

TOWN OF DUDLEY, MASSACHUSETTS

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

For the Year Ended June 30, 2015

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For the Year Ended June 30, 2015

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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, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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, 2015, 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 and other postemployment benefit plan schedules as listed on the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Dudley, Massachusetts' basic financial statements. The Supplementary Schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Scanlon & Associates, LLC
South Deerfield, Massachusetts

November 10, 2015

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, 2015. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Town's financial performance.

Financial Highlights

- The Town's assets and deferred outflows of resources exceeded its liabilities by \$9,396,787 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$9,362,098 or an increase of \$34,689 (.4%) over last fiscal year's total net position.
- As required by GASB Statement #68, in fiscal year 2015 the Town recognized their total net pension liability of \$10,341,497 along with a deferred outflow related to pension of \$6,220 on the statement of net position for the first time.
- At the close of the current fiscal year, the Town's governmental funds reported total ending fund balance of \$3,705,089, an increase of \$252,768 (7%) in comparison with prior year.
- The General Fund's total fund balance increased \$419,655 (37%) to \$1,567,225. The ending fund balance is 10% of revenues and transfers in and 11% of expenditures and transfers out.
- Total liabilities of the Town increased by \$92,577 (.5%) to \$19,620,468 during the fiscal year. The major components of this increase are due to a net decrease in notes and bonds payable of \$745,988 and net increases in the Other Post-Employment Benefits (OPEB) liability of \$600,864 and in the Pension liability of \$244,640.
- The Town had free cash certified by the Department of Revenue in the amount of \$457,681. The key factors that attributed to the free cash amount for fiscal year 2015 was as follows:
 - Unexpended/unencumbered appropriations (\$ 64,100).
 - Amount over/(under) budget – state and local receipts \$325,100.
 - Excess over budget – other financing sources \$126,300.

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

- Sewer Fund \$ 487,789.
- Water Fund \$1,828,013.

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 and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, public works, education, health and human services, culture and recreation, employee benefits and insurance, state assessments and interest. The business-type activities include the water and sewer 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		
	2015	2014	Change
Assets:			
Current assets	\$ 5,106,492	\$ 4,538,067	\$ 568,425
Capital assets	15,766,764	16,117,497	(350,733)
Total assets	20,873,256	20,655,564	217,692
Deferred Outflows of Resources:			
Deferred outflows related to pensions	5,696	-	5,696
Liabilities:			
Current liabilities (excluding debt)	353,983	341,253	12,730
Current debt	852,988	925,238	(72,250)
Noncurrent liabilities (excluding debt)	12,604,203	11,864,466	739,737
Noncurrent debt	2,676,214	3,064,952	(388,738)
Total liabilities	16,487,388	16,195,909	291,479
Net Position:			
Net investment in capital assets	12,418,514	12,145,997	272,517
Restricted	2,454,508	2,299,585	154,923
Unrestricted	(10,481,458)	(9,985,927)	(495,531)
Total net position	\$ 4,391,564	\$ 4,459,655	\$ (68,091)

	Business-Type Activities		
	2015	2014	Change
Assets:			
Current assets	\$ 2,904,652	\$ 2,744,787	\$ 159,865
Noncurrent assets (excluding capital assets)	64,747	90,276	(25,529)
Capital assets	5,168,380	5,399,362	(230,982)
Total assets	8,137,779	8,234,425	(96,646)
Deferred Outflows of Resources:			
Deferred outflows related to pensions	524	-	524
Liabilities:			
Current liabilities (excluding debt)	40,154	52,952	(12,798)
Current debt	290,000	285,000	5,000
Noncurrent liabilities (excluding debt)	1,362,926	1,264,030	98,896
Noncurrent debt	1,440,000	1,730,000	(290,000)
Total liabilities	3,133,080	3,331,982	(198,902)
Net Position:			
Net investment in capital assets	3,438,380	3,384,362	54,018
Unrestricted	1,566,843	1,518,081	48,762
Total net position	\$ 5,005,223	\$ 4,902,443	\$ 102,780

Financial Highlights
Statement of Activities Highlights

	Governmental Activities		
	2015	2014	Change
Program Revenues:			
Charges for services	\$ 1,622,007	\$ 1,454,228	\$ 167,779
Operating grants and contributions	422,021	704,874	(282,853)
Capital grants and contributions	724,128	175,737	548,391
General Revenues:			
Property taxes	10,380,922	9,598,348	782,574
Motor vehicle and other excise taxes	1,367,687	1,275,520	92,167
Penalties and interest on taxes	113,968	111,189	2,779
Nonrestricted grants	1,666,269	1,624,975	41,294
Unrestricted investment income	36,280	32,446	3,834
Miscellaneous	-	15,517	(15,517)
Total revenues	16,333,282	14,992,834	1,340,448
Expenses:			
General government	1,465,764	1,218,482	247,282
Public safety	2,865,936	2,674,794	191,142
Public works	1,232,945	1,186,920	46,025
Education	7,524,798	7,213,585	311,213
Health and human services	170,547	177,257	(6,710)
Culture and recreation	597,351	570,132	27,219
Employee benefits and insurance	2,316,049	2,090,888	225,161
State assessments	30,263	25,163	5,100
Interest	150,704	165,689	(14,985)
Total expenses	16,354,357	15,322,910	1,031,447
Net Transfers	(47,016)	(22,475)	(24,541)
Change in net position	(68,091)	(352,551)	284,460
Net position - beginning of year	4,459,655	4,812,206	(352,551)
Net position - end of year	\$ 4,391,564	\$ 4,459,655	\$ (68,091)

	Business-Type Activities		
	2015	2014	Change
Program Revenues:			
Charges for services	\$ 1,985,099	\$ 2,000,163	\$ (15,064)
Operating grants and contributions	19,339	20,528	(1,189)
Capital grants and contributions	8,494	10,812	(2,318)
Total revenues	2,012,932	2,031,503	(18,571)
Expenses:			
Sewer	1,071,412	1,090,394	(18,982)
Water	885,756	898,954	(13,198)
Total expenses	1,957,168	1,989,348	(32,180)
Transfers	47,016	22,475	24,541
Change in net position	102,780	64,630	38,150
Net position - beginning of year	4,902,443	4,837,813	64,630
Net position - end of year	\$ 5,005,223	\$ 4,902,443	\$ 102,780

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets and deferred outflows of resources exceeded liabilities by \$9,396,787 at the close of fiscal year 2015.

Net position of \$15,856,894 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 \$2,454,508 represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$8,914,615) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in two of the three categories of net position, both for the government as a whole, as well as for its separate governmental activities. The unrestricted in the governmental activities is a negative balance mainly as a result of recognizing the OPEB obligation and net pension liabilities. As presented on the statement of net position for the governmental activities, the OPEB obligation is \$3,466,967 and the pension liability is \$10,341,497.

The business-type activities are able to report positive balances in both categories of net position.

The governmental activities net position decreased by \$68,091 (2%) during the current fiscal year, which reflects the general fund's results of operation. This was mainly attributed to expenditures exceeding revenues by \$21,075 and transfers out of \$47,016 to the business-type funds.

There was an increase of \$102,780 in net position reported in connection with the sewer and water business-type activities. Of this, there were increases of \$44,526 attributed to the sewer department and of \$58,254 attributed to the water department.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$3,705,089 an increase of \$252,768 (7%) in comparison with the prior year.

The breakdown of the governmental funds is as follows:

- Nonspendable fund balance - \$40,350 (1%).
- Restricted fund balance - \$2,128,761 (57%).
- Committed fund balance - \$58,592 (2%).
- Assigned fund balance - \$426,710 (12%).
- Unassigned fund balance - \$1,050,676 (28%).

At the end of the fiscal year, the General Fund reported a fund balance of \$1,567,225 increasing \$419,655 (37%) from the prior year. Of the \$1,567,225, the unassigned amount is \$1,112,660 (71%), the restricted amount is \$27,855 (2%) and the assigned amount is \$426,710 (27%). General fund revenues were \$1,036,034 (8%) more than the prior fiscal year and expenditures also increased by \$910,660 (7%). Other activity in the General fund is net transfers from other funds of \$203,986.

