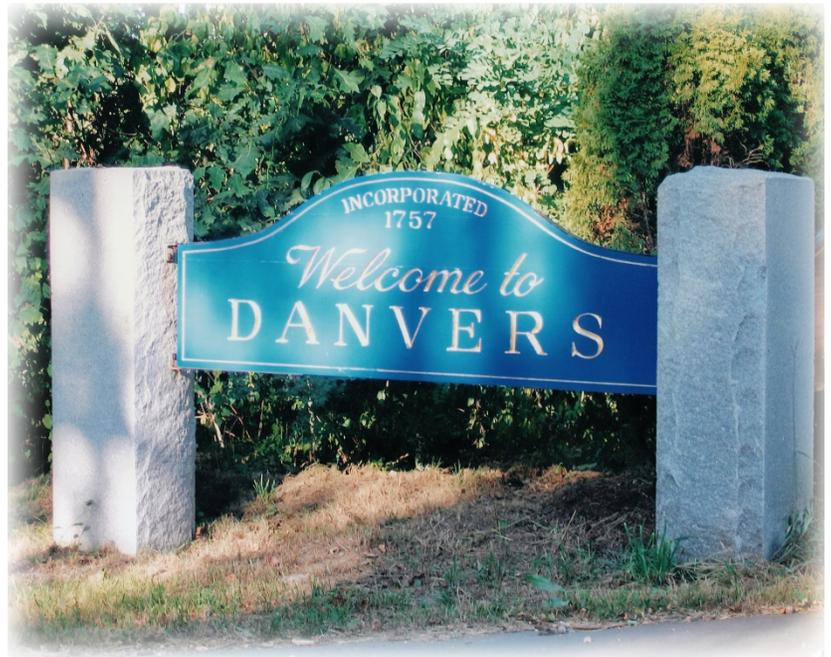


# ***TOWN OF DANVERS, MASSACHUSETTS***



## ***COMPREHENSIVE ANNUAL FINANCIAL REPORT***

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



**TOWN OF DANVERS, MASSACHUSETTS**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2015**



**Prepared by:**  
**The Town Accountant's Department**

**Corinna Grace**  
**Town Accountant**

Town of Danvers, Massachusetts  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2015

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**TOWN OF DANVERS**

***Town Accountant***



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

January 8, 2016

## **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, 2015 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, 2015 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion on the Town of Danvers' financial statements for the fiscal year ended

June 30, 2015, and, further, that they are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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

GAAP 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 a full range of services, including police and fire protection, K-12 public education, senior services, collection and disposal of rubbish, electricity, water and sewer services, streets, parks and recreation. Two private health centers are operated locally. 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 1950s, the Town of Danvers, in cooperation with the Danvers Housing Authority, has developed more than 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 five member Board of 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 three member Board of 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	Daniel C. Bennett	Elected/3 years	2016
Selectman	David Mills	Elected/3 years	2016
Selectman	Diane Langlais	Elected/3 years	2017
Selectman	Gardner Trask III	Elected/3 years	2018
Selectman	William H. Clark	Elected/3 years	2018
Town Manager	Steve Bartha	Appointed/5 years	2019
Finance Director	Travis Ahern	Appointed/Indefinite	N/A
Town Accountant	Corinna Grace	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	Arthur Skarmeas	Elected/3 years	2016
School Committee	Jeffrey Kay	Elected/3 years	2017
School Committee	Eric Crane	Elected/3 years	2017
School Committee	Connie Pawlak	Elected/3 years	2018
School Committee	David Thomson	Elected/3 years	2018
Sch. Superintendent	Lisa Dana	Appointed/3 years	2018

### **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. Despite the Town being largely built out, FY 2015 saw \$52 million in residential “new growth,” comprised mainly of condominiums. While some growth was seen in single family homes, the majority of residential new growth came from condominiums, some of which are considered high-end, waterfront units.

Danvers' commercial and industrial development was also strong in FY 2015. The planning process for the new Carmax dealership on Route 114 was completed and Carmax broke ground on their new facility with anticipated completion in FY 2016. Other expansion and renovations were also seen along Route 114, including a major project that will double the size of the existing Toyota/Lexus dealership.

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 the 140,000 square foot former Hunt Hospital space was recently purchased and is currently undergoing a complete renovation to become a state-of-the-art, 210-bed rehabilitation facility. Medical research also has a strong presence in Danvers, with companies such as Abiomed, Cell Signaling Technology, and Medtronic having significant facilities in town.

The merger between North Shore Technical Vocational School, Essex Agricultural School, and the Peabody Vocational High School was completed in September of 2014 at a total cost of \$133 million and is now named the Essex North Shore Agricultural & Technical School. The new campus is located in Danvers, hosting 1,440 students in 23 subjects ranging from carpentry to animal science to culinary arts. North Shore Community College has also expanded its campus within Danvers with a new \$32 million health services building. St. John's Preparatory School finished construction on a new \$14 million academic building and opened in September 2015 as part of a strategic plan that included the opening of a new middle school.

### **Relevant Financial Policies**

**Long-term Financial Planning** – Despite years of reduced state and federal 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 to a new healthcare provider in order to minimize Town employee cost increases. In the three years prior to the switch in providers, the Town averaged 7% annual increases in premium renewal rates, as opposed to an annual average of 4% in the three years since the change was made. 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 (\$70.9 million) was financed with a 57% grant from the Massachusetts School Building Authority (MSBA), and the Town

is currently working to secure MSBA funding for the Smith Elementary School, the last major school renovation in the current cycle. The Water Treatment Plant received favorable financing rates from the Water Pollution Abatement Trust (WPAT) program for its \$24 million expansion project which was completed at the end of FY 2014.

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 users, so that no tax revenue goes toward providing these services. By doing so, the Town is able to maximize tax dollars available for all other services.

The Town annually adds to various Stabilization Funds (with a current balance of \$7.98 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 August 2015.

**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 have a tendency to limit the Treasurer’s ability to invest longer term. In today’s challenging market environment, short-term earnings have been depressed for an extended period of time, however assumptions may change for earnings in FY 2016.

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 58.6% 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 next actuarial study will be done as of January 1, 2016. This study will reflect a number of more conservative assumptions, such as a funding schedule through 2035, speeding up the date at which the Town's liabilities will be paid.

The Town of Danvers also provides post-retirement health care benefits for eligible retirees and their dependents, paid for on a pay-as-you-go-basis. In accordance with the GASB Statement 45, the Town has updated its actuarial valuation to estimate Danvers' 2015 fiscal year accrual. The liability, as of January 1, 2014, is \$178.0 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, 2015, this stabilization fund balance is approximately \$3.2 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, 2014. This was the eleventh consecutive year that Danvers has received this prestigious award. In order to be awarded the Certificate of Achievement, a government must publish an easy to read and 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. Special thanks are due to 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



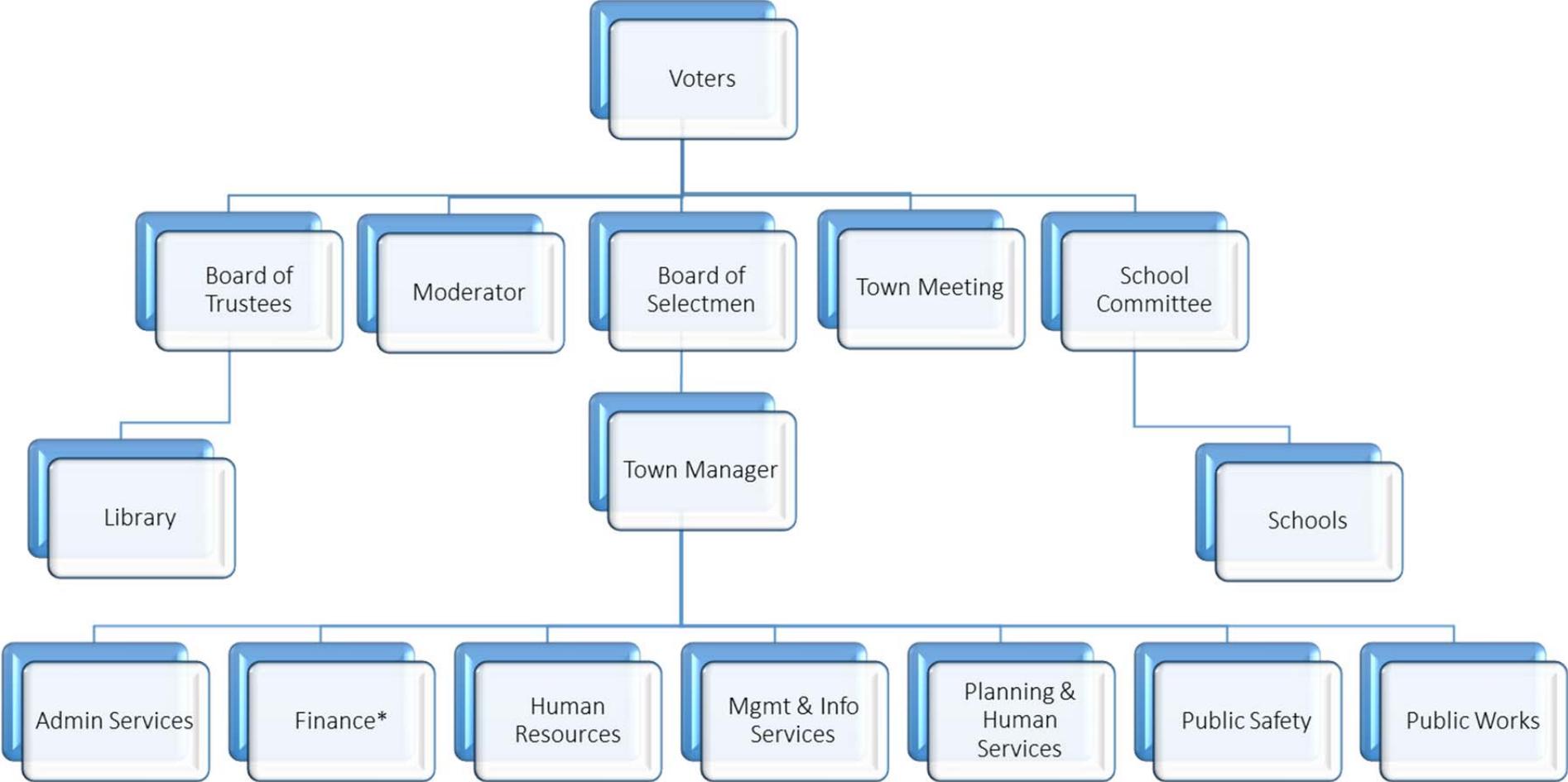
Corinna Grace  
Town Accountant



Travis Ahern  
Finance Director

TOWN OF DANVERS, MASSACHUSETTS

ORGANIZATIONAL CHART



\*Pursuant to Town Manager Act, the Town Accountant is appointed by the Board of Selectmen



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, 2014**

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, 2015 (except for the Danvers Contributory Retirement System and Electric Division Enterprise Fund, which are as of and for the year ended December 31, 2014), and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

### **Management's Responsibility for the Financial Statements**

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 assess-

ments, 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, 2015 (except for the Danvers Contributory Retirement System and Electric Division Enterprise Fund, which are as of and for the year ended December 31, 2014), and the respective changes in financial position and, where applicable, cash flows thereof 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, the Schedule of Proportionate Share of Net Pension Liability, the Schedule of Contributions, the Schedule of Changes in Net Pension Liability, and the Schedules of Net Pension Liability, Contributions, and Investment Returns 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 94 through 114 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 January 8, 2016 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*

January 8, 2016

## **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, 2015. 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.

## **B. FINANCIAL HIGHLIGHTS**

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$106,227,851 (i.e., net position), a change of \$(12,230,456) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$20,595,618, a change of \$10,278,711 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$8,982,083, a change of \$1,016,865 in comparison to the prior year, while committed fund balance was \$6,423,409, a change of \$(374,424) in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$89,820,001, a change of \$3,314,335 in comparison to the prior year. The Town also had \$4,900,000 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 \$73,084,502, a change of \$8,907,891 in comparison to the prior year.
- Total net pension liability (NPL) at the close of the current fiscal year was \$64,421,854.

### C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	<b>NET POSITION</b>					
	(in thousands)					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 35,427	\$ 34,545	\$ 45,773	\$ 49,940	\$ 81,200	\$ 84,485
Capital assets	143,385	145,888	128,718	130,640	272,103	276,528
Deferred outflows of resources	3,678	-	160	-	3,838	-
Total assets and deferred outflows	182,490	180,433	174,651	180,580	357,141	361,013
Long-term liabilities outstanding	186,971	112,576	47,666	46,470	234,637	159,046
Other liabilities	11,199	19,336	4,667	5,355	15,866	24,691
Deferred inflows	411	411	-	-	411	411
Total liabilities and deferred inflows	198,581	132,323	52,333	51,825	250,914	184,148
Net position:						
Net investment in capital assets	86,659	85,959	92,845	92,381	179,504	178,340
Restricted	5,154	4,139	4,679	3,596	9,833	7,735
Unrestricted	(107,904)	(41,988)	24,794	32,778	(83,110)	(9,210)
Total net position	\$ (16,091)	\$ 48,110	\$ 122,318	\$ 128,755	\$ 106,227	\$ 176,865

	<b>CHANGES IN NET POSITION</b>					
	(in thousands)					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Program revenues:						
Charges for services	\$ 5,800	\$ 5,935	\$ 58,274	\$ 57,574	\$ 64,074	\$ 63,509
Operating grants and contributions	16,305	20,438	681	1,114	16,986	21,552
Capital grants and contributions	625	1,682	2,197	2,994	2,822	4,676
General revenues:						
Property taxes	67,092	64,405	-	-	67,092	64,405
Excises	4,461	4,044	-	-	4,461	4,044
Penalties, interest, and other taxes	2,996	2,774	-	-	2,996	2,774
Grants and contributions not restricted to specific programs	2,940	2,809	-	-	2,940	2,809
Investment income	129	90	39	48	168	138
Miscellaneous	416	518	22	1	438	519
Total revenues	100,764	102,695	61,213	61,731	161,977	164,426

(continued)

(continued)

	<b>CHANGES IN NET POSITION</b>					
	(in thousands)					
	Governmental Activities		Business-Type Activities		Total	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Expenses:						
General government	5,717	5,834	-	-	5,717	5,834
Public safety	16,755	15,698	-	-	16,755	15,698
Education	60,667	66,118	-	-	60,667	66,118
Public works	19,404	16,047	-	-	19,404	16,047
Health and human services	2,048	2,038	-	-	2,048	2,038
Culture and recreation	3,664	3,380	-	-	3,664	3,380
Interest	2,218	1,738	-	-	2,218	1,738
Water operations	-	-	7,673	6,488	7,673	6,488
Sewer operations	-	-	6,815	7,217	6,815	7,217
Electric operations	-	-	49,247	42,634	49,247	42,634
Total expenses	<u>110,473</u>	<u>110,853</u>	<u>63,735</u>	<u>56,339</u>	<u>174,208</u>	<u>167,192</u>
Change in net position before transfers	(9,709)	(8,158)	(2,522)	5,392	(12,231)	(2,766)
Transfers in (out)	<u>1,476</u>	<u>930</u>	<u>(1,476)</u>	<u>(930)</u>	<u>-</u>	<u>-</u>
Change in net position	(8,233)	(7,228)	(3,998)	4,462	(12,231)	(2,766)
Net position - beginning of year (as restated)	<u>(7,858)</u>	<u>55,338</u>	<u>126,316</u>	<u>124,293</u>	<u>118,458</u>	<u>179,631</u>
Net position - end of year	<u>\$ (16,091)</u>	<u>\$ 48,110</u>	<u>\$ 122,318</u>	<u>\$ 128,755</u>	<u>\$ 106,227</u>	<u>\$ 176,865</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 \$106,227,851, a change of \$(12,230,456) from the prior year.

The largest portion of net position \$179,504,338 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, \$9,833,091 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$(83,109,578) primarily resulting from the Town's unfunded net pension and OPEB liabilities.

**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$(8,233,171). Key elements of this change are as follows (in thousands):

Capital Grants and Contributions	\$ 625
Change in net pension liability	(2,119)
Change in OPEB liability	(8,211)
Other	<u>1,471</u>
Total	<u>\$ (8,233)</u>

**Business-type activities.** Business-type activities for the year resulted in a change in net position of \$(3,997,285). Key elements of this change are as follows:

- Water Division net position increased by \$821,037. Operating revenues increased by 4% from the prior year, while operating expenses increased by 14% from the prior year. In fiscal year 2015, the Town transferred \$120,000 from the water fund into the general fund for indirect costs.
- Sewer Division net position decreased by \$(264,439). Operating revenues increased by 2%, while operating expenses decreased by 6%. The Town transferred \$112,000 from the sewer fund into the general fund for indirect costs.
- Electric Division net position decreased by \$(4,553,883) during the year ended December 31, 2014. This was primarily due to the payment of \$5,000,000 to the Contributory Retirement System for their portion of the unfunded liability.

**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 \$20,595,618 a change of \$10,278,711 in comparison to the prior year. Key elements of this change are as follows:

- The fund balance of the general fund increased by \$1,265,140 in fiscal year 2015. This increase is discussed in more detail below.
- The Town continued to invest in various capital improvements, expending \$1,585,208 in capital project funds in fiscal year 2015. These expenditures were primarily funded by \$4,900,000 in bond anticipation notes and the

Danvers High School Renovation project received an additional \$625,120 in Massachusetts School Building Authority (MSBA) revenues.

- Special revenue and trust fund balances increased by \$732,658 in fiscal year 2015, primarily due to school grant revenues in excess of expenditures.

