The Sewer Enterprise Fund's net assets totaled \$10.8 million at year end; an increase of \$281 thousand from the prior year. This balance is approximately 3.1 times the annual operating expenses and has remained consistent over the past several years. Revenues in this fund consist primarily of charges for sewer services and the largest portion of the Fund's expenditures (70%) relate to the annual assessment paid to the South Essex Sewerage District.

The Water Enterprise Fund's net assets totaled \$9.8 million at year end; an increase of \$461 thousand from the prior year. This balance is approximately 4 times the annual operating expenses and has remained consistent over the past several years. Revenues in this fund consist primarily of charges for water service and approximately 52% of the operating expenses consist of assessments paid to the Massachusetts Water Resource Authority.

The Harbor Enterprise Fund's net assets increased by \$259 thousand and totaled \$3.7 million at year end. Revenues in this fund consist of a combination of charges for services and boat excise taxes assessed.

The Electric Light Enterprise Fund's net assets totaled \$17.5 million at year end, an increase of \$135 thousand. The majority of the revenue in this fund consists of charges for services and 91% of the expenditures relate to operational costs.

		Business-type Activities	
		2005	2004
Program revenues:			
Charges for services - Water.....	\$	2,985,712	\$ 2,404,325
Charges for services - Sewer.....		3,897,788	3,098,366
Charges for services - Electric.....		11,350,011	11,747,745
Charges for services - Harbor.....		755,014	709,857
General Revenues:			
Nonrestricted grants.....		25,000	-
Unrestricted investment income.....		104,009	51,225
Total revenues.....		19,117,534	18,011,518
Expenses:			
Water.....		2,408,244	2,312,442
Sewer.....		3,489,015	2,980,770
Electric.....		10,941,345	10,805,232
Harbor.....		455,038	576,851
Total expenses.....		17,293,642	16,675,295
Excess before transfers.....		1,823,892	1,336,223
Transfers.....		(688,377)	(1,026,962)
Change in net assets.....	\$	1,135,515	\$ 309,261

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$13.5 million, a decrease of \$441 thousand from the prior year. Almost all of the decrease is attributable to the timing of expenditures related to the Upper Middle School Conversion major fund.

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$3.5 million, while total fund balance was \$3.7 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 6.4% of total general fund expenditures, while total fund balance represents 6.8% of that same amount.

The fund balance of the general fund increased by \$43 thousand. The Town budgeted to use approximately \$720 thousand of prior year's fund balance to balance the fiscal year 2005 budget. Actual revenues came in approximately \$1.3 million over budget primarily due to conservative budget estimates. Additionally, the Town had several large construction projects which generated additional revenues and interest rates were higher than anticipated. Expenditures came in approximately \$51 thousand under budget. Most notably, the public works line item had a significant deficit due to snow and ice removal which is allowed to be overspent and raised on the

subsequent year's tax rate by state law. The employee benefits line item deficit was the result of a mid-year increases in health insurance rates which were not budgeted for. This deficit will also be raised in the subsequent year as permitted by state law.

The Upper Middle School Conversion fund is used to account for the Town's major school construction project which converted the old High School building to a new Middle School. This fund had a year end fund balance of \$3 thousand as the project is substantially complete. The Town anticipates reimbursements from the Massachusetts School Building Authority (MSBA) for 50.01% of the costs of the project including interest on debt used to finance the project. Consequently, an intergovernmental receivable has been recorded in the general fund for 50.01% of the project expenditures through the end of the fiscal year. The Town has issued notes to temporarily finance the project until subsidy payments from the MSBA program commence. For financial reporting, the notes have been classified as long-term obligations.

General Fund Budgetary Highlights

The majority of the changes between the original and final budget resulted from authorized reserve fund transfers and year end transfers between department appropriations authorized under the provisions of the Municipal Relief Act and have not resulted in a net change in the overall general fund budget. Additional appropriations from were authorized to fund departmental shortfalls of approximately \$26,000.

Capital Asset and Debt Administration

Capital assets. In conjunction with the operating budget, each department annually submits a proposed capital budget to the Capital Planning Committee. The Capital Planning Committee is 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 transfer of approximately \$20.1 million from construction in progress to buildings related to the conversion of the old High School building to a new Middle School.

Capital additions of the Business-type activities consisted of upgrades to infrastructure in the Sewer and Water activities of \$437 thousand and \$207 thousand, respectively; construction on Tuckers Wharf in the Harbor activities of approximately \$751 thousand; and Electric Light upgrades to plant and equipment of approximately \$870 thousand.

Debt administration. Outstanding long-term debt of the general government, as of June 30, 2005, totaled \$68.4 million, of which \$64.8 million is related to school projects, \$3.2 million is for drain projects, \$425 thousand is for parks and \$60 thousand is for public safety related projects. The enterprise funds have only \$335 thousand in outstanding debt which is all related to the harbor enterprise fund.

Please refer to the notes 6, 8 and 9 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

STATEMENT OF NET ASSETS

JUNE 30, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 14,175,516	\$ 6,758,514	\$ 20,934,030
Investments.....	851,510	-	851,510
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	275,276	-	275,276
Real estate tax deferrals.....	210,162	-	210,162
Tax liens.....	89,768	-	89,768
Motor vehicle and other excise taxes.....	321,626	11,225	332,851
User fees.....	-	2,890,823	2,890,823
Accounts.....	191,919	6,835	198,754
Special assessments.....	-	1,277	1,277
Intergovernmental.....	22,341,293	-	22,341,293
Tax foreclosures.....	16,198	-	16,198
Internal balances.....	(1,792,957)	1,627,459	(165,498)
Inventory.....	-	56,670	56,670
Investment in joint venture.....	-	997,781	997,781
Working capital deposit.....	1,379,388	-	1,379,388
Other assets.....	-	610,964	610,964
Total current assets.....	38,059,699	12,961,548	51,021,247
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	17,133,697	-	17,133,697
Capital assets, net of accumulated depreciation.....	90,402,994	28,395,856	118,798,850
Capital assets, not being depreciated.....	2,940,302	2,237,246	5,177,548
Total noncurrent assets.....	110,476,993	30,633,102	141,110,095
TOTAL ASSETS.....	148,536,692	43,594,650	192,131,342
LIABILITIES			
CURRENT:			
Warrants payable.....	1,794,226	1,060,522	2,854,748
Accrued liabilities.....	959,426	-	959,426
Tax refunds payable.....	103,892	-	103,892
Accrued interest.....	538,787	1,825	540,612
Payroll withholdings.....	329,407	-	329,407
Due to Agency Fund.....	25,181	-	25,181
Other liabilities.....	272,623	188,891	461,514
Customer deposits payable.....	31,792	32,169	63,961
Compensated absences.....	772,369	94,210	866,579
Workers' compensation.....	122,455	-	122,455
Unamortized premium on bonds and notes payable.....	577,948	-	577,948
Bonds and notes payable.....	28,410,000	155,000	28,565,000
Total current liabilities.....	33,938,106	1,532,617	35,470,723
NONCURRENT:			
Compensated absences.....	310,137	98,188	408,325
Workers' compensation.....	362,856	-	362,856
Unamortized premium on bonds and notes payable.....	1,179,852	-	1,179,852
Bonds and notes payable.....	39,980,274	180,000	40,160,274
Total noncurrent liabilities.....	41,833,119	278,188	42,111,307
TOTAL LIABILITIES.....	75,771,225	1,810,805	77,582,030
NET ASSETS			
Invested in capital assets, net of related debt.....	63,376,136	31,295,883	94,672,019
Restricted for:			
Permanent funds:			
Expendable.....	585,746	-	585,746
Nonexpendable.....	3,242,776	-	3,242,776
Other purposes:			
Gifts and grants.....	3,735,164	-	3,735,164
Other.....	805,654	-	805,654
Unrestricted.....	1,019,991	10,487,962	11,507,953
TOTAL NET ASSETS.....	\$ 72,765,467	\$ 41,783,845	\$ 114,549,312

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2005

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue
Primary Government:				
<i>Governmental Activities:</i>				
General government.....	\$ 2,966,862	\$ 408,014	\$ 63,182	\$ (2,495,666)
Public safety.....	7,729,360	990,605	259,206	(6,479,549)
Education.....	36,691,945	1,151,263	10,170,919	(25,369,763)
Public works.....	4,903,611	777,895	654,013	(3,471,703)
Human services.....	826,827	152,249	322,461	(352,117)
Culture and recreation.....	2,427,894	405,610	495,362	(1,526,922)
Interest.....	1,847,413	-	-	(1,847,413)
State and county charges.....	2,094,128	-	-	(2,094,128)
Total Governmental Activities.....	59,488,040	3,885,636	11,965,143	(43,637,261)
<i>Business-Type Activities:</i>				
Water.....	2,408,244	2,985,712	-	577,468
Sewer.....	3,489,015	3,897,788	-	408,773
Electric.....	10,941,345	11,350,011	-	408,666
Harbor.....	455,038	755,014	25,000	324,976
Total Business-Type Activities.....	17,293,642	18,988,525	25,000	1,719,883
Total Primary Government.....	\$ 76,781,682	\$ 22,874,161	\$ 11,990,143	\$ (41,917,378)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

FISCAL YEAR ENDED JUNE 30, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net assets:			
Net (expense) revenue from previous page.....	\$ <u>(43,637,261)</u>	\$ <u>1,719,883</u>	\$ <u>(41,917,378)</u>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	39,608,751	-	39,608,751
Motor vehicle and other excise taxes.....	3,008,370	-	3,008,370
Penalties and interest on taxes.....	142,047	-	142,047
Payments in lieu of taxes.....	4,821	-	4,821
Grants and contributions not restricted to specific programs.....	1,120,708	-	1,120,708
Unrestricted investment income.....	369,109	104,009	473,118
<i>Transfers, net</i>	<u>688,377</u>	<u>(688,377)</u>	<u>-</u>
Total general revenues and transfers.....	<u>44,942,183</u>	<u>(584,368)</u>	<u>44,357,815</u>
Change in net assets.....	1,304,922	1,135,515	2,440,437
<i>Net Assets:</i>			
Beginning of year.....	<u>71,460,545</u>	<u>40,648,330</u>	<u>112,108,875</u>
End of year.....	\$ <u><u>72,765,467</u></u>	\$ <u><u>41,783,845</u></u>	\$ <u><u>114,549,312</u></u>

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2005

	General	Upper Middle School Conversion	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents.....	\$ 7,774,192	\$ -	\$ 5,987,621	\$ 13,761,813
Investments.....	-	-	851,510	851,510
Receivables, net of uncollectibles:				
Property taxes				
Current year.....	263,229	-	-	263,229
Prior year.....	12,047	-	-	12,047
Real estate tax deferrals.....	210,162	-	-	210,162
Tax liens.....	89,768	-	-	89,768
Motor vehicle and other excise taxes.....	321,626	-	-	321,626
Accounts.....	18,588	-	21,449	40,037
Due from other funds.....	1,768,595	18,560	3,604,543	5,391,698
Due from other governments.....	38,421,633	-	1,053,357	39,474,990
Working capital deposit.....	-	-	10,000	10,000
Tax foreclosures.....	16,198	-	-	16,198
TOTAL ASSETS.....	48,896,038	18,560	11,528,480	60,443,078
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Warrants payable.....	669,033	587	228,384	898,004
Accounts payable.....	835	-	27,937	28,772
Retainage payable.....	-	15,000	-	15,000
Accrued payroll and amounts withheld.....	329,407	-	-	329,407
Due to other funds.....	3,110,964	-	716,784	3,827,748
Due to agency funds.....	25,181	-	-	25,181
Due to Electric Fund.....	1,789,257	-	-	1,789,257
Liabilities due depositors.....	31,792	-	-	31,792
Other liabilities.....	272,623	-	-	272,623
Deferred revenues.....	38,852,344	-	817,093	39,669,437
Tax refunds payable.....	103,892	-	-	103,892
TOTAL LIABILITIES.....	45,185,328	15,587	1,790,198	46,991,113
FUND BALANCES:				
Reserved for:				
Encumbrances and continuing appropriations.....	242,334	-	-	242,334
Perpetual permanent funds.....	-	-	-	-
Unreserved:				
Designated for subsequent year's expenditures:				
General fund.....	719,553	-	-	719,553
Special revenue funds.....	-	-	645,989	645,989
Undesignated, reported in:				
General fund.....	2,748,823	-	-	2,748,823
Special revenue funds.....	-	-	5,252,964	5,252,964
Capital projects funds.....	-	2,973	10,807	13,780
Permanent funds.....	-	-	3,828,522	3,828,522
TOTAL FUND BALANCES.....	3,710,710	2,973	9,738,282	13,451,965
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 48,896,038	\$ 18,560	\$ 11,528,480	\$ 60,443,078

See notes to basic financial statements.

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

JUNE 30, 2005

Total governmental fund balances.....	\$ 13,451,965
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	93,343,296
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....	39,669,437
Internal service funds are used by management to account for retirees' health insurance and workers' compensation activities.	
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.....	(1,929,864)
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....	(538,787)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Bonds and notes payable.....	(68,390,274)
Unamortized premium on bonds and notes payable.....	(1,757,800)
Compensated absences.....	<u>(1,082,506)</u>
Net effect of reporting long-term liabilities.....	<u>(71,230,580)</u>
Net assets of governmental activities.....	<u>\$ 72,765,467</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2005

	General	Upper Middle School Conversion	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Real estate and personal property taxes.....	\$ 39,636,668	\$ -	\$ -	\$ 39,636,668
Motor vehicle and other excise taxes.....	3,014,927	-	-	3,014,927
Penalties and interest on taxes.....	142,047	-	-	142,047
Charges for services.....	710,640	-	1,539,762	2,250,402
Licenses and permits.....	805,077	-	-	805,077
Fines and forfeitures.....	209,471	-	100	209,571
Intergovernmental.....	8,927,721	-	3,085,909	12,013,630
Departmental and other.....	-	-	363,625	363,625
Contributions.....	-	-	708,368	708,368
Investment income.....	246,869	-	108,225	355,094
Miscellaneous.....	69,410	-	189,453	258,863
TOTAL REVENUES.....	53,762,830	-	5,995,442	59,758,272
EXPENDITURES:				
Current:				
General government.....	1,717,566	-	152,761	1,870,327
Public safety.....	5,576,446	-	373,922	5,950,368
Education.....	21,581,320	2,723,195	4,120,027	28,424,542
Public works.....	3,849,503	-	584,490	4,433,993
Human services.....	357,474	-	317,162	674,636
Culture and recreation.....	1,417,679	-	390,783	1,808,462
Pension benefits.....	6,533,588	-	-	6,533,588
Property and liability insurance.....	323,166	-	-	323,166
Employee benefits.....	6,153,016	-	-	6,153,016
State and county charges.....	2,094,128	-	-	2,094,128
Debt service:				
Principal.....	2,269,726	-	-	2,269,726
Interest.....	1,958,022	-	-	1,958,022
TOTAL EXPENDITURES.....	53,831,634	2,723,195	5,939,145	62,493,974
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(68,804)	(2,723,195)	56,297	(2,735,702)
OTHER FINANCING SOURCES (USES):				
Premiums from issuance of debt.....	12,592	-	1,793,489	1,806,081
Transfers in.....	1,276,669	815,000	164,706	2,256,375
Transfers out.....	(1,177,600)	-	(590,398)	(1,767,998)
TOTAL OTHER FINANCING SOURCES (USES).....	111,661	815,000	1,367,797	2,294,458
NET CHANGE IN FUND BALANCES.....	42,857	(1,908,195)	1,424,094	(441,244)
FUND BALANCES AT BEGINNING OF YEAR.....	3,667,853	1,911,168	8,314,188	13,893,209
FUND BALANCES AT END OF YEAR.....	\$ 3,710,710	\$ 2,973	\$ 9,738,282	\$ 13,451,965

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2005

Net change in fund balances - total governmental funds.....	\$	(441,244)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	4,167,893	
Depreciation expense.....	<u>(2,967,306)</u>	
Net effect of reporting capital assets.....		1,200,587
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.....</p>		
		332,348.00
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Premiums from issuance of debt.....	(1,806,081)	
Debt service principal payments.....	<u>2,269,726</u>	
Net effect of reporting long-term debt.....		463,645
<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.....	(6,492)	
Amortization of bond premiums.....	48,281	
Net change in accrued interest on long-term debt.....	<u>62,328</u>	
Net effect of recording long-term liabilities and amortizing deferred losses.....		104,117
<p>Internal service funds are used by management to account for health insurance and workers' compensation activities.</p>		
The net activity of internal service funds is reported with Governmental Activities.....		<u>(354,531)</u>
Change in net assets of governmental activities.....	\$	<u><u>1,304,922</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2005