The main components of the increases in general fund revenues were related to increases in property taxes in the amount of \$929,215 (10%) and charges for services of \$61,174 (10%) from the prior year.

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

- Increase in General government expenditures of \$234,078 (26%).
- Increase in Public safety expenditures of \$117,012 (6%).
- Increase in Public works expenditures of \$179,000 (24%).
- Increase in Education expenditures of \$311,213 (4%).

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's net position increased \$44,526 (2%) from the prior year. This change was mainly attributed to operating costs exceeding operating revenues by \$25,672, interest and special assessments income of \$9,189, interest expense of \$30,505 and net transfers from governmental funds of \$91,514. Operating revenues decreased by \$7,011 (1%) while operating expenses also decreased by \$12,042 (1%) from the prior year.

The *Water Fund* is the financing and operations of the Town's water system. The Water Fund's net position increased \$58,254 (2%) from the prior year. This change resulted from operating revenues exceeding operating expenditures of \$117,057, interest and intergovernmental income of \$18,644, interest expense of \$32,949 and net transfers to governmental funds of \$44,498. Operating revenues decreased by \$8,053 (1%) while operating expenses also decreased by \$7,877 (1%) from the prior year.

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2015 was \$14,930,617. This was an increase of \$927,199 (7%) over the previous year's budget.

There was an increase of \$871,567 between the original budget and the final amended budget. This change is attributed to votes at the special town meeting in August 2014 and October 2014 and the annual town meeting in May 2015 for various budget operating line items.

General fund expenditures were less than budgeted by \$362,614. Of the \$362,614 in under budget expenditures \$426,710 has been carried over to fiscal year 2016.

There is a negative variance in intergovernmental receipts of \$7,025 as expectations (budget) were higher than the receipts.

There were negative variances in public works of \$79,049 as actual Public works expenses exceeded the budget mainly as a result of higher than anticipated expenses for winter snow activities and in education of \$12 as expenses exceeded the anticipated budget.

The variance with the final budget was a positive \$477,257 consisting of a revenue surplus of \$541,353 (due in large part from property taxes, excise and other taxes; and licenses, permits and fees) and an appropriation deficit of \$64,096.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities amounts to \$15,766,764 and \$5,168,380, respectively.

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

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

- Foreclosure properties for \$1,017.
- Police vehicle for \$18,999.
- Fire Department vehicle chassis for \$50,000.
- Highway road improvements for \$564,046.

There are no major capital events during the current fiscal year in the business-type funds.

Debt Administration. The Town's outstanding governmental long-term debt, as of June 30, 2015, totaled \$3,363,202, of which \$3,050,000 is for building renovation projects, \$298,250 is for departmental vehicles and equipment and \$14,952 is for the Title V septic repair program.

The governmental activities currently have an outstanding bond anticipation note for \$166,000.

The business-type funds have \$1,730,000 in long-term debt. Of this, \$480,000 is for sewer debt, \$210,000 is for water corrosion control systems and \$1,040,000 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 operates under the "Open Meeting" concept where each voter has an equal vote in adopting of Town budgets and appropriations. The Annual Town Meeting on May 18, 2015 authorized a fiscal year 2016 operating and capital budget as follows:

From the tax levy	\$	14,845,332
From sewer receipts		1,015,997
From water receipts		981,627
From Other Available Funds:		
General Fund:		
Unassigned fund balance:		
Free cash	\$	164,000
Bond Premium Reserved		21,871
		<u>185,871</u>
	\$	<u>17,028,827</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, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT:			
Cash and Cash Equivalents	\$ 1,866,505	\$ 1,813,875	\$ 3,680,380
Investments	858,111	760,283	1,618,394
Investments in Custody of Trustees	1,260,956	-	1,260,956
Receivables, net of allowance for uncollectibles:			
Property Taxes	125,973	-	125,973
Tax Liens	218,962	34,279	253,241
Excise Taxes	143,510	-	143,510
User Charges	-	242,038	242,038
Other	-	26,415	26,415
Departmental	132,302	-	132,302
Special Assessments	2,827	27,762	30,589
Due from Other Governments	497,346	-	497,346
Total current assets	5,106,492	2,904,652	8,011,144
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Special Assessments	-	64,747	64,747
Capital Assets, net of accumulated Depreciation			
Nondepreciable	862,528	81,737	944,265
Depreciable	14,904,236	5,086,643	19,990,879
Total noncurrent assets	15,766,764	5,233,127	20,999,891
Total Assets	20,873,256	8,137,779	29,011,035
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	5,696	524	6,220
LIABILITIES			
CURRENT:			
Warrants Payable	151,024	17,160	168,184
Accrued Payroll	45,826	5,180	51,006
Payroll Withholdings	52,459	-	52,459
Tax Refund Payable	34,000	-	34,000
Accrued Interest	6,102	13,418	19,520
Deposits	-	850	850
Other	28,452	-	28,452
Compensated Absences	36,120	3,546	39,666
Notes Payable	166,000	-	166,000
Bonds and Notes Payable	686,988	290,000	976,988
Total current liabilities	1,206,971	330,154	1,537,125
NONCURRENT:			
Compensated Absences	144,478	14,187	158,665
OPEB Obligation Payable	2,988,982	477,985	3,466,967
Net Pension Liability	9,470,743	870,754	10,341,497
Bonds and Notes Payable	2,676,214	1,440,000	4,116,214
Total noncurrent liabilities	15,280,417	2,802,926	18,083,343
Total Liabilities	16,487,388	3,133,080	19,620,468
NET POSITION			
Net Investment in Capital Assets	12,418,514	3,438,380	15,856,894
Restricted for:			
Capital Projects	100,599	-	100,599
Federal & State Grants	687,581	-	687,581
Permanent Funds:			
Nonexpendable	40,350	-	40,350
Expendable	200,028	-	200,028
Other Purposes	1,425,950	-	1,425,950
Unrestricted	(10,481,458)	1,566,843	(8,914,615)
Total Net Position	\$ 4,391,564	\$ 5,005,223	\$ 9,396,787

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, 2015**

Program Revenues					Net (Expenses) Revenues and Changes in Net Position		
	Charges for		Operating		Capital		
	Expenses	Services	Contributions	Contributions	Grants and		
					Contributions	Governmental Activities	Business-Type Activities
							Total
Governmental Activities:							
General Government	\$ 1,465,764	\$ 287,208	\$ 92,843	\$ -	-	\$ (1,085,713)	\$ (1,085,713)
Public Safety	2,865,936	1,100,268	166,162	-	-	(1,599,506)	(1,599,506)
Public Works	1,232,945	186,209	-	-	724,128	(322,608)	(322,608)
Education	7,524,798	-	-	-	-	(7,524,798)	(7,524,798)
Health and Human Services	170,547	41,210	94,710	-	-	(34,627)	(34,627)
Culture and Recreation	597,351	7,112	57,813	-	-	(532,426)	(532,426)
Employee Benefits and Insurance	2,316,049	-	9,640	-	-	(2,306,409)	(2,306,409)
State Assessments	30,263	-	-	-	-	(30,263)	(30,263)
Interest	150,704	-	853	-	-	(149,851)	(149,851)
Total Governmental Activities	16,354,357	1,622,007	422,021	724,128	-	(13,586,201)	(13,586,201)
Business-Type Activities:							
Sewer	1,071,412	1,015,235	695	-	8,494	-	(46,988)
Water	885,756	969,864	18,644	-	-	102,752	102,752
Total Primary Government	\$ 18,311,525	\$ 3,607,106	\$ 441,360	\$ 732,622	\$ -	(13,586,201)	(13,530,437)
General Revenues:							
Property Taxes						10,380,922	10,380,922
Motor vehicle excise and other taxes						1,367,687	1,367,687
Penalties & Interest on Taxes						113,968	113,968
Grants & Contributions not restricted to specific programs						1,666,269	1,666,269
Unrestricted Investment Income						36,280	36,280
Transfers, net						(47,016)	-
Total General Revenues and Transfers						13,518,110	13,565,126
Change in Net Position						(68,091)	34,689
Net Position:							
Beginning of year (as restated)						4,459,655	9,362,098
End of year						4,391,564	9,396,787

