

TOWN OF DANVERS, MASSACHUSETTS

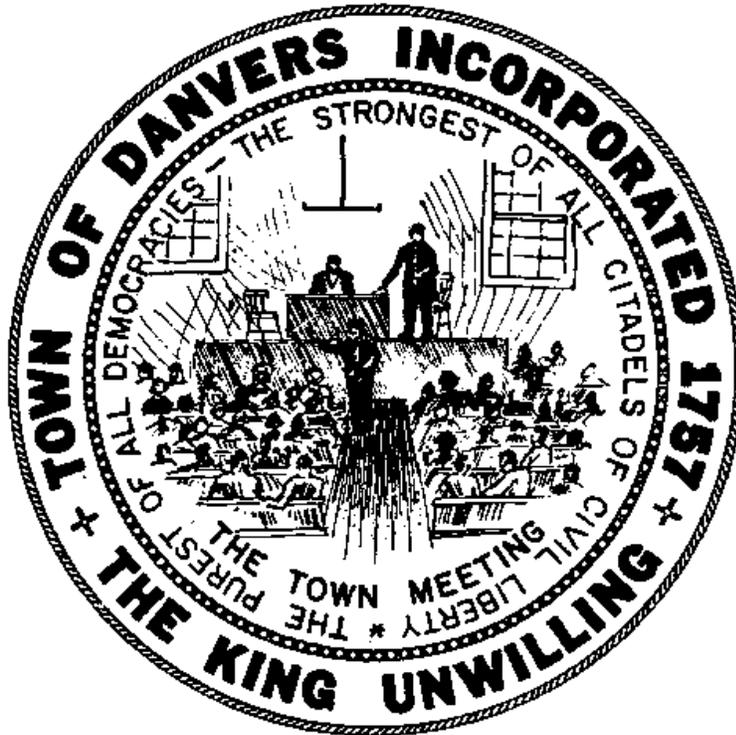


COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For the Year
Ended
June 30, 2014**



TOWN OF DANVERS, MASSACHUSETTS
Comprehensive Annual Financial Report
For the Year Ended June 30, 2014



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, 2014

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TOWN OF DANVERS

Town Accountant



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1 Sylvan Street
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Telephone (978) 777-0001

February 18, 2015

Letter of Transmittal

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

At the close of each fiscal year, State law requires the Town of Danvers to publish a complete set of financial statements presented in conformance with Generally Accepted Accounting Principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the Town of Danvers, Massachusetts, for the fiscal year ending June 30, 2014 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, 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, 2014, 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, 2014, 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/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 Essex North Shore Agricultural and Technical School provides vocational education in grades 9-12, 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	Daniel C. Bennett	Elected/3 years	2016
Selectman	David Mills	Elected/3 years	2016
Selectman	Diane Langlais	Elected/3 years	2017
Town Manager	Steve Bartha	Appointed/5 years	2019
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/3 year	2017
School Committee	Connie Pawlak	Elected/3 years	2015
School Committee	David Thomson	Elected/3 years	2015
School Committee	Arthur Skarmear	Elected/3 years	2016
School Committee	Jeffrey Kay	Elected/3 years	2017
School Committee	Eric Crane	Elected/3 years	2017
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 average for the past five years. The Town remains a very desirable community, given its close proximity to Boston and quality of services. The residential housing market is strong, reflecting the solid interest in the community. Twenty-seven units of new, waterfront condominiums, in addition to eighty units on the site of the former State Hospital, are presently being constructed and marketed. More than 150 units of all-affordable, all rental, housing consisting of one, two and three bedroom units are also in various

stages of completion. Smaller, single family sub-divisions are also currently under construction on ten lots.

Fiscal year 2014 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 location on Route 114 of a CarMax dealership is also going through the various planning stages.

The medical industry has taken advantage of the Town's location and resources. Lahey Health (formerly 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 in Danvers, with companies such as Abiomed, Cell Signaling Technology, and Medtronic having large facilities in town. And, 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 [the newly-named Essex North Shore Agricultural & Technical School] is located on a new campus in Danvers, hosting 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 and was completed in September 2014. North Shore Community College has also expanded its campus within Danvers with a new \$32 million building. St. John's Preparatory School has begun construction on a \$14 million academic building to be opened September 2015. The construction is part of a strategic plan that calls for the opening of a middle school beginning in 2015.

Relevant Financial Policies

Long-term Financial Planning - Despite years of reduced state aid, the Town has been able to sustain quality municipal and school services through a combination of prudent budgeting, user fee adjustments, strong tax collections, continued property growth, and taking steps to slow the growth 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 Town and employee cost increases to the health care program. 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, including: 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 other municipal best practices.

The High School Addition and Renovation project (\$70.9m) was 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 \$7.85 million) that provide financial flexibility in dealing with future major initiatives.

Credit Rating - The Town maintains strong credit ratings from Moody's Investors Service (Aa1) and Standard and Poor's (AA⁺). These credit ratings were most recently reaffirmed by the agencies in November 2014.

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

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

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

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

investments, and the market, to keep abreast of what is happening with the investment environment.

Quarterly tax billings and excellent collection rates have eliminated the need to borrow on a short-term basis to maintain cash flow. The Town's investment options are governed by the Massachusetts General Laws and focus on safety, liquidity, and yield.

Pension and other post-employment benefits - The Town of Danvers fully funds each year's annual required contribution to the pension plan as determined by the actuary. The Town's Retirement System has succeeded in funding 55.5% of the present value of the projected benefits earned by employees based on the actuarial valuation as of January 1, 2014. The System has also established a State-approved funding schedule that will eliminate the Town's unfunded actuarial liabilities (\$72.2 million) by 2036.

The Town of Danvers also provides on a pay-as-you-go-basis post-retirement health care benefits for certain retirees and their dependents. In accordance with the GASB Statement 45, the Town has updated their actuarial valuation to estimate Danvers' 2011 fiscal year accrual. The liability, as of July 1, 2014, is \$178.1 million. In FY 2007, the Town created a stabilization fund of \$250,000 as an initial attempt to set aside funds towards this liability. As of June 30, 2014, this stabilization fund balance exceeds \$2.6 million.

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

The Town of Danvers takes specific measures to reduce all risk exposure. The Town's Employee Safety Committee, which meets periodically to review claims and accidents, is responsible for developing and implementing safety programs.

Awards and Acknowledgements

Award - The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Danvers for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2013. This was the tenth 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 end efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's

requirements, and we are submitting it to the GFOA to determine its eligibility for award.

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, for their recognition of the importance of the CAFR and the encouragement given to the financial departments.

Respectfully submitted,



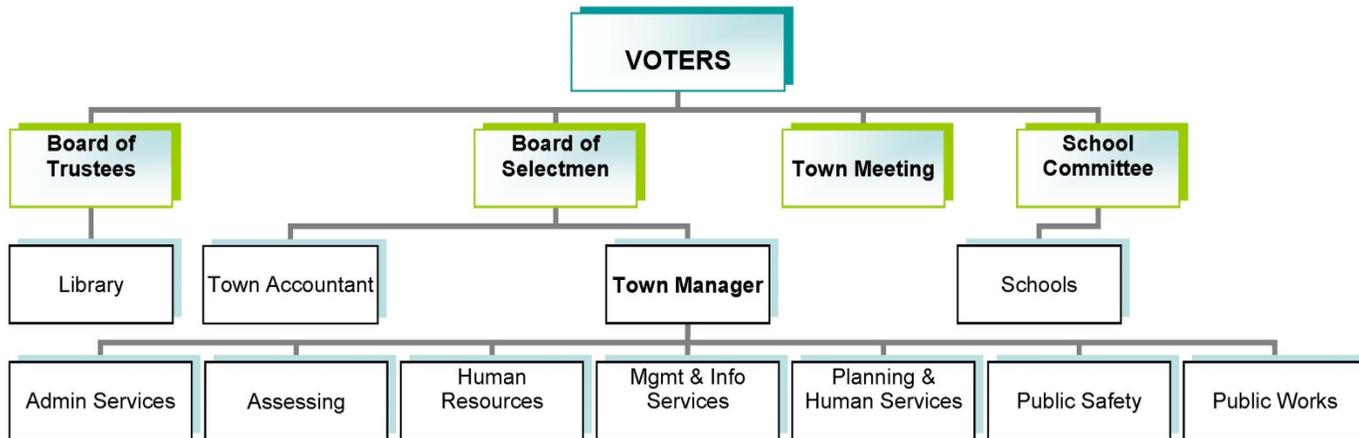
Steve Bartha
Town Manager

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, 2013

Executive Director/CEO

INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Danvers, Massachusetts

Additional Offices:
Nashua, NH
Manchester, NH
Greenfield, MA
Ellsworth, ME

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, 2014 (except for the Danvers Contributory Retirement System and Electric Division Enterprise Fund, which are as of and for the year ended December 31, 2013), 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, 2014 (except for the Danvers Contributory Retirement System and Electric Division Enterprise Fund, which are as of and for the year ended December 31, 2013), 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 82 through 101 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 February 18, 2015 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
February 18, 2015

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, 2014. 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 \$176,864,930 (i.e., net position), a change of \$(2,766,795) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$10,316,907, a change of \$(139,275) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$7,965,218, a change of \$1,735,951 in comparison to the prior year, while committed fund balance was \$6,797,833, a change of \$440,931 in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$86,505,666, a change of \$6,096,734 in comparison to the prior year. The Town also had \$13,426,000 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 \$64,176,611, a change of \$9,075,494 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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 34,545	\$ 29,235	\$ 49,940	\$ 50,617	\$ 84,485	\$ 79,852
Capital assets	145,888	145,874	130,640	130,009	276,528	275,883
Total assets	<u>180,433</u>	<u>175,109</u>	<u>180,580</u>	<u>180,626</u>	<u>361,013</u>	<u>355,735</u>
Long-term liabilities outstanding ⁽¹⁾	112,576	106,013	46,470	49,104	159,046	155,117
Other liabilities	19,336	13,347	5,355	7,229	24,691	20,576
Deferred inflows	<u>411</u>	<u>411</u>	<u>-</u>	<u>-</u>	<u>411</u>	<u>411</u>
Total liabilities and deferred inflows	132,323	119,771	51,825	56,333	184,148	176,104
Net position:						
Net investment in capital assets	85,959	89,743	92,381	88,512	178,340	178,255
Restricted	4,139	4,315	3,596	3,909	7,735	8,224
Unrestricted	<u>(41,988)</u>	<u>(38,720)</u>	<u>32,778</u>	<u>31,872</u>	<u>(9,210)</u>	<u>(6,848)</u>
Total net position	<u>\$ 48,110</u>	<u>\$ 55,338</u>	<u>\$ 128,755</u>	<u>\$ 124,293</u>	<u>\$ 176,865</u>	<u>\$ 179,631</u>

(1) Major components of increase in governmental activities long-term liabilities over prior year is OPEB liability (\$ 8.4 M) and payments of long-term debt (\$3.4 M).

CHANGES IN NET POSITION

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:						
Program revenues:						
Charges for services	\$ 5,935	\$ 5,238	\$ 57,574	\$ 55,075	\$ 63,509	\$ 60,313
Operating grants and contributions	20,438	20,383	1,114	1,417	21,552	21,800
Capital grants and contributions	1,682	6,264	2,994	3,952	4,676	10,216
General revenues:						
Property taxes	64,405	62,649	-	-	64,405	62,649
Excises	4,044	3,888	-	-	4,044	3,888
Penalties, interest, and other taxes	2,774	2,493	-	-	2,774	2,493
Grants and contributions not restricted to specific programs	2,809	2,749	-	-	2,809	2,749
Investment income	90	178	48	82	138	260
Miscellaneous	<u>518</u>	<u>383</u>	<u>1</u>	<u>9</u>	<u>519</u>	<u>392</u>
Total revenues	102,695	104,225	61,731	60,535	164,426	164,760

(continued)

(continued)

	CHANGES IN NET POSITION					
	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Expenses:						
General government	5,834	5,513	-	-	5,834	5,513
Public safety	15,698	15,506	-	-	15,698	15,506
Education	66,118	62,660	-	-	66,118	62,660
Public works	16,047	15,681	-	-	16,047	15,681
Health and human services	2,038	1,828	-	-	2,038	1,828
Culture and recreation	3,380	3,223	-	-	3,380	3,223
Interest	1,738	2,242	-	-	1,738	2,242
Water operations	-	-	6,488	6,457	6,488	6,457
Sewer operations	-	-	7,217	6,272	7,217	6,272
Electric operations	-	-	42,634	39,278	42,634	39,278
Total expenses	<u>110,853</u>	<u>106,653</u>	<u>56,339</u>	<u>52,007</u>	<u>167,192</u>	<u>158,660</u>
Change in net position before transfers	(8,158)	(2,428)	5,392	8,528	(2,766)	6,100
Transfers in (out)	<u>930</u>	<u>865</u>	<u>(930)</u>	<u>(865)</u>	<u>-</u>	<u>-</u>
Change in net position	(7,228)	(1,563)	4,462	7,663	(2,766)	6,100
Net position - beginning of year (as restated)	<u>55,338</u>	<u>56,901</u>	<u>124,293</u>	<u>116,630</u>	<u>179,631</u>	<u>173,531</u>
Net position - end of year	<u>\$ 48,110</u>	<u>\$ 55,338</u>	<u>\$ 128,755</u>	<u>\$ 124,293</u>	<u>\$ 176,865</u>	<u>\$ 179,631</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 \$176,864,930, a change of \$(2,766,795) from the prior year.

The largest portion of net position \$178,340,022 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 \$7,735,569 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$(9,210,661) may be used to meet the Town's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$(7,228,436). Key elements of this change are as follows:

Capital Grants and Contributions	\$ 1,681,858
Change in OPEB liability	(8,414,531)
Other	<u>(495,763)</u>
Total	\$ <u>(7,228,436)</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$4,461,641. Key elements of this change are as follows:

- Water Division net position increased by \$1,683,999. Operating revenues increased by 7.2% from the prior year, while operating expenses increased by 6.8% from the prior year. In fiscal year 2014, the Town transferred \$120,000 from the water fund into the general fund for indirect costs.
- Sewer Division net position decreased by \$(542,098). Operating revenues increased by 0.1%, while operating expenses increased by 17.0%. In fiscal year 2014, the Town transferred \$100,000 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 \$3,319,740 during the year ended December 31, 2013. 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 \$10,316,907, a change of \$(139,275) in comparison to the prior year. Key elements of this change are as follows:

- The fund balance of the general fund increased by \$1,076,331 in fiscal year 2014. This increase is discussed in more detail below.