	Business-type Activities - Enterprise Funds					
	Sewer	Water	Harbor	Municipal Light (as of December 31, 2004)	Total	Governmental Activities - Internal Service Funds
ASSETS						
CURRENT:						
Cash and cash equivalents.....	\$ 1,382,278	\$ 1,426,020	\$ 387,870	\$ 3,562,346	\$ 6,758,514	\$ 413,703
Receivables, net of allowance for uncollectibles:						
Excises.....	-	-	11,225	-	11,225	-
User fees.....	1,205,856	782,342	-	902,625	2,890,823	-
Accounts.....	-	-	6,835	-	6,835	151,882
Special assessments.....	1,277	-	-	-	1,277	-
Due from General Fund.....	-	-	3,700	1,623,759	1,627,459	-
Inventory.....	-	-	-	56,670	56,670	-
Investment in joint venture.....	997,781	-	-	-	997,781	-
Working capital deposit.....	-	-	-	-	-	1,369,388
Other assets.....	-	-	-	610,964	610,964	-
Total current assets.....	3,587,192	2,208,362	409,630	6,756,364	12,961,548	1,934,973
NONCURRENT:						
Capital assets, net of accumulated depreciation..	7,160,301	7,624,174	1,842,333	11,769,048	28,395,856	-
Capital assets, not being depreciated.....	115,466	49,427	2,020,257	52,096	2,237,246	-
Total noncurrent assets.....	7,275,767	7,673,601	3,862,590	11,821,144	30,633,102	-
TOTAL ASSETS.....	10,862,959	9,881,963	4,272,220	18,577,508	43,594,650	1,934,973
LIABILITIES						
CURRENT:						
Warrants payable.....	33,551	36,279	10,527	980,165	1,060,522	852,450
Accrued liabilities.....	-	-	-	-	-	959,426
Accrued interest.....	-	-	1,825	-	1,825	-
Compensated absences.....	31,758	23,970	15,054	23,428	94,210	-
Other liabilities.....	-	-	188,891	-	188,891	-
Customer deposits payable.....	-	645	500	31,024	32,169	-
Workers' compensation.....	-	-	-	-	-	122,455
Due to other funds.....	-	-	-	-	-	1,567,650
Bonds and notes payable.....	-	-	155,000	-	155,000	-
Total current liabilities.....	65,309	60,894	371,797	1,034,617	1,532,617	3,501,981
NONCURRENT:						
Compensated absences.....	16,488	11,416	-	70,284	98,188	-
Workers' compensation.....	-	-	-	-	-	362,856
Bonds and notes payable.....	-	-	180,000	-	180,000	-
Total noncurrent liabilities.....	16,488	11,416	180,000	70,284	278,188	362,856
TOTAL LIABILITIES.....	81,797	72,310	551,797	1,104,901	1,810,805	3,864,837
NET ASSETS						
Invested in capital assets, net of related debt.....	7,275,767	7,673,601	3,527,590	11,821,144	30,298,102	-
Unrestricted.....	3,505,395	2,136,052	192,833	5,651,463	11,485,743	(1,929,864)
TOTAL NET ASSETS.....	\$ 10,781,162	\$ 9,809,653	\$ 3,720,423	\$ 17,472,607	\$ 41,783,845	\$ (1,929,864)

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2005

Business-type Activities - Enterprise Funds						
	Sewer	Water	Harbor	Municipal Light (as of December 31, 2004)	Total	Governmental Activities - Internal Service Funds
OPERATING REVENUES:						
Boat excise.....	\$ -	\$ -	\$ 139,068	\$ -	\$ 139,068	\$ -
Charges for services	3,823,660	2,980,914	615,946	11,350,011	18,770,531	8,229,502
Licenses and permits.....	10,050	-	-	-	10,050	-
Miscellaneous.....	61,486	4,798	-	-	66,284	289,804
TOTAL OPERATING REVENUES	3,895,196	2,985,712	755,014	11,350,011	18,985,933	8,519,306
OPERATING EXPENSES:						
Cost of services and administration	-	-	-	-	-	9,087,802
Personal services.....	438,528	460,544	272,281	667,646	1,838,999	-
Other.....	313,303	366,992	78,167	9,333,633	10,092,095	-
Operating assessments.....	2,455,661	1,255,533	-	-	3,711,194	-
Depreciation.....	281,523	325,175	81,395	940,066	1,628,159	-
TOTAL OPERATING EXPENSES	3,489,015	2,408,244	431,843	10,941,345	17,270,447	9,087,802
OPERATING INCOME (LOSS).....	406,181	577,468	323,171	408,666	1,715,486	(568,496)
NONOPERATING REVENUES (EXPENSES):						
Investment income.....	19,374	23,214	9,952	51,469	104,009	13,965
Special assessments.....	2,592	-	-	-	2,592	-
Interest expense.....	-	-	(23,195)	-	(23,195)	-
Intergovernmental assessments.....	-	-	25,000	-	25,000	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	21,966	23,214	11,757	51,469	108,406	13,965
INCOME (LOSS) BEFORE TRANSFERS.....	428,147	600,682	334,928	460,135	1,823,892	(554,531)
TRANSFERS:						
Transfers in.....	-	-	7,118	-	7,118	200,000
Transfers out.....	(147,377)	(139,978)	(83,140)	(325,000)	(695,495)	-
TOTAL TRANSFERS.....	(147,377)	(139,978)	(76,022)	(325,000)	(688,377)	200,000
CHANGE IN NET ASSETS.....	280,770	460,704	258,906	135,135	1,135,515	(354,531)
NET ASSETS AT BEGINNING OF YEAR.....	10,500,392	9,348,949	3,461,517	17,337,472	40,648,330	(1,575,333)
NET ASSETS AT END OF YEAR.....	\$ 10,781,162	\$ 9,809,653	\$ 3,720,423	\$ 17,472,607	\$ 41,783,845	\$ (1,929,864)

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2005

	Business-type Activities - Enterprise Funds					
	Sewer	Water	Harbor	Municipal Light (as of December 31, 2004)	Total	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers and users.....	\$ 3,309,031	\$ 2,618,567	\$ 749,548	\$ 11,289,332	17,966,478	\$ -
Receipts from interfund services provided.....	-	-	-	-	-	8,413,465
Payments to vendors.....	(2,468,946)	(1,814,300)	(158,677)	(9,043,950)	(13,485,873)	(9,062,816)
Payments to employees.....	(441,475)	(488,194)	(295,640)	(679,375)	(1,904,684)	-
NET CASH FROM OPERATING ACTIVITIES.....	398,610	316,073	295,231	1,566,007	2,575,921	(649,351)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfers in.....	-	-	7,118	-	7,118	200,000
Transfers out.....	(147,377)	(139,978)	(83,140)	(325,000)	(695,495)	-
Advances from other funds.....	-	-	-	-	-	393,276
Advances to other funds.....	1,545,775	1,434,013	(63,971)	1,638,367	4,554,184	-
Other revenues.....	2,592	-	-	-	2,592	-
Intergovernmental revenue.....	-	-	25,000	-	25,000	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	1,400,990	1,294,035	(114,993)	1,313,367	3,893,399	593,276
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition and construction of capital assets.....	(436,746)	(207,437)	(394,727)	(870,301)	(1,909,211)	-
Principal payments on bonds and notes.....	-	-	(160,000)	-	(160,000)	-
Interest expense.....	-	-	(24,710)	-	(24,710)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(436,746)	(207,437)	(579,437)	(870,301)	(2,093,921)	-
CASH FLOWS FROM INVESTING ACTIVITIES:						
Investment income.....	19,374	23,214	9,952	51,469	104,009	13,965
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	1,382,228	1,425,885	(389,247)	2,060,542	4,479,408	(42,110)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	50	135	777,117	1,501,804	2,279,106	455,813
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 1,382,278	\$ 1,426,020	\$ 387,870	\$ 3,562,346	\$ 6,758,514	\$ 413,703
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:						
Operating income (loss).....	\$ 406,181	\$ 577,468	\$ 323,171	\$ 408,666	\$ 1,715,486	\$ (568,496)
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation.....	281,523	325,175	81,395	940,066	1,628,159	-
Changes in assets and liabilities:						
Excises.....	-	-	(2,548)	-	(2,548)	-
User fees.....	(586,365)	(367,145)	-	(59,245)	(1,012,755)	-
Departmental and other.....	-	-	(2,918)	-	(2,918)	62,047
Special assessments.....	200	-	-	-	200	-
Inventory.....	-	-	-	(5,634)	(5,634)	-
Investment in joint venture.....	346,909	-	-	-	346,909	-
Working capital deposit.....	-	-	-	-	-	(167,888)
Other assets.....	-	-	-	4,201	4,201	-
Warrants payable.....	(46,891)	(191,775)	(84,436)	289,882	(33,220)	299,765
Accrued liabilities.....	-	-	-	-	-	(90,396)
Liabilities due depositors.....	-	-	500	(200)	300	-
Other liabilities.....	-	-	3,426	-	3,426	-
Accrued compensated absences.....	(2,947)	(27,650)	(23,359)	(11,729)	(65,685)	-
Workers' compensation.....	-	-	-	-	-	(184,383)
Total adjustments.....	(7,571)	(261,395)	(27,940)	1,157,341	860,435	(80,855)
NET CASH FROM OPERATING ACTIVITIES.....	\$ 398,610	\$ 316,073	\$ 295,231	\$ 1,566,007	\$ 2,575,921	\$ (649,351)

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2005

	Pension Trust Fund (as of December 31, 2004)	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents.....	\$ 114,967	\$ 3,040,413	\$ 61,207
Investments - external investment pool.....	68,037,017	-	-
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	320,671	-	-
Due from other funds.....	-	-	25,181
Capital assets, net of accumulated depreciation.....	-	18,106	-
Capital assets, not being depreciated.....	-	2,045	-
TOTAL ASSETS	68,472,655	3,060,564	86,388
LIABILITIES			
Warrants payable.....	412	13,050	-
Liabilities due depositors.....	-	-	86,388
TOTAL LIABILITIES	412	13,050	86,388
NET ASSETS			
Held in trust for pension benefits and other purposes.....	\$ <u>68,472,243</u>	\$ <u>3,047,514</u>	\$ <u>-</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2005

	Pension Trust Fund (as of December 31, 2004)	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer.....	\$ 2,112,859	\$ -
Plan members.....	1,202,645	-
Private donations.....	-	41,712
	<hr/>	<hr/>
Total contributions.....	3,315,504	41,712
Net investment income (loss):		
Net change in fair value of investments.....	4,175,396	-
Investment income.....	4,535,047	63,358
	<hr/>	<hr/>
Total investment income (loss).....	8,710,443	63,358
Intergovernmental.....	247,487	-
Transfers from other systems.....	47,568	-
	<hr/>	<hr/>
TOTAL ADDITIONS.....	12,321,002	105,070
	<hr/>	<hr/>
DEDUCTIONS:		
Administration.....	371,682	13,048
Depreciation.....	-	2,615
Transfers to other systems.....	53,648	-
Retirement benefits and refunds.....	4,839,330	-
Educational scholarships.....	-	11,975
	<hr/>	<hr/>
TOTAL DEDUCTIONS.....	5,264,660	27,638
	<hr/>	<hr/>
CHANGE IN NET ASSETS.....	7,056,342	77,432
NET ASSETS AT BEGINNING OF YEAR.....	61,415,901	2,970,082
	<hr/>	<hr/>
NET ASSETS AT END OF YEAR.....	\$ 68,472,243	\$ 3,047,514
	<hr/>	<hr/>

See notes to basic financial statements.

Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2005

1. Summary of Significant Accounting Policies

The accompanying summary of the Town of Marblehead's more 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 principals (GAAP), as applicable to governments, and have been consistently applied in the preparation of the financial statements. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The Town of Marblehead is a municipal corporation that is governed by an elected five member Board of Selectmen.

For financial reporting purposes, the Town has included all funds, organizations, account groups, 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 so data from these units are combined with the data of the primary government. Specifically excluded from the Town's financial statements because they are autonomous entities or agencies are the Marblehead Housing Authority and North Shore Regional Vocational School District.

Blended component units are entities which are legally separate from the Town, but are so related to the Town that they are, in substance, the same as the Town or entities providing services entirely or almost entirely for the benefit of the Town. The Marblehead Contributory Retirement System (the System) is blended within the Primary Government as a Pension Trust Fund within the Fiduciary Fund financial statements. The System is governed by a five member board comprised of the Town's Finance Director (ex-officio), two elected members and one member appointed by the Board of Selectmen and one member appointed by the Board members. The System is a legally separate entity, but the nature and significance of its relationship with the Town warrants inclusion in the basic financial statements. The system is presented using the accrual basis of accounting. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System at 7 Widger Road, Marblehead, MA 01945.

The Town presents the financial position of the Marblehead Municipal Light Plant (MMLP) and the results of its operations on a calendar year basis as an Enterprise Fund in the Proprietary Fund Financial Statements. The MMLP maintains a separate set of books and records on a calendar year basis, and issues yearly financial statements presented in accordance with the Uniform System of Accounts for Electric Companies, as prescribed by the Massachusetts Department of Telecommunications and Energy. The MMLP's financial statements for the year ended December 31, 2004, were audited by other independent public accountants. A copy of the report can be obtained by contacting the MMLP at 80 Commercial Street, Marblehead, MA 01945.

The Town is a member of the South Essex Sewerage District (the District), a joint venture with the Cities of Salem, Marblehead and Beverly and the Town of 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, 2005, the Town's equity interest in the operations of the District is \$997,781, which is recorded in the sewer enterprise fund. Complete financial statements can be obtained directly from their administrative offices located at 50 Fort Avenue, Salem, MA 01970.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

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

Major Fund Criteria

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

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

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

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

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

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are

recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.

Grants and contributions that are restricted to meeting the operation requirements of a particular function or segment.

Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

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

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions are charges between the governmental and business-type activities. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

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

Property taxes, excise taxes, departmental and governmental revenues are considered available if they are collected within 60 days after fiscal year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

The General Fund - to account for all financial resources, except those required to be accounted for in another fund.

The Upper Middle School Conversion Fund - to account for financial resources to be used for the conversion of the old high school to a middle school.

The nonmajor governmental funds consist of special revenue, other capital projects and permanent 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 these fund types:

Special Revenue Funds - to account for the proceeds of specific revenue sources (other than permanent trusts or for major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds - to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary and trust funds).

Permanent Funds - to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Proprietary Funds – 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.

Enterprise Funds - to account for operations:

- Financed and operated in a manner similar to private enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or
- Where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The following 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 electric enterprise fund is used to account for the Town's electricity activities.

Internal Service Funds - to account for the financing of services provided by one department to other departments or governmental units.

The following activities within the internal service fund are reported:

The medical claims activity is used to account for Town and employee contributions and investment earnings which are used to pay medical claims of the Town's employees and covered dependents.

The medex claims activity is used to account for Town and employee contributions and investment earnings which are used to pay medical claims of the Town's retired employees over the age of 65 as a supplement to medicare.

The workmen's 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 – Fiduciary funds are reported using the flow of economic resources measurement focus and use the accrual basis of accounting excluding Agency Funds. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following Fiduciary funds are reported:

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income are used for educational scholarships, and assistance to benefit the needy.

The *agency fund* is used to account for assets held in a purely custodial capacity. Agency funds apply the accrual basis of accounting but do not have a measurement focus. The Town's agency funds consist of off-duty work details, performance bonds, student activity accounts and fees collected on behalf of other governments.

The *pension trust fund* is used to account for the activities of the System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries.

Government-Wide and Fund Financial Statements

For the enterprise funds, all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, are applied, unless those pronouncements conflict with or contradict GASB pronouncements.

D. Cash

Government-Wide and Fund Financial Statements

Cash balances from all funds except petty cash, pension trust fund cash and private purpose trust fund savings accounts are combined to form a pool of cash and investments to maximize investment earnings.

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.

E. Investments

Government-Wide and Fund Financial Statements

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.

F. Allowance for Uncollectible Accounts

Government-Wide and Fund Financial Statements

The allowance for uncollectible accounts has been estimated based on historical trends and is reflected as a decrease 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 Electric Enterprise Fund where inventories of parts and accessories purchased for use in the utility business are stated at cost, which approximates market value at December 31, 2004. Such inventories of both the Governmental Funds and Enterprise Funds, except the Electric 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 or business-type activity column of the government-wide financial statements. Capital assets of the Governmental activities and of the Sewer, Water and Harbor Business-type activities are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

In the Electric Enterprise Fund, capital assets are recorded net of accumulated depreciation. Depreciation is recorded on a straight line basis.

In Fiduciary Funds, assets are recorded at their estimated fair market value on the date of the gift.

All purchases and construction costs in excess of \$5,000, and with the expected useful lives of greater than one year, are capitalized at the date of acquisition or construction. Capital assets (excluding land, and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

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

I. Accrued Vacation and Sick Leave

Government-Wide and Fund Financial Statements

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

J. Deferred Revenues

Deferred revenue at the fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis or accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

K. Long-Term Debt

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net assets. 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 Assets and Fund Equity

Government-Wide Financial Statements (Net Assets)

Net assets are reported as restricted when amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net Assets has been "restricted for" the following:

Permanent Funds - Expendable - the balance in this account represents amounts held in trust for which the expenditures are restricted by various trust agreements.

Permanent Funds - Nonexpendable - the balance in this account represents amounts held in trust for which only investment earnings may be expended.

Other Purposes - the balance in this account represents amounts restricted from outside parties.

Fund Financial Statements (Fund Balance)

Fund balances are reserved for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designations of fund balance represent tentative management plans that are subject to change.

Fund balances have been “reserved for” the following:

Reserved for Encumbrances and Continuing Appropriations - the balance in this account is made up of appropriations for special purposes and uncompleted at year end.

Reserved for Perpetual Permanent Funds - the balance in this account represents amounts held in trust for which the only investment earnings may be expended.

Fund balances have been “designated for” the following:

Subsequent Years Expenditures - the balance in this account are amounts budgeted to reduce the tax levy or to be used for specific appropriations.

M. Investment Income

Investment income from Special Revenue, Capital Projects, Enterprise, and Agency Funds is legally assigned to the General Fund unless otherwise directed by Massachusetts General Law (MGL).

N. Total Columns

Government-Wide Financial Statements

The total column presented on the government-wide financial statements represents consolidated financial information.

Fund Financial Statements

The total column presented on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

O. On-Behalf Payments

Government-Wide and Fund Financial Statements

The Commonwealth makes contributions to a contributory retirement plan administered by the Massachusetts Teachers' Retirement Board (the “State Plan”) on behalf of the Town's teaching employees. The Town is not legally required to contribute to the State Plan, which is fully funded by the Commonwealth.

For the fiscal year ended June 30, 2005, the Commonwealth provided the Town with the amounts paid in benefits from the State Plan on behalf of the Town's retired teaching employees as \$4,623,759. 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 have not changed the excess of revenues and other financing sources over expenditures and other financing uses or fund balances.

P. Fund and Appropriation Deficits

In the Internal Service Fund, the Medical Claims Fund deficit of approximately \$1,833,000 will be funded by insurance premium increases and the Workers' Compensation Fund deficit of approximately \$144,000 will be funded by Town appropriations. The appropriation deficits for public works and employee benefits of approximately \$171,000 and \$222,000, respectively, will be raised in the subsequent fiscal years' tax levy.

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.

