

TOWN OF MARBLEHEAD, MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT



Photo by Rob Kipp

**For the Fiscal Year Ended
June 30, 2007**

On the Cover: *A view of Marblehead Harbor during the winter.*

Devereux Beach



Historic Downtown Roof Tops.

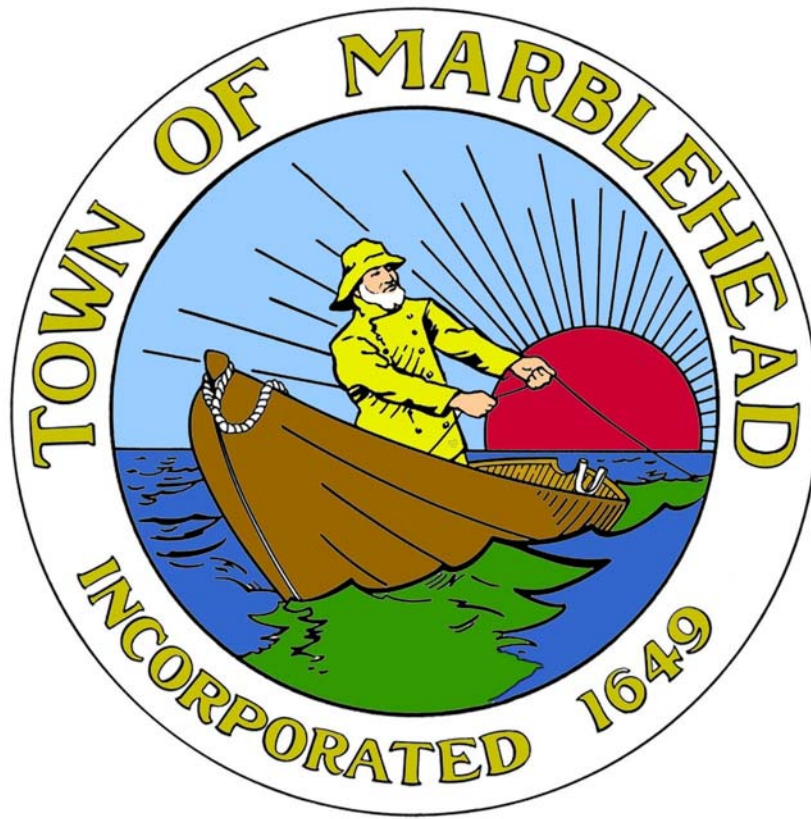


Sunrise on Abbot Hall.



Photos by Rob Kipp

TOWN OF MARBLEHEAD, MASSACHUSETTS



COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Fiscal Year Ended June 30, 2007 Prepared by Finance Department

TOWN OF MARBLEHEAD, MASSACHUSETTS
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2007

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Introductory Section



Photo by Rob Kipp

Abbot Hall in the Fall

Introductory Section

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TOWN OF MARBLEHEAD

FINANCIAL SERVICES

www.marblehead.org/finance

John J. McGinn
Finance Director
781-631-1705

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Marblehead, MA 01945

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Letter of Transmittal

December 11, 2007

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, 2007, is presented. The financial statements are presented in conformity with accounting principles generally accepted in the United States of America (GAAP) that are audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report also complies with the financial reporting model developed by the Governmental Accounting Standards Board (GASB Statement 34).

In addition to the fund financial information traditionally presented in the Town's financial statements, this report 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. 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, 2007, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion on the Town of Marblehead's financial statements for the fiscal year ended June 30, 2007, and meaning that the financial statements are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

PROFILE OF THE TOWN

The Town of Marblehead, originally incorporated in 1649, is a picturesque seacoast town steeped in history. In its early years fishing and the shoe industry were its two main sources of income. While Marblehead has been known through the years as the "Birthplace of the American Navy," in recent times the town has also been known as one of the yachting capitals of the world. Pleasure boating is certainly a popular pastime of its residents. Visitors come from all over the world to view the original famous painting of "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 20,384, Marblehead is located in the Greater Boston Area, 18 miles northeast of Boston, with a land area of 4.53 square miles. Marblehead is situated in eastern Massachusetts, bordered by Swampscott on the south, Salem on the southwest, and the Atlantic Ocean on the west, north, and east. Commuter rail service to North Station in Boston is convenient from the Salem or Swampscott stations and Marblehead is a member of the Massachusetts Bay Transportation Authority which provides bus service to Swampscott, Lynn and Boston.

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

THE REPORTING ENTITY AND ITS SERVICES

The financial reporting entity (the Town) of the primary government (the Town) includes all funds 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, elder services (Council on Aging), street construction and maintenance, solid waste collection and disposal, library, cemetery, building inspection and general administrative services. The Town also operates electric, water and sewer utilities and harbor and waterfront services as enterprises.

FACTORS AFFECTING ECONOMIC CONDITION

The Town of Marblehead 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 (3.7% vs. 4.9% 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.

Despite a national downturn in the real estate market, the Town has experienced an increased property value base from \$5.2 billion in fiscal year 2006 to \$5.8 billion in fiscal year 2007. A number of factors continue to contribute to both a stable real estate market and tax base. Among these factors are the Town's unique geography, encompassing 14.2 miles of coastline, proximity to the City of Boston, and the limited amount of developable land which enhances the desirability for existing housing stock. In 2004, the Town saw the first sale of a \$4 million residential property recorded. Since that time the Town has recorded a number of residential property sales in excess of \$4 million including sales in 2005 and 2006 in excess of \$5 million. Demonstrating the continued demand for ocean front property and the desirability of the Town, a residential property sale of \$6.7 million was recorded in early 2007.

On the Town's operating side, after experiencing decreases in state aid between fiscal year 2003 and fiscal year 2005, communities have seen modest increases since, a trend that is expected to continue. The Town is in the position of having to rely mainly on property taxes (approximately 75% of the Town's general fund revenue base) to cover the increasing cost of providing services. As the Town is not highly dependent on state aid (approximately 11% of the Town's general fund revenue base), the Town should not be as adversely affected as other communities in the state by fluctuations in state aid.

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 costs related to the enterprises are funded through user fees and each enterprise pays the Town for its share of general government services. Currently each of the enterprises avoids the issuance of new debt for capital improvements. Instead each enterprise funds its capital projects from retained earnings.

FINANCIAL AND MANAGEMENT SYSTEMS

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 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 \$144,000 for this purpose in fiscal 2007 and transfers of \$99,971 were made. State Law also allows for certain transfers between department appropriations during the last 60 days of the fiscal year if approved by both the Finance Committee and the Board of Selectmen. In fiscal year 2007, no transfers under this provision of the law were necessary. All unencumbered and unexpended appropriations lapse at year-end.

In response to rising energy costs, the Town created an Energy Reserve in its fiscal year 2007 operating budget. Departments with Energy costs were allowed to access this reserve after they exhausted their entire departmental budget for various forms of energy (heating, electricity, motor vehicle). The use of the reserve accomplished two important goals. First, it alleviated pressure on departmental budgets that had been historically pitting increased energy costs against other needs. Second, the reserve ensured that the monies appropriated for increased energy costs were not used for other purposes. The Town appropriated \$291,000 into the fiscal 2007 energy reserve. Of this amount \$175,618 was expended.

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.

DEBT ADMINISTRATION

Outstanding general obligation bonds and notes at June 30, 2007 totaled \$26,720,000 of which \$135,000 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. This data for the Town at the end of the 2007 fiscal year is as follows:

	<u>Amount</u>	<u>Ration of Debt to Assessed Value</u>	<u>Debt per Capita</u>
Total General Obligation Debt	\$ 26,720,000	0.46%	\$1,305

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. This rating was affirmed by Standard & Poor when the Town issued Bond Anticipation Notes in August of 2006 and August of 2007.

All of the Town's outstanding debt funded by general revenues was issued as debt exclusions approved by local referendum and therefore the debt service associated with this debt is not subject to the base levy limit imposed by Proposition 2 ½. More detailed information concerning the debt position of the Town can be found in the debt section of the notes to financial statements and the statistical tables on long-term debt.

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, 2007, was in the Massachusetts Municipal Depository Trust (a depository for municipal subdivisions of the Commonwealth under the direction of the State Treasurer). Pension Trust Funds are invested with the State Pension Reserve Investment Trust.

Investment income for the year ended June 30, 2007, is as follows:

General Fund.....	\$ 778,241
Restricted and Enterprise Funds.....	333,173
Pension Trust Funds.....	12,328,794
Non-major Governmental Funds.....	187,377
Internal Service Funds.....	48,316
Private Purpose Trust funds.....	<u>165,293</u>
Total.....	\$ <u><u>13,841,194</u></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 2007 Levy:

<u>Full and Fair Cash Value of Property</u>			<u>Levy Limit</u>
\$5,843,778,008	X	2.50%	\$ 146,094,450

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

Fiscal 2007 Levy Limit:

Fiscal 2006:

Levy Limit	\$ 44,208,009
Less Debt and Capital Exclusions	<u>(4,801,583)</u>
Fiscal Year 2006 Base	39,406,426
Fiscal Year 2007 Maximum Increase	<u>100.00%</u>
Fiscal Year 2007 Levy Limit Base	<u>39,406,426</u>

Fiscal 2007:

New Growth Factor	494,912
Debt and Capital Exclusions	<u>4,467,389</u>
Fiscal 2007 Levy Limit	\$ <u><u>44,368,727</u></u>
Actual Fiscal 2007 Tax Levy	\$ <u><u>45,347,717</u></u>

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.

CAPITAL PLANNING

In addition to ongoing capital planning for the Town, two separate committees worked diligently during fiscal year 2007 on major capital plans for the Town. The first of these was a Causeway Seawall Committee, comprised of representatives from the Selectmen, Finance Committee, Capital Planning Committee, Town Department Heads, as well as the Town Administrator. This committee worked for years planning this project. The project was approved by Town Meeting in May 2007 and by the voters in June 2007. Construction of the new Seawall is scheduled to start in the fall of 2007. The second group was a Facilities Master Plan Committee that included representatives from the School Committee, School Administration, the Finance Committee, Capital Planning Committee, Town Planner, School Teacher, and at-large representatives. This committee worked to identify and prioritize the capital needs for the Town's various elementary schools and worked to prepare statements of interest to be submitted to the Massachusetts School Building Authority.

SIGNIFICANT EVENTS

NEW ACCOUNTING AND PAYROLL SOFTWARE

The Town determined a need to replace and upgrade the software being used to perform all of its accounting and payroll activities. The payroll system being replaced is approximately 30 years old and the accounting software being replaced is 25 years old. After an extensive selection process SoftRight Sumaria was chosen as the company whose accounting and payroll software will be used. Installation of the new software began in the spring of 2007 and is scheduled to be completed by the end of fiscal year 2008.

TOWN WEBSITE EXPANDS FEATURES

The Official Town website (www.marblehead.org) was activated in January, 2006. The website features separate pages for each of the Town's departments with full information concerning doing business with the Town of Marblehead. Residents are able to access various Town forms, pay their property and auto excise taxes on line, and access the latest information concerning various public meetings and Town news. In fiscal year 2007 the website continued to be enhanced with the addition of an email alert feature that allows residents to register their email address on the website and sign-up for various alerts from various Town departments. Also in fiscal year 2007 the website added the ability to access the Town's GIS data.

TOWN RECEIVES FINAL INSTALLMENT OF SCHOOL CONSTRUCTION REIMBURSEMENT

In August, 2006 the Town received the final state reimbursement for the new High School that was completed in 2002 and the conversion of the old high school to the Veterans Middle School. Also in fiscal year 2007, the Massachusetts School Building Authority completed audits required on these two state reimbursable school projects. The state reimbursement received for both these projects was used to retire Bond Anticipation Notes associated with each school project.

MARY ALLEY MUNICIPAL BUILDING HEATING SYSTEM UPGRADED

The town replaced the heating system in the Mary Alley Municipal Building in fiscal year 2007. This replacement included converting the heating system from oil to natural gas. The new system features fuel efficient boilers that should assist the Town in controlling its energy costs in the years to come.

WIRELESS NETWORK INSTALLED TO UPGRADE CONNECTIONS AND PROCESSING FOR REMOTE TOWN OPERATIONS

The Town completed installation of a fixed wireless system to enhance the Town's computer network connections during fiscal year 2007. These wireless connections allow for significant improvements to processing times for Town Departments located at Tower Way, the Transfer Station and the Harbormaster's Office.

EQUIPMENT PURCHASED AND UPGRADED

The Town purchased and took delivery of several new pieces of heavy equipment in fiscal year 2007. In addition the Town invested in several necessary upgrades to existing equipment. This included by department:

Park & Recreation, Tree Departments:	Aerator and Over Seeder Van Box Truck Trimmer/Mower with Collection Unit Tractor Repair
Highway Department:	Dump Truck
Police Department:	Utility Vehicle Cruiser
Fire Department:	Utility Vehicle
Cemetery Department:	Truck Four Wheel Tractor
School Department:	School Bus
Waste Department:	Upgrades to Compactor 3 Roll-Off Containers New Loader Tires

EMPLOYEE / RETIREE HEALTH COVERAGE CHANGES

The Town continues to face the challenge of rising health care costs. These increased costs saw employee and retiree health coverage costs rise from 8.5% of the Town's general fund budget in fiscal year 2003 to 16% of that budget in fiscal year 2008. Town management and employees reached an agreement in fiscal year 2006 that provides incentives for higher participation in the managed care plan offered by the Town. This change combined with pro-active wellness programs were initiated during fiscal year 2007. The goal is for these steps to lead to cost avoidance going forward. Other initiatives to assist in controlling the growth of health care costs continue to be explored.

RESULTS OF JUNE 25TH OVERRIDE BALLOT

The annual Town Meeting held in May 2007 approved three one-time override questions that were placed on a referendum ballot on June 25, 2007. All three of these questions were approved by the voters. Of the three questions, two involved debt exclusions. The first was \$8.7 million for the construction of a new Causeway Seawall (1565 in favor, 1061 opposed). The second was \$1,010,000 for Engineering and Design work associated with the Town's Transfer Station (1747 in favor, 864 opposed). The third override question was a one-time capital exclusion for \$281,000 to fund renovations to the Abbot Public Library (1564 in favor, 1055 opposed).

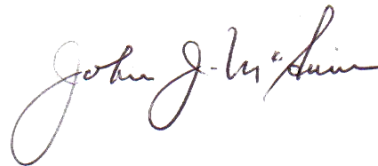
AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Marblehead for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2006. This was the third consecutive year that the Town submitted a CAFR to the GFOA. The Town was awarded this Certificate all three years. 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 Town's Finance Department who assisted and contributed to its preparation. I would also like to thank the Board of Selectmen and Town Administrator, Anthony M. Sasso for their strong interest and support in planning and conducting the financial operations of the Town in a responsible and progressive manner.

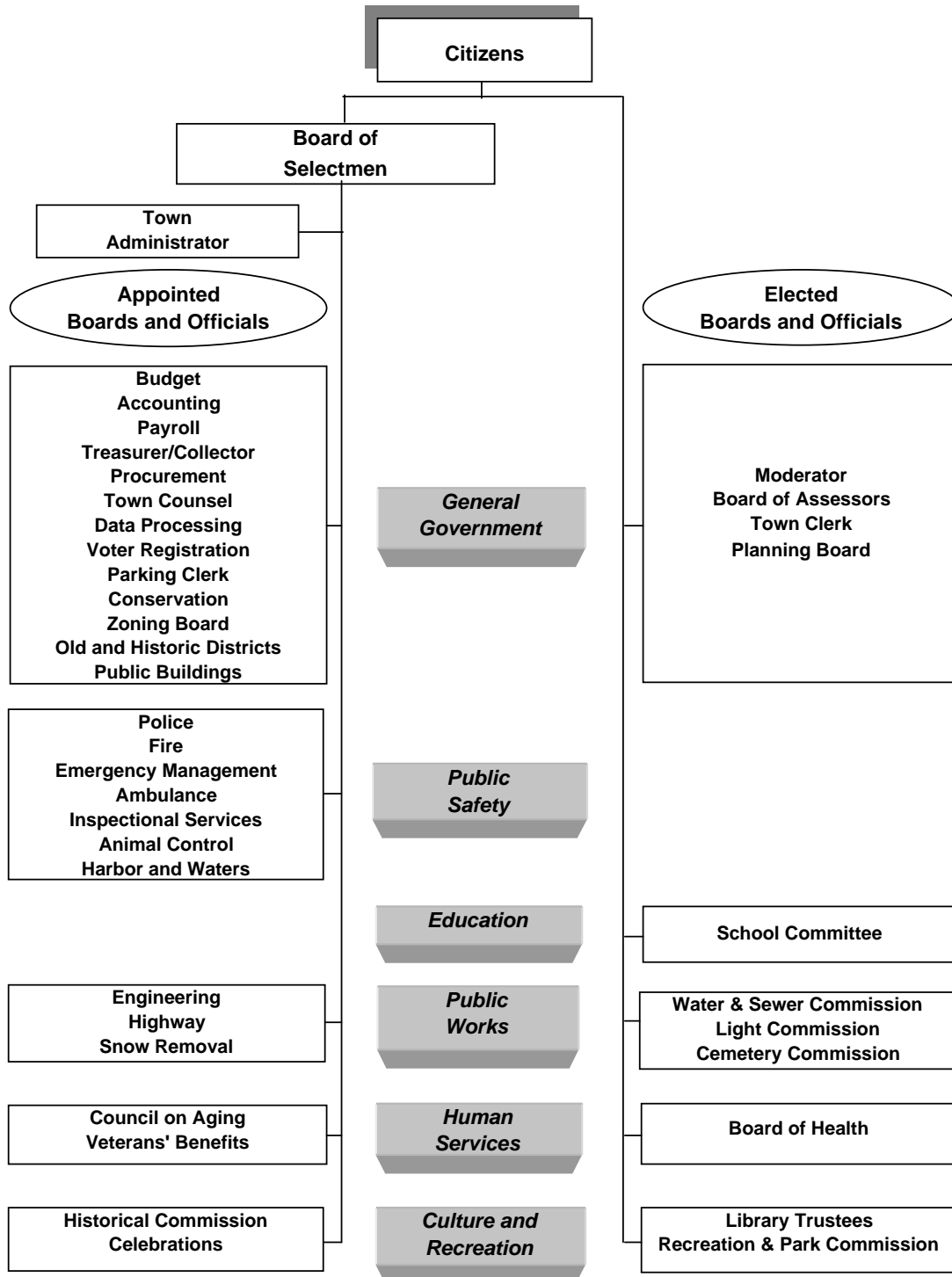
Respectfully submitted,

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

Title	Name	Manner of Selection	Term Expires
Selectmen (Chairman)	Harry C. Christensen, Jr.	Elected	2008
Selectmen	Jackie Belf-Becker	Elected	2008
Selectmen	Judith R. Jacobi	Elected	2008
Selectmen	James E. Nye	Elected	2008
Selectmen	William L. Woodfin II	Elected	2008
Town Administrator	Anthony M. Sasso	Appointed	2010
Finance Director/Town Accountant	John J. McGinn	Appointed	2010
Treasurer/Collector	Patricia K. Murray	Appointed	2008
Town Clerk	Robin A. Michaud	Elected	2010

Principal Executive Officers

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, 2006**

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.



