



# Town of Danvers

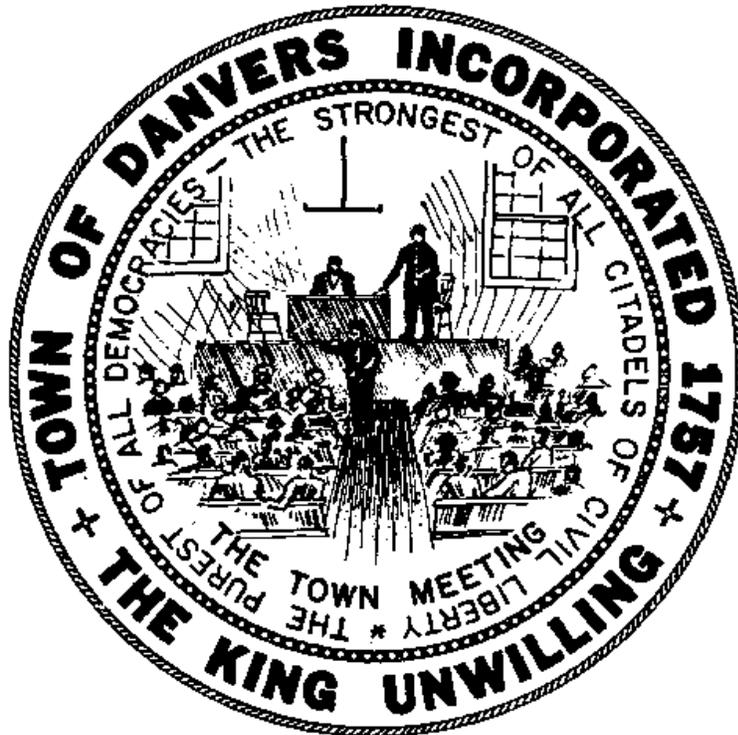
Comprehensive Annual Financial Report for  
the Year Ended  
June 30, 2012



TOWN OF DANVERS, MASSACHUSETTS

Comprehensive Annual Financial Report

For the Year Ended June 30, 2012



Prepared by:  
The Town Accountant's Department

Leonard A. Marshall  
Town Accountant



Town of Danvers, Massachusetts  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2012

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**INTRODUCTORY  
SECTION**



**TOWN OF DANVERS**

**Town Accountant**



Town Hall, Sylvan Street  
Danvers, MA 01923  
Telephone (978) 777-0001

December 10, 2012

**Letter of Transmittal**

To the Honorable Board of Selectmen and Citizens of the Town of Danvers:

At the close of each fiscal year, State law requires the Town of Danvers to publish a complete set of financial statements presented in conformance with Generally Accepted Accounting Principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the Town of Danvers, Massachusetts, for the fiscal year ending June 30, 2012 for your review.

This report consists of management's representations concerning the finances of the Town of Danvers. 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 these representations, management of the Town of Danvers has established a comprehensive internal control framework that is designed to both protect the government's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the Town of Danvers' financial statements in compliance with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town of Danvers' 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. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Town of Danvers' financial statements have been audited by Melanson Heath & Company, PC, 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 Danvers for the fiscal year ended June 30, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor

concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion on the Town of Danvers' financial statements for the fiscal year ended June 30, 2012, and, further, that they are fairly presented in conformity with GAAP. The Independent Auditors' 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 Danvers 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 Danvers' separately issued Single Audit Report.

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

### **Profile of the Town**

The Town of Danvers, established in 1752, is located in southwest Essex County approximately twenty miles northeast of Boston. The Town is primarily a residential community with a sound commercial and industrial base and occupies a land area of approximately 13.64 square miles. Industrial activity is concentrated along Massachusetts Route 128 and U.S. Route 1. Interstate Route 95 passes through the western section of the Town. Retail trade is concentrated in a central business district and three separate shopping centers are located in various sections of the Town.

The Town provides governmental services including police and fire protection, public education in grades K-12, senior services, collection and disposal of rubbish, electricity, water and sewer services, streets, parks and recreation. Two ambulatory health centers are provided locally on a private basis. The Town maintains a public boat launch and other harbor facilities. The North Shore Regional Vocational School District provides vocational education in grades nine through twelve, while the South Essex Sewerage District provides sewerage disposal services. The Massachusetts Bay Transportation Authority provides certain bus services.

The Danvers Housing Authority provides public housing for eligible low and moderate-income residents. Since the late 1950's, the Town of Danvers, in cooperation with the Danvers Housing Authority, has developed over 400 public housing units for the benefit of the local, lower income, elderly and handicapped population.

Local legislative decisions are made by a representative town meeting consisting of 149 persons, 144 of whom are elected for staggered three-year terms in eight pre-

cincts, and five of whom are officers (the Board of Selectmen) serving ex-officio as town meeting members. Subject to the legislative decisions made by the town meeting, a board of five selectmen and the Town Manager generally administers the affairs of the Town.

Local school affairs are administered by a school committee of five persons, elected for staggered three-year terms on an at-large basis. The School Committee is generally empowered to allocate the amount appropriated by the town meeting for current school purposes. A board of three assessors appointed by the Town Manager assesses local taxes.

### **PRINCIPAL TOWN OFFICIALS**

<u>Title</u>	<u>Name</u>	<u>Selection/Term</u>	<u>Term Expires</u>
Selectman	Gardner S. Trask III	Elected/3 years	2015
Selectman	William H. Clark, Jr.	Elected/3 years	2015
Selectman	Keith G. Lucy	Elected 3 years	2013
Selectman	Daniel C. Bennett	Elected/3 years	2013
Selectman	Michael W. Powers	Elected/3 years	2014
Town Manager	Wayne P. Marquis	Appointed/5 years	2017
Town Accountant	Leonard A. Marshall	Appointed/Indefinite	N/A
Treasurer	Joseph L. Collins	Appointed/Indefinite	N/A
Tax Collector	Joseph L. Collins	Appointed/Indefinite	N/A
Town Clerk	Joseph L. Collins	Appointed/Indefinite	N/A
Town Counsel	Murphy Hesse Toomey & Lehane	Appointed/1 year	2013
School Committee	Connie Pawlak	Elected/3 years	2015
School Committee	David Thomson	Elected/3 years	2015
School Committee	Arthur Skarmeas	Elected/3 years	2013
School Committee	Jean McCartin	Elected/3 years	2014
School Committee	Eric Crane	Elected/3 years	2014
Sch. Superintendent	Lisa Dana	Appointed/3 years	2015

### **Factors Affecting Financial Condition**

**Local Economy** - The Town of Danvers continues to reflect a strong economic condition. Unemployment in Danvers has been well below the state averages for the past five years. The Town remains a very desirable community, given its close proximity to Boston and quality of services provided. The residential housing market is strong, reflecting the solid interest in the community. Eleven units of new waterfront condominiums have been permitted in FY 2012 by the Planning Board. Ninety units of all affordable, all rental housing consisting of one, two, and three bedroom

units started construction during 2012. A similar project consisting of seventy-one units has also filed application with the Planning Board.

Fiscal year 2012 also provided a continuation of commercial and industrial development in Danvers. Three new auto dealerships and an addition to an existing dealership received approval from the Planning Board.

The medical industry has taken advantage of the Town's location and resources. Beverly Hospital and Massachusetts General have both located non-ambulatory facilities here, and a third hospital has been purchased for future re-development. Medical research has a strong presence with companies such as Abiomed, Cell Technology, and Medtronics having large facilities in Danvers. A new 120 bed skilled nursing facility is also under construction on the grounds of the former state hospital.

The merger between North Shore Technical Vocational School, Essex Agricultural School, and the Peabody High School Vocational program is located on a new campus located in Danvers and estimated to host 1,440 students in 23 subjects ranging from carpentry to animal science to culinary arts. Construction for the \$ 133 million project began in the spring of 2012. North Shore Community College has also expanded its campus within Danvers with a new \$ 32 million building.

### **Relevant Financial Policies**

**Long-term Financial Planning** - Given the number of years of reduced state aid, the Town has been able to mitigate the impact to municipal and school services through a combination of prudent budgeting, user fee adjustments, strong tax collections, and continued property growth, along with taking steps towards slowing the rising rate of employee healthcare costs.

During FY 2012, the Town and employees agreed to switch from the long established health care provider to a new provider. This move minimized the amount of increase to the healthcare program and employees. In addition, all eligible retirees are now required to join a Medicare plan which will reduce costs to the Town as well.

The Town's financial actions are generally guided by long-range planning tools provided by various Capital Improvement Programs; prioritizing spending plans and identifying discretionary spending; pay-as-you go financing strategies; long-term planning for all liabilities including pension and insurance reserves, and municipal best practices.

The current High School Addition and Renovation project (\$ 70.9m) is being financed with a 57% grant from the Massachusetts School Building Authority, while the new Water Treatment Plant received favorable financing rates from the Water Pollution Abatement Trust (WPAT) program.

The Town of Danvers has also enhanced its revenue flexibility by establishing enterprise funds for the water, sewer, and electric operations. This allows the Town to

shift operating, debt, and capital improvement costs to the users so that no tax support goes towards providing these services. By doing so, the Town is able to provide the maximum tax dollars available to all other services.

The Town annually adds to various Stabilization Funds (with a current balance of \$ 6.5 million) that provide financial flexibility in dealing with future major initiatives.

**Credit Rating** - The Town has continued to maintain its Moody's Investors Service rating of Aa1 and Standard and Poor's rating of AA+ through continued updates and reviews.

**Cash Management Policies and Practices** - Town Management is responsible for establishing and maintaining an internal control structure designed to ensure the assets of the Town are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The Town Accountant is responsible for evaluating the adequacy and effectiveness of the internal control structure and implementing improvements.

On a daily basis, the Treasurer's Office transfers funds into various depository accounts at local/regional banking institutions. Short-term funds are transferred to various banks and financial institutions to obtain the highest competitive return. The Treasurer is responsible for having on hand adequate cash to pay invoices and fund payroll on a weekly basis. Regulations depicting the type of investments that general fund receipts and free cash can be invested in limit the Treasurer's ability to invest longer term. In today's challenging market environment, short-term earnings will be depressed for the foreseeable future.

The Treasurer continually evaluates cash flow data to determine the amount of money that can be invested for a longer term and thus, yield a higher return on investments. The Treasurer's Office operates on an aggregate cash basis and invests in the same manner. Currently, the maturities of the various investments range from 30 days to one year with an average maturity of approximately three months.

While maintaining a highly diversified investment portfolio, the Treasurer also aims to maintain competitive relationships with numerous banks and other financial institutions. Through these relationships, the Treasurer continually investigates new investment vehicles and products to assist in generating the highest possible yield, while at the same time maintaining safety and liquidity. Since short-term rates fluctuate frequently amongst these institutions, the Treasurer monitors the investments, and the market, to keep abreast of what is happening with the investment environment.

Quarterly tax billings and excellent collection rates have eliminated the need to borrow on a short- term basis to maintain cash flow. The Town's investment options are

governed by the Massachusetts General Laws and focus on safety, liquidity, and yield.

**Pension and Other Post-employment Benefits** - The Town of Danvers fully funds each year's annual required contribution to the pension plan as determined by the actuary. The System has succeeded in funding 58.6% of the present value of the projected benefits earned by employees based on the actuarial valuation as of January 1, 2012. The Town has established a State-approved funding schedule that will eliminate the Town's unfunded actuarial liabilities (\$ 59.3 million) by 2037.

The Town of Danvers also provides on a pay-as-you-go-basis post-retirement health- care benefits for certain retirees and their dependents. In accordance with the GASB Statement No. 45, the Town has updated their actuarial valuation to estimate Danvers' 2012 fiscal year accrual. The liability, as of June 30, 2012, is \$ 175.4 million. In FY 2007, the Town created a stabilization fund of \$ 250,000 as an initial attempt to set aside funds towards this liability. As of June 30, 2012, this stabilization fund balance exceeds \$ 1.8 million.

**Risk Management** - The Town of Danvers manages its risk through a combination of self-insured programs for workers' compensation and unemployment, and as a member of the Massachusetts Interlocal Insurance Association (MIIA), a public entity risk pool, for property, casualty and liability. MIIA is self-sustaining through member premiums and reinsures through commercial companies for stop loss insurance.

The Town of Danvers takes specific measures to reduce all risk exposure. The Town has an Employee Safety Committee which meets periodically to review claims and accidents, and develops and implements safety programs.

### **Awards and Acknowledgements**

**Award** - The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Danvers for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2011. This was the eighth consecutive year that Danvers has received this prestigious award.

In order to be awarded the Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such CAFR must satisfy both generally acceptable accounting principles and applicable legal requirements.

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

**Acknowledgements** - This report represents significant effort by the entire financial team of the Town, whose dedicated efforts have significantly improved the financial

operations of the Town. I would like to thank the Town's management team, as well as the audit firm of Melanson Heath & Company, PC, for their recognition of the importance of the CAFR and the encouragement given to the financial departments.

Respectfully submitted,



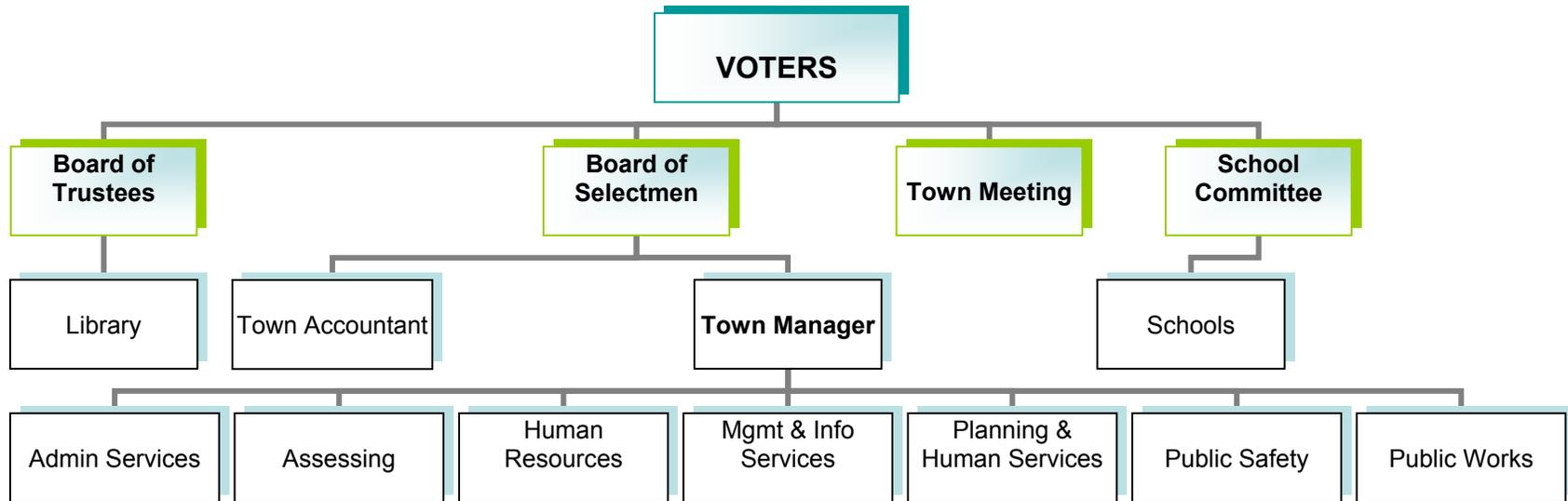
Wayne P. Marquis  
Town Manager

*Leonard A. Marshall*

Leonard A. Marshall  
Town Accountant

# TOWN OF DANVERS, MASSACHUSETTS

## ORGANIZATIONAL CHART



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Danvers  
Massachusetts

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2011

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



*Christopher P. Morrell*

President

*Jeffrey R. Emer*

Executive Director

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**FINANCIAL  
SECTION**





# MELANSON HEATH & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS  
MANAGEMENT ADVISORS

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Andover, MA 01810-1096

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[www.melansonheath.com](http://www.melansonheath.com)

## INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen  
Town of Danvers, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Danvers, Massachusetts, as of and for the year ended June 30, 2012 (except for the Danvers Contributory Retirement System, and Electric Division Enterprise Fund, which are as of and for the year ended December 31, 2011), which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town of Danvers' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, 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 Danvers, as of June 30, 2012 (except the Danvers Contributory Retirement System, and Electric Division Enterprise Fund, which are as of December 31, 2011), and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2012 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit (GAAP).

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedule of Funding Progress information be presented to supplement the basic financial statements. Such information, although not a 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, or 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 evidence sufficient to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town's basic financial statements. The additional information included in the Supplementary Statements and Schedules section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory Section and the Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Melanson, Heath + Company P.C.*  
December 10, 2012

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Town of Danvers, we offer readers this narrative overview and analysis of the financial activities of the Town of Danvers for the fiscal year ended June 30, 2012. We encourage readers to consider the information here in conjunction with additional information that we have furnished in our letter of transmittal.

### **A. OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Town of Danvers' basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The Statement of Net Assets presents information on all assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

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

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

**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 financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**Proprietary funds.** Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for water, sewer and electric operations.

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. Specifically, an internal service fund is used to account for self-insured workers compensation and unemployment coverage programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer and electric operations, all of which are considered to be major funds.

**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 Town maintains

two fiduciary funds; one for its employee pension trust, and one for educational scholarships and hospital charitable purposes.

**Notes to 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.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America. This information pertains to other post-employment benefits (OPEB) and the contributory retirement system.

## **B. FINANCIAL HIGHLIGHTS**

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 173,531,587 (i.e., net assets), a change of \$ 14,611,861 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 18,266,589, a change of \$ 13,355,036 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 3,572,172, a change of \$ 1,300,475 in comparison to the prior year, while committed fund balance was \$ 7,939,767, a change of \$ (674,249) in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$ 77,421,262, a change of \$ 29,030,919 in comparison to the prior year. The Town also had \$ 11,200,305 in bond anticipation notes outstanding at year-end.
- Total unfunded other post-employment benefit (OPEB) liability at the close of the current fiscal year was \$ 46,753,182, a change of \$ 8,507,330 in comparison to the prior year.

## **C. GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following is a summary of condensed government-wide financial data for the current and previous fiscal years (presented in thousands).

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 43,091	\$ 38,459	\$ 46,852	\$ 47,986	\$ 89,943	\$ 86,445
Capital assets	134,880	102,428	112,276	103,749	247,156	206,177
Total assets	<u>177,971</u>	<u>140,887</u>	<u>159,128</u>	<u>151,735</u>	<u>337,099</u>	<u>292,622</u>
Long-term liabilities outstanding	102,175	67,260	29,391	26,592	131,566	93,852
Other liabilities	<u>18,895</u>	<u>31,154</u>	<u>13,107</u>	<u>8,696</u>	<u>32,002</u>	<u>39,850</u>
(1) Total liabilities	121,070	98,414	42,498	35,288	163,568	133,702
Net assets:						
Invested in capital assets, net	75,320	56,122	82,380	81,587	157,700	137,709
Restricted	4,765	4,729	4,503	5,197	9,268	9,926
Unrestricted	<u>(23,184)</u>	<u>(18,378)</u>	<u>29,748</u>	<u>29,663</u>	<u>6,564</u>	<u>11,285</u>
Total net assets	<u>\$ 56,901</u>	<u>\$ 42,473</u>	<u>\$ 116,631</u>	<u>\$ 116,447</u>	<u>\$ 173,532</u>	<u>\$ 158,920</u>

(1) Major components of increase in governmental activities long-term liabilities over prior year is OPEB liability (\$ 7.5M) and issuance of long-term debt (\$ 29.3M).

#### **CHANGES IN NET ASSETS**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues:						
Program revenues:						
Charges for services	\$ 5,268	\$ 4,768	\$ 55,519	\$ 58,708	\$ 60,787	\$ 63,476
Operating grants and contributions	17,623	16,548	1,270	1,464	18,893	18,012
Capital grants and contributions	18,462	5,090	1,485	1,067	19,947	6,157
General revenues:						
Property taxes	59,604	58,327	-	-	59,604	58,327
Excises	3,510	2,855	-	-	3,510	2,855
Penalties, interest, and other taxes	2,787	2,041	-	-	2,787	2,041
Grants and contributions not restricted to specific programs	7,588	3,886	-	-	7,588	3,886
Investment income	136	157	72	134	208	291
Miscellaneous	<u>1,030</u>	<u>747</u>	<u>147</u>	<u>367</u>	<u>1,177</u>	<u>1,114</u>
Total revenues	116,008	94,419	58,493	61,740	174,501	156,159

(continued)

(continued)

	<b><u>CHANGES IN NET ASSETS</u></b>					
	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Expenses:						
General government	5,018	4,633	-	-	5,018	4,633
Public safety	14,713	15,826	-	-	14,713	15,826
Education	60,902	58,386	-	-	60,902	58,386
Public works	14,409	15,101	-	-	14,409	15,101
Health and human services	1,780	1,819	-	-	1,780	1,819
Culture and recreation	3,162	3,493	-	-	3,162	3,493
Interest	2,477	1,460	-	-	2,477	1,460
Water operations	-	-	6,340	6,082	6,340	6,082
Sewer operations	-	-	6,033	6,034	6,033	6,034
Electric operations	-	-	45,055	46,482	45,055	46,482
Total expenses	<u>102,461</u>	<u>100,718</u>	<u>57,428</u>	<u>58,598</u>	<u>159,889</u>	<u>159,316</u>
Change in net assets before transfers	13,547	(6,299)	1,065	3,142	14,612	(3,157)
Transfers in (out)	<u>881</u>	<u>683</u>	<u>(881)</u>	<u>(683)</u>	<u>-</u>	<u>-</u>
Change in net assets	14,428	(5,616)	184	2,459	14,612	(3,157)
Net assets - beginning of year	<u>42,473</u>	<u>48,089</u>	<u>116,447</u>	<u>113,988</u>	<u>158,920</u>	<u>162,077</u>
Net assets - end of year	<u>\$ 56,901</u>	<u>\$ 42,473</u>	<u>\$ 116,631</u>	<u>\$ 116,447</u>	<u>\$ 173,532</u>	<u>\$ 158,920</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net assets were \$ 173,531,587, a change of \$ 14,611,861 from the prior year.

The largest portion of net assets \$ 157,699,542 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of 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 net assets \$ 9,267,694 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 6,564,351 may be used to meet the government's ongoing obligations to citizens and creditors.