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

**TOWN OF DUDLEY, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Cash and Cash Equivalents	\$ 1,190,542	\$ 675,963	\$ 1,866,505
Investments	561,627	296,484	858,111
Investment in Custody of Others	-	1,260,956	1,260,956
Receivables, net of allowance for uncollectibles:			
Property Taxes	125,973	-	125,973
Tax Liens	218,962	-	218,962
Excise Taxes	143,510	-	143,510
Special Assessments	-	2,827	2,827
Departmental	132,302		132,302
Due from Other Governments	90,951	406,395	497,346
Total Assets	\$ 2,463,867	\$ 2,642,625	\$ 5,106,492
Liabilities:			
Warrants Payable	\$ 112,612	\$ 38,412	\$ 151,024
Accrued Payroll	45,826	-	45,826
Payroll Withholdings	52,459	-	52,459
Tax Refund Payable	34,000	-	34,000
Other	28,452	-	28,452
Notes Payable	-	166,000	166,000
Total Liabilities	273,349	204,412	477,761
Deferred Inflows of Resources - Unavailable Revenue	623,293	300,349	923,642
Fund Balance:			
Nonspendable	-	40,350	40,350
Restricted	27,855	2,100,906	2,128,761
Committed	-	58,592	58,592
Assigned	426,710	-	426,710
Unassigned	1,112,660	(61,984)	1,050,676
Total Fund Balance	1,567,225	2,137,864	3,705,089
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,463,867	\$ 2,642,625	\$ 5,106,492

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, 2015

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Property Taxes	\$ 10,452,236	\$ -	\$ 10,452,236
Intergovernmental	1,740,802	764,059	2,504,861
Excise and Other Taxes	1,337,487	-	1,337,487
Charges for Services	647,842	532,701	1,180,543
Licenses, Permits, Fees	455,909	-	455,909
Interest on Delinquent Taxes	113,968	-	113,968
Investment Income	36,281	3,613	39,894
Gifts and Donations	-	45,148	45,148
Other	-	67,678	67,678
Total Revenues	14,784,525	1,413,199	16,197,724
Expenditures:			
Current:			
General Government	1,128,096	82,611	1,210,707
Public Safety	2,153,717	628,359	2,782,076
Public Works	930,463	565,204	1,495,667
Education	7,524,798	-	7,524,798
Health and Human Services	137,648	26,567	164,215
Culture and Recreation	209,679	125,843	335,522
Employee Benefits and Insurance	1,576,093	-	1,576,093
State Assessments	30,263	-	30,263
Debt Service:			
Principal	726,488	-	726,488
Interest	151,611	-	151,611
Total Expenditures	14,568,856	1,428,584	15,997,440
Excess of Revenues Over (Under) Expenditures	215,669	(15,385)	200,284
Other Financing Sources (Uses):			
Operating Transfers In	345,324	-	345,324
Operating Transfers Out	(141,338)	(251,002)	(392,340)
Proceeds from Notes	-	99,500	99,500
Total Other Financing Sources (Uses)	203,986	(151,502)	52,484
Net Change in Fund Balances	419,655	(166,887)	252,768
Fund Balances, Beginning of Year	1,147,570	2,304,751	3,452,321
Fund Balances, End of Year	\$ 1,567,225	\$ 2,137,864	\$ 3,705,089

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, 2015

Total Governmental Fund Balances		\$ 3,705,089
Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds.		15,766,764
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.		923,642
Certain changes in the net pension liability are required to be included in pension expense over future periods. These changes are reported as deferred outflows of resources or (deferred inflows of resources) related to pensions		5,696
Long Term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds Payable	\$ (3,363,202)	
OPEB Obligation	(2,988,982)	
Net Pension Liability	(9,470,743)	
Compensated Absences	<u>(180,598)</u>	(16,003,525)
In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, interest is not reported until due.		<u>(6,102)</u>
Net Position of Governmental Activities		<u>\$ 4,391,564</u>

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

TOWN OF DUDLEY, MASSACHUSETTS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds	\$	252,768
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Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and are reported as depreciation expense:

Capital Outlay Purchases	\$ 634,061	
Depreciation	<u>(984,794)</u>	(350,733)

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.

134,542

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:

Proceeds from Notes	(99,500)	
Repayment of Debt Principal	<u>726,488</u>	626,988

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Net Change in Compensated Absences	7,393	
Net Change in OPEB Obligation	(521,611)	
Net Change in Deferred Outflow/(Inflow) of Resources Related to Pensions	6,220	
Net Change in Net Pension Liability	(224,565)	
Net Change in Accrued Interest on Long-Term Debt	<u>907</u>	(731,656)

Change in Net Position of Governmental Activities	\$	<u>(68,091)</u>
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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, 2015**

	Budgeted Amounts		Actual	Amounts	Variance with
	Original	Final	Budgetary	Carried	Final Budget
	Budget	Budget	Basis	Forward	Positive
				to Next Year	(Negative)
Revenues:					
Property Taxes	\$ 9,767,967	\$ 10,213,189	\$ 10,429,468	\$ -	\$ 216,279
Intergovernmental	1,746,974	1,746,974	1,739,949	-	(7,025)
Excise and Other Taxes	1,215,850	1,215,850	1,337,487	-	121,637
Charges for Services	593,650	593,650	647,842	-	54,192
Licenses, Permits, Fees	330,882	330,882	455,909	-	125,027
Interest on Delinquent Taxes	109,000	109,000	113,968	-	4,968
Investment Income	9,200	9,200	35,475	-	26,275
Total Revenues	13,773,523	14,218,745	14,760,098	-	541,353
Expenditures:					
Current:					
General Government	1,219,195	1,356,573	1,128,096	227,888	589
Public Safety	2,009,439	2,169,913	2,153,717	2,675	13,521
Public Works	660,527	864,167	930,463	12,753	(79,049)
Education	7,536,259	7,688,786	7,524,798	164,000	(12)
Health and Human Services	137,731	138,731	137,648	1,000	83
Culture and Recreation	186,251	210,493	209,679	42	772
Employee Benefits and Insurance	1,449,453	1,594,445	1,576,093	18,352	-
State Assessments	30,263	30,263	30,263	-	-
Debt Service:					
Principal	670,725	726,488	726,488	-	-
Interest	159,207	150,758	150,758	-	-
Total Expenditures	14,059,050	14,930,617	14,568,003	426,710	(64,096)
Excess of Revenues Over (Under) Expenditures	(285,527)	(711,872)	192,095	(426,710)	477,257
Other Financing Sources (Uses):					
Operating Transfers In	108,595	135,595	261,902	-	126,307
Operating Transfers Out	(141,338)	(226,338)	(226,338)	-	-
Total Other Financing Sources (Uses)	(32,743)	(90,743)	35,564	-	126,307
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(318,270)	(802,615)	227,659	(426,710)	603,564
Budgetary Fund Balance - Beginning of Year	925,879	925,879	925,879	-	-
Budgetary Fund Balance - End of Year	\$ 607,609	\$ 123,264	\$ 1,153,538	\$ (426,710)	\$ 603,564

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, 2015

	<u>Revenues</u>	<u>Expenditures</u>
Reported on a Budgetary Basis	\$ 14,760,098	\$ 14,568,003
<u>Adjustments:</u>		
Activity for stabilization fund recorded in the general fund for GAAP purposes	806	-
Net increase in revenue from recording 60-day receipts	35,400	-
Net decrease in revenue from recording refund taxes payable	(12,632)	-
Recognition of intergovernmental revenue - loan subsidy amounts	853	-
Recognition of intergovernmental expenditures - loan subsidy amounts	-	853
Reported on a GAAP Basis	<u>\$ 14,784,525</u>	<u>\$ 14,568,856</u>

