

TOWN OF MARBLEHEAD, MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT



Harbormaster's Office Photo

**For the Fiscal Year Ended
June 30, 2008**

On the Cover: *Marblehead Harbor and a distant Boston skyline as seen from the top of the Marblehead Light Tower.*

Fort Beach and historic Fort Sewall are shrouded by a morning fog



Trees on Marblehead Neck frame a peaceful Marblehead Harbor and historic Abbot Hall, Marblehead's Town Hall

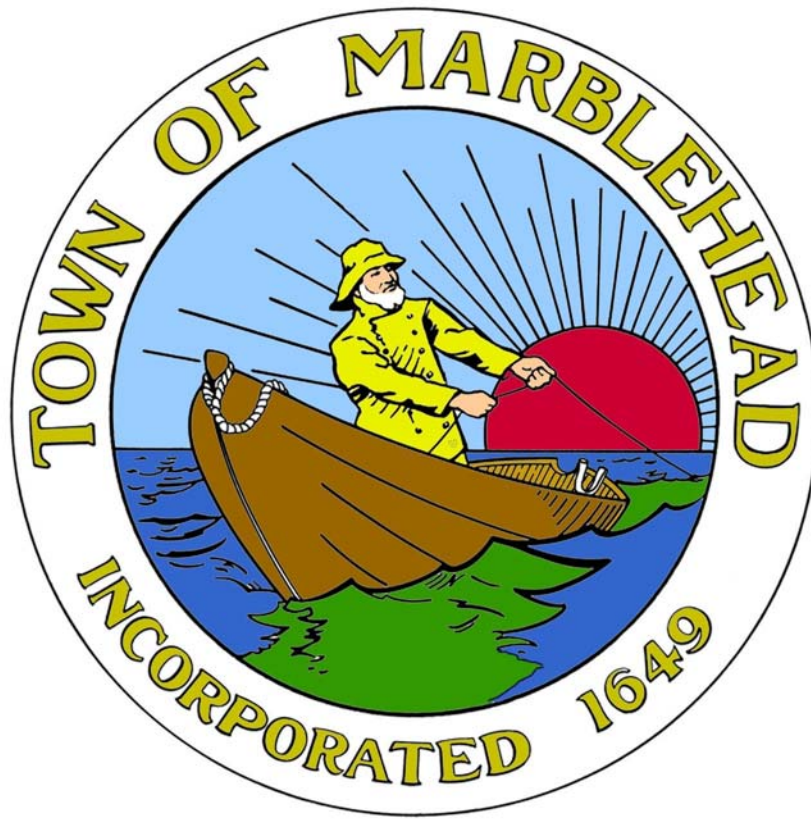


Marblehead Harbor as viewed from Crocker Park



Photos by Rob Kipp

TOWN OF MARBLEHEAD, MASSACHUSETTS



COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Fiscal Year Ended June 30, 2008 Prepared by Finance Department

TOWN OF MARBLEHEAD, MASSACHUSETTS
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2008

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Introductory Section



Photo by Rob Kipp

Marblehead Light Tower stands guard over the entrance to Marblehead Harbor.

Introductory Section

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TOWN OF MARBLEHEAD

FINANCIAL SERVICES

www.marblehead.org/finance

John J. McGinn
Finance Director
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Letter of Transmittal

December 16, 2008

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, 2008, is presented. The financial statements are presented in conformity with accounting principles generally accepted in the United States of America (GAAP) that are audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report also complies with the financial reporting model developed by the Governmental Accounting Standards Board (GASB) Statement 34.

In addition to the fund financial information traditionally presented in the Town's financial statements, this report also includes government-wide financial statements. The government-wide financial statements include a Statement of Net Assets that provides the total net assets of the Town including all capital assets (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 the Town of Marblehead.

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

The Town of Marblehead's financial statements have been audited by Powers & Sullivan, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Marblehead, for the fiscal year ended June 30, 2008, 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. The Town of Marblehead's financial statements for the fiscal year ended June 30, 2008, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

PROFILE OF THE TOWN

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

With a population of 20,039, Marblehead is located in the Greater Boston Area, 18 miles northeast of Boston, with a land area of 4.53 square miles. Marblehead is situated in eastern Massachusetts, bordered by Swampscott on the south, Salem on the southwest, and the Atlantic Ocean on the west, north, and east. Commuter rail service to North Station in Boston is convenient from the Salem or Swampscott stations and Marblehead is a member of the Massachusetts Bay Transportation Authority which provides bus service to Swampscott, Lynn and Boston.

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

THE REPORTING ENTITY AND ITS SERVICES

The financial reporting entity (the Town) of the primary government includes all funds, and activities considered a part of the Town of Marblehead. Specifically excluded are the Marblehead Housing Authority and The 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 FINANCIAL CONDITION

The Town of Marblehead continues to reflect a relatively strong economic condition. This has been demonstrated by the historic sale prices recorded for real estate, and a record number of home sales in excess of one million dollars. While the residential sales market weakened in fiscal year 2008, it did sustain value when compared to the real estate market regionally and nationally.

The median family income remained significantly higher than state averages and the unemployment rate continues to be lower than the State average (4.0% vs. 5.3% for the state). The Town remains a very desirable community given its close proximity to Boston, and for its tourism, history, boating, and the quality of services provided.

Despite the national downturn in the real estate market, the Town continued to experience a strong property value base. While values decreased between fiscal year 2007 and 2008, from a historical high of \$5.8 billion to \$5.6 billion, the total fiscal year 2008 real estate value of the community remained significantly higher than the fiscal year 2006 value of \$5.2 billion. A number of factors contribute to the relatively strong real estate market, (when compared regionally and nationally), and a stable 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 fiscal year 2008, the Town set a benchmark for the highest sale prices recorded with 2 properties each selling for \$6.7 million. Additionally, there were a record 42 sales in excess of \$1 million further demonstrating the continued demand for ocean front property and the desirability of the Town.

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. The Town is in the position of having to rely primarily on property taxes (approximately 75% of the Town's general fund revenue base) to cover the increasing cost of providing services.

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 the town meeting, also establishes that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings or at the next annual town meeting held prior to the end of the fiscal year. During the fiscal year the finance committee may transfer funds for extraordinary or unforeseen expenditures. The Town appropriated \$144,000 for this purpose in

fiscal 2008 and transfers of \$80,967 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 2008, 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 for the first time an Energy Reserve in its fiscal year 2007 operating budget. Departments with energy costs are allowed to access this reserve after they exhaust their entire departmental budget for various forms of energy (heating, electricity, and motor vehicle fuel). The use of the reserve has 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 \$326,000 into the fiscal 2008 energy reserve. Of this amount \$249,225 was expended. The Town has once again increased its allocation to its energy reserve in the fiscal year 2009 budget appropriating \$404,200 for this purpose.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Capital Projects Fund as well as the Sewer, Water and Harbor Enterprise Funds. Although formal budgetary integration is not employed for Special Revenue Funds, effective budgetary control is alternatively achieved through provisions of the Massachusetts General Laws and the Town's by-laws.

Appropriations are authorized by 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, 2008 totaled \$35,506,500 of which \$90,000 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 2008 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	\$ 34,426,500	0.61%	\$ 1,718

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 most recently issued Bond Anticipation Notes in August of 2008.

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, 2008, was in the Massachusetts Municipal Depository Trust (MMDT) (a depository for municipal subdivisions of the Commonwealth under the direction of the State Treasurer) or in a bank deposit paying comparable returns to the MMDT. Pension Trust Funds are invested with the State Pension Reserve Investment Trust.

Investment income is as follows:

General Fund.....	\$	974,340
Public Funds.....		67,102
Enterprise Funds.....		337,377
Pension Trust Funds.....		10,045,706
Non-major Governmental Funds.....		258,557
Internal Service Funds.....		66,745
Private Purpose Trust Funds.....		<u>147,076</u>
Total.....	\$	<u><u>11,896,903</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 2008 Levy:

<u>Full and Fair Cash Value of Property</u>			<u>Levy Ceiling</u>
\$5,608,551,644	X	2.50%	\$ 140,213,791

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

Fiscal 2008 Levy Limit:

Fiscal 2007:

Levy Limit	\$ 45,353,888
Less Debt and Capital Exclusions	(4,467,389)
Fiscal Year 2007 Base	<u>40,886,499</u>
Fiscal Year 2008 Maximum Increase	102.50%
Fiscal Year 2008 Levy Limit Base	<u>41,908,661</u>

Fiscal 2008:

New Growth Factor	498,740
Debt and Capital Exclusions	4,369,858
Fiscal 2008 Levy Limit - maximum allowable	<u>\$ 46,777,259</u>
Actual Fiscal 2008 Tax Levy	<u><u>\$ 46,775,321</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, a separate School Facilities Master Plan Committee that included representatives from the School Committee, School Administration, the Finance Committee, Capital Planning Committee, Town Officials, 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 submitted to the Massachusetts School Building Authority (MSBA) in fiscal year 2007. As a result of this work, the Town received approval from MSBA during fiscal year 2008 to advance the Glover-Eveleth School project to the feasibility study stage and Village School as a repair project. As such, both these projects become eligible for state reimbursement for a portion of the costs of each project.

SIGNIFICANT EVENTS

NEW ACCOUNTING AND PAYROLL SOFTWARE FULLY IMPLEMENTED

During fiscal year 2008, the Town replaced and upgraded the software used to perform all of its accounting and payroll activities. The payroll system replaced was approximately 30 years old and the accounting software replaced was approximately 25 years old. SoftRight Software was chosen as the company whose accounting and payroll software is now being used. The new accounting software has the capability to also track the Town's fixed assets.

Also in fiscal year 2008 the Town decided to convert and upgrade the software used to track receivables for the Harbor Enterprise and the software used to track dog licenses. Both of these software conversions and upgrades were underway by the end of fiscal year 2008.

TOWN WEBSITE CONTINUES TO EXPAND ITS 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 2008 the website continued to be enhanced with the addition of on-line forms that can be used by residents to submit certain information to the various Town Departments electronically over the internet via the Town's website.

TOWN RECEIVES APPROVAL FROM MSBA FOR TWO SCHOOL PROJECTS

During fiscal year 2008 approval was received from MSBA to advance the Glover-Eveleth School project to the feasibility study stage and Village School as a repair project. As such, both these projects become eligible for state reimbursement for a portion of the costs of each project. Construction activities associated with the Village School will commence in fiscal year 2009.

CAUSEWAY SEAWALL PROJECT COMPLETED

In early fiscal year 2008 the Town undertook the reconstruction of the Ocean Avenue Causeway Seawall at Devereux Beach. This seawall is approximately one half mile in length and serves as essential protection for the only roadway linking Marblehead Neck to the mainland. Marblehead Neck is an area of land about 320 acres in size that contains approximately 350 structures, primarily residential in nature. This reconstruction of the Seawall was completed on schedule by the end of fiscal year 2008 with the exception of a few punch list items that required completion.

UNIFIED GIS IMPROVEMENTS FOR THE TOWN

In fiscal year 2008 the Town undertook a project to upgrade its GIS information software and combine the separate databases previously maintained by the Water & Sewer Commission and the Town's Engineering Department.

EQUIPMENT PURCHASED AND UPGRADED

The Town purchased and took delivery of several new pieces of heavy equipment in fiscal year 2008. In addition the Town invested in several necessary upgrades to existing equipment. This included by department:

Park & Recreation, Tree Departments:	Line Painting Machine Utility Trailer Office Copy Machine Dump Truck
Highway Department:	Dump Truck
Police Department:	2 Police Vehicles
Cemetery Department:	Crawler Tractor Excavator
School Department:	Pick-up Truck
Waste Department:	Rebuild Compactor
Water Department:	Backhoe
Sewer Department:	Utility Truck Dump Truck

EMPLOYEE / RETIREE HEALTH COVERAGE – TOWN SWITCHES FROM SELF-INSURED TO FULLY-INSURED HEALTH PLANS

Fiscal year 2008 was the last year that the Town provided health coverage for its employees and retirees on a self-insured basis. Effective July 1, 2008 the town began purchasing health insurance from the Massachusetts Interlocal Insurance Association (MIIA). MIIA is the insurance arm of the Massachusetts Municipal Association (MMA), a private, nonprofit and nonpartisan organization of cities and towns. In 1992 MIIA established the MIIA Health Benefits Trust to serve the health benefit needs of local government. The Trust was established pursuant to M.G.L. Chapter 32B Section 12 and is now one of the largest pools in the nation. The move to a fully insured health plan should both stabilize the health care costs of the Town and reduce the risk undertaken by the Town.

RESULTS OF JUNE 17TH OVERRIDE BALLOT

The Annual Town Meeting held in May 2008 approved two one-time debt exclusion override questions that were placed on a referendum ballot held on June 17, 2008. Both of these questions were approved by the voters. The first was \$21.7 million for the repair and reconstruction of the Village School (2,464 in favor, 1,213 opposed). The second was \$385,000 for the Feasibility phase of the Glover School project (2,365 in favor, 1,311 opposed). The Massachusetts School Building Authority is participating in the cost associated with both these projects.

AWARDS AND ACKNOWLEDGMENTS

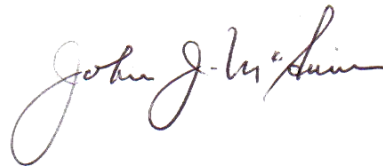
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Marblehead for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2007. This was the fourth consecutive year that the Town submitted a CAFR to the GFOA. The Town was awarded this Certificate all four 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 Financial Services Department. I would like to express my appreciation to all members of the Town's Financial Services Department who assisted and contributed to the preparation of this report. I would also like to thank the Board of Selectmen, the Board of Assessors, the Finance Committee 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.

