

TOWN OF MARBLEHEAD, MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT



Photo by Dana Snow

**For the Fiscal Year Ended
June 30, 2009**

On the Cover: Abbot Hall, Marblehead's Town Hall, towers above rooftops on a clear spring day.

Marblehead Harbor, protected by the mainland to the left and Marblehead Neck to the right, sits nearly empty awaiting the hundreds of vessels that will soon tie up to their moorings.



Hundreds of sailboats of all sizes fill Marblehead Harbor each summer.

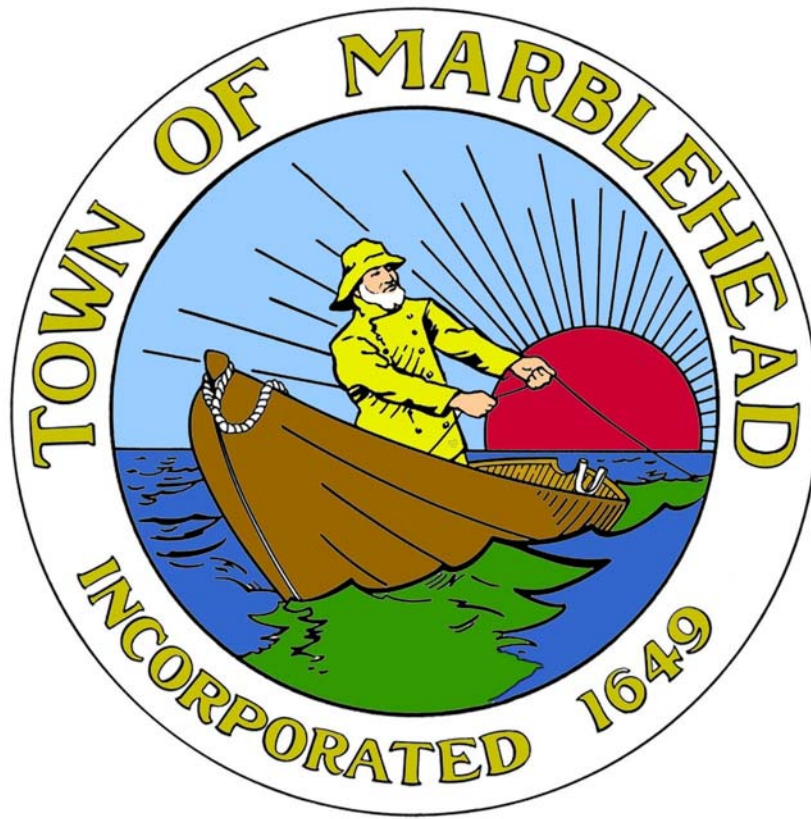


*Marblehead Harbor in early spring as viewed from the mainland.
Marblehead Neck protects the east side of the Harbor.*



Photos by Chuck McCollum and Dana Snow

TOWN OF MARBLEHEAD, MASSACHUSETTS



COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Fiscal Year Ended June 30, 2009 Prepared by Finance Department

TOWN OF MARBLEHEAD, MASSACHUSETTS
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2009

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Introductory Section



Photo by Chuck McCollum and Dana Snow

Marblehead Light Tower, operated by the U.S. Coast Guard, guides sailors along Marblehead's rocky shoreline.

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

November 19, 2009

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, 2009, 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, 2009, 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, 2009, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

PROFILE OF THE TOWN

The Town of Marblehead, originally incorporated in 1649, is a picturesque seacoast Town steeped in history. In its early years fishing and the shoe industry were its two main sources of income. While Marblehead has been known through the years as the "Birthplace of the American Navy," in recent times the Town has also been known as one of the yachting capitals of the world. Pleasure boating is 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 20,449, 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. While the Town's residential sales market weakened in fiscal year 2009, it did sustain its value in the most recent valuation when compared to the real estate market regionally and nationally as demonstrated by only a 2% drop in aggregate value of taxable real property compared to the previous year.

The median family income remained significantly higher than state averages and the unemployment rate continues to be lower than the State average (6.8% vs. 8.7% 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 2009, from a historical high of \$5.8 billion to \$5.35 billion, the total fiscal year 2009 real estate value of the community remained 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 2009, the Town had 136 arms length sales of single family homes and of the nearly 8,000 improved properties, there were only 9 sales involving foreclosure, far less than the regional and national averages.

On the Town's operating side, after experiencing increases in state aid between fiscal year 2005 and fiscal year 2008, communities have seen decreases in fiscal year 2009 and fiscal year 2010 (budgeted). The Town however, is in the position of relying 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 2009 and transfers of \$77,582 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 2009, 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 \$404,200 into the fiscal 2009 energy reserve. Of this amount \$293,493 was expended. The Town has once again increased its allocation to its energy reserve in the fiscal year 2010 budget appropriating \$485,040 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, 2009 totaled \$42,727,000 of which \$45,000 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 2009 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 | \$ 42,727,000 | 0.799% | \$ 2,134 |

The Town's bonds, last issued on August 14, 2009, were rated by the rating agency of Standard & Poor's (S&P) at 'AAA' which is an upgraded rating from its prior rating of AA+ which S&P rated the Town's debt issuance since June of 2000.

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, 2009, was in the Massachusetts Municipal Depository Trust (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 (loss) for the year ended June 30, 2009, is as follows:

| | |
|-----------------------------------|------------------------|
| General Fund..... | \$ 597,142 |
| Public Funds..... | 112,968 |
| Enterprise Funds..... | 231,740 |
| Pension Trust Funds..... | (26,363,801) |
| Non-major Governmental Funds..... | (76,423) |
| Internal Service Funds..... | 60,977 |
| Private Purpose Trust Funds..... | <u>72,530</u> |
| Total..... | <u>\$ (25,364,867)</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 2009 Levy:

| <u>Full and Fair Cash Value of Property</u> | | | <u>Levy Ceiling</u> |
|---|---|-------|---------------------|
| \$5,350,150,064 | X | 2.50% | \$ 133,753,752 |

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 2009 Levy Limit:

Fiscal 2008:

| | |
|-----------------------------------|--------------------|
| Levy Limit | \$ 46,777,259 |
| Less Debt and Capital Exclusions | <u>(4,369,858)</u> |
| Fiscal Year 2008 Base | 42,407,401 |
| Fiscal Year 2009 Maximum Increase | <u>102.50%</u> |
| Fiscal Year 2009 Levy Limit Base | <u>43,467,586</u> |

Fiscal 2009:

| | |
|--|-----------------------------|
| New Growth Factor | 549,405 |
| Debt and Capital Exclusions | <u>4,087,037</u> |
| Fiscal 2009 Levy Limit - maximum allowable | <u>\$ 48,104,028</u> |
| Actual Fiscal 2009 Tax Levy | <u><u>\$ 48,097,849</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.

SIGNIFICANT EVENTS

TOWN'S BOND RATING RAISED TO AAA

In August of 2009, the Town issued Notes and Bonds for various capital projects. In the process of preparing for these financings the Town was reviewed by the independent rating agency of Standard and

Poor's (S&P). After careful review of the Town's finances and management practices, S&P increased the Town's Bond rating from AA+ to AAA, their highest municipal rating.

VILLAGE SCHOOL RECONSTRUCTION PROJECT COMMENSES

During fiscal year 2009, the Village School Reconstruction project began. This project focuses on replacing core facility systems including heat, air circulation, wiring, roof, and window components, as well as bringing the building into accordance with accessibility and life/safety code regulations. This project has been approved by the Massachusetts School Building Authority for state funding. The state is expected to fund approximately 40% of the project's cost.

REPAIRS TO ABBOT PUBLIC LIBRARY NEAR COMPLETION

In 2007, Town Meeting approved funding to make needed repairs and improvements to the Abbot Public Library. Most of this work was completed during fiscal year 2009.

REORGANIZATION

The Town instituted two organizational changes in fiscal year 2009 in an effort to achieve greater organizational efficiency. The first involved transferring the Tree Department to the Highway Department from Parks & Recreation. The second saw the Town institute a weekly Recycling program that coincides with weekly curbside trash pick-up. Previously, the recycling program was conducted on a separate day from the weekly curbside trash pick-up. Recycling was also done by Town personnel. The new recycling curbside pick-up is done by the same contractor that is responsible for trash pick-up.

TOWN MEETING ADOPTS STATE STATUE TO CREATE MECHANISM TO FUND OPEB

At the May 2009 Annual Town Meeting the Town adopted a recently passed state statue that creates the accounting mechanism for municipalities to fund their Other Post Employment Benefits liabilities under GASB 43.

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 2009 the website continued to be enhanced with the addition of more 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.

EQUIPMENT PURCHASED AND UPGRADED

The Town purchased and took delivery of several new pieces of heavy equipment in fiscal year 2009. In addition the Town invested in several necessary upgrades to existing equipment. This included by department:

| | |
|--------------------------------|---|
| Park & Recreation Departments: | Dump Truck Tiller |
| Tree Department: | Repair of Bucket Truck |
| Highway Department: | Truck with Sander Rack Body Truck Pick-up Truck |
| Police Department: | 4 Police Vehicles |
| Harbormaster: | Utility Truck |
| Cemetery Department: | Pick-up Truck Lawn Mower |
| School Department: | Passenger Van |
| Building Inspection: | Bucket Truck Repair |
| Water Department: | Utility Truck |
| Sewer Department: | Vacuum Truck Pick-up Truck |

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

Beginning in fiscal year 2009, the Town began providing health coverage for its employees and retirees on a fully-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.

MIIA WELLNESS PROGRAMS GET UNDERWAY

As part of purchasing health coverage from MIIA, the Town is provided with resources from MIIA to plan and conduct wellness programs for its employees. During fiscal year 2009, the Town established a Wellness Committee that meets regularly with a wellness representative from MIIA to plan and conduct various wellness activities. During the first year of this program, after work programs were conducted focusing on nutrition and physical fitness.

RESULTS OF JUNE 22ND OVERRIDE BALLOT

The Annual Town Meeting held in May 2009 approved two one-time Capital Improvement override questions that were placed on a referendum ballot held on June 22, 2009. Both of these questions were approved by the voters. The first was for \$505,000 for disposal area remediation as it relates to Stoneybrook Road (452 in favor, 332 opposed). The second was \$127,800 for disposal area assessment and remediation connected with the Town's transfer station (554 in favor, 229 opposed).

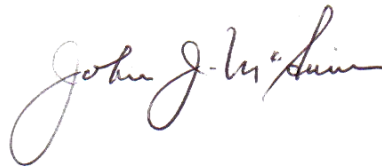
AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Marblehead for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2008. This was the Fifth consecutive year that the Town submitted a CAFR to the GFOA. The Town was awarded this Certificate all four prior 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.

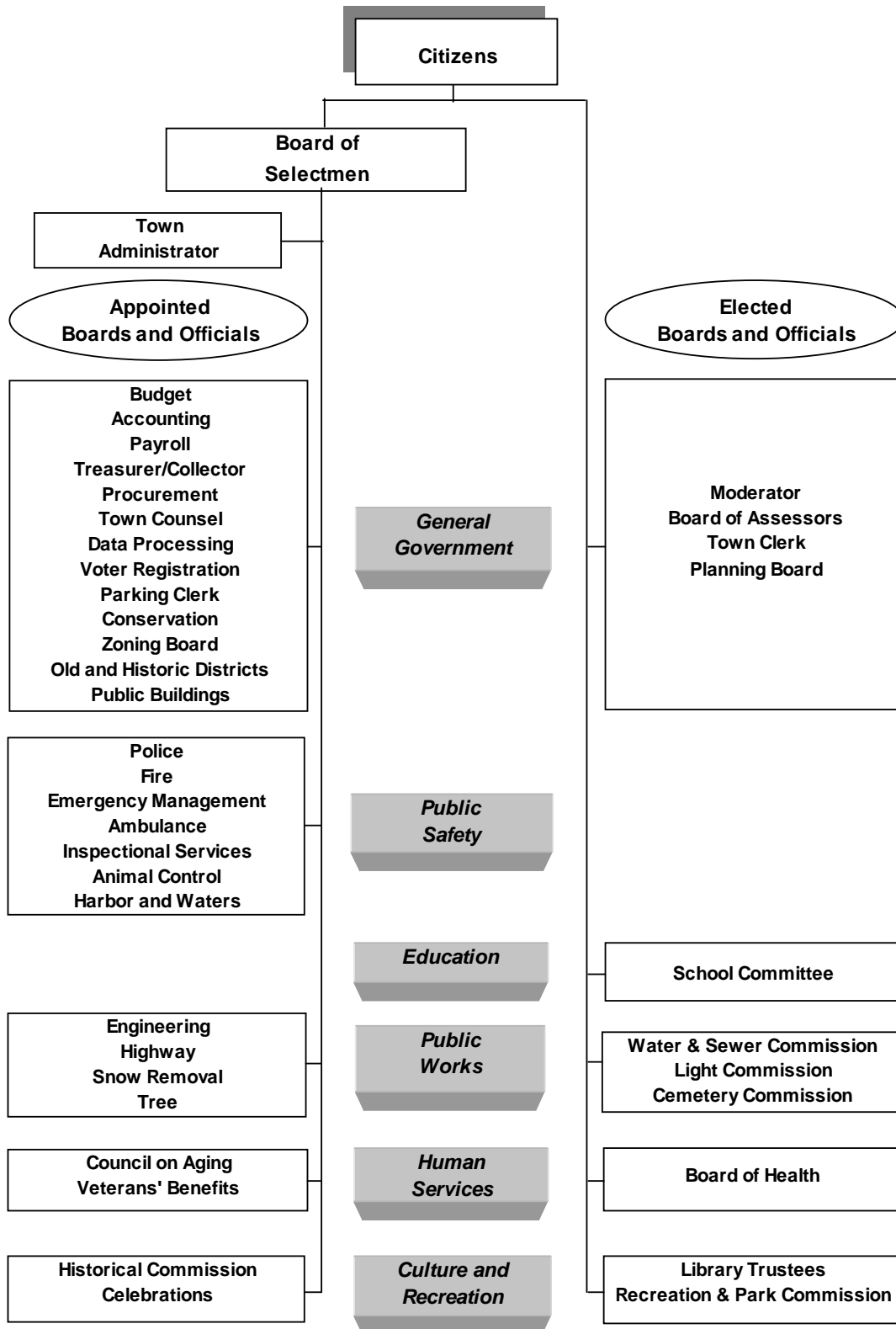
Respectfully submitted,

A handwritten signature in dark ink, appearing to read "John J. McGinn". The signature is fluid and cursive, with a large initial "J" and a stylized "M".

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 | 2010 |
| Selectmen | Harry C. Christensen, Jr. | Elected | 2010 |
| Selectmen | Judith R. Jacobi | Elected | 2010 |
| Selectmen | James E. Nye | Elected | 2010 |
| Selectmen | William L. Woodfin II | Elected | 2010 |
| Town Administrator | Anthony M. Sasso | Appointed | 2010 |
| Finance Director/Town Accountant | John J. McGinn | Appointed | 2010 |
| Treasurer/Collector | Patricia K. Murray | Appointed | 2010 |
| 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, 2008

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



President

Executive Director

Financial Section



Photo by Barbara Kiernan

Boats at rest off of Marblehead's rocky shore.

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, 2009 (except for the Marblehead Contributory Retirement System and the Marblehead Municipal Light Department which are as of and for the year ended December 31, 2008), 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 67% of the total revenues of the business-type activities, for the fiscal year ended December 31, 2008. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included 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, 2009 (except for the Marblehead Contributory Retirement System and the Marblehead Municipal Light Department which are as of and for the year ended December 31, 2008), 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 November 19, 2009 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 basic 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 basic financial statements of the Town of Marblehead, Massachusetts. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic 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, other post-employment benefit plan schedule of funding progress and other post-employment benefit plan actuarial methods and assumptions, 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".

Wakefield, Massachusetts
November 19, 2009

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, 2009. We encourage readers to consider the information presented in this report in conjunction with the information that we have provided in our letter of transmittal. All amounts, unless otherwise indicated, are expressed in whole dollars.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Marblehead's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The government-wide financial statements provide both long-term and short-term information about the Town as a whole. The fund financial statements focus on the individual components of the Town government, reporting the Town's operations in more detail than the government-wide statements. Both presentations (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison and enhance the Town's accountability. An additional part of the basic financial statements are the notes to the financial statements. This report also contains 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 proprietary funds.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its sewer, water, harbor and 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 Workers' 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 proprietary 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 \$1.4 million during fiscal year 2009, \$557,200 increase in governmental net assets and \$853,500 increase 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 \$80.2 million, at the close of fiscal year 2009.

| | Governmental Activities | |
|--|----------------------------|----------------------|
| | 2009 | 2008 |
| Assets: | | |
| Current assets..... | \$ 38,229,915 | \$ 30,813,595 |
| Capital assets, net of accumulated depreciation.... | 91,651,481 | 92,992,615 |
| Capital assets, not being depreciated..... | 9,950,940 | 5,179,351 |
| Total assets..... | 139,832,336 | 128,985,561 |
| Liabilities: | | |
| Current liabilities (excluding debt)..... | 5,775,397 | 6,241,609 |
| Noncurrent liabilities (excluding debt)..... | 10,234,998 | 7,662,899 |
| Current debt..... | 2,877,388 | 12,191,500 |
| Noncurrent debt..... | 40,722,822 | 23,225,000 |
| Total liabilities..... | 59,610,605 | 49,321,008 |
| Net Assets: | | |
| Invested in capital assets, net of related debt..... | 68,262,258 | 67,584,804 |
| Restricted..... | 9,162,785 | 9,566,795 |
| Unrestricted..... | 2,796,688 | 2,512,954 |
| Total net assets..... | \$ 80,221,731 | \$ 79,664,553 |
| Program revenues: | | |
| Charges for services..... | \$ 4,325,320 | \$ 4,338,373 |
| Operating grants and contributions..... | 15,215,908 | 13,164,337 |
| Capital grants and contributions..... | 2,033,978 | 467,866 |
| General revenues: | | |
| Real estate and personal property taxes..... | 48,062,992 | 46,455,796 |
| Motor vehicle and other excise taxes..... | 2,717,571 | 2,856,787 |
| Nonrestricted grants..... | 1,479,237 | 1,693,092 |
| Unrestricted investment income..... | 694,664 | 1,366,744 |
| Other revenues..... | 153,284 | 152,437 |
| Total revenues..... | 74,682,954 | 70,495,432 |
| Expenses: | | |
| General government..... | 3,709,427 | 3,490,002 |
| Public safety..... | 10,129,416 | 9,118,679 |
| Education..... | 49,890,761 | 43,648,218 |
| Public works..... | 5,538,314 | 5,407,535 |
| Landfill closure..... | - | 1,100,000 |
| Human services..... | 1,147,405 | 1,197,716 |
| Culture and recreation..... | 2,926,073 | 2,586,664 |
| Interest..... | 1,371,083 | 1,484,146 |
| Total expenses..... | 74,712,479 | 68,032,960 |
| Excess (Deficiency) before transfers..... | (29,525) | 2,462,472 |
| Transfers..... | 586,703 | 559,028 |
| Change in net assets..... | \$ 557,178 | \$ 3,021,500 |

Governmental net assets of \$68.3 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 \$9.2 million (11%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$2.8 million (4%) may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental net assets increased by approximately \$557,200 during fiscal year 2009. The primary reason for a lower than usual increase in net assets is the recognition of other post-employment benefit expenses of \$3.8 million, which was the result of the implementation of Government Auditing Standards Board (GASB) Statement 45. Fiscal year 2009 was the Town's initial year for the implementation of GASB Statement 45. This statement required the Town to obtain an actuarial valuation of the Town's liability to pay other post-employment benefits to current employees and retirees. The Town is allowed to amortize the liability, which totaled \$117 million, over 30 years. Since there is no legal obligation to fund the liability at this time, the Town has opted to continue to fund other post-employment benefits on a pay-as-you-go basis. As a result the Town is required to record the difference between the current year pay-as-you-go cost and the current year actuarial determined cost as a liability in the full accrual financial statements. This difference totaled \$3.8 million for fiscal year 2009.