**TOWN OF DUDLEY, MASSACHUSETTS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015**

	Business-Type Activities Enterprise Funds		
	Sewer Fund	Water Fund	Total
ASSETS			
CURRENT:			
Cash and Cash Equivalents	\$ 187,101	\$ 1,626,774	\$ 1,813,875
Investments	347,853	412,430	760,283
Receivables, net of allowance for uncollectibles:			
User Charges	129,973	112,065	242,038
Tax Liens	17,833	16,446	34,279
Other	26,415	-	26,415
Special Assessments	27,762	-	27,762
Total current assets	736,937	2,167,715	2,904,652
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Special Assessments	64,747	-	64,747
Capital Assets, net of accumulated depreciation			
Nondepreciable	8,557	73,180	81,737
Depreciable	2,437,984	2,648,659	5,086,643
Total noncurrent assets	2,511,288	2,721,839	5,233,127
Total Assets	3,248,225	4,889,554	8,137,779
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	194	330	524
LIABILITIES			
CURRENT:			
Warrants Payable	791	16,369	17,160
Accrued Payroll	3,285	1,895	5,180
Accrued Interest	5,405	8,013	13,418
Deposits	850	-	850
Compensated Absences	1,503	2,043	3,546
Bonds Payable	120,000	170,000	290,000
Total current liabilities	131,834	198,320	330,154
NONCURRENT:			
Compensated Absences	6,014	8,173	14,187
OPEB Obligation Payable	201,424	276,561	477,985
Net Pension Liability	322,655	548,099	870,754
Bonds Payable	360,000	1,080,000	1,440,000
Total noncurrent liabilities	890,093	1,912,833	2,802,926
Total Liabilities	1,021,927	2,111,153	3,133,080
NET POSITION			
Net Investment in Capital Assets	1,966,541	1,471,839	3,438,380
Unrestricted	259,951	1,306,892	1,566,843
Total Net Position	\$ 2,226,492	\$ 2,778,731	\$ 5,005,223

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, 2015**

	Business-Type Activities Enterprise Funds		
	Sewer Fund	Water Fund	Total
Operating Revenues:			
Charges for Services	\$ 1,015,235	\$ 969,864	\$ 1,985,099
Total Operating Revenues	1,015,235	969,864	1,985,099
Operating Expenses:			
Salaries & Wages	187,270	243,752	431,022
Operating Expenses	764,010	467,700	1,231,710
Depreciation	89,627	141,355	230,982
Total Operating Expenses	1,040,907	852,807	1,893,714
Operating Income (Loss)	(25,672)	117,057	91,385
Non-Operating Revenues (Expenses):			
Investment Income	695	823	1,518
Special Assessments	8,494	-	8,494
Intergovernmental	-	17,821	17,821
Interest Expense	(30,505)	(32,949)	(63,454)
Total Non-Operating Revenues (Expenses)	(21,316)	(14,305)	(35,621)
Income (Loss) Before Operating Transfers	(46,988)	102,752	55,764
Operating Transfers:			
Transfers In	141,338	-	141,338
Transfers Out	(49,824)	(44,498)	(94,322)
Total Operating Transfers	91,514	(44,498)	47,016
Change in Net Position	44,526	58,254	102,780
Net Position at Beginning of Year (as restated)	2,181,966	2,720,477	4,902,443
Net Position at End of Year	\$ 2,226,492	\$ 2,778,731	\$ 5,005,223

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, 2015**

	Business-Type Activities Enterprise Funds		
	Sewer Fund	Water Fund	Total
Cash Flows From Operating Activities:			
Receipts from Customers and Users	\$ 1,061,651	\$ 1,015,342	\$ 2,076,993
Payments to Vendors	(750,068)	(411,385)	(1,161,453)
Payments to Employees	(190,812)	(248,781)	(439,593)
Net Cash Provided by (Used for) Operating Activities	120,771	355,176	475,947
Cash Flows from Noncapital Financing Activities:			
Transfers from (to) Other Funds	91,514	(44,498)	47,016
Net Cash Provided by (Used for) Noncapital Financing Activities	91,514	(44,498)	47,016
Cash Flows from Capital and Related Financing Activities:			
Intergovernmental Revenues	-	17,821	17,821
Special Assessments	28,097	-	28,097
Principal Payments on Bonds and Notes	(120,000)	(165,000)	(285,000)
Interest Expense	(31,920)	(34,061)	(65,981)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(123,823)	(181,240)	(305,063)
Cash Flows from Investing Activities:			
Proceeds/(Purchase) of Investments	63,754	(65,271)	(1,517)
Investment Income	695	823	1,518
Net Cash Provided by (Used for) Investing Activities	64,449	(64,448)	1
Net Increase (Decrease) in Cash and Cash Equivalents	152,911	64,990	217,901
Cash and Cash Equivalents at Beginning of Year	34,190	1,561,784	1,595,974
Cash and Cash Equivalents at End of Year	\$ 187,101	\$ 1,626,774	\$ 1,813,875
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:			
Operating Income (Loss)	\$ (25,672)	\$ 117,057	91,385
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	89,627	141,355	230,982
Deferred (Outflows)/Inflows of Resources Related to Pensions	(194)	(330)	(524)
Change in Assets and Liabilities:			
Increase (Decrease) in Warrants Payable	(1,992)	(664)	(2,656)
Increase (Decrease) in Accrued Payroll	(2,522)	(4,854)	(7,376)
Increase (Decrease) in Compensated Absences	(1,020)	(175)	(1,195)
Increase (Decrease) in OPEB Obligation Payable	34,910	44,343	79,253
Increase (Decrease) in Net Pension Liability	7,633	12,966	20,599
Decrease (Increase) in Other Receivable	(26,415)	-	(26,415)
Decrease (Increase) in User Charges Receivable	46,416	45,478	91,894
Total Adjustments	146,443	238,119	384,562
Net Cash Provided by (Used for) Operating Activities	\$ 120,771	\$ 355,176	\$ 475,947

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, 2015**

	Other Postemployment Benefit Trust Fund	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 166,973
Investments	4,659	-
Total Assets	4,659	166,973
LIABILITIES		
Due to Other Governments	-	8,669
Escrows & Deposits	-	158,304
Total Liabilities	-	166,973
NET POSITION		
Held in Trust for Other Postemployment Benefits and Other Purposes	\$ 4,659	\$ -

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, 2015**

	<u>Other Postemployment Benefit Trust Fund</u>
Additions	
Investment income	\$ (72)
Total Investment Income	<u>(72)</u>
Total Additions	<u>(72)</u>
Change in Net Position	<u>(72)</u>
Net Position at Beginning of Year	<u>4,731</u>
Net Position at End of Year	<u><u>\$ 4,659</u></u>

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, 2015

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 2015, 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, 2015

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, 2015

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

Fund financial statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to be used to pay current liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

The Town reports the following major governmental fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Town reports the following major proprietary funds:

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

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

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

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

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

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

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:

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The *Other Postemployment 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

State and local statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U. S. Government or agencies that have a maturity of less than one year from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

All investments are carried at fair value.

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, 2014 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

TOWN OF DUDLEY, MASSACHUSETTS
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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 2015 on June 30, 2014, that were due on August 1, 2014 and November 3, 2014 and actual bills on December 30, 2014 that were due on February 2, 2015 and May 1, 2015.

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 2015 is as follows:

Legal Levy Limit Under Proposition	
2 1/2 for fiscal year 2015	\$ 8,724,721
Add: Debt Exclusion	1,712,466
	<u>\$ 10,437,187</u>

The total amount raised by taxation was \$10,436,792.

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

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.

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

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.

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.

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

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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*.

