

PRELIMINARY OFFICIAL STATEMENT AND NOTICE OF SALE DATED SEPTEMBER 9, 2021

Rating: See "Rating" herein.
S&P Global Ratings:

New Issue

In the opinion of Locke Lord LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds will not be included in computing the alternative minimum taxable income of individuals. Under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. The Bonds will not be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. See "Tax Exemption" herein.

TOWN OF DANVERS, MASSACHUSETTS
\$13,945,000* GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2021 BONDS

DATED
Date of Delivery

DUE
September 1
(as shown below)

The Bonds are issuable only in fully registered form, registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form in the denomination of \$5,000, or any integral multiple thereof. (See "THE BONDS - Book-Entry Transfer System" herein.)

Principal of the Bonds will be payable September 1 of the years in which the Bonds mature. Interest on the Bonds will be payable March 1 and September 1, commencing September 1, 2022. Principal and semiannual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts, or its successor, as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein.

The Bonds will be subject to redemption prior to their stated maturity dates as described herein.

An opinion of Bond Counsel will be delivered with the Bonds to the effect that the Bonds are valid general obligations of the Town of Danvers, Massachusetts and that the principal of and interest on the Bonds are payable from taxes that may be levied upon all taxable property in the Town subject to the limit imposed by Chapter 59, Section 21C of the General Laws.

MATURITIES, AMOUNTS*, RATES, PRICES OR YIELDS AND CUSIPS

Due September 1	Principal Amount*	Rate	Prices/ Yields	CUSIP 236469	Due September 1	Principal Amount*	Rate	Prices/ Yields	CUSIP 236469
2022	\$ 270,000		%	%	2037	\$ 540,000		%	%
2023	325,000				2038	540,000			
2024	350,000				2039	535,000			
2025	375,000				2040	535,000			
2026	630,000				2041	535,000			
2027	630,000				2042	385,000			
2028	630,000				2043	385,000			
2029	625,000				2044	385,000			
2030	625,000				2045	385,000			
2031	625,000				2046	385,000			
2032	545,000				2047	385,000			
2033	545,000				2048	385,000			
2034	540,000				2049	385,000			
2035	540,000				2050	385,000			
2036	540,000								

THE BONDS ARE BEING OFFERED FOR SALE AT 11:00 A.M. (EASTERN TIME) ON THURSDAY, SEPTEMBER 16, 2021, AT HILLTOP SECURITIES INC., 54 CANAL STREET, 3RD FLOOR, BOSTON, MASSACHUSETTS IN THE CASE OF SEALED PROPOSALS AND IN THE CASE OF ELECTRONIC PROPOSALS, VIA PARITY, IN THE MANNER SET FORTH IN THE NOTICE OF SALE. REFERENCE IS MADE TO THE NOTICE OF SALE DATED SEPTEMBER 9, 2021 FOR THE CONDITIONS OF SUCH SALE.

The Bonds are offered subject to the final approving opinion of Locke Lord LLP, Boston, Massachusetts, Bond Counsel, as aforesaid, and to certain other conditions referred to herein and in the Notice of Sale. Hilltop Securities Inc., Boston, Massachusetts has acted as Financial Advisor to the Town of Danvers, Massachusetts, with respect to the Bonds. The Bonds in definitive form will be delivered to DTC, or its custodial agent, on or about September 30, 2021, against payment to the Town in federal funds.

*Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

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The information and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no material change in the affairs of the Town since the date of this Official Statement.

SUMMARY STATEMENT

The information set forth below is qualified in its entirety by the information and financial statements appearing elsewhere in the Official Statement.

Date of Sale:	Thursday, September 16, 2021, 11:00 a.m. (Eastern Time).
Location of Sale:	Hilltop Securities Inc., 54 Canal Street, 3rd Floor, Boston, Massachusetts 02114.
Issuer:	Town of Danvers, Massachusetts.
Issue:	\$13,945,000* General Obligation Municipal Purpose Loan of 2021 Bonds, see "THE BONDS Book-Entry Transfer System" herein.
Preliminary Official Statement Dated:	September 9, 2021.
Dated Date of the Bonds:	As of their date of delivery.
Principal Due:	Serially September 1, 2022 through September 1, 2050 as detailed herein.
Interest Payable:	Semi-annually March 1 and September 1 until maturity or redemption prior to maturity, commencing September 1, 2022.
Purpose and Authority:	The Bonds are authorized by the Town for various municipal improvements under provisions of the Massachusetts General Laws as detailed herein.
Redemption:	The Bonds will be subject to redemption prior to their stated maturity dates as detailed herein.
Security:	The Bonds are valid general obligations of the Town of Danvers, Massachusetts and the principal of and interest on the Bonds are payable from taxes that may be levied upon all taxable property in the Town subject to the limit imposed by Chapter 59, Section 21C of the General Laws.
Credit Rating:	The Town has applied to S&P Global Ratings for a rating on the Bonds.
Bond Insurance:	The Town has not contracted for the issuance of any policy of municipal bond insurance or any other credit enhancement facility.
Basis of Award:	Lowest True Interest Cost (TIC), as of the dated date. <u>BIDS MUST INCLUDE A PREMIUM OF AT LEAST \$90,000.</u>
Tax Exemption:	Refer to "THE BONDS - Tax Exemption" herein and Appendix B, "Proposed Form of Legal Opinion."
Continuing Disclosure:	Refer to "THE BONDS - Continuing Disclosure" herein and Appendix C, "Proposed Form of Continuing Disclosure Certificate."
Bank Qualification:	The Bonds will <u>not</u> be designated by the Town as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.
Paying Agent:	U.S. Bank National Association, Boston, Massachusetts.
Legal Opinion:	Locke Lord LLP, Boston, Massachusetts.
Financial Advisor:	Hilltop Securities Inc., Boston, Massachusetts.
Delivery and Payment:	It is expected that delivery of the Bonds in book-entry only form will be made to The Depository Trust Company, or to its custodial agent, on or about September 30, 2021, against payment in federal funds.
Issuer Official:	Questions concerning the Official Statement should be addressed to Ms. Jill M. Summit, Treasurer/Collector, Town of Danvers, Massachusetts Telephone (978) 777-0001 x3049 or Cinder, Managing Director, Hilltop Securities Inc., Boston, Massachusetts Telephone (617) 619-4408.

*Preliminary, subject to change.

NOTICE OF SALE

TOWN OF DANVERS, MASSACHUSETTS \$13,945,000* GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2021 BONDS

The Town of Danvers, Massachusetts (the "Town") will receive sealed and electronic (as described herein) proposals until 11:00 A.M., Eastern Time, Thursday, September 16, 2021, for the purchase of the following described General Obligation Municipal Purpose Loan of 2021 Bonds of the Town (the "Bonds"):

\$13,945,000* General Obligation Municipal Purpose Loan of 2021 Bonds payable September 1 of the years and in the amounts as follows:

Due September 1	Principal Amount*	Due September 1	Principal Amount*
2022	\$ 270,000	2037	** \$ 540,000
2023	325,000	2038	** 540,000
2024	350,000	2039	** 535,000
2025	375,000	2040	** 535,000
2026	630,000	2041	** 535,000
2027	630,000	2042	** 385,000
2028	630,000	2043	** 385,000
2029	625,000	2044	** 385,000
2030	625,000	2045	** 385,000
2031	** 625,000	2046	** 385,000
2032	** 545,000	2047	** 385,000
2033	** 545,000	2048	** 385,000
2034	** 540,000	2049	** 385,000
2035	** 540,000	2050	** 385,000
2036	** 540,000		

*Preliminary, subject to change.

**Callable maturities. May be combined into not more than three term bonds as described herein.

The Bonds will be dated their date of delivery. Principal of the Bonds will be payable on September 1 of the years in which the Bonds mature. Interest will be payable on March 1 and September 1, until maturity or redemption prior to maturity, commencing September 1, 2022.

The Bonds will be issued by means of a book-entry system with no physical distribution of the Bonds made to the public. One certificate for each maturity of the Bonds will be issued to The Depository Trust Company, New York, New York ("DTC"), and immobilized in its custody. Ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, will be evidenced by a book-entry system with transfers of ownership effected on the records of DTC and its Participants pursuant to rules and procedures established by DTC and its Participants. The successful bidder, as a condition to delivery of the Bonds, shall be required to deposit the Bonds with DTC, registered in the name of Cede & Co. Interest and principal on the Bonds will be payable to DTC or its nominee as Registered Owner of the Bonds. Transfer of principal and interest payments to Participants of DTC will be the responsibility of DTC. Transfer of principal and interest payments to Beneficial Owners will be the responsibility of such participants and other nominees of Beneficial Owners. The Town will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants.

The original Bonds to be immobilized at DTC will be approved by Locke Lord LLP, Boston, Massachusetts, whose opinion will be furnished to the purchaser without charge.

The Bonds maturing on and before September 1, 2030 are not subject to redemption prior to their stated maturity dates. Bonds maturing on and after September 1, 2031 are subject to redemption prior to their stated maturity dates, at the option of the Town, on and after September 1, 2030 either in whole or in part at any time, and if in part, by lot within a maturity, **at the par amount of the Bonds to be redeemed**, plus accrued interest to the date set for redemption.

For Bonds maturing on and after September 1, 2031, bidders may specify that all of the principal amount of such Bonds in any two or more consecutive years may, in lieu of maturing in each such year, be combined to comprise one maturity of term bonds, and shall be subject to mandatory redemption or mature at par, as described above, in each of the years and in the principal amounts specified in the foregoing maturity schedule (which is subject to change as described herein). Each mandatory redemption shall be allocated to the payment of the term bond maturing in the nearest subsequent year. Bidders may specify no more than three term bonds.

Term bonds, if any, shall be subject to mandatory redemption on September 1 of the year or years immediately prior to the stated maturity of such term bond (the particular Bonds of such maturity to be redeemed to be selected by lot) as indicated in the foregoing maturity schedule (which is subject to change as described herein) at the principal amount thereof plus accrued interest to the redemption date, without premium.

Principal and semiannual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to DTC. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

Bidding Parameters

Bidders shall state the rate or rates of interest per annum which the Bonds are to bear in a multiple of 1/20 or 1/8 of one percent, but shall not state (a) more than one interest rate for any Bonds having a like maturity, (b) any interest rate which exceeds the interest rate stated for any other Bonds by more than 3 percent or (c) **any coupon in excess of 5.0%. NO BID OF LESS THAN PAR PLUS A PREMIUM OF AT LEAST \$90,000 WILL BE CONSIDERED.**

The current bond structure does not reflect any premium. The Town reserves the right to decrease the aggregate par amount of the Bonds after determination of the winning bid and the amount of net premium to be received, by restructuring the annual payments of principal of each purpose of the Bonds on mostly an equal principal amortization basis, essentially mirroring the current structure. **THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES AS A RESULT OF ANY CHANGES MADE TO THE ANNUAL PRINCIPAL AMOUNTS WITHIN THESE LIMITS.** The dollar amount bid for the Bonds by the successful bidder will be adjusted, if applicable, to reflect changes in the dollar amount of the amortization schedule. Any price that is adjusted will reflect changes in the dollar amount of the underwriter's discount and original issue premium, if any, but will not change the per bond underwriter's discount (net of insurance premium, if any) provided in such bid. Nor will it change the interest rate specified for each maturity. Any such adjustments will be communicated to the successful bidder for the Bonds by local time 4 p.m. on the day of the sale.

Bids must be submitted electronically via Parity in accordance with this Notice of Sale. To the extent any instructions or directions set forth in Parity conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about Parity, potential bidders may contact the Financial Advisor to the Town or I-deal at 40 West 23rd Street, 5th Floor, New York, NY 10010 (212) 404-8102. An electronic bid made in accordance with this Notice of Sale shall be deemed an offer to purchase the Bonds in accordance with the terms provided in this Notice of Sale and shall be binding upon the bidder as if made by a signed and sealed written bid delivered to the Town.

As between proposals which comply with this Notice of Sale, the award will be to the bidder who offers to purchase all the Bonds at the lowest net effective interest rate to the Town. Such interest rate shall be determined on a true interest cost (TIC) basis, which shall mean that rate which, as of September 30, 2021, discounts semi-annually all future payments on account of principal and interest to the price bid, not including interest accrued, if any, which accrued interest shall be paid by the successful bidder. The award of the Bonds to the successful bidder will not be effective until the bid has been approved by the Select Board and the Treasurer. In the event that two or more bidders submit the same lowest true interest cost for the Bonds, the Treasurer shall determine the successful bidder by lot from among all such proposals.

The right is reserved to reject all bids and to reject any bid not complying with this Notice of Sale and, so far as permitted by law, to waive any irregularity with respect to any proposal.

The Town of Danvers has not contracted for the issuance of any policy of municipal bond insurance for the Bonds. If the Bonds qualify for issuance of any such policy or commitment therefor, any purchase of such insurance or commitment shall be at the sole option and expense of the bidder. Proposals shall not be conditioned upon the issuance of any such policy or commitment. Any failure of the Bonds to be so insured or of any such policy or commitment to be issued shall not in any way relieve the purchaser of its contractual obligations arising from the acceptance of its proposal for the purchase of the Bonds. Should the bidder purchase municipal bond insurance, all expenses associated with such policy or commitment will be borne by the bidder, except for the fee paid to S&P Global Ratings for a rating on the Bonds. Any such fee paid to S&P Global Ratings would be borne by the Town.

In order to assist bidders in complying with Rule 15c2-12 (b)(5) promulgated by the Securities and Exchange Commission, the Town will undertake to provide annual reports and notices of certain significant events. A description of this undertaking is set forth in the Preliminary Official Statement.

The Bonds will not be designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986 as amended (the “Code”).

It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that it shall be furnished, without cost, with (a) the approving opinion of the firm of Locke Lord, LLP, Boston, Massachusetts, substantially in the form appearing as Appendix B of the Preliminary Official Statement dated September 9, 2021, (b) a certificate in the form satisfactory to Bond Counsel dated as of the date of delivery of the Bonds and receipt of payment therefor to the effect that there is no litigation pending or, to the knowledge of the signers thereof, threatened which affects the validity of the Bonds or the power of the Town to levy and collect taxes to pay them, (c) a certificate of the Town Treasurer to the effect that, to the best of her knowledge and belief, as of its date and the date of sale the Preliminary Official Statement did not, and as of its date and the date of the delivery of the Bonds, the Final Official Statement did not and does not, contain any untrue statement of a material fact and did not and does not omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, and (d) a Continuing Disclosure Certificate in the form appearing as Appendix C of the Preliminary Official Statement.

Establishment of Issue Price

The successful bidder shall assist the Town in establishing the issue price of the Bonds and shall execute and deliver to the Town on the Closing Date an “issue price” or similar certificate, substantially in the applicable form set forth in Exhibit 1 to this Notice of Sale, setting forth the reasonably expected initial offering prices to the public or the sales price of the Bonds together with the supporting pricing wires or equivalent communications, or, if applicable, the amount bid, with such modifications as may be appropriate or necessary, in the reasonable judgment of the successful bidder, the Town and Bond Counsel. All actions to be taken by the Town under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the Town by Hilltop Securities Inc. (the “Financial Advisor”) and any notice or report to be provided to the Town may be provided to the Financial Advisor.

Competitive Sale Requirements. If the competitive sale requirements (“competitive sale requirements”) set forth in Treasury Regulation § 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) have been satisfied, the Town will furnish to the successful bidder on the Closing Date a certificate of the Financial Advisor, which will certify each of the following conditions to be true:

1. the Town has disseminated this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
2. all bidders had an equal opportunity to bid;
3. the Town received bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
4. the Town awarded the sale of the Bonds to the bidder who submitted a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid. Unless a bidder notifies the Town prior to submitting its bid by contacting the Financial Advisor, telephone (617) 619-4400, and affirming in writing via email, or in its bid submitted via Parity, that it will NOT be an “underwriter” (as defined below) of the Bonds, by submitting its bid, each bidder shall be deemed to confirm that it has an established industry reputation for underwriting new issuances of municipal bonds. Unless the bidder has notified the Town that it will not be an “underwriter” (as defined below) of the Bonds, in submitting a bid, each bidder is deemed to acknowledge that it is an “underwriter” that intends to reoffer the Bonds to the public.

In the event that the competitive sale requirements are not satisfied, the Town shall so advise the successful bidder.

Failure to Meet the Competitive Sale Requirements – Option A – The Successful Bidder Intends to Reoffer the Bonds to the Public and the 10% Test to Apply. If the competitive sale requirements are not satisfied and the successful bidder intends to reoffer the Bonds to the public, the Successful Bidder may, at its option, will use the first price at which 10% of a maturity of the Bonds (the “10% Test”) is sold to the public as the issue price of that maturity, applied on a maturity-by-maturity basis, of the Bonds. The successful bidder shall advise the Financial Advisor if any maturity of the Bonds satisfies the 10% Test as of the date and time of the award of the Bonds.

If the competitive sale requirements are not satisfied, then until the 10% Test has been satisfied as to each maturity of the Bonds or all of the Bonds are sold to the public, the successful bidder agrees to promptly report to the Financial Advisor the prices at which the unsold Bonds of each maturity have been sold to the public, which reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% Test has been satisfied for each maturity of the Bonds or until all the Bonds of a maturity have been sold. The successful bidder shall be obligated to report each sale of Bonds to the Financial Advisor until notified in writing by the Town or the Financial Advisor that it no longer needs to do so. If the successful bidder uses Option A the Successful Bidder shall provide to the Town on or before the closing date, the certificate attached to this Notice of Sale as Exhibit 1 – Option A.

By submitting a bid and if the competitive sale requirements are not met, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, to report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder that either the 10% Test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public, if and for so long as directed by the successful bidder and as set forth in the related pricing wires and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the successful bidder or such underwriter that either the 10% Test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public if and for so long as directed by the successful bidder or such underwriter and as set forth in the related pricing wires.

Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

1. “public” means any person other than an underwriter or a related party,
2. “underwriter” means (A) any person, including the Successful Bidder, that agrees pursuant to a written contract with the Town (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public), and
3. a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

Failure to Meet the Competitive Sale Requirements – Option B – The Successful Bidder Intends to Reoffer the Bonds to the Public and Agrees to Hold the Price of Maturities of Bonds for Which the 10% Test in Option A is Not Met as of the Sale Date. The successful bidder may, at its option, notify the Financial Advisor in writing, which may be by email (the “Hold the Price Notice”), not later than 4:00 p.m. on the Sale Date, that it has not sold 10% of the maturities of the Bonds listed in the Hold the Price Notice (the “Unsold Maturities”) and that the successful bidder will not offer the Unsold Maturities to any person at a price that is higher than the initial offering price to the public during the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date or (ii) the date on which the successful bidder has sold at least 10% of the applicable Unsold Maturity to the public at a price that is no higher than the initial offering price to the public. If the successful bidder delivers a Hold the Price Notice to the Financial Advisor, the successful bidder must provide to the Issuer on or before the Closing Date, in addition to the certification described in Option A above, evidence that each underwriter of the Bonds, including underwriters in an underwriting syndicate or selling group, has agreed in writing to hold the price of the Unsold Maturities in the manner described in the preceding sentence.

Failure to Meet the Competitive Sale Requirements and/or the Successful Bidder Does Not Intend to Reoffer the Bonds to the Public – Option C. If the successful bidder has purchased the Bonds for its own account and will not distribute, reoffer or resell the Bonds to the public, then, whether or not the competitive sale requirements were met, the issue price certificate will recite such facts and identify the price or prices at which the purchase of the Bonds was made.

It is anticipated that CUSIP identification numbers will be printed on the Bonds. The Town assumes no responsibility for any CUSIP Service Bureau or other charge that may be imposed for the assignment of such numbers.

Additional information concerning the Town of Danvers and the Bonds is contained in the Preliminary Official Statement dated September 9, 2021, to which prospective bidders are directed. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Notice of Sale. Said Preliminary Official Statement is deemed final by the Town except for the omission of the reoffering price(s), interest rate(s), delivery date, the identity of the underwriter(s), and any other pertinent terms of the Bonds depending on such matters, but is subject to change without notice to completion or amendment in a Final Official Statement. Copies of the Preliminary Official Statement may be obtained from Hilltop Securities Inc., 54 Canal Street, Boston, Massachusetts 02114 (Telephone: 617-619-4400). Within seven (7) business days following the award of the Bonds in accordance herewith, 5 copies of the Final Official Statement will be available from Hilltop Securities Inc. to the successful bidder for use in reoffering the Bonds. Upon request, additional copies will be provided at the expense of the requester.

The Bonds in definitive form will be delivered to The Depository Trust Company or its custodial agent on or about September 30, 2021 for settlement in federal funds.

TOWN OF DANVERS, MASSACHUSETTS
/s/ Ms. Jill M. Summit, Treasurer/Collector

September 9, 2021

**Issue Price Certificate for Use If the Competitive
Sale Requirements Are Met
\$13,945,000*
Town of Danvers, Massachusetts
General Obligation Municipal Purpose Loan of 2021 Bonds Dated September 30, 2021**

ISSUE PRICE CERTIFICATE AND RECEIPT

The undersigned, on behalf of _____ (the "Successful Bidder"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Bonds") of the Town of Danvers, Massachusetts (the "Issuer").

1. Reasonably Expected Initial Offering Prices.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Successful Bidder are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Bonds used by the Successful Bidder in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by the Successful Bidder to purchase the Bonds.

(b) The Successful Bidder was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Successful Bidder constituted a firm offer to purchase the Bonds.

2. Defined Terms.

(a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is September 16, 2021.

(d) *Underwriter* means (i) any person, including the Successful Bidder, that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

3. Receipt.

The Successful Bidder hereby acknowledges receipt from the Issuer of the Bonds and further acknowledges receipt of all certificates, opinions and other documents required to be delivered to the Successful Bidder, before or simultaneously with the delivery of such Bonds, which certificates, opinions and other documents are satisfactory to the Successful Bidder.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Successful Bidder's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Locke Lord LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: _____, 2021

Successful Bidder

By: _____

Name:

Title:

*Preliminary, subject to change.

SCHEDULE A
EXPECTED OFFERING PRICES
(To be Attached)

SCHEDULE B
COPY OF SUCCESSFUL BIDDER'S BID
(To Be Attached)

**Issue Price Certificate for Use If the Competitive Sale Requirements Are
Not Met and the 10% Test to Apply
\$13,945,000*
Town of Danvers, Massachusetts
General Obligation Municipal Purpose Loan of 2021 Bonds Dated September 30, 2021
ISSUE PRICE CERTIFICATE AND RECEIPT**

The undersigned, on behalf of _____ (the [Successful Bidder][Representative]), on behalf of itself and [NAMES OF OTHER UNDERWRITERS]] hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”) by the Town of Danvers, Massachusetts (the “Issuer”).

1. Sale of the Bonds. As of the date of this certificate, [except as set forth in the following paragraph,] for each Maturity of the Bonds, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.

[Only use the next paragraph if the 10% Test has not been met or all of the Bonds have not been sold for one or more Maturities of Bonds as of the Closing Date.]

For each Maturity of the Bonds as to which no price is listed in Schedule A, as set forth in the Notice of Sale for the Bonds, until at least 10% of each such Maturity of the Bonds is sold to the Public (the “10% Test”) or all of the Bonds are sold to the Public, the [Successful Bidder][Representative] agrees to promptly report to the Town of Danvers’s financial advisor, Hilltop Securities Inc. (the “Financial Advisor”) the prices at which the unsold Bonds of each Maturity have been sold to the Public, which reporting obligation shall continue after the date hereof until the 10% Test has been satisfied for each Maturity of the Bonds or until all the Bonds of a Maturity have been sold. The [Successful Bidder][Representative] shall continue to report each sale of Bonds to the Financial Advisor until notified by email or in writing by the Issuer or the Financial Advisor that it no longer needs to do so.

2. Defined Terms.

- (a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.
- (b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.
- (c) *Underwriter* means (i) any person, including the [Successful Bidder][Representative] that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

3. Receipt. The [Successful Bidder][Representative] hereby acknowledges receipt from the Issuer of the Bonds and further acknowledges receipt of all certificates, opinions and other documents required to be delivered to the Successful Bidder, before or simultaneously with the delivery of such Bonds, which certificates, opinions and other documents are satisfactory to the [Successful Bidder][Representative].

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the [Successful Bidder][Representative] interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Locke Lord LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: _____ 2021

[SUCCESSFUL BIDDER][REPRESENTATIVE]

By: _____

Name:

Title:

*Preliminary, subject to change.

SALE PRICES
[(Attached)]

SCHEDULE A

**Issue Price Certificate for Use If the Competitive Sale Requirements Are
Not Met and the Hold the Price Rule Is Used
\$13,945,000*
TOWN OF DANVERS, MASSACHUSETTS
GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2021 Bonds**

DATED SEPTEMBER 30, 2021

ISSUE PRICE CERTIFICATE AND RECEIPT

The undersigned, on behalf of _____ (the (“[Successful Bidder][Representative]”), on behalf of itself and [NAMES OF OTHER UNDERWRITERS] hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”) of the Town of Danvers, Massachusetts (the “Issuer).

1. Sale of the Bonds. As of the date of this certificate, [except as set forth in following paragraph,] for each Maturity of the Bonds, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.

[Only use the next paragraph if the 10% Test has not been met as of the Sale Date.]

For each Maturity of the Bonds as to which no price is listed in Schedule A (the “Unsold Maturities”), as set forth in the Notice of Sale for the Bonds, the [Successful Bidder][Representative] and any other Underwriter did not [and will not] reoffer the Unsold Maturities to any person at a price that is higher than the initial offering price to the public until the earlier of (i) _____, 2021 or (ii) the date on which the “Successful Bidder][Representative] or any other Underwriter sold at least 10% of each Unsold Maturity at a price that is no higher than the initial offering price to the Public.

2. Defined Terms.

(a) Maturity means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) Public means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) Underwriter means (i) any person, including the [Successful Bidder][Representative], that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

3. The [Successful Bidder][Representative] hereby acknowledges receipt from the Issuer of the bonds of the Issue and further acknowledges receipt of all certificates, opinions and other documents required to be delivered to the [Successful Bidder][Representative], before or simultaneously with the delivery of such bonds of the Issue, which certificates, opinions and other documents are satisfactory to the [Successful Bidder][Representative].

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the [Successful Bidder’s][Representative’s] interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the

Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Locke Lord LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: _____, 2021

[SUCCESSFUL BIDDER] [REPRESENTATIVE]

By: _____

Name:

Title:

*Preliminary, subject to change.

**[SCHEDULE A
SALE PRICES
(To be Attached)]**

OFFICIAL STATEMENT

TOWN OF DANVERS, MASSACHUSETTS

\$13,945,000* GENERAL OBLIGATION MUNICIPAL PURPOSE LOAN OF 2021 BONDS

This Official Statement is provided for the purpose of presenting certain information relating to the Town of Danvers, Massachusetts (the "Town") in connection with the sale of \$13,945,000* stated principal amount of its General Obligation Municipal Purpose Loan of 2021 Bonds (the "Bonds"). The information contained herein has been furnished by the Town, except information attributed to another source.

THE BONDS

Description of the Bonds

The Bonds will be dated their date of delivery and will bear interest payable semiannually on September 1 and March 1, until maturity or redemption prior to maturity, commencing September 1, 2022. The Bonds shall mature on September 1 of the years and in the principal amounts as set forth on the cover page of this Official Statement.

The Bonds are issuable only in fully registered form registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000, or any integral multiple thereof. Purchasers will not receive certificates representing their interests in Bonds purchased. So long as Cede & Co. is the Bondowner, as nominee of DTC, references herein to the Bondowners or Registered Owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. (See "Book-Entry Transfer System" herein.)

Principal and semiannual interest on the Bonds will be paid by U.S. Bank National Association, Boston, Massachusetts or its successor as Paying Agent. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to DTC. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

Redemption Provisions

Optional Redemption

Bonds maturing on or prior to September 1, 2030 shall not be subject to redemption prior to their stated maturity dates. Bonds maturing on or after September 1, 2031 shall be subject to redemption prior to maturity, at the option of the Town, on or after September 1, 2030, either in whole or in part at any time, and if in part, by lot within a maturity, at the par amount of the Bonds to be redeemed, plus accrued interest to the date set for redemption.

Mandatory Redemption

If the successful bidder designated principal amounts of the Bonds to be combined into one, two or three term bonds (which may be done only for principal amounts in consecutive years and only with respect to Bonds maturing on and after September 1, 2030), each such term bond shall be subject to mandatory redemption commencing on September 1 of the first year which has been combined to form such term bond and continuing on September 1 in each year thereafter until the stated maturity date of that Bond. The amount redeemed or paid at maturity in any year shall be equal to the principal amount for that year set forth in the schedule contained in the Notice of Sale dated September 9, 2021 relating to the Bonds, as the same may be adjusted following pricing, in accordance with the terms of the Notice of Sale dated September 9, 2021. Principal amounts to be redeemed in any year by mandatory redemption shall be redeemed at par (without premium), plus accrued interest to the redemption date, and shall be selected by lot from among the Bonds then subject to redemption. The Town Treasurer may credit against any mandatory redemption requirement term bonds which have been purchased and cancelled by the Town or have been redeemed and not therefore applied as a credit against any mandatory redemption requirement.

*Preliminary, subject to change.

Notice of Redemption

Notice of any redemption of Bonds, prior to their dates of maturity, specifying the Bonds (or the portions thereof) to be redeemed shall be mailed or sent in any other manner acceptable to DTC not more than 60 days nor less than 30 days prior to the redemption date. Any failure on the part of DTC to notify the Direct Participants of the redemption or failure on the part of DTC's Participants, Indirect Participants or of a nominee of a Beneficial Owner having received notice from a DTC Participant or otherwise to notify the Beneficial Owners shall not affect the validity of the redemption.

Record Date

The record date for each payment of interest on the Bonds (the "Record Date") is the fifteenth day of the month preceding the interest payment date, provided that, if such date is not a business day, the Record Date shall be the next succeeding business day. Under certain circumstances, the Paying Agent may establish a special record date. The special record date may not be more than twenty (20) days before the date set for payment. The Paying Agent will mail notice of a special record date to the Bondowners at least ten (10) days before the special record date.

Book-Entry Transfer System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued in fully-registered form registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One-fully registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's Participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating from S&P Global Ratings of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of securities deposited with DTC must be made by or through Direct Participants, which will receive a credit for such securities on DTC's records. The ownership interest of each actual purchaser of each security deposited with DTC ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in securities deposited with DTC are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in securities deposited with DTC, except in the event that use of the book-entry system for such securities is discontinued.

To facilitate subsequent transfers, all securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in Beneficial Ownership. DTC has no knowledge of the actual Beneficial Owners of the securities deposited with DTC; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to securities deposited with DTC unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of such securities or its paying agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts such securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on securities deposited with DTC will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer of such securities or its paying agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the issuer of such securities or its paying agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer of such securities or its paying agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to securities held by it at any time by giving reasonable notice to the issuer of such securities or its paying agent. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered to Beneficial Owners.

The issuer of such securities may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to Beneficial Owners.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

Authorization of the Bonds and Use of Proceeds

The following table sets forth the purposes, principal amounts, amounts authorized, bond anticipation notes outstanding, statutory references, and dates of approval, for the current offering of Bonds.

Purpose	This Issue*	Original Bond Authorization	Bond Anticipation Notes Outstanding	Statutory Reference M.G.L., as amended	Dates of Approval
Wastewater Facility Improvements - Greenleaf Dr.	\$ 360,000	\$ 1,280,000	\$ 360,000	Ch. 44, s.7(1)	6/22/20, art. 20
Water Distribution System	2,525,076	10,000,000	2,525,076	Ch. 44, s.8(5)	5/20/19, art. 23
Ivan G. Smith Elementary School	10,000,000	52,000,000 (2)	10,000,000	Ch.70B	2/4/19, art. 2
Highlands School Roof Replacement	136,095 (1)	1,644,746 (3)	137,194	Ch.70B	5/20/19, art. 31
Frost Fish Brook Drainage Improvement	123,829	1,350,000		Ch. 44, s.7(1)	5/20/19, art. 26
Sewer I&I	800,000	4,000,000		Ch. 44, s.7(1)	5/15/17, art. 29
	<u>\$ 13,945,000</u>		<u>\$ 13,022,270 (4)</u>		

*Preliminary, subject to change.

- (1) Final pricing will include \$137,194 of bond proceeds prior to resizing rather than the \$136,095 shown above.
- (2) The Town expects to receive Massachusetts School Building Authority ("MSBA") grant reimbursements for approximately 55% of eligible project costs or a maximum grant in the amount of \$20,488,662. To date, the Town has received \$14,741,439 from the MSBA. To date, \$19,732,175 of bond proceeds have been issued against this project.
- (3) The Town expects to receive MSBA grant reimbursement for approximately 50.58% of eligible project costs. To date, the Town has received \$1,216,482 from the MSBA.
- (4) This issue will retire bond anticipation notes maturing October 22, 2021.

Principal Payments by Purpose

Year	Smith School*	Highland School Roof*(1)	Water Distribution System	Wastewater Facilities*	Sewer I&I*	Frost Fish*	TOTAL*
2022	\$ 10,000	\$ 11,095	\$ 135,076	\$ 20,000	\$ 80,000	\$ 13,829	270,000
2023	75,000	10,000	130,000	20,000	80,000	10,000	325,000
2024	100,000	10,000	130,000	20,000	80,000	10,000	350,000
2025	125,000	10,000	130,000	20,000	80,000	10,000	375,000
2026	390,000	10,000	125,000	20,000	80,000	5,000	630,000
2027	390,000	10,000	125,000	20,000	80,000	5,000	630,000
2028	390,000	10,000	125,000	20,000	80,000	5,000	630,000
2029	390,000	5,000	125,000	20,000	80,000	5,000	625,000
2030	390,000	5,000	125,000	20,000	80,000	5,000	625,000
2031	390,000	5,000	125,000	20,000	80,000	5,000	625,000
2032	390,000	5,000	125,000	20,000		5,000	545,000
2033	390,000	5,000	125,000	20,000		5,000	545,000
2034	390,000	5,000	125,000	15,000		5,000	540,000
2035	390,000	5,000	125,000	15,000		5,000	540,000
2036	390,000	5,000	125,000	15,000		5,000	540,000
2037	390,000	5,000	125,000	15,000		5,000	540,000
2038	390,000	5,000	125,000	15,000		5,000	540,000
2039	385,000	5,000	125,000	15,000		5,000	535,000
2040	385,000	5,000	125,000	15,000		5,000	535,000
2041	385,000	5,000	125,000	15,000		5,000	535,000
2042	385,000						385,000
2043	385,000						385,000
2044	385,000						385,000
2045	385,000						385,000
2046	385,000						385,000
2047	385,000	-					385,000
2048	385,000	-					385,000
2049	385,000	-					385,000
2050	385,000	-					385,000
Total	\$ 10,000,000	\$ 136,095	\$ 2,525,076	\$ 360,000	\$ 800,000	\$ 123,829	\$ 13,945,000

*Preliminary, subject to change.

(1) Final pricing will include \$137,194 of bond proceeds prior to resizing rather than the \$136,095 shown above.

Tax Exemption

In the opinion of Locke Lord LLP, Bond Counsel to the Town (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). Bond Counsel is of the further opinion that interest on the Bonds will not be included in computing the alternative minimum taxable income of Bondholders who are individuals. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on the Bonds. The Bonds will not be designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. Failure to comply with these requirements may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The Town has covenanted to comply with such requirements to ensure that interest on the Bonds will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these requirements.

Bond Counsel is also of the opinion that, under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Bonds. Prospective Bondholders should be aware, however, that the Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Bonds and

the interest thereon are included in the measure of certain Massachusetts corporate excise and franchise taxes. Bond Counsel expresses no opinion as to the taxability of the Bonds or the income therefrom or any other tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is either the reasonably expected initial offering price to the public or the first price at which a substantial amount of such maturity of the Bonds is sold to the public, as applicable. The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Bondholders should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the reasonably expected initial offering price or, if applicable, the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Bonds, or, in some cases, at the earlier redemption date of such Bonds ("Premium Bonds"), will be treated as having amortizable bond premium for federal income tax purposes and Massachusetts personal income tax purposes. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a Bondholder's basis in a Premium Bond will be reduced by the amount of amortizable bond premium properly allocable to such Bondholder. Holders of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect the federal or state tax liability of a Bondholder. Among other possible consequences of ownership or disposition of, or the accrual or receipt of interest on, the Bonds, the Code requires recipients of certain social security and certain railroad retirement benefits to take into account receipts or accruals of interest on the Bonds in determining the portion of such benefits that are included in gross income. The nature and extent of all such other tax consequences will depend upon the particular tax status of the Bondholder or the Bondholder's other items of income, deduction, or exclusion. Bond Counsel expresses no opinion regarding any such other tax consequences, and Bondholders should consult with their own tax advisors with respect to such consequences.

Risk of Future Legislative Changes and/or Court Decisions

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the Massachusetts legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds will not have an adverse effect on the tax status of interest on the Bonds or the market value or marketability of the Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Bonds from gross income for federal or state income tax purposes for all or certain taxpayers. Additionally, Bondholders should be aware that future legislative actions (including federal income tax reform) may retroactively change the treatment of all or a portion of the interest on the Bonds for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the Bonds may be affected and the ability of Bondholders to sell their Bonds in the secondary market may be reduced. The Bonds are not subject to special mandatory redemption, and the interest rates on the Bonds are not subject to adjustment, in the event of any such change in the tax treatment of interest on the Bonds.

Investors should consult their own financial and tax advisors to analyze the importance of these risks.

Security and Remedies

Full Faith and Credit. General obligation bonds and notes of a Massachusetts city or town constitute a pledge of its full faith and credit. Payment is not limited to a particular fund or revenue source. Except for “qualified bonds” as described below (see “*Serial Bonds and Notes*” under “INDEBTEDNESS-TYPES OF OBLIGATIONS” below) and setoffs of state distributions as described below (see “*State Distributions*” below), no provision is made by the Massachusetts statutes for priorities among bonds and notes and other general obligations, although the use of certain moneys may be restricted.

Tax Levy. The Massachusetts statutes direct the municipal assessors to include annually in the tax levy for the next fiscal year “all debt and interest charges matured and maturing during the next fiscal year and not otherwise provided for [and] all amounts necessary to satisfy final judgments”. Specific provision is also made for including in the next tax levy payments of rebate amounts not otherwise provided for and payment of notes in anticipation of federal or state aid, if the aid is no longer forthcoming.

The total amount of a tax levy is limited by statute. However, the voters in each municipality may vote to exclude from the limitation any amounts required to pay debt service on indebtedness incurred before November 4, 1980. Local voters may also vote to exempt specific subsequent bond issues from the limitation. (See “*Tax Limitations*” under “PROPERTY TAXATION” below.) In addition, obligations incurred before November 4, 1980 may be constitutionally entitled to payment from taxes in excess of the statutory limit.

No Lien. Except for taxes on the increased value of certain property in designated development districts which may be pledged for the payment of debt service on bonds issued to finance economic development projects within such districts, no provision is made for a lien on any portion of the tax levy or any other moneys to secure particular bonds or notes or bonds and notes generally (or judgments on bonds or notes) in priority to other claims. Provision is made, however, for borrowing to pay judgments, subject to the General Debt Limit. (See “INDEBTEDNESS-Authorization Procedures and Limitations” below.) Subject to the approval of the State Director of Accounts for judgments above \$10,000, judgments may also be paid from available funds without appropriation and included in the next tax levy unless other provision is made.

Court Proceedings. Massachusetts cities and towns are subject to suit on their general obligation bonds and notes and courts of competent jurisdiction have power in appropriate proceedings to order payment of a judgment on the bonds or notes from lawfully available funds or, if necessary, to order the city or town to take lawful action to obtain the required money, including the raising of it in the next annual tax levy, within the limits prescribed by law. (See “*Tax Limitations*” under “PROPERTY TAXATION” below.) In exercising their discretion as to whether to enter such an order, the courts could take into account all relevant factors including the current operating needs of the city or town and the availability and adequacy of other remedies. The Massachusetts Supreme Judicial Court has stated in the past that a judgment against a municipality can be enforced by the taking and sale of the property of any inhabitant. However, there has been no judicial determination as to whether this remedy is constitutional under current due process and equal protection standards.

Restricted Funds. Massachusetts statutes also provide that certain water, gas and electric, community antenna television system, telecommunications, sewer, parking meter and passenger ferry fee, community preservation and affordable housing receipts may be used only for water, gas and electric, community antenna television system, telecommunications, sewer, parking, mitigation of ferry service impacts, community preservation and affordable housing purposes, respectively; accordingly, moneys derived from these sources may be unavailable to pay general obligation bonds and notes issued for other purposes. A city or town that accepts certain other statutory provisions may establish an enterprise fund for a utility, health care, solid waste, recreational or transportation facility and for police or fire services; under those provisions any surplus in the fund is restricted to use for capital expenditures or reduction of user charges. In addition, subject to certain limits, a city or town may annually authorize the establishment of one or more revolving funds in connection with use of certain revenues for programs that produce those revenues; interest earned on a revolving fund is treated as general fund revenue. A city or town may also establish an energy revolving loan fund to provide loans to owners of privately-held property in the city or town for certain energy conservation and renewable energy projects, and may borrow to establish such a fund. The loan repayments and interest earned on the investment of amounts in the fund shall be credited to the fund. Also, the annual allowance for depreciation of a gas and electric plant or a community antenna television and telecommunications system is restricted to use for plant or system renewals and improvements, for nuclear decommissioning costs, and costs of contractual commitments, or, with the approval of the State Department of Telecommunications and Energy, to pay debt incurred for plant or system reconstruction or renewals. Revenue bonds and notes issued in anticipation of them may be secured by a prior lien on specific revenues. Receipts from industrial users in connection with industrial revenue financings are also not available for general municipal purposes.

State Distributions. State grants and distributions may in some circumstances be unavailable to pay general obligation bonds and notes of a city or town in that the State Treasurer is empowered to deduct from such grants and distributions the amount of any debt service paid on “qualified bonds” (See “*Serial Bonds and Notes*” under “INDEBTEDNESS-TYPES OF OBLIGATIONS” below) and any other sums due and payable by the city or town to The Commonwealth of Massachusetts (the “Commonwealth”) or certain other public entities, including any unpaid assessments for costs of any public transportation authority (such as the Massachusetts Bay Transportation Authority (“MBTA”) or a regional transit authority) of which it is a member, for costs of the Massachusetts Water Resources Authority (“MWRA”) if the city or town is within the territory served by the MWRA, for any debt

service due on obligations issued to the Massachusetts School Building Authority (“MSBA”), or for charges necessary to meet obligations under the Commonwealth’s Clean Water or Drinking Water Revolving Loan Programs, including such charges imposed by another local governmental unit that provides wastewater collection or treatment services or drinking water services to the city or town.

