

TOWN OF MARBLEHEAD, MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT



Photo by Colleen King

**For the Year Ended
June 30, 2015**

On the Cover:

Beautiful sunset captured from the Marblehead Light Tower in July 2015.



Photo by Michael Porter

The sun begins to rise over peaceful Fort Sewall Park.

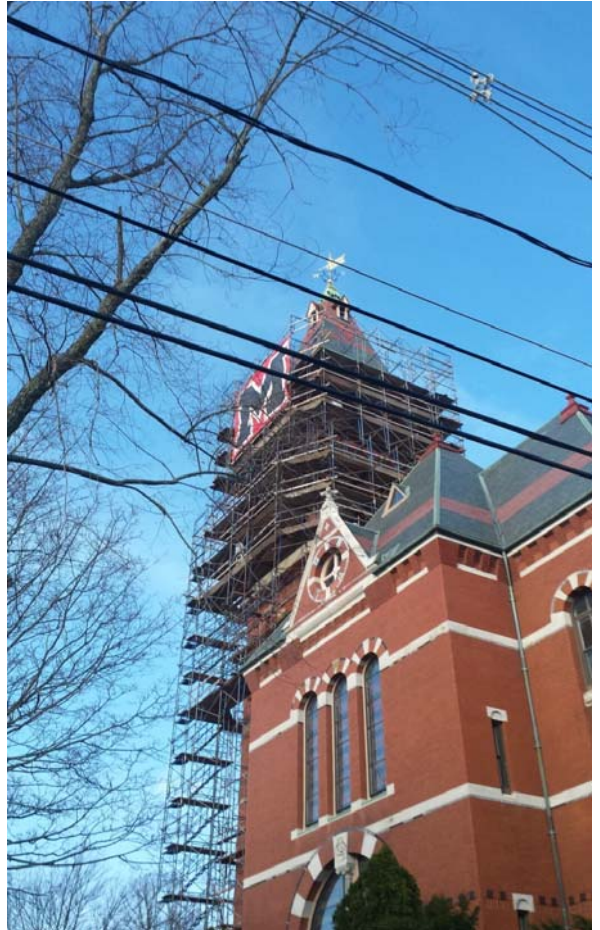


Photo by John McGinn

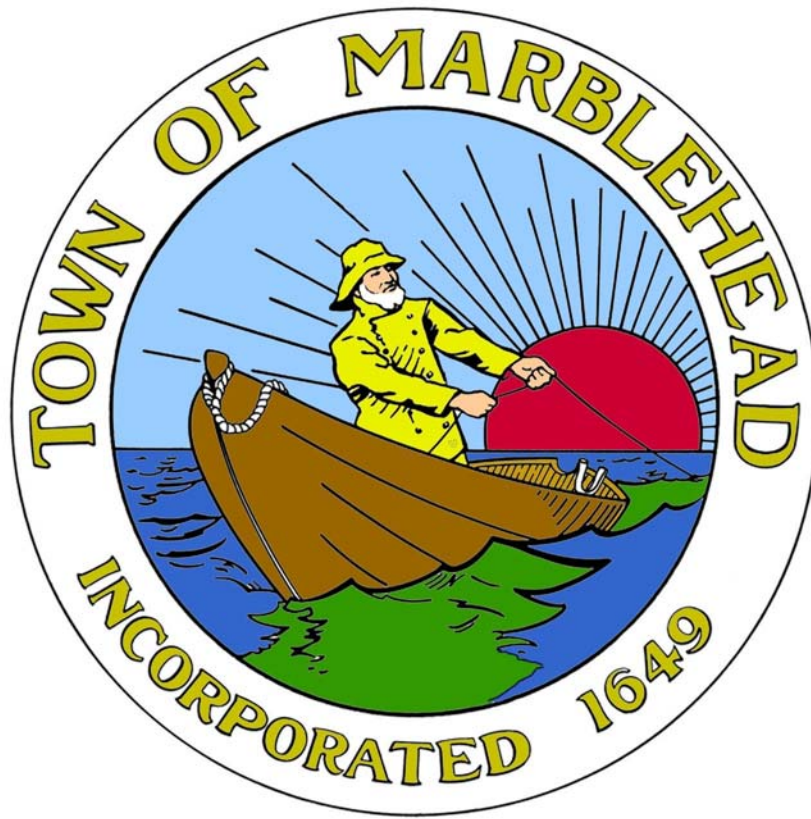
The clock tower at Abbot Hall undergoes a restoration project that is completed during FY2015.



Photo by Rob Kipp

The Marblehead Light Tower sits atop Chandler Hovey Park on Marblehead Neck.

TOWN OF MARBLEHEAD, MASSACHUSETTS



COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2015 Prepared by the Finance Department

TOWN OF MARBLEHEAD, MASSACHUSETTS
Comprehensive Annual Financial Report
Year Ended June 30, 2015

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Introductory Section



Photo by John McGinn

Aerial view of Marblehead from the Clock Tower at Abbot Hall.

Introductory Section

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TOWN OF MARBLEHEAD

FINANCIAL SERVICES

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Letter of Transmittal

December 11, 2015

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

It is with great pleasure that the Comprehensive Annual Financial Report of the Town of Marblehead, Massachusetts, for the fiscal year ended June 30, 2015, 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 the Town's management and progress such as bond analysts, banking institutions and credit raters, as well as residents and taxpayers of the Town of Marblehead.

This report consists of management's representations concerning the finances of the Town of Marblehead. Consequently, management assumes full responsibility for the completeness and reliability of all 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, 2015, 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, 2015, 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 complement MD&A and should be read in conjunction with it. The Town of Marblehead's MD&A can be found immediately following the report of the independent auditors.

This comprehensive annual financial report is broken out into the following three major sections:

1. **Introductory Section** – Includes the Letter of Transmittal, along with the Town's organization chart, a list of Principal Executive Officers, and the FY2014 GFOA Certificate of Achievement in Financial Reporting.
2. **Financial Section** – Includes the Independent Auditor's Report, the MD&A, the basic financial statements, the General Fund budget to actual schedules, the Retirement System schedules, and the combining and individual fund statements.
3. **Statistical Section** – Includes unaudited financial information, as well as trend data, to supplement the financial statements.

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 19,515, 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, account groups and activities considered a part of the Town of Marblehead. Specifically excluded are the Marblehead Housing Authority and The North Shore Regional Vocational School District since they have substantial autonomy and separate governmental entity characteristics.

The Town provides a range of municipal services normally associated with municipal government including education, public safety (police, fire and emergency medical services), recreation and parks, 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 real estate market continues to experience a strong period of revitalization, both in terms of value and new construction. New growth is anticipated at \$421,000, which is an increase over last year and represents just slightly less than the average new growth over the past three-year period. In addition, the median family income has remained significantly higher than state averages and the unemployment rate continues to be lower than the state average (3.9% vs. 6.0% 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.

Marblehead has 14 miles of seacoast of varying topography. The housing stock is also varied. There are 6,217 single family dwellings as of January 1, 2015. There are 1,940 Colonial style homes, constituting 31% of the single family housing stock. Old Style construction (typically pre-1920) represents 23% with 1,397 properties. Cape, Ranch, Contemporary, Split level, and Antique style properties comprise 28% of the single family inventory. The balance consists of conventional (non-specific architectural style) Bungalows, Split Entries, Row House (attached by common wall), and Mansions. Additionally, there are 978 condominiums, 314 two family properties, and 148 properties with 3 or more units. A total of 53% of the single family housing stock was built prior to 1950 and Marblehead has one of largest inventories of homes built prior to 1800, including 229 properties built before 1750. The vast majority of early construction is located in the area of town referred to as "Old Town" and designated as the Historic District. The Historic District is a high density, homogeneous, and distinct area. Antique architecture is predominant and lots rarely exceed 5,000 square feet with some lots mirroring only the foundation of the dwelling. The Historic District has a more rigorous building standard than the standard zoning by-laws with regard to permit work involving the exterior.

Residential properties comprise 95% of the tax levy. In FY 2015, single family dwellings had an average assessment of \$692,195 and an average tax bill of \$7,669 based on a single tax rate of \$11.08.

Commercial properties are typically one and two-story structures located along Atlantic Avenue, Pleasant Street, and in the Historic District. The predominant composition of the commercial properties is small retail, clothing boutiques, restaurants, banks, and office space, with many mixed use properties located in the Historic district. Notable exceptions are 3 small strip centers located on Pleasant Street, and a 15,000 square foot supermarket with attached residential improvements located in the Historic District. The newly proposed assisted living facility is currently in the application process with a proposed 89 units. Construction is expected to begin by Spring 2016 with completion by early 2017. The completed assisted living facility is projected to provide new growth of approximately \$12 million dollars in value and as much as \$140,000 in tax revenue with no impact on the school

system. Commercial vacancies remain at historic lows and higher rental rates reflect the strong demand for space.

The Town continues to be in the revitalization stage of the real estate cycle as demonstrated by the continued number of “tear downs” and redevelopment of 16 new dwellings. Similarly, smaller subdivisions of 2 and 3 lots are in the planning stages. All relevant data from multiple sources, particularly sales data, assessment analysis, and the recently completed Department of Revenue triennial certification, demonstrates a very strong real estate market with an aggregate increase of 4% for Marblehead in FY16. Average marketing time for properties is 60 to 90 days, with many properties selling in less than 30 days if priced properly. Demand continues to outweigh supply, resulting in a seller’s market and an upward trend in values.

Based on market demand, current and proposed development, plus increasing sale prices in 2014 and the first 6 months of 2015, it is anticipated that the healthy real estate market conditions will continue and result in a steady appreciation in 2016.

FINANCIAL AND MANAGEMENT POLICIES

Minimal Changes to FY15 Approved Operating Budget Required

The Town’s 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 can be amended during the fiscal year at special town meetings or at the next annual town meeting held prior to the end of the fiscal year. In FY15, no such budget amendments occurred.

During the fiscal year, the Finance Committee may transfer funds from a reserve for extraordinary or unforeseen expenditures. The Town appropriated \$144,000 for this purpose in fiscal 2015 and transfers of \$124,513 were made from this appropriation. 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 2015, there were no such transfers 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 and 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, operating expenses and local travel. These are the legal levels of budgetary control, in 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.

Long-Term Financial Planning

The Town manages its financial matters in a prudent manner. This has been affirmed by its ability to maintain its AAA bond rating even through the turbulent financial period that has been experienced nationally over the past few years. The Town’s financial actions are generally guided by multi-year planning tools, pay-as-you-go financing strategies for certain capital investments, long-term planning for liabilities such as its pension

obligations, strategic reorganizations of certain municipal services, and establishment of reserves to alleviate volatility in departmental budgets.

The Town of Marblehead has also enhanced its revenue flexibility by establishing self-sufficient enterprise funds for sewer, water, electric and harbor operations. All costs related to the enterprises are funded through user fees and each enterprise pays the Town for its share of general government services.

In FY15, the Town borrowed \$8.2 million in long-term bonds and \$15.8 million in short-term debt to fund a number of capital projects. The details of these projects and the related financing are included in the accompanying notes to the financial statements.

Undesignated Fund Balance in General Fund Positive Trend

The Town's management of its finances has resulted in a continued positive trend in General Fund equity. In the ten fiscal years since FY2006, the General Fund undesignated fund balance at year end has increased by 349%. At the end of FY15, the undesignated fund balance in the General Fund increased from the previous year by approximately 12.6%.

Property Tax Collection Rates Remain Consistently High

The Town has consistently had a first year collection rate for net property taxes due in excess of 99%. This collection rate was achieved again in FY2015.

Continued Funding of Energy Reserve to Manage Energy Cost Volatility

In response to volatile energy costs, the Town established an energy reserve beginning with its Fiscal Year 2007 operating budget. Departments with energy costs are allowed to access this reserve after they exhaust their entire departmental budget for various forms of energy (heating, electricity, and motor vehicle fuel). The use of the reserve has accomplished two important goals. First, it alleviates pressure on departmental budgets that have been historically pitting increased energy costs against other needs. Second, the reserve ensures that the monies appropriated for increased energy costs are not used for other purposes. The Town appropriated \$533,544 into the fiscal 2015 energy reserve. Of this amount \$309,147 was expended in FY15. This is less than the spending in FY14, which is particularly notable because the Town experienced the largest amount of snowfall in its history in FY15. The Town has once again appropriated \$533,544 for the energy reserve in the FY16 budget.

SIGNIFICANT EVENTS

Town's AAA Bond Rating Affirmed for 7TH Consecutive Year

In August of 2015, 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 affirmed the Town's Bond rating at AAA, their highest municipal rating. This represents the 7th consecutive year that S&P has set the Town's bond rating at AAA.

Town Continues Process to Fund Other Postemployment Benefits (OPEB) Liability

The 2013 Annual Town Meeting appropriated \$250,000 to begin funding its actuarially estimated OPEB liability. This OPEB liability is primarily comprised of the projected cost to provide health insurance coverage for the Town's retirees. Town Meeting also authorized the investment of these funds with the State's Health Care

Security Trust. These actions initiated the process of funding this liability. \$250,000 was appropriated towards the Town's OPEB liability in FY15 and the appropriation was increased to \$300,000 for FY16. It is anticipated that the Town will continue to appropriate additional sums into the OPEB trust annually.

Agreements Reached on Collective Bargaining Contracts

All of the Town's collective bargaining agreements expiring at the end of FY2015 were successfully re-negotiated and implemented. These contracts are in place for the next three years, which provides stability in future financial planning.

Abbot Tower Renovation

In FY14, the Town undertook a \$2.45 million project to repair and restore the Abbot Hall Clock Tower, which was originally built in 1876. This project also included several accessibility upgrades to Abbot Hall. The Town completed the remaining parts of the project during FY15, except the installation of a stage lift in the auditorium, which will be completed by mid-2016.

Drainage Project – Phase I Completed; Phase II Construction Scheduled

In June 2012, Marblehead voters approved a debt exclusion override for \$4,937,687 to make drainage improvements to the Pleasant Street area. The project has been divided into three phases. Construction began on Phase I of the project in May 2013 and was completed by the end of the summer in 2014.

A grant application was submitted to the Federal Emergency Management Agency (FEMA) and the Town received notification in August 2015 of funding awarded for the design portion of the project. This phase (Phase II) is scheduled for construction in summer 2016.

Design and research work for Phase II of the project will continue through 2015, with construction planned to begin shortly thereafter.

Old Landfill Capping Project Underway

The Town approved a bond authorization in 2011 to finance the capping of the Town's old landfill and the construction of a new transfer station. The capping of the landfill is currently under construction and is estimated to be completed in the spring of 2016. Once the landfill has been capped, the transfer station building project will commence and construction is expected to take approximately 12 months to complete at a cost of \$5 million.

Equipment Purchased

The Town purchased several new pieces of equipment in FY15. This included the following, by department:

Sewer Department:	Generator
Police Department:	2 Police Vehicles
Waste Department:	Hauling Tractor
Highway Department:	Dump truck
Highway Department:	Pick-up Truck
Recreation & Park Department:	Loader Tractor
School:	Van

RESULTS OF JUNE 14, 2015 OVERRIDE BALLOT

On June 14, 2015, a special election was held and one debt exclusion override question was presented to the voters to exclude appropriations from the limitations of proposition 2 ½. This debt exclusion override was approved by the voters (1,934 in favor, 666 opposed) for additional costs associated with capping the Town's landfill and the construction of a new transfer station. The debt exclusion totaled \$8,000,000.

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, 2014. This was the eleventh consecutive year that the Town submitted a CAFR to the GFOA. The Town was awarded this Certificate for all eleven years of submissions. In order to receive this prestigious award, a government must publish an easily readable and efficiently organized CAFR that satisfies 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 the FY2015 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 diligent and dedicated staff of the Financial Services Department, which includes the Treasurer, Accounting, Payroll, and Retirement offices. I would like to express my sincere appreciation to all members of the Town's Financial Services Department who assisted and contributed to the preparation of this report. I would also like to thank Town Administrator and former Finance Director, John McGinn, for establishing a comprehensive financial framework for the Town that will continue to serve as a model for planning in future years. Furthermore, I would like to thank the Board of Selectmen, the Board of Assessors, and the Finance Committee for their ongoing support in conducting the financial operations of the Town in a responsible and efficient manner.

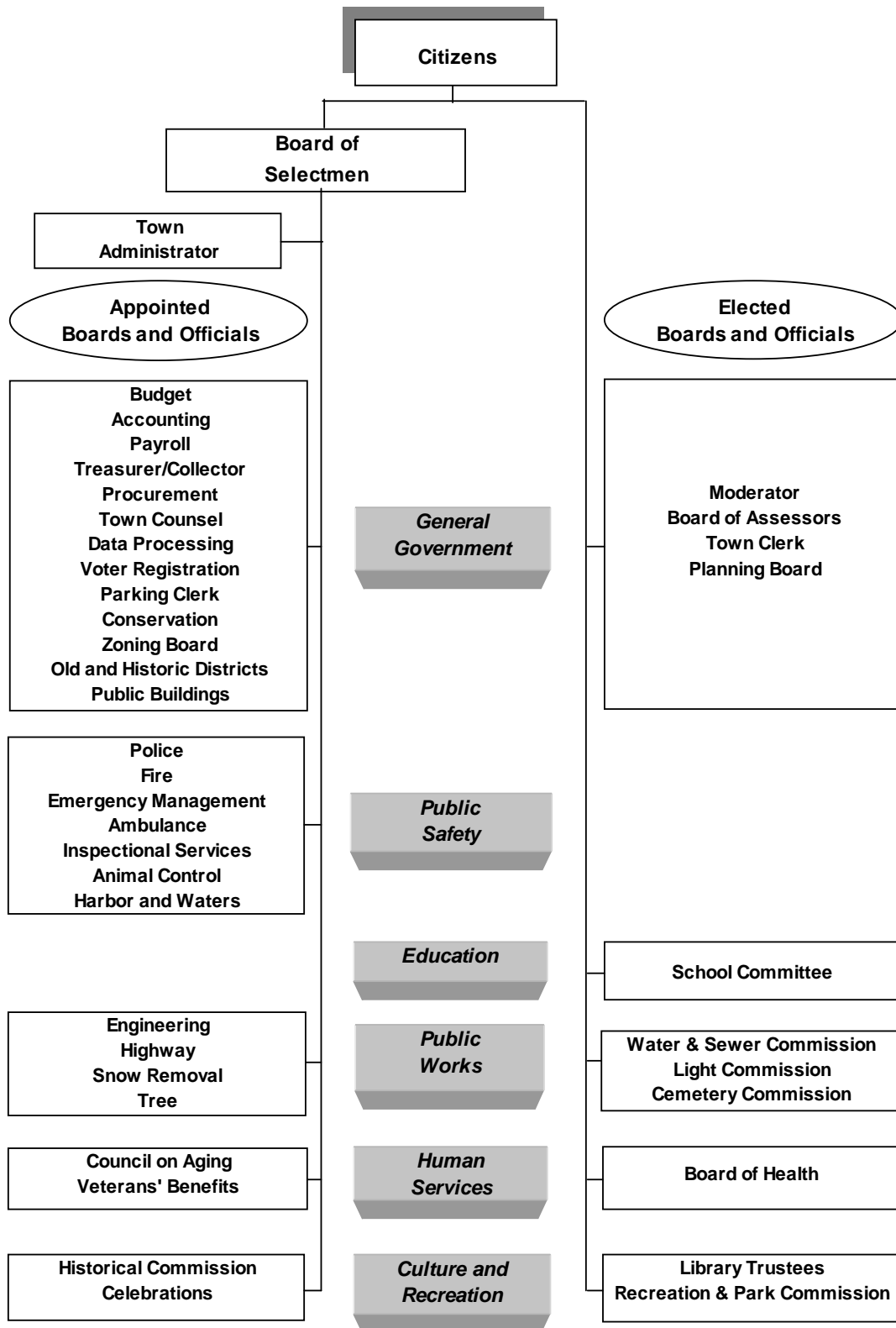
Respectfully submitted,



Alison Nieto
Finance Director

Town of Marblehead, Massachusetts

Organization Chart



Town of Marblehead, Massachusetts
Principal Executive Officers

Title	Name	Manner of Selection	Term Expires
Selectmen (Chair)	Jackie Belf-Becker	Elected	2016
Selectmen	Harry C. Christensen, Jr.	Elected	2016
Selectmen	Judith R. Jacobi	Elected	2016
Selectmen	Bret T. Murray	Elected	2016
Selectmen	James E. Nye	Elected	2016
Town Administrator	John J. McGinn	Appointed	2018
Finance Director/Town Accountant	Alison B. Nieto	Appointed	2018
Treasurer/Collector	Patricia K. Murray	Appointed	2016
Town Clerk	Robin A. Michaud	Elected	2016



Government Finance Officers Association

**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, 2014

Executive Director/CEO

Financial Section



Photo by Colleen King

The sun sets over Marblehead Harbor on a warm summer night – July 5, 2015.

Financial Section

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Independent Auditor's Report

To the Honorable Board of Selectmen
Marblehead, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Marblehead, Massachusetts, as of and for the year ended June 30, 2015 (except for the Marblehead Contributory Retirement System and the Marblehead Municipal Light Department which are as of and for the year ended December 31, 2014), and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 is both a major fund and 48%, 48%, and 60%, respectively, of the assets, net position, and revenues of the business-type activities, for the year ended December 31, 2014. Those 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 for the Marblehead Municipal Light Department, 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2015 (except for the Marblehead Contributory Retirement System and the Marblehead Municipal Light Department which are as of and for the year ended December 31, 2014), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, and historical context. We have applied certain limited procedures, to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Marblehead's basic financial statements. The introductory section, combining and individual fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, based on our audit and the procedures performed as described above, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2015 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 of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Marblehead's internal control over financial reporting and compliance.