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$8,982,083, while total fund balance was \$17,809,928. 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 (in thousands).

<u>General Fund</u>	<u>6/30/15</u>	<u>6/30/14</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 8,982	\$ 7,965	\$ 1,017	10.1%
Total fund balance	\$ 17,810	\$ 16,545	\$ 1,265	20.1%

The total fund balance of the general fund changed by \$1,265,410 during the current fiscal year. Key factors in this change are as follows (in thousands):

	<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>OPEB Reserves</u>	<u>General Fund</u>
<b>General Fund Highlights</b>									
Use of fund balance and other surplus, net of transfers to stabilization	\$ (2,893)	\$ -	\$ -	\$ 600	\$ 750	\$ -	\$ 25	\$ 100	\$ (1,418)
Use of stabilization	-	-	-	(611)	(1,115)	-	-	-	(1,726)
Revenues in excess of budget	1,482	-	-	-	-	-	-	-	1,482
Expenditures less than budget	1,155	-	-	-	-	-	-	-	1,155
Current year encumbrances in excess of expenditures of prior year encumbrances	398	-	-	-	-	-	-	-	398
Other	1,358	9	1	1	-	-	-	5	1,374
Total	\$ 1,500	\$ 9	\$ 1	\$ (10)	\$ (365)	\$ -	\$ 25	\$ 105	\$ 1,265

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

	<u>6/30/15</u>	<u>6/30/14</u>	<u>Change</u>
Health claims reserves	\$ 18	\$ 9	\$ 9
Claims reserves	634	633	1
General stabilization*	720	730	(10)
HS/MS stabilization	4,015	4,380	(365)
Education stabilization	76	51	25
OPEB reserves	1,105	1,000	105
Total	\$ 6,568	\$ 6,803	\$ (235)

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

### **Other General Fund Highlights**

- The Town used \$2,892,613 of unassigned fund balance and surplus to supplement the fiscal year 2015 appropriations in various departments.
- State and local revenues were \$1,481,699 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 \$1,154,601 less than their budgeted appropriations. 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 \$24,794,290. 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 (in thousands):

	<u>6/30/15</u>	<u>6/30/14</u>	<u>Change</u>
Water OPEB reserves	\$ 586	\$ 475	\$ 111
Sewer OPEB reserves	161	137	24
Electric OPEB reserves	<u>1,395</u>	<u>1,132</u>	<u>263</u>
Total	<u>\$ 2,142</u>	<u>\$ 1,744</u>	<u>\$ 398</u>

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

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$557,286, 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 \$1,481,699 and expenditures were less than appropriations by \$1,154,601, as explained previously.

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

**Capital assets.** Total investment in capital assets for governmental and business-type activities at year-end amounted to \$272,103,395 (net of accumulated depreciation), a change of \$(4,424,219) 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 (in thousands):

### Governmental activities:

- \$ 1,748 for ongoing work on the High School Renovation project.
- \$ 115 for salt shed roof repair
- \$ 290 for ongoing improvements for school athletic fields
- \$ 202 for the purchase of open space
- \$ 532 for the purchase of various departmental vehicles

### Business-type activities:

- \$ 33 for water main replacements.
- \$ 186 for water and sewer vehicles and equipment.
- \$ 3,327 for electric infrastructure improvements
- \$ 1,277 for sewer 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 \$89,820,001, all of which was backed by the full faith and credit of the government. The Town also had \$4,900,000 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:

<u>OUTSTANDING DEBT</u>						
General Obligation Bonds and Bond Anticipation Notes						
June 30, 2015 and 2014						
(in thousands)						
	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
General obligation bonds	\$ 53,686	\$ 48,403	\$ 36,134	\$ 38,102	\$ 89,820	\$ 86,505
Premium amortization	<u>938</u>	<u>983</u>	<u>-</u>	<u>-</u>	<u>938</u>	<u>983</u>
Net	54,624	49,386	36,134	38,102	90,758	87,488
Bond anticipation notes	<u>4,900</u>	<u>12,726</u>	<u>-</u>	<u>700</u>	<u>4,900</u>	<u>13,426</u>
Total	<u>\$ 59,524</u>	<u>\$ 62,112</u>	<u>\$ 36,134</u>	<u>\$ 38,802</u>	<u>\$ 95,658</u>	<u>\$ 100,914</u>

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

## **REQUESTS FOR INFORMATION**

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

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

## **Basic Financial Statements**

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# 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 2015, 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 Town 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 Town 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 2015 tax levy reflected an excess capacity of \$489,119.

*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, 2014, 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. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purpose exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

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)	\$ 88,725,293	\$ 88,730,227
Other financing sources/uses (GAAP Basis)	<u>7,055,112</u>	<u>5,785,038</u>
Subtotal (GAAP Basis)	95,780,405	94,515,265
Adjust property tax revenue to budgetary basis	(1,324,827)	-
Reverse expenditures of prior year appropriation carryforwards	-	(587,928)
To book current year appropriation carryforwards	-	985,490
To record use of fund balance and other surplus	2,892,613	-
To reverse nonbudgeted activity	<u>(3,915,200)</u>	<u>(4,116,136)</u>
Budgetary Basis	<u>\$ 93,432,991</u>	<u>\$ 90,796,691</u>

**D. Excess of Expenditures over Appropriations**

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

Education - Capital outlay	\$	(2,206)
Planning Department - Capital outlay	\$	(81)
Health Department - Salaries and wages	\$	(3,705)
Senior and Social Services Department - Salaries and wages	\$	(1,787)
Senior and Social Services Department - Other expense	\$	(12,868)
Intergovernmental - State assessments	\$	(13,061)
Other Financing Uses - Transfers out	\$	(94,018)

**E. Deficit Fund Equity**

The following funds had deficits as of June 30, 2015:

<u>Major Governmental Funds:</u>		
Danvers High School Renovation	\$	(1,375,891)
<u>Nonmajor Governmental Funds:</u>		
Town Grants	\$	(791,994)
School Grants	\$	(34,363)
Revolving Funds	\$	(76)
Other Funds	\$	(1,000)
School Capital Projects	\$	(277,647)
Other Capital Projects	\$	(183,908)
<u>Other Funds:</u>		
Internal Service Fund	\$	(1,043,798)

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, 2015, \$46,024,340 of the Town’s bank balance of \$58,160,919 was exposed to custodial credit risk as uninsured or uncollateralized. \$26,065,307 of the Town’s uninsured and uncollateralized amount is on deposit with the Massachusetts Municipal Depository Trust. As of December 31, 2014, the System’s bank balance of \$6,932,941 was fully insured and collateralized.

#### 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	\$ 4,987	\$ 4,987	\$ -	\$ -
Equities	2,399	2,399	-	-
Corporate bonds	237	N/A	-	237
US Treasury notes	190	N/A	190	-
Federal agencies	155	N/A	155	-
Mutual funds	143	143	-	-
Total investments	<u>\$ 8,111</u>	<u>\$ 7,529</u>	<u>\$ 345</u>	<u>\$ 237</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>	Fair <u>Value*</u>	<u>Average Rating as of Year-end</u>		
		<u>AAA</u>	<u>Baa1</u>	<u>Exempt or Not Rated</u>
Equities	\$ 25,154	\$ -	\$ -	\$ 25,154
Pooled investments:				
Mutual funds	16,307	-	-	16,307
State investment pool *	39,267	-	-	39,267
Fixed income securities:				
Corporate bonds	8,076	-	8,076	-
Mortgage-backed	1,370	1,370	-	-
Municipal bonds	202	202	-	-
U.S. Treasury bonds	2,053	2,053	-	-
U.S. Agencies	412	412	-	-
Total investments	<u>\$ 92,841</u>	<u>\$ 4,037</u>	<u>\$ 8,076</u>	<u>\$ 80,728</u>

*\*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 \$236,715, and corporate equities of \$2,399,076 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 \$65,223,457 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, \$39,267,311 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, 2015, the Town's only investment in any one issuer that represented 5% or more of total investments was a \$4,987,545 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, 2014, 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>1-5</u>
Debt-related Securities:		
Certificates of deposits	\$ 4,987	\$ 4,987
Corporate bonds	237	237
US Treasury notes	190	190
Federal agencies	<u>155</u>	<u>155</u>
Total	<u>\$ 5,569</u>	<u>\$ 5,569</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	\$ 8,076	\$ 78	\$ 1,566	\$ 3,245	\$ 3,187
Mortgage-backed	1,370	-	20	192	1,158
Municipal bonds	202	60	-	-	142
U.S. Treasury bonds	2,053	-	1,418	635	-
U.S. Agencies	<u>412</u>	<u>-</u>	<u>216</u>	<u>112</u>	<u>84</u>
Total	<u>\$ 12,113</u>	<u>\$ 138</u>	<u>\$ 3,220</u>	<u>\$ 4,184</u>	<u>\$ 4,571</u>

*E. Foreign Currency Risk*

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

**5. Taxes Receivable**

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

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

Taxes receivable at June 30, 2015 consist of the following (in thousands):

Real Estate			
2015	\$	857	
Prior		<u>21</u>	
			\$ 878
Personal Property			
2015		23	
2014		14	
2013		12	
Prior		<u>46</u>	
			95
Tax Liens			664
Deferred Taxes			250
Other			<u>10</u>
Total	\$		<u><u>1,897</u></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	\$ 150	\$ -
Excises	\$ 103	\$ -
User fees	\$ -	\$ 197

**7. Intergovernmental Receivables**

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2015, 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, 2015 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	\$ 1,579,391	\$ -
Nonmajor Funds:		
Town grants	-	209,284
Subtotal - Governmental	<u>1,579,391</u>	<u>209,284</u>
Business-Type Funds:		
Electric division fund	-	1,370,107
Subtotal - Business-Type	<u>-</u>	<u>1,370,107</u>
Total	<u>\$ 1,579,391</u>	<u>\$ 1,579,391</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 2015.

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net</u>
Governmental Funds:			
Major Funds:			
General fund	\$ 1,330,581	\$ 159,543	\$ 1,171,038
Nonmajor Funds:			
Receipts reserved	-	134,285	(134,285)
Revolving accounts	-	120,160	(120,160)
School capital projects	928	-	928
Landfill capital project	18,656	-	18,656
Fire pumper project	138,828	-	138,828
Other capital projects	401,131	-	401,131
Subtotal - Governmental	<u>1,890,124</u>	<u>413,988</u>	<u>1,476,136</u>
Business-Type Funds:			
Water fund	960,000	724,599	235,401
Sewer fund	169,598	1,072,000	(902,402)
Electric division fund	-	809,135	(809,135)
Subtotal - Business-Type	<u>1,129,598</u>	<u>2,605,734</u>	<u>(1,476,136)</u>
Total	<u>\$ 3,019,722</u>	<u>\$ 3,019,722</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, 2015 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 177,513	\$ 1,748	\$ -	\$ 179,261
Machinery, equipment, and furnishings	10,097	555	(289)	10,363
Infrastructure	19,874	-	-	19,874
	<u>207,484</u>	<u>2,303</u>	<u>(289)</u>	<u>209,498</u>
Total capital assets, being depreciated	207,484	2,303	(289)	209,498
Less accumulated depreciation for:				
Buildings and improvements	(75,848)	(4,249)	-	(80,097)
Machinery, equipment, and furnishings	(7,244)	(528)	238	(7,534)
Infrastructure	(4,489)	(566)	-	(5,055)
	<u>(87,581)</u>	<u>(5,343)</u>	<u>238</u>	<u>(92,686)</u>
Total accumulated depreciation	(87,581)	(5,343)	238	(92,686)
Total capital assets, being depreciated, net	119,903	(3,040)	(51)	116,812
Capital assets, not being depreciated:				
Land	25,335	-	-	25,335
Construction in progress	650	588	-	1,238
	<u>25,985</u>	<u>588</u>	<u>-</u>	<u>26,573</u>
Total capital assets, not being depreciated	25,985	588	-	26,573
Governmental activities capital assets, net	<u>\$ 145,888</u>	<u>\$ (2,452)</u>	<u>\$ (51)</u>	<u>\$ 143,385</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 47,869	\$ 1,063	\$ -	\$ 48,932
Machinery, equipment, and furnishings	4,471	386	(130)	4,727
Infrastructure	159,885	2,921	-	162,806
	<u>212,225</u>	<u>4,370</u>	<u>(130)</u>	<u>216,465</u>
Total capital assets, being depreciated	212,225	4,370	(130)	216,465
Less accumulated depreciation for:				
Buildings and improvements	(15,783)	(1,455)	-	(17,238)
Machinery, equipment, and furnishings	(2,525)	(222)	130	(2,617)
Infrastructure	(72,936)	(4,837)	-	(77,773)
	<u>(91,244)</u>	<u>(6,514)</u>	<u>130</u>	<u>(97,628)</u>
Total accumulated depreciation	(91,244)	(6,514)	130	(97,628)
Total capital assets, being depreciated, net	120,981	(2,144)	-	118,837
Capital assets, not being depreciated:				
Land	5,577	-	-	5,577
Construction in progress	4,082	339	(117)	4,304
	<u>9,659</u>	<u>339</u>	<u>(117)</u>	<u>9,881</u>
Total capital assets, not being depreciated	9,659	339	(117)	9,881
Business-type activities capital assets, net	<u>\$ 130,640</u>	<u>\$ (1,805)</u>	<u>\$ (117)</u>	<u>\$ 128,718</u>

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

Governmental Activities:	
General government	\$ 105
Public safety	316
Education	787
Public works	3,939
Health and human services	55
Culture and recreation	<u>141</u>
Total depreciation expense - governmental activities	<u>\$ 5,343</u>
Business-Type Activities:	
Water	\$ 2,025
Sewer	854
Electric	<u>3,635</u>
Total depreciation expense - business-type activities	<u>\$ 6,514</u>

#### 10. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net assets by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets.

The following is a summary of deferred outflow of resources balances as of June 30, 2015:

	<u>Entity-wide Basis</u>		<u>Fund Basis</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Proprietary Funds Water</u>	<u>Sewer</u>
Net difference between projected and actual pension investment earnings	\$ 3,678,211	\$ 160,297	\$ 142,993	\$ 17,304

#### 11. Warrants and Accounts Payable

Warrants payable represent 2015 expenditures paid by July 15, 2015 as permitted by law. Accounts payable represent 2014 Electric Division expenses paid after December 31, 2014.

#### 12. Tax Refunds Payable

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

### 13. Notes Payable

The Town had the following notes outstanding at June 30, 2015:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/15</u>
<u>Governmental Activities:</u>				
Bond anticipation - various projects	1.00%	01/19/15	08/21/15	\$ 1,500,000
Bond anticipation - High School	1.00%	06/26/15	08/21/15	<u>3,400,000</u>
Grand Total				<u>\$ 4,900,000</u>

The following summarizes activity in notes payable during fiscal year 2015 (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)	\$ -
Land acquisition	1,625	-	(1,625)	-
Landfill	2,000	-	(2,000)	-
Fire pumper truck	450	-	(450)	-
High school renovation	5,000	-	(5,000)	-
High school renovation	3,400	3,400	(3,400)	3,400
Library HVAC system	-	450	-	450
High school athletic fields	-	500	-	500
Public safety communications center	<u>-</u>	<u>550</u>	<u>-</u>	<u>550</u>
Subtotal	12,726	4,900	(12,726)	4,900
<u>Business-Type Activities:</u>				
Electric division	<u>700</u>	<u>-</u>	<u>(700)</u>	<u>-</u>
Subtotal	<u>700</u>	<u>-</u>	<u>(700)</u>	<u>-</u>
Grand Total	<u>\$ 13,426</u>	<u>\$ 4,900</u>	<u>\$ (13,426)</u>	<u>\$ 4,900</u>

### 14. Long-Term Debt

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

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

**B. General Obligation Bonds**

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

General obligation bonds currently outstanding are as follows:

<u>Governmental Activities:</u>	Amount of Original Issue	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/15
Middle School	\$ 11,000,000	07/01/16	4.45%	\$ 1,160,000
School - refunding	466,000	07/15/16	3.90%	100,000
School - refunding	707,100	07/15/16	3.90%	140,000
School remodeling - refunding	776,870	07/15/17	3.90%	221,470
School remodeling - refunding	259,000	07/15/17	3.90%	75,000
School plans - refunding	93,300	07/15/17	3.90%	20,000
School - refunding	885,500	07/15/17	3.90%	247,100
School plan/constr - refunding	2,725,000	07/15/17	2.55%	945,000
Senior center - refunding	293,000	07/15/15	2.55%	90,000
Dredging - Crane/Porter rivers	615,320	07/01/22	4.06%	345,000
Holten Richmond Middle School	1,977,641	07/01/25	4.19%	1,240,000
High School roof	538,000	07/01/25	4.20%	330,000
Town Hall renovation	6,000,000	06/15/29	3.58%	4,170,000
Thorpe School roof replacement	637,000	06/30/28	3.23%	475,000
Thorpe School athletic fields	280,000	06/30/24	2.76%	180,000
Landfill closure	898,000	06/30/31	3.42%	695,000
Landfill closure	400,000	06/30/31	3.46%	320,000
Landfill closure	500,000	06/30/31	3.46%	400,000
High School	23,525,000	06/30/37	4.27%	21,650,000
Great Oak School	376,000	06/30/32	3.40%	330,000
High School	5,448,000	06/30/37	3.73%	5,025,000
Library renovations - refunding	25,500	08/01/17	0.78%	15,000
Library renovations - refunding	150,000	08/01/18	0.82%	100,000
Library renovations - refunding	279,500	08/01/19	0.86%	195,000
Land acquisition - refunding	494,000	08/01/19	0.86%	340,000
Land acquisition - refunding	241,000	08/01/21	1.04%	210,000
School remodeling - refunding	382,000	08/01/19	0.86%	310,000
School remodeling - refunding	120,800	08/01/21	1.04%	105,000
School remodeling - refunding	442,000	08/01/21	1.04%	435,000
Great Oak School	250,072	07/15/34	2.95%	250,072
High School	4,600,000	07/15/34	2.95%	4,600,000
Land acquisition 1	259,816	07/15/34	2.95%	259,816
Land acquisition 2	964,053	07/15/34	2.95%	964,053
Landfill closure	1,981,344	07/15/34	2.95%	1,981,344
Fire pumper truck	311,172	07/15/16	0.83%	311,172
School - refunding	5,451,000	07/01/25	1.68%	5,451,000
Total Governmental Activities:				<u>\$ 53,686,027</u>