If a city or town is (or is likely to be) unable to pay principal or interest on its bonds or notes when due, it is required to notify the State Commissioner of Revenue. The Commissioner shall in turn, after verifying the inability, certify the inability to the State Treasurer. The State Treasurer shall pay the due or overdue amount to the paying agent for the bonds or notes, in trust, within three days after the certification or one business day prior to the due date (whichever is later). This payment is limited, however, to the estimated amount otherwise distributable by the Commonwealth to the city or town during the remainder of the fiscal year (after the deductions mentioned in the foregoing paragraph). If for any reason any portion of the certified sum has not been paid at the end of the fiscal year, the State Treasurer shall pay it as soon as practicable in the next fiscal year to the extent of the estimated distributions for that fiscal year. The sums so paid shall be charged (with interest and administrative costs) against the distributions to the city or town.

The foregoing does not constitute a pledge of the faith and credit of the Commonwealth. The Commonwealth has not agreed to maintain existing levels of state distributions, and the direction to use estimated distributions to pay debt service may be subject to repeal by future legislation. Moreover, adoption of the annual appropriation act has sometimes been delayed beyond the beginning of the fiscal year and estimated distributions which are subject to appropriation may be unavailable to pay local debt service until they are appropriated.

Bankruptcy. Enforcement of a claim for payment of principal or interest on general obligation bonds or notes would be subject to the applicable provisions of federal bankruptcy laws and to the provisions of other statutes, if any, hereafter enacted by the Congress or the State legislature extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. Massachusetts municipalities are not generally authorized by the Massachusetts General Laws to file a petition for bankruptcy under federal bankruptcy laws. In cases involving significant financial difficulties faced by a single city, town or regional school district, however, the Commonwealth has enacted special legislation to permit the appointment of a fiscal overseer, finance control board or, in the most extreme cases, a state receiver. In a limited number of these situations, such special legislation has also authorized the filing of federal bankruptcy proceedings, with the prior approval of the Commonwealth. In each case where such authority was granted, it expired at the termination of the Commonwealth’s oversight of the financially distressed city, town or regional school district. To date, no such filings have been approved or made.

Opinion of Bond Counsel

The successful bidder will be furnished the legal opinion of the firm of Locke Lord, LLP, Boston, Massachusetts (“Bond Counsel”). The opinion will be dated and given on and will speak only as of the date of original delivery of the Bonds to the successful bidder. The opinion will be substantially in the form presented in Appendix B.

Other than as to matters expressly set forth herein as the opinion of Bond Counsel, Bond Counsel is not passing upon and does not assume any responsibility for the accuracy or adequacy of the statements made in this Official Statement and makes no representation that they have independently verified the same.

Rating

The Town has applied to S&P Global Ratings for a rating on the Bonds. Such rating reflects the rating agency’s views and will be subject to revision or withdrawal, which could affect the price and marketability of the Bonds.

Financial Advisory Services of Hilltop Securities Inc.

Hilltop Securities Inc., Boston, Massachusetts serves as financial advisor to the Town.

Continuing Disclosure

In order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, as amended (the “Rule”), the Town will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the Town by not later than 270 days after the end of each fiscal year (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events. Other than the Town, there are no obligated persons with respect to the Bonds within the meaning of the Rule. The covenants will be contained in a Continuing Disclosure Certificate, the proposed form of which is provided in Appendix C. The Certificate will be executed by the signers of the Bonds, and incorporated by reference in the Bonds.

In the past five years, the Town believes that it has complied, in all material respects, with its previous undertakings to provide annual reports or notices of significant events in accordance with the Rule.

TOWN OF DANVERS, MASSACHUSETTS

General

The Town of Danvers, Massachusetts (the "Town" or "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 large commercial and industrial base and occupies a land area of approximately 13.3 square miles, with a 2010 Federal Census population of 26,493. Industrial activity is concentrated along Massachusetts Route 128 and U.S. Route 1. Interstate Route 95 passes through the western section of the Town. Retail trade is concentrated in a central business district and three separate shopping centers are located in various sections of the Town.

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 town officers (the Select Board members) serving ex-officio as town meeting members. Subject to the legislative decisions made by the town meeting, the affairs of the Town are generally administered by the Select Board and the Town Manager.

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. The Water, Electric and Sewer Divisions are managed by three person boards appointed by the Town Manager. Local taxes are assessed by a board of three assessors also appointed by the Town Manager.

The following table sets forth the principal executive officers of the Town.

PRINCIPAL TOWN OFFICIALS

<u>Title</u>	<u>Name</u>	<u>Selection/Term</u>	<u>Term Expires</u>
Select Board, Chair	Gardner S. Trask III	Elected/3 years	2024
Select Board Member	Daniel C. Bennett	Elected/3 years	2022
Select Board Member	David Mills	Elected/3 years	2022
Select Board Member	Maureen Bernard	Elected/3 years	2023
Select Board Member	Matthew Duggan	Elected/3 years	2024
Town Manager	Steve Bartha	Appointed/5 years	2024
Town Accountant	Heather Varney	Appointed	Indefinite
Finance Director	Rodney Conley	Appointed	Indefinite
Treasurer	Jill M. Summit	Appointed	Indefinite
Tax Collector	Jill M. Summit	Appointed	Indefinite
Town Clerk	Catherine S. Ellsworth	Appointed	Indefinite
Town Counsel	Murphy Hesse Toomey & Lehane	Appointed/5 years	2022

Municipal Services

The Town provides governmental services for the territory within its boundaries, including police and fire protection, public education in grades K-12, senior services, electricity, water and sewer services, streets, parks and recreation. A hospital/health center is provided locally on a private basis. The Town maintains a harbormaster and public harbor facilities. The Essex North Shore Agricultural and Technical School District provides vocational education in grades nine through twelve, while the South Essex Sewerage District provides sewage disposal services. The Massachusetts Bay Transportation Authority ("MBTA") provides bus services to certain areas.

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

Corona Virus (COVID-19) Disclosure

COVID-19 is a new respiratory disease caused by a novel coronavirus that has not previously been seen in humans. On March 10, 2020, the Governor of The Commonwealth of Massachusetts declared a state of emergency to support the Commonwealth's response to the outbreak of the virus. On March 11, 2020 the World Health Organization declared COVID-19 a pandemic. On March 13, 2020, the President declared a national emergency due to the outbreak, which has enabled disaster funds to be made available to states to fight the pandemic. On March 15, 2020, the Governor announced emergency actions to help address the spread of the virus. Since that time, staffing and building access has been adjusted as deemed prudent by Federal, State, and local health officials. The Town, throughout the pandemic, has maintained essential functions and services. As of May 2021, all remaining COVID-19 restrictions were lifted and the State of Emergency in the Commonwealth ended on June 15, 2021.

Pursuant to M.G.L. Chapter 44, Section 31, the Town can set up a fund specifically related to COVID-19 expenses. This fund should capture all costs related to the COVID-19 pandemic and deficit spend for these costs. At this time, the Town has created such a fund. To date, the Town has spent approximately \$900,000 on COVID-19 related costs which have been submitted for Federal/State reimbursement. These costs include overtime, PPE, building modifications, technology, etc.

The virus, its variants, and the actions needed to contain its spread are altering the behavior of businesses and people in a manner that may continue to have negative impacts on global and local economies. There can be no assurances regarding the extent to which the COVID-19 pandemic will impact the national and state economies and, accordingly, how it will continue to adversely impact municipalities, including the Town. These negative impacts have thus far included reduced collections of property taxes and other revenues, including local meals and rooms tax revenue, motor vehicle excise taxes, and other fees and charges collected by the Town. The Town may also be affected by any reductions in state aid resulting from reduced revenues collected at the State level from such sources as income; sales; meals, hotel, and capital gains taxes; and others.

As of June 30, 2021, the Town collected 98.5% of collections. A significant portion of the Town's commercial tax base is in the retail, hotel and restaurant sections which had been closed for portions of Fiscal Year 2021. The Town still expects to end Fiscal Year 2021 with a surplus due in part to its longstanding conservative approach to estimating receipts.

The Town's Fiscal Year 2022 budget is balanced. Local receipt estimates remain very conservative including those still impacted by the pandemic (hotel/motel, meals, motor vehicle excise). The budget relies on no use of stabilization funds other than debt stabilization which is based on the long-term plan of phasing in debt associated with the Smith School project.

Electric Light Summary

The Town's Electric Division provides electric power to substantially the entire Town, serving approximately 11,300 customers. The Division does not generate its own power at this time. All power is purchased from wholesale markets. Any surplus or shortfall of power is obtained or sold through the Massachusetts Municipal Wholesale Electric Company. The Division is a self-supporting entity within the Town's Public Works Department. It is accounted for within the Town's Enterprise Fund and governed by the Town Manager who appoints a Utility Director for management of daily operations and administration. An appointed citizen committee (the Municipal Light Board) provides customer input and advice to the Town Manager and the Division.

Education

The Town's public school facilities include five elementary schools (K-5), one middle school (6-8) and one high school (9-12). Total capacity in the Town K-12 schools is currently estimated at 4,115. The Town has started construction on a renovation/expansion project at the Smith Elementary School of which \$20 million of the local share was financed in August 2019. The Town expects approximately 55.46% reimbursement from the Massachusetts School Building Authority ('MSBA') on eligible project costs.

The following sets forth the trend in public school enrollments.

PUBLIC SCHOOL ENROLLMENTS – OCTOBER 1

	Actual				
	2016	2017	2018	2019	2020
Elementary (K-5)	1,703	1,760	1,719	1,711	1,654
Middle School (6-8)	840	825	834	816	789
Senior High School (9-12)	977	943	931	891	870
Total	<u>3,520</u>	<u>3,528</u>	<u>3,484</u>	<u>3,418</u>	<u>3,313</u>

The Town is also a member of Essex North Shore Agricultural and Technical School District (the "District") which had a total enrollment as of October 1, 2020 of 1,564 students, of whom 201 were from the Town of Danvers. In 2014, the District completed a new \$135 million campus complex. The MSBA and Commonwealth of Massachusetts contributed approximately \$99 million of the project costs. Debt service costs are apportioned annually to the 17 member communities of the District.

Industry and Commerce

Danvers is a residential suburb of Boston, located within the Boston Metropolitan Statistical Area. In 2018, 1,300 firms located in Danvers reported to the Massachusetts Division of Employment Security. These collective firms employed an average of 26,381 persons and had a total annual payroll of \$1,557,755,662.

	2014	2015	2016	2017	2018
Construction	1,062	1,094	936	936	978
Manufacturing	2,397	2,148	1,933	1,933	2,126
Trade, Transportation and Utilities	6,433	6,348	6,306	6,306	6,354
Information	546	551	554	554	574
Financial Activities	1,352	1,284	1,305	1,305	1,263
Professional and Business Services	3,108	3,139	3,442	3,442	3,613
Education and Health Services	7,756	8,061	8,373	8,373	8,221
Leisure and Hospitality	2,630	2,624	2,616	2,616	2,559
Other Services	594	616	640	640	693
Total Employment	<u>25,878</u>	<u>25,865</u>	<u>26,105</u>	<u>26,105</u>	<u>26,381</u>
Number of Establishments	1,269	1,295	1,278	1,278	1,300
Average Weekly Wages	\$ 1,002	\$ 1,063	\$ 1,078	\$ 1,078	\$ 1,114
Total Wages	<u>\$ 1,376,212,097</u>	<u>\$ 1,459,110,900</u>	<u>\$ 1,493,734,481</u>	<u>\$ 1,493,734,481</u>	<u>\$ 1,557,755,662</u>

Source: Massachusetts Department of Education and Training. Data based upon place of employment, not place of residence. Due to the reclassification the U.S. Department of Labor now uses the North American Industry Classification System (NAICS) as the basis for the assignment and tabulation of economic data by industry.

Economic Development

The Town's strong employment base contributes significantly to the Town's property tax revenues, led by businesses in retail, advanced manufacturing, and healthcare and its associated industries. There are over 1.5 million square feet of retail, office, manufacturing, and research and development space within the Town.

The Town's retail market is most robust on Endicott Street, anchored by Simon Property Group's 800,000 square foot Liberty Tree Mall. The Liberty Tree Mall is one of the North Shore's dominant shopping destinations, boasting over 70 stores including Marshalls, Target, Kohl's, Best Buy, Staples, AMC Theatres, Best Fitness, Nordstrom Rack, Sky Zone, Pier One, and Total Wine. Recent investments by long-time tenants AMC and Target, in tandem with the additions of Total Wine and Best Fitness, indicate a strong regional demand for this property. Endicott Street also hosts a Market Basket Grocery Store, a BJ's Wholesale Market, a Bed, Bath, and Beyond, a Dick's Sporting Goods, and numerous sit-down and fast food establishments.

The Route 114 corridor is home to the North Shore's largest cluster of auto dealerships, which continues to develop and expand. Group 1 Automotive (NYSE: GPI) has a strong presence here, with Toyota, Lexus, and Subaru dealerships. The Herb Chambers Companies have Chrysler, Dodge, Jeep, and Chevrolet outlets. The Kelly Automotive Group recently developed the largest Volkswagen dealership in North America on Route 114, while CarMax (NYSE: KMX) expanded into Boston in 2015 opening a location here as well. There are numerous other dealerships in and around the corridor that contribute to this industry cluster. With the popularity of leasing, these businesses are adding even more to the Town's revenues, as leased vehicles are considered Danvers' cars for excise tax assessment.

Two critical areas, the Cherry Hill Business Park, and the Danvers Industrial Park, are home to the bulk of our manufacturing, advanced manufacturing, office, and research and development spaces. Notable corporate citizens include Abiomed (NASDAQ: ABMD), founded in 1981 to develop the world's first artificial heart. Abiomed remains dedicated to finding ways to bring the most advanced and beneficial technology to patients and physicians. They are in the final stages of a \$35 million expansion project and will host about 400 employees once complete.

Medtronic (NYSE: MDT), a global healthcare company with 350 locations in 150 countries, is one of our largest employers with over 800 employees on Cherry Hill. The Danvers location focuses on device manufacturing and has also expanded both their physical footprint as well as their workforce in recent years.

MilliporeSigma, a leading supplier to the global Life Science industry, offering solutions and services for research, development, and production of biotechnology and pharmaceutical drug therapies, conducts life science research at their Cherry Hill location. In September 2020, Millipore gained approval to fit out approximately 60,000 square feet of new space on Cherry Hill. Once complete, this production facility will host 400 new jobs.

Among many others, we are also proud to host Backer Hotwatt (electric heating elements), Wafer LLC (electrical and electronic manufacturing), Transene Company (advanced materials for electronics), Samsung NeuroLogica Corporation (manufactures and markets innovative medical imaging equipment), Hansen Aerospace (delivers high-quality, nondestructive, and accredited testing services on parts, products, and materials), UMG Technologies (supplier of electronic assembly equipment).

Downtown

Downtown Danvers is, without doubt, the civic heart of the community, and consequently an area that our citizens are deeply concerned about and involved in. Over the last few years, the Planning Board and staff have been carefully focused on it, proposing changes to the outmoded industrial zoning found in and around the center. The first piece of this work was completed in late 2017, creating a new, 15-acre mixed-use development district at the northern end of downtown. Current work, approved by a Town Meeting vote in February 2020, will extend this zoning to Route 128, covering about 50 additional acres and over four thousand linear feet of street frontage.

Largest Employers

The following table sets forth the largest employers in Danvers, exclusive of the Town itself.

Company	Product/ Function	No. Employees
Medtronic Interventional Vascular	Bio-Medical Research & Development	955
Hospice Care Dimensions	Medical Care	725
Market Basket	Food Retail	505
North Shore Community College	Higher Education	418
Abiomed	Medical Implant Devices	400
Essex North Shore Tech School	Higher Education	350
IRA Motor Group	Automobile	324
Home Depot (1)	Building Retail	313
Cell Signaling & Technology	Medical Research	300
Partner's Healthcare (1)	Healthcare	300
Lahey NorthShore	Medical Center	289
Target	Retail	270
DanversPort Yacht Club	Private Yacht Club/ Function	235
Recovery Center of Danvers	Treatment Center	267
Costco Wholesale	Wholesale and Retail Sales	257
Wal-Mart	Retail	176
Stop & Shop	Food Retail	165
Lowe's Home Improvement	Building Retail	146
VNA North Shore, Inc	Visiting Nurses	112
Double Tree Conference Resort	Hotel/ Conference/ Restaurant	40

SOURCE: Individual Employers listed.

(1) Multiple locations.

Labor Force, Employment and Unemployment

As indicated in the following table, unemployment in Danvers has been below the national and state averages for the past five years. According to the Massachusetts Department of Employment and Training preliminary data, in March 2021 the Town had a total labor force of 15,191 of which 14,295 were employed and 896 or 5.9% were unemployed as compared 6.6% for the Commonwealth. Since March, 2021, unemployment rates in the Town, the Commonwealth and the Nation are likely to have increased significantly as a result of the COVID-19 pandemic.

UNEMPLOYMENT RATES

Calendar Year	Town of Danvers			Massachusetts	United States
	Labor Force	Employment	Unemployment Rate	Unemployment Rate	Unemployment Rate
2020	15,040	13,725	8.7 %	8.1 %	6.6 %
2019	15,876	15,461	2.6	2.9	3.6
2018	15,911	15,455	2.9	3.3	3.9
2017	15,623	15,146	3.1	3.7	4.4
2016	15,368	14,906	3.0	3.9	4.9

SOURCE: Mass. Department of Training, Federal Reserve Bank of Boston and U.S. Bureau of Labor Statistics. Data based upon place of residence, not place of employment.

Building Permits

The following table sets forth the trend in the number of building permits issued and the estimated dollar value of new construction and alterations. Permits are filed for both private construction as well as for Town projects, although Town projects are not reflected in the table below. Because residential areas are highly developed, most investment in housing is in the form of improvements to existing buildings rather than new construction.

The number and value of building permits issued in the current calendar year are likely to decline in 2020 as a result of the COVID-19 pandemic.

Calendar Year	Residential		Non-Residential		Totals	
	No.	Value	No.	Value	No.	Value
2020 (1)	492	\$ 14,666,043	100	\$ 5,804,219	592	\$ 20,470,262
2020	802	22,895,601	141	46,384,551	943	69,280,152
2019	772	24,471,633	200	72,867,088	972	97,338,721
2018	821	22,439,400	244	34,300,582	1065	56,739,982
2017	706	20,989,188	236	36,334,636	942	57,323,824

(1) Issued through June 30, 2021.

Transportation and Utilities

The principal highways serving the Town are State Routes 128, 114, 62 and I-95.

The majority of households in the Town of Danvers have water and sewer services provided by the Town. All households receive electric service from the Danvers Electric Department.

Gas is provided by National Grid.

POPULATION AND INCOME

According to the 2000 federal census, median family income for the Town of Danvers was \$77,949 compared with \$69,068 for the Commonwealth as a whole. Per capita income was \$37,398 compared with \$36,895 for the Commonwealth and the median age for the Town was 44.9 years compared to 39.1 years for the Commonwealth.

	Danvers	Massachusetts	United States
Median Age:			
2010	44.9	39.1	37.2
2000	40.4	36.5	35.3
1990	33.6	33.6	32.9
1980	33.4	31.2	30.0
Median Family Income			
2010	\$77,949	\$81,165	\$51,144
2000	70,565	61,664	50,046
1990	51,514	44,367	35,225
1980	24,426	21,166	19,908
Per Capita Income			
2010	\$37,398	\$33,966	\$27,334
2000	26,852	25,952	21,587
1990	18,776	17,224	14,120
1980	8,049	7,459	7,313

SOURCE: Federal Bureau of the Census.

On the basis of the 2010 Federal Census, the Town has a population density of approximately 1,995 persons per square mile.

POPULATION TRENDS

<u>2010</u>	<u>2000</u>	<u>1990</u>	<u>1980</u>	<u>1970</u>
26,493	25,212	24,174	24,100	26,151

SOURCE: Federal Census.

PROPERTY TAXATION

Tax Levy Computation

The principal revenue source of the Town is the tax on real and personal property. The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures less estimated receipts from other sources and less appropriations voted from funds on hand. The total amount levied is subject to certain limits prescribed by law; for a description of those limits, see “Tax Limitations” below. The estimated receipts for a fiscal year from sources other than the property tax may not exceed the actual receipts during the preceding fiscal year from the same sources unless approved by the State Commissioner of Revenue. Excepting special funds the use of which is otherwise provided for by law, the deduction for appropriations voted from funds on hand for a fiscal year cannot exceed the “free cash” as of the beginning of the prior fiscal year as certified by the State Director of Accounts plus up to nine months’ collections and receipts on account of earlier years’ taxes after that date. Subject to certain adjustments, free cash is surplus revenue less uncollected overdue property taxes from earlier years. Although an allowance is made in the tax levy for abatements (see “Abatements and Overlay” below) no reserve is generally provided for uncollectible real property taxes. Since some of the levy is inevitably not collected, this creates a cash deficiency which may or may not be offset by other items (see “Taxation to Meet Deficits” below).

The following table illustrates the trend in the manner in which the tax levy was determined.

TAX LEVY COMPUTATION

	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021
Gross Amount to be Raised					
Total Appropriations(1)	\$ 113,172,610	\$ 117,064,339	\$ 125,507,747	\$ 125,920,924	\$ 128,259,292
Other Local Expenditures	34,090	34,688	35,964	37,746	39,119
State and County Charges	1,061,610	1,053,456	1,186,910	1,252,808	1,235,335
Overlay Reserve	792,715	897,376	843,260	676,726	668,653
Total Gross Amount to be Raised	<u>115,061,025</u>	<u>119,049,859</u>	<u>127,573,881</u>	<u>127,888,204</u>	<u>130,202,399</u>
Less Estimated Receipts and Other Revenue					
Estimated Receipts from State(2)	10,587,904	10,552,161	10,531,964	10,693,962	10,678,572
Estimated Local Receipts	27,634,776	27,125,149	29,174,587	28,141,808	27,435,496
Available Funds Appropriated(3)					
Free Cash	3,291,228	3,968,876	4,955,953	4,044,000	4,392,179
Other Available Funds	892,889	2,048,792	4,756,967	4,019,718	3,749,689
Total Estimated Receipts and Other Revenue	<u>42,406,797</u>	<u>43,694,978</u>	<u>49,419,471</u>	<u>46,899,488</u>	<u>46,255,936</u>
Tax Levy	<u>\$ 72,654,228</u>	<u>\$ 75,354,881</u>	<u>\$ 78,154,410</u>	<u>\$ 80,988,716</u>	<u>\$ 83,946,463</u>

(1) Includes annual appropriations from taxation voted subsequent to adoption of the annual budget but prior to setting the tax rate.

(2) Estimated by the State Department of Revenue and required by law to be used in setting the tax rate. Actual state aid payments may vary upward or downward from said estimates, and the State may withhold (generally quarterly) payments pending receipt of State and County assessments.

(3) Transfers from available funds, including “Free Cash” (see “Free Cash”), generally made as an offset to a particular appropriation item.

Assessed Valuations and Tax Levies

Property is classified for the purpose of taxation according to its use. The legislature has in substance created three classes of taxable property: (1) residential real property, (2) open space land, and (3) all other (commercial, industrial and personal property). Within limits, cities and towns are given the option of determining the share of the annual levy to be borne by each of the three categories. The share required to be borne by residential real property is at least 50 per cent of its share of the total taxable valuation; the effective rate for open space must be at least 75 per cent of the effective rate for residential real property; and the share of commercial, industrial and personal property must not exceed 175 percent of their share of the total valuation. A city or town may also exempt up to 20 percent of the valuation of residential real property (where used as the taxpayer’s principal residence) and up to 10 percent of the valuation of commercial real property (where occupied by certain small businesses). Property may not be classified in a city or town until the State Commissioner of Revenue certifies that all property in the city or town has been assessed at its fair cash value. Such certification must take place every five years or pursuant to a revised schedule as may be issued by the Commissioner.

Related statutes provide that certain forest land, agricultural or horticultural land (assessed at the value it has for these purposes) and recreational land (assessed on the basis of its use at a maximum of 25 percent of its fair cash value) are all to be taxed at the rate applicable to commercial property. Land classified as forest land is valued for this purpose at five percent of fair cash value but not less than ten dollars per acre.

Professional revaluations of all real and personal property in the Town to full and fair cash value were completed for use in setting fiscal year levies every three years beginning with fiscal 1995 and most recently for fiscal 2019.

The following table sets forth the trend in the Town's assessed valuations, tax rates, tax levies, and tax levies per capita.

Fiscal Year	Real Estate Valuation	Personal Property Valuation	Total Assessed Valuation	Tax Rate Per \$1,000 Valuation		Tax Levy	Tax Levy Per Capita(1)
				Residential/ Open Space	Commercial/ Industrial/ Personal		
2021	\$ 5,420,550,176	\$ 103,778,168	\$ 5,524,328,344	\$ 13.35	\$ 21.38	\$ 83,946,463	\$ 3,169
2020	5,357,902,434	100,859,239	5,458,761,673	13.06	20.77	80,988,716	3,057
2019 (2)	5,063,759,367	100,308,352	5,164,067,719	13.28	21.19	78,154,410	2,950
2018	4,814,484,713	91,512,405	4,905,997,118	13.54	21.15	75,354,881	2,844
2017	4,431,661,591	94,909,073	4,526,570,664	14.19	21.83	72,654,228	2,742

(1) Based on the 2010 U.S. Census population of 26,493.

(2) Revaluation year.

Classification of Property

The following is a breakdown in the recent trend of the Town's assessed valuation of real and personal property for the following fiscal years.

Property Type	2019 (1)		2020		2021	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Residential	\$ 3,953,500,016	76.56 %	\$ 4,201,007,040	76.96 %	\$ 4,254,505,204	77.01 %
Commercial	881,220,251	17.06	931,828,069	17.07	927,733,847	16.79
Industrial	229,039,100	4.44	225,067,325	4.12	238,311,125	4.31
Personal	100,308,352	1.94	100,859,239	1.85	103,778,168	1.88
Total	<u>\$ 5,164,067,719</u>	<u>100.00 %</u>	<u>\$ 5,458,761,673</u>	<u>100.00 %</u>	<u>\$ 5,524,328,344</u>	<u>100.00 %</u>

(1) Revaluation year.

LARGEST TAXPAYERS

The following table lists the largest taxpayers in the Town based upon assessed valuation for fiscal 2021. All of the taxpayers listed below are current in their tax payments.

Name	Nature of Business	Total Assessed Valuation for Fiscal 2021	Assessed Tax	% of Total Assessed Valuation
Mall at Liberty Tree LLC	Commercial	\$ 51,106,000	\$ 1,092,646	0.93 %
DSF IV Danvers	Residential	73,402,100	979,918	1.33
Abiomed Inc.	Medical	26,828,900	573,602	0.49
Northland Endicott Green, LLC	Residential	42,750,100	570,714	0.77
HD Development of Maryland, Inc.	Commercial	26,483,600	566,219	0.48
Endicott Plaza Limited Partnership*	Commercial	25,156,900	537,855	0.46
Brookwood*	Commercial/Industrial/Residential	23,834,200	505,928	0.43
Valenti Samuel A Trustee	Commercial	23,440,600	501,160	0.42
Group One Realty	Commercial	22,948,100	490,630	0.42
Atlas Danvers Realty	Commercial	22,872,600	489,016	0.41
Partners Healthcare System, Inc.	Commercial	22,741,554	486,214	0.41
MDG Strategic Acquisition LLC	Commercial	20,492,200	438,123	0.37
Totals		<u>\$ 382,056,854</u>	<u>\$ 7,232,025</u>	<u>6.92 %</u>

*Includes more than one property.

State Equalized Valuation

In order to determine appropriate relative values for the purposes of certain distributions to and assessments upon cities and towns, the Commissioner of Revenue biennially makes a redetermination of the fair cash value of the taxable property in each municipality. This is known as the “equalized value”.

The following table sets forth the trend in equalized valuations of the Town of Danvers.

January 1,	State Equalized Valuation	% Change
2020	\$ 5,748,464,900	10.89 %
2018	5,183,902,300	11.77
2016	4,637,914,500	11.39
2014	4,163,499,300	0.94
2012	4,124,853,500	(5.29)

Abatements and Overlay

The Town is authorized to increase each tax levy by an amount approved by the Commissioner of Revenue as an “overlay” to provide for tax abatements. If abatements are granted in excess of the applicable overlay, the resultant overlay deficit is required to be added to the next tax levy. An abatement granted after a tax payment has been made is accounted for as a refund on the books of the Town. Abatements are granted where exempt real or personal property has been assessed or where taxable real or personal property has been overvalued or disproportionately valued. The assessors may also abate uncollectible personal property taxes. They may abate real and personal property taxes on broad grounds (including inability to pay) with the approval of the State Commissioner of Revenue.

The following table sets forth the trend in the amount of the overlay reserve and actual abatements and refunds granted against each levy through June 30, 2021.

Fiscal Year	Net Tax Levy(1)	Overlay Reserve		Abatements Granted as of June 30, 2021
		Dollar Amount	As a % of Net Levy	
2021	\$ 83,277,810	\$ 668,653	0.80 %	\$ 463,638
2020	80,311,990	676,726	0.84	547,071
2019	77,311,150	843,260	1.09	491,106
2018	74,457,505	897,376	1.21	506,650
2017	71,861,513	792,715	1.10	348,439

(1) Net after deduction of overlay reserve for abatements.

Tax Collections

Property tax bills are payable quarterly on August 1, November 1, February 1, and May 1 of each fiscal year. Interest accrues on delinquent taxes at the rate of 14 percent per annum. Real property (land and buildings) is subject to a lien for the taxes assessed upon it, subject to any paramount federal lien and subject to bankruptcy and insolvency laws. If the property has been transferred, an unenforced lien expires on the fourth December 31 after the end of the fiscal year to which the tax relates. If the property has not been transferred by the fourth December 31, an unenforced lien expires upon a later transfer of the property. Provision is made, however, for continuation of the lien where it could not be enforced because of a legal impediment. The persons against whom real or personal property taxes are assessed are personally liable for the tax (subject to bankruptcy and insolvency laws). In the case of real property, this personal liability is effectively extinguished by sale or taking of the property as described below.

The following table compares the trend in the Town's net tax collections with its net (gross tax levy less overlay reserve for abatements) tax levies for each fiscal year.

TAX COLLECTIONS

Fiscal Year	Gross Tax Levy	Overlay Reserve for Abatements	Net Tax Levy	Collections During Fiscal Year Payable (1)		Collections as of June 30, 2021 (1)(2)	
				Dollar Amount	% of Net Tax Levy	Dollar Amount	% of Net Tax Levy
				2021	\$ 83,946,463	\$ 668,653	\$ 83,277,810	$ 82,022,793	98.5 %	$ 82,022,793	98.5 %
2020	80,988,716	676,726	80,311,990	79,186,175	98.6	80,271,104	99.9
2019	78,154,410	843,260	77,311,150	77,093,145	99.7	77,541,255	100.3
2018	75,354,881	897,376	74,457,505	74,073,257	99.5	74,799,363	100.5
2017	72,654,228	792,715	71,861,513	71,586,856	99.6	71,987,877	100.2

(1) Actual dollar collections net of refunds. Does not include abatements, proceeds of tax titles or tax possessions attributable to each levy or other non-cash credits.

(2) Collections for fiscal year 2020 are slightly lower due to several state-wide relief measures that delayed tax bill due dates and penalties.

Tax Titles and Possessions

Real property (land and buildings) is subject to a lien for the taxes assessed upon it, subject to any paramount federal lien and subject to bankruptcy and insolvency laws. (In addition, real property is subject to a lien for certain unpaid municipal charges or fees.) If the property has been transferred, an unenforced lien expires on the fourth December 31 after the end of the fiscal year to which the tax relates. If the property has not been transferred by the fourth December 31, an unenforced lien expires upon a later transfer of the property. Provision is made, however, for continuation of the lien where it could not be enforced because of a legal impediment.

Massachusetts law permits a municipality either to sell by public sale (at which the municipality may become the purchaser) or to take real property for non-payment of taxes. In either case the property owner can redeem the property by paying the unpaid taxes, with interest and other charges, but if the right of redemption is not exercised within six months (which may be extended an additional year in the case of certain installment payments) it can be foreclosed by petition to the Land Court.

Upon such foreclosure, a tax title purchased or taken by the municipality becomes a “tax possession” and may be held and disposed of in the same manner as other land held for municipal purposes. Uncollectible real property taxes are ordinarily not written off until they become municipal tax titles by purchase at the public sale or by taking, at which time the tax is written off in full by reserving the amount of tax and charging surplus.

<u>Year</u>	<u>Tax Titles and Possessions</u>
2021	\$767,664
2020	920,001
2019	854,533
2018	1,014,924
2017	844,570

Sale of Tax Receivables

Cities and towns are authorized to sell delinquent property tax receivables by public sale, either individually or in bulk. The Town does not expect to utilize this option at the present time.

Taxation to Meet Deficits

As noted elsewhere (see “Abatements and Overlay” above) overlay deficits, i.e. tax abatements in excess of the overlay included in the tax levy to cover abatements, are required to be added to the next tax levy. It is generally understood that revenue deficits, i.e. those resulting from non-property tax revenues being less than anticipated, are also required to be added to the tax levy (at least to the extent not covered by surplus revenue).

Amounts lawfully expended since the prior tax levy and not included therein are also required to be included in the annual tax levy. The circumstances under which this can arise are limited since municipal departments are generally prohibited from incurring liabilities in excess of appropriations except for major disasters, mandated items, contracts in aid of housing and renewal projects and other long-term contracts. In addition, utilities must be paid at established rates and certain established salaries, e.g. civil service, must legally be paid for work actually performed, whether or not covered by appropriations.

Cities and towns are authorized to appropriate sums, and thus to levy taxes, to cover deficits arising from other causes, such as “free cash” deficits arising from a failure to collect taxes. This is not generally understood, however, and it has not been the practice to levy taxes to cover free cash deficits. Except to the extent that such deficits have been reduced or eliminated by subsequent collections of uncollected taxes (including sales of tax titles and tax possessions), lapsed appropriations, non-property tax revenues in excess of estimates, other miscellaneous items or funding loans authorized by special act, they remain in existence.

Tax Limitations

Chapter 59 Section 21C of the General Laws, also known as “Proposition 2½”, imposes two separate limits on the annual tax levy of a city or town.

The primary limitation is that the tax levy cannot exceed 2½ percent of the full and fair cash value. If a city or town exceeds the primary limitation, it must reduce its tax levy by at least 15 percent annually until it is in compliance, provided that the reduction can be reduced in any year to not less than 7½ percent by majority vote of the voters, or to less than 7½ percent by two-thirds vote of the voters.

For cities and towns at or below the primary limit, a secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2½ percent, subject to exceptions for property added to the tax rolls or property which has had an increase, other than as part of a general revaluation, in its assessed valuation over the prior year’s valuation.

This “growth” limit on the tax levy may be exceeded in any year by a majority vote of the voters, but an increase in the secondary or growth limit under this procedure does not permit a tax levy in excess of the primary limitation, since the two limitations apply independently. In addition, if the voters vote to approve taxes in excess of the “growth” limit for the purpose of funding a stabilization fund, such increased amount may only be taken into account for purposes of calculating the maximum levy limit in each subsequent year if the board of selectmen of a town or the city council of a city votes by a two-thirds vote to appropriate such increased amount in such subsequent year to the stabilization fund.

The applicable tax limits may also be reduced in any year by a majority vote of the voters.

The State Commissioner of Revenue may adjust any tax limit “to counterbalance the effects of extraordinary, non-recurring events which occurred during the base year”.

Proposition 2 ½ further provides that the voters may exclude from the taxes subject to the tax limits and from the calculation of the maximum tax levy (a) the amount required to pay debt service on bonds and notes issued before November 4, 1980, if the exclusion is approved by a majority vote of the voters, and (b) the amount required to pay debt service on any specific subsequent issue for which similar approval is obtained. Even with voter approval, the holders of the obligations for which unlimited taxes may be assessed do not have a statutory priority or security interest in the portion of the tax levy attributable to such obligations. It should be noted that Massachusetts General Laws Chapter 44, Section 20 requires that the taxes excluded from the levy limit to pay debt service on any such bonds and notes be calculated based on the true interest cost of the issue. Accordingly, the Department of Revenue limits the amount of taxes which may be levied in each year to pay debt service on any such bonds and notes to the amount of such debt service, less a pro rata portion of any original issue premium received by the city or town that was not applied to pay costs of issuance.

Voters may also exclude from the Proposition 2½ limits the amount required to pay specified capital outlay expenditures or for the city or town’s apportioned share for certain capital outlay expenditures by a regional governmental unit. In addition, the city council of a city, with the approval of the mayor if required, or the board of selectmen or the town council of a town may vote to exclude from the Proposition 2½ limits taxes raised in lieu of sewer or water charges to pay debt service on bonds or notes issued by the municipality (or by an independent authority, commission or district) for water or sewer purposes, provided that the municipality’s sewer or water charges are reduced accordingly.

In addition, Proposition 2½ limits the annual increase in the total assessments on cities and towns by any county, district, authority, the Commonwealth or any other governmental entity (except regional school districts, the Massachusetts Water Resource Authority (“MWRA”) and certain districts for which special legislation provides otherwise) to the sum of (a) 2½ percent of the prior year’s assessments and (b) “any increases in costs, charges or fees for services customarily provided locally or for services subscribed to at local option”. Regional water districts, regional sewerage districts and regional veterans districts may exceed these limitations under statutory procedures requiring a two-thirds vote of the district’s governing body and either approval of the local appropriating authorities (by two-thirds vote in districts with more than two members or by majority vote in two-member districts) or approval of the registered voters in a local election (in the case of two-member districts). Under Proposition 2½ any State law to take effect on or after January 1, 1981 imposing a direct service or cost obligation on a city or town will become effective only if accepted or voluntarily funded by the city or town or if State funding is provided. Similarly, State rules or regulations imposing additional costs on a city or town or laws granting or increasing local tax exemptions are to take effect only if adequate State appropriations are provided. These statutory provisions do not apply to costs resulting from judicial decisions.

Unused Levy Capacity (1)

	Fiscal Year				
	2017	2018	2019	2020	2021
Primary Levy Limit (2)	\$ 113,164,267	\$ 122,649,928	\$ 129,101,693	\$ 136,469,042	\$ 138,108,209
Prior Fiscal Year Levy Limit	70,394,408	72,783,734	75,516,164	78,198,964	80,994,021
2.5% Levy Growth	1,759,860	1,819,593	1,887,904	1,954,974	2,024,851
Current Fiscal Year New Growth (3)	629,466	912,837	794,896	840,083	969,639
Current Fiscal Year Override	-	-	-	-	-
Growth Levy Limit	72,783,734	75,516,164	78,198,964	80,994,021	83,988,511
Debt Exclusions	-	-	-	-	-
Tax Levy Limit	72,783,734	75,516,164	78,198,964	80,994,021	83,988,511
Tax Levy	72,654,228	75,354,881	78,154,410	80,988,716	83,946,463
Unused Levy Capacity (4)	129,506	161,283	44,554	5,305	42,048
Unused Primary Levy Capacity (5)	\$ 40,380,533	\$ 47,133,764	\$ 50,902,729	\$ 55,475,021	\$ 54,119,698

(1) Source: Massachusetts Department of Revenue.

(2) 2.5% of assessed valuation.

(3) Allowed increase for new valuations – certified by the Department of Revenue.

(4) Tax Levy Limit less Tax Levy.

(5) Primary Levy Limit less Growth Levy Limit.

Pledged Taxes

Taxes on certain property in designated development districts may be pledged for the payment of costs of economic development projects within such districts and may therefore be unavailable for other municipal purposes. (See “Tax Increment Financing for Development Districts” below).

Initiative Petitions

Various proposals have been made in recent years for legislative amendments to the Massachusetts Constitution to impose limits on state and local taxes. To be adopted, such amendments must be approved by two successive legislatures and then by the voters at a state election.

Community Preservation Act

The Massachusetts Community Preservation Act (the “CPA”) permits cities and towns that accept its provisions to levy a surcharge on its real property tax levy, dedicate revenue (other than state or federal funds), and to receive state matching funds for (i) the acquisition, creation, preservation, rehabilitation and restoration of land for recreational use, open space, and affordable housing and (ii) the acquisition, preservation, rehabilitation and restoration of historic resources. The provisions of the CPA must be accepted by the voters of the city or town at an election after such provisions have first been accepted by either a vote of the legislative body of the city or town or an initiative petition signed by 5% of its registered voters.

A city or town may approve a surcharge of up to 3% (but not less than 1% under certain circumstances) and may make an additional commitment of funds by dedicating revenue other than state or federal funds, provided that the total funds collected do not exceed 3% of the real property tax levy, less any exemptions adopted (such as an exemption for low-income individuals and families and for low and moderate-income senior citizens, an exemption for \$100,000 of the value of each taxable parcel of residential real property or \$100,000 of the value of each taxable parcel of class three, commercial property, and class four, industrial property as defined in Chapter 59, Section 2A of the General Laws, and an exemption for commercial and industrial properties in cities and towns with classified tax rates). In the event that the municipality shall no longer dedicate all or part of the additional funds to community preservation, the surcharge on the real property tax levy of not less than 1% shall remain in effect, provided that any such change must be approved pursuant to the same process as acceptance of the CPA. The surcharge is not counted in the total taxes assessed for the purpose of determining the permitted levy amount under Proposition 2½ (see “Tax Limitations” under “PROPERTY TAX” herein). A city or town may revoke its acceptance of the provisions of the CPA at any time after 5 years from the date of such acceptance and may change the amount of the surcharge or the exemptions to the surcharge at any time, including reducing the surcharge to 1% and committing additional municipal funds as outlined above, provided that any such revocation or change must be approved pursuant to the same process as acceptance of the CPA.