- The Town continued to invest in various capital improvements, expending \$2,689,261 in capital project funds in fiscal year 2014. These expenditures were primarily funded by \$8,400,000 in bond anticipation notes and \$1,681,858 in Massachusetts School Building Authority (MSBA) revenues for the Danvers High School Renovation project.
- Special revenue and trust fund balances decreased by \$(29,331) in fiscal year 2014, primarily due to school grant expenses in excess of revenues 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 \$7,965,218, while total fund balance was \$16,544,788. 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>6/30/14</u>	<u>6/30/13</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 7,965,218	\$ 6,229,267	\$ 1,735,951	8.4%
Total fund balance	16,544,788	15,468,457	1,076,331	17.5%

The total fund balance of the general fund changed by \$1,076,331 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>Health Claims Reserves</u>	<u>General Stabilization</u>	<u>HS/MS Stabilization</u>	<u>Revenue Stabilization</u>	<u>Education Stabilization</u>	<u>General Fund</u>
Use of fund balance and other surplus, net of transfers to stabilization	\$ (2,122)	\$ -	\$ -	\$ 700	\$ 600	\$ -	\$ 25	\$ (797)
Use of stabilization	-	-	-	(689)	(1,115)	(35)	-	(1,839)
Revenues in excess of budget	1,158	-	-	-	-	-	-	1,158
Expenditures less than budget	1,283	-	-	-	-	-	-	1,283
Current year encumbrances in excess of expenditures of prior year encumbrances	(82)	-	-	-	-	-	-	(82)
Other	1,215	(14)	1	1	150	-	-	1,353
Total	\$ 1,452	\$ (14)	\$ 1	\$ 12	\$ (365)	\$ (35)	\$ 25	\$ 1,076

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

	<u>6/30/14</u>	<u>6/30/13</u>	<u>Change</u>
Health claims reserves	\$ 9	\$ 23	\$ (14)
Claims reserves	633	632	1
General stabilization*	730	718	12
HS/MS stabilization	4,380	4,746	(366)
Revenue stabilization	-	35	(35)
Education stabilization	51	25	26
OPEB reserves	<u>1,000</u>	<u>896</u>	<u>104</u>
Total	<u>\$ 6,803</u>	<u>\$ 7,075</u>	<u>\$ (272)</u>

*Included in unassigned fund balance. All others are considered committed.

Other General Fund Highlights

- The Town used \$2,122,499 of unassigned fund balance and surplus to supplement the fiscal year 2014 appropriations in various departments.
- State and local revenues were \$1,158,445 more than anticipated, primarily because of increases in excise and other taxes and miscellaneous revenues. The increase in excise and other taxes was primarily due to unanticipated motor vehicle and hotel/motel tax revenues; while the increase in miscellaneous revenues was primarily due to debt premiums and Medicaid reimbursements.
- The Town's departments expended \$1,282,997 less than their budgeted appropriations, including turn backs of \$524,816 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 \$32,777,543. Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

Included in the proprietary fund balances are the following OPEB reserves (presented in thousands):

	<u>6/30/14</u>	<u>6/30/13</u>	<u>Change</u>
Water OPEB reserves	\$ 475	\$ 364	\$ 111
Sewer OPEB reserves	137	113	24
Electric OPEB reserves	<u>1,132</u>	<u>893</u>	<u>239</u>
Total	<u>\$ 1,744</u>	<u>\$ 1,370</u>	<u>\$ 374</u>

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$118,973, funded from available funds, including general fund unassigned fund balance. 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 \$1,158,445 and expenditures were less than appropriations by \$1,282,997, 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 \$276,527,614 (net of accumulated depreciation), a change of \$644,766 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:

- \$ 2,619,625 for ongoing work on the High School Renovation project.
- \$ 65,136 for ongoing improvements at the Danvers landfill.
- \$ 4,500 for the purchase of open space
- \$ 700,191 for the purchase of various departmental vehicles

Business-type activities:

- \$ 1,040,503 for water treatment plant improvements.
- \$ 12,167 for water main replacements.
- \$ 490,227 for wastewater culvert improvements.
- \$ 156,104 for water and sewer vehicles and equipment.
- \$ 5,078,968 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 \$86,505,666, all of which was backed by the full faith and credit of the government. The Town also had \$13,426,000 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, 2014 and 2013					
	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
General obligation bonds	\$ 48,403	\$ 51,805	\$ 38,102	\$ 40,797	\$ 86,505	\$ 92,602
Bond anticipation notes	<u>12,726</u>	<u>4,326</u>	<u>700</u>	<u>700</u>	<u>13,426</u>	<u>5,026</u>
Total	<u>\$ 61,129</u>	<u>\$ 56,131</u>	<u>\$ 38,802</u>	<u>\$ 41,497</u>	<u>\$ 99,931</u>	<u>\$ 97,628</u>

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

TOWN OF DANVERS, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2014

(EXCEPT FOR THE ELECTRIC DIVISION FUND, WHICH IS AS OF DECEMBER 31, 2013)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 23,633,478	\$ 12,606,289	\$ 36,239,767
Investments	5,041,818	-	5,041,818
Receivables, net of allowance for uncollectibles:			
Property taxes	1,649,679	-	1,649,679
Excises	281,716	-	281,716
User fees	-	8,947,992	8,947,992
Intergovernmental	694,026	-	694,026
Departmental and other	4,628	741,808	746,436
Prepaid expenses	-	1,419,228	1,419,228
Inventory	-	2,444,855	2,444,855
Other assets	36,979	-	36,979
	<hr/>	<hr/>	<hr/>
Total current assets	31,342,324	26,160,172	57,502,496
Noncurrent:			
Restricted cash	-	20,549,666	20,549,666
Receivables, net of allowance for uncollectibles:			
Property taxes	766,489	-	766,489
Intergovernmental	2,062,983	-	2,062,983
Interfund (see footnote 13D)		3,198,021	3,198,021
Other assets, net of current portion	373,896	32,176	406,072
Land and construction in progress	25,984,515	9,659,150	35,643,665
Other capital assets, net of accumulated depreciation	119,903,173	120,980,776	240,883,949
	<hr/>	<hr/>	<hr/>
Total noncurrent assets	149,091,056	154,419,789	303,510,845
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	180,433,380	180,579,961	361,013,341
LIABILITIES			
Current:			
Warrants payable	1,699,966	322,755	2,022,721
Accounts payable	-	3,126,096	3,126,096
Retainage payable	650,019	-	650,019
Accrued liabilities	1,476,059	459,464	1,935,523
Tax refunds payable	837,200	-	837,200
Notes payable	12,726,000	700,000	13,426,000
Other current liabilities	1,947,255	746,016	2,693,271
Current portion of long-term liabilities:			
Bonds payable	3,334,500	2,672,165	6,006,665
Other liabilities	863,508	254,035	1,117,543
	<hr/>	<hr/>	<hr/>
Total current liabilities	23,534,507	8,280,531	31,815,038
Noncurrent:			
Bonds payable, net of current portion	45,068,570	35,430,431	80,499,001
Other liabilities, net of current portion	63,309,679	8,113,818	71,423,497
	<hr/>	<hr/>	<hr/>
Total noncurrent liabilities	108,378,249	43,544,249	151,922,498
	<hr/>	<hr/>	<hr/>
DEFERRED INFLOWS OF RESOURCES	410,875	-	410,875
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	132,323,631	51,824,780	184,148,411
NET POSITION			
Net investment in capital assets	85,958,913	92,381,109	178,340,022
Restricted for:			
Grants and other statutory restrictions	3,695,122	3,596,529	7,291,651
Permanent funds:			
Nonexpendable	143,524	-	143,524
Expendable	300,394	-	300,394
Unrestricted	(41,988,204)	32,777,543	(9,210,661)
	<hr/>	<hr/>	<hr/>
TOTAL NET POSITION	\$ 48,109,749	\$ 128,755,181	\$ 176,864,930

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

TOWN OF DANVERS, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

(EXCEPT FOR THE ELECTRIC DIVISION FUND, WHICH IS FOR THE YEAR ENDED DECEMBER 31, 2013)

	<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	\$ 5,833,602	\$ 1,459,875	\$ 262,705	\$ -
Public safety	15,698,274	981,133	127,518	-
Education	66,117,718	1,422,023	18,659,219	1,681,858
Public works	16,046,642	525,837	1,169,214	-
Health and human services	2,038,423	355,023	178,372	-
Culture and recreation	3,379,788	1,191,257	40,847	-
Interest	<u>1,738,248</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	110,852,695	5,935,148	20,437,875	1,681,858
Business-Type Activities:				
Water operations	6,488,111	7,887,579	404,000	-
Sewer operations	7,216,210	6,686,112	-	-
Electric operations	<u>42,634,201</u>	<u>43,000,008</u>	<u>710,067</u>	<u>2,993,685</u>
Total Business-type Activities	<u>56,338,522</u>	<u>57,573,699</u>	<u>1,114,067</u>	<u>2,993,685</u>
Total	<u>\$ 167,191,217</u>	<u>\$ 63,508,847</u>	<u>\$ 21,551,942</u>	<u>\$ 4,675,543</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, as restated

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
\$ (4,111,022)	\$ -	\$ (4,111,022)
(14,589,623)	-	(14,589,623)
(44,354,618)	-	(44,354,618)
(14,351,591)	-	(14,351,591)
(1,505,028)	-	(1,505,028)
(2,147,684)	-	(2,147,684)
(1,738,248)	-	(1,738,248)
(82,797,814)	-	(82,797,814)
-	1,803,468	1,803,468
-	(530,098)	(530,098)
-	4,069,559	4,069,559
-	5,342,929	5,342,929
(82,797,814)	5,342,929	(77,454,885)
64,405,254	-	64,405,254
4,043,549	-	4,043,549
2,773,866	-	2,773,866
2,808,751	-	2,808,751
89,728	48,135	137,863
518,276	531	518,807
929,954	(929,954)	-
75,569,378	(881,288)	74,688,090
(7,228,436)	4,461,641	(2,766,795)
55,338,185	124,293,540	179,631,725
\$ 48,109,749	\$ 128,755,181	\$ 176,864,930

TOWN OF DANVERS, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2014

	<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	\$ 16,079,249	\$ 3,361,656	\$ 4,017,886	\$ 23,458,791
Investments	4,641,312	-	400,506	5,041,818
Receivables:				
Property taxes	2,667,527	-	-	2,667,527
Excises	627,574	-	-	627,574
Departmental and other	4,628	-	-	4,628
Due from other funds	111,018	-	-	111,018
	<u>24,131,308</u>	<u>3,361,656</u>	<u>4,418,392</u>	<u>31,911,356</u>
TOTAL ASSETS	\$ 24,131,308	\$ 3,361,656	\$ 4,418,392	\$ 31,911,356
LIABILITIES				
Warrants payable	\$ 1,176,578	\$ 122,195	\$ 398,697	\$ 1,697,470
Retainage payable	-	650,019	-	650,019
Accrued liabilities	875,853	-	-	875,853
Tax refunds payable	837,200	-	-	837,200
Notes payable	-	8,400,000	4,326,000	12,726,000
Due to other funds	-	-	111,018	111,018
Other liabilities	1,947,255	-	-	1,947,255
	<u>4,836,886</u>	<u>9,172,214</u>	<u>4,835,715</u>	<u>18,844,815</u>
TOTAL LIABILITIES	4,836,886	9,172,214	4,835,715	18,844,815
DEFERRED INFLOWS OF RESOURCES	2,749,634	-	-	2,749,634
FUND BALANCES				
Nonspendable	-	-	143,524	143,524
Restricted	-	-	4,028,372	4,028,372
Committed	6,797,833	-	-	6,797,833
Assigned	1,781,737	-	-	1,781,737
Unassigned	7,965,218	(5,810,558)	(4,589,219)	(2,434,559)
	<u>16,544,788</u>	<u>(5,810,558)</u>	<u>(417,323)</u>	<u>10,316,907</u>
TOTAL FUND BALANCES	16,544,788	(5,810,558)	(417,323)	10,316,907
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 24,131,308	\$ 3,361,656	\$ 4,418,392	\$ 31,911,356

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, 2014

Total governmental fund balances	\$ 10,316,907
<ul style="list-style-type: none"> • Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 	145,887,688
<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. 	2,757,009
<ul style="list-style-type: none"> • Revenues are reported on the accrual basis of accounting and are not deferred until collection. 	
Eliminate deferred revenue	2,749,634
Record allowance for doubtful accounts	(597,217)
<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. 	(2,040,573)
<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. 	(600,206)
<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>(110,363,493)</u> ⁽¹⁾
Net position of governmental activities	<u>\$ 48,109,749</u>

⁽¹⁾ Does not include \$2,212,764 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, 2014

	<u>General</u>	<u>Danvers High School Renovation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 64,358,646	\$ -	\$ -	\$ 64,358,646
Excises	4,154,701	-	21,318	4,176,019
Penalties, interest and other taxes	2,691,092	-	82,773	2,773,865
Charges for services	1,757,169	-	3,126,771	4,883,940
Intergovernmental	18,801,745	1,681,858	4,953,199	25,436,802
Licenses and permits	941,556	-	-	941,556
Fines and forfeits	104,432	-	-	104,432
Investment income	81,064	-	4,805	85,869
Miscellaneous	423,217	-	285,987	709,204
Total Revenues	<u>93,313,622</u>	<u>1,681,858</u>	<u>8,474,853</u>	<u>103,470,333</u>
Expenditures:				
Current:				
General government	3,102,655	-	44,981	3,147,636
Public safety	10,508,121	-	146,619	10,654,740
Education	44,952,254	2,619,625	4,885,625	52,457,504
Public works	11,177,018	-	1,206,144	12,383,162
Health and human services	1,022,832	-	400,643	1,423,475
Culture and recreation	1,775,969	-	911,915	2,687,884
Employee benefits	15,325,977	-	-	15,325,977
Debt service	5,480,794	-	-	5,480,794
Intergovernmental	978,390	-	-	978,390
Total Expenditures	<u>94,324,010</u>	<u>2,619,625</u>	<u>7,595,927</u>	<u>104,539,562</u>
Excess (deficiency) of revenues over expenditures	(1,010,388)	(937,767)	878,926	(1,069,229)
Other Financing Sources (Uses):				
Transfers in	2,086,719	17,100	-	2,103,819
Transfers out	-	-	(1,173,865)	(1,173,865)
Total Other Financing Sources (Uses)	<u>2,086,719</u>	<u>17,100</u>	<u>(1,173,865)</u>	<u>929,954</u>
Change in fund balances	1,076,331	(920,667)	(294,939)	(139,275)
Fund Balances, at Beginning of Year	<u>15,468,457</u>	<u>(4,889,891)</u>	<u>(122,384)</u>	<u>10,456,182</u>
Fund Balances, at End of Year	<u>\$ 16,544,788</u>	<u>\$ (5,810,558)</u>	<u>\$ (417,323)</u>	<u>\$ 10,316,907</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, 2014