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 combined balance sheet as "Cash and cash equivalents." The deposits and investments of the trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (the Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

The Town's trust funds and retirement system have expanded investment powers including the ability to invest in equity securities, corporate bonds, annuities and other investments. The retirement system participates in the 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 government does not have a deposit policy for custodial risk. At fiscal year-end, the carrying amount of deposits totaled \$7,090,316 and the bank balance totaled \$8,116,430. Of the bank balance, \$400,000 was covered by Federal Depository Insurance, \$450,549 was covered by Depositors Insurance Fund Insurance and \$7,265,881 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2004, the carrying amount of deposits for the System totaled \$4,283 and the bank balance of \$112,192 was fully covered by Federal Depository Insurance.

Investments

As of June 30, 2005, the Town and the System had the following investments:

Town balances at June 30, 2005:

Investment Type	Fair Value
Equity Securities.....	\$ 851,510
MMDT.....	16,945,334
Total Investments.....	\$ 17,796,844

System balances at December 31, 2004:

Investment Type	Fair Value
PRIT.....	\$ 68,147,701

Custodial Credit Risk – Investments

For investments, custodial credit risk is the risk that, in the event of a failure by the counterparty, the government will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Town does not have any custodial credit risk exposure as of June 30, 2005 because the \$851,510 in equity securities are held by the Town and the \$16,945,334 in shares of MMDT are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

At December 31, 2004, the System's \$68,147,701 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.

Interest Rate Risk

The Town 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 are unrated.

The System has not adopted a formal policy related to Credit Risk. The System's investments in PRIT are unrated.

Concentration of Credit Risk

The Town and the System do not place a limit on the amount that may be invested in any one issuer.

3. Property Taxes

Real and personal property taxes are based upon values assessed as of January 1 and are levied each July for the following fiscal year ending June 30. Taxes for each year are due in quarterly installments and are normally

payable August 1, November 1, February 1 and May 1. Interest accrues on delinquent taxes at the rate of 14% per annum and is recognized as revenue when received. Tax liens are processed within twelve months after the close of the valuation year on delinquent properties.

The persons against whom real or personal property taxes are assessed are personally liable for the tax (subject to bankruptcy and insolvency laws). In the case of real property, this personal liability is effectively extinguished by the sale or taking of the property by the Town.

The Town is subject to certain limitations on the amount of property taxes it may levy. Levies are generally limited to 2½% of the Town's total assessed valuation of real property. In addition, the assessed valuation of real property is limited to an annual increase of 2½%.

By law, all taxable property in the Commonwealth is assessed at 100% of fair cash value. Since fiscal 1991 all property assessments have been updated by in house staff on an annual basis as indicated by market trends and we expect to continue this process in the future.

4. Accounts Receivable and Allowance for Uncollectible Receivables

Governmental Activities:

	Receivables	60 Days Collections	Receivable Less Collections	%	Allowance	Net Receivable
Property Taxes:						
Current Year:						
2005	\$ 263,229	\$ 146,158	\$ 117,071		\$ -	\$ 263,229
Prior Year:						
2004	15,544	-	15,544	Various	3,497	12,047
2003	12,305	-	12,305	Various	12,305	-
2002	8,100	-	8,100	100%	8,100	-
2001	6,136	-	6,136		6,136	-
Tax Liens	89,768	11,830	77,938		-	89,768
Total Prior Year	131,853	11,830	120,023		30,038	101,815
Deferred real estate taxes	210,162	-	210,162		-	210,162
Total Property Taxes	605,244	157,988	447,256		30,038	575,206
Motor vehicle and other excise taxes	606,766	206,894	399,872	Various	285,140	321,626
Accounts						
User Charges	18,843	15,451	3,392	20%	784	18,059
Departmental	21,978	-	21,978	20%	-	21,978
Stop Loss Insurance	151,882	-	151,882		-	151,882
Total Accounts	192,703	15,451	177,252		784	191,919
Due from other governments	39,474,990	-	39,474,990		-	39,474,990
Total Governmental Funds	\$ 40,879,703	\$ 380,333	\$ 40,499,370		\$ 315,962	\$ 40,563,741

<i>Business-type Activities:</i>	Receivable	%	Allowance	Net Receivable
Sewer Fund:				
Rates	\$ 1,248,565	5%	\$ 42,709 (1)	\$ 1,205,856
Assessments	1,277		-	1,277
Total Sewer Fund	<u>1,249,842</u>		<u>42,709</u>	<u>1,207,133</u>
Water Fund:				
Rates and Services	<u>809,380</u>	5%	<u>27,038 (1)</u>	<u>782,342</u>
Electric Funds:				
Rates	<u>987,668</u>	Various	<u>85,043</u>	<u>902,625</u>
Harbor Fund:				
Boat Excise	11,818	5%	593	11,225
Permits and fees	<u>8,102</u>	20%	<u>1,267</u>	<u>6,835</u>
Total Harbor Fund	<u>19,920</u>		<u>1,860</u>	<u>18,060</u>
Total Business-type Funds.....	<u>\$ 3,066,810</u>		<u>\$ 156,650</u>	<u>\$ 2,910,160</u>

(1) The allowance for uncollectibles is based solely upon receivables that had been billed as of June 30, 2005. The allowance is determined on a historical basis.

Deferred Revenue

Property taxes and other revenues in Governmental Funds that are measurable but not available have been classified as deferred revenue on June 30, 2005 as follows:

Real estate and personal property taxes.....	\$ 313,092
Motor vehicle and other excise taxes.....	114,733
Accounts.....	14,325
Due from other governments.....	<u>39,227,287</u>
Total.....	<u>\$ 39,669,437</u>

5. Interfund Receivables / Payables

Individual fund's interfund receivable and payable balances at June 30, 2005 are as follows:

The reason for the large interfund payable in the general fund and interfund receivables in the other funds is due to pooling the cash balance in all funds into the general fund.

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 1,768,595	\$ 4,925,402
Upper Middle School Conversion	18,560	-
Non-Major Governmental Funds:		
Federal Grants	428,061	-
State Grants	170,960	194,691
Other Grants	10,226	6,253
Revolving Funds	531,626	-
Receipts Reserved for Appropriation	1,740,964	-
Gifts	635,213	-
Non Major Capital Projects	12,007	-
Permanent Funds	75,486	515,840
Enterprise Funds:		
Electric, at December 31, 2004	1,623,759	-
Harbor	3,700	-
Internal Service Funds:		
Medical Claims	-	1,567,650
Agency Funds	<u>25,181</u>	<u>-</u>
	7,044,338	7,209,836
Less: Electric Fund Receivable at December 31, 2004	(1,623,759)	-
Less: General Fund Payable to Electric Fund at June 30, 2005	<u>-</u>	<u>(1,789,257)</u>
Total	\$ <u><u>5,420,579</u></u>	\$ <u><u>5,420,579</u></u>

6. Capital Assets

Capital asset activity in the Governmental Funds for the fiscal year ended June 30, 2005 was as follows:

	Beginning Balance	Additions	(Retirements)	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 2,940,302	\$ -	\$ -	\$ 2,940,302
Construction in progress.....	20,067,409	-	(20,067,409)	-
Total capital assets not being depreciated.....	23,007,711	-	(20,067,409)	2,940,302
<u>Capital assets being depreciated:</u>				
Land improvements.....	2,021,263	202,785	-	2,224,048
Buildings.....	59,585,721	22,707,027	-	82,292,748
Building improvements.....	7,818,516	454,897	-	8,273,413
Machinery and equipment.....	6,599,981	246,150	(102,996)	6,743,135
Infrastructure.....	18,929,827	624,443	(179,487)	19,374,783
Total capital assets being depreciated.....	94,955,308	24,235,302	(282,483)	118,908,127
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(603,887)	(72,963)	-	(676,850)
Buildings.....	(11,452,418)	(1,658,930)	-	(13,111,348)
Building improvements.....	(4,531,462)	(340,997)	-	(4,872,459)
Machinery and equipment.....	(4,023,260)	(469,857)	102,996	(4,390,121)
Infrastructure.....	(5,209,283)	(424,559)	179,487	(5,454,355)
Total accumulated depreciation.....	(25,820,310)	(2,967,306)	282,483	(28,505,133)
Total capital assets being depreciated, net.....	69,134,998	21,267,996	-	90,402,994
Total governmental activities capital assets, net.....	\$ 92,142,709	\$ 21,267,996	\$ (20,067,409)	\$ 93,343,296

Capital asset activity for the Business Type Activities for the fiscal year ended June 30, 2005 was as follows:

Business-Type Activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Retirements)</u>	<u>Ending Balance</u>
<u>Sewer:</u>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 115,466	\$ -	\$ -	\$ 115,466
<u>Capital assets being depreciated:</u>				
Buildings.....	114,350	-	-	114,350
Machinery and equipment.....	797,737	25,260	-	822,997
Infrastructure.....	11,399,412	411,756	(150,000)	11,661,168
Total capital assets being depreciated.....	12,311,499	437,016	(150,000)	12,598,515
<u>Less accumulated depreciation for:</u>				
Buildings.....	(114,350)	-	-	(114,350)
Machinery and equipment.....	(485,665)	(52,417)	-	(538,082)
Infrastructure.....	(4,706,676)	(229,106)	150,000	(4,785,782)
Total accumulated depreciation.....	(5,306,691)	(281,523)	150,000	(5,438,214)
Total capital assets being depreciated, net.....	7,004,808	155,493	-	7,160,301
Total sewer activities capital assets, net.....	\$ 7,120,274	\$ 155,493	\$ -	\$ 7,275,767
<u>Water:</u>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 49,427	\$ -	\$ -	\$ 49,427
<u>Capital assets being depreciated:</u>				
Buildings.....	946,475	-	-	946,475
Machinery and equipment.....	911,991	7,872	-	919,863
Infrastructure.....	9,875,092	199,565	(24,280)	10,050,377
Total capital assets being depreciated.....	11,733,558	207,437	(24,280)	11,916,715
<u>Less accumulated depreciation for:</u>				
Buildings.....	(292,717)	(22,415)	-	(315,132)
Machinery and equipment.....	(641,436)	(77,850)	-	(719,286)
Infrastructure.....	(3,057,493)	(224,910)	24,280	(3,258,123)
Total accumulated depreciation.....	(3,991,646)	(325,175)	24,280	(4,292,541)
Total capital assets being depreciated, net.....	7,741,912	(117,738)	-	7,624,174
Total water activities capital assets, net.....	\$ 7,791,339	\$ (117,738)	\$ -	\$ 7,673,601

	Beginning Balance	Additions	(Retirements)	Ending Balance
<u>Harbor:</u>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 2,004,077	\$ -	\$ -	\$ 2,004,077
Construction in progress.....	328,924	-	(312,744)	16,180
Total capital assets not being depreciated.....	2,333,001	-	(312,744)	2,020,257
<u>Capital assets being depreciated:</u>				
Piers.....	51,901	-	-	51,901
Buildings.....	398,491	516,618	-	915,109
Building improvements.....	86,131	-	-	86,131
Land improvements.....	916,556	-	-	916,556
Machinery and equipment.....	735,671	235,060	(138,451)	832,280
Total capital assets being depreciated.....	2,188,750	751,678	(138,451)	2,801,977
<u>Less accumulated depreciation for:</u>				
Piers.....	(40,962)	(1,417)	-	(42,379)
Buildings.....	(154,507)	(15,597)	-	(170,104)
Building improvements.....	(21,790)	(2,878)	-	(24,668)
Land improvements.....	(243,482)	(19,723)	-	(263,205)
Machinery and equipment.....	(511,752)	(41,780)	94,244	(459,288)
Total accumulated depreciation.....	(972,493)	(81,395)	94,244	(959,644)
Total capital assets being depreciated, net.....	1,216,257	670,283	(44,207)	1,842,333
Total harbor activities capital assets, net.....	\$ 3,549,258	\$ 670,283	\$ (356,951)	\$ 3,862,590
	Beginning Balance	Additions	(Retirements)	Ending Balance
<u>Light Department:</u>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 52,096	\$ -	\$ -	\$ 52,096
<u>Capital assets being depreciated:</u>				
Light plant and equipment.....	18,803,185	870,301	(140,187)	19,533,299
<u>Less accumulated depreciation for:</u>				
Light plant and equipment.....	(6,964,372)	(940,066)	140,187	(7,764,251)
Total capital assets being depreciated, net.....	11,838,813	(69,765)	-	11,769,048
Total light activities capital assets, net.....	\$ 11,890,909	\$ (69,765)	\$ -	\$ 11,821,144

Capital asset activity for the Fiduciary Funds for the fiscal year ended June 30, 2005 was as follows:

	Beginning Balance	Additions	(Retirements)	Ending Balance
Fiduciary Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 2,045	\$ -	\$ -	\$ 2,045
<u>Capital assets being depreciated:</u>				
Buildings.....	72,839	-	-	72,839
<u>Less accumulated depreciation for:</u>				
Buildings.....	(52,118)	(2,615)	-	(54,733)
Total capital assets being depreciated, net.....	20,721	(2,615)	-	18,106
Total fiduciary activities capital assets, net.....	\$ 22,766	\$ (2,615)	\$ -	\$ 20,151

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

Governmental Activities:

General government.....	\$ 117,367
Public safety.....	161,353
Education.....	1,766,180
Public works.....	604,999
Human services.....	42,015
Culture and recreation.....	275,392

Total depreciation expense - governmental activities..... \$ 2,967,306

Business-Type Activities:

Sewer.....	\$ 281,523
Water.....	325,175
Harbor.....	81,395
Electric.....	940,066

Total depreciation expense - business-type activities..... \$ 1,628,159

7. Compensated Absences

The following is a summary of the changes in accrued vacation and sick pay for the year ended June 30, 2005. Compensated absences liabilities related to both governmental and business-type activities are normally paid from the funds reporting payroll and related expenditures.

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005	Current Portion
Governmental Activities:					
Accrued vacation.....	\$ 649,552	\$ 132,399	\$ (112,961)	\$ 668,990	\$ 668,990
Accrued sick pay.....	426,462	79,797	(92,743)	413,516	310,137
Total.....	<u>1,076,014</u>	<u>212,196</u>	<u>(205,704)</u>	<u>1,082,506</u>	<u>772,369</u>
Business-type Activities:					
Accrued vacation.....	154,984	25,890	(100,923)	79,951	79,951
Accrued sick pay.....	193,128	11,117	(91,798)	112,447	14,259
Total.....	<u>348,112</u>	<u>37,007</u>	<u>(192,721)</u>	<u>192,398</u>	<u>94,210</u>
Total accrued vacation and sick pay...	<u>\$ 1,424,126</u>	<u>\$ 249,203</u>	<u>\$ (398,425)</u>	<u>\$ 1,274,904</u>	<u>\$ 866,579</u>

8. Notes Payable

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.

As of June 30, 2005, the Town had \$37,510,274 in BANS outstanding for school construction projects which have been classified as long-term debt in the basic financial statements. Details on the long-term BAN activity during fiscal year 2005 is reported in the long-term debt footnote.

9. 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."

A. Changes in General Obligation Bonds Payable

The following is a summary of bond transactions for the year ended June 30, 2005:

	Governmental Activities Long-Term Debt	Business-type Activities Long-Term Debt	Total
Bonds Payable at July 1, 2004	\$ 70,660,000	\$ 495,000	\$ 71,155,000
Bonds retired	<u>(2,269,726)</u>	<u>(160,000)</u>	<u>(2,429,726)</u>
Bonds Payable at June 30, 2005	<u>\$ 68,390,274</u>	<u>\$ 335,000</u>	<u>\$ 68,725,274</u>

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 Commonwealth has approved school construction assistance to the Town. The assistance program, which is administered by the Massachusetts School Building Authority (the MSBA), provides resources for future debt service of general obligation school bonds outstanding. On August 18, 2005, the Town received \$21,275,637 from the MSBA in order to pay down the BANS that matured on August 20, 2005 and roll forward an additional \$19,611,000 of BANS. Accordingly, the Town has recorded an intergovernmental receivable and corresponding deferred revenue totaling \$38,326,203, which is equal to the Commonwealth’s share of approved construction and interest costs incurred through June 30, 2005. The deferred revenue has been recognized as revenue in the conversion to the government-wide financial statements and the change in the receivable has been recognized as revenue in the conversion to the government-wide financial statements.

The Town has funded the school project costs to date through the issuance of BANS totaling \$37,510,274. The Town is allowed by State Law to renew the BANS annually for up to 7 years and intends to renew them until the state makes its last reimbursement payment, at which time the Town will permanently finance the debt through the issuance of General Obligation Bonds.