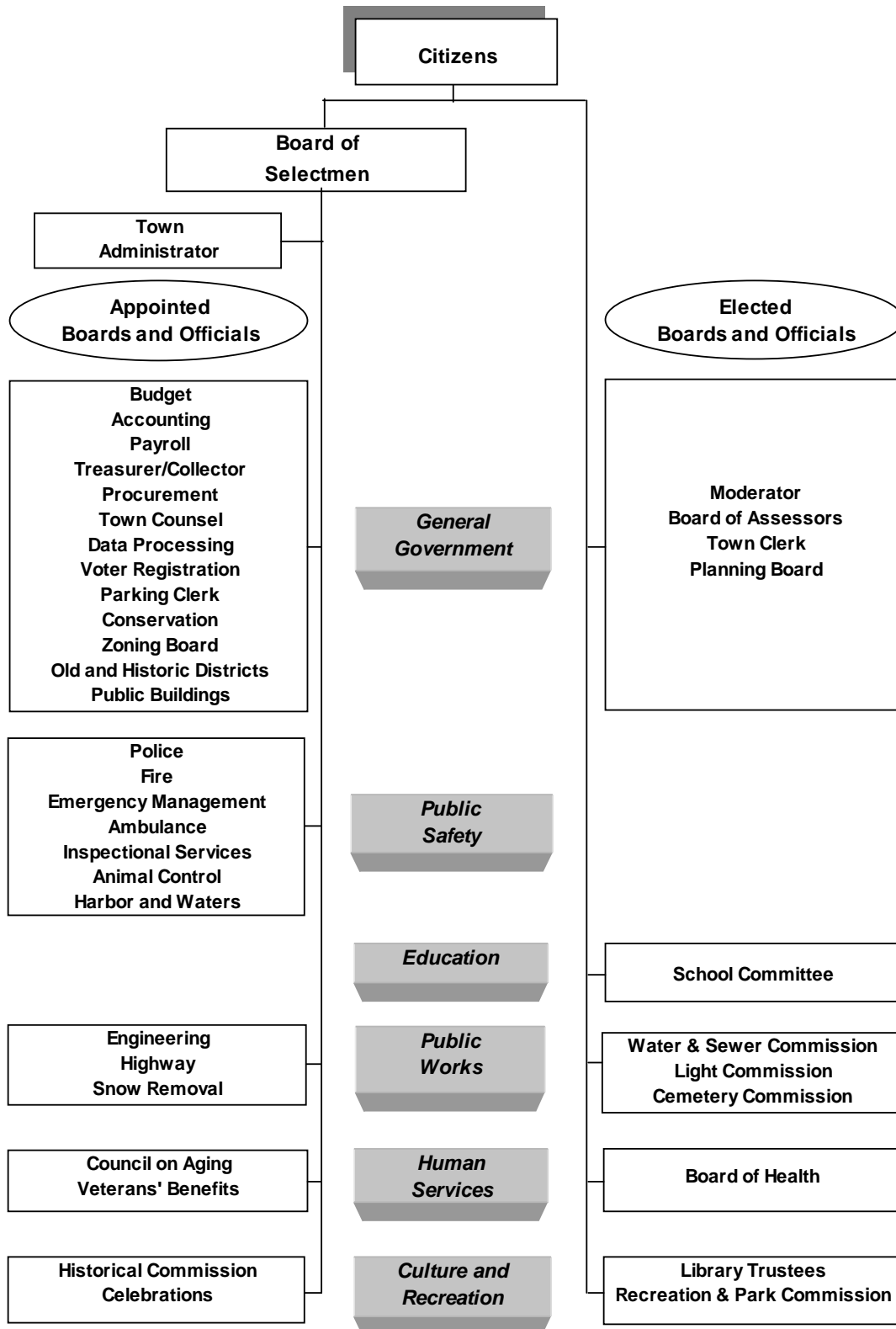
Respectfully submitted,

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 (Chairperson)	Jackie Belf-Becker	Elected	2009
Selectmen	Harry C. Christensen, Jr.	Elected	2009
Selectmen	Judith R. Jacobi	Elected	2009
Selectmen	James E. Nye	Elected	2009
Selectmen	William L. Woodfin II	Elected	2009
Town Administrator	Anthony M. Sasso	Appointed	2010
Finance Director/Town Accountant	John J. McGinn	Appointed	2010
Treasurer/Collector	Patricia K. Murray	Appointed	2009
Town Clerk	Robin A. Michaud	Elected	2010

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, 2007

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.



Charles S. Cox

President

Jeffrey R. Emer

Executive Director

Financial Section



Photo by Rob Kipp

*An early sunrise awakens Marblehead Harbor and shines upon historic Abbot Hall,
Marblehead's Town Hall.*

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, 2008 (except for the Marblehead Contributory Retirement System and the Marblehead Municipal Light Department which are as of and for the year ended December 31, 2007), 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 45% of the total assets and approximately 64% of the total revenues of the business-type activities, for the fiscal year ended December 31, 2007. 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.

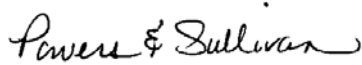
In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Marblehead, Massachusetts, as of June 30, 2008 (except for the Marblehead Contributory Retirement System and the Marblehead Municipal Light Department which are as of and for the fiscal year ended December 31, 2007), 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 16, 2008 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 "Powers & Sullivan".

December 16, 2008

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, 2008. 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 \$5.8 million during fiscal year 2008, \$3 million in governmental net assets and \$2.8 million in business-type net assets.

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 \$79.7 million, at the close of fiscal year 2008.

	Governmental Activities	
	2008	2007
Assets:		
Current assets.....	\$ 30,813,595	\$ 24,412,685
Capital assets, net of accumulated depreciation....	92,992,615	88,470,505
Capital assets, not being depreciated.....	5,179,351	4,969,826
Total assets.....	128,985,561	117,853,016
Liabilities:		
Current liabilities (excluding debt).....	6,241,609	5,608,709
Noncurrent liabilities (excluding debt).....	7,662,899	6,639,754
Current debt.....	12,191,500	4,121,500
Noncurrent debt.....	23,225,000	24,840,000
Total liabilities.....	49,321,008	41,209,963
Net Assets:		
Invested in capital assets, net of related debt.....	67,584,804	64,248,109
Restricted.....	9,566,795	9,369,209
Unrestricted.....	2,512,954	3,025,735
Total net assets.....	\$ 79,664,553	\$ 76,643,053
Program revenues:		
Charges for services.....	\$ 4,338,373	\$ 3,909,829
Operating grants and contributions.....	13,164,337	13,072,665
Capital grants and contributions.....	467,866	933,198
General revenues:		
Real estate and personal property taxes.....	46,455,796	44,897,758
Motor vehicle and other excise taxes.....	2,856,787	2,908,531
Nonrestricted grants.....	1,693,092	1,908,659
Unrestricted investment income.....	1,366,744	1,299,063
Other revenues.....	152,437	174,210
Total revenues.....	70,495,432	69,103,913
Expenses:		
General government.....	3,490,002	3,524,468
Public safety.....	9,118,679	9,019,171
Education.....	43,648,218	42,814,037
Public works.....	5,407,535	5,173,056
Landfill closure.....	1,100,000	4,900,000
Human services.....	1,197,716	1,115,550
Culture and recreation.....	2,586,664	2,563,548
Interest.....	1,484,146	1,326,580
Total expenses.....	68,032,960	70,436,410
Excess (Deficiency) before transfers.....	2,462,472	(1,332,497)
Transfers.....	559,028	544,635
Change in net assets.....	\$ 3,021,500	\$ (787,862)

Governmental net assets of \$67.6 million (85%) 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 \$9.6 million (12%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$2.5 million (3%) may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental net assets increased by approximately \$3 million during fiscal year 2008. This was primarily caused by revenues in the general fund coming in over budget by \$1.6 million and expenditures under budget by \$2 million. The revenues over budget related to conservative budgeting and a strong push to increase investment income. The primary cause of under expenditures related to a decrease of \$1.1 million in Charter School Assessment. Other factors that contributed to this increase include the internal service fund increasing \$1.5 million and a difference of \$2 million between principal payments on bonds and depreciation of capital assets.

The governmental expenses totaled \$68 million of which \$18 million (26%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$52.5 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 \$46.6 million at the close of fiscal year 2008.

	Business-type Activities	
	2008	2007
Assets:		
Current assets.....	\$ 17,456,649	\$ 14,705,178
Capital assets, net of accumulated depreciation.....	29,386,291	29,726,185
Capital assets, not being depreciated.....	2,252,246	2,237,246
Total assets.....	49,095,186	46,668,609
Liabilities:		
Current liabilities (excluding debt).....	2,220,472	2,602,569
Noncurrent liabilities (excluding debt).....	191,581	137,204
Current debt.....	45,000	45,000
Noncurrent debt.....	45,000	90,000
Total liabilities.....	2,502,053	2,874,773
Net Assets:		
Invested in capital assets, net of related debt.....	31,548,537	31,828,431
Unrestricted.....	15,044,596	11,965,405
Total net assets.....	\$ 46,593,133	\$ 43,793,836

Business-type net assets of \$31.6 million (68%) represent investments in capital assets net of related debt. The remaining \$15 million (32%) 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 \$2.8 million in total net assets reported in the business-type activities.

The Sewer Enterprise Fund's net assets totaled \$11.4 million at year end; an increase of \$650 thousand from the prior year. This balance is approximately 3.8 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 63% relate to the annual assessment paid to the South Essex Sewerage District.

The Water Enterprise Fund's net assets totaled \$11.1 million at year end; an increase of \$631 thousand from the prior year. This balance is approximately 4 times the annual operating expenses and has remained consistent over the past several years. Revenues in this fund consist primarily of charges for water service and approximately 57% of the operating expenses consist of assessments paid to the Massachusetts Water Resource Authority.

The Harbor Enterprise Fund's net assets increased by \$141 thousand and totaled \$4.1 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 \$20 million at year end, an increase of \$1.4 million. The increase was primarily due to the National Grid/IRS Salem Railyard Substation tax settlement and MMWEC 2006 RMR refunds received in 2007. The majority of the revenue in this fund consists of charges for services and 93% of the expenditures relate to operational costs.

	Business-type Activities	
	2008	2007
Program revenues:		
Charges for services - Water.....	\$ 3,426,794	\$ 3,097,859
Charges for services - Sewer.....	3,711,954	3,566,868
Charges for services - Municipal Light.....	13,410,728	13,837,216
Charges for services - Harbor.....	638,397	619,480
Operating grants.....	8,144	24,067
General revenues:		
Boat excise.....	134,306	142,145
Unrestricted investment income.....	337,377	333,173
Other revenues.....	1,012,370	-
Total revenues.....	22,680,070	21,620,808
Expenses:		
Water.....	2,825,383	2,900,743
Sewer.....	3,044,040	3,516,775
Municipal Light.....	12,879,054	12,768,585
Harbor.....	573,268	578,842
Total expenses.....	19,321,745	19,764,945
Excess (Deficiency) before transfers.....	3,358,325	1,855,863
Transfers.....	(559,028)	(544,635)
Change in net assets.....	\$ 2,799,297	\$ 1,311,228

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 \$21.1 million, a increase of \$6.2 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 \$7.2 million, while total fund balance was \$8 million. Of the unreserved fund balance, \$2.9 million has been allocated to balance the fiscal year 2009 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 11.8% of total general fund expenditures, while total fund balance represents 13% of that same amount.

The fund balance of the general fund increased by \$2.2 million. This increase is primarily due to conservative budgeted revenues, favorable interest rates and reasonable spending. The Town budgeted to use approximately \$2.4 million in available funds to fund the current year's budget and the budgetary results of operations were favorable by \$3.8 million resulting in a net increase.

The Other Capital Projects Fund is used to account for the financial activities associated with major capital projects that have been authorized by Town Meeting and approved by the voters to be funded by the proceeds of bond sales. In fiscal year 2008, the Town began two new capital projects. The first project is the reconstruction of the Ocean Avenue Causeway Seawall at Devereau Beach. This seawall is approximately one half mile in length and serves as essential protection for the only roadway linking Marblehead Neck to the mainland. Marblehead Neck is an area of land about 320 acres in size that contains approximately 350 structures, primarily residential in nature. In May 2007, Town Meeting authorized an \$8.7 million authorization for this project. The Town has temporarily borrowed approximately \$8.7 million dollars to finance the causeway seawall project. The reconstruction of the Seawall was completed on schedule by the end of fiscal year 2008 with the exception of a few punch-list items that required completion. The other major capital project undertaken in fiscal year 2008 was \$1,010,000 for engineering and design work associated with capping and post closure use of the Town's old landfill as well as the design of a new Transfer Station to replace the existing facility. This authorization was also approved by Town Meeting in May 2007. The fund had a net increase of approximately \$3.9 million during fiscal year 2008. This net increase was primarily due to the recognition of \$9.5 million in bond proceeds and capital expenditures of approximately \$6.5 million related to construction of the new causeway seawall. The Town has temporarily borrowed approximately \$8.7 million dollars to finance the causeway seawall project and \$750 thousand for engineering and design work associated with capping and post-closure use of Town's old landfill.

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 had temporarily borrowed approximately \$2 million to finance the 2005 purchase of the property, of which \$1,126,500 was still outstanding as of June 30, 2008. The Town retired \$1,080,000 of this BAN when it came due in August, 2008. The remaining \$46,500 was reissued and classified as long-term debt as of June 30, 2008. The fund had no activity during fiscal year 2008.

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 \$21 thousand during fiscal year 2008.

Revenues consisted of investment income as well as contributions, and expenditures, totaling approximately \$187 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 \$89 thousand.

General Fund Budgetary Highlights

Actual revenues came in approximately \$1.7 million over budget primarily due to conservative budget estimates. Expenditures came in approximately \$2.1 million under budget. The most notable is the state and county appropriation which was under budget by \$1.1 million due to a decrease in the Charter School Assessment. Other notable factors that contributed to the under budgeted expenditures were the public safety salary line item (\$149 thousand), energy reserve (\$77 thousand), property and liability insurance (\$145 thousand), and group insurance (\$461 thousand) all of which were less than expected.

Capital Asset and Debt Administration

Capital assets. In conjunction with the operating budget, departments with proposed capital budgets submit them to the Finance Committee and if large enough, to the Capital Planning Committee. These committees are responsible for reviewing the proposed capital budgets and reporting to the Annual Town Meeting.

The major capital asset activity of the governmental activities during the year consisted of upgrades to infrastructure of \$7.2 million. Of the \$7.2 million, \$6.4 million was in relation to the construction of the new causeway seawall. Other capital asset activity consisted of building improvements of \$268 thousand on various Town buildings and the purchase of several new pieces of equipment for various Town departments in the amount of \$787 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 \$359 thousand and \$505 thousand, respectively; purchase of equipment in the Harbor activities of \$45 thousand; and Municipal Light upgrades to plant and equipment of approximately \$631 thousand.

Debt administration. Outstanding long-term debt of the general government, as of June 30, 2008, totaled \$34.3 million, of which \$23.4 million is related to school projects, \$8.7 million is for causeway seawall, \$1.4 million is for drain projects, \$750 thousand relates to design and engineering of transfer station and \$46 thousand is for land acquisition. The enterprise funds have only \$90 thousand in outstanding debt which is all related to the harbor enterprise fund.

Please refer to the notes 6, 8 and 9 of the basic financial statements for further discussion of the Town's major capital and debt activity.

Requests for Information

This financial report is designed to provide a general overview of the Town of Marblehead's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Mary Alley Building, 7 Widger Road, Marblehead, Massachusetts 01945.

Basic Financial Statements

STATEMENT OF NET ASSETS

JUNE 30, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 30,093,534	\$ 9,324,667	\$ 39,418,201
Investments.....	979,462	-	979,462
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	404,123	-	404,123
Real estate tax deferrals.....	492,007	-	492,007
Tax liens.....	141,772	-	141,772
Motor vehicle and other excise taxes.....	293,860	21,530	315,390
User fees.....	-	2,950,986	2,950,986
Departmental and other.....	95,697	-	95,697
Special assessments.....	-	1,277	1,277
Intergovernmental.....	796,815	-	796,815
Tax foreclosures.....	7,081	-	7,081
Internal balances.....	(2,876,896)	2,857,651	(19,245)
Inventory.....	-	68,595	68,595
Investment in joint venture.....	-	1,002,666	1,002,666
Working capital deposit.....	386,140	-	386,140
Other assets.....	-	1,229,277	1,229,277
Total current assets.....	<u>30,813,595</u>	<u>17,456,649</u>	<u>48,270,244</u>
NONCURRENT:			
Capital assets, net of accumulated depreciation.....	92,992,615	29,386,291	122,378,906
Capital assets, not being depreciated.....	<u>5,179,351</u>	<u>2,252,246</u>	<u>7,431,597</u>
Total noncurrent assets.....	<u>98,171,966</u>	<u>31,638,537</u>	<u>129,810,503</u>
TOTAL ASSETS.....	<u>128,985,561</u>	<u>49,095,186</u>	<u>178,080,747</u>
LIABILITIES			
CURRENT:			
Warrants payable.....	2,312,329	1,286,194	3,598,523
Accrued liabilities.....	952,602	-	952,602
Tax refunds payable.....	268,131	-	268,131
Accrued interest.....	784,042	281	784,323
Payroll withholdings.....	414,941	-	414,941
Due to Agency Fund.....	65,066	-	65,066
Other liabilities.....	319,153	791,810	1,110,963
Customer deposits payable.....	18,835	36,941	55,776
Compensated absences.....	821,836	105,246	927,082
Workers' compensation.....	227,286	-	227,286
Unamortized premium on bonds and notes payable.....	57,388	-	57,388
Bonds and notes payable.....	<u>12,191,500</u>	<u>45,000</u>	<u>12,236,500</u>
Total current liabilities.....	<u>18,433,109</u>	<u>2,265,472</u>	<u>20,698,581</u>
NONCURRENT:			
Landfill closure.....	6,000,000	-	6,000,000
Compensated absences.....	276,189	191,581	467,770
Workers' compensation.....	468,500	-	468,500
Unamortized premium on bonds and notes payable.....	918,210	-	918,210
Bonds and notes payable.....	<u>23,225,000</u>	<u>45,000</u>	<u>23,270,000</u>
Total noncurrent liabilities.....	<u>30,887,899</u>	<u>236,581</u>	<u>31,124,480</u>
TOTAL LIABILITIES.....	<u>49,321,008</u>	<u>2,502,053</u>	<u>51,823,061</u>
NET ASSETS			
Invested in capital assets, net of related debt.....	67,584,804	31,548,537	99,133,341
Restricted for:			
Permanent funds:			
Expendable.....	1,430,805	-	1,430,805
Nonexpendable.....	3,309,253	-	3,309,253
Other purposes:			
Gifts and grants.....	4,826,737	-	4,826,737
Unrestricted.....	<u>2,512,954</u>	<u>15,044,596</u>	<u>17,557,550</u>
TOTAL NET ASSETS.....	<u>\$ 79,664,553</u>	<u>\$ 46,593,133</u>	<u>\$ 126,257,686</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2008