**Governmental activities.** Governmental activities for the year resulted in a change in net assets of \$ 14,428,065. Key elements of this change are as follows:

- Total revenues increased substantially, increasing approximately 22.9% from the prior year. Program revenues increased by \$ 14,947,941, due to an increase in intergovernmental revenues related to the Danvers High School renovation project. Property tax revenues increased by \$ 1,276,197, excises increased by \$ 655,066, penalties, interest and other taxes increased by \$ 745,827, and grants and contributions not restricted to specific programs increased by \$ 3,702,100, due to MSBA contract assistance revenue.
- Total expenses remained relatively stable, increasing approximately by 1.7%, from the prior year. Education increased by \$ 2,515,999, and interest expense increased by \$ 1,017,131. Increasing salaries and wages and health insurance contributed to the increase in education, and interest on current year bond issuances contributed to the increase in interest. These increases were partially offset by decreases in public safety of \$ (1,113,175) and public works of \$ (693,028).

**Business-type activities.** Business-type activities for the year resulted in a change in net assets of \$ 183,796. Key elements of this change are as follows:

- Electric Division net assets decreased by \$ (1,260,247) during the year ended December 31, 2011. This was primarily due to a net under billing of the Purchase Power and Fuel Adjustment (PP&FA), which is designed to offset the purchased power fuel expense. This net under billing will be corrected in 2012.
- Water Division net assets increased by \$ 597,409. Operating revenues were in excess of budget, but decreased by 4.8% from the prior year, while operating expenses were less than budget, but increased by 3.3% from the prior year. In fiscal year 2012, the Town transferred \$ 120,000 from the water fund into the general fund for indirect costs.
- Sewer Division net assets increased by \$ 846,634. Operating revenues increased by 1.6%, while operating expenses decreased by (0.7)%. In fiscal year 2012, the Town transferred \$ 172,000 into the sewer fund from the lateral/particular sewers fund. The Town also transferred \$ 112,000 from the sewer fund into the general fund for indirect costs.

#### **D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources.

Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$ 18,266,589, a change of \$ 13,355,036 in comparison to the prior year. Key elements of this change are as follows:

- The fund balance of the general fund increased by \$ 1,320,793 in fiscal year 2012. This increase is discussed in more detail below.
- The Town continued to invest in various capital improvements, expending \$ 35,292,719 in capital project funds in fiscal year 2012. These expenditures were primarily funded by \$ 4,301,000 in bond anticipation notes, \$ 29,349,000 in bond proceeds, and \$ 18,462,460 in Massachusetts School Building Authority (MSBA) revenues for the Danvers High School Renovation project.
- Special revenue and trust fund balances decreased by \$ (484,498) in fiscal year 2012, primarily due to transfers from various receipts reserved and revolving accounts to the general fund.

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$ 3,572,172, while total fund balance was \$ 16,405,437. 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 general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/12</u>	<u>6/30/11</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 3,572,172	\$ 2,271,697	\$ 1,300,475	4.1%
Total fund balance	16,405,437	15,084,644	1,320,793	18.9%

The total fund balance of the general fund changed by \$ 1,320,793 during the current fiscal year. Key factors in this change are as follows (presented in thousands):

**General fund Components**

<b>General Fund Highlights</b>	<b>General fund Components</b>						<b>General Fund</b>
	<b>Operating</b>	<b>Health Claims Reserves</b>	<b>Claims Reserves</b>	<b>General Stabilization</b>	<b>HS/MS Stabilization</b>	<b>Education Stabilization</b>	
Use of fund balance and other surplus, net of transfers to stabilization	\$ (2,021)	\$ -	\$ -	\$ 550	\$ 800	\$ 25	\$ (646)
Use of HS/MS stabilization	-	-	-	(529)	(1,600)	-	(2,129)
Use of Education stabilization	-	-	-	-	-	(25)	(25)
Revenues in excess of budget	2,053	-	-	-	-	-	2,053
Expenditures less than budget	1,351	-	-	-	-	-	1,351
Current year encumbrances in excess of expenditures of prior year encumbrances	401	-	-	-	-	-	401
Other	315	(6)	2	2	3	-	316
<b>Total</b>	<b>\$ 2,099</b>	<b>\$ (6)</b>	<b>\$ 2</b>	<b>\$ 23</b>	<b>\$ (797)</b>	<b>\$ -</b>	<b>\$ 1,321</b>

Included in the total general fund balance are the Town's stabilization and other reserve funds with the following balances (presented in thousands):

	<u>6/30/12</u>	<u>6/30/11</u>	<u>Change</u>
Health claims reserves	\$ 29	\$ 35	\$ (6)
Claims reserves	631	629	2
General stabilization	1,142	1,119	23
HS/MS stabilization	5,310	6,107	(797)
Revenue stabilization	35	35	-
Education stabilization	-	-	-
OPEB reserves	793	689	104
<b>Total</b>	<b>\$ 7,940</b>	<b>\$ 8,614</b>	<b>\$ (674)</b>

- The Town used \$ 2,020,825 of unassigned fund balance and overlay surplus to supplement the fiscal year 2012 appropriations in various departments.
- State and local revenues were \$ 2,052,808 more than anticipated, primarily because of increases in penalties, interest, and other taxes, intergovernmental revenues, and miscellaneous revenues. The increase in penalties, interest, and other taxes was primarily due to an increase in hotel/motel taxes and meals taxes; the increase in intergovernmental revenues was primarily due to unanticipated FEMA revenues; while the increase in miscellaneous revenues was primarily due to debt premiums.
- The Town's departments expended \$ 1,350,628 less than their budgeted appropriations, including turn backs of \$ 328,206 in public works monies resulting from lower than anticipated refuse disposal costs and costs of utilities, and turn backs of \$ 410,538 resulting from lower than anticipated casualty/liability and medical/dental insurance costs. Other savings were mainly due to decreases in discretionary spending, which was held to a minimum to ensure that funds were available as needed to offset state and

local revenue shortfalls, as well as to cover fluctuating employee benefit and other costs.

**Proprietary funds.** Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net assets of the enterprise funds at the end of the year amounted to \$ 29,747,847. Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

## **E. GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$ 69,248, funded from available funds, including general fund unassigned fund balance, and transfers from the education stabilization and insurance reimbursement funds. The change in appropriations was used to supplement public safety, education, and public works expenses.

The Town experienced favorable operating results for both revenues and appropriations. State and local revenues exceeded budget expectations by \$ 2,052,808 and expenditures were less than appropriations by \$ 1,350,628, as explained on the prior page.

## **F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets for governmental and business-type activities at year-end amounted to \$ 247,155,394 (net of accumulated depreciation), a change of \$ 40,978,282 from the prior year. This investment in capital assets includes land, construction in progress, buildings and improvements, machinery, equipment and furnishings, and infrastructure.

Major capital asset events during the current fiscal year included the following:

### Governmental activities:

- \$ 33,820,972 for ongoing work on the High School Renovation project.
- \$ 985,094 for ongoing improvements at the Danvers landfill.
- \$ 448,608 for the purchase of a fire pumper truck.
- \$ 236,238 for the purchase of two freightliners.

Business-type activities:

- \$ 7,444,190 for water treatment plant improvements.
- \$ 244,080 for water main replacements.
- \$ 400,915 for wastewater facilities improvements.
- \$ 1,632,559 for water and sewer meter replacements.
- \$ 2,670,446 for various electric department infrastructure improvements.

Additional capital asset disclosures can be found in Note #9 of the accompanying financial statements.

**Credit rating.** The Town of Danvers maintains an Aa1 rating from Moody's and an AA+/Stable rating from Standard & Poor's for general obligation debt.

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$ 77,421,262, all of which was backed by the full faith and credit of the government. The Town also had \$ 11,200,305 in bond anticipation notes outstanding at year-end.

The following is a summary of the Town's outstanding debt for the current and prior fiscal years (presented in thousands):

	<u>OUTSTANDING DEBT</u>					
	General Obligation Bonds and Bond Anticipation Notes					
	June 30, 2012 and 2011					
	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General obligation bonds	\$ 55,259	\$ 28,655	\$ 22,162	\$ 19,736	\$ 77,421	\$ 48,391
Bond anticipation notes	<u>4,301</u>	<u>19,720</u>	<u>6,899</u> <sup>(1)</sup>	<u>3,975</u>	<u>11,200</u>	<u>23,695</u>
Total	<u>\$ 59,560</u>	<u>\$ 48,375</u>	<u>\$ 29,061</u>	<u>\$ 23,711</u>	<u>\$ 88,621</u>	<u>\$ 72,086</u>

<sup>(1)</sup> Includes \$ 700 new issue for Electric Division Fund; issued after 12/31/11.

Additional information on long-term debt can be found in Note #14 to the financial statements.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town of Danvers' finances for all those with an interest in the government's finances. Questions concerning this report or requests for additional financial information should be addressed to:

Office of the Town Accountant  
Town of Danvers, Massachusetts  
1 Sylvan Street  
Danvers, Massachusetts 01923

## **Basic Financial Statements**

TOWN OF DANVERS, MASSACHUSETTS

STATEMENT OF NET ASSETS

JUNE 30, 2012

(EXCEPT FOR THE ELECTRIC DIVISION FUND, WHICH IS AS OF DECEMBER 31, 2011)

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 29,239,714	\$ 9,013,888	\$ 38,253,602
Investments	4,793,331	-	4,793,331
Receivables, net of allowance for uncollectibles:			
Property taxes	1,313,045	-	1,313,045
Excises	335,153	-	335,153
User fees	-	7,099,430	7,099,430
Intergovernmental	1,851,094	575,000	2,426,094
Departmental and other	6,029	364,134	370,163
Due from other funds	917,134	-	917,134
Prepaid expenses	-	1,524,085	1,524,085
Inventory	-	2,331,023	2,331,023
Other assets	72,551	8,740	81,291
Noncurrent:			
Restricted cash	-	25,712,095	25,712,095
Receivables, net of allowance for uncollectibles:			
Property taxes	590,350	-	590,350
Intergovernmental	3,451,035	125,203	3,576,238
Other assets, net of current portion	522,084	98,379	620,463
Land and construction in progress	78,562,827	18,351,032	96,913,859
Other capital assets, net of accumulated depreciation	<u>56,316,915</u>	<u>93,924,620</u>	<u>150,241,535</u>
<b>TOTAL ASSETS</b>	<b>177,971,262</b>	<b>159,127,629</b>	<b>337,098,891</b>
<b>LIABILITIES</b>			
Current:			
Warrants payable	7,904,037	829,677	8,733,714
Accounts payable	-	3,642,864	3,642,864
Retainage payable	2,023,191	332,981	2,356,172
Accrued liabilities	1,586,318	494,427	2,080,745
Deferred revenue - unapportioned betterments	465,684	-	465,684
Tax refunds payable	1,485,100	-	1,485,100
Notes payable	4,301,000	6,199,305	10,500,305
Due to other funds	-	917,134	917,134
Other current liabilities	1,130,099	690,137	1,820,236
Current portion of long-term liabilities:			
Bonds payable	3,479,000	1,838,089	5,317,089
Other liabilities	387,697	2,029,222	2,416,919
Noncurrent:			
Bonds payable, net of current portion	51,779,870	20,324,303	72,104,173
Other liabilities, net of current portion	<u>46,528,280</u>	<u>5,198,889</u>	<u>51,727,169</u>
<b>TOTAL LIABILITIES</b>	<b>121,070,276</b>	<b>42,497,028</b>	<b>163,567,304</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	75,319,872	82,379,670	157,699,542
Restricted for:			
Grants and other statutory restrictions	4,324,023	4,503,084	8,827,107
Permanent funds:			
Nonexpendable	143,524	-	143,524
Expendable	297,063	-	297,063
Unrestricted	<u>(23,183,496)</u>	<u>29,747,847</u>	<u>6,564,351</u>
<b>TOTAL NET ASSETS</b>	<b>\$ <u>56,900,986</u></b>	<b>\$ <u>116,630,601</u></b>	<b>\$ <u>173,531,587</u></b>

See notes to financial statements.

TOWN OF DANVERS, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

(EXCEPT FOR THE ELECTRIC DIVISION FUND, WHICH IS FOR THE YEAR ENDED DECEMBER 31, 2011)

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental Activities:</b>				
General government	\$ 5,017,751	\$ 1,431,513	\$ 270,442	\$ -
Public safety	14,713,254	941,478	138,071	-
Education	60,901,915	1,313,917	15,955,607	18,462,460
Public works	14,408,452	99,995	1,065,862	-
Health and human services	1,780,423	367,703	152,087	-
Culture and recreation	3,162,019	1,113,249	41,426	-
Interest	<u>2,476,747</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	102,460,561	5,267,855	17,623,495	18,462,460
<b>Business-Type Activities:</b>				
Water operations	6,339,675	6,936,375	24,392	-
Sewer operations	6,033,530	6,451,943	350,000	-
Electric operations	<u>45,055,002</u>	<u>42,130,194</u>	<u>895,272</u>	<u>1,485,147</u>
Total Business-type Activities	<u>57,428,207</u>	<u>55,518,512</u>	<u>1,269,664</u>	<u>1,485,147</u>
Total	<u>\$ 159,888,768</u>	<u>\$ 60,786,367</u>	<u>\$ 18,893,159</u>	<u>\$ 19,947,607</u>

General Revenues and Transfers:

- Property taxes
- Excises
- Penalties, interest and other taxes
- Grants and contributions not restricted to specific programs
- Investment income
- Miscellaneous
- Transfers, net

Total general revenues and transfers

Change in Net Assets

**Net Assets:**

- Beginning of year
- End of year

See notes to financial statements.

<u>Net (Expenses) Revenues and Changes in Net Assets</u>		
<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>Type</u> <u>Activities</u>	<u>Total</u>
\$ (3,315,796)	\$ -	\$ (3,315,796)
(13,633,705)	-	(13,633,705)
(25,169,931)	-	(25,169,931)
(13,242,595)	-	(13,242,595)
(1,260,633)	-	(1,260,633)
(2,007,344)	-	(2,007,344)
<u>(2,476,747)</u>	<u>-</u>	<u>(2,476,747)</u>
(61,106,751)	-	(61,106,751)
-	621,092	621,092
-	768,413	768,413
<u>-</u>	<u>(544,389)</u>	<u>(544,389)</u>
-	845,116	845,116
(61,106,751)	845,116	(60,261,635)
59,603,766	-	59,603,766
3,509,904	-	3,509,904
2,786,531	-	2,786,531
7,588,219	-	7,588,219
135,569	72,025	207,594
1,030,261	147,221	1,177,482
<u>880,566</u>	<u>(880,566)</u>	<u>-</u>
<u>75,534,816</u>	<u>(661,320)</u>	<u>74,873,496</u>
14,428,065	183,796	14,611,861
<u>42,472,921</u>	<u>116,446,805</u>	<u>158,919,726</u>
<u>\$ 56,900,986</u>	<u>\$ 116,630,601</u>	<u>\$ 173,531,587</u>

TOWN OF DANVERS, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2012

	<u>General</u>	<u>Danvers High School Renovation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and short-term investments	\$ 17,352,274	\$ 3,797,671	\$ 7,396,415	\$ 28,546,360
Investments	4,793,331	-	-	4,793,331
Receivables:				
Property taxes	2,093,519	-	-	2,093,519
Excises	631,672	-	-	631,672
Departmental and other	6,029	-	-	6,029
Intergovernmental	-	1,157,068	-	1,157,068
Due from other funds	1,123,690	-	-	1,123,690
Advance to other funds	<u>1,238,732</u>	<u>-</u>	<u>-</u>	<u>1,238,732</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>27,239,247</u></b>	<b>\$ <u>4,954,739</u></b>	<b>\$ <u>7,396,415</u></b>	<b>\$ <u>39,590,401</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Warrants payable	\$ 5,183,514	\$ 2,399,091	\$ 321,432	\$ 7,904,037
Retainage payable	-	1,978,706	44,485	2,023,191
Accrued liabilities	590,808	-	-	590,808
Deferred revenues	2,444,289	-	-	2,444,289
Tax refunds payable	1,485,100	-	-	1,485,100
Notes payable	-	-	4,301,000	4,301,000
Due to other funds	-	-	206,556	206,556
Advance from other funds	-	-	1,238,732	1,238,732
Other liabilities	<u>1,130,099</u>	<u>-</u>	<u>-</u>	<u>1,130,099</u>
<b>TOTAL LIABILITIES</b>	<b>10,833,810</b>	<b>4,377,797</b>	<b>6,112,205</b>	<b>21,323,812</b>
Fund Balances:				
Nonspendable	1,238,732	-	143,524	1,382,256
Restricted	-	576,942	5,098,713	5,675,655
Committed	7,939,767	-	49,920	7,989,687
Assigned	3,654,766	-	-	3,654,766
Unassigned	<u>3,572,172</u>	<u>-</u>	<u>(4,007,947)</u>	<u>(435,775)</u>
<b>TOTAL FUND BALANCES</b>	<b><u>16,405,437</u></b>	<b><u>576,942</u></b>	<b><u>1,284,210</u></b>	<b><u>18,266,589</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ <u>27,239,247</u></b>	<b>\$ <u>4,954,739</u></b>	<b>\$ <u>7,396,415</u></b>	<b>\$ <u>39,590,401</u></b>

See notes to financial statements.

TOWN OF DANVERS, MASSACHUSETTS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND  
BALANCES TO NET ASSETS OF GOVERNMENTAL  
ACTIVITIES IN THE STATEMENT OF NET ASSETS

JUNE 30, 2012

<b>Total governmental fund balances</b>	\$ 18,266,589
<ul style="list-style-type: none"> <li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. <span style="float: right;">134,879,742</span></li> <li>• Noncurrent assets, including MSBA reimbursements for contracted assistance, are not receivable in the current period and, therefore are not reported in the governmental funds. <span style="float: right;">4,145,061</span></li> <li>• Revenues are reported on the accrual basis of accounting and are not deferred until collection.</li> <li style="padding-left: 20px;">Eliminate deferred revenue <span style="float: right;">2,444,289</span></li> <li style="padding-left: 20px;">Record allowance for doubtful accounts <span style="float: right;">(486,643)</span></li> <li>• Internal service funds are used by management to account for workers' compensation activities. The net assets of the internal service fund are included with governmental activities in the statement of net assets. <span style="float: right;">83,946</span></li> <li>• Governmental funds report the effect of long-term debt issuance costs, premiums, and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. <span style="float: right;">128,951</span></li> <li>• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <span style="float: right;">(995,510)</span></li> <li>• Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. <span style="float: right;"><u>(101,565,439) <sup>(1)</sup></u></span></li> </ul>	
<b>Net assets of governmental activities</b>	<b>\$ <u>56,900,986</u></b>

<sup>(1)</sup> Does not include \$ (609,408) IBNR liability associated with the internal service fund.

See notes to financial statements.

TOWN OF DANVERS, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2012

	<u>General</u>	<u>Danvers High School Renovation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Property taxes	\$ 59,543,092	\$ -	\$ -	\$ 59,543,092
Excises	3,503,965	-	25,087	3,529,052
Penalties, interest and other taxes	2,670,941	-	115,591	2,786,532
Charges for services	1,801,819	-	2,501,495	4,303,314
Intergovernmental	16,022,603	18,462,460	4,857,323	39,342,386
Licenses and permits	869,973	-	-	869,973
Fines and forfeits	94,567	-	-	94,567
Investment income	131,984	-	558	132,542
Miscellaneous	2,102,126	-	186,727	2,288,853
Total Revenues	<u>86,741,070</u>	<u>18,462,460</u>	<u>7,686,781</u>	<u>112,890,311</u>
<b>Expenditures:</b>				
Current:				
General government	2,956,926	-	151,526	3,108,452
Public safety	10,301,218	-	596,191	10,897,409
Education	42,020,857	33,820,972	4,855,730	80,697,559
Public works	9,754,051	-	2,282,851	12,036,902
Health and human services	907,388	-	290,220	1,197,608
Culture and recreation	1,769,067	-	764,226	2,533,293
Employee benefits	13,895,004	-	-	13,895,004
Debt service	4,606,110	-	-	4,606,110
Intergovernmental	792,504	-	-	792,504
Total Expenditures	<u>87,003,125</u>	<u>33,820,972</u>	<u>8,940,744</u>	<u>129,764,841</u>
Excess (deficiency) of revenues over expenditures	(262,055)	(15,358,512)	(1,253,963)	(16,874,530)
<b>Other Financing Sources (Uses):</b>				
Issuance of debt	-	28,973,000	376,000	29,349,000
Transfers in	1,582,848	-	-	1,582,848
Transfers out	-	-	(702,282)	(702,282)
Total Other Financing Sources (Uses)	<u>1,582,848</u>	<u>28,973,000</u>	<u>(326,282)</u>	<u>30,229,566</u>
Change in fund balances	1,320,793	13,614,488	(1,580,245)	13,355,036
Fund Balances, at Beginning of Year	<u>15,084,644</u>	<u>(13,037,546)</u>	<u>2,864,455</u>	<u>4,911,553</u>
Fund Balances, at End of Year	<u>\$ 16,405,437</u>	<u>\$ 576,942</u>	<u>\$ 1,284,210</u>	<u>\$ 18,266,589</u>

See notes to financial statements.

TOWN OF DANVERS, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2012

<b>NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$ 13,355,036</b>																						
<ul style="list-style-type: none"> <li>• 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: <table border="0" style="margin-left: 40px;"> <tr> <td>Capital outlay purchases</td> <td style="text-align: right;">35,906,086</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(3,454,501)</td> </tr> </table> </li> <li>• Revenues in the statement of activities that do not provide current financial resources are fully deferred in the statement of revenues, expenditures and changes in fund balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">41,528</td> </tr> </table> </li> <li>• Some revenues reported in the Statement of Activities, such as MSBA reimbursements for contracted assistance, do not provide current financial resources and therefore, are not reported as revenues in the governmental funds. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">4,145,061</td> </tr> </table> </li> <li>• The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets: <table border="0" style="margin-left: 40px;"> <tr> <td>Issuance of debt</td> <td style="text-align: right;">(29,349,000)</td> </tr> <tr> <td>Repayments of debt</td> <td style="text-align: right;">2,744,700</td> </tr> <tr> <td>Deferred debt and premium amortization</td> <td style="text-align: right;">(1,101,544)</td> </tr> <tr> <td>Change in other long-term liabilities (OPEB and Landfill Post-Closure)</td> <td style="text-align: right;">(7,409,432)</td> </tr> </table> </li> <li>• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">(585,659)</td> </tr> </table> </li> <li>• Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">(100,990)</td> </tr> </table> </li> <li>• Internal service funds are used by management to account for workers' compensation activities. The net activity of internal service funds is reported with governmental activities. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">236,780</td> </tr> </table> </li> </ul>		Capital outlay purchases	35,906,086	Depreciation	(3,454,501)		41,528		4,145,061	Issuance of debt	(29,349,000)	Repayments of debt	2,744,700	Deferred debt and premium amortization	(1,101,544)	Change in other long-term liabilities (OPEB and Landfill Post-Closure)	(7,409,432)		(585,659)		(100,990)		236,780
Capital outlay purchases	35,906,086																						
Depreciation	(3,454,501)																						
	41,528																						
	4,145,061																						
Issuance of debt	(29,349,000)																						
Repayments of debt	2,744,700																						
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	(585,659)																						
	(100,990)																						
	236,780																						
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>14,428,065</u></b>																						

See notes to financial statements.