President

Executive Director

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Financial Section



Photo by Rob Kipp

Abbot Hall Spire

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, 2007 (except for the Marblehead Contributory Retirement System and the Marblehead Municipal Light Department which are as of and for the year ended December 31, 2006), 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 44% of the total assets and approximately 66% of the total revenues of the business-type activities, for the fiscal year ended December 31, 2006. 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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, 2007 (except for the Marblehead Contributory Retirement System and the Marblehead Municipal Light Department which are as of and for the year ended December 31, 2006), 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 December 11, 2007 on our consideration of the Town of Marblehead, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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 section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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 "Bowers + Sullivan".

December 11, 2007

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, 2007. 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 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, landfill closure, human services, culture and recreation, and interest. The business-type activities include the activities of the sewer, water, harbor and municipal light departments.

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

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the 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 schedule has been provided as required supplementary information for the general fund to demonstrate compliance with this budget.

Proprietary funds. The Town maintains two types of 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 light department activities.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town uses internal service funds to account for Town appropriations 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 \$523 thousand during fiscal year 2007, this increase indicates a slight incline in the overall financial position of the Town.

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 \$76.6 million, at the close of fiscal year 2007.

	Governmental Activities	
	2007	2006
Assets:		
Current assets.....	\$ 24,412,685	\$ 38,237,234
Capital assets, net of accumulated depreciation....	88,470,505	89,531,365
Capital assets, not being depreciated.....	4,969,826	4,968,468
Total assets.....	117,853,016	132,737,067
Liabilities:		
Current liabilities (excluding debt).....	5,608,709	5,538,576
Noncurrent liabilities (excluding debt).....	6,639,754	1,746,576
Current debt.....	4,121,500	22,436,000
Noncurrent debt.....	24,840,000	25,585,000
Total liabilities.....	41,209,963	55,306,152
Net Assets:		
Invested in capital assets, net of related debt.....	64,248,109	61,014,943
Restricted.....	9,369,209	8,514,978
Unrestricted.....	3,025,735	7,900,994
Total net assets.....	\$ 76,643,053	\$ 77,430,915
Program revenues:		
Charges for services.....	\$ 3,909,829	\$ 4,018,055
Operating grants and contributions.....	13,072,665	13,534,764
Capital grants and contributions.....	933,198	-
General revenues:		
Real estate and personal property taxes.....	44,897,758	44,052,622
Motor vehicle and other excise taxes.....	2,908,531	3,033,965
Nonrestricted grants.....	1,908,659	1,254,124
Unrestricted investment income.....	1,299,063	811,058
Other revenues.....	174,210	195,574
Total revenues.....	69,103,913	66,900,162
Expenses:		
General government.....	3,524,468	3,270,652
Public safety.....	9,019,171	7,980,128
Education.....	42,814,037	41,023,533
Public works.....	5,173,056	4,879,129
Landfill closure.....	4,900,000	-
Human services.....	1,115,550	1,084,279
Culture and recreation.....	2,563,548	2,438,794
Interest.....	1,326,580	2,214,597
Total expenses.....	70,436,410	62,891,112
Excess (Deficiency) before transfers.....	(1,332,497)	4,009,050
Transfers.....	544,635	656,398
Change in net assets.....	\$ (787,862)	\$ 4,665,448

Governmental net assets of \$64.2 million (84%) 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 \$9.4 million (12%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$3 million (4%) may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental net assets decreased by approximately \$788 thousand during fiscal year 2007. This was primarily caused by the recognition of an estimated landfill liability of \$4.9 million for capping the Town's landfill, positive results in governmental funds and approximately \$700 thousand of capital grants received from the Massachusetts Highway Department.

The decrease in the Town's current assets reflects the Town's \$18 million receipt of the final payment from the Massachusetts School Building Authority for the construction of a new school which was used to retire bonds.

The governmental expenses totaled \$70.4 million of which \$17.9 million (24%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$51.2 million, primarily coming from property taxes, motor vehicle and other excise, and non-restricted state aid.

Business-type Activities

For the Town's business-type activities, assets exceeded liabilities by \$43.8 million at the close of FY2007.

	Business-type Activities	
	2007	2006
Assets:		
Current assets.....	\$ 14,705,178	\$ 13,579,225
Capital assets, net of accumulated depreciation.....	29,726,185	28,529,942
Capital assets, not being depreciated.....	2,237,246	2,237,246
Total assets.....	46,668,609	44,346,413
Liabilities:		
Current liabilities (excluding debt).....	2,602,569	1,562,419
Noncurrent liabilities (excluding debt).....	137,204	121,386
Current debt.....	45,000	45,000
Noncurrent debt.....	90,000	135,000
Total liabilities.....	2,874,773	1,863,805
Net Assets:		
Invested in capital assets, net of related debt.....	31,828,431	31,576,803
Unrestricted.....	11,965,405	10,905,805
Total net assets.....	\$ 43,793,836	\$ 42,482,608

Business-type net assets of \$31.9 million (73%) represent investments in capital assets net of related debt. The remaining \$12.0 million (27%) is available to be used for the ongoing operation of the Town's Water, Sewer, Harbor and Municipal Light activities. There was an increase of \$1.3 million in total net assets reported in the business-type activities.

The Sewer Enterprise Fund's net assets totaled \$10.7 million at year end; an increase of \$43,500 from the prior year. This balance is approximately 3.3 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 (66%) relate to the annual assessment paid to the South Essex Sewerage District.

The Water Enterprise Fund's net assets totaled \$10.5 million at year end; an increase of \$262,000 from the prior year. This balance is approximately 3.6 times the annual operating expenses and has remained consistent over the past several years. Revenues in this fund consist primarily of charges for water service and approximately 57% of the operating expenses consist of assessments paid to the Massachusetts Water Resource Authority.

The Harbor Enterprise Fund's net assets increased by \$132,000 and totaled \$4 million at year end. The balance in the Harbor Enterprise Fund has remained consistent over the past several years. Revenues in this fund consist of a combination of charges for services and boat excise taxes assessed.

The Municipal Light Enterprise Fund's net assets totaled \$18.6 million at year end, an increase of \$874,000. The increase was primarily due to increased revenues, infrastructure improvements and the creation of a rate stabilization fund. The majority of the revenue in this fund consists of charges for services and (92%) of the expenditures relate to operational costs.

	Business-type Activities	
	2007	2006
Program revenues:		
Charges for services - Water.....	\$ 3,097,859	\$ 3,084,796
Charges for services - Sewer.....	3,566,868	3,254,460
Charges for services - Electric.....	13,837,216	13,845,358
Charges for services - Harbor.....	619,480	608,305
Operating grants.....	24,067	3,473
General revenues:		
Boat excise.....	142,145	134,780
Unrestricted investment income.....	333,173	238,535
Total revenues.....	21,620,808	21,169,707
Expenses:		
Water.....	2,900,743	2,575,458
Sewer.....	3,516,775	3,274,040
Electric.....	12,768,585	13,344,444
Harbor.....	578,842	620,604
Total expenses.....	19,764,945	19,814,546
Excess (Deficiency) before transfers.....	1,855,863	1,355,161
Transfers.....	(544,635)	(656,398)
Change in net assets.....	\$ 1,311,228	\$ 698,763

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 \$14.9 million, an increase of \$3.7 million from the prior year.

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$5.4 million, while total fund balance was \$5.8 million. Of the unreserved fund balance, \$2.4 million has been allocated to balance the fiscal year 2008 budget. 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 8.8% of total general fund expenditures, while total fund balance represents 9.4% of that same amount.

The fund balance of the general fund increased by \$547 thousand. This increase is primarily due to conservative budgeted revenues, favorable interest rates and reasonable spending. The Town budgeted to use approximately \$2 million in available funds to fund the current year's budget and the budgetary results of operations were favorable by \$2.6 million resulting in a net increase.

The School Construction Grant Fund is used to account for financial resources received from the Massachusetts School Building Authority (MSBA) that is dedicated to pay down school construction debt. In fiscal year 2007, the Town received state reimbursements from the MSBA which totaled \$18,013,107. These funds were used to retire Bond Anticipation Notes associated with the new High School project and the Middle School conversion project, which came due in August 2006. The Town has now received the entire state reimbursement for these projects.

The Land Acquisition Fund is used to account for the Town's acquisition of Robinson Farm. The 3.5 acre site is the newest addition to Marblehead's conservation land. The Town has temporarily borrowed approximately \$2 million to finance the 2005 purchase of the property. The Town retired \$898,500 of this BAN when it came due in August, 2007. The remaining \$1.1 million was rolled into a new BAN which will mature in August, 2008. The fund had no activity during fiscal year 2007.

The Public Funds Major Fund is used to account for contributions and earnings to support the government, where the principal portion is non-expendable. This fund had a net increase of \$257 thousand during fiscal year 2007. Revenues consisted of investment income as well as contributions, and expenditures, totaling approximately \$300 thousand, were for general government, public works, human services, and culture and recreational purposes. The largest portion of this fund, \$3.3 million, is permanently reserved for investment purposes.

The nonmajor governmental fund, which is comprised of special revenue, and capital project funds, showed a fund balance increase of \$2.9 million. This increase is mostly due to \$5.3 million in intergovernmental revenues which includes federal and state grants as well as \$1.7 million representing the excess reimbursement received from MSBA that the Town is amortizing for budget purposes over the life of the school construction loan since it is included in excluded debt.

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 resulted in an overall decrease of \$334 thousand. This decrease is primarily due to the May 2007 Annual Town Meeting vote in which the Town voted to use \$351 thousand of available funds in the group insurance line item to increase the fiscal year 2008 budget for group insurance.

Actual revenues came in approximately \$1.8 million over budget primarily due to conservative budget estimates and favorable interest rates. Expenditures came in approximately \$670 thousand under budget. Most notably, the general government reserve; public safety, public works, and culture and recreation salary line items were less than budgeted. Also, the energy reserve, property and liability insurance, fringe benefits and state and county charges were less than expected.

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 building improvements of \$303 thousand on various Town buildings; the purchase of several new pieces of heavy equipment for various Town departments in the amount of \$574 thousand and upgrades to infrastructure of \$831 thousand.

Capital additions of the Business-type activities consisted of upgrades to infrastructure and purchases of new equipment in the Sewer and Water activities of \$635 thousand and \$651 thousand, respectively; purchase of equipment in the Harbor activities of approximately \$53 thousand; and Municipal Light upgrades to plant and equipment of approximately \$1.6 million.

Debt administration. Outstanding long-term debt of the general government, as of June 30, 2007, totaled \$26.6 million, of which \$24.6 million is related to school projects and \$2 million is for drain projects. BANs classified as long-term debt decreased by \$16.0 million during fiscal year 2007 primarily due to the pay down of school construction debt with grant proceeds. The enterprise funds have only \$135 thousand in outstanding debt which is all related to the harbor enterprise fund.

Please refer to the notes 5, 7, 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, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 21,191,824	\$ 8,442,407	\$ 29,634,231
Investments.....	989,226	-	989,226
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	422,623	-	422,623
Real estate tax deferrals.....	431,510	-	431,510
Tax liens.....	70,909	-	70,909
Motor vehicle and other excise taxes.....	356,750	20,492	377,242
User fees.....	-	2,731,650	2,731,650
Departmental and other.....	630,686	-	630,686
Special assessments.....	-	1,277	1,277
Intergovernmental.....	1,477,827	-	1,477,827
Tax foreclosures.....	7,081	-	7,081
Internal balances.....	(2,982,806)	1,351,342	(1,631,464)
Inventory.....	-	79,505	79,505
Investment in joint venture.....	-	784,938	784,938
Working capital deposit.....	1,817,055	-	1,817,055
Other assets.....	-	1,293,567	1,293,567
Total current assets.....	24,412,685	14,705,178	39,117,863
NONCURRENT:			
Capital assets, net of accumulated depreciation.....	88,470,505	29,726,185	118,196,690
Capital assets, not being depreciated.....	4,969,826	2,237,246	7,207,072
Total noncurrent assets.....	93,440,331	31,963,431	125,403,762
TOTAL ASSETS.....	117,853,016	46,668,609	164,521,625
LIABILITIES			
CURRENT:			
Warrants payable.....	2,457,089	1,656,538	4,113,627
Accrued liabilities.....	1,006,338	-	1,006,338
Tax refunds payable.....	150,628	-	150,628
Accrued interest.....	504,463	369	504,832
Payroll withholdings.....	391,477	-	391,477
Due to Agency Fund.....	68,358	-	68,358
Other liabilities.....	73,160	804,722	877,882
Customer deposits payable.....	48,035	35,733	83,768
Capital lease obligations.....	23,558	-	23,558
Compensated absences.....	772,997	105,207	878,204
Workers' compensation.....	55,218	-	55,218
Unamortized premium on bonds and notes payable..	57,388	-	57,388
Bonds and notes payable.....	4,121,500	45,000	4,166,500
Total current liabilities.....	9,730,209	2,647,569	12,377,778
NONCURRENT:			
Landfill closure.....	4,900,000	-	4,900,000
Compensated absences.....	293,480	137,204	430,684
Workers' compensation.....	470,676	-	470,676
Unamortized premium on bonds and notes payable..	975,598	-	975,598
Bonds and notes payable.....	24,840,000	90,000	24,930,000
Total noncurrent liabilities.....	31,479,754	227,204	31,706,958
TOTAL LIABILITIES.....	41,209,963	2,874,773	44,084,736
NET ASSETS			
Invested in capital assets, net of related debt.....	64,248,109	31,828,431	96,076,540
Restricted for:			
Permanent funds:			
Expendable.....	1,454,201	-	1,454,201
Nonexpendable.....	3,265,196	-	3,265,196
Other purposes:			
Gifts and grants.....	4,649,812	-	4,649,812
Unrestricted.....	3,025,735	11,965,405	14,991,140
TOTAL NET ASSETS.....	\$ 76,643,053	\$ 43,793,836	\$ 120,436,889

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2007

		Program Revenues				
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue	
Primary Government:						
<i>Governmental Activities:</i>						
General government.....	\$ 3,524,468	\$ 385,609	\$ 401,571	\$ -	\$ (2,737,288)	
Public safety.....	9,019,171	959,016	167,758	-	(7,892,397)	
Education.....	42,814,037	1,192,449	11,843,598	-	(29,777,990)	
Public works.....	5,173,056	764,571	241,243	704,311	(3,462,931)	
Landfill closure.....	4,900,000	-	-	-	(4,900,000)	
Human services.....	1,115,550	239,665	215,765	-	(660,120)	
Culture and recreation.....	2,563,548	368,519	202,730	228,887	(1,763,412)	
Interest.....	1,326,580	-	-	-	(1,326,580)	
Total Governmental Activities.....	70,436,410	3,909,829	13,072,665	933,198	(52,520,718)	
<i>Business-Type Activities:</i>						
Water.....	2,900,743	3,097,859	-	-	197,116	
Sewer.....	3,516,775	3,566,868	4,999	-	55,092	
Electric Light.....	12,768,585	13,837,216	-	-	1,068,631	
Harbor.....	578,842	619,480	19,068	-	59,706	
Total Business-Type Activities.....	19,764,945	21,121,423	24,067	-	1,380,545	
Total Primary Government.....	\$ 90,201,355	\$ 25,031,252	\$ 13,096,732	\$ 933,198	\$ (51,140,173)	

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2007

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net assets:			
Net (expense) revenue from previous page.....	\$ (52,520,718)	\$ 1,380,545	\$ (51,140,173)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	44,897,758	-	44,897,758
Motor vehicle and other excise taxes.....	2,908,531	-	2,908,531
Boat excise.....	-	142,145	142,145
Penalties and interest on taxes.....	174,210	-	174,210
Grants and contributions not restricted to specific programs.....	1,908,659	-	1,908,659
Unrestricted investment income.....	1,299,063	333,173	1,632,236
<i>Transfers, net</i>	544,635	(544,635)	-
Total general revenues and transfers.....	51,732,856	(69,317)	51,663,539
Change in net assets.....	(787,862)	1,311,228	523,366
<i>Net Assets:</i>			
Beginning of year.....	77,430,915	42,482,608	119,913,523
End of year.....	\$ <u>76,643,053</u>	\$ <u>43,793,836</u>	\$ <u>120,436,889</u>

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2007

	General	School Construction Grant	Land Acquisition	Public Funds	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents.....	\$ 9,675,752	\$ -	\$ 24,680	\$ 3,761,678	\$ 6,897,789	\$ 20,359,899
Investments.....	-	-	-	989,226	-	989,226
Receivables, net of uncollectibles:						
Property taxes.....	422,623	-	-	-	-	422,623
Real estate tax deferrals.....	431,510	-	-	-	-	431,510
Tax liens.....	70,909	-	-	-	-	70,909
Motor vehicle and other excise taxes.....	356,750	-	-	-	-	356,750
Departmental and other.....	26,359	-	-	2	44,130	70,491
Intergovernmental.....	11,908	-	-	-	1,465,919	1,477,827
Working capital deposit.....	-	-	-	-	15,000	15,000
Tax foreclosures.....	7,081	-	-	-	-	7,081
TOTAL ASSETS.....	\$ 11,002,892	\$ -	\$ 24,680	\$ 4,750,906	\$ 8,422,838	\$ 24,201,316
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Warrants payable.....	\$ 682,891	\$ -	\$ -	\$ 31,509	\$ 677,534	\$ 1,391,934
Accrued payroll and amounts withheld.....	391,477	-	-	-	-	391,477
Accrued interest on short-term debt.....	75,897	-	-	-	-	75,897
Due to agency funds.....	68,358	-	-	-	-	68,358
Due to Municipal Light Fund.....	2,982,806	-	-	-	-	2,982,806
Liabilities due depositors.....	48,035	-	-	-	-	48,035
Other liabilities.....	73,160	-	-	-	-	73,160
Deferred revenues.....	747,585	-	-	-	1,011,857	1,759,442
Tax refunds payable.....	150,628	-	-	-	-	150,628
Notes payable.....	-	-	2,025,000	-	351,500	2,376,500
TOTAL LIABILITIES.....	5,220,837	-	2,025,000	31,509	2,040,891	9,318,237
FUND BALANCES:						
Reserved for:						
Encumbrances and continuing appropriations.....	347,480	-	-	-	-	347,480
Perpetual permanent funds.....	-	-	-	3,265,196	-	3,265,196
Unreserved:						
Designated for subsequent year's expenditures...	2,440,184	-	-	-	-	2,440,184
Undesignated, reported in:						
General fund.....	2,994,391	-	-	-	-	2,994,391
Special revenue funds.....	-	-	-	-	6,612,669	6,612,669
Capital projects funds.....	-	-	(2,000,320)	-	(230,722)	(2,231,042)
Permanent funds.....	-	-	-	1,454,201	-	1,454,201
TOTAL FUND BALANCES.....	5,782,055	-	(2,000,320)	4,719,397	6,381,947	14,883,079
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 11,002,892	\$ -	\$ 24,680	\$ 4,750,906	\$ 8,422,838	\$ 24,201,316

See notes to basic financial statements.