Any city or town that accepts the provisions of the CPA will receive annual state matching grants to supplement amounts raised by its surcharge and dedication of revenue. The state matching funds are raised from certain recording and filing fees of the registers of deeds. Those amounts are deposited into a state trust fund and are distributed to cities and towns that have accepted the provisions of the CPA, which distributions are not subject to annual appropriation by the state legislature. The amount distributed to each city and town is based on a statutory formula and the total state distribution made to any city or town may not exceed 100% of the amount raised locally by the surcharge on the real property tax levy.

The amounts raised by the surcharge on taxes, the dedication of revenue and received in state matching funds are required to be deposited in a dedicated community preservation fund. Each city or town that accepts the provisions of the CPA is required to establish a community preservation committee to study the community preservation needs of the community and to make recommendations to the legislative body of the city or town regarding the community preservation projects that should be funded from the community preservation fund. Upon the recommendations of the committee, the legislative body of the city or town may appropriate amounts from the fund for permitted community preservation purposes or may reserve amounts for spending in future fiscal years, provided that at least 10% of the total annual revenues to the fund must be spent or set aside for open space purposes, 10% for historic resource purposes and 10% for affordable housing purposes.

The CPA authorizes cities and towns that accept its provisions to issue bonds and notes in anticipation of the receipt of surcharge and dedicated revenues to finance community preservation projects approved under the provisions of the CPA. Bonds and notes issued under the CPA are general obligations of the city or town and are payable from amounts on deposit in the community preservation fund. In the event that a city or town revokes its acceptance of the provisions of the CPA, the surcharge shall remain in effect until all contractual obligations incurred by the city or town prior to such revocation, including the payment of bonds or notes issued under the CPA, have been fully discharged.

The Town has not accepted this Act.

TOWN FINANCES

Budget and Appropriation Process

Town Meeting: The annual appropriations of the Town are ordinarily made at the annual meeting which usually takes place in May. Appropriations may also be voted at special meetings. The Town has a finance committee which submits reports and recommendations on proposed expenditures at town meetings.

Under certain circumstances and subject to certain limits and requirements, the city council of a city, upon the recommendation of the mayor, may transfer amounts appropriated for the use of one department (except for a municipal light department or a school department) to another appropriation for the same department or for the use of any other department. In a town, town meeting may at any time vote to transfer any amount previously appropriated to any other authorized use by law, and, under certain circumstances and subject to certain limits and requirements, the selectmen of a town, with the concurrence of the finance committee, may transfer amounts appropriated for the use of any department to any other appropriation for the same department or to any other department.

Water and sewer department expenditures are generally included in the budgets adopted by city councils and town meetings but electric and gas department funds may be appropriated by the municipal light boards. Under certain legislation any city or town which accepts the legislation may provide that the appropriation for the operating costs of any department may be offset, in whole or in part, by estimated receipts from fees charged for services provided by the department. It is assumed that this general provision does not alter the pre-existing power of an electric or gas department to appropriate its own receipts.

The school budget is limited to the total amount appropriated by the town meeting, but the school committee retains full power to allocate the funds appropriated.

Mandatory Items: Mandatory items, such as state and county assessments, the overlay for abatements, abatements in excess overlays, principal and interest not otherwise provided for and final judgments are included in the tax levy whether or not included in the appropriations voted at town meeting.

Revenues: Revenues are not required to be set forth in the budget but estimated non-tax revenues are taken into account by the assessors in fixing the tax levy. (See "PROPERTY TAXATION—Tax Levy Computation".)

Budget Trends

The following table sets forth the trend in operating budgets, as voted at the annual town meeting. As such, said budgets reflect neither revenues nor state and county assessments and other mandatory items. Also said budgets do not reflect expenditures authorized for non-recurring (generally capital) purposes under "special" warrant articles or transfers occurring subsequent to the annual town meeting.

BUDGET COMPARISON

	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
General Government	\$ 16,479,153	\$ 17,263,305	\$ 18,422,459	\$ 18,056,227	\$ 18,106,564
Public Safety	12,007,506	12,021,124	12,287,980	12,557,567	13,128,701
Human Services	1,858,559	2,590,958	2,743,335	2,852,012	2,955,889
Education	39,921,552	41,094,496	42,317,094	43,502,155	44,673,035
Legal	141,423	131,423	131,423	131,423	121,423
Public Works	25,459,631	25,808,748	26,067,620	26,522,365	26,977,917
Retirement	5,767,865	6,207,828	6,648,817	7,164,259	7,700,576
Debt Service	5,296,436	6,080,146	6,897,171	6,640,432	6,658,989
Library	1,374,543	1,409,513	1,471,333	1,499,029	1,530,850
Totals	\$ 108,306,668	\$ 112,607,541	\$ 116,987,232	\$ 118,925,469	\$ 121,853,944

Revenues

Property Taxes: Property taxes are the major source of revenue for the Town. The total amount levied is subject to certain limits prescribed by law. For a description of those limits see “PROPERTY TAXATION—Tax Limitations” above.

State Aid: The Town’s state aid entitlement is based upon a number of different formulas, and while said formulas might indicate that a particular amount of state aid is owed, the amount of state aid actually paid is limited to the amount appropriated by the state legislature. The state annually estimates state aid but actual payments may vary from the estimate. (See “Reduction of State Aid” above.)

Education Reform

State legislation known as the Education Reform Act of 1993, as amended, imposes certain minimum expenditure requirements on municipalities with respect to funding for education and related programs, and may affect the level of state aid to be received for education. The requirements are determined on the basis of formulas affected by various measures of wealth and income, enrollments, prior levels of local spending and state aid, and other factors. In each fiscal year, the Town has appropriated at least the minimum expenditure requirement imposed by the Act.

State School Building Assistance Program: Under its school building assistance program, the Commonwealth provides grants to cities, towns and regional school districts for school construction projects. Until July 26, 2004, the State Board of Education was responsible for approving grants for school projects and otherwise administering the program. Grant amounts ranged from 50% to 90% of approved project costs. Municipalities generally issued bonds to finance the entire project cost, and the Commonwealth disbursed the grants in equal annual installments over the term of the related bonds.

Pursuant to legislation which became effective on July 26, 2004, the state legislature created the Massachusetts School Building Authority (the “Authority”) to finance and administer the school building assistance program. The Authority has assumed all powers and obligations of the Board of Education with respect to the program. In addition to certain other amounts, the legislation dedicates a portion of Commonwealth sales tax receipts to the Authority to finance the program.

Projects previously approved for grants by the State Board of Education are entitled to receive grant payments from the Authority based on the approved project cost and reimbursement rate applicable under the prior law. The Authority has paid and is expected to continue to pay the remaining amounts of the grants for such projects either in annual installments to reimburse debt service on bonds issued by the municipalities to finance such projects, or as lump sum payments to contribute to the defeasance of such bonds.

Projects on the priority waiting list as of July 1, 2004 are also entitled to receive grant payments from the Authority based on the eligible project costs and reimbursement rates applicable under the prior law. With limited exceptions, the Authority is required to fund the grants for such projects in the order in which they appear on the waiting list. Grants for any such projects that have been completed or substantially completed have been paid and are expected to continue to be paid by the Authority in lump sum payments, thereby eliminating the need for the Authority to reimburse interest expenses that would otherwise be incurred by the municipalities to permanently finance the Authority’s share of such project costs. Interest on debt issued by municipalities prior to July 1, 2004 to finance such project costs, and interest on temporary debt until receipt of the grant, is included in the approved costs of such projects. Grants for any such projects that have not yet commenced or that are underway have been and are expected to continue to be paid by the Authority as project costs are incurred by the municipality pursuant to a project funding agreement between the Authority and the municipality, eliminating the need for the municipality to borrow even on a temporary basis to finance the Authority’s share of the project costs in most cases.

The maximum reimbursement rate for new project grant applications submitted to the Authority on or after July 1, 2007 is 80% of approved project costs. The Authority promulgated new regulations with respect to the application and approval process for projects submitted after July 1, 2007. The Authority expects to pay grants for such projects as project costs are incurred pursuant to project funding agreements between the Authority and the municipalities. None of the interest expense incurred on debt issued by municipalities to finance their portion of the costs of new projects will be included in the approved project costs eligible for reimbursement.

Motor Vehicle Excise: An excise is imposed on the registration of motor vehicles (subject to exemptions) at a rate of \$25 per \$1,000 of valuation. Valuations are determined by a statutory formula based on manufacturer’s list price and year of manufacture. Bills not paid when due bear interest at 12 percent per annum.

Room Occupancy Tax: Under this tax, local governments may tax the provision of hotel, motel and lodging house rooms at a rate not to exceed six percent (6%) of the cost of renting such rooms. The tax is paid by the operator of the hotel, motel or lodging house to the State Commissioner of Revenue, who in turn pays the tax back to the municipality in which the rooms are located in quarterly distributions. The Town levies 6%. The Town collected revenues as follows:

Fiscal Year	Revenue
2022 (estimate)	\$ 800,000
2021	590,005
2020	1,390,646
2019	1,684,366
2018	1,675,039

Local Option Meals Tax: On May 17, 2010, the Town adopted the local meals excise tax to be effective July 1, 2010. The local meals excise tax is a 0.75% tax on the gross receipts of a vendor from the sale of restaurant meals. The tax is paid by the vendor to the State Commissioner of Revenue, who in turn pays the tax to the municipality in which the meal was sold. The revenue trend from this tax is as follows.

Fiscal Year	Revenue
2022 (estimate)	\$ 650,000
2021	728,362
2020	861,597
2019	945,678
2018	921,312
2017	932,015

Electric Division Services: The Town provides electricity to residential and commercial units. Electric operations are fully self-supporting and are accounted for in the Enterprise Fund. (For additional information see Appendix A.)

Sewer Services: The Town provides sewer services to residential and commercial units. Sewer operations are fully self-supporting and are accounted for in the Sewer Special Revenue Fund. (For additional information see Appendix A.)

Water Services: The Town provides water to residential and commercial units. Water operations are fully self-supporting and are accounted for in the Water Special Revenue Fund. (For additional information see Appendix A.)

Other: The other major sources of revenue are interest, penalties and other taxes, licenses, permits, fees and departmental revenues, and interest earnings.

Accounting Methods

See Appendix A attached hereto for a summary of the Town's accounting policies.

Annual Audits

The Town of Danvers financial statements are audited annually by Melanson & Heath & Co., PC. A copy of the fiscal 2020 audit is attached hereto as Appendix A.

The attached report speaks only as of its date, and only the matters expressly set forth therein. The auditors have not been engaged to review this Official Statement or to perform audit procedures regarding the post-audit period, nor have the auditors been requested to give their consent to the inclusion of their report in Appendix A. Except as stated in their report, the auditors have not been engaged to verify the financial information set out in Appendix A and are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in that appendix.

Financial Statements

Set forth on the following pages are the Governmental Funds Balance Sheets for the fiscal years ended June 30, 2020, June 30, 2019 and June 30, 2018, and Statements of Revenues and Expenditures and Changes in Governmental Fund Balances for the fiscal years ended June 30, 2016 through June 30, 2020. All such financial statements have been compiled or extracted from the Town's annual audited financial statements.

Estimated FY2021 Year End Results

Danvers produced a lean budget with conservative revenue estimates for fiscal year 2021, due to the ongoing pandemic. This proved prudent as the Town will show positive results despite drops in several local receipt categories from previous years.

**TOWN OF DANVERS, MASSACHUSETTS
GOVERNMENTAL FUNDS
JUNE 30, 2020 (1)**

ASSETS	General	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and Short Term Investments	\$ 23,911,973	\$ 9,992,630	\$ 7,825,643	\$ 41,730,246
Investments	3,604,188	-	428,532	4,032,720
Receivables:				
Property Taxes	3,026,518	-	-	3,026,518
Excises	1,025,922	-	-	1,025,922
Departmental and Other	5,521	-	664,707	670,228
Due from other funds	27,229	-	-	27,229
TOTAL ASSETS	\$ 31,601,351	\$ 9,992,630	\$ 8,918,882	\$ 50,512,863
LIABILITIES				
Warrants Payable	\$ 2,228,839	\$ 1,915,907	\$ 1,315,908	\$ 5,460,654
Accrued Liabilities	1,081,136	-	-	1,081,136
Tax Refunds Payable	1,084,673	-	-	1,084,673
Notes Payable	-	1,600,000	-	1,600,000
Other Liabilities	1,644,117	-	-	1,644,117
TOTAL LIABILITIES	6,038,765	3,515,907	1,315,908	10,870,580
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	4,017,981	-	-	4,017,981
FUND BALANCES:				
Nonspendable	-	-	87,067	87,067
Restricted	-	7,913,916	8,453,986	16,367,902
Committed	5,297,344	-	-	5,297,344
Assigned	5,131,270	-	-	5,131,270
Unassigned	11,115,991	(1,437,193)	(938,079)	8,740,719
TOTAL FUND BALANCES	21,544,605	6,476,723	7,602,974	35,624,302
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 31,601,351	\$ 9,992,630	\$ 8,918,882	\$ 50,512,863

(1) Extracted from the audited Financial Statements of the Town.

**TOWN OF DANVERS, MASSACHUSETTS
GOVERNMENTAL FUNDS
JUNE 30, 2019 (1)**

ASSETS	General	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and Short Term Investments	\$ 24,266,017	\$ 3,729,554	\$ 6,594,546	\$ 34,590,117
Investments	3,547,696	-	421,421	3,969,117
Receivables:				
Property Taxes	2,361,552	-	-	2,361,552
Excises	610,707	-	-	610,707
Departmental and Other	16,901	-	762,186	779,087
Due from other funds	37,125	-	-	37,125
TOTAL ASSETS	\$ 30,839,998	\$ 3,729,554	\$ 7,778,153	\$ 42,347,705
LIABILITIES				
Warrants Payable	\$ 1,842,687	\$ 10,412	\$ 283,801	\$ 2,136,900
Accrued Liabilities	866,699	-	-	866,699
Tax Refunds Payable	961,589	-	-	961,589
Due to Other Funds	-	-	37,125	37,125
Notes Payable	-	4,975,000	-	4,975,000
Other Liabilities	1,708,036	-	-	1,708,036
TOTAL LIABILITIES	5,379,011	4,985,412	320,926	10,685,349
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	2,837,857	-	-	2,837,857
FUND BALANCES:				
Nonspendable	-	-	87,067	87,067
Restricted	-	500,304	7,852,399	8,352,703
Committed	7,464,094	-	-	7,464,094
Assigned	4,210,263	-	-	4,210,263
Unassigned	10,948,773	(1,756,162)	(482,239)	8,710,372
TOTAL FUND BALANCES	22,623,130	(1,255,858)	7,457,227	28,824,499
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 30,839,998	\$ 3,729,554	\$ 7,778,153	\$ 42,347,705

(1) Extracted from the audited Financial Statements of the Town.

**TOWN OF DANVERS, MASSACHUSETTS
GOVERNMENTAL FUNDS
JUNE 30, 2018 (1)**

ASSETS	General	Nonmajor Governmental Funds	Total Governmental Funds
Cash and Short Term Investments	\$ 24,320,405	\$ 10,136,746	\$ 34,457,151
Investments	3,473,492	454,056	3,927,548
Receivables:			
Property Taxes	2,472,022	-	2,472,022
Excises	601,791	-	601,791
Due from other funds	-	-	-
TOTAL ASSETS	\$ 30,885,900	\$ 10,627,955	\$ 41,513,855
LIABILITIES			
Warrants Payable	\$ 2,708,806	\$ 803,601	\$ 3,512,407
Accrued Liabilities	707,001	-	707,001
Tax Refunds Payable	947,092	-	947,092
Notes Payable	-	1,175,000	1,175,000
Other Liabilities	1,702,610	-	1,702,610
TOTAL LIABILITIES	6,065,509	1,978,601	8,044,110
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues	2,619,360	-	2,619,360
FUND BALANCES:			
Nonspendable	-	137,564	137,564
Restricted	-	9,901,313	9,901,313
Committed	5,607,856	-	5,607,856
Assigned	7,787,650	-	7,787,650
Unassigned	8,805,525	(1,389,523)	7,416,002
TOTAL FUND BALANCES	22,201,031	8,649,354	30,850,385
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 30,885,900	\$ 10,627,955	\$ 41,513,855

(1) Extracted from the audited Financial Statements of the Town.

**TOWN OF DANVERS, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
JUNE 30, 2020(1)**

	General	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 79,433,713	\$ -	\$ -	\$ 79,433,713
Excises	4,623,596	-	-	4,623,596
Penalties, interest and other taxes	2,845,179	-	-	2,845,179
Charges for services	2,057,872	-	2,471,286	4,529,158
Intergovernmental	16,656,500	3,588,569	5,289,030	25,534,099
Licenses and permits	1,002,745	-	-	1,002,745
Fines and forfeits	50,543	-	-	50,543
Investment income	569,447	-	25,631	595,078
Miscellaneous	394,222	25,000	750,566	1,169,788
Total Revenues	<u>107,633,817</u>	<u>3,613,569</u>	<u>8,536,513</u>	<u>\$ 119,783,899</u>
Expenditures:				
Current:				
General government	4,367,299	1,600	453,163	4,822,062
Public safety	12,042,322	-	202,850	12,245,172
Education	51,371,991	16,134,754	5,145,304	72,652,049
Public works	10,459,404	-	1,142,153	11,601,557
Health and human services	1,141,583	-	402,030	1,543,613
Culture and recreation	2,267,901	-	992,648	3,260,549
Employee benefits	20,760,080	-	-	20,760,080
Debt Service	5,981,826	-	-	5,981,826
Intergovernmental	1,229,335	-	-	1,229,335
Total Expenditures	<u>109,621,741</u>	<u>16,136,354</u>	<u>8,338,148</u>	<u>134,096,243</u>
Excess (deficiency) of revenues over expenditures	(1,987,924)	(12,522,785)	198,365	(14,312,344)
Other financing sources (uses):				
Issuance of bonds	-	18,015,000	-	18,015,000
Bond Premiums	-	2,260,000	-	2,260,000
Transfers in	987,280	-	77,882	1,065,162
Transfers out	(77,881)	(19,634)	(130,500)	(228,015)
Total other financing sources (Uses)	<u>909,399</u>	<u>20,255,366</u>	<u>(52,618)</u>	<u>21,112,147</u>
Change in fund balances	(1,078,525)	7,732,581	145,747	6,799,803
Fund Balances, at Beginning of Year	22,623,130	(1,255,858)	7,457,227	28,824,499
Fund Balances, at End of Year	<u>\$ 21,544,605</u>	<u>\$ 6,476,723</u>	<u>\$ 7,602,974</u>	<u>\$ 35,624,302</u>

(1) Extracted from audited financials statements of the Town.

**TOWN OF DANVERS, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
JUNE 30, 2019(1)**

	General	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 77,827,667	\$ -	\$ -	\$ 77,827,667
Excises	5,059,524	-	-	5,059,524
Penalties, interest and other taxes	3,402,686	-	-	3,402,686
Charges for services	1,820,776	-	3,229,142	5,049,918
Intergovernmental	15,778,456	476,218	6,637,909	22,892,583
Licenses and permits	1,237,803	-	-	1,237,803
Fines and forfeits	73,206	-	-	73,206
Investment income	604,830	-	40,179	645,009
Miscellaneous	601,217	25,000	268,008	894,225
Total Revenues	106,406,165	501,218	10,175,238	\$ 117,082,621
Expenditures:				
Current:				
General government	4,377,215	1,845,046	131,744	6,354,005
Public safety	12,478,457	58,654	132,351	12,669,462
Education	48,782,599	150,090	5,768,232	54,700,921
Public works	12,530,337	-	1,512,253	14,042,590
Health and human services	1,053,045	-	444,286	1,497,331
Culture and recreation	2,377,615	-	1,060,603	3,438,218
Employee benefits	20,033,226	-	-	20,033,226
Debt Service	5,987,641	-	-	5,987,641
Intergovernmental	1,204,960	-	-	1,204,960
Total Expenditures	108,825,095	2,053,790	9,049,469	119,928,354
Excess (deficiency) of revenues over expenditures	(2,418,930)	(1,552,572)	1,125,769	(2,845,733)
Other financing sources (uses):				
Transfers in	2,920,934	-	79,905	3,000,839
Transfers out	(79,905)	-	(2,101,087)	(2,180,992)
Total other financing sources (Uses)	2,841,029	-	(2,021,182)	819,847
Change in fund balances	422,099	(1,552,572)	(895,413)	(2,025,886)
Fund Balances, at Beginning of Year	22,201,031	296,714	8,352,640	30,850,385
Fund Balances, at End of Year	\$ 22,623,130	\$ (1,255,858)	\$ 7,457,227	\$ 28,824,499

(1) Extracted from audited financials statements of the Town.

**TOWN OF DANVERS, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
JUNE 30, 2018(1)**

	General	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Property taxes	\$ 75,697,844	\$ -	\$ 75,697,844
Excises	5,082,039	-	5,082,039
Penalties, interest and other taxes	4,015,085	-	4,015,085
Charges for services	1,861,224	3,193,992	5,055,216
Intergovernmental	15,537,337	4,875,132	20,412,469
Licenses and permits	1,124,426	-	1,124,426
Fines and forfeits	71,995	-	71,995
Investment income	366,063	21,676	387,739
Miscellaneous	352,891	307,879	660,770
Total Revenues	<u>104,108,904</u>	<u>8,398,679</u>	<u>\$ 112,507,583</u>
Expenditures:			
Current:			
General government	3,892,459	556,618	4,449,077
Public safety	11,972,638	1,973,352	13,945,990
Education	46,819,673	5,145,124	51,964,797
Public works	11,524,503	1,778,131	13,302,634
Health and human services	1,043,378	318,909	1,362,287
Culture and recreation	2,035,958	970,298	3,006,256
Employee benefits	20,213,243	-	20,213,243
Debt Service	5,177,350	-	5,177,350
Intergovernmental	1,110,199	-	1,110,199
Total Expenditures	<u>103,789,401</u>	<u>10,742,432</u>	<u>114,531,833</u>
Excess (deficiency) of revenues over expenditures	319,503	(2,343,753)	(2,024,250)
Other financing sources (uses):			
Transfers in	202,096	70,423	272,519
Transfers out	(70,423)	(163,096)	(233,519)
Total other financing sources (Uses)	<u>131,673</u>	<u>(92,673)</u>	<u>39,000</u>
Change in fund balances	451,176	(2,436,426)	(1,985,250)
Fund Balances, at Beginning of Year	21,749,855	11,085,780	32,835,635
Fund Balances, at End of Year	<u>\$ 22,201,031</u>	<u>\$ 8,649,354</u>	<u>\$ 30,850,385</u>

(1) Extracted from audited financials statements of the Town.

**TOWN OF DANVERS, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
JUNE 30, 2017(1)**

	General	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Property taxes	\$ 71,958,952	\$ -	\$ 71,958,952
Excises	4,846,442	-	4,846,442
Penalties, interest and other taxes	4,095,925	-	4,095,925
Charges for services	1,750,461	3,255,630	5,006,091
Intergovernmental	19,647,735	6,378,366	26,026,101
Licenses and permits	1,348,934	-	1,348,934
Fines and forfeits	77,355	-	77,355
Investment income	253,856	15,741	269,597
Miscellaneous	629,147	3,783,762	4,412,909
Total Revenues	104,608,807	13,433,499	\$ 118,042,306
Expenditures:			
Current:			
General government	3,586,039	77,243	3,663,282
Public safety	11,239,632	4,697,606	15,937,238
Education	49,711,272	6,048,027	55,759,299
Public works	11,493,272	587,387	12,080,659
Health and human services	996,202	580,778	1,576,980
Culture and recreation	1,942,543	927,237	2,869,780
Employee benefits	17,505,099	-	17,505,099
Debt Service	5,355,065	-	5,355,065
Intergovernmental	1,043,272	-	1,043,272
Total Expenditures	102,872,396	12,918,278	115,790,674
Excess (deficiency) of revenues over expenditures	1,736,411	515,221	2,251,632
Other financing sources (uses):			
Issuance of bonds	-	16,210,000	16,210,000
Transfers in	244,027	83,805	327,832
Transfers out	(233,805)	(226,358)	(460,163)
Total other financing sources (Uses)	10,222	16,067,447	16,077,669
Change in fund balances	1,746,633	16,582,668	18,329,301
Fund Balances, at Beginning of Year	20,003,222	(3,104,888)	16,898,334
Fund Balances, at End of Year	\$ 21,749,855	\$ 13,477,780	\$ 35,227,635

(1) Extracted from audited financials statements of the Town.

**TOWN OF DANVERS, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
JUNE 30, 2016(1)**

	General	Athletic Fields	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 69,263,205	\$ -	\$ -	\$ 69,263,205
Excises	4,733,292	-	19,333	4,752,625
Penalties, interest and other taxes	3,386,643	-	45,094	3,431,737
Charges for services	1,657,254	-	3,226,367	4,883,621
Intergovernmental	10,188,976	-	5,243,658	15,432,634
Licenses and permits	1,267,593	-	-	1,267,593
Fines and forfeits	94,862	-	-	94,862
Investment income	217,831	-	10,685	228,516
Miscellaneous	582,698	350,000	531,589	1,464,287
Total Revenues	91,392,354	350,000	9,076,726	\$ 100,819,080
Expenditures:				
Current:				
General government	3,569,901	-	30,400	3,600,301
Public safety	10,774,817	-	668,401	11,443,218
Education	39,357,517	5,429,405	4,465,457	49,252,379
Public works	10,500,251	-	1,166,635	11,666,886
Health and human services	1,147,871	-	369,218	1,517,089
Culture and recreation	1,948,792	-	2,835,443	4,784,235
Employee benefits	16,448,996	-	-	16,448,996
Debt Service	5,821,910	-	-	5,821,910
Intergovernmental	1,147,810	-	-	1,147,810
Total Expenditures	90,717,865	5,429,405	9,535,554	105,682,824
Excess (deficiency) of revenues over expenditures	674,489	(5,079,405)	(458,828)	(4,863,744)
Other financing sources (uses):				
Refunding bonds issued	3,880,300	-	-	3,880,300
Refunding bond premium	1,056,346	-	-	1,056,346
Payment to refunded bond escrow agent	(4,826,137)	-	-	(4,826,137)
Transfers in	1,408,296	225,000	-	1,633,296
Transfers out	-	-	(577,345)	(577,345)
Total other financing sources (Uses)	1,518,805	225,000	(577,345)	1,166,460
Change in fund balances	2,193,294	(4,854,405)	(1,036,173)	(3,697,284)
Fund Balances, at Beginning of Year	17,809,928	(277,647)	3,063,337	20,595,618
Fund Balances, at End of Year	\$ 20,003,222	\$ (5,132,052)	\$ 2,027,164	\$ 16,898,334

(1) Extracted from audited financials statements of the Town.

Free Cash

Under Massachusetts law an amount known as “free cash” is certified as of the beginning of each fiscal year by the State Bureau of Accounts and this, together with certain subsequent tax receipts, is used as the basis for subsequent appropriations from available funds, which are not required to be included in the annual tax levy.

The following table sets forth the trend in free cash as certified by the Massachusetts Bureau of Accounts.

<u>July 1</u>	<u>Free Cash (July 1)</u>
2020	\$ 5,587,759
2019	5,596,081
2018	5,202,418
2017	7,180,539
2016	6,574,983

Stabilization Funds

The Town maintains two Stabilization Funds, plus an Education Reserve Fund established by special legislation, and an OPEB Stabilization Fund and a Revenue Stabilization Fund, each of which is accounted for in the Trust Funds. Funded by appropriations, the Stabilization Funds plus interest income may be appropriated at an annual or special town meeting.

The Town had balances in its various Stabilization Funds as follows:

<u>June 30,</u>	<u>Stabilization Fund</u>	<u>Debt Stabilization Fund</u>	<u>Education Reserve</u>	<u>OPEB Trust Fund</u>	<u>Revenue Stabilization Fund</u>	<u>Total</u>
2021	\$ 4,112,027	\$ 2,898,085	\$ -	\$ 10,898,421	\$ 485	\$ 17,909,018
2020	3,099,203	4,457,829	94	7,899,717	485	15,457,328
2019	1,571,771	5,980,318	79,493	6,648,458	485	14,280,525
2018	1,048,318	4,886,642	77,751	5,534,965	474	11,548,150
2017	1,033,551	4,230,022	76,633	4,355,068	463	9,695,737
2016	728,723	3,678,667	76,102	3,758,041	463	8,241,996

Other Available Funds

Available funds certified by the State Department of Revenue for the Water Enterprise Fund and Sewer Enterprise Fund are as follows:

<u>June 30,</u>	<u>Water Enterprise Fund</u>	<u>Sewer Enterprise Fund</u>
2021	(1)	(1)
2020	\$ 2,386,610	\$ 2,749,953
2019	1,491,095	1,533,478
2018	1,589,661	1,553,578 (2)
2017	3,950,618	3,305,744

(1) Fiscal 2021 figures have not yet been finalized however the Town anticipates being in compliance with its policy of retained earnings in excess of 10% of annual operating revenue.

(2) Reduction due to the use of cash for capital.

Tax Increment Financing for Development Districts

Under recent legislation, cities and towns are authorized to establish development districts to encourage increased residential, industrial and commercial activity. All or a portion of the taxes on growth in assessed value in such districts may be pledged and used solely to finance economic development projects pursuant to the city or town's development program for the district. This includes pledging such "tax increments" for the payment of bonds issued to finance such projects. As a result of any such pledge, tax increments raised from new growth properties in development districts are not available for other municipal purposes. Tax increments are taken into account in determining the total taxes assessed for the purpose of calculating the maximum permitted tax levy under Proposition 2 ½. (See "Tax Limitations" under "PROPERTY TAXATION" above.)

The Town has not established any such development districts.

Investments of Town Funds

Investments of funds of cities and towns, except for trust funds, are generally restricted by Massachusetts General Laws Chapter 44, §55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposits of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

MMDT is an investment pool created by the Commonwealth. The State Treasurer is the sole trustee, and the funds are managed under contract by an investment firm under the supervision of the State Treasurer's office. According to the State Treasurer the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U.S. Government obligations and highly-rated corporate securities with maturities of one year or less.

Trust funds, unless otherwise provided by the donor, may be invested in accordance with §54 of Chapter 44, which permits a broader range of investments than §55, including any bonds or notes that are legal investments for savings banks in the Commonwealth. The restrictions imposed by §54 and §55 do not apply to city and town retirement systems.

INDEBTEDNESS

Authorization Procedure and Limitations

Serial bonds and notes are authorized on behalf of the Town by vote of two-thirds of all town meeting members present or voting at an annual or special town meeting. Provision is made for a referendum on the borrowing authorization if there is a timely filing of a petition bearing the requisite number of signatures. Borrowings for certain purposes require state administrative approval. When serial bonds or notes have been authorized, bond anticipation notes may be issued by the officers authorized to issue the serial bonds or notes. Temporary debt in anticipation of the revenue of the fiscal year in which the debt is incurred or in anticipation of authorized federal and state aid generally may be incurred by the treasurer with the approval of the selectmen.

Debt Limits

General Debt Limits. The general debt limit of the Town consists of normal debt limit and a double debt limit. The normal debt limit is 5 percent of the valuation of taxable property as last equalized by the State Department of Revenue. The Town can authorize debt up to this amount without state approval. It can authorize debt up to twice this amount (the double debt limit) with the approval of the state Municipal Finance Oversight Board consisting of the Attorney General, the State Treasurer, the State Auditor and the Director of Accounts.

There are many categories of general obligation debt which are exempt from and do not count against the General Debt Limit. Among others, these exempt categories include revenue anticipation notes and grant anticipation notes; emergency loans; loans exempted by special laws; certain school bonds, sewer bonds, water bonds, bonds for electric, gas and telecommunication systems, solid waste disposal facility bonds and economic development bonds supported by tax increment financing; and subject to special debt limits, including bonds for housing, urban renewal and economic development (subject to various debt limits). Revenue bonds are not subject to these debt limits. The General Debt Limit applies at the time the debt is authorized. The special debt limits generally apply at the time the debt is incurred.

Revenue Anticipation Notes. The amount borrowed in each fiscal year by the issue of revenue anticipation notes is limited to the tax levy of the prior fiscal year, together with the net receipts in the prior fiscal year from the motor vehicle excise and certain payments made by the Commonwealth in lieu of taxes. The fiscal year ends on June 30. Notes may mature in the following fiscal year, and notes may be refunded into the following fiscal year to the extent of the uncollected, unabated current tax levy and certain other items, including revenue deficits, overlay deficits, final judgments and lawful unappropriated expenditures, which are to be added to the next tax levy, but excluding deficits arising from a failure to collect taxes of earlier years. (See "Taxation to Meet Deficits" under "PROPERTY TAXATION" above.) In any event, the period from an original borrowing to its final maturity cannot exceed one year.

Types of Obligations

General Obligations. Massachusetts cities and towns are authorized to issue general obligation indebtedness of these types:

Serial Bonds and Notes. These are generally required to be payable in annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. A level debt service schedule, or a schedule that provides for a more rapid amortization of principal than level debt service, is permitted. The principal amounts of certain economic development bonds supported by tax increment financing may be payable in equal, diminishing or increasing amounts beginning within 5 years after the date of issue. The maximum terms of serial bonds and notes vary from one year to 40 years, depending on the purpose of the issue. The maximum terms permitted are set forth in the statutes. In addition, for many projects, the maximum term may be determined in accordance with useful life guidelines promulgated by the State Department of Revenue ("DOR"). Serial bonds and notes may be issued for the purposes set forth in the statutes. In addition, serial bonds and notes may be issued for any other public work improvement or asset not specifically listed in the Statutes that has a useful life of at least 5 years. Bonds or notes may be made callable and redeemed prior to their maturity, and a redemption premium may be paid. Refunding bonds or notes may be issued subject to the maximum applicable term measured from the date of the original bonds or notes and must produce present value savings over the debt service of the refunded bonds. Generally, the first required annual payment of principal of the refunding bonds cannot be later than the first principal payment of any of the bonds or notes being refunded thereby, however, principal payments made before the first principal payment of any of the bonds or notes being refunded thereby may be in any amount.

Serial bonds may be issued as "qualified bonds" with the approval of the state Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts, subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the Board. Qualified bonds may mature not less than 10 nor more than 30 years from their dates and are not subject to the amortization requirements described above. The State Treasurer is required to pay the debt service on qualified bonds and thereafter to withhold the amount of the debt

service paid by the State from state aid or other state payments; administrative costs and any loss of interest income to the State are to be assessed upon the city or town.

Tax Credit Bonds or Notes. Subject to certain provisions and conditions, the officers authorized to issue bonds or notes may designate any duly authorized issue of bonds or notes as “tax credit bonds” to the extent such bonds and notes are otherwise permitted to be issued with federal tax credits or other similar subsidies for all or a portion of the borrowing costs. Tax credit bonds may be made payable without regard to the annual installments required by any other law, and a sinking fund may be established for the payment of such bonds. Any investment that is part of such a sinking fund may mature not later than the date fixed for payment or redemption of the applicable bonds.

Bond Anticipation Notes. These generally must mature within two years of their original dates of issuance, but may be refunded from time to time for a period not to exceed ten years from their original dates of issuance, provided that for each year that the notes are refunded beyond the second year they must be paid in part from revenue funds in an amount at least equal to the minimum annual payment that would have been required if the bonds had been issued at the end of the second year. For certain school projects, however, notes may be refunded from time to time for a period not to exceed seven years without having to pay any portion of the principal of the notes from revenue funds. The maximum term of bonds issued to refund bond anticipation notes (except for certain school projects) is measured from the date of the original issue of the notes.

Revenue Anticipation Notes. These are issued to meet current expenses in anticipation of taxes and other revenues. They must mature within one year but, if payable in less than one year, may be refunded from time to time up to one year from the original date of issue.

Grant Anticipation Notes. These are issued for temporary financing in anticipation of federal grants and state and county reimbursements. They must generally mature within two years, but may be refunded from time to time as long as the municipality remains entitled to the grant or reimbursement.

Revenue Bonds. Cities and towns may issue revenue bonds for solid waste disposal facilities and for projects financed under the Commonwealth's Clean Water and Drinking Water Revolving Loan Programs and for certain economic development projects supported by tax increment financings. In addition, cities and towns having electric departments may issue electric revenue bonds, and notes in anticipation of such bonds, subject to the approval of the State Department of Telecommunications and Energy.

DIRECT DEBT SUMMARY
As of June 30, 2021
Including Subsequent Issues

General Obligation Bonds and Serial Loans:

Outstanding Bonds			
School (1)	\$	48,824,100	
Sewer (2)		4,761,600	
Water (3)		5,556,300	
Land Acquisition		955,000	
General (4)		11,112,500	
Electric (5)		3,660,500	
MCWT (6)		13,250,650	
Total Outstanding			\$ 88,120,650
New Money Bonds dated September 30, 2021			13,945,000 *

Temporary Loans Outstanding:

Bond Anticipation Notes (7)	13,022,270	
Less:		
To be retired with pending Bond Proceeds	(13,022,270)	
Bond Anticipation Notes to be issued concurrent with This Issue	3,000,000	
Total Short Term Outstanding (8)		3,000,000

Total Direct Debt: \$ 105,065,650

*Preliminary, subject to change

- (1) \$22,094,000 is outside the Town's debt limit.
- (2) Self-supporting. Subject to the Town's debt limit.
- (3) Subject to a special debt limit of 10% of the Town's equalized valuation or \$574,846,490.
- (4) \$2,237,500 is outside the Town's debt limit.
- (5) \$3,630,500 is outside the Town's debt limit.
- (6) Massachusetts Clean Water Trust ("MCWT"). Not subject to the Town's debt limit.
- (7) Payable October 22, 2021.
- (8) Payable September 29, 2022.

Debt Ratios

The following table sets forth the trend in debt as a percentage of local assessed valuation and per capita debt at the end of the fiscal year. The table considers the principal amount of general obligation bonds of the Town only. The table does not deduct anticipated state grant payments applicable to the principal amount of outstanding bonds or debt that may be supported in whole, or part, by non-tax revenues.

Fiscal Year End	General Obligation Bonds Outstanding	Population (1)	State Equalized Valuation (2)	Per Capita Debt	Debt as a % of Equalized Valuation
2021	\$ 88,120,650	26,493	\$ 5,748,464,900	\$ 3,326	1.53 %
2020	92,713,208	26,493	5,183,902,300	3,500	1.79
2019	77,730,398	26,493	5,183,902,300	2,934	1.50
2018	83,892,653	26,493	4,637,914,500	3,167	1.81
2017	76,975,397	26,493	4,637,914,500	2,905	1.66

(1) 2010 Federal Census.

(2) 2016 equalized valuation is used for fiscal years 2017 and 2018; 2018 equalized valuation is used for fiscal years 2019 and 2020; 2020 equalized valuation is used for fiscal year 2021.

Debt Service Requirements

The following table sets forth the required principal and interest payments on outstanding general obligation bonds of the Town as of June 30, 2021.

Fiscal Year	Outstanding Debt		Total Net Debt Service	Cumulative Principal Retired
	Principal	Interest		
2022	\$ 6,328,370	\$ 2,902,150	\$ 9,230,520	7.18 %
2023	6,479,634	3,576,174	10,055,808	14.53
2024	6,511,359	3,294,389	9,805,748	21.92
2025	6,423,557	3,005,515	9,429,072	29.21
2026	6,351,238	2,713,592	9,064,830	36.42
2027	5,679,411	2,429,061	8,108,472	42.87
2028	5,608,087	2,149,711	7,757,798	49.23
2029	5,572,278	1,865,682	7,437,960	55.55
2030	5,326,996	1,589,539	6,916,535	61.60
2031	5,347,251	1,330,584	6,677,835	67.67
2032	4,918,054	1,089,503	6,007,557	73.25
2033	4,839,417	880,944	5,720,361	78.74
2034	3,680,000	705,984	4,385,984	82.92
2035	3,760,000	537,563	4,297,563	87.18
2036	3,190,000	374,431	3,564,431	90.80
2037	3,250,000	217,225	3,467,225	94.49
2038	1,760,000	111,900	1,871,900	96.49
2039	1,425,000	66,225	1,491,225	98.10
2040	1,460,000	25,050	1,485,050	99.76
2041	210,000	2,100	212,100	100.00
Total	<u>\$ 88,120,650</u>	<u>\$ 28,867,324</u>	<u>\$ 116,987,974</u>	

Principal Payments by Purpose

The following table sets forth the principal payments by purpose for the Town's outstanding debt as of June 30, 2020.

GENERAL OBLIGATION BONDS PRINCIPAL PAYMENTS BY PURPOSE As of June 30, 2021

Fiscal Year	School (1)	Sewer (2)	Water (3)	Land Acquisition	General (4)	Electric (5)	MCWT (6)	Total
2022	\$ 2,988,400	\$ 383,000	\$ 494,000	\$ 80,000	\$ 899,500	\$ 505,100	\$ 978,370	\$ 6,328,370
2023	2,891,000	525,000	575,000	55,000	911,000	523,000	999,634	6,479,634
2024	2,943,000	522,000	570,000	55,000	876,000	524,000	1,021,359	6,511,359
2025	2,990,000	507,000	451,000	60,000	870,000	502,000	1,043,557	6,423,557
2026	3,084,400	422,200	391,200	65,000	875,000	447,200	1,066,238	6,351,238
2027	2,501,000	401,000	365,000	65,000	873,000	385,000	1,089,411	5,679,411
2028	2,594,000	367,000	336,000	65,000	879,000	254,000	1,113,087	5,608,087
2029	2,675,300	302,000	333,700	65,000	805,000	254,000	1,137,278	5,572,278
2030	2,787,000	211,400	330,400	70,000	600,000	166,200	1,161,996	5,326,996
2031	2,897,000	206,000	333,000	70,000	604,000	50,000	1,187,251	5,347,251
2032	2,678,000	110,000	267,000	70,000	530,000	50,000	1,213,054	4,918,054
2033	2,765,000	110,000	190,000	75,000	460,000	-	1,239,417	4,839,417
2034	2,845,000	110,000	190,000	75,000	460,000	-	-	3,680,000
2035	2,910,000	110,000	190,000	85,000	465,000	-	-	3,760,000
2036	2,665,000	100,000	90,000	-	335,000	-	-	3,190,000
2037	2,725,000	100,000	90,000	-	335,000	-	-	3,250,000
2038	1,240,000	95,000	90,000	-	335,000	-	-	1,760,000
2039	1,275,000	60,000	90,000	-	-	-	-	1,425,000
2040	1,310,000	60,000	90,000	-	-	-	-	1,460,000
2041	60,000	60,000	90,000	-	-	-	-	210,000
Total	<u>\$ 48,824,100</u>	<u>\$ 4,761,600</u>	<u>\$ 5,556,300</u>	<u>\$ 955,000</u>	<u>\$ 11,112,500</u>	<u>\$ 3,660,500</u>	<u>\$ 13,250,650</u>	<u>\$ 88,120,650</u>

(1) \$22,094,000 is outside the Town's debt limit.