Fund financial statements

In addition to liabilities, the statement of net position and 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 and total liabilities 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.

TOWN OF DUDLEY, MASSACHUSETTS
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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.

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 position 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.

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

N. Post Retirement Benefits

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

O. Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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 2015, the Town incurred a final budget deficit of \$802,615 for the General Fund.

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

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

Unassigned fund balance:	
Free cash votes	\$ 495,280
Overlay surplus	50,053
Reserved for Bond Premium	60,989
Prior year's encumbrances	196,293
	<hr/>
	\$ 802,615

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, 2015 were \$4,203,132. Of these, none were exposed to custodial credit risk as uninsured and uncollateralized.

Deposits and Investment Policies

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

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

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

As of June 30, 2015, 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	\$ 80,431	\$ -	\$ 80,431
U. S. government agencies	164,783	-	164,783
Bond mutual funds	84,580	84,580	-
Corporate bonds	125,189	-	125,189
	454,983	\$ 84,580	\$ 370,403
Other Investments:			
Certificate of deposits	355,969		
Equity mutual funds	38,093		
MMDT	774,008		
	\$ 1,623,053		

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 \$1,623,053 in investments none are uninsured and unregistered. The Town has no policy on custodial credit risk.

Interest Rate Risk

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

Credit Risk

The Town's exposure to credit risk as of June 30, 2015 is as follows:

Related Debt Instruments	Fair Value
Moody's Quality Ratings	
U. S. Treasury Obligations:	
Aaa	\$ 80,431
U. S. Government Agencies:	
Aaa	164,783
Corporate Bonds:	
A1	40,559
A3	39,706
Baa1	44,924
Bond Mutual Funds:	
Not rated	84,580
	<u>\$ 454,983</u>

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in one issuer. More than 5 of the Town's total investments are in the Federal Home Loan Mortgage Corp amounting to 10.15% of the Town's total investments.

B. Receivables

At June 30, 2015, 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	\$ 125,677	\$ 296	\$ 125,973
Tax liens	218,962	-	218,962
Excise taxes	174,190	(30,680)	143,510
Special assessments	2,827	-	2,827
Departmental	138,819	(6,517)	132,302
Due from other governments	497,346	-	497,346
	<u>\$ 1,157,821</u>	<u>\$ (36,901)</u>	<u>\$ 1,120,920</u>

At June 30, 2015, receivables for the business-type activities consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Sewer Fund:			
Sewer user charges	\$ 130,473	\$ (500)	\$ 129,973
Sewer tax liens	17,833	-	17,833
Other	26,415	-	26,415
Special assessments	92,509	-	92,509
Water Fund:			
Water user charges	112,565	(500)	112,065
Water tax liens	16,446	-	16,446
	<u>\$ 396,241</u>	<u>\$ (1,000)</u>	<u>\$ 395,241</u>

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

The composition of amounts due from other governments as of June 30, 2015 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 \$ 90,951

Nonmajor Governmental Funds:

Commonwealth of Massachusetts:

Executive Office of Public Safety and Homeland Security:

Police overtime enforcement grant \$ 2,475

Massachusetts Department of Transportation:

Highway Department - Chapter 90 funded projects	403,920	406,395
	\$	497,346

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	\$	53,973	
Tax liens		218,962	
Excise taxes		143,510	
Departmental		132,302	
Due from other governments		74,546	\$ 623,293

Nonmajor governmental funds:

Special assessments		2,827	
Due from other governments		297,522	300,349
		\$	923,642

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

D. Capital Assets

Capital asset activity for the year ended June 30, 2015, is as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 811,512	\$ 1,016	\$ -	\$ 812,528
Construction in progress	-	50,000	-	50,000
Total capital assets not being depreciated	811,512	51,016	-	862,528
Capital assets being depreciated:				
Buildings and Renovations	16,614,577	-	-	16,614,577
Machinery, equipment and other	3,890,319	18,999	-	3,909,318
Infrastructure	6,705,896	564,046	-	7,269,942
Total capital assets being depreciated	27,210,792	583,045	-	27,793,837
Less accumulated depreciation for:				
Buildings and Renovations	5,182,197	552,806	-	5,735,003
Machinery, equipment and other	2,666,212	177,102	-	2,843,314
Infrastructure	4,056,398	254,886	-	4,311,284
Total accumulated depreciation	11,904,807	984,794	-	12,889,601
Total capital assets being depreciated, net	15,305,985	(401,749)	-	14,904,236
Total governmental activities capital assets, net	\$ 16,117,497	\$ (350,733)	\$ -	\$ 15,766,764

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 82,037	\$ -	\$ -	\$ 82,037
Total capital assets not being depreciated	82,037	-	-	82,037
Capital assets being depreciated:				
Machinery, equipment and other	545,065	-	-	545,065
Infrastructure	11,639,794	-	-	11,639,794
Total capital assets being depreciated	12,184,859	-	-	12,184,859
Less accumulated depreciation for:				
Machinery, equipment and other	422,936	30,634	-	453,570
Infrastructure	6,444,598	200,348	-	6,644,946
Total accumulated depreciation	6,867,534	230,982	-	7,098,516
Total capital assets being depreciated, net	5,317,325	(230,982)	-	5,086,343
Total business-type activities capital assets, net	\$ 5,399,362	\$ (230,982)	\$ -	\$ 5,168,380

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

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

Governmental Activities:

General government	\$ 256,449
Public safety	160,903
Public works	299,931
Health and human services	6,332
Culture and recreation	261,179
Total depreciation expense - governmental activities	<u>\$ 984,794</u>

Business-Type Activities:

Sewer fund	\$ 89,627
Water fund	141,355
Total depreciation expense - business-type activities	<u>\$ 230,982</u>

E. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2015, are summarized below:

Transfers Out:	Transfers In:		
	General fund	Business-type fund	Total
General fund	\$ -	\$ 141,338	\$ 141,338
Nonmajor governmental funds	251,002	-	251,002
Business-type fund	94,322	-	94,322
Total transfers out	<u>\$ 345,324</u>	<u>\$ 141,338</u>	<u>\$ 486,662</u>

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.

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, 2014	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2015
Governmental Activities						
Grant Anticipation Note:						
Chapter 90 Projects	0.50%	7/6/2015	\$ -	\$ 166,000	\$ -	\$ 166,000

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

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, 2015
Inside Debt:					
Municipal building renovation	4.20%	12/13/2002	6/15/2018	\$ 5,770,000	\$ 2,290,000
Municipal building renovation	4.13%	4/6/2004	12/15/2022	1,840,000	760,000
Fire Department truck (1)	0.55%	6/5/2015	6/3/2016	175,000	175,000
Highway backhoe (1)	0.55%	6/5/2015	6/3/2016	23,750	23,750
Highway truck (1)	0.55%	6/5/2015	6/3/2016	63,500	63,500
Police cruiser (1)	0.55%	6/5/2015	6/3/2016	36,000	36,000
Total Inside Debt					<u>3,348,250</u>
Outside Debt:					
<i>Massachusetts Clean</i>					
<i>Water Trust:</i>					
Title V Septic Repair Program	N/A	10/25/2000	8/1/2018	67,302	14,952
Total Outside Debt					<u>14,952</u>
Total governmental type debt					<u>\$ 3,363,202</u>

1 = Refunding notes classified as long term debt.