Other items having a significant impact on the change in net assets include the recognition of \$1.9 million in capital grants from the Massachusetts School Building Authority as reimbursement for certain costs related to the Village School Project; \$162,000 in capital grants received from the state for road projects, and lower than anticipated health insurance costs as the Town changed to a premium based plan for employees.

The governmental expenses totaled \$74.7 million of which \$21.6 million (29%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$53.1 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 \$47.4 million at the close of fiscal year 2009.

Business-type net assets of \$32.1 million (68%) represent investments in capital assets net of related debt. The remaining \$15.3 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 approximately \$853,000 in total net assets reported in the business-type activities.

The Town's Sewer, Water, and Harbor funds have a policy of appropriating available funds at the end of each fiscal year to fund capital expenditures in lieu of issuing long-term debt. As a result, the net assets remain relatively consistent from year to year.

| | Business-type Activities | |
|--|-----------------------------|----------------------|
| | 2009 | 2008 |
| Assets: | | |
| Current assets..... | \$ 18,152,280 | \$ 17,456,649 |
| Capital assets, net of accumulated depreciation..... | 29,887,501 | 29,386,291 |
| Capital assets, not being depreciated..... | 2,255,046 | 2,252,246 |
| Total assets..... | 50,294,827 | 49,095,186 |
| Liabilities: | | |
| Current liabilities (excluding debt)..... | 2,508,098 | 2,220,472 |
| Noncurrent liabilities (excluding debt)..... | 295,124 | 191,581 |
| Current debt..... | 45,000 | 45,000 |
| Noncurrent debt..... | - | 45,000 |
| Total liabilities..... | 2,848,222 | 2,502,053 |
| Net Assets: | | |
| Invested in capital assets, net of related debt..... | 32,097,547 | 31,548,537 |
| Unrestricted..... | 15,349,058 | 15,044,596 |
| Total net assets..... | \$ 47,446,605 | \$ 46,593,133 |

The Sewer Enterprise Fund's net assets totaled \$11.5 million at year end; an increase of \$147,100 from the prior year. This balance is approximately 3.5 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 61% relate to the annual assessment paid to the South Essex Sewerage District.

The Water Enterprise Fund's net assets totaled \$11.4 million at year end; an increase of \$300,500 from the prior year. This balance is approximately 3.7 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 60% of the operating expenses consist of assessments paid to the Massachusetts Water Resource Authority.

The Harbor Enterprise Fund's net assets increased by \$48,000 and totaled \$4.2 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 \$20.3 million at year end, an increase of \$357,900. The majority of the revenue in this fund consists of charges for services and 87% of the expenditures relate to operational costs.

| | Business-type Activities | |
|--|-----------------------------|---------------------|
| | 2009 | 2008 |
| Program revenues: | | |
| Charges for services - Water..... | \$ 3,395,280 | \$ 3,426,794 |
| Charges for services - Sewer..... | 3,493,052 | 3,711,954 |
| Charges for services - Municipal Light..... | 15,185,296 | 13,410,728 |
| Charges for services - Harbor..... | 627,795 | 638,397 |
| Operating grants..... | 13,255 | 8,144 |
| General revenues: | | |
| Boat excise..... | 140,197 | 134,306 |
| Unrestricted investment income..... | 231,740 | 337,377 |
| Other revenues..... | - | 1,012,370 |
| Total revenues..... | 23,086,615 | 22,680,070 |
| Expenses: | | |
| Water..... | 3,065,981 | 2,825,383 |
| Sewer..... | 3,278,347 | 3,044,040 |
| Municipal Light..... | 14,643,929 | 12,879,054 |
| Harbor..... | 658,183 | 573,268 |
| Total expenses..... | 21,646,440 | 19,321,745 |
| Excess (Deficiency) before transfers..... | 1,440,175 | 3,358,325 |
| Transfers..... | (586,703) | (559,028) |
| Change in net assets..... | \$ 853,472 | \$ 2,799,297 |

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 \$30 million, an increase of \$9 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 \$8.3 million, while total fund balance was \$8.9 million. Of the unreserved fund balance, \$3.9 million has been allocated to balance the fiscal year 2010 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 13.1% of total general fund expenditures, while total fund balance represents 14.0% of that same amount.

The General Fund increased by approximately \$935,600. This increase is primarily due to reasonable spending, higher than anticipated revenue collections and lower than anticipated group insurance costs.

The State Fiscal Stabilization Fund is used to account for federal funds that were received through the American Recovery and Reinvestment Act. During the last two months of the fiscal year, the Town's state aid was reduced by \$515,700. However, the state aid payment was replaced with a like amount of federal funds. The expenditures were reclassified to the major funds to be recorded against the federal grant revenue, and the intergovernmental revenue was under-budget by \$515,700, and the transferred expenditures (from education and group insurance) in the general fund were less than the appropriation by the same amount, resulting in no net impact on the general fund's results of operations.

The Capital Projects Fund is used to account for the financial activities associated with major capital projects that have been authorized by Town Meeting and approved by the voters to be funded by the proceeds of bond sales. In fiscal year 2009, the Town began renovation on the Village School. In May 2008, Town Meeting authorized \$21.8 million for this project. Over the last two fiscal years, the Town has borrowed approximately \$11.6 million to finance the Village School renovation project. The fund had a net increase of approximately \$7.8 million during fiscal year 2009. This net increase was primarily due to the recognition of \$9.9 million in bond proceeds, \$1.9 million in MSBA grant payments and capital expenditures of approximately \$5.1 million, of which \$9.5 million in bond proceeds, the MSBA reimbursements and \$4.8 in capital expenditures related to the Village School renovation project.

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 \$97,000 during fiscal year 2009. Revenues consisting of investment income as well as contributions, and expenditures, totaling \$90,200, 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.

General Fund Budgetary Highlights

The Town experienced a \$1 million surplus of actual revenues compared to budgeted revenues. The surplus in motor vehicle excises taxes, charges for services and license and permits, totaling \$953,000 was due to conservative budget estimates. The deficit in the intergovernmental revenue of \$340,000 was mainly due to the Governor's use of American Recovery and Reinvestment Act (ARRA) State Fiscal Stabilization Funds to replace so-called Chapter 70 state aid to Cities and Towns (\$515,700) in the final quarter of fiscal 2009. Additionally, investment income came in higher than budgeted by \$222,000 due to the Town pursuing the highest interest rates available on accounts and conservative budget estimates.

Actual expenditures ended the fiscal year approximately \$2.8 million under budget. The most notable is the group insurance appropriation, which ended the fiscal year \$1.8 million under budget. This was partially the result of \$266,000 in school department health insurance costs which were transferred to the ARRA State Fiscal Stabilization Fund the grant revenue received to replace the reduction in the state's fourth quarter state aid payment to communities. Additionally, the Town had increased its health insurance appropriation from the prior year in anticipation of needing to pay certain transitional run-out costs associated with going from a self-insured to a fully-insured health coverage program. These projected run-out costs were estimated in a conservative manner. The Town transferred from a self-insured program to a premium based plan beginning in fiscal year 2009, and actual costs came in lower than anticipated, further contributing to a positive budget to actual variance.

The positive variance under education is the result of the remaining ARRA State Fiscal Stabilization Fund transfer of education expenditures totaling \$249,000. Additionally, state and county expenditures were under budget by \$223,000, mainly due to lower than predicted Charter School Assessments.

During fiscal year 2009, the Governor implemented reductions in state aid to Cities and Towns in response to lower than anticipated state revenues. These reductions for the Town of Marblehead totaled approximately

\$138,000. In response to the reduction in state aid, the Town voted at the Annual Town Meeting in May 2009 to reduce the budgeted revenue from state aid and to use available funds to balance the budget without reducing appropriations.

During the last two months of the fiscal year, additional cuts in state aid were approved by the state, which reduced the June 30th state aid payment to the Town by \$515,700 and replaced it with a like amount of federal stimulus funds. The Town's general fund budget was not adjusted for the late adjustment in state funding; rather, eligible expenditures were transferred from the General Fund to a state fiscal stabilization grant fund where the federal revenues were also recorded. The state aid revenues recorded in the general fund were less than budgeted and the expenditures recorded in the General Fund were also reduced to compensate for this change in revenue.

The only other changes between the original and final budget for the Town consisted of transfers within appropriation lines, and a transfer from the education budget to fund a deficit within the school lunch fund.

Capital Asset and Debt Administration

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

The major capital asset activity of the governmental activities during the year consisted of the Village School Reconstruction project to work in progress of \$4.8 million and upgrades to infrastructure of \$1 million. Of the \$1 million, \$347,000 was in relation to the drain construction, \$500,000 in street and sidewalk paving, and \$153,000 was used for the causeway seawall. Other capital asset activity consisted of building improvements of \$242,000 on various Town buildings and the purchase of new vehicles and equipment for various Town departments in the amount of \$1.3 million.

Capital additions of the business-type activities consisted of upgrades to infrastructure and purchases of new equipment in the Sewer and Water activities of approximately \$924,000 and \$690,000, respectively; purchase of equipment and work in progress in the Harbor activities of \$48,000; and Municipal Light upgrades to plant and equipment of approximately \$679,000.

Debt administration. Outstanding long-term debt of the general government, as of June 30, 2009, totaled \$42.7 million, of which \$34.1 million is related to school projects, \$6.6 million is for the causeway seawall, \$1 million relates to design and engineering of transfer station, \$950,000 is for drain projects, and \$46,500 is for land acquisition. The enterprise funds have only \$45,000 in outstanding debt which is all related to the harbor enterprise fund.

Please refer to the notes 5, 6 and 7 of the basic financial statements for further discussion of the Town's major capital and debt activity.

Requests for Information

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

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Basic Financial Statements

STATEMENT OF NET ASSETS

JUNE 30, 2009

| | Primary Government | | |
|--|----------------------------|-----------------------------|-----------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| CURRENT: | | | |
| Cash and cash equivalents..... | \$ 37,013,729 | \$ 9,023,166 | \$ 46,036,895 |
| Investments..... | 831,320 | - | 831,320 |
| Receivables, net of allowance for uncollectibles: | | | |
| Real estate and personal property taxes..... | 490,115 | - | 490,115 |
| Real estate tax deferrals..... | 572,104 | - | 572,104 |
| Tax liens..... | 184,421 | - | 184,421 |
| Motor vehicle excise taxes..... | 113,367 | 29,072 | 142,439 |
| User fees..... | - | 2,937,061 | 2,937,061 |
| Interest and Dividends..... | 22,759 | - | 22,759 |
| Departmental and other..... | 69,354 | - | 69,354 |
| Special assessments..... | - | 1,277 | 1,277 |
| Intergovernmental..... | 2,509,577 | - | 2,509,577 |
| Tax foreclosures..... | 14,715 | - | 14,715 |
| Internal balances..... | (3,674,623) | 3,771,671 | 97,048 |
| Inventory..... | - | 70,610 | 70,610 |
| Investment in joint venture..... | - | 1,100,806 | 1,100,806 |
| Working capital deposit..... | 83,077 | - | 83,077 |
| Other assets..... | - | 1,218,617 | 1,218,617 |
| Total current assets..... | 38,229,915 | 18,152,280 | 56,382,195 |
| NONCURRENT: | | | |
| Capital assets, net of accumulated depreciation..... | 91,651,481 | 29,887,501 | 121,538,982 |
| Capital assets, not being depreciated..... | 9,950,940 | 2,255,046 | 12,205,986 |
| Total noncurrent assets..... | 101,602,421 | 32,142,547 | 133,744,968 |
| TOTAL ASSETS..... | 139,832,336 | 50,294,827 | 190,127,163 |
| LIABILITIES | | | |
| CURRENT: | | | |
| Warrants payable..... | 2,723,492 | 1,495,889 | 4,219,381 |
| Accrued liabilities..... | 257,036 | - | 257,036 |
| Tax refunds payable..... | 116,586 | - | 116,586 |
| Accrued interest..... | 877,071 | 189 | 877,260 |
| Payroll withholdings..... | 463,368 | - | 463,368 |
| Due to Agency Fund..... | 115,069 | - | 115,069 |
| Other liabilities..... | 191,083 | 787,052 | 978,135 |
| Customer deposits payable..... | 1,350 | 33,493 | 34,843 |
| Compensated absences..... | 776,863 | 191,475 | 968,338 |
| Workers' compensation..... | 253,479 | - | 253,479 |
| Bonds and notes payable..... | 2,877,388 | 45,000 | 2,922,388 |
| Total current liabilities..... | 8,652,785 | 2,553,098 | 11,205,883 |
| NONCURRENT: | | | |
| Landfill closure..... | 5,800,000 | - | 5,800,000 |
| Compensated absences..... | 207,297 | 90,001 | 297,298 |
| Workers' compensation..... | 454,324 | - | 454,324 |
| Other post-employment benefits..... | 3,773,377 | 205,123 | 3,978,500 |
| Bonds and notes payable..... | 40,722,822 | - | 40,722,822 |
| Total noncurrent liabilities..... | 50,957,820 | 295,124 | 51,252,944 |
| TOTAL LIABILITIES..... | 59,610,605 | 2,848,222 | 62,458,827 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt..... | 68,262,258 | 32,097,547 | 100,359,805 |
| Restricted for: | | | |
| Permanent funds: | | | |
| Expendable..... | 1,488,902 | - | 1,488,902 |
| Nonexpendable..... | 3,348,145 | - | 3,348,145 |
| Other purposes: | | | |
| Gifts and grants..... | 4,325,738 | - | 4,325,738 |
| Unrestricted..... | 2,796,688 | 15,349,058 | 18,145,746 |
| TOTAL NET ASSETS..... | \$ 80,221,731 | \$ 47,446,605 | \$ 127,668,336 |

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2009

| | | 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..... | \$ 3,709,427 | \$ 423,328 | \$ 613,840 | \$ - | \$ (2,672,259) |
| Public safety..... | 10,129,416 | 997,699 | 611,875 | - | (8,519,842) |
| Education..... | 49,890,761 | 1,719,034 | 13,526,212 | 1,871,815 | (32,773,700) |
| Public works..... | 5,538,314 | 644,406 | 8,226 | 162,163 | (4,723,519) |
| Human services..... | 1,147,405 | 200,815 | 204,890 | - | (741,700) |
| Culture and recreation..... | 2,926,073 | 340,038 | 250,865 | - | (2,335,170) |
| Interest..... | 1,371,083 | - | - | - | (1,371,083) |
| Total Governmental Activities..... | 74,712,479 | 4,325,320 | 15,215,908 | 2,033,978 | (53,137,273) |
| Business-Type Activities: | | | | | |
| Water..... | 3,065,981 | 3,395,280 | - | - | 329,299 |
| Sewer..... | 3,278,347 | 3,493,052 | - | - | 214,705 |
| Municipal Light..... | 14,643,929 | 15,185,296 | - | - | 541,367 |
| Harbor..... | 658,183 | 627,795 | 13,255 | - | (17,133) |
| Total Business-Type Activities..... | 21,646,440 | 22,701,423 | 13,255 | - | 1,068,238 |
| Total Primary Government..... | \$ 96,358,919 | \$ 27,026,743 | \$ 15,229,163 | \$ 2,033,978 | \$ (52,069,035) |

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2009

| | Primary Government | | |
|---|----------------------------|-----------------------------|------------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Changes in net assets: | | | |
| Net (expense) revenue from previous page..... | \$ (53,137,273) | \$ 1,068,238 | \$ (52,069,035) |
| <i>General revenues:</i> | | | |
| Real estate and personal property taxes, net of tax refunds payable..... | 48,062,992 | - | 48,062,992 |
| Motor vehicle excise taxes..... | 2,717,571 | - | 2,717,571 |
| Boat excise..... | - | 140,197 | 140,197 |
| Penalties and interest on taxes..... | 153,284 | - | 153,284 |
| Grants and contributions not restricted to specific programs..... | 1,479,237 | - | 1,479,237 |
| Unrestricted investment income..... | 694,664 | 231,740 | 926,404 |
| <i>Transfers, net</i> | 586,703 | (586,703) | - |
| Total general revenues and transfers..... | 53,694,451 | (214,766) | 53,479,685 |
| Change in net assets..... | 557,178 | 853,472 | 1,410,650 |
| <i>Net Assets:</i> | | | |
| Beginning of year..... | 79,664,553 | 46,593,133 | 126,257,686 |
| End of year..... | \$ <u>80,221,731</u> | \$ <u>47,446,605</u> | \$ <u>127,668,336</u> |

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2009

| | General | Capital Projects Fund | Public Funds | Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|-----------------------------|---------------------|-----------------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents..... | \$ 14,327,302 | \$ 8,388,232 | \$ 3,987,324 | \$ 7,243,326 | \$ 33,946,184 |
| Investments..... | - | - | 831,320 | - | 831,320 |
| Receivables, net of uncollectibles: | | | | | |
| Property taxes..... | 490,115 | - | - | - | 490,115 |
| Real estate tax deferrals..... | 572,104 | - | - | - | 572,104 |
| Tax liens..... | 184,421 | - | - | - | 184,421 |
| Motor vehicle excise taxes..... | 113,367 | - | - | - | 113,367 |
| Interest and dividends..... | 1,714 | - | 21,045 | - | 22,759 |
| Departmental and other..... | 13,277 | - | - | 56,077 | 69,354 |
| Intergovernmental..... | 17,732 | 1,871,815 | - | 620,030 | 2,509,577 |
| Working capital deposit..... | - | - | - | 10,000 | 10,000 |
| Tax foreclosures..... | 14,715 | - | - | - | 14,715 |
| TOTAL ASSETS..... | \$ 15,734,747 | \$ 10,260,047 | \$ 4,839,689 | \$ 7,929,433 | \$ 38,763,916 |
| LIABILITIES AND FUND BALANCES | | | | | |
| LIABILITIES: | | | | | |
| Warrants payable..... | \$ 1,297,340 | \$ 788,398 | \$ 2,642 | \$ 633,824 | \$ 2,722,204 |
| Accrued payroll and amounts withheld..... | 463,368 | - | - | - | 463,368 |
| Due to agency funds..... | 115,069 | - | - | - | 115,069 |
| Due to Municipal Light Fund..... | 3,674,623 | - | - | - | 3,674,623 |
| Liabilities due depositors..... | 1,350 | - | - | - | 1,350 |
| Other liabilities..... | 191,083 | - | - | - | 191,083 |
| Deferred revenues..... | 960,521 | - | - | 392,942 | 1,353,463 |
| Tax refunds payable..... | 116,586 | - | - | - | 116,586 |
| TOTAL LIABILITIES..... | 6,819,940 | 788,398 | 2,642 | 1,026,766 | 8,637,746 |
| FUND BALANCES: | | | | | |
| Reserved for: | | | | | |
| Encumbrances and continuing appropriations.... | 565,154 | - | - | - | 565,154 |
| Perpetual permanent funds..... | - | - | 3,348,145 | - | 3,348,145 |
| Unreserved: | | | | | |
| Designated for subsequent year's expenditures.. | 3,892,169 | - | - | - | 3,892,169 |
| Undesignated, reported in: | | | | | |
| General fund..... | 4,457,484 | - | - | - | 4,457,484 |
| Special revenue funds..... | - | - | - | 6,902,667 | 6,902,667 |
| Capital projects funds..... | - | 9,471,649 | - | - | 9,471,649 |
| Permanent funds..... | - | - | 1,488,902 | - | 1,488,902 |
| TOTAL FUND BALANCES..... | 8,914,807 | 9,471,649 | 4,837,047 | 6,902,667 | 30,126,170 |
| TOTAL LIABILITIES AND FUND BALANCES..... | \$ 15,734,747 | \$ 10,260,047 | \$ 4,839,689 | \$ 7,929,433 | \$ 38,763,916 |

See notes to basic financial statements.

