

**TOWN OF DUDLEY, MASSACHUSETTS**

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

**For the Year Ended June 30, 2020**

**TOWN OF DUDLEY, MASSACHUSETTS**  
**Report on the Examination of Basic Financial Statements**  
**For the Year Ended June 30, 2020**

**TABLE OF CONTENTS**

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

## **Independent Auditor's Report**

To the Honorable Board of Selectmen  
Town of Dudley, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Dudley, Massachusetts, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Dudley, Massachusetts' basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Dudley, Massachusetts, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

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

## *Scanlon and Associates, LLC*

Scanlon & Associates, LLC  
South Deerfield, Massachusetts

January 11, 2021

## **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, 2020. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Town's financial performance.

### Financial Highlights

- The Town's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources by \$3,355,062 (net position) for the fiscal year reported. This compares to the previous year when liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources by \$2,662,263, or a decrease of \$692,799 (26%) over last fiscal year's total net position.
- At the close of the current fiscal year, the Town's governmental funds reported total ending fund balance of \$2,960,588, a decrease of \$1,249,575 (30%) in comparison with prior year.
- The General Fund's total fund balance increased \$212,120 (19%) to \$1,316,143. The ending fund balance is 7% of revenues and transfers in and 7% of expenditures and transfers out.
- Total liabilities of the Town increased by \$2,218,270 (6%) to \$40,071,922 during the fiscal year. The major components of this increase are due to net increases in notes payable of \$950,000 and in the OPEB liability of \$2,905,933; and a net decrease in bonds payable of \$935,000.
- The Town had free cash certified by the Department of Revenue in the amount of \$640,789. The key factors that attributed to the free cash amount for fiscal year 2020 were unexpended/unencumbered appropriations of \$737,700 and excess over budget other financing sources of \$173,800.

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

➤ Sewer Fund	\$ 356,191.
➤ Water Fund	\$ 714,599.

### Overview of the Financial Statements

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

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

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

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

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

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

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

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

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

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## Financial Highlights

### Statement of Net Position Highlights

	Governmental Activities		
	2020	2019	Change
<b>Assets:</b>			
Current assets	\$ 5,847,640	\$ 7,146,236	\$ (1,298,596)
Capital assets	21,240,799	20,529,755	711,044
<b>Total assets</b>	<b>27,088,439</b>	<b>27,675,991</b>	<b>(587,552)</b>
<b>Deferred Outflows of Resources</b>	<b>3,212,214</b>	<b>1,943,734</b>	<b>1,268,480</b>
<b>Liabilities:</b>			
Current liabilities (excluding debt)	573,015	955,536	(382,521)
Current debt	1,650,000	1,725,000	(75,000)
Noncurrent liabilities (excluding debt)	27,137,232	24,854,797	2,282,435
Noncurrent debt	6,200,000	6,900,000	(700,000)
<b>Total liabilities</b>	<b>35,560,247</b>	<b>34,435,333</b>	<b>1,124,914</b>
<b>Deferred Inflows of Resources</b>	<b>2,035,995</b>	<b>1,962,767</b>	<b>73,228</b>
<b>Net Position:</b>			
Net investment in capital assets	13,390,799	11,904,755	1,486,044
Restricted	3,109,989	4,278,625	(1,168,636)
Unrestricted	(23,796,377)	(22,961,755)	(834,622)
<b>Total net position</b>	<b>\$ (7,295,589)</b>	<b>\$ (6,778,375)</b>	<b>\$ (517,214)</b>