		Program Revenues				
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue	
Primary Government:						
Governmental Activities:						
General government.....	\$ 3,490,002	\$ 472,001	\$ 492,048	\$ -	\$ (2,525,953)	
Public safety.....	9,118,679	852,159	278,515	-	(7,988,005)	
Education.....	43,648,218	1,693,799	11,833,522	-	(30,120,897)	
Public works.....	5,407,535	742,708	44,824	467,866	(4,152,137)	
Landfill closure.....	1,100,000	-	-	-	(1,100,000)	
Human services.....	1,197,716	230,916	277,526	-	(689,274)	
Culture and recreation.....	2,586,664	346,790	237,902	-	(2,001,972)	
Interest.....	1,484,146	-	-	-	(1,484,146)	
Total Governmental Activities.....	68,032,960	4,338,373	13,164,337	467,866	(50,062,384)	
Business-Type Activities:						
Water.....	2,825,383	3,426,794	-	-	601,411	
Sewer.....	3,044,040	3,711,954	2,495	-	670,409	
Municipal Light.....	12,879,054	13,410,728	-	-	531,674	
Harbor.....	573,268	638,397	5,649	-	70,778	
Total Business-Type Activities.....	19,321,745	21,187,873	8,144	-	1,874,272	
Total Primary Government.....	\$ 87,354,705	\$ 25,526,246	\$ 13,172,481	\$ 467,866	\$ (48,188,112)	

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2008

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net assets:			
Net (expense) revenue from previous page.....	\$ (50,062,384)	\$ 1,874,272	\$ (48,188,112)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	46,455,796	-	46,455,796
Motor vehicle and other excise taxes.....	2,856,787	-	2,856,787
Boat excise.....	-	134,306	134,306
Penalties and interest on taxes.....	152,437	-	152,437
Grants and contributions not restricted to specific programs.....	1,693,092	-	1,693,092
Unrestricted investment income.....	1,366,744	337,377	1,704,121
Settlements and refunds.....	-	1,012,370	1,012,370
<i>Transfers, net</i>	559,028	(559,028)	-
Total general revenues and transfers.....	53,083,884	925,025	54,008,909
Change in net assets.....	3,021,500	2,799,297	5,820,797
<i>Net Assets:</i>			
Beginning of year.....	76,643,053	43,793,836	120,436,889
End of year.....	\$ <u>79,664,553</u>	\$ <u>46,593,133</u>	\$ <u>126,257,686</u>

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2008

	General	Other Capital Projects Fund	Land Acquisition	Public Funds	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents.....	\$ 11,387,452	\$ 4,829,338	\$ -	\$ 3,762,815	\$ 6,743,202	\$ 26,722,807
Investments.....	-	-	-	979,462	-	979,462
Receivables, net of uncollectibles:						
Property taxes.....	404,123	-	-	-	-	404,123
Real estate tax deferrals.....	492,007	-	-	-	-	492,007
Tax liens.....	141,772	-	-	-	-	141,772
Motor vehicle and other excise taxes.....	293,860	-	-	-	-	293,860
Departmental and other.....	17,188	-	-	-	43,236	60,424
Intergovernmental.....	16,091	-	-	-	780,724	796,815
Due from other funds.....	873,820	-	-	-	-	873,820
Working capital deposit.....	-	-	-	-	18,000	18,000
Tax foreclosures.....	7,081	-	-	-	-	7,081
TOTAL ASSETS.....	\$ 13,633,394	\$ 4,829,338	\$ -	\$ 4,742,277	\$ 7,585,162	\$ 30,790,171
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Warrants payable.....	\$ 850,578	\$ 1,185,073	\$ -	\$ 2,219	\$ 264,870	\$ 2,302,740
Accrued payroll and amounts withheld.....	414,941	-	-	-	-	414,941
Accrued interest on short-term debt.....	37,406	-	-	-	-	37,406
Due to other funds.....	-	-	873,820	-	-	873,820
Due to agency funds.....	65,066	-	-	-	-	65,066
Due to Municipal Light Fund.....	2,876,896	-	-	-	-	2,876,896
Liabilities due to depositors.....	18,835	-	-	-	-	18,835
Other liabilities.....	319,153	-	-	-	-	319,153
Deferred revenues.....	803,205	-	-	-	617,703	1,420,908
Tax refunds payable.....	268,131	-	-	-	-	268,131
Notes payable.....	-	-	1,080,000	-	-	1,080,000
TOTAL LIABILITIES.....	5,654,211	1,185,073	1,953,820	2,219	882,573	9,677,896
FUND BALANCES:						
Reserved for:						
Encumbrances and continuing appropriations.....	795,436	-	-	-	-	795,436
Perpetual permanent funds.....	-	-	-	3,309,253	-	3,309,253
Unreserved:						
Designated for subsequent year's expenditures...	2,925,664	-	-	-	-	2,925,664
Undesignated, reported in:						
General fund.....	4,258,083	-	-	-	-	4,258,083
Special revenue funds.....	-	-	-	-	6,702,589	6,702,589
Capital projects funds.....	-	3,644,265	(1,953,820)	-	-	1,690,445
Permanent funds.....	-	-	-	1,430,805	-	1,430,805
TOTAL FUND BALANCES.....	7,979,183	3,644,265	(1,953,820)	4,740,058	6,702,589	21,112,275
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 13,633,394	\$ 4,829,338	\$ -	\$ 4,742,277	\$ 7,585,162	\$ 30,790,171

See notes to basic financial statements.

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

JUNE 30, 2008

Total governmental fund balances.....	\$ 21,112,275
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	98,171,966
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....	1,420,908
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.....	2,116,163
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....	(746,636)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Landfill closure.....	(6,000,000)
Bonds and notes payable.....	(34,336,500)
Unamortized premium on bonds and notes payable.....	(975,598)
Compensated absences.....	<u>(1,098,025)</u>
Net effect of reporting long-term liabilities.....	<u>(42,410,123)</u>
Net assets of governmental activities.....	<u>\$ 79,664,553</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2008

	General	Other Capital Projects Fund	Land Acquisition	Public Funds	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:						
Real estate and personal property taxes.....	\$ 46,419,642	\$ -	\$ -	\$ -	\$ -	\$ 46,419,642
Motor vehicle and other excise taxes.....	2,839,549	-	-	-	-	2,839,549
Penalties and interest on taxes.....	152,437	-	-	-	-	152,437
Charges for services.....	787,918	-	-	-	2,109,043	2,896,961
Licenses and permits.....	604,058	-	-	-	-	604,058
Fines and forfeitures.....	193,111	-	-	-	400	193,511
Intergovernmental.....	11,859,391	-	-	-	3,250,826	15,110,217
Departmental and other.....	-	-	-	-	389,996	389,996
Contributions.....	-	-	-	199,892	337,138	537,030
Investment income.....	974,340	-	-	67,102	258,557	1,299,999
Miscellaneous.....	77,181	-	-	-	246,640	323,821
TOTAL REVENUES.....	63,907,627	-	-	266,994	6,592,600	70,767,221
EXPENDITURES:						
Current:						
General government.....	1,964,267	-	-	147,231	124,729	2,236,227
Public safety.....	6,082,341	10,125	-	-	432,237	6,524,703
Education.....	25,865,749	8,307	-	-	4,225,317	30,099,373
Public works.....	3,966,345	6,806,581	-	6,216	788,947	11,568,089
Human services.....	428,665	-	-	8,740	452,544	889,949
Culture and recreation.....	1,733,737	-	-	24,567	382,260	2,140,564
Pension benefits.....	7,252,902	-	-	-	-	7,252,902
Property and liability insurance.....	330,485	-	-	-	-	330,485
Employee benefits.....	9,242,492	-	-	-	-	9,242,492
State and county charges.....	1,340,304	-	-	-	-	1,340,304
Debt service:						
Principal.....	1,745,000	-	-	-	-	1,745,000
Interest.....	1,256,791	-	-	-	-	1,256,791
TOTAL EXPENDITURES.....	61,209,078	6,825,013	-	186,754	6,406,034	74,626,879
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	2,698,549	(6,825,013)	-	80,240	186,566	(3,859,658)
OTHER FINANCING SOURCES (USES):						
Issuance of debt.....	-	9,450,000	46,500	-	-	9,496,500
Premium from issuance of debt.....	-	-	-	-	33,326	33,326
Transfers in.....	799,717	1,250,000	-	-	54,287	2,104,004
Transfers out.....	(1,301,138)	-	-	(59,579)	(184,259)	(1,544,976)
TOTAL OTHER FINANCING SOURCES (USES).....	(501,421)	10,700,000	46,500	(59,579)	(96,646)	10,088,854
NET CHANGE IN FUND BALANCES.....	2,197,128	3,874,987	46,500	20,661	89,920	6,229,196
FUND BALANCES AT BEGINNING OF YEAR.....	5,782,055	(230,722)	(2,000,320)	4,719,397	6,612,669	14,883,079
FUND BALANCES AT END OF YEAR.....	\$ 7,979,183	\$ 3,644,265	\$ (1,953,820)	\$ 4,740,058	\$ 6,702,589	\$ 21,112,275

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, 2008

Net change in fund balances - total governmental funds.....	\$	6,229,196
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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.

Capital outlay.....	8,520,528	
Depreciation expense.....	<u>(3,788,893)</u>	
Net effect of reporting capital assets.....		4,731,635

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..... (338,534)

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.

Payment on capital leases.....	23,558	
Issuance of debt.....	(9,496,500)	
Premiums from issuance of debt.....	(33,326)	
Amortization of bond premiums.....	90,714	
Debt service principal payments.....	<u>1,745,000</u>	
Net effect of reporting long-term debt.....		(7,670,554)

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.

Net change in compensated absences accrual.....	(31,548)	
Net change in landfill liability accrual.....	(1,100,000)	
Net change in accrued interest on long-term debt.....	<u>(318,070)</u>	
Net effect of recording long-term liabilities and amortizing deferred losses.....		(1,449,618)

Internal service funds are used by management to account for health insurance and workers' compensation activities.

The net activity of internal service funds is reported with Governmental Activities.....		<u>1,519,375</u>
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Change in net assets of governmental activities.....	\$	<u><u>3,021,500</u></u>
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See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2008

	Business-type Activities - Enterprise Funds						
	Sewer	Water	Harbor	Municipal Light (as of December 31, 2007)	Total	Governmental Activities - Internal Service Funds	
ASSETS							
CURRENT:							
Cash and cash equivalents.....	\$ 1,938,952	\$ 2,397,226	\$ 701,589	\$ 4,286,900	\$ 9,324,667	\$ 3,370,727	
Receivables, net of allowance for uncollectibles:							
Boat Excise.....	-	-	21,530	-	21,530	-	
User fees.....	783,027	589,523	1,897	1,576,539	2,950,986	-	
Departmental and other.....	-	-	-	-	-	35,273	
Special assessments.....	1,277	-	-	-	1,277	-	
Due from other funds.....	-	-	-	2,857,651	2,857,651	-	
Inventory.....	-	-	-	68,595	68,595	-	
Investment in joint venture.....	1,002,666	-	-	-	1,002,666	-	
Working capital deposit.....	-	-	-	-	-	368,140	
Other assets.....	-	-	-	1,229,277	1,229,277	-	
Total current assets.....	3,725,922	2,986,749	725,016	10,018,962	17,456,649	3,774,140	
NONCURRENT:							
Capital assets, net of accumulated depreciation.....	7,647,430	8,182,904	1,674,893	11,881,064	29,386,291	-	
Capital assets, not being depreciated.....	115,466	49,427	2,035,257	52,096	2,252,246	-	
Total noncurrent assets.....	7,762,896	8,232,331	3,710,150	11,933,160	31,638,537	-	
TOTAL ASSETS.....	11,488,818	11,219,080	4,435,166	21,952,122	49,095,186	3,774,140	
LIABILITIES							
CURRENT:							
Warrants payable.....	39,237	62,682	19,280	1,164,995	1,286,194	9,589	
Accrued liabilities.....	-	-	-	-	-	952,602	
Accrued interest.....	-	-	281	-	281	-	
Compensated absences.....	46,570	41,381	17,295	-	105,246	-	
Other liabilities.....	-	-	191,810	600,000	791,810	-	
Customer deposits payable.....	-	-	-	36,941	36,941	-	
Workers' compensation.....	-	-	-	-	-	227,286	
Bonds and notes payable.....	-	-	45,000	-	45,000	-	
Total current liabilities.....	85,807	104,063	273,666	1,801,936	2,265,472	1,189,477	
NONCURRENT:							
Compensated absences.....	13,257	16,340	3,690	158,294	191,581	-	
Workers' compensation.....	-	-	-	-	-	468,500	
Bonds and notes payable.....	-	-	45,000	-	45,000	-	
Total noncurrent liabilities.....	13,257	16,340	48,690	158,294	236,581	468,500	
TOTAL LIABILITIES.....	99,064	120,403	322,356	1,960,230	2,502,053	1,657,977	
NET ASSETS							
Invested in capital assets, net of related debt.....	7,762,896	8,232,331	3,620,150	11,933,160	31,548,537	-	
Unrestricted.....	3,626,858	2,866,346	492,660	8,058,732	15,044,596	2,116,163	
TOTAL NET ASSETS.....	\$ 11,389,754	\$ 11,098,677	\$ 4,112,810	\$ 19,991,892	\$ 46,593,133	\$ 2,116,163	

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2008

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Sewer	Water	Harbor	Municipal Light (as of December 31, 2007)	Total	
OPERATING REVENUES:						
Charges for services.....	\$ 3,644,685	\$ 3,415,451	\$ 638,226	\$ 13,410,728	\$ 21,109,090	\$ 12,580,356
Licenses and permits.....	7,775	-	-	-	7,775	-
Miscellaneous.....	59,494	11,343	171	-	71,008	106,685
TOTAL OPERATING REVENUES.....	3,711,954	3,426,794	638,397	13,410,728	21,187,873	12,687,041
OPERATING EXPENSES:						
Cost of services and administration.....	324,581	322,729	199,070	11,208,053	12,054,433	-
Cost of interfund services provided.....	-	-	-	-	-	11,234,411
Personal services.....	532,660	556,209	283,152	805,165	2,177,186	-
Operating assessments.....	1,890,734	1,628,064	-	-	3,518,798	-
Depreciation.....	296,065	318,381	84,341	865,836	1,564,623	-
TOTAL OPERATING EXPENSES.....	3,044,040	2,825,383	566,563	12,879,054	19,315,040	11,234,411
OPERATING INCOME (LOSS).....	667,914	601,411	71,834	531,674	1,872,833	1,452,630
NONOPERATING REVENUES (EXPENSES):						
Boat excise.....	-	-	134,306	-	134,306	-
Investment income.....	60,724	90,003	26,286	160,364	337,377	66,745
Settlements and refunds.....	-	-	-	1,012,370	1,012,370	-
Interest expense.....	-	-	(6,705)	-	(6,705)	-
Intergovernmental assessments.....	2,495	-	5,649	-	8,144	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	63,219	90,003	159,536	1,172,734	1,485,492	66,745
INCOME (LOSS) BEFORE TRANSFERS.....	731,133	691,414	231,370	1,704,408	3,358,325	1,519,375
TRANSFERS:						
Transfers out.....	(77,712)	(60,825)	(90,491)	(330,000)	(559,028)	-
CHANGE IN NET ASSETS.....	653,421	630,589	140,879	1,374,408	2,799,297	1,519,375
NET ASSETS AT BEGINNING OF YEAR.....	10,736,333	10,468,088	3,971,931	18,617,484	43,793,836	596,788
NET ASSETS AT END OF YEAR.....	\$ 11,389,754	\$ 11,098,677	\$ 4,112,810	\$ 19,991,892	\$ 46,593,133	\$ 2,116,163