TOWN OF DANVERS, MASSACHUSETTS

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
<b>Revenues and Other Sources:</b>				
Property taxes	\$ 59,656,160	\$ 59,656,160	\$ 59,656,160	\$ -
Excises	3,408,218	3,408,218	3,529,052	120,834
Penalties, interest and other taxes	3,380,536	3,380,536	3,723,507	342,971
Charges for services	1,748,900	1,748,900	1,801,819	52,919
Intergovernmental	7,548,116	7,548,116	7,797,566	249,450
Licenses and permits	714,000	714,000	869,973	155,973
Fines and forfeits	120,000	120,000	94,567	(25,433)
Investment income	100,000	100,000	120,941	20,941
Miscellaneous	966,999	966,999	2,102,152	1,135,153
Other financing sources:				
Transfers in	2,295,224	2,348,347	2,348,347	-
Use of fund balance	1,904,700	1,920,825	1,920,825	-
Overlay surplus	100,000	100,000	100,000	-
<b>Total Revenues and Other Sources</b>	<b>81,942,853</b>	<b>82,012,101</b>	<b>84,064,909</b>	<b>2,052,808</b>
<b>Expenditures and Other Uses:</b>				
Current:				
General government	3,188,327	3,128,377	2,911,693	216,684
Public safety	10,330,851	10,484,974	10,359,430	125,544
Education	33,402,623	33,791,197	33,764,701	26,496
Public works	10,650,648	10,207,199	9,878,993	328,206
Health and human services	897,113	927,063	889,883	37,180
Culture and recreation	1,792,589	1,792,589	1,762,082	30,507
Employee benefits	14,447,503	14,447,503	14,036,965	410,538
Debt service	4,820,315	4,820,315	4,790,222	30,093
Intergovernmental	937,884	937,884	792,504	145,380
Other financing uses:				
Transfers out	1,475,000	1,475,000	1,475,000	-
<b>Total Expenditures and Other Uses</b>	<b>81,942,853</b>	<b>82,012,101</b>	<b>80,661,473</b>	<b>1,350,628</b>
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 3,403,436	\$ 3,403,436

See notes to financial statements.

TOWN OF DANVERS, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2012 (DECEMBER 31, 2011 FOR THE ELECTRIC DIVISION FUND)

	Business-Type Activities Enterprise Funds			Total	Governmental
	Water Fund	Sewer Fund	Electric Division Fund		Activities Internal Service Funds
<b><u>ASSETS</u></b>					
Current:					
Cash and short-term investments	\$ 5,215,351	\$ 3,798,537	\$ -	\$ 9,013,888	\$ 693,354
User fees, net of allowance for uncollectibles	1,013,679	846,237	5,239,514	7,099,430	-
Intergovernmental receivables	-	350,000	225,000	575,000	-
Other receivables	-	-	364,134	364,134	-
Prepaid expenses	-	-	1,524,085	1,524,085	-
Inventory	-	-	2,331,023	2,331,023	-
Other assets	5,482	3,258	-	8,740	-
Total current assets	6,234,512	4,998,032	9,683,756	20,916,300	693,354
Noncurrent:					
Restricted cash	-	-	25,712,095	25,712,095	-
Intergovernmental receivables, net of current portion	-	-	125,203	125,203	-
Other assets, net of current portion	29,666	19,552	49,161	98,379	-
Land and construction in progress	16,095,937	1,835,817	419,278	18,351,032	-
Other capital assets, net of accumulated depreciation	45,194,027	22,872,893	25,857,700	93,924,620	-
Total noncurrent assets	61,319,630	24,728,262	52,163,437	138,211,329	-
<b>TOTAL ASSETS</b>	67,554,142	29,726,294	61,847,193	159,127,629	693,354
<b><u>LIABILITIES</u></b>					
Current:					
Warrants payable	829,677	-	-	829,677	-
Accounts payable	-	-	3,642,864	3,642,864	-
Retainage payable	332,981	-	-	332,981	-
Accrued liabilities	155,408	68,136	270,883	494,427	-
Notes payable	6,199,305	-	-	6,199,305	-
Due to other funds	-	-	917,134	917,134	-
Other current liabilities	-	-	690,137	690,137	-
Current portion of long-term liabilities:					
Bonds payable	720,789	497,300	620,000	1,838,089	-
Other liabilities	78,337	150,564	1,800,321	2,029,222	182,822
Total current liabilities	8,316,497	716,000	7,941,339	16,973,836	182,822
Noncurrent:					
Bonds payable, net of current portion	7,903,153	4,096,150	8,325,000	20,324,303	-
Other liabilities, net of current portion	1,500,840	936,228	2,761,821	5,198,889	426,586
<b>TOTAL LIABILITIES</b>	17,720,490	5,748,378	19,028,160	42,497,028	609,408
<b><u>NET ASSETS</u></b>					
Invested in capital assets, net of related debt	45,870,805	19,176,887	17,331,978	82,379,670	-
Restricted for depreciation fund	-	-	4,503,084	4,503,084	-
Unrestricted	3,962,847	4,801,029	20,983,971	29,747,847	83,946
<b>TOTAL NET ASSETS</b>	\$ 49,833,652	\$ 23,977,916	\$ 42,819,033	\$ 116,630,601	\$ 83,946

See notes to financial statements.

TOWN OF DANVERS, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2012 (DECEMBER 31, 2011 FOR THE ELECTRIC DIVISION FUND)

	Business-Type Activities Enterprise Funds			Total	Governmental
	Water Fund	Sewer Fund	Electric Division Fund		Internal Service Fund
<b>Operating Revenues:</b>					
Charges for services	\$ 6,936,375	\$ 6,451,943	\$ 42,130,194	\$ 55,518,512	\$ -
Employee and employer contributions	-	-	-	-	629,884
Total Operating Revenues	6,936,375	6,451,943	42,130,194	55,518,512	629,884
<b>Operating Expenses:</b>					
Operating expenses	4,376,368	5,003,483	41,748,513	51,128,364	-
Depreciation	1,301,027	802,530	2,925,334	5,028,891	-
Employee benefits	296,578	27,803	-	324,381	396,131
Total Operating Expenses	5,973,973	5,833,816	44,673,847	56,481,636	396,131
Operating Income (Loss)	962,402	618,127	(2,543,653)	(963,124)	233,753
<b>Nonoperating Revenues (Expenses):</b>					
Intergovernmental revenue	24,392	350,000	895,272	1,269,664	-
Investment income	-	-	72,025	72,025	3,027
Other revenue	96,317	18,221	32,683	147,221	-
Interest expense	(365,702)	(199,714)	(381,155)	(946,571)	-
Total Nonoperating Revenues (Expenses)	(244,993)	168,507	618,825	542,339	3,027
Income (Loss) Before Capital Contributions and Transfers	717,409	786,634	(1,924,828)	(420,785)	236,780
Capital contributions	-	-	1,485,147	1,485,147	-
Transfers in	-	172,000	-	172,000	-
Transfers out	(120,000)	(112,000)	(820,566)	(1,052,566)	-
Change in Net Assets	597,409	846,634	(1,260,247)	183,796	236,780
Net Assets at Beginning of Year	49,236,243	23,131,282	44,079,280	116,446,805	(152,834)
Net Assets at End of Year	\$ 49,833,652	\$ 23,977,916	\$ 42,819,033	\$ 116,630,601	\$ 83,946

See notes to financial statements.

TOWN OF DANVERS, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2012 (DECEMBER 31, 2011 FOR THE ELECTRIC DIVISION FUND)

	Business-Type Activities Enterprise Funds				Governmental
	Water Fund	Sewer Fund	Electric Division Fund	Total	Internal Service Fund
<b>Cash Flows From Operating Activities:</b>					
Receipts from customers and users	\$ 6,868,238	\$ 6,403,055	\$ 41,764,279	\$ 55,035,572	\$ -
Payments to vendors	(1,519,039)	(3,883,098)	(41,401,290)	(46,803,427)	-
Payments to employees	(1,333,718)	(163,100)	(1,299,007)	(2,795,825)	-
Receipts from employees and employer	-	-	-	-	629,884
Payments of employee benefits and expenses	-	-	-	-	(668,254)
Net Cash Provided By (Used For) Operating Activities	4,015,481	2,356,857	(936,018)	5,436,320	(38,370)
<b>Cash Flows From Noncapital Financing Activities:</b>					
Proceeds from MMWEC	-	-	895,272	895,272	-
Proceeds from state grants	87,906	500,000	-	587,906	-
Interfund transfers in	-	172,000	-	172,000	-
Interfund transfers out	(120,000)	(112,000)	(820,566)	(1,052,566)	-
Net Cash Provided By (Used For) Noncapital Financing Activities	(32,094)	560,000	74,706	602,612	-
<b>Cash Flows From Capital and Related Financing Activities:</b>					
Acquisition and construction of capital assets	(8,635,927)	(1,900,859)	(3,018,802)	(13,555,588)	-
Proceeds from issuance of notes	6,199,305	-	-	6,199,305	-
Proceeds from issuance of bonds	2,625,000	450,000	900,000	3,975,000	-
Principal payments on notes	(2,625,000)	(450,000)	(900,000)	(3,975,000)	-
Principal payments on bonds	(510,781)	(477,600)	(560,000)	(1,548,381)	-
Debt premiums	96,317	18,221	32,683	147,221	-
Interest expense	(365,702)	(199,714)	(381,155)	(946,571)	-
Capital contributions	-	-	1,485,147	1,485,147	-
Net Cash (Used For) Capital and Related Financing Activities	(3,216,788)	(2,559,952)	(2,442,127)	(8,218,867)	-
<b>Cash Flows From Investing Activities:</b>					
Investment income	-	-	80,918	80,918	3,027
Net Cash Provided By Investing Activities	-	-	80,918	80,918	3,027
Net Change in Cash and Short-Term Investments	766,599	356,905	(3,222,521)	(2,099,017)	(35,343)
Cash and Short Term Investments, Beginning of Year	4,448,752	3,441,632	28,934,616 <sup>(1)</sup>	36,825,000	728,697
Cash and Short Term Investments, End of Year	\$ 5,215,351	\$ 3,798,537	\$ 25,712,095 <sup>(1)</sup>	\$ 34,725,983	\$ 693,354
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</b>					
Operating income (loss)	\$ 962,402	\$ 618,127	\$ (2,543,653)	\$ (963,124)	\$ 233,753
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	1,301,027	802,530	2,925,334	5,028,891	-
Other postemployment benefits	198,290	26,067	813,541	1,037,898	-
Changes in assets and liabilities:					
User fees	(68,137)	(48,888)	(321,828)	(438,853)	-
Inventory	-	-	(163,130)	(163,130)	-
Other assets	5,482	3,258	(594,410)	(585,670)	-
Warrants payable	829,677	-	-	829,677	-
Accounts payable	-	-	828,162	828,162	-
Accrued liabilities	26,285	15,854	(7,121)	35,018	(272,123)
Other liabilities	760,455	939,909	(1,872,913)	(172,549)	-
Net Cash Provided By (Used For) Operating Activities	\$ 4,015,481	\$ 2,356,857	\$ (936,018)	\$ 5,436,320	\$ (38,370)

<sup>(1)</sup> Includes restricted cash

TOWN OF DANVERS, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2012

	Pension Trust Fund (As of December 31, 2011)	Private Purpose Trust Fund	Agency Funds
<b><u>ASSETS</u></b>			
Cash and short term investments	\$ 3,780,637	\$ 1,240,718	\$ 182,733
Investments:			
Equities	22,146,114	1,563,875	-
Pooled investments	14,572,727	-	-
State investment pool	20,243,594	-	-
Fixed income securities	15,640,274	287,994	-
Accounts receivable	<u>163,463</u>	<u>-</u>	<u>85,832</u>
Total Assets	76,546,809	3,092,587	268,565
<b><u>LIABILITIES AND NET ASSETS</u></b>			
Accounts payable	76,068	-	-
Other liabilities	<u>159,338</u>	<u>-</u>	<u>268,565</u>
Total Liabilities	<u>235,406</u>	<u>-</u>	<u>268,565</u>
<b><u>NET ASSETS</u></b>			
Total net assets held in trust for pension benefits and other purposes	<u>\$ 76,311,403</u>	<u>\$ 3,092,587</u>	<u>\$ -</u>

See notes to financial statements.

TOWN OF DANVERS, MASSACHUSETTS  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2012

	Pension Trust Fund (For the Year Ended <u>December 31, 2011</u> )	Private Purpose Trust Fund
<b>Additions:</b>		
Contributions:		
Employers	\$ 4,649,782	\$ -
Plan members	2,268,844	-
Other	357,736	91,654
Total contributions	<u>7,276,362</u>	<u>91,654</u>
Investment Income (Loss):		
Interest	406,461	69,094
Increase (decrease) in fair value of investments	(3,745,659)	(110,985)
Less: management fees	(371,087)	-
Net investment income (loss)	<u>(3,710,285)</u>	<u>(41,891)</u>
Total additions	3,566,077	49,763
<b>Deductions:</b>		
Benefit payments to plan members, beneficiaries, and other systems	8,853,897	-
Refunds to plan members	238,538	-
Administrative expenses	209,138	-
Other	63,063	80,596
Total deductions	<u>9,364,636</u>	<u>80,596</u>
Net increase	(5,798,559)	(30,833)
<b>Net assets:</b>		
Beginning of year	<u>82,109,962</u>	<u>3,123,420</u>
End of year	<u>\$ 76,311,403</u>	<u>\$ 3,092,587</u>

See notes to financial statements.

# TOWN OF DANVERS, MASSACHUSETTS

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

The accounting policies of the Town of Danvers (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

#### A. Reporting Entity

The government is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable.

In the Fiduciary Funds: The Danvers Contributory Retirement System which was established to provide retirement benefits primarily to Town employees and their beneficiaries. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements. Additional financial information of the System can be obtained by contacting the System located at the Town of Danvers, Massachusetts, 1 Sylvan Street, Danvers, Massachusetts 01923.

#### B. Government-wide and Fund Financial Statements

##### Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the Electric Division function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific func-

tion or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

#### Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter 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.

### 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*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and excises.

#### Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability

is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Danvers High School Renovation fund* is used to account for all activity associated with the construction and renovation of Danvers High School.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The government reports the following major proprietary funds:

- Water (Enterprise) Fund: To account for the operation of a water treatment plant, Town wells and water system.
- Sewer (Enterprise) Fund: To account for the operation of a sewer treatment plant, pumping station and sewer lines.
- Electric Division (Enterprise) Fund: To account for the operation of the Town's Electric Division, which provides electric power to commercial and residential citizens in the Town of Danvers.

The self-insured employee workers' compensation and unemployment program is reported as an internal service fund in the accompanying financial statements.

The *pension trust fund* accounts for the activities of the employees Contributory Retirement System, which accumulates resources for pension benefit payments to qualified employees.

The private-purpose trust fund is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments. The Town maintains one private purpose trust fund to account for multiple educational scholarships and charitable hospital activities.

#### D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

#### E. Restricted Cash

The Electric Division Enterprise Fund maintains the following restricted cash accounts:

- Customer deposits and escrow fund - This represents customer deposits that are held in escrow.
- Depreciation fund - Pursuant to provisions of the Commonwealth's General Laws, cash in an amount equivalent to the annual depreciation expense is transferred from unrestricted funds to the depreciation fund. Interest earned on the balance of the fund must also remain in the fund. Such cash may be used for the cost of plant, nuclear decommissioning costs, and the costs of contractual commitments.
- Rate stabilization - This represents amounts set aside to help stabilize short term cost increases resulting from fluctuations in

purchased power costs (PP&FA), as well as unappropriated MMWEC “flush of funds” proceeds.

- Select Energy contract buy-out - This represents the remaining balance of a purchase power contract buy-out received from Select Energy in August 2005. The funds are being used to reduce future customer charges.
- Borrowing proceeds - This represents unspent borrowing proceeds which will be used to fund various ongoing electric system distribution upgrades.

#### *F. Investments*

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase. Investments for the Contributory Retirement System and Private Purpose Trust Funds consist of marketable securities, bonds, and pooled investment funds. Investments are carried at fair value.

#### *G. Property Tax Limitations*

Legislation known as “Proposition 2½ ” limits the amount of revenue that can be derived from property taxes. The prior fiscal year’s tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2012 tax levy reflected an excess capacity of \$ 8,358.

#### *H. Inventories*

Inventory consists of materials and supplies for use in the Electric Division’s utility business for operation and maintenance purposes and is stated at average cost.

#### *I. Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$ 10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical

cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment for all but the Electric Division is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	30 - 75
Vehicles	5
Office equipment	5
Computer equipment	5

The General Laws of Massachusetts require the Electric Division's utility plant in service to be depreciated at an annual rate between 3% and 5%. To change this rate, approval must be obtained from the Massachusetts Department of Public Utilities. Changes in annual depreciation rates may be made for financial factors relating to cash flow for plant expansion rather than for engineering factors related to estimates of useful lives. For the year ended December 31, 2011, the Electric Division's depreciation rate was 5%.

*J. Compensated Absences*

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

*K. Long-Term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets.

## L. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance”. Fund equity for all other reporting is classified as “net assets”.

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The Town’s fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e. inventory or prepaid items) or can never be spent (i.e. perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are established as a result of motions passed by the highest decision making authority in the government (i.e., Town Meeting).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance (free cash) voted to be used in the subsequent fiscal year. The Town follows an informal policy that permits management to assign fund balance amounts to a specific purpose, although fund balance to be applied against a subsequent year’s budget is voted by Town Meeting.
- 5) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned and unassigned.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted

when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net assets are reported as unrestricted.

*M. Use of Estimates*

The preparation of basic 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 disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

**2. Stewardship, Compliance and Accountability**

*A. Budgetary Information*

At the annual town meeting, the Finance Committee presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

The legal spending limit mirrors the way the budget is voted at town meeting. Typically, each department is limited by two categories, salaries and expenses.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

Formal budgetary integration is employed as a management control device during the year for the General Fund, and Water and Sewer Enterprise Funds. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

At year-end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

**B. Budgetary Basis**

The General Fund final appropriation appearing on the “Budget and Actual” page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

**C. Budget/GAAP Reconciliation**

The budgetary data for the general, water and sewer funds is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data. Adjustments to the general fund are shown below. Adjustments to the water and sewer funds are mainly for the omission of depreciation expense which is not budgeted, and the inclusion of principal debt service and capital expenses which are budgeted expenses.

The following is a summary of adjustments made to the general fund actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 86,741,070	\$ 87,003,125
Other financing sources/uses (GAAP Basis)	<u>1,582,848</u>	<u>-</u>
Subtotal (GAAP Basis)	88,323,918	87,003,125
Adjust property tax revenue to Budgetary Basis	113,068	-
Reverse expenditures of prior year appropriation carryforwards	-	(912,241)
		(continued)

(continued)

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
To book current year appropriation carryforwards	-	1,313,239
To record use of fund balance and other surplus	2,020,825	-
To reverse unbudgeted GASB 24 MTRS	(8,225,037)	(8,225,037)
To reverse nonbudgeted activity	1,832,135	1,298,275
To record timing differences	-	184,112
Budgetary Basis	<u>\$ 84,064,909</u>	<u>\$ 80,661,473</u>

*D. Excess of Expenditures over Appropriations*

Expenditures exceeding appropriations during the current fiscal year were as follows:

Senior and Social Services Department - Other expense	\$ <u>(6,529)</u>
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*E. Deficit Fund Equity*

The following funds had deficits as of June 30, 2012:

Town Grants	\$ (429,668)
School Grants	(1,735,340)
Receipts Reserved	(62,680)
Other Funds	(8,321)
School Capital Projects	(250,628)
Landfill Capital Projects	(984,495)
Fire Pumper Truck Project	(448,608)
Other Capital Projects	<u>(88,207)</u>
Total	\$ <u>(4,007,947)</u>

The deficits in these funds will be eliminated through future intergovernmental revenues, operating funds and the future issuance of general obligation bonds.

### 3. Cash and Short-Term Investments

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Town's and Contributory Retirement System's (the System) deposits may not be returned. Massachusetts General Law Chapter 44, section 55, limits the deposits "in a bank or trust company or banking company to an amount not exceeding sixty per cent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." Massachusetts General Law Chapter 32, section 23, limits the System's deposits "in a bank or trust company to an amount not exceeding ten percent of the capital and surplus of such bank or trust company." The Town and System do not have deposit policies for custodial credit risk.

As of June 30, 2012, \$ 62,401,025 of the Town's bank balance of \$ 65,813,179 was exposed to custodial credit risk as uninsured or uncollateralized. As of December 31, 2010, the System's bank balance of \$ 3,956,653 was fully insured and collateralized. \$ 32,198,454 of the Town's uninsured and uncollateralized amount is on deposit with the Massachusetts Municipal Depository Trust.

### 4. Investments

#### A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Law, Chapter 44, section 55, limits the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

Presented below is the actual rating as of year-end for each investment type of the Town (in thousands).

Investment Type	Fair Value	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year-end		
				AA2	A2	BAA1
Certificates of deposits	\$ 4,793	N/A	\$ 4,793	\$ -	\$ -	\$ -
Equities	1,588	N/A	1,588	-	-	-
Corporate bonds	<u>264</u>	N/A	<u>-</u>	<u>80</u>	<u>133</u>	<u>51</u>
Total investments	\$ <u>6,645</u>		\$ <u>6,381</u>	\$ <u>80</u>	\$ <u>133</u>	\$ <u>51</u>

Massachusetts General Law, Chapter 32, Section 23, limits the investment of System funds, to the extent not required for current disbursements, to securities, other than mortgages or collateral loans, which are legal for the investment of funds in savings banks under the laws of the Commonwealth,

provided that no more than the established percentage of assets, is invested in any one security.