Powers & Sullivan LLC

December 11, 2015

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Management's Discussion and Analysis

As management of the Town of Marblehead, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2015. We encourage readers to consider the information presented in this report in conjunction with the information that we have provided in our letter of transmittal. All amounts, unless otherwise indicated, are expressed in whole dollars.

Overview of the Financial Statements

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

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all assets, liabilities and deferred inflows/outflows of resources, with the difference between them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the Town's financial position is improving or deteriorating.

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

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

Internal service funds are an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town uses internal service funds to account for Town appropriations used to fund Workers' Compensation Claims.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements provide separate information for the pension and OPEB trust funds of the Town. The other postemployment benefits trust fund is used to account for assets accumulated to provide funding for future other postemployment benefits (OPEB) liabilities. Private-purpose trust funds and agency funds are reported and combined into a single, aggregate presentation in the fiduciary fund financial statements under the captions "private purpose trust funds" and "agency funds", respectively.

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 year, the Town is able to report positive balances in all categories of net position with the exception of unrestricted governmental net position. Overall the net position of the primary government decreased by \$6.5 million during 2015. This was comprised of a \$7.5 million decrease in governmental net position and a \$1.0 million increase in business-type net position. The \$63.3 million deficit in unrestricted governmental net position is primarily attributable to the Town's recognition of \$34.0 million in OPEB liabilities and the recognition of \$28.4 million on net pension liabilities.

Governmental Activities

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the governmental activities, Marblehead's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$30.8 million, at the close of 2015.

	2015	(Revised) 2014
Assets:		
Current assets.....	\$ 42,459,178	\$ 51,210,495
Capital assets, net of accumulated depreciation.....	130,184,255	130,227,674
Capital assets, not being depreciated.....	9,280,845	10,002,020
Total assets.....	181,924,278	191,440,189
Deferred outflows of resources:		
Deferred outflows of resources related to pensions...	50,580	-
Liabilities:		
Current liabilities (excluding debt).....	10,518,504	15,658,907
Noncurrent liabilities (excluding debt).....	66,625,178	60,484,758
Current debt.....	10,444,879	19,163,583
Noncurrent debt.....	63,619,986	57,819,058
Total liabilities.....	151,208,547	153,126,306
Net Position:		
Net investment in capital assets.....	83,481,653	79,318,461
Restricted.....	10,617,440	10,146,657
Unrestricted.....	(63,332,782)	(51,151,235)
Total net position.....	\$ 30,766,311	\$ 38,313,883
Program revenues:		
Charges for services.....	\$ 4,985,923	\$ 4,891,352
Operating grants and contributions.....	12,532,233	16,037,171
Capital grants and contributions.....	1,006,775	6,114,742
General revenues:		
Real estate and personal property taxes.....	59,012,950	56,625,268
Motor vehicle excise taxes.....	3,365,276	3,169,957
Nonrestricted grants.....	1,471,815	1,083,252
Unrestricted investment income.....	309,527	351,665
Penalties and interest on taxes.....	287,496	231,501
Total revenues.....	82,971,995	88,504,908
Expenses:		
General government.....	4,491,771	4,099,769
Public safety.....	12,092,961	11,614,901
Education.....	57,790,071	60,720,945
Public works.....	7,602,455	7,225,046
Landfill closure.....	3,189,744	7,306,000
Human services.....	1,091,063	1,103,986
Culture and recreation.....	3,080,540	3,203,979
Interest.....	1,758,181	2,062,389
Total expenses.....	91,096,786	97,337,015
Excess (Deficiency) before transfers.....	(8,124,791)	(8,832,107)
Transfers.....	577,219	600,058
Change in net position.....	(7,547,572)	(8,232,049)
Net position - beginning (as revised).....	38,313,883	46,545,932
Net position - ending.....	\$ 30,766,311	\$ 38,313,883

Governmental net position of \$83.5 million reflects its investment in capital assets (e.g., land, construction in progress, land improvements, buildings, building improvements, machinery and equipment, and infrastructure); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net position, \$10.6 million, represents resources that are subject to external restrictions on how they may be used. This balance decreased by \$471,000 during 2015 which mainly related to the timing of grants and gifts received that will be expended in future years. The remaining balance of *unrestricted net position* has a year-end deficit balance of \$63.3 million. The primary reason for this deficit balance in net position is the recognition of other postemployment benefit (OPEB) liabilities of \$34.2 million and the recognition of net pension liability in accordance with GASB 67 and 68 in the amount of 28.4 million. Accounting standards require the Town to obtain an actuarial valuation of the Town's liability to pay other postemployment benefits to current employees and retirees. The Town is allowed to amortize the liability, which totaled \$133 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 the majority of the other postemployment benefits on a pay-as-you-go basis. The Town began to partially fund the liability in 2014 and as of June 30, 2015, the OPEB trust fund has a balance of \$541,000. As a result of the Town's mainly pay-as-you-go funding policy, 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 \$5.5 million for 2015. The current year is the Town's seventh year of amortizing this liability.

The beginning net position of governmental activities has been revised to reflect the implementation of GASB Statement #68. To reflect this change, the Town has recorded a net pension liability and a deferred outflow of resources, which has resulted in the restatement of the June 30, 2014 balance of the governmental activities by \$27,569,678. Previously reported net position of \$65,883,561 has been revised to \$38,313,883.

The \$7.5 million overall decrease in governmental net position is partially due to the \$5.5 million increase in OPEB liabilities and partially due to non-capital expenditures for environmental remediation costs associated with the Town's landfill.

The governmental expenses totaled \$91.1 million of which \$18.5 million (20%) was directly supported by program revenues consisting of charges for services, operating and capital grants and contributions. General revenues totaled \$64.4 million, primarily coming from property taxes, motor vehicle excise taxes, and non-restricted state aid.

Business-type Activities

For the Town's business-type activities, assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$53.2 million at the close of 2015.

Business-type net position of \$35.7 million (67%) represents investments in capital assets. An additional \$5.8 million (11%) is restricted for depreciation within the Municipal Light Enterprise Fund, and the remaining \$11.7 million (22%) is available to be used for the ongoing operation of the Town's Water, Sewer, Harbor and Municipal Light activities. There was a net increase of \$1.0 million in total net position reported in the business-type activities during 2015.

The beginning net position of business-type activities has been revised to reflect the implementation of GASB Statement #68. To reflect this change, the Town has recorded a net pension liability and a deferred outflow of resources, which has resulted in the restatement of the June 30, 2014 balance of the business-type activities by \$2,095,136. Additionally, the Municipal Light Plant beginning balance has been restated by \$102,749. As a result, previously reported net position of \$54,167,531 has been revised to \$52,175,144.

The Town's Sewer, Water, and Harbor funds have a policy of appropriating available funds at the end of each year to fund capital expenses in lieu of issuing long-term debt. As a result, the net position remains relatively consistent from year-to-year and there is no debt reported in the Town's business-type activities.

	2015	(Revised/Restated) 2014
Assets:		
Current assets.....	\$ 25,813,714	\$ 23,170,636
Capital assets, net of accumulated depreciation.....	33,122,249	33,956,844
Capital assets, not being depreciated.....	2,553,254	2,553,254
Total assets.....	61,489,217	59,680,734
Deferred Outflows of Resources:		
Deferred outflows related to pensions.....	3,845	-
Liabilities:		
Current liabilities (excluding debt).....	2,306,674	2,151,609
Noncurrent liabilities (excluding debt).....	5,088,590	4,453,981
Total liabilities.....	7,395,264	6,605,590
Deferred Inflows of Resources:		
Reserve for rate stabilization.....	900,000	900,000
Net Position:		
Investment in capital assets.....	35,675,503	36,510,098
Restricted.....	5,815,665	5,147,074
Unrestricted.....	11,706,630	10,517,972
Total net position.....	\$ 53,197,798	\$ 52,175,144

The Sewer Enterprise Fund's net position totaled \$11.4 million at year end; a decrease of \$13,000 from the prior year. This balance is approximately 2.0 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 approximately 73% of the Fund's expenses relate to the annual assessment paid to the South Essex Sewerage District (SESD). In April of 2013, pipes linking the South Essex Sewerage District to the Town of Marblehead were found to have several breaches which were temporarily repaired by using the Town's equity interest in SESD. A subsequent inspection revealed that the pipes needed to be replaced at a cost of approximately \$11.5 to \$13 million. This project will be funded through SESD and the cost of the project will be passed down to the Town in the form of increased annual assessments. The project was substantially completed in 2015 and the Town's assessments began to increase in 2015 by approximately \$1.4 million. In anticipation of the increase, the Town completed a rate study which resulted in raised rates to meet the increased assessments.

The Water Enterprise Fund's net position totaled \$12.5 million at year end; an increase of \$514,000 from the prior year. This balance is approximately 3.4 times the annual operating expenses and has remained consistent over the past several years. Revenues in this fund consist primarily of charges for water service and approximately 58% of the operating expenses consist of assessments paid to the Massachusetts Water Resource Authority.

The Harbor Enterprise Fund's net position totaled \$3.8 million at year end; a decrease of \$128,000 from the prior year. The balance in the Harbor Enterprise Fund has remained consistent over the past several years. Revenues in this fund consist of a combination of charges for services and boat excise taxes assessed.

The Municipal Light Enterprise Fund's net position totaled \$25.4 million at year end; an increase of \$650,000. The majority of the revenue in this fund consists of charges for services and 88% of the expenses relate to cost of services and administration.

	2015	(Revised/Restated) 2014
Program revenues:		
Charges for services - Sewer.....	\$ 5,779,133	\$ 3,933,742
Charges for services - Water.....	4,231,978	3,863,695
Charges for services - Municipal Light.....	16,205,464	15,696,628
Charges for services - Harbor.....	674,827	637,156
Operating grants.....	129,482	12,092
General revenues:		
Boat excise.....	104,504	135,970
Unrestricted investment income.....	32,086	27,679
Capital contribution.....	-	228,749
Total revenues.....	27,157,474	24,535,711
Expenses:		
Water.....	3,643,321	3,513,080
Sewer.....	5,722,786	3,847,928
Municipal Light.....	15,371,748	14,518,824
Harbor.....	819,746	775,103
Total expenses.....	25,557,601	22,654,935
Excess before transfers.....	1,599,873	1,880,776
Transfers.....	(577,219)	(600,058)
Change in net position.....	1,022,654	1,280,718
Net position - beginning (as revised/restated).....	52,175,144	50,894,426
Net position - ending.....	\$ 53,197,798	\$ 52,175,144

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current year, governmental funds reported combined ending fund balances of \$36.6 million, a decrease of \$5.2 million from the prior year.

The General Fund is the chief operating fund. At the end of the current year, unassigned fund balance of the General Fund totaled \$12.5 million, while total fund balance was \$18.6 million. Of the \$5.6 million assigned fund balance, \$5.5 million, has been allocated to balance the 2016 budget and the remainder represents funds encumbered at year end. Articles voted at the Town's Annual Town Meeting that have not been spent as of year-end, have been classified as committed and has a balance of \$502,000 as of June 30, 2015. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 13% of total general fund expenditures, while total fund balance represents 19% of that same amount.

The General Fund increased by \$2 million. This increase is due to the Town's practice to budget estimated revenue conservatively which resulted in a budget surplus of \$2.9 million in revenues, mainly due to a \$1.0 million surplus in motor vehicle excise; appropriations exceeded actual expenditures by \$3.1 million mainly due to group insurance surplus of \$2.3 million; these surpluses were offset by the use of prior year resources to balance the 2015 budget.

The Capital Projects Fund is used to account for the financial activities associated with major capital projects that have been authorized by Town Meeting and approved by the voters to be funded by the proceeds of bond sales. The Town's primary major capital projects during 2015 have been the landfill/transfer station project, Abbot Hall Clock Tower repair projects, and Town drainage improvements. The capital projects fund had a net decrease of approximately \$8.3 million during 2015. This net decrease was primarily due to \$11.5 million in project expenditures offset by the issuance of \$3.4 million in debt related to the landfill.

The Highway Improvement Fund is used to account for financial activities associated with highway and road repair projects funded by the State's Chapter 90 Highway Program. Revenues consisted of reimbursements from the state grant program and expenditures consist of road improvements. The fund had a year-end receivable due from the state of \$518,000 and annual expenditures totaled \$597,000.

The Public Funds major fund is used to account for trust funds that have been established to fund public purposes. This fund had a year-end balance of \$5.2 million and the fund increased by \$397,000 during the year which was primarily private contributions.

General Fund Budgetary Highlights

The Town experienced a \$2.9 million surplus of actual over budgeted revenues. The largest surpluses were in motor vehicle excises taxes, real estate and personal property taxes, charges for services and licenses and permits and were the result of conservative budget estimates. In addition, the Town does not budget for police detail administration fees, and water, sewer, and harbor indirect costs which contributed to a \$285,000 surplus in transfers in.

Actual expenditures ended the year approximately \$3.1 million under budget. The most notable is the group insurance appropriation, which ended the year \$2.3 million under budget. The Town transferred their health insurance subscribers to the state's insurance Group Insurance Commission (GIC) as of July 1, 2012, which resulted in significant savings to the Town for health insurance costs. Expenditures exceeded the budget for snow removal by \$698,000; under state law, the Town is allowed to overspend for snow and ice removal and to raise any unfunded deficit in the subsequent year.

The main changes between the original and final budget for the Town consisted of reserve fund and energy reserve fund transfers within appropriation lines, and an \$112,000 transfer from the education budget to fund a deficit within the school lunch fund. There were no net increases in appropriations from the original voted budget.

Capital Asset and Debt Administration

Capital assets. In conjunction with the operating budget, departments with proposed capital budgets submit them to the Finance Committee and if large enough, to the Capital Planning Committee. These committees are responsible for reviewing the proposed capital budgets and reporting to the Annual Town Meeting. The major capital asset activity of the governmental activities during the year consisted of spending increases to the Abbot Hall Tower restoration in the amount of \$2.3 million. In addition the Town had upgrades to infrastructure totaling \$1.5 million. Of the \$1.5 million, \$985,000 million was related to drain improvements and \$551,000 was used for street and sidewalk paving. Other capital asset activity consisted of library circulation of \$157,000, and the remaining activity mainly consisted of vehicle and equipment purchases.

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 \$204,000 and \$270,000, respectively; the purchase of equipment and building improvements in the Harbor activities of \$23,000; and Municipal Light upgrades to plant and equipment of approximately \$410,000.

Debt administration. Outstanding long-term debt of the general government, as of June 30, 2015, totaled \$72 million, of which \$44.3 million is related to school projects, \$16.8 million is for land acquisition and remediation projects, \$4.5 million is for surface drainage projects, \$2.4 million is for the causeway seawall, \$2.5 million is for the Abbot Hall Clock Tower repair, \$960,000 is for a fire ladder truck and \$580,000 is for Old Town Hall improvements.

The Town's net long-term debt outstanding increased by \$229,000 million during 2015 through a combination of new issuances and the retirement of existing debt.

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

Requests for Information

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

Basic Financial Statements

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STATEMENT OF NET POSITION

JUNE 30, 2015

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 38,456,423	\$ 12,789,228	\$ 51,245,651
Restricted cash and cash equivalents.....	-	5,815,665	5,815,665
Investments.....	1,269,186	-	1,269,186
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	581,349	-	581,349
Real estate tax deferrals.....	765,768	-	765,768
Tax liens.....	364,698	-	364,698
Motor vehicle and boat excise taxes.....	237,679	48,688	286,367
User fees.....	-	4,530,576	4,530,576
Departmental and other.....	108,673	-	108,673
Intergovernmental.....	649,687	-	649,687
Tax foreclosures.....	15,715	-	15,715
Inventory.....	-	128,641	128,641
Investment in joint venture.....	-	437,254	437,254
Working capital deposit.....	10,000	-	10,000
Other assets.....	-	2,063,662	2,063,662
Total current assets.....	42,459,178	25,813,714	68,272,892
NONCURRENT:			
Capital assets, net of accumulated depreciation.....	130,184,255	33,122,249	163,306,504
Capital assets, not being depreciated.....	9,280,845	2,553,254	11,834,099
Total noncurrent assets.....	139,465,100	35,675,503	175,140,603
TOTAL ASSETS.....	181,924,278	61,489,217	243,413,495
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions.....	50,580	3,845	54,425
LIABILITIES			
CURRENT:			
Warrants payable.....	2,308,651	1,789,575	4,098,226
Tax refunds payable.....	28,000	-	28,000
Accrued interest.....	1,019,660	-	1,019,660
Payroll withholdings.....	436,529	-	436,529
Other liabilities.....	163,354	196,259	359,613
Customer deposits payable.....	2,590	170,285	172,875
Landfill closure and remediation.....	5,440,000	-	5,440,000
Compensated absences.....	935,356	150,555	1,085,911
Workers' compensation.....	184,364	-	184,364
Bonds payable.....	10,444,879	-	10,444,879
Total current liabilities.....	20,963,383	2,306,674	23,270,057
NONCURRENT:			
Landfill closure and remediation.....	3,208,800	-	3,208,800
Compensated absences.....	216,780	15,349	232,129
Workers' compensation.....	622,714	-	622,714
Net pension liability.....	28,372,479	2,156,146	30,528,625
Other postemployment benefits.....	34,204,405	2,917,095	37,121,500
Bonds payable.....	63,619,986	-	63,619,986
Total noncurrent liabilities.....	130,245,164	5,088,590	135,333,754
TOTAL LIABILITIES.....	151,208,547	7,395,264	158,603,811
DEFERRED INFLOWS OF RESOURCES			
Provision for rate stabilization.....	-	900,000	900,000
NET POSITION			
Net investment in capital assets.....	83,481,653	35,675,503	119,157,156
Restricted for:			
Depreciation.....	-	5,815,665	5,815,665
Permanent funds:			
Expendable trust funds.....	1,692,526	-	1,692,526
Nonexpendable trust funds.....	3,513,939	-	3,513,939
Other purposes:			
Gifts and grants.....	5,410,975	-	5,410,975
Unrestricted.....	(63,332,782)	11,706,630	(51,626,152)
TOTAL NET POSITION.....	\$ 30,766,311	\$ 53,197,798	\$ 83,964,109

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

		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.....	\$ 4,491,771	\$ 393,598	\$ 305,946	\$ -	\$ (3,792,227)	
Public safety.....	12,092,961	1,239,297	68,102	-	(10,785,562)	
Education.....	57,790,071	1,952,485	11,991,597	-	(43,845,989)	
Public works.....	7,602,455	757,319	13,318	314,064	(6,517,754)	
Landfill closure.....	3,189,744	-	-	-	(3,189,744)	
Human services.....	1,091,063	164,492	93,423	-	(833,148)	
Culture and recreation.....	3,080,540	478,732	59,847	692,711	(1,849,250)	
Interest.....	1,758,181	-	-	-	(1,758,181)	
Total Governmental Activities.....	91,096,786	4,985,923	12,532,233	1,006,775	(72,571,855)	
Business-Type Activities:						
Sewer.....	5,722,786	5,779,133	-	-	56,347	
Water.....	3,643,321	4,231,978	-	-	588,657	
Municipal Light.....	15,371,748	16,205,464	126,603	-	960,319	
Harbor.....	819,746	674,827	2,879	-	(142,040)	
Total Business-Type Activities.....	25,557,601	26,891,402	129,482	-	1,463,283	
Total Primary Government.....	\$ 116,654,387	\$ 31,877,325	\$ 12,661,715	\$ 1,006,775	\$ (71,108,572)	

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ (72,571,855)	\$ 1,463,283	\$ (71,108,572)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	59,012,950	-	59,012,950
Motor vehicle excise taxes.....	3,365,276	-	3,365,276
Boat excise taxes.....	-	104,504	104,504
Penalties and interest on taxes.....	287,496	-	287,496
Grants and contributions not restricted to specific programs.....	1,471,815	-	1,471,815
Unrestricted investment income.....	309,527	32,086	341,613
<i>Transfers, net</i>	<u>577,219</u>	<u>(577,219)</u>	<u>-</u>
Total general revenues and transfers.....	<u>65,024,283</u>	<u>(440,629)</u>	<u>64,583,654</u>
Change in net position.....	(7,547,572)	1,022,654	(6,524,918)
<i>Net Position:</i>			
Beginning of year, as revised/restated.....	<u>38,313,883</u>	<u>52,175,144</u>	<u>90,489,027</u>
End of year.....	<u>\$ 30,766,311</u>	<u>\$ 53,197,798</u>	<u>\$ 83,964,109</u>

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2015

	General	Capital Projects Fund	Highway Improvement Fund	Public Funds	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents.....	\$ 19,779,412	\$ 4,546,359	\$ -	\$ 3,986,812	\$ 9,313,802	\$ 37,626,385
Investments.....	-	-	-	1,269,186	-	1,269,186
Receivables, net of uncollectibles:						
Property taxes.....	581,349	-	-	-	-	581,349
Real estate tax deferrals.....	765,768	-	-	-	-	765,768
Tax liens.....	364,698	-	-	-	-	364,698
Motor vehicle excise taxes.....	237,679	-	-	-	-	237,679
Departmental and other.....	39,263	-	-	-	69,410	108,673
Intergovernmental.....	25,302	98,949	518,485	-	6,951	649,687
Due from Highway Improvement Fund.....	66,556	-	-	-	-	66,556
Working capital deposit.....	-	-	-	-	10,000	10,000
Tax foreclosures.....	15,715	-	-	-	-	15,715
TOTAL ASSETS.....	\$ 21,875,742	\$ 4,645,308	\$ 518,485	\$ 5,255,998	\$ 9,400,163	\$ 41,695,696
LIABILITIES						
Warrants payable.....	\$ 1,014,769	\$ 772,363	524	\$ 49,533	\$ 470,841	\$ 2,308,030
Accrued payroll and amounts withheld.....	436,529	-	-	-	-	436,529
Due to General Fund.....	-	-	66,556	-	-	66,556
Liabilities due depositors.....	2,590	-	-	-	-	2,590
Other liabilities.....	163,354	-	-	-	-	163,354
Tax refunds payable.....	28,000	-	-	-	-	28,000
TOTAL LIABILITIES.....	1,645,242	772,363	67,080	49,533	470,841	3,005,059
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue.....	1,623,939	-	451,405	-	9,259	2,084,603
FUND BALANCES						
Nonspendable.....	-	-	-	3,513,939	-	3,513,939
Restricted.....	-	3,872,945	-	1,692,526	8,920,063	14,485,534
Committed.....	501,644	-	-	-	-	501,644
Assigned.....	5,624,815	-	-	-	-	5,624,815
Unassigned.....	12,480,102	-	-	-	-	12,480,102
TOTAL FUND BALANCES.....	18,606,561	3,872,945	-	5,206,465	8,920,063	36,606,034
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....	\$ 21,875,742	\$ 4,645,308	\$ 518,485	\$ 5,255,998	\$ 9,400,163	\$ 41,695,696

See notes to basic financial statements.

