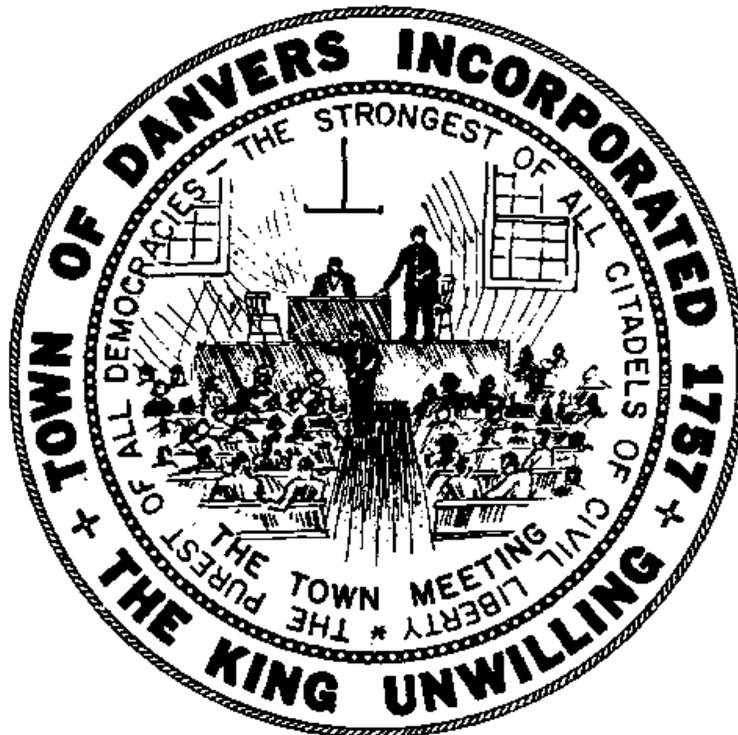


***TOWN OF
DANVERS, MASSACHUSETTS***



***COMPREHENSIVE
ANNUAL FINANCIAL REPORT
For the year Ended
June 30, 2013***

TOWN OF DANVERS, MASSACHUSETTS

Comprehensive Annual Financial Report

For the Year Ended June 30, 2013



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, 2013

TABLE OF CONTENTS

<u>INTRODUCTORY SECTION:</u>	<u>Page</u>
Letter of Transmittal	1
Organizational Chart	6
Certificate of Achievement	7
 <u>FINANCIAL SECTION:</u>	
Independent Auditors' Report	8
Management's Discussion and Analysis	11
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	23
Statement of Activities	24
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	26
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities in the Statement of Net Position	27
Statement of Revenues, Expenditures, and Changes in Fund Balances	28
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	29
Statement of Revenues and Other Sources, and Expendi- tures and Other Uses - Budget and Actual - General Fund	30

Proprietary Funds:	<u>Page</u>
Statement of Net Position	31
Statement of Revenues, Expenses, and Changes in Fund Net Position	32
Statement of Cash Flows	33
 Fiduciary Funds:	
Statement of Fiduciary Net Position	34
Statement of Changes in Fiduciary Net Position	35
 Notes to Financial Statements	 36
 Required Supplementary Information:	
Schedule of Funding Progress	76
 SUPPLEMENTARY STATEMENTS AND SCHEDULES:	
 Governmental Funds:	
Combining Financial Statements:	
Combining Balance Sheet - Nonmajor Governmental Funds	80
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	84
Detail and Combining Budget and Actual Statements:	
Detail Schedule of Revenues and Other Financing Sources - Budget and Actual - General Fund	91
Detail Schedule of Expenditures and Other Financing Uses - Budget and Actual - General Fund	92
 Proprietary (Enterprise) Funds:	
Schedule of Revenues and Expenses - Budget and Actual - Budgeted Enterprise Funds	96
 Fiduciary Funds:	
Combining Statement of Changes in Assets and Liabilities - Agency Funds	99

STATISTICAL SECTION:

Financial Trend Data:

Net Position by Component - Last Ten Fiscal Years	103
Changes in Net Position - Last Ten Fiscal Years	104
Fund Balances, Governmental Funds - Last Ten Fiscal Years	106
Changes in Fund Balances, Governmental Funds - Last Ten Fiscal Years	107

Information on Revenue Capacity:

Assessed Value of Taxable Property by Classification - Last Ten Fiscal Years	108
Principal Property Taxpayers	109
Property Tax Levies & Collections - Last Ten Fiscal Years	110

Debt Capacity Information:

Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	111
Direct and Overlapping Governmental Activities Debt	112
Legal Debt Margin Information – Last Ten Fiscal Years	113

Demographic and Economic Information:

Demographic and Economic Statistics - Last Ten Fiscal Years	114
Principal Employers	115

Operating Information:

Government Employees by Function - Full Time Equivalents	116
Operating Indicators by Function - Last Ten Fiscal Years	117
Capital Asset Statistics by Function - Last Ten Fiscal Years	118

(This page intentionally left blank.)

TOWN OF DANVERS

Town Accountant



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

December 19, 2013

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 Principals (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, 2013 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, 2013, 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 principals 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, 2013, and, further, that they are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the Town of 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 require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Town of 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 Routes 128, 114, 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 precincts, 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 administer 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	Diane Langlais	Appointed/1 year	2014
Selectman	Daniel C. Bennett	Elected/3 years	2016
Selectman	David Mills	Elected/3 years	2016
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	2014
School Committee	Connie Pawlak	Elected/3 years	2015
School Committee	David Thomson	Elected/3 years	2015
School Committee	Arthur Skarmeas	Elected/3 years	2016
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. Four single family sub-divisions are also currently under construction with a total of sixty lots, ten of the lots including \$1 million plus homes.

Fiscal year 2013 also provided a continuation of commercial and industrial development in Danvers. New construction of Volvo and Volkswagen dealerships as well as renovation of existing car dealerships on Route 114 is ongoing.

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 Signaling Technology, and Medtronic having large facilities in Danvers. A new 120 bed skilled nursing facility has recently opened 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 health care 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 \$7.8 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.

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, 2012. This was the ninth 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. This report must satisfy both generally acceptable accounting principals and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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,



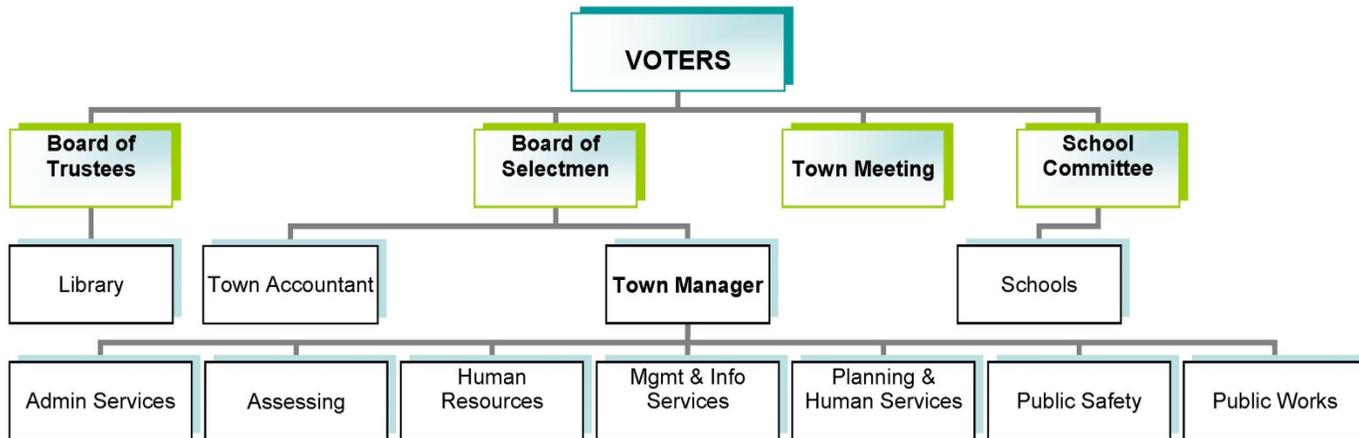
Wayne P. Marquis
Town Manager

Leonard A. Marshall

Leonard A. Marshall
Town Accountant

TOWN OF DANVERS, MASSACHUSETTS

ORGANIZATIONAL CHART





Government Finance Officers Association

**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, 2012

Executive Director/CEO



MELANSON HEATH & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Danvers, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Danvers, Massachusetts, as of and for the year ended June 30, 2013 (except for the Danvers Contributory Retirement System and Electric Division Enterprise Fund, which are as of and for the year ended December 31, 2012), and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of

the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, 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, Massachusetts, as of June 30, 2013 (except for the Danvers Contributory Retirement System and Electric Division Enterprise Fund, which are as of and for the year ended December 31, 2012), and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and Schedule of Funding Progress 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Danvers, Massachusetts' basic financial statements. The accompanying supplementary information appearing on pages 80 through 99 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Introductory and Statistical sections are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2013 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Melanson, Heath + Company P.C.

Andover, Massachusetts
December 19, 2013

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, 2013. 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 Position presents information on all assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future 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 \$178,082,639 (i.e., net position), a change of \$4,551,052 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$27,580,745, a change of \$(7,810,407) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,511,075, a change of \$1,938,903 in comparison to the prior year, while committed fund balance was \$7,075,094, a change of \$(864,673) in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$92,602,400, a change of \$15,181,138 in comparison to the prior year. The Town also had \$5,026,000 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 \$55,101,177, a change of \$8,347,935 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).

NET POSITION

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 29,235	\$ 43,091	\$ 49,068	\$ 46,852	\$ 78,303	\$ 89,943
Capital assets	145,874	134,880	130,009	112,276	275,883	247,156
Total assets	<u>175,109</u>	<u>177,971</u>	<u>179,077</u>	<u>159,128</u>	<u>354,186</u>	<u>337,099</u>
Long-term liabilities outstanding ⁽¹⁾	106,013	102,175	49,104	29,391	155,117	131,566
Other liabilities	13,347	18,429	7,228	13,106	20,575	31,535
Deferred inflows	411	466	-	-	411	466
Total liabilities and deferred inflows	<u>119,771</u>	<u>121,070</u>	<u>56,332</u>	<u>42,497</u>	<u>176,103</u>	<u>163,567</u>
Net position:						
Net investment in capital assets	89,743	75,320	85,068	82,380	174,811	157,700
Restricted	4,315	4,765	3,909	4,503	8,224	9,268
Unrestricted	(38,720)	(23,184)	33,768	29,748	(4,952)	6,564
Total net position	<u>\$ 55,338</u>	<u>\$ 56,901</u>	<u>\$ 122,745</u>	<u>\$ 116,631</u>	<u>\$ 178,083</u>	<u>\$ 173,532</u>

(1) Major components of increase in governmental activities long-term liabilities over prior year is OPEB liability (\$ 7.5 M) and payments of long-term debt (\$3.5 M).

CHANGES IN NET POSITION

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program revenues:						
Charges for services	\$ 5,238	\$ 5,268	\$ 53,526	\$ 55,519	\$ 58,764	\$ 60,787
Operating grants and contributions	20,383	17,623	1,417	1,270	21,800	18,893
Capital grants and contributions	6,264	18,462	3,952	1,485	10,216	19,947
General revenues:						
Property taxes	62,649	59,604	-	-	62,649	59,604
Excises	3,888	3,510	-	-	3,888	3,510
Penalties, interest, and other taxes	2,493	2,787	-	-	2,493	2,787
Grants and contributions not restricted to specific programs	2,749	7,588	-	-	2,749	7,588
Investment income	178	136	82	72	260	208
Miscellaneous	383	1,030	9	147	392	1,177
Total revenues	<u>104,225</u>	<u>116,008</u>	<u>58,986</u>	<u>58,493</u>	<u>163,211</u>	<u>174,501</u>

(continued)

(continued)

CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Expenses:						
General government	5,513	5,018	-	-	5,513	5,018
Public safety	15,506	14,713	-	-	15,506	14,713
Education	62,660	60,902	-	-	62,660	60,902
Public works	15,681	14,409	-	-	15,681	14,409
Health and human services	1,828	1,780	-	-	1,828	1,780
Culture and recreation	3,223	3,162	-	-	3,223	3,162
Interest	2,242	2,477	-	-	2,242	2,477
Water operations	-	-	6,457	6,340	6,457	6,340
Sewer operations	-	-	6,272	6,033	6,272	6,033
Electric operations	-	-	39,278	45,055	39,278	45,055
Total expenses	<u>106,653</u>	<u>102,461</u>	<u>52,007</u>	<u>57,428</u>	<u>158,660</u>	<u>159,889</u>
Change in net position before transfers	(2,428)	13,547	6,979	1,065	4,551	14,612
Transfers in (out)	<u>865</u>	<u>881</u>	<u>(865)</u>	<u>(881)</u>	<u>-</u>	<u>-</u>
Change in net position	(1,563)	14,428	6,114	184	4,551	14,612
Net position - beginning 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>
Net position - end of year	<u>\$ 55,338</u>	<u>\$ 56,901</u>	<u>\$ 122,745</u>	<u>\$ 116,631</u>	<u>\$ 178,083</u>	<u>\$ 173,532</u>

As noted earlier, net position 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 position was \$178,082,639, a change of \$4,551,052 from the prior year.

The largest portion of net position \$174,810,746 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 position \$8,223,590 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$(4,951,697) 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 position of \$(1,562,801). Key elements of this change are as follows:

Capital Grants and Contributions	\$ 6,263,672
Change in OPEB liability	(7,552,558)
Other	<u>(273,915)</u>
Total	\$ <u>(1,562,801)</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$6,113,853. Key elements of this change are as follows:

- Water Division net position increased by \$904,207. Operating revenues increased by 6.0%% from the prior year, while operating expenses decreased by (6.5)%% from the prior year. In fiscal year 2013, the Town transferred \$120,000 from the water fund into the general fund for indirect costs.
- Sewer Division net position increased by \$949,837. Operating revenues increased by 3.5%, while operating expenses increased by (3.9)%. In fiscal year 2013, 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.
- Electric Division net position increased by \$4,259,809 during the year ended December 31, 2012. This was primarily due to corrective action of prior year under billing of the Purchase Power and Fuel Adjustment (PP&FA), which is designed to offset the purchased power fuel expense.

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 \$10,456,182, a change of \$(7,810,407) in comparison to the prior year. Key elements of this change are as follows:

- The fund balance of the general fund decreased by \$(936,980) in fiscal year 2013. This decrease is discussed in more detail below.

- The Town continued to invest in various capital improvements, expending \$13,937,099 in capital project funds in fiscal year 2013. These expenditures were primarily funded by \$4,326,000 in bond anticipation notes and \$6,263,672 in Massachusetts School Building Authority (MSBA) revenues for the Danvers High School Renovation project.
- Special revenue and trust fund balances increased by \$1,094,597 in fiscal year 2013, primarily due to school grant revenues in excess of expenditures and funding prior year grant deficits.