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

JUNE 30, 2007

Total governmental fund balances.....	\$ 14,883,079
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	93,440,331
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....	1,759,442
Internal service funds are used by management to account for health insurance and workers' compensation activities.	
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.....	596,788
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....	(428,566)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Landfill closure.....	(4,900,000)
Bonds and notes payable.....	(26,585,000)
Capital lease payable.....	(23,558)
Unamortized premium on bonds and notes payable.....	(1,032,986)
Compensated absences.....	<u>(1,066,477)</u>
Net effect of reporting long-term liabilities.....	<u>(33,608,021)</u>
Net assets of governmental activities.....	<u>\$ 76,643,053</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2007

	General	School Construction Grant	Land Acquisition	Public Funds	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:						
Real estate and personal property taxes.....	\$ 44,942,601	\$ -	\$ -	\$ -	\$ -	\$ 44,942,601
Motor vehicle and other excise taxes.....	2,921,041	-	-	-	-	2,921,041
Penalties and interest on taxes.....	174,210	-	-	-	-	174,210
Charges for services.....	735,696	-	-	-	1,688,170	2,423,866
Licenses and permits.....	692,993	-	-	-	-	692,993
Fines and forfeitures.....	162,180	-	-	-	300	162,480
Intergovernmental.....	11,306,188	15,984,637	-	-	5,323,100	32,613,925
Departmental and other.....	-	-	-	-	399,086	399,086
Contributions.....	-	-	-	217,918	596,899	814,817
Investment income.....	778,241	-	-	285,104	187,377	1,250,722
Miscellaneous.....	28,320	-	-	-	227,100	255,420
TOTAL REVENUES.....	61,741,470	15,984,637	-	503,022	8,422,032	86,651,161
EXPENDITURES:						
Current:						
General government.....	2,104,924	-	-	165,017	101,794	2,371,735
Public safety.....	6,099,946	-	-	-	311,306	6,411,252
Education.....	24,437,254	-	-	-	3,901,712	28,338,966
Public works.....	3,869,211	-	-	9,155	1,123,847	5,002,213
Human services.....	410,019	-	-	10,330	390,846	811,195
Culture and recreation.....	1,657,361	-	-	18,608	397,055	2,073,024
Pension benefits.....	7,101,736	-	-	-	-	7,101,736
Property and liability insurance.....	345,231	-	-	-	-	345,231
Employee benefits.....	9,125,175	-	-	-	-	9,125,175
State and county charges.....	2,156,712	-	-	-	-	2,156,712
Debt service:						
Principal.....	1,825,000	15,984,637	-	-	-	17,809,637
Interest.....	1,984,064	-	-	-	-	1,984,064
TOTAL EXPENDITURES.....	61,116,633	15,984,637	-	203,110	6,226,560	83,530,940
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	624,837	-	-	299,912	2,195,472	3,120,221
OTHER FINANCING SOURCES (USES):						
Premium from issuance of debt.....	-	-	-	-	13,295	13,295
Transfers in.....	960,629	-	-	-	1,042,263	2,002,892
Transfers out.....	(1,038,628)	-	-	(42,435)	(377,194)	(1,458,257)
TOTAL OTHER FINANCING SOURCES (USES).....	(77,999)	-	-	(42,435)	678,364	557,930
NET CHANGE IN FUND BALANCES.....	546,838	-	-	257,477	2,873,836	3,678,151
FUND BALANCES AT BEGINNING OF YEAR.....	5,235,217	-	(2,000,320)	4,461,920	3,508,111	11,204,928
FUND BALANCES AT END OF YEAR.....	\$ 5,782,055	\$ -	\$ (2,000,320)	\$ 4,719,397	\$ 6,381,947	\$ 14,883,079

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, 2007

Net change in fund balances - total governmental funds.....		\$ 3,678,151
<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.....	2,161,981	
Depreciation expense.....	<u>(3,221,483)</u>	
Net effect of reporting capital assets.....		(1,059,502)
<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>		
		(17,824,451)
<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.....	(13,295)	
Debt service principal payments.....	<u>17,809,637</u>	
Net effect of reporting long-term debt.....		17,796,342
<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.....	47,705	
Net change in landfill liability accrual.....	(4,900,000)	
Amortization of bond premiums.....	250,486	
Net change in capital leases.....	23,317	
Net change in accrued interest on long-term debt.....	<u>406,997</u>	
Net effect of recording long-term liabilities and amortizing deferred losses.....		(4,171,495)
<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>793,093</u>
Change in net assets of governmental activities.....		<u>\$ (787,862)</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2007

	Business-type Activities - Enterprise Funds					
	Sewer	Water	Harbor	Municipal Light (as of December 31, 2006)	Total	Governmental Activities - Internal Service Funds
ASSETS						
CURRENT:						
Cash and cash equivalents.....	\$ 1,634,758	\$ 2,083,956	\$ 587,698	\$ 4,135,995	\$ 8,442,407	\$ 831,925
Receivables, net of allowance for uncollectibles:						
Boat Excise.....	-	-	20,492	-	20,492	-
User fees.....	761,741	577,287	7,936	1,384,686	2,731,650	-
Departmental and other.....	-	-	-	-	-	560,195
Special assessments.....	1,277	-	-	-	1,277	-
Due from other funds.....	-	-	-	1,351,342	1,351,342	189,277
Inventory.....	-	-	-	79,505	79,505	-
Investment in joint venture.....	784,938	-	-	-	784,938	-
Working capital deposit.....	-	-	-	-	-	1,802,055
Other assets.....	-	-	-	1,293,567	1,293,567	-
Total current assets.....	3,182,714	2,661,243	616,126	8,245,095	14,705,178	3,383,452
NONCURRENT:						
Capital assets, net of accumulated depreciation.....	7,594,678	8,000,373	1,717,331	12,413,803	29,726,185	-
Capital assets, not being depreciated.....	115,466	49,427	2,020,257	52,096	2,237,246	-
Total noncurrent assets.....	7,710,144	8,049,800	3,737,588	12,465,899	31,963,431	-
TOTAL ASSETS.....	10,892,858	10,711,043	4,353,714	20,710,994	46,668,609	3,383,452
LIABILITIES						
CURRENT:						
Warrants payable.....	81,440	168,804	36,712	1,369,582	1,656,538	1,065,155
Accrued liabilities.....	-	-	-	-	-	1,006,338
Accrued interest.....	-	-	369	-	369	-
Compensated absences.....	47,031	42,656	15,520	-	105,207	-
Other liabilities.....	9,000	5,170	190,552	600,000	804,722	-
Customer deposits payable.....	-	-	-	35,733	35,733	-
Workers' compensation.....	-	-	-	-	-	55,218
Due to other funds.....	-	-	-	-	-	189,277
Bonds and notes payable.....	-	-	45,000	-	45,000	-
Total current liabilities.....	137,471	216,630	288,153	2,005,315	2,647,569	2,315,988
NONCURRENT:						
Compensated absences.....	19,054	26,325	3,630	88,195	137,204	-
Workers' compensation.....	-	-	-	-	-	470,676
Bonds and notes payable.....	-	-	90,000	-	90,000	-
Total noncurrent liabilities.....	19,054	26,325	93,630	88,195	227,204	470,676
TOTAL LIABILITIES.....	156,525	242,955	381,783	2,093,510	2,874,773	2,786,664
NET ASSETS						
Invested in capital assets, net of related debt.....	7,710,144	8,049,800	3,602,588	12,465,899	31,828,431	-
Unrestricted.....	3,026,189	2,418,288	369,343	6,151,585	11,965,405	596,788
TOTAL NET ASSETS.....	\$ 10,736,333	\$ 10,468,088	\$ 3,971,931	\$ 18,617,484	\$ 43,793,836	\$ 596,788

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2007

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Sewer	Water	Harbor	Municipal Light (as of December 31, 2006)	Total	
OPERATING REVENUES:						
Charges for services.....	\$ 3,541,119	\$ 3,086,335	\$ 619,276	\$ 13,837,216	\$ 21,083,946	\$ 12,031,897
Licenses and permits.....	9,000	-	-	-	9,000	-
Miscellaneous.....	16,749	11,524	204	-	28,477	777,962
TOTAL OPERATING REVENUES.....	3,566,868	3,097,859	619,480	13,837,216	21,121,423	12,809,859
OPERATING EXPENSES:						
Cost of services and administration.....	391,080	403,753	213,067	11,077,415	12,085,315	-
Cost of interfund services provided.....	-	-	-	-	-	12,065,082
Personal services.....	502,334	537,982	268,643	664,092	1,973,051	-
Operating assessments.....	2,342,782	1,631,484	-	-	3,974,266	-
Depreciation.....	280,579	327,524	88,267	1,027,078	1,723,448	-
TOTAL OPERATING EXPENSES.....	3,516,775	2,900,743	569,977	12,768,585	19,756,080	12,065,082
OPERATING INCOME (LOSS).....	50,093	197,116	49,503	1,068,631	1,365,343	744,777
NONOPERATING REVENUES (EXPENSES):						
Boat excise.....	-	-	142,145	-	142,145	-
Investment income.....	58,047	113,836	25,844	135,446	333,173	48,316
Interest expense.....	-	-	(8,865)	-	(8,865)	-
Intergovernmental assessments.....	4,999	-	19,068	-	24,067	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	63,046	113,836	178,192	135,446	490,520	48,316
INCOME (LOSS) BEFORE TRANSFERS.....	113,139	310,952	227,695	1,204,077	1,855,863	793,093
TRANSFERS:						
Transfers out.....	(69,675)	(48,953)	(96,007)	(330,000)	(544,635)	-
CHANGE IN NET ASSETS.....	43,464	261,999	131,688	874,077	1,311,228	793,093
NET ASSETS AT BEGINNING OF YEAR.....	10,692,869	10,206,089	3,840,243	17,743,407	42,482,608	(196,305)
NET ASSETS AT END OF YEAR.....	\$ 10,736,333	\$ 10,468,088	\$ 3,971,931	\$ 18,617,484	\$ 43,793,836	\$ 596,788

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2007

	Business-type Activities - Enterprise Funds					
	Sewer	Water	Harbor	Municipal Light (as of December 31, 2006)	Total	Governmental Activities - Internal Service Funds
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>						
Receipts from customers and users.....	\$ 3,592,425	\$ 3,108,164	\$ 606,038	\$ 13,912,802	\$ 21,219,429	\$ -
Receipts from interfund services provided.....	-	-	-	-	-	12,188,859
Payments to vendors.....	(2,529,185)	(2,035,882)	(215,566)	(10,692,468)	(15,473,101)	(11,706,565)
Payments to employees.....	(484,396)	(517,544)	(266,757)	(659,326)	(1,928,023)	-
NET CASH FROM OPERATING ACTIVITIES.....	578,844	554,738	123,715	2,561,008	3,818,305	482,294
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>						
Transfers out.....	(69,675)	(48,953)	(96,007)	(330,000)	(544,635)	-
Advances from other funds.....	-	-	-	-	-	(102,292)
Advances to other funds.....	-	-	-	156,800	156,800	102,292
Boat excise.....	-	-	142,145	-	142,145	-
Intergovernmental assessments.....	4,999	-	19,068	-	24,067	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	(64,676)	(48,953)	65,206	(173,200)	(221,623)	-
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>						
Acquisition and construction of capital assets.....	(581,371)	(515,447)	(109,784)	(1,308,019)	(2,514,621)	-
Principal payments on bonds and notes.....	-	-	(45,000)	-	(45,000)	-
Interest expense.....	-	-	(8,865)	-	(8,865)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(581,371)	(515,447)	(163,649)	(1,308,019)	(2,568,486)	-
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>						
Investment income.....	58,047	113,836	25,844	135,446	333,173	48,316
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(9,156)	104,174	51,116	1,215,235	1,361,369	530,610
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR...	1,643,914	1,979,782	536,582	2,920,760	7,081,038	301,315
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 1,634,758	\$ 2,083,956	\$ 587,698	\$ 4,135,995	\$ 8,442,407	\$ 831,925
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>						
Operating income (loss).....	\$ 50,093	\$ 197,116	\$ 49,503	\$ 1,068,631	\$ 1,365,343	\$ 744,777
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation.....	280,579	327,524	88,267	1,027,078	1,723,448	-
Changes in assets and liabilities:						
Boat Excise.....	-	-	(8,165)	-	(8,165)	-
User fees.....	25,557	10,305	(5,277)	66,572	97,157	-
Departmental and other.....	-	-	-	-	-	(507,433)
Inventory.....	-	-	-	(3,815)	(3,815)	-
Investment in joint venture.....	204,677	-	-	-	204,677	-
Working capital deposit.....	-	-	-	-	-	(113,567)
Other assets.....	-	-	-	(211,238)	(211,238)	-
Warrants payable.....	-	-	-	-	-	172,782
Accrued liabilities.....	-	-	-	-	-	140,670
Accrued interest.....	-	-	(1,456)	-	(1,456)	-
Liabilities due depositors.....	-	-	-	9,014	9,014	-
Other liabilities.....	-	(645)	(1,043)	600,000	598,312	-
Accrued compensated absences.....	17,938	20,438	1,886	4,766	45,028	-
Workers' compensation.....	-	-	-	-	-	45,065
Total adjustments.....	528,751	357,622	74,212	1,492,377	2,452,962	(262,483)
NET CASH FROM OPERATING ACTIVITIES.....	\$ 578,844	\$ 554,738	\$ 123,715	\$ 2,561,008	\$ 3,818,305	\$ 482,294

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2007

	Pension Trust Fund (as of December 31, 2006)	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents.....	\$ 3,361	\$ 3,296,343	\$ 63,616
Investments - external investment pool.....	83,841,200	-	-
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	-	175	-
Intergovernmental.....	1,138,207	-	-
Due from other funds.....	-	-	68,358
Capital assets, net of accumulated depreciation.....	-	19,076	-
Capital assets, not being depreciated.....	-	2,045	-
TOTAL ASSETS.....	84,982,768	3,317,639	131,974
LIABILITIES			
Warrants payable.....	1,546	13,154	-
Liabilities due depositors.....	-	-	131,974
Other Liabilities.....	-	175	-
TOTAL LIABILITIES.....	1,546	13,329	131,974
NET ASSETS			
Held in trust for pension benefits and other purposes.....	\$ 84,981,222	\$ 3,304,310	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2007

	Pension Trust Fund (as of December 31, 2006)	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer.....	\$ 2,329,027	\$ -
Plan members.....	1,280,876	-
Private donations.....	-	130,248
	<u>3,609,903</u>	<u>130,248</u>
Total contributions.....	3,609,903	130,248
Net investment income (loss):		
Net change in fair value of investments.....	5,371,695	-
PRIT investment income.....	6,957,099	165,293
	<u>12,328,794</u>	<u>165,293</u>
Net investment income (loss).....	12,328,794	165,293
Intergovernmental.....	212,321	-
Transfers from other systems.....	147,247	-
	<u>16,298,265</u>	<u>295,541</u>
TOTAL ADDITIONS.....	16,298,265	295,541
DEDUCTIONS:		
Administration.....	581,323	128,385
Depreciation.....	-	2,950
Transfers to other systems.....	35,445	-
Retirement benefits and refunds.....	5,685,873	-
Educational scholarships.....	-	11,625
	<u>6,302,641</u>	<u>142,960</u>
TOTAL DEDUCTIONS.....	6,302,641	142,960
CHANGE IN NET ASSETS.....	9,995,624	152,581
NET ASSETS AT BEGINNING OF YEAR.....	74,985,598	3,151,729
NET ASSETS AT END OF YEAR.....	<u>\$ 84,981,222</u>	<u>\$ 3,304,310</u>

See notes to basic financial statements.

NOTE 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, agencies, boards, commissions and institutions. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the Town is considered to be financially accountable. Component units, although legally separate entities, are, in substance, part of the government's operations and data from these units are combined with the data of the primary government. Specifically excluded from the Town's financial statements because they are autonomous entities or agencies are the Marblehead Housing Authority and North Shore Regional Vocational School District.

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 Light Companies, as prescribed by the Massachusetts Department of Telecommunications and Energy. The MMLP's financial statements for the year ended December 31, 2006, 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, Peabody and Beverly and the Towns of Marblehead and Danvers, for the operation of a septage disposal facility. The members share in overseeing the operations of the District. Each member is responsible for its proportionate share of the operational costs of the District, which are paid in the form of assessments. As of June 30, 2007, the Town's equity interest in the operations of the District is \$784,938, 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. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

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

Property taxes, excise taxes, and trash user charges 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* is the primary operating fund. It is used to account for all financial resources, except those required to be accounted for in another fund.

The *School Construction Grant Fund* is used to account for financial resources received from the MSBA that is dedicated to pay down school construction debt.

The *Land Acquisition Fund* is used to account for financial resources used for the Town's purchase of the Robinson Farm conservation land.

The *Public Funds* are the Town's *Permanent Funds* which are used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

The nonmajor governmental funds consist of special revenue and other capital projects 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:

The *Special Revenue Funds* are used 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.