Net changes in fund balances - total governmental funds	\$ (139,275)																				
<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 border="0" style="margin-left: 40px;"> <tr> <td>Capital outlay purchases, net of disposals</td> <td style="text-align: right;">3,278,909</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(3,264,904)</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 border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">(85,860)</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 border="0" style="margin-left: 40px;"> <tr> <td></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 border="0" style="margin-left: 40px;"> <tr> <td>Repayments of debt</td> <td style="text-align: right;">3,401,600</td> </tr> <tr> <td>Deferred premium amortization</td> <td style="text-align: right;">44,661</td> </tr> <tr> <td>Change in other long-term liabilities (OPEB and Landfill Post-Closure)</td> <td style="text-align: right;">(8,354,531)</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 border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">296,284</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 border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">(1,828)</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 border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;"><u>(1,709,466)</u></td> </tr> </table> 		Capital outlay purchases, net of disposals	3,278,909	Depreciation	(3,264,904)		(85,860)		(694,026)	Repayments of debt	3,401,600	Deferred premium amortization	44,661	Change in other long-term liabilities (OPEB and Landfill Post-Closure)	(8,354,531)		296,284		(1,828)		<u>(1,709,466)</u>
Capital outlay purchases, net of disposals	3,278,909																				
Depreciation	(3,264,904)																				
	(85,860)																				
	(694,026)																				
Repayments of debt	3,401,600																				
Deferred premium amortization	44,661																				
Change in other long-term liabilities (OPEB and Landfill Post-Closure)	(8,354,531)																				
	296,284																				
	(1,828)																				
	<u>(1,709,466)</u>																				
Change in net position of governmental activities	\$ <u>(7,228,436)</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, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues and Other Sources:				
Property taxes	\$ 63,995,124	\$ 63,995,124	\$ 63,995,124	\$ -
Excises	3,789,525	3,789,525	4,176,018	386,493
Penalties, interest and other taxes	3,264,235	3,264,235	3,721,046	456,811
Charges for services	1,710,169	1,710,188	1,756,714	46,526
Intergovernmental	9,666,616	9,666,616	9,702,371	35,755
Licenses and permits	861,592	861,631	946,929	85,298
Fines and forfeits	107,585	107,685	104,732	(2,953)
Investment income	91,000	91,000	74,177	(16,823)
Miscellaneous	246,443	246,285	413,623	167,338
Other financing sources:				
Transfers in	2,039,475	2,039,475	2,039,475	-
Use of fund balance	1,776,900	1,895,873	1,895,873	-
Other	226,626	226,626	226,626	-
Total Revenues and Other Sources	87,775,290	87,894,263	89,052,708	1,158,445
Expenditures and Other Uses:				
Current:				
General government	3,414,883	3,406,383	3,180,412	225,971
Public safety	11,047,678	11,043,651	10,518,835	524,816
Education	36,064,918	36,064,918	35,767,676	297,242
Public works	10,922,017	11,042,017	11,041,288	729
Health and human services	980,044	1,020,544	1,017,731	2,813
Culture and recreation	1,861,303	1,846,303	1,769,926	76,377
Employee benefits	15,041,150	15,027,150	15,007,239	19,911
Debt service	5,438,284	5,438,284	5,454,769	(16,485)
Intergovernmental	1,130,013	1,130,013	978,390	151,623
Other financing uses:				
Transfers out	1,875,000	1,875,000	1,875,000	-
Total Expenditures and Other Uses	87,775,290	87,894,263	86,611,266	1,282,997
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 2,441,442	\$ 2,441,442

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

TOWN OF DANVERS, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2014 (DECEMBER 31, 2013 FOR THE ELECTRIC DIVISION FUND)

	Business-Type Activities Enterprise Funds			Total	Governmental
	Water Fund	Sewer Fund	Electric Division Fund		Internal Service Funds
ASSETS					
Current:					
Cash and short-term investments	\$ 7,785,758	\$ 4,186,950	\$ 633,581	\$ 12,606,289	\$ 174,687
User fees, net of allowance for uncollectibles	1,974,864	1,470,771	5,502,357	8,947,992	-
Other receivables	-	-	741,808	741,808	-
Prepaid expenses	-	-	1,419,228	1,419,228	-
Inventory	-	-	2,444,855	2,444,855	-
Total current assets	9,760,622	5,657,721	10,741,829	26,160,172	174,687
Noncurrent:					
Restricted cash	-	-	20,549,666	20,549,666	-
Interfund receivables, net of current portion	-	-	3,198,021	3,198,021	-
Other assets, net of current portion	-	-	32,176	32,176	-
Land and construction in progress	6,469,975	2,769,896	419,279	9,659,150	-
Other capital assets, net of accumulated depreciation	66,325,044	22,655,382	32,000,350	120,980,776	-
Total noncurrent assets	72,795,019	25,425,278	56,199,492	154,419,789	-
TOTAL ASSETS	82,555,641	31,082,999	66,941,321	180,579,961	174,687
LIABILITIES					
Current:					
Warrants payable	218,183	104,572	-	322,755	2,496
Accounts payable	-	-	3,126,096	3,126,096	-
Accrued liabilities	129,502	48,235	281,727	459,464	-
Notes payable	-	-	700,000	700,000	-
Other current liabilities	-	-	746,016	746,016	-
Current portion of long-term liabilities:					
Bonds payable	1,562,265	494,900	615,000	2,672,165	-
Other liabilities	103,312	150,723	-	254,035	663,829
Total current liabilities	2,013,262	798,430	5,468,839	8,280,531	666,325
Noncurrent:					
Bonds payable, net of current portion	25,193,681	3,146,750	7,090,000	35,430,431	-
Other liabilities, net of current portion	2,067,037	2,062,881	3,983,900	8,113,818	1,548,935
TOTAL LIABILITIES	29,273,980	6,008,061	16,542,739	51,824,780	2,215,260
NET POSITION					
Net investment in capital assets	46,470,114	21,896,366	24,014,629	92,381,109	-
Restricted for depreciation fund	-	-	3,596,529	3,596,529	-
Unrestricted	6,811,547	3,178,572	22,787,424	32,777,543	(2,040,573)
TOTAL NET POSITION	\$ 53,281,661	\$ 25,074,938	\$ 50,398,582	\$ 128,755,181	\$ (2,040,573)

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, 2014 (DECEMBER 31, 2013 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	\$ 7,887,579	\$ 6,686,112	\$ 43,000,008	\$ 57,573,699	\$ -
Employee and employer contributions	-	-	-	-	603,400
Total Operating Revenues	7,887,579	6,686,112	43,000,008	57,573,699	603,400
Operating Expenses:					
Operating expenses	4,582,309	6,266,365	38,927,264	49,775,938	-
Depreciation	1,383,396	824,593	3,382,505	5,590,494	-
Employee benefits	-	-	-	-	2,316,725
Total Operating Expenses	5,965,705	7,090,958	42,309,769	55,366,432	2,316,725
Operating Income (Loss)	1,921,874	(404,846)	690,239	2,207,267	(1,713,325)
Nonoperating Revenues (Expenses):					
Intergovernmental revenue	404,000	-	710,067	1,114,067	-
Investment income	-	-	48,135	48,135	3,859
Other revenue	531	-	-	531	-
Interest expense	(522,406)	(125,252)	(324,432)	(972,090)	-
Total Nonoperating Revenues (Expenses)	(117,875)	(125,252)	433,770	190,643	3,859
Income (Loss) Before Capital Contributions and Transfers	1,803,999	(530,098)	1,124,009	2,397,910	(1,709,466)
Capital contributions	-	-	2,993,685	2,993,685	-
Transfers in	-	100,000	-	100,000	-
Transfers out	(120,000)	(112,000)	(797,954)	(1,029,954)	-
Change in Net Position	1,683,999	(542,098)	3,319,740	4,461,641	(1,709,466)
Net Position at Beginning of Year, as restated	51,597,662	25,617,036	47,078,842	124,293,540	(331,107)
Net Position at End of Year	\$ 53,281,661	\$ 25,074,938	\$ 50,398,582	\$ 128,755,181	\$ (2,040,573)

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, 2014 (DECEMBER 31, 2013 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	\$ 7,923,957	\$ 6,706,808	\$ 41,469,229	\$ 56,099,994	\$ -
Payments to vendors	(4,882,939)	(6,609,850)	(36,543,238)	(48,036,027)	-
Payments to employees	(1,449,381)	(190,145)	(1,299,007)	(2,938,533)	-
Receipts from employees and employer	-	-	-	-	603,400
Payments of employee benefits and expenses	-	-	-	-	(660,839)
Net Cash Provided By (Used For) Operating Activities	1,591,637	(93,187)	3,626,984	5,125,434	(57,439)
Cash Flows From Noncapital Financing Activities:					
Proceeds from MMWEC	-	-	710,067	710,067	-
Proceeds from state grants	404,000	-	-	404,000	-
Interfund transfers in	-	100,000	-	100,000	-
Interfund transfers out	(120,000)	(112,000)	(797,954)	(1,029,954)	-
Net Cash Provided By Noncapital Financing Activities	284,000	(12,000)	(87,887)	184,113	-
Cash Flows From Capital and Related Financing Activities:					
Acquisition and construction of capital assets, net of disposals	(1,068,919)	(105,594)	(5,046,741)	(6,221,254)	-
Proceeds from issuance of notes	-	-	700,000	700,000	-
Principal payments on notes	-	-	(700,000)	(700,000)	-
Principal payments on bonds	(1,574,434)	(500,700)	(620,000)	(2,695,134)	-
Interest expense	(522,406)	(125,252)	(324,432)	(972,090)	-
Capital contributions	1,950,605	-	2,993,685	4,944,290	-
Net Cash (Used For) Capital and Related Financing Activities	(1,215,154)	(731,546)	(2,997,488)	(4,944,188)	-
Cash Flows From Investing Activities:					
Investment income	-	-	53,135	53,135	3,859
Net Cash Provided By Investing Activities	-	-	53,135	53,135	3,859
Net Change in Cash and Short-Term Investments	660,483	(836,733)	594,744	418,494	(53,580)
Cash and Short Term Investments, Beginning of Year	7,125,275	5,023,683	20,588,503 ⁽¹⁾	32,737,461	228,267
Cash and Short Term Investments, End of Year	\$ 7,785,758	\$ 4,186,950	\$ 21,183,247 ⁽¹⁾	\$ 33,155,955	\$ 174,687
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:					
Operating income (loss)	\$ 1,921,874	\$ (404,846)	\$ 690,239	\$ 2,207,267	\$ (1,713,325)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	1,383,396	824,593	3,382,505	5,590,494	-
Other postemployment benefits	(114,950)	22,971	752,942	660,963	-
Changes in assets and liabilities:					
User fees	36,378	20,696	(1,518,422)	(1,461,348)	-
Inventory	-	-	(24,980)	(24,980)	-
Other assets	-	-	895,410	895,410	-
Warrants payable	(560,482)	(239,990)	-	(800,472)	2,496
Accounts payable	-	-	(185,232)	(185,232)	-
Accrued liabilities	(160,621)	(6,859)	6,123	(161,357)	1,653,390
Other liabilities	(913,958)	(309,752)	(371,601)	(1,595,311)	-
Net Cash Provided By (Used For) Operating Activities	\$ 1,591,637	\$ (93,187)	\$ 3,626,984	\$ 5,125,434	\$ (57,439)

⁽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, 2014

	Pension Trust Fund (As of December 31, 2013)	Private Purpose Trust Fund	Agency Funds
<u>ASSETS</u>			
Cash and short term investments	\$ 5,046,828	\$ 144,105	\$ 233,457
Investments:			
Certificate of deposit	-	368,799	-
Equities	30,858,085	2,295,676	-
Pooled investments	11,568,208	232,844	-
State investment pool	35,316,403	-	-
Fixed income securities	12,236,246	367,740	-
Accounts receivable	<u>580,777</u>	<u>-</u>	<u>43,486</u>
Total Assets	95,606,547	3,409,164	276,943
<u>LIABILITIES AND NET POSITION</u>			
Accounts payable	59,799	-	2,691
Other liabilities	<u>2,942</u>	<u>-</u>	<u>274,252</u>
Total Liabilities	<u>62,741</u>	<u>-</u>	<u>276,943</u>
<u>NET POSITION</u>			
Total net position held in trust for pension benefits and other purposes	<u>\$ 95,543,806</u>	<u>\$ 3,409,164</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, 2014

	Pension Trust Fund (For the Year Ended <u>December 31, 2013</u>)	Private Purpose Trust Fund
Additions:		
Contributions:		
Employers	\$ 5,415,934	\$ -
Plan members	2,326,321	-
Other	336,789	6,440
Total contributions	<u>8,079,044</u>	<u>6,440</u>
Investment Income (Loss):		
Interest	706,890	92,218
Increase (decrease) in fair value of investments	15,333,293	233,435
Less: management fees	(437,828)	-
Net investment income (loss)	<u>15,602,355</u>	<u>325,653</u>
Total additions	23,681,399	332,093
Deductions:		
Benefit payments to plan members, beneficiaries, and other systems	9,954,825	-
Refunds to plan members	31,813	-
Administrative expenses	259,419	-
Other	263,909	100,775
Total deductions	<u>10,509,966</u>	<u>100,775</u>
Net increase	13,171,433	231,318
Net position:		
Beginning of year	<u>82,372,373</u>	<u>3,177,846</u>
End of year	<u>\$ 95,543,806</u>	<u>\$ 3,409,164</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 fiscal year 2014, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

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 function 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.

The *agency fund* is custodial in nature and is used to account for funds held for others. Agency funds report only assets and liabilities, and thus have no measurement focus.

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.

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 2014 tax levy reflected an excess capacity of \$259,675.