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,511,075, while total fund balance was \$15,468,457. 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>6/30/13</u>	<u>6/30/12</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 5,511,075	\$ 3,572,172	\$ 1,938,903	5.9%
Total fund balance	15,468,457	16,405,437	(936,980)	16.7%

The total fund balance of the general fund changed by \$(936,980) during the current fiscal year. Key factors in this change are as follows (presented in thousands):

<u>General Fund Highlights</u>	<u>General fund Components</u>						
	<u>Operating</u>	<u>Health Claims Reserves</u>	<u>Claims Reserves</u>	<u>General Stabilization</u>	<u>HS/MS Stabilization</u>	<u>Education Stabilization</u>	<u>General Fund</u>
Use of fund balance and other surplus, net of transfers to stabilization	\$ (2,045)	\$ -	\$ -	\$ 500	\$ 750	\$ 25	\$ (770)
Use of HS/MS stabilization	-	-	-	(926)	(1,315)	-	(2,241)
Use of Education stabilization	-	-	-	-	-	-	-
Revenues in excess of budget	924	-	-	-	-	-	924
Expenditures less than budget	1,149	-	-	-	-	-	1,149
Current year encumbrances in excess of expenditures of prior year encumbrances	94	-	-	-	-	-	94
Other	(91)	(6)	1	2	1	-	(93)
Total	\$ 31	\$ (6)	\$ 1	\$ (424)	\$ (564)	\$ 25	\$ (937)

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

	<u>6/30/13</u>	<u>6/30/12</u>	<u>Change</u>
Health claims reserves	\$ 23	\$ 29	\$ (6)
Claims reserves	632	631	1
General stabilization	718	1,142	(424)
HS/MS stabilization	4,746	5,310	(564)
Revenue stabilization	35	35	-
Education stabilization	25	-	25
OPEB reserves	<u>896</u>	<u>793</u>	<u>103</u>
Total	<u>\$ 7,075</u>	<u>\$ 7,940</u>	<u>\$ (865)</u>

Other General Fund Highlights

- The Town used \$2,045,000 of unassigned fund balance and overlay surplus to supplement the fiscal year 2013 appropriations in various departments.
- State and local revenues were \$923,540 more than anticipated, primarily because of increases in intergovernmental revenues, licenses, and permits, 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 \$1,149,400 less than their budgeted appropriations, including turn backs of \$444,525 in public safety resulting from lower than anticipated police salaries and wages 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 position of the enterprise funds at the end of the year amounted to \$33,767,914. 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 \$857,685, funded from available funds, including general fund unassigned fund balance, overlay surplus and a transfer from the insurance reimbursement fund. 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 \$923,540 and expenditures were less than appropriations by \$1,149,400, 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 \$275,882,848 (net of accumulated depreciation), a change of \$28,727,454 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:

- \$ 11,730,505 for ongoing work on the High School Renovation project.
- \$ 736,183 for ongoing improvements at the Danvers landfill.
- \$ 1,470,411 for the purchase of open space
- \$ 650,099 for the purchase of various departmental vehicles

Business-type activities:

- \$ 12,567,594 for water treatment plant improvements.
- \$ 490,641 for water main replacements.
- \$ 440,425 for wastewater culvert improvements.
- \$ 2,311,143 for water and sewer meter replacements.
- \$ 7,542,595 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 \$92,602,400, all of which was backed by the full faith and credit of the government. The Town also had \$5,026,000 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, 2013 and 2012						
	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
General obligation bonds	\$ 51,805	\$ 55,259	\$ 40,797	\$ 22,162	\$ 92,602	\$ 77,421
Bond anticipation notes	<u>4,326</u>	<u>4,301</u>	<u>700</u>	<u>6,899</u> ⁽¹⁾	<u>5,026</u>	<u>11,200</u>
Total	<u>\$ 56,131</u>	<u>\$ 59,560</u>	<u>\$ 41,497</u>	<u>\$ 29,061</u>	<u>\$ 97,628</u>	<u>\$ 88,621</u>

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

Additional information on long-term debt can be found in Note #13 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

(This page intentionally left blank.)

TOWN OF DANVERS, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2013

(EXCEPT FOR THE ELECTRIC DIVISION FUND, WHICH IS AS OF DECEMBER 31, 2012)

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 17,415,279	\$ 12,148,958	\$ 29,564,237
Investments	5,214,818	-	5,214,818
Receivables, net of allowance for uncollectibles:			
Property taxes	1,412,938	-	1,412,938
Excises	414,185	-	414,185
User fees	-	6,405,659	6,405,659
Intergovernmental	694,026	1,950,074	2,644,100
Departmental and other	5,621	273,708	279,329
Due to/from other funds	269,033	(269,033)	-
Prepaid expenses	-	2,327,451	2,327,451
Inventory	-	2,419,875	2,419,875
Other assets	36,979	-	36,979
Noncurrent:			
Restricted cash	-	20,588,503	20,588,503
Receivables, net of allowance for uncollectibles:			
Property taxes	641,581	-	641,581
Intergovernmental	2,757,009	3,185,208	5,942,217
Other assets, net of current portion	373,896	37,176	411,072
Land and construction in progress	92,352,471	32,297,096	124,649,567
Other capital assets, net of accumulated depreciation	<u>53,521,212</u>	<u>97,712,069</u>	<u>151,233,281</u>
TOTAL ASSETS	175,109,048	179,076,744	354,185,792
LIABILITIES			
Current:			
Warrants payable	2,617,489	1,123,227	3,740,716
Accounts payable	-	3,311,328	3,311,328
Retainage payable	1,953,811	734,056	2,687,867
Accrued liabilities	1,638,028	620,821	2,258,849
Tax refunds payable	839,200	-	839,200
Notes payable	4,326,000	700,000	5,026,000
Other current liabilities	1,972,691	739,140	2,711,831
Current portion of long-term liabilities:			
Bonds payable	3,401,600	2,681,893	6,083,493
Other liabilities	367,400	338,179	705,579
Noncurrent:			
Bonds payable, net of current portion	48,403,070	38,115,837	86,518,907
Other liabilities, net of current portion	53,840,700	7,967,809	61,808,509
DEFERRED INFLOWS OF RESOURCES	<u>410,874</u>	<u>-</u>	<u>410,874</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	119,770,863	56,332,290	176,103,153
NET POSITION			
Net investment in capital assets	89,743,013	85,067,733	174,810,746
Restricted for:			
Grants and other statutory restrictions	3,877,235	3,908,807	7,786,042
Permanent funds:			
Nonexpendable	143,524	-	143,524
Expendable	294,024	-	294,024
Unrestricted	<u>(38,719,611)</u>	<u>33,767,914</u>	<u>(4,951,697)</u>
TOTAL NET POSITION	\$ <u>55,338,185</u>	\$ <u>122,744,454</u>	\$ <u>178,082,639</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF DANVERS, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

(EXCEPT FOR THE ELECTRIC DIVISION FUND, WHICH IS FOR THE YEAR ENDED DECEMBER 31, 2012)

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General government	\$ 5,513,118	\$ 1,430,145	\$ 311,618	\$ -
Public safety	15,506,498	1,030,907	305,965	-
Education	62,660,085	1,218,429	18,096,054	6,263,672
Public works	15,680,961	76,497	1,479,381	-
Health and human services	1,827,654	328,380	146,614	-
Culture and recreation	3,223,429	1,153,832	43,605	-
Interest	<u>2,241,737</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	106,653,482	5,238,190	20,383,237	6,263,672
Business-Type Activities:				
Water operations	6,457,316	7,355,468	126,055	-
Sewer operations	6,272,134	6,678,301	483,670	-
Electric operations	<u>39,277,467</u>	<u>39,492,555</u>	<u>807,110</u>	<u>3,952,283</u>
Total Business-type Activities	<u>52,006,917</u>	<u>53,526,324</u>	<u>1,416,835</u>	<u>3,952,283</u>
Total	<u>\$ 158,660,399</u>	<u>\$ 58,764,514</u>	<u>\$ 21,800,072</u>	<u>\$ 10,215,955</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 Position

Net Position:

Beginning of year

End of year

The accompanying notes are an integral part of these financial statements.

Net (Expenses) Revenues and Changes in Net Position		
Governmental Activities	Business- Type Activities	Total
\$ (3,771,355)	\$ -	\$ (3,771,355)
(14,169,626)	-	(14,169,626)
(37,081,930)	-	(37,081,930)
(14,125,083)	-	(14,125,083)
(1,352,660)	-	(1,352,660)
(2,025,992)	-	(2,025,992)
(2,241,737)	-	(2,241,737)
(74,768,383)	-	(74,768,383)
-	1,024,207	1,024,207
-	889,837	889,837
-	4,974,481	4,974,481
-	6,888,525	6,888,525
(74,768,383)	6,888,525	(67,879,858)
62,649,396	-	62,649,396
3,888,252	-	3,888,252
2,492,475	-	2,492,475
2,748,452	-	2,748,452
178,384	81,906	260,290
383,214	8,831	392,045
865,409	(865,409)	-
73,205,582	(774,672)	72,430,910
(1,562,801)	6,113,853	4,551,052
56,900,986	116,630,601	173,531,587
\$ 55,338,185	\$ 122,744,454	\$ 178,082,639

TOWN OF DANVERS, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2013

	<u>General</u>	<u>Danvers High School Renovation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and short-term investments	\$ 13,131,476	\$ -	\$ 4,055,536	\$ 17,187,012
Investments	4,817,328	-	397,490	5,214,818
Receivables:				
Property taxes	2,267,732	-	-	2,267,732
Excises	752,100	-	-	752,100
Departmental and other	5,621	-	-	5,621
Due from other funds	2,153,462	-	-	2,153,462
TOTAL ASSETS	\$ 23,127,719	\$ -	\$ 4,453,026	\$ 27,580,745
LIABILITIES				
Warrants payable	\$ 1,316,425	\$ 1,247,070	\$ 53,991	\$ 2,617,486
Retainage payable	-	1,953,811	-	1,953,811
Accrued liabilities	741,540	-	-	741,540
Tax refunds payable	839,200	-	-	839,200
Notes payable	-	-	4,326,000	4,326,000
Due to other funds	-	1,689,010	195,419	1,884,429
Other liabilities	1,972,691	-	-	1,972,691
TOTAL LIABILITIES	4,869,856	4,889,891	4,575,410	14,335,157
DEFERRED INFLOWS OF RESOURCES	2,789,406	-	-	2,789,406
FUND BALANCES				
Nonspendable	-	-	143,524	143,524
Restricted	-	-	4,354,291	4,354,291
Committed	7,075,094	-	49,920	7,125,014
Assigned	2,882,288	-	-	2,882,288
Unassigned	5,511,075	(4,889,891)	(4,670,119)	(4,048,935)
TOTAL FUND BALANCES	15,468,457	(4,889,891)	(122,384)	10,456,182
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 23,127,719	\$ -	\$ 4,453,026	\$ 27,580,745

The accompanying notes are an integral part of these financial statements.

TOWN OF DANVERS, MASSACHUSETTS

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

JUNE 30, 2013

Total governmental fund balances	\$ 10,456,182
<ul style="list-style-type: none"> • Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 	145,873,683
<ul style="list-style-type: none"> • Noncurrent assets, including MSBA reimbursements for contracted assistance, are not receivable in the current period and, therefore are not reported in the governmental funds. 	3,451,035
<ul style="list-style-type: none"> • Revenues are reported on the accrual basis of accounting and are not deferred until collection. 	
Eliminate deferred revenue	2,789,406
Record allowance for doubtful accounts	(551,128)
<ul style="list-style-type: none"> • Internal service funds are used by management to account for workers' compensation activities. The net position of the internal service fund are included with governmental activities in the Statement of Net Position. 	(331,107)
<ul style="list-style-type: none"> • In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 	(896,490)
<ul style="list-style-type: none"> • Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. 	<u>(105,453,396)</u> ⁽¹⁾
Net position of governmental activities	<u>\$ 55,338,185</u>

⁽¹⁾ Does not include \$559,374 IBNR liability associated with the internal service fund.

The accompanying notes are an integral part of these financial statements.

TOWN OF DANVERS, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2013

	<u>General</u>	<u>Danvers High School Renovation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 62,447,795	\$ -	\$ -	\$ 62,447,795
Excises	3,789,695	-	19,525	3,809,220
Penalties, interest and other taxes	2,398,242	-	94,233	2,492,475
Charges for services	1,710,098	-	2,454,043	4,164,141
Intergovernmental	18,135,253	6,263,672	5,414,442	29,813,367
Licenses and permits	961,842	-	-	961,842
Fines and forfeits	107,585	-	-	107,585
Investment income	173,203	-	1,541	174,744
Miscellaneous	313,341	-	350,518	663,859
Total Revenues	<u>90,037,054</u>	<u>6,263,672</u>	<u>8,334,302</u>	<u>104,635,028</u>
Expenditures:				
Current:				
General government	3,041,979	-	1,522,498	4,564,477
Public safety	10,579,004	-	236,232	10,815,236
Education	44,362,010	11,730,505	3,754,479	59,846,994
Public works	10,592,711	-	2,327,793	12,920,504
Health and human services	923,075	-	290,995	1,214,070
Culture and recreation	1,731,306	-	816,924	2,548,230
Employee benefits	14,798,538	-	-	14,798,538
Debt service	5,809,403	-	-	5,809,403
Intergovernmental	892,125	-	-	892,125
Total Expenditures	<u>92,730,151</u>	<u>11,730,505</u>	<u>8,948,921</u>	<u>113,409,577</u>
Excess (deficiency) of revenues over expenditures	(2,693,097)	(5,466,833)	(614,619)	(8,774,549)
Other Financing Sources (Uses):				
Refunding bonds issued	2,134,800	-	-	2,134,800
Refunding bond premium	251,078	-	-	251,078
Payment to refunded bond escrow agent	(2,287,145)	-	-	(2,287,145)
Transfers in	1,657,384	-	-	1,657,384
Transfers out	-	-	(791,975)	(791,975)
Total Other Financing Sources (Uses)	<u>1,756,117</u>	<u>-</u>	<u>(791,975)</u>	<u>964,142</u>
Change in fund balances	(936,980)	(5,466,833)	(1,406,594)	(7,810,407)
Fund Balances, at Beginning of Year	<u>16,405,437</u>	<u>576,942</u>	<u>1,284,210</u>	<u>18,266,589</u>
Fund Balances, at End of Year	<u>\$ 15,468,457</u>	<u>\$ (4,889,891)</u>	<u>\$ (122,384)</u>	<u>\$ 10,456,182</u>