Presented below is the actual rating as of year-end for each investment type of the System (in thousands):

Investment Type	Fair Value*	Rating as of Year-end							Exempt or Not Rated
		AAA	AA	A	BAA	BA	B		
Equities	\$ 22,146	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,146
Pooled investments:									
Mutual funds	14,573	-	-	-	-	-	-	-	14,573
State investment pool *	20,244	-	-	-	-	-	-	-	20,244
Fixed income securities:									
Corporate bonds	10,046	338	921	1,837	2,121	798	173	3,858	
Mortgage-backed	2,514	1,576	-	-	-	-	-	938	
Municipal bonds	130	-	130	-	-	-	-	-	
U.S. Treasury bonds	1,861	1,861	-	-	-	-	-	-	
U.S. Agencies	1,089	620	-	-	-	-	-	469	
Total investments	\$ 72,603	\$ 4,395	\$ 1,051	\$ 1,837	\$ 2,121	\$ 798	\$ 173	\$ 62,228	

\*Fair value is the same as the value of the pool share. The Pension Reserves Investment Trust (PRIT) was created under Massachusetts General Law, Chapter 32, Section 22, in December 1983. PRIT is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management Board (PRIM). PRIM shall choose an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under Massachusetts General Law, Chapter 30B.

### **B. Custodial Credit Risk**

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town and System do not have policies for custodial credit risk.

All of the Town's investment in corporate bonds of \$ 264,286, and corporate equities of \$ 1,587,583 are exposed to custodial credit risk because the related securities are uninsured, unregistered, and held by the Town's brokerage firm, which is also the counterparty to these securities. The Town manages this custodial credit risk with SIPC and excess SIPC.

Of the System's investment in pooled investments of \$ 34,816,321, corporate equities of \$ 22,146,114, and fixed income securities of \$ 15,640,274, the System has a custodial credit risk exposure of \$ 69,652,640 because the securities are uninsured, unregistered and held by the System's brokerage firm, which is also the counterparty to these securities. The System manages this risk with SIPC, excess SIPC and by holding the assets in separately identifiable trust accounts. In addition, \$ 20,243,594 of the pooled funds is invested in PRIT funds.

C. Concentration of Credit Risk

The Town places no limit on the amount that may be invested in any one issuer. As of June 30, 2012, the Town's only investment in any one issuer that represented 5% or more of total investments was a \$ 4,793,331 certificate of deposit that is held with SalemFive bank. This investment is fully insured by the FDIC and the DIF.

Massachusetts General Law Chapter 32, Section 23 limits the amount the System may invest in any one issuer or security type, with the exception of the PRIT Fund. As of December 31, 2011, the System did not have investments (other than mutual funds and PRIT funds) representing 5% or more of total investments.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the more sensitive its fair value will be to changes in market interest rates. Neither the Town nor the System have a formal investment policy that limits investment maturities as a means of managing exposure to fair value losses arising from changing market interest rates.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Debt-related Securities:					
Corporate bonds	\$ <u>264</u>	\$ <u>-</u>	\$ <u>264</u>	\$ <u>-</u>	\$ <u>-</u>
Total	\$ <u>264</u>	\$ <u>-</u>	\$ <u>264</u>	\$ <u>-</u>	\$ <u>-</u>

Information about the sensitivity of the fair values of the System's investments to market interest rate fluctuations is as follows (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Debt-related Securities:					
Corporate bonds	\$ 10,046	\$ 17	\$ 3,969	\$ 2,491	\$ 3,569
Mortgage-backed	2,514	-	213	431	1,870
Municipal bonds	130	-	-	-	130
U.S. Treasury bonds	1,861	-	427	-	1,434
U.S. Agencies	1,089	-	128	318	643
Total	<u>\$ 15,640</u>	<u>\$ 17</u>	<u>\$ 4,737</u>	<u>\$ 3,240</u>	<u>\$ 7,646</u>

**E. Foreign Currency Risk**

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town does not have a policy for foreign currency risk; however, the Town is not exposed to foreign currency risk. The System's policy for foreign currency risk is that securities of foreign-based issuers that cannot be transacted in US dollars on US exchanges are prohibited.

**5. Taxes Receivable**

Real estate and personal property taxes are levied and based on values assessed on January 1<sup>st</sup> of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on a quarterly basis and are subject to penalties and interest if they are not paid by the respective due date.

Fourteen days after the due date for the final tax bill for real estate taxes, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property. The Town has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

Taxes receivable at June 30, 2012 consist of the following (in thousands):

Real Estate		
2012	\$ 946	
2011	1	
2010	9	
Prior	<u>12</u>	968
Personal Property		
2012	17	
2011	16	
2010	15	
Prior	<u>81</u>	129
Tax Liens		636
Deferred Taxes		348
Payment in lieu of taxes		2
Other		<u>11</u>
Total		<u>\$ 2,094</u>

**6. Allowance for Doubtful Accounts**

The receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful accounts (in thousands):

	<u>Governmental</u>	<u>Business-Type</u>
Property taxes	\$ 190	\$ -
Excises	\$ 297	\$ -
User fees	\$ -	\$ 432

**7. Intergovernmental Receivables**

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2012.

**8. Interfund Fund Receivables/Payables and Transfers**

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the June 30, 2012 balances in interfund receivable and payable accounts:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Advance To Other Funds</u>	<u>Advance From Other Funds</u>
Governmental Funds:				
Major Funds:				
General Fund	\$ 1,123,690	\$ -	\$ 1,238,732	\$ -
Nonmajor Funds:				
Town grants	-	206,556	-	-
School grants	-	-	-	1,238,732
Subtotal - Governmental	<u>1,123,690</u>	<u>206,556</u>	<u>1,238,732</u>	<u>1,238,732</u>
Business-Type Funds:				
Electric division fund	-	917,134	-	-
Subtotal - Business-Type	<u>-</u>	<u>917,134</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,123,690</u>	<u>\$ 1,123,690</u>	<u>\$ 1,238,732</u>	<u>\$ 1,238,732</u>

The advance from the general fund was for Circuit Breaker. No interest rate has been assigned to the advance.

The Town reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements. The following is an analysis of interfund transfers made in fiscal year 2012.

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net</u>
Governmental Funds:			
Major Funds:			
General fund	\$ 1,582,848	\$ -	\$ 1,582,848
Nonmajor Funds:			
School grants	-	1,096,008	(1,096,008)
Receipts reserved	-	300,123	(300,123)
Revolving accounts	-	402,159	(402,159)
Other funds	<u>1,096,008</u>	<u>-</u>	<u>1,096,008</u>
Subtotal - Governmental	<u>2,678,856</u>	<u>1,798,290</u>	<u>880,566</u>
Business-Type Funds:			
Water fund	-	120,000	(120,000)
Sewer fund	172,000	112,000	60,000
Electric division fund	<u>-</u>	<u>820,566</u>	<u>(820,566)</u>
Subtotal - Business-Type	<u>172,000</u>	<u>1,052,566</u>	<u>(880,566)</u>
Total	<u>\$ 2,850,856</u>	<u>\$ 2,850,856</u>	<u>\$ -</u>

## 9. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 110,525	\$ 4	\$ -	\$ 110,529
Machinery, equipment, and furnishings	8,736	1,005	-	9,741
Infrastructure	<u>17,882</u>	<u>-</u>	<u>-</u>	<u>17,882</u>
Total capital assets, being depreciated	137,143	1,009	-	138,152
Less accumulated depreciation for:				
Buildings and improvements	(68,644)	(2,471)	-	(71,115)
Machinery, equipment, and furnishings	(6,747)	(483)	-	(7,230)
Infrastructure	<u>(2,990)</u>	<u>(500)</u>	<u>-</u>	<u>(3,490)</u>
Total accumulated depreciation	<u>(78,381)</u>	<u>(3,454)</u>	<u>-</u>	<u>(81,835)</u>
Total capital assets, being depreciated, net	58,762	(2,445)	-	56,317
Capital assets, not being depreciated:				
Land	23,907	91		23,998
Construction in progress	<u>19,759</u>	<u>34,806</u>	<u>-</u>	<u>54,565</u>
Total capital assets, not being depreciated	<u>43,666</u>	<u>34,897</u>	<u>-</u>	<u>78,563</u>
Governmental activities capital assets, net	<u>\$ 102,428</u>	<u>\$ 32,452</u>	<u>\$ -</u>	<u>\$ 134,880</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 23,416	\$ 1,632	\$ -	\$ 25,048
Machinery, equipment, and furnishings	3,864	126	-	3,990
Infrastructure	<u>141,432</u>	<u>5,439</u>	<u>-</u>	<u>146,871</u>
Total capital assets, being depreciated	168,712	7,197	-	175,909
Less accumulated depreciation for:				
Buildings and improvements	(13,334)	(800)	-	(14,134)
Machinery, equipment, and furnishings	(2,047)	(209)	-	(2,256)
Infrastructure	<u>(61,574)</u>	<u>(4,020)</u>	<u>-</u>	<u>(65,594)</u>
Total accumulated depreciation	<u>(76,955)</u>	<u>(5,029)</u>	<u>-</u>	<u>(81,984)</u>
Total capital assets, being depreciated, net	91,757	2,168	-	93,925
Capital assets, not being depreciated:				
Land	5,577	-	-	5,577
Construction in progress	<u>6,415</u>	<u>10,200</u>	<u>(3,841)</u>	<u>12,774</u>
Total capital assets, not being depreciated	<u>11,992</u>	<u>10,200</u>	<u>(3,841)</u>	<u>18,351</u>
Business-type activities capital assets, net	<u>\$ 103,749</u>	<u>\$ 12,368</u>	<u>\$ (3,841)</u>	<u>\$ 112,276</u>

Depreciation expense was charged to functions of the Town as follows (in thousands):

Governmental Activities:	
General government	\$ 75
Public safety	280
Education	1,230
Public works	1,608
Health and human services	52
Culture and recreation	<u>209</u>
Total depreciation expense - governmental activities	<u>\$ 3,454</u>
Business-Type Activities:	
Water	\$ 1,301
Sewer	803
Electric	<u>2,925</u>
Total depreciation expense - business-type activities	<u>\$ 5,029</u>

#### **10. Warrants and Accounts Payable**

Warrants payable represent 2012 expenditures paid by July 15, 2012 as permitted by law. Accounts payable represent 2011 Electric Division expenses paid after January 1, 2012.

#### **11. Deferred Revenue**

Government-wide financial statements report *deferred revenue* as an offset to the Town's unapportioned betterments, which are reported as other assets, net of current portion, in the governmental activities Statement of Net Assets.

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

The balance of the General Fund deferred revenues account is equal to the total of all June 30, 2012 receivable balances, except real and personal property taxes that are accrued for subsequent 60-day collections.

#### **12. Tax Refunds Payable**

This balance consists of estimated refunds due to property tax payers for potential abatements. These cases are currently pending with the state's Appellate Tax Board.

### 13. Notes Payable

The Town had the following notes outstanding at June 30, 2012:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/12</u>
<u>Governmental Activities:</u>				
Bond anticipation	0.99%	07/08/11	07/06/12	\$ 251,000
Bond anticipation	1.75%	05/10/12	07/06/12	<u>4,050,000</u>
Subtotal				4,301,000
<u>Business-Type Activities:</u>				
MWPAT Loan	2.00%	08/31/11	12/31/12	6,199,305
Bond anticipation	1.75%	05/10/12	07/06/12	<u>700,000</u> <sup>(1)</sup>
Subtotal				<u>6,899,305</u>
Grand Total				<u>\$ 11,200,305</u>

<sup>(1)</sup> Includes \$ 700,000 new issue for Electric Division Fund; issued after 12/31/11

The following summarizes activity in notes payable during fiscal year 2012 (in thousands):

	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Payoffs</u>	<u>Balance End of Year</u>
<u>Governmental Activities:</u>					
High School renovation	\$ 18,895	\$ -	\$ -	\$ (18,895)	\$ -
Great Oak School Roof	825	251	(251)	(574)	251
Land Acquisition	-	1,600	-	-	1,600
Land Fill	-	2,000	-	-	2,000
Fire Pumper Truck	-	450	-	-	450
Subtotal	19,720	4,301	(251)	(19,469)	4,301
<u>Business-Type Activities:</u>					
Water treatment plant	1,825	-	-	(1,825)	-
Folly Hill reservoir	500	-	-	(500)	-
State hospital reservoir	300	-	-	(300)	-
Drainage #28	450	-	-	(450)	-
Electric system	900	700	-	(900)	700 <sup>(1)</sup>
MWPAT Loan	-	6,199	-	-	6,199
Subtotal	3,975	6,899	-	(3,975)	6,899
Grand Total	<u>\$ 23,695</u>	<u>\$ 11,200</u>	<u>\$ (251)</u>	<u>\$ (23,444)</u>	<u>\$ 11,200</u>

<sup>(1)</sup> Includes \$ 700 new issue for Electric Division Fund; issued after 12/31/11

## 14. Long-Term Debt

### A. Long-Term Debt Supporting Governmental Activities

General obligation bonds, issued by the Town of Danvers for various municipal projects, are approved by voters and repaid with property taxes recorded in the General Fund, or user fees recorded in Enterprise Funds. Other debt issued to support governmental activities is repaid from the General Fund.

### B. General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

General obligation bonds currently outstanding are as follows:

<u>Governmental Activities:</u>	<u>Amount of Original Issue</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/12</u>
Danversport park	\$ 661,000	10/01/12	4.63%	\$ 50,000
Senior center	1,400,000	10/01/12	4.76%	90,000
Land acquisition	1,320,000	08/01/19	4.63%	570,000
Library renovations	132,000	08/01/17	4.38%	30,000
Library renovations	472,000	08/01/18	4.55%	175,000
Library renovations	730,000	08/01/19	4.64%	320,000
School remodeling	1,031,000	11/01/19	3.63%	510,000
Land acquisition	565,000	11/01/21	3.77%	300,000
School remodeling	300,000	11/01/21	3.74%	150,000
Fire station plan & acq. - refunding	357,495	07/15/12	3.09%	55,000
School plan & constr. - refunding	1,144,275	07/15/14	3.26%	375,000
Fire station remodeling - refunding	940,195	07/15/14	3.24%	285,000
School remodeling	1,035,000	03/15/22	3.84%	600,000
Middle School	11,000,000	07/01/25	4.45%	8,100,000
School - refunding	466,000	07/15/16	3.90%	250,000
School - refunding	707,100	07/15/16	3.90%	375,000
School remodeling - refunding	776,870	07/15/17	3.90%	453,970
School remodeling - refunding	259,000	07/15/17	3.90%	150,000
School plans - refunding	93,300	07/15/17	3.90%	50,100
School - refunding	885,500	07/15/17	3.90%	619,800
School plan/constr - refunding	2,725,000	07/15/17	2.55%	1,965,000
Danversport park - refunding	16,500	07/15/13	2.55%	11,500
Senior center - refunding	293,000	07/15/15	2.55%	279,500
Dredging - Crane/Porter rivers	615,320	07/01/22	4.06%	480,000

(continued)

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	Amount of	Serial	Interest	Amount
	Original	Maturities	Rate(s) %	Outstanding
<u>Governmental Activities:</u>	<u>Issue</u>	<u>Through</u>		<u>as of</u>
				<u>6/30/12</u>
Holten Richmond Middle School	1,977,641	07/01/25	4.19%	1,600,000
High School roof	538,000	07/01/25	4.20%	430,000
Town Hall renovation	6,000,000	06/15/29	3.58%	5,085,000
Thorpe School roof replacement	637,000	06/30/28	3.23%	595,000
Thorpe School athletic fields	280,000	06/30/24	2.76%	255,000
Landfill closure	898,000	06/30/31	3.42%	845,000
Landfill closure	400,000	06/30/31	3.46%	380,000
Landfill closure	500,000	06/30/31	3.46%	475,000
High School	23,525,000	06/30/37	4.27%	23,525,000
Great Oak School	376,000	06/30/32	3.40%	376,000
High School	5,448,000	06/30/37	3.73%	<u>5,448,000</u>
Total Governmental Activities:				<u>\$ 55,258,870</u>

	Amount of	Serial	Interest	Amount
	Original	Maturities	Rate(s) %	Outstanding
<u>Business-Type Activities:</u>	<u>Issue</u>	<u>Through</u>		<u>as of</u>
				<u>6/30/12</u>
Water well site 2	\$ 2,450,000	11/01/23	3.92%	\$ 1,450,000
MWPAT	501,060	08/01/18	2.00%	257,262
River Street water mains - refunding	98,035	07/15/14	3.24%	30,000
Water well site 2	1,300,000	03/15/25	3.95%	845,000
Land acquisition/water refunding	41,730	07/15/15	3.90%	20,330
Water - refunding	1,204,400	07/15/19	3.90%	936,350
Water	95,000	07/01/25	4.45%	70,000
Water	425,000	07/01/25	4.45%	310,000
Water	681,143	07/01/26	4.24%	550,000
Water treatment plant repairs	1,616,000	06/30/31	3.43%	1,530,000
Water Treatment Plant 1	300,000	06/30/32	3.29%	300,000
Water Treatment Plant 2	425,000	06/30/32	3.25%	425,000
Folly Hill Reservoir Water Tank 1	50,000	06/30/20	1.85%	50,000
Folly Hill Reservoir Water Tank 2	450,000	06/30/20	1.93%	450,000
Vernon Russell Water Treatment Plant 1	700,000	06/30/20	3.29%	700,000
Vernon Russell Water Treatment Plant 2	400,000	06/30/20	3.29%	400,000
Danvers State Hospital Reservoir 1	50,000	06/30/20	1.85%	50,000
Danvers State Hospital Reservoir 2	250,000	06/30/20	1.92%	250,000
Sewer bonds	494,000	10/01/12	4.70%	20,000
Sewer bonds	350,000	08/01/19	4.62%	150,000
Sewer bonds	150,000	11/01/23	3.75%	70,000

(continued)

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	Amount of Original <u>Issue</u>	Serial Maturities <u>Through</u>	Interest Rate(s) %	Amount Outstanding as of <u>6/30/12</u>
<u>Business-Type Activities:</u>				
Sewer bonds	1,500,000	03/15/25	3.95%	975,000
Wastewater system	50,000	07/01/16	4.27%	25,000
Drainage system improvements	325,000	07/01/25	4.44%	235,000
Sewer bonds - refunding	251,000	07/15/16	3.90%	130,600
Sewer bonds - refunding	665,100	07/15/19	3.90%	503,850
Cabot Road drainage imp	602,675	07/01/26	4.23%	495,000
Wastewater system	175,000	07/01/26	4.23%	145,000
Sewer bonds - refunding	65,500	07/15/15	2.55%	64,000
Drainage improvements	1,510,000	06/30/20	2.35%	1,330,000
Drainage	450,000	06/30/31	3.51%	450,000
Electric system improvements*	4,847,221	07/01/26	4.20%	3,895,000
Electric*	4,400,000	06/30/30	3.34%	4,150,000
Electric Substation & Improvements 1*	500,000	06/30/30	3.08%	500,000
Electric Substation & Improvements 2*	400,000	06/30/26	2.71%	400,000
Total Business-Type Activities:				\$ <u>22,162,392</u>
Grand Total				\$ <u>77,421,262</u>

\* Electric Division debt is amount outstanding as of 12/31/11.

### C. Future Debt Service – General Obligation Bonds

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2012 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 3,479,000	\$ 2,132,160	\$ 5,611,160
2014	3,386,800	2,018,891	5,405,691
2015	3,319,500	1,908,790	5,228,290
2016	3,143,570	1,803,359	4,946,929
2017	3,035,000	1,698,989	4,733,989
2018 - 2022	12,230,000	7,006,538	19,236,538
2023 - 2027	10,530,000	4,814,233	15,344,233
2028 - 2032	7,705,000	2,883,734	10,588,734
2033 - 2037	8,430,000	1,081,500	9,511,500
Total	\$ <u>55,258,870</u>	\$ <u>25,348,194</u>	\$ <u>80,607,064</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,838,089	\$ 821,707	\$ 2,659,796
2014	1,837,373	757,246	2,594,619
2015	1,800,500	692,562	2,493,062
2016	1,781,430	633,142	2,414,572
2017	1,740,000	572,882	2,312,882
2018 - 2022	7,120,000	1,876,379	8,996,379
2023 - 2027	4,585,000	696,912	5,281,912
2028 - 2032	<u>1,460,000</u>	<u>110,551</u>	<u>1,570,551</u>
Total	\$ <u>22,162,392</u>	\$ <u>6,161,381</u>	\$ <u>28,323,773</u>

**D. Interfund Loans**

The Electric Division Fund is currently administering a meter replacement program requiring the advance of funds from the Electric Division Fund to the Water and Sewer Funds to be repaid with user fees. No interest rate has been assigned to this interfund loan. The interfund loans as of June 30, 2012 are recorded as a component of the "other long-term liabilities" line item.

**E. Future Debt Service – Interfund Loans**

The annual payments to retire all interfund loans outstanding as of June 30, 2012 are as follows:

<u>Business-Type</u>	<u>Principal</u>
2013	\$ 225,000
2014	225,000
2015	225,000
2016	225,000
2017	225,000
2018 - 2019	<u>232,559</u>
Total	\$ <u>1,357,559</u>

**F. Changes in General Long-Term Liabilities**

During the year ended June 30, 2012, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 7/1/11	Additions	Reductions	Total Balance 6/30/12	Less Current Portion	Equals Long-Term Portion 6/30/12
<u>Governmental Activities</u>						
Bonds payable	\$ 28,655	\$ 29,349	\$ (2,745)	\$ 55,259	\$ (3,479)	\$ 51,780
Other:						
Compensated absences	1,903	112	(11)	2,004	(100)	1,904
Landfill postclosure	420	-	(60)	360	(60)	300
Workers' comp IBNR	881	-	(271)	610	(183)	427
Premium amortization	-	1,117	(45)	1,072	(45)	1,027
Net OPEB obligation <sup>(1)</sup>	<u>35,401</u>	<u>7,469</u>	<u>-</u>	<u>42,870</u>	<u>-</u>	<u>42,870</u>
Totals	<u>\$ 67,260</u>	<u>\$ 38,047</u>	<u>\$ (3,132)</u>	<u>\$ 102,175</u>	<u>\$ (3,867)</u>	<u>\$ 98,308</u>

<sup>(1)</sup> The OPEB is discussed further in Note #21 and additional information is reported in required supplementary information.

