

TOWN OF DUDLEY, MASSACHUSETTS

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

For the Year Ended June 30, 2018

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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, 2018, 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, 2018, 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 and Associates, LLC

Scanlon & Associates, LLC
South Deerfield, Massachusetts

January 8, 2019

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, 2018. 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 liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources by \$2,177,250 (net position) for the fiscal year reported. This compares to the previous year when liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources by \$1,377,107, or a decrease of \$800,143 (58%) over last fiscal year's total net position.
- As required by Government Accounting Standards Board (GASB) Statement No. 75, in fiscal year 2018, the Town recognized an increase to the Other Post Employment Benefits (OPEB) obligation payable of \$9,133,027 on the statement of net position from the previous year, see Note 5.
- At the close of the current fiscal year, the Town's governmental funds reported total ending fund balance of \$9,600,324, an increase of \$6,085,864 (173%) in comparison with prior year (primarily due to the issuance of debt for the Fire Station improvements of \$6,405,000).
- The General Fund's total fund balance decreased \$108,037 (8%) to \$1,272,174. The ending fund balance is 8% of revenues, transfers in and the sale of tax foreclosure property and 8% of expenditures and transfers out.
- Total liabilities of the Town increased by \$4,645,971 (14%) to \$36,745,545 during the fiscal year. The major components of this increase are due to net increases in debt of \$5,625,062 and in the Other Post Employment Benefits (OPEB) liability of \$750,722 and net decreases in warrants payable of \$583,456 and in the net pension liability of \$836,436.
- The Town had free cash certified by the Department of Revenue in the amount of \$309,632. The key factors that attributed to the free cash amount for fiscal year 2018 were unexpended/unencumbered appropriations of \$74,400, excess over budget state and local receipts of \$28,800 and the sale of tax foreclosure property of \$87,200.

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

| | |
|--------------|---------------|
| ➤ Sewer Fund | \$ 466,449. |
| ➤ Water Fund | \$ 1,017,227. |

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 | | |
|--|--------------------------|-----------------------|---------------------|
| | 2018 | 2017 | Change |
| Assets: | | | |
| Current assets | \$ 11,401,916 | \$ 6,045,650 | \$ 5,356,266 |
| Capital assets | 15,514,748 | 15,599,214 | (84,466) |
| Total assets | 26,916,664 | 21,644,864 | 5,271,800 |
| Deferred Outflows of Resources: | | | |
| Deferred outflows related to pensions | 1,081,637 | 1,838,489 | (756,852) |
| Liabilities: | | | |
| Current liabilities (excluding debt) | 523,243 | 997,396 | (474,153) |
| Current debt | 1,078,738 | 1,259,938 | (181,200) |
| Noncurrent liabilities (excluding debt) | 24,014,770 | 24,112,470 | (97,700) |
| Noncurrent debt | 7,600,000 | 1,903,738 | 5,696,262 |
| Total liabilities | 33,216,751 | 28,273,542 | 4,943,209 |
| Deferred Inflows of Resources: | | | |
| Deferred inflows related to pensions | 1,262,726 | 818,360 | 444,366 |
| Net Position: | | | |
| Net investment in capital assets | 13,037,899 | 12,543,014 | 494,885 |
| Restricted | 2,660,803 | 2,929,623 | (268,820) |
| Unrestricted | (22,179,878) | (21,081,186) | (1,098,692) |
| Total net position | \$ (6,481,176) | \$ (5,608,549) | \$ (872,627) |
| | | | |
| | Business-Type Activities | | |
| | 2018 | 2017 | Change |
| Assets: | | | |
| Current assets | \$ 2,129,498 | \$ 2,289,479 | \$ (159,981) |
| Noncurrent assets (excluding capital assets) | 8,594 | 24,479 | (15,885) |
| Capital assets | 5,714,996 | 5,633,558 | 81,438 |
| Total assets | 7,853,088 | 7,947,516 | (94,428) |
| Deferred Outflows of Resources: | | | |
| Deferred outflows related to pensions | 121,652 | 198,147 | (76,495) |
| Liabilities: | | | |
| Current liabilities (excluding debt) | 47,404 | 94,256 | (46,852) |
| Current debt | 235,000 | 290,000 | (55,000) |
| Noncurrent liabilities (excluding debt) | 2,621,390 | 2,581,776 | 39,614 |
| Noncurrent debt | 625,000 | 860,000 | (235,000) |
| Total liabilities | 3,528,794 | 3,826,032 | (297,238) |
| Deferred Inflows of Resources: | | | |
| Deferred inflows related to pensions | 142,020 | 88,209 | 53,811 |
| Net Position: | | | |
| Net investment in capital assets | 4,854,996 | 4,483,558 | 371,438 |
| Restricted | 93,695 | 89,507 | 4,188 |
| Unrestricted | (644,765) | (341,623) | (303,142) |
| Total net position | \$ 4,303,926 | \$ 4,231,442 | \$ 72,484 |

Financial Highlights

Statement of Activities Highlights

| | Governmental Activities | | |
|---|-------------------------|-----------------------|---------------------|
| | 2018 | 2017 | Change |
| Program Revenues: | | | |
| Charges for services | \$ 1,730,918 | \$ 1,953,979 | \$ (223,061) |
| Operating grants and contributions | 720,365 | 670,118 | 50,247 |
| Capital grants and contributions | 564,539 | 437,236 | 127,303 |
| General Revenues: | | | |
| Property taxes | 11,368,781 | 10,854,502 | 514,279 |
| Motor vehicle and other excise taxes | 1,588,072 | 1,533,643 | 54,429 |
| Penalties and interest on taxes | 114,170 | 117,743 | (3,573) |
| Nonrestricted grants | 1,895,480 | 1,812,747 | 82,733 |
| Unrestricted investment income | 27,616 | 4,514 | 23,102 |
| Gain/(loss) on sale of capital assets | 53,990 | - | 53,990 |
| Miscellaneous | - | 299 | (299) |
| Total revenues | 18,063,931 | 17,384,781 | 679,150 |
| Expenses: | | | |
| General government | 1,664,178 | 2,065,554 | (401,376) |
| Public safety | 3,283,523 | 3,243,730 | 39,793 |
| Public works | 1,462,775 | 1,347,845 | 114,930 |
| Education | 8,716,443 | 8,170,232 | 546,211 |
| Health and human services | 281,604 | 207,138 | 74,466 |
| Culture and recreation | 662,474 | 710,825 | (48,351) |
| Employee benefits and insurance | 2,711,540 | 2,532,456 | 179,084 |
| State assessments | 24,384 | 24,522 | (138) |
| Interest | 132,820 | 115,608 | 17,212 |
| Total expenses | 18,939,741 | 18,417,910 | 521,831 |
| Contributions to Permanent Funds | 4,250 | 1,875 | 2,375 |
| Net Transfers | (1,067) | (5,461) | 4,394 |
| Change in net position | (872,627) | (1,036,715) | 164,088 |
| Net position - beginning of year | (5,608,549) | (4,571,834) | (1,036,715) |
| Net position - end of year | \$ (6,481,176) | \$ (5,608,549) | \$ (872,627) |

| | Business-Type Activities | | |
|---|---------------------------------|---------------------|------------------|
| | 2018 | 2017 | Change |
| Program Revenues: | | | |
| Charges for services | \$ 2,045,562 | \$ 1,981,469 | \$ 64,093 |
| Operating grants and contributions | 28,600 | 25,554 | 3,046 |
| Capital grants and contributions | 2,487 | 5,442 | (2,955) |
| Total revenues | 2,076,649 | 2,012,465 | 64,184 |
| Expenses: | | | |
| Sewer | 1,201,402 | 1,170,758 | 30,644 |
| Water | 803,830 | 930,912 | (127,082) |
| Total expenses | 2,005,232 | 2,101,670 | (96,438) |
| Transfers | 1,067 | 5,461 | (4,394) |
| Change in net position | 72,484 | (83,744) | 156,228 |
| Net position - beginning of year | 4,231,442 | 4,315,186 | (83,744) |
| Net position - end of year | \$ 4,303,926 | \$ 4,231,442 | \$ 72,484 |

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$2,177,250 at the close of fiscal year 2018.

Net position of \$17,892,895 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, \$2,754,498 represents resources that are subject to external restrictions on how they may be used. The remaining balance consists of *unrestricted net position* (\$22,824,643).

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, business-type activities and for the government as a whole. The unrestricted governmental activities, business-type 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 governmental activities net position decreased by \$872,627 (16%) during the current fiscal year. The key elements of the decrease in net position for fiscal year 2018 is attributed to net increases resulting from the change in the Fire Station Building improvement fund of \$6,144,326 and the change in the net pension liability of \$799,901 and net decreases in the repayment of debt \$5,915,062 and in recognizing the changes in this year's OPEB obligation of \$677,527 and the change in deferred outflow/(inflow) of resources related to pensions of \$1,201,219.

There was an increase of \$72,484 (2%) in net position reported in connection with the sewer and water business-type activities. Of this, there was a decrease of \$81,028 attributed to the sewer department and an increase of \$153,512 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 \$9,600,324, an increase of \$6,085,864 (173%) in comparison with the prior year.

The breakdown of the governmental funds is as follows:

- Nonspendable fund balance – \$46,900 (1%).
- Restricted fund balance – \$8,476,015 (88%).
- Committed fund balance – \$50,491 (1%).
- Assigned fund balance – \$505,383 (5%).
- Unassigned fund balance – \$521,535 (5%).

At the end of the fiscal year, the General Fund reported a fund balance of \$1,272,174 decreasing \$108,037 (8%) from the prior year. Of the \$1,272,174, the unassigned amount is \$766,791 (60%) and the assigned amount is \$505,383 (40%). General fund revenues were \$622,071 (4%) more than the prior fiscal year and expenditures also increased by \$565,587 (4%). Other activities in the General fund are net transfers to other funds of \$17,550 and the sale of tax foreclosure property of \$87,202.

The main components of the increases in general fund revenues were related to increases in property taxes in the amount of \$460,915 (4%) and an insurance receipt of \$209,001 (100%) and a decrease in licenses, permits and fees of \$112,644 (20%) from the prior year.

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

- Decrease in General government expenditures of \$480,566 (28%).
- Increase in Public safety expenditures of \$108,150 (5%).
- Increase in Education expenditures of \$546,211 (7%).
- Increase in Principal and Interest on debt service expenditures of \$204,181 (37%).

The *Fire Station Building Improvements Fund* is used to account for the building and improvements of a new public safety facility. The fund has a balance of \$6,098,151 at the end of the fiscal year. The activity of the fund consisted of expenditures of \$355,674, a premium on the bond of \$95,000 and proceeds from the issuance of a bond for \$6,405,000.