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

JUNE 30, 2015

Total governmental fund balances.....	\$ 36,606,034
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	139,465,100
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....	2,084,603
Certain changes in the net pension liability are required to be included in pension expense over future periods. These changes are reported as deferred outflows of resources or (deferred inflows of resources) related to pensions.....	50,580
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 position.....	22,339
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....	(1,019,660)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Landfill closure.....	(8,648,800)
Bonds notes payable.....	(74,064,865)
Compensated absences.....	(1,152,136)
Net pension liability.....	(28,372,479)
Other postemployment benefits.....	<u>(34,204,405)</u>
Net effect of reporting long-term liabilities.....	<u>(146,442,685)</u>
Net position of governmental activities.....	\$ <u>30,766,311</u>

See notes to basic financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2015

	General	Capital Projects Fund	Highway Improvement Fund	Public Funds	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:						
Real estate and personal property taxes.....	\$ 58,955,860	\$ -	\$ -	\$ -	\$ -	\$ 58,955,860
Motor vehicle excise taxes.....	3,317,889	-	-	-	-	3,317,889
Penalties and interest on taxes.....	287,496	-	-	-	-	287,496
Charges for services.....	720,016	-	-	-	2,561,142	3,281,158
Licenses and permits.....	780,713	-	-	-	-	780,713
Fines and forfeitures.....	125,921	-	-	-	100	126,021
Intergovernmental.....	10,755,992	-	596,585	-	2,597,319	13,949,896
Departmental and other.....	-	-	-	-	752,356	752,356
Contributions.....	-	-	-	370,096	983,958	1,354,054
Investment income.....	227,140	-	-	27,145	48,465	302,750
Miscellaneous.....	41,522	-	-	-	47	41,569
TOTAL REVENUES.....	75,212,549	-	596,585	397,241	6,943,387	83,149,762
EXPENDITURES:						
Current:						
General government.....	2,288,748	1,529,595	-	30,041	302,401	4,150,785
Public safety.....	7,364,246	5,833	-	-	534,578	7,904,657
Education.....	32,273,638	364,862	-	-	4,567,910	37,206,410
Public works.....	5,074,729	1,093,178	596,585	1,771	342,671	7,108,934
Landfill.....	-	8,476,944	-	-	-	8,476,944
Human services.....	548,063	-	-	302	201,998	750,363
Culture and recreation.....	1,746,796	-	-	16,411	534,029	2,297,236
Pension benefits.....	6,171,613	-	-	-	-	6,171,613
Property and liability insurance.....	318,315	-	-	-	-	318,315
Employee benefits.....	10,423,210	-	-	-	-	10,423,210
State and county charges.....	2,705,864	-	-	-	-	2,705,864
Debt service:						
Principal.....	3,219,000	21,553,239	-	-	-	24,772,239
Interest.....	2,221,195	-	-	-	-	2,221,195
TOTAL EXPENDITURES.....	74,355,417	33,023,651	596,585	48,525	6,483,587	114,507,765
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	857,132	(33,023,651)	-	348,716	459,800	(31,358,003)
OTHER FINANCING SOURCES (USES):						
Issuance of debt.....	-	25,001,205	-	-	-	25,001,205
Premiums from issuance of debt.....	-	-	-	-	583,768	583,768
Transfers in.....	1,254,045	23,610	-	1,101	372,779	1,651,535
Transfers out.....	(134,946)	(256,983)	-	(29,000)	(653,387)	(1,074,316)
TOTAL OTHER FINANCING SOURCES (USES).....	1,119,099	24,767,832	-	(27,899)	303,160	26,162,192
NET CHANGE IN FUND BALANCES.....	1,976,231	(8,255,819)	-	320,817	762,960	(5,195,811)
FUND BALANCES AT BEGINNING OF YEAR.....	16,630,330	12,128,764	-	4,885,648	8,157,103	41,801,845
FUND BALANCES AT END OF YEAR.....	\$ 18,606,561	\$ 3,872,945	\$ -	\$ 5,206,465	\$ 8,920,063	\$ 36,606,034

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2015

Net change in fund balances - total governmental funds.....	\$	(5,195,811)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay.....	4,437,596	
Depreciation expense.....	<u>(5,202,190)</u>	
Net effect of reporting capital assets.....		(764,594)

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 unavailable revenue..... (180,129)

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 position. 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.....	(25,001,205)	
Premiums from issuance of debt.....	(583,768)	
Amortization of bond premiums.....	506,599	
Debt service principal payments.....	<u>24,772,239</u>	
Net effect of reporting long-term debt.....		(306,135)

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.....	(81,531)	
Net change in deferred outflow/(inflow) of resources related to pensions.....	50,580	
Net change in landfill liability accrual.....	5,287,200	
Net change in accrued interest on long-term debt.....	(13,217)	
Net change in net pension liability.....	(802,801)	
Net change in other postemployment benefits.....	<u>(5,528,864)</u>	
Net effect of recording long-term liabilities.....		(1,088,633)

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>(12,270)</u>
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Change in net position of governmental activities.....	\$	<u><u>(7,547,572)</u></u>
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See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2015

	Business-type Activities - Enterprise Funds					
	Sewer	Water	Harbor	Municipal Light (as of December 31, 2014)	Total	Workers' Compensation Internal Service Fund
ASSETS						
CURRENT:						
Cash and cash equivalents.....	\$ 2,918,496	\$ 2,756,185	\$ 718,516	\$ 6,396,031	\$ 12,789,228	\$ 830,038
Restricted cash and cash equivalents.....	-	-	-	5,815,665	5,815,665	-
Receivables, net of allowance for uncollectibles:						
Boat excise taxes.....	-	-	48,688	-	48,688	-
User fees.....	1,432,954	886,096	13,889	2,197,637	4,530,576	-
Inventory.....	-	-	-	128,641	128,641	-
Investment in joint venture.....	437,254	-	-	-	437,254	-
Other assets.....	-	-	-	2,063,662	2,063,662	-
Total current assets.....	4,788,704	3,642,281	781,093	16,601,636	25,813,714	830,038
NONCURRENT:						
Capital assets, net of accumulated depreciation.....	8,133,228	10,393,270	1,718,250	12,877,501	33,122,249	-
Capital assets, not being depreciated.....	115,466	49,427	2,294,564	93,797	2,553,254	-
Total noncurrent assets.....	8,248,694	10,442,697	4,012,814	12,971,298	35,675,503	-
TOTAL ASSETS.....	13,037,398	14,084,978	4,793,907	29,572,934	61,489,217	830,038
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows of resources related to pensions.....	1,562	1,609	674	-	3,845	-
LIABILITIES						
CURRENT:						
Warrants payable.....	86,412	79,310	22,569	1,601,284	1,789,575	621
Compensated absences.....	32,575	35,777	16,383	65,820	150,555	-
Other liabilities.....	-	-	196,259	-	196,259	-
Customer deposits payable.....	-	649	-	169,636	170,285	-
Workers' compensation.....	-	-	-	-	-	184,364
Total current liabilities.....	118,987	115,736	235,211	1,836,740	2,306,674	184,985
NONCURRENT:						
Compensated absences.....	4,187	11,162	-	-	15,349	-
Workers' compensation.....	-	-	-	-	-	622,714
Net pension liability.....	875,900	902,278	377,968	-	2,156,146	-
Other postemployment benefits.....	619,832	560,689	337,574	1,399,000	2,917,095	-
Total noncurrent liabilities.....	1,499,919	1,474,129	715,542	1,399,000	5,088,590	622,714
TOTAL LIABILITIES.....	1,618,906	1,589,865	950,753	3,235,740	7,395,264	807,699
DEFERRED INFLOWS OF RESOURCES						
Provision for rate stabilization.....	-	-	-	900,000	900,000	-
NET POSITION						
Investment in capital assets.....	8,248,694	10,442,697	4,012,814	12,971,298	35,675,503	-
Restricted for:						
Depreciation.....	-	-	-	5,815,665	5,815,665	-
Unrestricted.....	3,171,360	2,054,025	(168,986)	6,650,231	11,706,630	22,339
TOTAL NET POSITION.....	\$ 11,420,054	\$ 12,496,722	\$ 3,843,828	\$ 25,437,194	\$ 53,197,798	\$ 22,339

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2015

	Business-type Activities - Enterprise Funds					Workers' Compensation Internal Service Fund
	Sewer	Water	Harbor	Municipal Light (as of December 31, 2014)	Total	
OPERATING REVENUES:						
Charges for services.....	\$ 5,771,885	\$ 4,225,329	\$ 674,789	\$ 16,205,464	\$ 26,877,467	\$ 315,000
Licenses and permits.....	6,350	-	-	-	6,350	-
Miscellaneous.....	898	6,649	38	-	7,585	-
TOTAL OPERATING REVENUES.....	5,779,133	4,231,978	674,827	16,205,464	26,891,402	315,000
OPERATING EXPENSES:						
Cost of services and administration.....	543,716	407,951	375,794	13,456,310	14,783,771	-
Cost of interfund services provided.....	-	-	-	-	-	329,632
Personal services.....	635,684	735,091	325,541	1,037,648	2,733,964	-
Operating assessments.....	4,196,877	2,101,639	-	-	6,298,516	-
Depreciation.....	346,509	398,640	118,411	877,790	1,741,350	-
TOTAL OPERATING EXPENSES.....	5,722,786	3,643,321	819,746	15,371,748	25,557,601	329,632
OPERATING INCOME (LOSS).....	56,347	588,657	(144,919)	833,716	1,333,801	(14,632)
NONOPERATING REVENUES (EXPENSES):						
Boat excise taxes.....	-	-	104,504	-	104,504	-
Investment income.....	5,085	5,809	1,415	19,777	32,086	2,362
Intergovernmental assessments.....	-	-	2,879	126,603	129,482	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	5,085	5,809	108,798	146,380	266,072	2,362
INCOME (LOSS) BEFORE TRANSFERS.....	61,432	594,466	(36,121)	980,096	1,599,873	(12,270)
TRANSFERS:						
Transfers out.....	(74,370)	(80,830)	(92,020)	(329,999)	(577,219)	-
CHANGE IN NET POSITION.....	(12,938)	513,636	(128,141)	650,097	1,022,654	(12,270)
NET POSITION AT BEGINNING OF YEAR, AS REVISED/RESTATED.....	11,432,992	11,983,086	3,971,969	24,787,097	52,175,144	34,609
NET POSITION AT END OF YEAR.....	\$ 11,420,054	\$ 12,496,722	\$ 3,843,828	\$ 25,437,194	\$ 53,197,798	\$ 22,339

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2015

	Business-type Activities - Enterprise Funds					Workers' Compensation Internal Service Fund
	Sewer	Water	Harbor	Municipal Light (as of December 31, 2014)	Total	
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>						
Receipts from customers and users.....	\$ 5,276,010	\$ 4,085,549	\$ 668,296	\$ 15,857,976	\$ 25,887,831	\$ -
Receipts from interfund services provided.....	-	-	-	-	-	315,000
Payments to vendors.....	(4,094,024)	(2,405,851)	(305,712)	(13,281,963)	(20,087,550)	(299,163)
Payments to employees.....	(625,299)	(707,971)	(315,112)	(715,737)	(2,364,119)	-
NET CASH FROM OPERATING ACTIVITIES.....	556,687	971,727	47,472	1,860,276	3,436,162	15,837
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>						
Transfers out.....	(74,370)	(80,830)	(92,020)	(329,999)	(577,219)	-
Boat excise taxes.....	-	-	126,288	-	126,288	-
Intergovernmental assessments.....	-	-	2,879	126,603	129,482	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	(74,370)	(80,830)	37,147	(203,396)	(321,449)	-
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>						
Acquisition and construction of capital assets.....	(153,428)	(243,179)	(22,953)	(409,924)	(829,484)	-
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>						
Investment income.....	5,085	5,809	1,415	19,777	32,086	2,362
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	333,974	653,527	63,081	1,266,733	2,317,315	18,199
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR....	2,584,522	2,102,658	655,435	10,944,963	16,287,578	811,839
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 2,918,496	\$ 2,756,185	\$ 718,516	\$ 12,211,696	\$ 18,604,893	\$ 830,038
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>						
Operating income (loss).....	\$ 56,347	\$ 588,657	\$ (144,919)	\$ 833,716	\$ 1,333,801	\$ (14,632)
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation.....	346,509	398,640	118,411	877,790	1,741,350	-
Deferred (outflows)/inflows related to pension.....	(1,562)	(1,609)	(674)	-	(3,845)	-
Changes in assets and liabilities:						
Boat excise.....	-	-	-	-	-	-
User fees.....	(503,123)	(146,431)	(6,531)	(365,229)	(1,021,314)	-
Inventory.....	-	-	-	(39,006)	(39,006)	-
Payment in lieu of taxes.....	-	-	-	-	-	-
Investment in joint venture.....	548,965	-	-	-	548,965	-
Other assets.....	-	-	-	163,808	163,808	-
Warrants payable.....	-	-	(1,563)	49,545	47,982	(2,053)
Other liabilities.....	-	-	10,852	-	10,852	-
Customer deposits payable.....	-	2	-	17,741	17,743	-
Accrued compensated absences.....	(12,837)	3,198	408	2,911	(6,320)	-
Workers' compensation.....	-	-	-	-	-	32,522
Other postemployment benefits.....	97,604	103,739	60,793	319,000	581,136	-
Net pension liability.....	24,784	25,531	10,695	-	61,010	-
Total adjustments.....	500,340	383,070	192,391	1,026,560	2,102,361	30,469
NET CASH FROM OPERATING ACTIVITIES.....	\$ 556,687	\$ 971,727	\$ 47,472	\$ 1,860,276	\$ 3,436,162	\$ 15,837

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2015

	Pension Trust Fund (as of December 31, 2014)	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS				
Cash and cash equivalents.....	\$ 7,467	\$ -	\$ 3,146,261	\$ 375,041
Investments - PRIT.....	89,908,737	540,539	-	-
Receivables, net of allowance for uncollectibles:				
Intergovernmental.....	59,401	-	-	-
Capital assets, net of accumulated depreciation.....	-	-	198,015	-
Capital assets, not being depreciated.....	-	-	2,045	-
TOTAL ASSETS.....	89,975,605	540,539	3,346,321	375,041
LIABILITIES				
Warrants payable.....	528	-	105	36
Liabilities due depositors.....	-	-	-	375,005
TOTAL LIABILITIES.....	528	-	105	375,041
NET POSITION				
Restricted for pensions.....	89,975,077	-	-	-
Held in trust for OPEB.....	-	540,539	-	-
Held for other purposes.....	-	-	3,346,216	-
Total Net Position.....	\$ 89,975,077	\$ 540,539	\$ 3,346,216	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2015

	Pension Trust Fund (as of December 31, 2014)	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds
ADDITIONS:			
Contributions:			
Employer contributions.....	\$ 2,791,015	\$ 250,000	\$ -
Member contributions.....	1,943,083	-	-
Member contributions - transfers from other systems.....	160,664	-	-
Retirement benefits - 3(8)c contributions from other systems.....	114,397	-	-
Private donations.....	-	-	53,807
Other.....	16,440	-	-
Total contributions.....	5,025,599	250,000	53,807
Net investment income (loss):			
Net change in fair value of investments.....	4,478,110	-	-
Investment income.....	2,527,249	17,630	15,298
Total investment income (loss).....	7,005,359	17,630	15,298
Less: investment expense.....	(472,736)	-	-
Net investment income (loss).....	6,532,623	17,630	15,298
Retirement benefits - state COLA reimbursements.....	110,731	-	-
TOTAL ADDITIONS.....	11,668,953	267,630	69,105
DEDUCTIONS:			
Administration.....	135,341	-	64,470
Member contributions - transfers to other systems.....	283,648	-	-
Retirement benefits and refunds.....	8,500,510	-	-
Depreciation.....	-	-	19,927
Educational scholarships.....	-	-	10,400
TOTAL DEDUCTIONS.....	8,919,499	-	94,797
CHANGE IN NET POSITION.....	2,749,454	267,630	(25,692)
NET POSITION AT BEGINNING OF YEAR.....	87,225,623	272,909	3,371,908
NET POSITION AT END OF YEAR.....	\$ 89,975,077	\$ 540,539	\$ 3,346,216

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying summary of the Town of Marblehead's significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be viewed as an integral part of the accompanying financial statements. The financial statements and notes are representations of the Town's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles (GAAP), as applicable to governments, and have been consistently applied in the preparation of the financial statements. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

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

Component Unit Presented as a Fiduciary Fund – The Marblehead Contributory Retirement System (the System) is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements. The System is governed by a five member board comprised of the Town's Finance Director (ex-officio), two elected members and one member appointed by the 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 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 is a department of the Town of Marblehead that maintains a separate set of books and records on a calendar year basis, and issues yearly financial statements. The MMLP's financial statements for the year ended December 31, 2014, 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, 2015, the Town's equity interest in the operations of the District is \$437,254 which is recorded in the Sewer Enterprise Fund. Complete financial statements can be obtained directly from their administrative offices located at 50 Fort Avenue, Salem, MA 01970.

The Town is a member of the Essex Technical High School that serves the members' students seeking an education in academic, technical and agricultural studies. The members' share in the operations of the Essex Technical High School and each member is responsible for its proportionate share of the operational and capital

cost of the Essex Technical High School, which are paid in the form of assessments. The Town does not have an equity interest in the Essex Technical High School and the 2015 assessment was \$233,858.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

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

Major Fund Criteria

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

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

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

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

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

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

The following major governmental funds are reported:

The *General Fund* is the primary operating fund. It is used to account for all financial resources, except those required to be accounted for in another fund.

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

The *Highway Improvement Fund* is used to account for financial activities associated with highway and road repair projects funded by the State's Chapter 90 Highway Program.

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

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

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

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

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

The following major enterprise funds are reported:

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

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

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

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

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

The following activity within the internal service fund is reported:

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

Fiduciary funds are reported using the flow of economic resources measurement focus and use the accrual basis of accounting 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 *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.

The *other postemployment benefit trust fund* is used to accumulate resources to provide funding for future other postemployment benefits (OPEB) liabilities.

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.

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 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 year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

Boat excise taxes are assessed annually for each boat registered and are recorded as receivables in the year of the levy. The Commonwealth is responsible for reporting the number of boats registered and the fair value of those boats. The tax calculation is the fair value of the boat multiplied by \$10 per \$1,000 of value. Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

Water 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 for construction, operation and maintenance purposes are stated at average cost, which approximates market value at December 31, 2014. 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 \$10,000, and with the expected useful lives of greater than one year, are capitalized at the date of acquisition or construction. Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis.

The estimated useful lives of capital assets are as follows:

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

H. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The Town has reported deferred outflows of resources related to pensions in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town recorded a provision for rate stabilization in this category.

Governmental Fund Financial Statements

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

I. 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.

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 position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Fund Financial Statements

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

K. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

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

Net position has been “restricted for” the following:

Permanent Funds - Expendable Trust Funds - represents the amount of realized and unrealized investment earnings of donor restricted trusts. The donor restrictions and trustee policies only allows the trustees to approve spending of the realized investment earnings to support governmental programs.

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

Gifts and Grants - represents grants and gifts restricted by outside parties.

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Financial Statements (Fund Balance)

“Nonspendable” fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

“Restricted” fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. For the Town, Town Meeting is the highest level of decision making authority that can vote, by article, to commit fund balance. Once committed, the limitation imposed by the vote remains in place until the funds are used for their intended purpose or a Town Meeting vote is taken to remove or revise the commitment.

“Assigned” fund balance includes amounts that are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed. Town management is authorized by state law the ability to assign fund balance when there is an obligation to purchase goods or services from the current years’ appropriation. The Finance Director is responsible making the assignment. Assignments generally only exist temporarily. Additional action does not have to be taken for the removal of an assignment.