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2008

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Sewer	Water	Harbor	Municipal Light (as of December 31, 2007)	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers and users.....	\$ 3,690,668	\$ 3,414,558	\$ 643,398	\$ 13,220,083	\$ 20,968,707	\$ -
Receipts from interfund services provided.....	-	-	-	-	-	14,645,878
Payments to vendors.....	(2,484,246)	(2,062,085)	(215,244)	(11,337,440)	(16,099,015)	(12,173,821)
Payments to employees.....	(538,918)	(567,469)	(281,317)	(735,066)	(2,122,770)	-
NET CASH FROM OPERATING ACTIVITIES.....	667,504	785,004	146,837	1,147,577	2,746,922	2,472,057
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfers in.....	-	-	-	-	-	-
Transfers out.....	(77,712)	(60,825)	(90,491)	(330,000)	(559,028)	-
Advances from other funds.....	-	-	-	-	-	189,277
Advances to other funds.....	-	-	-	-	-	(189,277)
Advances for restricted purposes.....	-	-	-	(1,506,309)	(1,506,309)	-
Boat excise.....	-	-	134,306	-	134,306	-
Intergovernmental assessments.....	2,495	-	5,649	-	8,144	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	(75,217)	(60,825)	49,464	(1,836,309)	(1,922,887)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Capital related settlements and refunds.....	-	-	-	1,012,370	1,012,370	-
Acquisition and construction of capital assets.....	(348,817)	(500,912)	(56,903)	(333,097)	(1,239,729)	-
Principal payments on bonds and notes.....	-	-	(45,000)	-	(45,000)	-
Interest expense.....	-	-	(6,793)	-	(6,793)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(348,817)	(500,912)	(108,696)	679,273	(279,152)	-
CASH FLOWS FROM INVESTING ACTIVITIES:						
Investment income.....	60,724	90,003	26,286	160,364	337,377	66,745
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	304,194	313,270	113,891	150,905	882,260	2,538,802
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR...	1,634,758	2,083,956	587,698	4,135,995	8,442,407	831,925
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 1,938,952	\$ 2,397,226	\$ 701,589	\$ 4,286,900	\$ 9,324,667	\$ 3,370,727
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:						
Operating income (loss).....	\$ 667,914	\$ 601,411	\$ 71,834	\$ 531,674	\$ 1,872,833	\$ 1,452,630
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation.....	296,065	318,381	84,341	865,836	1,564,623	-
Changes in assets and liabilities:						
Boat Excise.....	-	-	(1,038)	-	(1,038)	-
User fees.....	(21,286)	(12,236)	6,039	(191,853)	(219,336)	-
Departmental and other.....	-	-	-	-	-	524,922
Inventory.....	-	-	-	10,910	10,910	-
Investment in joint venture.....	(217,728)	-	-	-	(217,728)	-
Working capital deposit.....	-	-	-	-	-	1,433,915
Other assets.....	-	-	-	64,290	64,290	-
Warrants payable.....	(42,203)	(106,122)	(17,932)	(204,587)	(370,844)	(1,055,566)
Accrued liabilities.....	-	-	-	-	-	(53,736)
Liabilities due depositors.....	-	-	-	1,208	1,208	-
Other liabilities.....	(9,000)	(5,170)	1,758	-	(12,412)	-
Accrued compensated absences.....	(6,258)	(11,260)	1,835	70,099	54,416	-
Workers' compensation.....	-	-	-	-	-	169,892
Total adjustments.....	(410)	183,593	75,003	615,903	874,089	1,019,427
NET CASH FROM OPERATING ACTIVITIES.....	\$ 667,504	\$ 785,004	\$ 146,837	\$ 1,147,577	\$ 2,746,922	\$ 2,472,057

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2008

	Pension Trust Fund (as of December 31, 2007)	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents.....	\$ 37,845	\$ 3,400,942	\$ 25,844
Investments - external investment pool.....	90,933,019	-	-
Receivables, net of allowance for uncollectibles:			
Departmental and other.....	-	175	-
Intergovernmental.....	1,131,190	-	-
Due from other funds.....	-	-	65,066
Capital assets, net of accumulated depreciation.....	-	16,126	-
Capital assets, not being depreciated.....	-	2,045	-
TOTAL ASSETS	92,102,054	3,419,288	90,910
LIABILITIES			
Warrants payable.....	854	1,128	-
Liabilities due depositors.....	-	-	90,910
Other Liabilities.....	-	175	-
TOTAL LIABILITIES	854	1,303	90,910
NET ASSETS			
Held in trust for pension benefits and other purposes.....	\$ 92,101,200	\$ 3,417,985	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2008

	Pension Trust Fund (as of December 31, 2007)	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer.....	\$ 2,320,184	\$ -
Plan members.....	1,343,926	-
Private donations.....	-	114,732
	<u>3,664,110</u>	<u>114,732</u>
Total contributions.....	3,664,110	114,732
Net investment income (loss):		
Net change in fair value of investments.....	7,104,063	-
Investment income.....	2,941,643	147,076
	<u>10,045,706</u>	<u>147,076</u>
Net investment income (loss).....	10,045,706	147,076
Intergovernmental.....	193,578	-
Transfers from other systems.....	156,482	-
	<u>14,059,876</u>	<u>261,808</u>
TOTAL ADDITIONS.....	14,059,876	261,808
DEDUCTIONS:		
Administration.....	578,765	131,333
Depreciation.....	-	2,950
Transfers to other systems.....	201,254	-
Retirement benefits and refunds.....	6,159,879	-
Educational scholarships.....	-	13,850
	<u>6,939,898</u>	<u>148,133</u>
TOTAL DEDUCTIONS.....	6,939,898	148,133
CHANGE IN NET ASSETS.....	7,119,978	113,675
NET ASSETS AT BEGINNING OF YEAR.....	84,981,222	3,304,310
NET ASSETS AT END OF YEAR.....	\$ <u>92,101,200</u>	\$ <u>3,417,985</u>

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying summary of the Town of Marblehead's significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be viewed as an integral part of the accompanying financial statements. The financial statements and notes are representations of the Town's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting 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, 2007, 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, 2008, the Town's equity interest in the operations of the District is \$1,002,666, 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 *Other Capital Projects Fund* is used to account for the financial activities associated with major capital projects that have been authorized by Town Meeting and approved by the voters to be funded by the proceeds of bonds sales.

The *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, meals taxes, and dog licenses to the State, 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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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, 2007. 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 reported as “invested in capital assets, net of related debt” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets.

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 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

The Land Acquisition Capital Project Fund has a \$2.0 million deficit at June 30, 2008 which will be funded through bond proceeds in future fiscal years.

In the Internal Service Fund, the Workers' Compensation Fund deficit of approximately \$254,000 will be funded by Town appropriations. This deficit is related to the estimate of future liability associated with long-term claims.

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 \$14,771,937 and the bank balance totaled \$15,209,569. Of the bank balance, \$400,000 was covered by Federal Depository Insurance, and \$14,809,569 was exposed to custodial credit risk because it was uninsured and uncollateralized. Subsequent to year end, the Town collateralized deposits totaling approximately \$5 million.

At December 31, 2007, the carrying amount of deposits for the System totaled \$37,845 and the bank balance of \$76,809 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, 2008:

Investment Type	<u>Fair Value</u>
<u>Other Investments</u>	
Equity Securities.....	\$ 979,462
MMDT.....	<u>28,073,050</u>
Total Investments.....	<u><u>\$ 29,052,512</u></u>

System balances at December 31, 2007:

Investment Type	<u>Fair Value</u>
PRIT.....	<u><u>\$ 90,933,019</u></u>

Subsequent to fiscal year end the market value of the PRIT investment declined by approximately \$29,500,000. Please refer to Note 3 for further information on this matter.

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, 2008 because the \$979,462 in equity securities are held by the Town and the \$28,073,050 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, 2007, the System's \$90,933,019 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

Neither the Town nor the System has 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 – SUBSEQUENT EVENT

The System carries its investments at fair (market) value in accordance with Generally Accepted Accounting Principles (GAAP). Market value adjustments are recorded monthly. Subsequent to fiscal year end, the System's investment of \$90,933,019 in the Pension Reserves Investment Trust (PRIT), as determined by PRIT, has declined in value by approximately 32% or, (\$29.5) million. This information was provided by the Pension Reserves Investment Management Board (PRIM) and is as of November 30, 2008.

In accordance with GAAP, the Town and the System did not record these losses in the financial statements dated June 30, 2008 and December 31, 2007, respectively, as the impairments were not known as of the respective year end dates. These losses have been recorded subsequently as the Town and the System adjust the investments to market value on a monthly basis.

The market value declines are consistent with recent trends in the overall financial securities markets.

NOTE 4 – RECEIVABLES

At June 30, 2008, 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.....	\$ 419,265	\$ (15,142)	\$ 404,123
Real estate tax deferrals.....	492,007	-	492,007
Tax liens.....	141,772	-	141,772
Motor vehicle and other excise taxes.....	428,330	(134,470)	293,860
Departmental and other.....	97,515	(1,643)	95,872
Intergovernmental - pension fund.....	1,131,190	-	1,131,190
Intergovernmental - governmental funds.....	796,815	-	796,815
Total.....	<u>\$ 3,506,894</u>	<u>\$ (151,255)</u>	<u>\$ 3,355,639</u>

At June 30, 2008, 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.....	\$ 802,723	\$ (19,696)	\$ 783,027
Sewer special assessments.....	1,277	-	1,277
Water user fees.....	604,355	(14,832)	589,523
Harbor user fees.....	2,788	(891)	1,897
Municipal Light user fees (December 31, 2007).....	1,791,374	(214,835)	1,576,539
Boat excise.....	22,662	(1,132)	21,530
Total.....	<u>\$ 3,225,179</u>	<u>\$ (251,386)</u>	<u>\$ 2,973,793</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, 2008 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.....	\$ 19,561	\$ -	\$ 19,561
Real estate tax deferrals.....	492,007	-	492,007
Tax liens.....	141,772	-	141,772
Motor vehicle and other excise taxes.....	127,201	-	127,201
Departmental and other.....	6,573	22,468	29,041
Intergovernmental.....	16,091	595,235	611,326
Total.....	\$ <u>803,205</u>	\$ <u>617,703</u>	\$ <u>1,420,908</u>

NOTE 5 – INTERFUND TRANSFERS AND BALANCESInterfund Receivables / Payables

Individual fund's interfund receivable and payable balances at June 30, 2008 are as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund.....	\$ 873,820	\$ 2,941,962 (1)
Land Acquisition Fund.....	-	873,820 (2)
Enterprise Funds:		
Municipal Light, at December 31, 2007.....	2,857,651	-
Agency Funds.....	65,066	-
	3,796,537	3,815,782
Less: Municipal Light Fund Receivable at December 31, 2007.....	(2,857,651)	-
Less: General Fund Payable to Municipal Light Fund at June 30, 2008.....	-	(2,876,896)
Total	\$ <u>938,886</u>	\$ <u>938,886</u>

(1) Represents \$2,876,896 payable from the General Fund to the Municipal Light Fund for deposits held by the General Fund, which includes a timing difference of \$19,245 due to the reporting of the Municipal Light Fund as of December 31, 2007. The remaining \$65,066 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, 2008 were:

		Transfers In			
Transfers Out			Other Capital Projects Fund	Nonmajor Governmental Funds	
Fund	General Fund				Total
General.....	\$ -	\$ 1,250,000	(1)	\$ 51,138	(1) \$ 1,301,138
Public Funds.....	56,430	(2)	-	3,149	(4) 59,579
Nonmajor Governmental.....	184,259	(2)	-	-	184,259
Water Enterprise.....	60,825	(3)	-	-	60,825
Sewer Enterprise.....	77,712	(3)	-	-	77,712
Municipal Light Enterprise.....	330,000	(3)	-	-	330,000
Harbor Enterprise.....	90,491	(3)	-	-	90,491
Total.....	\$ 799,717	\$ 1,250,000		\$ 54,287	\$ 2,104,004

- (1) \$1,250,000 was transferred from the General Fund to the Other 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 6 – CAPITAL ASSETS

Capital asset activity in the Governmental Funds for the fiscal year ended June 30, 2008 was as follows:

	Beginning Balance	Additions	(Retirements)	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 4,940,622	\$ 24,300	\$ -	\$ 4,964,922
Construction in progress.....	29,204	214,429	(29,204)	214,429
Total capital assets not being depreciated.....	4,969,826	238,729	(29,204)	5,179,351
<u>Capital assets being depreciated:</u>				
Land improvements.....	2,644,452	63,823	-	2,708,275
Buildings.....	82,850,295	5,115	-	82,855,410
Building improvements.....	8,633,599	267,814	(5,128)	8,896,285
Machinery and equipment.....	8,067,839	786,676	(403,038)	8,451,477
Infrastructure.....	20,364,752	7,236,179	(185,640)	27,415,291
Total capital assets being depreciated.....	122,560,937	8,359,607	(593,806)	130,326,738
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(832,810)	(89,383)	-	(922,193)
Buildings.....	(17,013,659)	(1,996,365)	-	(19,010,024)
Building improvements.....	(5,553,949)	(362,549)	5,128	(5,911,370)
Machinery and equipment.....	(4,714,050)	(815,514)	354,434	(5,175,130)
Infrastructure.....	(5,975,964)	(525,082)	185,640	(6,315,406)
Total accumulated depreciation.....	(34,090,432)	(3,788,893)	545,202	(37,334,123)
Total capital assets being depreciated, net.....	88,470,505	4,570,714	(48,604)	92,992,615
Total governmental activities capital assets, net.....	\$ 93,440,331	\$ 4,809,443	\$ (77,808)	\$ 98,171,966

Capital asset activity for the Business Type Activities for the fiscal year ended June 30, 2008 was as follows:

Business-Type Activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Retirements)</u>	<u>Ending Balance</u>
<u>Sewer:</u>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 115,466	\$ -	\$ -	\$ 115,466
Total capital assets not being depreciated.....	115,466	-	-	115,466
<u>Capital assets being depreciated:</u>				
Buildings.....	114,350	-	-	114,350
Machinery and equipment.....	866,463	117,339	(109,157)	874,645
Infrastructure.....	12,308,532	241,496	(106,000)	12,444,028
Total capital assets being depreciated.....	13,289,345	358,835	(215,157)	13,433,023
<u>Less accumulated depreciation for:</u>				
Buildings.....	(114,350)	-	-	(114,350)
Machinery and equipment.....	(533,943)	(51,342)	99,139	(486,146)
Infrastructure.....	(5,046,374)	(244,723)	106,000	(5,185,097)
Total accumulated depreciation.....	(5,694,667)	(296,065)	205,139	(5,785,593)
Total capital assets being depreciated, net.....	7,594,678	62,770	(10,018)	7,647,430
Total sewer activities capital assets, net.....	\$ 7,710,144	\$ 62,770	\$ (10,018)	\$ 7,762,896
	<u>Beginning 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.....	958,912	100,817	(267,566)	792,163
Infrastructure.....	10,773,080	404,546	(3,892)	11,173,734
Total capital assets being depreciated.....	12,724,323	505,363	(271,458)	12,958,228
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(2,293)	(1,529)	-	(3,822)
Buildings.....	(359,626)	(22,247)	-	(381,873)
Machinery and equipment.....	(683,933)	(51,871)	263,115	(472,689)
Infrastructure.....	(3,678,098)	(242,734)	3,892	(3,916,940)
Total accumulated depreciation.....	(4,723,950)	(318,381)	267,007	(4,775,324)
Total capital assets being depreciated, net.....	8,000,373	186,982	(4,451)	8,182,904
Total water activities capital assets, net.....	\$ 8,049,800	\$ 186,982	\$ (4,451)	\$ 8,232,331