The following is a summary of the long-term debt transactions of the Town for the year ended June 30, 2005 (in thousands of dollars):

	Original Amount	Interest Rate (%)	Date of Issue	Date of Maturity	Balance 06/30/04	Additions (Redemption)	Balance 06/30/05
<u>Long-Term Debt</u>							
<u>Inside Debt Limit</u>							
Drain Construction	\$ 650	4.23	02/01/96	02/01/06	\$ 130	\$ (65)	\$ 65
Park, Recreation, & Council on Aging Building	2,400	4.23	02/01/96	02/01/06	485	(245)	240
Police Building Addition	600	4.23	02/01/96	02/01/06	120	(60)	60
School Remodeling	1,040	4.23	02/01/96	02/01/06	270	(100)	170
School DP Equipment	570	4.23	02/01/96	02/01/05	60	(60)	-
Drain Construction	900	4.57	06/01/97	06/01/07	280	(110)	170
Fire Truck	450	4.57	06/01/97	06/01/07	140	(50)	90
School DP Equipment	440	4.57	06/01/97	06/01/06	90	(45)	45
School Remodeling	195	4.57	06/01/97	06/01/06	40	(20)	20
School Remodeling	1,055	4.36	08/01/97	08/01/07	410	(110)	300
School Remodel-Energy	515	4.36	08/01/97	08/01/07	200	(50)	150
School Remodeling	555	4.93	06/15/00	06/15/10	335	(55)	280
School DP Equipment	280	4.93	06/15/00	06/15/09	145	(30)	115
School Athletic Fields	810	4.93	06/15/00	06/15/10	505	(80)	425
Drain Construction	4,950	3.93	06/01/01	06/01/11	3,450	(500)	2,950
New High School	25,800	4.39	08/15/04	08/15/25	-	25,800	25,800
Total Inside Debt Limit					6,660	24,220	30,880
<u>Notes Payable</u>							
School Construction	64,000	1.01	08/21/03	08/20/04	64,000	(64,000)	-
School Construction	37,510	1.47	08/20/04	08/19/05	-	37,510	37,510
Total Notes Payable					64,000	(26,490)	37,510
Governmental Long-term Debt					70,660	(2,270)	68,390
<u>Enterprise</u>							
<u>Inside Debt Limit</u>							
Purchase Tucker's Wharf	690	4.23	02/01/96	02/01/06	135	(70)	65
Tucker's Building Remodeling	450	4.93	06/15/00	06/15/10	270	(45)	225
Tucker's Seawall Renovations	425	4.57	06/01/97	06/01/06	90	(45)	45
Total Enterprise Debt					495	(160)	335
Total Debt					\$ 71,155	\$ (2,430)	\$ 68,725

B. Annual Requirements

The annual requirements to amortize all long-term debt outstanding as of June 30, 2005, are as follows:

Fiscal Year	Governmental				Enterprise		Total Requirement
	Exempt from Prop. 2 1/2		Nonexempt		Principal	Interest	
	Principal	Interest	Principal	Interest			
2006	\$ 39,930,274	\$ 1,332,241	\$ 50,000	\$ 5,513	\$ 155,000	\$ 15,978	\$ 41,489,006
2007	1,775,000	1,247,893	50,000	3,325	45,000	8,865	3,130,083
2008	1,695,000	1,192,448	50,000	1,113	45,000	6,705	2,990,266
2009	1,615,000	1,133,838	-	-	45,000	4,500	2,798,338
2010	1,645,000	1,066,888	-	-	45,000	2,250	2,759,138
2011	1,475,000	1,003,813	-	-	-	-	2,478,813
2012	1,055,000	953,294	-	-	-	-	2,008,294
2013	1,090,000	917,075	-	-	-	-	2,007,075
2014	1,125,000	869,875	-	-	-	-	1,994,875
2015	1,185,000	812,125	-	-	-	-	1,997,125
2016	1,245,000	751,375	-	-	-	-	1,996,375
2017	1,305,000	687,625	-	-	-	-	1,992,625
2018	1,375,000	620,625	-	-	-	-	1,995,625
2019	1,440,000	550,250	-	-	-	-	1,990,250
2020	1,510,000	476,500	-	-	-	-	1,986,500
2021	1,590,000	399,000	-	-	-	-	1,989,000
2022	1,665,000	317,625	-	-	-	-	1,982,625
2023	1,750,000	232,250	-	-	-	-	1,982,250
2024	1,840,000	142,500	-	-	-	-	1,982,500
2025	1,930,000	48,250	-	-	-	-	1,978,250
Totals	\$ 68,240,274	\$ 14,755,490	\$ 150,000	\$ 9,951	\$ 335,000	\$ 38,298	\$ 83,529,013

C. Bond Authorizations

Long-term debt authorizations voted by Town Meetings which have not been issued or rescinded as of June 30, 2005, are as follows:

Date Authorized	Project	Amount
May 1999	Construct New High School.....	\$ 27,667,270
May 2001	Schools Renovations Program.....	600,000
Nov 2001	High School on Pleasant Street.....	11,247,730
May 2004	New Fire Pumper.....	415,000
June 2005	Land acquisition.....	2,025,000
June 2005	Equipment.....	811,500
Total.....		\$ 42,766,500

10. Retirement Benefits

A. Defined Benefit Plan

Pensions for employees other than School Department teaching staff and certain school administrators are provided through the Town of Marblehead Contributory Retirement System (the System), a cost-sharing multiple employer defined benefit plan, administered by the Marblehead Contributory Retirement Board. Massachusetts contributory retirement system benefits are uniform from system to system, including the Massachusetts Teachers Retirement System. The System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest three-year average annual rate of regular compensation, as defined. Benefit payments are based upon a participant's age, length of creditable service, level of compensation, and group classification.

Employees who are employed on a basis, which anticipates work at an annual rate to exceed 1,040 hours, are eligible to participate from the date of their employment. Participants' contributions are fully vested at all times. A superannuation allowance may be received upon completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions, normal retirement is at age 55). As of June 30, 2005, the System's membership consisted of:

Retirees and beneficiaries currently receiving benefits.....	316
Active employees.....	384
Inactive employees.....	<u>58</u>
Total.....	<u><u>758</u></u>

Participants who become permanently and totally disabled from further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors, including whether the disability is work-related, the participant's age, years of creditable service, level of compensation, veteran status, and group classification.

Participants who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated contributions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either 0%, 50%, or 100% of the regular interest which has accrued upon those contributions.

Survivor benefits are extended to eligible beneficiaries of participants whose deaths occur prior to or following retirement.

From time to time, cost-of-living increases are granted to benefits being paid to retirees. These increases are expressed as a percentage of the retiree's allowance, subject to a maximum dollar increase (presently \$12,000). The Massachusetts legislature voted these increases until 1997, and the cost was borne by the System until 1980 and from 1981 to 1997 are the financial responsibility of the Commonwealth. Since July 1, 1998, the Town Retirement Board is authorized to vote to award annual cost-of-living increases up to a maximum of 3% which are the financial responsibility of the System.

State Legislation requires that both the employee and the Town contribute to the System. Employees contribute an amount equal to 5%, 7%, 8% or 9% of their base salary, based on the date hired. Active participants who were hired on or after January 1, 1979 contribute an additional 2% of salary in excess of \$30,000. The Town is required to contribute at an actuarially determined rate, which is the amount

required to cover normal cost plus amortization of unfunded prior service cost as approved by the Commonwealth's Public Employee Retirement Administration Commission. The Town's contributions for each employee (and interest allocated to the employee's account) are fully vested after ten years of continuous service. The Town's eligible payroll covered by the System in calendar year 2005 was \$13,970,966.

School Department teaching staff and certain administrators contribute to a pension plan administered by the Massachusetts Teachers Retirement Board. The Town makes no contributions to this plan. Contributions are made by the Commonwealth of Massachusetts as required by law. The amount of these on-behalf payments totaled \$4,623,759 for the fiscal year ended June 30, 2005. Covered payroll for these employees during fiscal year 2005 was \$15,563,767. Employees in this plan are vested after ten years of continuous service and contribute the same as members of the Marblehead Contributory Retirement System as described above. Employer contributions are funded based on a funding schedule as approved by the Commonwealth's Public Employee Retirement Administration Commission.

The system may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination will be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of the Commonwealth, if such member has paid the stipulated contributions specified in sections or provisions of such laws.

The System issues a publicly available financial report in accordance with guidelines established by the PERAC. That report may be obtained from the System located at 7 Widger Road, Marblehead, MA 01945.

B. Summary of Significant Accounting Policies

Basis of Accounting - The Marblehead Contributory Retirement System (the System) follows the policies mandated by the Commonwealth of Massachusetts. Its accounting records are maintained on the accrual basis. Town and participant contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of Massachusetts General Law and the plan.

Method Used to Value Investments - Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future plan principal and interest payments, and are discounted at prevailing interest rates for similar instruments. 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.

C. Funding Status and Progress

The most recent actuarial valuation of the System was prepared as of January 1, 2004. Additional information as of the latest actuarial valuation follows:

Actuarial cost method	Individual entry age normal
Amortization method	Increasing amortization
Remaining closed amortization period	24 years from July 1, 2004
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases	6%
Cost-of-living adjustments	3% on first \$12,000 of retirement income (included in January 1, 2004 figures)

D. Contributions Required and Contributions Made

The System's funding policy provides for periodic employer contributions at actuarially determined rates that expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due, based on the above assumptions. Level percentage of payroll employer contribution rates are determined using the entry age normal actuarial cost funding method. The Retirement Plan will amortize the unfunded liability over a 23-year period.

Generally accepted accounting principles require that the minimum cost charged each year by the Town for its pension obligation should be the present value of benefits estimated to be payable in the future, (computed using an acceptable actuarial valuation method using assumptions that reflect the best judgments of future events, including salary projections) plus amortization of the liability for past services, as of the balance sheet date.

Contributions, including expense appropriation, required for the last three fiscal years are as follows:

Fiscal Year	Required Contribution	Percent Contributed
2003	\$ 2,421,098	100%
2004	2,420,142	100%
2005	2,074,360	100%

E. Funding Status and Historical Data

An analysis of the funding progress since 1988, the first year for which such information is available, is as follows (dollar amounts in the thousands):

Actuarial Valuation As of Jan 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
1988	\$ 10,566	\$ 32,434	\$ 21,868	32.6%	\$ 7,626	286.8%
1989	11,823	32,058	20,235	36.9%	8,418	240.4%
1992	21,457	33,715	12,258	63.6%	8,476	144.6%
1996	30,846	40,299	9,453	76.5%	9,276	101.9%
1998	42,540	55,347	12,807	76.9%	11,144	114.9%
2000	54,016	63,939	9,923	84.5%	11,834	83.9%
2002	60,615	71,022	10,407	85.3%	13,268	78.4%
2004	64,490	76,876	12,386	83.9%	13,268	93.4%

F. Noncontributory Retirement Plan

The Town also has a noncontributory pension plan which covers certain employees hired prior to the adoption of the Contributory Retirement System. Total payments for the Town's share of this plan amounted to \$194,309 during the year ended June 30, 2005.

G. Other Post Employment Benefits

In addition to providing pension benefits, as described above, the Town provides the majority of retired employees, their dependents and beneficiaries, with payments for a portion of their health care and life insurance benefits in accordance with M.G.L. Chapter 32B. Benefits paid by the Town are on a cash basis, and there is no actuarial valuation available which would permit an estimation of the unfunded past service cost liability as of June 30, 2005 and the annual amounts needed to fund such a liability. The cost of these benefits amounts to approximately \$2,364,000 in fiscal year 2005. There are approximately 555 participants currently eligible.

11. Commitments and Contingent Liabilities

A. Grants

The Town participates in a number of federally and state assisted grant programs, principal of which are educational grants. These programs are subject to program compliance and audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

B. Litigation

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

C. Power Sales Agreements

The Town has various commitments through its participation in a bulk power supply agency, as discussed more fully in Note 12.

D. Old High School Conversion to Middle School

The Town has various commitments and obligations in connection with the conversion of the old High School into a Middle School. The school project is estimated to cost \$23.2 million and the project was substantially complete at year end. The Commonwealth has approved construction assistance of approximately 50% of the total borrowing. The Town anticipates receiving a substantial amount of the State payments within the next one to two years.

12. Participation in Massachusetts Municipal Wholesale Electric Company

The 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 political subdivision of the Commonwealth of Massachusetts created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in and to issue revenue bonds to finance electric facilities (Projects). MMWEC has acquired ownership interests in electric facilities operated by other utilities and also owns and operates its own electric facilities. MMWEC sells all of the capability (Project Capability) of each of its Projects to its Members and other utilities (Project Participants) under Power Sales Agreements (PSAs). Among other things, the PSAs require each Project Participant to pay its pro rata share of MMWEC's costs related to the Project, which costs include debt service on the revenue bonds issued by MMWEC to finance the Project, plus 10% of MMWEC's debt service to be paid into a Reserve and Contingency Fund. In addition, should any Project Participant fail to make payment when due, other Project Participants may be required to increase (step-up) their payments and correspondingly their Participants' share of Project Capability to an additional amount not to exceed 25% of their original Participants' share of the Project Capability. Project Participants have covenanted to fix, revise, and collect rates at least sufficient to meet their obligations under the PSAs.

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

MMWEC operates the Stony Brook Intermediate Project and the Stony Brook Peaking Project fossil-fueled power plants. MMWEC has a 3.7% interest in the W.F. Wyman Unit No. 4 plant, owned and operated by FPL Energy Wyman IV, a subsidiary of FPL Energy, Inc. and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit operated by Dominion Nuclear Connecticut, Inc. (DNCI) a subsidiary of Dominion Resources, Inc. In addition to Millstone Unit 3, DNCI also is the owner of Millstone Unit 2. DNCI has requested and received an exemption from the NRC enabling it to submit an application earlier than 20 years before the expiration of the operating license for Unit 3 so that DNCI could submit its application for license renewal for Unit 2 and Unit 3 simultaneously. In January 2004, DNCI filed an application with the NRC to renew the operating licenses. The license currently will expire in 2025.

A substantial portion of MMWEC's plant investment and financing program is an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by FPL Energy Seabrook, LLC, an indirect subsidiary of FPL Group, Inc. FPL Energy Seabrook, LLC plans to file an application with the NRC to recapture the period 1986 to 1990 during which time Seabrook had a license, but did not operate, and to extend the Seabrook Station operating license, which currently will expire in 2026.

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.

Marblehead Municipal Light Department has entered into PSAs and Power Purchase Agreements (PPAs) with MMWEC. Under both the PSAs and PPAs, the Department is required to make certain payments to MMWEC payable solely from Departmental revenues. Under the PSAs, each Participant is unconditionally obligated to make payments due to MMWEC whether or not the Project(s) is completed or operating and notwithstanding the suspension or interruption of the output of the Project(s).

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

As of December 31, 2004, total capital expenditures amounted to \$1,513,322,000, of which \$24,775,000 represents the amount associated with the Department's Project Capability. MMWEC's debt outstanding for the Projects includes Power Supply System Revenue Bonds totaling \$856,295,000, of which \$14,101,000 is associated with the Department's share of Project Capability. As of December 31, 2004, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$1,090,063,000, of which \$17,438,000 is anticipated to be billed to the Department in the future.

The estimated aggregate amount of Marblehead Municipal Light Department's required payments under the PSAs and PPAs, exclusive of the Reserve and Contingency Fund billings, to MMWEC at December 31, 2004 and estimated for future years is shown below.

For years ended December 31,		Annual Costs	
	2005	\$	1,988,000
	2006		1,944,000
	2007		1,855,000
	2008		1,658,000
	2009		1,464,000
	2010 to 2014		6,418,000
	2015 to 2019		2,111,000
	Total	\$	<u>17,438,000</u>

In addition, the Department is required to pay its share of the Operation and Maintenance (O&M) costs of the Projects in which it participates. The Department's total O&M costs including debt service under the PSAs were \$3,638,000 and \$4,156,000 for the years ended December 31, 2004 and 2003, respectively.

13. Risk Financing

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

The Town is self-insured for its workers' compensation and its health insurance 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.

A. Employee and Retiree Health Insurance

The Town established a medical claims fund in fiscal 1981 and a Medex claims fund in fiscal 1989. The purpose of these funds is to pay medical claims of the Town's current and retired employees and their covered dependents and minimize the total cost of annual medical insurance to the municipality. The Medex claims fund provides medical insurance which supplements Medicare for retired employees over the age of 65. All other employees' medical insurance is provided from the medical claims fund. Contributions to the funds are made monthly in the following proportions: Town 75%, Employee 25%.

In the medical claims fund, medical claims exceeding \$100,000 per individual paid per plan year are covered through a private insurance carrier. In the Medex claims fund there is no stop loss insurance because federal law limits exposure.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many factors. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claims settlement trends, and other economic and social factors.

The estimate of IBNR claims is based on a historical trend analysis and recent trends. The Town purchases individual stop loss insurance for claims in excess of the \$100,000 coverage. Settled claims have not exceeded this third party insurance coverage in any of the previous past three fiscal years. The estimate of the liability ranges from \$890,000 to \$1,500,000. Changes in the reported liability since July 1, 2003, are as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year-End Currently Due
Medical Claims				
Fiscal Year 2004	\$ 876,092	\$ 6,020,856	\$ (5,984,527)	\$ 912,421
Fiscal Year 2005	912,421	6,943,449	(7,042,185)	813,685
Medex Claims				
Fiscal Year 2004	161,373	1,130,662	(1,154,634)	137,401
Fiscal Year 2005	137,401	1,243,436	(1,235,096)	145,741

B. Workers Compensation

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

An analysis of workers compensation activity is presented below:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year-End	Current Portion
Fiscal Year 2004	\$ 719,727	\$ 126,367	\$ (176,400)	\$ 669,694	\$ 80,816
Fiscal Year 2005	669,694	(152,508)	(31,875)	485,311	122,455

14. Interfund Transactions

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 fund types during the year ended June 30, 2005 were:

Fund	Transfers In:					
	Transfers Out:	General Fund	Upper MS Construction	Nonmajor Governmental Funds	Harbor Enterprise Fund	Internal Service Funds
General.....	\$ 1,177,600	\$ - (1)	\$ 815,000 (7)	\$ 155,482 (2)	\$ 7,118 (3)	\$ 200,000
Nonmajor Governmental.....	590,398 (4)	581,174	- (5)	9,224	-	-
Water Enterprise.....	139,978 (6)	139,978	-	-	-	-
Sewer Enterprise.....	147,377 (6)	147,377	-	-	-	-
Electric Enterprise.....	325,000 (6)	325,000	-	-	-	-
Harbor Enterprise.....	83,140 (6)	83,140	-	-	-	-
Total.....	<u>\$ 2,463,493</u>	<u>\$ 1,276,669</u>	<u>\$ 815,000</u>	<u>\$ 164,706</u>	<u>\$ 7,118</u>	<u>\$ 200,000</u>

- (1) Funds raised in the general fund to pay bans related to the Upper Middle School Conversion Project.
- (2) Reserve fund transfers.
- (3) Workmen's compensation appropriation from taxes.
- (4) To reimburse the general fund for expenditures for Metco tuition, Medicare from police special details and other grant funds.
- (5) Transfers within capital projects and permanent trust funds.
- (6) Payments in lieu of taxes and reimbursements for general government services.
- (7) Transfer from the school department's budget to fund a deficit in the school lunch fund.

