

TOWN OF DUDLEY, MASSACHUSETTS

**Report on the Examination
Of Basic Financial Statements**

For the Year Ended June 30, 2017

TOWN OF DUDLEY, MASSACHUSETTS
Report on the Examination of Basic Financial Statements
For the Year Ended June 30, 2017

TABLE OF CONTENTS

	<u>Page</u>
TABLE OF CONTENTS	2
INDEPENDENT AUDITOR’S REPORT	3-4
MANAGEMENT’S DISCUSSION AND ANALYSIS	5-13
BASIC FINANCIAL STATEMENTS	14
Government-Wide Financial Statements	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements	
Balance Sheet - Governmental Funds.....	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Position	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Revenues and Expenditures – Budgetary Basis – (Non-GAAP) – Budget and Actual – General Fund	21
Reconciliation of Revenues and Expenditures from Budgetary Basis to GAAP Basis	22
Statement of Net Position – Proprietary Funds	23
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds.....	24
Statement of Cash Flows – Proprietary Funds.....	25
Statement of Fiduciary Net Position – Fiduciary Funds.....	26
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	27
Notes to the Financial Statements	28-60
REQUIRED SUPPLEMENTARY INFORMATION	61
Pension Plan Schedules	62-63
Other Post Employment Benefit Plan Schedules	64-66
SUPPLEMENTARY SCHEDULES	67
Schedule of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds	68-70
Schedule of Real Estate, Personal Property, Supplemental and Rollback Taxes	71
Schedule of Motor Vehicle Excise and Boat Excise Taxes	72
Schedule of Tax Liens.....	73

Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Dudley, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Dudley, Massachusetts, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Dudley, Massachusetts' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Dudley, Massachusetts, as of June 30, 2017, 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 the management's discussion and analysis, pension plan and other postemployment benefit plan schedules as listed on the table of contents 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 sufficient evidence 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 Dudley, Massachusetts' basic financial statements. The Supplementary Schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

Scanlon & Associates, LLC
South Deerfield, Massachusetts

January 16, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Dudley, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Town's financial performance.

Financial Highlights

- The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$7,755,920 (net position) for the fiscal year reported. This compares to the previous year when assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$8,876,379 or a decrease of \$1,120,459 (13%) over last fiscal year's total net position.
- At the close of the current fiscal year, the Town's governmental funds reported total ending fund balance of \$3,514,460, a decrease of \$157,394 (4%) in comparison with prior year.
- The General Fund's total fund balance decreased \$236,134 (15%) to \$1,380,211. The ending fund balance is 9% of revenues and transfers in and 9% of expenditures and transfers out.
- Total liabilities of the Town increased by \$3,214,016 (16%) to \$22,966,547 during the fiscal year. The major components of this increase are due to net increases in warrants payable of \$631,330, in the Other Post-Employment Benefits (OPEB) liability of \$633,913 and in the net pension liability of \$1,917,429.
- The Town had free cash certified by the Department of Revenue in the amount of \$439,482. The key factors that attributed to the free cash amount for fiscal year 2018 were unexpended/unencumbered appropriations of \$115,490, excess over budget state and local receipts of \$285,050 and prior year free cash not appropriated of \$105,240.

The Town's enterprise funds certified free cash is as follows:

➤ Sewer Fund	\$ 488,877.
➤ Water Fund	\$ 939,669.

Overview of the Financial Statements

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

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

The *statement of net position* presents information on all assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference between them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

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

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

The Town of Dudley adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The Town maintains one type of proprietary fund.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its sewer and water activities.

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.

Notes to the basic 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.

Financial Highlights

Statement of Net Position Highlights

	Governmental Activities		
	2017	2016	Change
Assets:			
Current assets	\$ 6,045,650	\$ 4,977,882	\$ 1,067,768
Capital assets	15,599,214	15,820,403	(221,189)
Total assets	21,644,864	20,798,285	846,579
Deferred Outflows of Resources:			
Deferred outflows related to pensions	1,838,489	847,905	990,584
Liabilities:			
Current liabilities (excluding debt)	997,396	348,313	649,083
Current debt	1,259,938	648,038	611,900
Noncurrent liabilities (excluding debt)	15,738,285	13,529,565	2,208,720
Noncurrent debt	1,903,738	2,287,476	(383,738)
Total liabilities	19,899,357	16,813,392	3,085,965
Deferred Inflows of Resources:			
Deferred inflows related to pensions	818,360	1,030,447	(212,087)
Net Position:			
Net investment in capital assets	12,543,014	12,996,103	(453,089)
Restricted	2,929,623	2,204,332	725,291
Unrestricted	(12,707,001)	(11,398,084)	(1,308,917)
Total net position	\$ 2,765,636	\$ 3,802,351	\$ (1,036,715)
Business-Type Activities			
	2017	2016	Change
Assets:			
Current assets	\$ 2,289,479	\$ 3,028,525	\$ (739,046)
Noncurrent assets (excluding capital assets)	24,479	43,957	(19,478)
Capital assets	5,633,558	4,957,468	676,090
Total assets	7,947,516	8,029,950	(82,434)
Deferred Outflows of Resources:			
Deferred outflows related to pensions	198,147	77,958	120,189
Liabilities:			
Current liabilities (excluding debt)	94,256	61,082	33,174
Current debt	290,000	290,000	-
Noncurrent liabilities (excluding debt)	1,822,934	1,438,057	384,877
Noncurrent debt	860,000	1,150,000	(290,000)
Total liabilities	3,067,190	2,939,139	128,051
Deferred Inflows of Resources:			
Deferred inflows related to pensions	88,209	94,741	(6,532)
Net Position:			
Net investment in capital assets	4,483,558	3,517,468	966,090
Restricted	89,507	-	89,507
Unrestricted	417,219	1,556,560	(1,139,341)
Total net position	\$ 4,990,284	\$ 5,074,028	\$ (83,744)

Financial Highlights

Statement of Activities Highlights

	Governmental Activities		
	2017	2016	Change
Program Revenues:			
Charges for services	\$ 1,953,979	\$ 1,802,043	\$ 151,936
Operating grants and contributions	670,118	298,953	371,165
Capital grants and contributions	437,236	665,610	(228,374)
General Revenues:			
Property taxes	10,854,502	10,702,984	151,518
Motor vehicle and other excise taxes	1,533,643	1,521,611	12,032
Penalties and interest on taxes	117,743	110,414	7,329
Nonrestricted grants	1,812,747	1,709,272	103,475
Unrestricted investment income	4,514	10,867	(6,353)
Miscellaneous	299	8,200	(7,901)
Total revenues	17,384,781	16,829,954	554,827
Expenses:			
General government	2,065,554	1,534,827	530,727
Public safety	3,243,730	3,042,330	201,400
Public works	1,347,845	1,288,867	58,978
Education	8,170,232	7,911,056	259,176
Health and human services	207,138	190,141	16,997
Culture and recreation	710,825	597,844	112,981
Employee benefits and insurance	2,532,456	2,641,419	(108,963)
State assessments	24,522	29,442	(4,920)
Interest	115,608	131,776	(16,168)
Total expenses	18,417,910	17,367,702	1,050,208
Contributions to Permanent Funds	1,875	-	1,875
Net Transfers	(5,461)	(51,465)	46,004
Change in net position	(1,036,715)	(589,213)	(447,502)
Net position - beginning of year	3,802,351	4,391,564	(589,213)
Net position - end of year	\$ 2,765,636	\$ 3,802,351	\$ (1,036,715)

	Business-Type Activities		
	2017	2016	Change
Program Revenues:			
Charges for services	\$ 1,981,469	\$ 2,005,896	\$ (24,427)
Operating grants and contributions	25,554	21,849	3,705
Capital grants and contributions	5,442	6,932	(1,490)
Total revenues	2,012,465	2,034,677	(22,212)
Expenses:			
Sewer	1,170,758	1,098,768	71,990
Water	930,912	918,569	12,343
Total expenses	2,101,670	2,017,337	84,333
Transfers	5,461	51,465	(46,004)
Change in net position	(83,744)	68,805	(152,549)
Net position - beginning of year	5,074,028	5,005,223	68,805
Net position - end of year	\$ 4,990,284	\$ 5,074,028	\$ (83,744)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$7,755,920 at the close of fiscal year 2017.

Net position of \$17,026,572 reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its 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 the net position, \$3,019,130 represents resources that are subject to external restrictions on how they may be used. The remaining balance consists of *unrestricted net position* (\$12,289,782).

At the end of the current fiscal year, the Town is able to report positive balances in two categories of net position and a negative balance in the unrestricted category in the governmental activities and for the government as a whole. The unrestricted governmental activities and government as a whole resulted in a negative balance mainly due to the accrual of the OPEB obligation and net pension liabilities that are required under GASB to be recognized in the Town's financial statements. These liabilities are presented on the statement of net position.

The Town is able to report positive balances in all categories of net position for the business-type activities.

The governmental activities net position decreased by \$1,036,715 (27%) during the current fiscal year. The key elements of the decrease in net position for fiscal year 2017 is attributed to net increases resulting from the repayment of debt \$441,838 and the change in deferred outflow/(inflow) of resources related to pensions of \$1,202,671 and decreases in recognizing the changes in this year's OPEB obligation of \$572,234 and in the net pension liability of \$1,590,407.

There was a decrease of \$83,744 (2%) in net position reported in connection with the sewer and water business-type activities. Of this, there were decreases of \$82,286 attributed to the sewer department and of \$1,458 attributed to the water department.

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$3,514,460 a decrease of \$157,394 (4%) in comparison with the prior year.

The breakdown of the governmental funds is as follows:

- Nonspendable fund balance – \$42,500 (1%).
- Restricted fund balance – \$2,288,773 (65%).
- Committed fund balance – \$27,411 (1%).
- Assigned fund balance – \$714,007 (20%).
- Unassigned fund balance – \$441,769 (13%).

At the end of the fiscal year, the General Fund reported a fund balance of \$1,380,211 decreasing \$236,134 (15%) from the prior year. Of the \$1,380,211, the unassigned amount is \$666,204 (48%) and the assigned amount is \$714,007 (52%). General fund revenues were \$467,063 (3%) more than the prior fiscal year and expenditures also increased by \$776,635 (5%). Other activities in the General fund are net transfers to other funds of \$1,961.

The main components of the increases in general fund revenues were related to increases in property taxes in the amount of \$260,045 (2%), in intergovernmental receipts of \$65,684 (4%) and in licenses, permits and fees of \$97,971 (22%) from the prior year.

The major changes with the general fund expenditures from the prior fiscal year were as follows:

- Increase in General government expenditures of \$542,596 (46%).
- Increase in Public safety expenditures of \$143,994 (6%).
- Increase in Education expenditures of \$259,176 (3%).
- Decrease in Principal and Interest on debt service expenditures of \$262,268 (32%).

Proprietary funds. The proprietary funds statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

The *Sewer Fund* is the financing and operations of the Town's sewer system. The sewer fund has accumulated a balance of \$2,170,830 and shows a decrease of \$82,286 (4%) in total operations. This change was mainly attributed to operating costs exceeding operating revenues by \$143,333, interest and special assessments income of \$10,045, interest expense of \$18,705 and net transfers from governmental funds of \$69,707. Operating revenues decreased by \$11,932 (1%) while operating expenses increased by \$78,290 (7%) from the prior year.

The *Water Fund* is the financing and operations of the Town's water system. The water fund has accumulated a balance of \$2,819,454 and shows a decrease of \$1,458 (.1%) in total operations. This change resulted from operating revenues exceeding operating expenditures by \$65,331, interest and intergovernmental income of \$20,951, interest expense of \$23,494 and net transfers to governmental funds of \$64,246. Operating revenues decreased by \$12,495 (1%) while operating expenses increased by \$17,281 (2%) from the prior year.