	Beginning Balance	Additions	(Retirements)	Ending Balance
<u>Harbor:</u>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 2,004,077	\$ -	\$ -	\$ 2,004,077
Construction in progress.....	16,180	15,000	-	31,180
Total capital assets not being depreciated.....	2,020,257	15,000	-	2,035,257
<u>Capital assets being depreciated:</u>				
Piers.....	51,901	-	-	51,901
Buildings.....	883,440	-	-	883,440
Building improvements.....	92,361	9,975	-	102,336
Land improvements.....	927,979	-	-	927,979
Machinery and equipment.....	894,399	35,169	(22,455)	907,113
Total capital assets being depreciated.....	2,850,080	45,144	(22,455)	2,872,769
<u>Less accumulated depreciation for:</u>				
Piers.....	(45,051)	(633)	-	(45,684)
Buildings.....	(214,214)	(21,610)	-	(235,824)
Building improvements.....	(30,580)	(3,441)	-	(34,021)
Land improvements.....	(302,766)	(19,861)	-	(322,627)
Machinery and equipment.....	(540,138)	(38,796)	19,214	(559,720)
Total accumulated depreciation.....	(1,132,749)	(84,341)	19,214	(1,197,876)
Total capital assets being depreciated, net.....	1,717,331	(39,197)	(3,241)	1,674,893
Total harbor activities capital assets, net.....	\$ 3,737,588	\$ (24,197)	\$ (3,241)	\$ 3,710,150
<u>Municipal Light:</u>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 52,096	\$ -	\$ -	\$ 52,096
<u>Capital assets being depreciated:</u>				
Light plant and equipment.....	21,647,751	630,755	(705,191)	21,573,315
<u>Less accumulated depreciation for:</u>				
Light plant and equipment.....	(9,233,948)	(865,836)	407,533	(9,692,251)
Total capital assets being depreciated, net.....	12,413,803	(235,081)	(297,658)	11,881,064
Total light activities capital assets, net.....	\$ 12,465,899	\$ (235,081)	\$ (297,658)	\$ 11,933,160

Capital asset activity for the Fiduciary Funds for the fiscal year ended June 30, 2008 was as follows:

	Beginning 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.....	(60,465)	(2,950)	-	(63,415)
Total capital assets being depreciated, net.....	19,076	(2,950)	-	16,126
Total fiduciary activities capital assets, net.....	\$ 21,121	\$ (2,950)	\$ -	\$ 18,171

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

Governmental Activities:

General government.....	\$ 127,577
Public safety.....	234,911
Education.....	2,136,697
Public works.....	912,433
Human services.....	39,815
Culture and recreation.....	337,460

Total depreciation expense - governmental activities..... \$ 3,788,893

Business-Type Activities:

Sewer.....	\$ 296,065
Water.....	318,381
Harbor.....	84,341
Municipal Light.....	865,836

Total depreciation expense - business-type activities..... \$ 1,564,623

NOTE 7 – COMPENSATED ABSENCES

The following is a summary of the changes in accrued vacation and sick pay for the year ended June 30, 2008. 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, 2007	Increases	Decreases	Balance June 30, 2008	Current Portion
Governmental Activities:					
Accrued vacation.....	\$ 675,171	\$ 156,779	\$ (102,176)	\$ 729,774	\$ 729,774
Accrued sick pay.....	391,306	40,794	(63,849)	368,251	92,062
Total.....	<u>1,066,477</u>	<u>197,573</u>	<u>(166,025)</u>	<u>1,098,025</u>	<u>821,836</u>
Business-type Activities:					
Accrued vacation.....	135,615	64,071	(20,364)	179,322	83,145
Accrued sick pay.....	106,796	52,396	(41,687)	117,505	22,101
Total.....	<u>242,411</u>	<u>116,467</u>	<u>(62,051)</u>	<u>296,827</u>	<u>105,246</u>
Total accrued vacation and sick pay.....	<u>\$ 1,308,888</u>	<u>\$ 314,040</u>	<u>\$ (228,076)</u>	<u>\$ 1,394,852</u>	<u>\$ 927,082</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, 2008, is as follows:

Description	Issue Date	Due Date	Interest Rate	Balance at June 30, 2007	Issued	Retired	Balance at June 30, 2008
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	-
Land Acquisition.....	08/17/07	08/14/08	4.00%	-	1,080,000	-	1,080,000
Totals.....				<u>\$ 2,376,500</u>	<u>\$ 1,080,000</u>	<u>\$ 2,376,500</u>	<u>\$ 1,080,000</u>

In August 2008, the Town paid down \$1,080,000 of the maturing notes with available funds. The Town also rolled over \$9,496,500 of BANs outstanding at June 30, 2008 which matures August 14, 2009, with an interest rate of 2.75%. Since the maturity date extends over one year after the end of the fiscal year the Town considers this debt long-term and has recorded a long-term liability and the issuance as other financing sources. In August 2008, \$9,960,500 of new BANs were issued which will mature on August 14, 2009, and has an interest rate of 2.75%. The new proceeds relate to the Village School reconstruction project, the Glover School feasibility study, and the design and engineering of the transfer station.

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 following is a summary of the long-term debt transactions of the Town for the year ended June 30, 2008:

General Obligation Bonds and Notes Payable Schedule - Governmental Funds

Project	Interest % Rate	Balance 6/30/07	Issued	Redeemed	Balance 6/30/08
School Remodeling.....	4.36	\$ 100,000	\$ -	\$ 100,000	\$ -
School Remodel-Energy.....	4.36	50,000	-	50,000	-
School Remodeling.....	4.93	170,000	-	55,000	115,000
School Data Processing Equipment.....	4.93	55,000	-	30,000	25,000
School Athletic Fields.....	4.93	265,000	-	80,000	185,000
Drain Construction.....	3.93	1,950,000	-	500,000	1,450,000
School Construction.....	4.79	23,995,000	-	930,000	23,065,000
Land Acquisition - Long-term BAN.....	2.75	-	46,500	-	46,500
Design & Engineering Transfer Station - Long-term BAN.....	2.75	-	750,000	-	750,000
Causeway Seawall - Long-term BAN.....	2.75	-	8,700,000	-	8,700,000
Total Governmental bond and notes payable.....		\$ 26,585,000	\$ 9,496,500	\$ 1,745,000	\$ 34,336,500

Bonds and Notes Payable Schedule - Enterprise Funds

Project	Interest % Rate	Balance 6/30/07	Issued	Redeemed	Balance 6/30/08
Tucker's Building Remodeling.....	4.93	\$ 135,000	\$ -	\$ 45,000	\$ 90,000

As of June 30, 2008, the Town has approximately \$2.5 million in Massachusetts School Building Authority (MSBA) reimbursements and unamortized premiums on bonds, reserved in a special revenue fund to offset future interest expenses related to long-term bonds.

B. Annual Requirements

The annual requirements to amortize all long-term debt outstanding as of June 30, 2008, are as follows:

Fiscal Year	Governmental		Enterprise		Total Requirement
	Exempt from Proposition 2 1/2 Principal	Interest	Principal	Interest	
2009	\$ 1,615,000	\$ 1,394,992	\$ 45,000	\$ 4,500	\$ 3,059,492
2010	11,141,500	1,328,042	45,000	2,250	12,516,792
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	\$ 34,336,500	\$ 11,505,216	\$ 90,000	\$ 6,750	\$ 45,938,466

C. Bond Authorizations

Long-term debt authorizations voted by Town Meetings which have not been issued or rescinded as of June 30, 2008, are as follows:

Date Authorized	Project	Amount
June 2005	Land Acquisition.....	\$ 1,126,500
May 2007	Design & Engineering of Transfer Station.....	1,010,000
May 2007	Causeway Seawall.....	8,700,000
June 2008	Village School Reconstruction.....	21,766,993
June 2008	Glover School Feasibility.....	395,000
	Total.....	\$ 32,998,493

D. Changes in Long-term Liabilities

During the fiscal year ended June 30, 2008, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Capital leases.....	\$ 23,558	\$ -	\$ (23,558)	\$ -	\$ -
Long-term bonds and notes.....	26,585,000	9,496,500	(1,745,000)	34,336,500	1,615,000
Compensated absences.....	1,066,477	197,573	(166,025)	1,098,025	821,836
Landfill Closure.....	4,900,000	1,100,000	-	6,000,000	-
Workers' compensation.....	525,894	225,110	(55,218)	695,786	227,286
Total governmental activity long-term liabilities.....	<u>\$ 33,100,929</u>	<u>\$ 11,019,183</u>	<u>\$ (1,989,801)</u>	<u>\$ 42,130,311</u>	<u>\$ 2,664,122</u>
Business-Type Activities:					
Long-term bonds and notes.....	\$ 135,000	\$ -	\$ (45,000)	\$ 90,000	\$ 45,000
Compensated absences.....	242,411	159,623	(105,207)	296,827	105,246
Total business-type activity long-term liabilities.....	<u>\$ 377,411</u>	<u>\$ 159,623</u>	<u>\$ (150,207)</u>	<u>\$ 386,827</u>	<u>\$ 150,246</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, 2008, the System's membership consisted of:

Retirees and beneficiaries currently receiving benefits.....	324
Active employees.....	361
Inactive employees.....	<u>51</u>
Total.....	<u>736</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 \$5,264,000 for the fiscal year ended June 30, 2008. 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, 2008. Additional information as of the latest actuarial valuation follows:

Actuarial cost method	Individual entry age normal
Amortization method	Increasing amortization
Remaining closed amortization period	11 years from July 1, 2007
Asset valuation method	Blended
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases	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 an 11-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
2006	\$ 2,112,859	100%
2007	2,274,000	100%
2008	2,266,267	100%

E. Funding Status and Historical Data

An analysis of the funding progress since 1998 is as follows:

Actuarial Valuation As of	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)
01/01/08	\$ 84,442,905	\$ 93,908,490	\$ 9,465,585	89.9%	\$ 15,827,608	59.8%
01/01/06	69,105,082	82,948,269	13,843,187	83.3%	14,159,647	97.8%
01/01/04	64,490,373	76,875,640	12,385,267	83.9%	13,982,752	88.6%
01/01/02	60,615,356	71,022,123	10,406,767	85.3%	13,268,405	78.4%
01/01/00	54,015,622	63,939,027	9,923,405	84.5%	11,833,509	83.9%
01/01/98	42,540,310	55,347,500	12,807,190	76.9%	10,533,300	121.6%

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 \$133,930 during the year ended June 30, 2008.

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, 2008 and the annual amounts needed to fund such a liability. The cost of these benefits amounts to approximately \$3,581,000 in fiscal year 2008. There are approximately 579 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 \$162,714 and \$150,916 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.

In May of 2008, the Town voted to authorize the Treasurer to borrow \$395,000, and \$21,766,993, to finance a feasibility study for the Glover School Renovation project, and for the implementation of the Village School Renovation project, respectively. The Town has been approved by the MSBA for reimbursement of not less than 40% of the eligible costs associated with these projects, provided that the Town complies with all necessary steps set forth by the MSBA.

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, 2007, total capital expenditures amounted to \$1,538,931,000, of which \$25,200,000 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 \$641,630,000, of which \$10,069,000 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, 2007, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$763,040,000, of which \$11,653,000 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, 2007 and estimated for future years is shown below.

		Annual Costs	
For years ended December 31,	2008	\$	1,657,000
	2009		1,463,000
	2010		1,368,000
	2011		1,342,000
	2012		1,345,000
	2013 to 2017		4,403,000
	2018 to 2019		75,000
	Total	\$	11,653,000

In addition, under the PSAs, the Department is required to pay MMWEC its share of the Operation and Maintenance (O&M) costs of the Projects in which it participates. The Department's total O&M costs including debt service under the PSAs were \$3,878,000 and \$3,883,000 for the years ended December 31, 2007 and 2006, 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. As of July 1, 2008, the Town changed to a premium based plan for health insurance and remained self insured for workers compensation.

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, 2006, 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 2007	\$	710,055	\$ 9,589,994	\$ (9,448,154)	\$ 851,895
Fiscal Year 2008		851,895	8,582,372	(8,650,622)	783,645
Medex Claims					
Fiscal Year 2007	\$	155,613	\$ 1,284,892	\$ (1,286,062)	\$ 154,443
Fiscal Year 2008		154,443	1,410,855	(1,396,341)	168,957

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 2007	\$	480,829	\$ 311,247	\$ (266,182)	\$ 525,894	\$ 55,218
Fiscal Year 2008		525,894	502,054	(332,162)	695,786	227,286

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 \$6 million 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 2008, the following GASB pronouncements were implemented:

The GASB issued Statement #43, Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans. Since there is no legally established separate trust for the post-employment benefit plan this pronouncement did not impact the basic financial statements.

The GASB issued Statement #50, Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27. The standards in this statement did not change the disclosure 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 elected to early implement this standard and this pronouncement did not impact the basic financial statements.

The GASB issue Statement #53, Accounting and Financial Reporting for Derivative Instruments. The standards require governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. This standard did not impact the basic financial statements.

Other Future GASB Pronouncements:

The GASB issued Statement #45, Accounting and Financial Reporting by Employers for Post-employment 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.