	Business-Type Activities		
	2020	2019	Change
<b>Assets:</b>			
Current assets	\$ 2,571,955	\$ 1,977,121	\$ 594,834
Capital assets	5,780,996	5,555,784	225,212
<b>Total assets</b>	<b>8,352,951</b>	<b>7,532,905</b>	<b>820,046</b>
<b>Deferred Outflows of Resources</b>	<b>366,030</b>	<b>219,782</b>	<b>146,248</b>
<b>Liabilities:</b>			
Current liabilities (excluding debt)	60,824	35,696	25,128
Current debt	1,155,000	235,000	920,000
Noncurrent liabilities (excluding debt)	3,035,851	2,757,623	278,228
Noncurrent debt	260,000	390,000	(130,000)
<b>Total liabilities</b>	<b>4,511,675</b>	<b>3,418,319</b>	<b>1,093,356</b>
<b>Deferred Inflows of Resources</b>	<b>266,779</b>	<b>218,256</b>	<b>48,523</b>
<b>Net Position:</b>			
Net investment in capital assets	4,365,996	4,930,784	(564,788)
Restricted	1,156,702	81,143	1,075,559
Unrestricted	(1,582,171)	(895,815)	(686,356)
<b>Total net position</b>	<b>\$ 3,940,527</b>	<b>\$ 4,116,112</b>	<b>\$ (175,585)</b>

## Financial Highlights

### Statement of Activities Highlights

	Governmental Activities		
	2020	2019	Change
<b>Program Revenues:</b>			
Charges for services	\$ 1,654,984	\$ 1,634,995	\$ 19,989
Operating grants and contributions	769,041	537,369	231,672
Capital grants and contributions	473,746	784,773	(311,027)
<b>General Revenues:</b>			
Property taxes	13,685,255	13,724,500	(39,245)
Motor vehicle and other excise taxes	1,601,499	1,684,254	(82,755)
Penalties and interest on taxes	106,003	130,592	(24,589)
Nonrestricted grants	1,940,756	1,961,058	(20,302)
Unrestricted investment income	44,781	132,007	(87,226)
Miscellaneous	1,661	5,951	(4,290)
<b>Total revenues</b>	<b>20,277,726</b>	<b>20,595,499</b>	<b>(317,773)</b>
<b>Expenses:</b>			
General government	2,156,042	1,964,260	191,782
Public safety	3,292,956	3,486,606	(193,650)
Public works	1,489,839	1,539,527	(49,688)
Education	9,711,750	10,238,627	(526,877)
Health and human services	266,369	249,329	17,040
Culture and recreation	606,479	626,057	(19,578)
Employee benefits and insurance	3,031,382	2,729,301	302,081
State assessments	28,344	25,807	2,537
Interest	288,166	315,103	(26,937)
<b>Total expenses</b>	<b>20,871,327</b>	<b>21,174,617</b>	<b>(303,290)</b>
<b>Contributions to Permanent Funds</b>	<b>3,500</b>	<b>4,400</b>	<b>(900)</b>
<b>Net Transfers</b>	<b>72,887</b>	<b>3,100</b>	<b>69,787</b>
<b>Change in net position</b>	<b>(517,214)</b>	<b>(571,618)</b>	<b>54,404</b>
<b>Net position - beginning of year</b>	<b>(6,778,375)</b>	<b>(6,206,757)</b>	<b>(571,618)</b>
<b>Net position - end of year</b>	<b>\$ (7,295,589)</b>	<b>\$ (6,778,375)</b>	<b>\$ (517,214)</b>

	<b>Business-Type Activities</b>		
	<b>2020</b>	<b>2019</b>	<b>Change</b>
<b>Program Revenues:</b>			
Charges for services	\$ 2,144,066	\$ 1,960,171	\$ 183,895
Operating grants and contributions	29,551	39,360	(9,809)
<b>Total revenues</b>	<b>2,173,617</b>	<b>1,999,531</b>	<b>174,086</b>
<b>Expenses:</b>			
Sewer	1,491,295	1,249,790	241,505
Water	785,020	964,100	(179,080)
<b>Total expenses</b>	<b>2,276,315</b>	<b>2,213,890</b>	<b>62,425</b>
<b>Transfers</b>	<b>(72,887)</b>	<b>(3,100)</b>	<b>(69,787)</b>
<b>Change in net position</b>	<b>(175,585)</b>	<b>(217,459)</b>	<b>41,874</b>
<b>Net position - beginning of year</b>	<b>4,116,112</b>	<b>4,333,571</b>	<b>(217,459)</b>
<b>Net position - end of year</b>	<b>\$ 3,940,527</b>	<b>\$ 4,116,112</b>	<b>\$ (175,585)</b>

#### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$3,355,062 at the close of fiscal year 2020.