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

JUNE 30, 2009

| | |
|---|----------------------|
| Total governmental fund balances..... | \$ 30,126,170 |
| Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds..... | 101,602,421 |
| Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds..... | 1,353,463 |
| 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..... | 2,174,495 |
| In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due..... | (877,071) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. | |
| Landfill closure..... | (5,800,000) |
| Bonds and notes payable..... | (43,600,210) |
| Unamortized premium on bonds and notes payable..... | - |
| Compensated absences..... | (984,160) |
| Other post-employment benefits..... | <u>(3,773,377)</u> |
| Net effect of reporting long-term liabilities..... | <u>(54,157,747)</u> |
| Net assets of governmental activities..... | <u>\$ 80,221,731</u> |

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2009

| | General | State Fiscal Stabilization Fund | Capital Projects Fund | Public Funds | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|---------------------------------------|-----------------------------|---------------------|-----------------------------------|--------------------------------|
| REVENUES: | | | | | | |
| Real estate and personal property taxes..... | \$ 47,865,181 | \$ - | \$ - | \$ - | \$ - | \$ 47,865,181 |
| Motor vehicle excise taxes..... | 2,756,859 | - | - | - | - | 2,756,859 |
| Penalties and interest on taxes..... | 153,284 | - | - | - | - | 153,284 |
| Charges for services..... | 735,965 | - | - | - | 2,197,582 | 2,933,547 |
| Licenses and permits..... | 648,799 | - | - | - | - | 648,799 |
| Fines and forfeitures..... | 166,609 | - | - | - | 600 | 167,209 |
| Intergovernmental..... | 12,254,210 | 515,670 | 1,871,815 | - | 3,697,858 | 18,339,553 |
| Departmental and other..... | - | - | - | - | 269,957 | 269,957 |
| Contributions..... | - | - | - | 120,843 | 478,895 | 599,738 |
| Investment income (loss)..... | 597,142 | - | - | 112,968 | (76,423) | 633,687 |
| Miscellaneous..... | 53,575 | - | - | - | 268,034 | 321,609 |
| TOTAL REVENUES..... | 65,231,624 | 515,670 | 1,871,815 | 233,811 | 6,836,503 | 74,689,423 |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| General government..... | 1,969,959 | - | - | 76,084 | 54,984 | 2,101,027 |
| Public safety..... | 6,308,199 | - | - | - | 609,754 | 6,917,953 |
| Education..... | 26,856,847 | 249,477 | 4,804,162 | - | 4,551,609 | 36,462,095 |
| Public works..... | 4,393,352 | - | 279,818 | 6,321 | 732,989 | 5,412,480 |
| Human services..... | 458,590 | - | - | 1,190 | 363,165 | 822,945 |
| Culture and recreation..... | 1,978,903 | - | - | 6,621 | 384,063 | 2,369,587 |
| Pension benefits..... | 7,771,803 | - | - | - | - | 7,771,803 |
| Property and liability insurance..... | 277,368 | - | - | - | - | 277,368 |
| Employee benefits..... | 9,450,759 | 266,193 | - | - | - | 9,716,952 |
| State and county charges..... | 1,457,485 | - | - | - | - | 1,457,485 |
| Debt service: | | | | | | |
| Principal..... | 1,615,000 | - | - | - | - | 1,615,000 |
| Interest..... | 1,516,966 | - | - | - | - | 1,516,966 |
| TOTAL EXPENDITURES..... | 64,055,231 | 515,670 | 5,083,980 | 90,216 | 6,696,564 | 76,441,661 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES..... | 1,176,393 | - | (3,212,165) | 143,595 | 139,939 | (1,752,238) |
| OTHER FINANCING SOURCES (USES): | | | | | | |
| Issuance of debt..... | - | - | 9,960,500 | - | - | 9,960,500 |
| Issuance of refunding bonds..... | 9,496,500 | - | - | - | - | 9,496,500 |
| Premium from issuance of debt..... | - | - | - | - | 218,930 | 218,930 |
| Payments of current refunded debt..... | (9,496,500) | - | - | - | - | (9,496,500) |
| Transfers in..... | 908,536 | - | 1,081,732 | - | 70,911 | 2,061,179 |
| Transfers out..... | (1,149,305) | - | (48,863) | (46,606) | (229,702) | (1,474,476) |
| TOTAL OTHER FINANCING SOURCES (USES)..... | (240,769) | - | 10,993,369 | (46,606) | 60,139 | 10,766,133 |
| NET CHANGE IN FUND BALANCES..... | 935,624 | - | 7,781,204 | 96,989 | 200,078 | 9,013,895 |
| FUND BALANCES AT BEGINNING OF YEAR..... | 7,979,183 | - | 1,690,445 | 4,740,058 | 6,702,589 | 21,112,275 |
| FUND BALANCES AT END OF YEAR..... | \$ 8,914,807 | \$ - | \$ 9,471,649 | \$ 4,837,047 | \$ 6,902,667 | \$ 30,126,170 |

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, 2009

| | | |
|---|----|-----------|
| Net change in fund balances - total governmental funds..... | \$ | 9,013,895 |
|---|----|-----------|

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..... | 7,463,678 | |
| Depreciation expense..... | <u>(4,033,223)</u> | |
| Net effect of reporting capital assets..... | | 3,430,455 |

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..... (67,445)

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.

| | | |
|---|------------------|-------------|
| Issuance of debt..... | (9,960,500) | |
| Premiums from issuance of debt..... | (218,930) | |
| Amortization of bond premiums..... | 276,318 | |
| Debt service principal payments..... | <u>1,615,000</u> | |
| Net effect of reporting long-term debt..... | | (8,288,112) |

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..... | 113,865 | |
| Net change in landfill liability accrual..... | 200,000 | |
| Net change in accrued interest on long-term debt..... | (130,435) | |
| Net change in other post-employment benefits..... | <u>(3,773,377)</u> | |
| Net effect of recording long-term liabilities and amortizing deferred losses..... | | (3,589,947) |

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>58,332</u> |
|--|--|---------------|

| | | |
|--|----|-----------------------|
| Change in net assets of governmental activities..... | \$ | <u><u>557,178</u></u> |
|--|----|-----------------------|

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2009

| | Business-type Activities - Enterprise Funds | | | | | |
|--|---|-------------------|------------------|--|-------------------|---|
| | Sewer | Water | Harbor | Municipal Light (as of December 31, 2008) | Total | Governmental Activities - Internal Service Funds |
| ASSETS | | | | | | |
| CURRENT: | | | | | | |
| Cash and cash equivalents..... | \$ 1,465,224 | \$ 2,490,976 | \$ 767,484 | \$ 4,299,482 | \$ 9,023,166 | \$ 3,067,545 |
| Receivables, net of allowance for uncollectibles: | | | | | | |
| Boat excise..... | - | - | 29,072 | - | 29,072 | - |
| User fees..... | 748,265 | 621,383 | 10,903 | 1,556,510 | 2,937,061 | - |
| Special assessments..... | 1,277 | - | - | - | 1,277 | - |
| Due from other funds..... | - | - | - | 3,771,671 | 3,771,671 | - |
| Inventory..... | - | - | - | 70,610 | 70,610 | - |
| Investment in joint venture..... | 1,100,806 | - | - | - | 1,100,806 | - |
| Working capital deposit..... | - | - | - | - | - | 73,077 |
| Other assets..... | - | - | - | 1,218,617 | 1,218,617 | - |
| Total current assets..... | 3,315,572 | 3,112,359 | 807,459 | 10,916,890 | 18,152,280 | 3,140,622 |
| NONCURRENT: | | | | | | |
| Capital assets, net of accumulated depreciation..... | 8,244,072 | 8,538,108 | 1,623,415 | 11,481,906 | 29,887,501 | - |
| Capital assets, not being depreciated..... | 115,466 | 49,427 | 2,038,057 | 52,096 | 2,255,046 | - |
| Total noncurrent assets..... | 8,359,538 | 8,587,535 | 3,661,472 | 11,534,002 | 32,142,547 | - |
| TOTAL ASSETS..... | 11,675,110 | 11,699,894 | 4,468,931 | 22,450,892 | 50,294,827 | 3,140,622 |
| LIABILITIES | | | | | | |
| CURRENT: | | | | | | |
| Warrants payable..... | 38,502 | 204,255 | 34,987 | 1,218,145 | 1,495,889 | 1,288 |
| Accrued liabilities..... | - | - | - | - | - | 257,036 |
| Accrued interest..... | - | - | 189 | - | 189 | - |
| Compensated absences..... | 33,775 | 34,461 | 18,402 | 104,837 | 191,475 | - |
| Other liabilities..... | - | - | 187,052 | 600,000 | 787,052 | - |
| Customer deposits payable..... | - | 4,364 | 700 | 28,429 | 33,493 | - |
| Workers' compensation..... | - | - | - | - | - | 253,479 |
| Bonds and notes payable..... | - | - | 45,000 | - | 45,000 | - |
| Total current liabilities..... | 72,277 | 243,080 | 286,330 | 1,951,411 | 2,553,098 | 511,803 |
| NONCURRENT: | | | | | | |
| Compensated absences..... | 14,036 | 16,926 | 3,152 | 55,887 | 90,001 | - |
| Workers' compensation..... | - | - | - | - | - | 454,324 |
| Other post-employment benefits..... | 51,924 | 40,697 | 18,711 | 93,791 | 205,123 | - |
| Total noncurrent liabilities..... | 65,960 | 57,623 | 21,863 | 149,678 | 295,124 | 454,324 |
| TOTAL LIABILITIES..... | 138,237 | 300,703 | 308,193 | 2,101,089 | 2,848,222 | 966,127 |
| NET ASSETS | | | | | | |
| Invested in capital assets, net of related debt..... | 8,359,538 | 8,587,535 | 3,616,472 | 11,534,002 | 32,097,547 | - |
| Unrestricted..... | 3,177,335 | 2,811,656 | 544,266 | 8,815,801 | 15,349,058 | 2,174,495 |
| TOTAL NET ASSETS..... | \$ 11,536,873 | \$ 11,399,191 | \$ 4,160,738 | \$ 20,349,803 | \$ 47,446,605 | \$ 2,174,495 |

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2009

| | Business-type Activities - Enterprise Funds | | | | | Governmental Activities - Internal Service Funds |
|---|---|----------------------|---------------------|--|----------------------|---|
| | Sewer | Water | Harbor | Municipal Light (as of December 31, 2008) | Total | |
| OPERATING REVENUES: | | | | | | |
| Charges for services..... | \$ 3,486,802 | \$ 3,385,954 | \$ 627,275 | \$ 15,185,296 | \$ 22,685,327 | \$ 261,364 |
| Licenses and permits..... | 6,250 | - | - | - | 6,250 | - |
| Miscellaneous..... | - | 9,326 | 520 | - | 9,846 | 91,640 |
| TOTAL OPERATING REVENUES..... | 3,493,052 | 3,395,280 | 627,795 | 15,185,296 | 22,701,423 | 353,004 |
| OPERATING EXPENSES: | | | | | | |
| Cost of services and administration..... | 393,959 | 301,299 | 280,896 | 12,731,582 | 13,707,736 | - |
| Cost of interfund services provided..... | - | - | - | - | - | 355,649 |
| Personal services..... | 542,164 | 601,362 | 286,868 | 833,773 | 2,264,167 | - |
| Operating assessments..... | 2,014,937 | 1,828,854 | - | - | 3,843,791 | - |
| Depreciation..... | 327,287 | 334,466 | 85,919 | 1,078,574 | 1,826,246 | - |
| TOTAL OPERATING EXPENSES..... | 3,278,347 | 3,065,981 | 653,683 | 14,643,929 | 21,641,940 | 355,649 |
| OPERATING INCOME (LOSS)..... | 214,705 | 329,299 | (25,888) | 541,367 | 1,059,483 | (2,645) |
| NONOPERATING REVENUES (EXPENSES): | | | | | | |
| Boat excise..... | - | - | 140,197 | - | 140,197 | - |
| Investment income..... | 22,162 | 49,410 | 13,624 | 146,544 | 231,740 | 60,977 |
| Interest expense..... | - | - | (4,500) | - | (4,500) | - |
| Intergovernmental assessments..... | - | - | 13,255 | - | 13,255 | - |
| TOTAL NONOPERATING REVENUES (EXPENSES), NET..... | 22,162 | 49,410 | 162,576 | 146,544 | 380,692 | 60,977 |
| INCOME (LOSS) BEFORE TRANSFERS..... | 236,867 | 378,709 | 136,688 | 687,911 | 1,440,175 | 58,332 |
| TRANSFERS: | | | | | | |
| Transfers out..... | (89,748) | (78,195) | (88,760) | (330,000) | (586,703) | - |
| CHANGE IN NET ASSETS..... | 147,119 | 300,514 | 47,928 | 357,911 | 853,472 | 58,332 |
| NET ASSETS AT BEGINNING OF YEAR..... | 11,389,754 | 11,098,677 | 4,112,810 | 19,991,892 | 46,593,133 | 2,116,163 |
| NET ASSETS AT END OF YEAR..... | \$ 11,536,873 | \$ 11,399,191 | \$ 4,160,738 | \$ 20,349,803 | \$ 47,446,605 | \$ 2,174,495 |

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2009

| | Business-type Activities - Enterprise Funds | | | | | Governmental Activities - Internal Service Funds |
|--|---|---------------------|-------------------|--|---------------------|---|
| | Sewer | Water | Harbor | Municipal Light (as of December 31, 2008) | Total | |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES:</u> | | | | | | |
| Receipts from customers and users..... | \$ 3,527,814 | \$ 3,363,420 | \$ 611,247 | \$ 15,196,813 | \$ 22,699,294 | \$ - |
| Receipts from interfund services provided..... | - | - | - | - | - | 388,277 |
| Payments to vendors..... | (2,507,771) | (1,988,720) | (269,447) | (12,669,787) | (17,435,725) | (752,436) |
| Payments to employees..... | (502,256) | (562,495) | (267,388) | (737,552) | (2,069,691) | - |
| NET CASH FROM OPERATING ACTIVITIES..... | 517,787 | 812,205 | 74,412 | 1,789,474 | 3,193,878 | (364,159) |
| <u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u> | | | | | | |
| Transfers out..... | (89,748) | (78,195) | (88,760) | (330,000) | (586,703) | - |
| Advances for restricted purposes..... | - | - | - | (914,020) | (914,020) | - |
| Boat excise..... | - | - | 140,197 | - | 140,197 | - |
| Intergovernmental assessments..... | - | - | 13,255 | - | 13,255 | - |
| NET CASH FROM NONCAPITAL FINANCING ACTIVITIES..... | (89,748) | (78,195) | 64,692 | (1,244,020) | (1,347,271) | - |
| <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u> | | | | | | |
| Acquisition and construction of capital assets..... | (923,929) | (689,670) | (37,241) | (679,416) | (2,330,256) | - |
| Principal payments on bonds and notes..... | - | - | (45,000) | - | (45,000) | - |
| Interest expense..... | - | - | (4,592) | - | (4,592) | - |
| NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES..... | (923,929) | (689,670) | (86,833) | (679,416) | (2,379,848) | - |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES:</u> | | | | | | |
| Investment income..... | 22,162 | 49,410 | 13,624 | 146,544 | 231,740 | 60,977 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS..... | (473,728) | 93,750 | 65,895 | 12,582 | (301,501) | (303,182) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR... | 1,938,952 | 2,397,226 | 701,589 | 4,286,900 | 9,324,667 | 3,370,727 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR..... | \$ 1,465,224 | \$ 2,490,976 | \$ 767,484 | \$ 4,299,482 | \$ 9,023,166 | \$ 3,067,545 |
| <u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u> | | | | | | |
| Operating income (loss)..... | \$ 214,705 | \$ 329,299 | \$ (25,888) | \$ 541,367 | \$ 1,059,483 | \$ (2,645) |
| Adjustments to reconcile operating income (loss) to net cash from operating activities: | | | | | | |
| Depreciation..... | 327,287 | 334,466 | 85,919 | 1,078,574 | 1,826,246 | - |
| Changes in assets and liabilities: | | | | | | |
| Boat excise..... | - | - | (7,542) | - | (7,542) | - |
| User fees..... | 34,762 | (31,860) | (9,006) | 20,029 | 13,925 | - |
| Departmental and other..... | - | - | - | - | - | 35,273 |
| Inventory..... | - | - | - | (2,015) | (2,015) | - |
| Investment in joint venture..... | (98,140) | - | - | - | (98,140) | - |
| Working capital deposit..... | - | - | - | - | - | 295,063 |
| Other assets..... | - | - | - | 10,660 | 10,660 | - |
| Warrants payable..... | (735) | 141,433 | 16,207 | 53,150 | 210,055 | (8,301) |
| Accrued liabilities..... | - | - | - | - | - | (695,566) |
| Liabilities due depositors..... | - | - | - | (8,512) | (8,512) | - |
| Other liabilities..... | - | - | (4,758) | - | (4,758) | - |
| Accrued compensated absences..... | (12,016) | (6,334) | 569 | 2,430 | (15,351) | - |
| Workers' compensation..... | - | 4,504 | 200 | - | 4,704 | 12,017 |
| Other post-employment benefits..... | 51,924 | 40,697 | 18,711 | 93,791 | 205,123 | - |
| Total adjustments..... | 303,082 | 482,906 | 100,300 | 1,248,107 | 2,134,395 | (361,514) |
| NET CASH FROM OPERATING ACTIVITIES..... | \$ 517,787 | \$ 812,205 | \$ 74,412 | \$ 1,789,474 | \$ 3,193,878 | \$ (364,159) |

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2009

| | Pension Trust Fund (as of December 31, 2008) | Private Purpose Trust Funds | Agency Funds |
|--|---|-----------------------------------|-----------------|
| ASSETS | | | |
| Cash and cash equivalents..... | \$ 28,005 | \$ 3,421,023 | \$ 73,711 |
| Investments - external investment pool..... | 61,649,022 | - | - |
| Receivables, net of allowance for uncollectibles: | | | |
| Departmental and other..... | - | 175 | - |
| Intergovernmental..... | 1,172,059 | - | - |
| Due from other funds..... | - | - | 115,069 |
| Capital assets, net of accumulated depreciation..... | - | 38,535 | - |
| Capital assets, not being depreciated..... | - | 2,045 | - |
| TOTAL ASSETS | 62,849,086 | 3,461,778 | 188,780 |
| LIABILITIES | | | |
| Warrants payable..... | 960 | 969 | - |
| Liabilities due depositors..... | - | - | 188,780 |
| Other Liabilities..... | - | 175 | - |
| TOTAL LIABILITIES | 960 | 1,144 | 188,780 |
| NET ASSETS | | | |
| Held in trust for pension benefits and other purposes..... | \$ 62,848,126 | \$ 3,460,634 | \$ - |

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2009

| | Pension Trust Fund (as of December 31, 2008) | Private Purpose Trust Funds |
|--|---|-----------------------------------|
| ADDITIONS: | | |
| Contributions: | | |
| Employer..... | \$ 2,398,972 | \$ - |
| Plan members..... | 1,437,847 | - |
| Private donations..... | - | 70,937 |
| | <u>3,836,819</u> | <u>70,937</u> |
| Total contributions..... | 3,836,819 | 70,937 |
| Net investment income (loss): | | |
| Net change in fair value of investments..... | (29,111,269) | - |
| Investment income..... | 2,747,468 | 72,530 |
| | <u>(26,363,801)</u> | <u>72,530</u> |
| Net investment income (loss)..... | (26,363,801) | 72,530 |
| Intergovernmental..... | 173,718 | - |
| Transfers from other systems..... | 114,020 | - |
| | <u>114,020</u> | <u>-</u> |
| TOTAL ADDITIONS..... | <u>(22,239,244)</u> | <u>143,467</u> |
| DEDUCTIONS: | | |
| Administration..... | 531,504 | 82,326 |
| Depreciation..... | - | 3,541 |
| Transfers to other systems..... | 133,963 | - |
| Retirement benefits and refunds..... | 6,348,363 | - |
| Educational scholarships..... | - | 14,951 |
| | <u>7,013,830</u> | <u>100,818</u> |
| TOTAL DEDUCTIONS..... | 7,013,830 | 100,818 |
| CHANGE IN NET ASSETS..... | (29,253,074) | 42,649 |
| NET ASSETS AT BEGINNING OF YEAR..... | 92,101,200 | 3,417,985 |
| NET ASSETS AT END OF YEAR..... | <u>\$ 62,848,126</u> | <u>\$ 3,460,634</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, 2008, 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, 2009, the Town's equity interest in the operations of the District is \$1,100,806, 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 *State Fiscal Stabilization Fund* is used to account for funds received through the Federal American Recovery Reinvestment Act.