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, 2008

	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.....	\$ -	\$ 46,368,523	\$ 46,368,523	\$ 46,368,523
Motor vehicle and other excise taxes.....	-	2,445,000	2,445,000	2,445,000
Charges for services.....	-	594,200	594,200	594,200
Penalties and interest on taxes.....	-	122,000	122,000	122,000
Licenses and permits.....	-	494,300	494,300	494,300
Fines and forfeitures.....	-	116,000	116,000	116,000
Intergovernmental.....	-	6,495,799	6,495,799	6,495,799
Investment income.....	-	344,000	344,000	344,000
Miscellaneous.....	-	8,000	8,000	8,000
TOTAL REVENUES.....	-	56,987,822	56,987,822	56,987,822
EXPENDITURES:				
Current:				
GENERAL GOVERNMENT				
Moderator - Officials Expense.....	-	100	100	100
Selectmen Officials Expense.....	-	5,500	5,500	5,500
Salaries.....	-	326,433	326,433	326,433
Expense.....	-	72,163	72,163	72,163
Art 44, 2001 - Fort Sewall.....	55,607	-	55,607	55,607
Zoning Board Legal Services.....	-	7,000	7,000	9,461
Out of State Travel.....	-	2,000	2,000	2,000
Finance Committee - Salaries.....	-	7,677	7,677	7,677
Expense.....	-	5,585	5,585	5,585
Local Travel.....	-	175	175	175
Reserve Fund.....	-	144,000	144,000	63,033
Finance - Salaries.....	-	579,744	579,744	579,744
Expense.....	3,600	246,205	249,805	249,805
Assessors - Officials Expense.....	-	300	300	300
Assessors - Salaries.....	-	162,692	162,692	162,692
Expense.....	-	33,985	33,985	33,985
Local Travel.....	-	200	200	200
Town Counsel - Salaries.....	-	2,000	2,000	2,000
Expense.....	-	52,932	52,932	66,932
Parking Tickets - Expense.....	-	10,484	10,484	10,484
Town Clerk - Salaries.....	-	137,545	137,545	137,545
Expense.....	-	7,537	7,537	7,537
Election and Registration - Salaries.....	-	25,139	25,139	25,139
Expense.....	-	20,615	20,615	23,615
Planning Board - Expense.....	-	1,675	1,675	1,675
Public Buildings - Salaries.....	-	83,605	83,605	83,605
Expense.....	-	101,100	101,100	101,100
Local Travel.....	-	400	400	400
Art. 16, 2007 - Improve Public Buildings.....	-	41,441	41,441	41,441
Art. 41, 2005 - Improve Public Buildings.....	10,087	-	10,087	10,087
Art. 42, 2002 - Improve Public Buildings.....	647	-	647	647
Art. 45, 2005 - Improve Public Buildings.....	650	-	650	650
Town Reports.....	-	4,300	4,300	4,300
Town Audit of Accounts.....	-	36,000	36,000	36,000
TOTAL GENERAL GOVERNMENT.....	70,591	2,118,532	2,189,123	2,127,617

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$	46,479,015	\$ -	\$ 110,492
	2,839,549	-	394,549
	787,918	-	193,718
	152,437	-	30,437
	604,058	-	109,758
	193,111	-	77,111
	6,595,391	-	99,592
	974,340	-	630,340
	77,181	-	69,181
	<u>58,703,000</u>	<u>-</u>	<u>1,715,178</u>
	100	-	-
	5,500	-	-
	325,282	-	1,151
	70,076	-	2,087
	22,930	32,677	-
	9,461	-	-
	-	-	2,000
	7,677	-	-
	3,736	-	1,849
	175	-	-
	-	-	63,033
	576,128	-	3,616
	248,837	-	968
	300	-	-
	160,484	-	2,208
	31,697	-	2,288
	183	-	17
	-	-	2,000
	66,466	-	466
	6,649	-	3,835
	132,327	-	5,218
	6,761	-	776
	21,518	-	3,621
	22,353	-	1,262
	1,323	-	352
	74,290	-	9,315
	98,969	-	2,131
	-	-	400
	31,941	9,500	-
	387	9,700	-
	647	-	-
	-	650	-
	2,070	-	2,230
	36,000	-	-
	<u>1,964,267</u>	<u>52,527</u>	<u>110,823</u>

(Continued)

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

FISCAL YEAR ENDED JUNE 30, 2008

	Budgeted Amounts			
	Amounts Carried forward From Prior Year	Original Voted Budget	Total Original Budget	Final Budget
PUBLIC SAFETY				
Police - Salaries.....	-	2,737,175	2,737,175	2,737,175
Expense.....	-	187,612	187,612	187,612
Indemnification.....	-	10,000	10,000	7,985
Art. 6, 2008 - Unpaid Bill - Police Indemnification.....	-	-	-	2,015
Art 15, 2007 Equipment.....	-	82,179	82,179	82,179
Fire - Salaries.....	-	2,587,296	2,587,296	2,587,296
Expense.....	-	122,319	122,319	145,201
Art 6, 2008 Unpaid Bill - Fire Expense.....	-	-	-	71
Art 15, 2007 Equipment.....	-	2,359	2,359	2,359
Art. 16, 2007 - Improve Public Buildings.....	-	18,425	18,425	18,425
Art. 41, 2005 - Improve Public Buildings.....	1,250	-	1,250	1,250
Art. 42, 2002 - Improve Public Buildings.....	33,996	-	33,996	33,996
Art. 12, 2001 - Improve Public Buildings.....	6,700	-	6,700	6,700
Building Commissioner - Salaries.....	-	418,314	418,314	418,314
Expense.....	-	9,755	9,755	9,755
Local Travel.....	-	3,000	3,000	3,000
Art. 19, 2006 - Equipment.....	3,001	-	3,001	3,001
Sealer of Weights & Measurers - Expense.....	-	150	150	150
Animal Inspector - Salaries.....	-	1,200	1,200	1,200
Dog Officer - Salaries.....	-	63,809	63,809	63,809
Expense.....	-	4,787	4,787	4,787
TOTAL PUBLIC SAFETY.....	44,947	6,248,380	6,293,327	6,316,280
EDUCATION				
Schools.....	-	25,646,017	25,646,017	25,543,662
Art. 6, 2008 - Unpaid Bill - Schools.....	-	-	-	104
Art. 7, 2007 - North Shore Technical School.....	-	129,597	129,597	129,597
Art. 15, 2007 - Equipment.....	-	30,879	30,879	30,879
TOTAL SCHOOL.....	-	25,806,493	25,806,493	25,704,242
PUBLIC WORKS & FACILITIES				
Engineering - Salaries.....	-	108,672	108,672	108,672
Expense.....	-	10,395	10,395	10,394
Local Travel.....	-	500	500	500
Art. 6, 2001 - Walls and Fences.....	549	-	549	549
Art. 16, 2007 - Improve Public Buildings.....	-	20,000	20,000	20,000
Highway - Salaries.....	-	623,390	623,390	623,390
Expense.....	-	85,934	85,934	93,585
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, 2007 - Seawall Repair.....	25,000	-	25,000	25,000
Art. 15, 2007 - Equipment.....	-	75,632	75,632	75,632
Art. 16, 2007 - Improve Public Buildings.....	-	18,750	18,750	18,750
Waste Collection - Salaries.....	-	350,689	350,689	376,126
Expense.....	-	1,279,405	1,279,405	1,279,405
Local Travel.....	-	1,512	1,512	1,512
Art. 33, 2007 - Disposal and Remediation.....	-	136,400	136,400	136,400
Art. 15, 2007 - Equipment.....	-	67,734	67,734	67,734
Art. 19, 2006 - Equipment.....	50,000	-	50,000	50,000
Drains - Salaries.....	-	92,866	92,866	92,866
Expense.....	-	5,150	5,150	5,150
Art. 17, 2007-Drain Construction.....	-	324,000	324,000	324,000
Art. 25, 2006-Drain Construction.....	26,902	-	26,902	26,902
Cemetery - Officials Expense.....	-	300	300	300
Salaries.....	-	283,407	283,407	283,407
Expense.....	-	21,846	21,846	21,846
Art. 15, 2007 - Equipment.....	-	37,995	37,995	37,995
Tree - Salaries.....	-	163,412	163,412	164,912
Expense.....	-	31,578	31,578	31,578
Art. 15, 2007 - Equipment.....	-	72,409	72,409	72,409
Art. 16, 2007 - Improve Public Buildings.....	-	49,904	49,904	49,904
Art. 41, 2005 - Improve Public Buildings.....	30,913	-	30,913	30,913
Art. 42, 2002 - Improve Public Buildings.....	14,744	-	14,744	14,744
Art. 12, 2001 - Improve Public Buildings.....	9,867	-	9,867	9,867
TOTAL PUBLIC WORKS & FACILITIES.....	157,975	4,104,121	4,262,096	4,296,683

Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
2,587,560	-	149,615
187,083	-	529
6,134	-	1,851
2,015	-	-
82,179	-	-
2,514,431	-	72,865
140,644	-	4,557
70	-	1
2,359	-	-
13,425	5,000	-
1,250	-	-
3,996	30,000	-
6,700	-	-
397,643	-	20,671
9,678	-	77
2,925	-	75
-	3,001	-
40	-	110
1,200	-	-
63,794	-	15
4,782	-	5
6,027,908	38,001	250,371
25,542,942	-	720
104	-	-
125,239	-	4,358
30,879	-	-
25,699,164	-	5,078
108,295	-	377
6,958	-	3,436
404	-	96
549	-	-
19,238	762	-
582,993	-	40,397
87,584	-	6,001
10,715	-	26
274,926	-	(174,926)
117,400	-	150
12,782	-	1,168
29	24,971	-
75,632	-	-
16,850	1,900	-
375,913	-	213
1,244,329	-	35,076
1,386	-	126
29,600	106,800	-
22,734	45,000	-
-	50,000	-
89,105	-	3,761
4,646	-	504
273,629	50,371	-
24,996	1,906	-
300	-	-
280,529	-	2,878
19,365	-	2,481
37,995	-	-
164,912	-	-
31,578	-	-
517	71,892	-
297	49,607	-
4,849	26,064	-
14,744	-	-
9,867	-	-
3,945,646	429,273	(78,236)

(Continued)

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

FISCAL YEAR ENDED JUNE 30, 2008

	Budgeted Amounts			
	Amounts Carried forward From Prior Year	Original Voted Budget	Total Original Budget	Final Budget
HUMAN SERVICES				
Health - Officials Expense.....	-	400	400	400
Salaries.....	-	116,338	116,338	116,338
Expense.....	-	10,645	10,645	10,645
Local Travel.....	-	1,600	1,600	1,600
Help for Abused Women and Children (HAWC).....	-	3,000	3,000	3,000
Mental Health - Contractual Services.....	-	71,728	71,728	71,728
Council on Aging - Salaries.....	-	156,492	156,492	156,492
Expense.....	-	2,859	2,859	2,859
Veterans Benefits - Salaries.....	-	53,213	53,213	53,213
Expense.....	-	1,243	1,243	1,243
Local Travel.....	-	1,100	1,100	1,100
Benefits.....	-	14,618	14,618	18,584
TOTAL HUMAN SERVICES.....	-	433,236	433,236	437,202
CULTURE & RECREATION				
Library - Salaries.....	-	687,410	687,410	687,410
Expense.....	-	221,040	221,040	221,040
Local Travel.....	-	100	100	100
Art 50, 2007 Library Improvements.....	-	281,000	281,000	281,000
Art 16, 2007 - Improve Public Buildings.....	-	11,480	11,480	11,480
Art 45, 2006 - Improve Public Buildings.....	3,750	-	3,750	3,750
Park - Salaries.....	-	531,727	531,727	531,727
Expense.....	-	156,290	156,290	155,739
Park Facility Expense.....	-	42,630	42,630	42,630
Art. 6, 2007 Unpaid Bills - Park Expense.....	-	-	-	551
Art. 15, 2007 - Equipment.....	-	12,135	12,135	12,135
Art. 19, 2006 - Equipment.....	41,740	-	41,740	41,740
Art. 41, 2005 - Improve Public Buildings.....	28,477	-	28,477	28,477
Memorial & Veterans Day.....	-	1,950	1,950	1,950
TOTAL CULTURE & RECREATION.....	73,967	1,945,762	2,019,729	2,019,729
ENERGY				
Energy Reserve.....	-	326,000	326,000	326,000
TOTAL ENERGY RESERVE.....	-	326,000	326,000	326,000
PENSION BENEFITS				
Contributory Retirement Fund.....	-	1,854,973	1,854,973	1,854,973
Noncontributory Retirement.....	-	160,200	160,200	160,200
TOTAL PENSION BENEFITS.....	-	2,015,173	2,015,173	2,015,173
PROPERTY AND LIABILITY INSURANCE				
Other Insurance.....	-	475,888	475,888	475,888
TOTAL PROPERTY AND LIABILITY INSURANCE.....	-	475,888	475,888	475,888
FRINGE BENEFITS				
Medicare.....	-	380,000	380,000	380,000
Group Insurance.....	-	9,331,501	9,331,501	9,331,501
TOTAL FRINGE BENEFITS.....	-	9,711,501	9,711,501	9,711,501
INTERGOVERNMENTAL				
State.....	-	2,397,293	2,397,293	2,397,293
TOTAL INTERGOVERNMENTAL.....	-	2,397,293	2,397,293	2,397,293
DEBT SERVICES				
Maturing Debt.....	-	2,945,000	2,945,000	1,745,000
Interest.....	-	1,294,169	1,294,169	1,295,282
TOTAL DEBT SERVICES.....	-	4,239,169	4,239,169	3,040,282
TOTAL EXPENDITURES.....	347,480	59,821,548	60,169,028	58,867,890
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(347,480)	(2,833,726)	(3,181,206)	(1,880,068)

Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
400	-	-
115,279	-	1,059
8,059	-	2,586
1,502	-	98
3,000	-	-
71,728	-	-
152,360	-	4,132
2,198	-	661
53,212	-	1
1,243	-	-
1,100	-	-
18,584	-	-
428,665	-	8,537
683,914	-	3,496
221,040	-	-
-	-	100
16,845	264,155	-
-	11,480	-
3,750	-	-
517,814	-	13,913
155,739	-	-
42,282	-	348
550	-	1
12,135	-	-
41,740	-	-
28,477	-	-
1,944	-	6
1,726,230	275,635	17,864
249,225	-	76,775
249,225	-	76,775
1,854,973	-	-
133,930	-	26,270
1,988,903	-	26,270
330,485	-	145,403
330,485	-	145,403
371,569	-	8,431
8,870,923	-	460,578
9,242,492	-	469,009
1,340,304	-	1,056,989
1,340,304	-	1,056,989
1,745,000	-	-
1,295,282	-	-
3,040,282	-	-
55,983,571	795,436	2,088,883
2,719,429	(795,436)	3,804,061

(Continued)

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

FISCAL YEAR ENDED JUNE 30, 2008

	Budgeted Amounts			
	Amounts Carried forward From Prior Year	Original Voted Budget	Total Original Budget	Final Budget
OTHER FINANCING SOURCES (USES):				
Transfers in.....	-	769,475	769,475	769,475
Transfers out.....	-	-	-	(1,301,138)
TOTAL OTHER FINANCING SOURCES (USES).....	-	769,475	769,475	(531,663)
NET CHANGE IN FUND BALANCE.....	(347,480)	(2,064,251)	(2,411,731)	(2,411,731)
BUDGETARY FUND BALANCE, Beginning of year.....	5,917,579	5,917,579	5,917,579	5,917,579
BUDGETARY FUND BALANCE, End of year.....	<u>\$ 5,570,099</u>	<u>\$ 3,853,328</u>	<u>\$ 3,505,848</u>	<u>\$ 3,505,848</u>

See notes to required supplementary information.

Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
799,717	-	30,242
<u>(1,301,138)</u>	<u>-</u>	<u>-</u>
(501,421)	-	30,242
2,218,008	(795,436)	3,834,303
<u>5,917,579</u>	<u>-</u>	<u>-</u>
<u>\$ 8,135,587</u>	<u>\$ (795,436)</u>	<u>\$ 3,834,303</u>
(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. 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 2008 and transfers of \$80,967 were made. All unencumbered and unexpended appropriations lapse at year-end.

Formal budgetary integration is employed as a management control device during the year for the General Fund. Although formal budgetary integration is not employed for Special Revenue Funds, effective budgetary control is alternatively achieved through provisions of the Massachusetts General Laws and the Town's by-laws.

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

2. Budgetary – GAAP Reporting Reconciliation

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

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

Net change in fund balance - budgetary basis.....	\$ (1,301,138)
Net change in revenues in recording tax refunds payable.....	(59,380)
Net change in short-term accrued interest.....	(291,478)
Recognition of revenue for on-behalf payments.....	(5,264,000)
Recognition of expenditures for on-behalf payments.....	<u>5,264,000</u>
Net change in fund balance - GAAP basis (modified accrual).....	<u>\$ (1,651,996)</u>

3. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2008, actual expenditures exceeded appropriations for snow removal by \$174,926. This appropriation deficit will be funded through the fiscal 2009 tax rate.

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.