Net position of \$17,756,795 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, \$4,266,691 represents resources that are subject to external restrictions on how they may be used. The remaining balance consists of *unrestricted net position* (\$25,378,548).

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

The governmental activities net position decreased by \$517,214 (8%) during the current fiscal year. The key elements of the decrease in net position for fiscal year 2020 is attributed to the acquisition of \$1,997,292 in new capital assets exceeding the depreciation expense (cost spread out over the useful life of the asset) for the year of \$1,286,248, and increases in the repayment of debt \$700,000 and change in the pension liability of \$1,856,980; and net decreases from the changes in governmental funds of \$1,249,575 and in this year's OPEB liability of \$2,359,476.

There was a decrease of \$175,585 (4%) in net position reported in connection with the business-type activities. Of this, there was a decrease of \$390,696 attributed to the sewer department and an increase of \$215,111 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 \$2,960,588, a decrease of \$1,249,575 (30%) in comparison with the prior year.

The breakdown of the governmental funds is as follows:

- Nonspendable fund balance – \$52,550 (2%).
- Restricted fund balance – \$2,523,985 (85%).
- Committed fund balance – \$96,287 (3%).
- Assigned fund balance – \$162,205 (6%).
- Unassigned fund balance – \$125,561 (4%).

At the end of the fiscal year, the General Fund reported a fund balance of \$1,316,143 increasing \$212,120 (19%) from the prior year. Of the \$1,316,143, the unassigned amount is \$1,153,938 (88%) and the assigned amount is \$162,205 (12%). General fund revenues were \$130,860 (1%) less than the prior fiscal year and expenditures also decreased by \$434,369 (2%). Other activities in the General fund are net transfers to other funds of \$46,573.

The main components of the increase in general fund revenues was related to the increases in licenses, permits and fees of \$137,881 (37%) and decreases in property taxes in the amount of \$161,287 (1%), in excise and other taxes of \$77,830 (5%) and in interest on investments of \$87,226 (66%) from the prior year.

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

- Decrease in Education expenditures of \$526,877 (5%).
- Increase in Principal and Interest on debt service expenditures of \$143,653 (13%).

The *Dudley Municipal Center Roof Fund* is a capital projects fund used to account for the accumulation of resources for the building of a new roof for the facility. The fund has a deficit balance of \$450,000. The Town has an outstanding bond anticipation note for \$450,000 which is not reflected in the fund balance.

The *Pearle L. Crawford Memorial Library Endowment Fund* is used to account for the accumulation of resources to of the public library. The fund has a balance of \$1,429,441 at the end of the fiscal year and shows a decrease of \$65,273 (4%) attributed to the revenues.

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

The *Sewer Fund* is the financing and operations of the Town's sewer system. The sewer fund has accumulated a balance of \$1,200,405 and shows a decrease of \$390,696 (25%) in total operations. This change was mainly attributed to operating costs exceeding operating revenues by \$427,933, interest and special assessments income of \$6,893, interest expense of \$2,800 and net transfers from governmental funds of \$33,144. Operating revenues increased by \$65,389 (7%) and operating expenses also increased by \$245,615 (20%) from the prior year.

The *Water Fund* is the financing and operations of the Town's water system. The water fund has accumulated a balance of \$2,740,122 and shows an increase of \$215,111 (9%) in total operations. This change resulted from operating revenues exceeding operating costs by \$307,542, interest and intergovernmental income of \$22,899, interest expense of \$9,299 and net transfers to governmental funds of \$106,031. Operating revenues increased by \$119,422 (12%) while operating expenses decreased by \$174,802 (18%) from the prior year.