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2017 was \$16,158,643. This was an increase of \$553,792 (4%) over the previous year's budget.

There was an increase of \$354,866 between the original budget and the final amended budget. This change is attributed to votes at the special town meeting in October 2016 and the annual town meeting in May 2017 for various budget operating line items.

General fund expenditures were less than budgeted by \$237,911. Of the \$237,911 in under budget expenditures \$122,421 has been carried over to fiscal year 2018.

The variance with the final budget was a positive \$489,861 consisting of a revenue surplus of \$374,371 and an appropriation surplus of \$115,490.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities amounts to \$15,599,214 and \$5,633,558, respectively.

The investment in capital assets includes land, construction in progress, buildings and renovations, machinery, equipment and other and infrastructure.

Major capital events during the current fiscal year in the governmental type funds included the following:

- Foreclosure properties for \$31,967.
- Town Hall electric power system for \$49,999.
- Police vehicle purchases for \$149,484.
- Fire Department building improvements for \$46,175.
- Highway vehicle and equipment purchases for \$228,606.
- Highway road improvements for \$401,000.

Major capital events during the current fiscal year in the business-type funds included the following:

In the sewer fund:

- Infrastructure projects for \$37,628.

In the water fund:

- Infrastructure projects for \$830,246.

Debt Administration. The Town's outstanding governmental long-term debt, as of June 30, 2017, totaled \$2,393,676, of which \$2,280,000 is for building renovation projects, \$106,200 is for departmental vehicles and equipment and \$7,476 is for the Title V septic repair program.

The governmental activities currently have outstanding bond anticipation notes for \$770,000 (\$90,000 for police vehicles, \$500,000 for the new fire station improvements, \$80,000 for highway equipment and \$100,000 for road improvements).

The business-type funds have \$1,150,000 in long-term debt. Of this, \$240,000 is for sewer debt, \$130,000 is for water corrosion control systems and \$780,000 consists of water mains debt.

Please refer to notes 3D, 3F and 3G for further discussion of the major capital and debt activity.

BASIC FINANCIAL STATEMENTS

TOWN OF DUDLEY, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT:			
Cash and Cash Equivalents	\$ 2,562,612	\$ 1,162,870	\$ 3,725,482
Investments	1,175,539	824,174	1,999,713
Investments in Custody of Trustees	1,363,221	-	1,363,221
Receivables, net of allowance for uncollectibles:			
Property Taxes	101,615	-	101,615
Tax Liens	274,665	40,205	314,870
Excise Taxes	140,714	-	140,714
User Charges	-	212,001	212,001
Other	-	26,415	26,415
Departmental	157,076	-	157,076
Special Assessments	1,325	23,814	25,139
Due from Other Governments	268,883	-	268,883
Total current assets	<u>6,045,650</u>	<u>2,289,479</u>	<u>8,335,129</u>
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Special Assessments	-	24,479	24,479
Capital Assets, net of accumulated Depreciation			
Nondepreciable	908,187	912,283	1,820,470
Depreciable	14,691,027	4,721,275	19,412,302
Total noncurrent assets	<u>15,599,214</u>	<u>5,658,037</u>	<u>21,257,251</u>
Total Assets	<u>21,644,864</u>	<u>7,947,516</u>	<u>29,592,380</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	1,838,489	198,167	2,036,656
LIABILITIES			
CURRENT:			
Warrants Payable	727,413	75,768	803,181
Accrued Payroll	105,655	9,214	114,869
Payroll Withholdings	65,989	-	65,989
Tax Refund Payable	18,000	-	18,000
Accrued Interest	5,480	8,424	13,904
Deposits	-	850	850
Other	24,130	-	24,130
Compensated Absences	50,729	-	50,729
Notes Payable	770,000	-	770,000
Bonds Payable	489,938	290,000	779,938
Total current liabilities	<u>2,257,334</u>	<u>384,256</u>	<u>2,641,590</u>
NONCURRENT:			
Compensated Absences	202,916	1,550	204,466
OPEB Obligation Payable	4,125,932	591,586	4,717,518
Net Pension Liability	11,409,437	1,229,798	12,639,235
Bonds Payable	1,903,738	860,000	2,763,738
Total noncurrent liabilities	<u>17,642,023</u>	<u>2,682,934</u>	<u>20,324,957</u>
Total Liabilities	<u>19,899,357</u>	<u>3,067,190</u>	<u>22,966,547</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	818,360	88,209	906,569
NET POSITION			
Net Investment in Capital Assets	12,543,014	4,483,558	17,026,572
Restricted for:			
Capital Projects	457,147	89,507	546,654
Federal & State Grants	696,653	-	696,653
Permanent Funds:			
Nonexpendable	42,500	-	42,500
Expendable	196,977	-	196,977
Other Purposes	1,536,346	-	1,536,346
Unrestricted	(12,707,001)	417,219	(12,289,782)
Total Net Position	<u>\$ 2,765,636</u>	<u>\$ 4,990,284</u>	<u>\$ 7,755,920</u>

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF DUDLEY, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Program Revenues</u>				<u>Net (Expenses) Revenues and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General Government	\$ 2,065,554	\$ 257,170	\$ 199,242	\$ -	\$ (1,609,142)	\$ -	\$ (1,609,142)
Public Safety	3,243,730	1,461,983	132,351	-	(1,649,396)	-	(1,649,396)
Public Works	1,347,845	187,046	2,990	437,236	(720,573)	-	(720,573)
Education	8,170,232	-	-	-	(8,170,232)	-	(8,170,232)
Health and Human Services	207,138	41,022	112,406	-	(53,710)	-	(53,710)
Culture and Recreation	710,825	6,758	215,676	-	(488,391)	-	(488,391)
Employee Benefits and Insurance	2,532,456	-	7,453	-	(2,525,003)	-	(2,525,003)
State Assessments	24,522	-	-	-	(24,522)	-	(24,522)
Interest	115,608	-	-	-	(115,608)	-	(115,608)
Total Governmental Activities	18,417,910	1,953,979	670,118	437,236	(15,356,577)	-	(15,356,577)
Business-Type Activities:							
Sewer	1,170,758	1,008,720	4,603	5,442	-	(151,993)	(151,993)
Water	930,912	972,749	20,951	-	-	62,788	62,788
Total Primary Government	\$ 20,519,580	\$ 3,935,448	\$ 695,672	\$ 442,678	(15,356,577)	(89,205)	(15,445,782)
General Revenues:							
Property Taxes					10,854,502	-	10,854,502
Motor vehicle excise and other taxes					1,533,643	-	1,533,643
Penalties & Interest on Taxes					117,743	-	117,743
Grants & Contributions not restricted to specific programs					1,812,747	-	1,812,747
Unrestricted Investment Income					4,514	-	4,514
Miscellaneous					299	-	299
Contributions to Permanent Funds					1,875	-	1,875
Transfers, net					(5,461)	5,461	-
Total General Revenues and Transfers					14,319,862	5,461	14,325,323
Change in Net Position					(1,036,715)	(83,744)	(1,120,459)
Net Position:							
Beginning of year					3,802,351	5,074,028	8,876,379
End of year					\$ 2,765,636	\$ 4,990,284	\$ 7,755,920

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF DUDLEY, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Cash and Cash Equivalents	\$ 1,315,830	\$ 1,246,782	\$ 2,562,612
Investments	883,436	292,103	1,175,539
Investment in Custody of Others	-	1,363,221	1,363,221
Receivables, net of allowance for uncollectibles:			
Property Taxes	101,615	-	101,615
Tax Liens	274,665	-	274,665
Excise Taxes	140,714	-	140,714
Special Assessments	-	1,325	1,325
Departmental	143,327	13,749	157,076
Due from Other Governments	99,086	169,797	268,883
Total Assets	\$ 2,958,673	\$ 3,086,977	\$ 6,045,650
Liabilities:			
Warrants Payable	\$ 716,723	\$ 10,690	\$ 727,413
Accrued Payroll	76,191	29,464	105,655
Payroll Withholdings	65,989	-	65,989
Tax Refund Payable	18,000	-	18,000
Other	24,130	-	24,130
Notes Payable	-	770,000	770,000
Total Liabilities	901,033	810,154	1,711,187
Deferred Inflows of Resources - Unavailable Revenue	677,429	142,574	820,003
Fund Balance:			
Nonspendable	-	42,500	42,500
Restricted	-	2,288,773	2,288,773
Committed	-	27,411	27,411
Assigned	714,007	-	714,007
Unassigned	666,204	(224,435)	441,769
Total Fund Balance	1,380,211	2,134,249	3,514,460
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,958,673	\$ 3,086,977	\$ 6,045,650

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF DUDLEY, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Property Taxes	\$ 10,888,593	\$ -	\$ 10,888,593
Intergovernmental	1,897,529	645,685	2,543,214
Excise and Other Taxes	1,538,040	-	1,538,040
Charges for Services	686,395	709,913	1,396,308
Licenses, Permits, Fees	553,745	-	553,745
Interest on Delinquent Taxes	117,743	-	117,743
Investment Income	4,514	144,499	149,013
Gifts and Donations	-	97,024	97,024
Other	-	185,214	185,214
Total Revenues	15,686,559	1,782,335	17,468,894
Expenditures:			
Current:			
General Government	1,726,120	112,978	1,839,098
Public Safety	2,389,778	831,106	3,220,884
Public Works	1,005,739	589,190	1,594,929
Education	8,170,232	-	8,170,232
Health and Human Services	165,444	35,362	200,806
Culture and Recreation	315,812	124,776	440,588
Employee Benefits and Insurance	1,565,803	6,683	1,572,486
State Assessments	24,522	-	24,522
Debt Service:			
Principal	441,838	-	441,838
Interest	115,444	-	115,444
Total Expenditures	15,920,732	1,700,095	17,620,827
Excess of Revenues Over (Under) Expenditures	(234,173)	82,240	(151,933)
Other Financing Sources (Uses):			
Operating Transfers In	139,397	-	139,397
Operating Transfers Out	(141,358)	(3,500)	(144,858)
Total Other Financing Sources (Uses)	(1,961)	(3,500)	(5,461)
Net Change in Fund Balances	(236,134)	78,740	(157,394)
Fund Balances, Beginning of Year	1,616,345	2,055,509	3,671,854
Fund Balances, End of Year	\$ 1,380,211	\$ 2,134,249	\$ 3,514,460

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF DUDLEY, MASSACHUSETTS
Reconciliation of the Governmental Funds Balance Sheet
Total Fund Balances to the Statement of Net Position
For the Year Ended June 30, 2017

Total Governmental Fund Balances		\$	3,514,460
Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds.			15,599,214
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.			820,003
Certain changes in the net pension liability are required to be included in pension expense over future periods. These changes are reported as deferred outflows of resources or (deferred inflows of resources) related to pensions.			1,020,129
Long Term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:			
Bonds Payable	\$	(2,393,676)	
OPEB Obligation		(4,125,932)	
Net Pension Liability		(11,409,437)	
Compensated Absences		<u>(253,645)</u>	(18,182,690)
In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, interest is not reported until due.			<u>(5,480)</u>
Net Position of Governmental Activities		\$	<u><u>2,765,636</u></u>

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF DUDLEY, 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, 2017

Net Change in Fund Balances - Total Governmental Funds \$ (157,394)

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 are reported as depreciation expense:

Capital Outlay Purchases	\$ 907,231	
Depreciation	(1,128,420)	(221,189)

Revenue in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred inflow - unavailable revenue. (82,238)

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets:

Repayment of Debt Principal	441,838
-----------------------------	---------

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 governmental funds:

Net Change in Compensated Absences	(57,598)	
Net Change in OPEB Obligation	(572,234)	
Net Change in Deferred Outflow/(Inflow) of Resources Related to Pensions	1,202,671	
Net Change in Net Pension Liability	(1,590,407)	
Net Change in Accrued Interest on Long-Term Debt	(164)	(1,017,732)