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2008

	<i>Special Revenue Funds</i>					
	Federal Grants	State Grants	Other Grants	Revolving Funds	Receipts Reserved for Appropriation	Gifts
ASSETS						
Cash and cash equivalents.....	\$ 79,439	\$ -	\$ 510,741	\$ 433,202	\$ 2,540,314	\$ 185,745
Receivables, net of uncollectibles:						
Accounts.....	-	-	-	42,411	825	-
Due from commonwealth.....	-	780,724	-	-	-	-
Working capital deposit.....	-	-	-	-	-	-
TOTAL ASSETS.....	\$ 79,439	\$ 780,724	\$ 510,741	\$ 475,613	\$ 2,541,139	\$ 185,745
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Warrants payable.....	\$ 40,422	\$ 90,588	\$ 1,048	\$ 116,800	\$ -	\$ 16,012
Deferred revenues.....	-	595,235	-	21,643	825	-
TOTAL LIABILITIES.....	40,422	685,823	1,048	138,443	825	16,012
FUND BALANCES:						
Unreserved:						
Undesignated, reported in:						
Special revenue funds.....	39,017	94,901	509,693	337,170	2,540,314	169,733
TOTAL FUND BALANCES.....	39,017	94,901	509,693	337,170	2,540,314	169,733
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 79,439	\$ 780,724	\$ 510,741	\$ 475,613	\$ 2,541,139	\$ 185,745

Special Revenue Trust Funds	Total Nonmajor Governmental Funds
\$ 2,993,761	\$ 6,743,202
-	43,236
-	780,724
18,000	18,000
\$ <u>3,011,761</u>	\$ <u>7,585,162</u>

\$ -	\$ 264,870
-	617,703
-	882,573

3,011,761	6,702,589
3,011,761	6,702,589
\$ <u>3,011,761</u>	\$ <u>7,585,162</u>

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<i>Special Revenue Funds</i>				
	Federal Grants	State Grants	Other Grants	Revolving Funds	Receipts Reserved for Appropriation
REVENUES:					
Charges for services.....	\$ -	\$ -	\$ -	\$ 2,085,253	\$ 20,925
Fines and forfeitures.....	-	-	-	400	-
Intergovernmental.....	1,157,612	1,927,030	3,600	160,401	-
Departmental and other.....	-	-	68,050	321,946	-
Contributions.....	-	-	54,284	1,709	-
Investment income.....	-	318	21,517	544	-
Miscellaneous.....	-	-	-	246,640	-
TOTAL REVENUES.....	1,157,612	1,927,348	147,451	2,816,893	20,925
EXPENDITURES:					
Current:					
General government.....	-	-	-	5,070	16,403
Public safety.....	107,487	53,663	-	249,388	-
Education.....	1,034,912	1,208,500	6,551	1,918,797	-
Public works.....	-	486,185	-	302,762	-
Human services.....	97,000	136,409	5,669	176,835	-
Culture and recreation.....	-	28,763	82,119	164,490	-
TOTAL EXPENDITURES.....	1,239,399	1,913,520	94,339	2,817,342	16,403
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(81,787)	13,828	53,112	(449)	4,522
OTHER FINANCING SOURCES (USES):					
Premium from issuance of debt.....	-	-	-	-	33,326
Transfers in.....	-	-	-	51,138	-
Transfers out.....	-	(12,900)	-	(20,342)	(151,017)
TOTAL OTHER FINANCING SOURCES (USES).....	-	(12,900)	-	30,796	(117,691)
NET CHANGE IN FUND BALANCES.....	(81,787)	928	53,112	30,347	(113,169)
FUND BALANCES AT BEGINNING OF YEAR.....	120,804	93,973	456,581	306,823	2,653,483
FUND BALANCES AT END OF YEAR.....	\$ 39,017	\$ 94,901	\$ 509,693	\$ 337,170	\$ 2,540,314

	Special	Total	
	Revenue	Nonmajor	
	Trust Funds	Governmental	
Gifts		Funds	
\$ 2,865	\$ -	\$ 2,109,043	
-	-	400	
-	2,183	3,250,826	
-	-	389,996	
190,717	90,428	337,138	
-	236,178	258,557	
-	-	246,640	
<u>193,582</u>	<u>328,789</u>	<u>6,592,600</u>	
103,256	-	124,729	
19,516	2,183	432,237	
56,557	-	4,225,317	
-	-	788,947	
1,897	34,734	452,544	
<u>13,736</u>	<u>93,152</u>	<u>382,260</u>	
<u>194,962</u>	<u>130,069</u>	<u>6,406,034</u>	
<u>(1,380)</u>	<u>198,720</u>	<u>186,566</u>	
-	-	33,326	
-	3,149	54,287	
-	-	(184,259)	
-	3,149	(96,646)	
(1,380)	201,869	89,920	
<u>171,113</u>	<u>2,809,892</u>	<u>6,612,669</u>	
<u>\$ 169,733</u>	<u>\$ 3,011,761</u>	<u>\$ 6,702,589</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, 2008

	Medical Claims	Medex Claims	Workmen's Compensation	Total
ASSETS				
CURRENT:				
Cash and cash equivalents.....	\$ 1,586,220	\$ 1,362,860	\$ 421,647	\$ 3,370,727
Receivables, net of allowance for uncollectibles:				
Departmental and other.....	35,273	-	-	35,273
Working capital deposit.....	343,140	-	25,000	368,140
TOTAL ASSETS.....	1,964,633	1,362,860	446,647	3,774,140
LIABILITIES				
CURRENT:				
Warrants payable.....	-	4,418	5,171	9,589
Accrued liabilities.....	783,645	168,957	-	952,602
Workers' compensation.....	-	-	227,286	227,286
Total current liabilities.....	783,645	173,375	232,457	1,189,477
NONCURRENT:				
Workers' compensation.....	-	-	468,500	468,500
TOTAL LIABILITIES.....	783,645	173,375	700,957	1,657,977
NET ASSETS				
Unrestricted.....	\$ 1,180,988	\$ 1,189,485	\$ (254,310)	\$ 2,116,163

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Medical Claims	Medex Claims	Workmen's Compensation	Total
OPERATING REVENUES:				
Charges for services.....	\$ 10,361,606	\$ 2,018,750	\$ 200,000	\$ 12,580,356
Miscellaneous.....	106,685	-	-	106,685
TOTAL OPERATING REVENUES.....	10,468,291	2,018,750	200,000	12,687,041
OPERATING EXPENSES:				
Cost of services and administration.....	9,421,785	1,480,464	332,162	11,234,411
OPERATING INCOME (LOSS).....	1,046,506	538,286	(132,162)	1,452,630
NONOPERATING REVENUES (EXPENSES):				
Investment income.....	8,426	37,993	20,326	66,745
CHANGE IN NET ASSETS.....	1,054,932	576,279	(111,836)	1,519,375
NET ASSETS AT BEGINNING OF YEAR.....	126,056	613,206	(142,474)	596,788
NET ASSETS AT END OF YEAR.....	\$ 1,180,988	\$ 1,189,485	\$ (254,310)	\$ 2,116,163

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Medical Claims	Medex Claims	Workmen's Compensation	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from interfund services provided.....	\$ 12,200,028	\$ 2,245,850	\$ 200,000	\$ 14,645,878
Payments for interfund services used.....	(10,432,957)	(1,563,360)	(177,504)	(12,173,821)
NET CASH FROM OPERATING ACTIVITIES.....	1,767,071	682,490	22,496	2,472,057
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Advances from other funds.....	-	-	189,277	189,277
Advances to other funds.....	(189,277)	-	-	(189,277)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	(189,277)	-	189,277	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income.....	8,426	37,993	20,326	66,745
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	1,586,220	720,483	232,099	2,538,802
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	-	642,377	189,548	831,925
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 1,586,220	\$ 1,362,860	\$ 421,647	\$ 3,370,727
RECONCILIATION OF OPERATING INCOME (LOSS)				
TO NET CASH FROM OPERATING ACTIVITIES:				
Operating income (loss).....	\$ 1,046,506	\$ 538,286	\$ (132,162)	\$ 1,452,630
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Changes in assets and liabilities:				
Departmental and other.....	524,922	-	-	524,922
Working capital deposit.....	1,206,815	227,100	-	1,433,915
Warrants payable.....	(942,922)	(97,410)	(15,234)	(1,055,566)
Accrued liabilities.....	(68,250)	14,514	-	(53,736)
Workers' compensation.....	-	-	169,892	169,892
Total adjustments.....	720,565	144,204	154,658	1,019,427
NET CASH FROM OPERATING ACTIVITIES.....	\$ 1,767,071	\$ 682,490	\$ 22,496	\$ 2,472,057

Fiduciary Funds

Private Purpose Trust Funds:

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

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

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

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

PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF NET ASSETS

JUNE 30, 2008

	Charity Funds	Scholarship Funds	Other Funds	Total
ASSETS				
Cash and cash equivalents.....	\$ 2,321,720	\$ 941,257	\$ 137,965	\$ 3,400,942
Receivables, net of allowance for uncollectibles:				
Departmental and other.....	-	175	-	175
Capital assets, net of accumulated depreciation.....	16,126	-	-	16,126
Capital assets, not being depreciated.....	2,045	-	-	2,045
TOTAL ASSETS.....	2,339,891	941,432	137,965	3,419,288
LIABILITIES				
Warrants payable.....	-	1,128	-	1,128
Other liabilities.....	-	175	-	175
TOTAL LIABILITIES.....	-	1,303	-	1,303
NET ASSETS				
Held in trust for other purposes.....	\$ <u>2,339,891</u>	\$ <u>940,129</u>	\$ <u>137,965</u>	\$ <u>3,417,985</u>

PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT CHANGES IN NET ASSETS

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Charity Funds	Scholarship Funds	Other Funds	Total
ADDITIONS:				
Contributions:				
Private donations.....	\$ 114,732	\$ -	\$ -	\$ 114,732
Net investment income (loss):				
Interest.....	100,545	40,651	5,880	147,076
TOTAL ADDITIONS.....	215,277	40,651	5,880	261,808
DEDUCTIONS:				
Charitable payments.....	131,333	-	-	131,333
Depreciation.....	2,950	-	-	2,950
Educational scholarships.....	-	13,850	-	13,850
TOTAL DEDUCTIONS.....	134,283	13,850	-	148,133
CHANGE IN NET ASSETS.....	80,994	26,801	5,880	113,675
NET ASSETS AT BEGINNING OF YEAR.....	2,258,897	913,328	132,085	3,304,310
NET ASSETS AT END OF YEAR.....	\$ 2,339,891	\$ 940,129	\$ 137,965	\$ 3,417,985

AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Balance at June 30, 2007	Additions	Deductions	Balance at June 30, 2008
ASSETS				
Cash and cash equivalents.....	\$ 63,616	\$ 389,387	\$ 427,159	\$ 25,844
Due from general fund.....	68,358	27,512	30,804	65,066
Total assets.....	<u>\$ 131,974</u>	<u>\$ 416,899</u>	<u>\$ 457,963</u>	<u>\$ 90,910</u>
LIABILITIES				
Accrued Payroll - Off Duty Work Details.....	\$ 3,220	\$ 9,696	\$ 12,692	\$ 224
Accrued Payroll - Dog License Fees.....	68	1,731	1,532	267
Due To Commonwealth:				
Firearms Permits.....	1,425	9,838	10,726	537
Meals Tax.....	-	221	211	10
Sales Tax.....	21	257	226	52
Due To Other Governments:				
Housing Authority.....	200	5,419	5,419	200
Due To Student Activities.....	63,616	389,387	427,159	25,844
Performance Bonds.....	63,425	351	-	63,776
Total liabilities.....	<u>\$ 131,975</u>	<u>\$ 416,900</u>	<u>\$ 457,965</u>	<u>\$ 90,910</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

Lobster pots stand ready for summer's favorite crustacean.

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 Six Fiscal Years

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
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	\$ 67,584,804
Restricted.....	4,718,510	7,367,239	8,369,340	8,514,978	9,369,209	9,566,795
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>	<u>2,512,954</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>	<u>\$ 79,664,553</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	31,548,537
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>	<u>15,044,596</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>	<u>\$ 46,593,133</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	99,133,341
Restricted.....	4,718,510	7,367,239	8,369,340	8,514,978	9,369,209	9,566,795
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>	<u>17,557,550</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>	<u>\$ 126,257,686</u>

Changes in Net Assets

Last Six Fiscal Years

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Expenses						
Governmental activities:						
General government.....	\$ 2,938,994	\$ 3,365,848	\$ 3,391,116	\$ 3,270,652	\$ 3,524,468	\$ 3,490,002
Public safety.....	7,867,199	7,957,974	7,787,203	7,980,128	9,019,171	9,118,679
Education.....	32,368,949	36,143,224	38,303,976	41,023,533	42,814,037	43,648,218
Public works.....	5,654,141	5,101,138	4,903,611	4,879,129	5,173,056	5,407,535
Landfill closure.....	-	-	-	-	4,900,000	1,100,000
Human services.....	914,967	929,242	826,827	1,084,279	1,115,550	1,197,716
Culture and recreation.....	2,361,916	2,301,611	2,427,894	2,438,794	2,563,548	2,586,664
Interest.....	1,451,423	1,059,107	1,847,413	2,214,597	1,326,580	1,484,146
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>	<u>68,032,960</u>
Business-type activities:						
Water.....	2,223,297	2,312,442	2,408,244	2,575,458	2,900,743	2,825,383
Sewer.....	3,061,348	2,980,770	3,489,015	3,274,040	3,516,775	3,044,040
Municipal Light.....	10,381,542	10,805,232	10,941,345	13,344,444	12,768,585	12,879,054
Harbor.....	584,471	576,851	455,038	620,604	578,842	573,268
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>	<u>19,321,745</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>	<u>\$ 87,354,705</u>
Program Revenues						
Governmental activities:						
Charges for services.....	\$ 1,663,552	\$ 920,442	\$ 965,873	\$ 1,013,743	\$ 993,793	\$ 1,049,707
Public Safety.....	681,523	744,398	990,605	1,072,931	959,016	852,159
Education.....	1,144,334	1,156,322	1,151,263	1,185,631	1,192,449	1,693,799
Public Works.....	602,236	711,153	777,895	745,750	764,571	742,708
Operating grants and contributions.....	9,961,379	10,236,741	11,965,143	13,534,764	13,072,665	13,164,337
Capital grant and contributions.....	6,016,683	6,184,306	-	-	933,198	467,866
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>	<u>17,970,576</u>
Business-type activities:						
Charges for services - Water.....	2,357,092	2,404,325	2,985,712	3,084,796	3,097,859	3,426,794
Charges for services - Sewer.....	3,054,481	3,098,366	3,897,788	3,254,460	3,566,868	3,711,954
Charges for services - Municipal Light.....	11,524,933	11,747,745	11,350,011	13,845,358	13,837,216	13,410,728
Charges for services - Harbor.....	582,103	571,937	615,946	608,305	619,480	638,397
Operating grants and contributions.....	-	-	25,000	3,473	24,067	8,144
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>	<u>21,196,017</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>	<u>\$ 39,166,593</u>
Net (Expense)/Revenue						
Governmental activities.....	\$ (33,487,882)	\$ (36,904,782)	\$ (43,637,261)	\$ (45,338,293)	\$ (52,520,718)	\$ (50,062,384)
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>	<u>1,874,272</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>	<u>\$ (48,188,112)</u>

(Continued)