The *Capital Projects Fund* is used to account for the financial activities associated with major capital projects that have been authorized by Town Meeting and approved by the voters to be funded by the proceeds of bonds sales.

The *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 funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describe the general use of this fund type:

The *Special Revenue 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.

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 retiree 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 workers' compensation activity is used to account for Town appropriations and investment earnings which are expended for the payment of injury claims, resulting from on-the-job accidents of Town employees.

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

The following Fiduciary funds are reported:

The *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, 2008. 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.

Gifts and Grants - 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 has not changed the excess of revenues and other financing sources over expenditures and other financing uses or fund balances.

O. Fund Deficits

In the Internal Service Fund, the Workers' Compensation Fund deficit of approximately \$313,000 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 \$23,208,348 and the bank balance totaled \$24,832,000. Of the bank balance, \$1,811,445 was covered by Federal Depository Insurance, \$3,750,000 was covered by the Depositors Insurance Fund, \$1,031,021 was collateralized and \$18,239,534 was exposed to custodial credit risk because it was uninsured and uncollateralized. The Town is in the process of entering into a collateralization agreement with its primary depository bank that will significantly reduce this exposure to custodial credit risk.

At December 31, 2008, the carrying amount of deposits for the System totaled \$28,005 and the bank balance of \$136,571 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, 2009:

| Investment Type | Fair Value |
|--------------------------|-------------------|
| <u>Other Investments</u> | |
| Equity Securities..... | \$ 831,320 |
| MMDT..... | 26,323,281 |
| Total Investments..... | \$ 27,154,601 |

System balances at December 31, 2008:

| Investment Type | Fair Value |
|------------------------|-------------------|
| PRIT..... | \$ 61,649,022 |

The Town participates in the MMDT Cash Portfolio. Average maturities of the MMDT Cash Portfolio ranged from 34 to 80 days during fiscal year 2009.

The System participates in PRIT. The effective weighted duration rate for PRIT investments ranged from .08 to 9.42 years.

Custodial Credit Risk – Investments

For investments, custodial credit risk is the risk that, in the event of a failure by the counterparty, the government will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Town does not have any custodial credit risk exposure as of June 30, 2009 because the \$831,320 in equity securities are held by the Town and the \$26,323,281 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, 2008, the System's \$61,649,022 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 – RECEIVABLES

At June 30, 2009, 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..... | \$ 509,485 | \$ (19,370) | \$ 490,115 |
| Real estate tax deferrals..... | 572,104 | - | 572,104 |
| Tax liens..... | 184,421 | - | 184,421 |
| Motor vehicle excise taxes..... | 255,460 | (142,093) | 113,367 |
| Interest and dividends..... | 22,759 | - | 22,759 |
| Departmental and other..... | 70,460 | (931) | 69,529 |
| Intergovernmental - pension fund..... | 1,172,059 | - | 1,172,059 |
| Intergovernmental - governmental funds..... | 2,509,577 | - | 2,509,577 |
| Total..... | \$ 5,296,325 | \$ (162,394) | \$ 5,133,931 |

At June 30, 2009, 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..... | \$ 766,858 | \$ (18,593) | \$ 748,265 |
| Sewer special assessments..... | 1,277 | - | 1,277 |
| Water user fees..... | 637,147 | (15,764) | 621,383 |
| Harbor user fees..... | 13,629 | (2,726) | 10,903 |
| Municipal Light user fees (December 31, 2008)..... | 1,887,370 | (330,860) | 1,556,510 |
| Boat excise..... | 30,600 | (1,528) | 29,072 |
| Total..... | \$ 3,336,881 | \$ (369,471) | \$ 2,967,410 |

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, 2009 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..... | \$ 133,417 | \$ - | \$ 133,417 |
| Real estate tax deferrals..... | 555,481 | - | 555,481 |
| Tax liens..... | 162,253 | - | 162,253 |
| Motor vehicle excise taxes..... | 87,913 | - | 87,913 |
| Departmental and other..... | 3,725 | 374,199 | 377,924 |
| Intergovernmental..... | 17,732 | 18,743 | 36,475 |
| Total..... | \$ <u>960,521</u> | \$ <u>392,942</u> | \$ <u>1,353,463</u> |

NOTE 4 – INTERFUND TRANSFERS AND BALANCESInterfund Receivables / Payables

Individual fund's interfund receivable and payable balances at June 30, 2009 are as follows:

| Fund | Interfund Receivable | Interfund Payable |
|---|-------------------------|----------------------|
| General Fund..... | \$ - | \$ 3,789,692 (1) |
| Enterprise Funds: | | |
| Municipal Light, at December 31, 2008..... | 3,771,671 | - |
| Agency Funds..... | <u>115,069</u> | <u>-</u> |
| | 3,886,740 | 3,789,692 |
| Less: Municipal Light Fund Receivable at December 31, 2008..... | (3,771,671) | - |
| Less: General Fund Payable to Municipal Light Fund at June 30, 2009..... | <u>-</u> | <u>(3,674,623)</u> |
| Total | \$ <u>115,069</u> | \$ <u>115,069</u> |

- (1) Represents \$3,674,623 payable from the General Fund to the Municipal Light Fund for deposits held by the General Fund, which includes a timing difference of \$97,048 due to the reporting of the Municipal Light Fund as of December 31, 2008. The remaining \$115,069 is due to the Agency Funds related to timing of deposits held by the General Fund.

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, 2009 were:

| Transfers Out | Transfers In | | | Total |
|----------------------------------|-------------------|-----------------------|-----------------------------|---------------------|
| | General Fund | Capital Projects Fund | Nonmajor Governmental Funds | |
| Fund | | | | |
| General..... | \$ - | \$ 1,080,000 (7) | \$ 69,305 (1) | \$ 1,149,305 |
| Capital Projects Fund..... | 48,863 (6) | - | - | 48,863 |
| Public Funds..... | 45,000 (2) | - | 1,606 (4) | 46,606 |
| Nonmajor Governmental Funds..... | 227,970 (2) | 1,732 (5) | - | 229,702 |
| Water Enterprise..... | 78,195 (3) | - | - | 78,195 |
| Sewer Enterprise..... | 89,748 (3) | - | - | 89,748 |
| Municipal Light Enterprise..... | 330,000 (3) | - | - | 330,000 |
| Harbor Enterprise..... | 88,760 (3) | - | - | 88,760 |
| Total..... | <u>\$ 908,536</u> | <u>\$ 1,081,732</u> | <u>\$ 70,911</u> | <u>\$ 2,061,179</u> |

- (1) Transfer from the school department's budget to fund a deficit in the School Lunch Revolving Fund.
- (2) Transfers from Nonmajor Governmental 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 Governmental Funds.
- (5) Transfer from State Grants Fund classified within the Nonmajor Governmental Funds to the Capital Projects Fund.
- (6) Transfer from Capital Projects Fund to the General Fund for a school security system.

NOTE 5 – CAPITAL ASSETS

Capital asset activity in the Governmental Funds for the fiscal year ended June 30, 2009 was as follows:

| | Beginning Balance | Additions | (Retirements) | Ending Balance |
|--|----------------------|--------------|---------------|-------------------|
| Governmental Activities: | | | | |
| <u>Capital assets not being depreciated:</u> | | | | |
| Land..... | \$ 4,964,922 | \$ - | \$ - | \$ 4,964,922 |
| Construction in progress..... | 214,429 | 4,788,434 | (16,845) | 4,986,018 |
| Total capital assets not being depreciated..... | 5,179,351 | 4,788,434 | (16,845) | 9,950,940 |
| <u>Capital assets being depreciated:</u> | | | | |
| Land improvements..... | 2,708,275 | 178,561 | - | 2,886,836 |
| Buildings..... | 82,855,410 | - | - | 82,855,410 |
| Building improvements..... | 8,896,285 | 242,862 | - | 9,139,147 |
| Machinery and equipment..... | 8,451,477 | 1,312,107 | (853,501) | 8,910,083 |
| Infrastructure..... | 27,415,291 | 1,009,176 | (150,598) | 28,273,869 |
| Total capital assets being depreciated..... | 130,326,738 | 2,742,706 | (1,004,099) | 132,065,345 |
| <u>Less accumulated depreciation for:</u> | | | | |
| Land improvements..... | (922,193) | (88,667) | - | (1,010,860) |
| Buildings..... | (19,010,024) | (1,952,849) | - | (20,962,873) |
| Building improvements..... | (5,911,370) | (358,012) | - | (6,269,382) |
| Machinery and equipment..... | (5,175,130) | (1,031,554) | 802,884 | (5,403,800) |
| Infrastructure..... | (6,315,406) | (602,141) | 150,598 | (6,766,949) |
| Total accumulated depreciation..... | (37,334,123) | (4,033,223) | 953,482 | (40,413,864) |
| Total capital assets being depreciated, net..... | 92,992,615 | (1,290,517) | (50,617) | 91,651,481 |
| Total governmental activities capital assets, net..... | \$ 98,171,966 | \$ 3,497,917 | \$ (67,462) | \$ 101,602,421 |

Capital asset activity for the Business Type Activities for the fiscal year ended June 30, 2009 was as follows:

| | Beginning Balance | Additions | (Retirements) | Ending Balance |
|--|----------------------|------------|---------------|-------------------|
| Business-Type Activities: | | | | |
| <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..... | 874,645 | 282,617 | (149,500) | 1,007,762 |
| Infrastructure..... | 12,444,028 | 641,312 | (104,069) | 12,981,271 |
| Total capital assets being depreciated..... | 13,433,023 | 923,929 | (253,569) | 14,103,383 |
| <u>Less accumulated depreciation for:</u> | | | | |
| Buildings..... | (114,350) | - | - | (114,350) |
| Machinery and equipment..... | (486,146) | (74,075) | 149,500 | (410,721) |
| Infrastructure..... | (5,185,097) | (253,212) | 104,069 | (5,334,240) |
| Total accumulated depreciation..... | (5,785,593) | (327,287) | 253,569 | (5,859,311) |
| Total capital assets being depreciated, net..... | 7,647,430 | 596,642 | - | 8,244,072 |
| Total sewer activities capital assets, net..... | \$ 7,762,896 | \$ 596,642 | \$ - | \$ 8,359,538 |
| | Beginning Balance | Additions | (Retirements) | Ending Balance |
| <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..... | 792,163 | 106,883 | (73,096) | 825,950 |
| Infrastructure..... | 11,173,734 | 582,787 | (44,235) | 11,712,286 |
| Total capital assets being depreciated..... | 12,958,228 | 689,670 | (117,331) | 13,530,567 |
| <u>Less accumulated depreciation for:</u> | | | | |
| Land improvements..... | (3,822) | (1,528) | - | (5,350) |
| Buildings..... | (381,873) | (22,247) | - | (404,120) |
| Machinery and equipment..... | (472,689) | (56,413) | 73,096 | (456,006) |
| Infrastructure..... | (3,916,940) | (254,278) | 44,235 | (4,126,983) |
| Total accumulated depreciation..... | (4,775,324) | (334,466) | 117,331 | (4,992,459) |
| Total capital assets being depreciated, net..... | 8,182,904 | 355,204 | - | 8,538,108 |
| Total water activities capital assets, net..... | \$ 8,232,331 | \$ 355,204 | \$ - | \$ 8,587,535 |

| | 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..... | 31,180 | 2,800 | - | 33,980 |
| Total capital assets not being depreciated..... | 2,035,257 | 2,800 | - | 2,038,057 |
| <u>Capital assets being depreciated:</u> | | | | |
| Piers..... | 51,901 | - | - | 51,901 |
| Buildings..... | 883,440 | - | - | 883,440 |
| Building improvements..... | 102,336 | - | - | 102,336 |
| Land improvements..... | 927,979 | - | - | 927,979 |
| Machinery and equipment..... | 907,113 | 45,654 | (58,794) | 893,973 |
| Total capital assets being depreciated..... | 2,872,769 | 45,654 | (58,794) | 2,859,629 |
| <u>Less accumulated depreciation for:</u> | | | | |
| Piers..... | (45,684) | (173) | - | (45,857) |
| Buildings..... | (235,824) | (21,611) | - | (257,435) |
| Building improvements..... | (34,021) | (3,689) | - | (37,710) |
| Land improvements..... | (322,627) | (19,747) | - | (342,374) |
| Machinery and equipment..... | (559,720) | (40,699) | 47,581 | (552,838) |
| Total accumulated depreciation..... | (1,197,876) | (85,919) | 47,581 | (1,236,214) |
| Total capital assets being depreciated, net..... | 1,674,893 | (40,265) | (11,213) | 1,623,415 |
| Total harbor activities capital assets, net..... | \$ 3,710,150 | \$ (37,465) | \$ (11,213) | \$ 3,661,472 |

| | Beginning Balance | Additions | (Retirements) | Ending Balance |
|--|----------------------|--------------|---------------|-------------------|
| <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..... | 21,573,315 | 679,416 | (162,727) | 22,090,004 |
| <u>Less accumulated depreciation for:</u> | | | | |
| Light plant and equipment..... | (9,692,251) | (1,078,574) | 162,727 | (10,608,098) |
| Total capital assets being depreciated, net..... | 11,881,064 | (399,158) | - | 11,481,906 |
| Total light activities capital assets, net..... | \$ 11,933,160 | \$ (399,158) | \$ - | \$ 11,534,002 |

Capital asset activity for the Fiduciary Funds for the fiscal year ended June 30, 2009 was as follows:

| | Beginning Balance | Additions | (Retirements) | Ending Balance |
|---|----------------------|-----------|---------------|-------------------|
| <u>Fiduciary Activities:</u> | | | | |
| <u>Capital assets not being depreciated:</u> | | | | |
| Land..... | \$ 2,045 | \$ - | \$ - | \$ 2,045 |
| <u>Capital assets being depreciated:</u> | | | | |
| Buildings and building improvements..... | 79,541 | 25,950 | - | 105,491 |
| <u>Less accumulated depreciation for:</u> | | | | |
| Buildings..... | (63,415) | (3,541) | - | (66,956) |
| Total capital assets being depreciated, net..... | 16,126 | 22,409 | - | 38,535 |
| Total fiduciary activities capital assets, net..... | \$ 18,171 | \$ 22,409 | \$ - | \$ 40,580 |

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

Governmental Activities:

| | |
|-----------------------------|------------|
| General government..... | \$ 124,278 |
| Public safety..... | 276,465 |
| Education..... | 2,142,260 |
| Public works..... | 1,123,615 |
| Human services..... | 40,270 |
| Culture and recreation..... | 326,335 |

Total depreciation expense - governmental activities..... \$ 4,033,223

Business-Type Activities:

| | |
|----------------------|------------|
| Sewer..... | \$ 327,287 |
| Water..... | 334,466 |
| Harbor..... | 85,919 |
| Municipal Light..... | 1,078,574 |

Total depreciation expense - business-type activities..... \$ 1,826,246

NOTE 6 – SHORT-TERM FINANCING

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

Details related to short-term debt BAN activity for the fiscal year ended June 30, 2009, is as follows:

| Description | Issue Date | Due Date | Interest Rate | Balance at June 30, 2008 | Issued | Retired | Balance at June 30, 2009 |
|-----------------------|------------|----------|---------------|--------------------------|--------|--------------|--------------------------|
| Land Acquisition..... | 08/17/07 | 08/14/08 | 4.00% | \$ 1,080,000 | \$ - | \$ 1,080,000 | \$ - |

Refer to Note 7 for information regarding BANs classified as long-term debt as of June 30, 2009.

NOTE 7 – LONG-TERM DEBT

The Town of Marblehead's long-term debt issues constitute a pledge of the Town's full faith and credit. Payment is not limited to a particular revenue source. However, as previously noted, the Town's ability to raise property taxes is restricted by the enactment of legislation known as "Proposition 2½."

State law permits the Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5% of its equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." In addition, however, a Town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit."

The following is a summary of the long-term debt transactions of the Town for the year ended June 30, 2009:

| Project | Interest % Rate | Balance 6/30/08 | Issued and Transferred | Redeemed | Balance 6/30/09 |
|---|--------------------|--------------------|---------------------------|---------------|--------------------|
| School Remodeling..... | 4.93 | \$ 115,000 | \$ - | \$ 55,000 | \$ 60,000 |
| School Data Processing Equipment..... | 4.93 | 25,000 | - | 25,000 | - |
| School Athletic Fields..... | 4.93 | 185,000 | - | 85,000 | 100,000 |
| Drain Construction..... | 3.93 | 1,450,000 | - | 500,000 | 950,000 |
| School Construction..... | 4.79 | 23,065,000 | - | 950,000 | 22,115,000 |
| Land Acquisition - Long-term BAN..... | 2.75 | 46,500 | 46,500 | 46,500 | 46,500 |
| Design & Engineering Transfer | | | | | |
| Station - Long-term BAN..... | 2.75 | 750,000 | 750,000 | 750,000 | 750,000 |
| Causeway Seawall - Long-term BAN..... | 2.75 | 6,564,620 | 6,564,620 | 6,564,620 | 6,564,620 |
| Village School - Long-term BAN..... | 2.75 | 2,135,380 | 2,135,380 | 2,135,380 | 2,135,380 |
| Design & Engineering Transfer | | | | | |
| Station - Long-term BAN..... | 2.75 | - | 260,000 | - | 260,000 |
| Glover School Feasibility | | | | | |
| Study - Long-term BAN..... | 2.75 | - | 200,000 | - | 200,000 |
| Village School - Long-term BAN..... | 2.75 | - | 9,500,500 | - | 9,500,500 |
| Total General Obligation Bonds and Notes..... | | 34,336,500 | 19,457,000 | 11,111,500 | 42,682,000 |
| Unamortized Premiums on Bonds and Notes.. | | 975,598 | 218,930 | 276,318 | 918,210 |
| Total..... | | \$ 35,312,098 | \$ 19,675,930 | \$ 11,387,818 | \$ 43,600,210 |

Bonds and Notes Payable Schedule - Enterprise Funds

| Project | Interest % Rate | Balance 6/30/08 | Issued | Redeemed | Balance 6/30/09 |
|-----------------------------------|--------------------|--------------------|--------|-----------|--------------------|
| Tucker's Building Remodeling..... | 4.93 | \$ 90,000 | \$ - | \$ 45,000 | \$ 45,000 |

As of June 30, 2009, the Town has approximately \$2.6 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.

The Town had \$9,496,500 of long-term BANs outstanding on July 1, 2008, which were refinanced during the fiscal year. This transaction has been categorized as a current refunding of debt. The current refunding did not have an economic gain or loss.

At fiscal year end the Town had \$19,457,000 in long-term BANs outstanding which were due in August, 2009. The long-term BANs consisted of the original \$9,496,500 from the current refunding, and an additional \$9,960,500 in new BANs. In August 2009, the Town paid down \$1,175,000 of the \$9,496,500 in maturing long-term BANs with available funds and issued \$6,500,000 of the maturing notes as long-term bonds. The remaining \$1,821,500 and \$9,960,500 of BANs outstanding at June 30, 2009 were combined with new funds of \$2,618,000 for a total new BAN of \$14,400,000 which matures August 12, 2010 with an interest rate of 1.50%. The new proceeds relate to the Village School reconstruction and the Glover School feasibility study. Since the maturity date on the reissued BANs extends over one year from the end of the fiscal year, the Town has classified this debt as long-term and has recorded a long-term liability.

Annual Requirements

The annual requirements to amortize all long-term debt outstanding as of June 30, 2009, are as follows:

| Fiscal Year | Governmental | | Enterprise | | Total Requirement |
|----------------|----------------------------------|---------------|------------|----------|----------------------|
| | Exempt from Proposition 2 1/2 | | Principal | Interest | |
| | Principal | Interest | | | |
| 2010 | \$ 2,820,000 | \$ 1,099,201 | \$ 45,000 | \$ 2,250 | \$ 3,966,451 |
| 2011 | * 14,072,000 | 1,377,513 | - | - | 15,449,513 |
| 2012 | 1,870,000 | 1,164,394 | - | - | 3,034,394 |
| 2013 | 1,905,000 | 1,095,575 | - | - | 3,000,575 |
| 2014 | 1,940,000 | 1,015,775 | - | - | 2,955,775 |
| 2015 | 1,995,000 | 925,525 | - | - | 2,920,525 |
| 2016 | 2,055,000 | 832,375 | - | - | 2,887,375 |
| 2017 | 2,115,000 | 736,225 | - | - | 2,851,225 |
| 2018 | 2,185,000 | 636,825 | - | - | 2,821,825 |
| 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 | \$ 42,682,000 | \$ 11,049,783 | \$ 45,000 | \$ 2,250 | \$ 53,779,033 |

* Includes \$12,597,000 of BANs classified as long-term liabilities.