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 \$1,755,303 and shows a decrease of \$81,028 (4%) in total operations. This change was mainly attributed to operating costs exceeding operating revenues by \$145,247, interest and special assessments income of \$9,694, interest expense of \$12,395 and net transfers from governmental funds of \$66,920. Operating revenues increased by \$35,040 (3%) and operating expenses increased by \$36,954 (3%) 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 \$2,548,623 and shows an increase of \$153,512 (6%) in total operations. This change resulted from operating revenues exceeding operating expenditures by \$216,620, interest and intergovernmental income of \$21,393, interest expense of \$18,648 and net transfers to governmental funds of \$65,853. Operating revenues increased by \$29,053 (3%) while operating expenses decreased by \$122,236 (13%) from the prior year.

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2018 was \$16,851,233. This was an increase of \$692,590 (4%) over the previous year's budget.

There was an increase of \$255,352 between the original budget and the final amended budget. This change is attributed to votes at the special town meeting in October 2017 and the annual town meeting in May 2018 for various budget operating line items.

General fund expenditures were less than budgeted by \$364,914. Of the \$364,914 in under budget expenditures \$290,482 has been carried over to fiscal year 2019.

There was a negative variance in intergovernmental receipts of \$26,101, in charges for services of \$13,588 and in investment income of \$1,830 as expectations (budget) were higher than the receipts.

The variance with the final budget was a positive \$264,555 consisting of a revenue surplus of \$190,123 and an appropriation surplus of \$74,432.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities amounts to \$15,514,748 and \$5,714,996, 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:

- Town Hall public digital information sign for \$36,633.
- Police vehicle purchase for \$37,496.
- Fire Department building improvements for \$355,673.
- Fire Department vehicle and equipment purchases for \$224,508.
- Highway Garage improvements for \$31,620.
- Highway vehicle purchase for \$35,465.
- Highway road improvements for \$417,000.
- Rail Trail improvements for \$12,800.

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

In the sewer fund:

- Vehicle purchase for \$65,650.
- Infrastructure projects for \$61,536.

In the water fund:

- Vehicle purchase for \$27,135.
- Infrastructure projects for \$136,009.

Debt Administration. The Town's outstanding governmental long-term debt, as of June 30, 2018, totaled \$8,308,738, of which \$1,900,000 is for building renovation projects, \$6,405,000 is for the new fire station improvements and \$3,738 is for the Title V septic repair program.

The governmental activities currently have outstanding bond anticipation notes for \$370,000 (\$45,000 for police vehicles, \$165,000 for an ambulance, \$60,000 for highway equipment and \$100,000 for road improvements).

The business-type funds have \$860,000 in long-term debt. Of this, \$120,000 is for sewer debt, \$90,000 is for water corrosion control systems and \$650,000 consists of water mains debt.

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

Next Year's Annual Town Meeting

The Town of Dudley operates under the "Open Meeting" concept where each voter has an equal vote in adopting of Town budgets and appropriations. The financial statements for June 30, 2018 do not reflect the fiscal year 2019 Town Meeting action with the exception of the fund balance free cash, overlay surplus and stabilization amounts. The Annual Town Meeting on May 21, 2018 authorized a fiscal year 2019 operating and capital budget as follows:

| | |
|-----------------------------|----------------------|
| From the tax levy | \$ 18,511,525 |
| From sewer receipts | 957,227 |
| From water receipts | 977,331 |
| From Other Available Funds: | |
| General Fund: | |
| Unassigned fund balance: | |
| Free cash | 214,901 |
| | <u>214,901</u> |
| | <u>\$ 20,660,984</u> |

Requests for Information

This financial report is designed to provide a general overview of the Town of Dudley's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant, 71 West Main Street, Dudley, Massachusetts.

BASIC FINANCIAL STATEMENTS

TOWN OF DUDLEY, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2018

| | Primary Government | | |
|---|----------------------------|-----------------------------|-----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS | | | |
| CURRENT: | | | |
| Cash and Cash Equivalents | \$ 1,387,931 | \$ 1,030,225 | \$ 2,418,156 |
| Investments | 7,461,028 | 837,249 | 8,298,277 |
| Investments in Custody of Trustees | 1,450,778 | - | 1,450,778 |
| Receivables, net of allowance for uncollectibles: | | | |
| Property Taxes | 119,813 | - | 119,813 |
| Tax Liens | 267,740 | 22,335 | 290,075 |
| Excise Taxes | 145,106 | - | 145,106 |
| User Charges | - | 203,877 | 203,877 |
| Other | - | 26,416 | 26,416 |
| Departmental | 217,045 | - | 217,045 |
| Special Assessments | 1,391 | 9,396 | 10,787 |
| Due from Other Governments | 351,084 | - | 351,084 |
| Total current assets | <u>11,401,916</u> | <u>2,129,498</u> | <u>13,531,414</u> |
| NONCURRENT: | | | |
| Receivables, net of allowance for uncollectibles: | | | |
| Special Assessments | - | 8,594 | 8,594 |
| Capital Assets, net of accumulated Depreciation | | | |
| Nondepreciable | 1,243,448 | 93,295 | 1,336,743 |
| Depreciable | 14,271,300 | 5,621,701 | 19,893,001 |
| Total noncurrent assets | <u>15,514,748</u> | <u>5,723,590</u> | <u>21,238,338</u> |
| Total Assets | <u>26,916,664</u> | <u>7,853,088</u> | <u>34,769,752</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred Outflows Related to Pensions | 1,081,637 | 121,652 | 1,203,289 |
| LIABILITIES | | | |
| CURRENT: | | | |
| Warrants Payable | 190,824 | 28,901 | 219,725 |
| Accrued Payroll | 99,613 | 11,791 | 111,404 |
| Payroll Withholdings | 71,620 | - | 71,620 |
| Tax Refund Payable | 10,000 | - | 10,000 |
| Accrued Interest | 31,775 | 5,862 | 37,637 |
| Deposits | - | 850 | 850 |
| Other | 62,514 | - | 62,514 |
| Compensated Absences | 56,897 | - | 56,897 |
| Notes Payable | 370,000 | - | 370,000 |
| Bonds Payable | 708,738 | 235,000 | 943,738 |
| Total current liabilities | <u>1,601,981</u> | <u>282,404</u> | <u>1,884,385</u> |
| NONCURRENT: | | | |
| Compensated Absences | 227,590 | 4,504 | 232,094 |
| OPEB Obligation Payable | 13,177,644 | 1,423,623 | 14,601,267 |
| Net Pension Liability | 10,609,536 | 1,193,263 | 11,802,799 |
| Bonds Payable | 7,600,000 | 625,000 | 8,225,000 |
| Total noncurrent liabilities | <u>31,614,770</u> | <u>3,246,390</u> | <u>34,861,160</u> |
| Total Liabilities | <u>33,216,751</u> | <u>3,528,794</u> | <u>36,745,545</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred Inflows Related to Pensions | 1,262,726 | 142,020 | 1,404,746 |
| NET POSITION | | | |
| Net Investment in Capital Assets | 13,037,899 | 4,854,996 | 17,892,895 |
| Restricted for: | | | |
| Capital Projects | 46,346 | 93,695 | 140,041 |
| Federal & State Grants | 740,857 | - | 740,857 |
| Permanent Funds: | | | |
| Nonexpendable | 46,900 | - | 46,900 |
| Expendable | 197,067 | - | 197,067 |
| Other Purposes | 1,629,633 | - | 1,629,633 |
| Unrestricted | (22,179,878) | (644,765) | (22,824,643) |
| Total Net Position | <u>\$ (6,481,176)</u> | <u>\$ 4,303,926</u> | <u>\$ (2,177,250)</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, 2018**

| | <u>Program Revenues</u> | | | | <u>Net (Expenses) Revenues and Changes in Net Position</u> | | |
|--|-------------------------|-------------------------|--|--|--|-----------------------------|-----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental Activities: | | | | | | | |
| General Government | \$ 1,664,178 | \$ 246,544 | \$ 70,280 | \$ - | \$ (1,347,354) | \$ - | \$ (1,347,354) |
| Public Safety | 3,283,523 | 1,230,598 | 330,041 | 95,000 | (1,627,884) | - | (1,627,884) |
| Public Works | 1,462,775 | 195,134 | 2,860 | 469,539 | (795,242) | - | (795,242) |
| Education | 8,716,443 | - | - | - | (8,716,443) | - | (8,716,443) |
| Health and Human Services | 281,604 | 50,218 | 163,107 | - | (68,279) | - | (68,279) |
| Culture and Recreation | 662,474 | 8,424 | 153,968 | - | (500,082) | - | (500,082) |
| Employee Benefits and Insurance | 2,711,540 | - | 109 | - | (2,711,431) | - | (2,711,431) |
| State Assessments | 24,384 | - | - | - | (24,384) | - | (24,384) |
| Interest | 132,820 | - | - | - | (132,820) | - | (132,820) |
| Total Governmental Activities | 18,939,741 | 1,730,918 | 720,365 | 564,539 | (15,923,919) | - | (15,923,919) |
| Business-Type Activities: | | | | | | | |
| Sewer | 1,201,402 | 1,043,760 | 7,207 | 2,487 | - | (147,948) | (147,948) |
| Water | 803,830 | 1,001,802 | 21,393 | - | - | 219,365 | 219,365 |
| Total Primary Government | \$ 20,944,973 | \$ 3,776,480 | \$ 748,965 | \$ 567,026 | (15,923,919) | 71,417 | (15,852,502) |
| General Revenues: | | | | | | | |
| Property Taxes | | | | | 11,368,781 | - | 11,368,781 |
| Motor vehicle excise and other taxes | | | | | 1,588,072 | - | 1,588,072 |
| Penalties & Interest on Taxes | | | | | 114,170 | - | 114,170 |
| Grants & Contributions not restricted to specific programs | | | | | 1,895,480 | - | 1,895,480 |
| Unrestricted Investment Income | | | | | 27,616 | - | 27,616 |
| Gain/(Loss) on Sale of Capital Assets | | | | | 53,990 | - | 53,990 |
| Contributions to Permanent Funds | | | | | 4,250 | - | 4,250 |
| Transfers, net | | | | | (1,067) | 1,067 | - |
| Total General Revenues and Transfers | | | | | 15,051,292 | 1,067 | 15,052,359 |
| Change in Net Position | | | | | (872,627) | 72,484 | (800,143) |
| Net Position: | | | | | | | |
| Beginning of year (as restated) | | | | | (5,608,549) | 4,231,442 | (1,377,107) |
| End of year | | | | | \$ (6,481,176) | \$ 4,303,926 | \$ (2,177,250) |