### **General Fund Budgetary Highlights**

The final general fund budget for fiscal year 2020 was \$19,353,547. This was an increase of \$52,284 (.3%) over the previous year's budget.

There was an increase of \$279,922 between the original budget and the final amended budget. This change is attributed to votes at the special town meeting in October 2019 and the annual town meeting in June 2020 for various budget operating line items.

General fund expenditures were less than budgeted by \$828,166. Of the \$828,166 in under budget expenditures \$90,429 has been carried over to fiscal year 2021.

There were negative variances in property taxes of \$95,978, in intergovernmental receipts of \$15,708, in excise and other taxes of \$177,439, in interest on delinquent taxes of \$9,997 and in investment income of \$58,012 as expectations (budget) were higher than the receipts.

A negative variance exists in State assessments of \$160 as the Town had lower assessments in the Registry of Motor Vehicle non-renewal surcharge than was withheld by the State.

The variance with the final budget was a positive \$521,209 consisting of a revenue deficit of \$216,528 and an appropriation surplus of \$737,737.

### **Capital Asset and Debt Administration**

**Capital Assets.** The Town's investment in capital assets for its governmental and business-type activities amounts to \$21,240,799 and \$5,780,996, respectively.

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

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

- Accounting equipment for \$21,700.
- Police vehicle purchase for \$49,878.
- Fire Department building construction for \$1,552,851.
- Highway vehicle purchase for \$225,000.
- Highway LED street light system for \$39,850.
- Highway road improvements for \$88,810.
- Rail Trail improvements for \$19,203.

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

In the sewer fund:

- Infrastructure projects for \$48,833.

In the water fund:

- Infrastructure projects for \$416,140.

**Debt Administration.** The Town's outstanding governmental long-term debt, as of June 30, 2020, totaled \$6,900,000, of which \$1,140,000 is for building renovation projects and \$5,760,000 is for the new fire station improvements.

The governmental activities currently have outstanding bond anticipation notes for \$950,000 for various vehicle, equipment and building projects.

The business-type funds have \$390,000 in long-term debt for water projects.

The business-type activities currently have outstanding bond anticipation notes for \$1,025,000. Of this, \$125,000 is for sewer projects and \$900,000 for water projects.

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

### **Next Year's Annual Town Meeting**

The Town of Dudley operates under the "Open Meeting" concept where each voter has an equal vote in adopting of Town budgets and appropriations. The financial statements for June 30, 2020 do not reflect the fiscal year 2021 Town Meeting action with the exception of the fund balance free cash amount. The Annual Town Meeting on June 22, 2020 authorized a fiscal year 2021 operating and capital budget as follows:

From the tax levy	\$	18,687,675
From sewer receipts		1,041,105
From water receipts		1,106,558
From Other Available Funds:		
<b>General Fund:</b>		
Unassigned fund balance:		
Free cash		71,776
		<hr/>
	\$	20,907,114
		<hr/>