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, 2013, 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)	\$ 93,313,622	\$ 94,324,010
Other financing sources/uses (GAAP Basis)	<u>2,086,719</u>	<u>-</u>
Subtotal (GAAP Basis)	95,400,341	94,324,010
Adjust property tax revenue to budgetary basis	(47,474)	-
Reverse expenditures of prior year appropriation carryforwards	-	(773,500)
To book current year appropriation carryforwards	-	691,445
To record use of fund balance and other surplus	2,122,499	-
To reverse unbudgeted GASB 24 Massachusetts Teacher Retirement System	(9,094,927)	(9,094,927)
To reverse nonbudgeted activity	<u>672,269</u>	<u>1,464,238</u>
Budgetary Basis	<u>\$ 89,052,708</u>	<u>\$ 86,611,266</u>

D. Excess of Expenditures over Appropriations

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

Public Works - Capital outlay	\$	(621)
Planning Department - Capital outlay	\$	(606)
Senior and Social Services Department - Salaries and wages	\$	(2,525)
Senior and Social Services Department - Other expense	\$	(9,217)
Debt Service - Principal and interest	\$	(16,485)

E. Deficit Fund Equity

The following funds had deficits as of June 30, 2014:

Major Governmental Funds:

Danvers High School Renovation	\$	(5,810,558)
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Nonmajor Governmental Funds:

Town Grants	(457,750)
School Grants	(86,429)
Other Funds	(1,000)
School Capital Projects	(251,000)
Landfill Capital Projects	(1,785,814)
Fire Pumper Truck Project	(448,608)
Other Capital Projects	<u>(1,558,618)</u>
Total	\$ <u>(4,589,219)</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, 2014, \$50,828,251 of the Town’s bank balance of \$54,457,475 was exposed to custodial credit risk as uninsured or uncollateralized. As of December 31, 2013, the System’s bank balance of \$5,094,418 was fully insured and collateralized. \$28,498,675 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>A2</u>
Certificates of deposits	\$ 5,240	\$ 5,240	\$ -	\$ -
Equities	2,296	2,296	-	-
Corporate bonds	221	N/A	-	221
US Treasury notes	317	N/A	317	-
Mutual funds	<u>233</u>	<u>233</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 8,307</u>	<u>\$ 7,769</u>	<u>\$ 317</u>	<u>\$ 221</u>

Massachusetts General Law, Chapter 32, Section 23, limits the investment of System funds, to the extent not required for current disbursements, to securities, other than mortgages or collateral loans, which are legal for the investment of funds in savings banks under the laws of the Commonwealth, provided that no more than the established percentage of assets, is invested in any one security.

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

<u>Investment Type</u>	<u>Fair Value*</u>	<u>Average Rating as of Year-end</u>		
		<u>AAA</u>	<u>BA1</u>	<u>Exempt or Not Rated</u>
Equities	\$ 30,858	\$ -	\$ -	\$ 30,858
Pooled investments:				
Mutual funds	11,568	-	-	11,568
State investment pool *	35,316	-	-	35,316
Fixed income securities:				
Corporate bonds	9,140	-	9,140	-
Mortgage-backed	1,506	1,506	-	-
Municipal bonds	149	149	-	-
U.S. Treasury bonds	1,018	1,018	-	-
U.S. Agencies	424	424	-	-
Total investments	\$ 89,979	\$ 3,097	\$ 9,140	\$ 77,742

*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 \$221,278, and corporate equities of \$2,295,676 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 \$88,537,625 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, \$35,316,403 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, 2014, the Town's only investment in any one issuer that represented 5% or more of total investments was a \$4,641,312 certif-

icate 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, 2013, 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	\$ 5,240	\$ 4,641	\$ 599
Corporate bonds	221	-	221
US Treasury notes	317	-	317
Total	<u>\$ 5,778</u>	<u>\$ 4,641</u>	<u>\$ 1,137</u>

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Debt-related Securities:					
Corporate bonds	\$ 9,140	\$ 184	\$ 2,727	\$ 2,653	\$ 3,576
Mortgage-backed	1,506	28	-	116	1,362
Municipal bonds	149	-	-	-	149
U.S. Treasury bonds	1,018	-	390	628	-
U.S. Agencies	424	16	207	118	83
Total	<u>\$ 12,237</u>	<u>\$ 228</u>	<u>\$ 3,324</u>	<u>\$ 3,515</u>	<u>\$ 5,170</u>

E. Foreign Currency Risk

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

5. Taxes Receivable

Real estate and personal property taxes are levied and based on values assessed on January 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, 2014 consist of the following (in thousands):

Real Estate		
2014	\$ 1,196	
Prior	<u>20</u>	1,216
Personal Property		
2014	24	
2013	13	
2012	15	
Prior	<u>112</u>	164
Tax Liens		1,033
Deferred Taxes		245
Other		<u>10</u>
Total		\$ <u>2,668</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	\$ 251	\$ -
Excises	\$ 346	\$ -
User fees	\$ -	\$ 210

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2014, as well as funding to be provided by the Massachusetts School Building Authority for reimbursement of approved school capital project expenditures.

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, 2014 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	\$ 111,018	\$ -
Nonmajor Funds:		
Town grants	<u>-</u>	<u>111,018</u>
Total	<u>\$ 111,018</u>	<u>\$ 111,018</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 2014.

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net</u>
Governmental Funds:			
Major Funds:			
General fund	\$ 2,086,719	\$ -	\$ 2,086,719
Danvers HS Renovation	17,100	-	17,100
Nonmajor Funds:			
Receipts reserved	-	224,000	(224,000)
Revolving accounts	-	645,827	(645,827)
Other funds	<u>-</u>	<u>304,038</u>	<u>(304,038)</u>
Subtotal - Governmental	<u>2,103,819</u>	<u>1,173,865</u>	<u>929,954</u>
Business-Type Funds:			
Water fund	-	120,000	(120,000)
Sewer fund	100,000	112,000	(12,000)
Electric division fund	<u>-</u>	<u>797,954</u>	<u>(797,954)</u>
Subtotal - Business-Type	<u>100,000</u>	<u>1,029,954</u>	<u>(929,954)</u>
Total	<u>\$ 2,203,819</u>	<u>\$ 2,203,819</u>	<u>\$ -</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs and accounted for in other funds in accordance with budgetary authorizations.

Transfers to the General Fund from the Water, Sewer, and Electric funds are to cover indirect costs incurred by the General fund.

9. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 110,620	\$ 67,100	\$ (207)	\$ 177,513
Machinery, equipment, and furnishings	9,742	700	(345)	10,097
Infrastructure	17,882	1,992	-	19,874
Total capital assets, being depreciated	138,244	69,792	(552)	207,484
Less accumulated depreciation for:				
Buildings and improvements	(73,557)	(2,312)	21	(75,848)
Machinery, equipment, and furnishings	(7,177)	(454)	387	(7,244)
Infrastructure	(3,990)	(499)	-	(4,489)
Total accumulated depreciation	(84,724)	(3,265)	408	(87,581)
Total capital assets, being depreciated, net	53,520	66,527	(144)	119,903
Capital assets, not being depreciated:				
Land	25,335	-	-	25,335
Construction in progress	67,018	715	(67,083)	650
Total capital assets, not being depreciated	92,353	715	(67,083)	25,985
Governmental activities capital assets, net	<u>\$ 145,873</u>	<u>\$ 67,242</u>	<u>\$ (67,227)</u>	<u>\$ 145,888</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 25,097	\$ 22,978	\$ (206)	\$ 47,869
Machinery, equipment, and furnishings	4,710	174	(413)	4,471
Infrastructure	153,661	6,224	-	159,885
Total capital assets, being depreciated	183,468	29,376	(619)	212,225
Less accumulated depreciation for:				
Buildings and improvements	(15,039)	(772)	28	(15,783)
Machinery, equipment, and furnishings	(2,368)	(231)	74	(2,525)
Infrastructure	(68,349)	(4,587)	-	(72,936)
Total accumulated depreciation	(85,756)	(5,590)	102	(91,244)
Total capital assets, being depreciated, net	97,712	23,786	(517)	120,981
Capital assets, not being depreciated:				
Land	5,577	-	-	5,577
Construction in progress	26,720	140	(22,778)	4,082
Total capital assets, not being depreciated	32,297	140	(22,778)	9,659
Business-type activities capital assets, net	<u>\$ 130,009</u>	<u>\$ 23,926</u>	<u>\$ (23,295)</u>	<u>\$ 130,640</u>

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

Governmental Activities:	
General government	\$ 82
Public safety	308
Education	1,064
Public works	1,604
Health and human services	54
Culture and recreation	<u>153</u>
Total depreciation expense - governmental activities	<u>\$ 3,265</u>
Business-Type Activities:	
Water	\$ 1,383
Sewer	825
Electric	<u>3,382</u>
Total depreciation expense - business-type activities	<u>\$ 5,590</u>

10. Warrants and Accounts Payable

Warrants payable represent 2014 expenditures paid by July 15, 2014 as permitted by law. Accounts payable represent 2013 Electric Division expenses paid after December 31, 2013.

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, 2014:

	<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>6/30/14</u>
<u>Governmental Activities:</u>				
Bond anticipation - various project	1.00%	07/03/13	07/03/14	\$ 4,326,000
Bond anticipation - High School	1.00%	10/10/13	07/30/14	5,000,000
Bond anticipation - High School	1.00%	06/27/14	06/26/15	<u>3,400,000</u>
Subtotal				12,726,000
				(continued)

(continued)

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/14</u>
<u>Business-Type Activities:</u>				
Bond anticipation	1.00%	07/03/13	07/03/14	<u>700,000</u>
Subtotal				<u>700,000</u>
Grand Total				<u>\$ 13,426,000</u>

The following summarizes activity in notes payable during fiscal year 2014 (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	1,625	1,365	(1,365)	1,625
Land fill	2,000	2,000	(2,000)	2,000
Fire pumper truck	450	450	(450)	450
High School renovation	-	5,000	-	5,000
High School renovation	-	3,400	-	3,400
Subtotal	<u>4,326</u>	<u>12,466</u>	<u>(4,066)</u>	<u>12,726</u>
<u>Business-Type Activities:</u>				
Electric division	<u>700</u>	<u>700</u>	<u>(700)</u>	<u>700</u>
Subtotal	<u>700</u>	<u>700</u>	<u>(700)</u>	<u>700</u>
Grand Total	<u>\$ 5,026</u>	<u>\$ 13,166</u>	<u>\$ (4,766)</u>	<u>\$ 13,426</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 6/30/14</u>
School plan & constr. - refunding	\$ 1,144,275	07/15/14	3.26%	\$ 100,000
Fire station remodeling - refunding	940,195	07/15/14	3.24%	85,000
School remodeling	1,035,000	03/15/22	3.84%	60,000
Middle School	11,000,000	07/01/25	4.45%	6,940,000
School - refunding	466,000	07/15/16	3.90%	150,000
School - refunding	707,100	07/15/16	3.90%	215,000
School remodeling - refunding	776,870	07/15/17	3.90%	297,670
School remodeling - refunding	259,000	07/15/17	3.90%	100,000
School plans - refunding	93,300	07/15/17	3.90%	30,000
School - refunding	885,500	07/15/17	3.90%	370,400
School plan/constr - refunding	2,725,000	07/15/17	2.55%	1,280,000
Senior center - refunding	293,000	07/15/15	2.55%	180,000
Dredging - Crane/Porter rivers	615,320	07/01/22	4.06%	390,000
Holten Richmond Middle School	1,977,641	07/01/25	4.19%	1,360,000
High School roof	538,000	07/01/25	4.20%	360,000
Town Hall renovation	6,000,000	06/15/29	3.58%	4,475,000
Thorpe School roof replacement	637,000	06/30/28	3.23%	515,000
Thorpe School athletic fields	280,000	06/30/24	2.76%	205,000
Landfill closure	898,000	06/30/31	3.42%	745,000
Landfill closure	400,000	06/30/31	3.46%	340,000
Landfill closure	500,000	06/30/31	3.46%	425,000
High School	23,525,000	06/30/37	4.27%	22,290,000
Great Oak School	376,000	06/30/32	3.40%	345,000
High School	5,448,000	06/30/37	3.73%	5,170,000
Library renovations - refunding	25,500	08/01/17	0.78%	20,000
Library renovations - refunding	150,000	08/01/18	0.82%	125,000
Library renovations - refunding	279,500	08/01/19	0.86%	235,000
Land acquisition - refunding	494,000	08/01/19	0.86%	415,000
Land acquisition - refunding	241,000	08/01/21	1.04%	240,000
School remodeling - refunding	382,000	08/01/19	0.86%	380,000
School remodeling - refunding	120,800	08/01/21	1.04%	120,000
School remodeling - refunding	442,000	08/01/21	1.04%	440,000
Total Governmental Activities:				\$ <u>48,403,070</u>

<u>Business-Type Activities:</u>	<u>Amount of Original Issue</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/14</u>
MWPAT	\$ 501,060	08/01/18	2.00%	\$ 190,000
River Street water mains - refunding	98,035	07/15/14	3.24%	10,000
Water well site 2	1,300,000	03/15/25	3.95%	65,000
Land acquisition/water refunding	41,730	07/15/15	3.90%	10,030
Water bonds - refunding	1,204,400	07/15/19	3.90%	695,250
Water	95,000	07/01/25	4.45%	60,000
Water	425,000	07/01/25	4.45%	265,000
Water	681,143	07/01/26	4.24%	470,000
Water treatment plant repairs	1,616,000	06/30/31	3.43%	1,360,000
Water Treatment Plant 1	300,000	06/30/32	3.29%	270,000
Water Treatment Plant 2	425,000	06/30/32	3.25%	375,000
Folly Hill Reservoir Water Tank 1	50,000	06/30/20	1.85%	30,000
Folly Hill Reservoir Water Tank 2	450,000	06/30/20	1.93%	330,000
Vernon Russell Water Treatment Plant 1	700,000	06/30/20	3.29%	630,000
Vernon Russell Water Treatment Plant 2	400,000	06/30/20	3.29%	360,000
Danvers State Hospital Reservoir 1	50,000	06/30/20	1.85%	30,000
Danvers State Hospital Reservoir 2	250,000	06/30/20	1.92%	180,000
Water bonds - refunding	1,209,000	08/01/23	1.24%	1,200,000
Water bonds - refunding	690,000	08/01/24	1.35%	685,000
MWPAT	19,540,666	07/15/32	2.00%	19,540,666
Sewer bonds	1,500,000	03/15/25	3.95%	75,000
Wastewater system	50,000	07/01/16	4.27%	15,000
Drainage system improvements	325,000	07/01/25	4.44%	200,000
Sewer bonds - refunding	251,000	07/15/16	3.90%	72,300
Sewer bonds - refunding	665,100	07/15/19	3.90%	369,350
Cabot Road drainage imp	602,675	07/01/26	4.23%	425,000
Sewer bonds - refunding	65,500	07/15/15	2.55%	40,000
Drainage improvements	1,510,000	06/30/20	2.35%	970,000
Drainage	450,000	06/30/31	3.51%	400,000
Sewer bonds - refunding	130,000	08/01/19	0.85%	110,000
Sewer bonds - refunding	50,500	08/01/23	1.26%	50,000
Sewer bonds - refunding	795,700	08/01/24	1.35%	790,000
Electric system improvements*	4,847,221	07/01/26	4.20%	3,275,000
Electric*	4,400,000	06/30/30	3.34%	3,650,000
Electric Substation & Improvements 1*	500,000	06/30/30	3.08%	440,000
Electric Substation & Improvements 2*	400,000	06/30/26	2.71%	340,000
Total Business-Type Activities:				\$ <u>38,102,596</u>
Grand Total				\$ <u>86,505,666</u>

* Electric Division debt is amount outstanding as of 12/31/13.