Change in Net Position of Governmental Activities \$ (1,036,715)

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF DUDLEY, MASSACHUSETTS
STATEMENT OF REVENUES AND EXPENDITURES - BUDGETARY BASIS -
(NON-GAAP) - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Actual		Amounts Carried Forward to Next Year	Variance with Final Budget Positive (Negative)
	Amounts Carried Forward from Prior Year		Original Budget	Final Budget	Budgetary Basis		
Revenues:							
Property Taxes	\$ -	\$ 10,783,267	\$ 10,783,267	\$ 10,872,593	\$ -	\$ -	\$ 89,326
Intergovernmental	-	1,896,323	1,896,323	1,897,529	-	-	1,206
Excise and Other Taxes	-	1,417,925	1,417,925	1,538,040	-	-	120,115
Charges for Services	-	675,500	675,500	686,395	-	-	10,895
Licenses, Permits, Fees	-	412,866	412,866	553,745	-	-	140,879
Interest on Delinquent Taxes	-	106,000	106,000	117,743	-	-	11,743
Investment Income	-	6,500	6,500	6,707	-	-	207
Total Revenues	-	15,298,381	15,298,381	15,672,752	-	-	374,371
Expenditures:							
Current:							
General Government	403,671	1,328,638	1,834,302	1,726,120	87,448		20,734
Public Safety	9,000	2,284,548	2,417,833	2,389,778	26,445		1,610
Public Works	6,545	966,204	1,026,824	1,005,739	-		21,085
Education	-	8,162,057	8,186,930	8,170,232	-		16,698
Health and Human Services	600	162,792	171,509	165,444	1,600		4,465
Culture and Recreation	42	281,179	322,744	315,812	6,928		4
Employee Benefits and Insurance	-	1,615,563	1,615,563	1,565,803	-		49,760
State Assessments	-	24,922	24,922	24,522	-		400
Debt Service:							
Principal	-	441,838	441,838	441,838	-		-
Interest	-	116,178	116,178	115,444	-		734
Total Expenditures	419,858	15,383,919	16,158,643	15,920,732	122,421		115,490
Excess of Revenues Over (Under) Expenditures	(419,858)	(85,538)	(860,262)	(247,980)	(122,421)		489,861
Other Financing Sources (Uses):							
Operating Transfers In	-	135,897	161,587	161,587	-		-
Operating Transfers Out	-	(141,359)	(241,359)	(241,359)	-		-
Total Other Financing Sources (Uses)	-	(5,462)	(79,772)	(79,772)	-		-
Net Change in Budgetary Fund Balance	(419,858)	(91,000)	(940,034)	\$ (327,752)	\$ (122,421)	\$	489,861
Other Budgetary Items:							
Free Cash and Other Reserves	-	91,000	520,176				
Prior Year Encumbrances	419,858	-	419,858				
Total Other Budgetary Items	419,858	91,000	940,034				
NET BUDGET	\$ -	\$ -	\$ -				

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF DUDLEY, MASSACHUSETTS
Reconciliation of Revenues and Expenditures
from Budgetary Basis to GAAP Basis
For the Year Ended June 30, 2017

	Revenues	Expenditures
Reported on a Budgetary Basis	\$ 15,672,752	\$ 15,920,732
 <u>Adjustments:</u>		
Activity for stablization fund recorded in the general fund for GAAP purposes	(2,193)	-
Net increase in revenue from recording 60-day receipts	21,000	-
Net decrease in revenue from recording refund taxes payable	(5,000)	-
Reported on a GAAP Basis	\$ 15,686,559	\$ 15,920,732

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF DUDLEY, MASSACHUSETTS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017**

	Business-Type Activities Enterprise Funds		
	Sewer Fund	Water Fund	Total
ASSETS			
CURRENT:			
Cash and Cash Equivalents	\$ 237,186	\$ 925,684	\$ 1,162,870
Investments	454,302	369,872	824,174
Receivables, net of allowance for uncollectibles:			
User Charges	112,609	99,392	212,001
Tax Liens	21,732	18,473	40,205
Other	26,415	-	26,415
Special Assessments	23,814	-	23,814
Total current assets	<u>876,058</u>	<u>1,413,421</u>	<u>2,289,479</u>
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Special Assessments	24,479	-	24,479
Capital Assets, net of accumulated depreciation			
Nondepreciable	8,857	903,426	912,283
Depreciable	2,295,119	2,426,156	4,721,275
Total noncurrent assets	<u>2,328,455</u>	<u>3,329,582</u>	<u>5,658,037</u>
Total Assets	<u><u>3,204,513</u></u>	<u><u>4,743,003</u></u>	<u><u>7,947,516</u></u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	85,336	112,831	198,167
LIABILITIES			
CURRENT:			
Warrants Payable	56,078	19,690	75,768
Accrued Payroll	3,731	5,483	9,214
Accrued Interest	2,555	5,869	8,424
Deposits	850	-	850
Bonds Payable	120,000	170,000	290,000
Total current liabilities	<u>183,214</u>	<u>201,042</u>	<u>384,256</u>
NONCURRENT:			
Compensated Absences	1,012	538	1,550
OPEB Obligation Payable	247,224	344,362	591,586
Net Pension Liability	529,584	700,214	1,229,798
Bonds Payable	120,000	740,000	860,000
Total noncurrent liabilities	<u>897,820</u>	<u>1,785,114</u>	<u>2,682,934</u>
Total Liabilities	<u><u>1,081,034</u></u>	<u><u>1,986,156</u></u>	<u><u>3,067,190</u></u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	37,985	50,224	88,209
NET POSITION			
Net Investment in Capital Assets	2,063,976	2,419,582	4,483,558
Restricted for Capital Projects	-	89,507	89,507
Unrestricted	106,854	310,365	417,219
Total Net Position	<u><u>\$ 2,170,830</u></u>	<u><u>\$ 2,819,454</u></u>	<u><u>\$ 4,990,284</u></u>

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF DUDLEY, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Business-Type Activities Enterprise Funds		
	Sewer Fund	Water Fund	Total
Operating Revenues:			
Charges for Services	\$ 1,008,720	\$ 972,749	\$ 1,981,469
Total Operating Revenues	1,008,720	972,749	1,981,469
Operating Expenses:			
Salaries & Wages	117,621	246,061	363,682
Operating Expenses	943,865	560,140	1,504,005
Depreciation	90,567	101,217	191,784
Total Operating Expenses	1,152,053	907,418	2,059,471
Operating Income (Loss)	(143,333)	65,331	(78,002)
Non-Operating Revenues (Expenses):			
Investment Income	4,603	4,593	9,196
Special Assessments	5,442	-	5,442
Intergovernmental	-	16,358	16,358
Interest Expense	(18,705)	(23,494)	(42,199)
Total Non-Operating Revenues (Expenses)	(8,660)	(2,543)	(11,203)
Income (Loss) Before Operating Transfers	(151,993)	62,788	(89,205)
Operating Transfers:			
Transfers In	141,358	-	141,358
Transfers Out	(71,651)	(64,246)	(135,897)
Total Operating Transfers	69,707	(64,246)	5,461
Change in Net Position	(82,286)	(1,458)	(83,744)
Net Position at Beginning of Year	2,253,116	2,820,912	5,074,028
Net Position at End of Year	\$ 2,170,830	\$ 2,819,454	\$ 4,990,284

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF DUDLEY, MASSACHUSETTS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Business-Type Activities Enterprise Funds		
	Sewer Fund	Water Fund	Total
Cash Flows From Operating Activities:			
Receipts from Customers and Users	\$ 1,013,704	\$ 974,708	\$ 1,988,412
Payments to Vendors	(729,345)	(479,398)	(1,208,743)
Payments to Employees	(120,443)	(244,632)	(365,075)
Net Cash Provided by (Used for) Operating Activities	163,916	250,678	414,594
Cash Flows from Noncapital Financing Activities:			
Transfers from (to) Other Funds	69,707	(64,246)	5,461
Net Cash Provided by (Used for) Noncapital Financing Activities	69,707	(64,246)	5,461
Cash Flows from Capital and Related Financing Activities:			
Intergovernmental Revenues	-	16,358	16,358
Special Assessments	24,480	-	24,480
Acquisition and Construction of Capital Assets	(37,628)	(830,246)	(867,874)
Principal Payments on Bonds and Notes	(120,000)	(170,000)	(290,000)
Interest Expense	(20,130)	(24,628)	(44,758)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(153,278)	(1,008,516)	(1,161,794)
Cash Flows from Investing Activities:			
Proceeds/(Purchase) of Investments	145,397	795,408	940,805
Investment Income	4,603	4,593	9,196
Net Cash Provided by (Used for) Investing Activities	150,000	800,001	950,001
Net Increase (Decrease) in Cash and Cash Equivalents	230,345	(22,083)	208,262
Cash and Cash Equivalents at Beginning of Year	6,841	947,767	954,608
Cash and Cash Equivalents at End of Year	\$ 237,186	\$ 925,684	\$ 1,162,870

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:

Operating Income (Loss)	\$ (143,333)	\$ 65,331	\$ (78,002)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	90,567	101,217	191,784
Deferred (Outflows)/Inflows of Resources Related to Pensions	(53,570)	(73,171)	(126,741)
Change in Assets and Liabilities:			
Increase (Decrease) in Warrants Payable	46,466	(13,164)	33,302
Increase (Decrease) in Accrued Payroll	2,201	1,573	3,774
Increase (Decrease) in Compensated Absences	(5,023)	(144)	(5,167)
Increase (Decrease) in OPEB Obligation Payable	26,560	35,119	61,679
Increase (Decrease) in Net Pension Liability	195,064	131,958	327,022
Decrease (Increase) in User Charges Receivable	4,984	1,959	6,943
Total Adjustments	307,249	185,347	492,596
Net Cash Provided by (Used for) Operating Activities	\$ 163,916	\$ 250,678	\$ 414,594

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF DUDLEY, MASSACHUSETTS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017**

	Other Post Employment Benefit Trust Fund	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 208,263
Investments	5,676	-
Total Assets	5,676	208,263
LIABILITIES		
Warrants Payable	-	2,765
Due to Others	-	13,706
Escrows & Deposits	-	191,792
Total Liabilities	-	208,263
NET POSITION		
Held in Trust for Other Postemployment Benefits and Other Purposes	\$ 5,676	\$ -

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF DUDLEY, MASSACHUSETTS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Other Post Employment Benefit Trust Fund
Additions:	
Contributions:	
Employer	\$ 277,758
Investment Income	(29)
Total Additions	277,729
Deductions:	
Benefit Payments	276,758
Total Deductions	276,758
 Change in Net Position	 971
 Net Position at Beginning of Year	 4,705
 Net Position at End of Year	 \$ 5,676

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Dudley, Massachusetts (the Town) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant Town accounting policies are described herein.

A. Reporting Entity

The Town was incorporated in 1732 under the laws of the Commonwealth of Massachusetts. The Town is governed by an elected five member Board of Selectmen.

For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. In fiscal year 2017, it was determined that no entities met the required GASB-39 and GASB-61 criteria for component units.

The Town is responsible for electing the governing board and/or committee members of the Dudley Housing Authority, the Dudley-Charlton Regional School District and the Southern Worcester County Regional Vocational School District. These related organizations are excluded from the financial reporting entity because the Town's accountability does not extend beyond the Town electing the board and/or committee members. Audited financial statements are available from the respective organizations. Descriptions of the related organizations are as follows:

Dudley Housing Authority - A public housing agency that provides housing assistance to eligible and qualified low and moderate-income families, the elderly and handicapped. The housing authority is an autonomous and self-sufficient agency under the State Executive Office of Communities and Development. The Town has no significant influence over management, budget or policies of the authority.