### **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 01571.

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF DUDLEY, MASSACHUSETTS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and Investments	\$ 2,709,485	\$ 2,307,893	\$ 5,017,378
Investments in Custody of Trustees	1,429,441	-	1,429,441
Receivables, net of allowance for uncollectibles:			
Property Taxes	146,414	-	146,414
Tax Liens	399,523	31,867	431,390
Excise Taxes	164,767	-	164,767
User Charges	-	205,509	205,509
Other	-	26,415	26,415
Departmental	192,136	-	192,136
Special Assessments	950	271	1,221
Due from Other Governments	804,924	-	804,924
Total current assets	<u>5,847,640</u>	<u>2,571,955</u>	<u>8,419,595</u>
<b>NONCURRENT:</b>			
Capital Assets, net of accumulated Depreciation			
Nondepreciable	7,772,626	519,826	8,292,452
Depreciable	13,468,173	5,261,170	18,729,343
Total noncurrent assets	<u>21,240,799</u>	<u>5,780,996</u>	<u>27,021,795</u>
<b>Total Assets</b>	<u>27,088,439</u>	<u>8,352,951</u>	<u>35,441,390</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows Related to Pensions	683,817	63,710	747,527
Deferred Outflows Related to OPEB	2,528,397	302,320	2,830,717
<b>Total Deferred Outflows of Resources</b>	<u>3,212,214</u>	<u>366,030</u>	<u>3,578,244</u>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants Payable	201,533	45,943	247,476
Accrued Payroll	119,878	12,406	132,284
Payroll Withholdings	95,676	-	95,676
Tax Refund Payable	45,100	-	45,100
Accrued Interest	26,499	1,625	28,124
Deposits	-	850	850
Other	29,160	-	29,160
Compensated Absences	55,169	-	55,169
Notes Payable	950,000	1,025,000	1,975,000
Bonds Payable	700,000	130,000	830,000
Total current liabilities	<u>2,223,015</u>	<u>1,215,824</u>	<u>3,438,839</u>
<b>NONCURRENT:</b>			
Compensated Absences	220,678	9,207	229,885
Net OPEB Liability	15,292,669	1,943,672	17,236,341
Net Pension Liability	11,623,885	1,082,972	12,706,857
Bonds Payable	6,200,000	260,000	6,460,000
Total noncurrent liabilities	<u>33,337,232</u>	<u>3,295,851</u>	<u>36,633,083</u>
<b>Total Liabilities</b>	<u>35,560,247</u>	<u>4,511,675</u>	<u>40,071,922</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows Related to Pensions	899,065	83,764	982,829
Deferred Inflows Related to OPEB	1,136,930	183,015	1,319,945
<b>Total Deferred Inflows of Resources</b>	<u>2,035,995</u>	<u>266,779</u>	<u>2,302,774</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	13,390,799	4,365,996	17,756,795
Restricted for:			
Capital Projects	19,680	1,156,702	1,176,382
Federal & State Grants	1,213,995	-	1,213,995
Permanent Funds:			
Nonexpendable	52,550	-	52,550
Expendable	35,211	-	35,211
Other Purposes	1,788,553	-	1,788,553
Unrestricted	(23,796,377)	(1,582,171)	(25,378,548)
<b>Total Net Position</b>	<u>\$ (7,295,589)</u>	<u>\$ 3,940,527</u>	<u>\$ (3,355,062)</u>

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

**TOWN OF DUDLEY, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Program Revenues</u>				<u>Net (Expenses) Revenues and Changes in Net Position</u>		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General Government	\$ 2,156,042	\$ 355,154	\$ 423,509	\$ -	\$ (1,377,379)	\$ -	\$ (1,377,379)
Public Safety	3,292,956	1,054,270	169,936		(2,068,750)	-	(2,068,750)
Public Works	1,489,839	191,691	2,076	473,746	(822,326)	-	(822,326)
Education	9,711,750	-	-		(9,711,750)	-	(9,711,750)
Health and Human Services	266,369	47,607	183,646		(35,116)	-	(35,116)
Culture and Recreation	606,479	6,262	(20,378)		(620,595)	-	(620,595)
Employee Benefits and Insurance	3,031,382	-	10,252		(3,021,130)	-	(3,021,130)
State Assessments	28,344	-	-		(28,344)	-	(28,344)
Interest	288,166	-	-		(288,166)	-	(288,166)
<b>Total Governmental Activities</b>	<b>20,871,327</b>	<b>1,654,984</b>	<b>769,041</b>	<b>473,746</b>	<b>(17,973,556)</b>	<b>-</b>	<b>(17,973,556)</b>
<b>Business-Type Activities:</b>							
Sewer	1,491,295	1,060,803	6,652	-	-	(423,840)	(423,840)
Water	785,020	1,083,263	22,899	-	-	321,142	321,142
<b>Total Primary Government</b>	<b>\$ 23,147,642</b>	<b>\$ 3,799,050</b>	<b>\$ 798,592</b>	<b>\$ 473,746</b>	<b>(17,973,556)</b>	<b>(102,698)</b>	<b>(18,076,254)</b>
<b>General Revenues:</b>							
Property Taxes					13,685,255	-	13,685,255
Motor vehicle excise and other taxes					1,601,499	-	1,601,499
Penalties & Interest on Taxes					106,003	-	106,003
Grants & Contributions not restricted to specific programs					1,940,756	-	1,940,756
Unrestricted Investment Income					44,781	-	44,781
Miscellaneous					1,661	-	1,661
<b>Contributions to Permanent Funds</b>					3,500	-	3,500
<b>Transfers, net</b>					72,887	(72,887)	-
<b>Total General Revenues and Transfers</b>					<b>17,456,342</b>	<b>(72,887)</b>	<b>17,383,455</b>
<b>Change in Net Position</b>					<b>(517,214)</b>	<b>(175,585)</b>	<b>(692,799)</b>
<b>Net Position:</b>							
Beginning of year					(6,778,375)	4,116,112	(2,662,263)
End of year					<b>\$ (7,295,589)</b>	<b>\$ 3,940,527</b>	<b>\$ (3,355,062)</b>