C. Future Debt Service – General Obligation Bonds

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2014 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	2,420,000	1,477,536	3,897,536
2020 - 2024	11,400,000	6,088,796	17,488,796
2025 - 2029	9,365,000	4,002,271	13,367,271
2030 - 2034	7,580,000	2,180,694	9,760,694
2035 - 2037	<u>5,295,000</u>	<u>410,260</u>	<u>5,705,260</u>
Total	<u>\$ 48,403,070</u>	<u>\$ 21,028,039</u>	<u>\$ 69,431,109</u>

The High School construction bond of \$29m issued in fiscal year 2012 is being paid off over a 25-year period rather than the Town's usual 20-year period for buildings. The recentness of this bond issue, and the longer amortization period, results in the Town reporting that 54% of the governmental debt being repaid over the next 10 years.

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,672,165	\$ 1,019,979	\$ 3,692,144
2016	2,671,387	944,182	3,615,569
2017	2,638,648	871,600	3,510,248
2018	2,612,744	791,189	3,403,933
2019	2,522,254	708,841	3,231,095
2020 - 2024	10,924,112	2,497,406	13,421,518
2025 - 2029	8,649,570	1,140,387	9,789,957
2030 - 2034	<u>5,411,716</u>	<u>221,849</u>	<u>5,633,565</u>
Total	<u>\$ 38,102,596</u>	<u>\$ 8,195,433</u>	<u>\$ 46,298,029</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, 2014 are recorded as a component of the "other long-term liabilities" line item. A difference in fiscal years between the Electric Division fund and the Water and Sewer funds results in a disparity of approximately \$250,000 between the Electric Division interfund receivable and the Water and Sewer Funds interfund loan payable.

E. Future Debt Service – Interfund Loans

The annual payments to retire all interfund loans outstanding as of June 30, 2014 are as follows:

<u>Business-Type</u>	<u>Principal</u>
2015	\$ 250,000
2016	250,000
2017	250,000
2018	250,000
2019	250,000
2020 - 2024	1,182,689
2025 - 2029	<u>515,377</u>
Total	\$ <u>2,948,066</u>

F. Changes in General Long-Term Liabilities

During the year ended June 30, 2014, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/13</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/14</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/14</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 51,805	\$ -	\$ (3,402)	\$ 48,403	\$ (3,335)	\$ 45,068
Other:						
Compensated absences	1,899	38	(37)	1,900	(95)	1,805
Landfill postclosure	300	-	(60)	240	(60)	180
Workers' comp IBNR	559	2,317	(663)	2,213	(664)	1,549
Premium amortization	1,027	-	(44)	983	(44)	939
Net OPEB obligation ⁽¹⁾	<u>50,423</u>	<u>13,945</u>	<u>(5,531)</u>	<u>58,837</u>	-	<u>58,837</u>
Subtotal	<u>54,208</u>	<u>16,300</u>	<u>(6,335)</u>	<u>64,173</u>	<u>(863)</u>	<u>63,310</u>
Totals	\$ <u>106,013</u>	\$ <u>16,300</u>	\$ <u>(9,737)</u>	\$ <u>112,576</u>	\$ <u>(4,198)</u>	\$ <u>108,378</u>

⁽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.

	Total Balance <u>7/1/13</u>	Additions	Reductions	Total Balance <u>6/30/14</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/14</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 40,797	\$ -	\$ (2,695)	\$ 38,102	\$ (2,672)	\$ 35,430
Other:						
Compensated absences	75	6	-	81	(4)	77
Regulatory liabilities	109	-	(109)	-	-	-
Interfund loans ⁽²⁾	3,444	-	(496)	2,948	(250)	2,698
Net OPEB obligation ⁽¹⁾	<u>4,678</u>	<u>1,449</u>	<u>(788)</u>	<u>5,339</u>	<u>-</u>	<u>5,339</u>
Subtotal	<u>8,306</u>	<u>1,455</u>	<u>(1,393)</u>	<u>8,368</u>	<u>(254)</u>	<u>8,114</u>
Totals	<u>\$ 49,103</u>	<u>\$ 1,455</u>	<u>\$ (4,088)</u>	<u>\$ 46,470</u>	<u>\$ (2,926)</u>	<u>\$ 43,544</u>

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

⁽²⁾ See Footnote 13D

14. 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 \$240,000 reported as landfill postclosure care liability at June 30, 2014 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.

15. 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, 2014 (in thousands):

	<u>Entity-wide Basis</u>	<u>Fund Basis</u>
	<u>Governmental</u>	<u>Governmental</u>
	<u>Activities</u>	<u>General Fund</u>
Unavailable revenues	\$ 411	\$ 2,750

16. 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.

17. 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, 2014:

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, the passing of warrant articles by majority vote at Town Meeting. 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 specific and non-routine 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 through formal warrant articles.

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, 2014:

	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	-	-	32,850	32,850
Special revenue funds				
School lunch	-	-	167,949	167,949
Circuit breaker	-	-	121,096	121,096
Lateral/Particular sewers	-	-	123,275	123,275
Student athletic activity fees	-	-	116,304	116,304
Water use mitigation	-	-	504,389	504,389
Recreation revolving	-	-	163,782	163,782
Childcare revolving	-	-	170,754	170,754
Recreation - waterfront slip fees	-	-	209,987	209,987
Preservation revolving	-	-	107,500	107,500
Sr services transportation	-	-	216,709	216,709
Other	-	-	1,793,383	1,793,383
Expendable permanent funds				
Muni building insurance funds	-	-	99,473	99,473
Other	-	-	200,921	200,921
Total Restricted	-	-	4,028,372	4,028,372

(continued)

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	General Fund	Danvers High School Renovation	Nonmajor Governmental Funds	Total Governmental Funds
Committed				
Stabilization and other reserves				
Health claims trust	8,815	-	-	8,815
Claims reserves	633,010	-	-	633,010
HS/MS stabilization	4,379,940	-	-	4,379,940
Revenue stabilization	460	-	-	460
Education stabilization	50,558	-	-	50,558
OPEB reserves	1,000,050	-	-	1,000,050
For next year's expenditures				
HS/MS stabilization	600,000	-	-	600,000
Education stabilization	25,000	-	-	25,000
OPEB reserves	100,000	-	-	100,000
Total Committed	6,797,833	-	-	6,797,833
Assigned				
Encumbered for:				
Education	237,612	-	-	237,612
Public Works	516,732	-	-	516,732
Other	321,693	-	-	321,693
For next year's expenditures	705,700	-	-	705,700
Total Assigned	1,781,737	-	-	1,781,737
Unassigned ⁽¹⁾	7,965,218	(5,810,558)	(4,589,219)	(2,434,559)
Total Unassigned	7,965,218	(5,810,558)	(4,589,219)	(2,434,559)
Total Fund Balance	\$ 16,544,788	\$ (5,810,558)	\$ (417,323)	\$ 10,316,907

⁽¹⁾ Includes General Stabilization fund balance of \$729,701.

18. Subsequent Events

Subsequent to June 30, 2014, the Town has incurred the following debt:

	Amount	Interest Rate	Issue Date	Maturity Date
General Obligation Bond	\$ <u>9,051,000</u>	2.93%	07/02/14	07/15/34

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.

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 January 1, 2014, the actuarial valuation date, approximately 837 retirees and 807 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 2014 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, 2014, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of January 1, 2014 (in thousands).

Annual Required Contribution (ARC)	\$ 13,203
Interest on net OPEB obligation	2,204
Adjustment to ARC	<u>(2,166)</u>
Annual OPEB cost	13,241
Contributions made	<u>(4,416)</u>
Increase in net OPEB obligation	8,825
Net OPEB obligation - beginning of year	<u>55,101</u>
Net OPEB obligation - end of year ⁽¹⁾	<u>\$ 63,926</u>

⁽¹⁾ Amount above does not agree to the liability reported within the CAFR by approximately \$250,000 due to different year-end for the Electric Division.

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
2014	\$ 13,241	33.4%	\$ 63,926

The Town's net OPEB obligation as of June 30, 2014 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 January 1, 2014, the date of the most recent actuarial valuation was as follows (in thousands):

Actuarial accrued liability (AAL)	\$ 178,092
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 178,092</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 48,319</u>
UAAL as a percentage of covered payroll	<u>368.6%</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 January 1, 2014 actuarial valuation the Entry Age Normal Level Dollar Cost Method was used. The actuarial value of assets was not determined as the Town has not advanced funded its obligation. The actuarial assumptions included a 4% investment rate of return and an annual healthcare cost trend rate of 10% grading down to 5%. 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 3.25%.

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, 2013:

Retirees and beneficiaries receiving benefits	396
Terminated plan members entitled to but not yet receiving benefits	85
Active plan members	<u>479</u>
Total	<u>960</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%
2014	\$ 5,168,091	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.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
01/01/14	\$ 89,955,182	\$ 162,199,777	\$ 72,244,595	55.5%	\$ 24,485,565	295.0%

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 \$72,244,595 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 2015 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 \$12,000 per year. The actuarial value of assets is determined using a five-year smoothing of gains and losses. As of January 1, 2014, 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 \$26,693,312.

In fiscal year 2014, the Commonwealth of Massachusetts contributed \$9,094,927 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>2014</u>	<u>2013</u>
Claims liability, beginning of year	\$ 559,374	\$ 609,408
Claims incurred/recognized in fiscal year	2,316,725	698,894
Claims paid in fiscal year	<u>(663,335)</u>	<u>(748,928)</u>
Claims liability, end of year	<u>\$ 2,212,764</u>	<u>\$ 559,374</u>

The Town estimates that approximately \$663,829 of the June 30, 2014 claim liability will be due within one year.

The \$2,212,764 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, and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit, operated by Dominion Nuclear Connecticut, Inc. (DNCI), the majority owner and an indirect subsidiary of Dominion Resources, Inc. DNCI also owns and operates the Millstone Unit 2 nuclear unit. The operating license for the Millstone Unit 3 nuclear unit extends to November 25, 2045.

A substantial portion of MMWEC's plant investment and financing program is an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by NextEra Energy Seabrook, LLC (NextEra Seabrook), the majority owner and an indirect subsidiary of NextEra Energy Resources LLC. The operating license for Seabrook Station extends to March 15, 2030. NextEra Seabrook has submitted an application to extend the Seabrook Station operating license for an additional 20 years.

Pursuant to the PSAs, the MMWEC Seabrook and Millstone Project Participants are liable for their proportionate share of the costs associated with decommissioning the plants, which costs are being funded through monthly Project billings. Also, the Project Participants are liable for their proportionate share of the uninsured costs of a nuclear incident that might be imposed under the Price-Anderson Act (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.

Total capital expenditures for MMWEC's Projects amounted to \$1,607,269,000, of which \$149,906,000 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 \$225,280,000, of which \$20,162,000 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, 2013, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$218,518,000, of which \$19,742,000 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 June 30, 2014 and estimated for future years is shown below.

		<u>Annual Costs</u>
For years ended December 31,	2014	\$ 5,774,000
	2015	5,376,000
	2016	5,083,000
	2017	2,528,000
	2018	552,000
	2019	<u>429,000</u>
	Total	<u>\$ 19,742,000</u>

In addition, under the PSA's, the Department is required to pay to 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 \$14,851,000 and \$14,742,000 for the years ended December 31, 2014 and 2013, 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.

For calendar year 2013, the monthly weighted price of gas paid by Danvers under the NextEra contract has ranged from 14.7% to 47.0% above the NYMEX Penultimate settle price for the month, with the cumulative weighted average being 37.1% above. This is entirely a function of the movement of the NYMEX over time. Danvers locked in prices for most of the 2013 volumes in late 2008, when prices had fallen nearly 50% from the record high levels that were seen in the first half of 2008. These price locks were made in accordance with Danvers' 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 so far as to have been below the 20th percentile of all prices in the 4-year history, which caused Danvers to lock significant volumes at prices at \$7.50 per MMBtu. Due to the severe recession, gas prices continued to fall throughout 2013, making the prices that Danvers 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.