The *Capital Projects Funds* are used 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).

Proprietary funds are accounted for using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major enterprise funds are reported:

The *Water* enterprise fund is used to account for the Town's water activities.

The *Sewer* enterprise fund is used to account for the Town's sewer activities.

The *Harbor* enterprise fund is used to account for the Town's harbor activities.

The *Municipal Light* enterprise fund is used to account for the Town's electricity activities.

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

The following activities within the internal service fund are reported:

The medical claims activity is used to account for Town and employee and retiree 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 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 that exclusively benefit individuals, private organizations, or other governments. Some of these trusts have donor restrictions and trustee policies that do not allow the endowment portion and any unrealized appreciation to be spent. The donor restrictions and

trustee policies only allow the trustees to authorize spending of the realized investment earnings. The Town's educational scholarships and assistance to benefit the needy are accounted for in this fund.

The *agency fund* is used to account for assets held in a purely custodial capacity. Agency funds apply the accrual basis of accounting but do not have a measurement focus. The Town's agency fund consist of performance bonds and the collection and payment of hunting and fishing licenses, firearm permits, sales taxes 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.

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 and Investments

Government-Wide and Fund Financial Statements

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition.

Investments are carried at fair value. The fair values were determined by the closing price for those securities traded on national stock exchanges and at the average bid-and-asked quotation for those securities traded in the over-the-counter market. The fair value of real estate investments is based upon independent appraisals. Investments that do not have an established market are reported at estimated fair values.

E. Accounts Receivable and Allowance for Uncollectible Accounts

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and the proprietary and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

Real and personal property taxes are based upon values assessed as of January 1 and are levied each July for the following 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 and is recognized as revenue when received. Tax liens are processed within twelve months after the close of the valuation year on delinquent properties.

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

Motor vehicle excise taxes are assessed annually for each vehicle registered and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

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

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

Water and Sewer fees are based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Unbilled user fees are estimated at year-end and are recorded as revenue in the current period.

Harbor fees are assessed based on an annual basis and the portion of the fees that relate to July 1 through December 31 is recorded as unearned revenue at June 30.

The allowance for uncollectible accounts has been estimated based on historical trends and is reflected as a reduction to the receivables in the asset section of the financial statements.

F. Inventories

Government-Wide and Fund Financial Statements

Inventories are recorded as expenditures at the time of purchase except in the Municipal Light Enterprise Fund where inventories of parts and accessories purchased for use in the utility business are stated at cost, which approximates market value at December 31, 2006. Such inventories of both the Governmental Funds and Enterprise Funds, except the Municipal Light Fund, are not material in total to the basic financial statements and therefore are not reported.

G. Capital Assets

Government-Wide and Fund Financial Statements

Capital assets, which include land, construction in progress, piers, buildings, building improvements, machinery and equipment, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental, business-type activity and fiduciary column of the government-wide and fund based financial statements. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets 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.

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

H. Compensated Absences

Government-Wide and Fund Financial Statements

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

I. Deferred Revenue

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.

J. 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.

K. 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 represents the amount of realized and unrealized investment earnings of donor restricted trusts. The donor restrictions and trustee policies only allows the trustees to approve spending of the realized investment earnings that support governmental programs.

Permanent Funds - Nonexpendable represents the endowment portion of donor restricted trusts that support governmental programs.

Other Purposes - represents grants and gifts restricted by 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 represents amounts for uncompleted appropriations for special purposes and other commitments carried over to the ensuing fiscal year.

Reserved for Perpetual Permanent Funds 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 are fund balance amounts budgeted for the next fiscal year to either reduce the tax levy or to be used for specific appropriations.

L. Investment Income

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

M. 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.

N. On-Behalf Payments

Government-Wide and Fund Financial Statements

The Commonwealth makes contributions to a contributory retirement plan administered by the Massachusetts Teachers' Retirement Board (the "State Plan") on behalf of the Town's teaching employees. The Town is not legally required to contribute to the State Plan, which is fully funded by the Commonwealth. The accompanying basic financial statements include the required adjustments, which have increased both intergovernmental revenue and pension expenditures by the same amount. The effect of such an adjustment have not changed the excess of revenues and other financing sources over expenditures and other financing uses or fund balances.

O. Fund Deficits

Several individual fund deficits exist at June 30, 2007, within the Capital Projects Funds. These deficits will be funded through bond proceeds in future fiscal years.

In the Internal Service Fund, the Workers' Compensation Fund deficit of approximately \$142,500 will be funded by Town appropriations.

P. Use of Estimates

Government-Wide and Fund Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CASH AND INVESTMENTS

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and cash equivalents." The deposits and investments of the trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (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 Town does not have a deposit policy for custodial credit risk. At fiscal year-end, the carrying amount of deposits totaled \$12,249,396 and the bank balance totaled \$13,324,610. Of the bank balance, \$400,000 was covered by Federal Depository Insurance, and \$12,924,610 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2006, the carrying amount of deposits for the System totaled \$3,361 and the bank balance of \$46,257 was fully covered by Federal Depository Insurance.

Investments

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

Town balances at June 30, 2007:

Investment Type	Fair Value
<u>Other Investments</u>	
Equity Securities.....	\$ 989,226
MMDT.....	20,744,794
Total Investments.....	\$ 21,734,020

System balances at December 31, 2006:

Investment Type	Fair Value
PRIT.....	\$ 83,841,200

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, 2007 because the \$989,226 in equity securities are held by the Town and the \$20,744,794 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.

The Town has not adopted a formal policy related to custodial credit risk.

At December 31, 2006, the System's \$83,841,200 investment in PRIT is not subject to custodial credit risk exposure because it is not evidenced by securities that exist in physical or book-entry form.

The System has not adopted a formal policy related to custodial credit risk.

Interest Rate Risk

The Town 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.

NOTE 3 – RECEIVABLES

At June 30, 2007, receivables for the individual major and non-major governmental funds and the internal service funds; and the fiduciary funds in the aggregate, including the applicable allowance for uncollectible accounts are as follows:

GOVERNMENTAL, INTERNAL SERVICE AND FIDUCIARY FUNDS RECEIVABLES

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 443,374	\$ (20,751)	\$ 422,623
Real estate tax deferrals.....	431,510	-	431,510
Tax liens.....	70,909	-	70,909
Motor vehicle and other excise taxes.....	628,844	(272,094)	356,750
Departmental and other.....	632,993	(2,132)	630,861
Intergovernmental - pension fund.....	1,138,207	-	1,138,207
Intergovernmental - governmental funds.....	1,477,827	-	1,477,827
Total.....	<u>\$ 4,823,664</u>	<u>\$ (294,977)</u>	<u>\$ 4,528,687</u>

At June 30, 2007, receivables for the enterprise funds consist of the following:

ENTERPRISE FUND RECEIVABLES

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Sewer user fees.....	\$ 780,539	\$ (18,798)	\$ 761,741
Sewer special assessments.....	1,277	-	1,277
Water user fees.....	591,653	(14,366)	577,287
Harbor user fees.....	9,586	(1,650)	7,936
Light user fees (December 31, 2006).....	1,570,971	(186,285)	1,384,686
Boat excise.....	21,572	(1,080)	20,492
Total.....	<u>\$ 2,975,598</u>	<u>\$ (222,179)</u>	<u>\$ 2,753,419</u>

Deferred Revenue

Property taxes and other receivables in Governmental Funds that are measurable but not available have been classified as deferred revenue on June 30, 2007 as follows:

COMPONENTS OF DEFERRED REVENUE

	General Fund	Other Governmental Funds	Total
<u>Receivable and other asset type:</u>			
Real estate and personal property taxes.....	\$ 114,767	\$ -	\$ 114,767
Real estate tax deferrals.....	431,510	-	431,510
Tax liens.....	70,909	-	70,909
Motor vehicle and other excise.....	109,963	-	109,963
Departmental and other.....	8,528	-	8,528
Intergovernmental.....	11,908	1,011,857	1,023,765
Total.....	<u>\$ 747,585</u>	<u>\$ 1,011,857</u>	<u>\$ 1,759,442</u>

NOTE 4 – INTERFUND TRANSFERS AND BALANCESInterfund Receivables / Payables

Individual fund's interfund receivable and payable balances at June 30, 2007 are as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund.....	\$ -	\$ 3,051,164 (1)
Enterprise Funds:		
Electric, at December 31, 2006.....	1,351,342	-
Internal Service Funds:		
Medical Claims.....	-	189,277 (2)
Workmen's Compensation.....	189,277	
Agency Funds.....	68,358	-
	1,608,977	3,240,441
Less: Electric Fund Receivable at December 31, 2006.....	(1,351,342)	-
Less: General Fund Payable to Electric Fund at June 30, 2007.....	-	(2,982,806)
Total	<u>\$ 257,635</u>	<u>\$ 257,635</u>

(1) Represents \$2,982,806 payable from the general fund to the electric fund for deposits held by the general fund, which includes a timing difference of \$1,631,464 due to the reporting of the Electric Fund as of December 31, 2006. The remaining \$68,358 is due to the agency funds related to timing of deposits held by the General Fund.

(2) Represents advances between funds to meet temporary cash flow needs.

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, 2007 were:

Fund	Transfers Out:	Transfers In:	
		General Fund	Nonmajor Governmental Funds
General.....	\$ 1,038,628	\$ -	\$ 1,038,628 (1)
Public Funds.....	42,435	38,800 (2)	3,635 (4)
Nonmajor Governmental..	377,194	377,194 (2)	-
Water Enterprise.....	48,953	48,953 (3)	-
Sewer Enterprise.....	69,675	69,675 (3)	-
Electric Enterprise.....	330,000	330,000 (3)	-
Harbor Enterprise.....	96,007	96,007 (3)	-
Total.....	\$ <u>2,002,892</u>	\$ <u>960,629</u>	\$ <u>1,042,263</u>

- (1) \$1,000,000 was transferred from general fund to capital projects fund to retire matured bans. The remainder was transferred from the school department's budget to fund a deficit in the school lunch fund.
- (2) Transfers from nonmajor funds and the Public Funds major fund to the general fund to support general operating budget.
- (3) Payments in lieu of taxes and reimbursements for general government services.
- (4) Transfer from the Public Funds major fund to special revenue trust funds classified within the nonmajor funds.

NOTE 5 – CAPITAL ASSETS

Capital asset activity in the Governmental Funds for the fiscal year ended June 30, 2007 was as follows:

	Beginning Balance	Additions	(Retirements)	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 4,940,622	\$ -	\$ -	\$ 4,940,622
Construction in progress.....	27,846	14,709	(13,351)	29,204
Total capital assets not being depreciated.....	4,968,468	14,709	(13,351)	4,969,826
<u>Capital assets being depreciated:</u>				
Land improvements.....	2,356,443	288,009	-	2,644,452
Buildings.....	82,684,894	165,401	-	82,850,295
Building improvements.....	8,330,585	303,014	-	8,633,599
Machinery and equipment.....	7,776,655	573,576	(282,392)	8,067,839
Infrastructure.....	19,696,881	830,623	(162,752)	20,364,752
Total capital assets being depreciated.....	120,845,458	2,160,623	(445,144)	122,560,937
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(751,385)	(81,425)	-	(832,810)
Buildings.....	(15,059,020)	(1,954,639)	-	(17,013,659)
Building improvements.....	(5,214,269)	(339,680)	-	(5,553,949)
Machinery and equipment.....	(4,595,564)	(400,878)	282,392	(4,714,050)
Infrastructure.....	(5,693,855)	(444,861)	162,752	(5,975,964)
Total accumulated depreciation.....	(31,314,093)	(3,221,483)	445,144	(34,090,432)
Total capital assets being depreciated, net.....	89,531,365	(1,060,860)	-	88,470,505
Total governmental activities capital assets, net.....	\$ 94,499,833	\$ (1,046,151)	\$ (13,351)	\$ 93,440,331

Capital asset activity for the Business Type Activities for the fiscal year ended June 30, 2007 was as follows:

Business-Type Activities:	<u>Ending 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
Total capital assets not being depreciated.....	115,466	-	-	115,466
<u>Capital assets being depreciated:</u>				
Buildings.....	114,350	-	-	114,350
Machinery and equipment.....	805,934	128,504	(67,975)	866,463
Infrastructure.....	11,902,244	506,288	(100,000)	12,308,532
Total capital assets being depreciated.....	12,822,528	634,792	(167,975)	13,289,345
<u>Less accumulated depreciation for:</u>				
Buildings.....	(114,350)	-	-	(114,350)
Machinery and equipment.....	(559,054)	(39,471)	64,582	(533,943)
Infrastructure.....	(4,905,266)	(241,108)	100,000	(5,046,374)
Total accumulated depreciation.....	(5,578,670)	(280,579)	164,582	(5,694,667)
Total capital assets being depreciated, net.....	7,243,858	354,213	(3,393)	7,594,678
Total sewer activities capital assets, net.....	\$ 7,359,324	\$ 354,213	\$ (3,393)	\$ 7,710,144
	<u>Ending Balance</u>	<u>Additions</u>	<u>(Retirements)</u>	<u>Ending Balance</u>
<u>Water:</u>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 49,427	\$ -	\$ -	\$ 49,427
<u>Capital assets being depreciated:</u>				
Land improvements.....	45,856	-	-	45,856
Buildings.....	946,475	-	-	946,475
Machinery and equipment.....	990,081	67,784	(98,953)	958,912
Infrastructure.....	10,219,022	583,058	(29,000)	10,773,080
Total capital assets being depreciated.....	12,201,434	650,842	(127,953)	12,724,323
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(764)	(1,529)	-	(2,293)
Buildings.....	(337,379)	(22,247)	-	(359,626)
Machinery and equipment.....	(708,205)	(68,217)	92,489	(683,933)
Infrastructure.....	(3,471,567)	(235,531)	29,000	(3,678,098)
Total accumulated depreciation.....	(4,517,915)	(327,524)	121,489	(4,723,950)
Total capital assets being depreciated, net.....	7,683,519	323,318	(6,464)	8,000,373
Total water activities capital assets, net.....	\$ 7,732,946	\$ 323,318	\$ (6,464)	\$ 8,049,800

	Ending 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.....	16,180	-	-	16,180
Total capital assets not being depreciated.....	2,020,257	-	-	2,020,257
<u>Capital assets being depreciated:</u>				
Piers.....	51,901	-	-	51,901
Buildings.....	915,109	-	(31,669)	883,440
Building improvements.....	86,131	6,230	-	92,361
Land improvements.....	916,556	11,423	-	927,979
Machinery and equipment.....	842,443	53,156	(1,200)	894,399
Total capital assets being depreciated.....	2,812,140	70,809	(32,869)	2,850,080
<u>Less accumulated depreciation for:</u>				
Piers.....	(43,796)	(1,255)	-	(45,051)
Buildings.....	(192,159)	(22,055)	-	(214,214)
Building improvements.....	(27,546)	(3,034)	-	(30,580)
Land improvements.....	(282,928)	(19,838)	-	(302,766)
Machinery and equipment.....	(499,253)	(42,085)	1,200	(540,138)
Total accumulated depreciation.....	(1,045,682)	(88,267)	1,200	(1,132,749)
Total capital assets being depreciated, net.....	1,766,458	(17,458)	(31,669)	1,717,331
Total harbor activities capital assets, net.....	\$ 3,786,715	\$ (17,458)	\$ (31,669)	\$ 3,737,588
<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.....	20,306,934	1,604,774	(263,957)	21,647,751
<u>Less accumulated depreciation for:</u>				
Light plant and equipment.....	(8,470,827)	(1,027,078)	263,957	(9,233,948)
Total capital assets being depreciated, net.....	11,836,107	577,696	-	12,413,803
Total light activities capital assets, net.....	\$ 11,888,203	\$ 577,696	\$ -	\$ 12,465,899

Capital asset activity for the Fiduciary Funds for the fiscal year ended June 30, 2007 was as follows:

	Ending Balance	Additions	(Retirements)	Ending Balance
<i><u>Fiduciary Activities:</u></i>				
<i><u>Capital assets not being depreciated:</u></i>				
Land.....	\$ 2,045	\$ -	\$ -	\$ 2,045
<i><u>Capital assets being depreciated:</u></i>				
Buildings.....	79,541	-	-	79,541
<i><u>Less accumulated depreciation for:</u></i>				
Buildings.....	(57,515)	(2,950)	-	(60,465)
Total accumulated depreciation.....	(57,515)	(2,950)	-	(60,465)
Total capital assets being depreciated, net.....	22,026	(2,950)	-	19,076
Total fiduciary activities capital assets, net.....	\$ 24,071	\$ (2,950)	\$ -	\$ 21,121

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

Governmental Activities:

General government.....	\$ 62,692
Public safety.....	192,121
Education.....	2,048,122
Public works.....	580,509
Human services.....	39,815
Culture and recreation.....	298,224

Total depreciation expense - governmental activities..... \$ 3,221,483

Business-Type Activities:

Sewer.....	\$ 280,579
Water.....	327,524
Harbor.....	88,267
Light.....	1,027,078

Total depreciation expense - business-type activities..... \$ 1,723,448

NOTE 6 – COMPENSATED ABSENCES

The following is a summary of the changes in accrued vacation and sick pay for the year ended June 30, 2007. Compensated absence liabilities related to both governmental and business-type activities are normally paid from the general fund and the individual enterprise funds.