(2) Self-supporting. Subject to the Town's debt limit.

(3) Subject to a special debt limit of 10% of the Town's equalized valuation or \$574,846,490.

(4) \$2,237,500 is outside the Town's debt limit.

(5) \$3,630,500 is outside the Town's debt limit.

(6) Massachusetts Clean Water Trust ("MCWT"). Not subject to the Town's debt limit.

Authorized Unissued Debt and Prospective Financing

Following the delivery of the Bonds, the Town will have approximately \$28.67 million in authorized unissued debt, \$1.687 million for sewer projects, \$745,000 for a school feasibility study, \$1.7 million for land acquisition, \$3.5 million for water distribution system, \$20.4 million for the Ivan G. Smith Elementary School for which the Town expects to receive approximately 55.46% reimbursement from the Massachusetts School Building Authority, and the remainder for various public improvement purposes.

Capital Equipment and Facility Improvement Programs

The Town addresses its major equipment and infrastructure system requests by developing and implementing capital plans in each area. The following is a brief summary of the highlights of each program.

The Town's ***Capital Equipment Replacement Plan*** is updated on an annual basis. Its implementation has been financed with property taxes and other available funds in pay-as-you-go fashion.

A detailed ***Building and Facility Improvements Plan*** is updated on an annual basis. It focuses investment on areas such as roofing systems, HVAC equipment, and exterior and interior improvements. Annual, non-borrowing appropriations have averaged approximately \$350,000 annually for the past five years.

The Town recently completed such projects as library HVAC, high school athletic fields and the police communications center. Other major projects underway include the \$52 million Smith School project as well as a \$3.2 million elementary school roof repair. Both are being constructed with the assistance of the MSBA.

The Town is also set to begin construction on a combined Water/Sewer administration building funded through the retained earnings of the two enterprise funds.

The Town addresses its **Pavement Management & Sidewalk Improvement Program** improvements with a combination of Federal and State grants and local receipts. Roughly \$200,000 is appropriated each year for routine maintenance and small projects while a bulk of the road work is done through funding from the State's Chapter 90 program. The Town received approximately \$900,000 from the state in 2021 and expects a similar amount in 2022.

A **Water System Improvements Plan** was developed in the mid-1990's and is used as a guide to upgrading and replacing sections of water main and treatment facilities on a priority needs basis. The plan also includes ongoing improvements and modernization of the Town's water treatment plant. Construction work on the treatment plan was completed in 2014. The financing of these and other actual improvements has been derived from the water rates, retained earnings, borrowing, grants, and charges.

The Town has completed recent projects involving booster stations, chlorine booster stations, raw water pumping stations, and more in recent years. Full replacement of distribution has occurred on several major streets as well. The Town approved a new 5-year \$10 million improvement plan in 2019.

A town wide **Wastewater System Improvement Plan** serves as a guide for maintenance and improvements to the sewer system with financing being repaid from sewer rates, retained earnings, borrowing, grants, and charges. The Town is in the middle of a \$4 million improvement program. Three phases have been completed covering 30,000 linear feet of new lining.

The implementation of a **Drainage Improvements Program** to alleviate existing and anticipated problems within the Town's major drainage basins began in the mid-1980's. In recent years, replacement of the Two Burroughs Street culverts, the Massachusetts Avenue culvert at Coolidge Road, replacement of the Sherwood Avenue culvert, installation of rip rap along Beaver Brook at Brookside Avenue and repairs to the Mill Pond Dam and replacement of Maple Street culvert have all been completed.

The Town received \$483,069 from FEMA in early fiscal 2013 for the Pickering Street Culvert which is now complete.

The current major drainage improvement program is focused on Frost Fish Brook. Phase 1 (\$1 million) is completed and will be closed out for final invoicing by Spring 2021. Phase 2 was authorized for \$1.35 million in 2019.

Landfill Closure and Drop-Off Area Construction. Funds were appropriated in recent years for the design and construction of four projects at the Town's landfill. The four projects included (1) closure of the yard waste landfill; (2) construction of a yard waste drop-off storage area; (3) the relocation of solid waste found outside the perimeter of the closed landfill; and (4) construction of a methane gas extraction system. All of these projects have been completed. Over the past few years, the Town has been working with the Massachusetts Department of Environmental Protection (MDEP) to focus on compliance and monitoring moving forward at the landfill.

Dredging. The Town completed a maintenance dredging project within the Crane and Porter Rivers in March, 2008. The project consisted of dredging approximately 58,000 cubic yards from both rivers to restore the existing channels to their authorized depths of 6 feet below mean low water. The project provides the required navigational improvements for safe access into these areas by both recreational and commercial vessels. The commercial fleet, which utilizes these rivers, typically consists of lobster boats, marina workboats and daily excursions and charter boats. Overall, commercial usage has been limited in recent years due to low water depths.

The project also improved access to the Town's marina which is located on the Crane River, as well as access to the State Public Access Boat ramp and Harbormaster's facility located at Pope's Landing on the Porter River. The public access facility launches between 1,000 and 1,500 boats per year. This site is primarily utilized by commercial haulers, launching boats going to/from Salem, Beverly, Marblehead and Manchester-by-the-Sea, as the facility is conveniently located in close proximity to major highways and local routes and provides protected waters.

Total construction costs were \$1.6 million of which 75% was financed by a State grant. The Town's 25% share is being financed from boat slip fees.

The Town has an ongoing program to monitor and enhance its **Recreational Facilities**. Recent projects include upgrades to several parks and playgrounds, including Tapley and Bradstreet. The Town also constructed a state-of-the-art dog park through the assistance of a grant. Future projects include the development of Sandy Beach, a disc golf course, and the expansion of the hay barn at Endicott Park making it usable for community and private events.

A number of **Electric System Improvements** have been initiated as part of a commitment to monitor above average system reliability. These include work to replace electrical substations, replacement of overhead and underground lines on a planned basis, and work to enhance the Town's 23KV power transmission lines. To date, these improvements have been financed primarily with accumulated depreciation funds and two modest bond authorizations. Approximately \$4 million in improvements are projected for 2020.

The Town implemented a **Computer Technology Improvements Plan** (including all departments) in order to ensure its ability to meet organizational and customer requirements. Annual, non-borrowing appropriations have averaged approximately \$350,000 annually for the past five years.

Capital Outlay

The table below shows the amount the Town spent on general fund capital outlay (vehicles, heavy equipment, etc.) paid using one-time revenue instead of debt issuance over the following fiscal years:

Fiscal Year	Direct Capital Outlay
2021	\$ 720,863
2020	596,000
2019	998,025
2018	786,300
2017	662,591
2016	593,808
2015	610,937
2014	573,075
2013	774,117
2012	426,401
2011	380,551
2010	470,065
TOTAL:	<u>\$ 7,592,733</u>

Overlapping Debt

The Town of Danvers is a member of the South Essex Sewerage District, MBTA and the Essex North Shore Agricultural and Technical School District. The following table sets forth the outstanding bonded debt, exclusive of temporary loans in anticipation of bonds or current revenue of each of the above as of June 30, 2021, the Town of Danvers' gross share of such debt, and the fiscal 2022 assessment to the Town for each.

Overlapping Entity	Outstanding Debt (6/30/21)	Danvers Estimated Share(1)	Fiscal 2022 Dollar Assessment
Essex North Shore Agricultural and Technical School District(2)	\$ 26,855,000	13.03 %	\$ 3,399,113
Massachusetts Bay Transportation Authority(3)	5,475,549,153	0.36	621,039
South Essex Sewerage District(4)	12,315,510	9.36	4,000,063

(1) Estimated share based on debt service only.

(2) Source: Essex North Shore Agricultural and Technical School District. Effective January 6, 2011, the North Shore Regional Vocational School District and Essex Agricultural School merged, and together with the City of Peabody high school vocational program, comprise the Essex North Shore Technical and Agricultural High School, which constructed a \$133 million high school on the Essex Agricultural School site in Danvers. The facility opened in 2014. The MSBA paid \$73,107,458 of project costs. Another \$4 million was raised from the sale of NSRVSD property. The communities that join the district, including Danvers, share the remaining cost, about \$31 million, based on how many students they send to the school.

(3) Source: Massachusetts Bay Transit Authority. Outstanding debt is as of June 30, 2020. Assessment is for fiscal 2021. The MBTA was created in 1964 to finance and operate mass transportation facilities within the greater Boston metropolitan area. Under its enabling act, the MBTA is authorized to issue bonds for capital purposes, other than refunding bonds, and for certain specified purposes to an outstanding amount, which does not exceed the aggregate principal amount of \$3,556,300,000. In addition, pursuant to certain of the Commonwealth's transportation bond bills, the MBTA is authorized to issue additional bonds for particular capital projects. The MBTA also is authorized to issue bonds of the purpose of refunding bonds. Under the MBTA's enabling act debt service, as well as other operating expenses of the MBTA, are to be financed by a dedicated revenue stream consisting of the amounts assessed on the cities and towns of the MBTA and a dedicated portion of the statewide sales tax. The amount assessed to each city and town is based on its weighted percentage of the total population of the authority as provided in the enabling act. The aggregate amount of such assessments is generally not permitted to increase by more than 2.5 percent per year.

(4) Source: South Essex Sewerage District. The Town is a member along with the Cities of Peabody, Salem and Beverly and the Town of Marblehead.

Contractual Obligations

Municipal contracts are generally limited to currently available appropriations. A city or town generally has authority to enter into contracts for the exercise of any of its corporate powers for any period of time deemed to serve its best interest, but generally only when funds are available for the first fiscal year; obligations for succeeding fiscal years generally are expressly subject to availability and appropriation of funds. Specific authority remains in relatively few cases for long-term contractual obligations that are not subject to annual appropriation, including contracts for refuse disposal and sewerage treatment and disposal. Municipalities may also enter into long-term contracts in aid of housing and renewal projects. There may be implied authority to make other long-term contracts required to carry out authorized municipal functions, such as contracts to purchase water from private water companies.

Municipal electric department has statutory power to enter into long-term contracts for joint ownership and operation of generating and transmission facilities and for the purchase or sale of capacity, including contracts requiring payments without regard to the operational status of the facilities. The Town has an electric division. (For information relating to the electric division's contract see Appendix A.)

Municipal contracts relating to solid waste disposal facilities may contain provisions requiring the delivery of minimum amounts of waste and payments based thereon and requiring payments in certain circumstances without regard to the operational status of the facilities.

Pursuant to the Home Rule Amendment to the Massachusetts Constitution, cities and towns may also be empowered to make other contracts and leases.

The Town has a limited number of such contracts, including JRM for rubbish disposal including pick-up and recycling, extending through June 30, 2023 at costs of \$673,040 and \$207,680, respectively, in fiscal 2021, and for trash disposal, extending through June 30, 2023 at a cost of \$515,731 for fiscal 2022. Another contract for school bus transportation, extending through June 30, 2023 at a cost of \$1,420,451 in fiscal 2022.

RETIREMENT PLAN

The Massachusetts General Laws provide for the establishment of contributory retirement systems for state employees, for teachers and for county, city and town employees other than teachers. Teachers are assigned to a separate statewide teachers' system and not to the city and town systems. For all employees other than teachers, this law is subject to acceptance in each city and town. Substantially all employees of an accepting city or town are covered. If a town has a population of less than 10,000 when it accepts the statute, its non-teacher employees participate through the county system and its share of the county cost is proportionate to the aggregate annual rate of regular compensation of its covered employees. In addition to the contributory systems, cities and towns provide non-contributory pensions to a limited number of employees, primarily persons who entered service prior to July 1, 1937 and their dependents. The Public Employee Retirement Administration Commission ("PERAC") provides oversight and guidance for and regulates all state and local retirement systems.

The obligations of a city or town, whether direct or through a county system, are contractual legal obligations and are required to be included in the annual tax levy. If a city or town, or the county system of which it is a member, has not established a retirement system funding schedule as described below, the city or town is required to provide for the payment of the portion of its current pension obligations which is not otherwise covered by employee contributions and investment income. "Excess earnings," or earnings on individual employees' retirement accounts in excess of a predetermined rate, are required to be set aside in a pension reserve fund for future, not current, pension liabilities. Cities and towns may voluntarily appropriate to their system's pension reserve fund in any given year up to five percent of the preceding year's tax levy. The aggregate amount in the fund may not exceed ten percent of the equalized valuation of the city or town.

If a city or town, or each member city and town of a county retirement system, has accepted the applicable law, it is required to annually appropriate an amount sufficient to pay not only its current pension obligations, but also a portion of its future pension liability. The portion of each such annual payment allocable to future pension obligations is required to be deposited in the pension reserve fund. The amount of the annual city or town appropriation for each such system is prescribed by a retirement system funding schedule which is periodically reviewed and approved by PERAC. Each system's retirement funding schedule is designed to reduce the unfunded actuarial pension liability of the system to zero by not later than June 30, 2030, with annual increases in the scheduled payment amounts of not more than 4.5 percent. The funding schedule must provide that payment in any year of the schedule is not less than 95 percent of the amount appropriated in the previous fiscal year. City, town and county systems which have an approved retirement funding schedule receive annual pension funding grants from the Commonwealth for the first 16 years of such funding schedule. Pursuant to Chapter 188 of the Acts of 2010, a system (other than the state employees' retirement system and the teachers' retirement system) which conducts an actuarial valuation as of January 1, 2009, or later, may establish a revised schedule which reduces the unfunded actuarial liability to zero by not

later than June 30, 2040, subject to certain conditions. If the schedule is so extended under such provisions and a later updated valuation allows for the development of a revised schedule with reduced payments, the revised schedule shall be adjusted to provide that the appropriation for each year shall not be less than that for such year under the prior schedule, thus providing for a shorter schedule rather than reduced payments.

City, town and county systems may choose to participate in the Pension Reserves Investment Trust Fund (the "PRIT Fund"), which receives additional state funds to offset future pension costs of participating state and local systems. If a local system participates in the PRIT Fund, it must transfer ownership and control of all assets of its system to the Pension Reserves Investment Management Board, which manages the investment and reinvestment of the PRIT Fund. Cities and towns with systems participating in the PRIT Fund continue to be obligated to fund their pension obligations in the manner described above. The additional state appropriations to offset future pension liabilities of state and local systems participating in the PRIT Fund are required to total at least 1.3 percent of state payroll. Such additional state appropriations are deposited in the PRIT Fund and shared by all participating systems in proportion to their interests in the assets of the PRIT Fund as of July 1 for each fiscal year.

Cost-of-living increases for each local retirement system may be granted and funded only by the local system, and only if it has established a funding schedule. Those statutory provisions are subject to acceptance by the local retirement board and approval by the local legislative body, which acceptance may not be revoked.

The Town has a contributory retirement system that is partially funded by employee contributions. The active Town employees contribute 5%, 7%, 8% or 9% (depending upon date of employment) of their regular compensation. For persons whose employment commenced prior to July 1, 1937, the Town has a non-contributory retirement plan. The Town's method of funding for the contributory plan is a 32 year funding schedule adopted through Chapter 697 of the Acts of 1987. Full funding is expected by fiscal 2035 with an assumed rate of return of 7.50%. Funding for the non-contributory pension plan is on a pay-as-you-go basis. The pay-as-you-go amounts are legal obligations of the Town and are required to be included in its annual tax levy. The retirement system covers substantially all municipal employees except school teachers, whose pensions are paid by the Commonwealth.

Massachusetts Contributory Retirement System benefits are uniform from system to system. The Massachusetts Contributory Retirement 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. 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 superannuation retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions, normal retirement is at age 55).

The trend in annual required contributions of the Town to each retirement system is as follows:

<u>Year Ending</u>	<u>Contributory</u>	<u>Non-Contributory</u>
June 30, 2022 (budgeted)	\$8,665,976	\$ -
June 30, 2021	7,902,628	-
June 30, 2020	12,195,851 (1)	11,327
June 30, 2019	7,485,404	37,000
June 30, 2018	6,951,586	37,000
June 30, 2017	6,455,174	55,000

(1) Increase attributed to one time contribution from the electric division of \$4,131,369 to fully fund unfunded actuarial liability.

The unfunded pension benefit obligation of the contributory retirement system on January 1, 2020, assuming a 7.50% rate of return, was as follows:

	January 1, 2020
Actuarial Accrued Liabilities	\$207,786,722
Market Value of Fund Assets	127,992,206
Unfunded Pension Benefit Obligation	\$79,794,516

Danvers Retirement System Funding Schedule (As of January 1, 2020)

Fiscal Year Ending	Danvers Electric						All Others						Total Appropriation	Increase Over Prior Year
	Employer Normal Cost	Net 3(8)(c) Transfers	Amortization Payment of UAL	Total Employer Cost	Increase Over Prior Year	Unfunded Actuarial Accrued Liability	Employer Normal Cost	Net 3(8)(c) Transfers	Amortization Payment of UAL	Total Employer Cost	Increase Over Prior Year	Unfunded Actuarial Accrued Liability		
2021	\$460,768	\$72,697	\$14,288	\$547,753		\$296,631	\$1,501,585	\$596,369	\$5,256,921	\$7,354,875		\$82,238,761	\$7,902,628	
2022	478,047	72,697	171,966	722,710	31.94%	3p4,064	1,557,895	596,369	5,789,002	7,943,266	8.00%	82,956,176	8,665,976	9.70%
2023	495,973	72,697	154,041	722,711	0.00%	148,570	1,616,316	596,369	6,366,041	8,578,726	8.00%	83,175,725	9,301,437	7.30%
2024	514,573	72,697	-	587,270	-18.74%	-	1,676,929	596,369	6,991,727	9,265,025	8.00%	82,813,453	9,852,295	5.90%
2025	533,869	72,697	-	606,566	3.29%	-	1,739,814	596,369	7,670,043	10,006,226	8.00%	81,775,285	10,612,792	7.70%
2026	553,889	72,697	-	626,586	3.30%	-	1,805,057	596,369	8,405,298	10,806,724	8.00%	79,955,962	11,433,310	7.70%
2027	574,660	72,697	-	647,357	3.31%	-	1,872,746	596,369	9,202,147	11,671,262	8.00%	77,237,861	12,318,619	7.70%
2028	596,209	72,697	-	668,906	3.33%	-	1,942,974	596,369	10,065,620	12,604,963	8.00%	73,489,711	13,273,869	7.80%
2029	618,567	72,697	-	691,264	3.34%	-	2,015,836	596,369	11,001,155	13,613,360	8.00%	68,565,182	14,304,624	7.80%
2030	641,764	72,697	-	714,461	3.36%	-	2,091,431	596,369	11,676,010	14,363,810	5.51%	62,301,330	15,078,271	5.40%
2031	665,830	72,697	-	738,527	3.37%	-	2,169,859	596,369	12,143,050	14,909,278	3.80%	54,867,985	15,647,805	3.80%
2032	690,798	72,697	-	763,495	3.38%	-	2,251,229	596,369	12,628,772	15,476,370	3.80%	46,392,902	16,239,865	3.80%
2033	716,703	72,697	-	789,400	3.39%	-	2,335,650	596,369	13,133,923	16,065,942	3.81%	36,778,580	16,855,342	3.80%
2034	743,580	72,697	-	816,277	3.40%	-	2,423,237	596,369	13,659,281	16,678,887	3.82%	25,919,433	17,495,164	3.80%
2035	771,464	72,697	-	844,161	3.42%	-	2,514,109	596,369	14,205,652	17,316,130	3.82%	13,701,147	18,160,291	3.80%
2036	800,394	72,697	-	873,091	3.43%	-	2,608,388	596,369	-	3,204,757	-81.49%	-	4,077,848	-77.50%
2037	830,408	72,697	-	903,105	3.44%	-	2,706,203	596,369	-	3,302,572	3.05%	-	4,205,677	3.10%
2038	861,548	72,697	-	934,245	3.45%	-	2,807,685	596,369	-	3,404,054	3.07%	-	4,338,299	3.20%
2039	893,856	72,697	-	966,553	3.46%	-	2,912,973	596,369	-	3,509,342	3.09%	-	4,475,895	3.20%
2040	927,375	72,697	-	1,000,072	3.47%	-	3,022,210	596,369	-	3,618,579	3.11%	-	4,618,651	3.20%
2041	962,151	72,697	-	1,034,848	3.48%	-	3,135,543	596,369	-	3,731,912	3.13%	-	4,766,760	3.20%
2042	998,233	72,697	-	1,070,930	3.49%	-	3,253,126	596,369	-	3,849,495	3.15%	-	4,920,425	3.20%

No estimate is available for the unfunded liability of the non-contributory system. Estimates of actuarial liabilities depend on the underlying actuarial assumptions.

Cost-of-living increases for each local retirement system may be granted and funded only by the local system, and only if it has established a funding schedule. Those statutory provisions are subject to acceptance by the local retirement board and approval by the local legislative body, which acceptance may not be revoked.

For additional information see Appendix A.

Other Post-Employment Benefits

In addition to pension benefits, cities and towns may provide retired employees with health care and life insurance benefits. The portion of the cost of such benefits paid by the city or town is generally provided on a pay-as-you-go basis.

The Governmental Accounting Standards Board (“GASB”) promulgated its Statement Nos. 43 and 45, which require public sector entities to report the future costs of these non-pension, post-employment benefits in their financial statements. These accounting standards do not require pre-funding the payment of these costs as the liability for such costs accrues, but the basis applied by the standards for measurement of costs and liabilities for these benefits is conservative if they continue to be funded on a pay-as-you-go basis and will result in larger yearly cost and liability accruals than if the cost of such benefits were pre-funded in a trust fund in the same manner as traditional pension benefits. Cities and towns that choose to self-insure all or a portion of the cost of the health care benefits they provide to employees and retirees may establish a trust fund for the purpose of paying claims. In addition, cities and towns may establish a trust fund for the purpose of pre-funding other post-employment benefits liability in the same manner as traditional pension benefits.

The Town was required to implement the GASB reporting requirements for other post-employment benefits beginning in fiscal year 2008. The Town hired an actuary to perform a valuation of its post-retirement health care and life insurance benefit liability to satisfy the GASB reporting requirements. As of June 30, 2020, the total OPEB liability for benefits was \$232,620,986 and the fiduciary net position was \$7,899,716 resulting in a net OPEB liability.

The Town established an OPEB Trust (pursuant to M.G.L. Ch.32B) to start funding this liability. The trend in reserve balances are as follows:

<u>Fiscal year</u>	<u>Reserve Balance</u>
2021	\$10,898,421
2020	7,899,716
2019	6,648,458
2017	4,572,294
2016	3,758,041

For additional information see Appendix A.

EMPLOYEE RELATIONS

The Town employs approximately 755 full-time and part-time workers. Town employees (other than managerial and confidential employees) are entitled to join unions and to bargain collectively on questions of wages, hours and other terms and conditions of employment. Approximately 646 employees belong to unions or other collective bargaining groups.

The following chart represents the various unions which represent the Town's employees, the number of employees associated with each and the contract expiration dates.

Bargaining Unit	Union	Approximate Number of Employees	Contract Expiration (1)
AFSCME	Public Safety/Dispatchers	9	6/30/2024
AFSCME	Clerical (D)	28	6/30/2024
AFSCME	DPW/Electric	21	6/30/2024
AFSCME	DPW/General Government	73	6/30/2024
AFSCME	School Teachers' Aides	57	6/30/2024
AFSCME	Cafeteria	12	6/30/2024
AFSCME	Administrative Assistants	16	6/30/2024
Police Benevolent Association	Police	44	6/30/2021
International Association of Firefighters	Fire	47	6/30/2024
Danvers Teachers' Association	School	309	6/30/2024
DIEG	Prof/Technical	30	6/30/2024
		<u>646</u>	

(1) Expired contract is currently in negotiations.

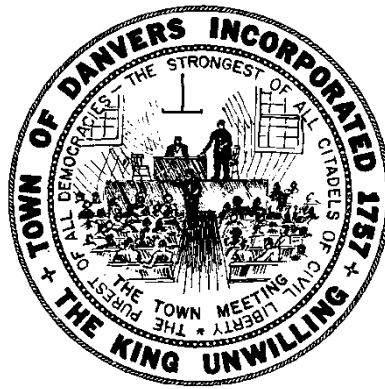
LITIGATION

At present there are various cases pending in various courts throughout the Commonwealth where the Town is a defendant. In the opinion of the Town, there is no pending or threatened litigation is likely to result, either individually or in the aggregate, in final judgments against the Town that would materially affect its financial position or its ability to pay its obligations.

September 9, 2021

TOWN OF DANVERS, MASSACHUSETTS
/s/ Jill M. Summit, Treasurer

*TOWN OF
DANVERS, MASSACHUSETTS*



*COMPREHENSIVE
ANNUAL FINANCIAL REPORT*

For the Year Ended
June 30, 2020

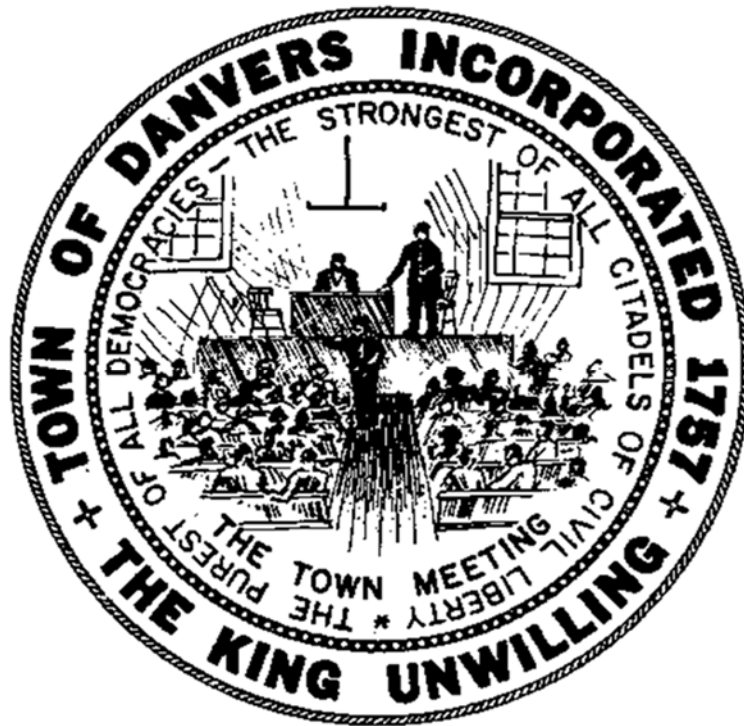


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TOWN OF DANVERS, MASSACHUSETTS

Comprehensive Annual Financial Report

For the Year Ended June 30, 2020



Prepared by:
The Town Accountant's Department

Heather Varney
Town Accountant

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TOWN OF DANVERS, MASSACHUSETTS
Comprehensive Annual Financial Report
For the Year Ended June 30, 2020

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INTRODUCTORY SECTION

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TOWN OF DANVERS

Town Accountant



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

December 15, 2020

Letter of Transmittal

To the Honorable Select Board 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, 2020 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. Since 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, 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, 2020, 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, 2020, and, further, that they are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

Profile of the Town

The Town of Danvers, established in 1752, is located in southwest Essex County, approximately twenty miles northeast of Boston. The Town is primarily a residential community with a strong 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 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 1950's, 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 Select Board) serving ex-officio as Town Meeting members. Subject to the legislative

decisions made by the Town Meeting, a five-member Select Board 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>
Select Board	William H. Clark	Elected/3 years	2021
Select Board	Gardner Trask III	Elected/3 years	2021
Select Board	Daniel C. Bennett	Elected/3 years	2022
Select Board	David Mills	Elected/3 years	2022
Select Board	Maureen Bernard	Elected/3 years	2023
Town Manager	Steve Bartha	Appointed/5 years	2024
Finance Director	Rodney Conley	Appointed/Indefinite	N/A
Town Accountant	Heather Varney	Appointed/Indefinite	N/A
Treasurer	Jill Summit	Appointed/Indefinite	N/A
Tax Collector	Jill Summit	Appointed/Indefinite	N/A
Town Clerk	Catherine Ellsworth	Appointed/Indefinite	N/A
Town Counsel	Murphy Hesse Toomey & Lehane	Appointed/3 years	2022
School Committee	David Thomson	Elected/3 years	2021
School Committee	Mary Beth Verry	Elected/3 years	2021
School Committee	Arthur Skarmeas	Elected/3 years	2022
School Committee	Eric Crane	Elected/3 years	2023
School Committee	Jeffrey Kay	Elected/3 years	2023
Sch. Superintendent	Lisa Dana	Appointed/3 years	2025

Factors Affecting Financial Condition

Local Economy – Given its proximity and accessibility to Boston, the Town of Danvers remains a desirable community in which to live or work. Like all communities, COVID-19 has been an unprecedented challenge for the Town on many levels. Still, at a fundamental level, the Town enjoys a healthy and stable local economy. While small retail establishments have borne the brunt of COVID-related public health restrictions, the overall employment picture and the number of jobs in Town remains strong.

The residential housing market continues to be robust, with about 500 real estate transactions a year, and a median sales price tracking at the state's average (currently about \$450,000) with a

nominal vacancy rate. Despite the Town being functionally built out, FY20 saw \$26.8 million in new residential growth. The final quarter of FY20, and the first quarter of FY21, saw several residential development projects engage in pre-application activities such that our forecast for future residential development opportunities remains strong. In large part, this interest is driven by recent zoning changes to the downtown corridor. Town Meeting approved several new mixed-use development zoning districts covering over 70 acres in February of 2020. These districts will help ensure that local demand for smaller units can be met while also providing additional patronage and vitality to the area and its businesses.

FY20 saw several commercial and industrial development projects and approvals, resulting in \$22.8 million in new commercial growth. Most of these projects are business and property owners making significant investments to their facilities to meet market demands for space, particularly in advanced manufacturing. Of note is the approval of an expansion project in the Cherry Hill Business Park by MilliporeSigma. A global leader in the life-sciences, MilliporeSigma will be expanding its footprint into a second building in Cherry Hill, transforming a 60,000 SF building as part of the company's effort in vaccination research for COVID-19. Abiomed (NASDAQ: ABMD) should complete its expansion and renovation of its 160,000-square-foot headquarters, in FY21, transforming it into a state-of-the-art Class 'A' research development and office space. Cherry Hill is also home to the Town's largest employer, Medtronic (NYSE: MDT). Like residential development, new commercial projects continue to come forward such that we anticipate a robust permitting pipeline well into FY21.

Relevant Financial Policies

Long-term Financial Planning – The Town continues 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.

The Town's financial actions are guided by long-range planning tools, including: 5-Year Forecasting and Capital Improvement Programs; pay-as-you-go financing strategies; long-term planning for all liabilities, including pension and post-employment benefits (OPEB); and other municipal best practices. In May 2016, Town Meeting approved the creation of an OPEB Trust Fund (post-employment health care benefits) which has allowed the Town to invest its OPEB assets under the "prudent investor rules" in order to more aggressively address this long-term liability.

The Town of Danvers also enhances its revenue flexibility by maintaining solvent enterprise funds for water, sewer, and electric operations. This allows the Town to shift operating, debt, and capital improvement costs to users. By doing so, the Town can maximize tax dollars available for all other services.

The Town annually adds to Stabilization Funds that provide financial flexibility in dealing with future major initiatives and potential issues. As of June 30, 2020, the General Stabilization Fund has a balance of \$3,099,203 and the Debt Stabilization Fund has a balance of \$4,457,829.

In December 2019, the Town and its IAC successfully completed a year-long process to adjust the Town's health insurance plan options. The plan changes did not result in substantial budget savings, but they did help the Town and its employees avoid plan renewal costs that had been trending close to 6% in recent years, as well as put the plans on what the Town hopes will be a more sustainable trajectory.

Like many communities, the Town continues to deal with both the short and long-term impacts of the pandemic. The Town was able to approve a revised, balanced budget for FY21 and has incorporated the ongoing effects of COVID-19 into its long-term financial planning.

Credit Rating – In July 2020, Standard and Poor's affirmed the Town's AAA credit rating. The rating agency cited the Town's very strong economy; very strong management with strong financial policies and practices; very strong budgetary flexibility; and very strong liquidity as positive credit factors. The Town also maintains strong a credit rating from Moody's Investors Service (Aa1) as well, which was most recently affirmed in September 2019.

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.

In FY16, the Town adopted three (3) previously discussed financial policies, including a Debt Policy, a Reserve Policy and a Fund Balance Policy. These policies were developed from long-standing financial practices of the Town that had simply not been officially adopted. In June 2019, the Town adopted overall Financial Policy Guidelines which expanded upon these policies and cover various topics such as budgeting, grants, capital projects and debt.

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.

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 61.6% of the present value of the projected benefits earned by employees as of December 31, 2019. The System has established a State-approved funding schedule that will eliminate the Town's unfunded actuarial liabilities (\$79.8 million) by 2035. The January 1, 2020 study maintains a conservative assumption for the rate of return, 7.50%.

The Town of Danvers also provides post-employment health care benefits (OPEB) for certain retirees and their dependents, paid for on a pay-as-you-go basis. In accordance with the current GASB regulations, the Town has had an actuarial study done to determine the unfunded liability of OPEB costs as of June 30, 2020, which was \$224.7 million. In FY07, the Town created a stabilization fund of \$250,000 as an initial attempt to set aside funds towards this liability. In FY17, this stabilization fund balance was transferred to a newly established OPEB Trust Fund to secure greater returns on the reserve. The Town's OPEB Trust Fund ended with a June 30, 2020 market value of \$7.90 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, 2019. This was the fifteenth 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.

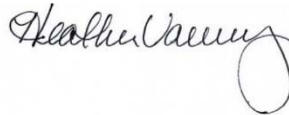
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program’s requirements, and we are submitting it to the GFOA to determine its eligibility for award.

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

Respectfully submitted,



Steve Bartha
Town Manager

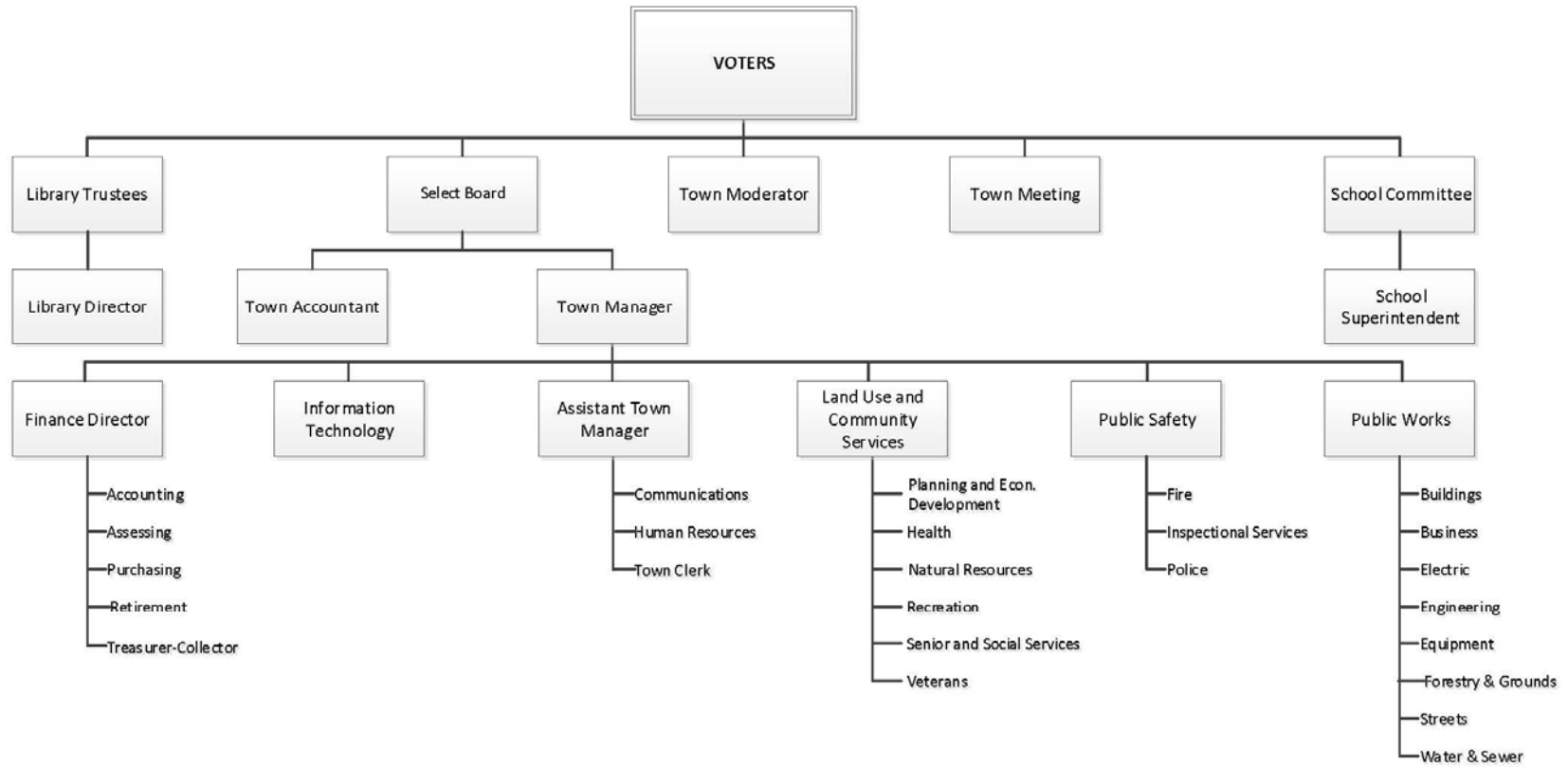


Heather Varney
Town Accountant



Rodney Conley
Finance Director

Town of Danvers Organizational Chart





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Danvers
Massachusetts**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Danvers Select Board
Town of Danvers, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Danvers, Massachusetts, as of and for the year ended June 30, 2020 (except for the Danvers Contributory Retirement System and Electric Division Enterprise Fund, which are as of and for the year ended December 31, 2019), 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.

Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor



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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Danvers, Massachusetts, as of June 30, 2020 (except for the Danvers Contributory Retirement System and Electric Division Enterprise Fund, which are as of and for the year ended December 31, 2019), 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 certain Pension and OPEB schedules 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 108 through 126 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2020 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's 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.

A handwritten signature in black ink that reads "Melanson".

Andover, Massachusetts
December 15, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Danvers, Massachusetts, (the Town) we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2020. 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 basic financial statements. The basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains required/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, liabilities, and deferred outflows/inflows of resources with the difference 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 Town'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 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.

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 three fiduciary funds; one for post-employment benefits and OPEB trust funds, one for educational scholarships and hospital charitable purposes, and one for agency funds.

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.

Required/Other Supplementary Information (Other Than MD&A)

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, net position in governmental activities was \$(142,029,388), a change of \$(11,499,179), and net position in business-type activities was \$122,043,828, a change of \$2,657,023, as further discussed in Section C.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$35,624,302, a change of \$6,799,803 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$11,115,991, a change of \$167,218 in comparison to the prior year.
- Total unfunded other post-employment benefit (OPEB) liability at the close of the current fiscal year was \$214,142,828, a change of \$21,811,273 in comparison to the prior year.
- Total net pension liability (NPL) at the close of the current fiscal year was \$78,275,343, a change of \$(12,290,113) in comparison to the prior year.

C. Government-Wide Financial Analysis

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

	NET POSITION					
	(in thousands)					
	Governmental		Business-Type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 50,530	\$ 42,180	\$ 47,300	\$ 47,779	\$ 97,830	\$ 89,959
Capital assets	<u>157,016</u>	<u>146,742</u>	<u>130,882</u>	<u>127,923</u>	<u>287,898</u>	<u>274,665</u>
Total assets	207,546	188,922	178,182	175,702	385,728	364,624
Deferred outflows of resources	<u>19,755</u>	<u>12,830</u>	<u>7,275</u>	<u>3,538</u>	<u>27,030</u>	<u>16,368</u>
Total assets and deferred outflows	227,301	201,752	185,457	179,240	412,758	380,992
Long-term liabilities outstanding	344,410	313,181	47,882	52,025	392,292	365,206
Other liabilities	<u>13,361</u>	<u>12,984</u>	<u>10,196</u>	<u>6,769</u>	<u>23,557</u>	<u>19,753</u>
Total liabilities	357,771	326,165	58,078	58,794	415,849	384,959
Deferred inflows	<u>11,560</u>	<u>6,117</u>	<u>5,336</u>	<u>1,059</u>	<u>16,896</u>	<u>7,176</u>
Total liabilities and deferred inflows	369,331	332,282	63,414	59,853	432,745	392,135
Net investment in capital assets	96,674	90,178	101,341	100,100	198,015	190,278
Restricted	6,665	7,054	2,638	1,484	9,303	8,538
Unrestricted	<u>(245,369)</u>	<u>(227,762)</u>	<u>18,064</u>	<u>17,803</u>	<u>(227,305)</u>	<u>(209,959)</u>
Total net position	\$ <u>(142,030)</u>	\$ <u>(130,530)</u>	\$ <u>122,043</u>	\$ <u>119,387</u>	\$ <u>(19,987)</u>	\$ <u>(11,143)</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 \$(19,985,560) a change of \$(8,842,156) in comparison to the prior year.

The largest portion of net position \$198,015,367 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, \$9,303,304 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 \$(227,304,231) primarily resulting from the Town and Electric Division's unfunded net pension and OPEB liabilities.