27. Beginning Fund Balance Restatement

The beginning (July 1, 2013) net fund balance of the Town of Danvers has been restated as follows:

Government-Wide Financial Statements:

	Business-Type Activities Enterprise
As previously reported	\$ 122,744,454
Restate user fees, net of allowance for uncollectibles	<u>1,549,086</u>
As restated	<u>\$ 124,293,540</u>

Fund Basis Financial Statements:

	Water <u>Fund</u>	Sewer <u>Fund</u>
As previously reported	\$ 50,737,859	\$ 24,927,753
Restate user fees, net of allowance for uncollectibles	<u>859,803</u>	<u>689,283</u>
As restated	<u>\$ 51,597,662</u>	<u>\$ 25,617,036</u>

Required Supplementary Information

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

June 30, 2014

(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%
01/01/14	\$ 89,955	\$ 162,200	\$ 72,245	55.5%	\$ 24,486	295.0%

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%
01/01/14	\$ -	\$ 178,092	\$ 178,092	0.0%	\$ 48,319	368.6%

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, 2014

	Special Revenue Funds			
	School Lunch Fund	Town Grants	School Grants	Receipts Reserved
<u>ASSETS</u>				
Cash and short-term investments	\$ 192,742	\$ -	\$ 100,446	\$ 198,544
Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 192,742</u>	<u>\$ -</u>	<u>\$ 100,446</u>	<u>\$ 198,544</u>
<u>LIABILITIES</u>				
Warrants payable	\$ 24,792	\$ 30,903	\$ 13,233	\$ -
Notes payable	-	-	-	-
Due to other funds	<u>-</u>	<u>111,018</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	24,792	141,921	13,233	-
<u>FUND BALANCES</u>				
Nonspendable	-	-	-	-
Restricted	167,950	315,829	173,642	198,544
Unassigned	<u>-</u>	<u>(457,750)</u>	<u>(86,429)</u>	<u>-</u>
Total Fund Balance	<u>167,950</u>	<u>(141,921)</u>	<u>87,213</u>	<u>198,544</u>
Total Liabilities and Fund Balances	<u>\$ 192,742</u>	<u>\$ -</u>	<u>\$ 100,446</u>	<u>\$ 198,544</u>

Special Revenue Funds

<u>Revolving Accounts</u>	<u>Conservation</u>	<u>Housing Trust</u>	<u>Other Funds</u>	<u>Subtotals</u>
\$ 1,759,852	\$ 134,327	\$ 607,162	\$ 666,591	\$ 3,659,664
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 1,759,852</u>	<u>\$ 134,327</u>	<u>\$ 607,162</u>	<u>\$ 666,591</u>	<u>\$ 3,659,664</u>
\$ 42,478	\$ -	\$ -	\$ 287,291	\$ 398,697
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>111,018</u>
42,478	-	-	287,291	509,715
-	-	-	-	-
1,717,374	134,327	607,162	380,300	3,695,128
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,000)</u>	<u>(545,179)</u>
<u>1,717,374</u>	<u>134,327</u>	<u>607,162</u>	<u>379,300</u>	<u>3,149,949</u>
<u>\$ 1,759,852</u>	<u>\$ 134,327</u>	<u>\$ 607,162</u>	<u>\$ 666,591</u>	<u>\$ 3,659,664</u>

(continued)

TOWN OF DANVERS, MASSACHUSETTS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2014

(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	\$ -	\$ 214,186	\$ 1,392	\$ 99,232	\$ 314,810
Investments	-	-	-	-	-
Total Assets	<u>\$ -</u>	<u>\$ 214,186</u>	<u>\$ 1,392</u>	<u>\$ 99,232</u>	<u>\$ 314,810</u>
LIABILITIES					
Warrants payable	\$ -	\$ -	\$ -	\$ -	\$ -
Notes payable	251,000	2,000,000	450,000	1,625,000	4,326,000
Due to other funds	-	-	-	-	-
TOTAL LIABILITIES AND DEFERRED	251,000	2,000,000	450,000	1,625,000	4,326,000
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	32,850	32,850
Unassigned	<u>(251,000)</u>	<u>(1,785,814)</u>	<u>(448,608)</u>	<u>(1,558,618)</u>	<u>(4,044,040)</u>
Total Fund Balance	<u>(251,000)</u>	<u>(1,785,814)</u>	<u>(448,608)</u>	<u>(1,525,768)</u>	<u>(4,011,190)</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 214,186</u>	<u>\$ 1,392</u>	<u>\$ 99,232</u>	<u>\$ 314,810</u>

Permanent <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>
\$ 43,412	\$ 4,017,886
<u>400,506</u>	<u>400,506</u>
<u>\$ 443,918</u>	<u>\$ 4,418,392</u>
\$ -	\$ 398,697
-	4,326,000
-	<u>111,018</u>
<u>-</u>	4,835,715
143,524	143,524
300,394	4,028,372
<u>-</u>	<u>(4,589,219)</u>
<u>443,918</u>	<u>(417,323)</u>
<u>\$ 443,918</u>	<u>\$ 4,418,392</u>

TOWN OF DANVERS, MASSACHUSETTS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

	Special Revenue Funds			
	School Lunch Fund	Town Grants	School Grants	Receipts Reserved
Revenues:				
Excises	\$ -	\$ -	\$ -	\$ -
Penalties, interest and other taxes	-	-	-	82,773
Charges for services	795,791	-	-	9,440
Intergovernmental	405,841	1,409,518	3,128,421	-
Investment income	-	-	-	-
Miscellaneous	-	16,870	22,260	-
Total Revenues	<u>1,201,632</u>	<u>1,426,388</u>	<u>3,150,681</u>	<u>92,213</u>
Expenditures:				
Current:				
General government	-	22,197	-	-
Public safety	-	124,930	-	-
Education	1,132,492	-	3,101,536	-
Public works	-	1,077,499	-	-
Health and human services	-	110,838	-	-
Culture and recreation	-	17,900	-	-
Total Expenditures	<u>1,132,492</u>	<u>1,353,364</u>	<u>3,101,536</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	69,140	73,024	49,145	92,213
Other Financing Sources (Uses):				
Transfers out	-	-	-	(224,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(224,000)</u>
Change in fund balances	69,140	73,024	49,145	(131,787)
Fund Balances, at Beginning of Year	<u>98,810</u>	<u>(214,945)</u>	<u>38,068</u>	<u>330,331</u>
Fund Balances, at End of Year	<u>\$ 167,950</u>	<u>\$ (141,921)</u>	<u>\$ 87,213</u>	<u>\$ 198,544</u>

Special Revenue Funds

<u>Revolving Accounts</u>	<u>Conservation</u>	<u>Housing Trust</u>	<u>Other Funds</u>	<u>Subtotals</u>
\$ 21,318	\$ -	\$ -	\$ -	\$ 21,318
-	-	-	-	82,773
2,321,540	-	-	-	3,126,771
9,419	-	-	-	4,953,199
-	259	1,068	-	1,327
<u>21,600</u>	<u>-</u>	<u>96,487</u>	<u>119,978</u>	<u>277,195</u>
2,373,877	259	97,555	119,978	8,462,583
-	-	-	21,884	44,081
1,424	-	-	20,265	146,619
651,597	-	-	-	4,885,625
61,020	-	-	2,489	1,141,008
176,838	-	64,825	48,142	400,643
<u>889,515</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>907,415</u>
<u>1,780,394</u>	<u>-</u>	<u>64,825</u>	<u>92,780</u>	<u>7,525,391</u>
593,483	259	32,730	27,198	937,192
<u>(645,827)</u>	<u>-</u>	<u>-</u>	<u>(103,066)</u>	<u>(972,893)</u>
<u>(645,827)</u>	<u>-</u>	<u>-</u>	<u>(103,066)</u>	<u>(972,893)</u>
(52,344)	259	32,730	(75,868)	(35,701)
<u>1,769,718</u>	<u>134,068</u>	<u>574,432</u>	<u>455,168</u>	<u>3,185,650</u>
<u>\$ 1,717,374</u>	<u>\$ 134,327</u>	<u>\$ 607,162</u>	<u>\$ 379,300</u>	<u>\$ 3,149,949</u>

(continued)

TOWN OF DANVERS, MASSACHUSETTS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

(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	-	-	-	5,000	5,000
Total Revenues	-	-	-	5,000	5,000
Expenditures:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Education	-	-	-	-	-
Public works	-	65,136	-	-	65,136
Health and human services	-	-	-	-	-
Culture and recreation	-	-	-	4,500	4,500
Total Expenditures	-	65,136	-	4,500	69,636
Excess (deficiency) of revenues over (under) expenditures	-	(65,136)	-	500	(64,636)
Other Financing Sources (Uses):					
Transfers out	(123,052)	-	-	(77,920)	(200,972)
Total Other Financing Sources (Uses)	(123,052)	-	-	(77,920)	(200,972)
Change in fund balances	(123,052)	(65,136)	-	(77,420)	(265,608)
Fund Balances, at Beginning of Year	(127,948)	(1,720,678)	(448,608)	(1,448,348)	(3,745,582)
Fund Balances, at End of Year	<u>\$ (251,000)</u>	<u>\$ (1,785,814)</u>	<u>\$ (448,608)</u>	<u>\$ (1,525,768)</u>	<u>\$ (4,011,190)</u>

Permanent <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>
\$ -	\$ 21,318
-	82,773
-	3,126,771
-	4,953,199
3,478	4,805
<u>3,792</u>	<u>285,987</u>
7,270	8,474,853
900	44,981
-	146,619
-	4,885,625
-	1,206,144
-	400,643
-	<u>911,915</u>
<u>900</u>	<u>7,595,927</u>
6,370	878,926
-	<u>(1,173,865)</u>
-	<u>(1,173,865)</u>
6,370	(294,939)
<u>437,548</u>	<u>(122,384)</u>
<u>\$ 443,918</u>	<u>\$ (417,323)</u>

**Detail and Combining Budget
and Actual Statements**

GENERAL FUND

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

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TOWN OF DANVERS, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
<u>Taxes</u>				
Property taxes	\$ 63,995,124	\$ 63,995,124	\$ 63,995,124	\$ -
<u>Excises</u>				
Motor vehicle excise	3,770,000	3,770,000	4,133,383	363,383
Boat excise	19,525	19,525	42,635	23,110
Total Excises	3,789,525	3,789,525	4,176,018	386,493
<u>Penalties, Interest and Other Taxes</u>				
Penalties and interest	270,000	270,000	324,822	54,822
Hotel/motel taxes	925,927	925,927	1,277,099	351,172
Meals tax	768,308	768,308	808,316	40,008
Payment in lieu of taxes	1,300,000	1,300,000	1,310,809	10,809
Total Penalties, Interest and Other Taxes	3,264,235	3,264,235	3,721,046	456,811
<u>Charges for Services</u>				
Fees	693,500	693,519	687,720	(5,799)
Charges	928,427	928,427	957,705	29,278
Other department revenues	88,242	88,242	111,289	23,047
Total Charges for Services	1,710,169	1,710,188	1,756,714	46,526
<u>Intergovernmental</u>				
State aid	9,666,616	9,666,616	9,509,546	(157,070)
Federal Revenue	-	-	192,825	192,825
	9,666,616	9,666,616	9,702,371	35,755
<u>Licenses and Permits</u>				
Building permits	371,299	371,338	494,546	123,208
Other licenses and permits	490,293	490,293	452,383	(37,910)
Total Licenses and Permits	861,592	861,631	946,929	85,298
<u>Fines and Forfeits</u>				
Fines and forfeits	107,585	107,685	104,732	(2,953)
<u>Investment Income</u>				
Investment income	91,000	91,000	74,177	(16,823)
<u>Miscellaneous</u>				
Other (recurring)	246,443	246,285	322,346	76,061
Other (non-recurring)	-	-	91,277	91,277
Total Miscellaneous	246,443	246,285	413,623	167,338
<u>Other Financing Sources</u>				
Transfers in	2,039,475	2,039,475	2,039,475	-
Use of fund balance	1,776,900	1,895,873	1,895,873	-
Other	226,626	226,626	226,626	-
Total Other Financing Sources	4,043,001	4,161,974	4,161,974	-
Total Revenues and Other Financing Sources	\$ 87,775,290	\$ 87,894,263	\$ 89,052,708	\$ 1,158,445

TOWN OF DANVERS, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2014

	<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	\$ 1,150	\$ 1,150	\$ 15	\$ 1,135
Other expense	400	400	400	-
Selectmen				
Salaries and wages	15,500	15,500	15,500	-
Other expense	8,100	8,100	7,006	1,094
Town Manager				
Salaries and wages	60,543	60,543	60,520	23
Other expense	17,650	33,650	30,600	3,050
Technology Plan				
Other expense	242,068	242,068	242,068	-
Management & Information Services				
Salaries and wages	248,311	238,311	229,974	8,337
Other expense	220,289	220,289	189,180	31,109
Department Head Salaries				
Salaries and wages	1,265,786	1,265,786	1,264,758	1,028
FinCom Reserve Fund				
Other expense	50,000	34,000	-	34,000
Town Accountant				
Salaries and wages	261,613	261,613	255,945	5,668
Other expense	37,862	51,862	43,549	8,313
Assessing				
Salaries and wages	155,029	155,029	153,857	1,172
Other expense	74,615	74,615	73,751	864
Administrative Services				
Salaries and wages	352,532	340,032	332,939	7,093
Other expense	79,375	79,375	69,815	9,560
Capital outlay	5,200	5,200	5,011	189
Town Counsel				
Other expense	168,801	168,801	79,115	89,686
Human Resources				
Salaries and wages	116,459	116,459	99,024	17,435
Other expense	33,600	33,600	27,385	6,215
Total General Government	<u>3,414,883</u>	<u>3,406,383</u>	<u>3,180,412</u>	<u>225,971</u>
<u>Public Safety</u>				
Police Department				
Salaries and wages	5,569,361	5,471,361	5,013,956	457,405
Other expense	399,435	399,435	398,130	1,305
Capital outlay	185,025	255,025	243,818	11,207
Fire Department				
Salaries and wages	4,243,999	4,243,999	4,206,982	37,017
Other expense	269,245	269,245	263,443	5,802
Capital outlay	37,850	61,823	61,344	479
Code Administration				
Salaries and wages	312,979	312,979	307,906	5,073
Other expense	29,784	29,784	23,256	6,528
Total Public Safety	<u>11,047,678</u>	<u>11,043,651</u>	<u>10,518,835</u>	<u>524,816</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	35,978,918	35,978,918	35,686,002	292,916
Capital outlay	<u>86,000</u>	<u>86,000</u>	<u>81,674</u>	<u>4,326</u>
Total Education	<u>36,064,918</u>	<u>36,064,918</u>	<u>35,767,676</u>	<u>297,242</u>
<u>Public Works</u>				
Salaries and wages	3,988,156	3,988,156	3,986,872	1,284
Other expense	6,019,461	6,139,461	6,139,395	66
Capital outlay	<u>914,400</u>	<u>914,400</u>	<u>915,021</u>	<u>(621)</u>
Total Public Works	<u>10,922,017</u>	<u>11,042,017</u>	<u>11,041,288</u>	<u>729</u>
<u>Health and Human Services</u>				
Planning Department				
Salaries and wages	357,457	350,057	346,220	3,837
Other expense	39,900	39,900	33,809	6,091
Capital outlay	<u>15,279</u>	<u>15,279</u>	<u>15,885</u>	<u>(606)</u>
Health Department				
Salaries and wages	200,445	200,445	200,011	434
Other expense	<u>143,368</u>	<u>191,268</u>	<u>186,469</u>	<u>4,799</u>
Senior and Social Services Department				
Salaries and wages	198,751	198,751	201,276	(2,525)
Other expense	<u>24,844</u>	<u>24,844</u>	<u>34,061</u>	<u>(9,217)</u>
Total Health and Human Services	<u>980,044</u>	<u>1,020,544</u>	<u>1,017,731</u>	<u>2,813</u>
<u>Culture and Recreation</u>				
Recreation Department				
Salaries and wages	474,553	501,235	448,845	52,390
Other expense	118,160	91,478	86,298	5,180
Capital outlay	<u>14,721</u>	<u>14,721</u>	<u>14,721</u>	<u>-</u>
Library				
Salaries and wages	1,014,682	999,682	985,796	13,886
Other expense	<u>239,187</u>	<u>239,187</u>	<u>234,266</u>	<u>4,921</u>
Total Culture and Recreation	<u>1,861,303</u>	<u>1,846,303</u>	<u>1,769,926</u>	<u>76,377</u>
<u>Employee Benefits</u>				
Employee benefits and insurance	10,572,644	10,572,644	10,563,017	9,627
Retirement	<u>4,468,506</u>	<u>4,454,506</u>	<u>4,444,222</u>	<u>10,284</u>
Total Employee Benefits	<u>15,041,150</u>	<u>15,027,150</u>	<u>15,007,239</u>	<u>19,911</u>
<u>Debt Service</u>				
Principal & interest	5,438,284	5,438,284	5,454,769	(16,485)
<u>Intergovernmental</u>				
State assessments	1,130,013	1,130,013	978,390	151,623
<u>Other Financing Uses</u>				
Transfers out	<u>1,875,000</u>	<u>1,875,000</u>	<u>1,875,000</u>	<u>-</u>
Total Other Financing Uses	<u>1,875,000</u>	<u>1,875,000</u>	<u>1,875,000</u>	<u>-</u>
Total Expenditures and Other Financing Uses	<u>\$ 87,775,290</u>	<u>\$ 87,894,263</u>	<u>\$ 86,611,266</u>	<u>\$ 1,282,997</u>