Bond Authorizations

Long-term debt authorizations voted by Town Meetings which have not been issued or rescinded as of June 30, 2009, are as follows:

| Date Authorized | Project | Amount |
|-----------------|--------------------------------------|-------------------|
| June 2005 | Land Acquisition..... | \$ 46,500 |
| May 2007 | Transfer Station Planning..... | 1,010,000 |
| May 2007 | Causeway Seawall..... | 6,564,620 |
| June 2008 | Village School Reconstruction..... | 21,766,993 |
| June 2008 | Glover School Feasibility Study..... | 395,000 |
| | Total..... | \$ 29,783,113 (a) |

(a) Includes \$19,457,000 of BANs outstanding which have been classified as long-term obligations as of June 30, 2009.

D. Changes in Long-term Liabilities

During the fiscal year ended June 30, 2009, the following changes occurred in long-term liabilities:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|----------------------|----------------------|------------------------|----------------------|------------------------|
| Governmental Activities: | | | | | |
| Long-term bonds and notes..... | \$ 34,336,500 | \$ 19,457,000 | \$ (11,111,500) | \$ 42,682,000 | \$ 2,820,000 |
| Unamortized bond premium..... | 975,598 | 218,930 | (276,318) | 918,210 | 57,388 |
| Other post-employment benefits..... | - | 3,773,377 | - | 3,773,377 | - |
| Compensated absences..... | 1,098,025 | 799,825 | (913,690) | 984,160 | 776,863 |
| Landfill Closure..... | 6,000,000 | - | (200,000) | 5,800,000 | - |
| Workers' compensation..... | 695,786 | 297,701 | (285,684) | 707,803 | 253,479 |
| Total governmental activity long-term liabilities..... | <u>\$ 43,105,909</u> | <u>\$ 24,546,833</u> | <u>\$ (12,787,192)</u> | <u>\$ 54,865,550</u> | <u>\$ 3,907,730</u> |
| Business-Type Activities: | | | | | |
| Long-term bonds and notes..... | \$ 90,000 | \$ - | \$ (45,000) | \$ 45,000 | \$ 45,000 |
| Other post-employment benefits..... | - | 205,123 | - | 205,123 | - |
| Compensated absences..... | 296,827 | 89,895 | (105,246) | 281,476 | 191,475 |
| Total business-type activity long-term liabilities..... | <u>\$ 386,827</u> | <u>\$ 295,018</u> | <u>\$ (150,246)</u> | <u>\$ 531,599</u> | <u>\$ 236,475</u> |

Compensated absence and workers' compensation liabilities related to both governmental and business-type activities are normally paid from the funds reported in payroll and related expenditures, which consist of the general fund and the sewer, water, and harbor enterprise funds.

NOTE 8 – 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 December 31, 2008, the System's membership consisted of:

| | |
|--|------------|
| Retirees and beneficiaries currently receiving benefits..... | 322 |
| Active employees..... | 351 |
| Inactive employees..... | <u>55</u> |
| Total..... | <u>728</u> |

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

Participants who resign from service and who are not eligible to receive a retirement allowance 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 \$5,717,403 for the fiscal year ended June 30, 2009. 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 | 4.5% Increasing amortization |
| Remaining closed amortization period | 10 years from July 1, 2008 |
| Asset valuation method | Asset Smoothing |
| 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 a 10-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.

Employer appropriation, required for the last three fiscal years are as follows:

| Fiscal Year | Required Contribution | Percent Contributed |
|-------------|-----------------------|---------------------|
| 2007 | \$ 2,274,000 | 100% |
| 2008 | 2,266,267 | 100% |
| 2009 | 2,347,286 | 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 \$133,112 during the year ended June 30, 2009.

NOTE 9 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Fiscal year 2009 is the initial year that the Town has implemented GASB *Statement 45*, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions (GASB 45). As allowed by GASB 45, the Town has established the net Other Post-Employment Benefits (OPEB) obligation at zero at the beginning of the transition year and has applied the measurement and recognition requirements of GASB 45 on a prospective basis.

Plan Description – The Town of Marblehead administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Town's group health insurance plan, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy – The Town's required contribution is based on a pay-as-you-go financing requirement. The Town contributes 60-80 percent of the cost of pre-Medicare coverage and 75 percent of the cost of the Medex plan and Medicare Part B. Plan members receiving benefits contribute the remaining 20-40 percent of the cost of pre-Medicare and 25 percent of the cost of Medex plan and Medicare Part B. For fiscal year 2009, the Town contributed \$4.3 million to the plan, and member contributions totaled \$1.3 million.

Annual OPEB Cost and Net OPEB Obligation – The Town's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The components of the Town's

annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation are summarized in the following table:

| | |
|---|---------------------|
| Normal cost..... | \$ 4,432,000 |
| Amortization of unfunded actuarial accrued liability..... | 4,073,000 |
| *Adjustment for Electric Light Department..... | (200,500) |
| Annual OPEB cost (expense)..... | <u>8,304,500</u> |
| Contributions made..... | <u>(4,326,000)</u> |
| Increase in net OPEB obligation..... | 3,978,500 |
| Net OPEB obligation--beginning of year..... | <u>-</u> |
| Net OPEB obligation..... | <u>\$ 3,978,500</u> |

*Electric Light amounts are shown for the six months ended December 31, 2008.

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2009 was as follows:

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|------------------------------|-----------------------------|---|--------------------------------|
| 6/30/2009 | \$ 8,304,500 | 52% | \$ 3,978,500 |

Funded Status and Funding Progress – As of July 1, 2008, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$116.9 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$34.4 million, and the ratio of the UAAL to the covered payroll was 339.8%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2008, actuarial valuation, actuarial liabilities were determined using the entry age normal cost method. The actuarial assumptions included a 4.5% investment return assumption, which is based on the expected yield on the assets of the Town, calculated based on the funded level of the plan at the valuation date,

and an annual medical/drug cost trend rate of 10.5% initially, graded to 5% over 5 years. The UAAL is being amortized over a 30 year period, with amortization payments increasing at 4.5% per year.

NOTE 10 – COMMITMENTS

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

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 Massachusetts School Building Authority (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. In fiscal year 2009, the Town entered into contracts for the renovation of the Village School totaling \$15.6 million and began construction. Also in fiscal year 2009, the Town successfully completed the process of entering into a project funding agreement with the MSBA allowing for 40% reimbursement of eligible costs of this project. The Glover feasibility study has commenced and is expected to be completed during fiscal year 2010.

NOTE 11 – CONTINGENCIES

The Town participates in a number of federal 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 are not covered by insurance, would not materially effect the financial statements of the Town.

NOTE 12 – 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) the majority owner and an indirect subsidiary of Dominion Resources, Inc. DNCI also owns and operates Millstone Unit 2 nuclear unit. The operating license for Milestone Unit 3 nuclear unit extends to November 25, 2045.

A substantial portion of MMWEC's plant investment and financing program is an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by FPL Energy Seabrook, LLC, (FPLE Seabrook), the majority owner and an indirect subsidiary of FPL Group, Inc. The operating license for Seabrook Station extends to March 2030. 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, 2008, total capital expenditures amounted to \$1,551,793,000 of which \$25,611,000 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 \$570,245,000, of which \$8,785,000 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, 2008, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$663,144,000, of which \$9,996,000 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, 2008, is shown below:

| For years ended December 31, | | Annual Costs | |
|------------------------------|----|--------------|--|
| | | | |
| 2009 | \$ | 1,463,000 | |
| 2010 | | 1,368,000 | |
| 2011 | | 1,342,000 | |
| 2012 | | 1,345,000 | |
| 2013 | | 1,280,000 | |
| 2014 to 2018 | | 3,198,000 | |
| Total | \$ | 9,996,000 | |

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 \$3,807,000 and \$3,878,000 for the years ended December 31, 2008 and 2007, respectively.

NOTE 13 – RISK FINANCING

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

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

During fiscal year 2009, the Town has converted its health insurance plans to premium based which shifts the risk of insurance to a third party. The premium based plan took effect on July 1, 2008. The Town has paid all residual claims under the self-insured health plan that have been reported through June 30, 2009. The Town is responsible for paying any additional claims on the self-insured plan that may not have been reported as of June 30, 2009.

Changes in the reported liability since July 1, 2007, 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 2008 | \$ | 851,895 | \$ | 8,582,372 | \$ | (8,650,622) | \$ | 783,645 |
| Fiscal Year 2009 | | 783,645 | | (288,883) | | (284,184) | | 210,578 |
| Medex Claims | | | | | | | | |
| Fiscal Year 2008 | \$ | 154,443 | \$ | 1,410,855 | \$ | (1,396,341) | \$ | 168,957 |
| Fiscal Year 2009 | | 168,957 | | 60,069 | | (182,568) | | 46,458 |

The Town provides statutory workers compensation benefits under a self-insurance plan. In fiscal 1989 the Town established a workers' compensation fund by accepting the provisions of Massachusetts General Laws, Chapter 40, Section 13a. A private consultant hired by the Town administers workers' compensation claims. 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 2008 | \$ 525,894 | \$ 502,054 | \$ (332,162) | \$ 695,786 | \$ 227,286 |
| Fiscal Year 2009 | 695,786 | 297,701 | (285,684) | 707,803 | 253,479 |

NOTE 14 – 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 \$5.8 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 15 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2009, the following GASB pronouncements were implemented:

The GASB issued Statement #45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions. This pronouncement required additional disclosure and has impacted the basic financial statements.

The GASB issued Statement #55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which was implemented in fiscal year 2009. The basic financial statements were not impacted by this pronouncement.

The GASB issued Statement #56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards, which was implemented in fiscal year 2009. This statement establishes accounting and financial reporting standards for related party transactions, subsequent events, and going concern considerations. The basic financial statements were not impacted by this pronouncement.

Other Future GASB Pronouncement:

The GASB issued Statement #54, Fund Balance Reporting and Governmental Fund Type Definitions, which is required to be implemented in fiscal year 2011. Management believes this pronouncement will require additional disclosure and impact the basic financial statements.

Required Supplementary Information

General Fund

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

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

FISCAL YEAR ENDED JUNE 30, 2009

| | 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..... | \$ - | \$ 47,665,959 | \$ 47,665,959 | \$ 47,665,959 |
| Motor vehicle excise taxes..... | - | 2,150,000 | 2,150,000 | 2,150,000 |
| Charges for services..... | - | 582,500 | 582,500 | 582,500 |
| Penalties and interest on taxes..... | - | 122,000 | 122,000 | 122,000 |
| Licenses and permits..... | - | 456,000 | 456,000 | 456,000 |
| Fines and forfeitures..... | - | 137,000 | 137,000 | 137,000 |
| Intergovernmental..... | - | 7,015,002 | 7,015,002 | 6,876,895 |
| Investment income..... | - | 375,000 | 375,000 | 375,000 |
| Miscellaneous..... | - | 12,000 | 12,000 | 12,000 |
| TOTAL REVENUES..... | - | 58,515,461 | 58,515,461 | 58,377,354 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| GENERAL GOVERNMENT | | | | |
| Moderator - Officials Expense..... | - | 100 | 100 | 100 |
| Selectmen Officials Expense..... | - | 5,500 | 5,500 | 5,500 |
| Salaries..... | - | 318,922 | 318,922 | 318,922 |
| Expense..... | - | 92,163 | 92,163 | 92,163 |
| Art 44, 2001 - Fort Sewall..... | 32,677 | - | 32,677 | 32,677 |
| Zoning Board Legal Services..... | - | 7,000 | 7,000 | 12,000 |
| Out of State Travel..... | - | 2,000 | 2,000 | 2,000 |
| Finance Committee - Salaries..... | - | 7,908 | 7,908 | 7,908 |
| Expense..... | - | 5,585 | 5,585 | 5,585 |
| Local Travel..... | - | 175 | 175 | 175 |
| Reserve Fund..... | - | 144,000 | 144,000 | 66,418 |
| Finance - Salaries..... | - | 601,046 | 601,046 | 601,046 |
| Expense..... | - | 246,205 | 246,205 | 246,205 |
| Assessors - Officials Expense..... | - | 300 | 300 | 300 |
| Assessors - Salaries..... | - | 166,311 | 166,311 | 166,311 |
| Expense..... | - | 33,985 | 33,985 | 33,985 |
| Local Travel..... | - | 200 | 200 | 200 |
| Town Counsel - Salaries..... | - | 2,000 | 2,000 | 2,000 |
| Expense..... | - | 62,932 | 62,932 | 62,932 |
| Parking Tickets - Expense..... | - | 15,484 | 15,484 | 15,484 |
| Town Clerk - Salaries..... | - | 144,045 | 144,045 | 148,645 |
| Expense..... | - | 7,537 | 7,537 | 7,537 |
| Election and Registration - Salaries..... | - | 22,450 | 22,450 | 23,950 |
| Expense..... | - | 20,615 | 20,615 | 20,615 |
| Planning Board - Expense..... | - | 1,675 | 1,675 | 1,675 |
| Public Buildings - Salaries..... | - | 80,182 | 80,182 | 80,182 |
| Expense..... | - | 101,100 | 101,100 | 101,100 |
| Local Travel..... | - | 400 | 400 | 400 |
| Art. 22, 2008 - Improve Public Buildings..... | - | 115,657 | 115,657 | 115,657 |
| Art. 16, 2007 - Improve Public Buildings..... | 73,250 | - | 73,250 | 73,250 |
| Art. 41, 2005 - Improve Public Buildings..... | 19,344 | - | 19,344 | 19,344 |
| Art. 45, 2006 - Improve Public Buildings..... | 650 | - | 650 | 650 |
| Town Reports..... | - | 4,300 | 4,300 | 4,300 |
| Town Audit of Accounts..... | - | 38,000 | 38,000 | 38,000 |
| TOTAL GENERAL GOVERNMENT..... | 125,921 | 2,247,777 | 2,373,698 | 2,307,216 |

| | Actual Budgetary Amounts | Amounts Carried Forward To Next Year | Variance to Final Budget |
|----|--------------------------------|--|-----------------------------|
| \$ | 47,746,181 | \$ - | \$ 80,222 |
| | 2,756,859 | - | 606,859 |
| | 735,965 | - | 153,465 |
| | 153,284 | - | 31,284 |
| | 648,799 | - | 192,799 |
| | 166,609 | - | 29,609 |
| | 6,536,807 | - | (340,088) |
| | 597,142 | - | 222,142 |
| | 53,577 | - | 41,577 |
| | 59,395,223 | - | 1,017,869 |
| | 100 | - | - |
| | 5,500 | - | - |
| | 311,148 | - | 7,774 |
| | 81,770 | - | 10,393 |
| | 13,300 | 19,377 | - |
| | 12,000 | - | - |
| | 413 | - | 1,587 |
| | 7,908 | - | - |
| | 4,784 | - | 801 |
| | 165 | - | 10 |
| | - | - | 66,418 |
| | 598,546 | - | 2,500 |
| | 230,508 | - | 15,697 |
| | 293 | - | 7 |
| | 165,811 | - | 500 |
| | 33,536 | - | 449 |
| | 196 | - | 4 |
| | 1,945 | - | 55 |
| | 53,267 | - | 9,665 |
| | 9,110 | - | 6,374 |
| | 146,879 | - | 1,766 |
| | 7,537 | - | - |
| | 22,833 | - | 1,117 |
| | 20,544 | - | 71 |
| | 1,069 | - | 606 |
| | 72,193 | - | 7,989 |
| | 101,100 | - | - |
| | - | - | 400 |
| | - | 115,657 | - |
| | 16,500 | 56,750 | - |
| | 9,450 | 9,894 | - |
| | 650 | - | - |
| | 2,904 | - | 1,396 |
| | 38,000 | - | - |
| | 1,969,959 | 201,678 | 135,579 |

(Continued)

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

FISCAL YEAR ENDED JUNE 30, 2009

| | Budgeted Amounts | | | |
|--|---|-----------------------------|-----------------------------|-------------------|
| | Amounts Carried forward From Prior Year | Original Voted Budget | Total Original Budget | Final Budget |
| PUBLIC SAFETY | | | | |
| Police - Salaries..... | - | 2,799,422 | 2,799,422 | 2,799,422 |
| Expense..... | - | 187,612 | 187,612 | 187,612 |
| Indemnification..... | - | 10,000 | 10,000 | 12,968 |
| Art 23, 2008 Equipment..... | - | 107,555 | 107,555 | 107,555 |
| Art. 6, 2009 - Unpaid Bill - Police | - | - | - | 32 |
| Fire - Salaries..... | - | 2,671,180 | 2,671,180 | 2,671,180 |
| Expense..... | - | 129,818 | 129,818 | 139,728 |
| Art 15, 2007 Equipment..... | 2,437 | - | 2,437 | 2,437 |
| Art. 22, 2008 - Improve Public Buildings..... | - | 22,369 | 22,369 | 22,369 |
| Art. 16, 2007 - Improve Public Buildings..... | 5,000 | - | 5,000 | 5,000 |
| Art. 41, 2005 - Improve Public Buildings..... | 14,786 | - | 14,786 | 14,786 |
| Art. 42, 2002 - Improve Public Buildings..... | 30,000 | - | 30,000 | 30,000 |
| Building Commissioner - Salaries..... | - | 422,037 | 422,037 | 422,037 |
| Expense..... | - | 9,755 | 9,755 | 9,755 |
| Local Travel..... | - | 3,000 | 3,000 | 3,000 |
| Art 23, 2008 Equipment..... | - | 14,508 | 14,508 | 14,508 |
| Art. 22, 2008 - Improve Public Buildings..... | - | 339 | 339 | 339 |
| Art. 41, 2005 - Improve Public Buildings..... | 135 | - | 135 | 135 |
| Sealer of Weights & Measurers - Expense..... | - | 150 | 150 | 150 |
| Animal Inspector - Salaries..... | - | 1,200 | 1,200 | 1,200 |
| Dog Officer - Salaries..... | - | 65,393 | 65,393 | 65,393 |
| Expense..... | - | 4,787 | 4,787 | 4,787 |
| TOTAL PUBLIC SAFETY..... | 52,358 | 6,449,125 | 6,501,483 | 6,514,393 |
| EDUCATION | | | | |
| Schools..... | - | 26,699,236 | 26,699,236 | 26,630,131 |
| Art. 8, 2008 - North Shore Technical School..... | - | 159,819 | 159,819 | 159,819 |
| Art. 41, 2008 - School Security..... | - | 91,961 | 91,961 | 91,961 |
| Art 23, 2008 Equipment..... | - | 41,641 | 41,641 | 41,641 |
| TOTAL SCHOOL..... | - | 26,992,657 | 26,992,657 | 26,923,552 |
| PUBLIC WORKS & FACILITIES | | | | |
| Engineering - Salaries..... | - | 112,196 | 112,196 | 113,520 |
| Expense..... | - | 10,395 | 10,395 | 10,395 |
| Local Travel..... | - | 500 | 500 | 500 |
| Art. 22, 2008 - Improve Public Buildings..... | - | 1,800 | 1,800 | 1,800 |
| Highway - Salaries..... | - | 637,889 | 637,889 | 637,889 |
| Expense..... | - | 85,934 | 85,934 | 88,434 |
| Rebuild & Maintain HTTP STS..... | - | 12,150 | 12,150 | 27,150 |
| Snow Removal..... | - | 100,000 | 100,000 | 100,000 |
| Street Lighting..... | - | 117,550 | 117,550 | 117,550 |
| Maintain & Rebuild Sidewalks..... | - | 16,600 | 16,600 | 16,600 |
| Art. 53, 2007 - Seawall Repair..... | 24,971 | - | 24,971 | 24,971 |
| Art. 19, 2006 - Equipment..... | 53,001 | - | 53,001 | 53,001 |
| Art. 23, 2008 - Improve Public Buildings..... | - | 66,514 | 66,514 | 66,514 |
| Waste Collection - Salaries..... | - | 269,553 | 269,553 | 281,553 |
| Expense..... | - | 1,526,494 | 1,526,494 | 1,526,494 |
| Local Travel..... | - | 1,512 | 1,512 | 1,512 |
| Art. 33, 2007 - Disposal and Remediation..... | 106,800 | - | 106,800 | 106,800 |
| Art. 37, 2008 - Disposal and Remediation..... | - | 114,600 | 114,600 | 114,600 |
| Art. 22, 2008 - Improve Public Buildings..... | - | 12,435 | 12,435 | 12,435 |
| Art. 15, 2007 - Equipment..... | 112,479 | - | 112,479 | 112,479 |
| Drains - Salaries..... | - | 95,404 | 95,404 | 95,404 |
| Expense..... | - | 5,150 | 5,150 | 5,150 |
| Art. 17, 2007-Drain Construction..... | - | 324,000 | 324,000 | 324,000 |
| Art. 25, 2006-Drain Construction..... | 50,371 | - | 50,371 | 50,371 |
| Cemetery - Officials Expense..... | 1,907 | - | 1,907 | 1,907 |
| Salaries..... | - | 300 | 300 | 300 |
| Expense..... | - | 290,965 | 290,965 | 290,965 |
| Art. 23, 2008 - Equipment..... | - | 21,846 | 21,846 | 21,846 |
| Art. 41, 2005 - Improve Public Buildings..... | - | 47,001 | 47,001 | 47,001 |
| Tree - Salaries..... | 1,500 | - | 1,500 | 1,500 |
| Expense..... | - | 169,397 | 169,397 | 170,627 |
| Art. 23, 2008 - Equipment..... | - | 31,578 | 31,578 | 31,578 |
| Art. 23, 2008 - Equipment..... | - | 5,011 | 5,011 | 5,011 |
| Art. 16, 2007 - Improve Public Buildings..... | - | 72,495 | 72,495 | 72,495 |
| TOTAL PUBLIC WORKS & FACILITIES..... | 351,029 | 4,149,269 | 4,500,298 | 4,532,352 |