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007	Current Portion
Governmental Activities:					
Accrued vacation.....	\$ 701,402	\$ 115,580	\$ (141,811)	\$ 675,171	\$ 675,171
Accrued sick pay.....	412,779	50,660	(72,133)	391,306	97,826
Total.....	<u>1,114,181</u>	<u>166,240</u>	<u>(213,944)</u>	<u>1,066,477</u>	<u>772,997</u>
Business-type Activities:					
Accrued vacation.....	35,532	51,408	(23,420)	63,520	63,520
Accrued sick pay.....	161,851	24,233	(7,193)	178,891	41,687
Total.....	<u>197,383</u>	<u>75,641</u>	<u>(30,613)</u>	<u>242,411</u>	<u>105,207</u>
Total accrued vacation and sick pay.....	<u>\$ 1,311,564</u>	<u>\$ 241,881</u>	<u>\$ (244,557)</u>	<u>\$ 1,308,888</u>	<u>\$ 878,204</u>

NOTE 7 – CAPITAL LEASES

The Town has entered into lease agreements as lessee for financing the acquisition of two Crown Victoria's and a Ford Explorer for the Police Department. These lease agreements qualify as capital leases for accounting purposes and therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Asset:	Governmental Activities
Vehicles.....	\$ 76,850
Less: accumulated depreciation.....	<u>(25,500)</u>
Total.....	<u>\$ 51,350</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2007, were as follows:

Fiscal Years Ending June 30	Governmental Activities
2008.....	\$ <u>23,558</u>
Total minimum lease payments.....	23,558
Less: amounts representing interest.....	<u>(2,240)</u>
Present value of minimum lease payments.....	<u>\$ 21,318</u>

NOTE 8 – SHORT-TERM FINANCING

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

Details related to short-term debt BAN activity for the fiscal year ended June 30, 2007, is as follows:

Description	Issue Date	Due Date	Interest Rate	Balance at June 30, 2006	Issued	Retired	Balance at June 30, 2007
School Construction.....	08/19/05	08/18/06	4.00%	\$ 375,000	\$ -	\$ 375,000	\$ -
Fire Pumper.....	08/19/05	08/18/06	4.00%	415,000	-	415,000	-
Land Acquisition.....	08/19/05	08/18/06	4.00%	2,025,000	-	2,025,000	-
Equipment - Rolling Stock.....	08/19/05	08/18/06	4.00%	811,363	-	811,363	-
Land Acquisition.....	08/18/06	08/17/07	4.25%	-	2,025,000	-	2,025,000
Equipment - Rolling Stock.....	08/18/06	08/17/07	4.25%	-	137	-	137
Fire Pumper.....	08/18/06	08/17/07	4.25%	-	226,363	-	226,363
Middle School Conversion.....	08/18/06	08/17/07	4.25%	-	125,000	-	125,000
Totals.....				<u>\$ 3,626,363</u>	<u>\$ 2,376,500</u>	<u>\$ 3,626,363</u>	<u>\$ 2,376,500</u>

In August 2007, the Town paid down \$1,250,000 of the maturing notes and reissued the remainder along with new proceeds for a new BAN of \$10,576,500 which will mature August 19, 2008 and has an interest rate of 3.68%.

NOTE 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."

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. In fiscal year 2007, the Town received the final payment from the MSBA of \$18,013,107 and elected to use these resources to pay down the long-term BAN and an additional short-term note that were associated with these school projects and matured in fiscal year 2007. The remaining funds have been reserved in a special revenue fund to offset future interest expense related to the long-term bonds issued to fund the projects.

The following is a summary of the long-term debt transactions of the Town for the year ended June 30, 2007:

General Obligation Bonds and Notes Payable Schedule - Governmental Funds

	Interest % Rate	Balance 6/30/06	Issued	Redeemed	Balance 6/30/07
Drain Construction.....	4.57	\$ 60,000	\$ -	\$ 60,000	\$ -
Fire Truck.....	4.57	40,000	-	40,000	-
School Remodeling.....	4.36	200,000	-	100,000	100,000
School Remodel-Energy.....	4.36	100,000	-	50,000	50,000
School Remodeling.....	4.93	225,000	-	55,000	170,000
School Data Processing Equipment.....	4.93	85,000	-	30,000	55,000
School Athletic Fields.....	4.93	345,000	-	80,000	265,000
Drain Construction.....	3.93	2,450,000	-	500,000	1,950,000
School Construction.....	4.79	24,905,000	-	910,000	23,995,000
School Construction Refunding.....	4.00	15,984,637	-	15,984,637	-
Total Governmental bond and notes payable.....		\$ 44,394,637	\$ -	\$ 17,809,637	\$ 26,585,000

Bonds and Notes Payable Schedule - Enterprise Funds

	Interest % Rate	Balance 6/30/06	Issued	Redeemed	Balance 6/30/07
Tucker's Building Remodeling.....	4.93	\$ 180,000	\$ -	\$ 45,000	\$ 135,000

B. Annual Requirements

The annual requirements to amortize all long-term debt outstanding as of June 30, 2007, are as follows:

Fiscal Year	Governmental				Enterprise		Total Requirement
	Exempt from Proposition 2 1/2		Nonexempt		Principal	Interest	
	Principal	Interest	Principal	Interest			
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	\$ 26,535,000	\$ 12,175,356	\$ 50,000	\$ 1,113	\$ 135,000	\$ 13,455	\$ 38,909,924

C. Bond Authorizations

Long-term debt authorizations voted by Town Meetings which have not been issued or rescinded as of June 30, 2007, are as follows:

Date Authorized	Project	Amount
November 2001	Middle School Conversion of Old High School.....	\$ 125,000
May 2004	New Fire Pumper.....	226,363
June 2005	Land Acquisition.....	2,025,000
June 2005	Rolling Stock Equipment.....	137
May 2007	Design & Engineering of Transfer Station.....	1,010,000
May 2007	Causeway Seawall.....	8,700,000
	Total.....	\$ 12,086,500

D. Changes in Long-term Liabilities

During the fiscal year ended June 30, 2007, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Capital leases.....	\$ 46,875	\$ -	\$ (23,317)	\$ 23,558	\$ 23,558
Long-term bonds and notes.....	44,394,637	-	(17,809,637)	26,585,000	1,745,000
Compensated absences.....	1,114,181	166,240	(213,944)	1,066,477	772,997
Landfill Closure.....	-	4,900,000	-	4,900,000	-
Workers' compensation.....	480,829	74,816	(29,751)	525,894	55,218
Total governmental activity long-term liabilities.....	<u>\$ 46,036,522</u>	<u>\$ 5,141,056</u>	<u>\$ (18,076,649)</u>	<u>\$ 33,100,929</u>	<u>\$ 2,596,773</u>
Business-Type Activities:					
Long-term bonds and notes.....	\$ 180,000	\$ -	\$ (45,000)	\$ 135,000	\$ 45,000
Compensated absences.....	197,383	75,641	(30,613)	242,411	105,207
Total business-type activity long-term liabilities.....	<u>\$ 377,383</u>	<u>\$ 75,641</u>	<u>\$ (75,613)</u>	<u>\$ 377,411</u>	<u>\$ 150,207</u>

NOTE 10 – PENSION PLAN**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, 2007, the System's membership consisted of:

Retirees and beneficiaries currently receiving benefits.....	325
Active employees.....	361
Inactive employees.....	<u>42</u>
Total.....	<u>728</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.

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 \$5,103,222 for the fiscal year ended June 30, 2007. Employees in this plan are vested after ten years of service. 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, 2006. Additional information as of the latest actuarial valuation follows:

Actuarial cost method	Individual entry age normal
Amortization method	Increasing amortization
Remaining closed amortization period	17 years from July 1, 2006
Asset valuation method	Blended
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases	4.5
Cost-of-living adjustments	3% on first \$12,000 of retirement income

D. Contributions Required and Contributions Made

The System's funding policy provides for semi-annual 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 17-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
2005	\$ 2,112,859	100%
2006	2,112,859	100%
2007	2,274,000	100%

E. Funding Status and Historical Data

An analysis of the funding progress since 1996 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)
1996	\$ 35,962	\$ 40,299	\$ 4,337	89.2%	\$ 9,276	46.8%
1998	42,540	55,347	12,807	76.9%	10,533	121.6%
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%	13,983	88.6%
2006	69,105	82,948	13,843	83.3%	14,160	97.8%

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 \$152,157 during the year ended June 30, 2007.

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, 2007 and the annual amounts needed to fund such a liability. The cost of these benefits amounts to approximately \$3,220,000 in fiscal year 2007. There are approximately 567 participants currently eligible. During fiscal year 2007, the Town had an actuarial valuation completed for post-employment health benefits for retired employees in anticipation of the future implementation of GASB 45.

The Light Department, through the Town of Marblehead, provides certain health care and life insurance benefits to retired employees. Most employees are eligible if they reach normal retirement age while working for the Department. The Department is billed by the Town as claims are paid. The Department's cost for retiree health care and life insurance benefits was \$150,916 and \$130,192 for calendar years 2007 and 2006, respectively.

NOTE 11 – COMMITMENTS

The Town has various commitments through its participation in a bulk power supply agency, as discussed more fully in Note 13.

The Town has various commitments and obligations in connection with its capital outlay program. On June 25, 2007 voters approved \$8.7 million for the construction of a new Causeway Seawall and \$1,010,000 for Engineering and Design work associated with the Town's Transfer Station.

NOTE 12 – CONTINGENCIES

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.

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.

NOTE 13 – PARTICIPATION IN MASSACHUSETTS MUNICIPAL WHOLESALE ELECTRIC COMPANY

The Town of Marblehead acting through its Municipal 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. In November 2005, the NRC renewed the operating license for the Milestone Unit 2 and Unit 3 nuclear units for and additional twenty years. The license for Unit 2 was extended to July 31, 2035 and the license for Unit 3 was extended to November 25, 2045.

A substantial portion of MMWEC's plant investment and financing program is an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by FPL Energy Seabrook, LLC, (FPLE Seabrook), the majority owner and an indirect subsidiary of FPL Group, Inc. In December 2005, the NRC issued an amendment to the operating license that extends the expiration date from October 2026 to March 2030, to recapture the period from 1986 to 1990 during which time Seabrook Station had an operating license, but did not operate. FPLE Seabrook has stated its intention to request an extension of the Seabrook Station operating license beyond March 2030.

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. The Project Participants are liable for their proportionate share of the uninsured costs of a nuclear incident that might be imposed under the Price-Anderson Act. Originally enacted in 1957, the act has been renewed several times. In July 2005, as part of the Energy Policy Act of 2005, Congress extended the Act until the end of 2025.

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, 2006, total capital expenditures amounted to \$1,529,950,000, of which \$25,025,000 represents the amount associated with the Department's Project Capability in the Projects in which it participates, although such amount is not allocated to the Department. MMWEC's debt outstanding for the Projects includes Power Supply System Revenue Bonds totaling \$714,635,000, of which \$11,438,000 is associated with the Department's share of Project Capability of the Projects in which it participates, although such amount is not allocated to the Department. As of December 31, 2006, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$869,179,000, of which \$13,507,000 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, 2006 and estimated for future years is shown below.

For years ended December 31,		Annual Costs	
	2007	\$	1,854,000
	2008		1,657,000
	2009		1,463,000
	2010		1,368,000
	2011		1,342,000
	2012 to 2016		5,416,000
	2017 to 2019		407,000
	Total	\$	13,507,000

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 \$3,896,000 and \$3,754,000 for the years ended December 31, 2006 and 2005, respectively.

NOTE 14 – RISK FINANCING

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

- MEDEX - 75% Town, 25% Retiree
- HMO Blue New England - 80% Town, 20% Employee/Retiree
- Blue Choice- 77.5% Town, 22.5% Employee/Retiree
- Blue Care Elect – 70% Town, 30%, Employee/Retiree

Under the terms of the various collective bargaining agreements now in effect, the proportional cost split on HMO Blue New England will remain the same in future years, while the split for Blue choice will be phased to 70%-Town, 30%-Employee/Retiree and Blue Care Elect will be phased to 60%-Town, 40%-Employee/Retiree between now and fiscal year 2009.

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.

Changes in the reported liability since July 1, 2005, 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 2006	\$	813,685	\$	7,539,546	\$	(7,643,176)	\$	710,055
Fiscal Year 2007		710,055		9,589,994		(9,448,154)		851,895
Medex Claims								
Fiscal Year 2006	\$	145,741	\$	1,295,934	\$	(1,286,062)	\$	155,613
Fiscal Year 2007		155,613		1,284,892		(1,286,062)		154,443

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 2006	\$	517,186	\$	135,679	\$	(172,036)	\$	480,829	\$	122,455
Fiscal Year 2007		480,829		311,247		(266,182)		525,894		55,218

NOTE 15 – LANDFILL AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require the Town to construct a final capping system on its inactive landfill located at the rear of the Transfer Station at 5 Woodfin Terrace and to perform certain maintenance and monitoring functions at the site after closure. The Town stopped accepting waste and closed the site in 1975 in accordance with the regulations in place at that time. Recently the Town was compelled to provide for the capping and monitoring of its landfill by an administrative consent order issued by the Department of Environmental Protection. The Town completed a study in order to estimate the cost of the landfill closure and post closure care costs. As a result, the estimate of \$4,900,000 has been recorded as a liability in the entity-wide financial statements. Actual costs may be higher due to inflation, changes in technology, or changes in applicable laws or regulations.

NOTE 16 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2007, the following GASB pronouncements were implemented:

The GASB issued Statement #48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, which is required to be implemented in fiscal year 2008. Management has elected to implement this GASB early. The basic financial statements were not impacted by this GASB.

The GASB issued Statement #49, Accounting and Financial Reporting for Pollution Remediation Obligations, which is required to be implemented in fiscal year 2008. Management has elected to implement this GASB early. The basic financial statements were not impacted by this GASB.

The GASB issued Statement #51, Accounting and Financial Reporting for Intangible Assets, which is required to be implemented in fiscal year 2010. Management has elected to implement this GASB early. The basic financial statements were not impacted by this GASB.

Other Future GASB Pronouncements:

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 #50, Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27, which is required to be implemented in fiscal year 2008. This GASB will change the disclosures related to pensions.

The GASB issued Statement #52, Land and Other Real Estate Held as Investments by Endowments, which is required to be implemented in fiscal year 2009. The standards in this statement require all investments in land and real estate in permanent and similar funds to be reported at fair value. Management does not expect this pronouncement to impact the basic financial statements.

Required Supplementary Information

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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, 2007

	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.....	\$ -	\$ 44,801,090	\$ 44,801,090	\$ 44,801,090
Motor vehicle and other excise taxes.....	-	2,465,000	2,465,000	2,465,000
Charges for services.....	-	564,670	564,670	564,670
Penalties and interest on taxes.....	-	122,000	122,000	122,000
Licenses and permits.....	-	494,830	494,830	494,830
Fines and forfeitures.....	-	170,000	170,000	170,000
Intergovernmental.....	-	5,966,170	5,966,170	5,966,170
Investment income.....	-	210,000	210,000	210,000
Miscellaneous.....	-	8,000	8,000	8,000
TOTAL REVENUES.....	-	54,801,760	54,801,760	54,801,760
EXPENDITURES:				
Current:				
GENERAL GOVERNMENT				
Moderator - Officials Expense.....	-	100	100	100
Selectmen Officials Expense.....	-	5,500	5,500	5,500
Salaries.....	-	301,427	301,427	301,427
Expense.....	-	103,063	103,063	103,063
Art 44, 2001 - Fort Sewall.....	55,607	-	55,607	55,607
Zoning Board Legal Services.....	-	7,000	7,000	9,990
Out of State Travel.....	-	2,000	2,000	2,000
Finance Committee - Salaries.....	-	7,453	7,453	7,453
Expense.....	-	5,809	5,809	5,809
Local Travel.....	-	175	175	175
Reserve Fund.....	-	144,000	144,000	44,029
Finance - Salaries.....	-	557,415	557,415	557,415
Expense.....	-	246,205	246,205	246,205
Assessors - Officials Expense.....	-	300	300	300
Assessors - Salaries.....	-	157,405	157,405	157,405
Expense.....	-	133,985	133,985	133,985
Local Travel.....	-	200	200	200
Town Counsel - Salaries.....	-	2,000	2,000	2,000
Expense.....	-	32,936	32,936	38,168
Parking Tickets - Expense.....	-	13,984	13,984	13,984
Town Clerk - Salaries.....	-	132,879	132,879	132,879
Expense.....	-	7,045	7,045	7,845
Election and Registration - Salaries.....	-	29,359	29,359	29,824
Expense.....	-	21,580	21,580	21,580
Planning Board - Expense.....	-	1,675	1,675	1,675
Public Buildings - Salaries.....	-	80,732	80,732	80,732
Expense.....	-	101,100	101,100	101,100
Local Travel.....	-	400	400	400
Art. 19,2006 - Traffic Light Elevator Decom.....	-	32,126	32,126	32,126
Art. 45, 2005 - Improve Public Buildings.....	-	160,000	160,000	160,000
Art. 41, 2005 - Improve Public Buildings.....	98,051	-	98,051	98,051
Art. 12, 2001 - Improve Public Buildings.....	16,567	-	16,567	16,567
Art. 42, 2002 - Improve Public Buildings.....	49,387	-	49,387	49,387
Town Reports.....	-	4,300	4,300	4,300
Town Audit of Accounts.....	-	32,000	32,000	32,000
TOTAL GENERAL GOVERNMENT.....	219,612	2,324,153	2,543,765	2,453,281

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$	44,953,170	\$ -	\$ 152,080
	2,921,041	-	456,041
	735,696	-	171,026
	174,210	-	52,210
	692,993	-	198,163
	162,180	-	(7,820)
	6,202,966	-	236,796
	778,241	-	568,241
	28,320	-	20,320
	56,648,817	-	1,847,057
	100	-	-
	5,500	-	-
	299,774	-	1,653
	79,121	-	23,942
	-	55,607	-
	9,990	-	-
	543	-	1,457
	7,453	-	-
	5,226	-	583
	175	-	-
	-	-	44,029
	552,515	-	4,900
	242,543	3,600	62
	300	-	-
	155,583	-	1,822
	132,787	-	1,198
	194	-	6
	-	-	2,000
	38,168	-	-
	5,522	-	8,462
	130,007	-	2,872
	7,845	-	-
	29,824	-	-
	21,101	-	479
	1,033	-	642
	78,919	-	1,813
	98,705	-	2,395
	374	-	26
	2,460	29,666	-
	155,600	4,400	-
	27,324	70,727	-
	-	16,567	-
	-	49,387	-
	2,827	-	1,473
	32,000	-	-
	2,123,513	229,954	99,814

(Continued)