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

**TOWN OF DUDLEY, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018**

| | General Fund | Fire Station Building Improvements Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|--|-----------------------------------|--------------------------------|
| Assets: | | | | |
| Cash and Cash Equivalents | \$ 476,057 | \$ 48,144 | \$ 863,730 | \$ 1,387,931 |
| Investments | 998,045 | 6,171,535 | 291,448 | 7,461,028 |
| Investment in Custody of Others | - | - | 1,450,778 | 1,450,778 |
| Receivables, net of allowance for uncollectibles: | | | | |
| Property Taxes | 119,813 | - | - | 119,813 |
| Tax Liens | 267,740 | - | - | 267,740 |
| Excise Taxes | 145,106 | - | - | 145,106 |
| Special Assessments | - | - | 1,391 | 1,391 |
| Departmental | 189,667 | - | 27,378 | 217,045 |
| Due from Other Governments | 149,022 | - | 202,062 | 351,084 |
| Total Assets | \$ 2,345,450 | \$ 6,219,679 | \$ 2,836,787 | \$ 11,401,916 |
| Liabilities: | | | | |
| Warrants Payable | \$ 54,049 | \$ 121,528 | \$ 15,247 | \$ 190,824 |
| Accrued Payroll | 81,525 | - | 18,088 | 99,613 |
| Payroll Withholdings | 71,620 | - | - | 71,620 |
| Tax Refund Payable | 10,000 | - | - | 10,000 |
| Other | 62,514 | - | - | 62,514 |
| Notes Payable | - | - | 370,000 | 370,000 |
| Total Liabilities | 279,708 | 121,528 | 403,335 | 804,571 |
| Deferred Inflows of Resources - Unavailable Revenue | 793,568 | - | 203,453 | 997,021 |
| Fund Balance: | | | | |
| Nonspendable | - | - | 46,900 | 46,900 |
| Restricted | - | 6,098,151 | 2,377,864 | 8,476,015 |
| Committed | - | - | 50,491 | 50,491 |
| Assigned | 505,383 | - | - | 505,383 |
| Unassigned | 766,791 | - | (245,256) | 521,535 |
| Total Fund Balance | 1,272,174 | 6,098,151 | 2,229,999 | 9,600,324 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 2,345,450 | \$ 6,219,679 | \$ 2,836,787 | \$ 11,401,916 |

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, 2018**

| | General Fund | Fire Station Building Improvements Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|--|-----------------------------------|--------------------------------|
| Revenues: | | | | |
| Property Taxes | \$ 11,349,508 | \$ - | \$ - | \$ 11,349,508 |
| Intergovernmental | 1,917,650 | - | 547,591 | 2,465,241 |
| Excise and Other Taxes | 1,583,680 | - | - | 1,583,680 |
| Charges for Services | 665,904 | - | 577,508 | 1,243,412 |
| Licenses, Permits, Fees | 441,101 | - | - | 441,101 |
| Interest on Delinquent Taxes | 114,170 | - | - | 114,170 |
| Investment Income | 27,616 | - | 94,880 | 122,496 |
| Gifts and Donations | - | - | 66,194 | 66,194 |
| Other | 209,001 | - | 86,573 | 295,574 |
| Total Revenues | 16,308,630 | - | 1,372,746 | 17,681,376 |
| Expenditures: | | | | |
| Current: | | | | |
| General Government | 1,245,554 | - | 201,817 | 1,447,371 |
| Public Safety | 2,497,928 | 355,674 | 798,944 | 3,652,546 |
| Public Works | 1,071,285 | - | 417,605 | 1,488,890 |
| Education | 8,716,443 | - | - | 8,716,443 |
| Health and Human Services | 233,199 | - | 42,073 | 275,272 |
| Culture and Recreation | 315,487 | - | 92,892 | 408,379 |
| Employee Benefits and Insurance | 1,620,576 | - | 12,120 | 1,632,696 |
| State Assessments | 24,384 | - | - | 24,384 |
| Debt Service: | | | | |
| Principal | 654,938 | - | - | 654,938 |
| Interest | 106,525 | - | - | 106,525 |
| Total Expenditures | 16,486,319 | 355,674 | 1,565,451 | 18,407,444 |
| Excess of Revenues Over (Under) Expenditures | (177,689) | (355,674) | (192,705) | (726,068) |
| Other Financing Sources (Uses): | | | | |
| Operating Transfers In | 174,796 | - | 51,983 | 226,779 |
| Operating Transfers Out | (192,346) | - | (35,500) | (227,846) |
| Sale of Tax Foreclosure Property | 87,202 | - | - | 87,202 |
| Premium on Bonds and Notes | - | 95,000 | 60,797 | 155,797 |
| Proceeds from Issuance of Bonds | - | 6,405,000 | 165,000 | 6,570,000 |
| Total Other Financing Sources (Uses) | 69,652 | 6,500,000 | 242,280 | 6,811,932 |
| Net Change in Fund Balances | (108,037) | 6,144,326 | 49,575 | 6,085,864 |
| Fund Balances, Beginning of Year | 1,380,211 | (46,175) | 2,180,424 | 3,514,460 |
| Fund Balances, End of Year | \$ 1,272,174 | \$ 6,098,151 | \$ 2,229,999 | \$ 9,600,324 |

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, 2018

| | | | |
|--|----|--------------|--------------------|
| Total Governmental Fund Balances | | \$ | 9,600,324 |
| Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds. | | | 15,514,748 |
| Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis. | | | 997,021 |
| The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. in governmental funds, these amounts are not deferred. | | | (181,089) |
| Long Term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds: | | | |
| Bonds Payable | \$ | (8,308,738) | |
| OPEB Obligation | | (13,177,644) | |
| Net Pension Liability | | (10,609,536) | |
| Compensated Absences | | (284,487) | (32,380,405) |
| | | | |
| In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, interest is not reported until due. | | | (31,775) |
| | | | |
| Net Position of Governmental Activities | | \$ | (6,481,176) |
| | | | |

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, 2018

| | | |
|---|--------------------|--------------------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ | 6,085,864 |
| <p>Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and are reported as depreciation expense:</p> | | |
| Capital Outlay Purchases | \$ 1,151,195 | |
| Sale of Capital Assets | (33,212) | |
| Depreciation | <u>(1,202,449)</u> | (84,466) |
| <p>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.</p> | | |
| | | 177,018 |
| <p>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:</p> | | |
| Proceeds from Issuance of Bonds and Notes | (6,570,000) | |
| Repayment of Debt Principal | <u>654,938</u> | (5,915,062) |
| <p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:</p> | | |
| Net Change in Compensated Absences | (30,842) | |
| Net Change in OPEB Obligation | (677,527) | |
| Net Change in Deferred Outflow/(Inflow) of Resources Related to Pensions | (1,201,218) | |
| Net Change in Net Pension Liability | 799,901 | |
| Net Change in Accrued Interest on Long-Term Debt | <u>(26,295)</u> | (1,135,981) |
| Change in Net Position of Governmental Activities | \$ | <u><u>(872,627)</u></u> |

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, 2018

| | Budgeted Amounts | | | Actual | | Variance with Final Budget Positive (Negative) |
|---|--|--------------------|-----------------|--------------------|---|---|
| | Amounts Carried Forward from Prior Year | Original Budget | Final Budget | Budgetary Basis | Amounts Carried Forward to Next Year | |
| | | | | | | |
| Revenues: | | | | | | |
| Property Taxes | \$ - | \$ 11,166,273 | \$ 11,187,969 | \$ 11,349,508 | \$ - | \$ 161,539 |
| Intergovernmental | - | 1,943,751 | 1,943,751 | 1,917,650 | - | (26,101) |
| Excise and Other Taxes | - | 1,540,000 | 1,540,000 | 1,583,680 | - | 43,680 |
| Charges for Services | - | 679,492 | 679,492 | 665,904 | - | (13,588) |
| Licenses, Permits, Fees | - | 435,725 | 435,725 | 441,101 | - | 5,376 |
| Interest on Delinquent Taxes | - | 116,000 | 116,000 | 114,170 | - | (1,830) |
| Investment Income | - | 5,500 | 5,500 | 26,547 | - | 21,047 |
| Other | - | - | 209,001 | 209,001 | - | - |
| Total Revenues | - | 15,886,741 | 16,117,438 | 16,307,561 | - | 190,123 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General Government | 87,448 | 1,517,992 | 1,538,694 | 1,245,554 | 268,913 | 24,227 |
| Public Safety | 26,445 | 2,358,118 | 2,501,526 | 2,497,928 | 3,186 | 412 |
| Public Works | - | 1,004,366 | 1,080,419 | 1,071,285 | 8,670 | 464 |
| Education | - | 8,747,156 | 8,716,443 | 8,716,443 | - | - |
| Health and Human Services | 1,600 | 169,983 | 234,981 | 233,199 | 1,600 | 182 |
| Culture and Recreation | 6,928 | 309,799 | 323,600 | 315,487 | 8,113 | - |
| Employee Benefits and Insurance | - | 1,652,749 | 1,634,749 | 1,620,576 | - | 14,173 |
| State Assessments | - | 24,384 | 24,384 | 24,384 | - | - |
| Debt Service: | | | | | | |
| Principal | - | 548,738 | 654,938 | 654,938 | - | - |
| Interest | - | 140,175 | 141,499 | 106,525 | - | 34,974 |
| Total Expenditures | 122,421 | 16,473,460 | 16,851,233 | 16,486,319 | 290,482 | 74,432 |
| Excess of Revenues Over (Under) Expenditures | (122,421) | (586,719) | (733,795) | (178,758) | (290,482) | 264,555 |
| Other Financing Sources (Uses): | | | | | | |
| Operating Transfers In | - | 495,488 | 545,222 | 545,222 | - | - |
| Operating Transfers Out | - | (144,163) | (393,823) | (393,823) | - | - |
| Sale of Tax Foreclosure Property | - | - | - | 87,202 | - | 87,202 |
| Total Other Financing Sources (Uses) | - | 351,325 | 151,399 | 238,601 | - | 87,202 |
| Net Change in Budgetary Fund Balance | (122,421) | (235,394) | (582,396) | \$ 59,843 | \$ (290,482) | \$ 351,757 |
| Other Budgetary Items: | | | | | | |
| Free Cash and Other Reserves | - | 235,394 | 459,975 | | | |
| Prior Year Encumbrances | 122,421 | - | 122,421 | | | |
| Total Other Budgetary Items | 122,421 | 235,394 | 582,396 | | | |
| 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, 2018

| | Revenues | Expenditures |
|---|----------------------|----------------------|
| Reported on a Budgetary Basis | \$ 16,307,561 | \$ 16,486,319 |
| <u>Adjustments:</u> | | |
| Activity for stablization fund recorded in the general fund for GAAP purposes | 1,069 | - |
| Net decrease in revenue from recording 60-day receipts | (8,000) | - |
| Net increase in revenue from recording refund taxes payable | 8,000 | - |
| Reported on a GAAP Basis | \$ 16,308,630 | \$ 16,486,319 |