| Actual Budgetary Amounts | Amounts Carried Forward To Next Year | Variance to Final Budget |
|--------------------------------|--|-----------------------------|
| 2,674,335 | - | 125,087 |
| 181,811 | - | 5,801 |
| 12,673 | - | 295 |
| 107,555 | - | - |
| 32 | - | - |
| 2,592,179 | - | 79,001 |
| 139,086 | - | 642 |
| 2,437 | - | - |
| 22,369 | - | - |
| - | 5,000 | - |
| 14,786 | - | - |
| 30,000 | - | - |
| 396,768 | - | 25,269 |
| 9,558 | - | 197 |
| 3,000 | - | - |
| 14,508 | - | - |
| 339 | - | - |
| 135 | - | - |
| - | - | 150 |
| 1,200 | - | - |
| 65,362 | - | 31 |
| 4,436 | - | 351 |
| 6,272,569 | 5,000 | 236,824 |
| 26,380,425 | - | 249,706 |
| 159,188 | - | 631 |
| 56,001 | 35,960 | - |
| 41,641 | - | - |
| 26,637,255 | 35,960 | 250,337 |
| 112,650 | - | 870 |
| 7,123 | - | 3,272 |
| 311 | - | 189 |
| 1,800 | - | - |
| 630,762 | - | 7,127 |
| 82,010 | - | 6,424 |
| 20,570 | - | 6,580 |
| 356,112 | - | (256,112) |
| 116,223 | - | 1,327 |
| 16,600 | - | - |
| - | 24,971 | - |
| 53,001 | - | - |
| 66,514 | - | - |
| 279,799 | - | 1,754 |
| 1,470,812 | - | 55,682 |
| 1,512 | - | - |
| - | 106,800 | - |
| 28,261 | 86,339 | - |
| 12,435 | - | - |
| 112,479 | - | - |
| 91,659 | - | 3,745 |
| 3,731 | - | 1,419 |
| 294,870 | 29,130 | - |
| 50,371 | - | - |
| 1,907 | - | - |
| 300 | - | - |
| 289,867 | - | 1,098 |
| 20,210 | - | 1,636 |
| 47,001 | - | - |
| 1,500 | - | - |
| 169,869 | - | 758 |
| 31,217 | - | 361 |
| 5,011 | - | - |
| - | 72,495 | - |
| 4,376,487 | 319,735 | (163,870) |

(Continued)

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

FISCAL YEAR ENDED JUNE 30, 2009

| | 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..... | - | 121,666 | 121,666 | 129,666 |
| Expense..... | - | 10,645 | 10,645 | 10,645 |
| Local Travel..... | - | 1,800 | 1,800 | 1,800 |
| Help for Abused Women and Children (HAWC)..... | - | 4,000 | 4,000 | 4,000 |
| Mental Health - Contractual Services..... | - | 65,728 | 65,728 | 65,728 |
| Council on Aging - Salaries..... | - | 179,381 | 179,381 | 179,381 |
| Expense..... | - | 2,859 | 2,859 | 2,859 |
| Veterans Benefits - Salaries..... | - | 54,528 | 54,528 | 54,528 |
| Expense..... | - | 1,243 | 1,243 | 1,243 |
| Local Travel..... | - | 1,100 | 1,100 | 1,100 |
| Benefits..... | - | 17,000 | 17,000 | 20,772 |
| TOTAL HUMAN SERVICES..... | - | 460,350 | 460,350 | 472,122 |
| CULTURE & RECREATION | | | | |
| Library - Salaries..... | - | 702,197 | 702,197 | 702,197 |
| Expense..... | - | 223,883 | 223,883 | 223,883 |
| Local Travel..... | - | 100 | 100 | 100 |
| Art 50, 2007 Library Improvements..... | 264,155 | - | 264,155 | 264,155 |
| Art 22, 2008 - Improve Public Buildings..... | - | 11,230 | 11,230 | 15,976 |
| Park - Salaries..... | - | 527,498 | 527,498 | 527,498 |
| Expense..... | - | 171,590 | 171,590 | 171,566 |
| Park Facility Expense..... | - | 42,630 | 42,630 | 42,630 |
| Art, 6, 2009 Unpaid Bills - Park Expense..... | - | - | - | 24 |
| Art. 15, 2007 - Equipment..... | 1,976 | - | 1,976 | 1,976 |
| Art. 23, 2008 - Equipment..... | - | 48,812 | 48,812 | 48,812 |
| Memorial & Veterans Day..... | - | 1,950 | 1,950 | 1,950 |
| TOTAL CULTURE & RECREATION..... | 266,131 | 1,729,890 | 1,996,021 | 2,000,767 |
| ENERGY | | | | |
| Energy Reserve..... | - | 404,200 | 404,200 | 404,200 |
| TOTAL ENERGY RESERVE..... | - | 404,200 | 404,200 | 404,200 |
| PENSION BENEFITS | | | | |
| Contributory Retirement Fund..... | - | 1,921,288 | 1,921,288 | 1,921,288 |
| Noncontributory Retirement..... | - | 140,253 | 140,253 | 140,253 |
| TOTAL PENSION BENEFITS..... | - | 2,061,541 | 2,061,541 | 2,061,541 |
| 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..... | - | 400,000 | 400,000 | 405,000 |
| Salary Reserve..... | - | 110,770 | 110,770 | 110,770 |
| Group Insurance..... | - | 10,717,120 | 10,717,120 | 10,717,120 |
| TOTAL FRINGE BENEFITS..... | - | 11,227,890 | 11,227,890 | 11,232,890 |
| INTERGOVERNMENTAL | | | | |
| State..... | - | 1,680,909 | 1,680,909 | 1,680,909 |
| TOTAL INTERGOVERNMENTAL..... | - | 1,680,909 | 1,680,909 | 1,680,909 |
| DEBT SERVICES | | | | |
| Maturing Debt..... | - | 1,615,000 | 1,615,000 | 1,615,000 |
| Interest..... | - | 1,554,372 | 1,554,372 | 1,554,372 |
| TOTAL DEBT SERVICES..... | - | 3,169,372 | 3,169,372 | 3,169,372 |
| TOTAL EXPENDITURES..... | 795,439 | 61,048,868 | 61,844,307 | 61,775,202 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES..... | (795,439) | (2,533,407) | (3,328,846) | (3,397,848) |

| Actual Budgetary Amounts | Amounts Carried Forward To Next Year | Variance to Final Budget |
|--------------------------------|--|-----------------------------|
| 400 | - | - |
| 129,114 | - | 552 |
| 7,251 | - | 3,394 |
| 1,290 | - | 510 |
| 4,000 | - | - |
| 63,728 | - | 2,000 |
| 172,547 | - | 6,834 |
| 2,856 | - | 3 |
| 54,527 | - | 1 |
| 1,007 | - | 236 |
| 1,098 | - | 2 |
| 20,772 | - | - |
| 458,590 | - | 13,532 |
| 682,389 | - | 19,808 |
| 223,883 | - | - |
| 76 | - | 24 |
| 264,155 | - | - |
| 13,195 | 2,781 | - |
| 525,379 | - | 2,119 |
| 159,105 | - | 12,461 |
| 36,559 | - | 6,071 |
| 24 | - | - |
| 1,976 | - | - |
| 48,812 | - | - |
| 1,944 | - | 6 |
| 1,957,497 | 2,781 | 40,489 |
| 293,493 | - | 110,707 |
| 293,493 | - | 110,707 |
| 1,921,288 | - | - |
| 133,112 | - | 7,141 |
| 2,054,400 | - | 7,141 |
| 277,368 | - | 198,520 |
| 277,368 | - | 198,520 |
| 397,668 | - | 7,332 |
| 109,537 | - | 1,233 |
| 8,943,554 | - | 1,773,566 |
| 9,450,759 | - | 1,782,131 |
| 1,457,485 | - | 223,424 |
| 1,457,485 | - | 223,424 |
| 1,615,000 | - | - |
| 1,554,372 | - | - |
| 3,169,372 | - | - |
| 58,375,234 | 565,154 | 2,834,814 |
| 1,019,989 | (565,154) | 3,852,683 |

(Continued)

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

FISCAL YEAR ENDED JUNE 30, 2009

| | Budgeted Amounts | | | |
|--|---|-----------------------------|-----------------------------|-----------------|
| | Amounts Carried forward From Prior Year | Original Voted Budget | Total Original Budget | Final Budget |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in..... | - | 872,653 | 872,653 | 872,653 |
| Transfers out..... | - | (1,080,000) | (1,080,000) | (1,149,305) |
| TOTAL OTHER FINANCING SOURCES (USES)..... | - | (207,347) | (207,347) | (276,652) |
| NET CHANGE IN FUND BALANCE..... | (795,439) | (2,740,754) | (3,536,193) | (3,674,500) |
| BUDGETARY FUND BALANCE, Beginning of year..... | 8,135,587 | 8,135,587 | 8,135,587 | 8,135,587 |
| BUDGETARY FUND BALANCE, End of year..... | \$ 7,340,148 | \$ 5,394,833 | \$ 4,599,394 | \$ 4,461,087 |

See notes to required supplementary information.

| Actual Budgetary Amounts | Amounts Carried Forward To Next Year | Variance to Final Budget |
|--------------------------------|--|-----------------------------|
| 908,536 | - | 35,883 |
| <u>(1,149,305)</u> | <u>-</u> | <u>-</u> |
| (240,769) | - | 35,883 |
| 779,220 | (565,154) | 3,888,566 |
| <u>8,135,587</u> | <u>-</u> | <u>-</u> |
| \$ <u>8,914,807</u> | \$ <u>(565,154)</u> | \$ <u>3,888,566</u> |

(Concluded)

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Other Post-Employment Benefits Plan Schedules

The Schedule of Funding progress compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.

OTHER POST-EMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS

JUNE 30, 2009

| Actuarial Valuation Date | Actuarial Value of Assets (A) | Actuarial Accrued Liability (AAL) Projected Unit Credit (B) | Unfunded AAL (UAAL) (B-A) | Funded Ratio (A/B) | Covered Payroll (C) | UAAL as a Percentage of Covered Payroll ((B-A)/C) |
|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|---|
| 7/1/2008 | \$ - | \$ 116,948,000 | \$ 116,948,000 | 0% | \$ 34,447,000 | 339.5% |

The Town implemented GASB Statement No. 45 for the fiscal year ended June 30, 2009.
Information for prior years is not available.

See notes to required supplementary information.

OTHER POST-EMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

FISCAL YEAR ENDED JUNE 30, 2009

Actuarial Methods:

| | |
|-------------------------------|--|
| Valuation date | July 1, 2008 |
| Actuarial cost method | Entry Age Normal Cost Method |
| Amortization method | Level percent of pay, assuming pay increases at 4.5% |
| Remaining amortization period | 30 years as of July 1, 2008 |

Actuarial Assumptions:

| | |
|------------------------------|---|
| Investment rate of return | 4.5%, pay-as-you-go scenario |
| Medical/drug cost trend rate | 10.5% grading down to 5.0% over 5 years |

Plan Membership:

| | |
|---|---------------------|
| Current retirees, beneficiaries, and dependents | 647 |
| Current active members | <u>744</u> |
| Total | <u><u>1,391</u></u> |

See notes to required supplementary information.

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 2009 and transfers of \$77,582 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..... | \$ | 779,220 |
| Net change in revenues in recording tax refunds payable..... | | 119,000 |
| Net change in short-term accrued interest..... | | 37,404 |
| Recognition of revenue for on-behalf payments..... | | (5,717,403) |
| Recognition of expenditures for on-behalf payments..... | | <u>5,717,403</u> |
| Net change in fund balance - GAAP basis (modified accrual)..... | \$ | <u><u>935,624</u></u> |

3. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2009, actual expenditures exceeded appropriations for snow removal by \$256,112. This appropriation deficit will be raised in fiscal year 2010 tax rate setting process as allowed by Massachusetts state finance law.

NOTE B - OTHER POST-EMPLOYMENT BENEFITS

The Town administers a single-employer defined benefit healthcare plan ("The Retiree Health Plan"). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Town's group health insurance plan, which covers both active and retired members.

The Town currently finances its other post-employment benefits (OPEB) on a pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 0%. In accordance with Governmental Accounting Standards, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets. Since this is the Town's initial year of implementation of GASB Statement 45, information for prior years is not available.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.

Other Supplementary Information

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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, 2009

Special Revenue Funds

| | Federal Grants | State Grants | Other Grants | Revolving Funds | Receipts Reserved for Appropriation | Gifts |
|---|-------------------|-------------------|-------------------|--------------------|---|-------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents..... | \$ 16,761 | \$ 192,088 | \$ 525,321 | \$ 554,741 | \$ 2,567,555 | \$ 455,071 |
| Receivables, net of uncollectibles: | | | | | | |
| Departmental and other..... | - | - | - | 55,252 | 825 | - |
| Intergovernmental..... | - | 620,030 | - | - | - | - |
| Working capital deposit..... | - | - | - | - | - | - |
| TOTAL ASSETS..... | \$ 16,761 | \$ 812,118 | \$ 525,321 | \$ 609,993 | \$ 2,568,380 | \$ 455,071 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| LIABILITIES: | | | | | | |
| Warrants payable..... | \$ 3,504 | \$ 189,909 | \$ 3,797 | \$ 208,502 | \$ - | \$ 228,112 |
| Deferred revenues..... | - | 374,199 | - | 17,918 | 825 | - |
| TOTAL LIABILITIES..... | 3,504 | 564,108 | 3,797 | 226,420 | 825 | 228,112 |
| FUND BALANCES: | | | | | | |
| Unreserved: | | | | | | |
| Undesignated, reported in: | | | | | | |
| Special revenue funds..... | 13,257 | 248,010 | 521,524 | 383,573 | 2,567,555 | 226,959 |
| TOTAL FUND BALANCES..... | 13,257 | 248,010 | 521,524 | 383,573 | 2,567,555 | 226,959 |
| TOTAL LIABILITIES AND FUND BALANCES..... | \$ 16,761 | \$ 812,118 | \$ 525,321 | \$ 609,993 | \$ 2,568,380 | \$ 455,071 |

| Special Revenue Trust Funds | Total Nonmajor Governmental Funds |
|-----------------------------------|--|
| \$ 2,931,789 | \$ 7,243,326 |
| - | 56,077 |
| - | 620,030 |
| 10,000 | 10,000 |
| <u>\$ 2,941,789</u> | <u>\$ 7,929,433</u> |

| | |
|------|------------|
| \$ - | \$ 633,824 |
| - | 392,942 |
| - | 1,026,766 |

| | |
|---------------------|---------------------|
| <u>2,941,789</u> | <u>6,902,667</u> |
| <u>2,941,789</u> | <u>6,902,667</u> |
| <u>\$ 2,941,789</u> | <u>\$ 7,929,433</u> |

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

| | <i>Special Revenue Funds</i> | | | | |
|---|------------------------------|-------------------|-------------------|--------------------|---|
| | Federal Grants | State Grants | Other Grants | Revolving Funds | Receipts Reserved for Appropriation |
| REVENUES: | | | | | |
| Charges for services..... | \$ - | \$ - | \$ - | \$ 2,173,946 | \$ 21,547 |
| Fines and forfeitures..... | - | - | - | 600 | - |
| Intergovernmental..... | 1,050,387 | 2,413,822 | 93,250 | 128,314 | - |
| Departmental and other..... | - | - | 26,000 | 243,957 | - |
| Contributions..... | - | - | 59,593 | 36,475 | - |
| Investment income (loss)..... | 87 | 99 | 10,850 | 412 | - |
| Miscellaneous..... | - | - | - | 268,034 | - |
| TOTAL REVENUES..... | 1,050,474 | 2,413,921 | 189,693 | 2,851,738 | 21,547 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General government..... | - | - | - | 836 | 24,150 |
| Public safety..... | 40,166 | 233,450 | - | 332,267 | - |
| Education..... | 1,036,068 | 1,342,200 | 86,431 | 1,944,577 | - |
| Public works..... | - | 491,208 | - | 238,635 | - |
| Human services..... | - | 152,774 | 23,793 | 152,524 | - |
| Culture and recreation..... | - | 26,548 | 67,638 | 179,817 | - |
| TOTAL EXPENDITURES..... | 1,076,234 | 2,246,180 | 177,862 | 2,848,656 | 24,150 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES..... | (25,760) | 167,741 | 11,831 | 3,082 | (2,603) |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Premium from issuance of debt..... | - | - | - | - | 218,930 |
| Transfers in..... | - | - | - | 69,305 | - |
| Transfers out..... | - | (14,632) | - | (25,984) | (189,086) |
| TOTAL OTHER FINANCING SOURCES (USES)..... | - | (14,632) | - | 43,321 | 29,844 |
| NET CHANGE IN FUND BALANCES..... | (25,760) | 153,109 | 11,831 | 46,403 | 27,241 |
| FUND BALANCES AT BEGINNING OF YEAR..... | 39,017 | 94,901 | 509,693 | 337,170 | 2,540,314 |
| FUND BALANCES AT END OF YEAR..... | \$ 13,257 | \$ 248,010 | \$ 521,524 | \$ 383,573 | \$ 2,567,555 |

| | Special | Total | |
|-------------------|---------------------|---------------------|--|
| | Revenue | Nonmajor | |
| | Trust Funds | Governmental | |
| | | Funds | |
| Gifts | | | |
| \$ 2,089 | \$ - | \$ 2,197,582 | |
| - | - | 600 | |
| 12,085 | - | 3,697,858 | |
| - | - | 269,957 | |
| 230,342 | 152,485 | 478,895 | |
| - | (87,871) | (76,423) | |
| - | - | 268,034 | |
| <u>244,516</u> | <u>64,614</u> | <u>6,836,503</u> | |
| 29,998 | - | 54,984 | |
| 3,871 | - | 609,754 | |
| 142,333 | - | 4,551,609 | |
| 3,146 | - | 732,989 | |
| 1,281 | 32,793 | 363,165 | |
| <u>6,661</u> | <u>103,399</u> | <u>384,063</u> | |
| <u>187,290</u> | <u>136,192</u> | <u>6,696,564</u> | |
| <u>57,226</u> | <u>(71,578)</u> | <u>139,939</u> | |
| - | - | 218,930 | |
| - | 1,606 | 70,911 | |
| <u>-</u> | <u>-</u> | <u>(229,702)</u> | |
| <u>-</u> | <u>1,606</u> | <u>60,139</u> | |
| 57,226 | (69,972) | 200,078 | |
| <u>169,733</u> | <u>3,011,761</u> | <u>6,702,589</u> | |
| <u>\$ 226,959</u> | <u>\$ 2,941,789</u> | <u>\$ 6,902,667</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.