The accompanying notes are an integral part of these 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, 2013

Net changes in fund balances - total governmental funds	\$ (7,810,407)																				
<ul style="list-style-type: none"> • 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 style="margin-left: 40px; width: 100%;"> <tr> <td style="width: 80%;">Capital outlay purchases, net of disposals</td> <td style="text-align: right;">14,480,182</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(3,486,241)</td> </tr> </table> • 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 style="margin-left: 40px; width: 100%;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">280,629</td> </tr> </table> • 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 style="margin-left: 40px; width: 100%;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">(694,026)</td> </tr> </table> • 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 position: <table style="margin-left: 40px; width: 100%;"> <tr> <td style="width: 80%;">Repayments of debt, net of refunding</td> <td style="text-align: right;">3,454,200</td> </tr> <tr> <td>Deferred debt and premium amortization</td> <td style="text-align: right;">(84,290)</td> </tr> <tr> <td>Change in other long-term liabilities (OPEB and Landfill Post-Closure)</td> <td style="text-align: right;">(7,492,558)</td> </tr> </table> • In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table style="margin-left: 40px; width: 100%;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">99,023</td> </tr> </table> • 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 style="margin-left: 40px; width: 100%;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">105,740</td> </tr> </table> • 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 style="margin-left: 40px; width: 100%;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;"><u>(415,053)</u></td> </tr> </table> 	Capital outlay purchases, net of disposals	14,480,182	Depreciation	(3,486,241)		280,629		(694,026)	Repayments of debt, net of refunding	3,454,200	Deferred debt and premium amortization	(84,290)	Change in other long-term liabilities (OPEB and Landfill Post-Closure)	(7,492,558)		99,023		105,740		<u>(415,053)</u>	
Capital outlay purchases, net of disposals	14,480,182																				
Depreciation	(3,486,241)																				
	280,629																				
	(694,026)																				
Repayments of debt, net of refunding	3,454,200																				
Deferred debt and premium amortization	(84,290)																				
Change in other long-term liabilities (OPEB and Landfill Post-Closure)	(7,492,558)																				
	99,023																				
	105,740																				
	<u>(415,053)</u>																				
Change in net position of governmental activities	\$ <u>(1,562,801)</u>																				

The accompanying notes are an integral part of these 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, 2013

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with
	Original Budget	Final Budget		Final Budget Positive (Negative)
Revenues and Other Sources:				
Property taxes	\$ 61,850,285	\$ 61,850,285	\$ 61,850,285	\$ -
Excises	3,495,000	3,495,000	3,809,220	314,220
Penalties, interest and other taxes	3,685,000	3,685,000	3,435,651	(249,349)
Charges for services	1,802,000	1,802,000	1,710,247	(91,753)
Intergovernmental	9,265,135	9,265,135	9,980,708	715,573
Licenses and permits	870,000	870,000	961,591	91,591
Fines and forfeits	94,500	94,500	107,685	13,185
Investment income	110,000	110,000	90,997	(19,003)
Miscellaneous	270,000	270,000	305,551	35,551
Other financing sources:				
Transfers in	2,710,235	2,747,920	2,861,445	113,525
Use of fund balance	1,225,000	1,445,000	1,445,000	-
Overlay surplus	-	600,000	600,000	-
Total Revenues and Other Sources	85,377,155	86,234,840	87,158,380	923,540
Expenditures and Other Uses:				
Current:				
General government	3,268,530	3,258,530	3,055,100	203,430
Public safety	10,773,095	11,003,095	10,558,570	444,525
Education	35,021,970	35,621,970	35,411,260	210,710
Public works	10,770,642	10,808,327	10,798,909	9,418
Health and human services	949,465	949,465	926,493	22,972
Culture and recreation	1,842,368	1,842,368	1,762,035	80,333
Employee benefits	14,637,023	14,637,023	14,636,124	899
Debt service	5,696,158	5,696,158	5,669,824	26,334
Intergovernmental	1,042,904	1,042,904	892,125	150,779
Other financing uses:				
Transfers out	1,375,000	1,375,000	1,375,000	-
Total Expenditures and Other Uses	85,377,155	86,234,840	85,085,440	1,149,400
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 2,072,940	\$ 2,072,940

The accompanying notes are an integral part of these financial statements.

TOWN OF DANVERS, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2013 (DECEMBER 31, 2012 FOR THE ELECTRIC DIVISION FUND)

	Business-Type Activities Enterprise Funds			Total	Governmental
	Water Fund	Sewer Fund	Electric Division Fund		Activities Internal Service Funds
ASSETS					
Current:					
Cash and short-term investments	\$ 7,125,275	\$ 5,023,683	\$ -	\$ 12,148,958	\$ 228,267
User fees, net of allowance for uncollectibles	1,151,439	802,185	4,452,035	6,405,659	-
Intergovernmental receivables	1,950,074	-	-	1,950,074	-
Other receivables	-	-	273,708	273,708	-
Prepaid expenses	-	-	2,327,451	2,327,451	-
Inventory	-	-	2,419,875	2,419,875	-
Total current assets	10,226,788	5,825,868	9,473,069	25,525,725	228,267
Noncurrent:					
Restricted cash	-	-	20,588,503	20,588,503	-
Intergovernmental receivables, net of current portion	-	-	3,185,208	3,185,208	-
Other assets, net of current portion	-	-	37,176	37,176	-
Land and construction in progress	28,327,849	3,549,968	419,279	32,297,096	-
Other capital assets, net of accumulated depreciation	44,781,647	22,594,308	30,336,114	97,712,069	-
Total noncurrent assets	73,109,496	26,144,276	54,566,280	153,820,052	-
TOTAL ASSETS	83,336,284	31,970,144	64,039,349	179,345,777	228,267
LIABILITIES					
Current:					
Warrants payable	778,665	344,562	-	1,123,227	-
Accounts payable	-	-	3,311,328	3,311,328	-
Retainage payable	734,056	-	-	734,056	-
Accrued liabilities	290,123	55,094	275,604	620,821	-
Notes payable	-	-	700,000	700,000	-
Due to other funds	-	-	269,033	269,033	-
Other current liabilities	-	-	739,140	739,140	-
Current portion of long-term liabilities:					
Bonds payable	1,561,193	500,700	620,000	2,681,893	-
Other liabilities	78,213	150,523	109,443	338,179	167,812
Total current liabilities	3,442,250	1,050,879	6,024,548	10,517,677	167,812
Noncurrent:					
Bonds payable, net of current portion	26,769,187	3,641,650	7,705,000	38,115,837	-
Other liabilities, net of current portion	2,386,988	2,349,862	3,230,959	7,967,809	391,562
TOTAL LIABILITIES	32,598,425	7,042,391	16,960,507	56,601,323	559,374
NET POSITION					
Net investment in capital assets	43,664,549	19,672,791	21,730,393	85,067,733	-
Restricted for depreciation fund	-	-	3,908,807	3,908,807	-
Unrestricted	7,073,310	5,254,962	21,439,642	33,767,914	(331,107)
TOTAL NET POSITION	\$ 50,737,859	\$ 24,927,753	\$ 47,078,842	\$ 122,744,454	\$ (331,107)

The accompanying notes are an integral part of these financial statements.

TOWN OF DANVERS, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2013 (DECEMBER 31, 2012 FOR THE ELECTRIC DIVISION FUND)

	Business-Type Activities Enterprise Funds				Governmental Activities
	Water Fund	Sewer Fund	Electric Division Fund	Total	Internal Service Fund
Operating Revenues:					
Charges for services	\$ 7,355,468	\$ 6,678,301	\$ 39,492,555	\$ 53,526,324	\$ -
Employee and employer contributions	-	-	-	-	280,200
Total Operating Revenues	7,355,468	6,678,301	39,492,555	53,526,324	280,200
Operating Expenses:					
Operating expenses	3,832,985	5,231,059	35,923,036	44,987,080	-
Depreciation	1,470,135	807,844	3,005,374	5,283,353	-
Employee benefits	280,643	23,031	-	303,674	698,894
Total Operating Expenses	5,583,763	6,061,934	38,928,410	50,574,107	698,894
Operating Income (Loss)	1,771,705	616,367	564,145	2,952,217	(418,694)
Nonoperating Revenues (Expenses):					
Intergovernmental revenue	126,055	483,670	807,110	1,416,835	-
Investment income	-	-	81,906	81,906	3,641
Other revenue	-	-	8,831	8,831	-
Interest expense	(873,553)	(210,200)	(349,057)	(1,432,810)	-
Total Nonoperating Revenues (Expenses)	(747,498)	273,470	548,790	74,762	3,641
Income (Loss) Before Capital Contributions and Transfers	1,024,207	889,837	1,112,935	3,026,979	(415,053)
Capital contributions	-	-	3,952,283	3,952,283	-
Transfers in	-	172,000	-	172,000	-
Transfers out	(120,000)	(112,000)	(805,409)	(1,037,409)	-
Change in Net Position	904,207	949,837	4,259,809	6,113,853	(415,053)
Net Position at Beginning of Year	49,833,652	23,977,916	42,819,033	116,630,601	83,946
Net Position at End of Year	\$ 50,737,859	\$ 24,927,753	\$ 47,078,842	\$ 122,744,454	\$ (331,107)

The accompanying notes are an integral part of these financial statements.

TOWN OF DANVERS, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2013 (DECEMBER 31, 2012 FOR THE ELECTRIC DIVISION FUND)

	Business-Type Activities Enterprise Funds				Governmental Activities
	Water Fund	Sewer Fund	Electric Division Fund	Total	Internal Service Fund
Cash Flows From Operating Activities:					
Receipts from customers and users	\$ 7,217,708	\$ 6,722,353	\$ 40,396,548	\$ 54,336,609	\$ -
Payments to vendors	(1,296,897)	(3,347,696)	(40,466,187)	(45,110,780)	-
Payments to employees	(1,410,781)	(138,470)	(1,299,007)	(2,848,258)	-
Receipts from employees and employer	-	-	-	-	280,200
Payments of employee benefits and expenses	-	-	-	-	(748,928)
Net Cash Provided By (Used For) Operating Activities	4,510,030	3,236,187	(1,368,646)	6,377,571	(468,728)
Cash Flows From Noncapital Financing Activities:					
Proceeds from MMWEC	-	-	807,110	807,110	-
Proceeds from state grants	126,055	483,670	-	609,725	-
Proceeds from SESD	-	350,000	-	350,000	-
Interfund transfers in	-	172,000	-	172,000	-
Interfund transfers out	(120,000)	(112,000)	(805,409)	(1,037,409)	-
Net Cash Provided By Noncapital Financing Activities	6,055	893,670	1,701	901,426	-
Cash Flows From Capital and Related Financing Activities:					
Acquisition and construction of capital assets	(13,289,667)	(2,243,411)	(7,542,595)	(23,075,673)	-
Proceeds from issuance of notes	12,228,848	-	700,000	12,928,848	-
Proceeds from issuance of bonds	22,277,227	976,200	-	23,253,427	-
Principal payments on notes	(20,378,227)	-	-	(20,378,227)	-
Principal payments on bonds	(2,570,789)	(1,427,300)	(620,000)	(4,618,089)	-
Debt premiums	-	-	8,831	8,831	-
Interest expense	(873,553)	(210,200)	(349,057)	(1,432,810)	-
Capital contributions	-	-	3,952,283	3,952,283	-
Net Cash (Used For) Capital and Related Financing Activities	(2,606,161)	(2,904,711)	(3,850,538)	(9,361,410)	-
Cash Flows From Investing Activities:					
Investment income	-	-	93,891	93,891	3,641
Net Cash Provided By Investing Activities	-	-	93,891	93,891	3,641
Net Change in Cash and Short-Term Investments	1,909,924	1,225,146	(5,123,592)	(1,988,522)	(465,087)
Cash and Short Term Investments, Beginning of Year	5,215,351	3,798,537	25,712,095 ⁽¹⁾	34,725,983	693,354
Cash and Short Term Investments, End of Year	\$ 7,125,275	\$ 5,023,683	\$ 20,588,503 ⁽¹⁾	\$ 32,737,461	\$ 228,267
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:					
Operating income (loss)	\$ 1,771,705	\$ 616,367	\$ 564,145	\$ 2,952,217	\$ (418,694)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	1,470,135	807,844	3,064,179	5,342,158	-
Other postemployment benefits	193,131	23,665	578,581	795,377	-
Changes in assets and liabilities:					
User fees	(137,760)	44,052	877,905	784,197	-
Inventory	-	-	(88,852)	(88,852)	-
Other assets	35,148	22,810	(3,638,371)	(3,580,413)	-
Warrants payable	(51,012)	344,562	-	293,550	-
Accounts payable	-	-	(331,536)	(331,536)	-
Accrued liabilities	134,715	(13,042)	4,721	126,394	(50,034)
Other liabilities	1,093,968	1,389,929	(2,399,418)	84,479	-
Net Cash Provided By (Used For) Operating Activities	\$ 4,510,030	\$ 3,236,187	\$ (1,368,646)	\$ 6,377,571	\$ (468,728)

⁽¹⁾ Includes restricted cash

The accompanying notes are an integral part of these financial statements.

TOWN OF DANVERS, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2013

	Pension Trust Fund (As of <u>December 31, 2012</u>)	Private Purpose Trust <u>Fund</u>	Agency <u>Funds</u>
<u>ASSETS</u>			
Cash and short term investments	\$ 3,640,181	\$ 89,023	\$ 228,318
Investments:			
Certificate of deposit	-	292,480	-
Equities	22,930,051	2,097,178	-
Pooled investments	12,481,132	237,604	-
State investment pool	27,023,750	-	-
Fixed income securities	16,065,787	461,563	-
Accounts receivable	<u>322,302</u>	<u>-</u>	<u>38,365</u>
Total Assets	82,463,203	3,177,848	266,683
<u>LIABILITIES AND NET POSITION</u>			
Accounts payable	57,467	-	2,538
Other liabilities	<u>33,363</u>	<u>-</u>	<u>264,146</u>
Total Liabilities	<u>90,830</u>	<u>-</u>	<u>266,683</u>
<u>NET POSITION</u>			
Total net position held in trust for pension benefits and other purposes	<u>\$ 82,372,373</u>	<u>\$ 3,177,848</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF DANVERS, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2013

	Pension Trust Fund (For the Year Ended <u>December 31, 2012</u>)	Private Purpose Trust Fund
Additions:		
Contributions:		
Employers	\$ 4,858,979	\$ -
Plan members	2,391,872	-
Other	323,452	100
Total contributions	<u>7,574,303</u>	<u>100</u>
Investment Income (Loss):		
Interest	576,302	85,218
Increase (decrease) in fair value of investments	7,920,589	132,477
Less: management fees	(366,976)	-
Net investment income (loss)	<u>8,129,915</u>	<u>217,695</u>
Total additions	15,704,218	217,795
Deductions:		
Benefit payments to plan members, beneficiaries, and other systems	9,349,160	-
Refunds to plan members	53,388	-
Administrative expenses	217,944	-
Other	22,756	132,534
Total deductions	<u>9,643,248</u>	<u>132,534</u>
Net increase	6,060,970	85,261
Net position:		
Beginning of year	<u>76,311,403</u>	<u>3,092,587</u>
End of year	<u>\$ 82,372,373</u>	<u>\$ 3,177,848</u>

The accompanying notes are an integral part of these 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 Position and the Statement of Activities) 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.