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, 2018**

| | Business-Type Activities Enterprise Funds | | |
|---|--|----------------------------|----------------------------|
| | Sewer Fund | Water Fund | Total |
| ASSETS | | | |
| CURRENT: | | | |
| Cash and Cash Equivalents | \$ 174,275 | \$ 855,950 | \$ 1,030,225 |
| Investments | 461,509 | 375,740 | 837,249 |
| Receivables, net of allowance for uncollectibles: | | | |
| User Charges | 114,330 | 89,547 | 203,877 |
| Tax Liens | 13,915 | 8,420 | 22,335 |
| Other | 26,416 | - | 26,416 |
| Special Assessments | 9,396 | - | 9,396 |
| Total current assets | <u>799,841</u> | <u>1,329,657</u> | <u>2,129,498</u> |
| NONCURRENT: | | | |
| Receivables, net of allowance for uncollectibles: | | | |
| Special Assessments | 8,594 | - | 8,594 |
| Capital Assets, net of accumulated depreciation | | | |
| Nondepreciable | 20,115 | 73,180 | 93,295 |
| Depreciable | 2,318,163 | 3,303,538 | 5,621,701 |
| Total noncurrent assets | <u>2,346,872</u> | <u>3,376,718</u> | <u>5,723,590</u> |
| Total Assets | <u><u>3,146,713</u></u> | <u><u>4,706,375</u></u> | <u><u>7,853,088</u></u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred Outflows Related to Pensions | 63,774 | 57,878 | 121,652 |
| LIABILITIES | | | |
| CURRENT: | | | |
| Warrants Payable | 12,655 | 16,246 | 28,901 |
| Accrued Payroll | 5,395 | 6,396 | 11,791 |
| Accrued Interest | 1,120 | 4,742 | 5,862 |
| Deposits | 850 | - | 850 |
| Bonds Payable | 60,000 | 175,000 | 235,000 |
| Total current liabilities | <u>80,020</u> | <u>202,384</u> | <u>282,404</u> |
| NONCURRENT: | | | |
| Compensated Absences | 1,911 | 2,593 | 4,504 |
| OPEB Obligation Payable | 613,253 | 810,370 | 1,423,623 |
| Net Pension Liability | 625,548 | 567,715 | 1,193,263 |
| Bonds Payable | 60,000 | 565,000 | 625,000 |
| Total noncurrent liabilities | <u>1,300,712</u> | <u>1,945,678</u> | <u>3,246,390</u> |
| Total Liabilities | <u><u>1,380,732</u></u> | <u><u>2,148,062</u></u> | <u><u>3,528,794</u></u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred Inflows Related to Pensions | 74,452 | 67,568 | 142,020 |
| NET POSITION | | | |
| Net Investment in Capital Assets | 2,218,278 | 2,636,718 | 4,854,996 |
| Restricted for Capital Projects | 4,188 | 89,507 | 93,695 |
| Unrestricted | (467,163) | (177,602) | (644,765) |
| Total Net Position | <u><u>\$ 1,755,303</u></u> | <u><u>\$ 2,548,623</u></u> | <u><u>\$ 4,303,926</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, 2018**

| | Business-Type Activities Enterprise Funds | | |
|--|--|---------------------|---------------------|
| | Sewer Fund | Water Fund | Total |
| Operating Revenues: | | | |
| Charges for Services | \$ 1,043,760 | \$ 1,001,802 | \$ 2,045,562 |
| Total Operating Revenues | 1,043,760 | 1,001,802 | 2,045,562 |
| Operating Expenses: | | | |
| Salaries & Wages | 169,747 | 252,701 | 422,448 |
| Operating Expenses | 926,376 | 416,473 | 1,342,849 |
| Depreciation | 92,884 | 116,008 | 208,892 |
| Total Operating Expenses | 1,189,007 | 785,182 | 1,974,189 |
| Operating Income (Loss) | (145,247) | 216,620 | 71,373 |
| Non-Operating Revenues (Expenses): | | | |
| Investment Income | 7,207 | 5,868 | 13,075 |
| Special Assessments | 2,487 | - | 2,487 |
| Intergovernmental | - | 15,525 | 15,525 |
| Interest Expense | (12,395) | (18,648) | (31,043) |
| Total Non-Operating Revenues (Expenses) | (2,701) | 2,745 | 44 |
| Income (Loss) Before Operating Transfers | (147,948) | 219,365 | 71,417 |
| Operating Transfers: | | | |
| Transfers In | 140,363 | - | 140,363 |
| Transfers Out | (73,443) | (65,853) | (139,296) |
| Total Operating Transfers | 66,920 | (65,853) | 1,067 |
| Change in Net Position | (81,028) | 153,512 | 72,484 |
| Net Position at Beginning of Year (as restated) | 1,836,331 | 2,395,111 | 4,231,442 |
| Net Position at End of Year | \$ 1,755,303 | \$ 2,548,623 | \$ 4,303,926 |

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, 2018**

| | Business-Type Activities Enterprise Funds | | |
|---|--|-----------------------|---------------------|
| | Sewer Fund | Water Fund | Total |
| Cash Flows From Operating Activities: | | | |
| Receipts from Customers and Users | \$ 1,049,856 | \$ 1,021,700 | \$ 2,071,556 |
| Payments to Vendors | (784,276) | (438,454) | (1,222,730) |
| Payments to Employees | (167,184) | (249,733) | (416,917) |
| Net Cash Provided by (Used for) Operating Activities | 98,396 | 333,513 | 431,909 |
| Cash Flows from Noncapital Financing Activities: | | | |
| Transfers from (to) Other Funds | 66,920 | (65,853) | 1,067 |
| Net Cash Provided by (Used for) Noncapital Financing Activities | 66,920 | (65,853) | 1,067 |
| Cash Flows from Capital and Related Financing Activities: | | | |
| Intergovernmental Revenues | - | 15,525 | 15,525 |
| Special Assessments | 32,790 | - | 32,790 |
| Acquisition and Construction of Capital Assets | (127,187) | (163,144) | (290,331) |
| Principal Payments on Bonds and Notes | (120,000) | (170,000) | (290,000) |
| Interest Expense | (13,830) | (19,775) | (33,605) |
| Net Cash Provided by (Used for) Capital and Related Financing Activities | (228,227) | (337,394) | (565,621) |
| Cash Flows from Investing Activities: | | | |
| Proceeds/(Purchase) of Investments | (7,207) | (5,868) | (13,075) |
| Investment Income | 7,207 | 5,868 | 13,075 |
| Net Cash Provided by (Used for) Investing Activities | - | - | - |
| Net Increase (Decrease) in Cash and Cash Equivalents | (62,911) | (69,734) | (132,645) |
| Cash and Cash Equivalents at Beginning of Year | 237,186 | 925,684 | 1,162,870 |
| Cash and Cash Equivalents at End of Year | \$ 174,275 | \$ 855,950 | \$ 1,030,225 |

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

| | | | |
|--|------------------|-------------------|-------------------|
| Operating Income (Loss) | \$ (145,247) | \$ 216,620 | \$ 71,373 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | |
| Depreciation | 92,884 | 116,008 | 208,892 |
| Deferred (Outflows)/Inflows of Resources Related to Pensions | 58,029 | 72,297 | 130,326 |
| Change in Assets and Liabilities: | | | |
| Increase (Decrease) in Warrants Payable | (43,423) | (3,444) | (46,867) |
| Increase (Decrease) in Accrued Payroll | 1,664 | 913 | 2,577 |
| Increase (Decrease) in Compensated Absences | 899 | 2,055 | 2,954 |
| Increase (Decrease) in OPEB Obligation Payable | 31,530 | 41,665 | 73,195 |
| Increase (Decrease) in Net Pension Liability | 95,964 | (132,499) | (36,535) |
| Decrease (Increase) in User Charges Receivable | 6,096 | 19,898 | 25,994 |
| Total Adjustments | 243,643 | 116,893 | 360,536 |
| Net Cash Provided by (Used for) Operating Activities | \$ 98,396 | \$ 333,513 | \$ 431,909 |

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, 2018**

| | Other Post Employment Benefit Trust Fund | Agency Funds |
|---|---|-------------------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ - | \$ 204,408 |
| Investments | 6,855 | - |
| Total Assets | 6,855 | 204,408 |
| LIABILITIES | | |
| Warrants Payable | - | 3,318 |
| Due to Others | - | 16,644 |
| Escrows & Deposits | - | 184,446 |
| Total Liabilities | - | 204,408 |
| NET POSITION | | |
| Held in Trust for Other Postemployment Benefits and Other Purposes | \$ 6,855 | \$ - |

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, 2018**

| | Other Post Employment Benefit Trust Fund |
|--|---|
| Additions: | |
| Contributions: | |
| Employer | \$ 246,588 |
| Total Contributions | 246,588 |
| Investment Income | 179 |
| Total Additions | 246,767 |
| Deductions: | |
| Benefit Payments | 245,588 |
| Total Deductions | 245,588 |
| Change in Net Position | 1,179 |
| Net Position at Beginning of Year | 5,676 |
| Net Position at End of Year | \$ 6,855 |

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, 2018

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 2018, 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, 2018

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, 2018

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 *fire station building improvements fund* is a capital projects fund used to account for the accumulation of resources for the building and improvements of a new public safety facility.

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, 2018

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, 2018

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, 2017 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 2018 on June 29, 2017, that were due on August 1, 2017 and November 1, 2017 and actual bills on December 29, 2017 that were due on February 1, 2018 and May 1, 2018.

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 2018 is as follows:

| | |
|------------------------------------|----------------------|
| Legal Levy Limit Under Proposition | |
| 2 1/2 for fiscal year 2018 | \$ 9,793,930 |
| Add: Debt Exclusion | 1,523,829 |
| Maximum Allowable Levy | <u>\$ 11,317,759</u> |

The total amount raised by taxation was \$11,313,814.

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, 2018

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, 2018

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, 2018

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, 2018

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.

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

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 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 2018, the Town incurred a final budget deficit of \$582,396 for the General Fund.

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

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

| | | | |
|---------------------------|----|---------|--|
| Unassigned fund balance: | | | |
| Free cash votes | \$ | 369,975 | |
| Overlay surplus | | 90,000 | |
| Prior year's encumbrances | | 122,421 | |
| | | 582,396 | |
| | \$ | 582,396 | |

B. Deficit Fund Balances

The following funds have deficits at June 30, 2018 as measured by the balances of unassigned fund balance.

- The *Ambulance* capital project fund has a deficit totaling of \$165,000. The Town has outstanding bond anticipation notes for \$165,000. This deficit will be eliminated upon the issuance of permanent debt.
- The *Highway paver* capital project fund has a deficit of \$60,000. The Town has an outstanding bond anticipation note for \$60,000. This deficit will be eliminated upon the issuance of permanent debt.
- The *Chapter 90 State aid to Highway grant* special revenue fund has a deficit of \$8,676. The deficit will be eliminated upon the future receipt of funds or upon appropriation.
- The *Elderly grants* special revenue funds have deficits of \$1,574 (Council on Aging grief grant of \$143 and the Memory café grant of \$1,431). The deficit will be eliminated upon the future receipt of funds or upon appropriation.
- The *Highway seatbelt safety grant* special revenue fund has a deficit of \$10,006. 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, 2018 were \$3,031,111. 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.