Dudley-Charlton Regional School District - A regional school district made up of the Town of Dudley and the Town of Charlton to serve and provide education to the Town's students. The regional school district is a separate entity under the Commonwealth of Massachusetts. The Town elects three school committee members for its representation. The District is responsible for both the operating and capital costs related to the school and operates independently from the Town.

Southern Worcester County Regional Vocational School District - A regional school district made up of ten communities to serve and provide a learning environment in specific career areas. The regional school district is a separate entity under the Commonwealth of Massachusetts. The Town elects two school committee members for its representation. The District is responsible for both the operating and capital costs related to the school and operates independently from the Town.

B. Government-Wide and Fund Financial Statements

Government-wide financial statements

The government-wide financial statements (e.g., statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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. Non-major funds are aggregated and displayed in a single column.

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in government-wide statements' governmental column, a reconciliation is presented that briefly explains the adjustments necessary to reconcile ending net position and change in net position.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets, liabilities, revenues or expenditures/expenses of an individual governmental fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental funds),

and

- If the total assets, liabilities, revenues or expenditures/expenses of the individual governmental funds are at least 5 percent of the corresponding element for all governmental funds combined.

Additionally, any other governmental fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Proprietary and fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis* of accounting, as are the proprietary fund and fiduciary fund financial statements. Under the modified accrual basis of accounting revenues are recognized 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. Exceptions to this general rule are charges between the Town's enterprise funds and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues of the various functions concerned.

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported.

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 thereafter to be used to pay current liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, excises and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The Town reports the following major governmental fund:

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 Town reports the following major proprietary funds:

The *sewer fund* is used to account for the sewer activities.

The *water fund* is used to account for the water activities.

The non-major governmental fund consists of other special revenue, capital projects and permanent funds that are aggregated and presented in the *non-major governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise and Trust Funds).

The *permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

Additionally, the Town reports the following fund types:

The Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the government programs. The Town reports the following fiduciary funds:

The *Other Post Employment Benefit (OPEB) Trust Fund* is used to account for the assets held by the Town in trust for the payment of future retiree health insurance benefits. The assets of the OPEB Trust Fund cannot be used to support the Town's operations.

The *agency fund* is used to account for assets held in a purely custodial capacity.

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

D. Cash and Cash Equivalents

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. The Town maintains a cash and investment pool 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 cash equivalents".

Excluding the permanent funds, investment income derived from major and non-major governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Laws (MGL).

Investment income from proprietary funds is maintained in those funds.

E. Investments

The Town maintains investments according to Massachusetts General Laws and adopted policies. Investments are reported according to the fair value hierarchy established by generally accepted accounting principles. Investments are defined as securities or other assets that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy is based upon valuation inputs, which are assumptions that market participants would use when pricing an asset or a liability, including assumptions about risk.

Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 inputs are directly observable for an asset or a liability (including quoted prices for similar assets or liabilities), as well as inputs that are indirectly observable for the asset or liability.

Level 3 inputs are unobservable for the asset or liability.

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

Certain investments, such as money market investments and 2a7-like external investment pools, are reported at amortized cost. 2a7-like pools are external investment pools that operate in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended and should be measured at the net asset value per share provided by the pool.

Additional investment disclosures are presented in these Notes.

F. Receivables

The recognition of revenues related to accounts receivable reported in the government-wide financial statements and fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

Property Taxes and Tax Liens

Property taxes are based on assessments as of January 1, 2016 and include betterments, special assessments and liens. Taxes are used to finance the operations of the Town for the fiscal year July 1st to June 30th. By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% of fair cash value. Taxes are due and payable on July 1st. The Town has accepted the quarterly tax payment system. Under the quarterly tax payment system, the assessors make a preliminary tax commitment based on the prior year's net tax and may not exceed, with limited exceptions, fifty percent of that amount. The collector must mail preliminary tax bills each year by July 1st. The preliminary tax is payable in two equal installments. The first installment is due on August 1st and the second installment is due on November 1st. After the Town sets the tax rate, the assessors make the actual tax commitment. If actual bills are mailed on or before December 31st, the balance remaining is payable in two equal installments. The first installment is due on February 1st and the second installment is due on May 1st. If bills are mailed after December 31st, the entire balance is not due until May 1st or thirty days after the bills were mailed, whichever is later. Any betterments, special assessments and other charges are added to the actual bills. Interest at the rate of 14% is charged on the amount of any preliminary tax or actual tax installment payment that is unpaid and delinquent and is charged only for the number of days the payment is actually delinquent. If actual tax bills are mailed after December 31st, interest will be computed from May 1st, or the payment due date, whichever is later. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables. Revenues from property taxes are recognized in the fiscal year for which they have been levied.

The Town mailed preliminary tax bills for the fiscal year 2017 on June 30, 2016, that were due on August 1, 2016 and November 1, 2016 and actual bills on December 30, 2016 that were due on February 1, 2017 and May 1, 2017.

The Commonwealth of Massachusetts electorate in November, 1980, passed legislation known as Proposition 2 1/2, in order to limit the amount of revenue to be raised by taxation. The purpose of the legislation was to control the levy of taxes that are assessed to property owners of a Town. The legal levy limit under Proposition 2 1/2 for fiscal year 2017 is as follows:

Legal Levy Limit Under Proposition	
2 1/2 for fiscal year 2017	\$ 9,453,826
Add: Debt Exclusion	<u>1,492,445</u>
Maximum Allowable Levy	<u><u>\$ 10,946,271</u></u>

The total amount raised by taxation was \$10,938,858.

The allowance for uncollectible accounts is estimated based on historical trends and specific account analysis.

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

Excise Taxes

Excise taxes consist of motor vehicle excise and vessel excise. Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the fiscal year of levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair value of those vehicles. The Board of Assessors of the Town is responsible for determining the value of each vessel.

The tax calculation is the fair market value of the vehicle or vessel multiplied by the \$25 per \$1,000 of value and \$10 per \$1,000 of valuation, respectively.

The allowance for uncollectible accounts is estimated based on historical trends and specific account analysis.

User Charges

User charges and fees consist of water and sewer that are levied quarterly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water and sewer liens are processed each year and are included as a lien on the property owner's tax bill. Water and sewer charges and liens are recorded as receivables in the fiscal year of the levy.

The allowance for uncollectible accounts is estimated based on historical trends and specific account analysis.

Special Assessments

Special assessments consist of the septic repair program betterments in the governmental activities and sewer betterments in the business-type activities.

These receivables are considered 100% collectible and, therefore, do not report an allowance for uncollectibles.

Other

Due from Webster for the Town's overpayment on the Webster Intermunicipal Agreement debt.

This receivable is considered 100% collectible and, therefore, does not report an allowance for uncollectibles.

Departmental

Departmental receivables consist of ambulance and police off-duty details.

The allowance for uncollectible accounts for ambulance is estimated based on specific account analysis.

Due from Other Governments

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, revenue is recognized when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and, therefore, do not report an allowance for uncollectibles.

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

G. Capital Assets

Capital assets, which include land, construction in progress, buildings and renovations, machinery, equipment and other, and infrastructure assets (e.g. roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government wide financial statements. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value.

All purchase and construction costs in excess of \$15,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of fixed assets are as follows:

Capital Asset Type	Years
Buildings and renovations	10-40
Machinery, equipment and other	3-10
Infrastructure	20-50

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

H. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as operating transfers in and operating transfers out.

In the government-wide financial statements, operating transfers between and within governmental funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers net".

In the fund financial statements, operating transfers between and within funds are not eliminated from the individual fund statements and are reported as operating transfers in and operating transfers out.

I. Deferred Inflows of Resources

Government-wide financial statements

The government-wide financial statements *Statement of Net Position* includes a separate section, listed below total assets, for *deferred outflows of resources*. This represents the usage of net position applicable for future period(s) and will not be recognized as expenditures until the future period to which it applies. Currently, the only item in this category is *deferred outflows related to pensions*.

In addition to liabilities, the *Statement of Net Position* will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the only item in this category is *deferred inflows related to pensions*.

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

Fund financial statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item, which arises only under a modified accrual basis of accounting that qualifies in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for the Town's property, excise and other taxes; departmental revenue, special assessments and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

J. Net Position and Fund Balances

In the Government-Wide financial statements, the difference between the Town's total assets and deferred outflows of resources, total liabilities and deferred inflows of resources represents net position. Net position displays three components – net investment in capital assets, restricted (distinguished between major categories of restrictions), and unrestricted. Unrestricted net position represents the net position available for future operations.

Net position classified as net investment in capital assets, consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Net position has been "restricted for" the following:

"Capital projects" represents amounts restricted for capital purposes.

"Federal and state grants" represents amounts restricted by the federal and state government for various programs.

"Permanent funds – nonexpendable" represents amounts held in trust for which only investment earnings may be expended.

"Permanent funds – expendable" represents amounts held in trust for which the expenditures are restricted by various trust agreements.

"Other purposes" represents restrictions placed on assets from outside parties.

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of those resources.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision making authority, which is the Town meeting action and can be modified or rescinded only through these actions. Committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit.

Assigned fund balance. This classification reflects the amounts constrained by the Town's "intent" to be used for specific purposes, but are neither restricted nor committed. Department heads and Town board/committees have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When the restricted and other fund balance resources are available for use, it is the Town's policy to use restricted resources first, followed by committed, assigned, and unassigned amounts respectively.

K. Long-term Debt

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position.

The face amount of governmental funds long-term debt is reported as other financing sources.

L. Compensated Absences

The Town grants to employees sick and vacation leave in varying amounts based upon length of service and in accordance with various individual union contracts. Upon retirement, termination, or death, certain employees are compensated for unused sick leave (subject to certain limitations) at their current rates of pay.

M. Pension Benefits

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 Worcester Regional Retirement System (the System) is provided. Additions to and deductions from the System's fiduciary net position have been determined on the same basis as they are reported. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable according with the benefit terms. Investments are reported at their fair value.

N. Post Retirement Benefits

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording the employer's 70% share of insurance premiums in the general fund in the fiscal year paid.

O. Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

P. Total Column

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

An annual budget is adopted for the Town's General Fund. Although legislative approval is required for the acceptance of grants, capital projects, and borrowing authorizations, annual budgets are not prepared for any other fund; therefore, comparison of budget to actual is only presented for the General Fund.

The Town must establish its property tax rate each year so that the property tax rate levy will comply with the limits established by Proposition 2 1/2, as amended, and also equal the sum of (a) the aggregate of all annual appropriations for expenditures, plus (b) provision for prior year deficits, if any, less (c) the aggregate of all non-property tax revenues estimated to be received, including available funds.

The Town follows these procedures in establishing the General Fund budgetary data as reflected in the financial statements:

- Estimates are submitted by departments in accordance with the Town's bylaws.
- The budget is legally enacted by vote at the annual Town meeting.
- Supplemental appropriations may be made from available funds after the setting of the tax rate with Town meeting approval.
- Throughout the year appropriations may be transferred between departments with Town meeting approval.

Massachusetts law requires cities and towns to provide for a balanced budget. Section 23 of Chapter 59 of the Massachusetts General Laws states, in part,

"The assessors shall annually assess taxes to an amount not less than the aggregate of all amounts appropriated, granted or lawfully expended by their respective towns (cities) since the preceding annual assessment and not provided for therein . . ."

For fiscal year 2017, the Town incurred a final budget deficit of \$940,034 for the General Fund.

The Town voted from the following sources to fund the deficit budget during the fiscal year:

Unassigned fund balance:		
Free cash votes	\$	281,176
Overlay surplus		239,000
Prior year's encumbrances		419,858
	\$	<u>940,034</u>

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

B. Deficit Fund Balances

The following funds have deficits at June 30, 2017 as measured by the balances of unassigned fund balance.