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 main-

tains 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 2013 tax levy reflected an excess capacity of \$19,590.

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, 2012, the Electric Division's depreciation rate was 5%.

J. Compensated Absences

It is the Town'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 Position.

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 position".

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, modified and rescinded as a result of articles passed by Town Meeting, the highest decision making authority in the government).
- 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 the Town Manager 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 Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment 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 position is 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. The remaining net position is 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)	\$ 90,037,054	\$ 92,730,151
Other financing sources/uses (GAAP Basis)	<u>4,043,262</u>	<u>2,287,145</u>
Subtotal (GAAP Basis)	94,080,316	95,017,296
Adjust property tax revenue to budgetary basis	(2,494)	-
Reverse expenditures of prior year appropriation carryforwards	-	(1,011,522)

(continued)

(continued)

<u>General Fund</u>	Revenues and Other <u>Financing Sources</u>	Expenditures and Other <u>Financing Uses</u>
To book current year appropriation carryforwards	-	1,105,387
To record use of fund balance and other surplus	2,045,000	-
To reverse unbudgeted GASB 24 Massachusetts Teacher Retirement System	(8,848,571)	(8,848,571)
To reverse nonbudgeted activity	(115,871)	(1,136,304)
To record timing differences	-	(40,846)
Budgetary Basis	<u>\$ 87,158,380</u>	<u>\$ 85,085,440</u>

D. Excess of Expenditures over Appropriations

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

Public Works - Other expense	\$ (46,001)
Health Department - Salaries and wages	\$ (1,130)
Senior and Social Services Department - Other expense	\$ (8,416)

E. Deficit Fund Equity

The following funds had deficits as of June 30, 2013:

Major Governmental Funds:

Danvers High School Renovation	\$ (4,889,891)
--------------------------------	----------------

Nonmajor Governmental Funds:

Town Grants	(480,404)
School Grants	(166,982)
Revolving Funds	(44,201)
School Capital Projects	(250,628)
Landfill Capital Projects	(1,720,678)
Fire Pumper Truck Project	(448,608)
Other Capital Projects	<u>(1,558,618)</u>
Total	<u>\$ (4,670,119)</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, 2013, \$46,718,552 of the Town's bank balance of \$50,025,911 was exposed to custodial credit risk as uninsured or uncollateralized. As of December 31, 2012, the System's bank balance of \$3,696,846, was fully insured and collateralized. \$26,951,949 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).

<u>Investment Type</u>	<u>Fair Value</u>	<u>Exempt From Disclosure</u>	<u>Average Rating as of Year-end</u>		
			<u>AAA</u>	<u>A</u>	<u>BAA</u>
Certificates of deposits	\$ 5,507	\$ 5,507	\$ -	\$ -	\$ -
Equities	2,097	2,097	-	-	-
Corporate bonds	317	N/A	-	247	70
US Treasury notes	145	N/A	145	-	-
Mutual funds	238	238	-	-	-
Total investments	\$ 8,304	\$ 7,842	\$ 145	\$ 247	\$ 70

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):

<u>Investment Type</u>	<u>Fair Value*</u>	<u>Rating as of Year-end</u>						<u>Exempt or Not Rated</u>
		<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BAA</u>	<u>BA</u>	<u>B</u>	
Equities	\$ 22,930	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,930
Pooled investments:								
Mutual funds	12,481	-	-	-	-	-	-	12,481
State investment pool *	27,024	-	-	-	-	-	-	27,024
Fixed income securities:								
Corporate bonds	11,179	1,642	677	1,028	3,169	1,274	352	3,036
Mortgage-backed	1,697	1,144	-	-	-	-	-	554
Municipal bonds	309	-	309	-	-	-	-	-
U.S. Treasury bonds	2,212	2,212	-	-	-	-	-	-
U.S. Agencies	669	669	-	-	-	-	-	-
Total investments	\$ 78,501	\$ 5,667	\$ 986	\$ 1,028	\$ 3,169	\$ 1,274	\$ 352	\$ 66,025

*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 \$316,601, and corporate equities of \$2,097,178 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 investments, the System has a custodial credit risk exposure of \$75,620,182 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, \$27,023,750 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, 2013, the Town's only investment in any one issuer that represented 5% or more of total investments was a \$4,817,328 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, 2012, 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>
Debt-related Securities:			
Certificates of deposits	\$ 5,507	\$ 4,817	\$ 690
Corporate bonds	317	-	317
US Treasury notes	145	-	145
Total	\$ 5,969	\$ 4,817	\$ 1,152

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	\$ 11,179	\$ 175	\$ 3,594	\$ 2,705	\$ 4,705
Mortgage-backed	1,697	-	38	93	1,566
Municipal bonds	309	-	-	-	309
U.S. Treasury bonds	2,212	-	698	340	1,174
U.S. Agencies	669	-	34	540	95
Total	\$ 16,066	\$ 175	\$ 4,364	\$ 3,678	\$ 7,849

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 1st 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, 2013 consist of the following (in thousands):

Real Estate		
2013	\$ 1,029	
Prior	<u>14</u>	
		1,043
Personal Property		
2013	16	
2012	15	
2011	16	
Prior	<u>96</u>	
		143
Tax Liens		772
Deferred Taxes		298
Other		<u>12</u>
Total		\$ <u>2,268</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	\$ 213	\$ -
Excises	\$ 338	\$ -
User fees	\$ -	\$ 218

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2013.

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, 2013 balances in interfund receivable and payable accounts:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Governmental Funds:		
Major Funds:		
General Fund	\$ 2,153,462	\$ -
Danvers HS Renovations	-	1,689,010
Nonmajor Funds:		
Town grants	-	195,419
Subtotal - Governmental	<u>2,153,462</u>	<u>1,884,429</u>
Business-Type Funds:		
Electric division fund	-	269,033
Subtotal - Business-Type	<u>-</u>	<u>269,033</u>
Total	<u>\$ 2,153,462</u>	<u>\$ 2,153,462</u>

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 2013.

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net</u>
Governmental Funds:			
Major Funds:			
General fund	\$ 1,657,384	\$ -	\$ 1,657,384
Nonmajor Funds:			
Receipts reserved	-	909,685	(909,685)
Revolving accounts	100,000	177,693	(77,693)
Housing trust	500,000	-	500,000
Other funds	-	304,597	(304,597)
Subtotal - Governmental	<u>2,257,384</u>	<u>1,391,975</u>	<u>865,409</u>
Business-Type Funds:			
Water fund	-	120,000	(120,000)
Sewer fund	172,000	112,000	60,000
Electric division fund	-	805,409	(805,409)
Subtotal - Business-Type	<u>172,000</u>	<u>1,037,409</u>	<u>(865,409)</u>
Total	<u>\$ 2,429,384</u>	<u>\$ 2,429,384</u>	<u>\$ -</u>

9. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 110,529	\$ 91	\$ -	\$ 110,620
Machinery, equipment, and furnishings	9,741	650	(648)	9,743
Infrastructure	17,882	-	-	17,882
Total capital assets, being depreciated	138,152	741	(648)	138,245
Less accumulated depreciation for:				
Buildings and improvements	(71,115)	(2,442)	-	(73,557)
Machinery, equipment, and furnishings	(7,230)	(544)	597	(7,177)
Infrastructure	(3,490)	(500)	-	(3,990)
Total accumulated depreciation	(81,835)	(3,486)	597	(84,724)
Total capital assets, being depreciated, net	56,317	(2,745)	(51)	53,521
Capital assets, not being depreciated:				
Land	23,998	1,336	-	25,334
Construction in progress	54,565	12,453	-	67,018
Total capital assets, not being depreciated	78,563	13,789	-	92,352
Governmental activities capital assets, net	<u>\$ 134,880</u>	<u>\$ 11,044</u>	<u>\$ (51)</u>	<u>\$ 145,873</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 25,048	\$ 49	\$ -	\$ 25,097
Machinery, equipment, and furnishings	3,990	822	(102)	4,710
Infrastructure	146,871	8,259	(1,469)	153,661
Total capital assets, being depreciated	175,909	9,130	(1,571)	183,468
Less accumulated depreciation for:				
Buildings and improvements	(14,134)	(905)	-	(15,039)
Machinery, equipment, and furnishings	(2,256)	(214)	102	(2,368)
Infrastructure	(65,594)	(4,164)	1,409	(68,349)
Total accumulated depreciation	(81,984)	(5,283)	1,511	(85,756)
Total capital assets, being depreciated, net	93,925	3,847	(60)	97,712
Capital assets, not being depreciated:				
Land	5,577	-	-	5,577
Construction in progress	12,774	14,990	(1,044)	26,720
Total capital assets, not being depreciated	18,351	14,990	(1,044)	32,297
Business-type activities capital assets, net	<u>\$ 112,276</u>	<u>\$ 18,837</u>	<u>\$ (1,104)</u>	<u>\$ 130,009</u>

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

Governmental Activities:	
General government	\$ 82
Public safety	329
Education	1,190
Public works	1,658
Health and human services	54
Culture and recreation	<u>173</u>
Total depreciation expense - governmental activities	<u>\$ 3,486</u>
Business-Type Activities:	
Water	\$ 1,470
Sewer	808
Electric	<u>3,005</u>
Total depreciation expense - business-type activities	<u>\$ 5,283</u>

10. Warrants and Accounts Payable

Warrants payable represent 2013 expenditures paid by July 15, 2013 as permitted by law. Accounts payable represent 2012 Electric Division expenses paid after December 31, 2012.

11. 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.

12. Notes Payable

The Town had the following notes outstanding at June 30, 2013:

	<u>Interest</u> <u>Rate</u>	<u>Date of</u> <u>Issue</u>	<u>Date of</u> <u>Maturity</u>	<u>Balance at</u> <u>6/30/13</u>
<u>Governmental Activities:</u>				
Bond anticipation	1.25%	07/06/12	07/03/13	\$ <u>4,326,000</u>
Subtotal				4,326,000

(continued)

(continued)

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/13</u>
<u>Business-Type Activities:</u>				
Bond anticipation	1.25%	07/06/12	07/03/13	<u>700,000</u>
Subtotal				<u>700,000</u>
Grand Total				<u>\$ 5,026,000</u>

The following summarizes activity in notes payable during fiscal year 2013 (in thousands):

	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
<u>Governmental Activities:</u>				
Great Oak School Roof	\$ 251	\$ 251	\$ (251)	\$ 251
Land Acquisition	1,600	1,625	(1,600)	1,625
Land Fill	2,000	2,000	(2,000)	2,000
Fire Pumper Truck	<u>450</u>	<u>450</u>	<u>(450)</u>	<u>450</u>
Subtotal	4,301	4,326	(4,301)	4,326
<u>Business-Type Activities:</u>				
Electric system	700	700	(700)	700
MWPAT Loan	<u>6,199</u>	<u>14,179</u>	<u>(20,378)</u>	<u>-</u>
Subtotal	<u>6,899</u>	<u>14,879</u>	<u>(21,078)</u>	<u>700</u>
Grand Total	<u>\$ 11,200</u>	<u>\$ 19,205</u>	<u>\$ (25,379)</u>	<u>\$ 5,026</u>

13. 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 6/30/13</u>
School remodeling	\$ 1,031,000	11/01/19	3.63%	\$ 65,000
Land acquisition	565,000	11/01/21	3.77%	30,000
School remodeling	300,000	11/01/21	3.74%	15,000
School plan & constr. - refunding	1,144,275	07/15/14	3.26%	235,000
Fire station remodeling - refunding	940,195	07/15/14	3.24%	185,000
School remodeling	1,035,000	03/15/22	3.84%	120,000
Middle School	11,000,000	07/01/25	4.45%	7,520,000
School - refunding	466,000	07/15/16	3.90%	200,000
School - refunding	707,100	07/15/16	3.90%	295,000
School remodeling - refunding	776,870	07/15/17	3.90%	373,570
School remodeling - refunding	259,000	07/15/17	3.90%	125,000
School plans - refunding	93,300	07/15/17	3.90%	40,000
School - refunding	885,500	07/15/17	3.90%	494,800
School plan/constr - refunding	2,725,000	07/15/17	2.55%	1,620,000
Danversport park - refunding	16,500	07/15/13	2.55%	11,500
Senior center - refunding	293,000	07/15/15	2.55%	275,000
Dredging - Crane/Porter rivers	615,320	07/01/22	4.06%	435,000
Holten Richmond Middle School	1,977,641	07/01/25	4.19%	1,480,000
High School roof	538,000	07/01/25	4.20%	395,000
Town Hall renovation	6,000,000	06/15/29	3.58%	4,780,000
Thorpe School roof replacement	637,000	06/30/28	3.23%	555,000
Thorpe School athletic fields	280,000	06/30/24	2.76%	230,000
Landfill closure	898,000	06/30/31	3.42%	795,000
Landfill closure	400,000	06/30/31	3.46%	360,000
Landfill closure	500,000	06/30/31	3.46%	450,000
High School	23,525,000	06/30/37	4.27%	22,915,000
Great Oak School	376,000	06/30/32	3.40%	360,000
High School	5,448,000	06/30/37	3.73%	5,310,000
Library renovations - refunding	25,500	08/01/17	0.78%	25,500
Library renovations - refunding	150,000	08/01/18	0.82%	150,000

(continued)

(continued)