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

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.

As of June 30, 2018, 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 | \$ 119,439 | \$ 79,802 | \$ 39,637 |
| U. S. government agencies | 341,412 | - | 341,412 |
| Bond mutual funds | 43,826 | 43,826 | - |
| Corporate bonds | 127,641 | - | 127,641 |
| | <u>632,318</u> | <u>\$ 123,628</u> | <u>\$ 508,690</u> |
| Other Investments: | | | |
| Certificate of deposits | 173,278 | | |
| Equity mutual funds | 45,635 | | |
| MMDT | 7,453,901 | | |
| | <u>\$ 8,305,132</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 \$8,305,132 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.

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

Credit Risk

The Town's exposure to credit risk as of June 30, 2018 is as follows:

| Related Debt Instruments | Fair Value |
|---|---------------|
| Moody's Quality Ratings | |
| <i>U. S. Treasury Obligations:</i> | |
| Aaa | \$ 119,439 |
| <i>U. S. Government Agencies:</i> | |
| Aaa | 341,412 |
| <i>Corporate Bonds:</i> | |
| A2 | 29,324 |
| A3 | 73,707 |
| Baa1 | 24,610 |
| <i>Bond Mutual Funds:</i> | |
| Not rated | 43,826 |
| | \$ 632,318 |

Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in one issuer. There are no investments that are more than 5 percent of the Town's 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.

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

The Town has the following recurring fair value measurements as of June 30, 2018:

| 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 | \$ 119,439 | \$ 119,439 | \$ - | \$ - |
| U. S. government agencies | 341,412 | 341,412 | - | - |
| Certificates of deposit | 173,278 | 173,278 | - | - |
| Equity mutual funds | 45,635 | 45,635 | - | - |
| Bond mutual funds | 43,826 | - | 43,826 | - |
| Corporate bonds | 127,641 | - | 127,641 | - |
| | 851,231 | \$ 679,764 | \$ 171,467 | \$ - |
| Investments Measured at Amortized Cost: | | | | |
| External Investment Pools (MMDT) | 7,453,901 | | | |
| Total Investments | \$ 8,305,132 | | | |

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.

B. Receivables

At June 30, 2018, 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 | \$ 121,266 | \$ (1,453) | \$ 119,813 |
| Tax liens | 267,740 | - | 267,740 |
| Excise taxes | 208,293 | (63,187) | 145,106 |
| Special assessments | 1,391 | - | 1,391 |
| Departmental | 238,692 | (21,647) | 217,045 |
| Due from other governments | 351,084 | - | 351,084 |
| | \$ 1,188,466 | \$ (86,287) | \$ 1,102,179 |

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

At June 30, 2018, receivables for the business-type activities consist of the following:

| | Gross Amount | for Uncollectibles | Net Amount |
|----------------------------|-------------------------|-------------------------------|-----------------------|
| Sewer Fund: | | | |
| Sewer user charges | \$ 114,830 | \$ (500) | \$ 114,330 |
| Sewer tax liens | 13,915 | - | 13,915 |
| Special assessments | 17,990 | - | 17,990 |
| Due from other governments | 26,416 | - | 26,416 |
| Water Fund: | | | |
| Water user charges | 90,047 | (500) | 89,547 |
| Water tax liens | 8,420 | - | 8,420 |
| | \$ 271,618 | \$ (1,000) | \$ 270,618 |

The composition of amounts due from other governments as of June 30, 2018 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 \$ 149,022

Nonmajor Governmental Funds:

Commonwealth of Massachusetts:

Massachusetts Department of Transportation:

Highway Department - Chapter 90 funded projects 202,062

\$ 351,084

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 | \$ 64,813 | |
| Tax liens | 267,740 | |
| Excise taxes | 145,106 | |
| Departmental | 189,667 | |
| Due from other governments | 126,242 | \$ 793,568 |

Nonmajor governmental funds:

| | | |
|----------------------------|---------|---------|
| Special assessments | 1,391 | |
| Due from other governments | 202,062 | 203,453 |
| | \$ | 997,021 |

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

D. Capital Assets

Capital asset activity for the governmental and business-type activities for the year ended June 30, 2018, are as follows:

| Governmental Activities | Beginning Balance | Increases | Decreases | Ending Balance |
|---|------------------------------|------------------|------------------|---------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 862,012 | \$ - | \$ (33,212) | \$ 828,800 |
| Construction in progress | 46,175 | 368,473 | - | 414,648 |
| Total capital assets not being depreciated | 908,187 | 368,473 | (33,212) | 1,243,448 |
| Capital assets being depreciated: | | | | |
| Buildings and Renovations | 16,700,195 | 31,620 | - | 16,731,815 |
| Machinery, equipment and other | 4,403,776 | 334,102 | - | 4,737,878 |
| Infrastructure | 8,214,452 | 417,000 | - | 8,631,452 |
| Total capital assets being depreciated | 29,318,423 | 782,722 | - | 30,101,145 |
| Less accumulated depreciation for: | | | | |
| Buildings and Renovations | 6,847,097 | 564,460 | - | 7,411,557 |
| Machinery, equipment and other | 2,889,955 | 326,272 | - | 3,216,227 |
| Infrastructure | 4,890,344 | 311,717 | - | 5,202,061 |
| Total accumulated depreciation | 14,627,396 | 1,202,449 | - | 15,829,845 |
| Total capital assets being depreciated, net | 14,691,027 | (419,727) | - | 14,271,300 |
| Total governmental activities capital assets, net | \$ 15,599,214 | \$ (51,254) | \$ (33,212) | \$ 15,514,748 |

| Business-Type Activities | Beginning Balance | Increases | Decreases | Ending Balance |
|--|------------------------------|------------------|------------------|---------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 82,037 | \$ - | \$ - | \$ 82,037 |
| Construction in progress | 830,246 | 147,267 | (966,255) | 11,258 |
| Total capital assets not being depreciated | 912,283 | 147,267 | (966,255) | 93,295 |
| Capital assets being depreciated: | | | | |
| Machinery, equipment and other | 484,653 | 92,785 | - | 577,438 |
| Infrastructure | 11,677,422 | 1,016,533 | - | 12,693,955 |
| Total capital assets being depreciated | 12,162,075 | 1,109,318 | - | 13,271,393 |
| Less accumulated depreciation for: | | | | |
| Machinery, equipment and other | 433,706 | 21,942 | - | 455,648 |
| Infrastructure | 7,007,094 | 186,950 | - | 7,194,044 |
| Total accumulated depreciation | 7,440,800 | 208,892 | - | 7,649,692 |
| Total capital assets being depreciated, net | 4,721,275 | 900,426 | - | 5,621,701 |
| Total business-type activities capital assets, net | \$ 5,633,558 | \$ 1,047,693 | \$ (966,255) | \$ 5,714,996 |

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

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

| | |
|---|--------------|
| Governmental Activities: | |
| General government | \$ 275,154 |
| Public safety | 235,042 |
| Public works | 419,711 |
| Health and human services | 6,332 |
| Culture and recreation | 266,210 |
| Total depreciation expense - governmental activities | \$ 1,202,449 |
| Business-Type Activities: | |
| Sewer fund | \$ 92,884 |
| Water fund | 116,008 |
| Total depreciation expense - business-type activities | \$ 208,892 |

E. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2018, are summarized below:

| Transfers Out: | Transfers In: | | | Total |
|-----------------------------|-----------------|----------------------------------|-----------------------|------------|
| | General fund | Nonmajor Governmental fund | Business-type fund | |
| General fund | \$ - | \$ 51,983 | \$ 140,363 | \$ 192,346 |
| Nonmajor governmental funds | 35,500 | - | - | 35,500 |
| Business-type fund | 139,296 | - | - | 139,296 |
| Total transfers out | \$ 174,796 | \$ 51,983 | \$ 140,363 | \$ 367,142 |

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, 2018

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, 2017 | Renewed/ Issued | Retired/ Redeemed | Outstanding June 30, 2018 |
|--------------------------------------|---------------|---------------------|----------------------|---------------------|---------------------|---------------------------|
| 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 | - |
| New fire station project | 130.00% | 5/15/2018 | - | 500,000 | 500,000 | - |
| Ambulance | 1.38% | 6/1/2018 | - | 220,000 | 220,000 | - |
| Police vehicle | 2.00% | 5/31/2019 | - | 45,000 | - | 45,000 |
| Highway Asphalt Paver | 2.00% | 5/31/2019 | - | 60,000 | - | 60,000 |
| Ambulance | 2.00% | 5/31/2019 | - | 165,000 | - | 165,000 |
| Grant Anticipation Note: | | | | | | |
| Chapter 90 Projects | 1.20% | 7/6/2017 | 100,000 | - | 100,000 | - |
| Chapter 90 Projects | 1.96% | 7/10/2018 | - | 100,000 | - | 100,000 |
| Total Governmental Activities | | | \$ 770,000 | \$ 1,090,000 | \$ 1,490,000 | \$ 370,000 |

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, 2018 |
|---|---------------|-------------|---------------------|------------------------|---------------------------|
| Inside Debt: | | | | | |
| Municipal building renovation | 4.20% | 12/13/2002 | 12/15/2022 | \$ 5,770,000 | \$ 1,425,000 |
| Municipal building renovation | 4.13% | 4/6/2004 | 12/15/2022 | 1,840,000 | 475,000 |
| New Fire Station | 3.02% | 5/15/2018 | 5/15/2038 | 6,405,000 | 6,405,000 |
| Total Inside Debt | | | | | 8,305,000 |
| Outside Debt: | | | | | |
| Massachusetts Clean Water Trust: | | | | | |
| Title V Septic Repair Program | N/A | 10/25/2000 | 8/1/2018 | 67,302 | 3,738 |
| Total Outside Debt | | | | | 3,738 |
| Total governmental type debt | | | | | \$ 8,308,738 |

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

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, 2018, are as follows:

| Year | Principal | Interest | Total |
|-----------|---------------------|---------------------|----------------------|
| 2019 | \$ 708,738 | \$ 298,158 | \$ 1,006,896 |
| 2020 | 700,000 | 268,404 | 968,404 |
| 2021 | 700,000 | 238,480 | 938,480 |
| 2022 | 700,000 | 208,140 | 908,140 |
| 2023 | 700,000 | 177,647 | 877,647 |
| 2024-2028 | 1,600,000 | 671,200 | 2,271,200 |
| 2029-2033 | 1,600,000 | 411,680 | 2,011,680 |
| 2034-2038 | 1,600,000 | 160,000 | 1,760,000 |
| | <u>\$ 8,308,738</u> | <u>\$ 2,433,709</u> | <u>\$ 10,742,447</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, 2018 |
|---|------------------|----------------|---------------------------|------------------------------|------------------------------|
| Inside Debt: | | | | | |
| Sewer Fund: | | | | | |
| Municipal Purpose Loan of 2000 | 5.49% | 5/1/2000 | 5/1/2020 | \$ 1,315,000 | \$ 120,000 |
| Total Inside Debt | | | | | <u>120,000</u> |
| Outside Debt: | | | | | |
| Water Fund: | | | | | |
| Water Main Healy Road | 2.00% | 10/15/2012 | 10/15/2022 | 450,000 | 225,000 |
| Water Main Dudley Oxford Road | 2.00% | 10/15/2012 | 10/15/2022 | 850,000 | 425,000 |
| Massachusetts Clean Water Trust: | | | | | |
| Corrosion control systems | N/A | 10/1/1999 | 8/1/2019 | 661,114 | 90,000 |
| Total Outside Debt | | | | | <u>740,000</u> |
| Total Business-type debt | | | | | <u>\$ 860,000</u> |