CHANGES IN NET POSITION

(in thousands)

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues:						
Program revenues:						
Charges for services	\$ 5,582	\$ 6,361	\$ 52,477	\$ 52,245	\$ 58,059	\$ 58,606
Operating grants and contributions	29,093	23,915	1,373	319	30,466	24,234
Capital grants and contributions	313	-	-	-	313	-
General revenues:						
Property taxes	80,150	78,025	-	-	80,150	78,025
Excises	4,977	5,047	-	-	4,977	5,047
Payment in lieu of taxes	357	470	-	-	357	470
Penalties, interest, and other taxes	2,488	2,932	-	-	2,488	2,932
Grants and contributions not restricted to specific programs	3,433	3,433	-	-	3,433	3,433
Investment income	644	684	457	384	1,101	1,068
Miscellaneous	1,115	1,322	579	1,571	1,694	2,893
Total revenues	<u>128,152</u>	<u>122,189</u>	<u>54,886</u>	<u>54,519</u>	<u>183,038</u>	<u>176,708</u>
Expenses:						
General government	7,505	8,881	-	-	7,505	8,881
Public safety	20,246	20,236	-	-	20,246	20,236
Education	84,921	82,351	-	-	84,921	82,351
Public works	18,507	19,808	-	-	18,507	19,808
Health and human services	2,254	2,554	-	-	2,254	2,554
Culture and recreation	4,644	4,514	-	-	4,644	4,514
Interest	2,412	2,039	-	-	2,412	2,039
Water operations	-	-	8,385	7,241	8,385	7,241
Sewer operations	-	-	6,603	6,594	6,603	6,594
Electric operations	-	-	36,501	38,447	36,501	38,447
Total expenses	<u>140,489</u>	<u>140,383</u>	<u>51,489</u>	<u>52,282</u>	<u>191,978</u>	<u>192,665</u>
Change in net position before transfers	(12,337)	(18,194)	3,397	2,237	(8,940)	(15,957)
Transfers in (out)	<u>837</u>	<u>820</u>	<u>(741)</u>	<u>(814)</u>	<u>96</u>	<u>6</u>
Change in net position	(11,500)	(17,374)	2,656	1,423	(8,844)	(15,951)
Net position - beginning of year	<u>(130,530)</u>	<u>(113,156)</u>	<u>119,387</u>	<u>117,964</u>	<u>(11,143)</u>	<u>4,808</u>
Net position - end of year	<u>\$ (142,030)</u>	<u>\$ (130,530)</u>	<u>\$ 122,043</u>	<u>\$ 119,387</u>	<u>\$ (19,987)</u>	<u>\$ (11,143)</u>

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$(11,499,179). Key elements of this change are as follows:

Increase in pension expense (GASB 68)	\$ (3,324,438)
Increase in OPEB expense (GASB 75)	(9,575,765)
Other	<u>1,401,024</u>
Total	<u>\$ (11,499,179)</u>

Business-Type Activities

Business-type activities for the year resulted in a change in net position of \$2,657,023. Key elements of this change are as follows:

- Water Division net position increased by \$1,712,344 primarily from favorable results of operation compared with the fund’s budget.
- Sewer Division net position decreased by \$(382,886) primarily from depreciation expense exceeding principal debt service.
- Electric Division net position increased by \$1,327,565 during the year ended December 31, 2019. This was primarily due to favorable results of operation.

D. Financial Analysis of the Town’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.

General Fund

The general fund is the chief operating fund. As expected, the general fund expenditures exceeded revenues by \$(1,987,924). The primary reasons are that the Town used \$2,353,479 in stabilization accounts, and \$4,389,000 of certified free cash primarily for capital articles.

The use of Free Cash and stabilization accounts include: \$2,653,478 used for debt service from the Debt Stabilization accounts and overlay surplus and \$350,000 of Free Cash was used to fund the OPEB Trust Fund. The remaining use of Free Cash was for various annual capital articles. Total Fund Balance decreased by \$(1,078,525) as transfers into the General Fund

mitigated the previously noted excess of expenditures over revenues and include the \$867,146 PILOT.

Key factors in the overall change are as follow:

Use of fund balance	\$ (4,389,000)
Revenues less than budget	(225,911)
Expenditures less than budget	4,027,476
Stabilization changes	(674,317)
Other	<u>183,227</u>
Total	\$ <u><u>(1,078,525)</u></u>

At the end of the current fiscal year, unassigned fund balance of the general fund was \$11,115,991, while total fund balance was \$21,544,605. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/20</u>	<u>6/30/19</u>	<u>Change</u>	<u>% of General Fund Expenditures*</u>
Committed fund balance	\$ 5,297,344	\$ 7,464,094	\$ (2,166,750)	5.1%
Assigned fund balance - next year	2,952,179	2,139,000	813,179	2.8%
Assigned fund balance - encumbrances	2,179,091	2,071,263	107,828	2.1%
Unassigned fund balance	<u>11,115,991</u>	<u>10,948,773</u>	<u>167,218</u>	<u>10.7%</u>
Total fund balance	\$ <u><u>21,544,605</u></u>	\$ <u><u>22,623,130</u></u>	\$ <u><u>(1,078,525)</u></u>	<u><u>20.7%</u></u>

*Expenditure amounts used to calculate the above percentages were adjusted to exclude the on-behalf payment from the Commonwealth to the Massachusetts Teachers Retirement System of \$5,841,509.

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

	<u>6/30/20</u>	<u>6/30/19</u>	<u>Change</u>
Health claims reserves	\$ 18	\$ 3,255	\$ (3,237)
Claims reserves	48,000	650,542	(602,542)
General stabilization*	3,099,203	1,571,770	1,527,433
Debt stabilization	4,457,829	5,980,318	(1,522,489)
Education stabilization	94	79,494	(79,400)
Other stabilization	5,918	-	5,918
Revenue stabilization	<u>485</u>	<u>485</u>	<u>-</u>
Total	\$ <u><u>7,611,547</u></u>	\$ <u><u>8,285,864</u></u>	\$ <u><u>(674,317)</u></u>

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

Major Capital Projects Fund

The major capital projects fund balance changed by \$7,732,581 primarily from current year issuance of bonds for \$18,015,000.

Non-Major Governmental Funds

The non-major fund balance changed by \$145,747 primarily from timing differences between the receipt and disbursement of grants and permanent financing of capital projects.

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 \$18,064,301. Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

E. General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$2,217,157, the change primarily results from prior year carryforwards and appropriations from special town meetings to the fiscal year 2020 appropriations.

The Town experienced unfavorable operating results for revenues. Budgeted expectations exceeded State and local revenues by \$225,911. The Town experienced favorable results for appropriations. Expenditures were less than appropriations by \$4,027,476, the majority of which results from unspent appropriations in our Public Safety, Public Works, and Employee Benefits functions.

F. Capital Asset and Debt Administration

Capital Assets

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$287,897,854 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery, equipment and furnishings, and infrastructure.

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

Governmental activities

\$ 2,533,585	for Highland school roof repair
\$ 548,889	for various technology upgrades
\$ 13,601,168	for Smith school design
\$ 325,653	for the purchase of various departmental vehicles

Business-type activities

\$ 2,440,831	for water booster station replacements
\$ 383,210	for water main replacement program
\$ 1,470,017	for water and sewer facility
\$ 663,870	for frost fish drainage
\$ 951,529	for wastewater pumping station
\$ 1,983,614	for electric infrastructure improvements
\$ 508,914	for electric equipment and furnishings

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

Change in Credit Rating

In July 2019, Standard and Poor's raised the Town's credit rating to AAA, the highest rating awarded to a municipality.

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding including unamortized premiums was \$97,389,198, all of which was backed by the full faith and credit of the government. The Town also had \$4,870,000 in notes outstanding at year-end.

The following is a summary of the Town's outstanding debt for the current and prior fiscal years:

OUTSTANDING DEBT

General Obligation Bonds and Bond Anticipation Notes

June 30, 2020 and 2019

(in thousands)

	Governmental		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
General obligation bonds	\$ 66,154	\$ 51,646	\$ 26,558	\$ 26,084	\$ 92,712	\$ 77,730
Unamortized premium	<u>4,383</u>	<u>2,392</u>	<u>294</u>	<u>79</u>	<u>4,677</u>	<u>2,471</u>
Net bonds payable	70,537	54,038	26,852	26,163	97,389	80,201
Notes	<u>1,600</u>	<u>4,975</u>	<u>3,270</u>	<u>1,800</u>	<u>4,870</u>	<u>6,775</u>
Total	<u>\$ 72,137</u>	<u>\$ 59,013</u>	<u>\$ 30,122</u>	<u>\$ 27,963</u>	<u>\$ 102,259</u>	<u>\$ 86,976</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 Finance Director
Town of Danvers, Massachusetts
1 Sylvan Street
Danvers, Massachusetts 01923

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Basic Financial Statements

TOWN OF DANVERS, MASSACHUSETTS

Statement of Net Position
June 30, 2020

(Except for the Electric Division Fund, which is as of December 31, 2019)

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and short-term investments	\$ 42,442,325	\$ 19,760,270	\$ 62,202,595
Investments	4,032,720	-	4,032,720
Receivables, net of allowance for uncollectibles:			
Property taxes	2,146,776	-	2,146,776
Excises	734,922	-	734,922
User fees	-	7,809,008	7,809,008
Intergovernmental	664,707	-	664,707
Interfund (see note 8A)	-	62,500	62,500
Departmental and other	5,520	457,390	462,910
Due from other funds	27,229	-	27,229
Prepaid expenses	-	362,248	362,248
Inventory	-	2,574,762	2,574,762
Total Current Assets	50,054,199	31,026,178	81,080,377
Noncurrent:			
Restricted cash	-	14,888,950	14,888,950
Receivables, net of allowance for uncollectibles:			
Property taxes	475,742	-	475,742
Other assets, net of current portion	-	1,385,022	1,385,022
Land and construction in progress	44,341,748	21,290,453	65,632,201
Other capital assets, net of accumulated depreciation	112,674,271	109,591,382	222,265,653
Total Noncurrent Assets	157,491,761	147,155,807	304,647,568
Total Assets	207,545,960	178,181,985	385,727,945
Deferred Outflows of Resources			
Related to pensions	7,852,147	5,650,494	13,502,641
Related to OPEB	11,902,984	1,624,561	13,527,545
Total Deferred Outflows of Resources	19,755,131	7,275,055	27,030,186
Liabilities			
Current:			
Warrants payable	5,460,653	2,534,816	7,995,469
Accounts payable	-	3,010,428	3,010,428
Accrued liabilities	2,216,213	522,696	2,738,909
Tax refunds payable	1,084,673	-	1,084,673
Notes payable	1,600,000	3,270,000	4,870,000
Other current liabilities	2,999,286	857,972	3,857,258
Current portion of long-term liabilities:			
Bonds payable	4,201,380	2,476,258	6,677,638
Compensated absences	118,437	5,784	124,221
Total Current Liabilities	17,680,642	12,677,954	30,358,596
Noncurrent:			
Bonds payable, net of current portion	66,335,860	24,375,700	90,711,560
Net pension liability	73,600,320	4,675,023	78,275,343
Net OPEB liability	197,903,693	16,239,135	214,142,828
Compensated absences	2,250,292	109,894	2,360,186
Total Noncurrent Liabilities	340,090,165	45,399,752	385,489,917
Total Liabilities	357,770,807	58,077,706	415,848,513
Deferred Inflows of Resources			
Related to pensions	7,985,025	4,961,470	12,946,495
Related to OPEB	3,574,647	374,036	3,948,683
Total Deferred Inflows of Resources	11,559,672	5,335,506	16,895,178
Net Position			
Net investment in capital assets	96,674,155	101,341,212	198,015,367
Restricted for:			
Grants and other statutory restrictions	6,213,286	2,638,315	8,851,601
Permanent funds:			
Nonexpendable	87,067	-	87,067
Expendable	364,636	-	364,636
Unrestricted	(245,368,532)	18,064,301	(227,304,231)
Total Net Position	\$ (142,029,388)	\$ 122,043,828	\$ (19,985,560)

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

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TOWN OF DANVERS, MASSACHUSETTS

Statement of Activities
For the Year Ended June 30, 2020
(Except for the Electric Division Fund, which is as of December 31, 2019)

	<u>Expenses</u>	Program Revenues		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities				
General government	\$ 7,504,880	\$ 1,817,488	\$ 501,848	\$ 312,638
Public safety	20,246,444	914,625	381,067	-
Education	84,921,032	1,182,576	26,858,920	-
Public works	18,506,651	135,807	929,621	-
Health and human services	2,253,973	406,477	368,189	-
Culture and recreation	4,643,769	1,125,474	53,697	-
Interest on long-term debt	<u>2,411,906</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	140,488,655	5,582,447	29,093,342	312,638
Business-type Activities				
Water operations	8,385,309	9,565,259	-	-
Sewer operations	6,602,590	6,707,204	-	-
Electric operations	<u>36,501,081</u>	<u>36,204,643</u>	<u>1,373,683</u>	<u>-</u>
Total Business-type Activities	<u>51,488,980</u>	<u>52,477,106</u>	<u>1,373,683</u>	<u>-</u>
Total	<u>\$ 191,977,635</u>	<u>\$ 58,059,553</u>	<u>\$ 30,467,025</u>	<u>\$ 312,638</u>

General Revenues and Transfers

Property taxes
Excises
Payment in lieu of taxes
Penalties, interest and other taxes
Grants and contributions not restricted
to specific programs
Investment income
Miscellaneous
Transfers, net
Total general revenues and transfers
Change in Net Position

Net Position

Beginning of year
End of year

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

Net (Expenses) Revenues and Changes in Net Position

Governmental Activities	Business- Type Activities	Total
\$ (4,872,906)	\$ -	\$ (4,872,906)
(18,950,752)	-	(18,950,752)
(56,879,536)	-	(56,879,536)
(17,441,223)	-	(17,441,223)
(1,479,307)	-	(1,479,307)
(3,464,598)	-	(3,464,598)
<u>(2,411,906)</u>	<u>-</u>	<u>(2,411,906)</u>
(105,500,228)	-	(105,500,228)
-	1,179,950	1,179,950
-	104,614	104,614
<u>-</u>	<u>1,077,245</u>	<u>1,077,245</u>
-	2,361,809	2,361,809
(105,500,228)	2,361,809	(103,138,419)
80,149,621	-	80,149,621
4,976,812	-	4,976,812
356,941	-	356,941
2,488,238	-	2,488,238
3,432,825	-	3,432,825
644,101	457,163	1,101,264
1,115,364	578,843	1,694,207
<u>837,147</u>	<u>(740,792)</u>	<u>96,355</u>
<u>94,001,049</u>	<u>295,214</u>	<u>94,296,263</u>
(11,499,179)	2,657,023	(8,842,156)
<u>(130,530,209)</u>	<u>119,386,805</u>	<u>(11,143,404)</u>
<u>\$ (142,029,388)</u>	<u>\$ 122,043,828</u>	<u>\$ (19,985,560)</u>

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

TOWN OF DANVERS, MASSACHUSETTS

Governmental Funds
Balance Sheet
June 30, 2020

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and short-term investments	\$ 23,911,973	\$ 9,992,630	\$ 7,825,643	\$ 41,730,246
Investments	3,604,188	-	428,532	4,032,720
Receivables:				
Property taxes	3,026,518	-	-	3,026,518
Excises	1,025,922	-	-	1,025,922
Departmental and other	5,521	-	664,707	670,228
Due from other funds	27,229	-	-	27,229
Total Assets	<u>\$ 31,601,351</u>	<u>\$ 9,992,630</u>	<u>\$ 8,918,882</u>	<u>\$ 50,512,863</u>
Liabilities				
Warrants payable	\$ 2,228,839	\$ 1,915,907	\$ 1,315,908	\$ 5,460,654
Accrued liabilities	1,081,136	-	-	1,081,136
Tax refunds payable	1,084,673	-	-	1,084,673
Notes payable	-	1,600,000	-	1,600,000
Other liabilities	1,644,117	-	-	1,644,117
Total Liabilities	6,038,765	3,515,907	1,315,908	10,870,580
Deferred Inflows of Resources				
Unavailable revenues	4,017,981	-	-	4,017,981
Fund Balances				
Nonspendable	-	-	87,067	87,067
Restricted	-	7,913,916	8,453,986	16,367,902
Committed	5,297,344	-	-	5,297,344
Assigned	5,131,270	-	-	5,131,270
Unassigned	11,115,991	(1,437,193)	(938,079)	8,740,719
Total Fund Balances	<u>21,544,605</u>	<u>6,476,723</u>	<u>7,602,974</u>	<u>35,624,302</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 31,601,351</u>	<u>\$ 9,992,630</u>	<u>\$ 8,918,882</u>	<u>\$ 50,512,863</u>

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, 2020

Total governmental fund balances	\$	35,624,302
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		157,016,019
Revenues are reported on the accrual basis of accounting and are not deferred until collection.		3,322,981
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.		(643,090)
Long-term liabilities, including bonds payable, net pension liability, net OPEB liability, and accrued compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(344,409,982)
Deferred outflows and (inflows) of resources related to Pensions to be recognized in pension expense in future periods		(132,878)
Deferred outflows and (inflows) of resources related to OPEB to be recognized in pension expense in future periods		8,328,337
Other		<u>(1,135,077)</u>
Net position of governmental activities	\$	<u><u>(142,029,388)</u></u>

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, 2020

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 79,433,713	\$ -	\$ -	\$ 79,433,713
Excises	4,623,596	-	-	4,623,596
Penalties, interest and other taxes	2,845,179	-	-	2,845,179
Charges for services	2,057,872	-	2,471,286	4,529,158
Intergovernmental	16,656,500	3,588,569	5,289,030	25,534,099
Licenses and permits	1,002,745	-	-	1,002,745
Fines and forfeits	50,543	-	-	50,543
Investment income	569,447	-	25,631	595,078
Miscellaneous	<u>394,222</u>	<u>25,000</u>	<u>750,566</u>	<u>1,169,788</u>
Total Revenues	107,633,817	3,613,569	8,536,513	119,783,899
Expenditures				
General government	4,367,299	1,600	453,163	4,822,062
Public safety	12,042,322	-	202,850	12,245,172
Education	51,371,991	16,134,754	5,145,304	72,652,049
Public works	10,459,404	-	1,142,153	11,601,557
Health and human services	1,141,583	-	402,030	1,543,613
Culture and recreation	2,267,901	-	992,648	3,260,549
Employee benefits	20,760,080	-	-	20,760,080
Debt service	5,981,826	-	-	5,981,826
Intergovernmental	<u>1,229,335</u>	<u>-</u>	<u>-</u>	<u>1,229,335</u>
Total Expenditures	<u>109,621,741</u>	<u>16,136,354</u>	<u>8,338,148</u>	<u>134,096,243</u>
Excess (deficiency) of revenues over expenditures	(1,987,924)	(12,522,785)	198,365	(14,312,344)
Other Financing Sources (Uses)				
Issuance of bonds	-	18,015,000	-	18,015,000
Bond premiums	-	2,260,000	-	2,260,000
Transfers in	987,280	-	77,882	1,065,162
Transfers out	<u>(77,881)</u>	<u>(19,634)</u>	<u>(130,500)</u>	<u>(228,015)</u>
Total Other Financing Sources (Uses)	<u>909,399</u>	<u>20,255,366</u>	<u>(52,618)</u>	<u>21,112,147</u>
Change in fund balances	(1,078,525)	7,732,581	145,747	6,799,803
Fund Balances, at Beginning of Year	<u>22,623,130</u>	<u>(1,255,858)</u>	<u>7,457,227</u>	<u>28,824,499</u>
Fund Balances, at End of Year	\$ <u><u>21,544,605</u></u>	\$ <u><u>6,476,723</u></u>	\$ <u><u>7,602,974</u></u>	\$ <u><u>35,624,302</u></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, 2020

Net changes in fund balances - total governmental funds	\$ 6,799,803
<p>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:</p>	
Capital outlay	17,009,293
Depreciation	(6,735,779)
<p>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:</p>	
Issuance of debt	(18,015,000)
Repayments of debt	3,506,600
Bond premium	(2,260,000)
Bond premium amortization	269,680
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue.</p>	
	1,180,125
<p>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.</p>	
Change in pension expense from GASB 68	(3,324,438)
Change in OPEB expense from GASB 75	(9,575,765)
Other	(347,487)
<p>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.</p>	
	311,150
Other differences	(317,361)
Change in net position of governmental activities	\$ (11,499,179)

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, 2020

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Property taxes	\$ 80,315,408	\$ 80,315,408	\$ 79,668,121	\$ (647,287)
Excises	4,470,000	4,470,000	4,623,596	153,596
Penalties, interest and other taxes	3,172,000	3,172,000	2,845,179	(326,821)
Charges for services	1,888,700	1,888,700	2,057,872	169,172
Intergovernmental	10,656,216	10,656,216	10,814,991	158,775
Licenses and permits	1,000,000	1,000,000	1,002,745	2,745
Fines and forfeits	50,000	50,000	50,543	543
Investment income	160,000	160,000	440,722	280,722
Miscellaneous	436,578	436,578	419,222	(17,356)
Total Revenues	102,148,902	102,148,902	101,922,991	(225,911)
Expenditures				
General government	4,082,689	4,134,931	3,809,602	325,329
Public safety	12,816,567	12,923,404	12,026,301	897,103
Education	42,317,094	43,136,064	42,996,299	139,765
Public works	11,605,972	11,818,423	10,462,148	1,356,275
Health and human services	1,236,817	1,236,929	1,088,069	148,860
Culture and recreation	2,452,532	2,453,167	2,308,608	144,559
Employee benefits	20,595,078	20,595,078	19,919,480	675,598
Debt service	6,897,171	6,293,919	5,981,826	312,093
Intergovernmental	1,252,808	1,252,808	1,229,335	23,473
Articles	3,432,786	5,061,948	5,057,527	4,421
Total Expenditures	106,689,514	108,906,671	104,879,195	4,027,476
Excess (deficiency) of revenues over expenditures	(4,540,612)	(6,757,769)	(2,956,204)	3,801,565
Other Financing Sources/(Uses)				
Use of fund balance:				
Operating budget	345,000	345,000	345,000	-
Capital budget	1,444,000	1,444,000	1,444,000	-
Transfer to stabilization funds	2,250,000	2,250,000	2,250,000	-
OPEB trust fund contributions	350,000	350,000	350,000	-
Prior year carryforwards	-	2,136,409	2,136,409	-
Transfers in	3,276,612	3,357,360	3,421,506	64,146
Transfers out	(3,125,000)	(3,125,000)	(3,202,881)	(77,881)
Total Other Financing Sources	4,540,612	6,757,769	6,744,034	(13,735)
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>3,787,830</u>	\$ <u>3,787,830</u>

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

TOWN OF DANVERS, MASSACHUSETTS

Proprietary Funds
Statement Of Net Position

June 30, 2020 (December 31, 2019 for the Electric Division Fund)

	Business-Type Activities Enterprise Funds				Governmental Activities
	Water Fund	Sewer Fund	Electric Division Fund	Total	Internal Service Funds
Assets					
Current:					
Cash and short-term investments	\$ 8,866,303	\$ 5,890,732	\$ 5,003,235	\$ 19,760,270	\$ 712,079
User fees, net of allowance for uncollectibles	2,249,831	1,295,507	4,263,670	7,809,008	-
Other receivables	-	-	457,390	457,390	-
Interfund receivables	-	-	187,500	187,500	-
Prepaid expenses	-	-	362,248	362,248	-
Inventory	-	-	2,574,762	2,574,762	-
Total current assets	11,116,134	7,186,239	12,848,805	31,151,178	712,079
Noncurrent:					
Restricted cash	-	-	14,888,950	14,888,950	-
Interfund receivables, net of current portion	-	-	1,333,753	1,333,753	-
Other assets, net of current portion	-	-	1,385,022	1,385,022	-
Land and construction in progress	14,604,681	6,432,233	253,539	21,290,453	-
Other capital assets, net of accumulated depreciation	55,833,095	19,892,465	33,865,822	109,591,382	-
Total noncurrent assets	70,437,776	26,324,698	51,727,086	148,489,560	-
Total Assets	81,553,910	33,510,937	64,575,891	179,640,738	712,079
Deferred Outflows of Resources					
Related to pensions	286,713	197,122	5,166,659	5,650,494	-
Related to OPEB	427,515	100,129	1,096,917	1,624,561	-
Total Deferred Outflows of Resources	714,228	297,251	6,263,576	7,275,055	-
Liabilities					
Current:					
Warrants payable	2,419,842	114,974	-	2,534,816	-
Accounts payable	-	-	3,010,428	3,010,428	-
Accrued liabilities	219,175	64,607	238,914	522,696	-
Notes payable	1,750,000	1,520,000	-	3,270,000	-
Other current liabilities	-	-	857,972	857,972	1,355,169
Current portion of long-term liabilities:					
Bonds payable	1,476,858	424,400	575,000	2,476,258	-
Interfund payable	100,000	150,000	-	250,000	-
Compensated absences	5,136	648	-	5,784	-
Total current liabilities	5,971,011	2,274,629	4,682,314	12,927,954	1,355,169
Noncurrent:					
Bonds payable, net of current portion	17,324,650	3,050,050	4,001,000	24,375,700	-
Interfund payable	483,501	725,252	-	1,208,753	-
Net pension liability	2,927,119	536,262	1,211,642	4,675,023	-
Net OPEB liability	3,558,721	817,715	11,862,699	16,239,135	-
Compensated absences	97,588	12,306	-	109,894	-
Total noncurrent liabilities	24,391,579	5,141,585	17,075,341	46,608,505	-
Total Liabilities	30,362,590	7,416,214	21,757,655	59,536,459	1,355,169
Deferred Inflows of Resources					
Related to pensions	367,061	57,049	4,537,360	4,961,470	-
Related to OPEB	84,285	20,311	269,440	374,036	-
Total Deferred Inflows of Resources	451,346	77,360	4,806,800	5,335,506	-
Net Position					
Net investment in capital assets	49,924,388	21,873,463	29,543,361	101,341,212	-
Restricted:					
Externally by law	-	-	2,638,315	2,638,315	-
Unrestricted	1,529,814	4,441,151	12,093,336	18,064,301	(643,090)
Total Net Position	\$ 51,454,202	\$ 26,314,614	\$ 44,275,012	\$ 122,043,828	\$ (643,090)

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, 2020 (December 31, 2019 for the Electric Division Fund)

	Business-Type Activities Enterprise Funds				Governmental
	Water	Sewer	Electric	Total	Internal
	Fund	Fund	Division		Service
					Fund
Operating Revenues					
Charges for services	\$ 9,565,259	\$ 6,707,204	\$ 36,204,643	\$ 52,477,106	\$ -
Employee and employer contributions	-	-	-	-	924,400
Other	-	-	-	-	320,645
Total Operating Revenues	9,565,259	6,707,204	36,204,643	52,477,106	1,245,045
Operating Expenses					
Salaries and benefits	2,873,981	330,482	4,880,718	8,085,181	982,919
Other operating expenses	2,952,269	5,011,638	28,925,244	36,889,151	-
Depreciation	2,133,017	1,140,351	2,501,098	5,774,466	-
Total Operating Expenses	7,959,267	6,482,471	36,307,060	50,748,798	982,919
Operating Income (Loss)	1,605,992	224,733	(102,417)	1,728,308	262,126
Nonoperating Revenues (Expenses)					
Intergovernmental revenue	-	-	1,373,683	1,373,683	-
Investment income	-	-	457,163	457,163	49,024
Other revenue	14,894	-	563,949	578,843	-
Interest expense	(426,042)	(120,119)	(194,021)	(740,182)	-
Total Nonoperating Revenues (Expenses)	(411,148)	(120,119)	2,200,774	1,669,507	49,024
Income Before Transfers	1,194,844	104,614	2,098,357	3,397,815	311,150
Transfers in	520,000	-	-	520,000	-
Transfers out	(2,500)	(487,500)	(770,792)	(1,260,792)	-
Change in Net Position	1,712,344	(382,886)	1,327,565	2,657,023	311,150
Net Position at Beginning of Year	49,741,858	26,697,500	42,947,447	119,386,805	(954,240)
Net Position at End of Year	\$ 51,454,202	\$ 26,314,614	\$ 44,275,012	\$ 122,043,828	\$ (643,090)

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, 2020 (December 31, 2019 for the Electric Division Fund)

	Business-Type Activities Enterprise Funds				Governmental Activities
	Water Fund	Sewer Fund	Electric Division Fund	Total	Internal Service Fund
Cash Flows From Operating Activities					
Receipts from customers and users	\$ 8,974,429	\$ 6,589,982	\$ 37,688,477	\$ 53,252,888	\$ -
Payments to vendor for goods and services	(2,494,568)	(5,143,390)	(32,516,829)	(40,154,787)	-
Payments to employees for services	(2,654,907)	(271,959)	(5,914,814)	(8,841,680)	-
Receipts from employees and employer	-	-	-	-	1,245,046
Payments of employee benefits and expenses	-	-	-	-	(1,035,128)
Net Cash Provided By (Used For) Operating Activities	3,824,954	1,174,633	(743,166)	4,256,421	209,918
Cashflows From Noncapital Financing Activities					
Proceeds from MMWEC	-	-	1,373,683	1,373,683	-
Interfund transfers in	517,500	(487,500)	(770,792)	(740,792)	-
Net Cash Provided By (Used For) Noncapital Financing Activities	517,500	(487,500)	602,891	632,891	-
Cash Flows From Capital and Related Financing Activities					
Acquisition and construction of capital assets, net of disposals	(2,779,803)	(1,633,496)	(2,649,445)	(7,062,744)	-
Proceeds from issuance of notes	1,750,000	-	-	1,750,000	-
Payment of notes	-	(280,000)	-	(280,000)	-
Proceeds from bonds	1,500,000	1,545,000	-	3,045,000	-
Proceeds from bond premiums	-	250,000	-	250,000	-
Principal payments on bonds	(1,571,790)	(458,500)	(575,700)	(2,605,990)	-
Interest expense	(390,886)	(83,932)	(201,901)	(676,719)	-
Net Cash (Used For) Capital and Related Financing Activities	(1,492,479)	(660,928)	(3,427,046)	(5,580,453)	-
Cash Flows From Investing Activities					
(Increase) in investment in New England Hydro-Transmission	-	-	(12,056)	(12,056)	-
Investment income	-	-	457,163	457,163	49,023
Net Cash Provided By Investing Activities	-	-	445,107	445,107	49,023
Net Change in Cash and Short-Term Investments	2,849,975	26,205	(3,122,214)	(246,034)	258,941
Cash and Short Term Investments, Beginning of Year	6,016,328	5,864,527	23,014,399 ⁽¹⁾	34,895,254	453,138
Cash and Short Term Investments, End of Year	\$ 8,866,303	\$ 5,890,732	\$ 19,892,185 ⁽¹⁾	\$ 34,649,220	\$ 712,079
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities					
Operating income (loss)	\$ 1,605,992	\$ 224,733	\$ (102,417)	\$ 1,728,308	\$ 262,126
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	2,133,017	1,140,351	2,501,098	5,774,466	-
Changes in assets, deferred outflows, liabilities, and deferred inflows:					
User fees	(590,830)	(117,222)	1,505,942	797,890	-
Inventory	-	-	54,961	54,961	-
Other assets	-	-	205,972	205,972	-
Deferred outflows - related to pensions	194,559	(145,450)	(2,745,056)	(2,695,947)	-
Deferred outflows - related to OPEB	(227,000)	(58,293)	(756,019)	(1,041,312)	-
Warrants payable	557,701	18,569	-	576,270	(13,341)
Accounts payable	-	-	(347,552)	(347,552)	-
Accrued liabilities	-	-	-	-	(38,867)
Net pension liability	(266,511)	162,270	(6,259,489)	(6,363,730)	-
Net OPEB liability	339,336	54,534	1,108,040	1,501,910	-
Deferred inflows - related to pensions	203,900	41,703	4,166,404	4,412,007	-
Deferred inflows - related to OPEB	(50,097)	(1,032)	(84,570)	(135,699)	-
Other liabilities	(75,113)	(145,530)	9,520	(211,123)	-
Net Cash Provided By (Used For) Operating Activities	\$ 3,824,954	\$ 1,174,633	\$ (743,166)	\$ 4,256,421	\$ 209,918

⁽¹⁾ Includes restricted cash

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

TOWN OF DANVERS, MASSACHUSETTS

Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2020

	Pension and OPEB <u>Trust Funds</u>	Private Purpose Trust <u>Fund</u>	Agency <u>Funds</u>
Assets			
Cash and short term investments	\$ 3,941,160	\$ 176,243	\$ -
Investments:			
Certificate of deposit	-	197,641	-
Federal agency securities	-	281,965	-
Corporate bonds	-	424,495	-
Corporate equities	16,782,143	2,873,105	-
Mutual funds	7,525,811	-	-
External investment pools	<u>107,460,766</u>	<u>137,733</u>	<u>-</u>
Total investments	131,768,720	3,914,939	-
Accounts receivable	<u>376,621</u>	<u>-</u>	<u>96,810</u>
Total Assets	136,086,501	4,091,182	96,810
Liabilities			
Accounts payable	194,578	-	-
Due to other funds	-	-	27,229
Other liabilities	<u>-</u>	<u>-</u>	<u>69,581</u>
Total Liabilities	<u>194,578</u>	<u>-</u>	<u>\$ 96,810</u>
Net Position			
Restricted for pensions	127,992,206	-	
Restricted for OPEB purposes	7,899,717	-	
Restricted for other purposes	<u>-</u>	<u>4,091,182</u>	
Total Net Position	<u>\$ 135,891,923</u>	<u>\$ 4,091,182</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, 2020

	<u>Pension and OPEB Trust Funds</u>	<u>Private Purpose Trust Fund</u>
Additions		
Contributions:		
Employers	\$ 18,132,052	\$ -
Plan members	3,234,294	-
Other systems and Commonwealth of Massachusetts	335,928	-
Other	<u>367,862</u>	<u>150</u>
Total contributions	22,070,136	150
Investment Income:		
Increase in fair value of investments	19,463,842	-
Investment income	229,658	65,923
Less: management fees	<u>(656,341)</u>	<u>-</u>
Net investment income	<u>19,037,159</u>	<u>65,923</u>
Total additions	41,107,295	66,073
Deductions		
Benefit payments to plan members, beneficiaries, and other systems	18,687,371	-
Refunds to plan members	214,820	-
Administrative expenses	297,821	-
Other	<u>420,266</u>	<u>105,042</u>
Total deductions	<u>19,620,278</u>	<u>105,042</u>
Net increase (decrease)	21,487,017	(38,969)
Net position restricted for pensions and other purposes		
Beginning of year	<u>114,404,906</u>	<u>4,130,151</u>
End of year	<u>\$ 135,891,923</u>	<u>\$ 4,091,182</u>

The accompanying notes are an integral part of these 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 Select Board. 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.

Fiduciary Component Unit: The Danvers Contributory Retirement System (the 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 part of the pension and OPEB 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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*. 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, certain expenditures such as debt service, claims and judgments, compensated absences, OPEB, and pension 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 *capital projects fund* accounts for resources obtained and expended for the acquisition of major governmental capital facilities or equipment.

The proprietary fund financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with 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 Town reports the following fiduciary funds:

- The *post-employment benefits* and *OPEB trust funds* are used to accumulate resources for retiree post-employment benefits.
- The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments. The Town maintains one private

purpose trust fund to account for multiple educational scholarships and charitable hospital activities.

- 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 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. Generally, 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".

For purpose of the Statement of Cash Flows, the proprietary funds consider investments with original maturities of three months or less to be cash equivalents.

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.

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. 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% (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2020 tax levy reflected an excess capacity of \$5,305. Certain provisions of Proposition 2½ can be overridden by a referendum.

G. 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.

H. 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 \$25,000 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 acquisition 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.

Capital assets 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, 2019, the Electric Division's depreciation rate was 3%.

I. 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.

J. 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.

K. 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.

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.

L. 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 or three categories, salaries, expenses, and capital outlay.

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</u>	<u>Expenditures</u>	<u>Other Financing Sources/(Uses)</u>
Revenues/expenditures/ other financing sources/(uses) (GAAP Basis)	\$ 107,633,817	\$ 109,621,741	\$ 909,399
To record use of free cash	-	-	4,044,000
To record use of overlay surplus	-	-	345,000
To record use of prior year appropriation carryforwards	-	-	2,136,409
Reverse the effects of combining general fund and stabilization funds (GASB 54)	(128,725)	(3,255)	799,787
To record current year appropriation carryforwards	-	2,234,651	-
To reverse unbudgeted GASB 24 Massachusetts Teacher Retirement System	(5,841,509)	(5,841,509)	-
Other adjustments	<u>259,408</u>	<u>(1,132,433)</u>	<u>(1,490,561)</u>
Budgetary Basis	<u>\$ 101,922,991</u>	<u>\$ 104,879,195</u>	<u>\$ 6,744,034</u>

D. Excess of Expenditures over Appropriations

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

Other Financing Uses - Transfers out	\$ (77,881)
--------------------------------------	-------------

E. Deficit Fund Equity

The following funds had unassigned fund balance deficits as of June 30, 2020:

<u>Major Funds:</u>	
Capital Project Funds	\$ (1,437,193)
<u>Nonmajor Governmental Funds:</u>	
Grants	\$ (938,079)
<u>Other Funds:</u>	
Internal Service Fund	\$ (643,090)

The deficits in these funds will be eliminated through future intergovernmental revenues, operating funds and bond proceeds.

3. Deposits and Investments

State statutes (MGL Chapter 44, Section 55) place certain limitation on the nature of deposits and investments available to the Town. Deposits, including demand deposits, money markets, certificates of deposits in any one financial institution, may not exceed 60% of the capital and surplus of such institution unless collateralized by the institution involved. Investments may be made in unconditionally guaranteed U.S. government obligations have maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consists of such obligations. Other allowable investments include certificates of deposits having a maturity date of up to 3 years from the date of purchase, national banks and Massachusetts Municipal Depository Trust (MMDT). MMDT, which is an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts, meets the criteria established by GASB 79, *Certain External Investment Pools and Pool Participants*, to report its investments at amortized cost, which approximates the net asset value of 1.00 per share. MMDT has a maturity of less than 1 year and is not rated or subject to custodial credit risk disclosure. MGL Chapter 44, Section 54 provides additional investment options for certain special revenue, trust and OPEB funds.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of bank failure, the Town’s deposits may not be returned. The Town does not have formal deposit policies related to the custodial credit risk of deposits.

As of June 30, 2020, \$44,962,599, of the Town’s bank balance of \$97,615,225 was exposed to custodial credit risk as uninsured and uncollateralized, and \$15,808,054 was collateralized by securities held by the pledging financial institution’s trust department or agent but not in the Town’s name.

Investment Summary

The following is a summary of the Town’s investments (in thousands) as of June 30, 2020:

<u>Investment Type</u>	<u>Amount</u>
Certificates of deposits	\$ 3,882
Corporate bonds	596
Corporate equities	3,270
Equity mutual funds	7,526
Exchange traded funds	100
Limited partnerships	38
U.S. Treasury and agencies	<u>396</u>
Total investments	<u>\$ 15,808</u>

Custodial Credit Risk – Investments

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, the Town will not be able to recover the value of its investment or collateral securities that are in possession of another party. The Town does not have formal investment policies related to custodial credit risk.

As of June 30, 2020, \$11,788,459 was subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and held by the Town’s brokerage firm, which is also the counterparty to these securities as follows (in thousands):

<u>Investment Type</u>	<u>Amount</u>	Held by <u>Counterparty</u>	Held by <u>Counterparty's</u> <u>Trust or Agent</u>
Corporate bonds	596	-	596
Corporate equities	3,270	-	3,270
Equity mutual funds	7,526	-	7,526
U.S. Treasury and agencies	<u>396</u>	<u>-</u>	<u>396</u>
Total	<u>\$ 11,788</u>	<u>\$ -</u>	<u>\$ 11,788</u>

Credit Risk – Investments of Debt Securities

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. The Town does not have formal investment policies related to credit risk.

As of June 30, 2020, the credit quality ratings, as rated by Moody's Investors Service, of the Town's investments are as follows (in thousands):

<u>Investment Type</u>	<u>Amount</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>						
			<u>AAA</u>	<u>Aa3</u>	<u>A3</u>	<u>A2</u>	<u>A1</u>	<u>Baa1</u>	<u>Baa2</u>
Certificates of deposit	\$ 3,882	\$ 3,882	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate bonds	596	-	40	33	36	75	67	228	117
Corporate equities	3,270	3,270	-	-	-	-	-	-	-
Equity mutual funds	7,526	7,526	-	-	-	-	-	-	-
Exchange traded funds	100	100	-	-	-	-	-	-	-
Limited partnerships	38	38	-	-	-	-	-	-	-
U.S. Treasury and agencies	396	-	396	-	-	-	-	-	-
Total	\$ 15,808	\$ 14,816	\$ 436	\$ 33	\$ 36	\$ 75	\$ 67	\$ 228	\$ 117

Concentration of Credit Risk – Investments

Concentration of credit risk is the risk of loss attributable to the magnitude of the Town's investment in a single issuer. The Town of Danvers, Massachusetts places no limit on the amount invested in any one issuer. The Town does not have formal investment policies related to concentration of credit risk exposure.

Individual investments exceeding 5% of the Town's total investments are as follows (in thousands):

<u>Investment Issuer</u>	<u>Amount</u>	<u>% of Total Investments</u>
Eastern Bank CD	\$ 3,604	22.80%
Alger Focus Equity Mutual Fund	793	5.02%
Total	\$ 4,397	

Interest Rate Risk – Investments of Debt Securities

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 greater the sensitivity of its fair value to changes in market interest rates. The Town does not have formal investment policies limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing 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>Amount</u>	<u>Exempt From Disclosure</u>	<u>Investment Maturities (in Years)</u>		
			<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
Certificates of deposits	\$ 3,882	\$ -	\$ 3,604	\$ 278	\$ -
Corporate bonds	596	-	151	445	-
Corporate equities	3,270	3,270	-	-	-
Equity mutual funds	7,526	7,526	-	-	-
Exchange traded funds	100	100	-	-	-
Limited partnerships	38	38	-	-	-
U.S. Treasury and agencies	396	-	116	206	74
Total	<u>\$ 15,808</u>	<u>\$ 10,934</u>	<u>\$ 3,871</u>	<u>\$ 929</u>	<u>\$ 74</u>

Foreign Currency Risk – Investments

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 formal investment policies related to foreign currency risk.

Fair Value

The Town categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurement and Application* (GASB 72).

The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – Inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the fund has the ability to access at the measurement date.
- Level 2 – Inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as level 2.
- Level 3 – Unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation.