Workers' 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, 2009

| | Medical Claims | Medex Claims | Workers' Compensation | Total |
|--------------------------------|---------------------|---------------------|--------------------------|---------------------|
| ASSETS | | | | |
| CURRENT: | | | | |
| Cash and cash equivalents..... | \$ 1,465,704 | \$ 1,205,734 | \$ 396,107 | \$ 3,067,545 |
| Working capital deposit..... | <u>72,673</u> | <u>404</u> | <u>-</u> | <u>73,077</u> |
| TOTAL ASSETS..... | <u>1,538,377</u> | <u>1,206,138</u> | <u>396,107</u> | <u>3,140,622</u> |
| LIABILITIES | | | | |
| CURRENT: | | | | |
| Warrants payable..... | - | - | 1,288 | 1,288 |
| Accrued liabilities..... | 210,578 | 46,458 | - | 257,036 |
| Workers' compensation..... | <u>-</u> | <u>-</u> | <u>253,479</u> | <u>253,479</u> |
| Total current liabilities..... | <u>210,578</u> | <u>46,458</u> | <u>254,767</u> | <u>511,803</u> |
| NONCURRENT: | | | | |
| Workers' compensation..... | <u>-</u> | <u>-</u> | <u>454,324</u> | <u>454,324</u> |
| TOTAL LIABILITIES..... | <u>210,578</u> | <u>46,458</u> | <u>709,091</u> | <u>966,127</u> |
| NET ASSETS | | | | |
| Unrestricted..... | <u>\$ 1,327,799</u> | <u>\$ 1,159,680</u> | <u>\$ (312,984)</u> | <u>\$ 2,174,495</u> |

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

| | Medical Claims | Medex Claims | Workers' Compensation | Total |
|---|---------------------|---------------------|--------------------------|---------------------|
| OPERATING REVENUES: | | | | |
| Charges for services..... | \$ 11,364 | \$ - | \$ 250,000 | \$ 261,364 |
| Miscellaneous..... | 91,640 | - | - | 91,640 |
| TOTAL OPERATING REVENUES..... | 103,004 | - | 250,000 | 353,004 |
| OPERATING EXPENSES: | | | | |
| Cost of interfund services provided..... | (18,416) | 55,247 | 318,818 | 355,649 |
| OPERATING INCOME (LOSS)..... | 121,420 | (55,247) | (68,818) | (2,645) |
| NONOPERATING REVENUES (EXPENSES): | | | | |
| Investment income..... | 25,391 | 25,442 | 10,144 | 60,977 |
| CHANGE IN NET ASSETS..... | 146,811 | (29,805) | (58,674) | 58,332 |
| NET ASSETS AT BEGINNING OF YEAR..... | 1,180,988 | 1,189,485 | (254,310) | 2,116,163 |
| NET ASSETS AT END OF YEAR..... | \$ 1,327,799 | \$ 1,159,680 | \$ (312,984) | \$ 2,174,495 |

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

| | Medical Claims | Medex Claims | Workers' Compensation | Total |
|---|-------------------|-----------------|--------------------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Receipts from interfund services provided..... | \$ 138,277 | \$ - | \$ 250,000 | \$ 388,277 |
| Payments for interfund services used..... | (284,184) | (182,568) | (285,684) | (752,436) |
| NET CASH FROM OPERATING ACTIVITIES..... | (145,907) | (182,568) | (35,684) | (364,159) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Investment income..... | 25,391 | 25,442 | 10,144 | 60,977 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS..... | (120,516) | (157,126) | (25,540) | (303,182) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR..... | 1,586,220 | 1,362,860 | 421,647 | 3,370,727 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR..... | \$ 1,465,704 | \$ 1,205,734 | \$ 396,107 | \$ 3,067,545 |
| RECONCILIATION OF OPERATING INCOME (LOSS) | | | | |
| TO NET CASH FROM OPERATING ACTIVITIES: | | | | |
| Operating income (loss)..... | \$ 121,420 | \$ (55,247) | \$ (68,818) | \$ (2,645) |
| Adjustments to reconcile operating income (loss) to net cash from operating activities: | | | | |
| Changes in assets and liabilities: | | | | |
| Departmental and other..... | 35,273 | - | - | 35,273 |
| Working capital deposit..... | 270,467 | (404) | 25,000 | 295,063 |
| Warrants payable..... | - | (4,418) | (3,883) | (8,301) |
| Accrued liabilities..... | (573,067) | (122,499) | - | (695,566) |
| Workers' compensation..... | - | - | 12,017 | 12,017 |
| Total adjustments..... | (267,327) | (127,321) | 33,134 | (361,514) |
| NET CASH FROM OPERATING ACTIVITIES..... | \$ (145,907) | \$ (182,568) | \$ (35,684) | \$ (364,159) |

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, 2009

| | Charity Funds | Scholarship Funds | Other Funds | Total |
|--|---------------------|----------------------|-------------------|---------------------|
| ASSETS | | | | |
| Cash and cash equivalents..... | \$ 2,334,034 | \$ 946,096 | \$ 140,893 | \$ 3,421,023 |
| Receivables, net of allowance for uncollectibles: | | | | |
| Departmental and other..... | - | 175 | - | 175 |
| Capital assets, net of accumulated depreciation..... | 38,535 | - | - | 38,535 |
| Capital assets, not being depreciated..... | 2,045 | - | - | 2,045 |
| TOTAL ASSETS..... | 2,374,614 | 946,271 | 140,893 | 3,461,778 |
| LIABILITIES | | | | |
| Warrants payable..... | - | 969 | - | 969 |
| Other liabilities..... | - | 175 | - | 175 |
| TOTAL LIABILITIES..... | - | 1,144 | - | 1,144 |
| NET ASSETS | | | | |
| Held in trust for other purposes..... | \$ <u>2,374,614</u> | \$ <u>945,127</u> | \$ <u>140,893</u> | \$ <u>3,460,634</u> |

PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT CHANGES IN NET ASSETS

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

| | Charity Funds | Scholarship Funds | Other Funds | Total |
|---|---------------------|----------------------|-------------------|---------------------|
| ADDITIONS: | | | | |
| Contributions: | | | | |
| Private donations..... | \$ 70,937 | \$ - | \$ - | \$ 70,937 |
| Net investment income (loss): | | | | |
| Interest..... | 49,653 | 19,949 | 2,928 | 72,530 |
| TOTAL ADDITIONS..... | 120,590 | 19,949 | 2,928 | 143,467 |
| DEDUCTIONS: | | | | |
| Charitable payments..... | 82,326 | - | - | 82,326 |
| Depreciation..... | 3,541 | - | - | 3,541 |
| Educational scholarships..... | - | 14,951 | - | 14,951 |
| TOTAL DEDUCTIONS..... | 85,867 | 14,951 | - | 100,818 |
| CHANGE IN NET ASSETS..... | 34,723 | 4,998 | 2,928 | 42,649 |
| NET ASSETS AT BEGINNING OF YEAR..... | 2,339,891 | 940,129 | 137,965 | 3,417,985 |
| NET ASSETS AT END OF YEAR..... | \$ 2,374,614 | \$ 945,127 | \$ 140,893 | \$ 3,460,634 |

AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

| | Balance at June 30, 2008 | Additions | Deductions | Balance at June 30, 2009 |
|--|-----------------------------|-------------------|-------------------|-----------------------------|
| ASSETS | | | | |
| Cash and cash equivalents..... | \$ 25,844 | \$ 331,570 | \$ 283,703 | \$ 73,711 |
| Due from general fund..... | 65,066 | 131,538 | 81,535 | 115,069 |
| Total assets..... | <u>\$ 90,910</u> | <u>\$ 463,108</u> | <u>\$ 365,238</u> | <u>\$ 188,780</u> |
| LIABILITIES | | | | |
| Accrued Payroll - Off Duty Work Details..... | \$ 224 | \$ 16,176 | \$ 14,238 | \$ 2,162 |
| Accrued Payroll - Dog License Fees..... | 267 | 1,802 | 1,953 | 116 |
| Due To Commonwealth: | | | | |
| Firearms Permits..... | 537 | 7,101 | 7,037 | 601 |
| Meals Tax..... | 10 | 296 | 273 | 33 |
| Sales Tax..... | 52 | 285 | 279 | 58 |
| Due To Other Governments: | | | | |
| Housing Authority..... | 200 | 4,388 | 4,576 | 12 |
| Due To Student Activities..... | 25,844 | 331,571 | 283,703 | 73,712 |
| Performance Bonds..... | 63,776 | 101,489 | 53,179 | 112,086 |
| Total liabilities..... | <u>\$ 90,910</u> | <u>\$ 463,108</u> | <u>\$ 365,238</u> | <u>\$ 188,780</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 Chuck McCollum and Dana Snow

Abbot Hall, Marblehead's Town Hall, sits on land once used as a training field during the Revolutionary War. This is one of the highest points of land in Marblehead, rising sixty feet above sea level.

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 Seven Fiscal Years

| | Fiscal Year | | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
| 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 | \$ 68,262,258 |
| Restricted..... | 4,718,510 | 7,367,239 | 8,369,340 | 8,514,978 | 9,369,209 | 9,566,795 | 9,162,785 |
| 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> | <u>2,796,688</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> | <u>\$ 80,221,731</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 | 32,097,547 |
| 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> | <u>15,349,058</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> | <u>\$ 47,446,605</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 | 100,359,805 |
| Restricted..... | 4,718,510 | 7,367,239 | 8,369,340 | 8,514,978 | 9,369,209 | 9,566,795 | 9,162,785 |
| 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> | <u>18,145,746</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> | <u>\$ 127,668,336</u> |

Changes in Net Assets

Last Seven Fiscal Years

| | Fiscal Year | | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
| Expenses | | | | | | | |
| Governmental activities: | | | | | | | |
| General government..... | \$ 2,938,994 | \$ 3,365,848 | \$ 3,391,116 | \$ 3,270,652 | \$ 3,524,468 | \$ 3,490,002 | \$ 3,709,427 |
| Public safety..... | 7,867,199 | 7,957,974 | 7,787,203 | 7,980,128 | 9,019,171 | 9,118,679 | 10,129,416 |
| Education..... | 32,368,949 | 36,143,224 | 38,303,976 | 41,023,533 | 42,814,037 | 43,648,218 | 49,890,761 |
| Public works..... | 5,654,141 | 5,101,138 | 4,903,611 | 4,879,129 | 5,173,056 | 5,407,535 | 5,538,314 |
| 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 | 1,147,405 |
| Culture and recreation..... | 2,361,916 | 2,301,611 | 2,427,894 | 2,438,794 | 2,563,548 | 2,586,664 | 2,926,073 |
| Interest..... | 1,451,423 | 1,059,107 | 1,847,413 | 2,214,597 | 1,326,580 | 1,484,146 | 1,371,083 |
| Total government activities expenses..... | 53,557,589 | 56,858,144 | 59,488,040 | 62,891,112 | 70,436,410 | 68,032,960 | 74,712,479 |
| Business-type activities: | | | | | | | |
| Water..... | 2,223,297 | 2,312,442 | 2,408,244 | 2,575,458 | 2,900,743 | 2,825,383 | 3,065,981 |
| Sewer..... | 3,061,348 | 2,980,770 | 3,489,015 | 3,274,040 | 3,516,775 | 3,044,040 | 3,278,347 |
| Municipal Light..... | 10,381,542 | 10,805,232 | 10,941,345 | 13,344,444 | 12,768,585 | 12,879,054 | 14,643,929 |
| Harbor..... | 584,471 | 576,851 | 455,038 | 620,604 | 578,842 | 573,268 | 658,183 |
| Total business-type activities expenses..... | 16,250,658 | 16,675,295 | 17,293,642 | 19,814,546 | 19,764,945 | 19,321,745 | 21,646,440 |
| Total primary government expenses..... | \$ 69,808,247 | \$ 73,533,439 | \$ 76,781,682 | \$ 82,705,658 | \$ 90,201,355 | \$ 87,354,705 | \$ 96,358,919 |
| Program Revenues | | | | | | | |
| Governmental activities: | | | | | | | |
| Charges for services..... | \$ 1,663,552 | \$ 920,442 | \$ 965,873 | \$ 1,013,743 | \$ 993,793 | \$ 1,049,707 | \$ 964,181 |
| Public Safety..... | 681,523 | 744,398 | 990,605 | 1,072,931 | 959,016 | 852,159 | 997,699 |
| Education..... | 1,144,334 | 1,156,322 | 1,151,263 | 1,185,631 | 1,192,449 | 1,693,799 | 1,719,034 |
| Public Works..... | 602,236 | 711,153 | 777,895 | 745,750 | 764,571 | 742,708 | 644,406 |
| Operating grants and contributions..... | 9,961,379 | 10,236,741 | 11,965,143 | 13,534,764 | 13,072,665 | 13,164,337 | 15,215,908 |
| Capital grant and contributions..... | 6,016,683 | 6,184,306 | - | - | 933,198 | 467,866 | 2,033,978 |
| Total government activities program revenues..... | 20,069,707 | 19,953,362 | 15,850,779 | 17,552,819 | 17,915,692 | 17,970,576 | 21,575,206 |
| 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 | 3,395,280 |
| Charges for services - Sewer..... | 3,054,481 | 3,098,366 | 3,897,788 | 3,254,460 | 3,566,868 | 3,711,954 | 3,493,052 |
| Charges for services - Municipal Light..... | 11,524,933 | 11,747,745 | 11,350,011 | 13,845,358 | 13,837,216 | 13,410,728 | 15,185,296 |
| Charges for services - Harbor..... | 582,103 | 571,937 | 615,946 | 608,305 | 619,480 | 638,397 | 627,795 |
| Operating grants and contributions..... | - | - | 25,000 | 3,473 | 24,067 | 8,144 | 13,255 |
| Total business-type activities program revenues..... | 17,518,609 | 17,822,373 | 18,874,457 | 20,796,392 | 21,145,490 | 21,196,017 | 22,714,678 |
| Total primary government program revenues..... | \$ 37,588,316 | \$ 37,775,735 | \$ 34,725,236 | \$ 38,349,211 | \$ 39,061,182 | \$ 39,166,593 | \$ 44,289,884 |
| Net (Expense)/Revenue | | | | | | | |
| Governmental activities..... | \$ (33,487,882) | \$ (36,904,782) | \$ (43,637,261) | \$ (45,338,293) | \$ (52,520,718) | \$ (50,062,384) | \$ (53,137,273) |
| Business-type activities..... | 1,267,951 | 1,147,078 | 1,580,815 | 1,116,626 | 1,380,545 | 1,874,272 | 1,068,238 |
| Total primary government net expense..... | \$ (32,219,931) | \$ (35,757,704) | \$ (42,056,446) | \$ (44,221,667) | \$ (51,140,173) | \$ (48,188,112) | \$ (52,069,035) |
| 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 | \$ 48,062,992 |
| Motor vehicle excise taxes..... | 2,816,116 | 2,815,852 | 3,008,370 | 3,033,965 | 2,908,531 | 2,856,787 | 2,717,571 |
| Penalties and interest on taxes..... | 112,354 | 128,811 | 142,047 | 134,274 | 174,210 | 152,437 | 153,284 |
| 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 | 1,479,237 |
| Unrestricted investment income..... | 517,360 | 494,060 | 369,109 | 811,058 | 1,299,063 | 1,366,744 | 694,664 |
| Gain (loss) on disposal of capital assets..... | (26,635) | - | - | - | - | - | - |
| Miscellaneous..... | 2,719 | - | - | 61,300 | - | - | - |
| Transfers..... | 57,508 | 1,026,962 | 688,377 | 656,398 | 544,635 | 559,028 | 586,703 |
| Total governmental activities..... | 39,344,242 | 43,233,642 | 44,942,183 | 50,003,741 | 51,732,856 | 53,083,884 | 53,694,451 |
| Business-type activities: | | | | | | | |
| Boat excise..... | 131,449 | 137,920 | 139,068 | 134,780 | 142,145 | 134,306 | 140,197 |
| Unrestricted investment income..... | 107,863 | 51,225 | 104,009 | 238,535 | 333,173 | 337,377 | 231,740 |
| Settlements and refunds..... | - | - | - | - | - | 1,012,370 | - |
| Transfers..... | (57,508) | (1,026,962) | (688,377) | (656,398) | (544,635) | (559,028) | (586,703) |
| Total primary government..... | \$ 181,804 | \$ (837,817) | \$ (445,300) | \$ (283,083) | \$ (69,317) | \$ 925,025 | \$ (214,766) |
| Changes in Net Assets | | | | | | | |
| Governmental activities..... | \$ 5,856,360 | \$ 6,328,860 | \$ 1,304,922 | \$ 4,665,448 | \$ (787,862) | \$ 3,021,500 | \$ 557,178 |
| Business-type activities..... | 1,449,755 | 309,261 | 1,135,515 | 833,543 | 1,311,228 | 2,799,297 | 853,472 |
| Total primary government..... | \$ 7,306,115 | \$ 6,638,121 | \$ 2,440,437 | \$ 5,498,991 | \$ 523,366 | \$ 5,820,797 | \$ 1,410,650 |

Fund Balances, Governmental Funds

Last Ten Fiscal Years

| | Fiscal Year | | | | | | | | | |
|---|---------------------|-----------------------|---------------------|----------------------|----------------------|---------------------|---------------------|---------------------|----------------------|----------------------|
| | <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> | <u>2009</u> |
| General Fund | | | | | | | | | | |
| Reserved..... | \$ 2,047,209 | \$ 2,021,489 | \$ 2,495,896 | \$ 590,889 | \$ 346,436 | \$ 242,334 | \$ 329,471 | \$ 347,480 | \$ 795,436 | \$ 565,154 |
| Unreserved..... | <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> | <u>8,349,653</u> |
| Total general fund..... | <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> | <u>\$ 8,914,807</u> |
| All Other Governmental Funds | | | | | | | | | | |
| Reserved..... | \$ - | \$ - | \$ - | \$ 3,119,714 | \$ 3,160,017 | \$ 3,242,776 | \$ 3,218,824 | \$ 3,265,196 | \$ 3,309,253 | \$ 3,348,145 |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue funds..... | 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 | 6,902,667 |
| Capital projects funds..... | (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 | 9,471,649 |
| Permanent funds..... | <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> | <u>1,488,902</u> |
| Total all other governmental funds..... | <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> | <u>\$ 21,211,363</u> |