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The Town’s spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds are designated for one purpose at the time of their creation. Therefore, any expenditure from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

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. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of both the Marblehead Contributory Retirement System and the Massachusetts Teachers Retirement System and additions to/deductions from the Systems fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. Total Columns

Government-Wide Financial Statements

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

Fund Financial Statements

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

O. On-Behalf Payments

Government-Wide and Fund Financial Statements

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

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 and the OPEB trust fund participate in the Commonwealth of Massachusetts' Pensions Reserves Investment Trust (PRIT) Fund which is a pooled investment fund that meets the criteria of an external investment pool. The Pension Reserves Investment Management (PRIM) Board is charged with the general supervision of the PRIT Fund. The fair value of the position in the PRIT fund is the same as the value of the PRIT shares.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town's policy limits unsecured bank deposits to no more than 10% of the Town's cash. At year-end, the carrying amount of deposits totaled \$50,999,242 and the bank balance totaled \$55,152,074. Of the bank balance, \$1,390,487 was covered by Federal Depository Insurance, \$12,124,332 was covered by DIF Insurance, \$41,563,392 was collateralized and \$73,863 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2014, the carrying amount of deposits for the System totaled \$7,467 and the bank balance of \$46,297 was fully covered by Federal Depository Insurance.

Investments

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

Town balances at June 30, 2015:

Investment Type	Fair Value
<u>Other Investments</u>	
Equity Securities.....	\$ 1,269,186
MMDT.....	9,583,376
PRIT.....	540,539
Total Investments.....	<u>\$ 11,393,101</u>

System balances at December 31, 2014:

Investment Type	Fair Value
PRIT.....	<u>\$ 89,908,737</u>

The Town participates in the MMDT Cash Portfolio. MMDT maintains a cash portfolio and a short-term bond portfolio with combined average maturities of approximately 3 months. The Town's investment in MMDT is unrated.

The Town and the System participate in PRIT. The effective weighted duration rate for PRIT investments ranged from 1.33 to 21.81 years.

Custodial Credit Risk – Investments

For investments, custodial credit risk is the risk that, in the event of a failure by the counterparty, the government will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The primary objective of the Town's investment policy for custodial credit risk is to minimize the risk to investment principal through the careful selection of investment custodians. The Town does not have any custodial credit risk exposure as of June 30, 2015 because the \$1,269,186 in equity securities are held by the Town and the \$9,583,376 in shares of MMDT and \$540,539 in PRIT are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

At December 31, 2014, the System's \$89,908,737 investment in PRIT is not subject to custodial credit risk exposure because it is not evidenced by securities that exist in physical or book-entry form.

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

Interest Rate Risk

The Town has a formal investment policy limiting investment maturities up to one year as a means of managing its exposure to fair value losses arising from increasing interest rates. The System does not have a formal investment policy related to interest rate risk.

The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

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

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

Concentration of Credit Risk

The Town restricts investments to no more than 5% in any one issue. The Town did not have more than 5% of its investments in any one individual security

The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE 3 – RECEIVABLES

At June 30, 2015 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.....	\$ 591,488	\$ (10,139)	\$ 581,349
Real estate tax deferrals.....	765,768	-	765,768
Tax liens.....	364,698	-	364,698
Motor vehicle excise taxes.....	332,242	(94,563)	237,679
Departmental and other.....	112,704	(4,031)	108,673
Intergovernmental - pension fund.....	59,401	-	59,401
Intergovernmental - governmental funds.....	649,687	-	649,687
Total.....	\$ <u>2,875,988</u>	\$ <u>(108,733)</u>	\$ <u>2,767,255</u>

At June 30, 2015, 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.....	\$ 1,475,884	\$ (42,930)	\$ 1,432,954
Water user fees.....	912,658	(26,562)	886,096
Harbor user fees.....	17,361	(3,472)	13,889
Municipal Light user fees (December 31, 2014).. <td>2,197,637</td> <td>-</td> <td>2,197,637</td>	2,197,637	-	2,197,637
Boat excise taxes.....	51,250	(2,562)	48,688
Total.....	\$ 4,654,790	\$ (75,526)	\$ 4,579,264

Unavailable Revenue

Property taxes and other receivables in Governmental Funds that are measurable but not available have been classified as deferred inflows of resources on June 30, 2015 as follows:

	General Fund	Other Governmental Funds	Total
<u>Receivable and other asset type:</u>			
Real estate and personal property taxes.....	\$ 343,074	\$ -	\$ 343,074
Real estate tax deferrals.....	765,768	-	765,768
Tax liens.....	364,698	-	364,698
Motor vehicle excise taxes.....	108,975	-	108,975
Departmental and other.....	16,123	9,259	25,382
Intergovernmental.....	25,301	451,405	476,706
Total.....	<u>\$ 1,623,939</u>	<u>\$ 460,664</u>	<u>\$ 2,084,603</u>

NOTE 4 – INTERFUND TRANSFERS AND BALANCES

Funds are transferred from one fund to support expenditures of other funds in accordance with the authority established for the individual fund. Transfers within fund types have been eliminated. Transfers between funds during the year ended June 30, 2015 have been reported as follows:

Transfers Out	Transfers In				Total	
	General Fund	Capital Projects Fund	Public Funds	Nonmajor Governmental Funds		
General Fund.....	\$ -	\$ 23,150	\$ -	\$ 111,796	\$ 134,946	(1),(3)
Capital Projects Fund.....	-	-	-	256,983	256,983	(6)
Public Funds.....	25,000	-	-	4,000	29,000	(2),(4)
Nonmajor Governmental Funds.....	651,826	460	1,101	-	653,387	(2),(3),(4)
Water Enterprise.....	80,830	-	-	-	80,830	(5)
Sewer Enterprise.....	74,370	-	-	-	74,370	(5)
Municipal Light Enterprise.....	329,999	-	-	-	329,999	(5)
Harbor Enterprise.....	92,020	-	-	-	92,020	(5)
Total.....	<u>\$ 1,254,045</u>	<u>\$ 23,610</u>	<u>\$ 1,101</u>	<u>\$ 372,779</u>	<u>\$ 1,651,535</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 to the General Fund to support the general operating budget; these items include police detail administration fees and the use of bond premiums.
- (3) Transfer from general and state and other grant funds for the pay down of short-term debt in the capital projects fund.
- (4) From gift accounts into permanent trust accounts to reclassify resources.
- (5) Payments in lieu of taxes and reimbursements for general government services.
- (6) To close out the Village School Capital Project Fund.

The Town's interfund balance at June 30, 2015 consisted of \$66,556 due from the Highway Improvement Fund to the General Fund for interfund borrowings for cash flow purposes.

NOTE 5 – CAPITAL ASSETS

Capital asset activity in the Governmental Funds for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	(Retirements)	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 8,057,539	\$ -	\$ -	\$ 8,057,539
Construction in progress.....	1,944,481	-	(721,175)	1,223,306
Total capital assets not being depreciated.....	10,002,020	-	(721,175)	9,280,845
<u>Capital assets being depreciated:</u>				
Land improvements.....	4,959,422	56,430	-	5,015,852
Buildings.....	107,387,901	203,724	(10,076)	107,581,549
Building improvements.....	31,135,244	2,438,697	-	33,573,941
Machinery and equipment.....	11,927,570	923,811	(77,759)	12,773,622
Infrastructure.....	34,072,766	1,536,109	(12,484)	35,596,391
Total capital assets being depreciated.....	189,482,903	5,158,771	(100,319)	194,541,355
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(1,571,398)	(164,144)	-	(1,735,542)
Buildings.....	(30,718,524)	(2,491,610)	10,076	(33,200,058)
Building improvements.....	(9,683,390)	(903,556)	-	(10,586,946)
Machinery and equipment.....	(7,625,773)	(890,923)	77,759	(8,438,937)
Infrastructure.....	(9,656,144)	(751,957)	12,484	(10,395,617)
Total accumulated depreciation.....	(59,255,229)	(5,202,190)	100,319	(64,357,100)
Total capital assets being depreciated, net.....	130,227,674	(43,419)	-	130,184,255
Total governmental activities capital assets, net.....	\$ 140,229,694	\$ (43,419)	\$ (721,175)	\$ 139,465,100

Capital asset activity for the Business Type Activities for the year ended June 30, 2015 was as follows:

Business-Type Activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Retirements)</u>	<u>Ending Balance</u>
<u>Sewer:</u>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 115,466	\$ -	\$ -	\$ 115,466
<u>Capital assets being depreciated:</u>				
Buildings and building improvements.....	208,494	-	-	208,494
Machinery and equipment.....	1,108,628	34,512	-	1,143,140
Infrastructure.....	13,316,524	169,249	(243,750)	13,242,023
Total capital assets being depreciated.....	14,633,646	203,761	(243,750)	14,593,657
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(121,410)	(4,707)	-	(126,117)
Machinery and equipment.....	(703,794)	(78,654)	-	(782,448)
Infrastructure.....	(5,532,466)	(263,148)	243,750	(5,551,864)
Total accumulated depreciation.....	(6,357,670)	(346,509)	243,750	(6,460,429)
Total capital assets being depreciated, net.....	8,275,976	(142,748)	-	8,133,228
Total sewer activities capital assets, net.....	\$ 8,391,442	\$ (142,748)	\$ -	\$ 8,248,694
	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Retirements)</u>	<u>Ending Balance</u>
<u>Water:</u>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 49,427	\$ -	\$ -	\$ 49,427
<u>Capital assets being depreciated:</u>				
Land improvements.....	45,856	-	-	45,856
Buildings.....	946,475	-	-	946,475
Machinery and equipment.....	920,332	-	-	920,332
Infrastructure.....	14,734,689	270,117	(51,518)	14,953,288
Total capital assets being depreciated.....	16,647,352	270,117	(51,518)	16,865,951
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(12,993)	(1,529)	-	(14,522)
Buildings.....	(515,355)	(22,247)	-	(537,602)
Machinery and equipment.....	(414,541)	(68,042)	-	(482,583)
Infrastructure.....	(5,182,670)	(306,822)	51,518	(5,437,974)
Total accumulated depreciation.....	(6,125,559)	(398,640)	51,518	(6,472,681)
Total capital assets being depreciated, net.....	10,521,793	(128,523)	-	10,393,270
Total water activities capital assets, net.....	\$ 10,571,220	\$ (128,523)	\$ -	\$ 10,442,697

	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.....	290,487	-	-	290,487
Total capital assets not being depreciated.....	2,294,564	-	-	2,294,564
<u>Capital assets being depreciated:</u>				
Piers.....	61,501	-	-	61,501
Buildings.....	883,440	-	-	883,440
Building improvements.....	129,160	-	-	129,160
Land improvements.....	940,919	-	-	940,919
Machinery and equipment.....	1,495,909	22,953	-	1,518,862
Total capital assets being depreciated.....	3,510,929	22,953	-	3,533,882
<u>Less accumulated depreciation for:</u>				
Piers.....	(50,080)	(1,133)	-	(51,213)
Buildings.....	(365,485)	(21,610)	-	(387,095)
Building improvements.....	(58,620)	(4,229)	-	(62,849)
Land improvements.....	(440,610)	(19,765)	-	(460,375)
Machinery and equipment.....	(782,426)	(71,674)	-	(854,100)
Total accumulated depreciation.....	(1,697,221)	(118,411)	-	(1,815,632)
Total capital assets being depreciated, net.....	1,813,708	(95,458)	-	1,718,250
Total harbor activities capital assets, net.....	\$ 4,108,272	\$ (95,458)	\$ -	\$ 4,012,814
<u>Municipal Light:</u>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 53,947	\$ -	\$ -	\$ 53,947
Construction in progress.....	39,850	-	-	39,850
Total capital assets not being depreciated.....	93,797	-	-	93,797
<u>Capital assets being depreciated:</u>				
Light plant and equipment.....	29,259,821	409,924	(291,245)	29,378,500
<u>Less accumulated depreciation for:</u>				
Light plant and equipment.....	(15,914,454)	(877,790)	291,245	(16,500,999)
Total capital assets being depreciated, net.....	13,345,367	(467,866)	-	12,877,501
Total light activities capital assets, net.....	\$ 13,439,164	\$ (467,866)	\$ -	\$ 12,971,298

Capital asset activity for the Fiduciary Funds for the year ended June 30, 2015 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.....	294,455	-	-	294,455
Equipment.....	25,940	-	-	25,940
Total capital assets being depreciated.....	320,395	-	-	320,395
<u>Less accumulated depreciation for:</u>				
Buildings and building improvements.....	(101,156)	(17,333)	-	(118,489)
Equipment.....	(1,297)	(2,594)	-	(3,891)
Total accumulated depreciation.....	(102,453)	(19,927)	-	(122,380)
Total capital assets being depreciated, net.....	217,942	(19,927)	-	198,015
Total fiduciary activities capital assets, net.....	\$ 219,987	\$ (19,927)	\$ -	\$ 200,060

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

Governmental Activities:

General government.....	\$ 194,504
Public safety.....	275,131
Education.....	3,153,988
Public works.....	1,092,657
Human services.....	40,501
Culture and recreation.....	445,409

Total depreciation expense - governmental activities..... \$ 5,202,190

Business-Type Activities:

Sewer.....	\$ 346,509
Water.....	398,640
Harbor.....	118,411
Municipal Light.....	877,790

Total depreciation expense - business-type activities..... \$ 1,741,350

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.

During 2015, \$15.8 million of the Town's BANS have been classified as long-term. Refer to Note 7 for information regarding BANS classified as long-term debt as of June 30, 2015.

Description	Issue Date	Due Date	Interest Rate	Balance at June 30, 2014	Issued	Retired	Balance at June 30, 2015
General Obligation BAN of 2015.....	08/09/14	08/08/15	1.25%	\$ 3,223,911	\$ -	\$ (3,223,911)	\$ -

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, 2015:

Project	Original Amount	Interest % Rate	Balance 6/30/14	Issued and Transferred	Redeemed	Balance 6/30/15
School Construction, maturities through 2015.....	\$ 25,800,000	4.79	\$ 1,185,000	\$ -	\$ (1,185,000)	\$ -
Causeway Seawall, maturities through 2018.....	6,500,000	2.00	3,240,000	-	(810,000)	2,430,000
Village School, maturities through 2031.....	2,600,000	3.08	2,415,000	-	(115,000)	2,300,000
Village School, maturities through 2031.....	12,000,000	3.06	10,805,000	-	(485,000)	10,320,000
School Refunding Bonds of 2012, maturities through 2025.....	15,860,000	5.00	15,745,000	-	(60,000)	15,685,000
General Obligation Bonds of 2012, maturities through 2033.....	9,171,000	2.39	8,895,000	-	(410,000)	8,485,000
General Obligation Bonds of 2013, maturities through 2034.....	8,974,000	3.51	8,974,000	-	(154,000)	8,820,000
General Obligation Long-term BAN of 2015.....	12,328,239	1.25	12,328,239	-	(12,328,239)	-
General Obligation Bonds of 2014, maturities through 2035.....	8,158,000	3.36	8,158,000	10,000	-	8,168,000
General Obligation Long-term BAN of 2016.....	15,766,205	1.00	-	15,766,205	(9,225,000)	6,541,205
General Obligation Bonds of 2015, maturities through 2036.....	9,225,000	3.81	-	9,225,000	-	9,225,000
Total General Obligation Bonds and Notes.....			71,745,239	25,001,205	(24,772,239)	71,974,205
Unamortized Premiums on Bonds and Notes.....			2,013,491	583,768	(506,599)	2,090,660
Total Governmental Bonds Payable as reported on the Statement of Net Position.....			\$ 73,758,730	\$ 25,584,973	\$ (25,278,838)	\$ 74,064,865

As of June 30, 2015, the Town has approximately \$3.0 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. During 2015, the Town released \$608,000 from this fund to offset interest expenses and the Town added \$584,000 of bond premiums received.

At year end, the Town had \$15.8 million in BANS outstanding which were due on August 7, 2015. In 2016, the Town retired approximately \$9.2 million through the issuance of long-term debt; reissued \$6.4 million as part of a

new BAN with an interest rate of 2% due August 5, 2016; and paid \$105,000 of the BAN with available funds. The \$9.2 million bond and the \$6.5 million BAN have been classified as long-term debt in the financial statements.

Annual Requirements

The annual requirements to amortize all long-term debt outstanding as of June 30, 2015, are as follows:

Year	Governmental Exempt from Proposition 2 1/2		Total Requirement
	Principal	Interest	
2016	\$ 10,259,205	\$ 2,059,101	\$ 12,318,306
2017	4,085,000	2,375,597	6,460,597
2018	4,385,000	2,041,013	6,426,013
2019	3,695,000	1,889,980	5,584,980
2020	3,820,000	1,740,973	5,560,973
2021	3,865,000	1,579,173	5,444,173
2022	4,015,000	1,414,243	5,429,243
2023	4,190,000	1,248,510	5,438,510
2024	4,220,000	1,085,486	5,305,486
2025	4,355,000	935,599	5,290,599
2026	2,620,000	816,572	3,436,572
2027	2,710,000	723,190	3,433,190
2028	2,800,000	627,891	3,427,891
2029	2,915,000	525,883	3,440,883
2030	3,020,000	422,483	3,442,483
2031	3,035,000	319,829	3,354,829
2032	2,155,000	232,805	2,387,805
2033	2,235,000	159,820	2,394,820
2034	1,765,000	91,387	1,856,387
2035	1,165,000	41,379	1,206,379
2036	665,000	11,223	676,223
Totals	\$ 71,974,205	\$ 20,342,137	\$ 92,316,342

Bond Authorizations

Long-term debt authorizations voted by Town Meetings which have not been issued or rescinded as of June 30, 2015, are as follows:

Date Authorized	Project	Amount
June 2008	Village School Reconstruction.....	\$ 248,356
June 2011	Landfill Remediation and Transfer Station.....	14,191,578
June 2011	Glover School Construction.....	1,156,699
June 2012	Surface Drainage Construction.....	2,137,687
June 2012	Old Town House Improvements.....	19,708
June 2013	Abbot Hall Tower Renovation.....	920,966
June 2013	Green Street Cleanup.....	1,165,000
	Total.....	\$ 19,839,994

Changes in Long-term Liabilities

During the year ended June 30, 2015, 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.....	\$ 71,745,239	\$ 25,001,205	\$ (24,772,239)	\$ 71,974,205	\$ 10,259,205
Unamortized bond premium.....	2,013,491	583,768	(506,599)	2,090,660	185,674
Other postemployment benefits.....	28,675,541	9,914,501	(4,385,637)	34,204,405	-
Compensated absences.....	1,070,605	977,630	(896,099)	1,152,136	935,356
Landfill closure.....	13,936,000	2,136,191	(7,423,391)	8,648,800	5,440,000
Net pension liability.....	27,569,973	802,506	-	28,372,479	-
Workers' compensation.....	774,556	331,685	(299,163)	807,078	184,364
Total governmental activity long-term liabilities.....	<u>\$ 145,785,405</u>	<u>\$ 39,747,486</u>	<u>\$ (38,283,128)</u>	<u>\$ 147,249,763</u>	<u>\$ 17,004,599</u>
Business-Type Activities:					
Other postemployment benefits.....	\$ 2,335,959	\$ 1,005,499	\$ (424,363)	\$ 2,917,095	\$ -
Net pension liability.....	2,095,159	60,987	-	2,156,146	-
Compensated absences.....	172,224	80,109	(86,429)	165,904	150,555
Total business-type activity long-term liabilities.....	<u>\$ 4,603,342</u>	<u>\$ 1,146,595</u>	<u>\$ (510,792)</u>	<u>\$ 5,239,145</u>	<u>\$ 150,555</u>

Long-term liabilities related to both governmental and business-type activities are normally paid from the funds reporting payroll and related expenditures, which consist of the general fund and the sewer, water, and harbor enterprise funds.

NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The Town classifies fund balance according to the constraints imposed on the use of the resources.

There are two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The Town has reported principal portions of endowment funds as nonspendable.

In addition to the nonspendable fund balance, spendable fund balances are classified based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority. The Town's highest level of decision making authority is the Town Meeting.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose. Management determines the need for an assignment of fund balance. The approval of the Town's highest level of decision making authority is not required for the assignment.

- Unassigned: fund balance of the general fund that is not constrained for any particular purpose and the deficit fund balances for other funds that would otherwise be restricted, committed, or assigned.

As of June 30, 2015, the governmental fund balances consisted of the following:

	GOVERNMENTAL FUNDS				
	General	Capital Projects Fund	Public Funds	Nonmajor Governmental Funds	Total Governmental Funds
FUND BALANCES					
Nonspendable:					
Permanent fund principal.....\$	- \$	- \$	3,513,939 \$	- \$	3,513,939
Restricted for:					
Capital projects fund.....	-	3,872,945	-	-	3,872,945
Public funds.....	-	-	1,692,526	-	1,692,526
Federal grants.....	-	-	-	103,536	103,536
State grants.....	-	-	-	84,012	84,012
Other grants.....	-	-	-	1,270,449	1,270,449
Revolving funds.....	-	-	-	809,411	809,411
Receipts reserved for appropriation.	-	-	-	3,151,082	3,151,082
Gifts.....	-	-	-	263,606	263,606
Special revenue trust funds.....	-	-	-	3,237,967	3,237,967
Committed to:					
Education.....	6,666	-	-	-	6,666
Public works.....	464,388	-	-	-	464,388
Culture and recreation.....	30,590	-	-	-	30,590
Assigned to:					
General government.....	32,257	-	-	-	32,257
Public safety.....	3,780	-	-	-	3,780
Public works.....	15,035	-	-	-	15,035
Employee benefits.....	113,743	-	-	-	113,743
Free cash used for subsequent year's expenditures.....	5,460,000	-	-	-	5,460,000
Unassigned.....	12,480,102	-	-	-	12,480,102
TOTAL FUND BALANCES.....\$	18,606,561 \$	3,872,945 \$	5,206,465 \$	8,920,063 \$	36,606,034

NOTE 9 – PENSION PLAN

Plan Description

The Town is a member of the Marblehead Contributory Retirement System (MCRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 2 member units. The System is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The System is a component unit and is reported as a pension trust fund in the fiduciary fund financial statements.