The Town has the following fair value measurements (in thousands) as of June 30, 2020:

<u>Investment Type</u>	<u>Amount</u>	<u>Fair Value Measurements Using:</u>		
		<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Investments by fair value level:				
Corporate bonds	\$ 596	\$ -	\$ 596	\$ -
Corporate equities	3,270	3,270	-	-
Equity mutual funds	7,526	7,526	-	-
Exchange traded funds	100	100	-	-
U.S. Treasury and agencies	396	-	396	-
Investments measured at the net asset value (NAV):				
Limited partnerships	<u>38</u>			
Total	<u>\$ 11,926</u>			

<u>Investment Type</u>	<u>Amount</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If currently eligible)</u>	<u>Redemption Notice Period</u>
Limited partnerships	\$ 38	\$ -	*	*

* Redemptions are not eligible until the end of the partnership terms.

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the securities relationship to benchmark quote prices. Level 2 debt securities have non-proprietary information that was readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

4. Investments – Pension Trust Fund (The System)

The following is a summary of the System’s investments as of December 31, 2019 (Presented in thousands):

<u>Investment Type</u>	<u>Amount</u>
Corporate equities	\$ 16,447
External investment pool	<u>107,461</u>
Total investments	<u>\$ 123,908</u>

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

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 System’s investments are not subject to custodial credit risk.

Credit Risk – Investments of Debt Securities

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Massachusetts General Law, Chapter 32, Section 23, limits the investment of System funds, to the extent not required for current disbursements, in the PRIT Fund or in 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. The System’s investments at December 31, 2019 were either not subject to credit risk or were unrated.

Concentration of Credit Risk

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.

Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from concentration of credit disclosure.

As of December 31, 2019, the System did not have any investments subject to concentration of credit risk disclosure as any investment classifications exceeding 5% are exempt.

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 greater the sensitivity of its fair value to changes in market interest rates. The System does not have formal investment policies limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. As of December 31, 2019, the System did not have any investments subject to interest rate risk.

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 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.

Fair Value

The System categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurement and Application* (GASB 72).

The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – Inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the fund has the ability to access at the measurement date.
- Level 2 – Inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as level 2.
- Level 3 – Unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

The net asset value (NAV) per share is the amount of net assets attributable to each share of capital stock outstanding at the close of the period. Investments measured at the NAV for fair value are not subject to level classification.

The System has the following fair value measurements as of December 31, 2019 (Presented in thousands):

<u>Investment Type</u>	<u>Amount</u>	<u>Fair Value Measurements Using:</u>		
		Quoted prices in active markets for identical assets <u>(Level 1)</u>	Significant observable inputs <u>(Level 2)</u>	Significant unobservable inputs <u>(Level 3)</u>
Investments by fair value level:				
Corporate equities	\$ 16,447	\$ 16,447	\$ -	\$ -
Investments measured at the net asset value (NAV):				
External investment pools	<u>107,461</u>	-	-	-
Total	<u>\$ 123,908</u>			

<u>Investment Type</u>	<u>Amount</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If currently eligible)</u>	<u>Redemption Notice Period</u>
External investment pools:				
PRIT core real estate fund	\$ 8,005	\$ -	Monthly	30 Days
PRIT emerging markets fund	10,597	-	Monthly	30 Days
PRIT hedge funds	7,687	-	Monthly	30 Days
PRIT international equity fund	25,517	-	Monthly	30 Days
PRIT alternative investments	2,638	1,601	Monthly	30 Days
Barings US High Yield Bond Fund	5,794	-	Monthly	30 Days
Western Asset	20,208	-	Monthly	30 Days
Limited partnerships:				
BPG investments partnership IX, LP	166	-	*	*
Palladian partners VII, LP	1,392	-	*	*
Realty associates fund X UTP LP	254	-	*	*
Index funds				
Rhumblin S&P 500 index fund	18,568	-	Daily	1 Day
Rhumblin russell 1000 growth	6,635	-	Daily	1 Day

* As standard to limited partnership investments, not fully redeemed until the end of the partnership term; distributions based on cash flow of the partnership

5. Property Taxes and Excises Receivable

Real and personal property taxes are based on market values assessed as of each January 1. By law, all taxable property must be assessed at 100% of fair cash value. Also by law, property taxes must be levied at least 30 days prior to their due date. Once levied, these taxes are recorded as receivables, net of estimated uncollectible balances. Property tax revenues have been recorded using the accrual and modified accrual basis of accounting on the government-wide and fund basis statements accordingly.

The Town bills and collects its property taxes on a quarterly basis following the January 1 assessment. The due dates for those quarterly tax billings are August 1, November 1,

February 1, and May 1. Property taxes that remain unpaid after the respective due dates are subject to penalties and interest charges.

Based on the Town's experience, most property taxes are collected during the year in which they are assessed. Liening of properties on which taxes remain unpaid generally occurs annually. The Town ultimately has the right to foreclose on all properties where taxes remain unpaid.

The statewide property tax limitation known as "Proposition 2 ½" limits the amount of increase in the property tax levy in any fiscal year. Generally, Proposition 2 ½ limits the total levy to an amount not greater than 2 1/2% of the total assessed value of all taxable property within the Town. Secondly, the tax levy cannot increase by more than 2 ½% of the prior year's levy plus the taxes on property newly added to the tax rolls.

Motor vehicle excise taxes are assessed annually for every motor vehicle and trailer registered in the Commonwealth. The Registry of Motor Vehicles annually calculates the value of all registered motor vehicles for the purpose of excise assessment. The amount of motor vehicle excise tax due is calculated using a fixed rate of \$25 per \$1,000 of value.

Boat vehicle excise taxes are assessed annually for all water vessels, including documented boats and ships, used or capable of being used for transportation on water. A boat excise is assessed by the community where the vessel is moored. July 1 is the assessing date for all vessels, and the boat excise due is calculated using a fixed rate of \$10 per \$1,000 of value.

Property taxes and excise receivables at June 30, 2020 consist of the following, net of an estimated allowance for doubtful account in the government-wide financial statements:

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Net Amount (accrual basis)
Real estate taxes	\$ 1,640,765	\$ (169,000)	\$ 1,471,765
Personal property taxes	229,382	(159,000)	70,382
Supplemental property taxes	7,770	(1,000)	6,770
Tax liens	591,207	(59,000)	532,207
Deferred taxes	157,394	(16,000)	141,394
Other	400,000	-	400,000
Total property taxes	<u>\$ 3,026,518</u>	<u>\$ (404,000)</u>	<u>\$ 2,622,518</u>
Motor vehicle excise	\$ 976,918	\$ (255,000)	\$ 721,918
Boat excise	49,004	(36,000)	13,004
Total excises	<u>\$ 1,025,922</u>	<u>\$ (291,000)</u>	<u>\$ 734,922</u>

6. Water, Sewer and Electric User Charges

The Town provides water, sewer and electric services. Water and sewer bills are mailed quarterly and are based on usage. The amounts reported consist of both billed and unbilled receivables. In the case of the electric fund, the receivables are reported net of an allowance for uncollectible accounts.

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2020.

8. Interfund Fund Accounts

A. Interfund Payables

The Electric Division Fund administered 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. The annual payments to retire all interfund loans outstanding as of June 30, 2020 are as follows:

	<u>Principal</u>
2021	\$ 250,000
2022	250,000
2023	250,000
2024	250,000
2024-2026	<u>458,753</u>
Total	<u>\$ 1,458,753</u>

B. Due To/Due From Other Funds

The due to agency funds and due from the general fund represents short-term borrowing from the general fund for police detail.

C. Transfers

The Town reports interfund transfers between various funds. Most transfers results from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. The sum of all transfers presented in the table agrees with the sum of interfund transfers in the fund financial statements. Although the total of interfund transfers balances throughout the year, the Electric Division Fund is presented at December 31, 2019, not June 30, 2020. Therefore, a timing difference of \$96,355

exists in the accompanying Statement of Activities and Statements of Revenues, Expenses, and Changes in Fund Net Position. The following is an analysis of interfund transfers made in fiscal year 2020.

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 987,280	\$ 77,881
Capital Project Funds	-	19,634
Nonmajor Funds:		
Special Revenue Funds	<u>77,882</u>	<u>130,500</u>
Subtotal - Governmental	1,065,162	228,015
<u>Business-Type Funds:</u>		
Water fund	520,000	2,500
Sewer fund	-	487,500
Electric division fund	-	<u>770,792</u>
Subtotal - Business-Type	<u>520,000</u>	<u>1,260,792</u>
Total	<u>\$ 1,585,162</u>	<u>\$ 1,488,807</u>

Of the transfers to the general fund \$867,146 represents payment in lieu of taxes from the Electric Division Fund. Of the transfers to the water fund, \$485,000 was from the sewer fund for capital related articles approved at annual Town meeting.

9. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 194,939	\$ -	\$ -	\$ 194,939
Machinery, equipment, and furnishings	17,903	695	-	18,598
Infrastructure	<u>20,088</u>	<u>-</u>	<u>-</u>	<u>20,088</u>
Total capital assets, being depreciated	232,930	695	-	233,625
Less accumulated depreciation for:				
Buildings and improvements	(96,125)	(4,959)	-	(101,084)
Machinery, equipment, and furnishings	(10,747)	(1,202)	-	(11,949)
Infrastructure	<u>(7,344)</u>	<u>(574)</u>	<u>-</u>	<u>(7,918)</u>
Total accumulated depreciation	<u>(114,216)</u>	<u>(6,735)</u>	<u>-</u>	<u>(120,951)</u>
Total capital assets, being depreciated, net	118,714	(6,040)	-	112,674
Capital assets, not being depreciated:				
Land	25,244	-	-	25,244
Construction in progress	<u>2,784</u>	<u>16,314</u>	<u>-</u>	<u>19,098</u>
Total capital assets, not being depreciated	<u>28,028</u>	<u>16,314</u>	<u>-</u>	<u>44,342</u>
Governmental activities capital assets, net	<u>\$ 146,742</u>	<u>\$ 10,274</u>	<u>\$ -</u>	<u>\$ 157,016</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 49,541	\$ 157	\$ -	\$ 49,698
Machinery, equipment, and furnishings	9,994	509	(35)	10,468
Infrastructure	<u>172,015</u>	<u>1,983</u>	<u>-</u>	<u>173,998</u>
Total capital assets, being depreciated	231,550	2,649	(35)	234,164
Less accumulated depreciation for:				
Buildings and improvements	(22,815)	(1,370)	-	(24,185)
Machinery, equipment, and furnishings	(4,635)	(600)	35	(5,200)
Infrastructure	<u>(91,384)</u>	<u>(3,804)</u>	<u>-</u>	<u>(95,188)</u>
Total accumulated depreciation	<u>(118,834)</u>	<u>(5,774)</u>	<u>35</u>	<u>(124,573)</u>
Total capital assets, being depreciated, net	112,716	(3,125)	-	109,591
Capital assets, not being depreciated:				
Land	5,411	-	-	5,411
Construction in progress	<u>9,796</u>	<u>6,083</u>	<u>-</u>	<u>15,879</u>
Total capital assets, not being depreciated	<u>15,207</u>	<u>6,083</u>	<u>-</u>	<u>21,290</u>
Business-type activities capital assets, net	<u>\$ 127,923</u>	<u>\$ 2,958</u>	<u>\$ -</u>	<u>\$ 130,881</u>

Depreciation expense was charged to functions of the Town as follows:

Governmental Activities	
General government	\$ 94
Public safety	1,088
Education	1,009
Public works	4,277
Health and human services	59
Culture and recreation	<u>208</u>
Total governmental activities	<u>\$ 6,735</u>
Business-Type Activities	
Water	\$ 2,133
Sewer	1,140
Electric	<u>2,501</u>
Total business-type activities	<u>\$ 5,774</u>

10. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes.

11. Warrants and Accounts Payable

Warrants payable represent 2020 expenditures paid by July 15, 2020 as permitted by law. Accounts payable represent 2019 Electric Division expenses paid after December 31, 2019.

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, 2020:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/2020</u>
Bond anticipation note	2.00%	08/15/19	08/14/20	\$ 2,600,000
Bond anticipation note	2.00%	02/13/20	08/14/20	2,270,000
Total				\$ 4,870,000

The following summarizes activity in notes payable during fiscal year 2020:

	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Bonded</u>	<u>Paydown</u>	<u>Balance End of Year</u>
Governmental Activities:						
Smith school feasibility study	\$ 900,000	\$ -	\$ -	\$ -	\$ (900,000)	\$ -
Central and engine 2 fire station improvements	275,000	-	-	-	(275,000)	-
High school roof replacement	1,600,000	1,600,000	(1,600,000)	-	-	1,600,000
Ivan G. Smith Elementary school	2,200,000	-	-	(2,200,000)	-	-
Subtotal	4,975,000	1,600,000	(1,600,000)	(2,200,000)	(1,175,000)	1,600,000
Business-Type Activities:						
Frost fish brook drainage improvements	200,000	1,220,000	-	(195,000)	(5,000)	1,220,000
Sewer I & I	1,600,000	300,000	-	(1,350,000)	(250,000)	300,000
Water Distribution System	-	1,750,000	-	-	-	1,750,000
Subtotal	1,800,000	3,270,000	-	(1,545,000)	(255,000)	3,270,000
Total	\$ 6,775,000	\$ 4,870,000	\$ (1,600,000)	\$ (3,745,000)	\$ (1,430,000)	\$ 4,870,000

14. Long-Term Debt

A. Long-Term Debt Supporting Governmental Activities

General obligation bonds and direct borrowings, 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 and direct borrowings 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. Direct borrowings have been issued for business-type activities.

General obligation bonds and direct borrowings currently outstanding are as follows:

	Amount of	Serial	Interest	Amount
	Original	Maturities	Rate(s) %	Outstanding
<u>Governmental Activities</u>	<u>Issue</u>	<u>Through</u>		<u>as of</u>
				<u>6/30/20</u>
Thorpe School roof replacement	\$ 637,000	06/30/28	3.23%	\$ 280,000
Thorpe School athletic fields	280,000	06/30/24	2.76%	60,000
Landfill closure	898,000	06/30/31	3.42%	470,000
Landfill closure	400,000	06/30/31	3.46%	220,000
Landfill closure	500,000	06/30/31	3.46%	275,000
High School	23,525,000	06/30/37	4.27%	18,200,000
Great Oak School	376,000	06/30/32	3.40%	255,000
High School	5,448,000	06/30/37	3.73%	4,220,000
Land acquisition - refunding	241,000	08/01/21	1.04%	60,000
School remodeling - refunding	120,800	08/01/21	1.04%	30,000
School remodeling - refunding	442,000	08/01/21	1.04%	120,000
Great Oak School	250,072	07/15/34	2.95%	200,000
High School	4,600,000	07/15/34	2.95%	3,685,000
Land acquisition 1	259,816	07/15/34	2.95%	210,000
Land acquisition 2	964,053	07/15/34	2.95%	765,000
Landfill closure	1,981,344	07/15/34	2.95%	1,585,000
School - refunding	5,451,000	07/01/25	1.68%	3,529,700
Dredging - Crane/Porter rivers - refunding	160,000	07/01/22	4.00%	115,000
Holten Richmond Middle School - refunding	720,200	07/01/25	4.00%	610,000
High School roof - refunding	200,000	07/01/25	4.00%	170,000
Town Hall renovation - refunding	2,800,100	07/01/28	4.00%	2,510,000
Fire truck	1,078,000	08/15/31	4.00%	915,000
Library HVAC system	1,867,000	08/15/37	3.00%	1,675,000
High School athletic fields	4,220,000	08/15/31	4.00%	3,570,000
Public safety communications center	4,908,000	08/15/37	3.00%	4,410,000
Smith School construction	18,015,000	08/15/39	3.00%	<u>18,015,000</u>
Total Governmental Activities				66,154,700

(continued)

(continued)

	Amount of	Serial	Interest	Amount
	Original	Maturities	Rate(s) %	Outstanding
	Issue	Through		as of
				6/30/20
<u>Business-Type Activities</u>				
<u>General Obligation Bonds</u>				
Water treatment plant repairs	1,616,000	06/30/31	3.43%	\$ 850,000
Water Treatment Plant 1	300,000	06/30/32	3.29%	180,000
Water Treatment Plant 2	425,000	06/30/32	3.25%	240,000
Vernon Russell Water Treatment Plant 1	700,000	06/30/20	3.29%	420,000
Vernon Russell Water Treatment Plant 2	400,000	06/30/20	3.29%	240,000
Water bonds - refunding	1,209,000	08/01/23	1.24%	450,000
Water bonds - refunding	690,000	08/01/24	1.35%	320,000
Water 1 - advanced refunding	47,200	07/01/25	1.68%	30,300
Water 2 - advanced refunding	207,300	07/01/25	1.68%	133,000
Water - refunding	265,000	07/01/26	4.00%	230,000
Water Mains	1,500,000	08/15/34	4.00%	1,500,000
Drainage	450,000	06/30/31	3.51%	250,000
Sewer bonds - refunding	50,500	08/01/23	1.26%	20,000
Sewer bonds - refunding	795,700	08/01/24	1.35%	370,000
Drainage improvements - advanced refunding	154,500	07/01/25	1.65%	97,000
Cabot Road drainage imp - refunding	237,000	07/01/26	4.00%	203,000
Wastewater system - refunding	71,000	07/01/26	4.00%	61,000
Frost fish pond drainage	717,000	08/15/37	3.00%	635,000
Sewer I&I (I)	550,000	08/15/27	5.00%	550,000
Sewer I&I II (I)	800,000	08/15/28	5.00%	800,000
Frost Fish Brook Drainage	195,000	08/15/34	4.00%	195,000
Electric*	4,400,000	06/30/30	3.34%	2,170,000
Electric Substation & Improvements 1*	500,000	06/30/30	3.08%	260,000
Electric Substation & Improvements 2*	400,000	06/30/26	2.71%	160,000
Electric Substation & Improvements 3*	684,543	07/15/31	2.70%	510,000
Electric Substation & Improvements - refunding*	1,711,700	07/01/26	2.70%	<u>1,476,000</u>
Total general obligation bonds				12,350,300
<u>Loans - Direct Borrowings</u>				
MWPAT	19,540,666	07/15/32	2.00%	<u>14,208,208</u>
Total loans - direct borrowings				<u>14,208,208</u>
Total business-type activities				<u>26,558,508</u>
Grand Total				<u>\$ 92,713,208</u>

*Electric Division debt is amount outstanding as of 12/31/19

C. Future Debt Service – General Obligation Bonds

The annual payments to retire all general obligation and direct borrowing long-term debt outstanding as of June 30, 2020 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 3,931,700	\$ 2,583,879	\$ 6,515,579
2022	3,998,000	2,433,346	6,431,346
2023	3,944,000	2,287,310	6,231,310
2024	3,960,000	2,137,626	6,097,626
2025	4,010,000	1,979,683	5,989,683
2026	4,101,000	1,816,236	5,917,236
2027	3,505,000	1,657,978	5,162,978
2028	3,605,000	1,501,428	5,106,428
2029	3,605,000	1,286,665	4,891,665
2030	3,520,000	1,175,740	4,695,740
2031 - 2035	17,450,000	3,704,441	21,154,441
2036 - 2040	<u>10,525,000</u>	<u>687,350</u>	<u>11,212,350</u>
Total	\$ <u>66,154,700</u>	\$ <u>23,251,682</u>	\$ <u>89,406,382</u>

The High School construction bonds of \$29 million 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 58% of the governmental debt is being repaid over the next ten years.

<u>Business-Type</u>	<u>Bonds - Public Offerings</u>			<u>Loans - Direct Borrowings</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,483,300	531,899	\$ 2,015,199	\$ 957,558	295,183	\$ 1,252,741
2022	1,462,000	399,704	1,861,704	978,370	274,372	1,252,742
2023	1,446,000	345,542	1,791,542	999,634	253,108	1,252,742
2024	1,440,000	297,007	1,737,007	1,021,359	231,382	1,252,741
2025	1,275,000	247,132	1,522,132	1,043,557	209,184	1,252,741
2026	1,074,000	200,569	1,274,569	1,066,238	186,504	1,252,742
2027	965,000	157,914	1,122,914	1,089,411	163,331	1,252,742
2028	770,000	119,219	889,219	1,113,087	139,654	1,252,741
2029	705,000	88,275	793,275	1,137,278	115,463	1,252,741
2030	525,000	60,400	585,400	1,161,996	90,745	1,252,741
2031 - 2035	1,100,000	97,275	1,197,275	3,639,720	118,503	3,758,223
2036 - 2040	<u>105,000</u>	<u>6,475</u>	<u>111,475</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>12,350,300</u>	\$ <u>2,551,411</u>	\$ <u>14,901,711</u>	\$ <u>14,208,208</u>	\$ <u>2,077,429</u>	\$ <u>16,285,637</u>

D. Changes in General Long-Term Liabilities

During the year ended June 30, 2020, the following changes occurred in long-term liabilities (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Less Current Portion	Equals Long-Term Portion
Governmental Activities						
Bonds payable						
Public offerings	\$ 51,646	\$ 18,015	\$ (3,507)	\$ 66,154	\$ (3,932)	\$ 62,222
Unamortized premium	<u>2,392</u>	<u>2,260</u>	<u>(269)</u>	<u>4,383</u>	<u>(269)</u>	<u>4,114</u>
subtotal	54,038	20,275	(3,776)	70,537	(4,201)	66,336
Net pension liability	79,527	-	(5,927)	73,600	-	73,600
Net OPEB liability	177,594	-	20,310	197,904	-	197,904
Compensated absences	<u>2,021</u>	<u>503</u>	<u>(156)</u>	<u>2,368</u>	<u>(118)</u>	<u>2,250</u>
Totals	<u>\$ 313,180</u>	<u>\$ 20,778</u>	<u>\$ 10,451</u>	<u>\$ 344,409</u>	<u>\$ (4,319)</u>	<u>\$ 340,090</u>

	Beginning Balance	Additions	Reductions	Ending Balance	Less Current Portion	Equals Long-Term Portion
Business-Type Activities						
Bonds and loans payable						
Public offerings	\$ 10,939	\$ 3,045	\$ (1,634)	\$ 12,350	\$ (1,483)	\$ 10,867
Direct borrowings	15,145	-	(937)	14,208	(958)	13,250
Unamortized premium	<u>79</u>	<u>250</u>	<u>(35)</u>	<u>294</u>	<u>(35)</u>	<u>259</u>
subtotal	26,163	3,295	(2,606)	26,852	(2,476)	24,376
Net pension liability	11,039	-	(6,364)	4,675	-	4,675
Net OPEB liability	14,737	1,502	-	16,239	-	16,239
Compensated absences	<u>86</u>	<u>34</u>	<u>(4)</u>	<u>116</u>	<u>(6)</u>	<u>110</u>
Totals	<u>\$ 52,025</u>	<u>\$ 4,831</u>	<u>\$ (8,974)</u>	<u>\$ 47,882</u>	<u>\$ (2,482)</u>	<u>\$ 45,400</u>

E. Long-Term Debt Supporting Governmental and Business-Type Activities

Bonds and loans issued by the Town for various municipal projects are approved by Town Meeting and repaid with revenues recorded in the general fund and user fees recorded in enterprise funds. All other long-term debt is repaid from the funds that the cost relates to, primarily the general fund and enterprise funds.

15. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and is more fully described in the corresponding pension and OPEB notes. *Unavailable revenues* are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

16. 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, 2020:

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, special purpose stabilization funds, 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. The Town’s stabilization accounts are authorized in accordance with Massachusetts General Law Chapter 40, section 5B. The creation of, appropriation into, and appropriation out of the stabilization account requires two-thirds approval at Town Meeting.

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, 2020:

	General <u>Fund</u>	Capital <u>Projects Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ -	\$ 87,067	\$ 87,067
Total Nonspendable	-	-	87,067	87,067
Restricted				
Bonded projects	-	7,913,916	-	7,913,916
Special revenue funds				
Circuit breaker	-	-	1,089,124	1,089,124
Water use mitigation	-	-	898,046	898,046
Childcare revolving	-	-	745,247	745,247
Housing trust	-	-	667,242	667,242
Student athletic activity fees	-	-	529,763	529,763
Recreation revolving	-	-	444,319	444,319
911 department support	-	-	435,751	435,751
FEMA storm reimbursement	-	-	299,080	299,080
Premium of sale of bonds/BANs	-	-	272,457	272,457
School lunch	-	-	211,167	211,167
Drug enforcement	-	-	197,924	197,924
Senior Services DCOA	-	-	190,999	190,999
Hilltop estates (open space)	-	-	149,951	149,951
Conservation	-	-	139,933	139,933
Summer school registrations	-	-	113,556	113,556
Parking receipts	-	-	108,427	108,427
Preservation revolving	-	-	103,876	103,876
Rail trail expansion	-	-	100,000	100,000
Other	-	-	1,392,488	1,392,488
Expendable permanent funds	-	-	364,636	364,636
Total Restricted	-	7,913,916	8,453,986	16,367,902

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Committed				
Stabilization and other reserves:				
Health claims trust	18	-	-	18
Claims reserves	48,000	-	-	48,000
Debt stabilization	4,457,829	-	-	4,457,829
Revenue stabilization	485	-	-	485
Education stabilization	94	-	-	94
Other stabilization	5,918	-	-	5,918
For next year's expenditures:				
Debt stabilization	<u>785,000</u>	<u>-</u>	<u>-</u>	<u>785,000</u>
Total Committed	5,297,344	-	-	5,297,344
Assigned				
Encumbered for:				
General government	412,411	-	-	412,411
Public safety	34,226	-	-	34,226
Education	123,003	-	-	123,003
Public works	1,317,607	-	-	1,317,607
Health and human services	212,146	-	-	212,146
Culture and recreation	45,298	-	-	45,298
Employee benefits	34,400	-	-	34,400
For next year's expenditures:				
OPEB	400,000	-	-	400,000
Debt service	345,000	-	-	345,000
Capital outlay	720,863	-	-	720,863
Building maintenance	288,560	-	-	288,560
Other	<u>1,197,756</u>	<u>-</u>	<u>-</u>	<u>1,197,756</u>
Total Assigned	5,131,270	-	-	5,131,270
Unassigned				
General fund	8,016,788	-	-	8,016,788
General stabilization fund	3,099,203	-	-	3,099,203
Special revenue fund deficits	-	-	(938,079)	(938,079)
Capital project fund deficits	<u>-</u>	<u>(1,437,193)</u>	<u>-</u>	<u>(1,437,193)</u>
Total Unassigned	<u>11,115,991</u>	<u>(1,437,193)</u>	<u>(938,079)</u>	<u>8,740,719</u>
Total Fund Balance	<u>\$ 21,544,605</u>	<u>\$ 6,476,723</u>	<u>\$ 7,602,974</u>	<u>\$ 35,624,302</u>

17. 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 System (MA System) 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 the 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 each plan consisted of the following at December 31, 2019:

Retirees and beneficiaries receiving benefits	413
Inactive members entitled to a return of employee contributions/terminated plan members entitled to but not yet receiving benefits	146
Active plan members	<u>491</u>
Total	<u><u>1,050</u></u>
Number of participating employers	2

Participants 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 on or 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%

For those members entering a Massachusetts System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

Participant Retirement Benefits

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.

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest 5-year average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, 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%, 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. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

There are four classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the Massachusetts State Police. The other three classes are as follows:

- Group 1 – General employees, including clerical, administrative, technical, and all other employees not otherwise classified.
- Group 2 – Certain specified hazardous duty positions.
- Group 4 – Police officers, firefighters, and other specified hazardous positions.

A retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left Town employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4 have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

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 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2

and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

Methods of Payment

A member may elect to receive his or her retirement allowance in one of three forms of payment as follows:

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the members death.
- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree’s beneficiary or beneficiaries of choice.
- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member’s designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or “pops up” to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable “pops up” to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

Employer Contributions

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, 2020 was \$6,688,315 which was equal to the annual required contribution. The Electric

Division's contribution to the System for the year ended June 30, 2020 was \$5,207,017, which was in excess of its annual required contribution of \$1,075,648.

B. Summary of Significant Accounting Policies

The accounting policies of the System as reflected in the accompanying financial statements for the year ended December 31, 2019 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, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 17.53%. 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.

C. Net Pension Liability of Participating Employers

The net pension liability is based on an actuarial valuation dated January 1, 2020.

Net Pension Liability of Employers

The components of the net pension liability of the participating employers at December 31, 2019 were as follows:

Total pension liability	\$	207,786,722
Plan fiduciary net position		<u>(127,992,206)</u>
Employers' net pension liability	\$	<u>79,794,516</u>
Plan fiduciary net position as a percentage of total pension liability		61.6%

D. Actuarial Assumptions

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

Valuation Date	January 1, 2020
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	4.25-6.00% for Group 1 based on service and 4.75-7.00% for Group 2 based on service
Inflation rate	2.70% per year
Post-retirement cost-of-living adjustment	3% of first \$13,000

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.

Mortality rates were based on the RP-2014 Blue Collar Mortality Tables with full generational mortality improvement using Scale MP-2018.

E. 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>	Target Asset Allocation	Long-term Expected Real Rate of Return
Domestic equities	30.00%	5.10%
International equities	25.00%	4.64%
Fixed income	17.00%	0.80%
Alternatives	25.00%	6.82%
Cash & equivalents	<u>3.00%</u>	0.00%
Total	<u>100.00%</u>	

F. Discount Rate

The discount rate used to measure the total pension liability was 7.50%. 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.

G. Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town and the Electric Division’s proportionate share of the net pension liability calculated using the discount rate of 7.50%, 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 one percentage-point lower or one percentage-point higher than the current rate:

1% Decrease	Current Discount Rate	1% Increase
<u>(6.50%)</u>	<u>(7.50%)</u>	<u>(8.50%)</u>
\$ 100,939,699	\$ 78,275,343	\$ 59,059,649

H. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to Pensions

At June 30, 2020, the Town reported a liability of \$77,063,701 for its proportionate share of the net pension liability. At December 31, 2019, the Electric Division reported a liability of \$1,211,642 for its proportionate share of the net pension liability. The

total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. The Town and the Electric Divisions' proportions of the net pension liability was based on a projection of the Town and Electric Divisions' long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2019, the Town's proportion was 96.58% which was an increase of 6.33% from its proportion measured as of December 31, 2018. The Electric Division's proportion was 1.52% which was a decrease of 6.59% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$10,414,106. For the year ended December 31, 2019, the Electric Division recognized pension expense of \$163,737. In addition, the Town (including the Electric Division) reported deferred outflows and (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Net difference between expected and actual experience	\$ 1,820,356	\$ -
Changes in assumptions	1,542,667	-
Net difference between projected and actual earnings on pension plan investments	-	(2,744,839)
Changes in proportion and differences between contributions and proportionate share of contributions	<u>10,139,618</u>	<u>(10,201,656)</u>
Total	<u>\$ 13,502,641</u>	<u>\$ (12,946,495)</u>

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

Year ended June 30:	
2021	\$ 319,636
2022	346,449
2023	1,620,577
2024	(1,780,784)
2025	<u>50,268</u>
Total	<u>\$ 556,146</u>

18. 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 contributing entity 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 3-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last 5 years or any 5 consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after 10 years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of creditable service or upon reaching the age of 55 with 10 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, 2019 measurement date was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019. This valuation used the following assumptions:

- (a) 7.25% (changed from 7.35%) investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality through January 1, 2017.
- Mortality rates were as follows:
 - Pre-retirement – reflects RP-2014 White Collar Employees table projected generationally with Scale MP-2016 (gender distinct).
 - Post-retirement – reflects RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct).
 - Disability – assumed to be in accordance with the RP-2014 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct).

E. Target Allocations

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, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	39.00%	4.90%
Core fixed income	15.00%	1.30%
Private equity	13.00%	8.20%
Portfolio completion strategies	11.00%	3.90%
Real estate	10.00%	3.60%
Value added fixed income	8.00%	4.70%
Timber/natural resources	4.00%	4.10%
Total	<u>100.00%</u>	

F. Discount Rate

The discount rate used to measure the total pension liability was 7.25%. 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.

G. 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):

1% Decrease to <u>6.25%</u>	Current Discount Rate <u>7.25%</u>	1% Increase to <u>8.25%</u>
\$ 31,232,100	\$ 25,214,020	\$ 20,062,500

H. Special Funding Situation

The Commonwealth is a nonemployer contributing entity 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

I. Town Proportions

In fiscal year 2019 (the most recent measurement period), the Town's proportionate share of the MTRS' collective net pension liability was approximately \$102,020,428 based on a proportionate share of 0.404618%. As required by GASB 68, the Town has recognized its portion of the Commonwealth's contribution of approximately \$5,841,509 as both a revenue and expenditure in the general fund, and its portion of the collective pension expense of approximately \$6,530,239 as both a revenue and expense in the governmental activities.

19. Other Post-Employment Benefits (GASB 75)

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of *Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

All the following OPEB disclosures are based on a measurement date of June 30, 2019.

A. General Information about the OPEB Plan

Plan Description

The Town provides post-employment healthcare benefits for retired employees through the Town's single-employer defined benefit plan. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws.

Benefits Provided

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

Plan Membership

At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	652
Active employees	<u>877</u>
Total	<u><u>1,529</u></u>

Funding Policy

The Town's funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute. Additional contributions are based on annual budget authorizations.

B. Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.6% per year, based on the 2019 Social Security Trustees Report
Salary increases	3.5% per year
Investment rate of return	7.25%, compounded annually, net of fees
Municipal bond rate	3.5%, based on the Bond Buyer 20-Bond GO Index published on June 27, 2019
Discount rate	3.52%, compounded annually
Healthcare cost trend rates	8.00% for 2019, with an ultimate rate of 3.80%
Retirees' share of benefit-related costs	30% for medical and 50% for dental insurance
Participation rate	Medical - 80% of eligible retired employees will elect to participate. Dental - 65% of eligible retirees will elect to participate. Life - 60% of eligible retirees will elect to participate. Medicare - all retired employees are assumed to enroll in Medicare at age 65.

Post-retirement mortality rates for General and Public Safety employees are based on the RP-2000 Healthy Annuitant Mortality Table, base year 2009, projected with generational mortality improvement using scale BB. Pre-retirement mortality rate for General and Public Safety employees are based on the RP-2000 Employees Mortality Table, base year 2009, projected with generational mortality improvement using scale BB.

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study.

C. Target Allocations

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2019 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	31.00%	5.92%
Domestic bond	22.00%	3.69%
International equity	21.00%	2.73%
Alternatives	20.00%	5.39%
International bond	<u>6.00%</u>	3.80%
Total	<u>100.00%</u>	

D. Discount Rate

The discount rate used to measure the net OPEB liability was 3.52%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Based on those assumptions, the OPEB plan fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. As a result, a blended discount rate was used based on a combination of the investment rate of return of 7.25% through fiscal year 2019, and municipal bond rate of 3.50% thereafter (based on the Bond Buyer 20-Bond Go index published June 27, 2019).

E. Net OPEB Liability

The components of the net OPEB liability, measured as of June 30, 2019, were as follows:

Total OPEB liability	\$ 220,791,286
Plan fiduciary net position	<u>6,648,458</u>
Net OPEB liability	<u>\$ 214,142,828</u>

The fiduciary net position has been determined on the same basis used by the OPEB Plan. For this purpose, the Plan recognizes benefit payments when due and payable.

F. Changes in the Net OPEB Liability

The following summarizes the changes in the net OPEB liability for the past year.

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 197,866,520	\$ 5,534,965	\$ 192,331,555
Changes for the year:			
Service cost	7,257,143	-	7,257,143
Interest	7,852,339	-	7,852,339
Contributions - employer	-	6,271,587	(6,271,587)
Net investment income	-	329,493	(329,493)
Changes in assumptions	13,802,871	-	13,802,871
Benefit payments	<u>(5,487,587)</u>	<u>(5,487,587)</u>	<u>-</u>
Net Changes	<u>23,424,766</u>	<u>1,113,493</u>	<u>22,311,273</u>
Balances, end of year	\$ <u>221,291,286</u>	\$ <u>6,648,458</u>	\$ <u>214,642,828</u>

G. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

1% Decrease (2.52%)	Current Discount Rate (3.52%)	1% Increase (4.52%)
\$ 258,268,937	\$ 214,642,828	\$ 179,942,347

H. Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

1% Decrease (7.00%)	Current Healthcare Cost Trend Rates (8.00%)	1% Increase (9.00%)
\$ 174,346,816	\$ 214,642,828	\$ 267,330,925

I. OPEB Expense and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to OPEB

For the year ended June 30, 2020, the Town recognized an OPEB expense of \$16,221,046. For the year ended December 31, 2019, the Electric Division recognized an OPEB expense of \$981,824. At June 30, 2020, the Town reported deferred outflows and (inflows) of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Contributions subsequent to the measurement date	\$ 671,295	\$ -
Difference between expected and actual experience	-	(3,948,683)
Change in assumptions	12,720,357	-
Net difference between projected and actual OPEB investment earnings	<u>135,893</u>	<u>-</u>
Total	<u>\$ 13,527,545</u>	<u>\$ (3,948,683)</u>

The amount reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net OPEB liability in the year ended June 30, 2021.

Other amounts reported as deferred outflows and (inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30:</u>	
2021	\$ 1,512,849
2022	1,512,847
2023	1,509,585
2024	1,485,608
2025	1,695,678
Thereafter	<u>1,191,000</u>
Total	<u>\$ 8,907,567</u>

20. Other Post-Employment Benefits (GASB 74)

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of *Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In fiscal year 2017, the Town established a single employer defined benefit OPEB Trust Fund to provide funding for future employee health care costs. The OPEB Trust Fund does not issue a stand-alone financial report.

All the following OPEB disclosures are based on a measurement date of June 30, 2020.

A. Investments

The OPEB trust fund assets consist of equities and mutual fund investments.

Rate of return. For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 3.40%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

B. Actuarial Assumptions and Other Inputs

The total OPEB liability was determined by an actuarial valuation as of January 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.4% per year, based on the 2020 Social Security Trustees Report
Salary increases	3.5%, average, including inflation
Investment rate of return	6.75%, compounded annually, net of fees
Municipal bond rate	2.21%, based on the Bond Buyer 20-Bond GO Index published on June 30, 2020.
Discount rate	2.23%, compounded annually
Healthcare cost trend rates	7.00% for 2020 to an ultimate rate of 4.00% as of 2075 and later years
Retirees' share of benefit-related costs	30% of total medical premiums, 50% of monthly dental premiums
Participation rate	80% of eligible retirees will participate in medical; 65% of eligible retirees will participate in dental

Post-retirement mortality rates for General and Public Safety employees are based on the RP-2014 Blue Collar, projected with generational mortality improvement using Scale MP-2018. Pre-retirement mortality rate for General and Public Safety employees are based on the RP-2014 Blue.

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study.

C. Target Allocations

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	31.00%	4.96%
Domestic bond	22.00%	2.22%
International equity	21.00%	7.01%
Liquid alternatives	15.50%	2.76%
Private equity	4.50%	8.59%
International bond	6.00%	1.53%
Total	<u>100.00%</u>	

D. Contributions

In addition to the implicit subsidy contribution, the Town’s policy is to contribute the amounts provided annually by the budget.

E. Discount Rate

The discount rate used to measure the total OPEB liability was 2.23%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Based on those assumptions, the OPEB plan fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. As a result, a blended discount rate was used based on a combination of the investment rate of return of 6.75% through fiscal year 2020 and municipal bond rate of 2.21% thereafter (based on the Bond Buyer 20-Bond Go index published June 30, 2020).

F. Net OPEB Liability

The components of the net OPEB liability, measured as of June 30, 2020, were as follows:

Total OPEB liability	\$	232,620,986
Plan fiduciary net position		<u>7,899,717</u>
Net OPEB liability	\$	<u>224,721,269</u>
Plan fiduciary net position as a percentage of the total OPEB liability		3.40%

G. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

1% Decrease	Current Discount Rate	1% Increase
<u>(1.23%)</u>	<u>(2.23%)</u>	<u>(3.23%)</u>
\$ 276,277,643	\$ 224,721,269	\$ 185,470,376

H. Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
\$ 180,766,332	\$ 224,721,269	\$ 284,500,597

21. Consolidation of Pension and OPEB Trust Funds

The Danvers Contributory Retirement System and the Danvers OPEB Trust Fund are presented in a single column in the accompanying fiduciary fund financial statements. Details of the financial position and changes in net position are as follows:

	Pension Trust Fund (December 31, 2019)	Other Post-Employment Benefits Trust Fund	Pension and OPEB Trust Funds
Assets			
Cash and short-term investments	\$ 3,901,839	\$ 39,321	\$ 3,941,160
Investments:			
Corporate equities	16,447,558	334,585	16,782,143
Mutual funds	-	7,525,811	7,525,811
External investment pools	<u>107,460,766</u>	<u>-</u>	<u>107,460,766</u>
Total Investments	123,908,324	7,860,396	131,768,720
Accounts receivable	<u>376,621</u>	<u>-</u>	<u>376,621</u>
Total Assets	128,186,784	7,899,717	136,086,501
Liabilities			
Accounts payable	<u>194,578</u>	<u>-</u>	<u>194,578</u>
Total Liabilities	194,578	-	194,578
Net Position			
Restricted for pensions	127,992,206	-	127,992,206
Restricted for OPEB purposes	<u>-</u>	<u>7,899,717</u>	<u>7,899,717</u>
Total Net Position	<u>\$ 127,992,206</u>	<u>\$ 7,899,717</u>	<u>\$ 135,891,923</u>

	Pension Trust Fund (year ended <u>December 31, 2019</u>)	Other Post-Employment Benefits Trust <u>Fund</u>	Pension and OPEB Trust Funds
Additions			
Contributions:			
Employers	\$ 12,017,086	\$ 6,114,966	\$ 18,132,052
Plan members	3,234,294	-	3,234,294
Other systems and Commonwealth of Massachusetts	335,928	-	335,928
Other	<u>367,862</u>	<u>-</u>	<u>367,862</u>
Total contributions	15,955,170	6,114,966	22,070,136
Investment Income (Loss):			
Increase in fair value of investments	19,463,842	-	19,463,842
Investment income	-	229,658	229,658
Less: management fees	<u>(656,341)</u>	<u>-</u>	<u>(656,341)</u>
Net investment income	<u>18,807,501</u>	<u>229,658</u>	<u>19,037,159</u>
Total additions	34,762,671	6,344,624	41,107,295
Deductions			
Benefit payments to plan members and beneficiaries	13,594,006	5,093,365	18,687,371
Refunds to plan members	214,820	-	214,820
Administrative expenses	297,821	-	297,821
Other	<u>420,266</u>	<u>-</u>	<u>420,266</u>
Total deductions	<u>14,526,913</u>	<u>5,093,365</u>	<u>19,620,278</u>
Net increase	20,235,758	1,251,259	21,487,017
Net position restricted for pensions and OPEB purposes			
Beginning of year	<u>107,756,448</u>	<u>6,648,458</u>	<u>114,404,906</u>
End of year	<u>\$ 127,992,206</u>	<u>\$ 7,899,717</u>	<u>\$ 135,891,923</u>

22. Self-insurance

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

Workers Compensation

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

Changes in the aggregate liability for claims for the years ended June 30, 2020 are as follows:

	<u>Workers Compensation</u>	
	<u>2020</u>	<u>2019</u>
Claims liability, beginning of year	\$ 1,394,037	\$ 1,361,545
Claims incurred/recognized in fiscal year	982,919	1,348,928
Claims paid in fiscal year	<u>(1,021,787)</u>	<u>(1,316,436)</u>
Claims liability, end of year	<u>\$ 1,355,169</u>	<u>\$ 1,394,037</u>

The \$1,355,169 estimated liability for claims incurred but not reported includes only an estimate for known loss events expected to later be presented as claims. The Town is unable to estimate the amount of unknown loss events expected to become claims and expected future developments on claims already reported.