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, 2015, are as follows:

Year	Principal	Interest	Total
2016	\$ 686,988	\$ 128,484	\$ 815,472
2017	388,738	110,608	499,346
2018	383,738	94,402	478,140
2019	383,738	77,958	461,696
2020	380,000	61,204	441,204
2021-2023	1,140,000	79,467	1,219,467
	<u>\$ 3,363,202</u>	<u>\$ 552,123</u>	<u>\$ 3,915,325</u>

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

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, 2015
Inside Debt:					
Sewer Fund:					
Municipal Purpose Loan of 2000	5.49%	5/1/2000	5/1/2020	\$ 1,315,000	\$ 300,000
Total Inside Debt					<u>300,000</u>
Outside Debt:					
Sewer Fund:					
Municipal Purpose Loan of 1998	4.74%	3/15/1998	3/15/2018	1,200,000	180,000
Water Fund:					
Water Main Healy Road	2.00%	10/15/2012	10/15/2022	450,000	360,000
Water Main Dudley Oxford Road	2.00%	10/15/2012	10/15/2022	850,000	680,000
Massachusetts Clean Water Trust:					
Corrosion control systems	N/A	10/1/1999	8/1/2019	661,114	210,000
Total Outside Debt					<u>1,430,000</u>
Total Business-type debt					<u>\$ 1,730,000</u>

Future Debt Service

The annual principal and interest payments to retire all business-type long-term debt outstanding as of June 30, 2015, are as follows:

Year	Principal	Interest	Total
2015	\$ 290,000	\$ 54,867	\$ 344,867
2016	290,000	43,881	333,881
2017	290,000	32,720	322,720
2018	235,000	21,773	256,773
2019	235,000	13,697	248,697
2020-2023	390,000	11,700	401,700
	<u>\$ 1,730,000</u>	<u>\$ 178,638</u>	<u>\$ 1,908,638</u>

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

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

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due within One Year
Governmental activities:					
<i>Bond Payable:</i>					
General obligation bonds	\$ 3,435,000	\$ -	\$ 385,000	\$ 3,050,000	\$ 385,000
Refunding notes	536,500	298,250	536,500	298,250	298,250
Massachusetts Clean Water Trust bonds	18,690	-	3,738	14,952	3,738
Compensated absences	187,991	14,837	22,230	180,598	36,120
OPEB liability obligation	2,467,371	521,611	-	2,988,982	-
Pension Liability	9,246,702	224,041	-	9,470,743	-
Governmental activity					
Long-term liabilities	\$ 15,892,254	\$ 1,058,739	\$ 947,468	\$ 16,003,525	\$ 723,108
Business-type activities:					
<i>Bond Payable:</i>					
General obligation bonds	\$ 1,770,000	\$ -	\$ 250,000	\$ 1,520,000	\$ 250,000
Massachusetts Clean Water Trust bonds	245,000	-	35,000	210,000	40,000
Compensated absences	18,928	-	1,195	17,733	3,546
OPEB liability obligation	398,732	79,253	-	477,985	-
Pension liability	850,155	20,599	-	870,754	-
Business-type activity					
Long-term liabilities	\$ 3,282,815	\$ 99,852	\$ 286,195	\$ 3,096,472	\$ 293,546

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, 2015 for principal and interest combined for the loans are \$253,675. The net repayments, including interest, are scheduled to be \$174,946. 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 2015 principal and interest subsidies totaled \$18,857.

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, 2015 totaled \$3,350,000.

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."

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

The following is a computation of the legal debt limit as of June 30, 2015:

Equalized Valuation-Real Estate and Personal Property (2014)		\$ 885,262,100
Debt Limit: 5 % of Equalized value		<u>44,263,105</u>
Total Debt Outstanding	\$ 4,794,952	
Less: Debt Outside Debt Limit	<u>(1,444,952)</u>	<u>3,350,000</u>
Inside Debt Excess Borrowing Capacity at June 30, 2015		<u>\$ 40,913,105</u>

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. All loan authorizations of the governmental funds and business-type funds have been issued as of June 30, 2015.

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	\$ 12,280,000	53.77%	\$ 6,602,956
Athletic Field	1,834,985	53.77%	986,671
Southern Worcester Regional Vocational School District:			
School Construction	27,180,000	9.98%	<u>2,712,564</u>
			<u>\$ 10,302,191</u>

The above debt does not reflect the Commonwealth of Massachusetts School Building Assistance grants to pay for the interest and principal on allowable costs.

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

H. Fund Balances

The following is a summary of the Town's Governmental fund balances at the year ended June 30, 2015:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Permanent funds	\$ -	\$ 40,350	\$ 40,350
Restricted:			
Federal and state grants	-	390,059	390,059
Revolving funds	-	54,619	54,619
Gifts and donations	-	49,315	49,315
Debt service	27,855	-	27,855
Capital projects	-	100,599	100,599
Permanent funds	-	200,028	200,028
Pearle L. Crawford Library endowment fund	-	1,260,956	1,260,956
Other	-	45,330	45,330
	<u>27,855</u>	<u>2,100,906</u>	<u>2,128,761</u>
Committed:			
Ambulance services	-	29,672	29,672
Insurance and employee benefits	-	15,734	15,734
Other	-	13,186	13,186
	<u>-</u>	<u>58,592</u>	<u>58,592</u>
Assigned:			
General government	227,888	-	227,888
Public safety	2,675	-	2,675
Public works	12,753	-	12,753
Health and human services	1,000	-	1,000
Culture and recreation	42	-	42
Insurance and employee benefits	18,352	-	18,352
Subsequent year's budget	164,000	-	164,000
	<u>426,710</u>	<u>-</u>	<u>426,710</u>
Unassigned:			
General Fund	1,112,660	-	1,112,660
Special Revenue:			
Police Off-Duty Revolving	-	(61,984)	(61,984)
	<u>1,112,660</u>	<u>(61,984)</u>	<u>1,050,676</u>
Total Governmental fund balances	<u>\$ 1,567,225</u>	<u>\$ 2,137,864</u>	<u>\$ 3,705,089</u>

I. Special Trust Funds

Stabilization Fund

Under Section 5B of Chapter 40 of the Massachusetts General Laws, the Town may for the purpose of creating a stabilization fund appropriate in any year an amount not exceeding ten percent of the amount raised in the preceding year by taxation of real estate and tangible personal property or such larger amount

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

as may be approved by the Emergency Finance Board. The aggregate amount in the fund at any time shall not exceed ten percent of the equalized valuation of the Town and any interest shall be added to and become a part of the fund. The stabilization fund may be appropriated in a Town at a Town meeting for any lawful purpose.

At June 30, 2015 the balances in the stabilization funds are reported in the General Fund as unassigned fund balance consisting of the following:

General purpose stabilization fund	\$ 291,103
Capital stabilization fund	<u>84,577</u>
	<u>\$ 375,680</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.

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, 2015, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2015. The outcome of lawsuits is not expected to materially affect the financial condition of the Town.

C. 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 01510.

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-

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

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, 2014 was \$686,789, representing 23.28% 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, 2015, a reported liability of \$10,341,497 is the Town's proportionate share of the net pension liability as measured as of December 31, 2014. The net pension liability was determined using the total pension liability and the actuarial assumptions as of the January 1, 2014 and updated to the measurement date of December 31, 2014. This net pension liability is based on the Town's proportional percentage of 1.737869% at December 31, 2014. As such, the total pension liability was also updated and adjusted forward to the measurement date.

Pension Expense

For the year ended June 30, 2015, the Town recognized a pension expense of \$925,210 and reported deferred outflows of resources related to pensions of \$6,220, from the net difference between projected and actual investment earnings on pension plan investments. Since the System performs an actuarial valuation bi-annually, there are no reported differences between the expected and actual experience or a change of assumptions as of December 31, 2014. Additionally, the changes in proportion and differences between employer contributions and the proportionate share of contributions are not presented in the initial year of reporting in accordance with GASB Statement No. 67 and Statement No. 68.