- The *Fire Department building improvement* capital project fund has a deficit of \$46,175. The Town has an outstanding bond anticipation note for \$500,000. This deficit will be eliminated upon the issuance of permanent debt.
- The *Highway paver* capital project fund has a deficit of \$80,000. The Town has an outstanding bond anticipation note for \$80,000. This deficit will be eliminated upon the issuance of permanent debt.
- The *Police vehicles* capital project funds have deficits totaling of \$88,019. The Town has outstanding bond anticipation notes for \$90,000. This deficit will be eliminated upon the issuance of permanent debt.
- The *Ambulance Revolving* special revenue fund has a deficit of \$10,241. The deficit will be eliminated upon the future receipt of funds or upon appropriation.

3. DETAILED NOTES

A. Deposits and Investments

Custodial Credit Risks - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. Deposits at June 30, 2017 were \$4,262,706. Of these, none are exposed to custodial credit risk as uninsured and uncollateralized.

Deposits and Investment Policies

Investments of funds, except for trust funds, are generally restricted by Massachusetts General Laws, Chapter 44, Section 55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposit 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.

The MMDT is an investment pool created by the Commonwealth 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. The MMDT is an external investment pool that meets the criteria established under GASB Statement No. 79 to report its investments at amortized cost. MMDT's fair value is measured at amortized cost.

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

As of June 30, 2017, the Town had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1 to 5
Debt Securities:			
U. S. treasury obligations	\$ 119,576	\$ -	\$ 119,576
U. S. government agencies	344,972	-	344,972
Corporate bonds	124,606	69,920	54,686
	<u>589,154</u>	<u>\$ 69,920</u>	<u>\$ 519,234</u>
Other Investments:			
Certificate of deposits	174,724		
Equity mutual funds	89,063		
MMDT	1,152,448		
	<u>\$ 2,005,389</u>		

Custodial Credit Risks - Investments

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Town's \$2,005,389 in investments, none are uninsured and unregistered. The Town has no policy on custodial credit risk.

Interest Rate Risk

The Town does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Town's exposure to credit risk as of June 30, 2017 is as follows:

Related Debt Instruments	Fair Value
Moody's Quality Ratings	
U. S. Treasury Obligations:	
Aaa	\$ 119,576
U. S. Government Agencies:	
Aaa	344,972
Corporate Bonds:	
A3	69,853
Baa1	54,753
	<u>\$ 589,154</u>

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in one issuer. More than 5 of the Town's total investments are in the Federal Home Loan Mortgage Corp amounting to 17.20% of the Town's total investments.

Fair Value of Investments

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Town has the following recurring fair value measurements as of June 30, 2017:

Investment Type	Fair Value	Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
U. S. treasury obligations	\$ 119,576	\$ 119,576	\$ -	\$ -
U. S. government agencies	344,972	344,972	-	-
Certificates of deposit	174,724	174,724	-	-
Equity mutual funds	89,063	89,063	-	-
Corporate bonds	124,606	-	124,606	-
	852,941	\$ 728,335	\$ 124,606	\$ -
Investments Measured at Amortized Cost:				
External Investment Pools (MMDT)	1,152,448			
Total Investments	\$ 2,005,389			

Investments classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets for those securities.

Investments classified in Level 2 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

B. Receivables

At June 30, 2017, receivables for the individual major governmental funds, non-major governmental funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Major and nonmajor governmental funds:			
Property taxes	\$ 102,039	\$ (424)	\$ 101,615
Tax liens	274,665	-	274,665
Excise taxes	196,717	(56,003)	140,714
Special assessments	1,325	-	1,325
Departmental	185,355	(28,279)	157,076
Due from other governments	268,883	-	268,883
	<u>\$ 1,028,984</u>	<u>\$ (84,706)</u>	<u>\$ 944,278</u>

At June 30, 2017, receivables for the business-type activities consist of the following:

	Gross Amount	for Uncollectibles	Net Amount
Sewer Fund:			
Sewer user charges	\$ 113,109	\$ (500)	\$ 112,609
Sewer tax liens	21,732	-	21,732
Other	26,415	-	26,415
Special assessments	23,814	-	23,814
Water Fund:			
Water user charges	99,892	(500)	99,392
Water tax liens	18,473	-	18,473
	<u>\$ 303,435</u>	<u>\$ (1,000)</u>	<u>\$ 302,435</u>

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

The composition of amounts due from other governments as of June 30, 2017 for the governmental funds and the business-type funds are as follows:

Governmental Funds:

General Fund:

Commonwealth of Massachusetts:

Department of Veterans Services:

Veteran's benefits	\$	99,086
--------------------	----	--------

Nonmajor Governmental Funds:

Commonwealth of Massachusetts:

Executive Office of Public Safety and Homeland Security:

Police overtime enforcement grant	\$	4,905
-----------------------------------	----	-------

Fire rescue training grant		7,600
----------------------------	--	-------

Massachusetts Department of Transportation:

Highway Department - Chapter 90 funded projects		149,937
---	--	---------

Other:

		169,797
--	--	---------

		7,355
--	--	-------

	\$	<u>268,883</u>
--	----	----------------

C. Deferred Inflows of Resources – Unavailable Revenue

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred inflows of resources reported in the governmental funds were as follows:

General Fund:

Property taxes	\$	38,615
Tax liens		274,665
Excise taxes		140,714
Departmental		143,327
Due from other governments		80,108
	\$	<u>677,429</u>

Nonmajor governmental funds:

Special assessments		1,325
Due from other governments		141,249
	\$	<u>142,574</u>
		<u>820,003</u>

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

D. Capital Assets

Capital asset activity for the governmental and business-type activities for the year ended June 30, 2017, are as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 830,045	\$ 31,967	\$ -	\$ 862,012
Construction in progress	-	46,175	-	46,175
Total capital assets not being depreciated	830,045	78,142	-	908,187
Capital assets being depreciated:				
Buildings and Renovations	16,700,195	-	-	16,700,195
Machinery, equipment and other	3,975,687	428,089	-	4,403,776
Infrastructure	7,813,452	401,000	-	8,214,452
Total capital assets being depreciated	28,489,334	829,089	-	29,318,423
Less accumulated depreciation for:				
Buildings and Renovations	6,282,021	565,076	-	6,847,097
Machinery, equipment and other	2,626,554	263,401	-	2,889,955
Infrastructure	4,590,401	299,943	-	4,890,344
Total accumulated depreciation	13,498,976	1,128,420	-	14,627,396
Total capital assets being depreciated, net	14,990,358	(299,331)	-	14,691,027
Total governmental activities capital assets, net	\$ 15,820,403	\$ (221,189)	\$ -	\$ 15,599,214
Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 82,037	\$ -	\$ -	\$ 82,037
Construction in progress	-	830,246	-	830,246
Total capital assets not being depreciated	82,037	830,246	-	912,283
Capital assets being depreciated:				
Machinery, equipment and other	484,653	-	-	484,653
Infrastructure	11,639,794	37,628	-	11,677,422
Total capital assets being depreciated	12,124,447	37,628	-	12,162,075
Less accumulated depreciation for:				
Machinery, equipment and other	416,885	16,821	-	433,706
Infrastructure	6,832,131	174,963	-	7,007,094
Total accumulated depreciation	7,249,016	191,784	-	7,440,800
Total capital assets being depreciated, net	4,875,431	(154,156)	-	4,721,275
Total business-type activities capital assets, net	\$ 4,957,468	\$ 676,090	\$ -	\$ 5,633,558

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	\$ 268,688
Public safety	207,240
Public works	379,950
Health and human services	6,332
Culture and recreation	266,210
Total depreciation expense - governmental activities	\$ 1,128,420
 Business-Type Activities:	
Sewer fund	\$ 90,567
Water fund	101,217
Total depreciation expense - business-type activities	\$ 191,784

E. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2017, are summarized below:

Transfers Out:	Transfers In:		Total
	General fund	Business-type fund	
General fund	\$ -	\$ 141,358	\$ 141,358
Nonmajor governmental funds	3,500	-	3,500
Business-type fund	135,897	-	135,897
Total transfers out	\$ 139,397	\$ 141,358	\$ 280,755

F. Short-Term Financing

Under the general laws of the Commonwealth and with the appropriate local authorization the Town is authorized to borrow funds on a temporary basis to (1) fund current operations prior to the collection of revenues, by issuing revenue anticipation notes, (2) fund grants prior to reimbursements, by issuing grant anticipation notes, and (3) fund capital projects costs incurred prior to selling permanent debt by issuing bond anticipation notes.

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

Details related to the short-term debt activity of the governmental type fund are as follows:

Purpose	Interest Rate	Final Maturity Date	Balance July 1, 2016	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2017
Governmental Activities						
Bond Anticipation Note:						
Police vehicle	0.94%	10/2/2017	\$ -	\$ 45,000	\$ -	\$ 45,000
New fire station project	1.20%	11/15/2017	-	500,000	-	500,000
Police vehicle	1.25%	6/1/2018	-	45,000	-	45,000
Highway Asphalt Paver	1.25%	6/1/2018	-	80,000	-	80,000
Grant Anticipation Note:						
Chapter 90 Projects	0.75%	7/5/2016	100,000	-	100,000	-
Chapter 90 Projects	1.20%	7/6/2017	-	100,000	-	100,000
Total Governmental Activities			\$ 100,000	\$ 770,000	\$ 100,000	\$ 770,000

G. Long Term Debt

General Obligation Bonds

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

General obligation bonds currently outstanding of the governmental type fund are as follows:

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2017
Inside Debt:					
Municipal building renovation	4.20%	12/13/2002	6/15/2018	\$ 5,770,000	\$ 1,710,000
Municipal building renovation	4.13%	4/6/2004	12/15/2022	1,840,000	570,000
Ambulance remount (1)	1.25%	6/3/2016	6/1/2018	159,300	106,200
Total Inside Debt					2,386,200
Outside Debt:					
Massachusetts Clean Water Trust:					
Title V Septic Repair Program	N/A	10/25/2000	8/1/2018	67,302	7,476
Total Outside Debt					7,476
Total governmental type debt					\$ 2,393,676

1 = Refunding note classified as long term debt.