23. Subsequent Events

Management has evaluated subsequent events through December 15, 2020, which is the date the financial statements were available to be issued.

Debt

Subsequent to June 30, 2020, the Town has incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
General Obligation Bond	\$ 8,155,000	5.00%	07/29/20	08/01/40

24. Commitments and Contingencies

COVID-19

The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. There is considerable uncertainty around the duration and scope of the economic disruption. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on individuals served by the Town, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

Outstanding Legal Issues

On an ongoing basis, there are typically pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of these issues 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.

Encumbrances

At year end, the Town's general fund has \$2,179,091 in encumbrances that will be honored in fiscal 2021. No other funds (major or nonmajor) had significant year-end encumbrances.

25. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 84, *Fiduciary Activities*, effective for the Town beginning with its fiscal year ending June 30, 2021. This statement establishes guidance on how to address the categorization of fiduciary activities for financial reporting and how fiduciary activities are to be reported, and may require reclassification of certain funds.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, effective for the Town beginning with its fiscal year ending June 30, 2022. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements.

26. 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 operates the Stony Brook Intermediate Project and the Stony Brook Peaking Project, both fossil-fueled power plants. MMWEC has the Nuclear Mix No 1 Project, Nuclear Project Three, Nuclear Project Four, Nuclear Project Five and Project Six, which comprise an 11.6% ownership interest in the Seabrook Station nuclear generating unit operated by NextEra Energy Seabrook, LLC and a 4.8% ownership interest in the Millstone Unit 3 nuclear unit, operated by Dominion Nuclear Connecticut, Inc. The operating license for Seabrook Station extends to March 15, 2050. The operating license for the Millstone Unit 3 nuclear unit extends to November 25, 2045.

On July 19, 2019, MMWEC sold its 3.7% interest in the W.F. Wyman Unit No. 4 plant, which is operated and owned by its majority owner, FPL Energy Wyman IV, LLC.

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). The Light Department has entered into PSAs with MMWEC. Under the PSAs the Department is required to make certain payments to MMWEC payable solely from Municipal Light Department revenues. 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. 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. Project Participants have covenanted to fix, revise and collect rates at least sufficient to meet their obligations under the PSAs. Each Participant is unconditionally obligated to make 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).

Pursuant to the PSAs, the MMWEC 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 Millstone and Seabrook 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.

As of July 1, 2019, MMWEC has no debt service obligations outstanding relating to the Projects. MMWEC is involved in various legal actions. In the opinion of management, the outcome of such litigation or claims will not have a material adverse effect on the financial position of the company.

The total capital expenditures and annual capacity, fuel and transmission costs (which include debt service and decommissioning expenses as discussed above) associated with the Department's Project Capability of the Projects in which it participates for the years ended December 31, 2019 and 2018, respectively are listed in the table below.

PROJECTS	PERCENTAGE SHARE	DANVERS ELECTRIC DIVISION		
		YEARS ENDED		
		TOTAL CAPITAL EXPENDITURES <u>2019</u>	CAPACITY, FUEL & TRANSMISSION BILLED <u>2019</u>	CAPACITY, FUEL & TRANSMISSION BILLED <u>2018</u>
Stony Brook Peaking Project	11.5551%	6,901,135	421,621	536,602
Stony Brook Intermediate Project	9.3182%	16,682,534	1,208,759	1,861,917
Nuclear Mix No. 1-Seabrook	10.4788%	1,059,004	57,214	54,251
Nuclear Mix No. 1-Millstone	10.4788%	6,344,167	614,444	710,221
Nuclear Project No. 3-Millstone	2.9628%	4,386,218	349,190	404,847
Nuclear Project No. 4-Seabrook	7.0720%	21,167,264	1,033,816	1,009,606
Nuclear Project No. 5-Seabrook	3.4452%	2,793,434	129,210	126,524
Project No. 6-Seabrook	12.5168%	<u>69,674,177</u>	<u>2,878,433</u>	<u>3,028,611</u>
		\$129,007,933	\$6,692,687	\$7,732,579

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Required Supplementary Information

TOWN OF DANVERS, MASSACHUSETTS

Required Supplementary Information
 Schedule of Proportionate Share of the Net Pension Liability (GASB68)
 June 30, 2020
 (Unaudited)

Danvers Retirement System - Town

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2020	December 31, 2019	96.58%	\$77,063,701	\$ 23,810,839	323.65%	61.60%
June 30, 2019	December 31, 2018	90.25%	\$83,094,325	\$ 24,377,056	340.87%	53.92%
June 30, 2018	December 31, 2017	91.62%	\$69,304,286	\$ 22,773,489	304.32%	60.92%
June 30, 2017	December 31, 2016	90.40%	\$74,320,682	\$ 23,025,320	322.78%	55.50%
June 30, 2016	December 31, 2015	90.04%	\$71,801,896	\$ 22,836,969	314.41%	54.60%
June 30, 2015	December 31, 2014	84.29%	\$64,421,854	\$ 20,852,307	308.94%	58.60%

Danvers Retirement System - Electric Division

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
December 31, 2019	December 31, 2019	1.52%	\$1,211,642	\$ 4,204,614	28.82%	61.60%
December 31, 2018	December 31, 2018	8.11%	\$7,471,131	\$ 4,175,555	178.93%	53.92%
December 31, 2017	December 31, 2017	6.71%	\$5,074,889	\$ 4,078,697	124.42%	60.92%
December 31, 2016	December 31, 2016	7.89%	\$6,485,251	\$ 3,205,658	202.31%	55.50%
December 31, 2015	December 31, 2015	8.26%	\$4,996,463	\$ 3,161,961	158.02%	58.60%

Massachusetts Teachers' Retirement System

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town	Total Net Pension Liability Associated with the Town	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2020	June 30, 2019	0.404618%	\$ -	\$ 102,020,428	\$ 102,020,428	\$ 29,444,694	0.00%	53.95%
June 30, 2019	June 30, 2018	0.402183%	\$ -	\$ 95,362,775	\$ 95,362,775	\$ 28,253,678	0.00%	54.84%
June 30, 2018	June 30, 2017	0.399358%	\$ -	\$ 91,394,559	\$ 91,394,559	\$ 27,113,758	0.00%	54.25%
June 30, 2017	June 30, 2016	0.400190%	\$ -	\$ 89,474,183	\$ 89,474,183	\$ 26,317,143	0.00%	52.73%
June 30, 2016	June 30, 2015	0.399959%	\$ -	\$ 81,950,127	\$ 81,950,127	\$ 25,355,812	0.00%	55.38%
June 30, 2015	June 30, 2014	0.400485%	\$ -	\$ 63,662,584	\$ 63,662,584	\$ 26,693,312	0.00%	61.64%

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

See Independent Auditors' Report.

TOWN OF DANVERS, MASSACHUSETTS

Required Supplementary Information
 Schedule of Pension Contributions (GASB 68)
 June 30, 2020
 (Unaudited)

Danvers Retirement System - Town

Fiscal Year	Measurement Date	Contributions in Relation to the			Covered Payroll	Contributions as a Percentage of Covered Payroll
		Actuarially Required Contribution	Actuarially Required Contribution	Contribution Deficiency (Excess)		
June 30, 2020	December 31, 2019	\$ 6,688,315	\$ 6,688,315	-	\$ 25,540,816	26.19%
June 30, 2019	December 31, 2018	\$ 6,192,884	\$ 6,192,884	-	\$ 24,713,617	25.06%
June 30, 2018	December 31, 2017	\$ 5,734,153	\$ 5,734,153	-	\$ 24,058,461	23.83%
June 30, 2017	December 31, 2016	\$ 5,308,674	\$ 5,308,674	-	\$ 23,239,672	22.84%
June 30, 2016	December 31, 2015	\$ 4,915,439	\$ 4,915,439	-	\$ 22,221,843	22.12%
June 30, 2015	December 31, 2014	\$ 4,520,890	\$ 4,520,890	-	\$ 21,526,851	21.00%

Danvers Retirement System - Electric Division

Fiscal Year	Measurement Date	Contributions in Relation to the			Covered Payroll	Contributions as a Percentage of Covered Payroll
		Actuarially Required Contribution	Actuarially Required Contribution	Contribution Deficiency (Excess)		
December 31, 2019	December 31, 2019	\$ 1,075,648	\$ 5,207,017	(4,131,369)	\$ 4,204,614	123.84%
December 31, 2018	December 31, 2018	\$ 995,970	\$ 995,970	-	\$ 4,175,555	23.85%
December 31, 2017	December 31, 2017	\$ 922,195	\$ 922,195	-	\$ 4,078,697	22.61%
December 31, 2016	December 31, 2016	\$ 853,884	\$ 853,884	-	\$ 3,205,658	26.64%
December 31, 2015	December 31, 2015	\$ 814,895	\$ 814,895	-	\$ 3,161,961	25.77%

Massachusetts Teachers' Retirement System

Fiscal Year	Measurement Date	Contributions in Relation to the			Covered Payroll	Contributions as a Percentage of Covered Payroll
		Actuarially Determined Contribution Provided by Commonwealth	Actuarially Determined Contribution	Contribution Deficiency (Excess)		
June 30, 2020	June 30, 2019	\$ 5,841,509	\$ 5,841,509	\$ -	\$ 30,597,663	19.09%
June 30, 2019	June 30, 2018	\$ 5,287,834	\$ 5,287,834	\$ -	\$ 29,444,694	17.96%
June 30, 2018	June 30, 2017	\$ 4,934,124	\$ 4,934,124	\$ -	\$ 28,253,678	17.46%
June 30, 2017	June 30, 2016	\$ 4,500,468	\$ 4,500,468	\$ -	\$ 27,113,758	16.60%
June 30, 2016	June 30, 2015	\$ 4,087,299	\$ 4,087,299	\$ -	\$ 26,317,143	15.53%
June 30, 2015	June 30, 2014	\$ 3,754,068	\$ 3,754,068	\$ -	\$ 25,355,812	14.81%

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

See Independent Auditors' Report.

TOWN OF DANVERS, MASSACHUSETTS

Required Supplementary Information
 Contributory Retirement System
 Schedule of Changes in the Net Pension Liability (GASB 67)
 (Unaudited)

	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Service cost	\$ 4,809,840	\$ 4,624,846	\$ 3,720,704	\$ 3,569,021	\$ 3,298,870	\$ 3,164,384
Interest on unfunded liability - time value of \$	14,843,264	14,385,211	14,147,151	13,435,902	13,431,210	13,007,186
Changes of benefit terms	-	-	-	930,654	-	-
Differences between expected and actual experience	1,281,177	-	370,773	2,720,022	-	-
Changes of assumptions	486,289	-	2,575,825	405,282	-	-
Benefit payments, including refunds of member contributions	<u>(13,468,398)</u>	<u>(12,706,956)</u>	<u>(12,212,361)</u>	<u>(11,857,960)</u>	<u>(11,189,819)</u>	<u>(10,821,671)</u>
Net change in total pension liability	7,952,172	6,303,101	8,602,092	9,202,921	5,540,261	5,349,899
Total pension liability - beginning	<u>199,834,550</u>	<u>193,531,449</u>	<u>184,929,357</u>	<u>175,726,436</u>	<u>170,186,175</u>	<u>164,836,276</u>
Total pension liability - ending (a)	207,786,722	199,834,550	193,531,449	184,929,357	175,726,436	170,186,175
Plan Fiduciary Net Position*						
Contributions - employer	12,017,086	7,301,589	6,760,731	6,317,667	5,853,934	10,686,405
Contributions - member	2,809,528	3,160,074	2,773,534	2,617,135	2,605,540	2,433,972
Net investment income	18,670,829	(8,086,335)	17,643,023	9,510,814	(1,106,853)	2,035,488
Benefit payments, including refunds of member contributions	(13,468,398)	(12,706,956)	(12,212,361)	(11,857,960)	(11,189,819)	(10,821,671)
Administrative expense	154,358	142,460	154,085	152,728	128,873	(188,747)
Other	<u>52,355</u>	<u>54,963</u>	<u>50,329</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	20,235,758	(10,134,205)	15,169,341	6,740,384	(3,708,325)	4,145,447
Plan fiduciary net position - beginning	<u>107,756,448</u>	<u>117,890,653</u>	<u>102,721,312</u>	<u>95,980,928</u>	<u>99,689,253</u>	<u>95,543,806</u>
Plan fiduciary net position - ending (b)	<u>127,992,206</u>	<u>107,756,448</u>	<u>117,890,653</u>	<u>102,721,312</u>	<u>95,980,928</u>	<u>99,689,253</u>
Net pension liability - ending (a-b)	<u>\$ 79,794,516</u>	<u>\$ 92,078,102</u>	<u>\$ 75,640,796</u>	<u>\$ 82,208,045</u>	<u>\$ 79,745,508</u>	<u>\$ 70,496,922</u>

*May reflect certain classification differences from Note 21.

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

Required Supplementary Information
 Contributory Retirement System
 Schedules of Net Pension Liability, Contributions, and Investment Returns (GASB 67)
 (Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Schedule of Net Pension Liability						
Total pension liability	\$ 207,786,722	\$ 199,834,550	\$ 193,531,449	\$ 184,929,357	\$ 175,726,436	\$ 170,186,175
Plan fiduciary net position	<u>127,992,206</u>	<u>107,756,448</u>	<u>117,890,653</u>	<u>102,721,312</u>	<u>95,980,928</u>	<u>99,689,253</u>
Net pension liability	\$ <u>79,794,516</u>	\$ <u>92,078,102</u>	\$ <u>75,640,796</u>	\$ <u>82,208,045</u>	\$ <u>79,745,508</u>	\$ <u>70,496,922</u>
Plan fiduciary net position as a percentage of the total pension liability	61.6%	53.9%	60.9%	55.5%	54.6%	58.6%
Covered payroll	\$ 28,661,365	\$ 29,176,993	\$ 27,424,233	\$ 26,767,949	\$ 26,834,535	\$ 24,485,565
Participating employer net pension liability as a percentage of covered payroll	278.4%	315.6%	275.8%	307.1%	297.2%	287.9%
Schedule of Contributions						
Actuarially determined contribution	\$ 7,885,717	\$ 7,301,589	\$ 6,760,731	\$ 6,259,936	\$ 5,796,238	\$ 5,366,886
Contributions in relation to the actuarially determined contribution	<u>12,017,086</u>	<u>7,301,589</u>	<u>6,760,731</u>	<u>6,259,936</u>	<u>5,796,238</u>	<u>5,366,886</u>
Contribution (excess)	\$ <u>(4,131,369)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Covered payroll	\$ 28,661,365	\$ 29,176,993	\$ 27,424,233	\$ 26,767,949	\$ 26,834,535	\$ 24,485,565
Contributions as a percentage of covered payroll	41.9%	25.0%	24.7%	23.4%	21.6%	21.9%
Schedule of Investment Returns						
<i>Year Ended December 31</i>						
Annual money weighted rate of return, net of investment expense	17.53%	-6.94%	17.57%	10.05%	5.17%	5.17%

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

Required Supplementary Information
Other Post-Employment Benefits (OPEB)
Schedule of Changes in the Net OPEB Liability (GASB 74 and 75)
(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability				
Service cost	\$ 8,356,886	\$ 7,257,143	\$ 5,841,680	\$ 5,617,000
Interest	7,976,372	7,852,339	7,738,057	7,400,000
Changes of benefit terms	(53,066,539)	-	7,495,302	-
Differences between expected and actual experience	205,382	-	(5,669,240)	-
Changes of assumptions	53,450,964	13,302,871	2,061,897	-
Benefit payments, including refunds of member contributions	<u>(5,093,365)</u>	<u>(5,487,587)</u>	<u>(4,985,176)</u>	<u>(4,964,000)</u>
Net change in total OPEB liability	11,829,700	22,924,766	12,482,520	8,053,000
Total OPEB liability - beginning	<u>220,791,286</u>	<u>197,866,520</u>	<u>185,384,000</u>	<u>177,331,000</u>
Total OPEB liability - ending (a)	232,620,986	220,791,286	197,866,520	185,384,000
Plan Fiduciary Net Position*				
Contributions - employer	6,114,966	6,271,587	5,709,971	9,392,094
Net investment income	229,658	329,493	237,876	144,200
Benefit payments, including refunds of member contributions	<u>(5,093,365)</u>	<u>(5,487,587)</u>	<u>(4,985,176)</u>	<u>(4,964,000)</u>
Net change in plan fiduciary net position	1,251,259	1,113,493	962,671	4,572,294
Plan fiduciary net position - beginning	<u>6,648,458</u>	<u>5,534,965</u>	<u>4,572,294</u>	<u>-</u>
Plan fiduciary net position - ending (b)	<u>7,899,717</u>	<u>6,648,458</u>	<u>5,534,965</u>	<u>4,572,294</u>
Net OPEB liability - ending (a-b)	<u>\$ 224,721,269</u>	<u>\$ 214,142,828</u>	<u>\$ 192,331,555</u>	<u>\$ 180,811,706</u>

*May reflect certain rounding and immaterial classification differences from Note 21.

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

Required Supplementary Information
Other Post-Employment Benefits (OPEB)
Schedules of Net OPEB Liability, Contributions, and Investment Returns (GASB 74 and 75)
(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Net OPEB Liability				
Total OPEB liability	\$ 232,620,986	\$ 220,791,286	\$ 197,866,520	\$ 185,384,000
Plan fiduciary net position	<u>7,899,717</u>	<u>6,648,458</u>	<u>5,534,965</u>	<u>4,572,294</u>
Net OPEB liability	<u>\$ 224,721,269</u>	<u>\$ 214,142,828</u>	<u>\$ 192,331,555</u>	<u>\$ 180,811,706</u>
Plan fiduciary net position as a percentage of the total OPEB liability	3.4%	3.0%	2.8%	2.5%
Covered employee payroll**	\$ 58,408,888	\$ 58,320,850	\$ 54,301,682	\$ 49,533,000
Participating employer net OPEB liability as a percentage of covered employee payroll	384.7%	367.2%	354.2%	365.0%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Contributions				
Actuarially determined contribution	\$ 16,060,161	\$ 14,558,889	\$ 12,013,271	\$ 13,153,123
Contributions in relation to the actuarially determined contribution	<u>6,114,966</u>	<u>6,271,587</u>	<u>5,709,971</u>	<u>9,392,094</u>
Contribution deficiency	<u>\$ 9,945,195</u>	<u>\$ 8,287,302</u>	<u>\$ 6,303,300</u>	<u>\$ 3,761,029</u>
Covered employee payroll**	\$ 58,408,888	\$ 58,320,850	\$ 54,301,682	\$ 49,533,000
Contributions as a percentage of covered employee payroll	10.5%	10.8%	10.5%	19.0%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Investment Returns				
Annual money weighted rate of return, net of investment expense	3.4%	6.0%	5.1%	6.5%

**Contributions are not based on a measure of pay; therefore, "covered employee payroll" is presented above.

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.

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Combining Financial Statements

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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.
- Grants: To account for various Town and 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.

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, 2020

	Special Revenue Funds		
	School Lunch Fund	Grants	Receipts Reserved
Assets			
Cash and short-term investments	\$ 220,326	\$ 347,439	\$ 665,217
Investments	-	-	-
Accounts receivable	-	664,707	-
Total Assets	\$ 220,326	\$ 1,012,146	\$ 665,217
Liabilities			
Warrants payable	\$ 9,159	\$ 598,151	\$ -
Total Liabilities	9,159	598,151	-
Fund Balances			
Nonspendable	-	-	-
Restricted	211,167	1,352,074	665,217
Unassigned	-	(938,079)	-
Total Fund Balance	211,167	413,995	665,217
Total Liabilities and Fund Balances	\$ 220,326	\$ 1,012,146	\$ 665,217

Special Revenue Funds

<u>Revolving Accounts</u>	<u>Conservation</u>	<u>Housing Trust</u>	<u>Other Funds</u>	<u>Subtotals</u>
\$ 3,406,519	\$ 139,933	\$ 667,242	\$ 2,355,796	\$ 7,802,472
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>664,707</u>
<u>\$ 3,406,519</u>	<u>\$ 139,933</u>	<u>\$ 667,242</u>	<u>\$ 2,355,796</u>	<u>\$ 8,467,179</u>
\$ <u>150,175</u>	\$ -	\$ -	\$ <u>558,423</u>	\$ <u>1,315,908</u>
150,175	-	-	558,423	1,315,908
-	-	-	-	-
3,256,344	139,933	667,242	1,797,373	8,089,350
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(938,079)</u>
<u>3,256,344</u>	<u>139,933</u>	<u>667,242</u>	<u>1,797,373</u>	<u>7,151,271</u>
<u>\$ 3,406,519</u>	<u>\$ 139,933</u>	<u>\$ 667,242</u>	<u>\$ 2,355,796</u>	<u>\$ 8,467,179</u>

(continued)

TOWN OF DANVERS, MASSACHUSETTS

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2020

(continued)

	Permanent <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>
Assets		
Cash and short-term investments	\$ 23,171	\$ 7,825,643
Investments	428,532	428,532
Accounts receivable	<u>-</u>	<u>664,707</u>
Total Assets	<u>\$ 451,703</u>	<u>\$ 8,918,882</u>
Liabilities		
Warrants payable	<u>\$ -</u>	<u>\$ 1,315,908</u>
Total Liabilities	-	1,315,908
Fund Balances		
Nonspendable	87,067	87,067
Restricted	364,636	8,453,986
Unassigned	<u>-</u>	<u>(938,079)</u>
Total Fund Balance	<u>451,703</u>	<u>7,602,974</u>
Total Liabilities and Fund Balances	<u>\$ 451,703</u>	<u>\$ 8,918,882</u>

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TOWN OF DANVERS, MASSACHUSETTS

Combining Statement Of Revenues, Expenditures And Changes In Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2020

	Special Revenue Funds		
	School Lunch Fund	Grants	Receipts Reserved
Revenues			
Charges for services	\$ 659,227	\$ -	\$ 13,785
Intergovernmental	332,584	3,251,586	-
Investment income	-	-	-
Miscellaneous	-	59,779	312,638
	991,811	3,311,365	326,423
Expenditures			
General government	-	375,244	-
Public safety	-	80,972	-
Education	1,128,040	1,887,182	-
Public works	-	917,229	-
Health and human services	-	168,670	-
Culture and recreation	-	31,215	-
	1,128,040	3,460,512	-
Excess (deficiency) of revenues over (under) expenditures	(136,229)	(149,147)	326,423
Other Financing Sources (Uses)			
Transfers in	-	-	57,950
Transfers out	-	-	(20,000)
	-	-	37,950
Change in fund balances	(136,229)	(149,147)	364,373
Fund Balances, at Beginning of Year	347,396	563,142	300,844
Fund Balances, at End of Year	\$ 211,167	\$ 413,995	\$ 665,217

Special Revenue Funds

<u>Revolving Accounts</u>	<u>Conservation</u>	<u>Housing Trust</u>	<u>Other Funds</u>	<u>Subtotals</u>
\$ 1,798,274	\$ -	\$ -	\$ -	\$ 2,471,286
13,944	-	-	1,690,916	5,289,030
-	2,647	12,160	-	14,807
<u>2,000</u>	<u>-</u>	<u>-</u>	<u>375,051</u>	<u>749,468</u>
1,814,218	2,647	12,160	2,065,967	8,524,591
-	-	800	76,819	452,863
409	-	-	121,469	202,850
573,804	-	-	1,556,278	5,145,304
224,924	-	-	-	1,142,153
222,855	-	-	10,505	402,030
<u>961,433</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>992,648</u>
<u>1,983,425</u>	<u>-</u>	<u>800</u>	<u>1,765,071</u>	<u>8,337,848</u>
(169,207)	2,647	11,360	300,896	186,743
19,932	-	-	-	77,882
<u>(110,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(130,500)</u>
<u>(90,568)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(52,618)</u>
(259,775)	2,647	11,360	300,896	134,125
<u>3,516,119</u>	<u>137,286</u>	<u>655,882</u>	<u>1,496,477</u>	<u>7,017,146</u>
<u>\$ 3,256,344</u>	<u>\$ 139,933</u>	<u>\$ 667,242</u>	<u>\$ 1,797,373</u>	<u>\$ 7,151,271</u>

(continued)

TOWN OF DANVERS, MASSACHUSETTS

Combining Statement Of Revenues, Expenditures And Changes In Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2020

(continued)

	<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues		
Charges for services	\$ -	\$ 2,471,286
Intergovernmental	-	5,289,030
Investment income	10,824	25,631
Miscellaneous	<u>1,098</u>	<u>750,566</u>
 Total Revenues	 11,922	 8,536,513
Expenditures		
General government	300	453,163
Public safety	-	202,850
Education	-	5,145,304
Public works	-	1,142,153
Health and human services	-	402,030
Culture and recreation	<u>-</u>	<u>992,648</u>
 Total Expenditures	 <u>300</u>	 <u>8,338,148</u>
 Excess (deficiency) of revenues over (under) expenditures	 11,622	 198,365
Other Financing Sources (Uses)		
Transfers in	-	77,882
Transfers out	<u>-</u>	<u>(130,500)</u>
 Total Other Financing Sources (Uses)	 <u>-</u>	 <u>(52,618)</u>
 Change in fund balances	 11,622	 145,747
 Fund Balances, at Beginning of Year	 <u>440,081</u>	 <u>7,457,227</u>
 Fund Balances, at End of Year	 <u>\$ 451,703</u>	 <u>\$ 7,602,974</u>

**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, 2020

	Original <u>Budget</u>	Final <u>Budget</u>	Actual <u>(Budgetary Basis)</u>	Variance Positive <u>(Negative)</u>
<u>Taxes</u>				
Property taxes	\$ 80,315,408	\$ 80,315,408	\$ 79,668,121	\$ (647,287)
<u>Excises</u>				
Motor vehicle excise	4,450,000	4,450,000	4,583,733	133,733
Boat excise	20,000	20,000	39,863	19,863
Total Excises	<u>4,470,000</u>	<u>4,470,000</u>	<u>4,623,596</u>	<u>153,596</u>
<u>Penalties, Interest and Other Taxes</u>				
Penalties and interest	300,000	300,000	235,995	(64,005)
Hotel/motel taxes	1,550,000	1,550,000	1,390,646	(159,354)
Meals tax	905,000	905,000	861,597	(43,403)
Payment in lieu of taxes	417,000	417,000	356,941	(60,059)
Total Penalties, Interest and Other Taxes	<u>3,172,000</u>	<u>3,172,000</u>	<u>2,845,179</u>	<u>(326,821)</u>
<u>Charges for Services</u>				
Fees	675,000	675,000	659,639	(15,361)
Charges	1,118,700	1,118,700	1,188,568	69,868
Other department revenues	95,000	95,000	209,665	114,665
Total Charges for Services	<u>1,888,700</u>	<u>1,888,700</u>	<u>2,057,872</u>	<u>169,172</u>
<u>Intergovernmental</u>				
State aid	<u>10,656,216</u>	<u>10,656,216</u>	<u>10,814,991</u>	<u>158,775</u>
Total Intergovernmental	<u>10,656,216</u>	<u>10,656,216</u>	<u>10,814,991</u>	<u>158,775</u>
<u>Licenses and Permits</u>				
Building permits	500,000	500,000	513,087	13,087
Other licenses and permits	500,000	500,000	489,658	(10,342)
Total Licenses and Permits	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,002,745</u>	<u>2,745</u>
<u>Fines and Forfeits</u>				
Fines and forfeits	50,000	50,000	50,543	543
<u>Investment Income</u>				
Investment income	160,000	160,000	440,722	280,722
<u>Miscellaneous</u>				
Other (recurring)	436,578	436,578	409,845	(26,733)
Other (non-recurring)	-	-	9,377	9,377
Total Miscellaneous	<u>436,578</u>	<u>436,578</u>	<u>419,222</u>	<u>(17,356)</u>
<u>Other Financing Sources</u>				
Use of fund balance:				
Operating budget	345,000	345,000	345,000	-
Capital budget	1,444,000	1,444,000	1,444,000	-
Transfer to stabilization funds	2,250,000	2,250,000	2,250,000	-
OPEB trust fund contribution	350,000	350,000	350,000	-
Prior year carryforwards	-	2,136,409	2,136,409	-
Transfers in	<u>3,276,612</u>	<u>3,357,360</u>	<u>3,421,506</u>	<u>64,146</u>
Total Other Financing Sources	<u>7,665,612</u>	<u>9,882,769</u>	<u>9,946,915</u>	<u>64,146</u>
Total Revenues and Other Financing Sources	\$ <u>109,814,514</u>	\$ <u>112,031,671</u>	\$ <u>111,869,906</u>	\$ <u>(161,765)</u>

TOWN OF DANVERS, MASSACHUSETTS

Detail Schedule of Expenditures and Other Financing Uses
Budget and Actual – General Fund
For the Year Ended June 30, 2020

	Original <u>Budget</u>	Final <u>Budget</u>	Actual <u>(Budgetary Basis)</u>	Encumbrances <u>(Budgetary Basis)</u>	Variance Positive <u>(Negative)</u>
General Government					
Moderator					
Salaries and wages	\$ 400	\$ 400	\$ 400	\$ -	\$ -
Other expense	1,150	1,150	-	-	1,150
Selectmen					
Salaries and wages	15,500	15,500	15,261	-	239
Other expense	8,300	8,300	7,741	60	499
Management					
Salaries and wages	156,311	156,311	156,091	-	220
Other expense	159,175	159,175	117,248	12,160	29,767
Prior year carryforward	-	6,624	-	-	6,624
Technology Plan					
Prior year carryforward	-	118,689	32,758	85,931	-
Information Technology					
Salaries and wages	337,453	337,453	319,367	-	18,086
Other expense	189,933	189,933	180,607	5,183	4,143
Prior year carryforward	-	1,929	64	-	1,865
Department Head Salaries					
Salaries and wages	1,297,910	1,267,910	1,226,507	-	41,403
Other expense	23,150	23,150	7,747	-	15,403
FinCom Reserve Fund					
Other expense	125,000	50,000	-	-	50,000
Town Accountant					
Salaries and wages	369,752	369,752	339,503	-	30,249
Other expense	77,180	77,180	42,328	-	34,852
Assessing					
Salaries and wages	291,952	294,952	293,848	-	1,104
Other expense	161,790	158,790	140,343	-	18,447
Administrative Services					
Salaries and wages	498,631	498,631	481,515	-	17,116
Other expense	86,850	86,850	79,699	3,025	4,126
Town Counsel					
Other expense	131,491	131,491	88,652	9,960	32,879
Human Resources					
Salaries and wages	122,768	144,768	142,695	-	2,073
Other expense	27,993	35,993	20,219	690	15,084
Total General Government	4,082,689	4,134,931	3,692,593	117,009	325,329
Public Safety					
Police Department					
Salaries and wages	6,331,398	6,331,398	5,773,913	-	557,485
Other expense	421,876	421,876	325,406	2,502	93,968
Capital outlay	248,000	248,000	223,475	-	24,525
Prior year carryforward	-	704	96	-	608
Fire Department					
Salaries and wages	4,919,607	4,994,607	4,893,161	-	101,446
Other expense	317,344	317,344	252,436	10,429	54,479
Capital outlay	50,000	50,000	39,219	8,619	2,162
Prior year carryforward	-	24,133	2,897	12,677	8,559
Inspectional Services					
Salaries and wages	484,542	484,542	447,397	-	37,145
Other expense	43,800	50,800	34,074	-	16,726
Total Public Safety	12,816,567	12,923,404	11,992,074	34,227	897,103
Education					
Education	42,317,094	43,136,064	42,817,737	178,562	139,765
Prior year carryforward	-	-	-	-	-
Total Education	42,317,094	43,136,064	42,817,737	178,562	139,765

(continued)

(continued)

	Original <u>Budget</u>	Final <u>Budget</u>	Actual <u>(Budgetary Basis)</u>	Encumbrances <u>(Budgetary Basis)</u>	Variance Positive <u>(Negative)</u>
Public Works					
Salaries and wages	4,696,022	4,696,022	4,311,259	136	384,627
Other expense	6,668,950	6,668,950	5,272,852	582,488	813,610
Capital outlay	241,000	241,000	220,749	1,345	18,906
Prior year carryforward	-	212,451	73,319	-	139,132
Total Public Works	<u>11,605,972</u>	<u>11,818,423</u>	<u>9,878,179</u>	<u>583,969</u>	<u>1,356,275</u>
Health and Human Services					
Land Use & Community Service					
Salaries and wages	1,033,914	1,033,914	963,425	-	70,489
Other expense	202,903	202,903	124,644	-	78,259
Prior year carryforward	-	112	-	-	112
Total Health and Human Services	<u>1,236,817</u>	<u>1,236,929</u>	<u>1,088,069</u>	<u>-</u>	<u>148,860</u>
Culture and Recreation					
Recreation Department					
Salaries and wages	761,086	761,086	730,397	-	30,689
Other expense	163,113	163,113	152,001	8,434	2,678
Capital outlay	57,000	57,000	47,416	-	9,584
Prior year carryforward	-	635	-	-	635
Library					
Salaries and wages	1,170,608	1,170,608	1,086,212	-	84,396
Other expense	300,725	300,725	247,283	36,865	16,577
Total Culture and Recreation	<u>2,452,532</u>	<u>2,453,167</u>	<u>2,263,309</u>	<u>45,299</u>	<u>144,559</u>
Employee Benefits					
Employee benefits and insurance	13,946,261	13,946,261	13,240,135	34,400	671,726
Retirement	6,648,817	6,648,817	6,644,945	-	3,872
Total Employee Benefits	<u>20,595,078</u>	<u>20,595,078</u>	<u>19,885,080</u>	<u>34,400</u>	<u>675,598</u>
Debt Service					
Principal & interest	6,897,171	6,293,919	5,981,826	-	312,093
Intergovernmental					
State assessments	1,252,808	1,252,808	1,229,335	-	23,473
Articles					
Regional Vocational	2,507,152	2,507,152	2,502,731	-	4,421
Technology plan	240,000	338,570	338,570	-	-
Technology plan	30,000	117,080	94,440	22,640	-
School transportation	30,000	63,195	63,195	-	-
Pavement management	255,000	425,419	241,871	183,548	-
Rail trail design	10,000	73,348	1,301	72,047	-
Regional shuttle service	15,000	15,000	15,000	-	-
Maintenance dredging	20,634	80,634	-	80,634	-
Building improvements	142,500	432,862	158,377	274,485	-
Town properties improvements	140,500	223,228	135,228	88,000	-
Fiber optic cable	-	376,386	205,824	170,562	-
Contamination removal at Brown's pond	-	20,438	17,987	2,451	-
Zypko bridge	-	179,817	-	179,817	-
Salt shed	-	5,336	-	5,336	-
MBTA Easement	-	50,000	-	50,000	-
Time and attendance system	-	46,706	-	46,706	-
Fire pumper	-	5,494	-	5,494	-
Crane River shoreline	42,000	101,283	41,818	59,465	-
	<u>3,432,786</u>	<u>5,061,948</u>	<u>3,816,342</u>	<u>1,241,185</u>	<u>4,421</u>
Other Financing Uses					
Transfers out	<u>3,125,000</u>	<u>3,125,000</u>	<u>3,202,881</u>	<u>-</u>	<u>(77,881)</u>
Total Expenditures and Other Financing Uses	<u>\$ 109,814,514</u>	<u>\$ 112,031,671</u>	<u>\$ 105,847,425</u>	<u>\$ 2,234,651</u>	<u>\$ 3,949,595</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, 2020

	<u>Water Fund</u>		
	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Charges for services	\$ 8,300,354	\$ 8,974,430	\$ 674,076
Other revenue	<u>-</u>	<u>14,894</u>	<u>14,894</u>
Total Revenues	8,300,354	8,989,324	688,970
Expenditures			
Operating expenses	8,662,692	8,597,708	64,984
Capital articles	<u>842,930</u>	<u>842,930</u>	<u>-</u>
Total Expenditures	<u>9,505,622</u>	<u>9,440,638</u>	<u>64,984</u>
Excess of revenues over expenditures and transfers out	(1,205,268)	(451,314)	753,954
Other Financing Sources			
Use of retained earnings	807,500	-	(807,500)
Prior year encumbrances	<u>397,768</u>	<u>397,768</u>	<u>-</u>
Total Other Financing Sources	<u>1,205,268</u>	<u>397,768</u>	<u>(807,500)</u>
Excess of revenues and other sources over expenditures and transfers out	<u>\$ -</u>	<u>\$ (53,546)</u>	<u>\$ (53,546)</u>

Sewer Fund		
<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 6,189,676	\$ 6,589,982	\$ 400,306
-	-	-
6,189,676	6,589,982	400,306
6,184,277	5,995,479	188,798
<u>2,415,917</u>	<u>1,951,867</u>	<u>464,050</u>
<u>8,600,194</u>	<u>7,947,346</u>	<u>652,848</u>
(2,410,518)	(1,357,364)	1,053,154
876,500	-	(876,500)
<u>1,534,018</u>	<u>1,534,018</u>	<u>-</u>
<u>2,410,518</u>	<u>1,534,018</u>	<u>(876,500)</u>
<u>\$ -</u>	<u>\$ 176,654</u>	<u>\$ 176,654</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, 2020

	Balance July 1, <u>2019</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2020</u>
Assets - cash and short-term investments	\$ 159,717	\$ 1,092,628	\$ (1,252,345)	\$ -
Assets - accounts receivable	<u>94,596</u>	<u>2,214</u>	<u>-</u>	<u>96,810</u>
Total assets	<u>\$ 254,313</u>	<u>\$ 1,094,842</u>	<u>\$ (1,252,345)</u>	<u>\$ 96,810</u>
Liabilities - other	\$ 254,313	\$ 2,534,217	\$ (2,718,948)	\$ 69,582
Liabilities - due to general fund	<u>-</u>	<u>27,228</u>	<u>-</u>	<u>27,228</u>
Total liabilities	<u>\$ 254,313</u>	<u>\$ 2,561,445</u>	<u>\$ (2,718,948)</u>	<u>\$ 96,810</u>

STATISTICAL SECTION

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TOWN OF DANVERS, MASSACHUSETTS

STATISTICAL SECTION

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

	<u>Page</u>
Financial Trends <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	130-134
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	135-137
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>	138-140
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>	141-142
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>	143-145

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

TOWN OF DANVERS, MASSACHUSETTS

Net Position By Component
Last Ten Fiscal Years

	Fiscal Year									
	2011	2012	2013	2014	2015 ⁽¹⁾	2016	2017	2018 ⁽²⁾	2019	2020
Governmental Activities										
Net Investment in Capital Assets.....	\$ 56,122,459	\$ 75,319,872	\$ 89,743,013	\$ 85,958,913	\$ 86,658,957	\$ 86,550,451	\$ 88,240,987	\$ 89,566,672	\$ 90,177,548	\$ 96,674,155
Restricted.....	4,728,742	4,764,610	4,314,783	4,139,040	5,153,954	6,742,477	8,154,228	7,040,869	7,054,484	6,664,989
Unrestricted.....	<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>	<u>(116,831,749)</u>	<u>(118,479,062)</u>	<u>(209,763,449)</u>	<u>(227,762,241)</u>	<u>(245,368,532)</u>
Total governmental activities net position.....	\$ <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>	\$ <u>(23,538,821)</u>	\$ <u>(22,083,847)</u>	\$ <u>(113,155,908)</u>	\$ <u>(130,530,209)</u>	\$ <u>(142,029,388)</u>
Business-type activities										
Net Investment in Capital Assets.....	\$ 81,587,394	\$ 82,379,670	\$ 85,067,733	\$ 92,381,109	\$ 92,845,381	\$ 94,539,516	\$ 97,731,396	\$ 99,969,458	\$ 100,099,928	\$ 101,341,212
Restricted.....	5,196,464	4,503,084	3,908,807	3,596,529	4,679,137	5,578,945	4,369,854	2,306,961	1,484,086	2,638,315
Unrestricted.....	<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>	<u>21,972,501</u>	<u>19,124,504</u>	<u>15,687,893</u>	<u>17,802,791</u>	<u>18,064,301</u>
Total business-type activities net position.....	\$ <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>	\$ <u>122,090,962</u>	\$ <u>121,225,754</u>	\$ <u>117,964,312</u>	\$ <u>119,386,805</u>	\$ <u>122,043,828</u>
Primary Government										
Net Investment in Capital Assets.....	\$ 137,709,853	\$ 157,699,542	\$ 174,810,746	\$ 178,340,022	\$ 179,504,338	\$ 181,089,967	\$ 185,972,383	\$ 189,536,130	\$ 190,277,476	\$ 198,015,367
Restricted.....	9,925,206	9,267,694	8,223,590	7,735,569	9,833,091	12,321,422	12,524,082	9,347,830	8,538,570	9,303,304
Unrestricted.....	<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>	<u>(94,859,248)</u>	<u>(99,354,558)</u>	<u>(194,075,556)</u>	<u>(209,959,450)</u>	<u>(227,304,231)</u>
Total primary government net position.....	\$ <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>	\$ <u>98,552,141</u>	\$ <u>99,141,907</u>	\$ <u>4,808,404</u>	\$ <u>(11,143,404)</u>	\$ <u>(19,985,560)</u>

⁽¹⁾ First year of implementation of GASB 68. Prior periods have not been restated.