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

**TOWN OF DUDLEY, MASSACHUSETTS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2020**

	General Fund	Dudley Municipal Center Roof Fund	Pearle L. Crawford Memorial Library Endowment Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Cash and investments	\$ 1,694,509	\$ -	\$ -	\$ 1,014,976	\$ 2,709,485
Investment in Custody of Others	-	-	1,429,441	-	1,429,441
Receivables, net of allowance for uncollectibles:					
Property Taxes	146,414	-	-	-	146,414
Tax Liens	399,523	-	-	-	399,523
Excise Taxes	164,767	-	-	-	164,767
Special Assessments	-	-	-	950	950
Departmental	179,507	-	-	12,629	192,136
Due from Other Governments	119,140	-	-	685,784	804,924
<b>Total Assets</b>	<b>\$ 2,703,860</b>	<b>\$ -</b>	<b>\$ 1,429,441</b>	<b>\$ 1,714,339</b>	<b>\$ 5,847,640</b>
<b>Liabilities:</b>					
Warrants Payable	\$ 185,652	-	-	\$ 15,881	\$ 201,533
Accrued Payroll	119,878	-	-	-	119,878
Payroll Withholdings	95,676	-	-	-	95,676
Tax Refund Payable	45,100	-	-	-	45,100
Other	29,160	-	-	-	29,160
Notes Payable	-	450,000	-	500,000	950,000
<b>Total Liabilities</b>	<b>475,466</b>	<b>450,000</b>	<b>-</b>	<b>515,881</b>	<b>1,441,347</b>
<b>Deferred Inflows of Resources - Unavailable Revenue</b>	<b>912,251</b>	<b>-</b>	<b>-</b>	<b>533,454</b>	<b>1,445,705</b>
<b>Fund Balance:</b>					
Nonspendable	-	-	-	52,550	52,550
Restricted	-	-	1,429,441	1,094,544	2,523,985
Committed	-	-	-	96,287	96,287
Assigned	162,205	-	-	-	162,205
Unassigned	1,153,938	(450,000)	-	(578,377)	125,561
<b>Total Fund Balance</b>	<b>1,316,143</b>	<b>(450,000)</b>	<b>1,429,441</b>	<b>665,004</b>	<b>2,960,588</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 2,703,860</b>	<b>\$ -</b>	<b>\$ 1,429,441</b>	<b>\$ 1,714,339</b>	<b>\$ 5,847,640</b>