15. Subsequent Event

On August 4, 2005, the Marblehead Water and Sewer Commission voted to accept Chapter 40N (Model Water and Sewer Commission) of the General Laws of Massachusetts with the exception of the second paragraph of section 4, which was not accepted. The vote stipulates that the provisions of Chapter 443 of the Acts of 1979 "An Act establishing a Water and Sewer Commission in the Town of Marblehead" will remain in full force and effect except to the extent that such provisions conflict with the accepted portions of Chapter 40N. The effects of this vote will establish an independent water and sewer district within the Town beginning on July 1, 2006.

16. Implementation of New GASB Pronouncements

During fiscal year 2005, the following GASB pronouncements were implemented:

The GASB issued Statement #40, Deposit and Investment Risk Disclosures, an Amendment of GASB Statement #3. This pronouncement only required changes to the note disclosure.

The GASB issued Statement #41, Budgetary Comparison Schedule-Perspective Differences. This pronouncement did not effect the financial statements.

The GASB issued Statement #44, Economic Condition Reporting: The Statistical Section-an amendment of NCGA Statement 1, which changes the schedules and tables in the statistical section.

Other Future GASB Pronouncements:

The GASB issued Statement #42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries, which is required to be implemented in fiscal year 2006. Management does not believe that this pronouncement will significantly impact the basic financial statements.

The GASB issued Statement #43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, which is required to be implemented in fiscal year 2008. Since there is no legally established separate trust for the postemployment benefit plan this pronouncement will not impact the basic financial statements.

The GASB issued Statement #45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, which is required to be implemented in fiscal year 2009. Management believes this pronouncement will require additional disclosure and impact the basic financial statements.

The GASB issued Statement #46, Net Assets Restricted by Legislation an amendment of GASB Statement No. 34. This Statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government—such as citizens, public interest groups, or the judiciary—can compel a government to honor. It requires governments to disclose the portion of total net assets that is restricted by enabling legislation. This statement is required to be implemented in FY2006. Management believes that this statement will not effect the basic financial statements.

The GASB issued Statement #47, Accounting for Termination Benefits. The Statement provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees that are involuntarily terminated. The Statement requires that similar forms of termination benefits be accounted for in the same manner and is intended to enhance both the consistency of reporting for termination benefits and the comparability of financial statements. This statement is required to be implemented in FY2006. Management believes that this statement will not effect the basic financial statements.

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Required Supplementary Information

GENERAL FUND

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

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

FISCAL YEAR ENDED JUNE 30, 2005

	Budgeted Amounts			
	Amounts Carried forward From Prior Year	Original Voted Budget	Total Original Budget	Final Budget
REVENUES:				
Real estate and personal property taxes,				
net of tax refunds.....	\$ -	\$ 39,370,372	\$ 39,370,372	\$ 39,370,372
Motor vehicle and other excise taxes.....	-	2,277,290	2,277,290	2,277,290
Charges for services.....	-	429,500	429,500	429,500
Penalties and interest on taxes.....	-	102,000	102,000	102,000
Licenses and permits.....	-	475,000	475,000	475,000
Fines and forfeitures.....	-	160,000	160,000	160,000
Intergovernmental.....	-	4,847,536	4,847,536	4,847,536
Investment income.....	-	138,000	138,000	138,000
Miscellaneous.....	-	-	-	-
TOTAL REVENUES.....	-	47,799,698	47,799,698	47,799,698
EXPENDITURES:				
Current:				
General government.....	196,532	1,855,655	2,052,187	1,928,167
Public safety.....	2,121	5,424,217	5,426,338	5,581,062
Education.....	-	21,789,057	21,789,057	21,583,575
Public works.....	147,782	3,597,784	3,745,566	3,771,292
Human services.....	-	362,363	362,363	363,234
Culture and recreation.....	-	1,492,434	1,492,434	1,473,502
Pension benefits.....	-	1,925,390	1,925,390	1,912,890
Property and liability insurance.....	-	377,757	377,757	354,110
Employee benefits.....	-	5,965,873	5,965,873	5,930,873
State and county charges.....	-	2,352,693	2,352,693	2,352,693
Debt service:				
Principal.....	-	3,042,530	3,042,530	3,092,530
Interest.....	-	1,972,570	1,972,570	1,972,570
TOTAL EXPENDITURES.....	346,435	50,158,323	50,504,758	50,316,498
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(346,435)	(2,358,625)	(2,705,060)	(2,516,800)
OTHER FINANCING SOURCES (USES):				
Premium from issuance of bonds.....	-	-	-	12,592
Transfers in.....	-	-	-	1,276,669
Transfers out.....	-	(200,000)	(200,000)	(362,600)
TOTAL OTHER FINANCING SOURCES (USES).....	-	(200,000)	(200,000)	926,661
NET CHANGE IN FUND BALANCE.....	(346,435)	(2,558,625)	(2,905,060)	(1,590,139)
BUDGETARY FUND BALANCE, Beginning of year.....	3,667,853	3,667,853	3,667,853	3,667,853
BUDGETARY FUND BALANCE, End of year.....	\$ 3,321,418	\$ 1,109,228	\$ 762,793	\$ 2,077,714

See notes to required supplementary information.

Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$ 39,636,668	\$ -	\$ 266,296
3,014,927	-	737,637
710,640	-	281,140
142,047	-	40,047
805,077	-	330,077
209,471	-	49,471
4,303,962	-	(543,574)
246,869	-	108,869
69,410	-	69,410
49,139,071	-	1,339,373
1,717,566	149,291	61,310
5,576,446	-	4,616
21,581,320	-	2,255
3,849,503	93,043	(171,254)
357,474	-	5,760
1,417,679	-	55,823
1,909,829	-	3,061
323,166	-	30,944
6,153,016	-	(222,143)
2,094,128	-	258,565
3,084,726	-	7,804
1,958,022	-	14,548
50,022,875	242,334	51,289
(883,804)	(242,334)	1,390,662
12,592	-	-
1,276,669	-	-
(362,600)	-	-
926,661	-	-
42,857	(242,334)	1,390,662
3,667,853	-	-
\$ 3,710,710	\$ (242,334)	\$ 1,390,662

GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Amounts Carried forward From Prior Year	Original Voted Budget	Total Original Budget	Supplemental Appropriations and Transfers
GENERAL GOVERNMENT				
MODERATOR - OFFICIALS EXPENSE.....	\$ -	\$ 100	\$ 100	\$ -
SELECTMEN - OFFICIALS EXPENSE.....	-	5,500	5,500	-
- SALARIES.....	-	263,822	263,822	-
- EXPENSE.....	-	68,063	68,063	-
ART 44, 2001 - FORT SEWALL.....	55,607	-	55,607	-
Art 2 3/05 UNPAID BILL - HIGHLANDS.....	-	-	-	340
ZONING BOARD LEGAL SERVICES.....	-	5,000	5,000	-
OUT OF STATE TRAVEL.....	-	2,000	2,000	(2,000)
FINANCE COMMITTEE - SALARIES.....	-	6,957	6,957	-
- EXPENSE.....	-	5,809	5,809	-
- LOCAL TRAVEL.....	-	175	175	-
RESERVE FUND.....	-	145,000	145,000	(122,233)
FINANCE - SALARIES.....	-	589,618	589,618	(15,500)
- EXPENSE.....	-	158,705	158,705	-
ASSESSORS - OFFICIALS EXPENSE.....	-	300	300	-
ASSESSORS - SALARIES.....	-	155,543	155,543	(24,479)
- EXPENSE.....	-	15,385	15,385	34,238
- LOCAL TRAVEL.....	-	1,200	1,200	(236)
TOWN COUNSEL - SALARIES.....	-	2,000	2,000	-
- EXPENSE.....	-	32,936	32,936	-
PARKING TICKETS - EXPENSE.....	-	10,484	10,484	-
TOWN CLERK - SALARIES.....	-	122,220	122,220	-
- EXPENSE.....	-	7,950	7,950	650
ELECTION & REGISTRATION - SALARIES.....	-	29,458	29,458	1,350
- EXPENSE.....	-	16,800	16,800	3,850
PLANNING BOARD - EXPENSE.....	-	1,805	1,805	-
PUBLIC BUILDINGS - SALARIES.....	-	73,205	73,205	-
- EXPENSE.....	-	98,920	98,920	-
- LOCAL TRAVEL.....	-	400	400	-
ART. 22, 2003 - CAPITAL IMPROVE PUBLIC BUILD.....	6,423	-	6,423	-
ART 12, 2001 - IMPROVE PUBLIC BUILDINGS.....	79,538	-	79,538	-
ART 42, 2002 - IMPROVE PUBLIC BUILDINGS.....	54,964	-	54,964	-
TOWN REPORTS.....	-	4,300	4,300	-
TOWN AUDIT OF ACCOUNTS.....	-	32,000	32,000	-
TOTAL GENERAL GOVERNMENT.....	\$ 196,532	\$ 1,855,655	\$ 2,052,187	\$ (124,020)
PUBLIC SAFETY				
POLICE - SALARIES.....	\$ -	\$ 2,427,730	\$ 2,427,730	\$ 31,000
- EXPENSE.....	-	164,550	164,550	58,165
- INDEMNIFICATION.....	-	10,000	10,000	17,735
ART 2 3/05 UNPAID BILL - POLICE.....	-	-	-	226
FIRE - SALARIES.....	-	2,304,334	2,304,334	46,589
- EXPENSE.....	-	111,705	111,705	3,730
- EXPENSE FY2004.....	2,121	-	2,121	-
ART 2 3/05 UNPAID BILL - FIRE.....	-	-	-	95
BUILDING COMMISSIONER - SALARIES.....	-	328,525	328,525	(2,816)
- EXPENSE.....	-	9,755	9,755	-
- LOCAL TRAVEL.....	-	3,000	3,000	-
ANIMAL INSPECTOR - SALARIES.....	-	1,200	1,200	-
DOG OFFICER - SALARIES.....	-	58,631	58,631	-
- EXPENSE.....	-	4,787	4,787	-
TOTAL PUBLIC SAFETY.....	\$ 2,121	\$ 5,424,217	\$ 5,426,338	\$ 154,724

See notes to required supplementary information.

Final Budget	Expenditures	Amounts Carried Forward To Next Year	Variance to Final Budget
\$ 100	\$ 100	\$ -	\$ -
5,500	5,500	-	-
263,822	263,478	-	344
68,063	51,880	-	16,183
55,607	-	55,607	-
340	340	-	-
5,000	5,000	-	-
-	-	-	-
6,957	6,957	-	-
5,809	5,254	-	555
175	175	-	-
22,767	-	-	22,767
574,118	573,506	-	612
158,705	154,492	-	4,213
300	300	-	-
131,064	131,054	-	10
49,623	40,623	9,000	-
964	675	-	289
2,000	1,000	-	1,000
32,936	32,636	-	300
10,484	6,729	-	3,755
122,220	121,604	-	616
8,600	7,951	-	649
30,808	30,537	-	271
20,650	20,291	-	359
1,805	1,030	-	775
73,205	70,461	-	2,744
98,920	94,766	-	4,154
400	348	-	52
6,423	6,423	-	-
79,538	44,241	35,297	-
54,964	5,577	49,387	-
4,300	2,638	-	1,662
32,000	32,000	-	-
<u>\$ 1,928,167</u>	<u>\$ 1,717,566</u>	<u>\$ 149,291</u>	<u>\$ 61,310</u>
\$ 2,458,730	\$ 2,456,322	\$ -	\$ 2,408
222,715	222,715	-	-
27,735	27,735	-	-
226	225	-	1
2,350,923	2,350,923	-	-
115,435	115,435	-	-
2,121	2,121	-	-
95	95	-	-
325,709	325,709	-	-
9,755	7,869	-	1,886
3,000	2,950	-	50
1,200	1,200	-	-
58,631	58,612	-	19
4,787	4,535	-	252
<u>\$ 5,581,062</u>	<u>\$ 5,576,446</u>	<u>\$</u>	<u>\$ 4,616</u>

(Continued)

GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Amounts Carried forward From Prior Year	Original Voted Budget	Total Original Budget	Supplemental Appropriations and Transfers
EDUCATION				
SCHOOLS.....	\$ -	\$ 21,685,238	\$ 21,685,238	\$ (205,930)
ART. 7, 2004 - NORTH SHORE TECHNICAL SCHOOL.....	-	103,819	103,819	-
ART 2 3/05 UNPAID BILL - SCHOOLS.....	-	-	-	448
TOTAL SCHOOL.....	\$ -	\$ 21,789,057	\$ 21,789,057	\$ (205,482)
PUBLIC WORKS & FACILITIES				
ENGINEERING - SALARIES.....	\$ -	\$ 101,270	\$ 101,270	\$ -
- EXPENSE.....	-	10,670	10,670	-
- LOCAL TRAVEL.....	-	225	225	236
- EXPENSE FY2001.....	3,029	-	3,029	-
- EXPENSE FY2002.....	20,000	-	20,000	-
ART 9, 2004 - WALLS AND FENCES.....	-	1	1	-
ART 6, 2001 - WALLS AND FENCES.....	1,000	-	1,000	-
HIGHWAY - SALARIES.....	-	589,156	589,156	(9,850)
- EXPENSE.....	-	81,312	81,312	3,500
- REBUILD & MAINTAIN HTTP STS.....	-	10,741	10,741	-
- SNOW REMOVAL.....	-	100,000	100,000	-
- STREET LIGHTING.....	-	96,132	96,132	-
- MAINTAIN & REBUILD SIDEWALKS.....	-	14,000	14,000	-
WASTE COLLECTION - SALARIES.....	-	340,331	340,331	7,883
- EXPENSE.....	-	1,220,945	1,220,945	15,032
- LOCAL TRAVEL.....	-	1,400	1,400	-
ART 13, 2004 - DISPOSAL AND REMEDIATION.....	-	193,050	193,050	-
ART. 10, 2003 - DISPOSAL AND REMEDIATION.....	19,675	-	19,675	-
ART 2 3/05 UNPAID BILL - WASTE COLLECTION.....	-	-	-	13,993
DRAINS - SALARIES.....	-	78,027	78,027	-
- EXPENSE.....	-	5,040	5,040	-
DRAIN CONSTRUCTION EXPENSE.....	-	1	1	-
ART 2 3/05 UNPAID BILL - DRAIN.....	-	-	-	280
ART 3 2005 - UNPAID BILLS - WASTE COLLECTION.....	-	-	-	159
ART. 36, 2004-DRAIN CONSTRUCTION.....	-	300,000	300,000	-
ART. 33, 2003 - STORM DRAINAGE CONSTRUCTION.....	95,961	-	95,961	(280)
ART 25, 2001 - DRAIN CONSTRUCTION.....	1,440	-	1,440	-
ART 11, 2002 - DRAIN CONSTRUCTION.....	6,677	-	6,677	-
CEMETERY - OFFICIALS EXPENSE.....	-	300	300	-
- SALARIES.....	-	241,411	241,411	-
- EXPENSE.....	-	19,315	19,315	-
- CEMETERY IMPROVEMENTS.....	-	20,000	20,000	-
TREE - SALARIES.....	-	143,442	143,442	(5,227)
- EXPENSE.....	-	31,015	31,015	-
ART 6, 2004 - UNPAID BILL - TREE.....	-	-	-	-
TOTAL PUBLIC WORKS & FACILITIES.....	\$ 147,782	\$ 3,597,784	\$ 3,745,566	\$ 25,726
HUMAN SERVICES				
HEALTH - OFFICIALS EXPENSE.....	\$ -	\$ 400	\$ 400	\$ -
- SALARIES.....	-	64,044	64,044	-
- EXPENSE.....	-	10,685	10,685	(2,500)
- LOCAL TRAVEL.....	-	1,300	1,300	-
- HELP FOR ABUSED WOMEN (HAWC).....	-	3,000	3,000	-
MENTAL HEALTH - CONTRACTUAL SERVICES.....	-	81,349	81,349	-
COUNCIL ON AGING - SALARIES.....	-	136,564	136,564	-
- EXPENSE.....	-	2,859	2,859	-
VETERANS BENEFITS - SALARIES.....	-	48,519	48,519	-
- EXPENSE.....	-	1,243	1,243	-
- LOCAL TRAVEL.....	-	1,100	1,100	-
- BENEFITS.....	-	11,300	11,300	3,371
TOTAL HUMAN SERVICES.....	\$ -	\$ 362,363	\$ 362,363	\$ 871

See notes to required supplementary information.