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

FISCAL YEAR ENDED JUNE 30, 2007

	Budgeted Amounts			
	Amounts Carried forward From Prior Year	Original Voted Budget	Total Original Budget	Final Budget
<u>PUBLIC SAFETY</u>				
Police - Salaries.....	-	2,695,200	2,695,200	2,695,200
Expense.....	-	187,612	187,612	187,612
Indemnification.....	-	10,000	10,000	8,646
Art. 15, 2006 - Collective Bargaining.....	-	11,391	11,391	11,391
Art. 19, 2006 - Lease 3 Cruisers, Utility vehicle, Cruiser.....	-	81,889	81,889	81,889
Art 6, 2007 Unpaid Bill - Police Indemnification.....	-	-	-	1,354
Fire - Salaries.....	-	2,519,054	2,519,054	2,515,702
Expense.....	-	117,063	117,063	145,533
Art. 19, 2006 - Utility Vehicle.....	-	28,600	28,600	28,600
Building Commissioner - Salaries.....	-	401,485	401,485	401,485
Expense.....	-	9,755	9,755	21,259
Local Travel.....	-	3,000	3,000	3,000
Sealer of Weights & Measurers - Expense.....	-	150	150	150
Animal Inspector - Salaries.....	-	1,200	1,200	1,200
Dog Officer - Salaries.....	-	62,087	62,087	62,087
Expense.....	-	4,787	4,787	4,787
TOTAL PUBLIC SAFETY.....	-	6,133,273	6,133,273	6,169,895
<u>EDUCATION</u>				
Schools.....	-	24,278,872	24,278,872	24,184,161
Art. 6, 2006 - Unpaid Bill -Schools.....	-	-	-	3,018
Art. 7, 2006 - North Shore Technical School.....	-	124,203	124,203	124,203
TOTAL SCHOOL.....	-	24,403,075	24,403,075	24,311,382
<u>PUBLIC WORKS & FACILITIES</u>				
Engineering - Salaries.....	-	107,855	107,855	107,855
Expense.....	-	10,395	10,395	10,395
Local Travel.....	-	500	500	500
Expense FY2002.....	18,595	-	18,595	18,595
Art. 6, 2001 - Walls and Fences.....	1,000	-	1,000	1,000
Highway - Salaries.....	-	684,769	684,769	684,769
Expense.....	-	85,934	85,934	86,911
Rebuild & Maintain HTTP STS.....	-	10,741	10,741	10,741
Snow Removal.....	-	100,000	100,000	100,000
Street Lighting.....	-	117,550	117,550	117,550
Maintain & Rebuild Sidewalks.....	-	13,950	13,950	13,950
Art. 53, 2006 - Seawall Repair.....	-	-	-	25,000
Art. 19, 2006 - Truck.....	-	50,000	50,000	50,000
Waste Collection - Salaries.....	-	331,926	331,926	338,332
Expense.....	-	1,220,300	1,220,300	1,220,300
Local Travel.....	-	1,512	1,512	1,512
Art. 19, 2006 - Equipment.....	-	89,500	89,500	89,500
Art 32, 2006 - Disposal and Remediation.....	-	87,000	87,000	87,000
Art 37, 2005 - Disposal and Remediation.....	48,296	-	48,296	48,296
Art. 10, 2003 - Disposal and Remediation.....	19,675	-	19,675	19,675
Drains - Salaries.....	-	87,376	87,376	87,376
Expense.....	-	5,151	5,151	5,151
Art. 25, 2006-Drain Construction.....	-	315,000	315,000	315,000
Art. 23, 2005-Drain Construction.....	73,801	-	73,801	73,801
Cemetery - Officials Expense.....	-	300	300	300
Salaries.....	-	258,468	258,468	258,468
Expense.....	-	36,361	36,361	36,361
Cemetery Improvements.....	-	40,000	40,000	40,000
Art. 19, 2006 - Truck.....	-	159,078	159,078	159,078
Tree - Salaries.....	-	31,578	31,578	31,578
TOTAL PUBLIC WORKS & FACILITIES.....	161,367	3,845,244	4,006,611	4,038,994

Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
2,628,383	-	66,817
187,540	-	72
1,896	-	6,750
-	-	11,391
81,308	581	-
910	-	444
2,507,981	-	7,721
145,533	-	-
28,044	556	-
393,896	-	7,589
21,259	-	-
3,000	-	-
55	-	95
1,200	-	-
62,079	-	8
4,772	-	15
6,067,856	1,137	100,902
24,184,161	-	-
3,018	-	-
123,566	-	637
24,310,745	-	637
103,644	-	4,211
5,894	-	4,501
43	-	457
12,128	-	6,467
451	549	-
664,322	-	20,447
86,911	-	-
7,328	-	3,413
98,427	-	1,573
117,550	-	-
5,678	-	8,272
-	25,000	-
46,451	3,549	-
338,332	-	-
1,214,065	-	6,235
1,512	-	-
38,798	50,702	-
87,000	-	-
48,296	-	-
19,675	-	-
87,064	-	312
3,436	-	1,715
288,098	26,902	-
73,801	-	-
287	-	13
255,135	-	3,333
34,925	-	1,436
38,838	1,162	-
157,542	-	1,536
25,899	-	5,679
3,861,530	107,864	69,600

(Continued)

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

FISCAL YEAR ENDED JUNE 30, 2007

	Budgeted Amounts			
	Amounts Carried forward From Prior Year	Original Voted Budget	Total Original Budget	Final Budget
<u>HUMAN SERVICES</u>				
Health - Officials Expense.....	-	400	400	400
Salaries.....	-	106,067	106,067	106,067
Expense.....	-	10,655	10,655	10,655
Local Travel.....	-	1,300	1,300	1,717
Help for Abused Women and Children (HAWC).....	-	3,000	3,000	3,000
Mental Health - Contractual Services.....	-	79,728	79,728	79,728
Council on Aging - Salaries.....	-	145,357	145,357	145,357
Expense.....	-	2,859	2,859	2,859
Veterans Benefits - Salaries.....	-	51,483	51,483	51,483
Expense.....	-	1,243	1,243	1,243
Local Travel.....	-	1,100	1,100	1,100
Benefits.....	-	12,000	12,000	13,925
TOTAL HUMAN SERVICES.....	-	415,192	415,192	417,534
<u>CULTURE & RECREATION</u>				
Library - Salaries.....	-	651,692	651,692	657,537
Expense.....	-	209,954	209,954	244,893
Local Travel.....	-	100	100	100
Park - Salaries.....	-	522,615	522,615	522,615
Expense.....	-	141,290	141,290	141,290
Park Facility Expense.....	-	42,631	42,631	42,631
Art. 19, 2006 - Equipment.....	-	57,500	57,500	57,500
Art. 9, 2006 - Memorial Park.....	-	-	-	-
Memorial & Veterans Day.....	-	1,950	1,950	1,950
TOTAL CULTURE & RECREATION.....	-	1,627,732	1,627,732	1,668,516
<u>ENERGY</u>				
Energy Reserve.....	-	291,000	291,000	291,000
TOTAL ENERGY RESERVE.....	-	291,000	291,000	291,000
<u>PENSION BENEFITS</u>				
Contributory Retirement Fund.....	-	1,846,357	1,846,357	1,846,357
Noncontributory Retirement.....	-	166,108	166,108	166,108
TOTAL PENSION BENEFITS.....	-	2,012,465	2,012,465	2,012,465
<u>PROPERTY AND LIABILITY INSURANCE</u>				
Other Insurance.....	-	432,625	432,625	432,625
TOTAL PROPERTY AND LIABILITY INSURANCE.....	-	432,625	432,625	432,625
<u>FRINGE BENEFITS</u>				
Medicare.....	-	365,000	365,000	365,000
Group Insurance.....	-	8,499,096	8,499,096	8,850,204
TOTAL FRINGE BENEFITS.....	-	8,864,096	8,864,096	9,215,204
<u>INTERGOVERNMENTAL</u>				
State.....	-	2,209,875	2,209,875	2,209,875
TOTAL INTERGOVERNMENTAL.....	-	2,209,875	2,209,875	2,209,875
<u>DEBT SERVICES</u>				
Maturing Debt.....	-	2,775,000	2,775,000	1,825,000
Interest.....	-	2,031,154	2,031,154	2,034,479
TOTAL DEBT SERVICES.....	-	4,806,154	4,806,154	3,859,479
TOTAL EXPENDITURES.....	380,979	57,364,884	57,745,863	57,080,250
EXCESS (DEFICIENCY) OF REVENUES				
OVER EXPENDITURES.....	(380,979)	(2,563,124)	(2,944,103)	(2,278,490)

Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
400	-	-
104,551	-	1,516
9,350	-	1,305
1,717	-	-
3,000	-	-
79,728	-	-
142,021	-	3,336
2,340	-	519
51,482	-	1
988	-	255
516	-	584
13,925	-	-
410,018	-	7,516
657,537	-	-
244,893	-	-
39	-	61
492,950	-	29,665
141,290	-	-
41,799	-	832
48,975	8,525	-
-	-	-
1,944	-	6
1,629,427	8,525	30,564
175,618	-	115,382
175,618	-	115,382
1,846,357	-	-
152,157	-	13,951
1,998,514	-	13,951
345,231	-	87,394
345,231	-	87,394
351,833	-	13,167
8,773,343	-	76,861
9,125,176	-	90,028
2,156,712	-	53,163
2,156,712	-	53,163
1,825,000	-	-
2,033,479	-	1,000
3,858,479	-	1,000
56,062,819	347,480	669,951
585,998	(347,480)	2,517,008

(Continued)

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

FISCAL YEAR ENDED JUNE 30, 2007

	Budgeted Amounts			
	Amounts Carried forward From Prior Year	Original Voted Budget	Total Original Budget	Final Budget
OTHER FINANCING SOURCES (USES):				
Transfers in.....	-	840,320	840,320	840,320
Transfers out.....	-	(38,628)	(38,628)	(1,038,628)
TOTAL OTHER FINANCING SOURCES (USES).....	-	801,692	801,692	(198,308)
NET CHANGE IN FUND BALANCE.....	(380,979)	(1,761,432)	(2,142,411)	(2,476,798)
BUDGETARY FUND BALANCE, Beginning of year.....	5,409,580	5,409,580	5,409,580	5,409,580
BUDGETARY FUND BALANCE, End of year.....	\$ 5,028,601	\$ 3,648,148	\$ 3,267,169	\$ 2,932,782

See notes to required supplementary information.

Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
960,629	-	120,309
(1,038,628)	-	-
(77,999)	-	120,309
507,999	(347,480)	2,637,317
5,409,580	-	-
\$ 5,917,579	\$ (347,480)	\$ 2,637,317

(Concluded)

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

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 9, 2007 at the Annual Town Meeting, the Town voted to use available funds to increase the appropriations for Police Indemnification expenses totaling \$1,354, School expenses totaling \$2,758 and Metco expenses totaling \$260. During the fiscal year the finance committee may transfer funds for extraordinary or unforeseen expenditures. The Town appropriated \$144,000 for this purpose in fiscal 2007 and transfers of \$99,971 were made. All unencumbered and unexpended appropriations lapse at year-end.

The majority of the change between the original and final budget resulted from the May 2007 Annual Town Meeting vote in which the Town voted to use \$351 thousand of available funds in the group insurance line item to increase the fiscal year 2008 budget for group insurance. This resulted in a decrease from the original budget of approximately \$334 thousand.

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.....	\$	507,999
Net change in revenues in recording tax refunds payables.....		(10,569)
Net change in short-term accrued interest.....		49,408
Recognition of revenue for on-behalf payments.....		(5,103,222)
Recognition of expenditures for on-behalf payments.....		<u>5,103,222</u>
Net change in fund balance - GAAP basis (modified accrual).....	\$	<u>546,838</u>

Other Supplementary Information

Combining 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:

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

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

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2007

<i>Special Revenue Funds</i>						
	Federal Grants	State Grants	Other Grants	Revolving Funds	Receipts Reserved for Appropriation	Gifts
ASSETS						
Cash and cash equivalents.....	\$ 159,195	\$ 133,821	\$ 459,302	\$ 383,324	\$ 2,653,483	\$ 192,994
Receivables, net of uncollectibles:						
Accounts.....	-	-	-	43,305	825	-
Due from commonwealth.....	-	1,465,919	-	-	-	-
Working capital deposit.....	-	-	-	-	-	-
TOTAL ASSETS.....	<u>\$ 159,195</u>	<u>\$ 1,599,740</u>	<u>\$ 459,302</u>	<u>\$ 426,629</u>	<u>\$ 2,654,308</u>	<u>\$ 192,994</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Warrants payable.....	\$ 38,391	\$ 508,318	\$ 2,721	\$ 106,223	\$ -	\$ 21,881
Deferred revenues.....	-	997,449	-	13,583	825	-
Notes payable.....	-	-	-	-	-	-
TOTAL LIABILITIES.....	<u>38,391</u>	<u>1,505,767</u>	<u>2,721</u>	<u>119,806</u>	<u>825</u>	<u>21,881</u>
FUND BALANCES:						
Unreserved:						
Undesignated, reported in:						
Special revenue funds.....	120,804	93,973	456,581	306,823	2,653,483	171,113
Capital project funds.....	-	-	-	-	-	-
TOTAL FUND BALANCES.....	<u>120,804</u>	<u>93,973</u>	<u>456,581</u>	<u>306,823</u>	<u>2,653,483</u>	<u>171,113</u>
TOTAL LIABILITIES AND FUND BALANCES.....	<u>\$ 159,195</u>	<u>\$ 1,599,740</u>	<u>\$ 459,302</u>	<u>\$ 426,629</u>	<u>\$ 2,654,308</u>	<u>\$ 192,994</u>

Special Revenue Funds		Capital Projects Funds			Total Nonmajor Governmental Funds
Special Revenue Trust Funds	Sub-total	Upper Middle School Conversion	Other Capital Projects	Sub-total	
\$ 2,794,892	\$ 6,777,011	\$ 54,163	\$ 66,615	\$ 120,778	\$ 6,897,789
-	44,130	-	-	-	44,130
-	1,465,919	-	-	-	1,465,919
15,000	15,000	-	-	-	15,000
<u>\$ 2,809,892</u>	<u>\$ 8,302,060</u>	<u>\$ 54,163</u>	<u>\$ 66,615</u>	<u>\$ 120,778</u>	<u>\$ 8,422,838</u>
\$ -	\$ 677,534	\$ -	\$ -	\$ -	\$ 677,534
-	1,011,857	-	-	-	1,011,857
-	-	125,000	226,500	351,500	351,500
-	1,689,391	125,000	226,500	351,500	2,040,891
2,809,892	6,612,669	-	-	-	6,612,669
-	-	(70,837)	(159,885)	(230,722)	(230,722)
<u>2,809,892</u>	<u>6,612,669</u>	<u>(70,837)</u>	<u>(159,885)</u>	<u>(230,722)</u>	<u>6,381,947</u>
<u>\$ 2,809,892</u>	<u>\$ 8,302,060</u>	<u>\$ 54,163</u>	<u>\$ 66,615</u>	<u>\$ 120,778</u>	<u>\$ 8,422,838</u>

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<i>Special Revenue Funds</i>				
	Federal Grants	State Grants	Other Grants	Revolving Funds	Receipts Reserved for Appropriation
REVENUES:					
Charges for services.....	\$ -	\$ -	\$ -	\$ 1,659,583	\$ 26,300
Fines and forfeitures.....	-	-	-	300	-
Intergovernmental.....	1,035,380	2,119,215	18,352	116,983	1,653,470
Departmental and other.....	3,477	-	33,411	362,098	-
Contributions.....	-	-	276,015	4,230	-
Investment income.....	-	270	35,528	439	-
Miscellaneous.....	-	-	-	227,100	-
TOTAL REVENUES.....	1,038,857	2,119,485	363,306	2,370,733	1,679,770
EXPENDITURES:					
Current:					
General government.....	-	-	-	4,544	8,398
Public safety.....	13,319	22,325	-	265,216	-
Education.....	1,124,203	1,169,005	7,184	1,387,700	-
Public works.....	-	757,756	-	357,416	-
Human services.....	17,000	130,202	1,329	198,630	-
Culture and recreation.....	7,500	22,686	45,747	217,955	-
TOTAL EXPENDITURES.....	1,162,022	2,101,974	54,260	2,431,461	8,398
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(123,165)	17,511	309,046	(60,728)	1,671,372
OTHER FINANCING SOURCES (USES):					
Premium from issuance of refunding bonds.....	-	-	-	-	13,295
Transfers in.....	-	-	-	38,628	-
Transfers out.....	-	(13,176)	-	(23,368)	(340,650)
TOTAL OTHER FINANCING SOURCES (USES).....	-	(13,176)	-	15,260	(327,355)
NET CHANGE IN FUND BALANCES.....	(123,165)	4,335	309,046	(45,468)	1,344,017
FUND BALANCES AT BEGINNING OF YEAR.....	243,969	89,638	147,535	352,291	1,309,466
FUND BALANCES AT END OF YEAR.....	\$ 120,804	\$ 93,973	\$ 456,581	\$ 306,823	\$ 2,653,483

Special Revenue Funds			Capital Projects Funds			Total Nonmajor Governmental Funds
Gifts	Special Revenue Trust Funds	Sub-total	Upper Middle School Conversion	Other Capital Projects	Sub-total	
\$ 2,287	\$ -	\$ 1,688,170	\$ -	\$ -	\$ -	\$ 1,688,170
-	-	300	-	-	-	300
-	4,700	4,948,100	375,000	-	375,000	5,323,100
100	-	399,086	-	-	-	399,086
204,885	111,769	596,899	-	-	-	596,899
-	151,140	187,377	-	-	-	187,377
-	-	227,100	-	-	-	227,100
<u>207,272</u>	<u>267,609</u>	<u>8,047,032</u>	<u>375,000</u>	<u>-</u>	<u>375,000</u>	<u>8,422,032</u>
74,352	-	87,294	-	14,500	14,500	101,794
7,664	-	308,524	-	2,782	2,782	311,306
81,957	-	3,770,049	71,663	60,000	131,663	3,901,712
425	-	1,115,597	-	8,250	8,250	1,123,847
23,349	20,336	390,846	-	-	-	390,846
12,375	90,792	397,055	-	-	-	397,055
<u>200,122</u>	<u>111,128</u>	<u>6,069,365</u>	<u>71,663</u>	<u>85,532</u>	<u>157,195</u>	<u>6,226,560</u>
<u>7,150</u>	<u>156,481</u>	<u>1,977,667</u>	<u>303,337</u>	<u>(85,532)</u>	<u>217,805</u>	<u>2,195,472</u>
-	-	13,295	-	-	-	13,295
-	3,635	42,263	-	1,000,000	1,000,000	1,042,263
-	-	(377,194)	-	-	-	(377,194)
-	3,635	(321,636)	-	1,000,000	1,000,000	678,364
7,150	160,116	1,656,031	303,337	914,468	1,217,805	2,873,836
<u>163,963</u>	<u>2,649,776</u>	<u>4,956,638</u>	<u>(374,174)</u>	<u>(1,074,353)</u>	<u>(1,448,527)</u>	<u>3,508,111</u>
<u>\$ 171,113</u>	<u>\$ 2,809,892</u>	<u>\$ 6,612,669</u>	<u>\$ (70,837)</u>	<u>\$ (159,885)</u>	<u>\$ (230,722)</u>	<u>\$ 6,381,947</u>