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

Future Debt Service

The annual principal and interest payments to retire all governmental type fund general obligation long-term debt outstanding as of June 30, 2017, are as follows:

Year	Principal	Interest	Total
2018	\$ 489,938	\$ 95,727	\$ 585,665
2019	383,738	77,958	461,696
2020	380,000	61,204	441,204
2021	380,000	44,080	424,080
2022	380,000	26,540	406,540
2023	380,000	8,847	388,847
	<u>\$ 2,393,676</u>	<u>\$ 314,356</u>	<u>\$ 2,708,032</u>

General obligation bonds currently outstanding of the business-type fund are as follows:

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2017
Inside Debt:					
Sewer Fund:					
Municipal Purpose Loan of 2000	5.49%	5/1/2000	5/1/2020	\$ 1,315,000	\$ 180,000
Total Inside Debt					<u>180,000</u>
Outside Debt:					
Sewer Fund:					
Municipal Purpose Loan of 1998	4.74%	3/15/1998	3/15/2018	1,200,000	60,000
Water Fund:					
Water Main Healy Road	2.00%	10/15/2012	10/15/2022	450,000	270,000
Water Main Dudley Oxford Road	2.00%	10/15/2012	10/15/2022	850,000	510,000
Massachusetts Clean Water Trust:					
Corrosion control systems	N/A	10/1/1999	8/1/2019	661,114	130,000
Total Outside Debt					<u>970,000</u>
Total Business-type debt					<u>\$ 1,150,000</u>

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

Future Debt Service

The annual principal and interest payments to retire all business-type long-term debt outstanding as of June 30, 2017, are as follows:

Year	Principal	Interest	Total
2018	\$ 290,000	\$ 32,720	\$ 322,720
2019	235,000	21,774	256,774
2020	235,000	13,697	248,697
2021	130,000	6,500	136,500
2022	130,000	3,900	133,900
2023	130,000	1,300	131,300
	<u>\$ 1,150,000</u>	<u>\$ 79,891</u>	<u>\$ 1,229,891</u>

A summary of the changes in governmental activities and business-type long term liabilities during the year is as follows:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due within One Year
Governmental activities:					
Bonds Payable:					
General obligation bonds	\$ 2,665,000	\$ -	\$ 385,000	\$ 2,280,000	\$ 380,000
Refunding notes	159,300	106,200	159,300	106,200	106,200
Massachusetts Clean Water Trust bonds	11,214	-	3,738	7,476	3,738
Compensated absences	196,047	80,559	22,961	253,645	50,729
OPEB liability obligation	3,553,698	572,234	-	4,125,932	-
Net pension liability	9,819,030	1,590,407	-	11,409,437	-
Governmental activity Long-term liabilities	<u>\$ 16,404,289</u>	<u>\$ 2,349,400</u>	<u>\$ 570,999</u>	<u>\$ 18,182,690</u>	<u>\$ 540,667</u>
Business-type activities:					
Bonds Payable:					
General obligation bonds	\$ 1,270,000	\$ -	\$ 250,000	\$ 1,020,000	\$ 250,000
Massachusetts Clean Water Trust bonds	170,000	-	40,000	130,000	40,000
Compensated absences	6,717	-	5,167	1,550	-
OPEB liability obligation	529,907	61,680	-	591,587	-
Net pension liability	902,776	327,022	-	1,229,798	-
Business-type activity Long-term liabilities	<u>\$ 2,879,400</u>	<u>\$ 388,702</u>	<u>\$ 295,167</u>	<u>\$ 2,972,935</u>	<u>\$ 290,000</u>

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

Massachusetts Clean Water Trust (MCWT)

The Town has borrowed funds from the MCWT Bond Resolution (Pool Loan Program). Under this program the borrower shall receive, as a credit against the loan repayment then due on this bond, the loan subsidy amounts (earnings on the equity of the trust). The Town is scheduled to be subsidized by the MCWT on a periodic basis for principal in the amount of \$728,416 and interest costs of \$418,725 for two loans which the Town has borrowed from MCWT. The gross amount outstanding at June 30, 2017 for principal and interest combined for the loans are \$147,781. The net repayments, including interest, are scheduled to be \$103,693. Since the Town is legally obligated for the total amount of the debt, such amounts for the gross principal have been recorded on the financial statements. The fiscal year 2017 principal and interest subsidies totaled \$16,828.

Legal Debt Limit

Under Section 10 of Chapter 44 of the Massachusetts General Laws a Town may authorize indebtedness up to a limit of five percent of its equalized valuation of the Town. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." The Town's inside debt at June 30, 2017 totaled \$2,566,200.

In addition, the Town is authorized to incur debt outside of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit."

The following is a computation of the legal debt limit as of June 30, 2017:

Equalized Valuation-Real Estate and Personal Property (2016)		\$	933,666,600
			46,683,330
Debt Limit: 5 % of Equalized value			46,683,330
Total Debt Outstanding	\$	3,543,676	
Less: Debt Outside Debt Limit		(977,476)	2,566,200
Inside Debt Excess Borrowing Capacity at June 30, 2017		\$	44,117,130

Loans Authorized and Unissued -- Memorandum Only

Under the general laws of the Commonwealth of Massachusetts a Town must authorize debt at a Town meeting. This authorized debt does not have to be actually issued at that time and remains authorized until the debt is actually issued or Town meeting votes to rescind the authorized debt. Loan authorizations that have not been issued as of June 30, 2017 and are not reflected in the Town's financial statements are as follows:

Date Town Meeting Authorized	Purpose	Amount
5/23/2016	Purchase of police cruisers	\$ 45,000
10/24/2016	Fire Department building improvements	6,000,000
		\$ 6,045,000

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

Overlapping Debt

The Town pays assessments, which includes debt service payments to other local governmental units providing services within the Town's boundaries (commonly referred to as overlapping debt). The following summary sets forth the long term debt of the governmental unit, the estimated share of such debt being serviced by the Town and the total of its share of estimated indirect debt.

	Current Year's Debt	Town's Estimated Share	Town's Estimated Indirect Debt
Dudley Charlton Regional School District:			
School Construction	\$ 6,929,513	52.53%	\$ 3,640,073
Athletic Field	1,700,608	52.53%	893,329
Southern Worcester Regional Vocational School District:			
School Construction	26,015,000	10.34%	<u>2,689,951</u>
			<u><u>\$ 7,223,354</u></u>

The Southern Worcester Regional Vocational School District also has bond anticipation notes outstanding as of June 30, 2017 of \$3 million for the Baypath Regional High School construction of which the Town of Dudley's share is 10.34%

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

H. Fund Balances

The following is a summary of the Town's Governmental fund balances at the year ended June 30, 2017:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Permanent funds	\$ -	\$ 42,500	\$ 42,500
Restricted:			
Federal and state grants	-	547,958	547,958
Revolving funds	-	107,835	107,835
Gifts and donations	-	62,000	62,000
Capital projects	-	1,341	1,341
Permanent funds	-	196,977	196,977
Pearle L. Crawford Library endowment fund	-	1,363,221	1,363,221
Other	-	9,441	9,441
	-	<u>2,288,773</u>	<u>2,288,773</u>
Committed:			
Insurance and employee benefits	-	12,787	12,787
Other	-	14,624	14,624
	-	<u>27,411</u>	<u>27,411</u>
Assigned:			
General government	87,448	-	87,448
Public safety	26,445	-	26,445
Health and human services	1,600	-	1,600
Culture and recreation	6,928	-	6,928
Subsequent year's budget	591,586	-	591,586
	<u>714,007</u>	-	<u>714,007</u>
Unassigned:			
General Fund	666,204	-	666,204
Deficit special revenue funds	-	(10,241)	(10,241)
Deficit capital projects	-	(214,194)	(214,194)
	<u>666,204</u>	<u>(224,435)</u>	<u>441,769</u>
Total Governmental fund balances	<u>\$ 1,380,211</u>	<u>\$ 2,134,249</u>	<u>\$ 3,514,460</u>

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

I. Special Trust Funds

Stabilization Fund

Under Section 5B of Chapter 40 of the Massachusetts General Laws, the Town may for the purpose of creating a stabilization fund appropriate in any year an amount not exceeding ten percent of the amount raised in the preceding year by taxation of real estate and tangible personal property or such larger amount as may be approved by the Emergency Finance Board. The aggregate amount in the fund at any time shall not exceed ten percent of the equalized valuation of the Town and any interest shall be added to and become a part of the fund. The stabilization fund may be appropriated in a Town at a Town meeting for any lawful purpose.

At June 30, 2017 the balances in the stabilization funds are reported in the General Fund as unassigned fund balance consisting of the following:

General purpose stabilization fund	\$ 115,262
Capital stabilization fund	38
	<hr/>
	\$ 115,300
	<hr/>

4. OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town has obtained a variety of commercial liability insurance policies which passes the risk of loss listed above to independent third parties.

Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Hampshire County Health Group

The Town, along with other government entities from the neighboring geographic area, is a member of the Hampshire County Health Group (HCHG), a public entity risk pool, currently operating as a common risk sharing management and health insurance program for eligible active and former employees of its members.

Payments in the form of insurance premiums, are made monthly to the HCHG. These payments are funded in part from the Town, recorded as expenditures in the general fund, and payroll withholdings from active employees, or direct payments from retired and certain eligible former employees. The Town pays between 55% and 74% of the cost of the insurance for active employees. Retired and other past employees who may be eligible to participate in the plan must pay between 26% and 45% of their premium costs.

The Town makes payments to HCHG in the form of monthly premiums based upon actual employee enrollment. HCHG makes payment, through a third party administrator for actual health claims incurred for the entire group. At the end of HCHG's fiscal year, the Group's insurance consultant will determine if assets are sufficient to meet the anticipated needs of the ensuing year. It is anticipated that if claim liabilities exceed assets, premium rates will be adjusted prospectively to recover the necessary assets to meet claims.

Based upon the unaudited results of operations of the HCHG for the fiscal year ended June 30, 2017, the Town's insurance consultants have reported the HCHG has accumulated a surplus of \$18,712,145 as of June 30, 2017.

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

B. Contingent Liabilities

Litigation

Litigation is subject to many uncertainties, and the outcome of individual matters is not always predictable. Although the amount of the liability, if any, at June 30, 2017, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2017.

The Town has received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditure disallowed under the terms of the grant. The amount, if any, of expenditures which may be disallowed cannot be determined at this time, although, based on prior experience, Town management believes such disallowances, if any, will not be material.

C. Subsequent Events

Management has evaluated subsequent events through January 16, 2018, which is the date the financial statements were available to be issued.

D. Pension Plan

Plan Description

The Town is a member of the Worcester Regional Retirement System (the System). The System is a cost-sharing multiple-employer public employee retirement system administered by five-member board of the Worcester Regional Retirement Board (the Board). Massachusetts General Laws (MGL), Chapter 32, assigns authority to establish the System and amend benefit provisions of the plan; which is regulated by the Public Employees Retirement Administration Commission (PERAC). The System is a defined benefit pension plan that covers substantially all employees of its member employers. The System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System at 23 Midstate Drive, Suite 106, Auburn, Massachusetts 01501.

Benefits Provided

The System provides retirement, disability, and death benefits to plan members and beneficiaries. MGL Chapter 32 establishes uniform benefit and contributory requirements for all contributory public employee retirement systems (PERS). The Massachusetts PERS benefits are uniform from system to system, with a few minor exceptions. Members of the System become vested after 10 years of creditable service. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Retirement benefits are determined as a percentage of the member's final three-year (five-year for members hired on or after April 2, 2012) final average compensation times the member's years of creditable service prior to retirement. The percentage is based on the age of the member at retirement and his or her Group classification. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. Most employees who joined the system on or after April 2, 2012 cannot retire prior to age 60. The authority for amending these provisions rests with the Massachusetts Legislature.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

Cost of living adjustments granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth's State law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

Contributions

MGL Chapter 32 governs the contributions of plan members and the Town. Plan members are required to contribute to the System at rates ranging from 5% to 9% based upon their membership date of gross regular compensation with an additional 2% contribution after exceeding \$30,000 in annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The Town's proportionate share of the required contribution to the System for the year ended December 31, 2016 was \$732,991, representing 23.84% of the covered payroll, an actuarially determined amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year and an additional amount to finance any unfunded accrued liability.

Pension Liability

As of June 30, 2017, the Town reported a liability of \$12,639,235 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2016, the Town's proportional percentage was 1.5090%, which was a slight decrease from the last measurement.

Pension Expense

For the year ended June 30, 2017, the Town recognized a pension expense of \$1,321,006 and reported deferred outflows of resources related to pensions of \$2,036,656 from the differences between expected and actual experience, the net difference between projected and actual investment earnings on pension plan investments and changes in assumptions and deferred inflows of resources related to pensions of \$906,569 from the changes in proportion and differences between employer contributions and proportionate share of contributions. Since the System performs an actuarial valuation bi-annually, there are no reported differences between the expected and actual experience or a change of assumptions as of December 31, 2016.