Final Budget	Expenditures	Amounts Carried Forward To Next Year	Variance to Final Budget
\$ 21,479,308	\$ 21,479,306	\$ -	\$ 2
103,819	101,567	-	2,252
448	447	-	1
<u>\$ 21,583,575</u>	<u>\$ 21,581,320</u>	<u>\$</u>	<u>\$ 2,255</u>
\$ 101,270	\$ 101,270	\$ -	\$ -
10,670	6,162	-	4,508
461	460	-	1
3,029	-	3,029	-
20,000	-	20,000	-
1	-	-	1
1,000	-	1,000	-
579,306	576,884	-	2,422
84,812	83,549	-	1,263
10,741	10,704	-	37
100,000	324,950	-	(224,950)
96,132	96,132	-	-
14,000	9,692	-	4,308
348,214	347,121	-	1,093
1,235,977	1,227,209	-	8,768
1,400	1,386	-	14
193,050	152,635	40,415	-
19,675	-	19,675	-
13,993	13,993	-	-
78,027	76,048	-	1,979
5,040	4,367	-	673
1	-	-	1
280	280	-	-
159	159	-	-
300,000	299,843	157	-
95,681	86,914	8,767	-
1,440	1,440	-	-
6,677	6,677	-	-
300	300	-	-
241,411	241,057	-	354
19,315	19,100	-	215
20,000	8,605	-	11,395
138,215	130,421	-	7,794
31,015	22,145	-	8,870
-	-	-	-
<u>\$ 3,771,292</u>	<u>\$ 3,849,503</u>	<u>\$ 93,043</u>	<u>\$ (171,254)</u>
\$ 400	\$ 400	\$ -	\$ -
64,044	62,669	-	1,375
8,185	6,796	-	1,389
1,300	1,299	-	1
3,000	3,000	-	-
81,349	81,349	-	-
136,564	134,634	-	1,930
2,859	2,079	-	780
48,519	48,518	-	1
1,243	979	-	264
1,100	1,080	-	20
14,671	14,671	-	-
<u>\$ 363,234</u>	<u>\$ 357,474</u>	<u>\$</u>	<u>\$ 5,760</u>

(Continued)

GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Amounts Carried forward From Prior Year	Original Voted Budget	Total Original Budget	Supplemental Appropriations and Transfers
<u>CULTURE & RECREATION</u>				
LIBRARY - SALARIES.....	\$ -	\$ 607,798	\$ 607,798	\$ (7,500)
- EXPENSE.....	-	201,816	201,816	-
- LOCAL TRAVEL.....	-	100	100	-
PARK - SALARIES.....	-	495,391	495,391	(20,532)
- EXPENSE.....	-	146,379	146,379	-
- PARK FACILITY EXPENSE.....	-	26,000	26,000	9,100
- PARK CAPITAL OUTLAY.....	-	13,000	13,000	-
MEMORIAL & VETERANS DAY.....	-	1,950	1,950	-
TOTAL CULTURE & RECREATION.....	\$ -	\$ 1,492,434	\$ 1,492,434.00	\$ (18,932)
<u>PENSION BENEFITS</u>				
CONTRIBUTORY RETIREMENT FUND.....	\$ -	\$ 1,715,520	\$ 1,715,520	\$ -
NONCONTRIBUTORY RETIREMENT.....	-	209,870	209,870	(12,500)
TOTAL PENSION BENEFITS.....	\$ -	\$ 1,925,390	\$ 1,925,390	\$ (12,500)
<u>PROPERTY AND LIABILITY INSURANCE</u>				
OTHER INSURANCE.....	\$ -	\$ 377,757	\$ 377,757	\$ (23,647)
TOTAL PROPERTY AND LIABILITY INSURANCE.....	\$ -	\$ 377,757	\$ 377,757	\$ (23,647)
<u>FRINGE BENEFITS</u>				
MEDICARE.....	\$ -	\$ 350,000	\$ 350,000	\$ (35,000)
GROUP INSURANCE.....	-	5,615,873	5,615,873	-
TOTAL FRINGE BENEFITS.....	\$ -	\$ 5,965,873	\$ 5,965,873	\$ (35,000)
<u>INTERGOVERNMENTAL</u>				
STATE.....	\$ -	\$ 2,352,693	\$ 2,352,693	\$ -
TOTAL INTERGOVERNMENTAL.....	\$ -	\$ 2,352,693	\$ 2,352,693	\$ -
<u>DEBT SERVICES</u>				
MATURING DEBT.....	\$ -	\$ 3,042,530	\$ 3,042,530	\$ 50,000
INTEREST.....	-	1,972,570	1,972,570	-
TOTAL DEBT SERVICES.....	\$ -	\$ 5,015,100	\$ 5,015,100	\$ 50,000
TOTAL GENERAL FUND.....	\$ 346,435	\$ 50,158,323	\$ 50,504,758	\$ (188,260)

See notes to required supplementary information.

Final Budget	Expenditures	Amounts Carried Forward To Next Year	Variance to Final Budget
\$ 600,298	\$ 596,932	\$ -	\$ 3,366
201,816	201,465	-	351
100	54	-	46
474,859	431,706	-	43,153
146,379	141,576	-	4,803
35,100	32,266	-	2,834
13,000	11,730	-	1,270
1,950	1,950	-	-
<u>\$ 1,473,502.00</u>	<u>\$ 1,417,679</u>	<u>\$ -</u>	<u>\$ 55,823</u>
\$ 1,715,520	\$ 1,715,520	\$ -	\$ -
197,370	194,309	-	3,061
<u>1,912,890</u>	<u>1,909,829</u>	<u>-</u>	<u>3,061</u>
\$ 354,110	\$ 323,166	\$ -	\$ 30,944
<u>354,110</u>	<u>323,166</u>	<u>-</u>	<u>30,944</u>
\$ 315,000	\$ 306,054	\$ -	\$ 8,946
5,615,873	5,846,962	-	(231,089)
<u>5,930,873</u>	<u>6,153,016</u>	<u>-</u>	<u>(222,143)</u>
\$ 2,352,693	\$ 2,094,128	\$ -	\$ 258,565
<u>2,352,693</u>	<u>2,094,128</u>	<u>-</u>	<u>258,565</u>
\$ 3,092,530	\$ 3,084,726	\$ -	\$ 7,804
1,972,570	1,958,022	-	14,548
<u>5,065,100</u>	<u>5,042,748</u>	<u>-</u>	<u>22,352</u>
<u>\$ 50,316,498</u>	<u>\$ 50,022,875</u>	<u>\$ 242,334</u>	<u>\$ 51,289</u>

(Concluded)

Town of Marblehead
Notes to Required Supplementary Information
June 30, 2005

A. Budget Requirements

1. Budgets

During the fiscal year, the finance committee submits to the town meeting an operating budget for the proposed expenditures and other financing uses for the fiscal year commencing the following July 1st. The budget, as enacted by the town meeting, also establishes that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings or at the next annual town meeting held prior to the end of the fiscal year. On May 3, 2005 at the annual town meeting, the Town voted to use available funds to increase the appropriations for Assessor's Salaries totaling \$26,000, and for Waste Collection expenses totaling. During the fiscal year the finance committee may transfer funds for extraordinary or unforeseen expenditures. The Town appropriated \$145,000 for this purpose in fiscal 2005 and transfers of \$122,232 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.

2. Budgetary – GAAP Reporting Reconciliation

The budgetary basis and modified accrual basis of accounting are substantially the same.

A reconciliation of budgetary-basis to GAAP-basis results is as follows:

Net change in fund balance - budgetary basis.....	\$	42,857
Basis of Accounting Differences:		
Recognition of revenue for on-behalf payments.....		(4,623,759)
Recognition of expenditures for on-behalf payments.....		<u>4,623,759</u>
Net change in fund balance - GAAP basis (modified accrual).....	\$	<u>42,857</u>

3. Subsequent Year Authorizations

The financial statements for the Town of Marblehead as of June 30, 2005 do not reflect the fiscal 2006 Annual Town Meeting held on May 2 and 3, 2005, except for fund balance reserved for subsequent year's expenditures. The Town has authorized a fiscal 2006 operating and capital budget totaling \$63,061,911. These funds will be provided for as follows:

2006 Tax levies, state grants, non enterprise charges			
for services, interest and other local revenues		\$	50,566,463
Enterprise revenues			6,037,688
Enterprise retained earnings			1,227,968
Revolving fund receipts			1,009,200
Bond issues			2,836,500
Fund balance reserved for subsequent			
years expenditures:			
General fund	\$	719,553	
Special revenue fund		645,989	
Expendable trust fund		18,550	1,384,092
Total Budget			\$ 63,061,911

4. Appropriation Deficits

For the fiscal year ended June 30, 2005, actual expenditures and encumbrances exceeded appropriations for public works and employee benefits. These over-expenditures will be funded by subsequent state revenue and the fiscal 2006 tax rate.

Combining and Individual Fund Financial Statements

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds:

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

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

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

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

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

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

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

Capital Project Funds:

Other Capital Projects - To account for activities of the Town's five year drain plan.

Permanent Funds:

Public Funds - To account for contributions and earnings to support the government, where the principal portion is non-expendable.

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2005

Special Revenue Funds					
	Federal Grants	State Grants	Other Grants	Revolving Funds	Receipts Reserved for Appropriation
ASSETS					
Cash and cash equivalents.....	\$ -	\$ 4,723	\$ 123,219	\$ 7,885	\$ -
Investments.....	-	-	-	-	-
Receivables, net of uncollectibles:					
Accounts.....	-	-	-	20,624	825
Due from other funds.....	428,061	171,951	8,454	531,626	1,740,964
Due from federal government.....	42,985	-	-	-	-
Due from commonwealth.....	-	1,010,372	-	-	-
TOTAL ASSETS.....	\$ 471,046	\$ 1,187,046	\$ 131,673	\$ 560,135	\$ 1,741,789
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Warrants payable.....	\$ 56,712	\$ 37,868	\$ 264	\$ 115,416	\$ -
Accounts payable.....	11,954	2,608	-	11,911	-
Due to other funds.....	-	194,691	6,253	-	-
Deferred revenues.....	-	805,654	-	10,614	825
TOTAL LIABILITIES.....	68,666	1,040,821	6,517	137,941	825
FUND BALANCES:					
Reserved for:					
Perpetual permanent funds.....	-	-	-	-	-
Unreserved:					
Designated for subsequent year's expenditures...	-	-	-	3,000	642,989
Undesignated, reported in:					
Special revenue funds.....	402,380	146,225	125,156	419,194	1,097,975
Capital project funds.....	-	-	-	-	-
Permanent funds.....	-	-	-	-	-
TOTAL FUND BALANCES.....	402,380	146,225	125,156	422,194	1,740,964
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 471,046	\$ 1,187,046	\$ 131,673	\$ 560,135	\$ 1,741,789

Special Revenue Funds			Capital Projects Fund	Permanent Fund	Total Nonmajor Governmental Funds
Gifts	Special Revenue Trust Funds	Sub-total	Other Capital Projects	Public Funds	
\$ -	\$ 2,433,871	\$ 2,569,698	\$ -	\$ 3,417,923	\$ 5,987,621
-	-	-	-	851,510	851,510
-	-	21,449	-	-	21,449
635,213	781	3,517,050	12,007	75,486	3,604,543
-	-	42,985	-	-	42,985
-	-	1,010,372	-	-	1,010,372
<u>\$ 635,213</u>	<u>\$ 2,444,652</u>	<u>\$ 7,171,554</u>	<u>\$ 12,007</u>	<u>\$ 4,344,919</u>	<u>\$ 11,528,480</u>
\$ 16,367	\$ -	\$ 226,627	\$ 1,200	\$ 557	\$ 228,384
214	1,250	27,937	-	-	27,937
-	-	200,944	-	515,840	716,784
-	-	817,093	-	-	817,093
<u>16,581</u>	<u>1,250</u>	<u>1,272,601</u>	<u>1,200</u>	<u>516,397</u>	<u>1,790,198</u>
-	-	-	-	3,242,776	3,242,776
-	-	645,989	-	-	645,989
618,632	2,443,402	5,252,964	-	-	5,252,964
-	-	-	10,807	-	10,807
-	-	-	-	585,746	585,746
<u>618,632</u>	<u>2,443,402</u>	<u>5,898,953</u>	<u>10,807</u>	<u>3,828,522</u>	<u>9,738,282</u>
<u>\$ 635,213</u>	<u>\$ 2,444,652</u>	<u>\$ 7,171,554</u>	<u>\$ 12,007</u>	<u>\$ 4,344,919</u>	<u>\$ 11,528,480</u>

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Special Revenue Funds				
	Federal Grants	State Grants	Other Grants	Revolving Funds	Receipts Reserved for Appropriation
REVENUES:					
Charges for services.....	\$ -	\$ -	\$ -	\$ 1,507,070	\$ 30,450
Fines and forfeitures.....	-	-	-	100	-
Intergovernmental.....	1,782,875	1,218,705	800	78,403	-
Departmental and other.....	-	-	-	363,025	-
Contributions.....	-	80	24,699	18,073	-
Investment income.....	-	96	2,910	154	-
Miscellaneous.....	-	-	-	189,271	182
TOTAL REVENUES.....	1,782,875	1,218,881	28,409	2,156,096	30,632
EXPENDITURES:					
Current:					
General government.....	-	-	-	2,522	111,775
Public safety.....	60,777	79,738	-	207,715	-
Education.....	1,486,627	729,834	6,915	1,573,935	-
Public works.....	-	197,727	-	357,691	-
Human services.....	675	132,172	2,332	135,835	-
Culture and recreation.....	5,951	22,032	34,784	213,129	-
TOTAL EXPENDITURES.....	1,554,030	1,161,503	44,031	2,490,827	111,775
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	228,845	57,378	(15,622)	(334,731)	(81,143)
OTHER FINANCING SOURCES (USES):					
Premium from issuance of bonds.....	-	-	-	-	1,793,489
Transfers in.....	-	-	-	161,070	-
Transfers out.....	-	(12,900)	-	(12,276)	(529,002)
TOTAL OTHER FINANCING SOURCES (USES)...	-	(12,900)	-	148,794	1,264,487
NET CHANGE IN FUND BALANCES.....	228,845	44,478	(15,622)	(185,937)	1,183,344
FUND BALANCES AT BEGINNING OF YEAR.....	173,535	101,747	140,778	608,131	557,620
FUND BALANCES AT END OF YEAR.....	\$ 402,380	\$ 146,225	\$ 125,156	\$ 422,194	\$ 1,740,964

Special Revenue Funds			Capital Projects Fund	Permanent Fund	Total Nonmajor Governmental Funds
Gifts	Special Revenue Trust Funds	Sub-total	Other Capital Projects	Public Funds	
\$ 2,242	\$ -	\$ 1,539,762	\$ -	\$ -	\$ 1,539,762
-	-	100	-	-	100
-	5,126	3,085,909	-	-	3,085,909
100	500	363,625	-	-	363,625
587,897	27,023	657,772	-	50,596	708,368
-	180,230	183,390	-	(75,165)	108,225
-	-	189,453	-	-	189,453
590,239	212,879	6,020,011	-	(24,569)	5,995,442
38,464	-	152,761	-	-	152,761
20,566	5,126	373,922	-	-	373,922
121,192	-	3,918,503	201,524	-	4,120,027
6,625	-	562,043	13,826	8,621	584,490
5,788	20,180	296,982	-	20,180	317,162
18,802	118,047	412,745	-	(21,962)	390,783
211,437	143,353	5,716,956	215,350	6,839	5,939,145
378,802	69,526	303,055	(215,350)	(31,408)	56,297
-	-	1,793,489	-	-	1,793,489
-	-	161,070	-	3,636	164,706
(5,929)	-	(560,107)	-	(30,291)	(590,398)
(5,929)	-	1,394,452	-	(26,655)	1,367,797
372,873	69,526	1,697,507	(215,350)	(58,063)	1,424,094
245,759	2,373,876	4,201,446	226,157	3,886,585	8,314,188
\$ 618,632	\$ 2,443,402	\$ 5,898,953	\$ 10,807	\$ 3,828,522	\$ 9,738,282

INTERNAL SERVICE FUNDS

Medical Claims Fund - To account for contributions from the Town (75%) and Town employees (25%), receipt of investment earnings and payment of medical claims of the Town's employees and their covered dependents.

Medex Claims Fund - To account for contributions from the Town (75%) and Town employees (25%), receipt of investment earnings and payment of medical claims of the Town's retired employees over the age of 65, as a supplement to Medicare.

Workmen's Compensation Fund - To account for appropriations from the Town and investment earnings which accumulate to be expended for the payment of injury claims, resulting from on-the-job accidents of Town employees.

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS

JUNE 30, 2005

	Medical Claims	Medex Claims	Workmen's Compensation	Total
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ -	\$ 64,791	\$ 348,912	\$ 413,703
Receivables, net of allowance for uncollectibles:				
Accounts.....	151,882	-	-	151,882
Working capital deposit.....	1,126,200	218,300	24,888	1,369,388
TOTAL ASSETS.....	1,278,082	283,091	373,800	1,934,973
LIABILITIES				
CURRENT:				
Warrants payable.....	729,252	90,761	32,437	852,450
Accrued liabilities.....	813,685	145,741	-	959,426
Workers' compensation.....	-	-	122,455	122,455
Due to other funds.....	1,567,650	-	-	1,567,650
Total current liabilities.....	3,110,587	236,502	154,892	3,501,981
NONCURRENT:				
Workers' compensation.....	-	-	362,856	362,856
TOTAL LIABILITIES.....	3,110,587	236,502	517,748	3,864,837
NET ASSETS				
Unrestricted.....	\$ (1,832,505)	\$ 46,589	\$ (143,948)	\$ (1,929,864)

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Medical Claims	Medex Claims	Workmen's Compensation	Total
OPERATING REVENUES:				
Charges for services	\$ 6,916,510	\$ 1,312,992	\$ -	\$ 8,229,502
Miscellaneous.....	289,804	-	-	289,804
TOTAL OPERATING REVENUES	7,206,314	1,312,992	-	8,519,306
OPERATING EXPENSES:				
Cost of services and administration.....	7,718,883	1,337,044	31,875	9,087,802
OPERATING INCOME (LOSS).....	(512,569)	(24,052)	(31,875)	(568,496)
NONOPERATING REVENUES (EXPENSES):				
Investment income.....	-	5,552	8,413	13,965
INCOME (LOSS) BEFORE TRANSFERS.....	(512,569)	(18,500)	(23,462)	(554,531)
TRANSFERS:				
Transfers in.....	-	-	200,000	200,000
CHANGE IN NET ASSETS.....	(512,569)	(18,500)	176,538	(354,531)
NET ASSETS AT BEGINNING OF YEAR.....	(1,319,936)	65,089	(320,486)	(1,575,333)
NET ASSETS AT END OF YEAR.....	\$ (1,832,505)	\$ 46,589	\$ (143,948)	\$ (1,929,864)

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Medical Claims	Medex Claims	Workmen's Compensation	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Receipts from interfund services provided.....	\$ 7,132,461	\$ 1,280,892	\$ 112	\$ 8,413,465
Payments for interfund services used.....	(7,525,737)	(1,338,712)	(198,367)	(9,062,816)
NET CASH FROM OPERATING ACTIVITIES.....	(393,276)	(57,820)	(198,255)	(649,351)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
Transfers in.....	-	-	200,000	200,000
Advances from other funds.....	393,276	-	-	393,276
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	393,276	-	200,000	593,276
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Investment income.....	-	5,552	8,413	13,965
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	-	(52,268)	10,158	(42,110)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	-	117,059	338,754	455,813
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ -	\$ 64,791	\$ 348,912	\$ 413,703
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>				
Operating income (loss).....	\$ (512,569)	\$ (24,052)	\$ (31,875)	\$ (568,496)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Changes in assets and liabilities:				
Departmental and other.....	62,047	-	-	62,047
Working capital deposit.....	(135,900)	(32,100)	112	(167,888)
Warrants payable.....	291,882	(10,008)	17,891	299,765
Accrued liabilities.....	(98,736)	8,340	-	(90,396)
Workers' compensation.....	-	-	(184,383)	(184,383)
Total adjustments.....	119,293	(33,768)	(166,380)	(80,855)
NET CASH FROM OPERATING ACTIVITIES.....	\$ (393,276)	\$ (57,820)	\$ (198,255)	\$ (649,351)

FIDUCIARY FUNDS

Private Purpose Trust Funds:

Charity Funds - To account for contributions held by the Town to benefit private charities.