Internal Service Funds

Medical Claims Fund - To account for contributions from the Town and Town employees, 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 and Town employees, 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, 2007

	Medical Claims	Medex Claims	Workmen's Compensation	Total
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ -	\$ 642,377	\$ 189,548	\$ 831,925
Departmental and other.....	560,195	-	-	560,195
Due from other funds.....	-	-	189,277	189,277
Working capital deposit.....	1,549,955	227,100	25,000	1,802,055
TOTAL ASSETS.....	2,110,150	869,477	403,825	3,383,452
LIABILITIES				
CURRENT:				
Warrants payable.....	942,922	101,828	20,405	1,065,155
Accrued liabilities.....	851,895	154,443	-	1,006,338
Workers' compensation.....	-	-	55,218	55,218
Due to other funds.....	189,277	-	-	189,277
Total current liabilities.....	1,984,094	256,271	75,623	2,315,988
NONCURRENT:				
Workers' compensation.....	-	-	470,676	470,676
TOTAL LIABILITIES.....	1,984,094	256,271	546,299	2,786,664
NET ASSETS				
Unrestricted.....	\$ 126,056	\$ 613,206	\$ (142,474)	\$ 596,788

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Medical Claims	Medex Claims	Workmen's Compensation	Total
OPERATING REVENUES:				
Charges for services.....	\$ 10,056,760	\$ 1,774,735	\$ 200,402	\$ 12,031,897
Miscellaneous.....	777,962	-	-	777,962
TOTAL OPERATING REVENUES.....	10,834,722	1,774,735	200,402	12,809,859
OPERATING EXPENSES:				
Cost of services and administration.....	10,426,690	1,372,210	266,182	12,065,082
OPERATING INCOME (LOSS).....	408,032	402,525	(65,780)	744,777
NONOPERATING REVENUES (EXPENSES):				
Investment income.....	-	25,046	23,270	48,316
CHANGE IN NET ASSETS.....	408,032	427,571	(42,510)	793,093
NET ASSETS AT BEGINNING OF YEAR.....	(281,976)	185,635	(99,964)	(196,305)
NET ASSETS AT END OF YEAR.....	\$ 126,056	\$ 613,206	\$ (142,474)	\$ 596,788

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Medical Claims	Medex Claims	Workmen's Compensation	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Receipts from interfund services provided.....	\$ 10,193,234	\$ 1,795,335	\$ 200,290	\$ 12,188,859
Payments for interfund services used.....	(10,090,942)	(1,391,158)	(224,465)	(11,706,565)
NET CASH FROM OPERATING ACTIVITIES.....	102,292	404,177	(24,175)	482,294
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
Advances from other funds.....	(102,292)	-	102,292	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	(102,292)	-	102,292	-
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Investment income.....	-	25,046	23,270	48,316
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	-	429,223	101,387	530,610
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR....	-	213,154	88,161	301,315
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ -	\$ 642,377	\$ 189,548	\$ 831,925
<u>RECONCILIATION OF OPERATING INCOME (LOSS)</u>				
<u>TO NET CASH FROM OPERATING ACTIVITIES:</u>				
Operating income (loss).....	\$ 408,032	\$ 402,525	\$ (65,780)	\$ 744,777
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Changes in assets and liabilities:				
Departmental and other.....	(507,433)	-	-	(507,433)
Working capital deposit.....	(134,055)	20,600	(112)	(113,567)
Warrants payable.....	193,908	(17,778)	(3,348)	172,782
Accrued liabilities.....	141,840	(1,170)	-	140,670
Workers' compensation.....	-	-	45,065	45,065
Total adjustments.....	(305,740)	1,652	41,605	(262,483)
NET CASH FROM OPERATING ACTIVITIES.....	\$ 102,292	\$ 404,177	\$ (24,175)	\$ 482,294

Fiduciary Funds

Private Purpose Trust Funds:

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

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

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

Agency Fund - To account for performance bonds and the collection and payment of hunting and fishing licenses, firearm permits, sales taxes 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, 2007

	Charity Funds	Scholarship Funds	Other Funds	Total
ASSETS				
Cash and cash equivalents.....	\$ 2,237,776	\$ 926,482	\$ 132,085	\$ 3,296,343
Receivables, net of allowance for uncollectibles:				
Departmental and other.....	-	175	-	175
Capital assets, net of accumulated depreciation.....	19,076	-	-	19,076
Capital assets, not being depreciated.....	2,045	-	-	2,045
TOTAL ASSETS.....	2,258,897	926,657	132,085	3,317,639
LIABILITIES				
Warrants payable.....	-	13,154	-	13,154
Other liabilities.....	-	175	-	175
TOTAL LIABILITIES.....	-	13,329	-	13,329
NET ASSETS				
Held in trust for other purposes.....	\$ <u>2,258,897</u>	\$ <u>913,328</u>	\$ <u>132,085</u>	\$ <u>3,304,310</u>

PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT CHANGES IN NET ASSETS

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Charity Funds	Scholarship Funds	Other Funds	Total
<u>ADDITIONS:</u>				
Contributions:				
Private donations.....	\$ 130,248	\$ -	\$ -	\$ 130,248
Net investment income (loss):				
Interest.....	112,618	46,093	6,582	165,293
TOTAL ADDITIONS.....	242,866	46,093	6,582	295,541
<u>DEDUCTIONS:</u>				
Charitable payments.....	128,385	-	-	128,385
Depreciation.....	2,950	-	-	2,950
Educational scholarships.....	-	11,625	-	11,625
TOTAL DEDUCTIONS.....	131,335	11,625	-	142,960
CHANGE IN NET ASSETS.....	111,531	34,468	6,582	152,581
NET ASSETS AT BEGINNING OF YEAR.....	2,147,366	878,860	125,503	3,151,729
NET ASSETS AT END OF YEAR.....	\$ 2,258,897	\$ 913,328	\$ 132,085	\$ 3,304,310

AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Balance at June 30, 2006		Additions		Deductions		Balance at June 30, 2007
ASSETS							
Cash and cash equivalents.....	\$ 13,841	\$	371,050	\$	321,275	\$	63,616
Due from general fund.....	78,900		49,700		60,242		68,358
	<u>92,741</u>		<u>420,750</u>		<u>381,517</u>		<u>131,974</u>
Total assets.....	\$ <u>92,741</u>	\$	\$ <u>420,750</u>	\$	\$ <u>381,517</u>	\$	\$ <u>131,974</u>
LIABILITIES							
Accrued Payroll - Off Duty Work Details.....	\$ 1,332	\$	24,568	\$	22,680	\$	3,220
Accrued Payroll - Dog License Fees.....	45		1,870		1,847		68
Due To Commonwealth:							
Firearms Permits.....	525		15,013		14,113		1,425
Meals Tax.....	24		277		301		-
Sales Tax.....	44		215		238		21
Due To Other Governments:							
Housing Authority.....	200		4,871		4,871		200
Due To Student Activities.....	13,841		371,050		321,275		63,616
Performance Bonds.....	76,731		2,886		16,192		63,425
	<u>92,742</u>		<u>420,750</u>		<u>381,517</u>		<u>131,975</u>
Liabilities due depositors.....	\$ <u>92,742</u>	\$	\$ <u>420,750</u>	\$	\$ <u>381,517</u>	\$	\$ <u>131,975</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.



Photo by Rob Kipp

Abbot Hall in Winter

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 Five Fiscal Years

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities					
Invested in capital assets, net of related debt.....	\$ 54,031,802	\$ 62,029,368	\$ 63,376,136	\$ 45,030,306	\$ 64,248,109
Restricted.....	4,718,510	7,367,239	8,369,340	8,514,978	9,369,209
Unrestricted.....	<u>6,393,833</u>	<u>2,063,935</u>	<u>1,019,991</u>	<u>23,885,631</u>	<u>3,025,735</u>
Total governmental activities net assets.....	<u>\$ 65,144,145</u>	<u>\$ 71,460,542</u>	<u>\$ 72,765,467</u>	<u>\$ 77,430,915</u>	<u>\$ 76,643,053</u>
Business-type activities					
Invested in capital assets, net of related debt.....	28,851,221	30,152,007	31,295,881	31,576,803	31,828,431
Unrestricted.....	<u>12,389,899</u>	<u>11,398,374</u>	<u>10,487,961</u>	<u>10,905,805</u>	<u>11,965,405</u>
Total business-type activities net assets.....	<u>\$ 41,241,120</u>	<u>\$ 41,550,381</u>	<u>\$ 41,783,843</u>	<u>\$ 42,482,608</u>	<u>\$ 43,793,836</u>
Primary government					
Invested in capital assets, net of related debt.....	82,883,023	92,181,375	94,672,019	76,607,109	96,076,540
Restricted.....	4,718,510	7,367,239	8,369,340	8,514,978	9,369,209
Unrestricted.....	<u>18,783,732</u>	<u>13,462,309</u>	<u>11,507,953</u>	<u>34,791,436</u>	<u>14,991,140</u>
Total primary government net assets.....	<u>\$ 106,385,265</u>	<u>\$ 113,010,923</u>	<u>\$ 114,549,312</u>	<u>\$ 119,913,523</u>	<u>\$ 120,436,889</u>

Changes in Net Assets

Last Five Fiscal Years

	Fiscal Year				
	2003	2004	2005	2006	2007
Expenses					
Governmental activities:					
General government.....	\$ 2,938,994	\$ 3,365,848	\$ 3,391,116	\$ 3,270,652	\$ 3,524,468
Public safety.....	7,867,199	7,957,974	7,787,203	7,980,128	9,019,171
Education.....	32,368,949	36,143,224	38,303,976	41,023,533	42,814,037
Public works.....	5,654,141	5,101,138	4,903,611	4,879,129	5,173,056
Landfill closure.....	-	-	-	-	4,900,000
Human services.....	914,967	929,242	826,827	1,084,279	1,115,550
Culture and recreation.....	2,361,916	2,301,611	2,427,894	2,438,794	2,563,548
Interest.....	1,451,423	1,059,107	1,847,413	2,214,597	1,326,580
Total government activities expenses.....	<u>53,557,589</u>	<u>56,858,144</u>	<u>59,488,040</u>	<u>62,891,112</u>	<u>70,436,410</u>
Business-type activities:					
Water.....	2,223,297	2,312,442	2,408,244	2,575,458	2,900,743
Sewer.....	3,061,348	2,980,770	3,489,015	3,274,040	3,516,775
Electric.....	10,381,542	10,805,232	10,941,345	13,344,444	12,768,585
Harbor.....	584,471	576,851	455,038	620,604	578,842
Total business-type activities expenses.....	<u>16,250,658</u>	<u>16,675,295</u>	<u>17,293,642</u>	<u>19,814,546</u>	<u>19,764,945</u>
Total primary government expenses.....	<u>\$ 69,808,247</u>	<u>\$ 73,533,439</u>	<u>\$ 76,781,682</u>	<u>\$ 82,705,658</u>	<u>\$ 90,201,355</u>
Program Revenues					
Governmental activities:					
Charges for services.....	\$ 2,947,311	\$ 2,375,995	\$ 2,734,373	\$ 2,832,424	\$ 2,717,380
Education.....	1,144,334	1,156,320	1,151,263	1,185,631	1,192,449
Operating grants and contributions.....	9,961,379	10,236,741	11,965,143	13,534,764	13,072,665
Capital grant and contributions.....	6,016,683	6,184,306	-	-	933,198
Total government activities program revenues.....	<u>20,069,707</u>	<u>19,953,362</u>	<u>15,850,779</u>	<u>17,552,819</u>	<u>17,915,692</u>
Business-type activities:					
Charges for services - Water.....	2,357,092	2,404,325	2,985,712	3,084,796	3,097,859
Charges for services - Sewer.....	3,054,481	3,098,366	3,897,788	3,254,460	3,566,868
Charges for services - Electric.....	11,524,933	11,747,745	11,350,011	13,845,358	13,837,216
Charges for services - Harbor.....	582,103	571,937	615,946	608,305	619,480
Operating grants and contributions.....	-	-	25,000	3,473	24,067
Total business-type activities program revenues.....	<u>17,518,609</u>	<u>17,822,373</u>	<u>18,874,457</u>	<u>20,796,392</u>	<u>21,145,490</u>
Total primary government program revenues.....	<u>\$ 37,588,316</u>	<u>\$ 37,775,735</u>	<u>\$ 34,725,236</u>	<u>\$ 38,349,211</u>	<u>\$ 39,061,182</u>
Net (Expense)/Revenue					
Governmental activities.....	\$ (33,487,882)	\$ (36,904,782)	\$ (43,637,261)	\$ (45,338,293)	\$ (52,520,718)
Business-type activities.....	<u>1,267,951</u>	<u>1,147,078</u>	<u>1,580,815</u>	<u>1,116,626</u>	<u>1,380,545</u>
Total primary government net expense.....	<u>\$ (32,219,931)</u>	<u>\$ (35,757,704)</u>	<u>\$ (42,056,446)</u>	<u>\$ (44,221,667)</u>	<u>\$ (51,140,173)</u>

(Continued)

Changes in Net Assets

Last Five Fiscal Years

	Fiscal Year				
	2003	2004	2005	2006	2007
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	\$ 44,052,622	\$ 44,897,758
Motor vehicle and other excise taxes.....	2,816,116	2,815,852	3,008,370	3,033,965	2,908,531
Penalties and interest on taxes.....	112,354	128,811	142,047	134,274	174,210
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	1,254,124	1,908,659
Unrestricted investment income.....	517,360	494,060	369,109	811,058	1,299,063
Gain (loss) on disposal of capital assets.....	(26,635)	-	-	-	-
Miscellaneous.....	2,719	-	-	61,300	-
Transfers.....	57,508	1,026,962	688,377	656,398	544,635
Total governmental activities.....	39,344,242	43,233,642	44,942,183	50,003,741	51,732,856
Business-type activities:					
Boat excise.....	131,449	137,920	139,068	134,780	142,145
Unrestricted investment income.....	107,863	51,225	104,009	238,535	333,173
Transfers.....	(57,508)	(1,026,962)	(688,377)	(656,398)	(544,635)
Total primary government.....	\$ <u>181,804</u>	\$ <u>(837,817)</u>	\$ <u>(445,300)</u>	\$ <u>(283,083)</u>	\$ <u>(69,317)</u>
Changes in Net Assets					
Governmental activities.....	\$ 5,856,360	\$ 6,328,860	\$ 1,304,922	\$ 4,665,448	\$ (787,862)
Business-type activities.....	1,449,755	309,261	1,135,515	833,543	1,311,228
Total primary government.....	\$ <u>7,306,115</u>	\$ <u>6,638,121</u>	\$ <u>2,440,437</u>	\$ <u>5,498,991</u>	\$ <u>523,366</u>

(Concluded)

Fund Balances, Governmental Funds

Last Ten Fiscal Years

Fiscal Year

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
Reserved.....	\$ 2,897,319	\$ 2,741,420	\$ 2,047,209	\$ 2,021,489	\$ 2,495,896	\$ 590,889	\$ 346,436	\$ 242,334	\$ 329,471	\$ 347,480
Unreserved.....	<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>3,468,375</u>	<u>4,905,746</u>	<u>5,434,575</u>
Total general fund.....	<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>\$ 3,710,709</u>	<u>\$ 5,235,217</u>	<u>\$ 5,782,055</u>
All Other Governmental Funds										
Reserved.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,119,714	\$ 3,160,017	\$ 3,242,776	\$ 3,218,824	\$ 3,265,196
Unreserved, reported in:										
Special revenue funds.....	934,008	1,061,776	924,573	1,265,026	3,470,693	3,335,913	4,201,446	5,898,953	4,956,638	6,612,669
Capital projects funds.....	296,192	(1,421,646)	(1,100,256)	(11,185,348)	2,364,897	5,440,999	2,137,325	13,780	(3,448,847)	(230,722)
Permanent funds.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>670,784</u>	<u>726,568</u>	<u>585,746</u>	<u>1,243,096</u>	<u>-</u>
Total all other governmental funds.....	<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>	<u>\$ 5,969,711</u>	<u>\$ 9,647,143</u>