	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>6/30/13</u>
Library renovations - refunding	279,500	08/01/19	0.86%	279,500
Land acquisition - refunding	494,000	08/01/19	0.86%	494,000
Land acquisition - refunding	241,000	08/01/21	1.04%	241,000
School remodeling - refunding	382,000	08/01/19	0.86%	382,000
School remodeling - refunding	120,800	08/01/21	1.04%	120,800
School remodeling - refunding	442,000	08/01/21	1.04%	442,000
Total Governmental Activities:				<u>\$ 51,804,670</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>6/30/13</u>
Water well site 2	\$ 2,450,000	11/01/23	3.92%	\$ 125,000
MWPAT	501,060	08/01/18	2.00%	224,173
River Street water mains - refunding	98,035	07/15/14	3.24%	20,000
Water well site 2	1,300,000	03/15/25	3.95%	130,000
Land acquisition/water refunding	41,730	07/15/15	3.90%	15,130
Water bonds - refunding	1,204,400	07/15/19	3.90%	816,350
Water	95,000	07/01/25	4.45%	65,000
Water	425,000	07/01/25	4.45%	287,500
Water	681,143	07/01/26	4.24%	510,000
Water treatment plant repairs	1,616,000	06/30/31	3.43%	1,445,000
Water Treatment Plant 1	300,000	06/30/32	3.29%	285,000
Water Treatment Plant 2	425,000	06/30/32	3.25%	400,000
Folly Hill Reservoir Water Tank 1	50,000	06/30/20	1.85%	40,000
Folly Hill Reservoir Water Tank 2	450,000	06/30/20	1.93%	390,000
Vernon Russell Water Treatment Plant 1	700,000	06/30/20	3.29%	665,000
Vernon Russell Water Treatment Plant 2	400,000	06/30/20	3.29%	380,000
Danvers State Hospital Reservoir 1	50,000	06/30/20	1.85%	40,000
Danvers State Hospital Reservoir 2	250,000	06/30/20	1.92%	215,000
Water bonds - refunding	1,209,000	08/01/23	1.24%	1,209,000
Water bonds - refunding	690,000	08/01/24	1.35%	690,000
MWPAT	20,378,227	07/15/32	2.00%	20,378,227
Sewer bonds	150,000	11/01/23	3.75%	10,000
Sewer bonds	1,500,000	03/15/25	3.95%	150,000
Wastewater system	50,000	07/01/16	4.27%	20,000
Drainage system improvements	325,000	07/01/25	4.44%	217,500
Sewer bonds - refunding	251,000	07/15/16	3.90%	101,300
Sewer bonds - refunding	665,100	07/15/19	3.90%	433,850
Cabot Road drainage imp	602,675	07/01/26	4.23%	460,000

(continued)

(continued)

<u>Business-Type Activities:</u>	Amount of Original Issue	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/13
Wastewater system	175,000	07/01/26	4.23%	135,000
Sewer bonds - refunding	65,500	07/15/15	2.55%	63,500
Drainage improvements	1,510,000	06/30/20	2.35%	1,150,000
Drainage	450,000	06/30/31	3.51%	425,000
Sewer bonds - refunding	130,000	08/01/19	0.85%	130,000
Sewer bonds - refunding	50,500	08/01/23	1.26%	50,500
Sewer bonds - refunding	795,700	08/01/24	1.35%	795,700
Electric system improvements*	4,847,221	07/01/26	4.20%	3,585,000
Electric*	4,400,000	06/30/30	3.34%	3,900,000
Electric Substation & Improvements 1*	500,000	06/30/30	3.08%	470,000
Electric Substation & Improvements 2*	400,000	06/30/26	2.71%	370,000
Total Business-Type Activities:				<u>\$ 40,797,730</u>
Grand Total				<u>\$ 92,602,400</u>

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

C. Future Debt Service – General Obligation Bonds

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2013 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 3,401,600	\$ 1,971,288	\$ 5,372,888
2015	3,334,500	1,865,557	5,200,057
2016	3,148,570	1,765,033	4,913,603
2017	3,040,000	1,667,747	4,707,747
2018	2,820,000	1,570,145	4,390,145
2019 - 2023	11,615,000	6,514,977	18,129,977
2024 - 2028	9,965,000	4,404,654	14,369,654
2029 - 2033	7,585,000	2,527,791	10,112,791
2034 - 2037	<u>6,895,000</u>	<u>712,135</u>	<u>7,607,135</u>
Total	<u>\$ 51,804,670</u>	<u>\$ 22,999,327</u>	<u>\$ 74,803,997</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 2,681,893	\$ 1,100,358	\$ 3,782,251
2015	2,672,735	1,020,139	3,692,874
2016	2,671,970	944,430	3,616,400
2017	2,639,243	871,836	3,511,079
2018	2,613,352	791,412	3,404,764
2019 - 2023	11,328,252	2,826,124	14,154,376
2024 - 2028	9,212,265	1,381,218	10,593,483
2029 - 2033	<u>6,978,020</u>	<u>362,861</u>	<u>7,340,881</u>
Total	\$ <u>40,797,730</u>	\$ <u>9,298,378</u>	\$ <u>50,096,108</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, 2013 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, 2013 are as follows:

<u>Business-Type</u>	<u>Principal</u>
2014	\$ 225,000
2015	225,000
2016	225,000
2017	225,000
2018	225,000
2019-2023	1,125,000
2024-2028	1,125,000
2029	<u>68,702</u>
Total	\$ <u>3,443,702</u>

F. Advance and Current Refundings

Current Refunding of 12/1/01, Advance Refunding of 11/1/03 and Advance Refunding of 3/1/05

On November 13, 2012, the Town issued general obligation refunding bonds in the amount of \$5,010,000 with a 2.0% interest rate to current refund \$1,080,000 of the December 1, 2001 Bonds (the “2001 Bonds”),

comprised of serial bonds with interest rates ranging from 3.50% to 4.50%, advance refund of \$1,990,000 of the November 1, 2003 Bonds (the “2003 Bonds”), comprised of serial bonds with interest rates ranging from 3.625% to 4.40% and to advance refund \$1,820,000 of the March 1, 2005 Bonds (the “2005 Bonds”), comprised of serial bonds with interest rates ranging from 4.0% to 4.125%. The 2001 serial bonds mature on August 1, 2013 through August 1, 2019 and were called on December 18, 2012. The 2003 serial bonds mature on November 1, 2014 through November 1, 2023 and are callable on November 1, 2013. The 2005 serial bonds mature on March 15, 2016 through March 15, 2025 and are callable on March 15, 2015.

The general obligation bonds were issued at a true interest cost of 1.13841%. \$5,109,451 of the net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities, and those securities were deposited into an irrevocable trust with an escrow agent to provide debt service payments until the serial bonds are called on December 18, 2012, with respect to the 2001 Bonds, November 1, 2013 with respect to the 2003 Bonds and March 15, 2015 with respect to the 2005 Bonds. The refunding met the requirements of an in-substance debt defeasance, and the serial bonds were removed from the Town’s financial statements.

As a result of the 2001 current refunding, the Town reduced its total debt service cash flow requirements by \$131,554, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$128,421.

As a result of the 2003 advance refunding, the Town reduced its total debt service cash flow requirements by \$252,813, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$167,763.

Defeased debt for the 2001 issue still outstanding at June 30, 2013 was \$0.

Defeased debt for the 2003 issue still outstanding at June 30, 2013 is \$1,990,000.

Defeased debt for the 2005 issue still outstanding at June 30, 2013 is \$1,820,000.

G. Changes in General Long-Term Liabilities

During the year ended June 30, 2013, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 7/1/12	Additions	Reductions	Refunding, net	Total Balance 6/30/13	Less Current Portion	Equals Long-Term Portion 6/30/13
<u>Governmental Activities</u>							
Bonds payable	\$ 55,259	\$ -	\$ (3,479)	\$ 25	51,805	\$ (3,402)	\$ 48,403
Other:							
Compensated absences	2,004	102	(207)	-	1,899	(95)	1,804
Landfill postclosure	360	-	(60)	-	300	(60)	240
Workers' comp IBNR	610	698	(749)	-	559	(167)	392
Premium amortization	1,072	-	(45)	-	1,027	(45)	982
Net OPEB obligation ⁽¹⁾	42,870	12,734	(5,181)	-	50,423	-	50,423
Subtotal	46,916	13,534	(6,242)	-	54,208	(367)	53,841
Totals	\$ 102,175	\$ 13,534	\$ (9,721)	\$ 25	106,013	\$ (3,769)	\$ 102,244

⁽¹⁾ The OPEB is discussed further in Note #20 and additional information is reported in required supplementary information.

	Total Balance 7/1/12	Additions	Reductions	Refunding, net	Total Balance 6/30/13	Less Current Portion	Equals Long-Term Portion 6/30/13
<u>Business-Type Activities</u>							
Bonds payable	\$ 22,162	\$ 20,378	\$ (1,838)	\$ 95	40,797	\$ (2,681)	\$ 38,116
Other:							
Compensated absences	78	9	(12)	-	75	(4)	71
Regulatory liabilities	1,910	-	(1,801)	-	109	(109)	-
Interfund loans	1,358	2,311	(225)	-	3,444	(225)	3,219
Net OPEB obligation ⁽¹⁾	3,883	1,341	(546)	-	4,678	-	4,678
Subtotal	7,229	3,661	(2,584)	-	8,306	(338)	7,968
Totals	\$ 29,391	\$ 24,039	\$ (4,422)	\$ 95	49,103	\$ (3,019)	\$ 46,084

⁽¹⁾ The OPEB is discussed further in Note #20 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.

14. 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 \$1,800,321 (the amount of its 2012 amortization. The remaining balance of \$109,443 will be amortized as follows:

2013	\$ <u>109,443</u>
Total	\$ <u><u>109,443</u></u>

15. 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 \$300,000 reported as landfill postclosure care liability at June 30, 2013 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.

16. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net assets by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities.

The following is a summary of deferred inflow of resources balances as of June 30, 2013:

	<u>Entity-wide Basis</u>	<u>Fund Basis</u>
	Governmental <u>Activities</u>	Governmental <u>General Fund</u>
Unearned revenues	\$ 411	\$ 2,789

17. Restricted Net Position

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

Permanent fund restricted net position 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.

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, 2013:

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 the Town Manager 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, 2013:

	General Fund	Danvers High School Renovation	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ -	\$ 143,524	\$ 143,524
Total Nonspendable	-	-	143,524	143,524
Restricted				
Bonded projects	-		183,030	183,030
Special revenue funds	-	-	3,877,237	3,877,237
Expendable permanent funds	-	-	294,024	294,024
Total Restricted	-	-	4,354,291	4,354,291
Committed				
Stabilization and other reserves	7,075,094	-	-	7,075,094
Capital project funds	-	-	49,920	49,920
Total Committed	7,075,094	-	49,920	7,125,014
Assigned				
Encumbered for:				
Education	159,965	-	-	159,965
Public Works	705,165	-	-	705,165
Other	240,258	-	-	240,258
For next year's expenditures	1,776,900	-	-	1,776,900
Total Assigned	2,882,288	-	-	2,882,288
Unassigned	5,511,075	(4,889,891)	(4,670,119)	(4,048,935)
Total Unassigned	5,511,075	(4,889,891)	(4,670,119)	(4,048,935)
Total Fund Balance	\$ 15,468,457	\$ (4,889,891)	\$ (122,384)	\$ 10,456,182

19. 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.

Abatements - There are several cases pending before the Appellate Tax Board in regard to alleged discrepancies in property assessments. According to the Town's counsel, the probable outcome of these cases at the present time is indeterminable, although the Town expects such amounts, if any, to be immaterial.

20. 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 Position 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 2013 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, 2013, 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)	\$ 14,954
Interest on net OPEB obligation	1,973
Adjustment to ARC	<u>(2,852)</u>
Annual OPEB cost	14,075
Contributions made	<u>(5,727)</u>
Increase in net OPEB obligation	8,348
Net OPEB obligation - beginning of year	<u>46,753</u>
Net OPEB obligation - end of year	<u>\$ 55,101</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
2013	\$ 14,075	40.7%	\$ 55,101

The Town's net OPEB obligation as of June 30, 2013 is recorded as a component of the "other long-term liabilities" line item on the government-wide Statement of Net Position.

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)	<u>\$ 45,900</u>
UAAL as a percentage of covered payroll	<u>382.1%</u>

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 advance 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%.

21. 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, 2012:

Retirees and beneficiaries receiving benefits	392
Terminated plan members entitled to but not yet receiving benefits	64
Active plan members	<u>462</u>
Total	<u>918</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%
2013	\$ 4,613,334	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 \$26,156,000.

In fiscal year 2013, the Commonwealth of Massachusetts contributed \$8,848,571 to the MTRS on behalf of the Town. This is included in the

education expenditures and intergovernmental revenues in the general fund.

22. 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>2013</u>	<u>2012</u>
Claims liability, beginning of year	\$ 609,408	\$ 881,531
Claims incurred/recognized in fiscal year	698,894	396,131
Claims paid in fiscal year	<u>(748,928)</u>	<u>(668,254)</u>
Claims liability, end of year	<u>\$ 559,374</u>	<u>\$ 609,408</u>

The Town estimates that approximately \$167,812 of the June 30, 2013 claim liability will be due within one year.

The \$559,374 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.

23. 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.

24. 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, a 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. The arbitration has been stayed by agreement of the parties. 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.

Total capital expenditures for MMWEC's Projects amounted to \$1,593,344,000, of which \$148,668,000 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 \$284,005,000, of which \$25,307,000 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, 2012, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$289,247,000, of which \$25,929,000 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, 2012 and estimated for future years is shown below.

		<u>Annual Costs</u>
For years ended December 31,	2013	\$ 6,186,000
	2014	5,737,000
	2015	5,376,000
	2016	5,083,000
	2017	2,528,000
	2018 - 2021	<u>1,019,000</u>
	Total	<u>\$ 25,929,000</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 \$14,742,000 and \$16,840,000 for the years ended December 31, 2012 and 2011, respectively.

25. Florida Power and Light (NextEra) - Power Supply Agreement

In December 2008, the Division entered into a Power Supply Agreement (PSA) with Florida Power and Light Energy Power Marketing, Inc., the principal subsidiary of NextEra Energy, Inc., 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 NextEra 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.

In calendar year 2012, the Division paid monthly weighted gas prices ranging from 30% to 168% 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 75% above the NYMEX, resulting in total excess power costs of \$1,967,829. This result is strictly a function of the movement of the NYMEX over time. The Division locked in prices for most of 2012 volumes in late 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 prices of \$7.50 per MMBtu. However, due to the severe economic recession, gas prices continued to fall throughout 2012, making the prices the Division locked in 2008 uncompetitive with the spot gas price.

26. 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, 2013

(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%	\$ 45,900	382.1%

See Independent Auditors' Report.