The Town's net deferred outflows/(inflows) of resources related to pensions will be recognized in the pension expense as follows;

For years ended June 30,		
2018	\$	258,186
2019		258,185
2020		256,835
2021		131,502
Thereafter:		225,379
	\$	1,130,087

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement that was updated December 31, 2016;

Valuation date	January 1, 2016
Actuarial cost method	Entry Age Normal
Amortization method	<p><i>Unfunded Actuarial Accrued Liability (UAAL):</i> Increasing dollar amount at 4.0% to reduce the UAAL to zero on or before June 30, 2035. The annual increase in appropriation is further limited to 9.95%.</p> <p><i>2002 & 2003 Early Retirement Incentive (ERI):</i> Increasing dollar amount at 4.0% to reduce the 2002 & 2003 ERI to zero on or before June 30, 2028 and the 2010 ERI to zero on or before June 30, 2022.</p>
Asset valuation method	<p>The actuarial value of assets is the market value of assets as of the valuation date reduced by the sum of: 80% of the gains and losses of the prior year, 60% of the gains and losses of the second prior year, 40% of the gains and losses of the third prior year, and 20% of the fourth prior year. Investment gains and losses are determined by the excess or deficiency of the expected return over the actual return on the market value. The actuarial valuation of assets is further constrained to be not less than 80% or more than 120% of market value.</p>
Inflation	3% per year
Salary increases	Group 1: 6% - 4.25%, based on service Group 4: 7% - 4.75%, based on service
Payroll growth	4% per year
Investment rate of return	7.75%, net of pension plan investment expense, including inflation
Mortality rates	<p>RP-2000 Mortality Table (base year 2009) with full generational mortality improvement using Scale BB.</p> <p>RP-2000 Mortality Table (base year 2012) with full generational mortality improvement using Scale BB for disabled members</p>

Long-term Expected Rate of Return

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 real rates of return (expected returns, net of pension plan 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

Best estimates of arithmetic real rates of return for each major class included in the pension plan's target asset allocation as of December 31, 2016, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	40%	4.97%
Fixed income	22%	2.29%
Private Equity	11%	6.50%
Real Estate	10%	3.50%
Timber/Natural Resources	4%	3.00%
Hedge Funds	13%	3.48%
Total	<u>100%</u>	

Rate of Return

For the year ended December 31, 2016, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 7.06%. The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period. The rate of return is then calculated by solving, through an iterative process, for the rate that equates the sum of the weighted external cash flows into and out of the pension plan investments to the ending fair value of pension plan investments.

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. 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 that member employer contributions will be made in accordance with Section 22D and Section 22F of MGL Chapter 32. Based on those assumptions, the System's fiduciary 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.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.75%. As well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	6.75%	7.75%	8.75%
Net pension liability	\$ 15,224,107	\$ 12,639,235	\$ 10,457,174

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

E. Other Post Employment Benefits Payable (OPEB)

GASB Statement No. 45

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions, requires Towns to account for OPEB, primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns the post employment benefits, rather than when they use them. To the extent that an entity does not fund their actuarially required contribution, a post employment benefit liability is recognized on the Statement of Net Position.

The cost of post employment benefits generally should be associated with the periods in which costs occur rather than in the future year when it will be paid. The Town adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2008, and thus recognizes the cost of post employment benefits in the year when the employee services are received. The Town reports the accumulated liability from prior years and provides information useful in assessing potential demands on the Town's future cash flows.

Plan Description

In addition to providing pension benefits, the Town provides post-employment health care and life insurance benefits for retired employees, their dependents and beneficiaries. The benefits, benefit levels, employee and employer contributions are governed by Massachusetts General Law Chapter 32. There are approximately 107 active and retired/disabled employees that meet the eligibility requirements. The plan does not issue a separate financial report.

Benefits Provided

The Town provides health care and life insurance benefits for retired employees, their dependents and beneficiaries through a variety of plans. All active employees who retire from the Town and meet the eligibility criteria are eligible to receive these benefits.

Funding Policy

The contribution requirements of plan members and the Town are established and may be amended through Town policy and member contracts. The required contribution is based on the projected pay-as-you-go financing requirements. For the 2017 fiscal year, total Town premiums plus implicit costs for the retiree medical program are \$276,758.

Annual OPEB Cost and Net OPEB Obligation

The Town's annual other post employment benefit cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability (or funding excess) over a period not to exceed thirty (30) years.

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

The following table shows the components of the Town's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the Town's net OPEB obligation to the plan:

Annual required contribution	\$	941,780
Interest on net OPEB obligation		163,345
Adjustment to annual required contribution		<u>(194,454)</u>
Annual OPEB cost (expense)		910,671
Contributions made during the fiscal year		<u>(276,758)</u>
Increase in net OPEB obligation		633,913
Net OPEB Obligation - beginning of year		4,083,605
Net OPEB Obligation - end of year		<u><u>\$ 4,717,518</u></u>

The Town's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2017 fiscal year and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	\$ 910,671	30.4%	\$ 4,717,518
6/30/2016	\$ 865,423	28.7%	\$ 4,083,605
6/30/2015	\$ 821,093	26.8%	\$ 3,466,967

Funded Status and Funding Process

As of July 1, 2014, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$9,874,329, and the actuarial value of assets was \$0.0 thousand, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,874,329. The covered payroll (annual payroll of active employees covered by the plan) was \$2,781,627 and the ratio of the UAAL to the covered payroll was 354.98%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the Annual Required Contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The Schedule of Funding Progress, presented as Required Supplementary Information following the Notes to the Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the Actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

The Town OPEB actuarial valuation as of July 1, 2014, used the entry age actuarial cost method. The OPEB liability is currently unfunded and the actuarial assumptions include an interest rate of 4.0%, a payroll growth rate of 3.5% per annum and medical/drug cost trend rate at 9.0% decreasing by 1% for 4 years to an ultimate level of 5.0% in year 2018.

The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar amount open basis. The remaining amortization period at June 30, 2017 is approximately 20 years.

GASB Statement No. 74

The Town did establish a trust fund in order to contribute funds to reduce the future OPEB liability. As of June 30, 2017 the trust balance is \$5,676.

Investments

The OPEB Trust fund does not have a formal investment policy. As of June 30, 2017, investments, concentration and rate of return information consisted of pooled funds in the Town's Bartholomew Commonwealth Financial investments described earlier under Deposits and Investment Policies (refer to note 3A).

Net OPEB Liability

The components of the net OPEB liability are as follows:

Total OPEB liability	\$	13,856,221
Less: Plan fiduciary net position		(5,676)
City's Net OPEB liability	<u>\$</u>	<u>13,850,545</u>
Plan fiduciary net position as a percentage of the total OPEB liability		0.04%

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified;

Valuation date	July 1, 2017	
Actuarial cost method	Entry Age Normal	
Inflation rate	2.50% annually	
Participant salary increases	3.50% annually	
Investment rate of return	4.00% annually, net of OPEB plan investment expense Including inflation	
Healthcare cost trend rates	2017 medical trend rates:	9.00% annually
	2018 medical trend rates:	8.00% annually
	Ultimate trend rates:	5.00% annually in 2021
Mortality rates	RP-2000 Mortality Table with projected generational mortality table using Scale BB with base year 2009	

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

The actuarial assumptions used in the July 1, 2017 valuation were consistent with the assumptions used in the January 1, 2016 Commonwealth Actuarial Valuation Report. As a result of the accumulated experience gain over the past three years primarily due to Medicare plan costs increasing less than assumed, the healthcare cost trend rate was reset at 9.0% for 2017, grading down 1.0% per annum to an ultimate trend rate of 5.0% for years 2021 and later.

Rate of Return

For the year ended June 30, 2017, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was not provided.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.13%. 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 that member employer contributions will be made in accordance Massachusetts General Law Chapter 32. Based on those assumptions, the OPEB plan fiduciary 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the Town's the net OPEB liability as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.13%) or 1-percentage-point higher (4.13%) than the current rate:

	1% Decrease (2.13%)	Current Discount Rate (3.13%)	1% Increase (4.13%)
Town's net OPEB liability	\$ 17,027,673	\$ 13,850,545	\$ 11,444,827

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

The following presents the Town's the net OPEB liability as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (8.00% decreasing to 4.00%) or 1-percentage-point higher (10.00 decreasing to 6.00%%) than the current healthcare cost trend rates:

	1% Decrease (8.00% decreasing to 4.00%)	Healthcare Cost Trend Rates (9.00% decreasing to 5.00%)	1% Increase (10.00% decreasing to 6.00%)
Town's net OPEB liability	\$ 11,187,308	\$ 13,850,545	\$ 17,495,974

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

F. Implementation Of New GASB Pronouncements

The GASB issued Statement No. 74, *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, for implementation in fiscal year 2017.

The GASB issued Statement No. 77, *Tax Abatement Disclosures*, for implementation in fiscal year 2017.

The GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement #14*, for implementation in fiscal year 2017.

The GASB issued Statement No. 82, *Pension Issues – an amendment of GASB No. 67, No. 68, and No. 73*, for implementation in fiscal year 2017.

G. Future GASB Pronouncements

Management is currently assessing the impact the implementation of the following pronouncements will have on the basic financial statements.

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, for implementation in fiscal year 2018.

The GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, for implementation in fiscal year 2018.

The GASB issued Statement No. 87, *Leases*, for implementation in fiscal year 2021.

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF DUDLEY, MASSACHUSETTS
Required Supplementary Information
Pension Schedules
Worcester Regional Contributory Retirement System
For the Year Ended June 30, 2017**

The Schedule of Proportionate Share of the Net Pension Liability represents multiyear trend information relating to the Town's proportion of the net pension liability and related ratios.

Schedule of the Town's Proportionate Share of the Net pension Liability:

	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
Town's proportion of the net pension liability (asset)	1.5090%	1.5105%	1.7379%
Town's proportionate share of the net pension liability (asset)	\$ 12,639,235	\$ 10,721,806	\$ 10,341,497
Town's covered employee payroll	\$ 3,074,191	\$ 3,068,416	\$ 2,950,400
Net pension liability percentage of covered-employee payroll	411.14%	349.42%	350.51%
Plan fiduciary net position as a percentage of the total pension liability	42.00%	44.52%	47.94%

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

**TOWN OF DUDLEY, MASSACHUSETTS
Required Supplementary Information
Pension Schedules
Worcester Regional Contributory Retirement System
For the Year Ended June 30, 2017**

The Schedule of the Employer Contributions presents multiyear trend information on the Town's required and actual payments to the pension plan and related ratios.

Schedule of the Town's Contributions:

	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
Actuarially determined contribution	\$ 732,991	\$ 679,525	\$ 686,789
Less: Contributions in relation to the actuarially determined contribution	<u>(732,991)</u>	<u>(679,525)</u>	<u>(686,789)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered employee payroll	\$ 3,074,191	\$ 3,068,416	\$ 2,950,400
Contributions percentage of covered-employee payroll	23.84%	22.15%	23.28%

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

TOWN OF DUDLEY, MASSACHUSETTS
Required Supplementary Information
Other Post Employment Benefit Plan (GASB 45) Schedule
For the Year Ended June 30, 2017

Schedule of Funding Progress

Other Post Employment Benefits							
Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Aid (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)	
7/1/2014	\$ -	\$ 9,874,329	\$ 9,874,329	0%	\$ 2,781,627	354.98%	
7/1/2011	\$ -	\$ 9,745,766	\$ 9,745,766	0%	\$ 2,965,038	328.69%	
7/1/2007	\$ -	\$ 8,222,568	\$ 8,222,568	0%	\$ 2,909,092	282.65%	

Schedule of Contribution Funding

Other Post Employment Benefits				
Fiscal Year Ended June 30	Annual OPEB Cost	Actual Contributions Made	Percentage Contributed	
2017	\$ 910,671	\$ 276,758	30.4%	
2016	\$ 865,423	\$ 248,785	28.7%	
2015	\$ 821,093	\$ 220,230	26.8%	

The information presented in the above Required Supplementary Schedule was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation can be found in the Notes to the Financial Statements.