<u>Business-Type Activities:</u>	Amount of Original Issue	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/15
MWPAT	\$ 501,060	08/01/18	2.00%	\$ 155,000
Land acquisition/water refunding	41,730	07/15/15	3.90%	5,030
Water bonds - refunding	1,204,400	07/15/19	3.90%	572,150
Water	95,000	07/01/16	4.45%	10,000
Water	425,000	07/01/16	4.45%	45,000
Water	681,143	07/01/26	4.24%	430,000
Water treatment plant repairs	1,616,000	06/30/31	3.43%	1,275,000
Water Treatment Plant 1	300,000	06/30/32	3.29%	255,000
Water Treatment Plant 2	425,000	06/30/32	3.25%	350,000
Folly Hill Reservoir Water Tank 1	50,000	06/30/20	1.85%	25,000
Folly Hill Reservoir Water Tank 2	450,000	06/30/20	1.93%	275,000
Vernon Russell Water Treatment Plant 1	700,000	06/30/20	3.29%	595,000
Vernon Russell Water Treatment Plant 2	400,000	06/30/20	3.29%	340,000
Danvers State Hospital Reservoir 1	50,000	06/30/20	1.85%	25,000
Danvers State Hospital Reservoir 2	250,000	06/30/20	1.92%	150,000
Water bonds - refunding	1,209,000	08/01/23	1.24%	1,070,000
Water bonds - refunding	690,000	08/01/24	1.35%	675,000
MWPAT	19,540,666	07/15/32	2.00%	18,699,001
Water 1 - advanced refunding	47,200	07/01/25	1.68%	47,200
Water 2 - advanced refunding	207,300	07/01/25	1.68%	207,300
Wastewater system	50,000	07/01/16	4.27%	10,000
Drainage system improvements	325,000	07/01/25	4.44%	35,000
Sewer bonds - refunding	251,000	07/15/16	3.90%	43,500
Sewer bonds - refunding	665,100	07/15/19	3.90%	305,750
Cabot Road drainage imp	602,675	07/01/26	4.23%	390,000
Wastewater system	175,000	07/01/26	4.23%	115,000
Sewer bonds - refunding	65,500	07/15/15	2.55%	20,000
Drainage improvements	1,510,000	06/30/20	2.35%	790,000
Drainage	450,000	06/30/31	3.51%	375,000
Sewer bonds - refunding	130,000	08/01/19	0.85%	90,000
Sewer bonds - refunding	50,500	08/01/23	1.26%	45,000
Sewer bonds - refunding	795,700	08/01/24	1.35%	780,000
Drainage improvements - advanced refunding	154,500	07/01/25	1.65%	154,500
Electric system improvements*	4,847,221	07/01/26	4.20%	2,970,000
Electric*	4,400,000	06/30/30	3.34%	3,400,000
Electric Substation & Improvements 1*	500,000	06/30/30	3.08%	410,000
Electric Substation & Improvements 2*	400,000	06/30/26	2.71%	310,000
Electric Substation & Improvements 3*	684,543	07/15/31	2.70%	684,543
Total Business-Type Activities:				\$ <u>36,133,974</u>
Grand Total				\$ <u>89,820,001</u>

\* Electric Division debt is amount outstanding as of 12/31/14.

C. Future Debt Service – General Obligation Bonds

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2015 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 3,615,027	\$ 1,912,137	\$ 5,527,164
2017	3,515,000	1,801,007	5,316,007
2018	3,220,000	1,702,805	4,922,805
2019	2,800,000	1,617,166	4,417,166
2020	2,786,300	1,527,936	4,314,236
2021 - 2025	13,123,700	6,361,062	19,484,762
2026 - 2030	10,706,000	4,207,186	14,913,186
2031 - 2035	10,300,000	2,057,040	12,357,040
2036 - 2037	<u>3,620,000</u>	<u>185,124</u>	<u>3,805,124</u>
Total	\$ <u>53,686,027</u>	\$ <u>21,371,463</u>	\$ <u>75,057,490</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 ten years.

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 2,705,930	\$ 957,540	\$ 3,663,470
2017	2,673,648	885,192	3,558,840
2018	2,652,744	809,386	3,462,130
2019	2,562,254	728,600	3,290,854
2020	2,540,890	647,346	3,188,236
2021 - 2025	10,606,779	2,288,067	12,894,846
2026 - 2030	8,377,008	982,570	9,359,578
2031 - 2033	<u>4,014,721</u>	<u>123,310</u>	<u>4,138,031</u>
Total	\$ <u>36,133,974</u>	\$ <u>7,422,011</u>	\$ <u>43,555,985</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. A difference in fiscal years between the Electric Division fund and the Water and Sewer funds results in a disparity of approximately \$62,500 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, 2015 are as follows:

<u>Business-Type</u>	<u>Principal</u>
2016	\$ 250,000
2017	250,000
2018	250,000
2019	250,000
2020	250,000
2021 - 2025	1,107,084
2026 - 2030	<u>414,169</u>
Total	\$ <u><u>2,771,253</u></u>

F. Changes in General Long-Term Liabilities

During the year ended June 30, 2015, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 7/1/14	Additions	Reductions	Refunding, net	Total Balance 6/30/15	Less Current Portion	Equals Long-Term Portion 6/30/15
<u>Governmental Activities</u>							
Bonds payable	\$ 48,403	\$ 8,367	\$ (3,335)	\$ 251	\$ 53,686	\$ (3,615)	\$ 50,071
Premium amortization	<u>983</u>	<u>-</u>	<u>(45)</u>	<u>-</u>	<u>938</u>	<u>(45)</u>	<u>893</u>
Net Bonds payable subtotaled	49,386	8,367	(3,380)	251	54,624	(3,660)	50,964
Net pension liability	55,968	5,796	-	-	61,764	-	61,764
Net OPEB obligation <sup>(1)</sup>	58,837	14,804	(6,593)	-	67,048	-	67,048
Other:							
Compensated absences	1,900	110	(55)	-	1,955	(98)	1,857
Landfill postclosure	240	-	(60)	-	180	(60)	120
Workers' comp IBNR	<u>2,213</u>	<u>-</u>	<u>(813)</u>	<u>-</u>	<u>1,400</u>	<u>(420)</u>	<u>980</u>
Subtotal	<u>4,353</u>	<u>110</u>	<u>(928)</u>	<u>-</u>	<u>3,535</u>	<u>(578)</u>	<u>2,957</u>
Totals	\$ <u><u>168,544</u></u>	\$ <u><u>29,077</u></u>	\$ <u><u>(10,901)</u></u>	\$ <u><u>251</u></u>	\$ <u><u>186,971</u></u>	\$ <u><u>(4,238)</u></u>	\$ <u><u>182,733</u></u>

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

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

	Total Balance 7/1/14	Additions	Reductions	Refunding, net	Total Balance 6/30/15	Less Current Portion	Equals Long-Term Portion 6/30/15
<b><u>Business-Type Activities</u></b>							
Bonds payable	\$ 38,102	\$ 685	\$ (2,672)	\$ 19	\$ 36,134	\$ (2,706)	\$ 33,428
Interfund loans <sup>(1)</sup>	2,948	73	(250)	-	2,771	(250)	2,521
Net pension liability	2,439	218	-	-	2,657	-	2,657
Net OPEB obligation <sup>(2)</sup>	5,339	1,559	(862)	-	6,036	-	6,036
Other:							
Compensated absences	81	-	(14)	-	67	(3)	64
Subtotal	81	-	(14)	-	67	(3)	64
Totals	\$ 48,909	\$ 2,535	\$ (3,798)	\$ 19	\$ 47,665	\$ (2,959)	\$ 44,706

<sup>(1)</sup> See Footnote 14D

<sup>(2)</sup> The OPEB is discussed further in Note 21 and additional information is reported in required supplementary information.

## 15. Landfill Postclosure Care Costs

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

The \$180,000 reported as landfill postclosure care liability at June 30, 2015 represents future monitoring costs of the landfill that was capped in 1990. These costs will be captured annually as part of the operating budget. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

## 16. Deferred Inflows of Resources

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

The following is a summary of deferred inflow of resources balances as of June 30, 2015 (in thousands):

	<u>Entity-wide Basis</u>		<u>Fund Basis</u>	
	<u>Governmental Activities</u>		<u>Governmental Funds</u>	
			<u>General Fund</u>	
Unavailable revenues	\$	410,875	\$	1,909,173

## 17. **Restricted Net Position**

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

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

## 18. **Governmental Funds - Balances**

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

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

The following types of fund balances are reported at June 30, 2015:

**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. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purpose exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

Following is a breakdown of the Town's fund balances at June 30, 2015:

	<u>General Fund</u>	<u>Danvers High School Renovation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ -	\$ 143,524	\$ 143,524
Total Nonspendable	-	-	143,524	143,524
Restricted				
Bonded projects	-	-	296,611	296,611
Special revenue funds				
School lunch	-	-	221,139	221,139
Circuit breaker	-	-	677,258	677,258
Student athletic activity fees	-	-	260,822	260,822
Water use mitigation	-	-	543,172	543,172
Recreation revolving	-	-	152,387	152,387
Childcare revolving	-	-	228,846	228,846
Sr services transportation	-	-	204,641	204,641
Other	-	-	2,298,473	2,298,473
Expendable permanent funds				
Muni building insurance funds	-	-	100,663	100,663
Other	-	-	323,033	323,033
Total Restricted	-	-	5,307,045	5,307,045

(continued)

(continued)

	General Fund	Danvers High School Renovation	Nonmajor Governmental Funds	Total Governmental Funds
Committed				
Stabilization and other reserves				
Health claims trust	18,158	-	-	18,158
Claims reserves	634,315	-	-	634,315
HS/MS stabilization	4,014,644	-	-	4,014,644
Revenue stabilization	461	-	-	461
Education stabilization	75,711	-	-	75,711
OPEB stabilization	1,105,120	-	-	1,105,120
For next year's expenditures				
HS/MS stabilization	500,000	-	-	500,000
OPEB reserves	75,000	-	-	75,000
Total Committed	6,423,409	-	-	6,423,409
Assigned				
Encumbered for:				
Education	641,427	-	-	641,427
Public Works	476,738	-	-	476,738
Other	525,987	-	-	525,987
For next year's expenditures	760,284	-	-	760,284
Total Assigned	2,404,436	-	-	2,404,436
Unassigned <sup>(1)</sup>	8,982,083	(1,375,891)	(1,288,988)	6,317,204
Total Unassigned	8,982,083	(1,375,891)	(1,288,988)	6,317,204
Total Fund Balance	\$ 17,809,928	\$ (1,375,891)	\$ 4,161,581	\$ 20,595,618

<sup>(1)</sup> Includes General Stabilization fund balance of \$720,097.

## 19. Subsequent Events

Subsequent to June 30, 2015, the Town has incurred the following debt:

	Amount	Interest Rate	Issue Date	Maturity Date
General Obligation BAN	\$ <u>12,500,000</u>	0.29%	08/21/15	08/19/16

## 20. Commitments and Contingencies

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

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

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.

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

### Other Post-Employment Benefits

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

#### A. Plan Description

In addition to providing the pension benefits described in Note 22, 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 2015 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, 2015, 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)	\$ 13,805
Interest on net OPEB obligation	2,557
Adjustment to ARC	<u>(2,597)</u>
Annual OPEB cost	13,765
Contributions made	<u>(4,606)</u>
Increase in net OPEB obligation	9,159
Net OPEB obligation - beginning of year	<u>63,926</u>
Net OPEB obligation - end of year	<u><u>\$ 73,085</u></u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2007	\$ 9,742	24.1%	\$ 7,390
2008	\$ 10,326	27.1%	\$ 14,914
2009	\$ 11,376	33.9%	\$ 22,432
2010	\$ 11,521	33.7%	\$ 30,067
2011	\$ 13,059	37.4%	\$ 38,246
2012	\$ 13,861	38.6%	\$ 46,753
2013	\$ 14,075	40.7%	\$ 55,101
2014	\$ 13,241	33.4%	\$ 63,926
2015	\$ 13,765	33.5%	\$ 73,085

The Town's net OPEB obligation as of June 30, 2015 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 advance 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%.

## 22. Retirement System – Danvers Contributory Retirement System

The Town follows the provisions of GASB Statement No. 67 *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the employees' retirement funds.

### A. Plan Description

The System is a member of the Massachusetts Contributory Retirement Systems and is governed by Chapter 32 of the Massachusetts General Laws. Because of the significance of its operational and financial relationship with the Town, the System is included as a pension trust fund in the Town's basic financial systems.

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) and Danvers Housing Authority are members of the Danvers Contributory Retirement System (the System), a cost sharing, multiple employer public employee retirement system (PERS). Eligible employees must participate in the System. 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 System, contribution percentages and benefits paid.

The System is governed by a five-member board. The five members include two appointed by the town, two elected by the members and retirees, and a fifth member chosen by the other four members with the approval of the Public Employee Retirement Administration Commission. The System Retirement Board does not have the authority to amend benefit provisions.

Membership of the plan consisted of the following at January 1, 2014 (the latest actuarial valuation date):

Retirees and beneficiaries receiving benefits	397
Terminated plan members entitled to but not yet receiving benefits	79
Active plan members	<u>469</u>
Total	<u>945</u>
Number of participating employers	2

## B. Benefits Provided

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest five year average for those first becoming members of the MA System on or after that date. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification. Members become vested after 10 years of creditable service. A retirement allowance may be received upon attaining 20 years of service. The plan also provides for early retirement at age 55 if the participant (1) has a record of 10 years of creditable service, (2) was on the Town/City payroll on January 1, 1978, (3) voluntarily left Town/City employment on or after that date, and (4) left accumulated annuity deductions in the fund. A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 50 for groups 1 and 2, respectively. A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

Per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100 percent, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive zero, fifty, or one hundred percent of the regular interest which has accrued upon those deductions. However, effective July 1, 2010, members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3% and do not forfeit any interest previously earned on contributions.

## C. Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired after January 1, 1979 contribute an additional 2% on all

gross regular compensation 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 contribution to the System for the year ended June 30, 2015 was \$5,284,798, which was equal to its annual required contribution. The Electric Division contributed an additional \$5,000,000 towards their unfunded liability.

*D. Summary of Significant Accounting Policies*

The accounting policies of the System as reflected in the accompanying financial statements for the year ended December 31, 2014 conform to generally accepted accounting principles for public employee retirement systems (PERS). The more significant accounting policies of the System are summarized below:

Basis of Accounting - Contributory retirement system financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized as revenue in the period in which the members provide services to the employer. 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.

Investments

*Investment Policy*

Investments are reported at fair value in accordance with PERAC requirements. System assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

*Rate of Return*

For the year ended December 31, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 7.11%. The money-weighted rate of return expresses

investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

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

*E. Net Pension Liability of Participating Employers*

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

Net Pension Liability of Employers

Total pension liability	\$ 170,186,175
Plan fiduciary net position	<u>(99,689,253)</u>
Employers' net pension liability	<u>\$ 70,496,922</u>
 Plan fiduciary net position as a percentage of total pension liability	  58.6%

Actuarial Assumptions

A summary of the actuarial assumptions as of the latest actuarial valuation is shown below:

Valuation Date	January 1, 2014 rolled forward to December 31, 2014
Actuarial cost method	Entry Age
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	4.00% for Groups 1 and 2 and 4.25% for Group 4
Inflation rate	Not explicitly assumed
Post-retirement cost-of-living adjustment	3% of first \$12,000

Actuarial valuation of the ongoing Systems involves estimates of the reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future

employment mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial assumptions used in the December 31, 2014 valuation were based on the results of the most recent actuarial experience study, which was for the period January 1, 2013 through December 31, 2013.

Mortality rates were based on the RP-2000 mortality table projected with Generational mortality and Scale BB.

### Target Allocations

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range (expected returns, net of pension plan investment expense and inflation) is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US Equities Blend	35.0%	10.00%
Int'l Dev Equities	15.0%	9.90%
Int'l EM Equities	15.0%	11.90%
US Invst Grand Bonds	15.0%	4.60%
High Yield Bonds	5.0%	8.20%
Hedge Funds	5.0%	6.00%
Direct Real Estate	2.0%	9.80%
Private Equity	5.0%	13.90%
Cash	3.0%	2.70%
Total	<u>100.0%</u>	

Discount Rate: The discount rate used to measure the total pension liability was 8%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return

on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the proportionate share of the net pension liability to changes in the discount rate:* The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 8%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (7%) or 1 percentage-point higher (9%) than the current rate:

<u>Fiscal Year Ended</u>	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
December 31, 2014	\$ 87,603,916	\$ 64,421,854	\$ 54,628,295

*F. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2015, the Town reported a liability of \$64,421,854 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2014, the Town's proportion was 98.47%.