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.
- Housing Trust: To account for revenue and expenditures associated with affordable housing.
- 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, 2013

	Special Revenue Funds			
	School Lunch Fund	Town Grants	School Grants	Receipts Reserved
<u>ASSETS</u>				
Cash and short-term investments	\$ 105,059	\$ -	\$ 45,215	\$ 330,331
Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 105,059</u>	<u>\$ -</u>	<u>\$ 45,215</u>	<u>\$ 330,331</u>
<u>LIABILITIES</u>				
Warrants payable	\$ 6,249	\$ 19,526	\$ 7,147	\$ -
Notes payable	-	-	-	-
Due to other funds	<u>-</u>	<u>195,419</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	6,249	214,945	7,147	-
<u>FUND BALANCES</u>				
Nonspendable	-	-	-	-
Restricted	98,810	265,459	205,050	330,331
Committed	-	-	-	-
Unassigned	<u>-</u>	<u>(480,404)</u>	<u>(166,982)</u>	<u>-</u>
Total Fund Balance	<u>98,810</u>	<u>(214,945)</u>	<u>38,068</u>	<u>330,331</u>
Total Liabilities and Fund Balances	<u>\$ 105,059</u>	<u>\$ -</u>	<u>\$ 45,215</u>	<u>\$ 330,331</u>

Special Revenue Funds

<u>Revolving Accounts</u>	<u>Conservation</u>	<u>Housing Trust</u>	<u>Other Funds</u>	<u>Subtotals</u>
\$ 1,789,085	\$ 134,068	\$ 574,432	\$ 455,911	\$ 3,434,101
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 1,789,085</u>	<u>\$ 134,068</u>	<u>\$ 574,432</u>	<u>\$ 455,911</u>	<u>\$ 3,434,101</u>
\$ 19,367	\$ -	\$ -	\$ 743	\$ 53,032
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>195,419</u>
19,367	-	-	743	248,451
-	-	-	-	-
1,813,919	134,068	574,432	455,168	3,877,237
-	-	-	-	-
<u>(44,201)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(691,587)</u>
<u>1,769,718</u>	<u>134,068</u>	<u>574,432</u>	<u>455,168</u>	<u>3,185,650</u>
<u>\$ 1,789,085</u>	<u>\$ 134,068</u>	<u>\$ 574,432</u>	<u>\$ 455,911</u>	<u>\$ 3,434,101</u>

(continued)

TOWN OF DANVERS, MASSACHUSETTS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2013

(continued)

	Capital Project Funds				
	<u>School Capital Projects</u>	<u>Landfill Capital Projects</u>	<u>Fire Pumper Truck Project</u>	<u>Other Capital Projects</u>	<u>Subtotals</u>
ASSETS					
Cash and short-term investments	\$ 123,052	\$ 280,281	\$ 1,392	\$ 176,652	\$ 581,377
Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 123,052</u>	<u>\$ 280,281</u>	<u>\$ 1,392</u>	<u>\$ 176,652</u>	<u>\$ 581,377</u>
LIABILITIES					
Warrants payable	\$ -	\$ 959	\$ -	\$ -	\$ 959
Notes payable	251,000	2,000,000	450,000	1,625,000	4,326,000
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND DEFERRED	251,000	2,000,959	450,000	1,625,000	4,326,959
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	122,680	-	-	60,350	183,030
Committed	-	-	-	49,920	49,920
Unassigned	<u>(250,628)</u>	<u>(1,720,678)</u>	<u>(448,608)</u>	<u>(1,558,618)</u>	<u>(3,978,532)</u>
Total Fund Balance	<u>(127,948)</u>	<u>(1,720,678)</u>	<u>(448,608)</u>	<u>(1,448,348)</u>	<u>(3,745,582)</u>
Total Liabilities and Fund Balances	<u>\$ 123,052</u>	<u>\$ 280,281</u>	<u>\$ 1,392</u>	<u>\$ 176,652</u>	<u>\$ 581,377</u>

Permanent Fund	Total Nonmajor Governmental Funds
\$ 40,058	\$ 4,055,536
<u>397,490</u>	<u>397,490</u>
<u>\$ 437,548</u>	<u>\$ 4,453,026</u>
\$ -	\$ 53,991
-	4,326,000
-	195,419
<u>-</u>	<u>4,575,410</u>
143,524	143,524
294,024	4,354,291
-	49,920
-	(4,670,119)
<u>437,548</u>	<u>(122,384)</u>
<u>\$ 437,548</u>	<u>\$ 4,453,026</u>

TOWN OF DANVERS, MASSACHUSETTS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

	Special Revenue Funds			
	School Lunch Fund	Town Grants	School Grants	Receipts Reserved
Revenues:				
Excises	\$ -	\$ -	\$ -	\$ -
Penalties, interest and other taxes	-	-	-	94,233
Charges for services	627,341	-	-	14,175
Intergovernmental	255,467	1,815,820	3,343,155	-
Investment income	-	-	-	-
Miscellaneous	-	4,650	-	7,500
Total Revenues	882,808	1,820,470	3,343,155	115,908
Expenditures:				
Current:				
General government	-	6,331	-	-
Public safety	-	188,449	-	-
Education	993,741	-	2,277,389	-
Public works	-	1,518,130	-	-
Health and human services	-	99,308	-	-
Culture and recreation	-	16,471	-	-
Total Expenditures	993,741	1,828,689	2,277,389	-
Excess (deficiency) of revenues over (under) expenditures	(110,933)	(8,219)	1,065,766	115,908
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	(909,685)
Total Other Financing Sources (Uses)	-	-	-	(909,685)
Change in fund balances	(110,933)	(8,219)	1,065,766	(793,777)
Fund Balances, at Beginning of Year	209,743	(206,726)	(1,027,698)	1,124,108
Fund Balances, at End of Year	\$ 98,810	\$ (214,945)	\$ 38,068	\$ 330,331

Special Revenue Funds

<u>Revolving Accounts</u>	<u>Conservation</u>	<u>Housing Trust</u>	<u>Other Funds</u>	<u>Subtotals</u>
\$ 19,525	\$ -	\$ -	\$ -	\$ 19,525
-	-	-	-	94,233
1,812,527	-	-	-	2,454,043
-	-	-	-	5,414,442
-	300	481	-	781
<u>8,000</u>	<u>-</u>	<u>74,495</u>	<u>242,982</u>	<u>337,627</u>
1,840,052	300	74,976	242,982	8,320,651
-	-	-	40,066	46,397
82	-	-	47,701	236,232
483,349	-	-	-	3,754,479
73,312	-	-	168	1,591,610
153,745	-	544	36,398	289,995
<u>800,453</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>816,924</u>
<u>1,510,941</u>	<u>-</u>	<u>544</u>	<u>124,333</u>	<u>6,735,637</u>
329,111	300	74,432	118,649	1,585,014
100,000	-	500,000	-	600,000
(177,693)	-	-	-	(1,087,378)
<u>(77,693)</u>	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>(487,378)</u>
251,418	300	574,432	118,649	1,097,636
<u>1,518,300</u>	<u>133,768</u>	<u>-</u>	<u>336,519</u>	<u>2,088,014</u>
<u>\$ 1,769,718</u>	<u>\$ 134,068</u>	<u>\$ 574,432</u>	<u>\$ 455,168</u>	<u>\$ 3,185,650</u>

(continued)

TOWN OF DANVERS, MASSACHUSETTS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

(continued)

	Capital Project Funds				Subtotals
	School Capital Projects	Landfill Capital Projects	Fire Pumper Truck Project	Other Capital Projects	
Revenues:					
Excises	\$ -	\$ -	\$ -	\$ -	\$ -
Penalties, interest and other taxes	-	-	-	-	-
Charges for services	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Investment income	-	-	-	-	-
Miscellaneous	-	-	-	10,000	10,000
Total Revenues	-	-	-	10,000	10,000
Expenditures:					
Current:					
General government	-	-	-	1,470,411	1,470,411
Public safety	-	-	-	-	-
Education	-	-	-	-	-
Public works	-	736,183	-	-	736,183
Health and human services	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Total Expenditures	-	736,183	-	1,470,411	2,206,594
Excess (deficiency) of revenues over (under) expenditures	-	(736,183)	-	(1,460,411)	(2,196,594)
Other Financing Sources (Uses):					
Transfers in	-	-	-	-	-
Transfers out	(284,597)	-	-	(20,000)	(304,597)
Total Other Financing Sources (Uses)	(284,597)	-	-	(20,000)	(304,597)
Change in fund balances	(284,597)	(736,183)	-	(1,480,411)	(2,501,191)
Fund Balances, at Beginning of Year	156,649	(984,495)	(448,608)	32,063	(1,244,391)
Fund Balances, at End of Year	\$ (127,948)	\$ (1,720,678)	\$ (448,608)	\$ (1,448,348)	\$ (3,745,582)

(A) Transfers between nonmajor governmental funds have been netted on Page 28.

Permanent <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>
\$ -	\$ 19,525
-	94,233
-	2,454,043
-	5,414,442
760	1,541
<u>2,891</u>	<u>350,518</u>
3,651	8,334,302
5,690	1,522,498
-	236,232
-	3,754,479
-	2,327,793
1,000	290,995
<u>-</u>	<u>816,924</u>
<u>6,690</u>	<u>8,948,921</u>
(3,039)	(614,619)
-	600,000 (A)
<u>-</u>	<u>(1,391,975) (A)</u>
-	<u>(791,975)</u>
(3,039)	(1,406,594)
<u>440,587</u>	<u>1,284,210</u>
<u>\$ 437,548</u>	<u>\$ (122,384)</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.

(This page intentionally left blank.)

TOWN OF DANVERS, MASSACHUSETTS
 DETAIL SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
 BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
<u>Taxes</u>				
Property taxes	\$ 61,850,285	\$ 61,850,285	\$ 61,850,285	\$ -
<u>Excises</u>				
Motor vehicle excise	3,475,000	3,475,000	3,770,170	295,170
Boat excise	20,000	20,000	39,050	19,050
Total Excises	<u>3,495,000</u>	<u>3,495,000</u>	<u>3,809,220</u>	<u>314,220</u>
<u>Penalties, Interest and Other Taxes</u>				
Penalties and interest	295,000	295,000	291,973	(3,027)
Hotel/motel taxes	1,323,000	1,323,000	1,075,927	(247,073)
Meals tax	767,000	767,000	768,308	1,308
Payment in lieu of taxes	1,300,000	1,300,000	1,299,443	(557)
Total Penalties, Interest and Other Taxes	<u>3,685,000</u>	<u>3,685,000</u>	<u>3,435,651</u>	<u>(249,349)</u>
<u>Charges for Services</u>				
Fees	753,000	753,000	693,657	(59,343)
Charges	936,000	936,000	928,427	(7,573)
Other department revenues	113,000	113,000	88,163	(24,837)
Total Charges for Services	<u>1,802,000</u>	<u>1,802,000</u>	<u>1,710,247</u>	<u>(91,753)</u>
<u>Intergovernmental</u>				
State aid	9,265,135	9,265,135	9,980,708	715,573
<u>Licenses and Permits</u>				
Building permits	430,802	430,802	471,338	40,536
Other licenses and permits	439,198	439,198	490,253	51,055
Total Licenses and Permits	<u>870,000</u>	<u>870,000</u>	<u>961,591</u>	<u>91,591</u>
<u>Fines and Forfeits</u>				
Fines and forfeits	94,500	94,500	107,685	13,185
<u>Investment Income</u>				
Investment income	110,000	110,000	90,997	(19,003)
<u>Miscellaneous</u>				
Other (recurring)	270,000	270,000	261,339	(8,661)
Other (non-recurring)	-	-	44,212	44,212
Total Miscellaneous	<u>270,000</u>	<u>270,000</u>	<u>305,551</u>	<u>35,551</u>
<u>Other Financing Sources</u>				
Transfers in	2,710,235	2,747,920	2,861,445	113,525
Use of fund balance	1,225,000	1,445,000	1,445,000	-
Overlay surplus	-	600,000	600,000	-
Total Other Financing Sources	<u>3,935,235</u>	<u>4,792,920</u>	<u>4,906,445</u>	<u>113,525</u>
Total Revenues and Other Financing Sources	<u>\$ 85,377,155</u>	<u>\$ 86,234,840</u>	<u>\$ 87,158,380</u>	<u>\$ 923,540</u>

TOWN OF DANVERS, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
<u>General Government</u>				
Moderator				
Salaries and wages	\$ 400	\$ 400	\$ 400	\$ -
Other expense	1,150	1,150	-	1,150
Selectmen				
Salaries and wages	15,500	15,500	13,459	2,041
Other expense	8,100	8,100	7,198	902
Town Manager				
Salaries and wages	59,380	59,380	59,364	16
Other expense	17,600	17,600	14,904	2,696
Technology Plan				
Other expense	205,223	205,223	205,223	-
Management & Information Services				
Salaries and wages	245,154	232,054	223,211	8,843
Other expense	199,338	199,338	172,260	27,078
Department Head Salaries				
Salaries and wages	1,236,447	1,236,447	1,232,633	3,814
FinCom Reserve Fund				
Other expense	50,000	50,000	-	50,000
Town Accountant				
Salaries and wages	254,740	257,840	257,822	18
Other expense	40,574	40,574	37,575	2,999
Assessing				
Salaries and wages	147,383	139,783	138,831	952
Other expense	58,255	65,855	65,768	87
Administrative Services				
Salaries and wages	359,538	353,538	340,577	12,961
Other expense	76,350	82,350	81,395	955
Capital outlay	5,000	5,000	5,000	-
Town Counsel				
Other expense	168,801	168,801	93,867	74,934
Human Resources				
Salaries and wages	102,497	102,497	92,988	9,509
Other expense	17,100	17,100	12,625	4,475
Total General Government	<u>3,268,530</u>	<u>3,258,530</u>	<u>3,055,100</u>	<u>203,430</u>
<u>Public Safety</u>				
Police Department				
Salaries and wages	5,480,425	5,480,425	5,123,930	356,495
Other expense	389,250	389,250	356,170	33,080
Capital outlay	199,143	209,143	198,609	10,534
Fire Department				
Salaries and wages	4,040,826	4,260,826	4,233,170	27,656
Other expense	253,642	253,642	253,365	277
Capital outlay	74,474	74,474	74,217	257
Code Administration				
Salaries and wages	286,853	286,853	279,924	6,929
Other expense	48,482	48,482	39,185	9,297
Total Public Safety	<u>10,773,095</u>	<u>11,003,095</u>	<u>10,558,570</u>	<u>444,525</u>

(continued)

(continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
<u>Education</u>				
Education	33,372,359	33,972,359	33,761,649	210,710
Other expense	1,551,611	1,551,611	1,551,611	-
Capital outlay	98,000	98,000	98,000	-
Total Education	<u>35,021,970</u>	<u>35,621,970</u>	<u>35,411,260</u>	<u>210,710</u>
<u>Public Works</u>				
Salaries and wages	3,892,584	3,892,584	3,839,122	53,462
Other expense	6,399,058	6,399,058	6,445,059	(46,001)
Capital outlay	479,000	516,685	514,728	1,957
Total Public Works	<u>10,770,642</u>	<u>10,808,327</u>	<u>10,798,909</u>	<u>9,418</u>
<u>Health and Human Services</u>				
Planning Department				
Salaries and wages	346,911	346,911	332,794	14,117
Other expense	38,000	38,000	36,202	1,798
Health Department				
Salaries and wages	195,818	195,818	196,948	(1,130)
Other expense	143,648	143,648	132,530	11,118
Senior and Social Services Department				
Salaries and wages	202,469	202,469	196,984	5,485
Other expense	22,619	22,619	31,035	(8,416)
Total Health and Human Services	<u>949,465</u>	<u>949,465</u>	<u>926,493</u>	<u>22,972</u>
<u>Culture and Recreation</u>				
Recreation Department				
Salaries and wages	466,908	466,908	431,291	35,617
Other expense	136,665	136,665	125,852	10,813
Capital outlay	16,500	16,500	14,303	2,197
Library				
Salaries and wages	987,433	987,433	966,461	20,972
Other expense	234,862	234,862	224,128	10,734
Total Culture and Recreation	<u>1,842,368</u>	<u>1,842,368</u>	<u>1,762,035</u>	<u>80,333</u>
<u>Employee Benefits</u>				
Employee benefits and insurance	10,605,929	10,605,929	10,605,312	617
Retirement	4,031,094	4,031,094	4,030,812	282
Total Employee Benefits	<u>14,637,023</u>	<u>14,637,023</u>	<u>14,636,124</u>	<u>899</u>
<u>Debt Service</u>				
Principal & interest	5,696,158	5,696,158	5,669,824	26,334
<u>Intergovernmental</u>				
State assessments	1,042,904	1,042,904	892,125	150,779
<u>Other Financing Uses</u>				
Transfers out	1,375,000	1,375,000	1,375,000	-
Total Other Financing Uses	<u>1,375,000</u>	<u>1,375,000</u>	<u>1,375,000</u>	<u>-</u>
Total Expenditures and Other Financing Uses	<u>\$ 85,377,155</u>	<u>\$ 86,234,840</u>	<u>\$ 85,085,440</u>	<u>\$ 1,149,400</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.