The Town is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational

collaboratives and Quincy College. The MTRS is part of the Commonwealth's reporting entity and the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports/>.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2014. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$3,893,000 is reported in the general fund as intergovernmental revenue and pension benefits in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Town is \$56,034,714 as of the measurement date.

Benefits Provided

Both Systems provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The Systems provide retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System. There were no changes in benefit terms that effected the measurement of the total pension liability at December 31, 2014.

At December 31, 2014, the MCRS membership consists of the following:

Retirees and beneficiaries currently receiving benefits.....	339
Active employees.....	450
Inactive employees.....	<u>121</u>
Total.....	<u><u>910</u></u>

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the MCRS a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The total member units' contribution for the year ended December 31, 2014 was \$2,775,936, 14.73% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The Town's proportionate share of the required contribution for the year ended December 31, 2014 was \$2,349,370 and equaled its actual contribution.

Pension Liabilities

The components of the net pension liability of the participating member units at June 30, 2015 were as follows:

Total pension liability.....	\$ 126,046,666
The pension plan's fiduciary net position.....	<u>(89,975,077)</u>
The net pension liability.....	<u>\$ 36,071,589</u>
The pension plan's fiduciary net position as a percentage of the total pension liability.....	71%

At June 30, 2015, the Town reported a liability of \$30,529,000 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At December 31, 2014, the Town's proportion was 98.76% (including the light plant), which did not change from its proportion measured at December 31, 2013.

Pension Expense

For the year ended June 30, 2015, the Town recognized pension expense of \$3,158,756. At June 30, 2015, the Town reported deferred outflows of resources related to pensions of \$54,425, from the net difference between projected and actual investment earnings on pension plan investments. Since the System performs an actuarial valuation bi-annually, there are no reported differences between expected and actual experience or changes of assumptions as of December 31, 2014.

The deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016.....	\$ 13,606
2017.....	13,606
2018.....	13,606
2019.....	<u>13,607</u>
Total.....	\$ <u>54,425</u>

Actuarial Assumptions

The total pension liability in the January 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2014:

Valuation date.....	January 1, 2014
Actuarial cost method.....	Individual entry age normal
Amortization method.....	Total appropriation increases 8% each year
Remaining amortization period.....	22 years
Asset valuation method.....	Market value
Investment rate of return.....	7.75%
Inflation rate.....	Not explicitly assumed
Projected salary increases.....	Varies by length of service with ultimate rates of 4.25% for Group 1 (General Employees), 4.50% for Group 2 (Hazardous Duty Positions) and 4.75% for Group 4 (Police & Firefighters).
Cost of living adjustments.....	3.0% per year of the first \$12,000 of retirement income
Rates of retirement.....	Varies based upon age and gender for Groups 1 & 2, varies upon age for Group 4.
Rates of disability.....	It is assumed that the percentage of job-related disabilities is 55% for Groups 1 & 2 and 90% for Group 4.
Mortality Rates.....	Pre-retirement rates reflect the RP-2000 Employees table projected 22 years with Scale AA (gender distinct). Post-Retirement rates reflect the RP-2000 Healthy Annuitant table projected 17 years with Scale AA (gender distinct). For disabled retirees, this table is set forward 3 years for males. It is assumed that 55% of pre-retirement deaths are job-related for Group 1 & 2 members and 90% are job-related for Group 4 members. For members retired under an Accidental Disability, 40% of deaths are assumed to be from the same cause as the disability.

Investment policy

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of January 1, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Equities.....	14.50%	7.50%
Small/Mid Cap Equities.....	3.50%	7.75%
International Equities (Unhedged).....	16.00%	8.00%
Emerging International Equities.....	6.00%	9.25%
High-Yield Bonds.....	1.50%	5.75%
Core Bonds.....	3.00%	3.98%
Bank Loans.....	1.50%	6.00%
EMD (external).....	1.00%	6.00%
EMD (local currency).....	2.00%	6.75%
TIPS.....	3.00%	4.00%
Long Treasuries.....	7.00%	9.00%
Private Equity.....	10.00%	9.50%
Private Debt.....	4.00%	8.00%
Real Estate.....	10.00%	6.50%
Hedge Funds.....	9.00%	6.75%
Timber/Natural Resources.....	4.00%	6.75%
Portfolio Completion.....	4.00%	N/A
	<u>100.00%</u>	

Rate of return

For the year ended December 31, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.64%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount (7.75%)	1% Increase (8.75%)
The Town's proportionate share of the net pension liability....	\$ 41,400,967	\$ 30,528,625	\$ 21,120,265
The Retirement System's total net pension liability.....	\$ 48,918,000	\$ 36,071,589	\$ 24,955,000

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS

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 participation in the Group Insurance Commission of the Commonwealth of Massachusetts (GIC), which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. The Retiree Health Plan does not issue a publicly available financial report.

As of July 1, 2014, the plan’s membership consisted of:

Active participants.....	663
Retired participants.....	538
Total participants.....	1,201

Funding Policy – The Town’s required contribution is based on a pay-as-you-go financing requirement. The Town contributes 65-83 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 17-35 percent of the cost of pre-Medicare and 25 percent of the cost of Medex plan and Medicare Part B. For 2015, the Town contributed \$3.8 million to the plan, and member contributions totaled \$1.0 million. The Town’s contribution to the plan when adjusted for the implicit rate subsidy was approximately \$4.8 million.

The Commonwealth of Massachusetts passed special legislation that has allowed the Town to establish the Other Postemployment Benefits Trust fund which allows the Town to set aside amounts to begin pre-funding its OPEB liabilities. During year 2015, the Town pre-funded future OPEB liabilities in the amount of \$250,000. The balance of the OPEB trust at year end is \$541,000.

Annual OPEB Cost and Net OPEB Obligation – The Town’s annual other postemployment 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:

Annual required contribution.....	\$ 10,800,000
Interest on net OPEB obligation.....	1,410,000
Adjustments to annual required contribution.....	(1,290,000)
Annual OPEB cost (expense).....	<u>10,920,000</u>
Contributions made.....	<u>(4,810,000)</u>
Increase in net OPEB obligation.....	6,110,000
Net OPEB obligation-beginning of year.....	<u>31,011,500</u>
Net OPEB obligation-end of year.....	<u>\$ 37,121,500</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two prior years was as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 10,920,000	44%	\$ 37,121,500
6/30/2014	11,982,000	41%	31,011,500
6/30/2013	10,955,369	41%	23,899,500

Funded Status and Funding Progress – As of July 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$133.4 million, of which, \$133.1 million was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$46.3 million, and the ratio of the UAAL to the covered payroll was 287.5%.

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, 2014, actuarial valuation, actuarial liabilities were determined using the projected unit credit 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, projected salary increases of 4.5% and an annual medical/drug cost trend rate of 9.5% initially, graded to 5% over 10 years. The UAAL is being amortized over a 30 year closed period using a level percentage of projected payroll, with

amortization payments increasing at 4.5% per year. The remaining amortization period is 23 years as of June 30, 2015. The inflation rate assumption is based on projected payroll which is assumed to increase at 4% a year.

NOTE 11 – COMMITMENTS

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

In May of 2011, the Town voted to authorize the Treasurer to borrow \$15,102,000 to finance the capping of the Town's old landfill and the construction of a new transfer station. Both the permitting process and the awarding of a contract for the landfill capping portion of the project were completed in 2014. Construction activities began in early summer of 2015 and are estimated to be completed in the spring of 2016. Construction of a new transfer station will be done by a separate contract. The Town authorized additional borrowing for both the landfill and transfer station projects in May of 2015, which is further detailed below.

In May of 2012, the Town voted to authorize the Treasurer to borrow \$4,937,687 to finance drainage improvements in the Pleasant Street Area. These drainage improvements began in 2014. The project has been designed as a three phase project and is expected to take three to four years to complete. Phase I of the project began in May 2013 and was completed by the end of the summer in 2014. A grant application was submitted to the Federal Emergency Management Agency (FEMA) and the Town received notification in August 2015 of funding awarded for the design portion of the project. This phase (Phase II) is scheduled for construction in summer of 2016.

In May of 2013, the Town voted to authorize the Treasurer to borrow \$2,465,966 for renovations to the Abbot Hall Clock Tower, as well as several accessibility upgrades to Abbot Hall. This project was substantially completed in 2015, except for the installation of a stage lift in the auditorium, which will be completed by mid-2016.

In May of 2013, the Town voted to authorize the Treasurer to borrow \$1,165,000 for the cleanup of property located at 151 Green Street. This property, located in proximity to the Town's old landfill, was partially contaminated by activities conducted at that landfill when in operation. The project was completed in the fall of 2015 and the municipal waste removal work was performed in accordance with environmental assessment and design activities regulated and approved by the Massachusetts Department of Environmental Protection, Division of Solid Waste Management.

In May of 2015, the Town voted to authorize the Treasurer to borrow \$8,000,000 for additional work on the landfill and transfer station projects. This work is to include repair of the drainage culvert that crosses the landfill property, removal or disposal of solid waste in areas adjacent to the landfill closure project, and work associated with deconstruction of the old transfer station and construction of a new transfer station. Repair work of the 60-inch culvert is underway, while removal and relocation of solid waste in areas adjacent to the landfill closure project is 90% complete. After completing the removal of the solid waste, all properties will be restored to preconstruction conditions. The deconstruction of the old transfer station is set to begin as early as the winter of 2016 and construction of the new transfer station will begin in the spring or early summer of 2016.

NOTE 12 – 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. Town Counsel estimates that the potential claims against the Town, resulting from such litigation, which are not covered by insurance, would not materially affect the financial statements of the Town.

NOTE 13 – PARTICIPATION IN MASSACHUSETTS MUNICIPAL WHOLESALE ELECTRIC COMPANY

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

MMWEC is a public corporation and political subdivision of the Commonwealth of Massachusetts created as a means to develop a bulk power supply for its Members and other utilities. MMWEC is authorized to construct, own or purchase ownership interests in and to issue revenue bonds to finance electric facilities (Projects). MMWEC has acquired ownership interests in electric facilities operated by other utilities and also owns and operates its own electric facilities. MMWEC sells all of the capability (Project Capability) of each of its Projects to its members and other utilities (Project Participants) under Power Sales Agreements (PSAs). Among other things, the PSAs require each Project Participant to pay its *pro rata* share of MMWEC's costs related to the Project, which costs include debt service on the revenue bonds issued by MMWEC to finance the Project, plus 10% of MMWEC's debt service to be paid into a Reserve and Contingency Fund. In addition, should a 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.

Through membership in MMWEC, the Light Department is contingently liable on the various projects in which they participate as detailed below:

MMWEC has issued separate revenue 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 MMWEC's 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, both fossil-fueled power plants. MMWEC has a 3.7% interest in the W.F. Wyman Unit No. 4 plant, which is operated and owned by its majority owner, FPL Energy Wyman IV, LLC, a subsidiary of NextEra Energy Resources LLC, 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 the Millstone Unit 2 nuclear unit. The operating license for the Millstone 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 NextEra Energy Seabrook, LLC (NextEra Seabrook), the majority owner and an indirect subsidiary of NextEra Energy Resources LLC. The operating license for Seabrook

Station extends to March 15, 2030. NextEra Seabrook has submitted an application to extend the Seabrook Station operating license for an additional 20 years.

Pursuant to the PSAs, the MMWEC Seabrook and Millstone Project Participants are liable for their proportionate share of the costs associated with decommissioning the plants, which costs are being funded through monthly Project billings. Also, the project participants are liable for their proportionate share of the uninsured costs of a nuclear incident that might be imposed under the Price-Anderson Act. Originally enacted in 1957, the act has been renewed several times. In July 2005, as part of the Energy Policy Act of 2005, Congress extended the Act until the end of 2025.

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

As of December 31, 2014, total capital expenditures for MMWEC's projects amounted to \$1,616,889,000 of which \$26,580,000 represents the amount 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. MMWEC's debt outstanding for the Projects includes Power Supply System Revenue Bonds totaling \$167,110,000, of which \$1,947,000 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, 2014, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$152,675,000, of which \$1,722,000 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, 2014, and estimated for future years is shown below:

		Annual Cost
For years ended December 31,	2015	\$ 820,000
	2016	609,000
	2017	240,000
	2018 to 2021	51,000
	Total	<u>\$ 1,720,000</u>

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 \$3,326,000 and \$3,106,000 for the years ended December 31, 2014 and 2013, respectively.

NOTE 14 – RISK FINANCING

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

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

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

An analysis of workers' compensation activity is presented below:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Year-End	Current Portion
2014.....	\$ 684,292	\$ 259,333	\$ (255,610)	\$ 774,556	\$ 111,184
2015.....	774,556	331,685	(299,163)	807,078	184,364

NOTE 15 – CLEANUP AND REMEDIATION LIABILITY RELATED TO THE OLD LANDFILL

State and federal laws and regulations require the Town to construct a final capping system on its inactive landfill located at the rear of the Transfer Station at 5 Woodfin Terrace and to perform certain maintenance and monitoring functions at the site after closure. The Town stopped accepting waste and closed the site in 1975 in accordance with the regulations in place at that time. The Town was compelled to provide for the capping and monitoring of its landfill by an administrative consent order issued by the Department of Environmental Protection. The Town is in the process of capping the landfill. After the capping and closure project is complete, the Town is required to pay monitoring costs at approximately \$115,000 per year for 30 years. The total remaining capping and closure and future monitoring costs have been reported as a total \$8.6 million liability to the Town as of June 30, 2015. Actual costs may change due to inflation, changes in technology, or changes in regulations.

NOTE 16 – REVISION OF THE STATEMENT OF NET POSITION

The beginning net position of governmental activities has been revised to reflect the implementation of GASB Statement #68. To reflect this change, the Town has recorded a net pension liability, which has resulted in the revision of the June 30, 2014 balance of the governmental activities and business type activities by \$27,569,678 and \$2,095,136, respectively. Additionally, the net position of the Marblehead Municipal Light Department has been restated due to a prior period adjustment that increased the fund's net position by \$102,749. As a result, previously reported governmental activities net position of \$65,883,561 has been revised to 38,313,883. Previously reported business-type activities net position of \$54,167,531 has been revised to \$52,175,144.

NOTE 17 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 11, 2015, which is the date the financial statements were available to be issued.

NOTE 18 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2015, the following GASB pronouncements were implemented:

- GASB Statement #67, *Financial Reporting for Pension Plans*; GASB Statement #68, *Accounting and Financial Reporting for Pensions*; and GASB Statement #71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Financial statement changes include the recognition of a net pension liability, pension expense and deferred outflows/inflows of resources depending on the nature of the change each year. The financial statements also recognized a restatement of the beginning net position to reflect the net pension liability at the beginning of the year. The notes to the basic financial statements and the required supplementary information were expanded to include additional required schedules and disclosures.
- GASB Statement #69, *Governmental Combinations and Disposals of Government Operations*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #72, *Fair Value Measurement and Application*, which is required to be implemented in 2016.
- The GASB issued Statement #73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The provisions of this Statement are effective for 2016—except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68, which is required to be implemented in 2017.
- The GASB issued Statement #74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is required to be implemented in 2017.
- The GASB issued Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in 2018.
- The GASB issued Statement #76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which is required to be implemented in 2016.
- The GASB issued Statement #77, *Tax Abatement Disclosures*, which is required to be implemented in 2017.

Management is currently assessing the impact the implementation of these pronouncements will have on the basic financial statements.

Required Supplementary Information

General Fund

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

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

YEAR ENDED JUNE 30, 2015

	Budgeted Amounts				
	Original Budget	Final Budget	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 58,515,212	\$ 58,515,212	\$ 58,955,860	\$ -	\$ 440,648
Motor vehicle excise taxes.....	2,273,910	2,273,910	3,317,889	-	1,043,979
Charges for services.....	310,000	310,000	720,016	-	410,016
Penalties and interest on taxes.....	100,000	100,000	287,496	-	187,496
Licenses and permits.....	350,000	350,000	780,713	-	430,713
Fines and forfeitures.....	47,000	47,000	125,921	-	78,921
Intergovernmental.....	6,756,843	6,756,843	6,862,992	-	106,149
Investment income.....	80,000	80,000	227,140	-	147,140
Miscellaneous.....	-	-	41,522	-	41,522
TOTAL REVENUES.....	68,432,965	68,432,965	71,319,549	-	2,886,584
EXPENDITURES:					
Current:					
GENERAL GOVERNMENT					
Moderator - Officials Expense.....	100	100	100	-	-
Selectmen Officials Expense.....	5,500	5,500	5,500	-	-
Salaries.....	344,589	344,589	334,504	-	10,085
Expense.....	91,913	116,913	116,493	-	420
Art 44, 2001 - Fort Sewall.....	2,206	2,206	2,200	-	6
Zoning Board Legal Services.....	7,000	17,500	10,032	7,468	-
Out of State Travel.....	2,000	2,000	-	-	2,000
Finance Committee - Salaries.....	8,734	8,734	8,734	-	-
Expense.....	5,585	5,585	2,435	-	3,150
Local Travel.....	175	175	69	-	106
Reserve Fund.....	144,000	19,487	-	-	19,487
Finance - Salaries.....	633,026	633,026	587,619	-	45,407
Expense.....	272,460	272,460	260,467	6,500	5,493
Assessors - Officials Expense.....	300	300	300	-	-
Assessors - Salaries.....	192,844	192,844	192,844	-	-
Expense.....	108,785	108,785	107,531	-	1,254
Local Travel.....	400	400	390	-	10
Town Counsel - Salaries.....	2,000	2,000	2,000	-	-
Expense.....	79,725	79,725	69,494	10,000	231
Parking Tickets - Expense.....	10,484	10,484	8,999	-	1,485
Town Clerk - Salaries.....	164,360	164,360	163,720	-	640
Expense.....	9,037	9,037	7,222	-	1,815
Election and Registration - Salaries.....	22,750	22,750	21,419	-	1,331
Expense.....	21,865	23,365	23,041	-	324
Planning Board - Expense.....	1,675	1,675	967	-	708
Public Buildings - Salaries.....	93,795	93,795	88,151	-	5,644
Expense.....	101,100	108,350	100,061	8,289	-
Local Travel.....	400	400	357	-	43
Art. 10, 2014 - Equipment.....	-	441	441	-	-
Art. 13, 2012 - Improve Public Buildings.....	12,515	12,516	12,516	-	-
Art. 12, 2013 - Improve Public Buildings.....	39,347	39,240	39,240	-	-
Art. 11, 2014 - Improve Public Buildings.....	59,384	78,802	78,802	-	-
Town Reports.....	4,300	4,300	3,205	-	1,095
Town Audit of Accounts.....	43,000	43,000	43,000	-	-
TOTAL GENERAL GOVERNMENT.....	2,485,354	2,424,844	2,291,853	32,257	100,734

(Continued)