Scholarship Funds - To account for scholarship funds held by the Town to benefit individuals.

Other Funds - To account for other amounts held by the Town for the benefit of individuals or private organizations.

Agency Funds - To account for the collection and payment of hunting and fishing licenses, firearm permits, sales taxes and meals taxes to the State, dog licenses to the County, proceeds of extra work details to the Town employees and school student activity accounts.

PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF NET ASSETS

JUNE 30, 2005

	Charity Funds	Scholarship Funds	Other Funds	Total
ASSETS				
Cash and cash equivalents.....	\$ 2,054,523	\$ 865,388	\$ 120,502	\$ 3,040,413
Capital assets, net of accumulated depreciation.....	<u>20,151</u>	<u>-</u>	<u>-</u>	<u>20,151</u>
TOTAL ASSETS.....	<u>2,074,674</u>	<u>865,388</u>	<u>120,502</u>	<u>3,060,564</u>
LIABILITIES				
Warrants payable.....	<u>-</u>	<u>13,050</u>	<u>-</u>	<u>13,050</u>
NET ASSETS				
Held in trust for other purposes.....	\$ <u>2,074,674</u>	\$ <u>852,338</u>	\$ <u>120,502</u>	\$ <u>3,047,514</u>

PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT CHANGES IN NET ASSETS

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Charity Funds	Scholarship Funds	Other Funds	Total
<u>ADDITIONS:</u>				
Contributions:				
Private donations.....	\$ 41,712	\$ -	\$ -	\$ 41,712
Net investment income (loss):				
Interest.....	42,788	18,053	2,517	63,358
TOTAL ADDITIONS.....	84,500	18,053	2,517	105,070
<u>DEDUCTIONS:</u>				
Administration.....	13,048	-	-	13,048
Depreciation.....	2,615	-	-	2,615
Educational scholarships.....	-	11,975	-	11,975
TOTAL DEDUCTIONS.....	15,663	11,975	-	27,638
CHANGE IN NET ASSETS.....	68,837	6,078	2,517	77,432
NET ASSETS AT BEGINNING OF YEAR.....	2,005,837	846,260	117,985	2,970,082
NET ASSETS AT END OF YEAR.....	\$ 2,074,674	\$ 852,338	\$ 120,502	\$ 3,047,514

AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Balance at June 30, 2004	Additions	Deductions	Balance at June 30, 2005
ASSETS				
Cash and cash equivalents.....	\$ 104,877	\$ 354,073	\$ 397,743	\$ 61,207
Due from general fund.....	62,969	47,614	85,402	25,181
Total assets.....	<u>\$ 167,846</u>	<u>\$ 401,687</u>	<u>\$ 483,145</u>	<u>\$ 86,388</u>
LIABILITIES				
Liabilities due depositors.....	<u>\$ 167,846</u>	<u>\$ 401,687</u>	<u>\$ 483,145</u>	<u>\$ 86,388</u>

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Statistical Section

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



A view of Chandler Hovey Park & Lighthouse on Marblehead Neck.

Statistical Section

STATISTICAL SECTION

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

SOURCES: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The Town implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

Net Assets By Component

Last Three Fiscal Years

	Fiscal Year		
	2003	2004	2005
Governmental activities			
Invested in capital assets, net of related debt.....	\$ 54,031,802	\$ 62,029,368	\$ 63,376,136
Restricted.....	4,718,510	7,367,239	8,369,340
Unrestricted.....	<u>6,393,833</u>	<u>2,063,935</u>	<u>1,019,991</u>
Total governmental activities net assets.....	<u>\$ 65,144,145</u>	<u>\$ 71,460,542</u>	<u>\$ 72,765,467</u>
Business-type activities			
Invested in capital assets, net of related debt.....	28,851,221	30,152,007	31,295,883
Unrestricted.....	<u>12,389,899</u>	<u>11,398,374</u>	<u>10,487,962</u>
Total business-type activities net assets.....	<u>\$ 41,241,120</u>	<u>\$ 41,550,381</u>	<u>\$ 41,783,845</u>
Primary government			
Invested in capital assets, net of related debt.....	82,883,023	92,181,375	94,672,019
Restricted.....	4,718,510	7,367,239	8,369,340
Unrestricted.....	<u>18,783,732</u>	<u>13,462,309</u>	<u>11,507,953</u>
Total primary government net assets.....	<u>\$ 106,385,265</u>	<u>\$ 113,010,923</u>	<u>\$ 114,549,312</u>

Changes in Net Assets

Last Three Fiscal Years

	Fiscal Year		
	2003	2004	2005
Expenses			
Governmental activities:			
General government.....	\$ 2,418,992	\$ 2,880,992	\$ 2,966,862
Public safety.....	7,808,747	7,935,214	7,729,360
Education.....	31,123,323	34,947,347	36,691,945
Public works.....	5,654,141	5,101,138	4,903,611
Human services.....	914,967	929,242	826,827
Culture and recreation.....	2,361,916	2,301,611	2,427,894
Interest.....	1,451,423	1,059,107	1,847,413
State and county charges.....	1,824,080	1,714,756	2,094,128
Total government activities expenses.....	<u>53,557,589</u>	<u>56,869,407</u>	<u>59,488,040</u>
Business-type activities:			
Water.....	2,223,297	2,312,442	2,408,244
Sewer.....	3,061,348	2,980,770	3,489,015
Electric.....	10,381,542	10,805,232	10,941,345
Harbor.....	584,471	576,851	455,038
Total business-type activities expenses.....	<u>16,250,658</u>	<u>16,675,295</u>	<u>17,293,642</u>
Total primary government expenses.....	<u>\$ 69,808,247</u>	<u>\$ 73,544,702</u>	<u>\$ 59,943,078</u>
Program Revenues			
Governmental activities:			
Charges for services.....	\$ 2,947,311	\$ 2,375,995	\$ 2,734,373
Education.....	1,144,334	1,156,320	1,151,263
Operating grants and contributions.....	9,961,379	10,236,741	11,965,143
Capital grant and contributions.....	6,016,683	6,184,306	-
Total government activities program revenues.....	<u>20,069,707</u>	<u>19,953,362</u>	<u>15,850,779</u>
Business-type activities:			
Charges for services - Water.....	2,357,092	2,404,325	2,985,712
Charges for services - Sewer.....	3,054,481	3,098,366	3,897,788
Charges for services - Electric.....	11,524,933	11,747,745	11,350,011
Charges for services - Harbor.....	713,552	709,857	755,014
Operating grants and contributions.....	-	-	25,000
Total business-type activities program revenues.....	<u>17,650,058</u>	<u>17,960,293</u>	<u>19,013,525</u>
Total primary government program revenues.....	<u>\$ 37,719,765</u>	<u>\$ 37,913,655</u>	<u>\$ 34,864,304</u>
Net (Expense)/Revenue			
Governmental activities.....	\$ (33,487,882)	\$ (36,916,045)	\$ (43,637,261)
Business-type activities.....	<u>1,399,400</u>	<u>1,284,998</u>	<u>1,719,883</u>
Total primary government net expense.....	<u>\$ (32,088,482)</u>	<u>\$ (35,631,047)</u>	<u>\$ (41,917,378)</u>

(Continued)

Changes in Net Assets

Last Three Fiscal Years

	Fiscal Year		
	2003	2004	2005
General Revenues and Other Changes in Net Assets			
Governmental activities:			
Real estate and personal property taxes, net of tax refunds payable.....	\$ 34,614,791	\$ 37,663,340	\$ 39,608,751
Motor vehicle and other excise taxes.....	2,816,116	2,815,852	3,008,370
Penalties and interest on taxes.....	112,354	128,811	142,047
Payments in lieu of taxes.....	75,499	-	4,821
Grants and contributions not restricted to specific programs.....	1,174,530	1,104,617	1,120,708
Unrestricted investment income.....	517,360	494,060	369,109
Gain (loss) on disposal of capital assets.....	(26,635)	-	-
Miscellaneous.....	2,719	-	-
Transfers.....	57,508	1,026,962	688,377
Total governmental activities.....	<u>39,344,242</u>	<u>43,233,642</u>	<u>44,942,183</u>
Business-type activities:			
Unrestricted investment income.....	107,863	51,225	104,009
Transfers.....	(57,508)	(1,026,962)	(688,377)
Total primary government.....	<u>\$ 50,355</u>	<u>\$ (975,737)</u>	<u>\$ (584,368)</u>
Changes in Net Assets			
Governmental activities.....	\$ 5,856,360	\$ 6,317,597	\$ 1,304,922
Business-type activities.....	<u>1,449,755</u>	<u>309,261</u>	<u>1,135,515</u>
Total primary government.....	<u>\$ 7,306,115</u>	<u>\$ 6,626,858</u>	<u>\$ 2,440,437</u>

(Concluded)

Fund Balances, Governmental Funds

Last Ten Fiscal Years

	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
General Fund										
Reserved.....	\$ 1,938,757	\$ 2,559,255	\$ 2,897,319	\$ 2,741,420	\$ 2,047,209	\$ 2,021,489	\$ 2,495,896	\$ 590,889	\$ 346,436	\$ 242,334
Unreserved.....	<u>3,207,525</u>	<u>3,103,677</u>	<u>2,603,322</u>	<u>2,330,214</u>	<u>2,752,993</u>	<u>3,725,511</u>	<u>3,196,616</u>	<u>4,600,668</u>	<u>3,321,417</u>	<u>3,468,376</u>
Total general fund.....	<u>\$ 5,146,282</u>	<u>\$ 5,662,932</u>	<u>\$ 5,500,641</u>	<u>\$ 5,071,634</u>	<u>\$ 4,800,202</u>	<u>\$ 5,747,000</u>	<u>\$ 5,692,512</u>	<u>\$ 5,191,557</u>	<u>\$ 3,667,853</u>	<u>\$ 3,710,710</u>
All Other Governmental Funds										
Reserved.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,119,714	\$ 3,160,017	\$ -
Unreserved, reported in:										
Special revenue funds.....	1,132,851	1,054,528	934,008	1,061,776	924,573	1,265,026	3,470,693	3,335,913	4,201,446	5,898,953
Capital projects funds.....	2,508,042	1,624,314	296,192	(1,421,646)	(1,100,256)	(11,185,348)	2,364,897	5,440,999	2,137,325	13,780
Permanent funds.....	-	-	-	-	-	-	-	670,784	726,568	3,828,522
Total all other governmental funds...	<u>\$ 3,640,893</u>	<u>\$ 2,678,842</u>	<u>\$ 1,230,200</u>	<u>\$ (359,870)</u>	<u>\$ (175,683)</u>	<u>\$ (9,920,322)</u>	<u>\$ 5,835,590</u>	<u>\$ 12,567,410</u>	<u>\$ 10,225,356</u>	<u>\$ 9,741,255</u>

Fiscal years 1996 through 2002 exclude Expendable and Nonexpendable Trust Funds which were reported under the pre-GASB 34 format.

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Revenues:										
Real estate and personal property taxes,										
net of tax refunds.....	\$ 25,055,208	\$ 25,869,314	\$ 26,881,212	\$ 27,948,768	\$ 29,143,026	\$ 30,181,410	\$ 33,412,393	\$ 34,609,845	\$ 37,536,410	\$ 39,636,668
Motor vehicle and other excise taxes.....	1,928,800	1,906,502	2,458,633	2,250,018	2,832,151	2,689,466	2,684,652	2,810,072	2,809,905	3,014,927
Charges for Services.....	1,481,064	1,542,002	1,724,843	2,145,284	2,073,694	2,062,949	2,417,398	2,328,201	2,266,211	2,250,402
Penalties and interest on taxes.....	263,051	177,862	173,351	201,003	136,615	130,863	125,118	112,354	128,811	142,047
Licenses and permits (**and fees).....	373,487	349,827	452,278	413,892	375,475	457,597	512,478	445,850	557,746	805,077
Fines and forfeitures.....	129,815	183,170	174,874	167,299	186,366	164,701	185,354	186,801	184,034	209,571
Intergovernmental.....	3,738,731	4,909,444	4,531,277	4,337,702	7,795,581	9,568,885	9,375,238	10,004,918	10,361,141	12,013,630
Departmental.....	-	-	-	-	-	-	-	301,228	351,221	363,625
Contributions.....	37,785	127,140	242,660	137,938	218,961	391,583	364,035	448,003	366,484	708,368
Miscellaneous.....	283,662	267,850	288,172	323,330	336,359	335,169	402,121	375,330	188,506	258,863
Investment income.....	573,399	615,155	509,738	480,394	495,292	1,625,099	769,304	482,227	487,621	355,094
Total Revenue.....	33,865,002	35,948,266	37,437,038	38,405,628	43,593,520	47,607,722	50,248,091	52,104,829	55,238,090	59,758,272
Expenditures:										
General government.....	1,327,596	1,881,004	1,557,901	1,751,615	1,741,671	1,651,605	1,749,068	1,746,526	1,874,184	1,870,327
Public safety.....	4,162,944	4,403,037	4,900,866	4,924,483	5,138,448	5,605,684	5,859,514	6,156,558	5,994,391	5,950,368
Education.....	15,828,908	16,552,246	18,014,181	19,209,920	20,353,581	21,497,375	22,929,034	23,527,300	24,891,158	25,499,823
Public works.....	3,506,164	3,000,297	3,388,038	3,128,582	3,241,085	4,362,998	4,177,068	4,168,445	4,503,427	4,420,167
Human services.....	615,900	674,082	701,569	756,853	776,735	838,688	810,067	763,295	724,254	674,636
Culture and recreation.....	1,210,556	1,320,298	1,481,460	1,597,092	1,664,076	1,639,867	1,862,226	1,889,906	1,834,109	1,808,462
Pension benefits.....	-	-	-	-	4,797,468	5,074,648	5,080,649	5,571,615	6,137,142	6,533,588
Employee benefits.....	4,969,789	4,972,392	5,122,894	5,371,565	3,197,682	3,291,869	3,604,154	3,895,920	4,844,001	6,153,016
Property and liability insurance.....	-	-	-	-	93,890	105,023	157,751	245,545	304,088	323,166
State and county charges.....	794,739	741,796	765,847	684,977	622,850	608,657	596,520	1,824,080	1,714,756	2,094,128
Capital outlay.....	1,877,233	3,464,725	3,011,215	1,359,572	2,347,479	15,097,502	27,049,754	12,320,801	12,303,674	2,938,545
Debt service.....										
Principal.....	720	1,130	1,275	1,170	1,165,000	1,300,000	1,775,000	1,755,000	1,655,000	2,269,726
Interest.....	883,022	1,469,546	1,655,466	1,481,784	367,791	453,437	1,684,707	1,640,631	1,622,294	1,958,022
Total Expenditures.....	35,177,571	38,480,553	40,600,712	40,267,613	45,507,756	61,527,353	77,335,512	65,505,622	68,402,478	62,493,974
Excess of revenues over (under) expenditures.....	(1,312,569)	(2,532,287)	(3,163,674)	(1,861,985)	(1,914,236)	(13,919,631)	(27,087,421)	(13,400,793)	(13,164,388)	(2,735,702)
Other Financing Sources (Uses)										
Issuance of debt.....	5,386,339	2,110,269	1,572,564	-	1,645,000	4,950,000	40,600,000	15,400,000	8,000,000	-
Premium from issuance of bonds.....	-	-	-	-	6,316	120,786	165,638	509,739	471,668	1,806,081
Transfers in.....	962,203	1,152,688	1,055,544	774,368	536,631	1,738,319	711,238	537,488	2,514,566	2,256,375
Transfers out.....	(910,560)	(1,176,071)	(1,075,367)	(957,660)	(625,087)	(1,923,025)	(899,708)	(679,980)	(1,687,604)	(1,767,998)
Total other financing sources (uses).....	5,437,982	2,086,886	1,552,741	(157,092)	1,587,860	5,121,790	40,577,168	15,767,247	9,298,630	2,294,458
Net change in fund balance.....	\$ 4,125,413	\$ (445,401)	\$ (1,610,933)	\$ (2,019,077)	\$ (326,376)	\$ (8,797,841)	\$ 13,489,747	\$ 2,366,454	\$ (3,865,758)	\$ (441,244)
Debt service as a percentage of noncapital expenditure	2.65%	4.20%	4.41%	3.81%	3.55%	3.78%	6.88%	6.38%	5.84%	7.10%

Fiscal years 1996 through 2002 exclude Expendable and Nonexpendable Trust Funds which were reported under the pre-GASB 34 format.

In Fiscal years 1996 through 1999, pension benefits were included with employee benefits.

Beginning in fiscal year 2000, the on-behalf payments provided by Massachusetts Teachers Retirement System are reported as intergovernmental revenue and pension expenditures.