(This page intentionally left blank.)

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

BUDGETED ENTERPRISE FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

	Final <u>Budget</u>	Water Fund Actual (Budgetary Basis)	Variance Favorable (Unfavorable)
Revenues and Other Sources:			
Charges for services	\$ 6,879,721	\$ 7,217,708	\$ 337,987
Intergovernmental	-	110,055	110,055
Other Sources:			
Transfers	-	-	-
Use of retained earnings	<u>668,120</u>	<u>668,120</u>	<u>-</u>
Total Revenues and Other Sources	7,547,841	7,995,883	448,042
Expenditures:			
Operating expenses	7,547,841	5,628,528	1,919,313
Articles	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>7,547,841</u>	<u>5,628,528</u>	<u>1,919,313</u>
Excess of revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 2,367,355</u>	<u>\$ 2,367,355</u>

Sewer Fund		
<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 6,365,402	\$ 6,722,353	\$ 356,951
-	-	-
172,000	172,000	-
<u>100,000</u>	<u>100,000</u>	<u>-</u>
6,637,402	6,994,353	356,951
6,262,402	6,134,615	127,787
<u>375,000</u>	<u>375,000</u>	<u>-</u>
<u>6,637,402</u>	<u>6,509,615</u>	<u>127,787</u>
<u>\$ -</u>	<u>\$ 484,738</u>	<u>\$ 484,738</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, 2013

<u>Agency Fund</u>	Balance July 1, <u>2012</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2013</u>
Assets - cash and short-term investments	\$ 182,733	\$ 1,271,471	\$ (1,225,886)	\$ 228,318
Assets - accounts receivable	85,832	255,033	(302,500)	38,365
Total assets	<u>\$ 268,565</u>	<u>\$ 1,526,504</u>	<u>\$ (1,528,386)</u>	<u>\$ 266,683</u>
Liabilities - other	\$ 268,565	\$ 3,450,497	\$ (3,452,379)	\$ 266,683
Total liabilities	<u>\$ 268,565</u>	<u>\$ 3,450,497</u>	<u>\$ (3,452,379)</u>	<u>\$ 266,683</u>

(This page intentionally left blank.)

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>	103-107
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	108-110
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>	111-113
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>	114-115
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>	116-118

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

(This page intentionally left blank.)

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities										
Net Investment in Capital Assets.....	\$ 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	\$ 89,743,013
Restricted.....	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	4,314,783
Unrestricted.....	<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>	<u>(38,719,611)</u>
Total governmental activities net position.....	<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>	<u>\$ 55,338,185</u>
Business-type activities										
Net Investment in Capital Assets.....	\$ 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	\$ 85,067,733
Restricted.....	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	3,908,807
Unrestricted.....	<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>	<u>33,767,914</u>
Total business-type activities net position.....	<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>	<u>\$ 122,744,454</u>
Primary Government										
Net Investment in Capital Assets.....	\$ 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	\$ 174,810,746
Restricted.....	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	8,223,590
Unrestricted.....	<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>	<u>(4,951,697)</u>
Total primary government net position.....	<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>	<u>\$ 178,082,639</u>

Data source: Audited financial statements.

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
General government.....	\$ 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	\$ 5,513,118
Public safety.....	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	15,506,498
Education.....	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	62,660,085
Public works.....	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	15,680,961
Health and human services.....	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	1,827,654
Culture and recreation.....	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	3,223,429
Interest.....	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	2,241,737
Total governmental activities expenses.....	68,443,854	72,661,133	76,369,163	87,201,843	91,490,838	95,865,191	99,131,472	100,718,685	102,460,561	106,653,482
Business-type activities:										
Water operations.....	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	6,457,316
Sewer operations.....	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	6,272,134
Electric operations.....	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	39,277,467
Total business-type activities expenses.....	42,932,605	42,869,509	50,935,004	50,992,090	51,117,827	59,199,169	54,558,107	58,597,785	57,428,207	52,006,917
Total primary government expenses.....	\$ 111,376,459	\$ 115,530,642	\$ 127,304,167	\$ 138,193,933	\$ 142,608,665	\$ 155,064,360	\$ 153,689,579	\$ 159,316,470	\$ 159,888,768	\$ 158,660,399
Program Revenues										
Governmental activities:										
Charges for services:										
General government.....	\$ 534,568	\$ 511,636	\$ 552,690	\$ 624,248	\$ 450,776	\$ 1,002,919	\$ 1,186,728	\$ 1,307,450	\$ 1,431,513	\$ 1,430,145
Public safety.....	1,021,831	1,047,787	1,145,808	1,331,827	1,556,596	593,583	496,100	696,737	941,478	1,030,907
Education.....	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	1,218,429
Public works.....	303,561	320,446	363,650	208,750	508,881	231,284	253,534	269,162	99,995	76,497
Health and human services.....	264,197	276,372	403,052	473,643	857,319	1,184,850	354,167	396,945	367,703	328,380
Culture and recreation.....	314,593	392,383	289,821	414,168	26,167	26,712	892,739	887,844	1,113,249	1,153,832
Operating grants and contributions.....	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	20,383,237
Capital grants and contributions.....	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	6,263,672
Total governmental activities program revenues	15,951,700	16,982,802	18,304,598	21,115,304	21,578,142	20,898,924	23,939,867	26,405,869	41,353,810	31,885,099
Business-type activities:										
Charges for services:										
Water operations.....	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	7,355,468
Sewer operations.....	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	6,678,301
Electric operations.....	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	39,492,555
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	1,416,835
Capital grants and contributions.....	-	-	-	-	-	-	-	1,067,131	1,485,147	3,952,283
Total business-type activities revenues.....	43,445,036	42,250,323	52,134,978	51,917,816	47,988,292	58,214,651	51,721,578	61,238,775	58,273,323	58,895,442
Total primary government revenues.....	\$ 59,396,736	\$ 59,233,125	\$ 70,439,576	\$ 73,033,120	\$ 69,566,434	\$ 79,113,575	\$ 75,661,445	\$ 87,644,644	\$ 99,627,133	\$ 90,780,541
Net (Expense)/ Revenue										
Governmental activities.....	\$ (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)	\$ (74,768,383)
Business-type activities.....	512,431	(619,186)	1,199,974	925,726	(3,129,535)	(984,518)	(2,836,529)	2,640,990	845,116	6,888,525
Total primary government net (expense).....	\$ (51,979,723)	\$ (56,297,517)	\$ (56,864,591)	\$ (65,160,813)	\$ (73,042,231)	\$ (75,950,785)	\$ (78,028,134)	\$ (71,671,826)	\$ (60,261,635)	\$ (67,879,858)

(continued)

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

(continued)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Revenues and other Changes in Net Position										
Governmental activities:										
Real estate and personal property taxes, net of refunds payable.....	\$ 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	\$ 62,649,396
Excises.....	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	3,888,252
Penalties, interest and other taxes.....	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	2,492,475
Grants and contributions not restricted to specific programs.....	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	2,748,452
Unrestricted investment income.....	432,127	634,210	1,087,602	1,507,919	1,351,845	464,784	176,830	156,999	135,569	178,384
Miscellaneous.....	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	383,214
Transfers.....	158,999	-	(68,000)	37,500	(47,000)	(1,072,000)	(127,000)	683,282	880,566	865,409
Permanent fund contributions.....	398,231	5,504	-	-	-	-	-	-	-	-
Total government activities.....	53,622,639	55,818,653	75,377,110	63,517,874	63,487,705	64,606,655	65,968,468	68,696,555	75,534,816	73,205,582
Business-type activities:										
Unrestricted investment income.....	231,893	220,212	590,971	1,703,091	1,907,193	997,120	500,275	133,391	72,025	81,906
Miscellaneous.....	370,015	-	-	-	-	557,873	854,213	367,314	147,221	8,831
Transfers.....	(158,999)	-	(745,723)	(882,608)	(109,947)	905,153	127,000	(683,282)	(880,566)	(865,409)
Total business-type activities.....	442,909	220,212	(154,752)	820,483	1,797,246	2,460,146	1,481,488	(182,577)	(661,320)	(774,672)
Total primary government.....	\$ 54,065,548	\$ 56,038,865	\$ 75,222,358	\$ 64,338,357	\$ 65,284,951	\$ 67,066,801	\$ 67,449,956	\$ 68,513,978	\$ 74,873,496	\$ 72,430,910
Net Position Restatement										
Governmental activities.....	\$ -	\$ -	\$ 11,752,738	\$ (760,980)	\$ 930,000	\$ -	\$ (271,828)	\$ -	\$ -	\$ -
Business-type activities.....	-	-	-	(2,659,332)	(930,000)	-	-	-	-	-
Total primary government.....	\$ -	\$ -	\$ 11,752,738	\$ (3,420,312)	\$ -	\$ -	\$ (271,828)	\$ -	\$ -	\$ -
Changes in Net Position										
Governmental activities.....	\$ 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	\$ (1,562,801)
Business-type activities.....	955,340	(398,974)	1,045,222	(913,123)	(2,262,289)	1,475,628	(1,355,041)	2,458,413	183,796	6,113,853
Total primary government changes in net position.....	\$ 2,085,825	\$ (258,652)	\$ 30,110,505	\$ (4,242,768)	\$ (7,757,280)	\$ (8,883,984)	\$ (10,850,006)	\$ (3,157,848)	\$ 14,611,861	\$ 4,551,052

Data source: Audited financial statements

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011 ⁽¹⁾	2012	2013
General Fund										
Reserved	\$ 3,481,678	\$ 2,654,646	\$ 2,826,291	\$ 3,470,188	\$ 4,178,056	\$ 3,286,428	\$ 4,122,567	\$ -	\$ -	\$ -
Unreserved	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	7,075,094
Assigned	-	-	-	-	-	-	-	3,102,923	3,654,766	2,882,288
Unassigned	-	-	-	-	-	-	-	2,271,697	3,572,172	5,511,075
Total general fund	<u>\$ 8,105,738</u>	<u>\$ 8,090,187</u>	<u>\$ 7,497,231</u>	<u>\$ 11,316,473</u>	<u>\$ 10,256,912</u>	<u>\$ 8,217,273</u>	<u>\$ 7,195,985</u>	<u>\$ 15,084,644</u>	<u>\$ 16,405,437</u>	<u>\$ 15,468,457</u>
All Other Governmental Funds										
Reserved	\$ 143,524	\$ 143,524	\$ 143,524	\$ 143,524	\$ 143,524	\$ 143,524	\$ 143,524	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	10,717,813	11,369,839	11,603,547	14,212,805	15,019,326	15,233,456	12,783,373	-	-	-
Capital projects funds	(3,847,647)	(19,785,578)	(857,581)	(1,790,725)	(2,491,923)	1,627,992	(4,024,395)	-	-	-
Permanent funds	242,302	248,662	255,691	269,951	285,151	292,875	295,361	-	-	-
Nonspendable	-	-	-	-	-	-	-	143,524	143,524	143,524
Restricted	-	-	-	-	-	-	-	5,070,550	5,675,655	4,354,291
Committed	-	-	-	-	-	-	-	49,920	49,920	49,920
Unassigned	-	-	-	-	-	-	-	(15,437,085)	(4,007,947)	(9,560,010)
Total all other governmental funds	<u>\$ 7,255,992</u>	<u>\$ (8,023,553)</u>	<u>\$ 11,145,181</u>	<u>\$ 12,835,555</u>	<u>\$ 12,956,078</u>	<u>\$ 17,297,847</u>	<u>\$ 9,197,863</u>	<u>\$ (10,173,091)</u>	<u>\$ 1,861,152</u>	<u>\$ (5,012,275)</u>

Data Source: Audited Financial statements

⁽¹⁾ Beginning with FY11, the presentation of Fund Balance conforms with Government Accounting Standards Board Statement No. 54.