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

YEAR ENDED JUNE 30, 2015

	Budgeted Amounts				
	Original Budget	Final Budget	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
<u>PUBLIC SAFETY</u>					
Police - Salaries.....	3,221,009	3,221,009	3,189,619	-	31,390
Expense.....	175,899	183,199	180,919	-	2,280
Indemnification.....	5,000	5,000	968	-	4,032
Art. 11, 2013 - Equipment.....	21,027	-	-	-	-
Art. 11, 2013 - Equipment.....	-	244	244	-	-
Art. 12, 2013 - Improve Public Buildings.....	57,850	57,957	57,957	-	-
Art. 10, 2014 - Equipment	73,367	73,367	73,367	-	-
Art. 11, 2014 - Improve Public Buildings	-	21,100	21,100	-	-
Fire - Salaries.....	3,068,383	3,068,383	3,035,009	-	33,374
Expense.....	164,920	194,920	193,720	-	1,200
Alarm Expense.....	84,200	84,200	80,420	3,780	-
Art. 10, 2014 - Equipment.....	-	4,949	4,949	-	-
Art. 11, 2014 - Improve Public Buildings.....	26,499	28,539	28,539	-	-
Building Commissioner - Salaries.....	474,510	474,510	434,337	-	40,173
Expense.....	21,355	21,355	6,090	-	15,265
Local Travel.....	3,500	6,666	6,666	-	-
Sealer of Weights & Measurers - Expense.....	250	250	240	-	10
Animal Inspector - Salaries.....	2,400	2,400	2,400	-	-
TOTAL PUBLIC SAFETY.....	7,400,169	7,448,048	7,316,544	3,780	127,724
<u>EDUCATION</u>					
Schools.....	31,787,615	31,675,819	31,675,819	-	-
Art. 10, 2014 - Equipment.....	63,325	63,325	56,659	6,666	-
Art. 21, 2014 - Essex North Shore.....	225,411	233,858	233,858	-	-
Art. 11, 2014 - IMPROVE PUBLIC BUILDINGS.....	100,000	100,000	100,000	-	-
TOTAL SCHOOL.....	32,176,351	32,073,002	32,066,336	6,666	-
<u>PUBLIC WORKS & FACILITIES</u>					
Engineering - Salaries.....	126,147	126,147	126,127	-	20
Expense.....	10,645	10,645	6,863	-	3,782
Highway - Salaries.....	774,679	774,679	714,081	-	60,598
Expense.....	89,285	89,285	89,285	-	-
Rebuild & Maintain HTTP STS.....	33,750	33,750	18,715	15,035	-
Snow Removal.....	100,000	100,000	797,793	-	(697,793)
Street Lighting.....	128,820	128,820	128,820	-	-
Art. 12, 2012 - Equipment.....	2,419	2,419	2,419	-	-
Art. 9, 2014 - Walls and Fences.....	7,500	7,500	-	7,500	-
Art. 10, 2013 - Walls and Fences.....	6,000	6,000	617	5,383	-
Art. 11, 2007 - Walls and Fences.....	13,443	13,443	13,443	-	-
Art. 10, 2014 - Equipment.....	102,241	165,278	106,808	58,470	-
Art. 11, 2014 - Improve Public Buildings.....	24,258	5,334	5,334	-	-
Waste Collection - Salaries.....	305,662	305,662	299,354	-	6,308
Expense.....	1,724,823	1,724,823	1,468,475	-	256,348
Art. 33, 2011 - Landfill Regulator.....	53,828	53,828	44,011	9,817	-
Art. 33, 2007 - Disposal and Remediation.....	154	154	154	-	-
Art. 21, 2010 - Disposal and Remediation.....	338	338	338	-	-
Art. 34, 2014 - Landfill Regulator.....	114,600	114,600	-	114,600	-
Art. 10, 2014 - Landfill Monitoring & Assessments.....	114,600	114,600	-	114,600	-
Art. 11, 2013 - Equipment.....	66,498	-	-	-	-
Art. 10, 2014 - Equipment	73,000	13,706	13,706	-	-
Drains - Salaries.....	105,015	105,015	75,330	-	29,685
Expense.....	5,150	5,150	4,119	-	1,031
Art. 16, 2013 - Drain Construction.....	142,182	142,182	142,182	-	-
Art. 14, 2014 - Drain Construction.....	324,000	324,000	172,748	151,252	-
Cemetery - Officials Expense.....	300	300	300	-	-
Salaries.....	310,151	310,151	290,854	-	19,297
Expense.....	21,846	21,846	21,840	-	6
Art. 11, 2011 - Improve Public Buildings.....	10,000	10,000	10,000	-	-
Art. 11, 2014 - Improve Public Buildings.....	25,474	20,089	17,323	2,766	-
Tree - Salaries.....	252,636	252,636	237,661	-	14,975
Expense.....	51,578	51,578	32,805	-	18,773
TOTAL PUBLIC WORKS & FACILITIES.....	5,121,022	5,033,958	4,841,505	479,423	(286,970)

(Continued)

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

YEAR ENDED JUNE 30, 2015

	Budgeted Amounts				
	Original Budget	Final Budget	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
<u>HUMAN SERVICES</u>					
Health - Officials Expense.....	400	400	400	-	-
Salaries.....	138,229	138,229	135,360	-	2,869
Expense.....	13,055	13,055	11,154	-	1,901
Local Travel.....	1,632	1,632	57	-	1,575
Healing Abuse Working for Change (HAWC).....	4,000	4,000	4,000	-	-
Art. 11, 2013 - Equipment.....	-	87,281	87,281	-	-
Mental Health - Contractual Services.....	60,000	60,000	60,000	-	-
Council on Aging - Salaries.....	247,590	247,590	239,925	-	7,665
Expense.....	3,459	3,459	3,448	-	11
Veterans Benefits - Salaries.....	60,225	60,325	60,325	-	-
Expense.....	1,243	1,243	1,213	-	30
Local Travel.....	1,100	1,100	727	-	373
Benefits.....	19,000	32,000	31,454	-	546
TOTAL HUMAN SERVICES.....	549,933	650,314	635,344	-	14,970
<u>CULTURE & RECREATION</u>					
Library - Salaries.....	787,914	787,914	745,465	-	42,449
Expense.....	254,046	254,046	253,647	-	399
Local Travel.....	100	100	76	-	24
Art. 11, 2014 - IMPROVE PUBLIC BUILDINGS.....	15,000	15,000	700	14,300	-
Park - Salaries.....	580,499	580,499	522,892	-	57,607
Expense.....	171,590	171,590	160,670	-	10,920
Park Facility Expense.....	46,093	46,093	42,589	-	3,504
ART. 10, 2014 - EQUIPMENT.....	67,682	58,550	58,550	-	-
ART. 11, 2014 - IMPROVE PUBLIC BUILDINGS.....	34,860	34,860	18,570	16,290	-
Memorial & Veterans Day.....	5,650	5,650	5,650	-	-
TOTAL CULTURE & RECREATION.....	1,963,434	1,954,302	1,808,809	30,590	114,903
<u>ENERGY</u>					
Energy Reserve.....	533,544	533,544	309,146	-	224,398
<u>PENSION BENEFITS</u>					
Contributory Retirement Fund.....	2,189,381	2,189,381	2,189,381	-	-
Noncontributory Retirement.....	113,896	113,896	89,232	-	24,664
TOTAL PENSION BENEFITS.....	2,303,277	2,303,277	2,278,613	-	24,664
<u>PROPERTY AND LIABILITY INSURANCE</u>					
Other Insurance.....	503,057	503,057	318,315	-	184,742
<u>FRINGE BENEFITS</u>					
Medicare.....	570,000	570,000	542,558	-	27,442
Salary Reserve.....	184,595	184,595	60,985	-	123,610
Group Insurance.....	12,280,277	12,146,448	9,826,265	-	2,320,183
Group Insurance FY13.....	-	133,828	20,085	113,743	-
TOTAL FRINGE BENEFITS.....	13,034,872	13,034,871	10,449,893	113,743	2,471,235
<u>INTERGOVERNMENTAL</u>					
State.....	2,819,837	2,819,837	2,705,864	-	113,973
<u>DEBT SERVICES</u>					
Maturing Debt.....	3,219,000	3,219,000	3,219,000	-	-
Interest.....	2,257,855	2,257,855	2,256,855	-	1,000
TOTAL DEBT SERVICES.....	5,476,855	5,476,855	5,475,855	-	1,000
TOTAL EXPENDITURES.....	74,367,705	74,255,909	70,498,077	666,459	3,091,373

(Continued)

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

YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(5,934,740)	(5,822,944)	821,472	(666,459)	5,977,957
<u>OTHER FINANCING SOURCES (USES):</u>					
Transfers in.....	968,916	968,916	1,254,045	-	285,129
Transfers out.....	(23,150)	(134,946)	(134,946)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	945,766	833,970	1,119,099	-	285,129
NET CHANGE IN FUND BALANCE.....	(4,988,974)	(4,988,974)	1,940,571	(666,459)	6,263,086
BUDGETARY FUND BALANCE, Beginning of year.....	16,665,990	16,665,990	16,665,990	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 11,677,016	\$ 11,677,016	\$ 18,606,561	\$ (666,459)	\$ 6,263,086

See notes to required supplementary information.

(Concluded)

Pension Plan Schedules – Retirement System

The Pension Plan's Schedule of Changes in the Net Pension Liability presents multi-year trend information on the net pension liability and related ratios.

The Pension Plan's Schedule of Contributions presents multi-year trend information on the required and actual contributions to the pension plan and related ratios.

The Pension Plan's Schedule of Investment Return presents multi-year trend information on the money-weighted investment return on retirement assets, net of investment expense.

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

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

	2014
Total pension liability:	
Service cost.....	\$ 2,681,899
Interest.....	9,363,589
Changes in benefit terms.....	-
Differences between expected and actual experience.....	-
Changes in assumptions.....	-
Benefit payments, including refunds of employee contributions.....	(8,275,382)
Net change in total pension liability.....	3,770,106
Total pension liability, beginning.....	122,276,560
Total pension liability, ending (a)	\$ 126,046,666
Plan fiduciary net position:	
Member contributions.....	\$ 1,820,099
Employer contributions.....	2,791,015
Net investment income (loss).....	6,532,623
Retirement benefits and refunds.....	(8,275,382)
Administrative expenses.....	(135,341)
Military Service Fund Contribution.....	16,440
Net increase (decrease) in fiduciary net position.....	2,749,454
Fiduciary net position at beginning of year.....	87,225,623
Fiduciary net position at end of year (b)	\$ 89,975,077
Net pension liability - ending (a) - (b)	\$ 36,071,589
Plan fiduciary net position as a percentage of the total pension liability.....	71.38%
Covered-employee payroll (*).....	\$ 18,842,144
Net pension liability as a percentage of covered-employee payroll.....	191.44%

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

*Covered employee payroll as reported in the January 1, 2014 funding
valuation report.

See notes to required supplementary information.

SCHEDULE OF CONTRIBUTIONS
MARBLEHEAD CONTRIBUTORY RETIREMENT SYSTEM

	<u>2014</u>
Actuarially determined contribution (a).....	\$ 2,775,936
Contributions in relation to the actuarially determined contribution.....	<u>(2,775,936)</u>
Contribution deficiency (excess).....	<u>\$ -</u>
Covered-employee payroll (*).....	\$ 18,842,144
Contributions as a percentage of covered- employee payroll.....	14.73%

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

(a) Based on the results of the January 1, 2013 actuarial
valuation (including assumptions and methods) which
determined budgeted appropriations for fiscal 2015.

*Covered employee payroll as reported in the January 1, 2014
funding valuation report.

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURN
MARBLEHEAD CONTRIBUTORY RETIREMENT SYSTEM

2014

Annual money-weighted rate of return, net of investment expense.....	7.64%
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Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those
years for which information is available.

The annual money-weighted rate of return has been calculated by
the Pension Reserves Investment Management Board (PRIM).

See notes to required supplementary information.

Pension Plan Schedules – Town

The schedule of the Town's Proportionate Share of the Net Pension Liability presents multi-year trend information on the Town's net pension liability and related ratios.

The Schedule of Town's Contributions presents multi-year trend information on the Town's required and actual contributions to the pension plan and related ratios.

The schedule of the Special Funding Amounts of the Net Pension Liability for the Massachusetts Teachers Contributory Retirement System presents multi-year trend information on the liability and expense assumed by the Commonwealth of Massachusetts on behalf of the Town along with related ratios.

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

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
MARBLEHEAD CONTRIBUTORY RETIREMENT SYSTEM**

	December 31, 2014
Town's proportion of the net pension liability (asset).....	84.63%
Town's proportionate share of the net pension liability (asset).....	\$ 30,528,625
Town's covered employee payroll (*).	\$ 16,780,132
Net pension liability as a percentage of covered-employee payroll.....	181.93%
Plan fiduciary net position as a percentage of the total pension liability.....	71.38%

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

*Covered employee payroll as reported in the January 1, 2014 funding
valuation report.

See notes to required supplementary information.

SCHEDULE OF THE TOWN'S CONTRIBUTIONS
MARBLEHEAD CONTRIBUTORY RETIREMENT SYSTEM

	<u>2014</u>
Actuarially determined contribution (a).....	\$ 2,349,370
Contributions in relation to the actuarially determined contribution.....	<u>(2,349,370)</u>
Contribution deficiency (excess).....	<u>\$ -</u>
Covered-employee payroll (*).....	\$ 16,780,132
Contributions as a percentage of covered- employee payroll.....	14.00%

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

(a) Based on the results of the January 1, 2013 actuarial
valuation (including assumptions and methods) which
determined budgeted appropriations for fiscal 2015.

*Covered employee payroll as reported in the January 1, 2014
funding valuation report.

See notes to required supplementary information.

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

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the Town; the portion of the collective pension expense as both a revenue and pension expense recognized by the Town; and the Plan's fiduciary

<u>Fiscal Year</u>	<u>Commonwealth's 100% Share of the Net Pension Liability Associated with the Town</u>	<u>Town's Expense and Revenue Recognized for the Commonwealth's Support</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Liability</u>
2015.....	\$ 56,034,714	\$ 3,893,000	61.64%

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

See notes to required supplementary information.

Other Postemployment Benefits Plan Schedules

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

The Schedule of Employer Contributions presents, over time, the ratio of the actual annual employer contributions to the annual required contribution.

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

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Schedule of Funding Progress

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)
7/1/2014	\$ 270,000	\$ 133,390,000	\$ 133,120,000	0.20%	\$ 46,300,000	287.5%
7/1/2013	-	142,090,000	142,090,000	0.00%	43,000,000	330.4%
7/1/2012	-	135,890,000	135,890,000	0.00%	34,450,000	394.5%
7/1/2010	-	139,225,063	139,225,063	0.00%	41,527,786	335.3%
7/1/2008	-	116,948,000	116,948,000	0.00%	34,447,000	339.5%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution (ARC)	Actual Contributions Made	Percentage of the ARC Contributed
2015	\$ 10,800,000	\$ 4,810,000	45%
2014	11,840,000	4,870,000	41%
2013	11,090,000	4,480,000	40%
2012	10,565,221	5,591,818	53%
2011	9,932,189	5,161,506	52%
2010	8,505,000	4,672,000	55%
2009	8,304,500	4,326,000	52%

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial Methods:

Valuation date.....	July 1, 2014
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Level percent of pay, assuming pay increases at 4.5%
Remaining amortization period.....	30 years as of July 1, 2014, closed

Actuarial Assumptions:

Investment rate of return.....	4.5%, pay-as-you-go scenario
Medical/drug cost trend rate.....	9.5% grading down to 5.0% over 10 years
Inflation rate.....	4.0%
Salary scale.....	4.5%, applied for amortization purposes

Plan Membership:

Current retirees, beneficiaries, and dependents.....	663
Current active members.....	<u>538</u>
Total.....	<u><u>1,201</u></u>

See notes to required supplementary information.

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

During the year, the finance committee submits to the Town Meeting an operating budget for the proposed expenditures and other financing uses for the year commencing the following July 1st. The budget, as enacted by the Town Meeting, also establishes that certain appropriations are to be funded by particular revenues. The original budget is amended during the year at Special Town Meetings or at the next Annual Town Meeting held prior to the end of the year. During the year the finance committee may transfer funds for extraordinary or unforeseen expenditures. The Town appropriated \$144,000 for this purpose in 2015 and transfers of \$124,513 were made. All unencumbered and unexpended appropriations lapse at year-end.

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

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

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2015 approved budget authorized approximately \$74.4 million in appropriations and other amounts to be raised. During the year, only line item transfers were noted and no change in total amount raised from original to final budget.

2. Budgetary – GAAP Reporting Reconciliation

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

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

Net change in fund balance - budgetary basis.....	\$	1,940,571
Net change in short-term accrued interest.....		35,660
Recognition of revenue for on-behalf payments.....		3,893,000
Recognition of expenditures for on-behalf payments.....		<u>(3,893,000)</u>
Net change in fund balance - GAAP basis (modified accrual)....	\$	<u><u>1,976,231</u></u>

3. Appropriation Deficits

During 2015, expenditures exceeded budgeted appropriations for snow removal. These over expenditures will be funded with available funds in 2016.

NOTE B – PENSION PLAN***Pension Plan Schedules – Retirement System*****A. Schedule of Changes in the Net Pension Liability and Related Ratios**

The Schedule of Changes in the Net Pension Liability and Related Ratios includes the detailed changes in the System's total pension liability, changes in the System's net position, and the ending net pension liability. It also demonstrates the plan's net position as a percentage of the total pension liability and the net pension liability as a percentage of covered payroll.

Since the System performs an actuarial valuation bi-annually, there are no reported amounts for the changes in benefit terms, differences between expected and actual experience and changes in assumptions as of December 31, 2014.

B. Schedule of Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1 and January 1. Employers may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual employer contributions may be less than the "total appropriation". The appropriations are allocated amongst employers based on an actuarial valuation.

C. Schedule of Investment Return

The money weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense. A money weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested. Inputs to the money weighted rate of return calculation are determined monthly.

Pension Plan Schedules – Town**A. Schedule of the Town's Proportionate Share of the Net Pension Liability**

The Schedule of the Town's Proportionate Share of the Net Pension Liability details the allocated percentage of the net pension liability (asset), the proportionate share of the net pension liability, and the covered employee payroll. It also demonstrates the net position as a percentage of the pension liability and the net pension liability as a percentage of covered payroll.

B. Schedule of Town's Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1 and January 1. The Town may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contributions may be less than the "total appropriation".

C. Schedule of the Special Funding Amounts of the Net Pension Liabilities

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the Town; the portion of the collective pension expense as both revenue and pension expense recognized by the Town; and the Plan's fiduciary net position as a percentage of the total liability.

D. Changes in Assumptions

None

E. Changes in Plan Provisions

None

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

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

The Town currently finances its other postemployment 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.

The Schedule of Employer Contributions presents, over time, the ratio of the actual annual employer contributions to the annual required contribution.

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.

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Other Supplementary Information

Combining and Individual Fund Financial Statements

Nonmajor Governmental Funds

Special Revenue Funds:

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

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, 2015

	Special Revenue Funds				
	Federal Grants	State Grants	Other Grants	Revolving Funds	Receipts Reserved for Appropriation
ASSETS					
Cash and cash equivalents.....	\$ 197,933	\$ 242,497	\$ 1,282,503	\$ 930,472	\$ 3,151,082
Receivables, net of uncollectibles:					
Departmental and other.....	-	-	-	69,410	-
Intergovernmental.....	6,951	-	-	-	-
Working capital deposit.....	-	-	-	-	-
TOTAL ASSETS.....	\$ 204,884	\$ 242,497	\$ 1,282,503	\$ 999,882	\$ 3,151,082
LIABILITIES					
Warrants payable.....	\$ 101,348	\$ 158,485	\$ 12,054	\$ 181,212	\$ -
DEFERRED INFLOWS OF RESOURCE					
Unavailable revenue.....	-	-	-	9,259	-
FUND BALANCES					
Restricted.....	103,536	84,012	1,270,449	809,411	3,151,082
TOTAL FUND BALANCES.....	103,536	84,012	1,270,449	809,411	3,151,082
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....	\$ 204,884	\$ 242,497	\$ 1,282,503	\$ 999,882	\$ 3,151,082

(Continued)

<i>Special Revenue Funds</i>		
<u>Gifts</u>	<u>Special Revenue Trust Funds</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 281,348	\$ 3,227,967	\$ 9,313,802
-	-	69,410
-	-	6,951
-	10,000	10,000
<u>\$ 281,348</u>	<u>\$ 3,237,967</u>	<u>\$ 9,400,163</u>
 \$ 17,742	 \$ -	 \$ 470,841
 -	 -	 9,259
 263,606	 3,237,967	 8,920,063
<u>263,606</u>	<u>3,237,967</u>	<u>8,920,063</u>
 <u>\$ 281,348</u>	 <u>\$ 3,237,967</u>	 <u>\$ 9,400,163</u>

(Concluded)

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue Funds				
	Federal Grants	State Grants	Other Grants	Revolving Funds	Receipts Reserved for Appropriation
REVENUES:					
Charges for services.....	\$ -	\$ -	\$ -	\$ 2,538,854	\$ 20,451
Fines and forfeitures.....	-	-	-	100	-
Intergovernmental.....	1,144,930	1,274,371	-	178,018	-
Departmental and other.....	-	-	-	736,124	-
Contributions.....	-	-	754,050	39,489	-
Investment income.....	-	11	2,599	4	-
Miscellaneous.....	-	-	-	47	-
TOTAL REVENUES.....	1,144,930	1,274,382	756,649	3,492,636	20,451
EXPENDITURES:					
Current:					
General government.....	-	-	82,382	4,028	86,104
Public safety.....	6,636	52,789	-	473,169	-
Education.....	1,065,987	1,140,832	96,922	2,165,205	-
Public works.....	-	-	-	342,337	-
Human services.....	10,000	39,360	13,725	103,081	-
Culture and recreation.....	-	21,255	80,558	331,134	-
TOTAL EXPENDITURES.....	1,082,623	1,254,236	273,587	3,418,954	86,104
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	62,307	20,146	483,062	73,682	(65,653)
OTHER FINANCING SOURCES (USES):					
Premium from issuance of debt.....	-	-	-	-	583,768
Transfers in.....	-	-	4,000	111,796	256,983
Transfers out.....	-	(1,101)	-	(43,909)	(607,917)
TOTAL OTHER FINANCING SOURCES (USES)...	-	(1,101)	4,000	67,887	232,834
NET CHANGE IN FUND BALANCES.....	62,307	19,045	487,062	141,569	167,181
FUND BALANCES AT BEGINNING OF YEAR.....	41,229	64,967	783,387	667,842	2,983,901
FUND BALANCES AT END OF YEAR.....	\$ 103,536	\$ 84,012	\$ 1,270,449	\$ 809,411	\$ 3,151,082

(Continued)

Special Revenue Funds		
Gifts	Special Revenue Trust Funds	Total Nonmajor Governmental Funds
\$ 1,837	\$ -	\$ 2,561,142
-	-	100
-	-	2,597,319
16,232	-	752,356
132,398	58,021	983,958
-	45,851	48,465
-	-	47
<u>150,467</u>	<u>103,872</u>	<u>6,943,387</u>
129,887	-	302,401
1,984	-	534,578
98,964	-	4,567,910
334	-	342,671
1,912	33,920	201,998
5,120	95,962	534,029
<u>238,201</u>	<u>129,882</u>	<u>6,483,587</u>
<u>(87,734)</u>	<u>(26,010)</u>	<u>459,800</u>
-	-	583,768
-	-	372,779
<u>(460)</u>	<u>-</u>	<u>(653,387)</u>
<u>(460)</u>	<u>-</u>	<u>303,160</u>
(88,194)	(26,010)	762,960
<u>351,800</u>	<u>3,263,977</u>	<u>8,157,103</u>
<u>\$ 263,606</u>	<u>\$ 3,237,967</u>	<u>\$ 8,920,063</u>

(Concluded)

Fiduciary Funds

Private Purpose Trust Funds:

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

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

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

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 POSITION

JUNE 30, 2015

	Charity Funds	Scholarship Funds	Other Funds	Total
ASSETS				
Cash and cash equivalents.....	\$ 2,122,535	\$ 878,090	\$ 145,636	\$ 3,146,261
Capital assets, net of accumulated depreciation.....	198,015	-	-	198,015
Capital assets, not being depreciated.....	2,045	-	-	2,045
TOTAL ASSETS.....	2,322,595	878,090	145,636	3,346,321
LIABILITIES				
Warrants payable.....	-	105	-	105
TOTAL LIABILITIES.....	-	105	-	105
NET POSITION				
Held in trust for other purposes.....	\$ <u>2,322,595</u>	\$ <u>877,985</u>	\$ <u>145,636</u>	\$ <u>3,346,216</u>

PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2015

	Charity Funds	Scholarship Funds	Other Funds	Total
ADDITIONS:				
Contributions:				
Private donations.....	\$ 53,807	\$ -	\$ -	\$ 53,807
Net investment income:				
Interest.....	10,628	4,012	658	15,298
TOTAL ADDITIONS.....	64,435	4,012	658	69,105
DEDUCTIONS:				
Charitable payments.....	64,470	-	-	64,470
Depreciation.....	19,927	-	-	19,927
Educational scholarships.....	-	10,400	-	10,400
TOTAL DEDUCTIONS.....	84,397	10,400	-	94,797
CHANGE IN NET POSITION.....	(19,962)	(6,388)	658	(25,692)
NET POSITION AT BEGINNING OF YEAR.....	2,342,557	884,373	144,978	3,371,908
NET POSITION AT END OF YEAR.....	\$ 2,322,595	\$ 877,985	\$ 145,636	\$ 3,346,216

AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Balance at June 30, 2014	Additions	Deductions	Balance at June 30, 2015
ASSETS				
Cash and cash equivalents.....	\$ 226,507	\$ 593,428	\$ 444,894	\$ 375,041
LIABILITIES				
Liabilities due depositors.....	\$ 226,507	\$ 593,428	\$ 444,894	\$ 375,041

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Statistical Section

Statistical Section

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



Photo by Rob Kipp

Quiet streets of Old Town Marblehead covered in snow during the winter.