**Fiscal years 1996 through 2002 include fees with licenses and permits

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

Last Ten Fiscal Years

Fiscal Year	Assessed and Actual Values and Tax Rates							
	Residential Value	Residential Tax Rate	Commercial Value	Industrial Value	Personal Property	Total Commercial Value	Commercial Tax Rate	Total Town Value
1996	\$1,932,280,025	\$11.98	\$98,974,575	\$11,954,125	\$13,765,770	\$124,694,470	\$11.98	\$2,056,974,495
1997 (1)	\$2,004,567,670	\$12.18	\$99,451,930	\$13,280,720	\$13,863,330	\$126,595,980	\$12.18	\$2,131,163,650
1998	\$2,120,747,201	\$12.00	\$104,585,629	\$13,901,270	\$14,827,490	\$133,314,389	\$12.00	\$2,254,061,590
1999	\$2,273,353,314	\$11.60	\$108,962,111	\$14,036,800	\$16,480,870	\$139,479,781	\$11.60	\$2,412,833,095
2000 (1)	\$2,468,188,927	\$11.14	\$116,225,713	\$15,557,860	\$17,274,360	\$149,057,933	\$11.14	\$2,617,246,860
2001	\$2,794,500,036	\$10.23	\$128,533,269	\$16,637,820	\$16,453,240	\$161,624,329	\$10.23	\$2,956,124,365
2002	\$3,334,739,063	\$9.50	\$145,486,042	\$17,847,070	\$17,974,530	\$181,307,642	\$9.50	\$3,516,046,705
2003 (1)	\$3,904,694,030	\$8.42	\$155,455,505	\$18,408,805	\$21,508,430	\$195,372,740	\$8.42	\$4,100,066,770
2004	\$4,262,454,683	\$8.48	\$162,486,031	\$17,785,900	\$23,082,370	\$203,354,301	\$8.48	\$4,465,808,984
2005	\$4,596,303,034	\$8.26	\$175,052,553	\$19,390,500	\$36,175,490	\$230,618,543	\$8.26	\$4,826,921,577

(1) Revaluation Year

Source: Town of Marblehead, Assessor's Department

Principal Taxpayers

June 30, 2005

Name	Nature of Business	2005			1996		
		Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Moore, Edward T., Trust	Real estate investor	\$44,852,100	1	0.90%	\$14,179,700	2	0.69%
Rockett, J. Hillary	Real estate investor	\$33,648,200	2	0.67%	\$14,775,600	1	0.72%
Bessom Associates	Co-operative housing	\$12,427,400	3	0.24%	\$5,421,200	4	0.26%
Eastern Yacht Club	Private yacht club	\$10,874,800	4	0.24%	\$5,632,100	3	0.27%
Angelo Arena	Real estate investor	\$10,110,500	5	0.23%	\$4,467,000	5	0.22%
Peter S. Lynch	Investment Manager	\$9,565,800	6	0.22%	-	-	-
Corinthian Yacht Club	Private yacht club	\$8,247,200	7	0.15%	\$4,286,800	6	0.21%
Boston Gas Company	Utility	\$7,206,850	8	0.17%	\$3,689,800	8	0.18%
Robert W. Green	Real Estate Investor	\$6,851,400	9	0.16%	-	-	-
James Crosby	Commercial Property	\$8,012,300	10	0.16%	\$2,936,900	10	0.14%
New England Telephone	Utility	-	-	-	\$3,923,600	7	0.19%
Vernelle Polley Hafele	Real estate investor	-	-	-	\$3,380,200	9	0.16%
Totals		<u>\$151,796,550</u>		<u>3.14%</u>	<u>\$62,692,900</u>		<u>3.04%</u>

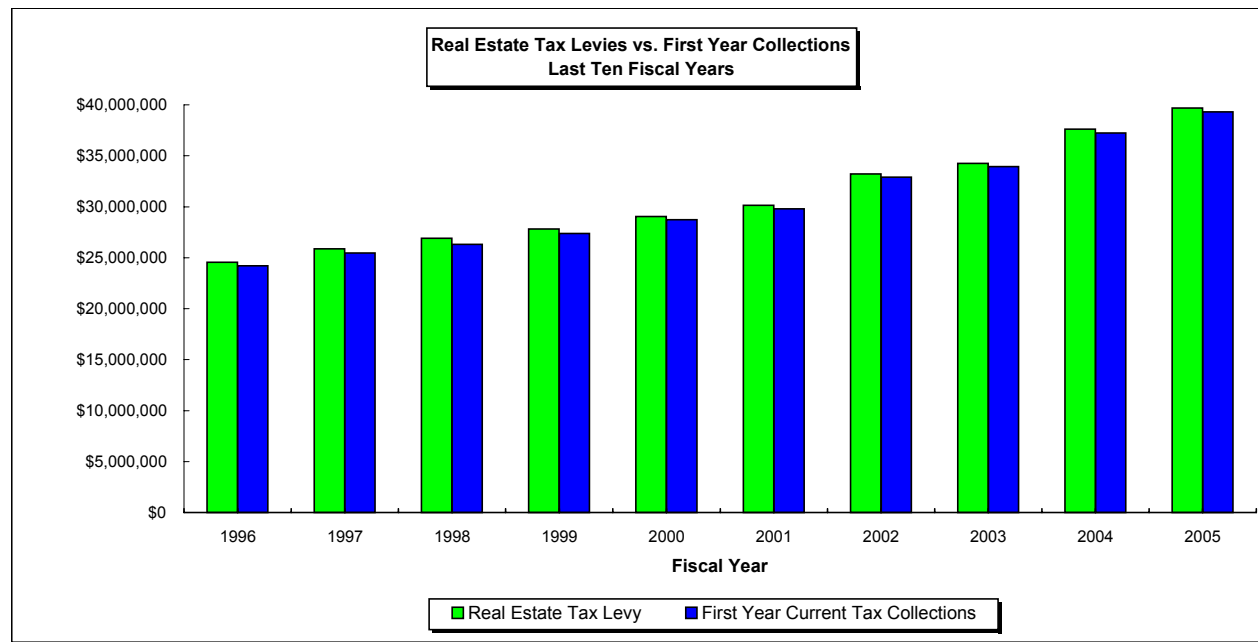
Source: Town of Marblehead, Assessor's Department

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year	(2) Total Tax Levy	Less Abatements & Exemptions	(2) Net Tax Levy	First Year Current Tax Collections	Percent of Net Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Net Tax Levy
1996	\$ 24,642,554	103,775	\$24,538,779	\$24,202,891	98.6%	\$716,107	\$24,918,998	101.55%
1997	\$ 25,957,573	89,210	\$25,868,363	\$25,473,965	98.5%	\$282,404	\$25,756,369	99.57%
1998 (1)	\$ 27,048,739	132,236	\$26,916,503	\$26,325,456	97.8%	\$286,584	\$26,612,039	98.87%
1999	\$ 27,988,864	159,719	\$27,829,145	\$27,380,835	98.4%	\$317,479	\$27,698,314	99.53%
2000	\$ 29,156,130	128,199	\$29,027,931	\$28,725,420	99.0%	\$240,764	\$28,966,184	99.79%
2001 (1)	\$ 30,241,152	110,615	\$30,130,537	\$29,800,427	98.9%	\$228,985	\$30,029,412	99.66%
2002	\$ 33,402,444	176,510	\$33,225,934	\$32,900,353	99.0%	\$259,094	\$33,159,447	99.80%
2003	\$ 34,497,302	230,828	\$34,266,474	\$33,930,910	99.0%	\$234,137	\$34,165,048	99.70%
2004 (1)	\$ 37,870,060	265,523	\$37,604,537	\$37,251,701	99.1%	\$235,393	\$37,487,093	99.69%
2005	\$ 39,870,372	185,215	\$39,685,157	\$39,322,124	99.1%	\$260,532	\$39,582,657	99.74%

Source: Town of Marblehead, Assessor's Department



(1) Revaluation year.

(2) Includes omitted and revised assessments.

(3) Includes tax liens.

Ratios of Outstanding Debt and General Bonded Debt

Last Ten Fiscal Years

Fiscal Year	U. S. Census Population	Personal Income	Assessed Value	Governmental Activities Debt				
				General Obligation Bonds	Capital Leases	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
1996	20,354	\$ 877,453,675	\$ 2,056,974,495	\$ 7,615,000	-	\$374	0.87%	0.37%
1997	20,209	\$ 888,982,425	\$ 2,131,163,650	\$ 8,590,000	-	\$425	0.97%	0.40%
1998	20,433	\$ 917,179,651	\$ 2,254,061,590	\$ 8,885,000	-	\$435	0.97%	0.39%
1999	20,344	\$ 931,821,115	\$ 2,412,833,095	\$ 7,715,000	-	\$379	0.83%	0.32%
2000	20,761	\$ 970,327,618	\$ 2,617,246,860	\$ 8,195,000	-	\$395	0.84%	0.31%
2001	20,035	\$ 955,123,747	\$ 2,956,124,365	\$ 9,620,000	-	\$480	1.01%	0.33%
2002	20,254	\$ 984,875,363	\$ 3,516,046,705	\$ 9,570,000	-	\$472	0.97%	0.27%
2003	20,158	\$ 999,811,391	\$ 4,097,066,770	\$ 8,315,000	-	\$412	0.83%	0.20%
2004	20,461	\$ 1,035,136,605	\$ 4,465,808,984	\$ 6,660,000	-	\$325	0.64%	0.15%
2005	21,360	\$ 1,102,230,010	\$ 4,826,921,577	\$ 30,880,000	-	\$1,446	2.80%	0.64%

Fiscal Year	Business-type Activities (1)				
	Total Primary Government				
	General Obligation Bonds	Total Debt Outstanding	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
1996	\$ 750,000	\$ 8,365,000	\$ 411	0.95%	0.41%
1997	\$ 1,070,000	\$ 9,660,000	\$ 478	1.09%	0.45%
1998	\$ 930,000	\$ 9,815,000	\$ 480	1.07%	0.44%
1999	\$ 810,000	\$ 8,525,000	\$ 419	0.91%	0.35%
2000	\$ 1,140,000	\$ 9,335,000	\$ 450	0.96%	0.36%
2001	\$ 975,000	\$ 10,595,000	\$ 529	1.11%	0.36%
2002	\$ 815,000	\$ 10,385,000	\$ 513	1.05%	0.30%
2003	\$ 655,000	\$ 8,970,000	\$ 445	0.90%	0.22%
2004	\$ 495,000	\$ 7,155,000	\$ 350	0.69%	0.16%
2005	\$ 335,000	\$ 31,215,000	\$ 1,461	2.83%	0.65%

(1) Sewer, Water, Harbor and Electric Enterprise Funds
Source: Audited Financial Statements, U. S. Census

Direct and Overlapping Governmental Activities Debt

As of June 30, 2005

	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
<u>Town of Marblehead, Massachusetts</u>			
Debt repaid with property taxes			
North Shore Regional Vocational Technical School District.....	\$ 2,385,000	1.81%	\$ 103,819
South Essex Sewerage District.....	152,786,323	7.45%	2,108,752
Massachusetts Water Resource Authority.....	17,320,645,000	0.94%	<u>16,332,149</u>
Subtotal, overlapping debt.....			18,544,720
Town direct debt.....			<u>68,390,000</u>
Total direct and overlapping debt.....			\$ <u><u>86,934,720</u></u>

Source: Town of Marblehead, Assessor's Department

Computation of Legal Debt Margin

Last Ten Fiscal Years

	Fiscal Year									
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Equalized valuation.....	\$ <u>2,054,955,200</u>	\$ <u>2,228,344,710</u>	\$ <u>2,249,236,900</u>	\$ <u>2,388,893,800</u>	\$ <u>2,811,457,400</u>	\$ <u>2,811,457,400</u>	\$ <u>2,811,457,400</u>	\$ <u>3,815,051,700</u>	\$ <u>3,815,051,700</u>	\$ <u>4,841,734,800</u>
Debt Limit - 5% of equalized valuation.....	102,747,760	111,417,236	112,461,845	119,444,690	140,572,870	140,572,870	140,572,870	190,752,585	190,752,585	242,086,740
Less:										
Total debt applicable to limitation.....	<u>8,365,000</u>	<u>9,660,000</u>	<u>9,815,000</u>	<u>8,525,000</u>	<u>9,335,000</u>	<u>12,820,000</u>	<u>10,885,000</u>	<u>8,970,000</u>	<u>7,155,000</u>	<u>31,215,000</u>
Legal debt margin.....	\$ <u><u>94,382,760</u></u>	\$ <u><u>101,757,236</u></u>	\$ <u><u>102,646,845</u></u>	\$ <u><u>110,919,690</u></u>	\$ <u><u>131,237,870</u></u>	\$ <u><u>127,752,870</u></u>	\$ <u><u>129,687,870</u></u>	\$ <u><u>181,782,585</u></u>	\$ <u><u>183,597,585</u></u>	\$ <u><u>210,871,740</u></u>
Total debt applicable to the limit as a percentage of debt limit.....	9%	9%	10%	8%	7%	10%	8%	5%	4%	15%

Source: Town of Marblehead, Finance Department

Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year	Population Estimates	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
1996	20,354	\$ 877,453,675	\$ 43,110	39.5	2,672	2.30%
1997	20,209	\$ 888,982,425	\$ 43,989	39.5	2,703	2.20%
1998	20,433	\$ 917,179,651	\$ 44,887	39.5	2,749	2.00%
1999	20,344	\$ 931,821,115	\$ 45,803	39.5	2,826	1.80%
2000	20,761	\$ 970,327,618	\$ 46,738	41.9	2,803	1.50%
2001	20,035	\$ 955,123,747	\$ 47,673	41.9	2,792	2.70%
2002	20,254	\$ 984,875,363	\$ 48,626	41.9	2,875	4.00%
2003	20,158	\$ 999,811,391	\$ 49,599	41.9	2,970	3.90%
2004	20,461	\$ 1,035,136,605	\$ 50,591	41.9	3,003	3.60%
2005	21,360	\$ 1,102,230,010	\$ 51,603	41.9	3,067	3.30%

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

Full-time Equivalent Town Employees by Function

Last Ten Fiscal Years

	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Function										
General government.....	23.25	23.00	24.00	24.50	24.50	24.50	24.50	24.50	23.25	23.25
Public safety.....	50.50	54.00	53.00	54.50	58.50	56.50	58.50	56.25	58.50	54.75
Fire.....	42.00	42.00	42.00	42.00	42.00	42.00	42.00	42.00	42.00	42.50
Education.....	355.50	351.10	369.60	385.90	396.20	400.10	414.30	424.20	426.00	448.40
Public works.....	37.25	38.75	37.25	38.25	38.50	37.50	39.50	39.00	37.00	36.25
Human services.....	5.50	6.00	6.00	5.50	5.50	6.75	7.00	6.75	6.75	6.00
Culture and recreation.....	34.00	34.75	32.00	33.25	30.50	32.25	29.00	32.75	30.75	28.00
Total	<u>548.00</u>	<u>549.60</u>	<u>563.85</u>	<u>583.90</u>	<u>595.70</u>	<u>599.60</u>	<u>614.80</u>	<u>625.45</u>	<u>624.25</u>	<u>639.15</u>

Source: Town Records

Operating Indicators by Function/Program

Last Ten Fiscal Years

Function/Program	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Police										
Physical arrests.....	284	521	247	327	504	366	226	284	283	317
Motor vehicle violations.....	783	901	575	742	688	1,291	880	1,249	1,488	1,309
Parking violations.....	4,752	5,122	5,246	3,722	5,467	4,504	5,714	4,879	4,995	4,998
Fire										
Inspections.....	852	1,439	1,491	1,635	1,594	1,579	1,467	1,622	1,622	1,860
Emergency responses.....	1,907	1,820	1,939	2,219	2,185	2,066	2,219	2,105	2,105	2,347
Libraries										
Volumes in circulation.....	139,603	127,660	119,916	120,321	120,177	117,926	115,771	118,504	119,867	120,989
Total volumes borrowed.....	236,290	251,776	241,700	231,849	206,450	215,105	219,458	227,481	212,263	210,510
Water										
Service connections.....	7,608	7,608	7,608	7,620	7,635	7,827	7,869	7,877	7,877	8,004
Consumption in gallons.....	2,004,000	2,220,000	2,220,000	2,030,000	2,030,000	1,870,000	1,873,000	1,915,100	1,915,100	1,930,000
Daily consumption.....	3,730,000	5,380,000	5,380,000	4,405,000	4,405,000	3,926,000	3,296,000	3,557,000	3,557,000	3,054,000
Sewer										
Service connections.....	7,570	7,350	7,350	7,370	7,379	7,399	7,789	7,792	7,792	7,901
Daily average collection.....	3,000,000	3,000,000	3,000,000	1,590,000	1,590,000	1,800,000	1,800,000	1,800,000	1,800,000	2,448,387

Source: Various Town departments

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years

Function/Program	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Police										
Number of Stations.....	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Fire										
Number of Stations.....	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Education										
Number of elementary schools.....	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Number of middle schools.....	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	2.0	2.0
Number of high schools.....	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Water										
Water mains (miles).....	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	86.7
Fire hydrants.....	815.0	815.0	815.0	815.0	823.0	825.0	825.0	828.0	828.0	851.0
Sewer										
Sanitary sewers (miles).....	96.0	96.0	96.0	96.0	96.0	96.0	96.0	96.0	96.0	87.5
Storm sewers (miles).....	37.0	37.0	37.0	37.0	37.0	37.0	37.0	37.0	37.0	50.9
Recreation										
Parks and playgrounds.....	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0
Park and playground (acreage).....	74.4	74.4	74.4	74.4	74.4	74.4	74.4	74.4	74.4	74.4
Conservation land (acreage).....	126.8	126.8	126.8	126.8	126.8	126.8	126.8	126.8	126.8	126.8
Railroad right of way (acreage).....	19.4	19.4	19.4	19.4	19.4	19.4	19.4	19.4	19.4	19.4
Public beaches.....	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Ball fields.....	12.0	12.0	13.0	13.0	13.0	13.0	15.0	15.0	15.0	15.0
Tennis courts.....	13.0	13.0	13.0	13.0	12.0	12.0	12.0	12.0	12.0	12.0
Harbor										
Harbors.....	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Mooring.....	1,975.0	1,975.0	2,060.0	2,012.0	2,200.0	2,200.0	2,200.0	2,200.0	2,200.0	2,200.0
Private yacht clubs.....	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	6.0
Municipal boatyards.....	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Boat ramps.....	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Public landings.....	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Emergency rescue watercraft.....	3.0	3.0	3.0	3.0	3.0	4.0	4.0	3.0	3.0	2.0

Source: Various Town departments

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A view of the clock tower of Abbot Hall, as well as the steeples of Grace Community Church, & Old North Church from Marblehead Harbor.



Photos by Rob Kipp

A view from Marblehead Harbor.