Fiscal years 1998 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									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues:										
Real estate and personal property taxes,										
net of tax refunds.....	\$ 26,881,212	\$ 27,948,768	\$ 29,143,026	\$ 30,181,410	\$ 33,412,393	\$ 34,609,845	\$ 37,536,410	\$ 39,636,668	\$ 43,703,685	\$ 44,942,601
Motor vehicle and other excise taxes.....	2,458,633	2,250,018	2,832,151	2,689,466	2,684,652	2,810,072	2,809,905	3,014,927	3,026,225	2,921,041
Penalties and interest on taxes.....	173,351	201,003	136,615	130,863	125,118	112,354	128,811	142,047	134,274	174,210
Charges for Services.....	1,724,843	2,145,284	2,073,694	2,062,949	2,417,398	2,328,201	2,266,211	2,250,402	2,321,164	2,423,866
Licenses and permits (**and fees).....	452,278	413,892	375,475	457,597	512,478	445,850	557,746	805,077	867,875	692,993
Fines and forfeitures.....	174,874	167,299	186,366	164,701	185,354	186,801	184,034	209,571	185,569	162,480
Intergovernmental.....	4,531,277	4,337,702	7,795,581	9,568,885	9,375,238	10,004,918	10,361,141	12,013,630	34,856,476	32,613,925
Departmental.....	-	-	-	-	-	301,228	351,221	363,625	339,638	399,086
Contributions.....	242,660	137,938	218,961	391,583	364,035	448,003	366,484	708,368	383,178	814,817
Investment income.....	509,738	480,394	495,292	1,625,099	769,304	482,227	487,621	355,094	787,540	1,250,722
Miscellaneous.....	288,172	323,330	336,359	335,169	402,121	375,330	188,506	258,863	356,564	255,420
Total Revenue.....	37,437,038	38,405,628	43,593,520	47,607,722	50,248,091	52,104,829	55,238,090	59,758,272	86,962,188	86,651,161
Expenditures:										
General government.....	1,557,901	1,751,615	1,741,671	1,651,605	1,749,068	1,590,640	1,750,424	1,838,779	1,875,936	2,109,919
Public safety.....	4,900,866	4,924,483	5,138,448	5,605,684	5,859,514	5,948,722	5,972,372	5,873,710	5,764,771	6,322,114
Education.....	18,014,181	19,209,920	20,353,581	21,497,375	22,929,034	21,804,045	24,776,903	25,346,557	27,185,424	28,195,979
Public works.....	3,388,038	3,128,582	3,241,085	4,362,998	4,177,068	4,532,315	3,887,512	3,641,106	3,507,547	3,800,613
Human services.....	701,569	756,853	776,735	838,688	810,067	744,629	647,358	551,201	798,590	811,195
Culture and recreation.....	1,481,460	1,597,092	1,664,076	1,639,867	1,862,226	1,715,371	1,609,337	1,743,082	1,731,995	1,606,584
Pension benefits.....	-	-	4,797,468	5,074,648	5,080,649	5,571,615	6,137,142	6,533,588	6,728,821	7,101,736
Property and liability insurance.....	-	-	93,890	105,023	157,751	245,545	304,088	323,166	334,103	345,231
Employee benefits.....	5,122,894	5,371,565	3,197,682	3,291,869	3,604,154	3,895,920	4,844,001	6,153,016	8,884,059	9,125,175
State and county charges.....	765,847	684,977	622,850	608,657	596,520	1,824,080	1,714,756	2,094,128	2,217,767	2,156,712
Capital outlay.....	3,011,215	1,359,572	2,347,479	15,097,502	27,049,754	14,237,109	13,481,291	4,167,893	4,500,085	2,161,981
Debt service.....										
Principal.....	1,275	1,170	1,165,000	1,300,000	1,775,000	1,755,000	1,655,000	2,269,726	23,995,637	17,809,637
Interest.....	1,655,466	1,481,784	367,791	453,437	1,684,707	1,640,631	1,622,294	1,958,022	2,585,246	1,984,064
Total Expenditures.....	40,600,712	40,267,613	45,507,756	61,527,353	77,335,512	65,505,622	68,402,478	62,493,974	90,109,981	83,530,940
Excess of revenues over (under) expenditures.....	(3,163,674)	(1,861,985)	(1,914,236)	(13,919,631)	(27,087,421)	(13,400,793)	(13,164,388)	(2,735,702)	(3,147,793)	3,120,221
Other Financing Sources (Uses)										
Issuance of debt.....	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	197,483	13,295
Proceeds from bonds and notes.....	-	-	-	-	-	-	-	37,510,274	15,984,637	-
Payments of current refunded debt.....	-	-	-	-	-	-	-	(37,510,274)	(15,984,637)	-
Capital lease financing.....	-	26,200	25,000	235,710	-	-	-	-	46,875	-
Transfers in.....	1,055,544	774,368	536,631	1,738,319	711,238	537,488	2,514,566	2,256,375	2,297,989	2,002,892
Transfers out.....	(1,075,367)	(957,660)	(625,087)	(1,923,025)	(899,708)	(679,980)	(1,687,604)	(1,767,998)	(1,641,591)	(1,458,257)
Total other financing sources (uses).....	1,552,741	(157,092)	1,587,860	5,121,790	40,577,168	15,767,247	9,298,630	2,294,458	900,756	557,930
Net change in fund balance.....	\$ (1,610,933)	\$ (2,019,077)	\$ (326,376)	\$ (8,797,841)	\$ 13,489,747	\$ 2,366,454	\$ (3,865,758)	\$ (441,244)	\$ (2,247,037)	\$ 3,678,151
Debt service as a percentage of noncapital expenditures	4.41%	3.81%	3.55%	3.78%	6.88%	6.62%	5.97%	7.25%	8.25%	5.83%

Fiscal years 1998 through 2002 exclude Expendable and Nonexpendable Trust Funds which were reported under the pre-GASB 34 format.

In Fiscal years 1998 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 1998 through 2002 include fees with licenses and permits

In fiscal year 2006 the debt service % has been adjusted for the principal payment of \$21,275,637 from a state grant.

In fiscal year 2007 the debt service % has been adjusted for the principal payment of \$15,984,637 from a state grant.

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
1998	(1) \$ 2,120,747,201	\$12.00	\$ 104,585,629	\$ 13,901,270	\$ 14,827,490	\$ 133,314,389	\$12.18	\$ 2,254,061,590
1999	\$ 2,273,353,314	\$11.60	\$ 108,962,111	\$ 14,036,800	\$ 16,480,870	\$ 139,479,781	\$12.00	\$ 2,412,833,095
2000	\$ 2,468,188,927	\$11.14	\$ 116,225,713	\$ 15,557,860	\$ 17,274,360	\$ 149,057,933	\$11.60	\$ 2,617,246,860
2001	(1) \$ 2,794,500,036	\$10.23	\$ 128,533,269	\$ 16,637,820	\$ 16,453,240	\$ 161,624,329	\$11.14	\$ 2,956,124,365
2002	\$ 3,334,739,063	\$9.50	\$ 145,486,042	\$ 17,847,070	\$ 17,974,530	\$ 181,307,642	\$10.23	\$ 3,516,046,705
2003	\$ 3,904,694,030	\$8.42	\$ 155,455,505	\$ 18,408,805	\$ 21,508,430	\$ 195,372,740	\$9.50	\$ 4,100,066,770
2004	(1) \$ 4,262,454,683	\$8.48	\$ 162,486,031	\$ 17,785,900	\$ 23,082,370	\$ 203,354,301	\$8.42	\$ 4,465,808,984
2005	\$ 4,596,303,034	\$8.26	\$ 175,052,553	\$ 19,390,500	\$ 36,175,490	\$ 230,618,543	\$8.48	\$ 4,826,921,577
2006	\$ 5,007,339,729	\$8.43	\$ 184,593,258	\$ 17,596,200	\$ 33,605,700	\$ 235,795,158	\$8.26	\$ 5,243,134,887
2007	(1) \$ 5,579,215,064	\$7.76	\$ 210,417,304	\$ 18,720,900	\$ 35,424,740	\$ 264,562,944	\$7.76	\$ 5,843,778,008

Revaluation Year

Source: Town of Marblehead, Assessor's Department

Principal Taxpayers
Current Year and Nine Years Ago

Name	Nature of Business	2007		Percentage of Total Taxable Assessed Value	1998		Percentage of Total Taxable Assessed Value
		Assessed Valuation	Rank		Assessed Valuation	Rank	
Moore, Edward T., Trust	Real estate investor	\$ 61,325,600	1	1.05%	\$ 5,313,900	4	0.24%
Rockett, J. Hillary	Real estate investor	\$ 39,312,900	2	0.67%	\$ 16,148,200	1	0.72%
Algonquin Gas Transmission Co.	Utility	\$ 18,150,500	3	0.31%	\$ -		
Bessom Associates	Co-operative housing	\$ 17,414,200	4	0.30%	\$ 6,092,900	3	0.27%
Eastern Yacht Club	Private yacht club	\$ 14,971,200	5	0.26%	\$ 6,242,300	2	0.28%
Angelo Arena	Real estate investor	\$ 12,638,600	6	0.22%	\$ 5,044,100	5	0.22%
Peter S. Lynch	Investment Manager	\$ 10,359,500	7	0.18%	\$ -		
Robert W. Green	Real Estate Investor	\$ 9,659,300	8	0.17%	\$ 3,770,800	10	0.17%
James Crosby	Commercial Property	\$ 9,464,900	9	0.16%	\$ 4,092,500	9	0.18%
Corinthian Yacht Club	Private Yacht Club	\$ 9,152,070	10	0.16%	\$ 4,603,700	6	0.20%
Boston Gas Company (Keyspan)	Utility	\$ -			\$ 4,191,700	8	0.19%
Bell Atlantic	Utility	\$ -			\$ 4,373,400	7	0.19%
Totals		\$ 202,448,770		3.48%	\$ 59,873,500		2.66%

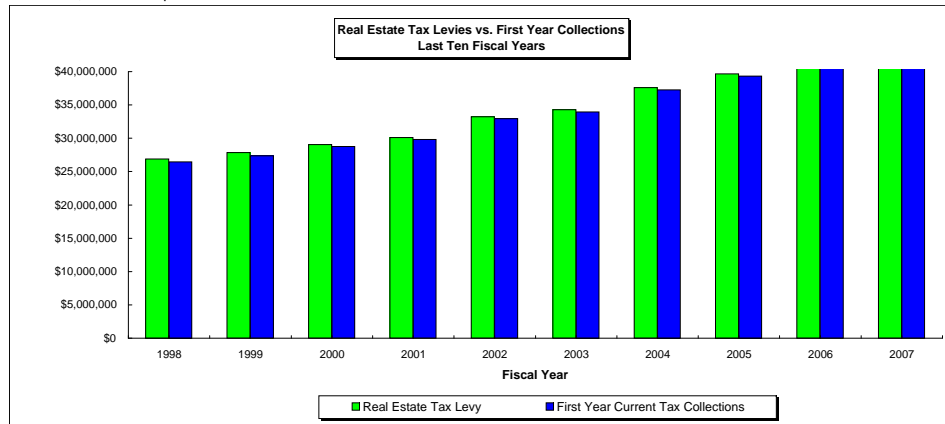
Source: Town of Marblehead, Assessor's Department

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
1998	(1)	\$ 27,048,739	\$ 143,393	\$ 26,905,346	\$ 26,446,238	98.29%	\$ 283,787	\$ 26,730,025	99.35%
1999		\$ 27,988,864	\$ 160,855	\$ 27,828,009	\$ 27,380,835	98.39%	\$ 245,464	\$ 27,626,299	99.28%
2000		\$ 29,156,130	\$ 127,760	\$ 29,028,370	\$ 28,741,478	99.01%	\$ 234,578	\$ 28,976,056	99.82%
2001	(1)	\$ 30,241,152	\$ 115,184	\$ 30,125,968	\$ 29,821,579	98.99%	\$ 247,758	\$ 30,069,337	99.81%
2002		\$ 33,402,444	\$ 182,941	\$ 33,219,503	\$ 32,922,437	99.11%	\$ 238,539	\$ 33,160,976	99.82%
2003		\$ 34,497,302	\$ 232,884	\$ 34,264,418	\$ 33,930,910	99.03%	\$ 227,591	\$ 34,158,501	99.69%
2004	(1)	\$ 37,870,060	\$ 271,230	\$ 37,598,830	\$ 37,251,701	99.08%	\$ 260,483	\$ 37,512,184	99.77%
2005		\$ 39,870,372	\$ 190,961	\$ 39,679,411	\$ 39,322,124	99.10%	\$ 228,442	\$ 39,550,566	99.68%
2006		\$ 44,199,627	\$ 205,719	\$ 43,993,908	\$ 43,420,228	98.70%	\$ 394,816	\$ 43,815,044	99.59%
2007	(1)	\$ 45,347,717	\$ 352,941	\$ 44,994,776	\$ 44,430,925	98.75%	\$ -	\$ 44,430,925	98.75%

Source: Town of Marblehead's, Finance 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	Governmental Activities Debt								
	U. S. Census Population	Personal Income	Assessed Value	General Obligation Bonds	Capital Leases	Per Capita	Percentage of Personal Income	Percentage of Assessed Value	
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%	
2006	20,482	\$ 1,078,061,450	\$ 5,243,134,887	\$ 28,410,000	\$ 46,875	\$ 1,389	2.64%	0.54%	
2007	20,384	\$ 1,094,361,327	\$ 5,843,778,008	\$ 26,585,000	\$ 23,558	\$ 1,305	2.43%	0.46%	

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
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%
2006	\$ 180,000	\$ 28,636,875	\$ 1,398	2.66%	0.55%
2007	\$ 135,000	\$ 26,743,558	\$ 1,312	2.44%	0.46%

(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, 2007

<u>Town of Marblehead, Massachusetts</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
North Shore Regional Vocational Technical School District..... \$	2,205,000	1.946%	\$ 42,909
South Essex Sewerage District.....	145,743,891	7.520%	10,959,941
Massachusetts Water Resource Authority.....	1,868,396,000	0.968%	<u>18,086,073</u>
Subtotal, overlapping debt.....			29,088,923
Town direct debt.....			<u>26,585,000</u>
Total direct and overlapping debt.....			<u>\$ 55,673,923</u>

Source: Town of Marblehead's, Finance Department

Computation of Legal Debt Margin

Last Ten Fiscal Years

	Fiscal Year									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Equalized valuation.....	\$ 2,249,236,900	\$ 2,388,893,800	\$ 2,811,457,400	\$ 2,811,457,400	\$ 2,811,457,400	\$ 3,815,051,700	\$ 3,815,051,700	\$ 4,841,734,800	\$ 5,582,874,900	\$ 5,582,874,900
Debt Limit - 5% of equalized valuation.....	112,461,845	119,444,690	140,572,870	140,572,870	140,572,870	190,752,585	190,752,585	242,086,740	279,143,745	279,143,745
Less:										
Total debt applicable to limitation.....	<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>	<u>28,590,000</u>	<u>26,720,000</u>
Legal debt margin.....	\$ <u>102,646,845</u>	\$ <u>110,919,690</u>	\$ <u>131,237,870</u>	\$ <u>127,752,870</u>	\$ <u>129,687,870</u>	\$ <u>181,782,585</u>	\$ <u>183,597,585</u>	\$ <u>210,871,740</u>	\$ <u>250,553,745</u>	\$ <u>252,423,745</u>
Total debt applicable to the limit as a percentage of debt limit.....	10%	8%	7%	10%	8%	5%	4%	15%	11%	11%

Source: Town of Marblehead's, 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
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%
2006	20,482	\$ 1,078,061,450	\$ 52,635	41.9	3,133	3.00%
2007	20,384	\$ 1,094,361,327	\$ 53,687	41.9	3,242	3.70%

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									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Function										
General government.....	24.00	24.50	24.50	24.50	24.50	24.50	23.25	23.25	22.50	22.50
Public safety.....	53.00	54.50	58.50	56.50	58.50	56.25	58.50	54.75	55.25	55.50
Fire.....	42.00	42.00	42.00	42.00	42.00	42.00	42.00	42.50	42.50	42.50
Education.....	369.60	385.90	396.20	400.10	414.30	424.20	426.00	448.40	466.32	474.67
Public works.....	37.25	38.25	38.50	37.50	39.50	39.00	37.00	36.25	36.25	36.45
Human services.....	6.00	5.50	5.50	6.75	7.00	6.75	6.75	6.00	6.25	6.50
Culture and recreation.....	32.00	33.25	30.50	32.25	29.00	32.75	30.75	28.00	30.75	28.75
Total.....	<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>	<u>659.82</u>	<u>666.87</u>

Source: Town Records

Operating Indicators by Function/Program

Last Ten Fiscal Years

<u>Function/Program</u>	<u>Fiscal Year</u>									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Police										
Physical arrests.....	247	327	504	366	226	284	283	317	285	340
Motor vehicle violations.....	575	742	688	1,291	880	1,249	1,488	1,309	3,110	1,499
Parking violations.....	5,246	3,722	5,467	4,504	5,714	4,879	4,995	4,998	3,545	3,752
Fire										
Inspections.....	1,491	1,635	1,594	1,579	1,467	1,622	1,622	1,860	1,707	1,651
Emergency responses.....	1,939	2,219	2,185	2,066	2,219	2,105	2,105	2,347	2,167	2,361
Libraries										
Volumes in circulation.....	119,916	120,321	120,177	117,926	115,771	118,504	119,867	120,989	118,078	117,041
Total volumes borrowed.....	241,700	231,849	206,450	215,105	219,458	227,481	212,263	210,510	208,820	203,170
Water										
Service connections.....	7,608	7,620	7,635	7,827	7,869	7,877	7,877	8,004	7,459	7,962
Consumption in gallons.....	2,220,000	2,030,000	2,030,000	1,870,000	1,873,000	1,915,100	1,915,100	1,930,000	2,016,000	1,851,800
Daily consumption.....	5,380,000	4,405,000	4,405,000	3,926,000	3,296,000	3,557,000	3,557,000	3,054,000	3,666,000	3,803,000
Sewer										
Service connections.....	7,350	7,370	7,379	7,399	7,789	7,792	7,792	7,901	7,223	7,773
Daily average collection.....	3,000,000	1,590,000	1,590,000	1,800,000	1,800,000	1,800,000	1,800,000	2,448,387	2,400,000	2,244,000

Source: Various Town departments

Town of Marblehead, Massachusetts
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Police										
Number of Stations.....	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Police personnel and officers.....	37.0	37.0	37.0	45.0	42.0	42.0	42.0	42.0	42.0	42.0
Fire										
Number of Stations.....	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Fire personnel and officers.....	42.0	42.0	42.0	39.0	42.0	42.0	42.0	42.0	42.0	42.0
Education										
Number of elementary schools.....	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	6.0	6.0
Number of middle schools.....	1.0	1.0	1.0	1.0	1.0	1.0	2.0	2.0	1.0	1.0
Number of high schools.....	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Number of teachers.....	225.0	233.0	228.0	243.0	243.0	243.0	265.0	260.0	260.0	249.0
Number of administrators.....	7.0	7.0	15.0	17.0	9.0	9.0	9.0	18.0	17.0	17.0
Number of students.....	5,246.0	2,803.0	2,792.0	2,865.0	2,875.0	2,970.0	2,982.0	3,079.0	3,150.0	3,242.0
Water										
Water mains (miles).....	75.0	75.0	75.0	75.0	75.0	75.0	75.0	86.7	86.7	86.7
Fire hydrants.....	815.0	815.0	823.0	825.0	825.0	828.0	828.0	851.0	852.0	855.0
Sewer										
Sanitary sewers (miles).....	96.0	96.0	96.0	96.0	96.0	96.0	96.0	87.5	87.5	87.5
Storm sewers (miles).....	37.0	37.0	37.0	37.0	37.0	37.0	37.0	50.9	50.9	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	133.2
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.....	13.0	13.0	13.0	13.0	15.0	15.0	15.0	15.0	15.0	15.0
Tennis courts.....	13.0	13.0	12.0	12.0	12.0	12.0	12.0	12.0	10.0	12.0
Harbor										
Harbors.....	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Moorings.....	2,060.0	2,012.0	2,200.0	2,200.0	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	6.0	6.0	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	4.0	4.0	3.0	3.0	2.0	2.0	2.0

Source: Various Town Departments



Old Town House in Spring



Photos by Rob Kipp

Light Tower located on Marblehead Neck