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.

Net Position By Component

Last Ten Years

	2006	2007	2008	2009	2010	2011	2012	2013	(1) 2014	2015
Governmental activities										
Net investment in capital assets.....	\$ 45,030,306	\$ 64,248,109	\$ 67,584,804	\$ 68,262,258	\$ 70,685,450	\$ 71,782,028	\$ 75,341,535	\$ 77,717,668	\$ 79,318,461	\$ 83,481,653
Restricted.....	8,514,978	9,369,209	9,566,795	9,162,785	9,422,889	9,048,458	8,900,151	11,077,540	10,146,657	10,617,440
Unrestricted.....	<u>23,885,631</u>	<u>3,025,735</u>	<u>2,512,954</u>	<u>2,796,688</u>	<u>(509,557)</u>	<u>(6,852,476)</u>	<u>(12,034,478)</u>	<u>(14,679,598)</u>	<u>(51,151,235)</u>	<u>(63,332,782)</u>
Total governmental activities net position.....	<u>\$ 77,430,915</u>	<u>\$ 76,643,053</u>	<u>\$ 79,664,553</u>	<u>\$ 80,221,731</u>	<u>\$ 79,598,782</u>	<u>\$ 73,978,010</u>	<u>\$ 72,207,208</u>	<u>\$ 74,115,610</u>	<u>\$ 38,313,883</u>	<u>\$ 30,766,311</u>
Business-type activities										
Net investment in capital assets.....	\$ 31,576,803	\$ 31,828,431	\$ 31,548,537	\$ 32,097,547	\$ 33,710,827	\$ 34,878,749	\$ 35,945,212	\$ 36,688,303	\$ 36,510,098	\$ 35,675,503
Restricted.....	1,508,142	1,351,342	2,857,651	3,771,671	2,468,338	3,309,675	3,625,528	3,918,771	5,147,074	5,815,665
Unrestricted.....	<u>9,397,663</u>	<u>10,614,063</u>	<u>12,186,945</u>	<u>11,577,387</u>	<u>11,977,792</u>	<u>11,996,780</u>	<u>12,095,677</u>	<u>11,924,405</u>	<u>10,517,972</u>	<u>11,706,630</u>
Total business-type activities net position.....	<u>\$ 42,482,608</u>	<u>\$ 43,793,836</u>	<u>\$ 46,593,133</u>	<u>\$ 47,446,605</u>	<u>\$ 48,156,957</u>	<u>\$ 50,185,204</u>	<u>\$ 51,666,417</u>	<u>\$ 52,531,479</u>	<u>\$ 52,175,144</u>	<u>\$ 53,197,798</u>
Primary government										
Net investment in capital assets.....	\$ 76,607,109	\$ 96,076,540	\$ 99,133,341	\$ 100,359,805	\$ 104,396,277	\$ 106,660,777	\$ 111,286,747	\$ 111,301,356	\$ 115,828,559	\$ 119,157,156
Restricted.....	8,514,978	9,369,209	9,566,795	9,162,785	9,422,889	9,048,458	12,525,679	14,996,311	15,293,731	16,433,105
Unrestricted.....	<u>34,791,436</u>	<u>14,991,140</u>	<u>17,557,550</u>	<u>18,145,746</u>	<u>13,936,573</u>	<u>8,453,979</u>	<u>61,199</u>	<u>349,422</u>	<u>(40,633,263)</u>	<u>(51,626,152)</u>
Total primary government net position.....	<u>\$ 119,913,523</u>	<u>\$ 120,436,889</u>	<u>\$ 126,257,686</u>	<u>\$ 127,668,336</u>	<u>\$ 127,755,739</u>	<u>\$ 124,163,214</u>	<u>\$ 123,873,625</u>	<u>\$ 126,647,089</u>	<u>\$ 90,489,027</u>	<u>\$ 83,964,109</u>

(1) Unrestricted net position has been revised to reflect the implementation of GASB #68.

Changes in Net Position

Last Ten Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities:										
General government.....	\$ 3,270,652	\$ 3,524,468	\$ 3,490,002	\$ 3,709,427	\$ 3,763,970	\$ 3,764,556	\$ 4,052,732	\$ 3,719,972	\$ 4,099,769	\$ 4,491,771
Public safety.....	7,980,128	9,019,171	9,118,679	10,129,416	10,288,405	10,586,017	10,651,355	10,936,104	11,614,901	12,092,961
Education.....	41,023,533	42,814,037	43,648,218	49,890,761	52,081,576	53,942,639	55,866,599	57,452,006	60,720,945	57,790,071
Public works.....	4,879,129	5,173,056	5,407,535	5,538,314	6,331,557	6,214,732	4,510,987	6,719,828	7,225,046	7,602,455
Landfill closure.....	-	4,900,000	1,100,000	-	1,800,000	2,314,578	-	-	7,306,000	3,189,744
Human services.....	1,084,279	1,115,550	1,197,716	1,147,405	1,120,478	1,150,910	1,025,102	1,074,478	1,103,986	1,091,063
Culture and recreation.....	2,438,794	2,563,548	2,586,664	2,926,073	3,019,415	3,111,617	3,271,325	3,132,696	3,203,979	3,080,540
Interest.....	2,214,597	1,326,580	1,484,146	1,371,083	899,311	1,319,979	1,893,926	1,054,818	2,062,389	1,758,181
Total government activities expenses.....	62,891,112	70,436,410	68,032,960	74,712,479	79,304,712	82,405,028	81,272,026	84,089,902	97,337,015	91,096,786
Business-type activities:										
Water.....	2,575,458	2,900,743	2,825,383	3,065,981	3,023,598	3,481,486	3,532,314	3,838,086	3,847,928	3,643,321
Sewer.....	3,274,040	3,516,775	3,044,040	3,278,347	3,404,568	3,114,228	3,219,258	3,411,622	3,513,080	5,722,786
Municipal Light.....	13,344,444	12,768,585	12,879,054	14,643,929	13,678,068	13,797,177	14,266,634	13,950,634	14,518,824	15,371,748
Harbor.....	620,604	578,842	573,268	658,183	581,573	639,917	695,699	771,455	775,103	819,746
Total business-type activities expenses.....	19,814,546	19,764,945	19,321,745	21,646,440	20,687,807	21,032,808	21,713,954	21,971,797	22,654,935	25,557,601
Total primary government expenses.....	\$ 82,705,658	\$ 90,201,355	\$ 87,354,705	\$ 96,358,919	\$ 99,992,519	\$ 103,437,836	\$ 102,985,980	\$ 106,061,699	\$ 119,991,950	\$ 116,654,387
Program Revenues										
Governmental activities:										
Public Safety charges for services.....	\$ 1,072,931	\$ 959,016	\$ 852,159	\$ 997,699	\$ 1,216,490	\$ 994,204	\$ 1,147,383	\$ 1,052,468	\$ 1,234,957	\$ 1,239,297
Education charges for services.....	1,185,631	1,192,449	1,693,799	1,719,034	1,763,683	1,870,151	1,897,607	1,865,303	1,865,241	1,952,485
Public Works charges for services.....	745,750	764,571	742,708	644,406	634,244	668,395	694,942	742,302	781,471	757,319
Other charges for services.....	1,013,743	993,793	1,049,707	964,181	971,731	954,162	996,624	1,027,894	1,009,683	1,036,822
Operating grants and contributions.....	13,534,764	13,072,665	13,164,337	15,215,908	15,041,092	15,253,787	15,690,591	15,550,212	16,037,171	12,532,233
Capital grant and contributions.....	-	933,198	467,866	2,033,978	3,817,694	761,615	555,654	5,517,233	6,114,742	1,006,775
Total government activities program revenues.....	17,552,819	17,915,692	17,970,576	21,575,206	23,444,934	20,502,314	20,982,801	25,755,412	27,043,265	18,524,931
Business-type activities:										
Charges for services - Water.....	3,084,796	3,097,859	3,426,794	3,395,280	3,251,067	3,904,213	3,884,316	3,833,234	3,863,695	4,231,978
Charges for services - Sewer.....	3,254,460	3,566,868	3,711,954	3,493,052	3,694,883	3,730,846	3,595,910	3,680,594	3,933,742	5,779,133
Charges for services - Municipal Light.....	13,845,358	13,837,216	13,410,728	15,185,296	14,233,656	15,160,793	15,420,818	15,164,940	15,696,628	16,205,464
Charges for services - Harbor.....	608,305	619,480	638,397	627,795	591,969	632,242	633,384	638,807	637,156	674,827
Operating grants and contributions.....	3,473	24,067	8,144	13,255	22,634	17,260	2,832	3,407	12,092	129,482
Capital grant and contributions.....	-	-	-	-	-	-	-	-	228,749	-
Total business-type activities program revenues.....	20,796,392	21,145,490	21,196,017	22,714,678	21,794,209	23,445,354	23,537,260	23,320,982	24,372,062	27,020,884
Total primary government program revenues.....	\$ 38,349,211	\$ 39,061,182	\$ 39,166,593	\$ 44,289,884	\$ 45,239,143	\$ 43,947,668	\$ 44,520,061	\$ 49,076,394	\$ 51,415,327	\$ 45,545,815
Net (Expense)/Revenue										
Governmental activities.....	\$ (45,338,293)	\$ (52,520,718)	\$ (50,062,384)	\$ (53,137,273)	\$ (55,859,778)	\$ (61,902,714)	\$ (60,289,225)	\$ (58,334,490)	\$ (70,293,750)	\$ (72,571,855)
Business-type activities.....	1,116,626	1,380,545	1,874,272	1,068,238	1,106,402	2,412,546	1,823,306	1,349,185	1,717,127	1,463,283
Total primary government net expense.....	\$ (44,221,667)	\$ (51,140,173)	\$ (48,188,112)	\$ (52,069,035)	\$ (54,753,376)	\$ (59,490,168)	\$ (58,465,919)	\$ (56,985,305)	\$ (68,576,623)	\$ (71,108,572)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Real estate and personal property taxes, net of tax refunds payable.....	\$ 44,052,622	\$ 44,897,758	\$ 46,455,796	\$ 48,062,992	\$ 50,046,317	\$ 51,217,033	\$ 53,545,032	\$ 54,731,549	\$ 56,625,268	\$ 59,012,950
Motor vehicle excise taxes.....	3,033,965	2,908,531	2,856,787	2,717,571	2,656,948	2,752,897	2,843,878	3,016,278	3,169,957	3,365,276
Penalties and interest on taxes.....	134,274	174,210	152,437	153,284	192,715	226,937	241,114	235,370	231,501	287,496
Grants and contributions not restricted to specific programs.....	1,254,124	1,908,659	1,693,092	1,479,237	1,164,113	1,110,208	1,111,126	1,062,086	1,083,252	1,471,815
Unrestricted investment income.....	811,058	1,299,063	1,366,744	694,664	547,427	389,792	237,753	553,733	351,665	309,527
Miscellaneous.....	61,300	-	-	-	-	-	-	-	-	-
Transfers.....	656,398	544,635	559,028	586,703	629,309	585,075	539,520	643,876	600,058	577,219
Total governmental activities.....	50,003,741	51,732,856	53,083,884	53,694,451	55,236,829	56,281,942	58,518,423	60,242,892	62,061,701	65,024,283
Business-type activities:										
Boat excise.....	134,780	142,145	134,306	140,197	140,873	136,513	134,871	125,100	135,970	104,504
Unrestricted investment income.....	238,535	333,173	337,377	231,740	92,386	64,263	54,338	34,653	27,679	32,086
Settlements and refunds.....	-	-	1,012,370	-	-	-	8,218	-	-	-
Transfers.....	(656,398)	(544,635)	(559,028)	(586,703)	(629,309)	(585,075)	(539,520)	(643,876)	(600,058)	(577,219)
Total business-type activities.....	\$ (283,083)	\$ (69,317)	\$ 925,025	\$ (214,766)	\$ (396,050)	\$ (384,299)	\$ (342,093)	\$ (484,123)	\$ (436,409)	\$ (440,629)
Changes in Net Position										
Governmental activities.....	\$ 4,665,448	\$ (787,862)	\$ 3,021,500	\$ 557,178	\$ (622,949)	\$ (5,620,772)	\$ (1,770,802)	\$ 1,908,402	\$ (8,232,049)	\$ (7,547,572)
Business-type activities.....	833,543	1,311,228	2,799,297	853,472	710,352	2,028,247	1,481,213	865,062	1,280,718	1,022,654
Total primary government.....	\$ 5,498,991	\$ 523,366	\$ 5,820,797	\$ 1,410,650	\$ 87,403	\$ (3,592,525)	\$ (289,589)	\$ 2,773,464	\$ (6,951,331)	\$ (6,524,918)

Fund Balances, Governmental Funds

Last Ten Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Reserved.....	\$ 329,471	\$ 347,480	\$ 795,436	\$ 565,154	\$ 610,212	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved.....	4,905,746	5,434,575	7,183,747	8,349,653	9,178,812	-	-	-	-	-
Committed.....	-	-	-	-	-	-	917,834	591,174	676,235	501,644
Assigned.....	-	-	-	-	-	5,097,591	5,906,121	4,559,500	4,582,975	5,624,815
Unassigned.....	-	-	-	-	-	6,281,372	6,251,245	9,397,403	11,371,120	12,480,102
Total general fund.....	\$ 5,235,217	\$ 5,782,055	\$ 7,979,183	\$ 8,914,807	\$ 9,789,024	\$ 11,378,963	\$ 13,075,200	\$ 14,548,077	\$ 16,630,330	\$ 18,606,561
All Other Governmental Funds										
Reserved.....	\$ 3,218,824	\$ 3,265,196	\$ 3,309,253	\$ 3,348,145	\$ 3,379,233	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds.....	4,956,638	6,612,669	6,702,589	6,902,667	7,253,938	-	-	-	-	-
Capital projects funds.....	(3,448,847)	(2,231,042)	1,690,445	9,471,649	1,813,173	-	-	-	-	-
Permanent funds.....	1,243,096	1,454,201	1,430,805	1,488,902	1,420,238	-	-	-	-	-
Nonspendable.....	-	-	-	-	-	3,379,232	3,410,414	3,437,053	3,483,784	3,513,939
Restricted.....	-	-	-	-	-	9,044,027	10,424,988	18,463,217	9,558,967	14,485,534
Total all other governmental funds....	\$ 5,969,711	\$ 9,101,024	\$ 13,133,092	\$ 21,211,363	\$ 13,866,582	\$ 12,423,259	\$ 13,835,402	\$ 21,900,270	\$ 13,042,751	\$ 17,999,473

The Town implemented GASB 54 in 2011, fund balances prior to 2011 have been reported in the pre-GASB 54 format.

Changes in Fund Balances, Governmental Funds

Last Ten Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues:										
Real estate and personal property taxes,										
net of tax refunds.....	\$ 43,703,685	\$ 44,942,601	\$ 46,419,642	\$ 47,865,181	\$ 49,720,655	\$ 51,170,197	\$ 53,542,174	\$ 54,653,329	\$ 56,513,528	\$ 58,955,860
Motor vehicle excise taxes.....	3,026,225	2,921,041	2,839,549	2,756,859	2,649,742	2,757,607	2,851,176	2,994,944	3,212,814	3,317,889
Penalties and interest on taxes.....	134,274	174,210	152,437	153,284	192,732	226,937	241,114	235,370	231,501	287,496
Charges for services.....	2,321,164	2,423,866	2,896,961	2,933,547	3,017,786	2,984,996	3,135,718	3,265,285	3,302,028	3,281,158
Licenses and permits.....	867,875	692,993	604,058	648,799	848,233	729,262	773,464	676,788	723,707	780,713
Fines and forfeitures.....	185,569	162,480	193,511	167,209	157,626	141,860	175,186	153,061	144,147	126,021
Intergovernmental.....	34,856,476	32,613,925	15,110,217	18,339,553	19,023,864	17,282,267	16,668,016	20,163,582	22,368,797	13,949,896
Departmental and other.....	339,638	399,086	389,996	269,957	294,815	317,306	570,975	301,435	682,753	752,356
Contributions.....	383,178	814,817	537,030	599,738	439,403	461,556	570,902	1,629,007	508,769	1,354,054
Investment income.....	787,540	1,250,722	1,299,999	633,687	524,246	382,329	231,290	551,404	341,630	302,750
Miscellaneous.....	356,564	255,420	323,821	321,609	304,615	329,000	351,966	331,532	48,727	41,569
Total Revenue.....	86,962,188	86,651,161	70,767,221	74,689,423	77,173,717	76,783,317	79,111,981	84,955,737	88,078,401	83,149,762
Expenditures:										
General government.....	1,875,936	2,109,919	2,056,400	2,055,385	2,192,414	2,188,589	168,467	2,075,878	2,211,378	2,542,683
Public safety.....	5,764,771	6,322,114	6,367,594	6,663,357	6,706,967	6,916,177	5,463,055	7,136,638	7,507,189	7,751,988
Education.....	27,185,424	28,195,979	30,042,340	31,437,324	32,711,645	33,258,875	24,840,586	34,488,972	36,141,943	36,777,030
Public works.....	3,507,547	3,800,613	3,762,533	3,641,840	4,338,817	4,095,893	6,385,885	5,255,558	5,037,579	5,311,258
Landfill.....	-	-	-	-	-	-	-	-	-	8,476,944
Human services.....	798,590	811,195	889,949	804,745	777,377	805,497	709,399	730,629	709,822	738,308
Culture and recreation.....	1,731,995	1,606,584	1,819,561	2,019,758	1,945,935	2,035,638	2,228,610	1,996,187	2,035,713	1,859,522
Pension benefits.....	6,728,821	7,101,736	7,252,902	7,771,803	8,117,079	8,333,338	8,758,191	8,886,922	9,231,574	6,171,613
Property and liability insurance.....	334,103	345,231	330,485	277,368	206,956	223,932	216,606	271,764	302,420	318,315
Employee benefits.....	8,884,059	9,125,175	9,242,492	9,716,952	9,999,049	8,786,164	10,841,607	10,037,694	10,633,116	10,423,210
State and county charges.....	2,217,767	2,156,712	1,340,304	1,457,485	1,719,351	2,188,061	2,365,570	2,583,423	2,672,504	2,705,864
Capital outlay.....	4,500,085	2,161,981	8,520,528	7,463,678	14,103,307	6,187,452	16,526,990	16,552,382	17,526,722	4,437,596
Debt service:										
Principal.....	23,995,637	17,809,637	1,745,000	1,615,000	2,820,000	3,008,000	2,614,000	3,612,000	8,393,000	24,772,239
Interest.....	2,585,246	1,984,064	1,256,791	1,516,966	1,601,955	1,444,950	1,872,515	1,508,446	1,912,631	2,221,195
Total Expenditures.....	90,109,981	83,530,940	74,626,879	76,441,661	87,240,852	79,472,566	82,991,481	95,136,493	104,315,591	114,507,765
Excess of revenues over (under) expenditures.....	(3,147,793)	3,120,221	(3,859,658)	(1,752,238)	(10,067,135)	(2,689,249)	(3,879,500)	(10,180,756)	(16,237,190)	(31,358,003)
Other Financing Sources (Uses)										
Issuance of debt.....	-	-	9,496,500	9,960,500	2,618,000	1,650,000	6,195,000	18,351,000	20,486,239	25,001,205
Issuance of refunding bonds.....	-	-	-	-	-	-	15,860,000	-	-	-
Premium from issuance of debt.....	197,483	13,295	33,326	218,930	349,262	600,790	215,393	723,625	504,391	583,768
Premium from issuance of refunding bonds.....	-	-	-	-	-	-	2,055,459	-	-	-
Issuance of bonds and notes.....	15,984,637	-	-	9,496,500	11,782,000	13,682,000	243,000	-	-	-
Payments of current refunded debt.....	(15,984,637)	-	-	(9,496,500)	(11,782,000)	(13,682,000)	(243,000)	-	-	-
Payments to refunding bond escrow agent.....	-	-	-	-	-	-	(17,877,492)	-	-	-
Capital lease financing.....	46,875	-	-	-	-	-	-	-	-	-
Transfers in.....	2,297,989	2,002,892	2,104,004	2,061,179	3,947,500	3,557,318	1,120,997	1,234,550	1,779,849	1,651,535
Transfers out.....	(1,641,591)	(1,458,257)	(1,544,976)	(1,474,476)	(3,318,191)	(2,972,243)	(581,477)	(590,674)	(1,179,791)	(1,074,316)
Total other financing sources (uses).....	900,756	557,930	10,088,854	10,766,133	3,596,571	2,835,865	6,987,880	19,718,501	21,590,688	26,162,192
Net change in fund balances.....	\$ (2,247,037)	\$ 3,678,151	\$ 6,229,196	\$ 9,013,895	\$ (6,470,564)	\$ 146,616	\$ 3,108,380	\$ 9,537,745	\$ 5,353,498	\$ (5,195,811)
Debt service as a percentage of noncapital expenditures.....	6.20%	4.68%	4.54%	4.54%	6.05%	6.08%	5.87%	6.52%	10.32%	24.52%