	Total Balance 7/1/11	Additions	Reductions	Total Balance 6/30/12	Less Current Portion	Equals Long-Term Portion 6/30/12
<u>Business-Type Activities</u>						
Bonds payable	\$ 19,736	\$ 3,975	\$ (1,549)	\$ 22,162	\$ (1,838)	\$ 20,324
Other:						
Compensated absences	68	10	-	78	(4)	74
Regulatory liabilities	3,943	-	(2,033)	1,910	(1,801)	109
Interfund loans	-	1,633	(275)	1,358	(225)	1,133
Net OPEB obligation <sup>(1)</sup>	<u>2,845</u>	<u>1,038</u>	<u>-</u>	<u>3,883</u>	<u>-</u>	<u>3,883</u>
Totals	<u>\$ 26,592</u>	<u>\$ 6,656</u>	<u>\$ (3,857)</u>	<u>\$ 29,391</u>	<u>\$ (3,868)</u>	<u>\$ 25,523</u>

<sup>(1)</sup> The OPEB is discussed further in Note #21 and additional information is reported in required supplementary information.

The General Fund has been designated as the primary source to repay all governmental activities general long-term liabilities.

## 15. Regulatory Liabilities

In April 2002, the Division entered into a long-term Power Supply Agreement (PSA) with Select Energy, Inc. (Select). Under the terms of the PSA, Select agreed to supply the Division with energy during the period May 1, 2002 through December 31, 2011. In August 2005, the Division accepted a buy-out offer from Select for early termination of the PSA between the two parties. In exchange for its agreement to release all claims against Select, the Division received a one-time, lump sum payment of \$ 16,100,000. In accordance with *Accounting Standards Codification 980*, these proceeds were recorded as a liability, which will be applied to reduce future customer charges.

In 2010, the Division reduced its power supply expense and its corresponding customer Purchase Power and Fuel Charge Adjustment (PP&FA) by \$ 2,033,233 (the amount of its 2011 amortization. The remaining balance of \$ 1,909,764 will be amortized as follows:

2012	\$ 1,800,321
2013	<u>109,443</u>
Total	<u><u>\$ 1,909,764</u></u>

**16. Landfill Postclosure Care Costs**

State and Federal laws and regulations require the Town to perform certain maintenance and monitoring functions at its landfill site for thirty years after closure.

The \$ 360,000 reported as landfill postclosure care liability at June 30, 2012 represents future monitoring costs of the landfill that was capped in 1990. These costs will be captured annually as part of the operating budget. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**17. Restricted Net Assets**

The accompanying entity-wide financial statements report restricted net assets when external constraints from grantors or contributors are placed on net assets.

Permanent fund restricted net assets are segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

**18. Governmental Funds - Balances**

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

In fiscal year 2011, the Town implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2012:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes general fund reserves for prepaid expenditures and nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting, stabilization and other reserve funds set aside by Town Meeting vote for future capital acquisitions and improvements (now reported as part of the general fund per GASB 54), and various special revenue funds.

Assigned - Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose as established by management. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period. The Town follows an informal policy that permits management to assign fund balance amounts to a specific purpose, although fund balance to be applied against a subsequent year's budget is voted by Town Meeting.

Unassigned - Represents amounts that are available to be spent in future periods.

Following is a breakdown of the Town's fund balances at June 30, 2012:

	<u>General Fund</u>	<u>Danvers High School Renovation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable				
Advances to other funds	\$ 1,238,732	\$ -	\$ -	\$ 1,238,732
Nonexpendable permanent funds	-	-	143,524	143,524
Total Nonspendable	1,238,732	-	143,524	1,382,256
Restricted				
Bonded projects	-	576,942	477,627	1,054,569
Special revenue funds	-	-	4,324,023	4,324,023
Expendable permanent funds	-	-	297,063	297,063
Total Restricted	-	576,942	5,098,713	5,675,655
Committed				
Stabilization and other reserves	7,939,767	-	-	7,939,767
Capital project funds	-	-	49,920	49,920
Total Committed	7,939,767	-	49,920	7,989,687
Assigned				
Encumbered for:				
Education	223,834	-	-	223,834
Public Works	725,263	-	-	725,263
Other	364,142	-	-	364,142
For next year's expenditures	1,225,000	-	-	1,225,000
Circuit Breaker deficit	1,116,527	-	-	1,116,527
Total Assigned	3,654,766	-	-	3,654,766
Unassigned	3,572,172	-	(4,007,947)	(435,775)
Total Unassigned	3,572,172	-	(4,007,947)	(435,775)
Total Fund Balance	\$ 16,405,437	\$ 576,942	\$ 1,284,210	\$ 18,266,589

## 19. Subsequent Events

### Debt

Subsequent to June 30, 2012 the Town has incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Bond anticipation	\$ <u>5,026,000</u>	1.25%	07/06/12	07/05/13

## 20. **Commitments and Contingencies**

Outstanding Legal Issues - There are several pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

## 21. **Post-Employment Healthcare Benefits**

### Other Post-Employment Benefits

GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the government-wide Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the government-wide Statement of Net Assets over time.

#### A. Plan Description

In addition to providing the pension benefits described in Note 21, the Town provides post-employment healthcare benefits for retired employees through a cost-sharing, multiple-employer OPEB plan. The benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of June 30, 2011, the actuarial valuation date, approximately 777 retirees and 608 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

#### B. Benefits Provided

The Town provides medical insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

C. Funding Policy

Retirees contribute 30% of the premiums for medical coverage and 50% of the premiums for dental and basic life coverage, as determined by the Town. The Town contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The Town's fiscal 2012 annual OPEB 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 No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2012, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of June 30, 2011 (in thousands).

Annual Required Contribution (ARC)	\$ 14,548
Interest on net OPEB obligation	1,540
Adjustment to ARC	<u>(2,227)</u>
Annual OPEB cost	13,861
Contributions made	<u>(5,354)</u>
Increase in net OPEB obligation	8,507
Net OPEB obligation - beginning of year	<u>38,246</u>
Net OPEB obligation - end of year	<u>\$ 46,753</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows (in thousands):

<u>Fiscal year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2007	\$ 9,742	24.1%	\$ 7,390
2008	\$ 10,326	27.1%	\$ 14,914
2009	\$ 11,376	33.9%	\$ 22,432
2010	\$ 11,521	33.7%	\$ 30,067
2011	\$ 13,059	37.4%	\$ 38,246
2012	\$ 13,861	38.6%	\$ 46,753

The Town's net OPEB obligation as of June 30, 2012 is recorded as a component of the "other long-term liabilities" line item on the government-wide Statement of Net Assets.

**E. Funded Status and Funding Progress**

The funded status of the plan as of June 30, 2011, the date of the most recent actuarial valuation was as follows (in thousands):

Actuarial accrued liability (AAL)	\$ 175,403
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 175,403</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	N/A
UAAL as a percentage of covered payroll	N/A

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included 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 Financial Statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**F. Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the plan as understood by the Town 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 Town and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2011 actuarial valuation the Entry Age Normal Level Dollar Cost Method was used. The actuarial value of assets was not determined as the Town has not advanced funded its obligation. The actuarial assumptions included a 4% investment rate of return and an annual healthcare cost trend rate of 8% grading down to 5% in year 2017 and thereafter. The

amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on an open basis. This has been calculated assuming the amortization payment increases at an inflation rate of 4.0%.

**22. Contributory Retirement System**

The Town follows the provisions of GASB Statement No. 27, Accounting for Pensions for State and Local Government Employees, (as amended by GASB 50) with respect to the employees’ retirement funds.

*A. Plan Description and Contribution Information*

Substantially all employees of the Town are members of the Danvers Contributory Retirement System (DCRS), a cost sharing, multiple employer defined benefit PERS. Eligible employees must participate in the DCRS. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the DCRS Retirement Board. Chapter 32 also establishes contribution percentages and benefits paid. The DCRS Retirement Board does not have the authority to amend benefit provisions. As required by Massachusetts General Laws, the System issues a separate annual statement to the Commonwealth’s Public Employee Retirement Administration Commission.

Membership of each plan consisted of the following at December 31, 2011:

Retirees and beneficiaries receiving benefits	386
Terminated plan members entitled to but not yet receiving benefits	52
Active plan members	<u>452</u>
Total	<u><u>890</u></u>
Number of participating employers	2

Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The percentage is determined by the participant’s date of entry into the system. All employees hired after January 1, 1979 contribute an additional 2% on all gross regular earnings over the rate of \$ 30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC). The Town's Schedule of Employer Contributions is as follows:

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2009	\$ 3,784,113	100%
2010	\$ 4,625,000	100%
2011	\$ 4,262,439	100%
2012	\$ 4,434,567	100%

**B. Summary of Significant Accounting Policies**

Basis of Accounting - Contributory retirement system financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments - Investments are reported at fair value in accordance with PERAC requirements.

**C. Funded Status and Funding Progress**

The information presented below is from the Danvers Contributory Retirement System's most recent actuarial valuation.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a)/c]</u>
01/01/12	\$ 83,875,130	\$ 143,155,432	\$ 59,280,302	58.6%	\$ 22,911,025	258.7%

The Schedule of Funding Progress following the Notes to Financial Statements presents multi-year trend information about the actuarial value of plan assets relative to the actuarial accrued liability for benefits.

**D. Actuarial Methods and Assumptions**

The annual required contribution for the current year was determined as part of the actuarial valuation using the individual Entry Age Normal Actuarial Cost Method. Under this method, an unfunded actuarial accrued liability of \$ 59,280,302 was calculated. The actuarial assumptions

included an (a) 3.0% inflation rate, (b) 8.0% annual interest rate and (c) projected salary increases of 3.0% per year through 2014 and 4.0% - 4.25% thereafter. Liabilities for cost of living increases have been assumed at an annual increase of 3.0% of the lesser of the pension amount and \$ 13,000 per year. The actuarial value of assets is determined using a five-year smoothing of gains and losses. As of January 1, 2012, the unfunded actuarially accrued liability is being amortized over 25 years using an open group method which assumes an amortization increase of 4.0% per year.

*E. Teachers*

As required by State statutes, teachers of the Town are covered by the Massachusetts Teachers Retirement System (MTRS). The MTRS is funded by contributions from covered employees and the Commonwealth of Massachusetts. The Town is not required to contribute.

All persons employed on at least a half-time basis, who are covered under a contractual agreement requiring certification by the Board of Education are eligible, and must participate in the MTRS.

Based on the Commonwealth of Massachusetts' retirement laws, employees covered by the pension plan must contribute a percentage of gross earnings into the pension fund. The percentage is determined by the participant's date of entry into the system and gross earnings, up to \$ 30,000, as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7% *
January 1, 1984 - June 30, 1996	8% *
July 1, 1996 - June 30, 2001	9% *
Beginning July 1, 2001	11%

\*Effective January 1, 1990, all participants hired after January 1, 1979, who have not elected to increase to 11%, contribute an additional 2% of salary in excess of \$ 30,000.

The Town's current year covered payroll for teachers and administrators was \$ 25,875,921.

In fiscal year 2012, the Commonwealth of Massachusetts contributed \$ 8,225,037 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues in the general fund.

## 23. Self-insurance

The Town self-insures against claims for workers compensation, unemployment and most employee health coverage. Annual estimated requirements for claims are provided in the Town's annual operating budget.

### Workers Compensation

The Town contracts with an insurance consultant for claims processing of the Town's workers compensation policy, which has no excess liability coverage for any employees. The workers compensation claims liability represents an estimate of future costs based on a historical analysis of similar claims for all employees excluding public safety. The Town is unable to make any reasonable estimate of its liability for public safety employees.

Changes in the aggregate liability for claims for the years ended June 30:

	<u>Workers Compensation</u>	
	<u>2012</u>	<u>2011</u>
Claims liability, beginning of year	\$ 881,531	\$ 895,896
Claims incurred/recognized in fiscal year	396,131	596,460
Claims paid in fiscal year	<u>(668,254)</u>	<u>(610,825)</u>
Claims liability, end of year	<u>\$ 609,408</u>	<u>\$ 881,531</u>

The Town estimates that approximately \$ 182,822 of the June 30, 2012 claim liability will be due within one year.

The \$ 609,408 estimated liability for claims incurred but not reported includes only an estimate for known loss events expected to later be presented as claims. The Town is unable to estimate the amount of unknown loss events expected to become claims and expected future developments on claims already reported.

## 24. Risk Management

The government 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 government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

**25. Participation in Massachusetts Municipal Wholesale Electric Company**

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

MMWEC is a public corporation and a 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 entities 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 any payment when due, other Project Participants of that Project may be required to increase (step-up) their payments and correspondingly their Participant's share of that Project's Project Capability to an additional amount not to exceed 25% of their original Participant's share of that Project's Project Capability. Project Participants have covenanted to fix, revise, and collect rates at least sufficient to meet their obligations under the PSAs.

MMWEC has issued separate issues of 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 owned and operated by its majority owner, FPL Energy Wyman IV, LLC, an indirect subsidiary of NextEra Energy Resources LLC (formerly FPL Energy 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) (formerly FPL Energy Seabrook LLC), the majority owner and an indirect subsidiary of NextEra Energy Resources LLC (formerly FPL Energy LLC). The operating license for Seabrook Station extends to March, 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 (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.

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

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

Seven municipal light departments that are Participants under PSAs with MMWEC have submitted a demand for arbitration of a dispute relating to charges under the PSAs. MMWEC cannot predict the outcome of the arbitration demand, but in the opinion of MMWEC management, it will not have a material adverse effect on the financial position of MMWEC.

As of December 31, 2011, total capital expenditures for MMWEC's Projects amounted to \$ 1,581,599,000, of which \$ 147,581,000 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 Project Revenue Bonds totaling \$ 358,420,000, of which \$ 31,968,000 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, 2011, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$ 380,165,000, of which \$ 34,124,000 is anticipated to be billed to the Department in the future.

The estimated aggregate amount of Danvers Electric Division's required payments under the PSAs and PPAs, exclusive of the Reserve and Contingency Fund billings, to MMWEC at December 31, 2011 and estimated for future years is shown below.

		<u>Annual Costs</u>
For years ended December 31,	2012	\$ 6,935,000
	2013	6,597,000
	2014	6,106,000
	2015	5,711,000
	2016	5,232,000
	2017 - 2020	<u>3,543,000</u>
	Total	<u>\$ 34,124,000</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 \$ 16,841,000 and \$ 17,245,000 for the years ended December 31, 2011 and 2010, respectively.

## **26. Macquarie Energy LLC - Power Supply Agreement**

In January 2006, the Division entered into a Power Sales Agreement (PSA) with WPS Energy Services, Inc. (name changed to Integrys Energy Services, Inc. effective 2007, and transferred to Macquarie Energy LLC effective 2010) whereby energy purchase costs are based on a variable heat rate conversion factor linked to the price of natural gas. The contract provides the Division with the opportunity to hedge its exposure to commodity market risk using fixed prices, ceilings, floors, collars, and call spreads, some of which may include the payment of premiums.

The Division employs a risk management strategy based on time and value triggers that clearly spell out the criteria for locking in or otherwise hedging its natural gas price under the Macquarie contract. This strategy includes monitoring the forward price of natural gas on a daily basis and comparing daily prices with price triggers contained in the Division's risk management strategy to determine whether these fluctuations present additional opportunities to minimize the Division's exposure to commodity market risk.

The cost of energy purchased by the Division under the Integrys and Macquarie PSAs in 2011 was \$ 511,726 more than the cost would have been if the Division had entered into a fixed-price PSA with Dominion Energy in January of 2006, which was the lowest-cost supplier of energy at that time the Division entered into the Integrys contract. This additional cost represents a premium of approximately 6.7%; however, over the five years since the heat

rate contract began, the Division has realized a savings of approximately \$ 708.3 thousand less than the January 2006 Dominion Energy price.

In calendar year 2011, the Division paid monthly weighted gas prices ranging from 66% to 107% above the NYMEX Penultimate settle price for the month, which is the contract's default pricing mechanism. The net result for the year was that the Division paid a cumulative weighted average price 79% above the NYMEX, resulting in total excess power costs of \$ 3,597,864. This result is strictly a function of the movement of the NYMEX over time. The Division locked in prices for most of the 2009 - 2011 volumes in the second half of 2008, when prices had fallen nearly 50% from record high levels seen in the first half of 2008. These price locks were made in accordance with the Division's risk management strategy, which calls for prices to be locked when the forward price is below the 4-year average price for that forward period. During the second half of 2008, prices had fallen below the 20th percentile of all prices in the four-year history, which caused the Division to lock significant volumes at these lower prices. However, due to the severe economic recession, gas prices continued to fall throughout 2009 - 2011, making the prices the Division locked in 2008 uncompetitive with the spot gas price.

**27. Implementation of New GASB Standards**

The GASB has issued Statement No. 68 Accounting and Financial Reporting for Pensions, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the Town's basic financial statements by recognizing as a liability and expense, the Town's applicable portion of the Danvers' Contributory Retirement System actuarially accrued liability.

## **Required Supplementary Information**

**TOWN OF DANVERS, MASSACHUSETTS  
SCHEDULE OF FUNDING PROGRESS  
REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2012**

**(Unaudited)**

**(Amounts Expressed in thousands)**

**Employees' Retirement System**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
12/31/95	\$ 41,273	\$ 59,404	\$ 18,131	69.5%	\$ 12,566	144.3%
12/31/96	\$ 41,273	\$ 59,404	\$ 18,131	69.5%	\$ 11,835	153.2%
12/31/97	\$ 49,283	\$ 69,977	\$ 20,694	70.4%	\$ 13,763	150.4%
12/31/00	\$ 72,004	\$ 86,832	\$ 14,828	82.9%	\$ 15,110	98.1%
12/31/02	\$ 72,105	\$ 96,413	\$ 24,308	74.8%	\$ 17,105	142.1%
01/01/05	\$ 74,769	\$ 101,890	\$ 27,121	73.4%	\$ 18,845	143.9%
01/01/07	\$ 80,141	\$ 112,391	\$ 32,250	71.3%	\$ 20,383	158.2%
01/01/09	\$ 75,218	\$ 126,645	\$ 51,427	59.4%	\$ 22,650	227.1%
01/01/10	\$ 84,018	\$ 130,372	\$ 46,354	64.4%	\$ 23,028	201.3%
01/01/12	\$ 83,875	\$ 143,155	\$ 59,280	58.6%	\$ 22,911	258.7%

**Other Post-Employment Benefits**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
06/30/06	\$ -	\$ 100,052	\$ 100,052	0.0%	\$ 34,900	286.7%
07/01/08	\$ -	\$ 111,325	\$ 111,325	0.0%	\$ 44,761	248.7%
06/30/11	\$ -	\$ 175,403	\$ 175,403	0.0%	N/A	N/A

See Independent Auditors' Report.

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## **Combining Financial Statements**

## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

Special Revenue Funds are established to account for resources obtained and expended for specified purposes and restricted by law or local action.

Special Revenue Funds are established for the following purposes:

- School Lunch Fund: To account for operating activities associated with the School Department student lunch program.
- Town Grants: To account for various Town (non-school) related Federal and state grant programs.
- School Grants: To account for various School Department related Federal and state grant programs.
- Receipts Reserved: To account for various receipts, which according to Massachusetts General Laws, must be appropriated to be spent for certain specific purposes.
- Revolving Accounts: To account for certain receipts, which according to Massachusetts General Laws can be spent without appropriation, for expenditures related to the related source of the receipt.
- Conservation: To account for revenue and expenditures associated with acquiring conservation land.
- Other Funds: To track gifts and other receipts that are restricted for specific expenditures.

### **CAPITAL PROJECT FUNDS**

Capital Project Funds are established to account for resources obtained and expended for the acquisition of major governmental capital facilities or equipment.

Capital Project Funds are established for the following purposes:

- School Capital Projects Fund: To account for capital activities associated with ongoing construction and renovation work on several of the Town's schools.
- Landfill Capital Projects Fund: To account for capital activities associated with ongoing improvements at the Danvers landfill.

- Fire Pumper Truck Project: To account for capital activities associated with the purchase of a new fire pumper truck.
- Other Capital Projects Funds: To account for capital activities associated with the Hobart Street parking lot, dredging Crane and Porter Rivers, Thorpe Athletic Fields, and acquisition of open space projects.

### **PERMANENT FUNDS**

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Town's programs - that is, for the benefit of the Town or its citizenry.