Changes in Net Assets

Last Six Fiscal Years

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
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	\$ 46,455,796
Motor vehicle and other excise taxes.....	2,816,116	2,815,852	3,008,370	3,033,965	2,908,531	2,856,787
Penalties and interest on taxes.....	112,354	128,811	142,047	134,274	174,210	152,437
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	1,693,092
Unrestricted investment income.....	517,360	494,060	369,109	811,058	1,299,063	1,366,744
Miscellaneous.....	2,719	-	-	61,300	-	-
Transfers.....	57,508	1,026,962	688,377	656,398	544,635	559,028
Total governmental activities.....	<u>39,344,242</u>	<u>43,233,642</u>	<u>44,942,183</u>	<u>50,003,741</u>	<u>51,732,856</u>	<u>53,083,884</u>
Business-type activities:						
Boat excise.....	131,449	137,920	139,068	134,780	142,145	134,306
Unrestricted investment income.....	107,863	51,225	104,009	238,535	333,173	337,377
Settlements and refunds.....	-	-	-	-	-	1,012,370
Transfers.....	(57,508)	(1,026,962)	(688,377)	(656,398)	(544,635)	(559,028)
Total primary government.....	<u>\$ 181,804</u>	<u>\$ (837,817)</u>	<u>\$ (445,300)</u>	<u>\$ (283,083)</u>	<u>\$ (69,317)</u>	<u>\$ 925,025</u>
Changes in Net Assets						
Governmental activities.....	\$ 5,856,360	\$ 6,328,860	\$ 1,304,922	\$ 4,665,448	\$ (787,862)	\$ 3,021,500
Business-type activities.....	<u>1,449,755</u>	<u>309,261</u>	<u>1,135,515</u>	<u>833,543</u>	<u>1,311,228</u>	<u>2,799,297</u>
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>	<u>\$ 5,820,797</u>

(Concluded)

Fund Balances, Governmental Funds

Last Ten Fiscal Years

	Fiscal Year									
	<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>	<u>2008</u>
General Fund										
Reserved.....	\$ 2,741,420	\$ 2,047,209	\$ 2,021,489	\$ 2,495,896	\$ 590,889	\$ 346,436	\$ 242,334	\$ 329,471	\$ 347,480	\$ 795,436
Unreserved.....	<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>	<u>7,183,747</u>
Total general fund.....	<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>	<u>\$ 7,979,183</u>
All Other Governmental Funds										
Reserved.....	\$ -	\$ -	\$ -	\$ -	\$ 3,119,714	\$ 3,160,017	\$ 3,242,776	\$ 3,218,824	\$ 3,265,196	\$ 3,309,253
Unreserved, reported in:										
Special revenue funds.....	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	6,702,589
Capital projects funds.....	(1,421,646)	(1,100,256)	(11,185,348)	2,364,897	5,440,999	2,137,325	13,780	(3,448,847)	(2,231,042)	1,690,445
Permanent funds.....	<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>1,454,201</u>	<u>1,430,805</u>
Total all other governmental funds.....	<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>\$ 9,101,024</u>	<u>\$ 13,133,092</u>

Fiscal years 1999 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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues:										
Real estate and personal property taxes,										
net of tax refunds.....	\$ 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	\$ 46,419,642
Motor vehicle and other excise taxes.....	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	2,839,549
Penalties and interest on taxes.....	201,003	136,615	130,863	125,118	112,354	128,811	142,047	134,274	174,210	152,437
Charges for Services.....	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	2,896,961
Licenses and permits (**and fees).....	413,892	375,475	457,597	512,478	445,850	557,746	805,077	867,875	692,993	604,058
Fines and forfeitures.....	167,299	186,366	164,701	185,354	186,801	184,034	209,571	185,569	162,480	193,511
Intergovernmental.....	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	15,110,217
Departmental.....	-	-	-	-	301,228	351,221	363,625	339,638	399,086	389,996
Contributions.....	137,938	218,961	391,583	364,035	448,003	366,484	708,368	383,178	814,817	537,030
Investment income.....	480,394	495,292	1,625,099	769,304	482,227	487,621	355,094	787,540	1,250,722	1,299,999
Miscellaneous.....	323,330	336,359	335,169	402,121	375,330	188,506	258,863	356,564	255,420	323,821
Total Revenue.....	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	70,767,221
Expenditures:										
General government.....	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	2,056,400
Public safety.....	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	6,367,594
Education.....	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	30,042,340
Public works.....	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	3,762,533
Human services.....	756,853	776,735	838,688	810,067	744,629	647,358	551,201	798,590	811,195	889,949
Culture and recreation.....	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	1,819,561
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	7,252,902
Property and liability insurance.....	-	93,890	105,023	157,751	245,545	304,088	323,166	334,103	345,231	330,485
Employee benefits.....	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	9,242,492
State and county charges.....	684,977	622,850	608,657	596,520	1,824,080	1,714,756	2,094,128	2,217,767	2,156,712	1,340,304
Capital outlay.....	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	8,520,528
Debt service.....										
Principal.....	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	1,745,000
Interest.....	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	1,256,791
Total Expenditures.....	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	74,626,879
Excess of revenues over (under) expenditures.....	(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	(3,859,658)
Other Financing Sources (Uses)										
Issuance of debt.....	-	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	33,326
Proceeds from bonds and notes.....	-	-	-	-	-	-	37,510,274	15,984,637	-	9,496,500
Payments of current refunded debt.....	-	-	-	-	-	-	(37,510,274)	(15,984,637)	-	-
Capital lease financing.....	26,200	25,000	235,710	-	-	-	-	46,875	-	-
Transfers in.....	774,368	536,631	1,738,319	711,238	537,488	2,514,566	2,256,375	2,297,989	2,002,892	2,104,004
Transfers out.....	(957,660)	(625,087)	(1,923,025)	(899,708)	(679,980)	(1,687,604)	(1,767,998)	(1,641,591)	(1,458,257)	(1,544,976)
Total other financing sources (uses).....	(157,092)	1,587,860	5,121,790	40,577,168	15,767,247	9,298,630	2,294,458	900,756	557,930	10,088,854
Net change in fund balance.....	\$ (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	\$ 6,229,196
Debt service as a percentage of noncapital expenditures.....	3.81%	3.55%	3.78%	6.88%	6.62%	5.97%	7.25%	8.25%	5.83%	4.54%

Fiscal years 1999 through 2002 exclude Expendable and Nonexpendable Trust Funds which were reported under the pre-GASB 34 format.

In Fiscal year 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 1999 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 Direct Rate	Total Town Value
1999	\$ 2,273,353,314	\$11.60	\$ 108,962,111	\$ 14,036,800	\$ 16,480,870	\$ 139,479,781	\$12.00	\$ 11.62	\$ 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	\$ 11.17	\$ 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	\$ 10.28	\$ 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	\$ 9.54	\$ 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	\$ 8.47	\$ 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	\$ 8.48	\$ 4,465,808,984
2005	\$ 4,596,303,034	\$8.26	\$ 175,052,553	\$ 19,390,500	\$ 36,175,490	\$ 230,618,543	\$8.48	\$ 8.27	\$ 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	\$ 8.42	\$ 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	\$ 7.76	\$ 5,843,778,008
2008	\$ 5,350,189,480	\$8.34	\$ 205,592,484	\$ 18,573,700	\$ 34,195,980	\$ 258,362,164	\$8.34	\$ 8.34	\$ 5,608,551,644

(1) Revaluation Year

Source: Town of Marblehead, Assessor's Department

Principal Taxpayers
Current Year and Nine Years Ago

Name	Nature of Business	2008			1999		
		Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Moore, Edward T., Trust	Real estate investor	\$ 62,274,500	1	1.11%	\$ 6,247,700	4	0.26%
Rockett, J. Hillary	Real estate investor	\$ 35,334,800	2	0.63%	\$ 17,309,300	1	0.72%
Bessom Associates	Co-operative housing	\$ 17,277,500	3	0.31%	\$ 6,459,400	3	0.27%
Algonquin Gas Transmission Co.	Utility	\$ 16,193,100	4	0.29%	\$ -		
Eastern Yacht Club	Private yacht club	\$ 14,971,200	5	0.27%	\$ 6,699,400	2	0.28%
Angelo Arena	Real estate investor	\$ 11,453,400	6	0.20%	\$ 5,717,800	5	0.24%
Peter S. Lynch	Investment Manager	\$ 10,226,300	7	0.18%	\$ -		
Philip A. Gianatasio	Executive	\$ 9,657,000	8	0.17%	\$ -		
Corinthian Yacht Club	Private Yacht Club	\$ 8,991,100	9	0.16%	\$ 4,850,400	7	0.20%
Robert W. Green	Real Estate Investor	\$ 8,789,800	10	0.16%	\$ 4,793,300	8	0.20%
James Crosby	Commercial Property	\$ -			\$ 4,968,900	6	0.21%
Boston Gas Company (Keyspan)	Utility	\$ -			\$ 4,490,260	10	0.19%
Bell Atlantic	Utility	\$ -			\$ 4,783,100	9	0.20%
Totals		<u>\$ 195,168,700</u>		<u>3.48%</u>	<u>\$ 66,319,560</u>		<u>2.77%</u>

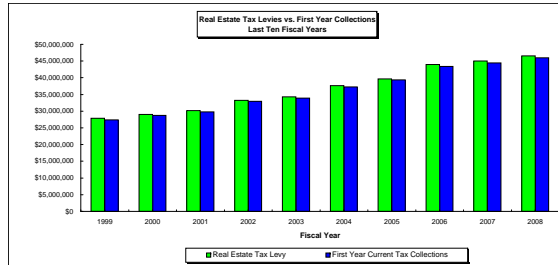
Source: Town of Marblehead, Assessor's Department

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year	(2) Total Tax Levy	Less Abatements & Exemptions	(2) Net Tax Levy	First Year Current Tax Collections	Percent of Net Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Net Tax Levy
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%	\$ 355,246	\$ 44,786,171	99.54%
2008	\$ 46,775,321	\$ 196,908	\$ 46,578,413	\$ 46,022,647	98.81%	\$ -	\$ 46,022,647	98.81%

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	U. S. Census Population	Personal Income	Assessed Value	Governmental Activities Debt					Percentage of Personal Income	Percentage of Assessed Value
				General Obligation Bonds	Capital Leases	Per Capita				
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%
2008	20,039	\$ 1,097,356,003	\$ 5,608,551,644	\$ 34,336,500	\$ -	\$ 1,713			3.13%	0.61%

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	
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%	
2008	\$ 90,000	\$ 34,426,500	\$ 1,718	3.14%	0.61%	

(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, 2008

<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..... \$	1,905,000	1.911%	\$ 36,405
South Essex Sewerage District.....	137,416,245	7.569%	10,401,036
Massachusetts Water Resource Authority.....	1,893,369,064	1.015%	<u>19,217,696</u>
Subtotal, overlapping debt.....			29,655,137
Town direct debt.....			<u>34,336,500</u>
Total direct and overlapping debt.....			\$ <u><u>63,991,637</u></u>

Source: Town of Marblehead's, Finance Department

Computation of Legal Debt Margin

Last Ten Fiscal Years

	Fiscal Year									
	<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>	<u>2008</u>
Equalized valuation.....	\$ <u>2,388,893,800</u>	\$ <u>2,811,457,400</u>	\$ <u>2,811,457,400</u>	\$ <u>2,811,457,400</u>	\$ <u>3,815,051,700</u>	\$ <u>3,815,051,700</u>	\$ <u>4,841,734,800</u>	\$ <u>5,582,874,900</u>	\$ <u>5,582,874,900</u>	\$ <u>5,976,188,400</u>
Debt Limit - 5% of equalized valuation.....	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	298,809,420
Less:										
Total debt applicable to limitation.....	<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>	<u>34,426,500</u>
Legal debt margin.....	\$ <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>	\$ <u>264,382,920</u>
Total debt applicable to the limit as a percentage of debt limit.....	8%	7%	10%	8%	5%	4%	15%	11%	11%	13%

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
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%
2008	20,039	\$ 1,097,356,003	\$ 54,761	41.9	3,212	4.00%

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

Principal Employers

Current Year

Employer	Nature of Business	2008		Percentage of Total Town Employment
		Employees	Rank	
Town of Marblehead	Municipal Government	651	1	12.95%
Eastern Yacht Club	Yacht Club, Tennis	220	2	4.38%
Corinthian Yacht Club	Yacht Club	135	3	2.69%
Lafayette Nursing Home	Health Care	125	4	2.49%
Marblehead/Swampscott YMCA	Recreational	125	5	2.49%
Devereux Nursing Home	Health Care	123	6	2.45%
Tedesco Country Club	Country Club	120	7	2.39%
Crosby's Marketplace	Food Market	90	8	1.79%
Boston Yacht Club	Yacht Club	80	9	1.59%
National Grand Bank	Banking	60	10	1.19%

Information prior to 2008 was not available.

Source: Town of Marblehead, Assessor's Department and survey of large employers

Full-time Equivalent Town Employees by Function

Last Ten Fiscal Years

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Function										
General government.....	24.50	24.50	24.50	24.50	24.50	23.25	23.25	22.50	22.50	22.75
Public safety.....	54.50	58.50	56.50	58.50	56.25	58.50	54.75	55.25	55.50	55.75
Fire.....	42.00	42.00	42.00	42.00	42.00	42.00	42.50	42.50	42.50	42.50
Education.....	385.90	396.20	400.10	414.30	424.20	426.00	448.40	466.32	474.67	479.79
Public works.....	38.25	38.50	37.50	39.50	39.00	37.00	36.25	36.25	36.45	35.95
Human services.....	5.50	5.50	6.75	7.00	6.75	6.75	6.00	6.25	6.50	7.00
Culture and recreation.....	33.25	30.50	32.25	29.00	32.75	30.75	28.00	30.75	28.75	29.25
Total.....	<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>	<u>672.99</u>

Source: Town Records

Operating Indicators by Function/Program

Last Ten Fiscal Years

Function/Program	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Police										
Physical arrests.....	327	504	366	226	284	283	317	285	340	204
Motor vehicle violations.....	742	688	1,291	880	1,249	1,488	1,309	3,110	1,499	1,363
Parking violations.....	3,722	5,467	4,504	5,714	4,879	4,995	4,998	3,545	3,752	4,119
Fire										
Inspections.....	1,635	1,594	1,579	1,467	1,622	1,622	1,860	1,707	1,651	1,738
Emergency responses.....	2,219	2,185	2,066	2,219	2,105	2,105	2,347	2,167	2,361	2,378
Libraries										
Volumes in circulation.....	120,321	120,177	117,926	115,771	118,504	119,867	120,989	118,078	117,041	127,278
Total volumes borrowed.....	231,849	206,450	215,105	219,458	227,481	212,263	210,510	208,820	203,170	204,172
Water										
Service connections.....	7,620	7,635	7,827	7,869	7,877	7,877	8,004	7,459	7,962	9,090
Consumption in gallons.....	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	1,993,000
Daily consumption.....	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	3,820,000
Sewer										
Service connections.....	7,370	7,379	7,399	7,789	7,792	7,792	7,901	7,223	7,773	7,883
Daily average collection.....	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	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									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
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	45.0	42.0	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	39.0	42.0	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	6.0	6.0	6.0
Number of middle schools.....	1.0	1.0	1.0	1.0	1.0	2.0	2.0	1.0	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.....	233.0	228.0	243.0	243.0	243.0	265.0	260.0	260.0	249.0	257.7
Number of administrators.....	7.0	15.0	17.0	9.0	9.0	9.0	18.0	17.0	17.0	18.5
Number of students.....	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	3,212.0
Water										
Water mains (miles).....	75.0	75.0	75.0	75.0	75.0	75.0	86.7	86.7	86.7	27.7
Fire hydrants.....	815.0	823.0	825.0	825.0	828.0	828.0	851.0	852.0	855.0	860.0
Sewer										
Sanitary sewers (miles).....	96.0	96.0	96.0	96.0	96.0	96.0	87.5	87.5	87.5	88.5
Storm sewers (miles).....	37.0	37.0	37.0	37.0	37.0	37.0	50.9	50.9	50.9	51.9
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	133.2	134.3
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	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Tennis courts.....	13.0	12.0	12.0	12.0	12.0	12.0	12.0	10.0	12.0	12.0
Harbor										
Harbors.....	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Moorings.....	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	2,200.0
Private yacht clubs.....	5.0	5.0	5.0	5.0	5.0	5.0	6.0	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	4.0	4.0	3.0	3.0	2.0	2.0	2.0	2.0

Source: Various Town Departments



Sailboat masts stand tall against a colorful sunset



Photos by Rob Kipp

Low tide forms a natural bridge from the mainland to Brown's Island