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

Future Debt Service

The annual principal and interest payments to retire all business-type long-term debt outstanding as of June 30, 2018, are as follows:

| Year | Principal | Interest | Total |
|------|-------------------|------------------|-------------------|
| 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>\$ 860,000</u> | <u>\$ 47,171</u> | <u>\$ 907,171</u> |

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

| | Balance July 1, 2017 | Additions | Reductions | Balance June 30, 2018 | Amounts Due within One Year |
|---|-------------------------|---------------------|---------------------|--------------------------|-----------------------------------|
| Governmental activities: | | | | | |
| Bonds Payable: | | | | | |
| General obligation bonds | \$ 2,280,000 | \$ 6,405,000 | \$ 380,000 | \$ 8,305,000 | \$ 705,000 |
| Refunding notes | 106,200 | - | 106,200 | - | - |
| Massachusetts Clean Water Trust bonds | 7,476 | - | 3,738 | 3,738 | 3,738 |
| Compensated absences | 253,645 | 42,332 | 11,490 | 284,487 | 56,897 |
| OPEB liability obligation | 12,500,117 | 677,527 | - | 13,177,644 | - |
| Net pension liability | 11,409,437 | - | 799,901 | 10,609,536 | - |
| Governmental activity Long-term liabilities | <u>\$ 26,556,875</u> | <u>\$ 7,124,859</u> | <u>\$ 1,301,329</u> | <u>\$ 32,380,405</u> | <u>\$ 765,635</u> |
| Business-type activities: | | | | | |
| Bonds Payable: | | | | | |
| General obligation bonds | \$ 1,020,000 | - | \$ 250,000 | \$ 770,000 | \$ 190,000 |
| Massachusetts Clean Water Trust bonds | 130,000 | - | 40,000 | 90,000 | 45,000 |
| Compensated absences | 1,550 | 2,955 | - | 4,505 | - |
| OPEB liability obligation | 1,350,429 | 73,194 | - | 1,423,623 | - |
| Net pension liability | 1,229,798 | - | 36,535 | 1,193,263 | - |
| Business-type activity Long-term liabilities | <u>\$ 3,731,777</u> | <u>\$ 76,149</u> | <u>\$ 326,535</u> | <u>\$ 3,481,391</u> | <u>\$ 235,000</u> |

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

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, 2018 for principal and interest combined for the loans are \$98,423. The net repayments, including interest, are scheduled to be \$66,403. 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 2018 principal and interest subsidies totaled \$15,806.

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, 2018 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, 2018:

| | | |
|---|--------------|----------------|
| Equalized Valuation-Real Estate and Personal Property (2016) | | \$ 933,666,600 |
| Debt Limit: 5 % of Equalized value | | 46,683,330 |
| Total Debt Outstanding | \$ 9,168,738 | |
| Less: Debt Outside Debt Limit | (743,738) | 8,425,000 |
| Inside Debt Excess Borrowing Capacity at June 30, 2018 | | \$ 38,258,330 |

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, 2018 and are not reflected in the Town's financial statements are as follows:

| Date Town Meeting Authorized | Purpose | Amount |
|------------------------------------|--------------------------|------------|
| 5/12/2018 | Municipal Center Repairs | \$ 450,000 |
| 5/12/2018 | Streetlight Conversion | 200,000 |
| | | \$ 650,000 |

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

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 | 25,350,000 | 10.29% | <u>2,608,515</u> |
| | | | <u><u>\$ 7,141,918</u></u> |

The Southern Worcester Regional Vocational School District also has bond anticipation notes outstanding as of June 30, 2018 of \$3 million for the Baypath Regional High School construction of which the Town of Dudley's share is 10.29%.

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

H. Fund Balances

The following is a summary of the Town's Governmental fund balances at the year ended June 30, 2018:

| | General Fund | Fire Station Construction Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|-----------------|--------------------------------------|-----------------------------------|--------------------------------|
| Nonspendable: | | | | |
| Permanent funds | \$ - | \$ - | \$ 46,900 | \$ 46,900 |
| Restricted: | | | | |
| Federal and state grants | - | - | 547,471 | 547,471 |
| Revolving funds | - | - | 113,195 | 113,195 |
| Gifts and donations | - | - | 59,994 | 59,994 |
| Capital projects | - | 6,098,151 | 1,346 | 6,099,497 |
| Permanent funds | - | - | 197,067 | 197,067 |
| Pearle L. Crawford Library endowment fund | - | - | 1,450,778 | 1,450,778 |
| Other | - | - | 8,013 | 8,013 |
| | - | 6,098,151 | 2,377,864 | 8,476,015 |
| Committed: | | | | |
| Insurance and employee benefits | - | - | 40,661 | 40,661 |
| Other | - | - | 9,830 | 9,830 |
| | - | - | 50,491 | 50,491 |
| Assigned: | | | | |
| General government | 268,913 | - | - | 268,913 |
| Public safety | 3,186 | - | - | 3,186 |
| Public works | 8,670 | - | - | 8,670 |
| Health and human services | 1,600 | - | - | 1,600 |
| Culture and recreation | 8,113 | - | - | 8,113 |
| Subsequent year's budget | 214,901 | - | - | 214,901 |
| | 505,383 | - | - | 505,383 |
| Unassigned: | | | | |
| General Fund | 766,791 | - | - | 766,791 |
| Deficit special revenue funds | - | - | (20,256) | (20,256) |
| Deficit capital projects | - | - | (225,000) | (225,000) |
| | 766,791 | - | (245,256) | 521,535 |
| Total Governmental fund balances | \$ 1,272,174 | \$ 6,098,151 | \$ 2,229,999 | \$ 9,600,324 |

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

I. Special Trust Funds

Stabilization Fund

Massachusetts General Laws, Chapter 40, Section 5B, allows for the establishment of stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body. Any interest shall be added to and become a part of the fund.

At June 30, 2018 the balances in the stabilization funds are reported in the General Fund as unassigned fund balance consisting of the following:

| | |
|------------------------------------|-------------------|
| General purpose stabilization fund | \$ 202,097 |
| Capital stabilization fund | 101,515 |
| | <u>\$ 303,612</u> |

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, 2018, the Town's insurance consultants have reported the HCHG has accumulated a surplus of \$21,067,737 as of June 30, 2018.

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

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, 2018, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2018.

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 the date the financial statements were available to be issued.

D. Tax Abatements

The Town enters into property tax abatement agreements with local businesses under the Commonwealth of Massachusetts Economic Development Incentive Program Act of 1993 and as amended in 2009. Under this Act, state municipalities may grant property tax abatements of up to 100% of a business' property tax bill for the purpose of attracting or retaining these businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the Town of Dudley.

As of June 30, 2018, the Town of Dudley abated property taxes amounting to \$1,877 under this program, including the following tax abatement agreement.

A 100% declining to 0% over ten years property tax abatement agreement was approved in November 2015 for the WEBCO Chemical Corporation to make improvements to the property on West Main Street of at least \$6.9 million (\$3.5 million in improvements and \$3.4 million expended for new equipment), retain its existing employment level of 53 employees and create 15 new full-time jobs. In addition, the WEBCO Chemical Corporation agrees to operate its business and maintain the level of jobs as long as the agreement is in effect (term is ten years). The company had \$1,877 of abatements in this fiscal year.

E. 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.

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

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.

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, 2017 was \$732,393, representing 23.38% 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, 2018, the Town reported a liability of \$11,802,799 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, 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, 2017, the Town's proportional percentage was 1.4474%, which was a slight decrease from the last measurement.

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

Pension Expense

For the year ended June 30, 2018, the Town recognized a pension expense of \$1,227,502 and reported deferred outflows of resources related to pensions of \$1,203,289 from the net differences between expected and actual experience and changes in assumptions; and deferred inflows of resources related to pensions of \$1,404,746 from the net differences between expected and actual experience and the changes in allocated proportion.

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

| <u>For years ended June 30,</u> | |
|---------------------------------|---------------------|
| 2019 | \$ (73,326) |
| 2020 | (73,013) |
| 2021 | (41,918) |
| 2022 | <u>(13,200)</u> |
| | <u>\$ (201,457)</u> |

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, 2017;

| | |
|---------------------------|--|
| 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 <i>2010 ERI to zero</i> 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:</p> <p style="padding-left: 20px;">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.</p> <p>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 | 3.0% per year |
| Salary increases | Group 1: 4.25% -- 6.00%, based on service Group 4: 4.75% -- 7.00%, based on service |
| Payroll growth | 4.0% per year |
| Investment rate of return | 7.75%, net of pension plan investment expense, including inflation |

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

| | |
|-----------------|--|
| Mortality rates | RP-2000 Mortality Table (base year 2009) with full generational mortality improvement using Scale BB. RP-2000 Mortality Table (base year 2012) with full generational mortality improvement using Scale BB for disabled members |
|-----------------|--|

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.

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, 2017, are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|--------------------------|--------------------------|---|
| Global Equity | 40% | 4.91% |
| Fixed income | 22% | 2.04% |
| Private Equity | 11% | 6.50% |
| Real Estate | 10% | 3.70% |
| Timber/Natural Resources | 4% | 3.25% |
| Hedge Funds | 13% | 3.40% |
| Total | 100% | |

Rate of Return

For the year ended December 31, 2017, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 16.71%. 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

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

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 | 1% Increase |
|-----------------------|--------------------|----------------------|--------------------|
| | 6.75% | Discount Rate | 8.75% |
| | 6.75% | 7.75% | 8.75% |
| Net pension liability | \$ 14,385,073 | \$ 11,802,799 | \$ 9,622,052 |

F. Other Post Employment Benefits Payable (OPEB)

GASB Statement No. 74 and GASB Statement No. 75

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 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 96 active and retired/disabled employees that meet the eligibility requirements. The plan does not issue a separate financial report.

Investment Policy

The Town's policy in regard to the allocation of invested assets is established and may be amended by the Board of Selectmen by majority vote of its members. The OPEB plan's assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan. The long-term real rate of return on OPEB investments was determined using the Town's investment policy. As of June 30, 2018, investments, concentration and rate of return information consisted of pooled funds in the Town's Commonwealth Financial investments described earlier under Deposits and Investments (refer to note 3A).