Fiscal years 2000 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

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---------------------|-----------------------|----------------------|---------------------|-----------------------|---------------------|-----------------------|----------------------|---------------------|---------------------|
| Revenues: | | | | | | | | | | |
| Real estate and personal property taxes, net of tax refunds..... | \$ 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 | \$ 47,865,181 |
| Motor vehicle excise taxes..... | 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 | 2,756,859 |
| Penalties and interest on taxes..... | 136,615 | 130,863 | 125,118 | 112,354 | 128,811 | 142,047 | 134,274 | 174,210 | 152,437 | 153,284 |
| Charges for services..... | 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 | 2,933,547 |
| Licenses and permits (**and fees)..... | 375,475 | 457,597 | 512,478 | 445,850 | 557,746 | 805,077 | 867,875 | 692,993 | 604,058 | 648,799 |
| Fines and forfeitures..... | 186,366 | 164,701 | 185,354 | 186,801 | 184,034 | 209,571 | 185,569 | 162,480 | 193,511 | 167,209 |
| Intergovernmental..... | 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 | 18,339,553 |
| Departmental and other..... | - | - | - | 301,228 | 351,221 | 363,625 | 339,638 | 399,086 | 389,996 | 269,957 |
| Contributions..... | 218,961 | 391,583 | 364,035 | 448,003 | 366,484 | 708,368 | 383,178 | 814,817 | 537,030 | 599,738 |
| Investment income..... | 495,292 | 1,625,099 | 769,304 | 482,227 | 487,621 | 355,094 | 787,540 | 1,250,722 | 1,299,999 | 633,687 |
| Miscellaneous..... | 336,359 | 335,169 | 402,121 | 375,330 | 188,506 | 258,863 | 356,564 | 255,420 | 323,821 | 321,609 |
| Total Revenue..... | 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 | 74,689,423 |
| Expenditures: | | | | | | | | | | |
| General government..... | 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 | 2,055,385 |
| Public safety..... | 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 | 6,663,357 |
| Education..... | 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 | 31,437,324 |
| Public works..... | 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 | 3,641,840 |
| Human services..... | 776,735 | 838,688 | 810,067 | 744,629 | 647,358 | 551,201 | 798,590 | 811,195 | 889,949 | 804,745 |
| Culture and recreation..... | 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 | 2,019,758 |
| 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 | 7,771,803 |
| Property and liability insurance..... | 93,890 | 105,023 | 157,751 | 245,545 | 304,088 | 323,166 | 334,103 | 345,231 | 330,485 | 277,368 |
| Employee benefits..... | 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 | 9,716,952 |
| State and county charges..... | 622,850 | 608,657 | 596,520 | 1,824,080 | 1,714,756 | 2,094,128 | 2,217,767 | 2,156,712 | 1,340,304 | 1,457,485 |
| Capital outlay..... | 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 | 7,463,678 |
| Debt service: | | | | | | | | | | |
| Principal..... | 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 | 1,615,000 |
| Interest..... | 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 | 1,516,966 |
| Total Expenditures..... | 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 | 76,441,661 |
| Excess of revenues over (under) expenditures..... | (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) | (1,752,238) |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Issuance of debt..... | 1,645,000 | 4,950,000 | 40,600,000 | 15,400,000 | 8,000,000 | - | - | 9,496,500 | 9,496,500 | 9,960,500 |
| Premium from issuance of bonds..... | 6,316 | 120,786 | 165,638 | 509,739 | 471,668 | 1,806,081 | 197,483 | 13,295 | 33,326 | 218,930 |
| 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) | - | - | (9,496,500) |
| Capital lease financing..... | 25,000 | 235,710 | - | - | - | - | 46,875 | - | - | - |
| Transfers in..... | 536,631 | 1,738,319 | 711,238 | 537,488 | 2,514,566 | 2,256,375 | 2,297,989 | 2,002,892 | 2,104,004 | 2,061,179 |
| Transfers out..... | (625,087) | (1,923,025) | (899,708) | (679,980) | (1,687,604) | (1,767,998) | (1,641,591) | (1,458,257) | (1,544,976) | (1,474,476) |
| Total other financing sources (uses)..... | 1,587,860 | 5,121,790 | 40,577,168 | 15,767,247 | 9,298,630 | 2,294,458 | 900,756 | 10,054,430 | 10,088,854 | 10,766,133 |
| Net change in fund balances..... | \$ (326,376) | \$ (8,797,841) | \$ 13,489,747 | \$ 2,366,454 | \$ (3,865,758) | \$ (441,244) | \$ (2,247,037) | \$ 13,174,651 | \$ 6,229,196 | \$ 9,013,895 |
| Debt service as a percentage of noncapital expenditures..... | 3.55% | 3.78% | 6.88% | 6.62% | 5.97% | 7.25% | 8.25% | 5.83% | 4.54% | 4.54% |

Fiscal years 2000 through 2002 exclude Expendable and Nonexpendable Trust Funds which were reported under the pre-GASB 34 format.

Fiscal years 2000 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 |
| 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 |
| 2009 | \$ 5,088,265,598 | \$8.99 | \$ 198,014,716 | \$ 20,145,800 | \$ 43,723,950 | \$ 261,884,466 | \$8.99 | \$ 8.99 | \$ 5,350,150,064 |

(1) Revaluation Year

Source: Town of Marblehead, Assessor's Department

Principal Taxpayers

Current Year and Nine Years Ago

| Name | Nature of Business | 2009 | | | 2000 | | |
|--------------------------------|----------------------|--------------------|------|--|--------------------|------|--|
| | | 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 | \$ 57,993,781 | 1 | 1.08% | \$ 25,834,600 | 1 | 0.99% |
| Rockett, J. Hillary | Real Estate Investor | \$ 32,850,700 | 2 | 0.61% | \$ 18,952,400 | 2 | 0.72% |
| Algonquin Gas Transmission Co. | Utility | \$ 22,504,100 | 3 | 0.42% | \$ - | | |
| Bessom Associates | Co-operative Housing | \$ 16,944,800 | 4 | 0.32% | \$ 7,536,500 | 4 | 0.29% |
| Eastern Yacht Club | Private Yacht Club | \$ 14,703,000 | 5 | 0.27% | \$ 7,715,000 | 3 | 0.29% |
| Angelo Arena | Real Estate Investor | \$ 10,352,100 | 6 | 0.19% | \$ 6,184,000 | 5 | 0.24% |
| Peter S. Lynch | Investment Manager | \$ 9,912,600 | 7 | 0.19% | \$ - | | |
| James Crosby | Commercial Property | \$ 8,686,500 | 8 | 0.16% | \$ 5,403,400 | 6 | 0.21% |
| Corinthian Yacht Club | Private Yacht Club | \$ 8,638,300 | 9 | 0.16% | \$ 5,386,100 | 7 | 0.21% |
| Philip A. Gianatasio | Executive | \$ 8,233,800 | 10 | 0.15% | \$ - | | |
| Robert W. Green | Real Estate Investor | \$ - | | | \$ 4,390,100 | 10 | 0.17% |
| Boston Gas Company (Keyspan) | Utility | \$ - | | | \$ 4,791,760 | 9 | 0.18% |
| Bell Atlantic | Utility | \$ - | | | \$ 5,203,100 | 8 | 0.20% |
| Totals | | \$ 190,819,681 | | 3.57% | \$ 91,396,960 | | 3.50% |

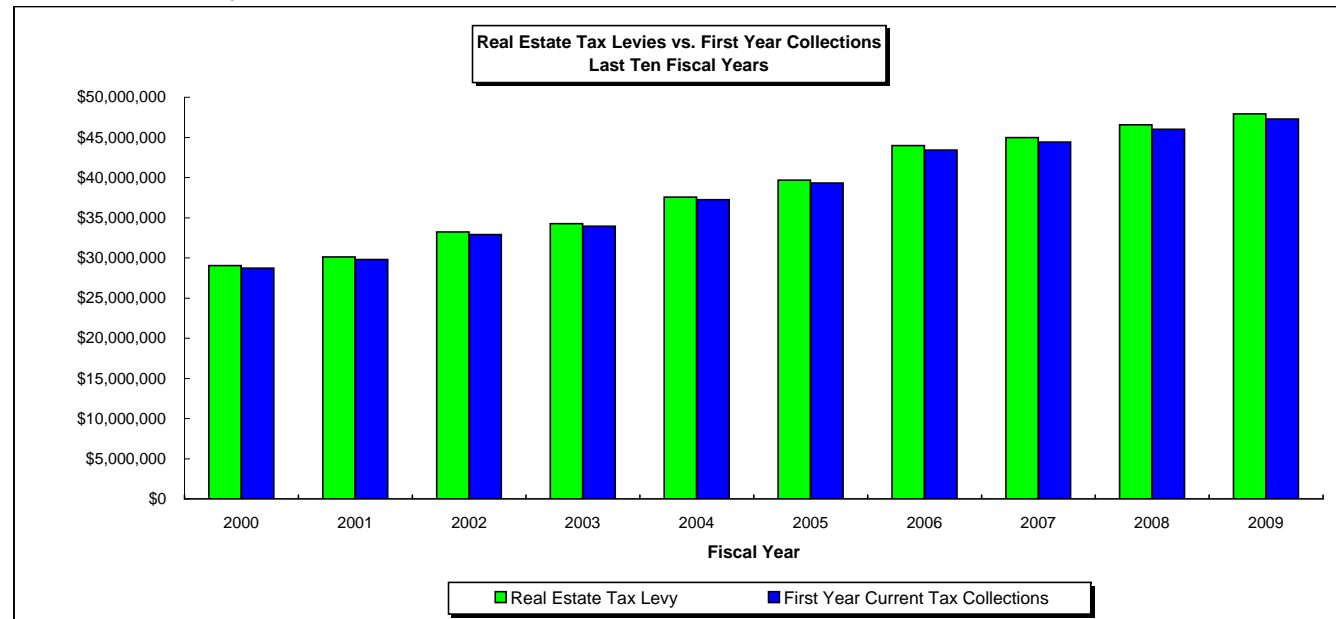
Source: Town of Marblehead, Assessor's Department

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 |
|-------------|-----|--------------------------|------------------------------------|------------------------|--|-------------------------------------|----------------------------------|-----------------------------|---|
| 2000 | | \$ 29,156,130 | \$ 127,760 | \$ 29,028,370 | \$ 28,725,420 | 99.0% | \$ 234,578 | \$ 28,959,998 | 99.76% |
| 2001 | (1) | 30,241,152 | 116,720 | 30,124,432 | 29,800,427 | 98.9% | 263,816 | 30,064,243 | 99.80% |
| 2002 | | 33,402,444 | 184,539 | 33,217,905 | 32,900,353 | 99.0% | 259,692 | 33,160,044 | 99.83% |
| 2003 | | 34,497,302 | 240,718 | 34,256,584 | 33,930,910 | 99.0% | 249,674 | 34,180,585 | 99.78% |
| 2004 | (1) | 37,870,060 | 281,014 | 37,589,046 | 37,251,701 | 99.1% | 258,079 | 37,509,780 | 99.79% |
| 2005 | | 39,870,372 | 190,961 | 39,679,411 | 39,322,124 | 99.1% | 229,540 | 39,551,665 | 99.68% |
| 2006 | | 44,199,627 | 205,719 | 43,993,908 | 43,414,941 | 98.7% | 393,466 | 43,808,407 | 99.58% |
| 2007 | (1) | 45,347,717 | 380,127 | 44,967,591 | 44,430,925 | 98.8% | 343,136 | 44,774,062 | 99.57% |
| 2008 | | 46,775,321 | 210,367 | 46,564,954 | 46,024,701 | 98.8% | 347,187 | 46,371,888 | 99.59% |
| 2009 | | 48,097,849 | 161,913 | 47,935,936 | 47,278,421 | 98.6% | - | 47,278,421 | 98.63% |

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 | | | | |
| 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 | \$ 35,312,098 | \$ - | \$ 1,762 | | | 3.22% | 0.63% |
| 2009 | 20,449 | \$ 955,745,362 | \$ 5,350,150,064 | \$ 43,600,210 | \$ - | \$ 2,132 | | | 4.56% | 0.81% |

| 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 | |
| 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 | \$ 35,402,098 | \$ 1,767 | 3.23% | 0.63% | |
| 2009 | \$ 45,000 | \$ 43,645,210 | \$ 2,134 | 4.57% | 0.82% | |

(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, 2009

| <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..... \$ | 1,605,000 | 2.237% | \$ 35,904 |
| South Essex Sewerage District..... | 113,101,754 | 7.535% | 8,521,946 |
| Massachusetts Water Resource Authority..... | 1,918,801,644 | 0.987% | <u>18,947,207</u> |
| Subtotal, overlapping debt..... | | | 27,505,057 |
| Town direct debt..... | | | <u>42,682,000</u> |
| Total direct and overlapping debt..... | | | \$ <u><u>70,187,057</u></u> |

Source: Town of Marblehead's, Finance Department

Computation of Legal Debt Margin

Last Ten Fiscal Years

| | Fiscal Year | | | | | | | | | |
|--|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| | <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> | <u>2009</u> |
| Equalized valuation..... | \$ <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> | \$ <u>5,976,188,400</u> |
| Debt Limit - 5% of equalized valuation..... | 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 | 298,809,420 |
| Less: | | | | | | | | | | |
| Total debt applicable to limitation..... | <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> | <u>23,270,000</u> |
| Legal debt margin..... | \$ <u><u>131,237,870</u></u> | \$ <u><u>127,752,870</u></u> | \$ <u><u>129,687,870</u></u> | \$ <u><u>181,782,585</u></u> | \$ <u><u>183,597,585</u></u> | \$ <u><u>210,871,740</u></u> | \$ <u><u>250,553,745</u></u> | \$ <u><u>252,423,745</u></u> | \$ <u><u>264,382,920</u></u> | \$ <u><u>275,539,420</u></u> |
| Total debt applicable to the limit as a percentage of debt limit..... | 7% | 10% | 8% | 5% | 4% | 15% | 11% | 11% | 13% | 8% |

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 |
|-------------|----------------------|------------------|----------------------------|------------|-------------------|-------------------|
| 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% |
| 2009 | 20,449 | \$ 1,142,204,180 | \$ 55,856 | 41.9 | 3,262 | 6.80% |

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

Principal Employers
Current and Nine Years Ago

| Employer | Nature of Business | 2009 | | | 2008 (a) | | |
|----------------------------|----------------------|-----------|------|-------------------------------------|-----------|------|-------------------------------------|
| | | Employees | Rank | Percentage of Total Town Employment | Employees | Rank | Percentage of Total Town Employment |
| Town of Marblehead | Municipal Government | 970 | 1 | 19.44% | 991 | 1 | 19.71% |
| Corinthian Yacht Club | Yacht Club | 150 | 2 | 3.01% | 135 | 3 | 2.69% |
| Lafayette Nursing Home | Health Care | 125 | 3 | 2.51% | 125 | 4 | 2.49% |
| Marblehead/Swampscott YMCA | Recreational | 125 | 4 | 2.51% | 125 | 5 | 2.49% |
| Devereux Nursing Home | Health Care | 116 | 5 | 2.33% | 123 | 6 | 2.45% |
| Eastern Yacht Club | Yacht Club, Tennis | 100 | 6 | 2.00% | 220 | 2 | 4.38% |
| Tedesco Country Club | Country Club | 90 | 7 | 1.80% | 120 | 7 | 2.39% |
| Crosby's Marketplace | Food Market | 88 | 8 | 1.80% | 90 | 8 | 1.79% |
| Boston Yacht Club | Yacht Club | 79 | 9 | 1.76% | 80 | 9 | 1.79% |
| National Grand Bank | Banking | 56 | 10 | 1.58% | 60 | 10 | 1.19% |

(a) 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 | | | | | | | | | |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
| Function | | | | | | | | | | |
| General government..... | 24.50 | 24.50 | 24.50 | 24.50 | 23.25 | 23.25 | 22.50 | 22.50 | 22.75 | 22.75 |
| Public safety..... | 58.50 | 56.50 | 58.50 | 56.25 | 58.50 | 54.75 | 55.25 | 55.50 | 55.75 | 56.00 |
| Fire..... | 42.00 | 42.00 | 42.00 | 42.00 | 42.00 | 42.50 | 42.50 | 42.50 | 42.50 | 42.50 |
| Education..... | 396.20 | 400.10 | 414.30 | 424.20 | 426.00 | 448.40 | 466.32 | 474.67 | 479.79 | 488.11 |
| Public works..... | 38.50 | 37.50 | 39.50 | 39.00 | 37.00 | 36.25 | 36.25 | 36.45 | 35.95 | 34.25 |
| Human services..... | 5.50 | 6.75 | 7.00 | 6.75 | 6.75 | 6.00 | 6.25 | 6.50 | 7.00 | 7.75 |
| Culture and recreation..... | 30.50 | 32.25 | 29.00 | 32.75 | 30.75 | 28.00 | 30.75 | 28.75 | 29.25 | 28.50 |
| Total..... | <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> | <u>679.86</u> |

Source: Town Records

Operating Indicators by Function/Program

Last Ten Fiscal Years

| Function/Program | Fiscal Year | | | | | | | | | |
|-------------------------------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
| Police | | | | | | | | | | |
| Physical arrests..... | 504 | 366 | 226 | 284 | 283 | 317 | 285 | 340 | 204 | 306 |
| Motor vehicle violations..... | 688 | 1,291 | 880 | 1,249 | 1,488 | 1,309 | 3,110 | 1,499 | 1,363 | 2,310 |
| Parking violations..... | 5,467 | 4,504 | 5,714 | 4,879 | 4,995 | 4,998 | 3,545 | 3,752 | 4,119 | 3,242 |
| Fire | | | | | | | | | | |
| Inspections..... | 1,594 | 1,579 | 1,467 | 1,622 | 1,622 | 1,860 | 1,707 | 1,651 | 1,738 | 1,618 |
| Emergency responses..... | 2,185 | 2,066 | 2,219 | 2,105 | 2,105 | 2,347 | 2,167 | 2,361 | 2,378 | 2,341 |
| Libraries | | | | | | | | | | |
| Volumes in circulation..... | 120,177 | 117,926 | 115,771 | 118,504 | 119,867 | 120,989 | 118,078 | 117,041 | 127,278 | 132,065 |
| Total volumes borrowed..... | 206,450 | 215,105 | 219,458 | 227,481 | 212,263 | 210,510 | 208,820 | 203,170 | 204,172 | 219,964 |
| Water | | | | | | | | | | |
| Service connections..... | 7,635 | 7,827 | 7,869 | 7,877 | 7,877 | 8,004 | 7,459 | 7,962 | 9,090 | 8,080 |
| Consumption in gallons..... | 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 | 1,993,000 |
| Daily consumption..... | 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 | 3,820,000 |
| Sewer | | | | | | | | | | |
| Service connections..... | 7,379 | 7,399 | 7,789 | 7,792 | 7,792 | 7,901 | 7,223 | 7,773 | 7,883 | 7,883 |
| Daily average collection..... | 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 | 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 | | | | | | | | | |
|--------------------------------------|--------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
| 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 | 45.0 | 42.0 | 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 | 39.0 | 42.0 | 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 | 6.0 | 6.0 | 6.0 | 6.0 |
| Number of middle schools..... | 1.0 | 1.0 | 1.0 | 1.0 | 2.0 | 2.0 | 1.0 | 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..... | 228.0 | 243.0 | 243.0 | 243.0 | 265.0 | 260.0 | 260.0 | 249.0 | 257.7 | 238.7 |
| Number of administrators..... | 15.0 | 17.0 | 9.0 | 9.0 | 9.0 | 18.0 | 17.0 | 17.0 | 18.5 | 22.0 |
| Number of students..... | 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 | 3,262.0 |
| Water | | | | | | | | | | |
| Water mains (miles)..... | 75.0 | 75.0 | 75.0 | 75.0 | 75.0 | 86.7 | 86.7 | 86.7 | 27.7 | 87.7 |
| Fire hydrants..... | 823.0 | 825.0 | 825.0 | 828.0 | 828.0 | 851.0 | 852.0 | 855.0 | 860.0 | 860.0 |
| Sewer | | | | | | | | | | |
| Sanitary sewers (miles)..... | 96.0 | 96.0 | 96.0 | 96.0 | 96.0 | 87.5 | 87.5 | 87.5 | 88.5 | 88.5 |
| Storm sewers (miles)..... | 37.0 | 37.0 | 37.0 | 37.0 | 37.0 | 50.9 | 50.9 | 50.9 | 51.9 | 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 | 133.2 | 134.3 | 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 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 |
| Tennis courts..... | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 10.0 | 12.0 | 12.0 | 12.0 |
| Harbor | | | | | | | | | | |
| Harbors..... | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Moorings..... | 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 | 2,200.0 |
| Private yacht clubs..... | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 6.0 | 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 | 4.0 | 4.0 | 3.0 | 3.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |

Source: Various Town Departments



Marblehead's Old Town House, built in 1727, stands proudly among Marblehead's Historic District. Known as Marblehead's "Cradle of Liberty", it is one of the longest continually-used Town Houses in the country.



Photos by Chuck McCollum and Dana Snow

A bird's-eye view of the Marblehead mainland.