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

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

For years ended June 30,

2016	\$	1,555
2017		1,555
2018		1,555
2019		1,555
		<u>6,220</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2014, using the following actuarial assumptions, applied to all periods included in the measurement that was updated December 31, 2014;

Valuation date	January 1, 2014
Actuarial cost method	Entry Age Normal
Amortization method	Unfunded Actuarial Accrued Liability (UAAL): Increasing dollar amount at 4.0% to reduce the UAAL to zero on or before June 30, 2035. 2002 & 2003 Early Retirement Incentive (ERI): Increasing dollar amount at 4.5% to reduce the 2002 & 2003 ERI to zero on or before June 30, 2028. 2010 Early Retirement Incentive (ERI): Increasing dollar amount to reduce the 2010 ERI to zero on or before June 30, 2022.
Remaining amortization period	21 years, except for ERI for 2002 & 2003 (14 years) and 2010 (8 years).
Asset valuation method	The actuarial value of assets is the market value of assets as of the Valuation date reduced by the sum of: 80% of the gains and losses of the prior year, 60% of the gains and losses of the second prior year, 40% of the gains and losses of the third prior year, and 20% of the fourth prior year. Investment gains and losses are determined by the excess or deficiency of the expected return over the actual return on the market value. The actuarial valuation of assets is further constrained to be not less than 80% or more than 120% of market value.
Investment rate of return	8.0%, net of pension plan investment expense, including inflation
Projected salary increase	3.0% per year, including longevity
Inflation	Not explicitly assumed
Mortality rates	RP-2000 Mortality Table Projected to 2014 with Scale AA. RP-2000 Mortality Table set forward two years 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.

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

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, 2014, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	43%	8.23%
Fixed income	23%	5.05%
Private Equity	10%	9.75%
Real Estate	10%	6.50%
Timber/Natural Resources	4%	6.88%
Hedge Funds	10%	7.00%
Other	0%	N/A
Total	100%	

Rate of Return

For the year ended December 31, 2014, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 7.79%. The money-weighted rate of return considers the changing amounts actually invested during a period and weighs 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 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and 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 or current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 8.0%. As well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0%) or 1-percentage-point higher (9.0%) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
Net pension liability	\$ 12,591,209	\$ 10,341,497	\$ 8,431,140

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

D. Other Post Employment Benefits Payable

GASB Statement No. 45

The cost of post employment benefits generally should be associated with the periods in which costs occur rather than in the future year when it will be paid. The Town adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2008, and thus recognizes the cost of post employment benefits in the year when the employee services are received, 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 provided post-employment health care and life insurance benefits for retired employees, their dependents and beneficiaries. The benefits, benefit levels, employee and employer contributions are governed by Massachusetts General Law chapter 32. There are approximately 107 active and retired employees that meet the eligibility requirements. The plan does not issue a separate financial report.

Funding Policy

The contribution requirements of plan members and the Town are established and may be amended through Town policy and member contracts. The required contribution is based on the projected pay-as-you-go financing requirements. For the 2015 fiscal year, total Town premiums plus implicit costs for the retiree medical program are \$220,230.

Annual OPEB Cost and Net OPEB Obligation

The Town's annual other post employment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of the Town's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the Town's net OPEB obligation to the plan:

Annual required contribution	\$ 835,693
Interest on net OPEB obligation	114,644
Adjustment to annual required contribution	<u>(129,244)</u>
Annual OPEB cost (expense)	821,093
Contributions made during the fiscal year	<u>(220,230)</u>
Increase in net OPEB obligation	600,863
Net OPEB Obligation - beginning of year	<u>2,866,104</u>
Net OPEB Obligation - end of year	<u><u>\$ 3,466,967</u></u>

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

The Town's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2015 fiscal year and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 821,093	26.82%	\$ 3,466,967
6/30/2014	\$ 948,647	32.73%	\$ 2,866,104
6/30/2013	\$ 896,662	33.34%	\$ 2,227,995

Funded Status and Funding Process

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend.

Amounts determined regarding the funded status of the plan and the Annual Required Contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information following the Notes to the Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the Actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

The Town OPEB actuarial valuation as of July 1, 2014, used the entry age normal method. The OPEB liability is currently unfunded and the actuarial assumptions include a 4.0% rate of return on invested assets, a payroll growth rate of 3.5% per annum and medical/drug cost trend rate at 9.0% decreasing by 1% for 5 years to an ultimate level of 5.0% in year 2018.

The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar amount open basis. The remaining amortization period at June 30, 2015 is approximately 23 years.

E. Implementation Of New GASB Pronouncements

The GASB issued Statement No. 67, *Financial Reporting for Pension Plans*, Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* for implementation in fiscal year 2015. The Town's basic financial statements recognize a net pension asset/(liability) and pension revenue/(expense) for the Town's portion of the Worcester Regional Retirement System actuarial accrued liability.

TOWN OF DUDLEY, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

F. 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. 72, *Fair Value Measurement and Application*, for implementation in 2016.

The GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, for implementation in 2016.

5. RESTATEMENT

As required by GASB Statement No. 67 and Statement No. 68, the net position as of June 30, 2014 for governmental activities and business-type activities has been restated to reflect the pension liability. Restatement is as follows;

	Governmental Activities	Business-type Activities	Totals
Net position June 30, 2014	\$ 13,706,357	\$ 5,752,598	\$ 19,458,955
<u>Adjustments:</u>			
Pension liability	(9,246,702)	(850,155)	(10,096,857)
Net position restated June 30, 2014	<u>\$ 4,459,655</u>	<u>\$ 4,902,443</u>	<u>\$ 9,362,098</u>

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF DUDLEY, MASSACHUSETTS
Required Supplementary Information
Pension Schedules
Worcester Regional Contributory Retirement System
For the Year Ended June 30, 2015**

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>12/31/2014</u>
Town's proportion of the net pension liability (asset)	1.73787%
Town's proportionate share of the net pension liability (asset)	\$ 10,341,497
Town's covered employee payroll **	\$ 2,950,400
Net pension liability percentage of covered-employee payroll	350.51%
Plan fiduciary net position as a percentage of the total pension liability	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 of which the information is available.

** Indicates covered employee payroll as reported in the retirement system January 1, 2014 funding valuation report.

TOWN OF DUDLEY, MASSACHUSETTS
Required Supplementary Information
Pension Schedules
Worcester Regional Contributory Retirement System
For the Year Ended June 30, 2015

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>12/31/2014</u>
Actuarially determined contribution @	\$ 686,789
Less: Contributions in relation to the actuarially determined contribution	<u>(686,789)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Town's covered employee payroll **	\$ 2,950,400
Contributions percentage of covered-employee payroll	23.28%

Note: these schedules are intendend to present information for 10 years.
Until a 10-year trend is compiled, the information is presented for those
years of which the information is available.

@ Based on the results of the January 1, 2014 actuarial valuation (including
assumptions and methods) which determined the budgeted appropriations
for fiscal year 2015.

** Indicates covered employee payroll as reported in the retirement
system January 1, 2014 funding valuation report.

TOWN OF DUDLEY, MASSACHUSETTS
Required Supplementary Information
Other Post-Employment Benefit Plan Schedule
For the Year Ended June 30, 2015

Schedule of Funding Progress

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

Schedule of Contribution Funding

Other Post Employment Benefits			
Fiscal Year Ended June 30	Annual OPEB Cost	Actual Contributions Made	Percentage Contributed
2015	\$ 821,093	\$ 220,230	26.82%
2014	\$ 948,647	\$ 310,539	32.73%
2013	\$ 896,662	\$ 298,972	33.34%

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

Actuarial Methods and Assumptions:

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

Plan Membership:

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

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, 2015

	Fund Balances July 1, 2014	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2015
Special Revenue:					
Federal and State Grants:					
Arts Lottery Council Grants	\$ 1,695	\$ 4,384	\$ 4,299	\$ -	1,780
Dam Grants	5,289	-	3,300	-	1,989
Elder Affairs Grants	23,312	14,421	17,024	(699)	20,010
Extended Polling Hours	3,163	1,196	3,135	-	1,224
Green Community Grants	-	42,450	-	-	42,450
Health Grants	100	-	-	-	100
Public Works Grants	2,511	564,046	564,046	-	2,511
Library Grants	107,903	17,895	29,856	(6,539)	89,403
Public Safety Grants	184,979	119,938	141,300	(130,512)	33,105
Other:					
Ambulance Revolving	38,831	25,426	34,585	-	29,672
Animal Care Revolving	280	-	204	-	76
Board of Health Revolving Funds	881	-	-	800	1,681
Cemetery Revolving	2,150	1,275	300	-	3,125
Council on Aging Meals Revolving	130	2,124	1,945	-	309
Commission on Disabilities Fund	346	1	-	(5)	342
Conservation Funds	11,058	12,830	7,010	-	16,878
Deputy Collector Revolving	-	25,642	25,642	-	-
Fire Alarm Boxes Revolving	932	-	657	(275)	-
Fire Penalty Fees Revolving	403	-	44	-	359
Firefighters Outside Detail	1,176	16,183	14,925	-	2,434
Geneology Research Revolving	1,292	784	682	-	1,394
Gift Shop Revolving	578	58	-	-	636
Gifts and Donations	30,959	45,153	38,133	10,578	48,557
Greater Media Cable Access	93,921	29,334	26,187	1,502	98,570
Inspection Revolving	-	35,482	35,977	495	-
Insurance Reimbursements	1,423	17,463	18,283	-	603
Law Enforcement Drug Enforcement	17,913	15	1,660	-	16,268
Library Lost Book Revolving	42	2,003	2,061	-	(16)
Municipal Hearings Revolving	20	309	229	-	100
Planning & Economic Development	100	500	-	-	600
Total Special Revenue page 60	\$ 531,387	\$ 978,912	\$ 971,484	\$ (124,655)	\$ 414,160

TOWN OF DUDLEY, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Fund Balances July 1, 2014	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2015
Continued from page 60	\$ 531,387	\$ 978,912	\$ 971,484	\$ (124,655)	\$ 414,160
Special Revenue (Continued):					
Other (Continued):					
Police Arrest Warrant Services	1,702	921	-	(1,000)	1,623
Police Court Judgement	13,221	-	-	-	13,221
Police Cruiser Use Detail	13,025	8,270	18,804	-	2,491
Police DARE Program	1,512	6,104	6,697	-	919
Police Firearms Permit Services	21,649	3,100	1,738	(5,000)	18,011
Police Off-Duty Revolving	-	288,894	350,878	-	(61,984)
Rail Trail-Sale of Steel	86,793	11,316	65,984	-	32,125
Road Machinery	19,035	22,743	92	(28,500)	13,186
Sale of Real Estate	5,400	84,577	-	(89,977)	-
Title V Septic Repair Loan Repayments	78,755	574	-	-	79,329
Underground Tank Cleanup	2,400	-	-	-	2,400
Website Revolving Fund	636	1,005	886	-	755
West Main Street Sale of Bricks Revolving	4,305	-	500	-	3,805
Pearle L. Crawford Memorial Library Endowment	1,264,510	2,718	6,272	-	1,260,956
Anniversary Fund	756	2	-	-	758
Clarinda Wood Fund	181,007	408	5,249	-	176,166
Compensated Absences Fund	7,638	111	-	-	7,749
Municipal Insurance Fund	6,897	17	-	-	6,914
Unemployment Compensation Fund	1	-	-	-	1
Workers Compensation Fund	467	1	-	-	468
Total Special Revenue Funds	2,241,096	1,409,673	1,428,584	(249,132)	1,973,053
Capital Projects:					
Remodeling of Municipal Buildings	959	-	-	(959)	-
Capital Items:					
Fire Department Groundwater	(89)	-	-	89	-
Fire Department Vehicles	780	-	-	36,000	36,780
Highway Vehicle	-	-	-	63,500	63,500
Health and Human Services	319	-	-	-	319
Total Capital Projects	1,969	\$ -	\$ -	\$ 98,630	\$ 100,599

TOWN OF DUDLEY, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Fund Balances July 1, 2014	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2015
Perpetual Permanent Funds:					
Cemetery Perpetual Care Fund	\$ 34,350	\$ 1,600	\$ -	\$ 4,400	\$ 40,350
Permanent Funds:					
Cemetery Perpetual Care Fund	23,033	1,914	-	(5,400)	19,547
Library Fund	3,335	9	-	-	3,344
Helen Piasta Memorial Library Trust Fund	968	3	-	-	971
Total Permanent Funds	27,336	1,926	-	(5,400)	23,862
Total - Non-Major Governmental Funds	\$ 2,304,751	\$ 1,413,199	\$ 1,428,584	\$ (151,502)	\$ 2,137,864

**TOWN OF DUDLEY, MASSACHUSETTS
SCHEDULE OF REAL ESTATE, PERSONAL PROPERTY,
SUPPLEMENTAL AND ROLLBACK TAXES
JULY 1, 2014 TO JUNE 30, 2015**

	Uncollected Taxes July 1, 2014	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2015	Uncollected Taxes Per Detail June 30, 2015
Real Estate Taxes:						
Levy of 2015	\$ -	\$ 10,262,843	\$ 158,948	\$ 9,967,029	\$ 136,866	\$ 136,866
Levy of 2014	244,844	-	115,521	132,294	(2,971)	(3,291)
Levy of 2013	(7,186)	-	-	902	(8,088)	(7,278)
Levy of 2012	(1,356)	-	-	(271)	(1,085)	(1,100)
Levy of 2011	386	-	-	406	(20)	(20)
	236,688	10,262,843	274,469	10,100,360	124,702	125,177
Personal Property Taxes:						
Levy of 2015	-	173,950	-	173,624	326	326
Levy of 2014	582	-	-	130	452	452
Levy of 2013	327	-	-	-	327	327
Levy of 2012	166	-	-	-	166	166
	1,075	173,950	-	173,754	1,271	1,271
Supplemental Taxes	-	4,966	-	4,966	-	-
Rollback Taxes	(296)	-	-	-	(296)	-
Total Real Estate, Personal Property, Supplemental and Rollback Taxes	\$ 237,467	\$ 10,441,759	\$ 274,469	\$ 10,279,080	\$ 125,677	\$ 126,448

TOWN OF DUDLEY, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE EXCISE AND BOAT EXCISE TAXES
JULY 1, 2014 TO JUNE 30, 2015

	Uncollected Taxes July 1, 2014	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2015	Uncollected Taxes Per Detail June 30, 2015
Motor Vehicle Excise Taxes:						
Lewy of 2015	\$ -	\$ 1,257,043	\$ 35,561	\$ 1,131,452	\$ 90,030	\$ 90,030
Lewy of 2014	76,074	143,008	25,481	162,692	30,909	30,932
Lewy of 2013	24,655	-	12,643	686	11,326	11,326
Lewy of 2012	9,863	-	10,093	(6,774)	6,544	6,544
Lewy of 2011	7,418	-	7,880	(6,280)	5,818	5,818
Prior Years	29,349	-	3,914	(2,407)	27,842	27,842
	<u>147,359</u>	<u>1,400,051</u>	<u>95,572</u>	<u>1,279,369</u>	<u>172,469</u>	<u>172,492</u>

Boat Excise Taxes:

Lewy of 2014	-	3,681	145	3,000	536	536
Lewy of 2013	401	-	-	78	323	323
Lewy of 2012	311	-	-	15	296	336
Lewy of 2011	339	-	-	53	286	286
Lewy of 2010	170	-	-	-	170	170
Prior Years	110	-	-	-	110	110
	<u>1,331</u>	<u>3,681</u>	<u>145</u>	<u>3,146</u>	<u>1,721</u>	<u>1,761</u>

**Total Motor Vehicle Excise
and Boat Excise Taxes**

\$ 148,690	\$ 1,403,732	\$ 95,717	\$ 1,282,515	\$ 174,190	\$ 174,253
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TOWN OF DUDLEY, MASSACHUSETTS
 SCHEDULE OF TAX LIENS
 JULY 1, 2014 TO JUNE 30, 2015

	Uncollected Accounts July 1, 2014	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2015	Uncollected Accounts Per Detail June 30, 2015
Tax Liens	\$ 144,102	\$ 226,265	\$ 877	\$ 150,528	\$ 218,962	\$ 219,739