TOWN OF DANVERS, MASSACHUSETTS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2012

	<u>Special Revenue Funds</u>			
	<u>School Lunch Fund</u>	<u>Town Grants</u>	<u>School Grants</u>	<u>Receipts Reserved</u>
<u>ASSETS</u>				
Cash and short-term investments	\$ 209,743	\$ -	\$ 211,034	\$ 1,124,108
Total Assets	<u>\$ 209,743</u>	<u>\$ -</u>	<u>\$ 211,034</u>	<u>\$ 1,124,108</u>
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Warrants payable	\$ -	\$ 170	\$ -	\$ -
Retainage payable	-	-	-	-
Notes payable	-	-	-	-
Due to other funds	-	206,556	-	-
Advance from other funds	-	-	1,238,732	-
Total Liabilities	-	206,726	1,238,732	-
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	209,743	222,942	707,642	1,186,788
Committed	-	-	-	-
Unassigned	-	(429,668)	(1,735,340)	(62,680)
Total Fund Balance	<u>209,743</u>	<u>(206,726)</u>	<u>(1,027,698)</u>	<u>1,124,108</u>
Total Liabilities and Fund Balance	<u>\$ 209,743</u>	<u>\$ -</u>	<u>\$ 211,034</u>	<u>\$ 1,124,108</u>

Special Revenue Funds

<u>Revolving Accounts</u>	<u>Conservation</u>	<u>Other Funds</u>	<u>Subtotals</u>
\$ <u>1,526,447</u>	\$ <u>133,768</u>	\$ <u>336,519</u>	\$ <u>3,541,619</u>
\$ <u><u>1,526,447</u></u>	\$ <u><u>133,768</u></u>	\$ <u><u>336,519</u></u>	\$ <u><u>3,541,619</u></u>
\$ 8,147	\$ -	\$ -	\$ 8,317
-	-	-	-
-	-	-	206,556
-	-	-	1,238,732
<u>8,147</u>	<u>-</u>	<u>-</u>	<u>1,453,605</u>
-	-	-	-
1,518,300	133,768	344,840	4,324,023
-	-	-	-
<u>-</u>	<u>-</u>	<u>(8,321)</u>	<u>(2,236,009)</u>
<u>1,518,300</u>	<u>133,768</u>	<u>336,519</u>	<u>2,088,014</u>
\$ <u><u>1,526,447</u></u>	\$ <u><u>133,768</u></u>	\$ <u><u>336,519</u></u>	\$ <u><u>3,541,619</u></u>

(continued)

TOWN OF DANVERS, MASSACHUSETTS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2012

(continued)

	Capital Project Funds				
	School Capital Projects	Landfill Capital Projects	Fire Pumper Truck Project	Other Capital Projects	Subtotals
<u>ASSETS</u>					
Cash and short-term investments	\$ 407,649	\$ 1,373,105	\$ 1,392	\$ 1,632,063	\$ 3,414,209
Total Assets	<u>\$ 407,649</u>	<u>\$ 1,373,105</u>	<u>\$ 1,392</u>	<u>\$ 1,632,063</u>	<u>\$ 3,414,209</u>
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities:					
Warrants payable	\$ -	\$ 313,115	\$ -	\$ -	\$ 313,115
Retainage payable	-	44,485	-	-	44,485
Notes payable	251,000	2,000,000	450,000	1,600,000	4,301,000
Due to other funds	-	-	-	-	-
Advance from other funds	-	-	-	-	-
Total Liabilities	251,000	2,357,600	450,000	1,600,000	4,658,600
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	407,277	-	-	70,350	477,627
Committed	-	-	-	49,920	49,920
Unassigned	<u>(250,628)</u>	<u>(984,495)</u>	<u>(448,608)</u>	<u>(88,207)</u>	<u>(1,771,938)</u>
Total Fund Balance	<u>156,649</u>	<u>(984,495)</u>	<u>(448,608)</u>	<u>32,063</u>	<u>(1,244,391)</u>
Total Liabilities and Fund Balance	<u>\$ 407,649</u>	<u>\$ 1,373,105</u>	<u>\$ 1,392</u>	<u>\$ 1,632,063</u>	<u>\$ 3,414,209</u>

<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ <u>440,587</u>	\$ <u>7,396,415</u>
\$ <u><u>440,587</u></u>	\$ <u><u>7,396,415</u></u>
\$ -	\$ 321,432
-	44,485
-	4,301,000
-	206,556
<u>-</u>	<u>1,238,732</u>
-	6,112,205
143,524	143,524
297,063	5,098,713
-	49,920
<u>-</u>	<u>(4,007,947)</u>
<u>440,587</u>	<u>1,284,210</u>
\$ <u><u>440,587</u></u>	\$ <u><u>7,396,415</u></u>

TOWN OF DANVERS, MASSACHUSETTS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2012

	Special Revenue Funds			
	School Lunch Fund	Town Grants	School Grants	Receipts Reserved
Revenues:				
Excises	\$ -	\$ -	\$ -	\$ -
Penalties, interest and other taxes	-	-	-	115,591
Charges for services	727,167	-	-	24,780
Intergovernmental	318,007	1,274,012	3,265,304	-
Investment income	-	-	-	-
Miscellaneous	-	4,076	-	43,123
	<u>1,045,174</u>	<u>1,278,088</u>	<u>3,265,304</u>	<u>183,494</u>
Total Revenues				
Expenditures:				
Current:				
General government	-	3,166	-	-
Public safety	-	104,660	-	-
Education	972,048	-	3,463,143	-
Public works	-	1,257,953	-	-
Health and human services	-	103,773	-	-
Culture and recreation	-	22,120	-	-
	<u>972,048</u>	<u>1,491,672</u>	<u>3,463,143</u>	<u>-</u>
Total Expenditures				
Excess (deficiency) of revenues over (under) expenditures	73,126	(213,584)	(197,839)	183,494
Other Financing Sources (Uses):				
Issuance of debt	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	(1,096,008)	(300,123)
	<u>-</u>	<u>-</u>	<u>(1,096,008)</u>	<u>(300,123)</u>
Total Other Financing Sources (Uses)				
Change in fund balances	73,126	(213,584)	(1,293,847)	(116,629)
Fund Balances, at Beginning of Year	<u>136,617</u>	<u>6,858</u>	<u>266,149</u>	<u>1,240,737</u>
Fund Balances, at End of Year	<u>\$ 209,743</u>	<u>\$ (206,726)</u>	<u>\$ (1,027,698)</u>	<u>\$ 1,124,108</u>

Special Revenue Funds

<u>Revolving Accounts</u>	<u>Conservation</u>	<u>Other Funds</u>	<u>Subtotals</u>
\$ 25,087	\$ -	\$ -	\$ 25,087
-	-	-	115,591
1,749,548	-	-	2,501,495
-	-	-	4,857,323
-	365	-	365
<u>-</u>	<u>-</u>	<u>136,253</u>	<u>183,452</u>
1,774,635	365	136,253	7,683,313
-	-	56,517	59,683
12,078	-	30,845	147,583
420,191	-	348	4,855,730
96,871	-	-	1,354,824
153,779	-	31,668	289,220
<u>737,137</u>	<u>-</u>	<u>-</u>	<u>759,257</u>
<u>1,420,056</u>	<u>-</u>	<u>119,378</u>	<u>7,466,297</u>
354,579	365	16,875	217,016
-	-	-	-
-	-	1,096,008	1,096,008
<u>(402,159)</u>	<u>-</u>	<u>-</u>	<u>(1,798,290)</u>
<u>(402,159)</u>	<u>-</u>	<u>1,096,008</u>	<u>(702,282)</u>
(47,580)	365	1,112,883	(485,266)
<u>1,565,880</u>	<u>133,403</u>	<u>(776,364)</u>	<u>2,573,280</u>
<u>\$ 1,518,300</u>	<u>\$ 133,768</u>	<u>\$ 336,519</u>	<u>\$ 2,088,014</u>

(continued)

TOWN OF DANVERS, MASSACHUSETTS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2012

(continued)

	Capital Project Funds				<u>Subtotals</u>
	<u>School Capital Projects</u>	<u>Landfill Capital Projects</u>	<u>Fire Pumper Truck Project</u>	<u>Other Capital Projects</u>	
Revenues:					
Excises	\$ -	\$ -	\$ -	\$ -	\$ -
Penalties, interest and other taxes	-	-	-	-	-
Charges for services	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Investment income	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Expenditures:					
Current:					
General government	-	-	-	90,943	90,943
Public safety	-	-	448,608	-	448,608
Education	-	-	-	-	-
Public works	-	927,227	-	-	927,227
Health and human services	-	-	-	-	-
Culture and recreation	-	-	-	4,969	4,969
<b>Total Expenditures</b>	<b>-</b>	<b>927,227</b>	<b>448,608</b>	<b>95,912</b>	<b>1,471,747</b>
Excess (deficiency) of revenues over (under) expenditures	-	(927,227)	(448,608)	(95,912)	(1,471,747)
Other Financing Sources (Uses):					
Issuance of debt	376,000	-	-	-	376,000
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>376,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>376,000</b>
Change in fund balances	376,000	(927,227)	(448,608)	(95,912)	(1,095,747)
Fund Balances, at Beginning of Year	(219,351)	(57,268)	-	127,975	(148,644)
Fund Balances, at End of Year	<u>\$ 156,649</u>	<u>\$ (984,495)</u>	<u>\$ (448,608)</u>	<u>\$ 32,063</u>	<u>\$ (1,244,391)</u>

Permanent <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>
\$ -	\$ 25,087
-	115,591
-	2,501,495
-	4,857,323
193	558
<u>3,275</u>	<u>186,727</u>
3,468	7,686,781
900	151,526
-	596,191
-	4,855,730
800	2,282,851
1,000	290,220
-	<u>764,226</u>
<u>2,700</u>	<u>8,940,744</u>
768	(1,253,963)
-	376,000
-	1,096,008
-	<u>(1,798,290)</u>
-	<u>(326,282)</u>
768	(1,580,245)
<u>439,819</u>	<u>2,864,455</u>
\$ <u><u>440,587</u></u>	\$ <u><u>1,284,210</u></u>

**Detail and Combining Budget  
and Actual Statements**

## **GENERAL FUND**

The General Fund is established to account for all resources obtained and used for those services commonly provided by the Town which are not accounted for in any other fund. These services include among other items: General Government, Public Safety, Education, Public Works, Health and Human Services, Culture and Recreation, and Employee Benefits. The primary sources of revenue of the General Fund are: property taxes, motor vehicle excise taxes, unrestricted state grants, and fees for services rendered.

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TOWN OF DANVERS, MASSACHUSETTS

DETAIL SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2012

	Original <u>Budget</u>	Final <u>Budget</u>	Actual <u>(Budgetary Basis)</u>	Variance Positive <u>(Negative)</u>
<u>Taxes</u>				
Property taxes	\$ 59,656,160	\$ 59,656,160	\$ 59,656,160	\$ -
<u>Excises</u>				
Motor vehicle excise	3,393,048	3,393,048	3,478,878	85,830
Boat excise	<u>15,170</u>	<u>15,170</u>	<u>50,174</u>	<u>35,004</u>
Total Excises	3,408,218	3,408,218	3,529,052	120,834
<u>Penalties, Interest and Other Taxes</u>				
Penalties and interest	320,000	320,000	295,255	(24,745)
Hotel/motel taxes	1,114,649	1,114,649	1,356,185	241,536
Meals tax	650,181	650,181	767,212	117,031
Payment in lieu of taxes	<u>1,295,706</u>	<u>1,295,706</u>	<u>1,304,855</u>	<u>9,149</u>
Total Penalties, Interest and Other Taxes	3,380,536	3,380,536	3,723,507	342,971
<u>Charges for Services</u>				
Fees	829,600	829,600	753,232	(76,368)
Charges	854,300	854,300	936,407	82,107
Other department revenues	<u>65,000</u>	<u>65,000</u>	<u>112,180</u>	<u>47,180</u>
Total Charges for Services	1,748,900	1,748,900	1,801,819	52,919
<u>Intergovernmental</u>				
State aid	7,548,116	7,548,116	7,797,566	249,450
<u>Licenses and Permits</u>				
Building permits	326,347	326,347	430,775	104,428
Other licenses and permits	<u>387,653</u>	<u>387,653</u>	<u>439,198</u>	<u>51,545</u>
Total Licenses and Permits	714,000	714,000	869,973	155,973
<u>Fines and Forfeits</u>				
Fines and forfeits	120,000	120,000	94,567	(25,433)
<u>Investment Income</u>				
Investment income	100,000	100,000	120,941	20,941
<u>Miscellaneous</u>				
Other (recurring)	266,999	266,999	272,298	5,299
Other (non-recurring)	<u>700,000</u>	<u>700,000</u>	<u>1,829,854</u>	<u>1,129,854</u>
Total Miscellaneous	966,999	966,999	2,102,152	1,135,153
<u>Other Financing Sources</u>				
Transfers in	2,295,224	2,348,347	2,348,347	-
Use of fund balance	1,904,700	1,920,825	1,920,825	-
Overlay surplus	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Total Other Financing Sources	<u>4,299,924</u>	<u>4,369,172</u>	<u>4,369,172</u>	<u>-</u>
Total Revenues and Other Financing Sources	\$ <u>81,942,853</u>	\$ <u>82,012,101</u>	\$ <u>84,064,909</u>	\$ <u>2,052,808</u>

TOWN OF DANVERS, MASSACHUSETTS

DETAIL SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
<b><u>General Government</u></b>				
Moderator				
Salaries and wages	\$ 400	\$ 400	\$ 400	\$ -
Other expense	1,150	1,150	268	882
Selectmen				
Salaries and wages	15,500	15,500	13,250	2,250
Other expense	8,400	8,400	7,670	730
Town Manager				
Salaries and wages	58,713	58,713	58,503	210
Other expense	17,400	17,400	13,023	4,377
Technology Plan				
Other expense	189,000	189,000	189,000	-
Management & Information Services				
Salaries and wages	262,142	202,192	188,497	13,695
Other expense	166,407	166,407	162,453	3,954
Department Head Salaries				
Salaries and wages	1,221,089	1,221,089	1,209,142	11,947
FinCom Reserve Fund				
Other expense	50,000	50,000	-	50,000
Town Accountant				
Salaries and wages	251,858	251,858	249,641	2,217
Other expense	40,669	40,669	38,051	2,618
Assessing				
Salaries and wages	150,047	142,647	142,203	444
Other expense	55,105	62,505	61,782	723
Administrative Services				
Salaries and wages	349,409	330,830	288,278	42,552
Other expense	68,540	87,119	86,227	892
Capital outlay	5,000	5,000	5,000	-
Town Counsel				
Other expense	157,170	157,170	86,977	70,193
Human Resources				
Salaries and wages	100,353	100,353	94,435	5,918
Other expense	19,975	19,975	16,893	3,082
<b>Total General Government</b>	<u>3,188,327</u>	<u>3,128,377</u>	<u>2,911,693</u>	<u>216,684</u>
<b><u>Public Safety</u></b>				
Police Department				
Salaries and wages	5,140,774	5,237,274	5,223,574	13,700
Other expense	373,130	373,130	352,751	20,379
Capital outlay	157,425	165,048	129,118	35,930
Fire Department				
Salaries and wages	3,980,389	4,030,389	3,997,800	32,589
Other expense	210,535	210,535	206,624	3,911
Capital outlay	141,000	141,000	135,753	5,247
Code Administration				
Salaries and wages	297,416	297,416	293,480	3,936
Other expense	30,182	30,182	20,330	9,852
<b>Total Public Safety</b>	<u>10,330,851</u>	<u>10,484,974</u>	<u>10,359,430</u>	<u>125,544</u>

(continued)

(continued)	Original <u>Budget</u>	Final <u>Budget</u>	Actual <u>(Budgetary Basis)</u>	Variance Positive <u>(Negative)</u>
<b><u>Education</u></b>				
Education	32,060,748	32,449,322	32,428,462	20,860
Other expense	1,313,875	1,313,875	1,309,281	4,594
Capital outlay	<u>28,000</u>	<u>28,000</u>	<u>26,958</u>	<u>1,042</u>
<b>Total Education</b>	<b>33,402,623</b>	<b>33,791,197</b>	<b>33,764,701</b>	<b>26,496</b>
<b><u>Public Works</u></b>				
Salaries and wages	3,780,621	3,780,621	3,586,545	194,076
Other expense	6,696,051	6,252,602	6,119,235	133,367
Capital outlay	<u>173,976</u>	<u>173,976</u>	<u>173,213</u>	<u>763</u>
<b>Total Public Works</b>	<b>10,650,648</b>	<b>10,207,199</b>	<b>9,878,993</b>	<b>328,206</b>
<b><u>Health and Human Services</u></b>				
Planning Department				
Salaries and wages	337,132	337,132	329,092	8,040
Other expense	35,850	35,850	31,743	4,107
Health Department				
Salaries and wages	192,079	192,079	187,894	4,185
Other expense	107,777	137,727	132,323	5,404
Senior and Social Services Department				
Salaries and wages	201,560	201,560	179,587	21,973
Other expense	<u>22,715</u>	<u>22,715</u>	<u>29,244</u>	<u>(6,529)</u>
<b>Total Health and Human Services</b>	<b>897,113</b>	<b>927,063</b>	<b>889,883</b>	<b>37,180</b>
<b><u>Culture and Recreation</u></b>				
Recreation Department				
Salaries and wages	456,216	456,216	448,895	7,321
Other expense	109,630	109,630	102,401	7,229
Capital outlay	24,000	24,000	24,000	-
Library				
Salaries and wages	976,081	976,081	961,332	14,749
Other expense	<u>226,662</u>	<u>226,662</u>	<u>225,454</u>	<u>1,208</u>
<b>Total Culture and Recreation</b>	<b>1,792,589</b>	<b>1,792,589</b>	<b>1,762,082</b>	<b>30,507</b>
<b><u>Employee Benefits</u></b>				
Employee benefits and insurance	10,575,929	10,575,929	10,177,825	398,104
Retirement	<u>3,871,574</u>	<u>3,871,574</u>	<u>3,859,140</u>	<u>12,434</u>
<b>Total Employee Benefits</b>	<b>14,447,503</b>	<b>14,447,503</b>	<b>14,036,965</b>	<b>410,538</b>
<b><u>Debt Service</u></b>				
Principal & interest	4,820,315	4,820,315	4,790,222	30,093
<b><u>Intergovernmental</u></b>				
State assessments	937,884	937,884	792,504	145,380
<b><u>Other Financing Uses</u></b>				
Transfers out	<u>1,475,000</u>	<u>1,475,000</u>	<u>1,475,000</u>	<u>-</u>
<b>Total Other Financing Uses</b>	<b>1,475,000</b>	<b>1,475,000</b>	<b>1,475,000</b>	<b>-</b>
Total Expenditures and Other Financing Uses	<u>\$ 81,942,853</u>	<u>\$ 82,012,101</u>	<u>\$ 80,661,473</u>	<u>\$ 1,350,628</u>

## **Proprietary (Enterprise) Funds**

Enterprise Funds were established to account for activities that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the activity be self-supporting based on user charges.

The Town of Danvers has the following Enterprise Funds:

Water Fund: To account for the operation of a water treatment plant, Town wells and water system.

Sewer Fund: To account for the operation of a sewer treatment plant, pumping station and sewer lines.

Electric Division Fund: To account for the operation of the Town's Electric Division which provides electric power to commercial and residential citizens in the Town of Danvers. There is no formal fixed budget established for this fund.

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TOWN OF DANVERS, MASSACHUSETTS  
 SCHEDULE OF REVENUES AND EXPENSES  
 BUDGET AND ACTUAL

BUDGETED ENTERPRISE FUNDS

FOR THE YEAR ENDED JUNE 30, 2012

	Water Fund		
	Final Budget	Actual (Budgetary Basis)	Variance Favorable (Unfavorable)
Revenues and Other Sources:			
Charges for services	\$ 6,312,859	\$ 6,931,753	\$ 618,894
Intergovernmental	-	24,392	24,392
Other revenue	-	96,329	96,329
Other Sources:			
Transfers	-	-	-
Use of retained earnings	302,193	302,193	-
Total Revenues and Other Sources	6,615,052	7,354,667	739,615
Expenditures:			
Operating expenses	6,390,052	5,903,114	486,938
Articles	225,000	151,745	73,255
Total Expenditures	6,615,052	6,054,859	560,193
Excess of revenues and other financing sources over expenditures	\$ -	\$ 1,299,808	\$ 1,299,808

Sewer Fund		
<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 6,109,359	\$ 6,403,055	\$ 293,696
-	-	-
-	368,200	368,200
172,000	172,000	-
<u>-</u>	<u>-</u>	<u>-</u>
6,281,359	6,943,255	661,896
6,076,359	5,960,154	116,205
<u>205,000</u>	<u>152,207</u>	<u>52,793</u>
<u>6,281,359</u>	<u>6,112,361</u>	<u>168,998</u>
<u>\$ -</u>	<u>\$ 830,894</u>	<u>\$ 830,894</u>

## **Fiduciary Funds**

Agency Funds are established to account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others.

TOWN OF DANVERS, MASSACHUSETTS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUNDS

FOR THE YEAR ENDED JUNE 30, 2012

<u>Agency Fund</u>	Balance July 1, <u>2011</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2012</u>
Assets - cash and short-term investments	\$ 214,966	\$ 1,207,643	\$ (1,239,876)	\$ 182,733
Assets - accounts receivable	74,676	500,924	(489,768)	85,832
Total assets	<u>\$ 289,642</u>	<u>\$ 1,708,567</u>	<u>\$ (1,729,644)</u>	<u>\$ 268,565</u>
Liabilities - other	\$ 289,642	\$ 1,708,567	\$ (1,729,644)	\$ 268,565
Total liabilities	<u>\$ 289,642</u>	<u>\$ 1,708,567</u>	<u>\$ (1,729,644)</u>	<u>\$ 268,565</u>

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**STATISTICAL  
SECTION**



# TOWN OF DANVERS, MASSACHUSETTS

## STATISTICAL SECTION

The Town of Danvers 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 government's overall financial health.

	<u>Page</u>
Financial Trends <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	105-109
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	110-112
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	113-115
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	116-117
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the service the government provides and the activities it performs.</i>	118-120

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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**Town of Danvers, Massachusetts**  
**Net Assets By Component**  
**Last Ten Fiscal Years**

	<b>Fiscal Year</b>									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Governmental Activities</b>										
Invested in Capital Assets, net of related debt.....	\$ 30,683,556	\$ 29,709,918	\$ 29,023,796	\$ 57,887,961	\$ 55,196,515	\$ 56,563,394	\$ 55,311,434	\$ 56,471,886	\$ 56,122,459	\$ 75,319,872
Restricted.....	386,228	673,504	735,877	3,153,907	4,185,308	4,873,659	4,725,351	3,540,918	4,728,742	4,764,610
Unrestricted.....	<u>15,362,521</u>	<u>17,179,368</u>	<u>17,943,439</u>	<u>15,726,527</u>	<u>14,056,927</u>	<u>6,506,706</u>	<u>(2,452,638)</u>	<u>(11,923,622)</u>	<u>(18,378,280)</u>	<u>(23,183,496)</u>
Total governmental activities net assets.....	<u>\$ 46,432,305</u>	<u>\$ 47,562,790</u>	<u>\$ 47,703,112</u>	<u>\$ 76,768,395</u>	<u>\$ 73,438,750</u>	<u>\$ 67,943,759</u>	<u>\$ 57,584,147</u>	<u>\$ 48,089,182</u>	<u>\$ 42,472,921</u>	<u>\$ 56,900,986</u>
<b>Business-type activities</b>										
Invested in Capital Assets, net of related debt.....	\$ 85,316,609	\$ 86,424,893	\$ 87,215,739	\$ 85,307,780	\$ 81,855,154	\$ 79,768,125	\$ 79,722,554	\$ 81,876,029	\$ 81,587,394	\$ 82,379,670
Restricted.....	13,762,238	17,004,200	2,088,297	3,364,820	4,456,633	4,445,922	5,283,180	4,573,936	5,196,464	4,503,084
Unrestricted.....	<u>16,362,782</u>	<u>12,967,876</u>	<u>26,693,959</u>	<u>28,370,617</u>	<u>29,818,307</u>	<u>29,653,758</u>	<u>30,337,699</u>	<u>27,538,427</u>	<u>29,662,947</u>	<u>29,747,847</u>
Total business-type activities net assets.....	<u>\$ 115,441,629</u>	<u>\$ 116,396,969</u>	<u>\$ 115,997,995</u>	<u>\$ 117,043,217</u>	<u>\$ 116,130,094</u>	<u>\$ 113,867,805</u>	<u>\$ 115,343,433</u>	<u>\$ 113,988,392</u>	<u>\$ 116,446,805</u>	<u>\$ 116,630,601</u>
<b>Primary Government</b>										
Invested in Capital Assets, net of related debt.....	\$ 116,000,165	\$ 116,134,811	\$ 116,239,535	\$ 143,195,741	\$ 137,051,669	\$ 136,331,519	\$ 135,033,988	\$ 138,347,915	\$ 137,709,853	\$ 157,699,542
Restricted.....	14,148,466	17,677,704	2,824,174	6,518,727	8,641,941	9,319,581	10,008,531	8,114,854	9,925,206	9,267,694
Unrestricted.....	<u>31,725,303</u>	<u>30,147,244</u>	<u>44,637,398</u>	<u>44,097,144</u>	<u>43,875,234</u>	<u>36,160,464</u>	<u>27,885,061</u>	<u>15,614,805</u>	<u>11,284,667</u>	<u>6,564,351</u>
Total primary government net assets.....	<u>\$ 161,873,934</u>	<u>\$ 163,959,759</u>	<u>\$ 163,701,107</u>	<u>\$ 193,811,612</u>	<u>\$ 189,568,844</u>	<u>\$ 181,811,564</u>	<u>\$ 172,927,580</u>	<u>\$ 162,077,574</u>	<u>\$ 158,919,726</u>	<u>\$ 173,531,587</u>

Data source: Audited financial statements.