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues:										
Real estate and personal property taxes, net of tax refunds.....	\$ 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	\$ 62,447,795
Motor vehicle and other excise taxes.....	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	3,809,220
Penalties, interest and other taxes.....	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	2,492,475
Charges for services.....	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	4,164,141
Intergovernmental.....	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	29,813,367
Licenses and permits.....	1,598,018	1,583,186	1,746,305	1,944,147	2,123,421	626,205	509,978	713,939	869,973	961,842
Investment income.....	416,602	928,411	1,262,751	1,480,947	1,323,701	586,963	199,051	152,376	132,542	174,744
Miscellaneous.....	1,119,686	555,044	960,385	1,025,368	801,020	2,109,894	1,100,519	1,002,587	2,383,420	771,444
Total Revenue	69,309,227	72,655,556	93,120,643	84,856,153	84,740,291	86,806,559	89,813,503	94,325,500	112,890,311	104,635,028
Expenditures:										
General Government.....	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	4,564,477
Public Safety.....	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	10,815,236
Education.....	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	48,116,489
Public Works.....	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	12,920,504
Health and Human Services.....	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	1,214,070
Culture and Recreation.....	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	2,548,230
Employee Benefits.....	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	14,798,538
Intergovernmental.....	679,474	673,662	666,937	720,761	842,876	826,760	949,027	860,320	792,504	892,125
⁽¹⁾ Capital outlay.....	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	11,730,505
Debt service:										
Principal.....	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	3,479,000
Interest.....	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	2,330,403
Total Expenditures	69,907,964	88,985,652	85,801,865	80,346,393	86,257,329	92,601,154	98,807,775	108,934,249	129,764,841	113,409,577
Excess of revenues over/(under) expenditures	(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)	(8,774,549)
Other Financing Sources (Uses)										
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 and related premium	-	2,441,965	-	3,187,770	-	3,034,500	-	-	-	2,385,878
Payments to refunded bond escrow agent.....	-	(2,441,965)	-	(3,187,770)	-	(2,996,736)	-	-	-	(2,287,145)
Transfers in.....	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	1,657,384
Transfers out.....	(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)	(791,975)
Total other financing sources (uses)	2,079,999	1,035,000	11,257,000	37,500	(47,000)	8,096,725	(127,000)	3,398,282	30,229,566	964,142
Fund balance restatement	-	-	-	962,356	625,000	-	-	-	-	-
Net change in fund balance	\$ 1,481,262	\$ (15,295,096)	\$ 18,575,778	\$ 5,509,616	\$ (939,038)	\$ 2,302,130	\$ (9,121,272)	\$ (11,210,467)	\$ 13,355,036	\$ (7,810,407)
⁽²⁾ Debt service as a percentage of noncapital expenditures	3.95%	4.21%	4.20%	3.57%	4.22%	3.95%	4.42%	4.40%	4.91%	5.87%

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
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
2013	2,858,553,560	73.39%	749,530,305	198,297,875	88,425,460	1,036,253,640	26.61%	3,894,807,200

Source: Board of Assessors, Town of Danvers

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

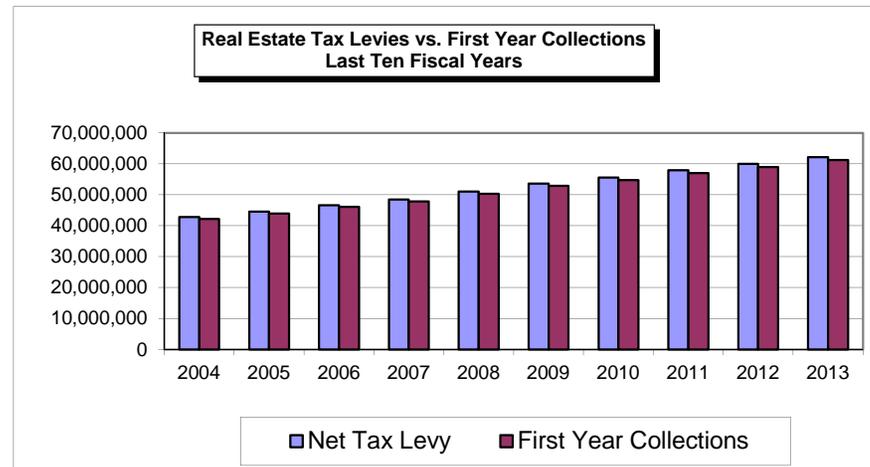
**Town of Danvers, Massachusetts
Principal Taxpayers
Current Year and Nine Years Ago**

Name	Nature of Business	2013			2005		
		Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Mall at Liberty Tree, LLC	Commercial	\$ 54,925,600	1	1.41%	\$ 65,831,900	1	1.71%
Brookwood Cherry Hill LLC*	Commercial/Industrial	\$ 44,417,100	2	1.14%	\$		
Avalon Bay Communities*	Residential/Commercial	\$ 59,968,100	3	1.54%	\$		
Town of Danvers Electric Division	Municipal Utility	\$ In Lieu of Tax	4		\$ In Lieu of Tax	2	
Partners Healthcare System, Inc.	Commercial	\$ 29,138,413	5	0.75%	\$		
EDF Danvers, LLC*	Commercial	\$ 22,701,900	6	0.58%	\$ 24,102,800	5	0.63%
Home Depot*	Commercial	\$ 22,014,000	7	0.57%	\$ 23,151,800	6	0.60%
Endicott Plaza Limited Partnership*	Commercial	\$ 20,709,700	8	0.53%	\$		
Samuel A. Valenti*	Commercial/Residential	\$ 19,693,000	9	0.51%	\$ 21,009,500	7	0.55%
Atlas Danvers Realty, LLC	Commercial	\$ 19,409,800	10	0.50%	\$		
Marriott Corporation*	Commercial				\$ 33,422,900	3	0.87%
Thomas J. Flatley*	Commercial/Industrial				\$ 27,891,800	4	0.73%
Dancross Associates*	Commercial				\$ 20,439,200	9	0.53%
Ira Rosenberg*	Commercial				\$ 20,720,400	8	0.54%
Oasis Northwoods, LLC	Commercial				\$ 18,630,900	10	0.48%
		\$ 292,977,613		7.52%	\$ 255,201,200		6.64%

* 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
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%
2013	\$ 62,526,780	\$ (363,940)	\$ 62,162,840	\$ 61,217,973	98.48%	\$ 909,922	\$ 62,127,895	99.9%	\$ 1,957,784	3.15%



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
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	24,059	\$ 50,596	\$ 3,930,282,886	\$ 28,654,570	\$ 1,191	0.18%	0.73%
2012	23,347	\$ 50,537	\$ 3,922,581,465	\$ 55,258,870	\$ 2,367	0.09%	1.41%
2013	23,923	\$ 50,223	\$ 3,894,807,200	\$ 51,804,670	\$ 2,165	0.10%	1.33%

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
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	\$ 2,011	0.10%	1.23%
2012	\$ 8,623,942	\$ 4,593,450	\$ 8,945,000	\$ 77,421,262	\$ 3,316	0.07%	1.97%
2013	\$ 28,330,380	\$ 4,142,350	\$ 8,325,000	\$ 92,602,400	\$ 3,871	0.05%	2.38%

Data source: Massachusetts Division of Career Centers and Division of Unemployment Assistance
Data source: Audited financial statements

Town of Danvers, Massachusetts
Direct and Overlapping Governmental Activities Debt
As of June 30, 2013

	<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)	\$ 405,000	18.88%	\$ 76,464
South Essex Sewerage District (4)	59,296,557	13.83%	8,200,714
Massachusetts Bay Transportation Authority (5)	5,475,648,081	0.35%	<u>19,164,768</u>
Subtotal, overlapping debt			27,441,946
Town direct debt			<u>51,804,670</u>
Total direct and overlapping debt			<u>\$ 79,246,616</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: South Essex Sewerage District

(5) Source: Massachusetts Bay Transportation Authority

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

(Amounts in thousands)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Equalized Valuation (1)	\$ 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	\$ 4,124,854
Debt Limit - 5% of Equalized Valuation	191,204	191,204	226,990	226,990	240,336	240,336	217,763	217,763	206,243	206,243
Less:										
Total debt applicable to limitation (2)	(23,657)	(24,472)	(22,319)	(31,542)	(24,115)	(29,108)	(29,303)	(30,850)	(57,679)	(53,950)
Legal debt margin	\$ 167,547	\$ 166,732	\$ 204,671	\$ 195,448	\$ 216,221	\$ 211,228	\$ 188,460	\$ 186,913	\$ 148,564	\$ 152,293
Total debt applicable to the limit as a percentage of debt limit	12%	13%	10%	14%	10%	12%	13%	14%	28%	26%

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
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	24,058	\$ 39,278	44.4	3,637	6.4%
2012	23,347	\$ 39,278	44.4	3,617	6.2%
2013	23,923	\$ 39,067	43.7	3,593	6.5%

Data source: Massachusetts Division of Career Services
Town of Danvers Census Data

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

Employer	Type of Business	2013			2004		
		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	6.56 %	900	1	6.60 %
Beverly Hospital	Medical Center	350	2	2.55 %			
North Shore Community College	Higher Education	318	3	2.32 %	318	3	2.33 %
Doubletree Conference Resort	Hotel/Conference Center	300	4	2.19 %	300	4	2.20 %
VNA North Shore Inc.	Visiting Nurses	275	5	2.01 %	272	6	1.99 %
Home Depot	Building Retail	260	6	1.90 %			
Hospice of the North Shore	Medical Care	211	7	1.54 %			
Lowe's Home Improvement Center	Building Retail	210	8	1.53 %	210	8	1.54 %
Medtronic Interventional Vascular	Bio-Medical Research & Dev.	210	9	1.53 %	210	9	1.54 %
Hotwatt	Manufacturing & Assembling	200	10	1.46 %	200	10	1.47 %
Stop & Shop	Food Retail				250	7	1.83 %
Hunter Center	Medical Center				350	2	2.57 %
Fishery Products	Food Processing				300	5	2.20 %
Total Principal Employers		3,234		23.58 %	3,310		24.27 %
Total Town Employment (1)		13,713			13,637		

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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government	31.25	31.25	31.25	31.25	32.00	31.00	30.00	30.00	30.00	30.00
Public Safety										
Police	59.50	59.50	60.00	61.00	59.00	58.00	58.00	58.00	58.00	58.00
Fire	51.75	51.75	51.75	50.75	51.87	49.87	49.87	49.87	49.87	49.87
Code Administration	6.75	6.75	5.75	5.75	6.16	6.00	6.00	6.00	5.60	5.60
Total	<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>	<u>113.47</u>
Education	411.00	313.00	320.30	329.60	410.00 *	426.00	434.00	441.90	443.70	440.50
Public Works										
Tax Supported	62.50	62.50	65.50	65.50	66.70	66.70	65.70	63.70	63.70	63.70
Water/Sewer Division	22.00	22.00	22.00	22.00	24.00	24.00	24.00	24.00	24.00	24.00
Electric/Business Division	48.00	48.00	48.00	48.00	46.00	46.00	46.00	47.00	47.00	47.00
Total	<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>	<u>134.70</u>
Planning and Human Services										
Planning	7.00	7.00	7.00	7.00	7.00	6.00	6.00	6.00	6.00	6.00
Health	2.00	2.00	2.00	2.00	2.00	3.00	3.00	2.00	2.00	2.00
Recreation	7.00	7.00	7.00	7.00	7.64	7.64	7.64	7.64	7.64	7.64
Senior & Social Services	3.00	3.00	3.00	3.00	3.75	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>20.39</u>	<u>20.39</u>	<u>20.39</u>	<u>19.39</u>	<u>19.39</u>	<u>19.39</u>
Library	<u>14.20</u>	<u>14.20</u>	<u>14.20</u>	<u>14.20</u>	<u>14.20</u>	<u>14.20</u>	<u>13.50</u>	<u>13.50</u>	<u>13.50</u>	<u>13.58</u>
Total	<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>	<u><u>751.64</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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Finance										
Registered voters	16,595	15,878	16,537	16,452	17,453	17,755	18,272	18,256	18,851	*
Taxable property parcels assessed	8,824	8,932	9,047	9,058	9,076	9,110	9,129	9,131	9,136	9,155
Motor vehicles registered	25,522	25,611	25,506	25,279	25,520	26,747	26,946	*	25,155	*
Police										
Physical arrests	1,259	1,150	1,154	1,012	885	720	583	705	697	755
Traffic violations	5,088	4,691	5,378	6,875	7,080	5,706	6,456	5,239	6,148	6,905
Parking violations										
Fire and Rescue (CY)										
Calls answered	5,172	5,753	5,979	6,629	6,531	6,597	6,994	6,867	7,137	*
Emergency responses	4,090	4,637	3,520	3,979	3,892	3,807	3,889	4,081	4,368	*
Fires extinguished	152	126	88	182	151	92	88	93	130	*
Number of inspections conducted	1,082	1,116	1,186	1,210	1,294	1,258	1,575	1,497	1,486	*
Emergency medical responses	1,851	2,071	2,112	2,403	2,334	2,498	2,584	2,709	2,892	*
Code Administration										
Building permits	1,021	1,072	733	1,154	1,061	811	791	867	981	703
Estimated construction value (\$)	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	30,754,574
Public Works										
Refuse collected (tons)	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	6,404.74
Recycling (tons)	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	2,613.03
Public Library										
Volumes in collections	117,149	119,169	122,147	124,957	122,591	125,812	116,064	115,169	111,817	113,761
Total volumes borrowed	117,149	139,059	132,039	138,734	139,748	152,823	153,651	150,651	155,087	144,459
Water system:										
Water main breaks	23	22	25	19	18	38	29	28	20	29
Daily average consumption (millions of gallons)	2.60	2.47	2.58	3.09	3.25	3.19	3.23	3.70	3.22	3.08
Peak daily consumption (millions of gallons)	5.51	5.58	5.27	5.20	6.12	5.00	5.28	6.08	5.74	5.97
Sewage System:										
Miles of sewer	110.86	110.86	111.90	121.18	121.50	122.94	122.94	123.33	123.33	123.70
Number of house connections	7,338	7,338	7,416	7,646	7,700	7,728	7,740	7,760	7,778	7,796
Electric System (CY)										
Annual energy sales (MWHR)	321,686	330,348	323,437	326,551	321,057	314,973	326,841	323,607	320,844	*
Number of meters	11,749	11,959	11,730	12,493	12,972	13,016	13,016	13,016	13,016	*
Overhead lines (miles)	137.50	140.10	141.45	141.86	141.86	141.86	143.56	146.56	*	*
Underground lines (miles)	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**

Function	Fiscal Year									
	<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>	<u>2013</u>
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	120.50	121	121	123
Miles of storm drains	100	100	100	100	100	100	100	100	100	103
Number of street lights	3,535	3,523	3,523	3,523	3,470	3,469	3,468	3,471	3,489	3,490
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	36	36	36	36	36
Tennis Courts	10	10	10	10	10	10	10	10	10	10
Water system:										
Miles of water mains	119.92	129.05	130.23	132.41	133.50	134.10	134.10	134.51	135.00	135.25
Number of service connections	10,618	10,692	10,773	10,800	10,820	10,837	10,842	10,855	10,870	10,886
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)	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
Number of fire hydrants	1,431	1,450	1,462	1,476	1,487	1,491	1,493	1,500	1,505	1,508
Sewage System:										
Miles of sanitary sewers	120.20	120.30	120.30	121.18	121.50	122.94	122.94	123.33	123.33	123.51
Number of treatment plants (2)										
Number of service connections	7,457	7,590	7,613	7,646	7,700	7,728	7,740	7,760	7,778	7,796

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.