For the year ended June 30, 2015, the Town recognized pension expense of \$6,184,296. In addition, the Town reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 3,838,508

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

Year ended June 30:	
2016	\$ 959,627
2017	959,627
2018	959,627
2019	<u>959,627</u>
Total	<u>\$ 3,838,508</u>

## 23. Massachusetts Teachers' Retirement System (MTRS)

### A. Plan Description

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives, and Quincy College. The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report.

Management of MTRS is vested in the Massachusetts Teachers' Retirement Board (MTRB), which consists of seven members—two elected by the MTRS members, one who is chosen by the six other MTRB members, the State Treasurer (or their designee), the State Auditor (or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who serves ex-officio as the Chairman of the MTRB.

### B. Benefits Provided

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by

employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

*C. Contributions*

Member contributions for MTRS vary depending on the most recent date of membership:

<u>Hire Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 - 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
7/1/2001 to present	11% of regular compensation (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present	An additional 2% of regular compensation in excess of \$30,000

*D. Actuarial Assumptions*

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of January 1, 2014 rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of January 1, 2014, rolled back to June 30, 2013. This valuation used the following assumptions:

- (a) 8.0% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year.
- Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.
- Mortality rates were as follows:
  - Pre-retirement - reflects RP-2000 Employees table adjusted for “white-collar” employment projected 22 years with Scale AA (gender distinct)
  - Post-retirement - reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender distinct)
  - Disability – reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender distinct) set forward 3 years for males.

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan

investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2014 and 2013 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	
		<u>2014</u>	<u>2013</u>
Global equity	43.0%	7.2%	7.70%
Core fixed income	13.0%	2.5%	2.00%
Hedge funds	10.0%	5.5%	4.75%
Private equity	10.0%	8.8%	9.00%
Real estate	10.0%	6.3%	6.00%
Value added fixed income	10.0%	6.3%	6.30%
Timeber/natural resources	4.0%	5.0%	5.00%
Total	<u>100.0%</u>		

*E. Discount Rate*

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*F. Sensitivity Analysis*

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate (amounts in thousands):

<u>Fiscal Year Ended</u>	<u>1% Decrease to 7%</u>	<u>Current Discount Rate 8%</u>	<u>1% Increase to 9%</u>
June 30, 2013	\$ 21,426,000	\$ 17,234,000	\$ 13,672,000
June 30, 2014	\$ 20,247,000	\$ 15,896,000	\$ 12,200,000

### G. Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarial determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68) and the Commonwealth is a nonemployer contributing entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer.

### H. Town Proportions

In fiscal year 2014 (the most recent measurement period), the Commonwealth's proportionate share of the MTRS' collective net pension liability and pension expense that is associated with the Town was \$63,662,584 and \$4,422,945 respectively, based on a proportionate share of 0.40%. As required by GASB 68, the Town has recognized its portion of the collective pension expense as both a revenue and expense in the government-wide Statement of Activities.

## 24. 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>2015</u>	<u>2014</u>
Claims liability, beginning of year	\$ 2,212,764	\$ 559,374
Claims incurred/recognized in fiscal year	(89,352)	2,316,725
Claims paid in fiscal year	<u>(723,960)</u>	<u>(663,335)</u>
Claims liability, end of year	<u>\$ 1,399,452</u>	<u>\$ 2,212,764</u>

The Town estimates that approximately \$419,836 of the June 30, 2015 claim liability will be due within one year.

The \$1,399,452 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.

## **25. 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.

## **26. 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 \$1,616,889,000, of which \$150,740,000 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 \$167,110,000, of which \$15,145,000 is associated with the Department's share of Project Capability of the Projects in which it participates, although such amount is not allocated to the Department. As of December 31, 2014, MMWEC's total future debt service requirement on outstanding bonds issued for the Projects is \$184,002,000, of which \$16,744,000 is anticipated to be billed to the Department in the future.

The estimated aggregate amount of Danvers Electric Division's required payments under the PSAs and PPAs, exclusive of the Reserve and Contingency Fund billings, to MMWEC at December 31, 2014 and estimated for future years is shown below.

		<u>Annual Costs</u>
For years ended December 31,	2015	\$ 5,472,000
	2016	5,280,000
	2017	4,887,000
	2018	170,000
	2019	<u>933,000</u>
	Total	<u>\$ 16,742,000</u>

In addition, under the PSAs, 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 \$14,767,000 and \$14,851,000 for the years ended December 31, 2014 and 2013, respectively.

## **27. Beginning Fund Balance Restatement**

The beginning (July 1, 2014) net fund balance of the Town of Danvers has been restated as follows:

Government-Wide Financial Statements:	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
As previously reported	\$ 48,109,749	\$ 128,755,181
Implementation of GASB 68	<u>(55,967,535)</u>	<u>(2,439,088)</u>
As restated	<u>\$ (7,857,786)</u>	<u>\$ 126,316,093</u>
Fund Basis Financial Statements:	<u>Water Fund</u>	<u>Sewer Fund</u>
As previously reported	\$ 53,281,661	\$ 25,074,938
Implementation of GASB 68	<u>(2,175,784)</u>	<u>(263,304)</u>
As restated	<u>\$ 51,105,877</u>	<u>\$ 24,811,634</u>

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## **Required Supplementary Information**

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## TOWN OF DANVERS, MASSACHUSETTS

## STATEMENT OF NET POSITION

JUNE 30, 2015

(EXCEPT FOR THE ELECTRIC DIVISION FUND, WHICH IS AS OF DECEMBER 31, 2014)

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 24,714,185	\$ 12,372,224	\$ 37,086,409
Investments	4,790,656	-	4,790,656
Receivables, net of allowance for uncollectibles:			
Property taxes	1,198,068	-	1,198,068
Excises	326,460	-	326,460
User fees	-	9,405,506	9,405,506
Intergovernmental	694,026	-	694,026
Departmental and other	5,253	1,230,011	1,235,264
Due to/from other funds	1,370,107	(1,370,107)	-
Prepaid expenses	-	1,673,520	1,673,520
Inventory	-	2,350,203	2,350,203
Other assets	36,979	-	36,979
Total current assets	<u>33,135,734</u>	<u>25,661,357</u>	<u>58,797,091</u>
Noncurrent:			
Restricted cash	-	17,360,795	17,360,795
Receivables, net of allowance for uncollectibles:			
Property taxes	548,347	-	548,347
Intergovernmental	1,368,957	-	1,368,957
Interfund (see footnote 14D)	-	2,708,753	2,708,753
Other assets, net of current portion	373,896	42,260	416,156
Land and construction in progress	26,572,734	9,880,780	36,453,514
Other capital assets, net of accumulated depreciation	116,812,748	118,837,133	235,649,881
Total noncurrent assets	<u>145,676,682</u>	<u>148,829,721</u>	<u>294,506,403</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>3,678,211</u>	<u>160,297</u>	<u>3,838,508</u>
<b>TOTAL ASSETS</b>	<u>182,490,627</u>	<u>174,651,375</u>	<u>357,142,002</u>
<b>LIABILITIES</b>			
Current:			
Warrants payable	2,137,834	324,986	2,462,820
Accounts payable	-	2,991,613	2,991,613
Accrued liabilities	1,576,205	588,556	2,164,761
Tax refunds payable	885,000	-	885,000
Notes payable	4,900,000	-	4,900,000
Other current liabilities	1,700,366	761,899	2,462,265
Current portion of long-term liabilities:			
Bonds payable	3,615,027	2,705,930	6,320,957
Premium amortization	44,661	-	44,661
Interfund payable	-	250,000	250,000
Other liabilities	577,594	3,335	580,929
Total current liabilities	<u>15,436,687</u>	<u>7,626,319</u>	<u>23,063,006</u>
Noncurrent:			
Bonds payable, net of current portion	50,071,000	33,428,044	83,499,044
Premium amortization	893,222	-	893,222
Interfund payable	-	2,521,253	2,521,253
Net pension liability	61,764,371	2,657,483	64,421,854
Net OPEB obligation	67,048,403	6,036,099	73,084,502
Other liabilities, net of current portion	2,957,026	63,369	3,020,395
Total noncurrent liabilities	<u>182,734,022</u>	<u>44,706,248</u>	<u>227,440,270</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>410,875</u>	<u>-</u>	<u>410,875</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<u>198,581,584</u>	<u>52,332,567</u>	<u>250,914,151</u>
<b>NET POSITION</b>			
Net investment in capital assets	86,658,957	92,845,381	179,504,338
Restricted for:			
Grants and other statutory restrictions	4,704,792	4,679,137	9,383,929
Permanent funds:			
Nonexpendable	143,524	-	143,524
Expendable	305,638	-	305,638
Unrestricted	(107,903,868)	24,794,290	(83,109,578)
<b>TOTAL NET POSITION</b>	<u>\$ (16,090,957)</u>	<u>\$ 122,318,808</u>	<u>\$ 106,227,851</u>

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

TOWN OF DANVERS, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

(EXCEPT FOR THE ELECTRIC DIVISION FUND, WHICH IS FOR THE YEAR ENDED DECEMBER 31, 2014)

		<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental Activities:</b>				
General government	\$ 5,716,535	\$ 1,506,539	\$ 82,857	\$ -
Public safety	16,755,025	1,203,801	219,863	-
Education	60,668,166	1,471,384	14,773,776	625,120
Public works	19,404,154	172,547	1,089,212	-
Health and human services	2,048,104	375,428	92,930	-
Culture and recreation	3,663,613	1,070,451	46,635	-
Interest	<u>2,217,589</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	110,473,186	5,800,150	16,305,273	625,120
<b>Business-Type Activities:</b>				
Water operations	7,673,561	8,259,197	-	-
Sewer operations	6,814,725	6,852,388	-	600,300
Electric operations	<u>49,246,509</u>	<u>43,162,128</u>	<u>680,910</u>	<u>1,597,075</u>
Total Business-type Activities	<u>63,734,795</u>	<u>58,273,713</u>	<u>680,910</u>	<u>2,197,375</u>
Total	<u>\$ 174,207,981</u>	<u>\$ 64,073,863</u>	<u>\$ 16,986,183</u>	<u>\$ 2,822,495</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

<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
\$ (4,127,139)	\$ -	\$ (4,127,139)
(15,331,361)	-	(15,331,361)
(43,797,886)	-	(43,797,886)
(18,142,395)	-	(18,142,395)
(1,579,746)	-	(1,579,746)
(2,546,527)	-	(2,546,527)
<u>(2,217,589)</u>	<u>-</u>	<u>(2,217,589)</u>
(87,742,643)	-	(87,742,643)
-	585,636	585,636
-	637,963	637,963
<u>-</u>	<u>(3,806,396)</u>	<u>(3,806,396)</u>
<u>-</u>	<u>(2,582,797)</u>	<u>(2,582,797)</u>
(87,742,643)	(2,582,797)	(90,325,440)
67,092,051	-	67,092,051
4,460,827	-	4,460,827
2,995,612	-	2,995,612
2,939,940	-	2,939,940
129,037	39,308	168,345
415,869	22,340	438,209
<u>1,476,136</u>	<u>(1,476,136)</u>	<u>-</u>
<u>79,509,472</u>	<u>(1,414,488)</u>	<u>78,094,984</u>
(8,233,171)	(3,997,285)	(12,230,456)
<u>(7,857,786)</u>	<u>126,316,093</u>	<u>118,458,307</u>
<u>\$ (16,090,957)</u>	<u>\$ 122,318,808</u>	<u>\$ 106,227,851</u>

TOWN OF DANVERS, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2015

	<u>General</u>	<u>Danvers High School Renovation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and short-term investments	\$ 16,414,928	\$ 2,086,880	\$ 5,847,973	\$ 24,349,781
Investments	4,387,939	-	402,717	4,790,656
Receivables:				
Property taxes	1,896,519	-	-	1,896,519
Excises	429,424	-	-	429,424
Departmental and other	5,253	-	-	5,253
Due from other funds	<u>1,579,391</u>	<u>-</u>	<u>-</u>	<u>1,579,391</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 24,713,454</u></b>	<b><u>\$ 2,086,880</u></b>	<b><u>\$ 6,250,690</u></b>	<b><u>\$ 33,051,024</u></b>
<b>LIABILITIES</b>				
Warrants payable	\$ 1,686,488	\$ 62,771	\$ 379,825	\$ 2,129,084
Accrued liabilities	722,501	-	-	722,501
Tax refunds payable	885,000	-	-	885,000
Notes payable	-	3,400,000	1,500,000	4,900,000
Due to other funds	-	-	209,284	209,284
Other liabilities	<u>1,700,364</u>	<u>-</u>	<u>-</u>	<u>1,700,364</u>
<b>TOTAL LIABILITIES</b>	<b>4,994,353</b>	<b>3,462,771</b>	<b>2,089,109</b>	<b>10,546,233</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>1,909,173</b>	<b>-</b>	<b>-</b>	<b>1,909,173</b>
<b>FUND BALANCES</b>				
Nonspendable	-	-	143,524	143,524
Restricted	-	-	5,307,045	5,307,045
Committed	6,423,409	-	-	6,423,409
Assigned	2,404,436	-	-	2,404,436
Unassigned	<u>8,982,083</u>	<u>(1,375,891)</u>	<u>(1,288,988)</u>	<u>6,317,204</u>
<b>TOTAL FUND BALANCES</b>	<b><u>17,809,928</u></b>	<b><u>(1,375,891)</u></b>	<b><u>4,161,581</u></b>	<b><u>20,595,618</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b><u>\$ 24,713,454</u></b>	<b><u>\$ 2,086,880</u></b>	<b><u>\$ 6,250,690</u></b>	<b><u>\$ 33,051,024</u></b>

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, 2015

<b>Total governmental fund balances</b>	\$	20,595,618
<ul style="list-style-type: none"> <li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</li> </ul>		143,385,482
<ul style="list-style-type: none"> <li>• Noncurrent assets, including MSBA reimbursements for contracted assistance, are not receivable in the current period and, therefore are not reported in the governmental funds.</li> </ul>		2,062,983
<ul style="list-style-type: none"> <li>• Revenues are reported on the accrual basis of accounting and are not deferred until collection.</li> </ul>		
Eliminate deferred revenue		1,909,173
Record allowance for doubtful accounts		(253,068)
<ul style="list-style-type: none"> <li>• Deferred outflows of resources related to pensions resulting from projected vs. actual earnings will be recognized as a reduction in the net pension liability in the years ending 6/30/16 - 6/30/19</li> </ul>		3,678,211
<ul style="list-style-type: none"> <li>• 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.</li> </ul>		(1,043,798)
<ul style="list-style-type: none"> <li>• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li> </ul>		(853,705)
<ul style="list-style-type: none"> <li>• Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.</li> </ul>		
Bonds payable		(53,686,027)
Premium amortization		(937,883)
Net pension liability		(61,764,371)
Net OPEB obligation		(67,048,403)
Other (compensated absences and landfill closure liability)		<u>(2,135,169)</u>
<b>Net position of governmental activities</b>	<b>\$</b>	<b><u>(16,090,957)</u></b>

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, 2015

	<u>General</u>	<u>Danvers High School Renovation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Property taxes	\$ 67,633,106	\$ -	\$ -	\$ 67,633,106
Excises	4,395,052	-	21,031	4,416,083
Penalties, interest and other taxes	2,919,404	-	72,987	2,992,391
Charges for services	1,787,982	-	2,755,097	4,543,079
Intergovernmental	9,973,927	625,120	5,029,201	15,628,248
Licenses and permits	1,153,496	-	-	1,153,496
Fines and forfeits	103,996	-	-	103,996
Investment income	118,524	-	6,489	125,013
Miscellaneous	<u>639,806</u>	<u>315,000</u>	<u>244,899</u>	<u>1,199,705</u>
Total Revenues	88,725,293	940,120	8,129,704	97,795,117
<b>Expenditures:</b>				
Current:				
General government	3,249,838	-	43,485	3,293,323
Public safety	10,812,554	-	189,706	11,002,260
Education	37,949,757	1,105,453	4,451,532	43,506,742
Public works	11,595,145	-	1,477,803	13,072,948
Health and human services	1,018,823	-	389,901	1,408,724
Culture and recreation	1,842,519	-	1,069,928	2,912,447
Employee benefits	15,874,569	-	-	15,874,569
Debt service	5,442,286	-	-	5,442,286
Intergovernmental	<u>944,736</u>	<u>-</u>	<u>-</u>	<u>944,736</u>
Total Expenditures	<u>88,730,227</u>	<u>1,105,453</u>	<u>7,622,355</u>	<u>97,458,035</u>
Excess (deficiency) of revenues over expenditures	(4,934)	(165,333)	507,349	337,082
<b>Other Financing Sources (Uses):</b>				
Refunding bonds issued	5,451,000	-	-	5,451,000
Refunding bond premium	273,531	-	-	273,531
Payment to refunded bond escrow agent	(5,625,495)	-	-	(5,625,495)
Issuance of debt	-	4,600,000	3,766,457	8,366,457
Transfers in	1,330,581	-	559,543	1,890,124
Transfers out	<u>(159,543)</u>	<u>-</u>	<u>(254,445)</u>	<u>(413,988)</u>
Total Other Financing Sources (Uses)	<u>1,270,074</u>	<u>4,600,000</u>	<u>4,071,555</u>	<u>9,941,629</u>
Change in fund balances	1,265,140	4,434,667	4,578,904	10,278,711
Fund Balances, at Beginning of Year	<u>16,544,788</u>	<u>(5,810,558)</u>	<u>(417,323)</u>	<u>10,316,907</u>
Fund Balances, at End of Year	<u>\$ 17,809,928</u>	<u>\$ (1,375,891)</u>	<u>\$ 4,161,581</u>	<u>\$ 20,595,618</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, 2015