**Town of Danvers, Massachusetts**  
**Changes in Net Assets**  
**Last Ten Fiscal Years**

**Fiscal Year**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Expenses</b>										
Governmental activities:										
General government.....	\$ 5,166,721	\$ 4,386,734	\$ 4,232,126	\$ 4,861,043	\$ 5,399,198	\$ 5,619,822	\$ 5,257,803	\$ 5,476,642	\$ 4,632,531	\$ 5,017,751
Public safety.....	11,109,405	11,053,768	11,879,004	11,871,065	14,330,370	14,452,992	14,934,253	15,140,677	15,826,429	14,713,254
Education.....	34,513,702	38,028,975	39,965,088	42,940,130	49,166,582	51,369,265	54,386,729	57,437,090	58,385,916	60,901,915
Public works.....	13,114,220	10,359,093	11,379,216	11,796,736	12,816,790	14,389,953	15,020,841	14,839,526	15,101,480	14,408,452
Health and human services.....	1,726,820	1,950,843	2,009,926	2,053,876	2,372,843	2,189,488	2,892,048	1,817,704	1,819,342	1,780,423
Culture and recreation.....	1,555,372	1,544,093	1,825,359	1,367,214	2,071,828	1,838,111	1,942,856	3,106,192	3,493,371	3,162,019
Interest.....	1,027,839	1,120,348	1,370,414	1,479,099	1,044,232	1,631,207	1,430,661	1,313,641	1,459,616	2,476,747
Total governmental activities expenses.....	<u>68,214,079</u>	<u>68,443,854</u>	<u>72,661,133</u>	<u>76,369,163</u>	<u>87,201,843</u>	<u>91,490,838</u>	<u>95,865,191</u>	<u>99,131,472</u>	<u>100,718,685</u>	<u>102,460,561</u>
Business-type activities:										
Water operations.....	4,404,025	3,681,553	4,745,744	4,601,221	5,185,158	5,731,827	6,353,551	6,201,682	6,082,022	6,339,675
Sewer operations.....	4,787,496	4,687,961	4,913,063	4,999,200	5,125,742	5,347,706	5,866,879	5,688,095	6,034,285	6,033,530
Electric operations.....	32,852,051	34,563,091	33,210,702	41,334,583	40,681,190	40,038,294	46,978,739	42,668,330	46,481,478	45,055,002
Total business-type activities expenses.....	<u>42,043,572</u>	<u>42,932,605</u>	<u>42,869,509</u>	<u>50,935,004</u>	<u>50,992,090</u>	<u>51,117,827</u>	<u>59,199,169</u>	<u>54,558,107</u>	<u>58,597,785</u>	<u>57,428,207</u>
Total primary government expenses.....	<u>\$ 110,257,651</u>	<u>\$ 111,376,459</u>	<u>\$ 115,530,642</u>	<u>\$ 127,304,167</u>	<u>\$ 138,193,933</u>	<u>\$ 142,608,665</u>	<u>\$ 155,064,360</u>	<u>\$ 153,689,579</u>	<u>\$ 159,316,470</u>	<u>\$ 159,888,768</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government.....	\$ 510,244	\$ 534,568	\$ 511,636	\$ 552,690	\$ 624,248	\$ 450,776	\$ 1,002,919	\$ 1,186,728	\$ 1,307,450	\$ 1,431,513
Public safety.....	1,093,497	1,021,831	1,047,787	1,145,808	1,331,827	1,556,596	593,583	496,100	696,737	941,478
Education.....	889,999	912,327	965,139	1,005,460	1,099,025	1,081,746	1,085,472	1,205,580	1,209,699	1,313,917
Public works.....	373,618	303,561	320,446	363,650	208,750	508,881	231,284	253,534	269,162	99,995
Health and human services.....	177,867	264,197	276,372	403,052	473,643	857,319	1,184,850	354,167	396,945	367,703
Culture and recreation.....	366,424	314,593	392,383	289,821	414,168	26,167	26,712	892,739	887,844	1,113,249
Operating grants and contributions.....	11,429,004	11,050,934	12,270,969	12,479,012	15,055,831	13,313,427	16,243,023	17,050,298	16,548,392	17,623,495
Capital grants and contributions.....	956,049	1,549,689	1,198,070	2,065,105	1,907,812	3,783,230	531,081	2,500,721	5,089,640	18,462,460
Total government activities program revenues.....	<u>15,796,702</u>	<u>15,951,700</u>	<u>16,982,802</u>	<u>18,304,598</u>	<u>21,115,304</u>	<u>21,578,142</u>	<u>20,898,924</u>	<u>23,939,867</u>	<u>26,405,869</u>	<u>41,353,810</u>
Business-type activities:										
Charges for services:										
Water operations.....	4,042,318	3,973,324	3,937,251	4,654,490	4,598,437	5,708,467	5,445,899	5,735,660	7,287,687	6,936,375
Sewer operations.....	6,190,776	4,788,231	4,846,159	5,317,324	5,232,173	5,704,889	5,636,091	5,791,485	6,349,074	6,451,943
Electric operations.....	35,301,285	33,686,045	32,760,384	41,612,535	41,185,110	35,729,336	45,980,377	39,995,288	45,070,589	42,130,194
Operating grants and contributions.....	-	997,436	706,529	550,629	902,096	845,600	1,152,284	199,145	1,464,294	1,269,664
Capital grants and contributions.....	-	-	-	-	-	-	-	-	1,067,131	1,485,147
Total business-type activities revenues.....	<u>45,534,379</u>	<u>43,445,036</u>	<u>42,250,323</u>	<u>52,134,978</u>	<u>51,917,816</u>	<u>47,988,292</u>	<u>58,214,651</u>	<u>51,721,578</u>	<u>61,238,775</u>	<u>58,273,323</u>
Total primary government revenues.....	<u>\$ 61,331,081</u>	<u>\$ 59,396,736</u>	<u>\$ 59,233,125</u>	<u>\$ 70,439,576</u>	<u>\$ 73,033,120</u>	<u>\$ 69,566,434</u>	<u>\$ 79,113,575</u>	<u>\$ 75,661,445</u>	<u>\$ 87,644,644</u>	<u>\$ 99,627,133</u>
<b>Net (Expense)/ Revenue</b>										
Governmental activities.....	\$ (52,417,377)	\$ (52,492,154)	\$ (55,678,331)	\$ (58,064,565)	\$ (66,086,539)	\$ (69,912,696)	\$ (74,966,267)	\$ (75,191,605)	\$ (74,312,816)	\$ (61,106,751)
Business-type activities.....	3,490,807	512,431	(619,186)	1,199,974	925,726	(3,129,535)	(984,518)	(2,836,529)	2,640,990	845,116
Total primary government net (expense).....	<u>\$ (48,926,570)</u>	<u>\$ (51,979,723)</u>	<u>\$ (56,297,517)</u>	<u>\$ (56,864,591)</u>	<u>\$ (65,160,813)</u>	<u>\$ (73,042,231)</u>	<u>\$ (75,950,785)</u>	<u>\$ (78,028,134)</u>	<u>\$ (71,671,826)</u>	<u>\$ (60,261,635)</u>

**Town of Danvers, Massachusetts**  
**Changes in Net Assets**  
**Last Ten Fiscal Years**

(continued)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>General Revenues and other Changes in Net Assets</b>										
Governmental activities:										
Real estate and personal property taxes, net of refunds payable.....	\$ 40,766,727	\$ 42,651,543	\$ 44,295,473	\$ 46,912,858	\$ 48,340,045	\$ 50,897,240	\$ 53,031,591	\$ 55,629,177	\$ 58,327,569	\$ 59,603,766
Excises.....	3,488,751	3,375,526	3,778,273	3,416,111	3,660,793	3,567,477	3,435,543	3,350,049	2,854,838	3,509,904
Penalties, interest and other taxes.....	2,596,149	2,229,516	2,224,520	2,041,400	2,358,935	2,368,349	2,772,635	2,512,060	2,040,704	2,786,531
Grants and contributions not restricted to specific programs.....	3,235,196	2,938,528	3,197,875	20,692,265	5,680,205	3,988,745	4,290,088	3,593,049	3,886,119	7,588,219
Unrestricted investment income.....	441,536	432,127	634,210	1,087,602	1,507,919	1,351,845	464,784	176,830	156,999	135,569
Miscellaneous.....	1,220,940	1,438,169	1,682,798	1,294,874	1,932,477	1,361,049	1,684,014	834,303	747,044	1,030,261
Transfers.....	45,000	158,999	-	(68,000)	37,500	(47,000)	(1,072,000)	(127,000)	683,282	880,566
Permanent fund contributions.....	381,591	398,231	5,504	-	-	-	-	-	-	-
<b>Total government activities.....</b>	<b>52,175,890</b>	<b>53,622,639</b>	<b>55,818,653</b>	<b>75,377,110</b>	<b>63,517,874</b>	<b>63,487,705</b>	<b>64,606,655</b>	<b>65,968,468</b>	<b>68,696,555</b>	<b>75,534,816</b>
Business-type activities:										
Unrestricted investment income.....	357,717	231,893	220,212	590,971	1,703,091	1,907,193	997,120	500,275	133,391	72,025
Miscellaneous.....	588,596	370,015	-	-	-	-	557,873	854,213	367,314	147,221
Transfers.....	(45,000)	(158,999)	-	(745,723)	(882,608)	(109,947)	905,153	127,000	(683,282)	(880,566)
<b>Total business-type activities.....</b>	<b>901,313</b>	<b>442,909</b>	<b>220,212</b>	<b>(154,752)</b>	<b>820,483</b>	<b>1,797,246</b>	<b>2,460,146</b>	<b>1,481,488</b>	<b>(182,577)</b>	<b>(661,320)</b>
<b>Total primary government.....</b>	<b>\$ 53,077,203</b>	<b>\$ 54,065,548</b>	<b>\$ 56,038,865</b>	<b>\$ 75,222,358</b>	<b>\$ 64,338,357</b>	<b>\$ 65,284,951</b>	<b>\$ 67,066,801</b>	<b>\$ 67,449,956</b>	<b>\$ 68,513,978</b>	<b>\$ 74,873,496</b>
<b>Net Assets Restatement</b>										
Governmental activities.....	\$ -	\$ -	\$ -	\$ 11,752,738	\$ (760,980)	\$ 930,000	\$ -	\$ (271,828)	\$ -	\$ -
Business-type activities.....	-	-	-	-	(2,659,332)	(930,000)	-	-	-	-
<b>Total primary government.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,752,738</b>	<b>\$ (3,420,312)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (271,828)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Changes in Net Assets</b>										
Governmental activities.....	\$ (241,487)	\$ 1,130,485	\$ 140,322	\$ 29,065,283	\$ (3,329,645)	\$ (5,494,991)	\$ (10,359,612)	\$ (9,494,965)	\$ (5,616,261)	\$ 14,428,065
Business-type activities.....	4,392,120	955,340	(398,974)	1,045,222	(913,123)	(2,262,289)	1,475,628	(1,355,041)	2,458,413	183,796
<b>Total primary government changes in net assets.....</b>	<b>\$ 4,150,633</b>	<b>\$ 2,085,825</b>	<b>\$ (258,652)</b>	<b>\$ 30,110,505</b>	<b>\$ (4,242,768)</b>	<b>\$ (7,757,280)</b>	<b>\$ (8,883,984)</b>	<b>\$ (10,850,006)</b>	<b>\$ (3,157,848)</b>	<b>\$ 14,611,861</b>

Data source: Audited financial statements

**Town of Danvers, Massachusetts  
Fund Balances, Governmental Funds  
Last Ten Fiscal Years**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	\$ 2,886,264	\$ 3,481,678	\$ 2,654,646	\$ 2,826,291	\$ 3,470,188	\$ 4,178,056	\$ 3,286,428	\$ 4,122,567	\$ -	\$ -
Unreserved	5,177,828	4,624,060	5,435,541	4,670,940	7,846,285	6,078,856	4,930,845	3,073,418	-	-
Nonspendable	-	-	-	-	-	-	-	-	1,096,008	1,238,732
Committed	-	-	-	-	-	-	-	-	8,614,016	7,939,767
Assigned	-	-	-	-	-	-	-	-	3,102,923	3,654,766
Unassigned	-	-	-	-	-	-	-	-	2,271,697	3,572,172
<b>Total general fund</b>	<b>\$ 8,064,092</b>	<b>\$ 8,105,738</b>	<b>\$ 8,090,187</b>	<b>\$ 7,497,231</b>	<b>\$ 11,316,473</b>	<b>\$ 10,256,912</b>	<b>\$ 8,217,273</b>	<b>\$ 7,195,985</b>	<b>\$ 15,084,644</b>	<b>\$ 16,405,437</b>
All Other Governmental Funds										
Reserved	\$ 143,524	\$ 143,524	\$ 143,524	\$ 143,524	\$ 143,524	\$ 143,524	\$ 143,524	\$ 143,524	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	8,867,771	10,717,813	11,369,839	11,603,547	14,212,805	15,019,326	15,233,456	12,783,373	-	-
Capital projects funds	(3,437,623)	(3,847,647)	(19,785,578)	(857,581)	(1,790,725)	(2,491,923)	1,627,992	(4,024,395)	-	-
Permanent funds	242,704	242,302	248,662	255,691	269,951	285,151	292,875	295,361	-	-
Nonspendable	-	-	-	-	-	-	-	-	143,524	143,524
Restricted	-	-	-	-	-	-	-	-	5,070,550	5,675,655
Committed	-	-	-	-	-	-	-	-	49,920	49,920
Unassigned	-	-	-	-	-	-	-	-	(15,437,085)	(4,007,947)
<b>Total all other governmental funds</b>	<b>\$ 5,816,376</b>	<b>\$ 7,255,992</b>	<b>\$ (8,023,553)</b>	<b>\$ 11,145,181</b>	<b>\$ 12,835,555</b>	<b>\$ 12,956,078</b>	<b>\$ 17,297,847</b>	<b>\$ 9,197,863</b>	<b>\$ (10,173,091)</b>	<b>\$ 1,861,152</b>

Data Source: Audited Financial statements

**Town of Danvers, Massachusetts**  
**Changes in Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues:</b>										
Real estate and personal property taxes, net of tax refunds.....	\$ 41,154,779	\$ 42,586,354	\$ 44,259,742	\$ 46,458,188	\$ 48,392,769	\$ 50,729,288	\$ 53,210,575	\$ 55,422,515	\$ 57,670,000	\$ 59,543,092
Motor vehicle and other excise taxes.....	3,447,518	3,353,228	3,721,226	3,475,776	3,667,980	3,457,070	3,504,378	3,340,333	3,423,388	3,529,052
Penalties, interest and other taxes.....	2,596,149	2,229,516	2,224,520	2,021,328	2,358,935	2,258,721	2,772,635	2,512,060	2,040,704	2,786,532
Charges for services.....	2,620,555	2,466,672	2,716,513	2,502,401	3,408,373	3,222,723	3,510,276	3,881,969	4,054,176	4,303,314
Licenses and permits.....	1,606,728	1,598,018	1,583,186	1,746,305	1,944,147	2,123,421	626,205	509,978	713,939	869,973
Intergovernmental.....	15,620,249	15,539,151	16,666,914	34,693,509	22,577,634	20,824,347	20,485,633	22,847,078	25,268,330	39,342,386
Investment income.....	419,826	416,602	928,411	1,262,751	1,480,947	1,323,701	586,963	199,051	152,376	132,542
Miscellaneous.....	560,919	1,119,686	555,044	960,385	1,025,368	801,020	2,109,894	1,100,519	1,002,587	2,383,420
<b>Total Revenue</b>	<b>68,026,723</b>	<b>69,309,227</b>	<b>72,655,556</b>	<b>93,120,643</b>	<b>84,856,153</b>	<b>84,740,291</b>	<b>86,806,559</b>	<b>89,813,503</b>	<b>94,325,500</b>	<b>112,890,311</b>
<b>Expenditures:</b>										
General Government.....	3,527,797	2,850,601	2,592,861	3,301,550	3,299,339	3,442,048	3,152,520	3,144,605	2,297,366	3,017,509
Public Safety.....	7,851,107	7,870,129	8,498,108	8,805,917	9,471,910	9,613,326	9,622,415	9,661,156	10,381,419	10,448,801
Education.....	30,796,418	32,588,147	34,652,478	36,483,069	38,611,564	40,964,233	43,052,445	45,065,977	46,264,926	46,876,587
Public Works.....	9,952,820	8,958,581	9,841,720	10,317,149	9,799,852	10,263,934	11,429,848	11,225,573	11,245,818	11,109,675
Health and Human Services.....	1,303,625	1,536,175	1,571,928	1,116,855	1,762,332	1,509,976	2,182,340	1,066,916	1,105,584	1,197,608
Culture and Recreation.....	958,750	940,441	1,209,293	1,367,488	1,371,248	1,090,418	1,109,805	2,316,544	2,712,107	2,528,324
Employee Benefits.....	8,865,409	8,742,369	9,114,242	9,864,585	10,745,769	11,655,367	12,135,540	13,333,568	13,297,367	13,895,004
Intergovernmental.....	710,131	679,474	673,662	666,937	720,761	842,876	826,760	949,027	860,320	792,504
<sup>(1)</sup> Capital outlay.....	2,229,541	3,101,316	17,837,813	10,725,049	1,760,365	3,380,564	5,655,754	8,035,127	16,710,247	35,292,719
Debt service:										
Principal.....	1,594,000	1,494,000	1,559,000	1,655,340	1,285,612	2,160,350	2,120,000	2,682,036	2,633,900	2,744,700
Interest.....	1,067,798	1,146,731	1,434,547	1,497,926	1,517,641	1,334,237	1,313,727	1,327,246	1,425,195	1,861,410
<b>Total Expenditures</b>	<b>68,857,396</b>	<b>69,907,964</b>	<b>88,985,652</b>	<b>85,801,865</b>	<b>80,346,393</b>	<b>86,257,329</b>	<b>92,601,154</b>	<b>98,807,775</b>	<b>108,934,249</b>	<b>129,764,841</b>
Excess of revenues over/(under) expenditures	(830,673)	(598,737)	(16,330,096)	7,318,778	4,509,760	(1,517,038)	(5,794,595)	(8,994,272)	(14,608,749)	(16,874,530)
<b>Other Financing Sources ( Uses)</b>										
Issuance of bonds and notes.....	-	1,921,000	1,035,000	11,325,000	-	-	9,130,961	-	2,715,000	29,349,000
Issuance of refunding bonds.....	-	-	2,441,965	-	3,187,770	-	3,034,500	-	-	-
Payments to refunded bond escrow agent.....	-	-	(2,441,965)	-	(3,187,770)	-	(2,996,736)	-	-	-
Transfers in.....	2,346,650	1,958,170	1,784,140	1,681,005	4,560,965	3,532,936	4,807,776	4,888,291	1,372,363	1,582,848
Transfers out.....	(2,301,650)	(1,799,171)	(1,784,140)	(1,749,005)	(4,523,465)	(3,579,936)	(5,879,776)	(5,015,291)	(689,081)	(702,282)
<b>Total other financing sources (uses)</b>	<b>45,000</b>	<b>2,079,999</b>	<b>1,035,000</b>	<b>11,257,000</b>	<b>37,500</b>	<b>(47,000)</b>	<b>8,096,725</b>	<b>(127,000)</b>	<b>3,398,282</b>	<b>30,229,566</b>
<b>Fund balance restatement</b>	<b>(1,386,393)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>962,356</b>	<b>625,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>\$ (2,172,066)</b>	<b>\$ 1,481,262</b>	<b>\$ (15,295,096)</b>	<b>\$ 18,575,778</b>	<b>\$ 5,509,616</b>	<b>\$ (939,038)</b>	<b>\$ 2,302,130</b>	<b>\$ (9,121,272)</b>	<b>\$ (11,210,467)</b>	<b>\$ 13,355,036</b>
<sup>(2)</sup> Debt service as a percentage of noncapital expenditures	4.00%	3.95%	4.21%	4.20%	3.57%	4.22%	3.95%	4.42%	4.40%	4.88%

Data Source: Audited Financial statements

Notes: (1) Capital outlay expenditures have been segregated for additional disclosure in this schedule, however, in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances on page 28 the capital outlay expenditures are reported as budgeted expenditures by function.

(2) Capital outlay expenditures are not included in this calculation.

**Town of Danvers, Massachusetts**  
**Assessed Value (1) of Taxable Property by Classification**  
**Last Ten Fiscal Years**

Fiscal Year	Assessed Value							
	Residential Value	Residential % of Total Value	Commercial Value	Industrial Value	Personal Property	Total Commercial Value	Commercial % of Total Value	Total Town Value
2003	\$ 2,120,738,027	70.76%	\$ 655,795,532	\$ 180,672,900	\$ 40,090,770	\$ 876,559,202	29.24%	\$ 2,997,297,229
2004	2,703,232,840	74.18%	699,990,448	193,884,075	47,016,094	940,890,617	25.82%	3,644,123,457
2005	2,859,761,612	74.39%	727,690,551	191,137,375	65,560,937	984,388,863	25.61%	3,844,150,475
2006	3,133,415,989	75.94%	732,564,175	193,653,125	66,456,445	992,673,745	24.06%	4,126,089,734
2007	3,476,491,992	76.29%	797,855,154	206,187,950	76,406,016	1,080,449,120	23.71%	4,556,941,112
2008	3,301,085,963	75.65%	790,008,714	196,733,550	75,762,356	1,062,504,620	24.35%	4,363,590,583
2009	3,204,639,559	74.65%	800,006,373	202,996,450	84,984,123	1,087,986,946	25.35%	4,292,626,505
2010	3,050,092,607	74.45%	755,881,445	199,003,850	91,981,022	1,046,866,317	25.55%	4,096,958,924
2011	2,871,951,997	73.07%	766,910,550	196,986,575	94,433,764	1,058,330,889	26.93%	3,930,282,886
2012	2,875,693,392	73.31%	760,897,150	199,377,475	86,613,448	1,046,888,073	26.69%	3,922,581,465

Source: Board of Assessors, Town of Danvers

(1) Assessed value is comparable to estimated actual value.