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. The Town contributes 50 percent of the cost of current year premiums for eligible retired plan members and their survivors. For the 2018 fiscal year, total Town contributed \$246,588 to the plan. The Town did establish a trust fund in order to contribute funds to reduce the future OPEB liability. The trust balance is \$6,855 as of June 30, 2018.

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

Measurement Date

GASB Statement No. 74 and GASB Statement No. 75 require the net OPEB liability to be measured as of the OPEB Plan's most recent fiscal year-end. Accordingly, the net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017.

Plan Membership:

| | |
|--|----|
| Current active members | 58 |
| Current retirees, beneficiaries and dependents | 38 |
| Total | 96 |

Net OPEB Liability

The components of the net OPEB liability are as follows:

| | |
|--|------------------|
| | 6/30/2018 |
| Total OPEB liability | \$ 14,608,122 |
| Less: Plan fiduciary net position | (6,855) |
| City's Net OPEB liability | \$ 14,601,267 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 0.05% |

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 |
| Healthcare cost trend rates | 2017 medical trend rates: 9.0% annually grading down 1.0% per annum to an ultimate trend rate of 5.0% annually in 2021 |
| Mortality rates | RP-2000 Mortality Table with projected generational mortality table using Scale BB with base year 2009 |

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.

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

Rate of Return

For the year ended June 30, 2018, 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.

Changes in the Net OPEB Liability

| | Increase (Decrease) | | |
|--|-------------------------|--------------------------------|-------------------------|
| | Total OPEB Liability | Plan Fiduciary Net Position | Total OPEB Liability |
| Balances at June 30, 2017 | \$ 13,856,221 | \$ 5,676 | \$ 13,850,545 |
| Service cost | 550,377 | - | 550,377 |
| Interest | 447,112 | - | 447,112 |
| Difference between actual and expected experience | - | - | - |
| Employer contributions to Trust | - | 246,589 | (246,589) |
| Net investment income | - | 178 | (178) |
| Changes in benefit terms | - | - | - |
| Changes in assumptions | - | - | - |
| Benefit payments withdrawn from Trust | (245,588) | (245,588) | - |
| Administrative expense | - | - | - |
| Net change in total OPEB liability | 751,901 | 1,179 | 750,722 |
| Balances at June 30, 2018 | \$ 14,608,122 | \$ 6,855 | \$ 14,601,267 |

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 | \$ 17,919,815 | \$ 14,601,267 |

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

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 | \$ 11,714,603 | \$ 14,601,267 | \$ 18,562,557 |

Summary of Significant Accounting Policies

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to or deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts (repurchase agreements) that have a maturity at the time of purchase of one year, which are reported at cost.

G. Implementation of New GASB Pronouncements

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. 85, *Omnibus 2017*, for implementation in fiscal year 2018.

The GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, for implementation in fiscal year 2018.

H. 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. 83, *Certain Asset Retirement Obligations*, for implementation in fiscal year 2019.

The GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, for implementation in fiscal year 2019.

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

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2018

5. RESTATEMENT

The net position as of June 30, 2017 has been restated. As required by GASB Statement No. 75, the beginning net position decreased \$9,133,027 (\$8,374,185 for governmental activities and \$758,842 for business-type activities) to reflect the change in the other post employment (OPEB) liability. Accordingly, the previously reported net position of \$7,755,920 has been revised to (\$1,377,107); (\$5,608,549) for governmental activities and \$4,231,442 for business-type activities.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF DUDLEY, MASSACHUSETTS
Required Supplementary Information
Pension Schedules
Worcester Regional Contributory Retirement System
For the Year Ended June 30, 2018

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>12/31/2017</u> | <u>12/31/2016</u> | <u>12/31/2015</u> | <u>12/31/2014</u> |
|--|-------------------|-------------------|-------------------|-------------------|
| Town's proportion of the net pension liability (asset) | 1.4474% | 1.5090% | 1.5105% | 1.7379% |
| Town's proportionate share of the net pension liability (asset) | \$ 11,802,799 | \$ 12,639,235 | \$ 10,721,806 | \$ 10,341,497 |
| Town's covered employee payroll | \$ 3,132,977 | \$ 3,074,191 | \$ 3,068,416 | \$ 2,950,400 |
| Net pension liability percentage of covered-employee payroll | 376.73% | 411.14% | 349.42% | 350.51% |
| Plan fiduciary net position as a percentage of the total pension liability | 46.40% | 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, 2018

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>12/31/2017</u> | <u>12/31/2016</u> | <u>12/31/2015</u> | <u>12/31/2014</u> |
|--|-------------------|-------------------|-------------------|-------------------|
| Actuarially determined contribution | \$ 732,393 | \$ 732,991 | \$ 679,525 | \$ 686,789 |
| Less: Contributions in relation to the actuarially determined contribution | <u>(732,393)</u> | <u>(732,991)</u> | <u>(679,525)</u> | <u>(686,789)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Town's covered employee payroll | \$ 3,132,977 | \$ 3,074,191 | \$ 3,068,416 | \$ 2,950,400 |
| Contributions percentage of covered-employee payroll | 23.38% | 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 Schedules
For the Year Ended June 30, 2018

Schedule of Changes in the Net OPEB Liability:

| | <u>6/30/2018</u> | <u>6/30/2017</u> |
|--|-----------------------------|-----------------------------|
| Total OPEB liability | | |
| Service cost | \$ 550,377 | \$ 406,676 |
| Interest on net OPEB liability | 447,112 | 451,210 |
| Changes in Assumptions | - | 1,252,925 |
| Difference between actual and expected experience | - | (1,118,067) |
| Benefit payments, including refunds of member contributions | <u>(245,588)</u> | <u>(276,758)</u> |
| Net change in total OPEB liability | 751,901 | 715,986 |
| Total OPEB liability-beginning | 13,856,221 | 11,011,951 |
| Changes in Accounting from GASB 45 to GASB 74 | <u>-</u> | <u>2,128,284</u> |
| Total OPEB liability-ending (a) | <u>\$ 14,608,122</u> | <u>\$ 13,856,221</u> |
| Plan fiduciary net position | | |
| Net investment income | \$ 178 | \$ (28) |
| Employer contributions to Trust | 246,589 | 277,758 |
| Benefit payments, including refunds of member contributions | <u>(245,588)</u> | <u>(276,758)</u> |
| Net change in plan fiduciary net position | 1,179 | 972 |
| Total fiduciary net position-beginning | <u>5,676</u> | <u>4,704</u> |
| Total fiduciary net position-ending (b) | <u>\$ 6,855</u> | <u>\$ 5,676</u> |
| Town's net OPEB liability (a-b) | <u><u>\$ 14,601,267</u></u> | <u><u>\$ 13,850,545</u></u> |

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 Schedules
For the Year Ended June 30, 2018

Schedule of Net OPEB Liability:

| | <u>6/30/2018</u> | <u>6/30/2017</u> |
|---|----------------------|----------------------|
| Total OPEB liability | \$ 14,608,122 | \$ 13,856,221 |
| Less: Plan fiduciary net position | <u>(6,855)</u> | <u>(5,676)</u> |
| Town's Net OPEB liability | <u>\$ 14,601,267</u> | <u>\$ 13,850,545</u> |
| | | |
| Plan fiduciary net position as a percentage of the total OPEB liability | 0.05% | 0.04% |
| | | |
| Town's share of covered employee payroll | \$ 3,142,736 | \$ 2,979,748 |
| | | |
| Participating employer net OPEB liability (asset) as a percentage of covered-employee payroll | 464.60% | 464.82% |

Schedule of Contributions:

| | <u>6/30/2018</u> | <u>6/30/2017</u> |
|--|-------------------|-------------------|
| Actuarially determined contribution | \$ 245,588 | \$ 276,758 |
| Less: Contributions in relation to the actuarially determined contribution | <u>(246,589)</u> | <u>(277,758)</u> |
| Contribution deficiency (excess) | <u>\$ (1,001)</u> | <u>\$ (1,000)</u> |
| | | |
| Town's share of covered employee payroll | \$ 3,142,736 | \$ 2,979,748 |
| | | |
| Contributions percentage of covered-employee payroll | 7.8% | 9.29% |
| | | |
| Annual money-weighted rate of return net of investment expense | N/A | N/A |

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 Schedules
For the Year Ended June 30, 2018

Schedule of Funding Progress:

| Other Post Employment Benefits | | | | | | | |
|---------------------------------------|---|---|---|---|--|--|--|
| Reporting Date | Actuarial Fiduciary Net Position (A) | Actuarial Total OPEB Liability (B) | Actuarial Net OPEB Liability (B-A) | Actuarial Funded Ratio (A/B) | Actuarial Covered Payroll (C) | Actuarial Percentage of Covered Payroll ((B-A)/C) | |
| 6/30/2018 | \$ 6,855 | \$ 14,608,122 | \$ 14,601,267 | 0.05% | \$ 3,142,736 | 464.6% | |
| 6/30/2017 | \$ 5,676 | \$ 13,856,221 | \$ 13,850,545 | 0.04% | \$ 2,979,748 | 464.82% | |

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, 2018**

| | Fund Balances July 1, 2017 | Revenues | Expenditures | Other Financing Sources (Uses) | Fund Balances June 30, 2018 |
|--------------------------------------|-------------------------------|-------------------|-------------------|-----------------------------------|--------------------------------|
| Special Revenue: | | | | | |
| Federal and State Grants: | | | | | |
| Arts Lottery Council Grants | \$ 1,982 | \$ 5,024 | \$ 4,325 | \$ - | \$ 2,681 |
| Capital Planning Grant | 18,750 | - | - | - | 18,750 |
| Dam Grants | 1,989 | - | 1,989 | - | - |
| Elder Affairs Grants | 13,652 | 25,478 | 29,505 | 160 | 9,785 |
| Extended Polling Hours | - | 1,075 | - | - | 1,075 |
| Green Community Grants | 45,501 | - | 31,984 | - | 13,517 |
| Library Grants | 106,350 | 18,597 | 41,669 | - | 83,278 |
| Other Grants and Programs | 8,153 | - | 1,627 | - | 6,526 |
| Public Safety Grants | 37,458 | 99,451 | 69,119 | 1,801 | 69,591 |
| Public Works Grants | 21,501 | 397,725 | 403,766 | - | 15,460 |
| Other: | | | | | |
| Ambulance Revolving | (10,241) | 24,632 | 23,740 | 10,241 | 892 |
| Animal Care Revolving | 76 | - | 76 | - | - |
| Board of Health Revolving Funds | 1,681 | - | - | - | 1,681 |
| Cemetery Revolving | 6,450 | 1,400 | 200 | - | 7,650 |
| Commission on Disabilities Fund | 344 | 3 | - | - | 347 |
| Conservation Funds | 20,788 | 6,695 | 7,683 | - | 19,800 |
| Council on Aging Meals Revolving | 440 | 733 | 996 | - | 177 |
| Deputy Collector Revolving | - | 27,349 | 27,349 | - | - |
| Fire Department Revolving | 859 | 900 | 1,570 | - | 189 |
| Firefighters Outside Details | 957 | 13,275 | 13,916 | - | 316 |
| Geneology Research Revolving | 1,498 | 615 | - | - | 2,113 |
| Gift Shop Revolving | 730 | 3 | - | - | 733 |
| Gifts and Donations | 62,000 | 66,196 | 68,971 | - | 59,225 |
| Greater Media Cable Access | 189,160 | 37,493 | 29,247 | - | 197,406 |
| Inspection Revolving | 11,710 | 34,414 | 46,124 | - | - |
| Insurance Reimbursements | 447 | 24,309 | 15,818 | - | 8,938 |
| Total Special Revenue page 68 | \$ 542,235 | \$ 785,367 | \$ 819,674 | \$ 12,202 | \$ 520,130 |