⁽²⁾ First year of implementation of GASB 75. Prior periods have not been restated.

Data source: Audited financial statements.

TOWN OF DANVERS, MASSACHUSETTS

Changes in Net Position
Last Ten Fiscal Years

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental activities:										
General government.....	\$ 4,632,531	\$ 5,017,751	\$ 5,513,118	\$ 5,833,602	\$ 5,716,535	\$ 6,401,570	\$ 6,057,456	\$ 7,071,315	\$ 8,880,960	\$ 7,504,880
Public safety.....	15,826,429	14,713,254	15,506,498	15,698,274	16,755,025	16,549,980	17,059,388	17,851,808	20,236,321	20,246,444
Education.....	58,385,916	60,901,915	62,660,085	66,117,718	60,668,166	65,670,015	69,022,809	73,205,913	82,350,778	84,921,032
Public works.....	15,101,480	14,408,452	15,680,961	16,046,642	19,404,154	19,479,869	16,521,680	19,058,039	19,808,178	18,506,651
Health and human services.....	1,819,342	1,780,423	1,827,654	2,038,423	2,048,104	2,217,354	2,127,217	2,127,506	2,554,063	2,253,973
Culture and recreation.....	3,493,371	3,162,019	3,223,429	3,379,788	3,663,613	3,487,373	3,465,121	3,881,239	4,514,023	4,643,769
Interest.....	1,459,616	2,476,747	2,241,737	1,738,248	2,217,589	2,005,944	1,742,996	2,319,747	2,039,094	2,411,906
Total governmental activities expenses.....	100,718,685	102,460,561	106,653,482	110,852,695	110,473,186	115,812,105	115,996,667	125,515,567	140,383,417	140,488,655
Business-type activities:										
Water operations.....	6,082,022	6,339,675	6,457,316	6,488,111	7,673,561	8,150,732	9,059,044	7,243,992	7,241,138	8,385,309
Sewer operations.....	6,034,285	6,033,530	6,272,134	7,216,210	6,814,725	6,093,641	6,399,433	5,859,908	6,594,442	6,602,590
Electric operations.....	46,481,478	45,055,002	39,277,467	42,634,201	49,246,509	43,707,422	45,005,140	37,454,994	38,447,071	36,501,081
Total business-type activities expenses.....	58,597,785	57,428,207	52,006,917	56,338,522	63,734,795	57,951,795	60,463,617	50,558,894	52,282,651	51,488,980
Total primary government expenses.....	\$ 159,316,470	\$ 159,888,768	\$ 158,660,399	\$ 167,191,217	\$ 174,207,981	\$ 173,763,900	\$ 176,460,284	\$ 176,074,461	\$ 192,666,068	\$ 191,977,635
Program Revenues										
Governmental activities:										
Charges for services:										
General government.....	\$ 1,307,450	\$ 1,431,513	\$ 1,430,145	\$ 1,459,875	\$ 1,506,539	\$ 1,471,213	\$ 1,520,582	\$ 1,584,172	\$ 1,576,100	\$ 1,817,488
Public safety.....	696,737	941,478	1,030,907	981,133	1,203,801	1,354,923	1,259,376	1,081,671	1,190,920	914,625
Education.....	1,209,699	1,313,917	1,218,429	1,422,023	1,471,384	1,460,571	1,519,222	1,559,135	1,598,956	1,182,576
Public works.....	269,162	99,995	76,497	525,837	172,547	492,024	492,395	202,880	257,618	135,807
Health and human services.....	396,945	367,703	328,380	355,023	375,428	380,142	380,142	461,653	433,440	406,477
Culture and recreation.....	887,844	1,113,249	1,153,832	1,191,257	1,070,451	1,203,997	1,260,663	1,362,127	1,303,892	1,125,474
Operating grants and contributions.....	16,548,392	17,623,495	20,383,237	20,437,875	16,305,273	18,478,571	22,438,083	21,428,844	23,914,849	29,093,342
Capital grants and contributions.....	5,089,640	18,462,460	6,263,672	1,681,858	625,120	350,000	3,508,761	25,000	-	312,638
Total government activities program revenues	26,405,869	41,353,810	31,885,099	28,054,881	22,730,543	25,455,667	32,379,224	27,705,482	30,275,775	34,988,427
Business-type activities:										
Charges for services:										
Water operations.....	7,287,687	6,936,375	7,355,468	7,887,579	8,259,197	8,515,919	8,936,335	8,188,219	7,333,946	9,565,259
Sewer operations.....	6,349,074	6,451,943	6,678,301	6,686,112	6,852,388	6,811,693	7,267,305	6,664,902	6,218,389	6,707,204
Electric operations.....	45,070,589	42,130,194	39,492,555	43,000,008	43,162,128	43,920,092	42,114,690	40,133,774	38,692,890	36,204,643
Operating grants and contributions.....	1,464,294	1,269,664	1,416,835	1,114,067	680,910	620,254	520,983	3,402,563	319,420	1,373,683
Capital grants and contributions.....	1,067,131	1,485,147	3,952,283	2,993,685	2,197,375	2,897,945	-	-	-	-
Total business-type activities revenues.....	61,238,775	58,273,323	58,895,442	61,681,451	61,151,998	62,765,903	58,839,313	58,389,458	52,564,645	53,850,789
Total primary government revenues.....	\$ 87,644,644	\$ 99,627,133	\$ 90,780,541	\$ 89,736,332	\$ 83,882,541	\$ 88,221,570	\$ 91,218,537	\$ 86,094,940	\$ 82,840,420	\$ 88,839,216
Net (Expense)/Revenue										
Governmental activities.....	\$ (74,312,816)	\$ (61,106,751)	\$ (74,768,383)	\$ (82,797,814)	\$ (87,742,643)	\$ (90,356,438)	\$ (83,617,443)	\$ (97,810,085)	\$ (110,107,642)	\$ (105,500,228)
Business-type activities.....	2,640,990	845,116	6,888,525	5,342,929	(2,582,797)	4,814,108	(1,624,304)	7,830,564	281,994	2,361,809
Total primary government net (expense).....	\$ (71,671,826)	\$ (60,261,635)	\$ (67,879,858)	\$ (77,454,885)	\$ (90,325,440)	\$ (85,542,330)	\$ (85,241,747)	\$ (89,979,521)	\$ (109,825,648)	\$ (103,138,419)

(continued)

TOWN OF DANVERS, MASSACHUSETTS

Changes in Net Position
Last Ten Fiscal Years

(continued)

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Revenues and Other Changes in Net Position										
Governmental activities:										
Real estate and personal property taxes, net of refunds payable.....	\$ 58,327,569	\$ 59,603,766	\$ 62,649,396	\$ 64,405,254	\$ 67,092,051	\$ 69,493,850	\$ 71,888,596	\$ 75,882,477	\$ 78,025,249	\$ 80,149,621
Excises.....	2,854,838	3,509,904	3,888,252	4,043,549	4,460,827	4,845,377	4,824,578	5,078,483	5,047,440	4,976,812
Payment in lieu of taxes	-	-	-	-	-	-	798,046	1,181,553	470,360	356,941
Penalties, interest and other taxes.....	2,040,704	2,786,531	2,492,475	2,773,866	2,995,612	3,431,737	3,297,879	2,833,532	2,932,326	2,488,238
Grants and contributions not restricted to specific programs.....	3,886,119	7,588,219	2,748,452	2,808,751	2,939,940	3,022,727	3,192,633	3,408,140	3,432,801	3,432,825
Unrestricted investment income.....	156,999	135,569	178,384	89,728	129,037	270,754	293,513	406,155	683,407	644,101
Miscellaneous.....	747,044	1,030,261	383,214	518,276	415,869	788,178	909,503	663,878	1,321,910	1,115,364
Transfers.....	683,282	880,566	865,409	929,954	1,476,136	1,055,951	(132,331)	39,000	819,848	837,147
Total government activities.....	68,696,555	75,534,816	73,205,582	75,569,378	79,509,472	82,908,574	85,072,417	89,493,218	92,733,341	94,001,049
Business-type activities:										
Unrestricted investment income.....	133,391	72,025	81,906	48,135	39,308	43,582	121,204	238,583	383,683	457,163
Miscellaneous.....	367,314	147,221	8,831	531	22,340	12,783	1,679,782	661,918	1,570,716	578,843
Transfers.....	(683,282)	(880,566)	(865,409)	(929,954)	(1,476,136)	(1,055,951)	(226,995)	(39,000)	(813,900)	(740,792)
Total business-type activities.....	(182,577)	(661,320)	(774,672)	(881,288)	(1,414,488)	(999,586)	1,573,991	861,501	1,140,499	295,214
Total primary government.....	\$ 68,513,978	\$ 74,873,496	\$ 72,430,910	\$ 74,688,090	\$ 78,094,984	\$ 81,908,988	\$ 86,646,408	\$ 90,354,719	\$ 93,873,840	\$ 94,296,263
Net Position Restatement										
Governmental activities.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business-type activities.....	-	-	-	-	-	-	(814,895)	-	-	-
Total primary government.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (814,895)	\$ -	\$ -	\$ -
Changes in Net Position										
Governmental activities.....	\$ (5,616,261)	\$ 14,428,065	\$ (1,562,801)	\$ (7,228,436)	\$ (8,233,171)	\$ (7,447,864)	\$ 1,454,974	\$ (8,316,867)	\$ (17,374,301)	\$ (11,499,179)
Business-type activities.....	2,458,413	183,796	6,113,853	4,461,641	(3,997,285)	3,814,522	(865,208)	8,692,065	1,422,493	2,657,023
Total primary government changes in net position.....	\$ (3,157,848)	\$ 14,611,861	\$ 4,551,052	\$ (2,766,795)	\$ (12,230,456)	\$ (3,633,342)	\$ 589,766	\$ 375,198	\$ (15,951,808)	\$ (8,842,156)

Data source: Audited financial statements

TOWN OF DANVERS, MASSACHUSETTS

Fund Balances, Governmental Funds
Last Ten Fiscal Years

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Nonspendable	\$ 1,096,008	\$ 1,238,732	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	8,511,262	7,939,767	7,075,094	6,797,833	6,423,409	6,396,250	5,786,465	5,607,856	7,464,094	5,297,344
Assigned	3,102,923	3,654,766	2,882,288	1,781,737	2,404,436	3,424,116	4,626,983	7,787,650	4,210,263	5,131,270
Unassigned	<u>2,374,451</u>	<u>3,572,172</u>	<u>5,511,075</u>	<u>7,965,218</u>	<u>8,982,083</u>	<u>10,182,856</u>	<u>11,336,407</u>	<u>8,805,525</u>	<u>10,948,773</u>	<u>11,115,991</u>
Total general fund	<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>	<u>\$ 20,003,222</u>	<u>\$ 21,749,855</u>	<u>\$ 22,201,031</u>	<u>\$ 22,623,130</u>	<u>\$ 21,544,605</u>
All Other Governmental Funds										
Nonspendable	\$ 143,524	\$ 143,524	\$ 143,524	\$ 143,524	\$ 143,524	\$ 143,524	\$ 137,564	\$ 137,564	\$ 87,067	\$ 87,067
Restricted	5,070,550	5,675,655	4,354,291	4,028,372	5,307,045	6,724,796	13,460,772	9,901,313	8,352,703	16,367,902
Committed	49,920	49,920	49,920	-	-	-	575,000	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	<u>(15,437,085)</u>	<u>(4,007,947)</u>	<u>(9,560,010)</u>	<u>(10,399,777)</u>	<u>(2,664,879)</u>	<u>(9,973,208)</u>	<u>(695,556)</u>	<u>(1,389,523)</u>	<u>(2,238,401)</u>	<u>(2,375,272)</u>
Total all other governmental funds	<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>	<u>\$ (3,104,888)</u>	<u>\$ 13,477,780</u>	<u>\$ 8,649,354</u>	<u>\$ 6,201,369</u>	<u>\$ 14,079,697</u>

Data Source: Audited Financial statements

TOWN OF DANVERS, MASSACHUSETTS

Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Real estate and personal property taxes, net of tax refunds.....	\$ 57,670,000	\$ 59,543,092	\$ 62,447,795	\$ 64,358,646	\$ 67,633,106	\$ 69,263,205	\$ 71,958,952	75,697,844	\$ 77,827,667	\$ 79,433,713
Motor vehicle and other excise taxes.....	3,423,388	3,529,052	3,809,220	4,176,019	4,416,083	4,752,625	4,846,442	5,082,039	5,059,524	4,623,596
Penalties, interest and other taxes.....	2,040,704	2,786,532	2,492,475	2,773,865	2,992,391	3,431,737	4,095,925	4,015,085	3,402,686	2,845,179
Charges for services.....	4,054,176	4,303,314	4,164,141	4,883,940	4,647,075	4,978,483	5,006,091	5,055,216	5,049,918	4,529,158
Intergovernmental.....	25,268,330	39,342,386	29,813,367	25,436,802	15,628,248	15,432,634	26,026,101	20,412,469	22,892,583	25,534,099
Licenses and permits.....	713,939	869,973	961,842	941,556	1,153,496	1,267,593	1,348,934	1,124,426	1,237,803	1,002,745
Fines and forfeits	-	-	-	-	-	-	77,355	71,995	73,206	50,543
Investment income.....	152,376	132,542	174,744	85,869	125,013	228,516	269,597	387,739	645,009	595,078
Miscellaneous.....	1,002,587	2,383,420	771,444	813,636	1,199,705	1,464,287	4,412,909	660,770	894,225	1,169,788
Total Revenue	94,325,500	112,890,311	104,635,028	103,470,333	97,795,117	100,819,080	118,042,306	112,507,583	117,082,621	119,783,899
Expenditures										
General Government.....	2,297,366	3,108,452	4,564,477	3,147,636	3,293,323	3,600,301	3,663,282	4,449,077	6,354,005	4,822,062
Public Safety.....	10,381,419	10,897,409	10,815,236	10,654,740	11,002,260	11,350,926	15,937,238	13,945,990	12,669,462	12,245,172
Education.....	46,264,926	46,876,587	48,116,489	49,837,879	42,408,849	44,061,988	55,759,299	51,964,797	54,700,921	72,652,049
Public Works.....	11,245,818	12,036,902	12,920,504	12,383,162	13,072,948	11,666,886	12,080,659	13,302,634	14,042,590	11,601,557
Health and Human Services.....	1,105,584	1,197,608	1,214,070	1,423,475	1,408,724	1,517,089	1,576,980	1,362,287	1,497,331	1,543,613
Culture and Recreation.....	2,712,107	2,533,293	2,548,230	2,687,884	2,912,447	2,628,870	2,869,780	3,006,256	3,438,218	3,260,549
Employee Benefits.....	13,297,367	13,895,004	14,798,538	15,325,977	15,874,569	16,448,996	17,505,099	20,213,243	20,033,226	20,760,080
Intergovernmental.....	860,320	792,504	892,125	978,390	944,736	1,147,810	1,043,272	1,110,199	1,204,960	1,229,335
Capital outlay.....	16,710,247	33,820,972	11,730,505	2,619,625	1,097,893	7,438,048	-	-	-	-
Debt service:										
Principal.....	2,633,900	2,744,700	3,470,000	3,401,600	3,334,500	3,615,027	3,515,000	3,220,000	3,558,000	3,506,600
Interest.....	1,425,195	1,861,410	2,339,403	2,079,194	2,107,786	2,206,883	1,840,065	1,957,350	2,429,641	2,475,226
Total Expenditures	108,934,249	129,764,841	113,409,577	104,539,562	97,458,035	105,682,824	115,790,674	114,531,833	119,928,354	134,096,243
Excess of revenues over/(under) expenditures	(14,608,749)	(16,874,530)	(8,774,549)	(1,069,229)	337,082	(4,863,744)	2,251,632	(2,024,250)	(2,845,733)	(14,312,344)
Other Financing Sources (Uses)										
Issuance of bonds and notes.....	2,715,000	29,349,000	-	-	8,366,457	-	16,210,000	-	-	20,275,000
Issuance of refunding bonds.....	-	-	2,385,878	-	5,724,531	4,936,646	-	-	-	-
Payments to refunded bond escrow agent.....	-	-	(2,287,145)	-	(5,625,495)	(4,826,137)	-	-	-	-
Transfers in.....	1,372,363	2,678,856	1,657,384	2,103,819	1,890,124	1,633,296	327,832	272,519	3,000,839	1,065,162
Transfers out.....	(689,081)	(1,798,290)	(791,975)	(1,173,865)	(413,988)	(577,345)	(460,163)	(233,519)	(2,180,992)	(228,015)
Total other financing sources (uses)	3,398,282	30,229,566	964,142	929,954	9,941,629	1,166,460	16,077,669	39,000	819,847	21,112,147
Fund balance restatement	-	-	-	-	-	-	-	-	-	-
Net change in fund balance	\$ (11,210,467)	\$ 13,355,036	\$ (7,810,407)	\$ (139,275)	\$ 10,278,711	\$ (3,697,284)	\$ 18,329,301	(1,985,250)	\$ (2,025,886)	\$ 6,799,803
Debt service as a percentage of noncapital expenditures ⁽¹⁾	4.40%	4.80%	5.71%	5.38%	5.65%	5.93%	4.62%	4.66%	5.31%	5.11%

Notes: (1) Capital outlay purchases from the reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities are used to calculate this ratio are reported as budgeted expenditures by function.

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	Residential Tax Rate ⁽²⁾	Commercial Value	Industrial Value	Personal Property	Total Commercial Value	Commercial Tax Rate ⁽²⁾	Total Town Value
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
2016	\$ 3,286,484,018	\$ 14.20	\$ 800,243,184	\$ 210,291,975	\$ 94,681,236	\$ 1,105,216,395	\$ 21.37	\$ 4,391,700,413
2017	\$ 3,424,189,783	\$ 14.19	\$ 800,875,033	\$ 206,596,775	\$ 94,909,073	\$ 1,102,380,881	\$ 21.83	\$ 4,526,570,664
2018	\$ 3,732,846,022	\$ 13.54	\$ 858,629,391	\$ 223,009,300	\$ 91,512,405	\$ 1,173,151,096	\$ 21.15	\$ 4,905,997,118
2019	\$ 3,953,500,016	\$ 13.28	\$ 881,220,251	\$ 229,039,100	\$ 100,308,352	\$ 1,210,567,703	\$ 21.19	\$ 5,164,067,719
2020	\$ 4,201,007,040	\$ 13.06	\$ 931,828,069	\$ 225,067,325	\$ 100,859,239	\$ 1,257,754,633	\$ 20.77	\$ 5,458,761,673

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	2020		Percentage of Total Taxable Assessed Value	2011		Percentage of Total Taxable Assessed Value
		Assessed Valuation	Rank		Assessed Valuation	Rank	
DSF IV Danvers Owner LLC	Residential	\$ 73,402,100		1.34%			
Mall at Liberty Tree LLC*	Commercial	59,618,500		1.09%	\$ 59,857,800	1	1.52%
North Endicott Green LLC	Residential	42,750,100		0.78%			
HD Development of Maryland, Inc*	Commercial	26,483,600		0.49%	21,981,000	6	0.56%
Endicott Plaza Limited Partnership*	Commercial	24,274,800		0.44%	20,120,700	7	0.51%
Brookwood Sylvan LLC *	Residential/Commercial	23,819,800		0.44%			
Samuel A. Valenti Trustee *	Commercial	23,440,600		0.43%	19,312,100	8	0.49%
Group 1 Realty, Inc	Commercial	22,948,100		0.42%			
Atlas Danvers Realty, LLC	Commercial	22,872,600		0.42%	17,790,200	10	0.45%
Partners Healthcare System, Inc.	Commercial	22,041,511		0.40%	26,733,470	4	0.68%
Avalonbay Communities INC	Residential				49,069,300	2	1.25%
Brookwood Cherry Hill I LLC	Commercial/Industrial				27,699,600	3	0.70%
Northland Swingway LLC	Commercial				25,772,000	5	0.66%
Dancross Associates LP *	Commercial				18,872,000	9	0.48%
		<u>\$ 341,651,711</u>		<u>6.25%</u>	<u>\$ 287,208,170</u>		<u>7.30%</u>

* 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
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%
2016	\$ 70,286,547	\$ (302,760)	\$ 69,983,787	\$ 68,928,732	98.49%	\$ 791,031	\$ 69,719,763	99.6%	\$ 1,982,707	2.83%
2017	\$ 72,654,232	\$ (266,045)	\$ 72,388,187	\$ 71,588,784	98.90%	\$ 619,267	\$ 72,208,051	99.8%	\$ 1,699,714	2.35%
2018	\$ 75,354,882	\$ (385,569)	\$ 74,969,313	\$ 74,024,371	98.74%	\$ 606,759	\$ 74,631,130	99.5%	\$ 1,741,212	2.32%
2019	\$ 78,154,410	\$ (380,790)	\$ 77,773,620	\$ 76,985,105	98.99%	\$ 1,086,554	\$ 78,071,659	100.4%	\$ 1,428,508	1.84%
2020	\$ 80,988,716	\$ (313,058)	\$ 80,675,658	\$ 79,068,244	98.01%	\$ 590,280	\$ 79,658,524	98.7%	\$ 2,381,479	2.95%

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
2011	24,059	\$ 39,118	\$ 3,930,282,886	\$ 28,654,570	\$ 1,191	0.14%	0.73%
2012	23,347	\$ 39,067	\$ 3,922,581,465	\$ 55,258,870	\$ 2,367	0.07%	1.41%
2013	23,923	\$ 38,795	\$ 3,894,807,200	\$ 51,804,670	\$ 2,165	0.07%	1.33%
2014	24,141	\$ 38,252	\$ 3,934,210,567	\$ 48,403,070	\$ 2,005	0.08%	1.23%
2015	23,299	\$ 37,784	\$ 4,056,879,982	\$ 54,623,910	\$ 2,344	0.07%	1.35%
2016	24,475	\$ 37,398	\$ 4,391,700,413	\$ 50,759,522	\$ 2,074	0.07%	1.16%
2017	24,829	\$ 38,258	\$ 4,526,570,664	\$ 46,351,300	\$ 1,867	0.08%	1.02%
2018	24,604	\$ 39,283	\$ 4,905,997,118	\$ 57,753,200	\$ 2,347	0.07%	1.18%
2019	25,128	\$ 41,359	\$ 5,164,067,719	\$ 54,038,520	\$ 2,151	0.08%	1.05%
2020	25,166	\$ 41,359	\$ 5,458,761,673	\$ 70,537,240	\$ 2,803	0.06%	1.29%

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
2011	\$ 6,509,723	\$ 4,621,050	\$ 8,605,000	\$ 48,390,343	\$ 2,011	0.08%	1.23%
2012	\$ 8,623,942	\$ 4,593,450	\$ 8,945,000	\$ 77,421,262	\$ 3,316	0.05%	1.97%
2013	\$ 28,330,380	\$ 4,142,350	\$ 8,325,000	\$ 92,602,400	\$ 3,871	0.04%	2.38%
2014	\$ 26,755,946	\$ 3,641,650	\$ 7,705,000	\$ 86,505,666	\$ 3,583	0.04%	2.20%
2015	\$ 25,205,681	\$ 3,153,750	\$ 7,774,543	\$ 90,757,884	\$ 3,895	0.04%	2.24%
2016	\$ 23,622,294	\$ 2,648,750	\$ 7,125,000	\$ 84,155,566	\$ 3,438	0.04%	1.92%
2017	\$ 22,051,146	\$ 1,119,250	\$ 6,131,700	\$ 75,653,396	\$ 3,047	0.05%	1.67%
2018	\$ 20,467,403	\$ 2,567,250	\$ 5,736,700	\$ 86,524,553	\$ 3,517	0.04%	1.76%
2019	\$ 18,873,298	\$ 2,137,950	\$ 5,151,700	\$ 80,201,468	\$ 3,192	0.05%	1.55%
2020	\$ 18,801,508	\$ 3,474,450	\$ 4,576,000	\$ 97,389,198	\$ 3,870	0.04%	1.78%

Data source: Audited financial statements

Town of Danvers Census Data

U.S. Census (ACS Survey - 5 YR Estimates)

Amounts exclude bond anticipation note not considered essential to this presentation

TOWN OF DANVERS, MASSACHUSETTS

Direct and Overlapping Governmental Activities Debt
As of June 30, 2020

	Debt Outstanding	Estimated Percentage Applicable ⁽¹⁾	Estimated Share of Overlapping Debt ⁽²⁾
Debt repaid with property taxes			
Essex North Shore Agricultural & Technical School District ⁽³⁾	\$ 27,610,000	13.03%	\$ 3,597,583
South Essex Sewerage District ⁽⁴⁾	\$ 15,493,104	9.36%	1,450,155
Massachusetts Bay Transportation Authority ⁽⁵⁾	\$ 5,478,860,000	0.36%	19,723,896
Subtotal, overlapping debt			24,771,634
Town direct debt			70,537,240
Total direct and overlapping debt			\$ 95,308,874

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)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Equalized Valuation ⁽¹⁾	\$ 4,355,266	\$ 4,124,854	\$ 4,124,854	\$ 4,163,499	\$ 4,163,499	\$ 4,637,915	\$ 4,637,915	\$ 5,183,902	\$ 5,183,902	\$ 5,748,465
Debt Limit - 5% of Equalized Valuation	217,763	206,243	206,243	208,175	208,175	231,896	231,896	259,195	259,195	287,423
Less:										
Total debt applicable to limitation ⁽²⁾	(30,850)	(57,679)	(53,950)	(50,298)	(47,721)	(51,285)	(41,178)	(50,959)	(60,341)	(47,208)
Legal debt margin	\$ 186,913	\$ 148,564	\$ 152,293	\$ 157,877	\$ 160,454	\$ 180,611	\$ 190,718	\$ 208,236	\$ 198,854	\$ 240,215
Total debt applicable to the limit as a percentage of debt limit	14%	28%	26%	24%	23%	22%	18%	20%	23%	16%

Data source:

⁽¹⁾ Massachusetts DLS 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
2011	24,059	\$ 39,118	44.1	3,637	6.4%
2012	23,347	\$ 39,067	43.7	3,617	6.1%
2013	23,923	\$ 38,795	44.3	3,593	5.8%
2014	24,141	\$ 38,252	43.1	3,644	4.8%
2015	23,299	\$ 37,784	44.6	3,730	4.0%
2016	24,475	\$ 37,398	44.9	3,670	3.3%
2017	24,829	\$ 38,258	45.0	3,598	3.1%
2018	24,604	\$ 39,283	45.0	3,464	2.1%
2019	25,128	\$ 41,359	44.9	3,481	2.6%
2020	25,166	\$ 41,359	44.9	3,417	17.7%

Data source: Massachusetts DLS Databank
Town of Danvers Census Data
U.S. Census (ACS Survey - 5 YR Estimates)

TOWN OF DANVERS, MASSACHUSETTS

Principal Employers
Current Year and Ten Years Ago

Employer	Type of Business	2020			2011		
		Number of Employees	Rank	Percentage of Total Town Employment	Number of Employees	Rank	Percentage of Total Town Employment
Medtronic Interventional Vascular	Bio-Medical Research & Dev.	740		2.77 %	210	10	0.98 %
IRA Motor Group	Automobile	530		1.99 %			
Hospice of the North Shore	Medical Care	522		1.96 %	211	8	0.98
North Shore Community College	Higher Education	418		1.57 %	318	3	1.48
Abiomed	Medical Implant Devices	400		1.50 %			
Home Depot (multiple locations)	Building Retail	313		1.17 %	260	7	1.21
Cell Signaling & Technology	Medical Research	300		1.12 %			
Partner's Healthcare (multiple locations)	Healthcare	300		1.12 %			
Lahey NorthShore	Medical Center	289		1.08 %			
Essex North Shore Tech School	Education	252		0.94 %			
Osram Sylvania, Inc.	Lighting Division				900	1	4.18
Beverly Hospital	Medical Center				350	2	1.63
Crown Plaza Conference Resort	Hotel/Conference/Restaurant				300	4	1.39
Fishery Products	Food Processing				300	5	1.39
VNA North Short, Inc.	Visiting Nurses				275	6	1.28
Lowe's Home Improvement Center	Building Retail				210	9	0.98
Total Principal Employers		4,064		15.22 %	3,334		15.50 %
Total Town Employment in Danvers ⁽¹⁾		<u>26,672</u>			<u>21,535</u>		

Data Source:
Final Official Statements for Town of Danvers

Notes:
⁽¹⁾U.S. Census

TOWN OF DANVERS, MASSACHUSETTS

Government Employees by Function - Full Time Equivalents
Last Ten Fiscal Years

Function	2011	2012	2013	2014	2015	2016*	2017	2018	2019	2020
General Government	30.00	30.00	30.00	30.00	30.00	35.37	37.37	37.37	36.37	36.37
Public Safety										
Police	58.00	58.00	58.00	58.00	58.00	57.00	57.00	57.00	57.00	58.00
Fire	49.87	49.87	49.87	49.87	49.87	48.87	48.87	48.87	48.87	48.87
Code Administration	6.00	5.60	5.60	5.60	5.60	4.68	4.68	4.68	5.68	5.68
Total	<u>113.87</u>	<u>113.47</u>	<u>113.47</u>	<u>113.47</u>	<u>113.47</u>	<u>110.55</u>	<u>110.55</u>	<u>110.55</u>	<u>111.55</u>	<u>112.55</u>
Education	441.90	443.70	440.50	444.00	446.40	449.40	452.40	452.40	457.90	458.90
Public Works										
Tax Supported	63.70	63.70	63.70	63.70	64.70	63.70	64.70	64.70	63.70	64.70
Water/Sewer Division	24.00	24.00	24.00	24.00	24.00	25.00	25.00	25.00	25.00	25.00
Electric/Business Division	47.00	47.00	47.00	47.00	48.00	48.50	48.50	48.50	48.50	48.50
Total	<u>134.70</u>	<u>134.70</u>	<u>134.70</u>	<u>134.70</u>	<u>136.70</u>	<u>137.20</u>	<u>138.20</u>	<u>138.20</u>	<u>137.20</u>	<u>138.20</u>
Land Use & Community Services										
Planning & Economic Development	6.00	6.00	6.00	6.67	6.67	5.67	5.67	5.67	4.67	4.67
Health	2.00	2.00	2.00	3.00	3.00	3.75	3.75	3.75	3.75	3.75
Recreation	7.64	7.64	7.64	8.75	8.75	7.00	7.00	7.00	8.00	8.00
Senior & Social Services	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	4.75
Total	<u>19.39</u>	<u>19.39</u>	<u>19.39</u>	<u>22.17</u>	<u>22.17</u>	<u>20.17</u>	<u>20.17</u>	<u>20.17</u>	<u>20.17</u>	<u>21.17</u>
Library	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50
Total	753.36	754.76	751.56	757.84	762.24	766.19	772.19	772.19	776.69	780.69

Data Source: Town of Danvers Budgets (Budgeted Full Time Equivalents)

* Data officially switched to match budget book methodology

TOWN OF DANVERS, MASSACHUSETTS

Operating Indicators by Function
Last Ten Fiscal Years ⁽¹⁾

Function	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Finance										
Registered voters	18,256	18,851	17,811	19,094	19,071	20,008	20,117	20,752	20,801	20,705
Taxable property parcels assessed	9,131	9,136	9,155	9,178	9,325	9,325	9,339	9,722	9,438	9,418
Motor vehicles registered	26,263	25,155	25,438	25,718	26,205	30,048	32,360	32,000	30,351	30,032
Police										
Physical arrests	705	697	755	730	672	719	483	445	386	357
Traffic violations	5,239	6,148	6,905	6,393	8,039	6,442	4,796	4,468	4,638	3,219
Fire and Rescue (CY)										
Calls answered	6,867	7,137	7,151	4,147	7,508	7,188	7,842	8,598	8,398	7,098
Emergency responses	4,081	4,368	4,359	4,284	5,124	4,982	4,910	6,106	5,477	4,737
Fires extinguished	93	130	105	73	105	148	90	90	85	81
Number of inspections conducted	1,497	1,486	1,631	1,608	2,384	2,206	2,932	2,491	2,921	2,361
Emergency medical responses	2,709	2,892	2,907	2,796	3,022	2,960	3,126	3,848	3,807	3,276
Code Administration										
Building permits	867	981	703	932	958	1,005	977	920	994	889
Estimated construction value	80,806,895	43,079,941	30,754,574	61,238,763	46,458,393	82,052,639	57,961,914	57,703,065	65,972,931	128,089,461
Public Works										
Refuse collected (tons)	7,375	6,646	6,405	6,481	6,495	6,380	6,174	6,325	6,348	6,492
Recycling (tons)	2,110	2,351	2,613	2,623	2,661	2,772	2,743	2,573	2,411	2,369
Public Library										
Volumes in collections	115,169	111,817	113,761	167,085	165,800	153,901	150,717	128,164	131,631	129,116
Total volumes borrowed	150,651	155,087	144,459	205,660	197,060	196,444	188,819	190,170	224,717	197,667
Water system:										
Water main breaks	28	20	29	25	33	18	28	20	23	24
Daily average consumption (millions of gallons)	3.70	3.22	3.08	2.90	3.19	2.95	3.00	3.16	2.85	2.93
Peak daily consumption (millions of gallons)	6.08	5.74	5.97	5.23	5.97	5.26	5.25	5.00	4.86	5.37
Sewage System:										
Miles of sewer	123.33	123.33	123.70	123.51	123.51	123.51	123.52	123.99	125	125
Number of house connections	7,760	7,778	7,796	7,800	7,885	7,897	7,908	8,188	8,236	8,267
Electric System (CY)										
Annual energy sales (MWhR)	323,607	320,844	318,216	310,009	309,843	303,656	300,250	306,940	293,457	*
Number of meters	13,016	13,016	13,212	13,357	13,116	12,234	13,109	13,281	13,346	*
Overhead lines (miles)	146.56	144.11	143.15	142.34	143.15	141.65	141.11	141.41	141.99	*
Underground lines (miles)	37.05	*	37.12	36.87	37.12	38.78	38.77	38.09	39.19	*

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

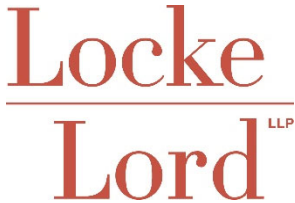
Function	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Fire and Rescue										
Number of stations	2	2	2	2	2	2	2	2	2	2
Number of ladder trucks	2	2	2	2	2	2	2	2	2	2
Number of pumpers	3	3	3	3	3	3	3	2	3	3
Number of support vehicles	6	6	6	6	6	6	6	6	6	6
Public Works										
Miles of streets	121	121	123	123	123	123	123	123	123	123
Miles of storm drains	100	100	103	103	103	103	103	103	103	103
Number of street lights	3,471	3,489	3,490	3,508	3,561	3,561	3,561	3,711	3,484	3,495
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	36	36	36	36	36	36	36	36	36	36
Tennis Courts	10	10	10	10	10	10	17	17	17	17
Water system:										
Miles of water mains	134.51	135.00	135.25	135.25	135.25	135.25	135.25	137.74	150.30	150.30
Number of service connections	10,855	10,870	10,886	10,890	10,966	10,966	10,111	10,122	10,194	10,212
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	1,500	1,505	1,508	1,508	1,509	1,509	1,509	1,517	1,589	1,597
Sewage System:										
Miles of sanitary sewers	123.33	123.33	123.51	123.51	123.51	123.51	123.51	123.99	125.20	125.20
Number of treatment plants ⁽²⁾										
Number of service connections	7,760	7,778	7,796	7,800	7,885	7,885	8,177	8,188	8,236	8,249

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.

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www.lockelord.com

(Date of Delivery)

Jill M. Summit, Treasurer/Collector
Town Hall
Danvers, Massachusetts

\$13,945,000*
Town of Danvers, Massachusetts
General Obligation Municipal Purpose Loan of 2021 Bonds
Dated September 30, 2021

We have acted as bond counsel to the Town of Danvers, Massachusetts (the “Town”) in connection with the issuance by the Town of the above-referenced bonds (the “Bonds”). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations and covenants of the Town contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Bonds are valid and binding general obligations of the Town and, except to the extent they are paid from other sources, the principal of and interest on the Bonds are payable from taxes which may be levied upon all taxable property in the Town, subject to the limit imposed by Chapter 59, Section 21C of the General Laws.

2. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. In rendering the opinions set forth in this paragraph, we have assumed compliance by the Town with all requirements of the Internal Revenue Code of 1986, as amended (the “Code”) that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to

* Preliminary, subject to change.

be, excluded from gross income for federal income tax purposes. The Town has covenanted to comply with all such requirements. Failure by the Town to comply with certain of such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. Except as expressed in paragraph 4 below, we express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

3. Interest on the Bonds is exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion regarding any other Massachusetts tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts.

4. The Bonds are qualified tax-exempt obligations within the meaning of Section 265(b)(3) of the Code.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

LOCKE LORD LLP

**PROPOSED FORM OF
CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Town of Danvers, Massachusetts (the “Issuer”) in connection with the issuance of its \$13,945,000* General Obligation Municipal Purpose Loan of 2021 Bonds dated September 30, 2021 (the “Bonds”). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule.

SECTION 2. Definitions. For purposes of this Disclosure Certificate the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board as established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate. Filing information relating to the MSRB is set forth in Exhibit A attached hereto.

“Obligated Person” shall mean the Issuer.

“Owners of the Bonds” shall mean the registered owners, including beneficial owners, of the Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, not later than 270 days after the end of each fiscal year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in

* Preliminary, subject to change.

Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted when available separately from the balance of the Annual Report.

(b) If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the MSRB in a timely manner, in substantially the form attached as Exhibit B.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

(a) quantitative information for the preceding fiscal year of the type presented in the Issuer's Official Statement dated September 16, 2021 relating to the Bonds regarding (i) the revenues and expenditures of the Issuer relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension obligations of the Issuer, and (vii) other post-employment benefits liability of the Issuer, and

(b) the most recently available audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles (except for the omission, if any, of a statement of fixed assets). If audited financial statements for the preceding fiscal year are not available when the Annual Report is submitted, the Annual Report will include unaudited financial statements for the preceding fiscal year and audited financial statements for such fiscal year shall be submitted when available.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which (i) are available to the public on the MSRB internet website or (ii) have been filed with the Securities and Exchange Commission. The Issuer shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) The Issuer shall give notice, in accordance with the provisions of this Section 5, of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other

material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

7. Modifications to rights of the Owners of the Bonds, if material.
8. Bond calls, if material, and tender offers.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the Bonds, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person.*
13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
15. Incurrence of a financial obligation of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Obligated Person, any of which affect Owners of the Bonds, if material.†
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Obligated Person, any of which reflect financial difficulties.†

* As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

† For purposes of event numbers 15 and 16 in Section 5(a) of this Disclosure Certificate, the term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” excludes municipal securities for which a final official statement has been provided to the MSRB consistent with the Rule.

(b) Upon the occurrence of a Listed Event, the Issuer shall, in a timely manner not in excess of ten (10) business days after the occurrence of the event, file a notice of such occurrence with the MSRB.

SECTION 6. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the prior redemption or]payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived if such amendment or waiver is permitted by the Rule, as evidenced by an opinion of counsel expert in federal securities law (which may include bond counsel to the Issuer), to the effect that such amendment or waiver would not cause the Disclosure Certificate to violate the Rule. The first Annual Report filed after enactment of any amendment to or waiver of this Disclosure Certificate shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of information being provided in the Annual Report.

If the amendment provides for a change in the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Issuer to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB.

SECTION 9. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Owner of the Bonds may seek a court order for specific performance by the Issuer of its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not constitute a default with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action for specific performance of the Issuer's obligations hereunder and not for money damages in any amount.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Owners of the Bonds from time to time, and shall create no rights in any other person or entity.

Date: September 30, 2021

TOWN OF DANVERS,
MASSACHUSETTS

By _____
Treasurer

Select Board

[EXHIBIT A: Filing Information for the MSRB]
[EXHIBIT B: Form of Notice of Failure to File Annual Report]

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PROPOSAL FOR BONDS

Jill M. Summit, Treasurer
 Town of Danvers, Massachusetts
 c/o Hilltop Securities Inc.
 54 Canal Street, 3rd Floor
 Boston, MA 02114

September 16, 2021

Dear Ms. Summit:

For \$13,945,000* Town of Danvers, Massachusetts General Obligation Municipal Purpose Loan of 2021 Bonds as further described in your Notice of Sale dated September 9, 2021, which Notice of Sale is hereby made a part of this proposal, we bid.....and accrued interest on said bonds to their date of delivery for each \$100 par value of bonds, bearing interest at the rate or rates per annum as follows:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2022	.....%	2032 **	.....%	2042 **%
2023	2033 **	.....	2043 **	.....
2024	2034 **	.....	2044 **	.....
2025	2035 **	.....	2045 **	.....
2026	2036 **	.....	2046 **	.....
2027	2037 **	.....	2047 **	.....
2028	2038 **	.....	2048 **	.....
2029	2039 **	.....	2049 **	.....
2030	2040 **	.....	2050 **	.....
2031	**	2041 **	.....	

*Preliminary, subject to change.

**TERM BOND (Optional – No more than three Term Bonds.)

<u>First Year of Mandatory Redemption</u>	<u>Year of Maturity</u>	<u>Interest Rate</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

The undersigned hereby acknowledges receipt of the Preliminary Official Statement referred to in the aforementioned Notice of Sale.

INSURED BY: _____
 TOTAL PREMIUM: _____

 Syndicate Manager

 Syndicate Manager Address
 Telephone: _____
 Fax: _____

The following is our computation of the net interest cost and percent true interest cost calculated in accordance with the Notice of Sale, is for informational purposes only, and is subject to verification prior to award.

Gross Interest Cost	\$ _____	
Underwriters Premium	\$ _____	BIDS MUST INCLUDE A PREMIUM OF AT LEAST \$90,000.
Net Interest Cost	\$ _____	
Percent True Interest Cost	_____ %	
	(four decimals)	

Hilltop Securities Inc. would be pleased to assist you in entering your bid on these Bonds if you will telephone figures about one-half hour before the time of sale. The Town and Hilltop Securities Inc. are not responsible for errors in bids submitted in this manner.

**TELEPHONE (617) 619-4400
 HILLTOP SECURITIES INC.**

*Preliminary, subject to change.