<b>Net changes in fund balances - total governmental funds</b>	\$ 10,278,711																		
<ul style="list-style-type: none"> <li>• Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:           <table style="margin-left: 40px; width: 80%;"> <tr> <td style="width: 70%;">Capital outlay purchases, net of disposals</td> <td style="width: 30%; text-align: right;">2,841,200</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(5,343,407)</td> </tr> </table> </li> <li>• Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in fund balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue. <span style="float: right;">(496,311)</span></li> <li>• Some revenues reported in the Statement of Activities, such as MSBA reimbursements for contracted assistance, do not provide current financial resources and therefore, are not reported as revenues in the governmental funds. <span style="float: right;">(694,026)</span></li> <li>• The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:           <table style="margin-left: 40px; width: 80%;"> <tr> <td style="width: 70%;">Repayments of debt and payments to escrow agent on refunding</td> <td style="width: 30%; text-align: right;">8,534,500</td> </tr> <tr> <td>Issuance of bonds and refunding proceeds</td> <td style="text-align: right;">(13,817,457)</td> </tr> </table> </li> <li>• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <span style="float: right;">(253,500)</span></li> <li>• Some expenses reported in the Statement of Activities, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.           <table style="margin-left: 40px; width: 80%;"> <tr> <td style="width: 70%;">Increase in other post employment benefits</td> <td style="width: 30%; text-align: right;">(8,210,890)</td> </tr> <tr> <td>Increase in compensated absences</td> <td style="text-align: right;">(54,802)</td> </tr> <tr> <td>Decrease in landfill liability</td> <td style="text-align: right;">60,000</td> </tr> <tr> <td>Decreased in premium amortization</td> <td style="text-align: right;">44,661</td> </tr> <tr> <td>Change in net pension liability, net of deferred outflows</td> <td style="text-align: right;">(2,118,625)</td> </tr> </table> </li> <li>• Internal service funds are used by management to account for workers' compensation activities. The net activity of internal service funds is reported with governmental activities. <span style="float: right; border-bottom: 1px solid black;">996,775</span></li> </ul>		Capital outlay purchases, net of disposals	2,841,200	Depreciation	(5,343,407)	Repayments of debt and payments to escrow agent on refunding	8,534,500	Issuance of bonds and refunding proceeds	(13,817,457)	Increase in other post employment benefits	(8,210,890)	Increase in compensated absences	(54,802)	Decrease in landfill liability	60,000	Decreased in premium amortization	44,661	Change in net pension liability, net of deferred outflows	(2,118,625)
Capital outlay purchases, net of disposals	2,841,200																		
Depreciation	(5,343,407)																		
Repayments of debt and payments to escrow agent on refunding	8,534,500																		
Issuance of bonds and refunding proceeds	(13,817,457)																		
Increase in other post employment benefits	(8,210,890)																		
Increase in compensated absences	(54,802)																		
Decrease in landfill liability	60,000																		
Decreased in premium amortization	44,661																		
Change in net pension liability, net of deferred outflows	(2,118,625)																		
<b>Change in net position of governmental activities</b>	<b>\$ <u>(8,233,171)</u></b>																		

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, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original Budget	Final Budget		Positive (Negative)
<b>Revenues and Other Sources:</b>				
Property taxes	\$ 66,484,153	\$ 66,484,153	\$ 66,484,153	\$ -
Excises	3,921,000	3,921,000	4,416,083	495,083
Penalties, interest and other taxes	3,634,000	3,634,000	3,960,538	326,538
Charges for services	1,743,000	1,743,000	1,860,968	117,968
Intergovernmental	9,965,588	9,965,588	9,973,927	8,339
Licenses and permits	850,000	850,000	1,153,496	303,496
Fines and forfeits	104,000	104,000	103,996	(4)
Investment income	74,000	74,000	110,644	36,644
Miscellaneous	321,800	321,800	460,787	138,987
Other financing sources:				
Transfers in	1,926,852	1,961,138	2,015,786	54,648
Use of fund balance	2,030,700	2,553,700	2,553,700	-
Other	338,913	338,913	338,913	-
Total Revenues and Other Sources	91,394,006	91,951,292	93,432,991	1,481,699
<b>Expenditures and Other Uses:</b>				
Current:				
General government	3,487,988	3,474,988	3,284,210	190,778
Public safety	11,280,352	11,048,352	10,838,303	210,049
Education	38,155,634	38,149,920	38,147,451	2,469
Public works	11,298,341	12,098,341	11,868,507	229,834
Health and human services	1,022,661	1,040,661	1,019,532	21,129
Culture and recreation	1,904,558	1,894,558	1,845,082	49,476
Employee benefits	16,144,664	16,144,664	15,864,435	280,229
Debt service	5,693,133	5,693,133	5,415,417	277,716
Intergovernmental	931,675	931,675	944,736	(13,061)
Other financing uses:				
Transfers out	1,475,000	1,475,000	1,569,018	(94,018)
Total Expenditures and Other Uses	91,394,006	91,951,292	90,796,691	1,154,601
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 2,636,300	\$ 2,636,300

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

TOWN OF DANVERS, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2015 (DECEMBER 31, 2014 FOR THE ELECTRIC DIVISION FUND)

	Business-Type Activities Enterprise Funds			Total	Governmental
	Water Fund	Sewer Fund	Electric Division Fund		Activities Internal Service Funds
<b><u>ASSETS</u></b>					
Current:					
Cash and short-term investments	\$ 9,191,196	\$ 3,181,028	\$ -	\$ 12,372,224	\$ 364,404
User fees, net of allowance for uncollectibles	2,075,533	1,423,688	5,906,285	9,405,506	-
Other receivables	-	-	1,230,011	1,230,011	-
Prepaid expenses	-	-	1,673,520	1,673,520	-
Inventory	-	-	2,350,203	2,350,203	-
Total current assets	11,266,729	4,604,716	11,160,019	27,031,464	364,404
Noncurrent:					
Restricted cash	-	-	17,360,795	17,360,795	-
Interfund receivables, net of current portion	-	-	2,708,753	2,708,753	-
Other assets, net of current portion	-	-	42,260	42,260	-
Land and construction in progress	6,526,870	2,934,631	419,279	9,880,780	-
Other capital assets, net of accumulated depreciation	64,456,648	22,687,643	31,692,842	118,837,133	-
Total noncurrent assets	70,983,518	25,622,274	52,223,929	148,829,721	-
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	142,993	17,304	-	160,297	-
<b>TOTAL ASSETS</b>	82,393,240	30,244,294	63,383,948	176,021,482	364,404
<b><u>LIABILITIES</u></b>					
Current:					
Warrants payable	271,396	53,590	-	324,986	8,750
Accounts payable	-	-	2,991,613	2,991,613	-
Accrued liabilities	253,805	39,574	295,177	588,556	-
Due to other funds	-	-	1,370,107	1,370,107	-
Other current liabilities	-	-	761,899	761,899	-
Current portion of long-term liabilities:					
Bonds payable	1,568,387	488,000	649,543	2,705,930	-
Interfund payable	100,000	150,000	-	250,000	-
Other liabilities	3,069	266	-	3,335	419,836
Total current liabilities	2,196,657	731,430	6,068,339	8,996,426	428,586
Noncurrent:					
Bonds payable, net of current portion	23,637,294	2,665,750	7,125,000	33,428,044	-
Interfund payable	757,084	1,764,169	-	2,521,253	-
Net pension liability	2,370,603	286,880	-	2,657,483	-
Net OPEB obligation	1,446,373	243,816	4,345,910	6,036,099	-
Other liabilities, net of current portion	58,315	5,054	-	63,369	979,616
<b>TOTAL LIABILITIES</b>	30,466,326	5,697,099	17,539,249	53,702,674	1,408,202
<b><u>NET POSITION</u></b>					
Net investment in capital assets	46,039,279	22,468,524	24,337,578	92,845,381	-
Restricted for depreciation fund	-	-	4,679,137	4,679,137	-
Unrestricted	5,887,635	2,078,671	16,827,984	24,794,290	(1,043,798)
<b>TOTAL NET POSITION</b>	\$ 51,926,914	\$ 24,547,195	\$ 45,844,699	\$ 122,318,808	\$ (1,043,798)

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, 2015 (DECEMBER 31, 2014 FOR THE ELECTRIC DIVISION FUND)

	Business-Type Activities Enterprise Funds				Governmental Activities
	Water Fund	Sewer Fund	Electric Division Fund	Total	Internal Service Fund
<b>Operating Revenues:</b>					
Charges for services	\$ 8,259,197	\$ 6,852,388	\$ 43,162,128	\$ 58,273,713	\$ 89,352
Employee and employer contributions	-	-	-	-	903,400
Total Operating Revenues	8,259,197	6,852,388	43,162,128	58,273,713	992,752
<b>Operating Expenses:</b>					
Operating expenses	4,876,762	5,849,691	40,257,053	50,983,506	-
Depreciation	2,024,889	854,683	3,634,842	6,514,414	-
Total Operating Expenses	6,901,651	6,704,374	43,891,895	57,497,920	-
Operating Income (Loss)	1,357,546	148,014	(729,767)	775,793	992,752
<b>Nonoperating Revenues (Expenses):</b>					
Intergovernmental revenue	-	-	680,910	680,910	-
Investment income	-	-	39,308	39,308	4,023
Other revenue	-	-	22,340	22,340	-
Payment to Contributory Retirement System	-	-	(5,000,000)	(5,000,000)	-
Interest expense	(771,910)	(110,351)	(354,614)	(1,236,875)	-
Total Nonoperating Revenues (Expenses)	(771,910)	(110,351)	(4,612,056)	(5,494,317)	4,023
Income (Loss) Before Capital Contributions and Transfers	585,636	37,663	(5,341,823)	(4,718,524)	996,775
Capital contributions	-	600,300	1,597,075	2,197,375	-
Transfers in	960,000	169,598	-	1,129,598	-
Transfers out	(724,599)	(1,072,000)	(809,135)	(2,605,734)	-
Change in Net Position	821,037	(264,439)	(4,553,883)	(3,997,285)	996,775
Net Position at Beginning of Year, as restated	51,105,877	24,811,634	50,398,582	126,316,093	(2,040,573)
Net Position at End of Year	\$ 51,926,914	\$ 24,547,195	\$ 45,844,699	\$ 122,318,808	\$ (1,043,798)

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, 2015 (DECEMBER 31, 2014 FOR THE ELECTRIC DIVISION FUND)

	Business-Type Activities Enterprise Funds				Governmental
	Water Fund	Sewer Fund	Electric Division Fund	Total	Activities Internal Service Fund
<b>Cash Flows From Operating Activities:</b>					
Receipts from customers and users	\$ 8,353,348	\$ 6,923,047	\$ 42,290,669	\$ 57,567,064	\$ 89,352
Payments to vendors	(3,116,698)	(5,768,668)	(37,022,122)	(45,907,488)	-
Payments to employees	(1,531,049)	(208,268)	(1,299,007)	(3,038,324)	-
Receipts from employees and employer	-	-	-	-	903,400
Payments of employee benefits and expenses	-	-	-	-	(807,058)
Net Cash Provided By (Used For) Operating Activities	3,705,601	946,111	3,969,540	8,621,252	185,694
<b>Cash Flows From Noncapital Financing Activities:</b>					
Proceeds from MMWEC	-	-	680,910	680,910	-
Proceeds from state grants	-	600,300	-	600,300	-
Payment to Contributory Retirement System for portion of unfunded liability	-	-	(5,000,000)	(5,000,000)	-
Interfund transfers in	960,000	169,598	-	1,129,598	-
Interfund transfers out	(724,599)	(1,072,000)	(809,135)	(2,605,734)	-
Net Cash Provided By Noncapital Financing Activities	235,401	(302,102)	(5,128,225)	(5,194,926)	-
<b>Cash Flows From Capital and Related Financing Activities:</b>					
Acquisition and construction of capital assets, net of disposals	(213,389)	(1,051,680)	(3,327,335)	(4,592,404)	-
Proceeds from issuance of bonds	-	-	684,543	684,543	-
Proceeds from refunding	254,500	154,500	-	409,000	-
Principal payments on notes	-	-	(700,000)	(700,000)	-
Principal payments on bonds	(1,562,265)	(494,900)	(615,000)	(2,672,165)	-
Payment to escrow agent	(242,500)	(147,500)	-	(390,000)	-
Debt premiums	-	-	22,340	22,340	-
Interest expense	(771,910)	(110,351)	(354,614)	(1,236,875)	-
Capital contributions	-	-	1,597,074	1,597,074	-
Net Cash (Used For) Capital and Related Financing Activities	(2,535,564)	(1,649,931)	(2,692,992)	(6,878,487)	-
<b>Cash Flows From Investing Activities:</b>					
Investment income	-	-	29,225	29,225	4,023
Net Cash Provided By Investing Activities	-	-	29,225	29,225	4,023
Net Change in Cash and Short-Term Investments	1,405,438	(1,005,922)	(3,822,452)	(3,422,936)	189,717
Cash and Short Term Investments, Beginning of Year	7,785,758	4,186,950	21,183,247 <sup>(1)</sup>	33,155,955	174,687
Cash and Short Term Investments, End of Year	\$ 9,191,196	\$ 3,181,028	\$ 17,360,795 <sup>(1)</sup>	\$ 29,733,019	\$ 364,404
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</b>					
Operating income (loss)	\$ 1,357,546	\$ 148,014	\$ (729,767)	\$ 775,793	\$ 992,752
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	2,024,889	854,683	3,634,842	6,514,414	-
Other postemployment benefits	274,943	60,048	362,010	697,001	-
Changes in assets and liabilities:					
User fees	(100,669)	47,084	(892,131)	(945,716)	-
Inventory	-	-	94,652	94,652	-
Other assets	(142,993)	(17,304)	234,976	74,679	-
Warrants payable	53,213	(50,982)	-	2,231	6,254
Accounts payable	-	-	(134,483)	(134,483)	-
Accrued liabilities	124,303	(8,661)	13,450	129,092	(813,312)
Net pension liability	194,819	23,576	-	218,395	-
Other liabilities	(80,450)	(110,347)	1,385,991	1,195,194	-
Net Cash Provided By (Used For) Operating Activities	\$ 3,705,601	\$ 946,111	\$ 3,969,540	\$ 8,621,252	\$ 185,694

<sup>(1)</sup> 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, 2015

	Pension Trust Fund (As of December 31, 2014)	Private Purpose Trust Fund	Agency Funds
<b><u>ASSETS</u></b>			
Cash and short term investments	\$ 6,730,579	\$ 46,310	\$ 213,605
Investments:			
Certificate of deposit	-	196,889	-
Equities	25,153,177	2,399,076	-
Pooled investments	16,307,340	142,703	-
State investment pool	39,267,311	-	-
Fixed income securities	12,113,649	581,467	-
Accounts receivable	<u>205,760</u>	<u>-</u>	<u>59,454</u>
Total Assets	99,777,816	3,366,445	273,059
<b><u>LIABILITIES AND NET POSITION</u></b>			
Accounts payable	50,135	-	566
Other liabilities	<u>38,428</u>	<u>-</u>	<u>272,493</u>
Total Liabilities	<u>88,563</u>	<u>-</u>	<u>273,059</u>
<b><u>NET POSITION</u></b>			
Total net position held in trust for pension benefits and other purposes	<u>\$ 99,689,253</u>	<u>\$ 3,366,445</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, 2015

	Pension Trust Fund (For the Year Ended December 31, 2014)	Private Purpose Trust Fund
<b>Additions:</b>		
Contributions:		
Employers	\$ 10,686,405	\$ -
Plan members	2,433,972	-
Other	<u>249,323</u>	<u>3,940</u>
Total contributions	13,369,700	3,940
Investment Income (Loss):		
Interest	737,293	86,087
Increase (decrease) in fair value of investments	1,847,918	(56,803)
Less: management fees	<u>(487,590)</u>	<u>-</u>
Net investment income	<u>2,097,621</u>	<u>29,284</u>
Total additions	15,467,321	33,224
<b>Deductions:</b>		
Benefit payments to plan members, beneficiaries, and other systems	10,723,600	-
Refunds to plan members	54,864	-
Administrative expenses	250,725	-
Other	<u>292,685</u>	<u>75,943</u>
Total deductions	<u>11,321,874</u>	<u>75,943</u>
Net increase (decrease)	4,145,447	(42,719)
<b>Net position:</b>		
Beginning of year	<u>95,543,806</u>	<u>3,409,164</u>
End of year	<u>\$ 99,689,253</u>	<u>\$ 3,366,445</u>

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

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

**June 30, 2015**

**(Unaudited)**

**(Amounts Expressed in thousands)**

**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.

**TOWN OF DANVERS, MASSACHUSETTS**  
**SCHEDULE OF PROPORTIONATE SHARE**  
**OF THE NET PENSION LIABILITY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2015**  
**(Unaudited)**

<u>Danvers Retirement System:</u>	<u>2015</u>
Proportion of the net pension liability for the most recent measurement date	98.47%
Proportionate share of the net pension liability for the most recent measurement date	\$ 64,421,854
Covered-employee payroll for the most recent measurement date	\$ 20,852,307
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	308.9%
Plan fiduciary net position as a percentage of the total pension liability	58.6%
 <u>Massachusetts Teachers' Retirement System:</u>	 <u>2015</u>
Proportion of the net pension liability for the most recent measurement date	0.400485%
The Town's proportionate share of the net pension liability for the most recent measurement date	\$ -
Commonwealth of Massachusetts' total proportionate share of the net pension liability that is associated with the Town	<u>63,662,584</u>
Total net pension liability associated with the Town	<u>\$ 63,662,584</u>
Covered-employee payroll for the most recent measurement date	\$ 26,693,312
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0%
Plan fiduciary net position as a percentage of the total pension liability	61.64%

*Schedules are intended to show information for 10 years. Additional years will be displayed as they become available*

See Independent Auditors' Report.