Proprietary (Enterprise) Funds

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

The Town of Danvers has the following Enterprise Funds:

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

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

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

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

BUDGETED ENTERPRISE FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Final Budget</u>	<u>Water Fund Actual (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues and Other Sources:			
Charges for services	\$ 7,426,974	\$ 7,923,464	\$ 496,490
Intergovernmental	-	400,000	400,000
Other Sources:			
Transfers	-	-	-
Use of retained earnings	<u>766,361</u>	<u>766,361</u>	<u>-</u>
Total Revenues and Other Sources	8,193,335	9,089,825	896,490
Expenditures:			
Operating expenses	7,926,974	7,526,466	400,508
Articles	<u>266,361</u>	<u>266,361</u>	<u>-</u>
Total Expenditures	<u>8,193,335</u>	<u>7,792,827</u>	<u>400,508</u>
Excess of revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 1,296,998</u>	<u>\$ 1,296,998</u>

Sewer Fund		
<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 6,192,460	\$ 6,706,277	\$ 513,817
-	-	-
100,000	100,000	-
<u>656,000</u>	<u>656,000</u>	<u>-</u>
6,948,460	7,462,277	513,817
6,517,460	6,352,449	165,011
<u>431,000</u>	<u>431,000</u>	<u>-</u>
<u>6,948,460</u>	<u>6,783,449</u>	<u>165,011</u>
<u>\$ -</u>	<u>\$ 678,828</u>	<u>\$ 678,828</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, 2014

<u>Agency Fund</u>	Balance July 1, <u>2013</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2014</u>
Assets - cash and short-term investments	\$ 228,318	\$ 999,021	\$ (993,882)	\$ 233,457
Assets - accounts receivable	38,365	352,986	(347,865)	43,486
Total assets	<u>\$ 266,683</u>	<u>\$ 1,352,007</u>	<u>\$ (1,341,747)</u>	<u>\$ 276,943</u>
Liabilities - other	\$ 266,683	\$ 3,014,441	\$ (3,004,181)	\$ 276,943
Total liabilities	<u>\$ 266,683</u>	<u>\$ 3,014,441</u>	<u>\$ (3,004,181)</u>	<u>\$ 276,943</u>

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TOWN OF DANVERS, MASSACHUSETTS

STATISTICAL SECTION

The Town of Danvers Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

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

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

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities										
Net Investment in Capital Assets.....	\$ 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	\$ 85,958,913
Restricted.....	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	4,139,040
Unrestricted.....	<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>	<u>(41,988,204)</u>
Total governmental activities net position.....	<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>	<u>\$ 48,109,749</u>
Business-type activities										
Net Investment in Capital Assets.....	\$ 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	\$ 92,381,109
Restricted.....	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	3,596,529
Unrestricted.....	<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>	<u>32,777,543</u>
Total business-type activities net position.....	<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>	<u>\$ 128,755,181</u>
Primary Government										
Net Investment in Capital Assets.....	\$ 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	\$ 178,340,022
Restricted.....	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	7,735,569
Unrestricted.....	<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>	<u>(9,210,661)</u>
Total primary government net position.....	<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>	<u>\$ 176,864,930</u>

Data source: Audited financial statements.

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government.....	\$ 4,232,126	\$ 4,861,043	\$ 5,399,198	\$ 5,619,822	\$ 5,257,803	\$ 5,476,642.0	\$ 4,632,531	\$ 5,017,751	\$ 5,513,118	\$ 5,833,602
Public safety.....	11,879,004	11,871,065	14,330,370	14,452,992	14,934,253	15,140,677.0	15,826,429	14,713,254	15,506,498	15,698,274
Education.....	39,965,088	42,940,130	49,166,582	51,369,265	54,386,729	57,437,090.0	58,385,916	60,901,915	62,660,085	66,117,718
Public works.....	11,379,215	11,796,736	12,816,790	14,389,953	15,020,841	14,839,526.0	15,101,480	14,408,452	15,680,961	16,046,642
Health and human services.....	2,009,925	2,053,876	2,372,843	2,189,488	2,892,048	1,817,704.0	1,819,342	1,780,423	1,827,654	2,038,423
Culture and recreation.....	1,825,359	1,367,214	2,071,828	1,838,111	1,942,856	3,106,192.0	3,493,371	3,162,019	3,223,429	3,379,788
Interest.....	1,370,414	1,479,099	1,044,232	1,631,207	1,430,661	1,313,641.0	1,459,616	2,476,747	2,241,737	1,738,248
Total governmental activities expenses.....	72,661,131	76,369,163	87,201,843	91,490,838	95,865,191	99,131,472	100,718,685	102,460,561	106,653,482	110,852,695
Business-type activities:										
Water operations.....	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	6,488,111
Sewer operations.....	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	7,216,210
Electric operations.....	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	42,634,201
Total business-type activities expenses.....	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	56,338,522
Total primary government expenses.....	\$ 115,530,640	\$ 127,304,167	\$ 138,193,933	\$ 142,608,665	\$ 155,064,360	\$ 153,689,579	\$ 159,316,470	\$ 159,888,768	\$ 158,660,399	\$ 167,191,217
Program Revenues										
Governmental activities:										
Charges for services:										
General government.....	\$ 511,636	\$ 552,690	\$ 624,248	\$ 450,776	\$ 1,002,919	\$ 1,186,728	\$ 1,307,450	\$ 1,431,513	\$ 1,430,145	\$ 1,459,875
Public safety.....	1,047,787	1,145,808	1,331,827	1,556,596	593,583	496,100	696,737	941,478	1,030,907	981,133
Education.....	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	1,422,023
Public works.....	320,446	363,650	208,750	508,881	231,284	253,534	269,162	99,995	76,497	525,837
Health and human services.....	276,372	403,052	473,643	857,319	1,184,850	354,167	396,945	367,703	328,380	355,023
Culture and recreation.....	392,383	289,821	414,168	26,167	26,712	892,739	887,844	1,113,249	1,153,832	1,191,257
Operating grants and contributions.....	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	20,437,875
Capital grants and contributions.....	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	1,681,858
Total government activities program revenues	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	28,054,881
Business-type activities:										
Charges for services:										
Water operations.....	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	7,887,579
Sewer operations.....	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	6,686,112
Electric operations.....	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	43,000,008
Operating grants and contributions.....	706,529	550,629	902,096	845,000	1,152,284	199,145	1,464,294	1,269,664	1,416,835	1,114,067
Capital grants and contributions.....	-	-	-	-	-	-	1,067,131	1,485,147	3,952,283	2,993,685
Total business-type activities revenues.....	42,250,323	52,134,978	51,917,816	47,987,692	58,214,651	51,721,578	61,238,775	58,273,323	58,895,442	61,681,451
Total primary government revenues.....	\$ 59,233,125	\$ 70,439,576	\$ 73,033,120	\$ 69,565,834	\$ 79,113,575	\$ 75,661,445	\$ 87,644,644	\$ 99,627,133	\$ 90,780,541	\$ 89,736,332
Net (Expense)/ Revenue										
Governmental activities.....	\$ (55,678,329)	\$ (58,064,565)	\$ (66,086,539)	\$ (69,912,696)	\$ (74,966,267)	\$ (75,191,605)	\$ (74,312,816)	\$ (61,106,751)	\$ (74,768,383)	\$ (82,797,814)
Business-type activities.....	(619,186)	1,199,974	925,726	(3,130,135)	(984,518)	(2,836,529)	2,640,990	845,116	6,888,525	5,342,929
Total primary government net (expense).....	\$ (56,297,515)	\$ (56,864,591)	\$ (65,160,813)	\$ (73,042,831)	\$ (75,950,785)	\$ (78,028,134)	\$ (71,671,826)	\$ (60,261,635)	\$ (67,879,858)	\$ (77,454,885)

(continued)

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

(continued)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Revenues and other Changes in Net Position										
Governmental activities:										
Real estate and personal property taxes, net of refunds payable.....	\$ 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	\$ 64,405,254
Excises.....	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	4,043,549
Penalties, interest and other taxes.....	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	2,773,866
Grants and contributions not restricted to specific programs.....	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	2,808,751
Unrestricted investment income.....	634,210	1,087,602	1,507,919	1,351,845	464,784	176,830	156,999	135,569	178,384	89,728
Miscellaneous.....	1,682,798	1,294,874	1,932,477	1,361,049	1,684,014	834,303	747,044	1,030,261	383,214	518,276
Transfers.....	-	(68,000)	37,500	(47,000)	(1,072,000)	(127,000)	683,282	880,566	865,409	929,954
Permanent fund contributions.....	5,504	-	-	-	-	-	-	-	-	-
Total government activities.....	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	75,569,378
Business-type activities:										
Unrestricted investment income.....	220,212	590,971	1,703,091	1,907,193	997,120	500,275	133,391	72,025	81,906	48,135
Miscellaneous.....	-	-	-	-	557,873	854,213	367,314	147,221	8,831	531
Transfers.....	-	(745,723)	(882,608)	(109,947)	905,153	127,000	(683,282)	(880,566)	(865,409)	(929,954)
Total business-type activities.....	220,212	(154,752)	820,483	1,797,246	2,460,146	1,481,488	(182,577)	(661,320)	(774,672)	(881,288)
Total primary government.....	\$ 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	\$ 74,688,090
Net Position Restatement										
Governmental activities.....	\$ -	\$ 11,752,738	\$ (760,980)	\$ 930,000 *	\$ -	\$ (271,828)	\$ -	\$ -	\$ -	\$ -
Business-type activities.....	-	-	(2,659,332)	(930,000) *	-	-	-	-	1,549,086	-
Total primary government.....	\$ -	\$ 11,752,738	\$ (3,420,312)	\$ -	\$ -	\$ (271,828)	\$ -	\$ -	\$ 1,549,086	\$ -
Changes in Net Position										
Governmental activities.....	\$ 140,324	\$ 29,065,283	\$ (3,329,645)	\$ (5,494,991)	\$ (10,359,612)	\$ (9,494,965)	\$ (5,616,261)	\$ 14,428,065	\$ (1,562,801)	\$ (7,228,436)
Business-type activities.....	(398,974)	1,045,222	(913,123)	(2,262,889)	1,475,628	(1,355,041)	2,458,413	183,796	7,662,939	4,461,641
Total primary government changes in net position	\$ (258,650)	\$ 30,110,505	\$ (4,242,768)	\$ (7,757,880)	\$ (8,883,984)	\$ (10,850,006)	\$ (3,157,848)	\$ 14,611,861	\$ 6,100,138	\$ (2,766,795)

Data source: Audited financial statements

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011 ⁽¹⁾	2012	2013	2014
General Fund										
Reserved	\$ 2,654,646	\$ 2,826,291	\$ 3,470,188	\$ 4,178,056	\$ 3,286,428	\$ 4,122,567	\$ -	\$ -	\$ -	\$ -
Unreserved	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	6,797,833
Assigned	-	-	-	-	-	-	3,102,923	3,654,766	2,882,288	1,781,737
Unassigned	-	-	-	-	-	-	2,271,697	3,572,172	5,511,075	7,965,218
Total general fund	\$ 8,090,187	\$ 7,497,231	\$ 11,316,473	\$ 10,256,912	\$ 8,217,273	\$ 7,195,985	\$ 15,084,644	\$ 16,405,437	\$ 15,468,457	\$ 16,544,788
All Other Governmental Funds										
Reserved	\$ 143,524	\$ 143,524	\$ 143,524	\$ 143,524	\$ 143,524	\$ 143,524	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	11,369,839	11,603,547	14,212,805	15,019,326	15,233,456	12,783,373	-	-	-	-
Capital projects funds	(19,785,578)	(857,581)	(1,790,725)	(2,491,923)	1,627,992	(4,024,395)	-	-	-	-
Permanent funds	248,662	255,691	269,951	285,151	292,875	295,361	-	-	-	-
Nonspendable	-	-	-	-	-	-	143,524	143,524	143,524	143,524
Restricted	-	-	-	-	-	-	5,070,550	5,675,655	4,354,291	4,028,372
Committed	-	-	-	-	-	-	49,920	49,920	49,920	-
Unassigned	-	-	-	-	-	-	(15,437,085)	(4,007,947)	(9,560,010)	(10,399,777)
Total all other governmental funds	\$ (8,023,553)	\$ 11,145,181	\$ 12,835,555	\$ 12,956,078	\$ 17,297,847	\$ 9,197,863	\$ (10,173,091)	\$ 1,861,152	\$ (5,012,275)	\$ (6,227,881)