**TOWN OF DUDLEY, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

| | Fund Balances July 1, 2017 | Revenues | Expenditures | Other Financing Sources (Uses) | Fund Balances June 30, 2018 |
|---|-------------------------------|---------------------|---------------------|-----------------------------------|--------------------------------|
| Continued from page 68 | \$ 542,235 | \$ 785,367 | \$ 819,674 | \$ 12,202 | \$ 520,130 |
| Special Revenue (Continued): | | | | | |
| Other (Continued): | | | | | |
| Law Enforcement Drug Enforcement | 20,031 | 77 | 1,067 | - | 19,041 |
| Library Lost Book Revolving | 621 | 908 | 724 | - | 805 |
| Municipal Hearings Revolving | 100 | - | - | - | 100 |
| Planning Revolving | 100 | - | - | - | 100 |
| Police Arrest Warrant Services | 936 | 125 | - | - | 1,061 |
| Police Court Judgement | 2,619 | - | 850 | - | 1,769 |
| Police Cruiser Use Detail | 5,507 | 5,843 | 4,412 | - | 6,938 |
| Police DARE Program | - | 15,771 | 9,097 | - | 6,674 |
| Police Firearms Permit Services | 22,411 | 6,025 | - | - | 28,436 |
| Police Off-Duty Revolving | - | 402,807 | 402,807 | - | - |
| Rail Trail-Sale of Steel | 5,438 | - | - | - | 5,438 |
| Road Machinery | 14,624 | 21,427 | - | (35,500) | 551 |
| Premium on Bond | - | - | 59,006 | 60,797 | 1,791 |
| Tax Title Fees Revolving | 31,060 | 28,528 | 20,294 | - | 39,294 |
| Title V Septic Repair Loan Repayments | 81,030 | - | - | - | 81,030 |
| Underground Tank Cleanup | 2,400 | - | - | - | 2,400 |
| Website Revolving Fund | 105 | 1,622 | 947 | - | 780 |
| West Main Street Sale of Bricks Revolving | 2,084 | 207 | 601 | - | 1,690 |
| Pearle L. Crawford Memorial Library Endowment | 1,363,221 | 94,710 | 7,153 | - | 1,450,778 |
| Anniversary Fund | 762 | 7 | - | - | 769 |
| Clarinda Wood Fund | 170,342 | (390) | 4,723 | - | 165,229 |
| Compensated Absences Fund | 1,110 | 28 | - | 31,483 | 32,621 |
| Municipal Insurance Fund | 6,954 | 59 | - | - | 7,013 |
| Unemployment Compensation Fund | 3,806 | 17 | 12,120 | 8,298 | 1 |
| Workers Compensation Fund | 471 | 4 | - | - | 475 |
| Total Special Revenue Funds | \$ 2,277,967 | \$ 1,363,142 | \$ 1,343,475 | \$ 77,280 | \$ 2,374,914 |

**TOWN OF DUDLEY, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

| | Fund Balances July 1, 2017 | Revenues | Expenditures | Other Financing Sources (Uses) | Fund Balances June 30, 2018 |
|---|-------------------------------|---------------------|---------------------|-----------------------------------|--------------------------------|
| Capital Projects: | | | | | |
| Ambulance | \$ - | \$ - | \$ 220,000 | \$ 55,000 | \$ (165,000) |
| Fire Department Vehicle | 780 | - | - | - | 780 |
| Fire Exhaust System | 48 | - | - | - | 48 |
| Health and Human Services | 319 | - | - | - | 319 |
| Highway Vehicles and Equipment | (79,806) | - | - | 20,000 | (59,806) |
| Police Vehicles | (88,019) | - | 1,976 | 90,000 | 5 |
| Total Capital Projects | (166,678) | - | 221,976 | 165,000 | (223,654) |
| Perpetual Permanent Funds: | | | | | |
| Cemetery Perpetual Care Fund | 42,500 | 4,400 | - | - | 46,900 |
| Permanent Funds: | | | | | |
| Cemetery Perpetual Care Fund | 22,296 | 5,167 | - | - | 27,463 |
| Library Fund | 3,363 | 28 | - | - | 3,391 |
| Helen Piasta Memorial Library Trust Fund | 976 | 9 | - | - | 985 |
| Total Permanent Funds | 26,635 | 5,204 | - | - | 31,839 |
| Total - Non-Major Governmental Funds | \$ 2,180,424 | \$ 1,372,746 | \$ 1,565,451 | \$ 242,280 | \$ 2,229,999 |

**TOWN OF DUDLEY, MASSACHUSETTS
SCHEDULE OF REAL ESTATE, PERSONAL PROPERTY,
SUPPLEMENTAL AND ROLLBACK TAXES
JULY 1, 2017 TO JUNE 30, 2018**

| | Uncollected Taxes July 1, 2017 | Commitments | Abatements and Adjustments | Collections Net of Refunds and Overpayments | Uncollected Taxes June 30, 2018 | Uncollected Taxes Per Detail June 30, 2018 |
|--|---|----------------------|---|--|--|---|
| Real Estate Taxes: | | | | | | |
| Levy of 2018 | \$ - | \$ 11,148,665 | \$ 144,488 | \$ 10,912,409 | \$ 91,768 | \$ 91,768 |
| Levy of 2017 | 101,229 | 818 | 32,974 | 62,238 | 6,835 | 6,835 |
| Levy of 2016 | 62 | - | - | - | 62 | 62 |
| Levy of 2014 | - | - | (3,465) | - | 3,465 | 3,465 |
| Prior Years | 190 | - | - | 47 | 143 | 143 |
| | <u>101,481</u> | <u>11,149,483</u> | <u>173,997</u> | <u>10,974,694</u> | <u>102,273</u> | <u>102,273</u> |
| Personal Property Taxes: | | | | | | |
| Levy of 2018 | - | 266,067 | - | 247,915 | 18,152 | 18,152 |
| Levy of 2017 | (1,127) | - | - | 255 | (1,382) | (1,382) |
| Levy of 2016 | 412 | - | - | - | 412 | 412 |
| Levy of 2015 | 314 | - | - | - | 314 | 314 |
| Levy of 2014 | 331 | - | - | - | 331 | 331 |
| Prior Years | 493 | - | - | - | 493 | 493 |
| | <u>423</u> | <u>266,067</u> | <u>-</u> | <u>248,170</u> | <u>18,320</u> | <u>18,320</u> |
| Supplemental Taxes | <u>135</u> | <u>9,245</u> | <u>-</u> | <u>8,707</u> | <u>673</u> | <u>673</u> |
| Rollback Taxes | <u>-</u> | <u>4,010</u> | <u>-</u> | <u>4,010</u> | <u>-</u> | <u>-</u> |
| Total Real Estate, Personal Property, Supplemental and Rollback Taxes | <u>\$ 102,039</u> | <u>\$ 11,428,805</u> | <u>\$ 173,997</u> | <u>\$ 11,235,581</u> | <u>\$ 121,266</u> | <u>\$ 121,266</u> |

**TOWN OF DUDLEY, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE EXCISE AND BOAT EXCISE TAXES
JULY 1, 2017 TO JUNE 30, 2018**

| | Uncollected Taxes July 1, 2017 | Commitments | Abatements and Adjustments | Collections Net of Refunds and Overpayments | Uncollected Taxes June 30, 2018 | Uncollected Taxes Per Detail June 30, 2018 |
|---|--------------------------------------|---------------------|----------------------------------|---|---------------------------------------|---|
| Motor Vehicle Excise Taxes: | | | | | | |
| Levy of 2018 | \$ - | \$ 1,406,297 | \$ 25,761 | \$ 1,286,468 | \$ 94,068 | \$ 93,994 |
| Levy of 2017 | 95,750 | 164,044 | 17,918 | 203,341 | 38,535 | 38,205 |
| Levy of 2016 | 32,406 | 314 | 815 | 17,469 | 14,436 | 14,436 |
| Levy of 2015 | 14,786 | - | 309 | 4,050 | 10,427 | 10,427 |
| Levy of 2014 | 9,009 | - | 231 | 1,227 | 7,551 | 7,551 |
| Prior Years | 42,665 | - | 925 | 858 | 40,882 | 40,882 |
| | <u>194,616</u> | <u>1,570,655</u> | <u>45,959</u> | <u>1,513,413</u> | <u>205,899</u> | <u>205,495</u> |
| Boat Excise Taxes: | | | | | | |
| Levy of 2017 | - | 3,319 | 148 | 2,713 | 458 | 458 |
| Levy of 2016 | 461 | - | 25 | 80 | 356 | 356 |
| Levy of 2015 | 323 | - | - | 30 | 293 | 293 |
| Levy of 2014 | 283 | - | - | - | 283 | 283 |
| Levy of 2013 | 283 | - | - | - | 283 | 283 |
| Prior Years | 751 | - | - | 30 | 721 | 721 |
| | <u>2,101</u> | <u>3,319</u> | <u>173</u> | <u>2,853</u> | <u>2,394</u> | <u>2,394</u> |
| Total Motor Vehicle Excise and Boat Excise Taxes | <u>\$ 196,717</u> | <u>\$ 1,573,974</u> | <u>\$ 46,132</u> | <u>\$ 1,516,266</u> | <u>\$ 208,293</u> | <u>\$ 207,889</u> |

**TOWN OF DUDLEY, MASSACHUSETTS
SCHEDULE OF TAX LIENS
JULY 1, 2017 TO JUNE 30, 2018**

| | Uncollected Accounts July 1, 2017 | Commitments | Abatements and Adjustments | Collections Net of Refunds and Overpayments | Uncollected Accounts June 30, 2018 | Uncollected Accounts Per Detail June 30, 2018 |
|------------------|--|--------------------|---|--|---|--|
| Tax Liens | \$ 274,665 | \$ 110,467 | \$ 3,465 | \$ 113,927 | \$ 267,740 | \$ 267,740 |