**TOWN OF DANVERS, MASSACHUSETTS**

**SCHEDULE OF CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION**

**JUNE 30, 2015  
(Unaudited)**

<u>Danvers Retirement System:</u>	<u>2015</u>
Contractually required contribution for the current fiscal year	\$ 5,284,798
Contributions in relation to the contractually required contribution	<u>(5,284,798)</u>
Contribution deficiency (excess)	\$ <u><u>-</u></u>
Covered-employee payroll for the current fiscal year	\$ 25,221,442
Contributions as a percentage of covered-employee payroll	21%

*Schedules are intended to show information for 10 years. Additional years will be displayed as they become available*

See Independent Auditors' Report.

**TOWN OF DANVERS, MASSACHUSETTS  
CONTRIBUTORY RETIREMENT SYSTEM**

**Schedule of Changes in the Net Pension Liability**

(Unaudited)

	<u>2015</u>
<b>Total pension liability</b>	
Service cost	\$ 3,164,384
Interest on unfunded liability - time value of \$	13,007,186
Benefit payments, including refunds of member contributions	<u>(10,821,671)</u>
Net change in total pension liability	5,349,899
Total pension liability - beginning	<u>164,836,276</u>
<b>Total pension liability - ending (a)</b>	<b><u>\$ 170,186,175</u></b>
 <b>Plan fiduciary net position</b>	
Contributions - employer	\$ 10,686,405
Contributions - member	2,433,972
Net investment income	2,035,488
Benefit payments, including refunds of member contributions	(10,821,671)
Administrative expense	<u>(188,747)</u>
Net change in plan fiduciary net position	4,145,447
Plan fiduciary net position - beginning	<u>95,543,806</u>
<b>Plan fiduciary net position - ending (b)</b>	<b><u>\$ 99,689,253</u></b>
 <b>Net pension liability - ending (a-b)</b>	<b><u>\$ 70,496,922</u></b>

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

See notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

**TOWN OF DANVERS, MASSACHUSETTS  
CONTRIBUTORY RETIREMENT SYSTEM**

**Schedules of Net Pension Liability, Contributions, and Investment Returns**

(Unaudited)

**Schedule of Net Pension Liability**

	<u>2015</u>
Total pension liability	\$ 170,186,175
Plan fiduciary net position	<u>99,689,253</u>
Net pension liability (asset)	<u>\$ 70,496,922</u>
Plan fiduciary net position as a percentage of the total pension liability	58.6%
Covered employee payroll	\$ 24,485,565
Participating employer net pension liability (asset) as a percentage of covered employee payroll	287.9%

**Schedule of Contributions**

	<u>2015</u>
Actuarially determined contribution	\$ 5,366,886
Contributions in relation to the actuarially determined contribution	<u>5,366,886</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered employee payroll	\$ 24,485,565
Contributions as a percentage of covered employee payroll	21.9%

**Schedule of Investment Returns**

*Year Ended December 31*

	<u>2014</u>
Annual money weighted rate of return, net of investment expense	7.11%

*Schedules are intended to show information for 10 years.  
Additional years will be displayed as they become available.*

See Independent Auditors' Report.

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## **Combining Financial Statements**

## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

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

Special Revenue Funds are established for the following purposes:

- **School Lunch Fund**: To account for operating activities associated with the School Department student lunch program.
- **Town Grants**: To account for various Town (non-school) related Federal and state grant programs.
- **School Grants**: To account for various School Department related Federal and state grant programs.
- **Receipts Reserved**: To account for various receipts, which according to Massachusetts General Laws, must be appropriated to be spent for certain specific purposes.
- **Revolving Accounts**: To account for certain receipts, which according to Massachusetts General Laws can be spent without appropriation, for expenditures related to the related source of the receipt.
- **Conservation**: To account for revenue and expenditures associated with acquiring conservation land.
- **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 dredging Crane and Porter Rivers, Thorpe Athletic Fields, Library HVAC, 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, 2015

	<u>Special Revenue Funds</u>			
	<u>School Lunch Fund</u>	<u>Town Grants</u>	<u>School Grants</u>	<u>Receipts Reserved</u>
<b><u>ASSETS</u></b>				
Cash and short-term investments	\$ 251,134	\$ -	\$ 910,077	\$ 184,977
Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 251,134</u>	<u>\$ -</u>	<u>\$ 910,077</u>	<u>\$ 184,977</u>
<b><u>LIABILITIES</u></b>				
Warrants payable	\$ 29,995	\$ 241,424	\$ 47,404	\$ -
Notes payable	-	-	-	-
Due to other funds	<u>-</u>	<u>209,284</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	29,995	450,708	47,404	-
<b><u>FUND BALANCES</u></b>				
Nonspendable	-	-	-	-
Restricted	221,139	341,286	897,036	184,977
Unassigned	<u>-</u>	<u>(791,994)</u>	<u>(34,363)</u>	<u>-</u>
Total Fund Balance	<u>221,139</u>	<u>(450,708)</u>	<u>862,673</u>	<u>184,977</u>
Total Liabilities and Fund Balances	<u>\$ 251,134</u>	<u>\$ -</u>	<u>\$ 910,077</u>	<u>\$ 184,977</u>

Special Revenue Funds

<u>Revolving Accounts</u>	<u>Conservation</u>	<u>Housing Trust</u>	<u>Other Funds</u>	<u>Subtotals</u>
\$ 1,951,714	\$ 134,592	\$ 595,349	\$ 423,083	\$ 4,450,926
-	-	-	-	-
<u>\$ 1,951,714</u>	<u>\$ 134,592</u>	<u>\$ 595,349</u>	<u>\$ 423,083</u>	<u>\$ 4,450,926</u>
\$ 33,668	\$ -	\$ -	\$ 11,788	\$ 364,279
-	-	-	-	-
-	-	-	-	<u>209,284</u>
33,668	-	-	11,788	573,563
-	-	-	-	-
1,918,122	134,592	595,349	412,295	4,704,796
(76)	-	-	(1,000)	(827,433)
<u>1,918,046</u>	<u>134,592</u>	<u>595,349</u>	<u>411,295</u>	<u>3,877,363</u>
<u>\$ 1,951,714</u>	<u>\$ 134,592</u>	<u>\$ 595,349</u>	<u>\$ 423,083</u>	<u>\$ 4,450,926</u>

(continued)

TOWN OF DANVERS, MASSACHUSETTS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2015

(continued)

	Capital Project Funds				Subtotals
	School Capital Projects	Landfill Capital Projects	Fire Pumper Truck Project	Other Capital Projects	
<b>ASSETS</b>					
Cash and short-term investments	\$ 237,899	\$ 214,186	\$ 1,392	\$ 897,125	\$ 1,350,602
Investments	-	-	-	-	-
Total Assets	<u>\$ 237,899</u>	<u>\$ 214,186</u>	<u>\$ 1,392</u>	<u>\$ 897,125</u>	<u>\$ 1,350,602</u>
<b>LIABILITIES</b>					
Warrants payable	\$ 15,546	\$ -	\$ -	\$ -	\$ 15,546
Notes payable	500,000	-	-	1,000,000	1,500,000
Due to other funds	-	-	-	-	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	515,546	-	-	1,000,000	1,515,546
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	214,186	1,392	81,033	296,611
Unassigned	<u>(277,647)</u>	<u>-</u>	<u>-</u>	<u>(183,908)</u>	<u>(461,555)</u>
Total Fund Balance	<u>(277,647)</u>	<u>214,186</u>	<u>1,392</u>	<u>(102,875)</u>	<u>(164,944)</u>
Total Liabilities and Fund Balances	<u>\$ 237,899</u>	<u>\$ 214,186</u>	<u>\$ 1,392</u>	<u>\$ 897,125</u>	<u>\$ 1,350,602</u>

Permanent Fund	Total Nonmajor Governmental Funds
\$ 46,445	\$ 5,847,973
<u>402,717</u>	<u>402,717</u>
\$ <u>449,162</u>	\$ <u>6,250,690</u>
\$ -	\$ 379,825
-	1,500,000
-	209,284
<u>-</u>	<u>-</u>
-	2,089,109
143,524	143,524
305,638	5,307,045
<u>-</u>	<u>(1,288,988)</u>
<u>449,162</u>	<u>4,161,581</u>
\$ <u>449,162</u>	\$ <u>6,250,690</u>

TOWN OF DANVERS, MASSACHUSETTS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue Funds			
	School Lunch <u>Fund</u>	Town <u>Grants</u>	School <u>Grants</u>	Receipts <u>Reserved</u>
Revenues:				
Excises	\$ -	\$ -	\$ -	\$ -
Penalties, interest and other taxes	-	-	-	72,987
Charges for services	845,087	-	-	13,445
Intergovernmental	406,047	1,343,434	3,266,982	-
Investment income	-	-	-	-
Miscellaneous	-	5,384	25,640	34,286
	<u>-</u>	<u>5,384</u>	<u>25,640</u>	<u>34,286</u>
Total Revenues	1,251,134	1,348,818	3,292,622	120,718
Expenditures:				
Current:				
General government	-	3,775	-	-
Public safety	-	138,514	-	-
Education	1,197,945	-	2,517,162	-
Public works	-	1,421,227	-	-
Health and human services	-	75,166	-	-
Culture and recreation	-	18,923	-	-
	<u>-</u>	<u>18,923</u>	<u>-</u>	<u>-</u>
Total Expenditures	1,197,945	1,657,605	2,517,162	-
	<u>1,197,945</u>	<u>1,657,605</u>	<u>2,517,162</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	53,189	(308,787)	775,460	120,718
Other Financing Sources (Uses):				
Issuance of debt	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	(134,285)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(134,285)</u>
Total Other Financing Sources (Uses)	-	-	-	(134,285)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(134,285)</u>
Change in fund balances	53,189	(308,787)	775,460	(13,567)
Fund Balances, at Beginning of Year	167,950	(141,921)	87,213	198,544
	<u>167,950</u>	<u>(141,921)</u>	<u>87,213</u>	<u>198,544</u>
Fund Balances, at End of Year	\$ 221,139	\$ (450,708)	\$ 862,673	\$ 184,977
	<u>\$ 221,139</u>	<u>\$ (450,708)</u>	<u>\$ 862,673</u>	<u>\$ 184,977</u>

Special Revenue Funds

<u>Revolving Accounts</u>	<u>Conservation</u>	<u>Housing Trust</u>	<u>Other Funds</u>	<u>Subtotals</u>
\$ 21,031	\$ -	\$ -	\$ -	\$ 21,031
-	-	-	-	72,987
1,896,565	-	-	-	2,755,097
12,738	-	-	-	5,029,201
-	265	1,218	-	1,483
<u>-</u>	<u>-</u>	<u>26,828</u>	<u>152,523</u>	<u>244,661</u>
1,930,334	265	28,046	152,523	8,124,460
-	-	-	33,510	37,285
6,535	-	-	44,657	189,706
446,778	-	-	-	4,161,885
56,576	-	-	-	1,477,803
232,515	-	39,859	42,361	389,901
<u>867,098</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>886,021</u>
<u>1,609,502</u>	<u>-</u>	<u>39,859</u>	<u>120,528</u>	<u>7,142,601</u>
320,832	265	(11,813)	31,995	981,859
-	-	-	-	-
-	-	-	-	-
<u>(120,160)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(254,445)</u>
<u>(120,160)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(254,445)</u>
200,672	265	(11,813)	31,995	727,414
<u>1,717,374</u>	<u>134,327</u>	<u>607,162</u>	<u>379,300</u>	<u>3,149,949</u>
<u>\$ 1,918,046</u>	<u>\$ 134,592</u>	<u>\$ 595,349</u>	<u>\$ 411,295</u>	<u>\$ 3,877,363</u>

(continued)

TOWN OF DANVERS, MASSACHUSETTS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2015

(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	-	-	-	-	-
Total Revenues	-	-	-	-	-
Expenditures:					
Current:					
General government	-	-	-	6,200	6,200
Public safety	-	-	-	-	-
Education	277,647	-	-	12,000	289,647
Public works	-	-	-	-	-
Health and human services	-	-	-	-	-
Culture and recreation	-	-	-	183,907	183,907
Total Expenditures	277,647	-	-	202,107	479,754
Excess (deficiency) of revenues over (under) expenditures	(277,647)	-	-	(202,107)	(479,754)
Other Financing Sources (Uses):					
Issuance of debt	250,072	1,981,344	311,172	1,223,869	3,766,457
Transfers in	928	18,656	138,828	401,131	559,543
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	251,000	2,000,000	450,000	1,625,000	4,326,000
Change in fund balances	(26,647)	2,000,000	450,000	1,422,893	3,846,246
Fund Balances, at Beginning of Year	(251,000)	(1,785,814)	(448,608)	(1,525,768)	(4,011,190)
Fund Balances, at End of Year	\$ (277,647)	\$ 214,186	\$ 1,392	\$ (102,875)	\$ (164,944)

Permanent Fund	Total Nonmajor Governmental Funds
\$ -	\$ 21,031
-	72,987
-	2,755,097
-	5,029,201
5,006	6,489
<u>238</u>	<u>244,899</u>
5,244	8,129,704
-	43,485
-	189,706
-	4,451,532
-	1,477,803
-	389,901
<u>-</u>	<u>1,069,928</u>
<u>-</u>	<u>7,622,355</u>
5,244	507,349
-	3,766,457
-	559,543
<u>-</u>	<u>(254,445)</u>
<u>-</u>	<u>4,071,555</u>
5,244	4,578,904
<u>443,918</u>	<u>(417,323)</u>
<u>\$ 449,162</u>	<u>\$ 4,161,581</u>

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**Detail and Combining Budget  
and Actual Statements**

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## **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.

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

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
<u>Taxes</u>				
Property taxes	\$ 66,484,153	\$ 66,484,153	\$ 66,484,153	\$ -
<u>Excises</u>				
Motor vehicle excise	3,900,000	3,900,000	4,374,020	474,020
Boat excise	<u>21,000</u>	<u>21,000</u>	<u>42,063</u>	<u>21,063</u>
Total Excises	3,921,000	3,921,000	4,416,083	495,083
<u>Penalties, Interest and Other Taxes</u>				
Penalties and interest	324,000	324,000	387,935	63,935
Hotel/motel taxes	1,200,000	1,200,000	1,407,818	207,818
Meals tax	800,000	800,000	843,322	43,322
Payment in lieu of taxes	<u>1,310,000</u>	<u>1,310,000</u>	<u>1,321,463</u>	<u>11,463</u>
Total Penalties, Interest and Other Taxes	3,634,000	3,634,000	3,960,538	326,538
<u>Charges for Services</u>				
Fees	675,000	675,000	664,326	(10,674)
Charges	957,000	957,000	1,054,676	97,676
Other department revenues	<u>111,000</u>	<u>111,000</u>	<u>141,966</u>	<u>30,966</u>
Total Charges for Services	1,743,000	1,743,000	1,860,968	117,968
<u>Intergovernmental</u>				
State aid	9,965,588	9,965,588	9,973,927	8,339
Federal Revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Intergovernmental	9,965,588	9,965,588	9,973,927	8,339
<u>Licenses and Permits</u>				
Building permits	407,675	407,675	663,871	256,196
Other licenses and permits	<u>442,325</u>	<u>442,325</u>	<u>489,625</u>	<u>47,300</u>
Total Licenses and Permits	850,000	850,000	1,153,496	303,496
<u>Fines and Forfeits</u>				
Fines and forfeits	104,000	104,000	103,996	(4)
<u>Investment Income</u>				
Investment income	74,000	74,000	110,644	36,644
<u>Miscellaneous</u>				
Other (recurring)	321,800	321,800	374,259	52,459
Other (non-recurring)	<u>-</u>	<u>-</u>	<u>86,528</u>	<u>86,528</u>
Total Miscellaneous	321,800	321,800	460,787	138,987
<u>Other Financing Sources</u>				
Transfers in	1,926,852	1,961,138	2,015,786	54,648
Use of fund balance	2,030,700	2,553,700	2,553,700	-
Other	<u>338,913</u>	<u>338,913</u>	<u>338,913</u>	<u>-</u>
Total Other Financing Sources	4,296,465	4,853,751	4,908,399	54,648
Total Revenues and Other Financing Sources	<u>\$ 91,394,006</u>	<u>\$ 91,951,292</u>	<u>\$ 93,432,991</u>	<u>\$ 1,481,699</u>