Actuarial Methods and Assumptions:

Valuation date	July 1, 2014
Actuarial cost method	Entry Age Normal
Amortization method	30-year amortization payments
Investment rate of return	4.00%
Annual payroll increase	3.50%
Medical/drug cost trend rate	9.00% in 2014 decreasing by 1% to the ultimate trend rate of 5% per year

Plan Membership:

Current active members	55
Current retirees, beneficiaries and dependents	52
Total	<u>107</u>

TOWN OF DUDLEY, MASSACHUSETTS
Required Supplementary Information
Other Post Employment Benefit Plan (GASB 74) Schedule
For the Year Ended June 30, 2017

Schedule of Changes in the Net OPEB Liability:

	2017
Total OPEB liability	
Service cost	\$ 406,676
Interest on net OPEB liability	451,210
Changes in Benefit terms	-
Changes in Assumptions	1,252,925
Difference between actual and expected experience	(1,118,067)
Benefit payments, including refunds of member contributions	(276,758)
Net change in total OPEB liability	715,986
Total OPEB liability-beginning	11,011,951
Changes in Accounting from GASB 45 to GASB 74	2,128,284
Total OPEB liability-ending (a)	\$ 13,856,221
 Plan fiduciary net position	
Net investment income	\$ (28)
Employer contributions(withdrawals) to/from Trust	277,758
Benefit payments, including refunds of member contributions	(276,758)
Net change in plan fiduciary net position	972
Total fiduciary net position-beginning	4,704
Total fiduciary net position-ending (b)	\$ 5,676
 Town's net OPEB liability (a-b)	\$ 13,850,545

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

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

TOWN OF DUDLEY, MASSACHUSETTS
Required Supplementary Information
Other Post Employment Benefit Plan (GASB 74) Schedule
For the Year Ended June 30, 2017

Schedule of Net OPEB Liability:

	6/30/2017
Total OPEB liability	\$ 13,856,221
Less: Plan fiduciary net position	(5,676)
Town's Net OPEB liability	\$ 13,850,545
Plan fiduciary net position as a percentage of the total OPEB liability	0.04%
Town's share of covered employee payroll	\$ 2,979,748
Participating employer net OPEB liability (asset) as a percentage of covered-employee payroll	464.82%

Schedule of Contributions:

	6/30/2017
Actuarially determined contribution	\$ 276,758
Less: Contributions in relation to the actuarially determined contribution	(277,758)
Contribution deficiency (excess)	\$ (1,000)
Town's share of covered employee payroll	\$ 2,979,748
Contributions percentage of covered-employee payroll	9.29%

Note: These schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years the information is available.

SUPPLEMENTARY SCHEDULES

**TOWN OF DUDLEY, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Fund Balances July 1, 2016	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2017
Special Revenue:					
Federal and State Grants:					
Arts Lottery Council Grants	\$ 3,082	\$ 5,009	\$ 6,109	\$ -	\$ 1,982
Capital Planning Grant	18,750	-	-	-	18,750
Dam Grants	1,989	-	-	-	1,989
Elder Affairs Grants	16,217	25,599	28,164	-	13,652
Extended Polling Hours	-	1,608	1,608	-	-
Green Community Grants	48,903	-	3,402	-	45,501
Library Grants	97,111	17,828	8,589	-	106,350
Other Grants and Programs	100	21,886	13,833	-	8,153
Public Safety Grants	34,607	60,521	57,670	-	37,458
Public Works Grants	2,511	512,616	493,626	-	21,501
Other:					
Ambulance Revolving	(662)	27,140	36,719	-	(10,241)
Animal Care Revolving	76	-	-	-	76
Board of Health Revolving Funds	1,681	-	-	-	1,681
Cemetery Revolving	5,250	1,600	400	-	6,450
Council on Aging Meals Revolving	532	1,801	1,893	-	440
Commission on Disabilities Fund	343	1	-	-	344
Conservation Funds	20,588	11,786	11,586	-	20,788
Deputy Collector Revolving	-	27,338	27,338	-	-
Fire Department Revolving	359	500	-	-	859
Firefighters Outside Details	2,059	9,788	10,890	-	957
Geneology Research Revolving	689	809	-	-	1,498
Gift Shop Revolving	722	8	-	-	730
Gifts and Donations	89,767	97,024	124,791	-	62,000
Greater Media Cable Access	62,398	160,701	33,939	-	189,160
Inspection Revolving	-	48,939	37,229	-	11,710
Total Special Revenue page 68	\$ 407,072	\$ 1,032,502	\$ 897,786	\$ -	\$ 541,788

TOWN OF DUDLEY, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Fund Balances July 1, 2016	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2017
Continued from page 68	\$ 407,072	\$ 1,032,502	\$ 897,786	\$ -	\$ 541,788
Special Revenue (Continued):					
Other (Continued):					
Insurance Reimbursements	(274)	8,370	7,649	-	447
Law Enforcement Drug Enforcement	16,871	3,910	750	-	20,031
Library Lost Book Revolving	138	1,871	1,388	-	621
Municipal Hearings Revolving	100	44	44	-	100
Planning Revolving	100	-	-	-	100
Police Arrest Warrant Services	623	313	-	-	936
Police Court Judgement	11,019	9,200	17,600	-	2,619
Police Cruiser Use Detail	6,960	7,174	8,627	-	5,507
Police DARE Program	523	4,578	5,101	-	-
Police Firearms Permit Services	19,624	6,287	-	(3,500)	22,411
Police Off-Duty Revolving	-	498,845	498,845	-	-
Rail Trail-Sale of Steel	7,401	-	1,963	-	5,438
Road Machinery	17,700	16,488	19,564	-	14,624
Tax Title Fees Revolving	-	39,077	8,017	-	31,060
Title V Septic Repair Loan Repayments	80,500	530	-	-	81,030
Underground Tank Cleanup	2,400	-	-	-	2,400
Website Revolving Fund	250	325	470	-	105
West Main Street Sale of Bricks Revolving	2,564	50	530	-	2,084
Pearle L. Crawford Memorial Library Endowment	1,223,869	145,776	6,424	-	1,363,221
Anniversary Fund	760	2	-	-	762
Clarinda Wood Fund	175,014	(926)	3,746	-	170,342
Compensated Absences Fund	7,768	25	6,683	-	1,110
Municipal Insurance Fund	6,931	23	-	-	6,954
Unemployment Compensation Fund	1	3,805	-	-	3,806
Workers Compensation Fund	469	2	-	-	471
Total Special Revenue Funds	\$ 1,988,383	\$ 1,778,271	\$ 1,485,187	\$ (3,500)	\$ 2,277,967

**TOWN OF DUDLEY, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Fund Balances July 1, 2016	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2017
Capital Projects:					
Ambulance Remount	\$ 714	\$ -	\$ 714	\$ -	\$ -
Fire Exhaust System	48	-	-	-	48
Fire Department Vehicle	780	-	-	-	780
Fire Station Construction	-	-	46,175	-	(46,175)
Health and Human Services	319	-	-	-	319
Highway Vehicles and Equipment	194	-	80,000	-	(79,806)
Police Vehicles	-	-	88,019	-	(88,019)
Total Capital Projects	2,055	-	214,908	-	(212,853)
Perpetual Permanent Funds:					
Cemetery Perpetual Care Fund	40,625	1,875	-	-	42,500
Permanent Funds:					
Cemetery Perpetual Care Fund	20,121	2,175	-	-	22,296
Library Fund	3,352	11	-	-	3,363
Helen Piasta Memorial Library Trust Fund	973	3	-	-	976
Total Permanent Funds	24,446	2,189	-	-	26,635
Total - Non-Major Governmental Funds	\$ 2,055,509	\$ 1,782,335	\$ 1,700,095	\$ (3,500)	\$ 2,134,249

**TOWN OF DUDLEY, MASSACHUSETTS
SCHEDULE OF REAL ESTATE, PERSONAL PROPERTY,
SUPPLEMENTAL AND ROLLBACK TAXES
JULY 1, 2016 TO JUNE 30, 2017**

	Uncollected Taxes July 1, 2016	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2017	Uncollected Taxes Per Detail June 30, 2017
Real Estate Taxes:						
Levy of 2017	\$ -	\$ 10,763,468	\$ 155,132	\$ 10,507,107	\$ 101,229	\$ 101,229
Levy of 2016	82,729	2,906	67,746	17,827	62	62
Levy of 2015	1,724	-	1,872	(148)	-	-
Levy of 2014	1,745	-	1,745	-	-	-
Levy of 2013	(735)	-	(809)	(116)	190	190
Prior Years	(21)	-	(21)	-	-	-
	<u>85,442</u>	<u>10,766,374</u>	<u>225,665</u>	<u>10,524,670</u>	<u>101,481</u>	<u>101,481</u>
Personal Property Taxes:						
Levy of 2017	-	175,391	5,709	170,809	(1,127)	(1,127)
Levy of 2016	867	-	-	455	412	412
Levy of 2015	347	-	-	33	314	314
Levy of 2014	331	-	-	-	331	331
Levy of 2013	327	-	-	-	327	327
Prior Years	166	-	5,883	(5,883)	166	166
	<u>2,038</u>	<u>175,391</u>	<u>11,592</u>	<u>165,414</u>	<u>423</u>	<u>423</u>
Supplemental Taxes	<u>972</u>	<u>1,385</u>	<u>-</u>	<u>2,222</u>	<u>135</u>	<u>135</u>
Rollback Taxes	<u>(297)</u>	<u>-</u>	<u>(297)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Real Estate, Personal Property, Supplemental and Rollback Taxes	<u>\$ 88,155</u>	<u>\$ 10,943,150</u>	<u>\$ 236,960</u>	<u>\$ 10,692,306</u>	<u>\$ 102,039</u>	<u>\$ 102,039</u>

**TOWN OF DUDLEY, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE EXCISE AND BOAT EXCISE TAXES
JULY 1, 2016 TO JUNE 30, 2017**

	Uncollected Taxes July 1, 2016	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2017	Uncollected Taxes Per Detail June 30, 2017
Motor Vehicle Excise Taxes:						
Levy of 2017	\$ -	\$ 1,380,666	\$ 30,524	\$ 1,254,392	\$ 95,750	\$ 95,750
Levy of 2016	91,972	149,977	19,723	189,820	32,406	32,406
Levy of 2015	33,994	-	1,115	18,093	14,786	14,786
Levy of 2014	12,367	-	280	3,078	9,009	9,009
Levy of 2013	8,300	-	-	1,357	6,943	6,943
Prior Years	36,963	-	-	1,241	35,722	35,722
	<u>183,596</u>	<u>1,530,643</u>	<u>51,642</u>	<u>1,467,981</u>	<u>194,616</u>	<u>194,616</u>
Boat Excise Taxes:						
Levy of 2016	-	4,617	551	3,605	461	461
Levy of 2015	491	-	53	115	323	323
Levy of 2014	378	-	15	80	283	283
Levy of 2013	298	-	-	15	283	283
Levy of 2012	280	-	(41)	53	268	268
Prior Years	566	-	-	83	483	483
	<u>2,013</u>	<u>4,617</u>	<u>578</u>	<u>3,951</u>	<u>2,101</u>	<u>2,101</u>
Total Motor Vehicle Excise and Boat Excise Taxes	<u>\$ 185,609</u>	<u>\$ 1,535,260</u>	<u>\$ 52,220</u>	<u>\$ 1,471,932</u>	<u>\$ 196,717</u>	<u>\$ 196,717</u>

**TOWN OF DUDLEY, MASSACHUSETTS
SCHEDULE OF TAX LIENS
JULY 1, 2016 TO JUNE 30, 2017**

	Uncollected Accounts July 1, 2016	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2017	Uncollected Accounts Per Detail June 30, 2017
Tax Liens	\$ 301,419	\$ 175,819	\$ 17,398	\$ 185,175	\$ 274,665	\$ 274,665