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

	<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>	<u>2014</u>
Revenues:										
Real estate and personal property taxes, net of tax refunds.....	\$ 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	\$ 64,358,646
Motor vehicle and other excise taxes.....	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	4,176,019
Penalties, interest and other taxes.....	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	2,773,865
Charges for services.....	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	4,883,940
Licenses and permits.....	1,583,186	1,746,305	1,944,147	2,123,421	626,205	509,978	713,939	869,973	961,842	941,556
Intergovernmental.....	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	25,436,802
Investment income.....	928,411	1,262,751	1,480,947	1,323,701	586,963	199,051	152,376	132,542	174,744	85,869
Miscellaneous.....	555,044	960,385	1,025,368	801,020	2,109,894	1,100,519	1,002,587	2,383,420	771,444	813,636
Total Revenue	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	103,470,333
Expenditures:										
General Government.....	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	3,147,636
Public Safety.....	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	10,654,740
Education.....	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	49,837,879
Public Works.....	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	12,383,162
Health and Human Services.....	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	1,423,475
Culture and Recreation.....	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	2,687,884
Employee Benefits.....	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	15,325,977
Intergovernmental.....	673,662	666,937	720,761	842,876	826,760	949,027	860,320	792,504	892,125	978,390
(1) Capital outlay.....	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	2,619,625
Debt service:										
Principal.....	1,559,000	1,655,340	1,285,612	2,160,350	2,120,000	2,682,036	2,633,900	2,744,700	3,470,000	3,401,600
Interest.....	1,434,547	1,497,926	1,517,641	1,334,237	1,313,727	1,327,246	1,425,195	1,861,410	2,339,403	2,079,194
Total Expenditures	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	104,539,562
Excess of revenues over/(under) expenditures	(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)	(1,069,229)
Other Financing Sources (Uses)										
Issuance of bonds and notes.....	1,035,000	11,325,000	-	-	9,130,961	-	2,715,000	29,349,000	-	-
Issuance of refunding bonds.....	2,441,965	-	3,187,770	-	3,034,500	-	-	-	2,385,878	-
Payments to refunded bond escrow agent.....	(2,441,965)	-	(3,187,770)	-	(2,996,736)	-	-	-	(2,287,145)	-
Transfers in.....	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	2,103,819
Transfers out.....	(1,784,140)	(1,749,005)	(4,523,465)	(3,579,936)	(5,879,776)	(5,015,291)	(689,081)	(702,282)	(791,975)	(1,173,865)
Total other financing sources (uses)	1,035,000	11,257,000	37,500	(47,000)	8,096,725	(127,000)	3,398,282	30,229,566	964,142	929,954
Fund balance restatement	-	-	962,356	625,000 *	- *	-	-	-	-	-
Net change in fund balance	\$ (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)	\$ (139,275)
(2) Debt service as a percentage of noncapital expenditures	4.21%	4.20%	3.57%	4.22%	3.95%	4.42%	4.40%	4.91%	5.87%	5.44%

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	(2) Residential Tax Rate	Commercial Value	Industrial Value	Personal Property	Total Commercial Value	(2) Commercial Tax Rate	Total Town Value
2005	\$ 2,859,761,612	\$ 10.28	\$ 727,690,551	\$ 191,137,375	\$ 65,560,937	\$ 984,388,863	\$ 15.79	\$ 3,844,150,475
2006	3,133,415,989	9.90	732,564,175	193,653,125	66,456,445	992,673,745	15.87	4,126,089,734
2007	3,476,491,992	9.32	797,855,154	206,187,950	76,406,016	1,080,449,120	15.22	4,556,941,112
2008	3,301,085,963	10.40	790,008,714	196,733,550	75,762,356	1,062,504,620	16.00	4,363,590,583
2009	3,204,639,559	11.21	800,006,373	202,996,450	84,984,123	1,087,986,946	16.60	4,292,626,505
2010	3,050,092,607	12.22	755,881,445	199,003,850	91,981,022	1,046,866,317	17.92	4,096,958,924
2011	2,871,951,997	13.40	766,910,550	196,986,575	94,433,764	1,058,330,889	18.67	3,930,282,886
2012	2,875,693,392	13.93	760,897,150	199,377,475	86,613,448	1,046,888,073	19.38	3,922,581,465
2013	2,858,553,560	14.54	749,530,305	198,297,875	88,425,460	1,036,253,640	20.23	3,894,807,200
2014	2,887,313,241	14.85	759,197,158	198,658,175	89,041,993	1,046,897,326	20.90	3,934,210,567

Source: Board of Assessors, Town of Danvers

- (1) Assessed value is comparable to estimated actual value.
- (2) There is no separate rate for overlapping governments.

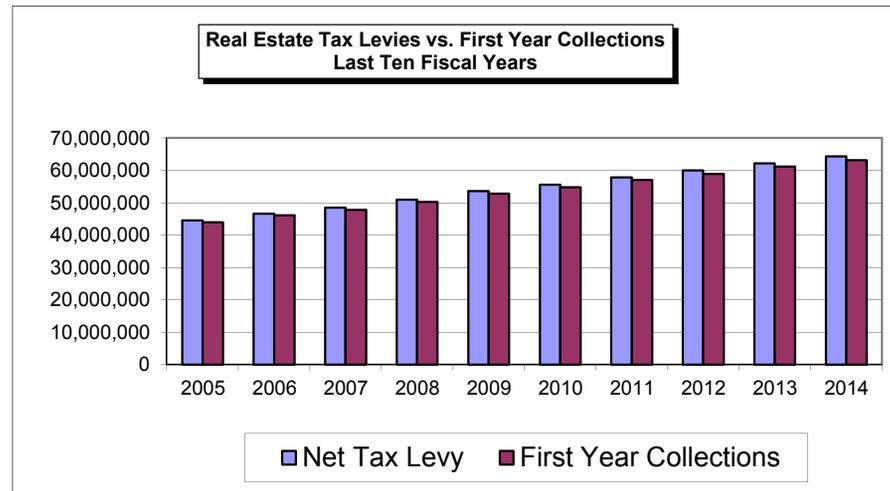
**Town of Danvers, Massachusetts
Principal Taxpayers
Current Year and Ten Years Ago**

Name	Nature of Business	2014			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	1.40%	\$ 65,831,900	1	1.71%
Brookwood Cherry Hill LLC*	Commercial/Industrial	\$ 45,100,800	2	1.15%	\$		
Town of Danvers Electric Division	Municipal Utility	\$ In Lieu of Tax	3		\$ In Lieu of Tax	2	
Avalon Bay Communities*	Residential/Commercial	\$ 49,140,200	4	1.25%	\$		
Partners Healthcare Sysytem, Inc	Commercial	\$ 29,138,413	5	0.74%	\$		
EDF Danvers, LLC*	Commercial	\$ 23,196,800	6	0.59%	\$ 24,102,800	5	0.63%
Home Depot*	Commercial	\$ 22,014,000	7	0.56%	\$ 23,151,800	6	0.60%
Endicott Plaza Limited Partnership*	Commercial	\$ 20,756,900	8	0.53%	\$		
Samuel A. Valenti*	Commercial/Residential	\$ 19,693,000	9	0.50%	\$ 21,009,500	7	0.55%
Atlas Danvers Realty, LLC	Commercial	\$ 19,416,800	10	0.49%	\$		
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%
		\$ 283,382,513		7.20%	\$ 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
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%
2014	\$ 64,756,756	\$ (385,437)	\$ 64,371,319	\$ 63,152,140	98.11%	\$ 841,808	\$ 63,993,948	99.4%	\$ 2,412,524	3.75%



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
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%
2014	24,141	\$ 51,667	\$ 3,934,210,567	\$ 48,403,070	\$ 2,005	0.11%	1.23%

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
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%
2014	\$ 26,755,946	\$ 3,641,650	\$ 7,705,000	\$ 86,505,666	\$ 3,583	0.06%	2.20%

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

Data source: Audited financial statements

Note: Change to personal income calculation as of 2011

Town of Danvers, Massachusetts
Direct and Overlapping Governmental Activities Debt
As of June 30, 2014

	<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)	\$ 105,000	16.77%	\$ 17,609
Essex North Shore Agricultural & Technical School District (3)	16,000,000	12.75%	2,040,000
South Essex Sewerage District (4)	44,968,353	13.62%	6,124,690
Massachusetts Bay Transportation Authority (5)	5,499,988,555	0.35%	<u>19,249,960</u>
Subtotal, overlapping debt			27,432,258
Town direct debt			<u>48,403,070</u>
Total direct and overlapping debt			<u>\$ 75,835,328</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: Essex North Shore Agricultural & Technical 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)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Equalized Valuation (1)	\$ 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	\$ 4,163,499
Debt Limit - 5% of Equalized Valuation	191,204	226,990	226,990	240,336	240,336	217,763	217,763	206,243	206,243	208,175
Less:										
Total debt applicable to limitation (2)	<u>(24,472)</u>	<u>(22,319)</u>	<u>(31,542)</u>	<u>(24,115)</u>	<u>(29,108)</u>	<u>(29,303)</u>	<u>(30,850)</u>	<u>(57,679)</u>	<u>(53,950)</u>	<u>(50,298)</u>
Legal debt margin	\$ 166,732	\$ 204,671	\$ 195,448	\$ 216,221	\$ 211,228	\$ 188,460	\$ 186,913	\$ 148,564	\$ 152,293	\$ 157,877
Total debt applicable to the limit as a percentage of debt limit	13%	10%	14%	10%	12%	13%	14%	28%	26%	24%

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
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%
2014	24,141	\$ 38,795	43.7	3,644	4.9%

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

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

Employer	Type of Business	2014			2005		
		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	2.01 %			
Hospice of the North Shore	Medical Care	211	7	1.90 %			
Lowe's Home Improvement Center	Building Retail	210	8	1.54 %	210	8	1.54 %
Medtronic Interventional Vascular	Bio-Medical Research & Dev.	210	9	1.53 %	210	9	1.54 %
Hotwatt	Manufacturing & Assembling	200	10	1.53 %	200	10	1.47 %
Stop & Shop	Food Retail				250	7	1.83 %
Hunt Center	Medical Center				350	2	2.57 %
Fishery Products	Food Processing				300	5	2.20 %
Total Principal Employers		3,234		24.13 %	3,310		24.27 %
Total Town Employment (1)		<u>13,713</u>			<u>13,637</u>		

Data Source:
Final Official Statements for Town of Danvers

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

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

Function	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government	31.25	31.25	31.25	32.00	31.00	30.00	30.00	30.00	30.00	30.00
Public Safety										
Police	59.50	60.00	61.00	59.00	58.00	58.00	58.00	58.00	58.00	58.00
Fire	51.75	51.75	50.75	51.87	49.87	49.87	49.87	49.87	49.87	49.87
Code Administration	6.75	5.75	5.75	6.16	6.00	6.00	6.00	5.60	5.60	5.60
Total	<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>	<u>113.47</u>
Education	313.00	320.30	329.60	410.00 *	426.00	434.00	441.90	443.70	440.50	444.00
Public Works										
Tax Supported	62.50	65.50	65.50	66.70	66.70	65.70	63.70	63.70	63.70	63.70
Water/Sewer Division	22.00	22.00	22.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00
Electric/Business Division	48.00	48.00	48.00	46.00	46.00	46.00	47.00	47.00	47.00	47.00
Total	<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>	<u>134.70</u>
Planning and Human Services										
Planning	7.00	7.00	7.00	7.00	6.00	6.00	6.00	6.00	6.00	6.67
Health	2.00	2.00	2.00	2.00	3.00	3.00	2.00	2.00	2.00	3.00
Recreation	7.00	7.00	7.00	7.64	7.64	7.64	7.64	7.64	7.64	8.75
Senior & Social Services	3.00	3.00	3.00	3.75	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>20.39</u>	<u>20.39</u>	<u>20.39</u>	<u>19.39</u>	<u>19.39</u>	<u>19.39</u>	<u>22.17</u>
Library	14.20	14.20	14.20	14.20	14.20	13.50	13.50	13.50	13.50	13.50
Total	<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>751.56</u></u>	<u><u>757.84</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	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Finance										
Registered voters	15,878	16,537	16,452	17,453	17,755	18,272	18,256	18,851	17,811	19,094
Taxable property parcels assessed	8,932	9,047	9,058	9,076	9,110	9,129	9,131	9,136	9,155	9,178
Motor vehicles registered	25,611	25,506	25,279	25,520	26,747	26,946	26,263	25,155	*	*
Police										
Physical arrests	1,150	1,154	1,012	885	720	583	705	697	755	730
Traffic violations	4,691	5,378	6,875	7,080	5,706	6,456	5,239	6,148	6,905	6,393
Fire and Rescue (CY)										
Calls answered	5,753	5,979	6,629	6,531	6,597	6,994	6,867	7,137	7,151	*
Emergency responses	4,637	3,520	3,979	3,892	3,807	3,889	4,081	4,368	4,359	*
Fires extinguished	126	88	182	151	92	88	93	130	105	*
Number of inspections conducted	1,116	1,186	1,210	1,294	1,258	1,575	1,497	1,486	1,631	*
Emergency medical responses	2,071	2,112	2,403	2,334	2,498	2,584	2,709	2,892	2,907	*
Code Administration										
Building permits	1,072	733	1,154	1,061	811	791	867	981	703	932
Estimated construction value in millions (\$)	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	61,238,763
Public Works										
Refuse collected (tons)	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	6,480.64
Recycling (tons)	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	2,622.60
Public Library										
Volumes in collections	119,169	122,147	124,957	122,591	125,812	116,064	115,169	111,817	113,761	167,085
Total volumes borrowed	139,059	132,039	138,734	139,748	152,823	153,651	150,651	155,087	144,459	205,660
Water system:										
Water main breaks	22	25	19	18	38	29	28	20	29	25
Daily average consumption (millions of gallons)	2.47	2.58	3.09	3.25	3.19	3.23	3.70	3.22	3.08	2.90
Peak daily consumption (millions of gallons)	5.58	5.27	5.20	6.12	5.00	5.28	6.08	5.74	5.97	5.23
Sewage System:										
Miles of sewer	110.86	111.90	121.18	121.50	122.94	122.94	123.33	123.33	123.70	123.51
Number of house connections	7,338	7,416	7,646	7,700	7,728	7,740	7,760	7,778	7,796	7,800
Electric System (CY)										
Annual energy sales (MWhr)	330,348	323,437	326,551	321,057	314,973	326,841	323,607	320,844	318,216	*
Number of meters	11,959	11,730	12,493	12,972	13,016	13,016	13,016	13,016	13,212	*
Overhead lines (miles)	140.10	141.45	141.86	141.86	141.86	143.56	146.56	144.11	143.15	*
Underground lines (miles)	30.60	30.81	29.19	34.25	34.25	36.10	37.05	*	37.12	*

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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
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	120.50	121	121	123	123
Miles of storm drains	100	100	100	100	100	100	100	100	103	103
Number of street lights	3,523	3,523	3,523	3,470	3,469	3,468	3,471	3,489	3,490	3,508
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	36	36	36	36	36	36
Tennis Courts	10	10	10	10	10	10	10	10	10	10
Water system:										
Miles of water mains	129.05	130.23	132.41	133.50	134.10	134.10	135	135	135.25	135.25
Number of service connections	10,692	10,773	10,800	10,820	10,837	10,842	10,855	10,870	10,886	10,890
Storage capacity in gallons (millions of gallons)	9.40	9.40	9.40	9.40	9.40	9.40	9.40	9.40	9.40	9.40
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	1,450	1,462	1,476	1,487	1,491	1,493	1,500	1,505	1,508	1,508
Sewage System:										
Miles of sanitary sewers	120.30	120.30	121.18	121.50	122.94	122.94	123.33	123.33	123.51	123.51
Number of treatment plants (2)										
Number of service connections	7,590	7,613	7,646	7,700	7,728	7,740	7,760	7,778	7,796	7,800

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.