**Town of Danvers, Massachusetts  
Principal Taxpayers  
Current Year and Nine Years Ago**

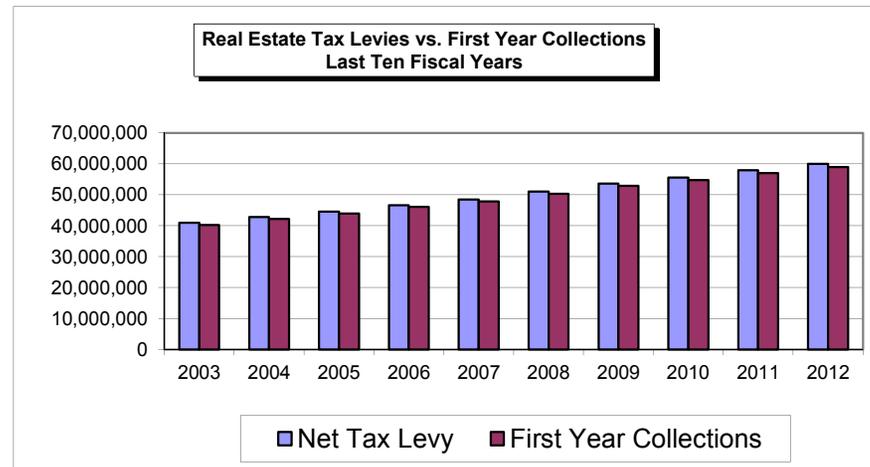
Name	Nature of Business	2012			2003		
		Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Mall at Liberty Tree, LLC	Commercial	\$ 55,254,600	1	1.41%	\$ 65,831,900	1	1.81%
Brookwood Cherry Hill LLC*	Commercial/Industrial	\$ 44,835,200	2	1.14%	\$		
Avalon Bay Communities	Residential/Commercial	\$ 59,630,300	3	1.52%	\$		
Town of Danvers Electric Division	Municipal Utility	\$ In Lieu of Tax	4		\$ In Lieu of Tax	2	
Partners Healthcare System, Inc.	Commercial	\$ 29,485,565	5	0.75%	\$		
EDF Danvers, LLC*	Commercial	\$ 23,126,100	6	0.59%	\$ 18,146,600	9	0.50%
Home Depot*	Commercial	\$ 22,230,700	7	0.57%	\$ 19,026,800	8	0.52%
Endicott Plaza Limited Partnership	Commercial	\$ 21,009,200	8	0.54%	\$		
Samuel A. Valenti	Commercial/Residential	\$ 20,445,300	9	0.52%	\$ 20,996,000	5	0.58%
Dancross Associates (Danvers Crossing)	Commercial	\$ 18,872,000	10	0.48%	\$ 20,439,200	6	0.56%
Marriott Corporation	Commercial				\$ 32,983,800	3	0.91%
Thomas J. Flatley	Commercial/Industrial				\$ 27,891,800	4	0.77%
Phoenix Home Life	Commercial				\$ 17,557,500	10	0.48%
Ira Rosenberg*	Commercial				\$ 20,066,300	7	0.55%
		\$ 294,888,965		7.52%	\$ 242,939,900		6.67%

\* Includes more than one property.

Source: Board of Assessors, Town of Danvers

**Town of Danvers, Massachusetts  
Property Tax Levies & Collections  
Last Ten Fiscal Years**

Fiscal Year	Total Tax Levy	Less Actual Abatements & Exemptions	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	Outstanding Delinquent Taxes	Percent of Delinquent Tax to Net Tax Levy
2003	\$ 41,247,862	\$ (341,470)	\$ 40,906,392	\$ 40,254,245	98.41%	\$ 652,147	\$ 40,906,392	100.0%	\$ 1,070,000	2.62%
2004	\$ 43,090,417	\$ (272,921)	\$ 42,817,496	\$ 42,174,175	98.50%	\$ 425,567	\$ 42,599,742	99.5%	\$ 1,187,000	2.77%
2005	\$ 44,941,850	\$ (357,831)	\$ 44,584,019	\$ 43,922,932	98.52%	\$ 665,661	\$ 44,588,593	100.0%	\$ 1,214,199	2.72%
2006	\$ 46,959,760	\$ (305,601)	\$ 46,654,159	\$ 46,098,500	98.81%	\$ 566,562	\$ 46,665,062	100.0%	\$ 1,222,334	2.62%
2007	\$ 48,854,245	\$ (397,326)	\$ 48,456,919	\$ 47,830,319	98.71%	\$ 562,450	\$ 48,392,769	99.9%	\$ 1,781,816	3.68%
2008	\$ 51,331,368	\$ (347,189)	\$ 50,984,179	\$ 50,271,513	98.60%	\$ 457,775	\$ 50,729,288	99.5%	\$ 1,813,808	3.56%
2009	\$ 54,016,819	\$ (404,426)	\$ 53,612,393	\$ 52,854,465	98.59%	\$ 735,233	\$ 53,589,698	100.0%	\$ 1,555,716	2.90%
2010	\$ 56,031,977	\$ (458,346)	\$ 55,573,631	\$ 54,739,820	98.50%	\$ 699,240	\$ 55,439,060	99.8%	\$ 1,389,168	2.50%
2011	\$ 58,243,194	\$ (365,407)	\$ 57,877,787	\$ 57,003,089	98.49%	\$ 847,026	\$ 57,850,115	100.0%	\$ 1,507,856	2.61%
2012	\$ 60,347,100	\$ (384,865)	\$ 59,962,235	\$ 58,944,989	98.30%	\$ 786,968	\$ 59,731,957	99.6%	\$ 1,578,738	2.63%



Source: Office of the Tax Collector

**Town of Danvers, Massachusetts**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

Fiscal Year	Population	Personal Income	Assessed Valuation	Governmental Activities Debt			
				General Obligation Bonds	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
2003	24,100	\$ 40,248	\$ 2,997,297,229	\$ 18,326,000	\$ 760	0.22%	0.61%
2004	23,800	\$ 41,912	\$ 3,644,123,457	\$ 18,753,000	\$ 788	0.22%	0.51%
2005	23,080	\$ 42,588	\$ 3,844,150,475	\$ 18,400,965	\$ 797	0.23%	0.48%
2006	22,806	\$ 43,797	\$ 4,126,089,734	\$ 16,745,625	\$ 734	0.26%	0.41%
2007	22,821	\$ 44,641	\$ 4,556,941,112	\$ 26,580,395	\$ 1,165	0.17%	0.58%
2008	23,193	\$ 44,686	\$ 4,363,590,583	\$ 24,420,045	\$ 1,053	0.18%	0.56%
2009	22,751	\$ 46,965	\$ 4,292,626,505	\$ 31,255,506	\$ 1,374	0.15%	0.73%
2010	24,077	\$ 46,735	\$ 4,096,958,924	\$ 28,573,470	\$ 1,187	0.16%	0.70%
2011	26,493 *	\$ 46,910	\$ 3,930,282,886	\$ 28,654,570	\$ 1,082	0.16%	0.73%
2012	26,493 *	\$ 47,919	\$ 3,922,581,465	\$ 55,258,870	\$ 2,086	0.09%	1.41%

Fiscal Year	Business - Type Activities Debt		Total Primary Government				
	Water Fund	Sewer Fund	Electric Fund	Total Debt Outstanding	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
2003	\$ 2,222,000	\$ 2,682,000	\$ -	\$ 23,230,000	\$ 964	0.17%	0.78%
2004	\$ 5,015,060	\$ 2,544,000	\$ -	\$ 26,312,060	\$ 1,106	0.16%	0.72%
2005	\$ 6,030,103	\$ 3,746,000	\$ -	\$ 28,177,068	\$ 1,221	0.15%	0.73%
2006	\$ 5,669,250	\$ 3,373,000	\$ -	\$ 25,787,875	\$ 1,131	0.17%	0.62%
2007	\$ 5,883,557	\$ 3,179,100	\$ -	\$ 35,643,052	\$ 1,562	0.13%	0.78%
2008	\$ 5,486,343	\$ 2,921,200	\$ -	\$ 32,827,588	\$ 1,415	0.14%	0.75%
2009	\$ 5,769,038	\$ 3,737,125	\$ 4,847,221	\$ 45,608,890	\$ 2,005	0.10%	1.06%
2010	\$ 5,322,927	\$ 3,414,450	\$ 4,520,000	\$ 41,830,847	\$ 1,737	0.11%	1.02%
2011	\$ 6,509,723	\$ 4,621,050	\$ 8,605,000	\$ 48,390,343	\$ 1,827	0.10%	1.23%
2012	\$ 8,623,942	\$ 4,593,450	\$ 8,945,000	\$ 77,421,262	\$ 2,922	0.06%	1.97%

Data source: Massachusetts Division of Career Centers and Division of Unemployment Assistance

Data source: Audited financial statements

\* 2010 Federal Census

**Town of Danvers, Massachusetts**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2012**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt (2)</u>
Debt repaid with property taxes			
North Shore Regional Vocational Technical School District (3)	\$ 705,000	13.00%	\$ 91,650
Massachusetts Bay Transportation Authority (4)	5,769,214,580	0.35%	<u>20,192,251</u>
Subtotal, overlapping debt			20,283,901
Town direct debt			<u>77,421,262</u>
Total direct and overlapping debt			<u>\$ 97,705,163</u>

Data source: Multiple entities including Town Treasurer

(1) Estimated share based on debt service only

(2) Estimated dollar assessment based upon total net operating expenses, inclusive (where applicable) of debt service

(3) Source: North Shore Regional Vocational School District

(4) Source: Massachusetts Bay Transportation Authority

**Town of Danvers, Massachusetts**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

(Amounts in thousands)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Equalized Valuation (1)	\$ 3,048,512	\$ 3,824,081	\$ 3,824,081	\$ 4,539,809	\$ 4,539,809	\$ 4,806,723	\$ 4,806,723	\$ 4,355,266	\$ 4,355,266	\$ 4,124,854
Debt Limit - 5% of Equalized Valuation	152,426	191,204	191,204	226,990	226,990	240,336	240,336	217,763	217,763	206,243
Less:										
Total debt applicable to limitation (2)	<u>(23,230)</u>	<u>(23,657)</u>	<u>(24,472)</u>	<u>(22,319)</u>	<u>(31,542)</u>	<u>(24,115)</u>	<u>(29,108)</u>	<u>(29,303)</u>	<u>(30,850)</u>	<u>(57,679)</u>
Legal debt margin	\$ 129,196	\$ 167,547	\$ 166,732	\$ 204,671	\$ 195,448	\$ 216,221	\$ 211,228	\$ 188,460	\$ 186,913	\$ 148,564
Total debt applicable to the limit as a percentage of debt limit	15%	12%	13%	10%	14%	10%	12%	13%	14%	28%

Data source:

(1) MA Bureau of Local Services (DataBank)

(2) Town of Danvers

**Town of Danvers, Massachusetts  
Demographic and Economic Statistics  
Last Ten Fiscal Years**

Fiscal Year	Population Estimates	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2003	24,100	\$ 40,248	40.4	3,696	5.3%
2004	23,800	\$ 41,912	40.4	3,657	5.0%
2005	23,080	\$ 42,588	40.4	3,630	4.4%
2006	22,806	\$ 43,797	40.4	3,592	4.3%
2007	22,821	\$ 44,641	40.4	3,618	3.9%
2008	23,193	\$ 44,686	40.4	3,573	5.2%
2009	22,751	\$ 46,965	40.4	3,581	8.3%
2010	24,077	\$ 46,735	40.4	3,617	7.8%
2011	26,493 *	\$ 39,278	44.4	3,637	6.4%
2012	26,493 *	\$ 39,278	44.4	3,617	6.2%

Data source: Massachusetts Division of Career Services

\* 2010 Federal Census Data

**Town of Danvers, Massachusetts  
Principal Employers  
Current Year and Nine Years Ago**

Employer	Type of Business	2012			2003		
		Number of Employees	Rank	Percentage of Total Town Employment	Number of Employees	Rank	Percentage of Total Town Employment
Osram Sylvania, Inc.	Lighting Division	900	1	6.48 %	900	1	6.27 %
Beverly Hospital	Medical Center	350	2	2.52 %	350	2	2.44 %
North Shore Community College	Higher Education	318	3	2.29 %	318	3	2.21 %
Crowne Plaza Conference Resort	Hotel/Conference Center	300	4	2.16 %	300	4	2.09 %
Fishery Products	Food Processing	300	5	2.16 %	300	5	2.09 %
VNA North Shore Inc.	Visiting Nurses	275	6	1.98 %	275	6	1.91 %
Home Depot	Building Retail	260	7	1.87 %			
Hospice of the North Shore	Medical Care	211	8	1.52 %			
Lowe's Home Improvement Center	Building Retail	210	9	1.51 %	210	8	1.46 %
Medtronic Interventional Vascular	Bio-Medical Research & Dev.	210	10	1.51 %	210	9	1.46 %
Stop & Shop	Food Retail				250	7	1.74 %
Hotwatt	Manufacturing & Assembling				200	10	1.39 %
Total Principal Employers		3,334		24.01 %	3,313		23.07 %
Total Town Employment (1)		<u>13,888</u>			<u>14,362</u>		

Data Source:  
Final Official Statements for Town of Danvers

Notes:  
(1) MA Bureau of Local Services (DataBank)

**Town of Danvers, Massachusetts**  
**Government Employees by Function - Full Time Equivalents**  
**Last Ten Fiscal Years**

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government	31.25	31.25	31.25	31.25	31.25	32.00	31.00	30.00	30.00	30.00
Public Safety										
Police	59.50	59.50	59.50	60.00	61.00	59.00	58.00	58.00	58.00	58.00
Fire	51.75	51.75	51.75	51.75	50.75	51.87	49.87	49.87	49.87	49.87
Code Administration	6.75	6.75	6.75	5.75	5.75	6.16	6.00	6.00	6.00	5.60
Total	<u>118.00</u>	<u>118.00</u>	<u>118.00</u>	<u>117.50</u>	<u>117.50</u>	<u>117.03</u>	<u>113.87</u>	<u>113.87</u>	<u>113.87</u>	<u>113.47</u>
Education	430.60	411.00	313.00	320.30	329.60	410.00 *	426.00	434.00	441.90	443.70
Public Works										
Tax Supported	64.00	62.50	62.50	65.50	65.50	66.70	66.70	65.70	63.70	63.70
Water/Sewer Division	22.00	22.00	22.00	22.00	22.00	24.00	24.00	24.00	24.00	24.00
Electric/Business Division	48.00	48.00	48.00	48.00	48.00	46.00	46.00	46.00	47.00	47.00
Total	<u>134.00</u>	<u>132.50</u>	<u>132.50</u>	<u>135.50</u>	<u>135.50</u>	<u>136.70</u>	<u>136.70</u>	<u>135.70</u>	<u>134.70</u>	<u>134.70</u>
Planning and Human Services										
Planning	7.00	7.00	7.00	7.00	7.00	7.00	6.00	6.00	6.00	6.00
Health	2.00	2.00	2.00	2.00	2.00	2.00	3.00	3.00	2.00	2.00
Recreation	7.00	7.00	7.00	7.00	7.00	7.64	7.64	7.64	7.64	7.64
Senior & Social Services	3.00	3.00	3.00	3.00	3.00	3.75	3.75	3.75	3.75	3.75
Total	<u>19.00</u>	<u>19.00</u>	<u>19.00</u>	<u>19.00</u>	<u>19.00</u>	<u>20.39</u>	<u>20.39</u>	<u>20.39</u>	<u>19.39</u>	<u>19.39</u>
Library	<u>14.20</u>	<u>13.50</u>	<u>13.50</u>	<u>13.50</u>						
<b>Total</b>	<u><u>747.05</u></u>	<u><u>725.95</u></u>	<u><u>627.95</u></u>	<u><u>637.75</u></u>	<u><u>647.05</u></u>	<u><u>730.32</u></u>	<u><u>742.16</u></u>	<u><u>747.46</u></u>	<u><u>753.36</u></u>	<u><u>754.76</u></u>

\* Increase due to change in calculation methodology in fiscal year 2008.

Source: Town of Danvers Budget Manuals  
School End of Year Reports

**Town of Danvers, Massachusetts**  
**Operating Indicators by Function**  
**Last Ten Fiscal Years (1)**

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Finance										
Registered voters	15,689	16,595	15,878	16,537	16,452	17,453	17,755	18,272	18,256	*
Taxable property parcels assessed	8,804	8,824	8,932	9,047	9,058	9,076	9,110	9,129	9,131	9,136
Motor vehicles registered	24,769	25,522	25,611	25,506	25,279	25,520	26,747	26,946	*	*
Police										
Physical arrests	885	1,259	1,150	1,154	1,012	885	720	583	705	n/a
Traffic violations	5,453	5,088	4,691	5,378	6,875	7,080	5,706	6,456	5,239	n/a
Parking violations										
Fire and Rescue (CY)										
Calls answered	5,883	5,172	5,753	5,979	6,629	6,531	6,597	6,994	6,867	*
Emergency responses	4,095	4,090	4,637	3,520	3,979	3,892	3,807	3,889	4,081	*
Fires extinguished	85	152	126	88	182	151	92	88	93	*
Number of inspections conducted	1,788	1,082	1,116	1,186	1,210	1,294	1,258	1,575	1,497	*
Emergency medical responses	289	1,851	2,071	2,112	2,403	2,334	2,498	2,584	2,709	*
Code Administration										
Building permits	1,156	1,021	1,072	733	1,154	1,061	811	791	867	981
Estimated construction value (\$)	74,687,108	104,785,422	35,898,701	79,845,706	76,593,062	103,791,510	36,932,793	20,909,014	80,806,895	43,079,941
Public Works										
Refuse collected (tons)	12,670.10	13,611.08	12,378.87	11,910.89	10,885.93	10,028.25	9,196.65	7,636.37	7,374.86	6,646.12
Recycling (tons)	1,433.03	1,661.52	1,622.62	1,630.34	1,687.16	1,813.51	1,855.41	1,965.71	2,110.06	2,351.13
Public Library										
Volumes in collections	118,398	117,149	119,169	122,147	124,957	122,591	125,812	116,064	115,169	111,817
Total volumes borrowed	118,398	117,149	139,059	132,039	138,734	139,748	152,823	153,651	150,651	155,087
Water system:										
Water main breaks	14	23	22	25	19	18	38	29	28	20
Daily average consumption (millions of gallons)	2.66	2.60	2.47	2.58	3.09	3.25	3.19	3.23	3.70	3.22
Peak daily consumption (millions of gallons)	5.86	5.51	5.58	5.27	5.20	6.12	5.00	5.28	6.08	5.74
Sewage System:										
Miles of sewer	107.25	110.86	110.86	111.90	121.18	121.50	122.94	122.94	123.33	123.33
Number of house connections	7,293	7,338	7,338	7,416	7,646	7,700	7,728	7,740	7,760	7,778
Electric System (CY)										
Annual energy sales (MWHR)	319,046	321,686	330,348	323,437	326,551	321,057	314,973	326,841	323,607	*
Number of meters	11,603	11,749	11,959	11,730	12,493	12,972	13,016	13,016	13,016	*
Overhead lines (miles)	136.55	137.50	140.10	141.45	141.86	141.86	141.86	143.56	146.56	*
Underground lines (miles)	29.35	29.85	30.60	30.81	29.19	34.25	34.25	36.10	37.05	*

Data source: Various Town departments  
\* Calendar year data not available at this time.

Notes:  
(1) Calendar year (CY) ending during the fiscal year

**Town of Danvers, Massachusetts  
Capital Asset Statistics by Function  
Last Ten Fiscal Years**

<b>Function</b>	<b>Fiscal Year</b>									
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Fire and Rescue										
Number of stations	2	2	2	2	2	2	2	2	2	2
Number of ladder trucks	2	2	2	2	2	2	2	2	2	2
Number of pumpers	3	3	3	3	3	3	3	3	3	3
Number of support vehicles	6	6	6	6	6	6	6	6	6	6
Public Works										
Miles of streets	120	120	120	120	120	120	120	120.50	121	121
Miles of storm drains	100	100	100	100	100	100	100	100	100	100
Number of street lights	3,534	3,535	3,523	3,523	3,523	3,470	3,469	3,468	3,471	3,489
Recreation:										
Number of parks	18	18	18	18	18	18	18	18	18	18
Park acreage	327	327	327	327	327	327	327	327	327	327
Public Beaches	1	1	1	1	1	1	1	1	1	1
Ball Fields	35	35	35	35	35	35	36	36	36	36
Tennis Courts	10	10	10	10	10	10	10	10	10	10
Water system:										
Miles of water mains	119.46	119.92	129.05	130.23	132.41	133.50	134.10	134.10	134.51	135.00
Number of service connections	10,540	10,618	10,692	10,773	10,800	10,820	10,837	10,842	10,855	10,870
Storage capacity in gallons (millions of gallons)	9.4	9.4	9.4	9.4	9.4	9.4	9.4	9.4	9.4	9.4
Maximum daily capacity of plant (millions of gallons) (1)	10.0	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
Number of fire hydrants	1,424	1,431	1,450	1,462	1,476	1,487	1,491	1,493	1,500	1,505
Sewage System:										
Miles of sanitary sewers	120.10	120.20	120.30	120.30	121.18	121.50	122.94	122.94	123.33	123.33
Number of treatment plants (2)										
Number of service connections	7,379	7,457	7,590	7,613	7,646	7,700	7,728	7,740	7,760	7,778

Data Source:  
Various city departments

- (1) Chemical treatment systems installed in 2005. Restrict plant capacity to 7.5 mgd.  
(2) Treatment done regionally by South Essex Sewerage District.