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

Year	Assessed and Actual Values and Tax Rates								
	Residential Value	Residential Tax Rate	Commercial Value	Industrial Value	Personal Property	Total Commercial Value	Commercial Tax Rate	Total Direct Rate	Total Town Value
2006	\$ 5,007,339,729	\$ 8.43	\$ 184,593,258	\$ 17,596,200	\$ 33,605,700	\$ 235,795,158	\$ 8.43	\$ 8.43	\$ 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
2010 (1)	4,993,336,363	9.57	192,606,528	20,090,100	43,380,290	256,076,918	9.57	9.57	5,249,413,281
2011	4,764,628,638	10.21	192,325,493	18,290,900	56,716,040	267,332,433	10.21	10.21	5,031,961,071
2012	4,822,272,753	10.52	203,536,923	17,934,700	56,201,470	277,673,093	10.52	10.52	5,099,945,846
2013 (1)	4,773,366,165	10.85	203,018,401	17,367,700	55,583,590	275,969,691	10.85	10.85	5,049,335,856
2014	4,840,763,845	11.09	206,220,721	16,553,800	54,689,890	277,464,411	11.09	11.09	5,118,228,256
2015	5,048,269,078	11.08	207,099,668	16,058,600	54,855,310	278,013,578	11.08	11.08	5,326,282,656

(1) Revaluation Year

Source: Town of Marblehead, Assessor's Department

Note: Chapter 59, Section 21C of the Massachusetts General Laws, known as "Proposition 2 1/2", imposes 2 separate limits on the annual tax levy of the Town. The primary limitation is that the tax levy cannot exceed 2 1/2 percent of the full and fair cash value. The secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding year as determined by the State Commissioner of Revenue by more than 2 1/2 percent, subject to an exception for property added to the tax rolls and for certain substantial valuation increases other than as part of a general revaluation. The secondary limit may be exceeded in any year by a majority vote of the voters, however it cannot exceed the primary limitation.

Principal Taxpayers

Current Year and Nine Years Ago

Name	2015			2006		
	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Various Edward T. Moore LLC/Trusts	\$ 59,330,600	1	1.11%	\$ 55,853,600	1	1.07%
Algonquin Gas Transmission Co.	27,256,600	2	0.51%	15,920,300	3	0.30%
Various Rockett LLC/Trusts	26,429,900	3	0.50%	35,504,500	2	0.68%
Bessom Associates	18,340,400	4	0.34%	15,165,700	4	0.29%
Eyk Van Otterloo & Various LLC's	15,399,900	5	0.29%	-	-	-
Eastern Yacht Club	13,607,100	6	0.26%	\$ 12,169,000	5	0.23%
Individual	12,885,600	7	0.24%	9,671,500	7	0.18%
Boston Gas (dba National Grid)	12,718,930	8	0.24%	-	-	-
Corinthian Yacht Club	9,452,800	9	0.18%	-	-	-
Tedesco Country Club	9,445,696	10	0.18%	-	-	-
Angelo Arena	-	-	-	10,153,300	6	0.19%
James Crosby	-	-	-	8,264,800	8	0.16%
Robert W. Green	-	-	-	7,949,000	9	0.15%
Keyspan	-	-	-	7,243,753	10	0.14%
	<u>\$ 204,867,526</u>		<u>3.85%</u>	<u>\$ 177,895,453</u>		<u>3.39%</u>

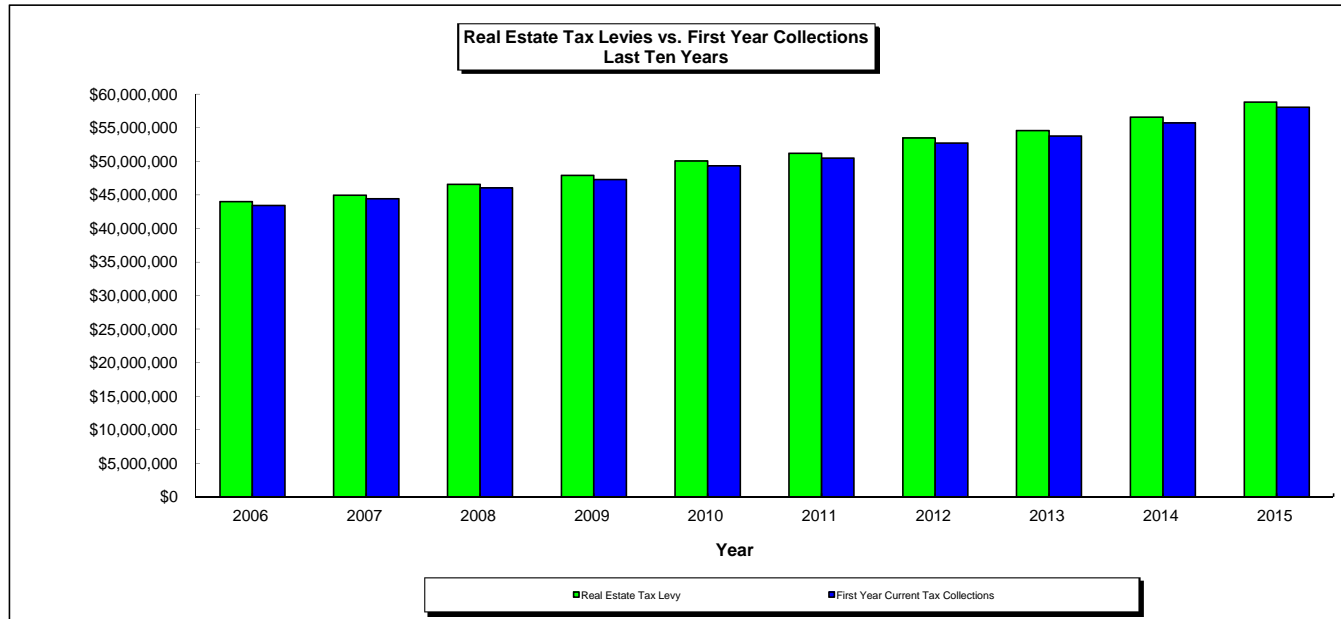
Source: Town of Marblehead, Assessor's Department

Property Tax Levies and Collections

Last Ten Years

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
2006	\$	44,199,627	\$ 212,216	\$ 43,987,411	\$ 43,414,941	98.7%	\$ 393,466	\$ 43,808,407	99.6%
2007	(1)	45,347,717	383,435	44,964,282	44,430,925	98.8%	345,563	44,776,488	99.6%
2008		46,775,321	219,158	46,556,163	46,024,701	98.9%	349,933	46,374,634	99.6%
2009		48,097,849	205,900	47,891,949	47,278,421	98.7%	438,987	47,717,409	99.6%
2010	(1)	50,236,558	202,945	50,033,613	49,329,485	98.6%	430,008	49,759,493	99.5%
2011		51,376,323	170,026	51,206,297	50,460,080	98.5%	458,017	50,918,097	99.4%
2012		53,651,430	190,822	53,460,608	52,730,436	98.6%	467,619	53,198,055	99.5%
2013	(1)	54,785,294	196,959	54,588,335	53,749,406	98.5%	534,587	54,283,993	99.4%
2014		56,761,148	178,533	56,582,615	55,709,938	98.5%	583,231	56,293,169	99.5%
2015		59,015,212	181,878	58,833,334	58,048,814	98.7%	-	58,048,814	98.7%

Source: Town of Marblehead's, Finance Department



(1) Revaluation year.

(2) Includes omitted and revised assessments.

Ratios of Outstanding Debt and General Bonded Debt

Last Ten Years

Year	U. S. Census Population	Personal Income	Assessed Value	Governmental Activities Debt			
				General Obligation Bonds	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
2006	20,482	\$ 1,078,061,450	\$ 5,243,134,887	\$ 28,410,000	1,387	2.64%	0.54%
2007	20,384	1,094,361,327	5,843,778,008	26,585,000	1,304	2.43%	0.45%
2008	20,039	1,097,356,003	5,608,551,644	34,336,500	1,713	3.13%	0.61%
2009	20,449	1,142,199,344	5,350,150,064	42,682,000	2,087	3.74%	0.80%
2010	19,808	1,160,939,921	5,249,413,281	41,480,000	2,036	3.57%	0.79%
2011	19,961	1,079,516,192	5,031,961,071	41,122,000	2,076	3.81%	0.82%
2012	20,076	1,100,506,092	5,099,945,946	44,913,000	2,246	4.10%	0.88%
2013	19,808	1,137,345,552	5,049,335,856	59,652,000	3,016	5.25%	1.18%
2014	20,187	1,167,313,275	5,118,227,956	71,745,239	3,554	6.15%	1.40%
2015	20,454	1,188,009,228	5,326,282,656	71,974,205	3,519	6.06%	1.35%

Year	Enterprise General Obligation Bonds (1)	Total Primary Government			
		Total Debt Outstanding	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
2006	\$ 180,000	\$ 28,590,000	1,396	2.65%	0.55%
2007	135,000	26,720,000	1,311	2.44%	0.46%
2008	90,000	34,426,500	1,718	3.14%	0.61%
2009	45,000	42,727,000	2,089	3.74%	0.80%
2010	-	41,480,000	2,036	3.57%	0.79%
2011	-	41,122,000	2,076	3.81%	0.82%
2012	-	45,095,393	2,246	4.10%	0.88%
2013	-	59,652,000	3,012	5.24%	1.18%
2014	-	71,745,239	3,554	6.15%	1.40%
2015	-	71,974,205	3,519	6.06%	1.35%

(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, 2015

<u>Town of Marblehead, Massachusetts</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable (1)</u>	<u>Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Essex Technical High School.....	\$ 31,090,000	1.960%	\$ 609,364
Subtotal, overlapping debt.....			609,364
Town direct debt.....			74,064,865
Total direct and overlapping debt.....			\$ 74,674,229

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the Town. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the taxpayers of Town. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the property taxpayers should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) The percentage applicable for the Essex Technical High School is based on the number of students attending from the Town of Marblehead as a percentage of all students at the Regional School.

Source: Town of Marblehead's, Finance Department

Note: The Town obtains the debt outstanding and percentages directly from the entities.

Computation of Legal Debt Margin

Last Ten Years

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Equalized valuation.....	\$ 5,582,874,900	\$ 5,582,874,900	\$ 5,976,188,400	\$ 5,976,188,400	\$ 5,580,750,300	\$ 5,580,750,300	\$ 5,362,642,300	\$ 5,362,642,300	\$ 5,323,866,200	\$ 5,323,866,200
Debt Limit - 5% of equalized valuation.....	279,143,745	279,143,745	298,809,420	298,809,420	279,037,515	279,037,515	268,132,115	268,132,115	266,193,310	266,193,310
Less:										
Total debt applicable to limitation.....	<u>28,590,000</u>	<u>26,720,000</u>	<u>34,426,500</u>	<u>23,270,000</u>	<u>28,080,000</u>	<u>37,790,000</u>	<u>38,475,000</u>	<u>45,151,000</u>	<u>51,259,000</u>	<u>56,323,000</u>
Legal debt margin.....	<u>\$ 250,553,745</u>	<u>\$ 252,423,745</u>	<u>\$ 264,382,920</u>	<u>\$ 275,539,420</u>	<u>\$ 250,957,515</u>	<u>\$ 241,247,515</u>	<u>\$ 229,657,115</u>	<u>\$ 222,981,115</u>	<u>\$ 214,934,310</u>	<u>\$ 209,870,310</u>
Total debt applicable to the limit as a percentage of debt limit.....	11%	11%	13%	8%	11%	16%	17%	20%	24%	27%

Source: Town of Marblehead's, Finance Department

Demographic and Economic Statistics

Last Ten Years

Year	Population Estimates	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2006	20,482	\$ 1,078,061,450	\$ 52,635	41.9	3,115	3.00%
2007	20,384	1,094,361,327	53,687	41.9	3,128	3.70%
2008	20,039	1,097,356,003	54,761	41.9	3,209	4.00%
2009	20,449	1,142,204,180	55,856	41.9	3,261	6.80%
2010	19,808	1,136,792,076	55,788	41.9	3,232	6.60%
2011	19,961	1,079,516,192	54,499	41.9	3,206	5.40%
2012	20,076	1,100,506,092	54,817	38.7	3,170	4.70%
2013	20,076	1,137,345,552	56,652	38.7	3,246	5.30%
2014	20,187	1,167,313,275	57,825	45.7	3,327	4.10%
2015	20,454	1,188,009,228	58,082	45.7	3,245	3.90%

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

Principal Employers
Current and Six Years Ago

Employer	Nature of Business	2015			2008 (a)		
		Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Town of Marblehead	Municipal Government	741	1	15.66%	673	1	13.40%
Marblehead/Swampscott YMCA	Recreational	403	2	8.51%	125	5	2.49%
Corinthian Yacht Club	Yacht Club	125	3	2.64%	135	3	2.45%
Devereux House	Health Care	120	4	2.54%	123	6	2.69%
Lafayette Nursing Home	Health Care	91	5	1.92%	125	4	2.49%
Eastern Yacht Club	Yacht Club	90	6	1.90%	220	2	4.38%
Tedesco County Club	Country Club	89	7	1.88%	120	7	2.49%
Boston Yacht Club	Yacht Club	82	8	1.73%	80	9	1.79%
Crosby's Marketplace	Food Market	60	9	1.27%	90	8	1.79%
National Grand Bank	Banking	52	10	1.10%	60	10	1.19%

(a) GASB Statement 44 requires information be reported for the current period and the period nine years prior. Information regarding the Town's principal employers prior to 2008 was not available.

Source: Town of Marblehead, Assessor's Department's survey of large employers
Source of total employment : Mass. Executive Office of Labor and Workforce Development

Full-time Equivalent Town Employees by Function

Last Ten Years

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Function										
General government.....	22.50	22.75	22.75	22.75	22.75	22.75	22.50	22.50	21.50	22.03
Public safety.....	55.50	55.50	55.75	56.00	56.00	55.75	55.75	56.75	55.75	55.54
Fire.....	40.50	42.50	42.50	42.50	42.50	42.50	42.75	42.75	42.75	42.75
Education.....	466.32	474.67	479.79	488.11	487.71	488.01	480.00	490.00	492.00	489.80
Public works.....	35.25	36.45	35.95	34.25	36.10	36.18	36.18	36.18	36.18	36.06
Human services.....	6.50	6.50	7.00	7.75	8.18	8.18	8.18	8.93	9.93	9.64
Culture and recreation.....	28.00	28.75	29.25	28.50	29.00	29.25	29.50	29.00	29.00	30.78
Total.....	<u>654.57</u>	<u>667.12</u>	<u>672.99</u>	<u>679.86</u>	<u>682.24</u>	<u>682.62</u>	<u>674.86</u>	<u>686.10</u>	<u>687.11</u>	<u>686.60</u>

Source: Town Records

Operating Indicators by Function/Program

Last Ten Years

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Police										
Physical arrests.....	285	340	204	306	250	146	144	171	157	167
Motor vehicle violations.....	3,110	1,499	1,363	2,310	2,118	1,443	1,323	1,344	553	1,096
Parking violations.....	3,545	3,752	4,119	3,242	3,039	2,230	2,782	2,857	2,200	2,097
Fire										
Inspections.....	1,707	1,651	1,738	1,618	1,817	2,160	1,793	2,571	2,375	937
Emergency responses.....	2,167	2,361	2,378	2,341	2,396	2,540	2,540	2,307	2,522	2,663
Libraries										
Volumes in circulation.....	118,078	117,041	127,278	123,463	125,975	126,230	135,433	138,683	143,559	143,559
Total volumes borrowed.....	208,820	203,170	204,172	218,310	240,518	226,953	245,447	228,339	230,625	217,318
Water										
Service connections.....	7,459	7,962	8,080	8,080	8,080	7,991	7,991	8,030	8,045	8,032
Consumption in gallons.....	2,016,000	1,851,800	1,993,000	1,993,000	1,993,000	1,815,000	1,649,863	1,742,740	1,776,000	1,789,600
Daily consumption.....	3,666,000	3,803,000	3,820,000	3,820,000	3,820,000	4,118,000	3,445,000	3,428,000	3,165,000	3,470,000
Sewer										
Service connections.....	7,223	7,773	7,883	7,883	8,160	7,883	7,883	7,883	7,883	7,885
Daily average collection.....	2,400,000	2,244,000	2,244,000	2,244,000	2,244,000	2,244,000	2,244,000	1,584,300	1,155,000	1,878,028

Source: Various Town departments

Capital Asset Statistics by Function/Program

Last Ten Years

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Police										
Number of Stations.....	1	1	1	1	1	1	1	1	1	1
Police personnel and officers.....	42	42	42	42	42	42	42	42	42	40
Fire										
Number of Stations.....	2	2	2	2	2	2	2	2	2	2
Fire personnel and officers.....	42	42	42	42	42	42	42	42	42	42
Education										
Number of elementary schools.....	6	6	6	6	6	6	6	6	6	6
Number of middle schools.....	1	1	1	1	1	1	1	1	1	1
Number of high schools.....	1	1	1	1	1	1	1	1	1	1
Number of teachers.....	260	249	258	239	294	243	285	289	288	289
Number of administrators.....	17	17	19	22	26	22	22	22	27	22
Number of students.....	3,150	3,242	3,212	3,262	3,250	3,262	3,188	3,269	3,304	3,255
Water										
Water mains (miles).....	87	87	28	88	88	88	89	88	88	88
Fire hydrants.....	852	855	860	860	860	860	860	860	860	861
Sewer										
Sanitary sewers (miles).....	88	88	89	89	89	89	89	89	89	89
Storm sewers (miles).....	51	51	52	52	52	52	52	52	52	52
Recreation										
Parks and playgrounds.....	13	13	13	13	13	13	13	13	13	13
Park and playground (acreage).....	74	74	74	74	74	74	74	74	74	74
Conservation land (acreage).....	127	133	134	134	134	134	134	203	203	203
Railroad right of way (acreage).....	19	19	19	19	19	19	19	19	19	19
Public beaches.....	6	6	6	6	6	6	6	6	6	6
Ball fields.....	15	15	15	15	15	16	16	16	16	16
Tennis courts.....	10	12	12	12	12	13	14	14	14	14
Harbor										
Harbors.....	2	2	2	2	2	2	2	2	2	2
Moorings.....	2,200	2,200	2,200	2,200	2,200	2,200	2,400	2,600	2,800	2,800
Private yacht clubs.....	6	6	6	6	6	6	6	6	6	6
Municipal boatyards.....	2	2	2	2	2	2	2	2	2	2
Boat ramps.....	2	2	2	2	2	2	2	2	2	2
Public landings.....	6	6	6	6	6	6	7	7	7	7
Emergency rescue watercraft.....	2	2	2	2	2	2	2	2	2	3

Source: Various Town Departments



The Old Town House decorated for Fourth of July celebrations.

Photos by Robb Kipp

The picturesque Old North Church among colorful town homes.



Photo by Michael Porter