TOWN OF DANVERS, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
<b><u>General Government</u></b>				
Moderator				
Salaries and wages	\$ 400	\$ 400	\$ 400	\$ -
Other expense	1,150	1,150	264	886
Selectmen				
Salaries and wages	15,500	15,500	15,500	-
Other expense	8,100	8,100	7,558	542
Town Manager				
Salaries and wages	61,730	61,730	61,707	23
Other expense	23,850	30,150	28,987	1,163
Technology Plan				
Other expense	225,600	225,600	225,600	-
Management & Information Services				
Salaries and wages	259,834	254,834	246,705	8,129
Other expense	229,187	229,187	221,869	7,318
Department Head Salaries				
Salaries and wages	1,290,399	1,290,399	1,286,024	4,375
FinCom Reserve Fund				
Other expense	50,000	43,700	-	43,700
Town Accountant				
Salaries and wages	266,387	266,387	264,664	1,723
Other expense	37,960	37,960	34,707	3,253
Assessing				
Salaries and wages	157,879	159,879	158,833	1,046
Other expense	75,045	75,045	74,865	180
Administrative Services				
Salaries and wages	374,717	374,717	372,539	2,178
Other expense	86,275	76,275	73,946	2,329
Town Counsel				
Other expense	168,801	168,801	87,711	81,090
Human Resources				
Salaries and wages	123,399	123,399	101,796	21,603
Other expense	27,375	27,375	16,135	11,240
Capital outlay	4,400	4,400	4,400	-
<b>Total General Government</b>	<u>3,487,988</u>	<u>3,474,988</u>	<u>3,284,210</u>	<u>190,778</u>
<b><u>Public Safety</u></b>				
Police Department				
Salaries and wages	5,618,838	5,418,838	5,299,296	119,542
Other expense	428,675	428,675	418,076	10,599
Capital outlay	192,229	192,229	166,298	25,931
Fire Department				
Salaries and wages	4,318,904	4,306,904	4,276,455	30,449
Other expense	295,641	275,641	266,724	8,917
Capital outlay	69,408	69,408	69,406	2
Code Administration				
Salaries and wages	325,578	325,578	318,337	7,241
Other expense	31,079	31,079	23,711	7,368
<b>Total Public Safety</b>	<u>11,280,352</u>	<u>11,048,352</u>	<u>10,838,303</u>	<u>210,049</u>

(continued)

(continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
<b><u>Education</u></b>				
Education	38,003,134	37,997,420	37,992,745	4,675
Capital outlay	<u>152,500</u>	<u>152,500</u>	<u>154,706</u>	<u>(2,206)</u>
<b>Total Education</b>	<b>38,155,634</b>	<b>38,149,920</b>	<b>38,147,451</b>	<b>2,469</b>
<b><u>Public Works</u></b>				
Salaries and wages	4,084,251	4,309,251	4,287,531	21,720
Other expense	6,907,090	7,482,090	7,280,897	201,193
Capital outlay	<u>307,000</u>	<u>307,000</u>	<u>300,079</u>	<u>6,921</u>
<b>Total Public Works</b>	<b>11,298,341</b>	<b>12,098,341</b>	<b>11,868,507</b>	<b>229,834</b>
<b><u>Health and Human Services</u></b>				
Planning Department				
Salaries and wages	361,403	361,403	340,465	20,938
Other expense	40,200	40,200	31,822	8,378
Capital outlay	7,900	7,900	7,981	(81)
Health Department				
Salaries and wages	209,538	199,538	203,243	(3,705)
Other expense	170,933	198,933	188,679	10,254
Senior and Social Services Department				
Salaries and wages	207,793	207,793	209,580	(1,787)
Other expense	<u>24,894</u>	<u>24,894</u>	<u>37,762</u>	<u>(12,868)</u>
<b>Total Health and Human Services</b>	<b>1,022,661</b>	<b>1,040,661</b>	<b>1,019,532</b>	<b>21,129</b>
<b><u>Culture and Recreation</u></b>				
Recreation Department				
Salaries and wages	527,101	527,101	505,314	21,787
Other expense	65,765	65,765	62,882	2,883
Capital outlay	30,000	30,000	27,859	2,141
Library				
Salaries and wages	1,035,874	1,035,874	1,016,981	18,893
Other expense	<u>245,818</u>	<u>235,818</u>	<u>232,046</u>	<u>3,772</u>
<b>Total Culture and Recreation</b>	<b>1,904,558</b>	<b>1,894,558</b>	<b>1,845,082</b>	<b>49,476</b>
<b><u>Employee Benefits</u></b>				
Employee benefits and insurance	11,510,825	11,510,825	11,258,516	252,309
Retirement	<u>4,633,839</u>	<u>4,633,839</u>	<u>4,605,919</u>	<u>27,920</u>
<b>Total Employee Benefits</b>	<b>16,144,664</b>	<b>16,144,664</b>	<b>15,864,435</b>	<b>280,229</b>
<b><u>Debt Service</u></b>				
Principal & interest	5,693,133	5,693,133	5,415,417	277,716
<b><u>Intergovernmental</u></b>				
State assessments	931,675	931,675	944,736	(13,061)
<b><u>Other Financing Uses</u></b>				
Transfers out	<u>1,475,000</u>	<u>1,475,000</u>	<u>1,569,018</u>	<u>(94,018)</u>
<b>Total Other Financing Uses</b>	<b>1,475,000</b>	<b>1,475,000</b>	<b>1,569,018</b>	<b>(94,018)</b>
Total Expenditures and Other Financing Uses	<u>\$ 91,394,006</u>	<u>\$ 91,951,292</u>	<u>\$ 90,796,691</u>	<u>\$ 1,154,601</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.

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

BUDGETED ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Final Budget</u>	<u>Water Fund Actual (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues and Other Sources:			
Charges for services	\$ 7,812,535	\$ 8,158,526	\$ 345,991
Other Sources:			
Use of retained earnings	<u>380,000</u>	<u>380,000</u>	<u>-</u>
Total Revenues and Other Sources	8,192,535	8,538,526	345,991
Expenditures:			
Operating expenses	8,062,535	7,264,882	797,653
Articles	<u>130,000</u>	<u>130,000</u>	<u>-</u>
Total Expenditures	<u>8,192,535</u>	<u>7,394,882</u>	<u>797,653</u>
Excess of revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 1,143,644</u>	<u>\$ 1,143,644</u>

Sewer Fund		
<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 6,885,433	\$ 6,899,471	\$ 14,038
<u>151,213</u>	<u>151,213</u>	<u>-</u>
7,036,646	7,050,684	14,038
6,590,433	6,393,606	196,827
<u>446,213</u>	<u>446,213</u>	<u>-</u>
<u>7,036,646</u>	<u>6,839,819</u>	<u>196,827</u>
<u>\$ -</u>	<u>\$ 210,865</u>	<u>\$ 210,865</u>

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## **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, 2015

	Balance July 1, <u>2014</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2015</u>
<u>Agency Fund</u>				
Assets - cash and short-term investments	\$ 233,457	\$ 1,421,359	\$ (1,441,211)	\$ 213,605
Assets - accounts receivable	43,486	418,753	(402,785)	59,454
Total assets	<u>\$ 276,943</u>	<u>\$ 1,840,112</u>	<u>\$ (1,843,996)</u>	<u>\$ 273,059</u>
Liabilities - other	\$ 276,943	\$ 3,706,035	\$ (3,709,919)	\$ 273,059
Total liabilities	<u>\$ 276,943</u>	<u>\$ 3,706,035</u>	<u>\$ (3,709,919)</u>	<u>\$ 273,059</u>

# 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>	117-121
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	122-124
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>	125-127
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>	128-129
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>	130-132

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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Governmental Activities</b>										
Net Investment in Capital Assets.....	\$ 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	\$ 86,658,957
Restricted.....	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	5,153,954
Unrestricted.....	<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>	<u>(107,903,868)</u>
Total governmental activities net position.....	<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>	<u>\$ (16,090,957)</u>
<b>Business-type activities</b>										
Net Investment in Capital Assets.....	\$ 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	\$ 92,845,381
Restricted.....	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	4,679,137
Unrestricted.....	<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>	<u>24,794,290</u>
Total business-type activities net position.....	<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>	<u>\$ 122,318,808</u>
<b>Primary Government</b>										
Net Investment in Capital Assets.....	\$ 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	\$ 179,504,338
Restricted.....	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	9,833,091
Unrestricted.....	<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>	<u>(83,109,578)</u>
Total primary government net position.....	<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>	<u>\$ 106,227,851</u>

Data source: Audited financial statements.

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

**Fiscal Year**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Expenses</b>										
Governmental activities:										
General government.....	\$ 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	\$ 5,716,535
Public safety.....	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	16,755,025
Education.....	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	60,668,166
Public works.....	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	19,404,154
Health and human services.....	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	2,048,104
Culture and recreation.....	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	3,663,613
Interest.....	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	2,217,589
Total governmental activities expenses.....	<u>76,369,163</u>	<u>87,201,843</u>	<u>91,490,838</u>	<u>95,865,191</u>	<u>99,131,472</u>	<u>100,718,685</u>	<u>102,460,561</u>	<u>106,653,482</u>	<u>110,852,695</u>	<u>110,473,186</u>
Business-type activities:										
Water operations.....	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	7,673,561
Sewer operations.....	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	6,814,725
Electric operations.....	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	49,246,509
Total business-type activities expenses.....	<u>50,935,004</u>	<u>50,992,090</u>	<u>51,117,827</u>	<u>59,199,169</u>	<u>54,558,107</u>	<u>58,597,785</u>	<u>57,428,207</u>	<u>52,006,917</u>	<u>56,338,522</u>	<u>63,734,795</u>
Total primary government expenses.....	<u>\$ 127,304,167</u>	<u>\$ 138,193,933</u>	<u>\$ 142,608,665</u>	<u>\$ 155,064,360</u>	<u>\$ 153,689,579</u>	<u>\$ 159,316,470</u>	<u>\$ 159,888,768</u>	<u>\$ 158,660,399</u>	<u>\$ 167,191,217</u>	<u>\$ 174,207,981</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government.....	\$ 552,690	\$ 624,248	\$ 450,776	\$ 1,002,919	\$ 1,186,728	\$ 1,307,450	\$ 1,431,513	\$ 1,430,145	\$ 1,459,875	\$ 1,506,539
Public safety.....	1,145,808	1,331,827	1,556,596	593,583	496,100	696,737	941,478	1,030,907	981,133	1,203,801
Education.....	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	1,471,384
Public works.....	363,650	208,750	508,881	231,284	253,534	269,162	99,995	76,497	525,837	172,547
Health and human services.....	403,052	473,643	857,319	1,184,850	354,167	396,945	367,703	328,380	355,023	375,428
Culture and recreation.....	289,821	414,168	26,167	26,712	892,739	887,844	1,113,249	1,153,832	1,191,257	1,070,451
Operating grants and contributions.....	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	16,305,273
Capital grants and contributions.....	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	625,120
Total government activities program revenues	<u>18,304,598</u>	<u>21,115,304</u>	<u>21,578,142</u>	<u>20,898,924</u>	<u>23,939,867</u>	<u>26,405,869</u>	<u>41,353,810</u>	<u>31,885,099</u>	<u>28,054,881</u>	<u>22,730,543</u>
Business-type activities:										
Charges for services:										
Water operations.....	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	8,259,197
Sewer operations.....	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	6,852,388
Electric operations.....	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	43,162,128
Operating grants and contributions.....	550,629	902,096	845,600	1,152,284	199,145	1,464,294	1,269,664	1,416,835	1,114,067	680,910
Capital grants and contributions.....	-	-	-	-	-	1,067,131	1,485,147	3,952,283	2,993,685	2,197,375
Total business-type activities revenues.....	<u>52,134,978</u>	<u>51,917,816</u>	<u>47,988,292</u>	<u>58,214,651</u>	<u>51,721,578</u>	<u>61,238,775</u>	<u>58,273,323</u>	<u>58,895,442</u>	<u>61,681,451</u>	<u>61,151,998</u>
Total primary government revenues.....	<u>\$ 70,439,576</u>	<u>\$ 73,033,120</u>	<u>\$ 69,566,434</u>	<u>\$ 79,113,575</u>	<u>\$ 75,661,445</u>	<u>\$ 87,644,644</u>	<u>\$ 99,627,133</u>	<u>\$ 90,780,541</u>	<u>\$ 89,736,332</u>	<u>\$ 83,882,541</u>
<b>Net (Expense)/ Revenue</b>										
Governmental activities.....	\$ (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)	(87,742,643)
Business-type activities.....	<u>1,199,974</u>	<u>925,726</u>	<u>(3,129,535)</u>	<u>(984,518)</u>	<u>(2,836,529)</u>	<u>2,640,990</u>	<u>845,116</u>	<u>6,888,525</u>	<u>5,342,929</u>	<u>(2,582,797)</u>
Total primary government net (expense).....	<u>\$ (56,864,591)</u>	<u>\$ (65,160,813)</u>	<u>\$ (73,042,231)</u>	<u>\$ (75,950,785)</u>	<u>\$ (78,028,134)</u>	<u>\$ (71,671,826)</u>	<u>\$ (60,261,635)</u>	<u>\$ (67,879,858)</u>	<u>\$ (77,454,885)</u>	<u>\$ (90,325,440)</u>

(continued)

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

(continued)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>General Revenues and other Changes in Net position</b>										
Governmental activities:										
Real estate and personal property taxes, net of refunds payable.....	\$ 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	\$ 67,092,051
Excises.....	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	4,460,827
Penalties, interest and other taxes.....	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	2,995,612
Grants and contributions not restricted to specific programs.....	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	2,939,940
Unrestricted investment income.....	1,087,602	1,507,919	1,351,845	464,784	176,830	156,999	135,569	178,384	89,728	129,037
Miscellaneous.....	1,294,874	1,932,477	1,361,049	1,684,014	834,303	747,044	1,030,261	383,214	518,276	415,869
Transfers.....	(68,000)	37,500	(47,000)	(1,072,000)	(127,000)	683,282	880,566	865,409	929,954	1,476,136
Permanent fund contributions.....	-	-	-	-	-	-	-	-	-	-
<b>Total government activities.....</b>	<b>75,377,110</b>	<b>63,517,874</b>	<b>63,487,705</b>	<b>64,606,655</b>	<b>65,968,468</b>	<b>68,696,555</b>	<b>75,534,816</b>	<b>73,205,582</b>	<b>75,569,378</b>	<b>79,509,472</b>
Business-type activities:										
Unrestricted investment income.....	590,971	1,703,091	1,907,193	997,120	500,275	133,391	72,025	81,906	48,135	39,308
Miscellaneous.....	-	-	-	557,873	854,213	367,314	147,221	8,831	531	22,340
Transfers.....	(745,723)	(882,608)	(109,947)	905,153	127,000	(683,282)	(880,566)	(865,409)	(929,954)	(1,476,136)
<b>Total business-type activities.....</b>	<b>(154,752)</b>	<b>820,483</b>	<b>1,797,246</b>	<b>2,460,146</b>	<b>1,481,488</b>	<b>(182,577)</b>	<b>(661,320)</b>	<b>(774,672)</b>	<b>(881,288)</b>	<b>(1,414,488)</b>
<b>Total primary government.....</b>	<b>\$ 75,222,358</b>	<b>\$ 64,338,357</b>	<b>\$ 65,284,951</b>	<b>\$ 67,066,801</b>	<b>\$ 67,449,956</b>	<b>\$ 68,513,978</b>	<b>\$ 74,873,496</b>	<b>\$ 72,430,910</b>	<b>\$ 74,688,090</b>	<b>\$ 78,094,984</b>
<b>Net position Restatement</b>										
Governmental activities.....	\$ 11,752,738	\$ (760,980)	\$ 930,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business-type activities.....	-	(2,659,332)	(930,000)	-	-	-	-	-	-	-
<b>Total primary government.....</b>	<b>\$ 11,752,738</b>	<b>\$ (3,420,312)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Changes in Net position</b>										
Governmental activities.....	\$ 29,065,283	\$ (3,329,645)	\$ (5,494,991)	\$ (10,359,612)	\$ (9,223,137)	\$ (5,616,261)	\$ 14,428,065	\$ (1,562,801)	\$ (7,228,436)	\$ (8,233,171)
Business-type activities.....	1,045,222	(913,123)	(2,262,289)	1,475,628	(1,355,041)	2,458,413	183,796	6,113,853	4,461,641	(3,997,285)
<b>Total primary government changes in net position.....</b>	<b>\$ 30,110,505</b>	<b>\$ (4,242,768)</b>	<b>\$ (7,757,280)</b>	<b>\$ (8,883,984)</b>	<b>\$ (10,578,178)</b>	<b>\$ (3,157,848)</b>	<b>\$ 14,611,861</b>	<b>\$ 4,551,052</b>	<b>\$ (2,766,795)</b>	<b>\$ (12,230,456)</b>

Data source: Audited financial statements

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011 <sup>(1)</sup>	2012	2013	2014	2015
General Fund										
Reserved	\$ 2,826,291	\$ 3,470,188	\$ 4,178,056	\$ 3,286,428	\$ 4,122,567	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	4,670,940	7,846,285	6,078,856	4,930,845	3,073,418	-	-	-	-	-
Nonspendable	-	-	-	-	-	1,096,008	1,238,732	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	8,511,262	7,939,767	7,075,094	6,797,833	6,423,409
Assigned	-	-	-	-	-	3,102,923	3,654,766	2,882,288	1,781,737	2,404,436
Unassigned	-	-	-	-	-	2,374,451	3,572,172	5,511,075	7,965,218	8,982,083
Total general fund	<u>\$ 7,497,231</u>	<u>\$ 11,316,473</u>	<u>\$ 10,256,912</u>	<u>\$ 8,217,273</u>	<u>\$ 7,195,985</u>	<u>\$ 15,084,644</u>	<u>\$ 16,405,437</u>	<u>\$ 15,468,457</u>	<u>\$ 16,544,788</u>	<u>\$ 17,809,928</u>
All Other Governmental Funds										
Reserved	\$ 143,524	\$ 143,524	\$ 143,524	\$ 143,524	\$ 143,524	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	11,603,547	14,212,805	15,019,326	15,233,456	12,783,373	-	-	-	-	-
Capital projects funds	(857,581)	(1,790,725)	(2,491,923)	1,627,992	(4,024,395)	-	-	-	-	-
Permanent funds	255,691	269,951	285,151	292,875	295,361	-	-	-	-	-
Nonspendable	-	-	-	-	-	143,524	143,524	143,524	143,524	143,524
Restricted	-	-	-	-	-	5,070,550	5,675,655	4,354,291	4,028,372	5,307,045
Committed	-	-	-	-	-	49,920	49,920	49,920	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(15,437,085)	(4,007,947)	(9,560,010)	(10,399,777)	(2,664,879)
Total all other governmental funds	<u>\$ 11,145,181</u>	<u>\$ 12,835,555</u>	<u>\$ 12,956,078</u>	<u>\$ 17,297,847</u>	<u>\$ 9,197,863</u>	<u>\$ (10,173,091)</u>	<u>\$ 1,861,152</u>	<u>\$ (5,012,275)</u>	<u>\$ (6,227,881)</u>	<u>\$ 2,785,690</u>

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

Data Source: Audited Financial statements

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

**Fiscal Year**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Revenues:</b>										
Real estate and personal property taxes, net of tax refunds.....	\$ 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	\$ 67,633,106
Motor vehicle and other excise taxes.....	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	4,416,083
Penalties, interest and other taxes.....	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	2,992,391
Charges for services.....	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	4,647,075
Intergovernmental.....	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	15,628,248
Licenses and permits.....	1,746,305	1,944,147	2,123,421	626,205	509,978	713,939	869,973	961,842	941,556	1,153,496
Investment income.....	1,262,751	1,480,947	1,323,701	586,963	199,051	152,376	132,542	174,744	85,869	125,013
Miscellaneous.....	960,385	1,025,368	801,020	2,109,894	1,100,519	1,002,587	2,383,420	771,444	813,636	1,199,705
<b>Total Revenue</b>	<b>93,120,643</b>	<b>84,856,153</b>	<b>84,740,291</b>	<b>86,806,559</b>	<b>89,813,503</b>	<b>94,325,500</b>	<b>112,890,311</b>	<b>104,635,028</b>	<b>103,470,333</b>	<b>97,795,117</b>
<b>Expenditures:</b>										
General Government.....	3,301,550	3,299,339	3,442,048	3,152,520	3,144,605	2,297,366	3,108,452	4,564,477	3,147,636	3,293,323
Public Safety.....	8,805,917	9,471,910	9,613,326	9,622,415	9,661,156	10,381,419	10,897,409	10,815,236	10,654,740	11,002,260
Education.....	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	42,408,849
Public Works.....	10,317,149	9,799,852	10,263,934	11,429,848	11,225,573	11,245,818	12,036,902	12,920,504	12,383,162	13,072,948
Health and Human Services.....	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	1,408,724
Culture and Recreation.....	1,367,488	1,371,248	1,090,418	1,109,805	2,316,544	2,712,107	2,533,293	2,548,230	2,687,884	2,912,447
Employee Benefits.....	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	15,874,569
Intergovernmental.....	666,937	720,761	842,876	826,760	949,027	860,320	792,504	892,125	978,390	944,736
<sup>(1)</sup> Capital outlay.....	10,725,049	1,760,365	3,380,564	5,655,754	8,035,127	16,710,247	33,820,972	11,730,505	2,619,625	1,097,893
Debt service:										
Principal.....	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	3,334,500
Interest.....	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	2,107,786
<b>Total Expenditures</b>	<b>85,801,865</b>	<b>80,346,393</b>	<b>86,257,329</b>	<b>92,601,154</b>	<b>98,807,775</b>	<b>108,934,249</b>	<b>129,764,841</b>	<b>113,409,577</b>	<b>104,539,562</b>	<b>97,458,035</b>
Excess of revenues over/(under) expenditures	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)	337,082
<b>Other Financing Sources (Uses)</b>										
Issuance of bonds and notes.....	11,325,000	-	-	9,130,961	-	2,715,000	29,349,000			8,366,457
Issuance of refunding bonds.....	-	3,187,770	-	3,034,500	-	-		2,385,878		5,724,531
Payments to refunded bond escrow agent.....	-	(3,187,770)	-	(2,996,736)	-	-		(2,287,145)		(5,625,495)
Transfers in.....	1,681,005	4,560,965	3,532,936	4,807,776	4,888,291	1,372,363	2,678,856	1,657,384	2,103,819	1,890,124
Transfers out.....	(1,749,005)	(4,523,465)	(3,579,936)	(5,879,776)	(5,015,291)	(689,081)	(1,798,290)	(791,975)	(1,173,865)	(413,988)
<b>Total other financing sources (uses)</b>	<b>11,257,000</b>	<b>37,500</b>	<b>(47,000)</b>	<b>8,096,725</b>	<b>(127,000)</b>	<b>3,398,282</b>	<b>30,229,566</b>	<b>964,142</b>	<b>929,954</b>	<b>9,941,629</b>
<b>Fund balance restatement</b>	<b>-</b>	<b>962,356</b>	<b>625,000 *</b>	<b>- *</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>\$ 18,575,778</b>	<b>\$ 5,509,616</b>	<b>\$ (939,038)</b>	<b>\$ 2,302,130</b>	<b>\$ (9,121,272)</b>	<b>\$ (11,210,467)</b>	<b>\$ 13,355,036</b>	<b>\$ (7,810,407)</b>	<b>\$ (139,275)</b>	<b>\$ 10,278,711</b>
<sup>(2)</sup> Debt service as a percentage of noncapital expenditures	4.20%	3.57%	4.22%	3.95%	4.42%	4.40%	4.80%	5.71%	5.38%	5.65%

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.

Data Source: Audited Financial statements

**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
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
2015	3,002,828,568	14.92	763,713,497	202,842,775	87,495,142	1,054,051,414	21.42	4,056,879,982

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.

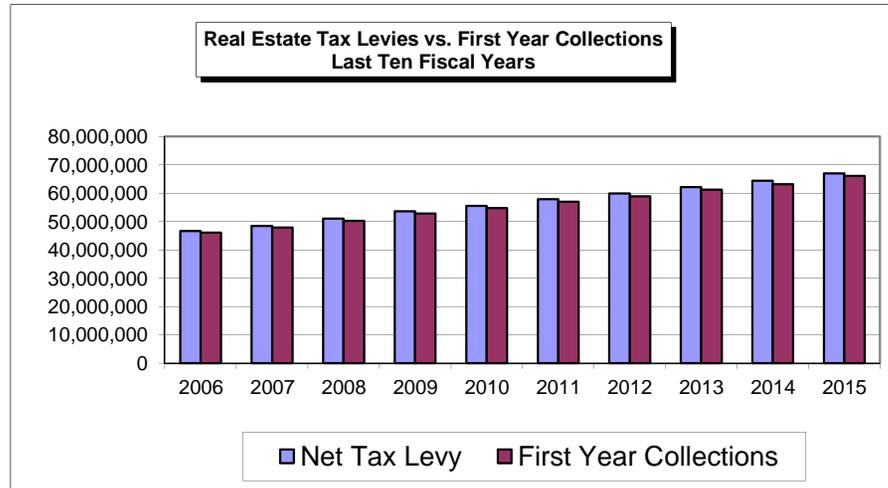
**Town of Danvers, Massachusetts  
Principal Taxpayers  
Current Year and Ten Years Ago**

Name	Nature of Business	2015			2006		
		Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
DSF IV Danvers Owner LLC	Residential	\$ 57,393,200	1	1.41%			
Mall at Liberty Tree LLC*	Commercial	\$ 55,800,300	2	1.38%	\$ 61,370,000	1	1.49%
Town of Danvers Electric Division	Municipal Utility	\$ In Lieu of Tax	3		\$ In Lieu of Tax	2	
North Endicott Green LLC	Residential	\$ 30,996,100	4	0.76%			
Partners Healthcare System, Inc.	Commercial	\$ 29,138,413	5	0.72%			
Brookwood Cherry Hill I LLC*	Commercial / Industrial	\$ 27,235,300	6	0.67%			
HD Development of Maryland, Inc*	Commercial	\$ 22,356,000	7	0.55%			
Endicott Plaza Limited Partnership*	Commercial	\$ 19,903,300	8	0.49%	\$ 16,697,600	7	0.40%
Samuel A. Valenti Trustee*	Commercial / Residential	\$ 19,068,200	9	0.47%	\$ 19,797,800	5	0.48%
Atlas Danvers Realty, LLC	Commercial	\$ 18,484,100	10	0.46%			
New Morton International*	Commercial				\$ 24,392,000	3	0.59%
Oasis Northwoods, LLC	Commercial / Industrial				\$ 21,062,000	4	0.51%
Dancross Associates LP*	Commercial				\$ 17,459,000	6	0.42%
Kahn Leo ETAL TRS	Commercial				\$ 16,519,800	8	0.40%
Watersview Investments LLC	Commercial				\$ 15,749,300	9	0.38%
Pulte Homes of New England LLC*	Residential				\$ 13,404,500	10	0.32%
		\$ 280,374,913		6.91%	\$ 206,452,000		5.00%

\* 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
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	\$ 64,756,776	\$ (385,437)	\$ 64,371,340	\$ 63,152,140	98.11%	\$ 841,808	\$ 63,993,948	99.4%	\$ 2,412,524	3.75%
2015	\$ 67,353,071	\$ (366,914)	\$ 66,986,157	\$ 66,105,016	98.68%	\$ 835,877	\$ 66,940,893	99.9%	\$ 1,765,335	2.64%



Source: Office of the Tax Collector

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

Fiscal Year	Population	Personal Income	Assessed Valuation	Governmental Activities Debt			
				General Obligation Bonds	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
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%
2015	23,299	\$ 52,171	\$ 4,056,879,982	\$ 54,623,910	\$ 2,344	0.10%	1.35%

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
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%
2015	\$ 25,205,681	\$ 3,153,750	\$ 7,774,543	\$ 90,757,884	\$ 3,895	0.06%	2.24%

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, 2015**

	<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)	\$ 70,000	13.24%	\$ 9,265
Essex North Shore Agricultural & Technical School District (3)	31,020,000	13.24%	4,105,497
South Essex Sewerage District (4)	30,105,150	13.19%	3,971,141
Massachusetts Bay Transportation Authority (5)	5,634,750,025	0.33%	<u>18,594,675</u>
Subtotal, overlapping debt			26,680,577
Town direct debt			<u>54,623,910</u>
Total direct and overlapping debt			<u>\$ 81,304,487</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)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Equalized Valuation (1)	\$ 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	\$ 4,163,499
Debt Limit - 5% of Equalized Valuation	226,990	226,990	240,336	240,336	217,763	217,763	206,243	206,243	208,175	208,175
Less:										
Total debt applicable to limitation (2)	<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>	<u>(47,721)</u>
Legal debt margin	\$ 204,671	\$ 195,448	\$ 216,221	\$ 211,228	\$ 188,460	\$ 186,913	\$ 148,564	\$ 152,293	\$ 157,877	\$ 160,454
Total debt applicable to the limit as a percentage of debt limit	10%	14%	10%	12%	13%	14%	28%	26%	24%	23%

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
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%
2015	23,299	\$ 38,252	43.1	3,730	3.6%

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	2015			2006		
		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	6.04 %	900	1	6.80 %
IRA Motor Group	Automobile	521	2	3.50 %	130		0.98 %
Medtronic Interventional Vascular	Bio-Medical Research & Dev.	465	3	3.12 %	210	9	1.59 %
Hospice of the North Shore	Medical Care	351	4	2.36 %			
Lahey NorthShore	Medical Center	350	5	2.35 %			
North Shore Community College	Higher Education	319	6	2.14 %	318	3	2.40 %
Home Depot	Building Retail	308	7	2.07 %			
Cell Signaling & Technology	Medical Research	300	8	2.01 %			
Double Tree Conference Resort	Hotel/Conference/Restaurant	272	9	1.83 %			
Essex North Shore Tech School	Education	252	10	1.69 %			
Hunt Center	Medical Center				350	2	2.64 %
Sheraton Ferncroft Conference Resort	Hotel/Conference/Restaurant				300	4	2.27 %
Fishery Products	Food Processing				300	5	2.27 %
VNA North Short, Inc.	Visiting Nurses				275	6	2.08 %
Stop & Shop	Food Retail				250	7	1.89 %
Lowe's Home Improvement Center	Building Retail				210	8	1.59 %
Hotwatt	Manufacturing & Assembling				200	10	1.51 %
Total Principal Employers		4,038		27.12 %	3,443		26.00 %
Total Town Employment (1)		<u>14,890</u>			<u>13,242</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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government	31.25	31.25	32.00	31.00	30.00	30.00	30.00	30.00	30.00	30.00
Public Safety										
Police	60.00	61.00	59.00	58.00	58.00	58.00	58.00	58.00	58.00	58.00
Fire	51.75	50.75	51.87	49.87	49.87	49.87	49.87	49.87	49.87	49.87
Code Administration	5.75	5.75	6.16	6.00	6.00	6.00	5.60	5.60	5.60	5.60
Total	<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>	<u>113.47</u>
Education	320.30	329.60	410.00 *	426.00	434.00	441.90	443.70	440.50	444.00	446.40
Public Works										
Tax Supported	65.50	65.50	66.70	66.70	65.70	63.70	63.70	63.70	63.70	64.70
Water/Sewer Division	22.00	22.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00
Electric/Business Division	48.00	48.00	46.00	46.00	46.00	47.00	47.00	47.00	47.00	48.00
Total	<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>	<u>136.70</u>
Planning and Human Services										
Planning	7.00	7.00	7.00	6.00	6.00	6.00	6.00	6.00	6.67	6.67
Health	2.00	2.00	2.00	3.00	3.00	2.00	2.00	2.00	3.00	3.00
Recreation	7.00	7.00	7.64	7.64	7.64	7.64	7.64	7.64	8.75	8.75
Senior & Social Services	3.00	3.00	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Total	<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>	<u>22.17</u>
Library	<u>14.20</u>	<u>14.20</u>	<u>14.20</u>	<u>14.20</u>	<u>13.50</u>	<u>13.50</u>	<u>13.50</u>	<u>13.50</u>	<u>13.50</u>	<u>13.50</u>
Total	<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>	<u><u>762.24</u></u>

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

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

Data Source:  
Budgeted Positions per Town of Danvers Budget. Full time equivalent based on 40 (37 1/2 clerical) hours per week.

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

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Finance										
Registered voters	16,537	16,452	17,453	17,755	18,272	18,256	18,851	17,811	19,094	19,071
Taxable property parcels assessed	9,047	9,058	9,076	9,110	9,129	9,131	9,136	9,155	9,178	9,325
Motor vehicles registered	25,506	25,279	25,520	26,747	26,946	26,263	25,155	25,438	25,718	26,205
Police										
Physical arrests	1,154	1,012	885	720	583	705	697	755	730	672
Traffic violations	5,378	6,875	7,080	5,706	6,456	5,239	6,148	6,905	6,393	8,039
Fire and Rescue (CY)										
Calls answered	5,979	6,629	6,531	6,597	6,994	6,867	7,137	7,151	4,147	*
Emergency responses	3,520	3,979	3,892	3,807	3,889	4,081	4,368	4,359	4,284	*
Fires extinguished	88	182	151	92	88	93	130	105	73	*
Number of inspections conducted	1,186	1,210	1,294	1,258	1,575	1,497	1,486	1,631	1,608	*
Emergency medical responses	2,112	2,403	2,334	2,498	2,584	2,709	2,892	2,907	2,796	*
Code Administration										
Building permits	733	1,154	1,061	811	791	867	981	703	932	958
Estimated construction value in millions (\$)	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	46,458,393
Public Works										
Refuse collected (tons)	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	6,495.45
Recycling (tons)	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	2,661.03
Public Library										
Volumes in collections	122,147	124,957	122,591	125,812	116,064	115,169	111,817	113,761	167,085	165,800
Total volumes borrowed	132,039	138,734	139,748	152,823	153,651	150,651	155,087	144,459	205,660	197,060
Water system:										
Water main breaks	25	19	18	38	29	28	20	29	25	33
Daily average consumption (millions of gallons)	2.58	3.09	3.25	3.19	3.23	3.70	3.22	3.08	2.90	3.19
Peak daily consumption (millions of gallons)	5.27	5.20	6.12	5.00	5.28	6.08	5.74	5.97	5.23	5.97
Sewage System:										
Miles of sewer	111.90	121.18	121.50	122.94	122.94	123.33	123.33	123.70	123.51	123.51
Number of house connections	7,416	7,646	7,700	7,728	7,740	7,760	7,778	7,796	7,800	7,885
Electric System (CY)										
Annual energy sales (MWHR)	323,437	326,551	321,057	314,973	326,841	323,607	320,844	318,216	310,009	*
Number of meters	11,730	12,493	12,972	13,016	13,016	13,016	13,016	13,212	13,357	*
Overhead lines (miles)	141.45	141.86	141.86	141.86	143.56	146.56	144.11	143.15	142.34	*
Underground lines (miles)	30.81	29.19	34.25	34.25	36.10	37.05	*	37.12	36.87	*

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

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

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

Function	Fiscal Year									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
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	120.50	121	121	123	123	123
Miles of storm drains	100	100	100	100	100	100	100	103	103	103
Number of street lights	3,523	3,523	3,470	3,469	3,468	3,471	3,489	3,490	3,508	3,561
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	36	36	36	36	36	36	36
Tennis Courts	10	10	10	10	10	10	10	10	10	10
Water system:										
Miles of water mains	130.23	132.41	133.50	134.10	134.10	135	135	135.25	135.25	135.25
Number of service connections	10,773	10,800	10,820	10,837	10,842	10,855	10,870	10,886	10,890	10,966
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	1,462	1,476	1,487	1,491	1,493	1,500	1,505	1,508	1,508	1,509
Sewage System:										
Miles of sanitary sewers	120.30	121.18	121.50	122.94	122.94	123.33	123.33	123.51	123.51	123.51
Number of treatment plants (2)										
Number of service connections	7,613	7,646	7,700	7,728	7,740	7,760	7,778	7,796	7,800	7,885

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.