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, 2020**

	General Fund	Dudley Municipal Center Roof Fund	Pearle L. Crawford Memorial Library Endowment Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Property Taxes	\$ 13,566,092	\$ -	\$ -	\$ -	\$ 13,566,092
Intergovernmental	2,076,884	-	-	710,158	2,787,042
Excise and Other Taxes	1,594,131	-	-	-	1,594,131
Charges for Services	792,924	-	-	401,907	1,194,831
Licenses, Permits, Fees	510,113	-	-	-	510,113
Interest on Delinquent Taxes	106,003	-	-	-	106,003
Investment Income	44,781	-	(65,273)	10,138	(10,354)
Gifts and Donations	-	-	-	34,095	34,095
Other	-	-	-	88,959	88,959
<b>Total Revenues</b>	<b>18,690,928</b>	<b>-</b>	<b>(65,273)</b>	<b>1,245,257</b>	<b>19,870,912</b>
<b>Expenditures:</b>					
Current:					
General Government	1,418,647	-	-	461,404	1,880,051
Public Safety	2,655,713	-	-	1,961,587	4,617,300
Public Works	990,162	-	-	401,958	1,392,120
Education	9,711,750	-	-	-	9,711,750
Health and Human Services	217,581	-	-	42,456	260,037
Culture and Recreation	301,839	-	-	50,798	352,637
Employee Benefits and Insurance	1,910,877	-	-	49,790	1,960,667
State Assessments	28,344	-	-	-	28,344
Debt Service:					
Principal	1,000,000	-	-	-	1,000,000
Interest	290,468	-	-	-	290,468
<b>Total Expenditures</b>	<b>18,525,381</b>	<b>-</b>	<b>-</b>	<b>2,967,993</b>	<b>21,493,374</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>165,547</b>	<b>-</b>	<b>(65,273)</b>	<b>(1,722,736)</b>	<b>(1,622,462)</b>
<b>Other Financing Sources (Uses):</b>					
Operating Transfers In	278,419	-	-	94,844	373,263
Operating Transfers Out	(231,846)	-	-	(68,530)	(300,376)
Proceeds from Issuance of Bonds	-	-	-	300,000	300,000
<b>Total Other Financing Sources (Uses)</b>	<b>46,573</b>	<b>-</b>	<b>-</b>	<b>326,314</b>	<b>372,887</b>
<b>Net Change in Fund Balances</b>	<b>212,120</b>	<b>-</b>	<b>(65,273)</b>	<b>(1,396,422)</b>	<b>(1,249,575)</b>
<b>Fund Balances, Beginning of Year</b>	<b>1,104,023</b>	<b>(450,000)</b>	<b>1,494,714</b>	<b>2,061,426</b>	<b>4,210,163</b>
<b>Fund Balances, End of Year</b>	<b>\$ 1,316,143</b>	<b>\$ (450,000)</b>	<b>\$ 1,429,441</b>	<b>\$ 665,004</b>	<b>\$ 2,960,588</b>

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, 2020**

<b>Total Governmental Fund Balances</b>		\$	2,960,588
Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds.			21,240,799
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.			1,445,705
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. in governmental funds, these amounts are not deferred.			1,176,219
Long Term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:			
Bonds Payable	\$	(6,900,000)	
Net OPEB Liability		(15,292,669)	
Net Pension Liability		(11,623,885)	
Compensated Absences		<u>(275,847)</u>	(34,092,401)
In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, interest is not reported until due.			<u>(26,499)</u>
<b>Net Position of Governmental Activities</b>		<b>\$</b>	<b><u><u>(7,295,589)</u></u></b>

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, 2020**

**Net Change in Fund Balances - Total Governmental Funds** \$ (1,249,575)

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	\$ 1,997,292	
Depreciation	(1,286,248)	711,044

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. 410,314

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 Issuance of Bonds and Notes	(300,000)	
Repayment of Debt Principal	1,000,000	700,000

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	(20,584)	
Net Change in Net OPEB Liability	(2,359,476)	
Net Change in Deferred Outflow/(Inflow) of Resources Related to OPEB	1,856,980	
Net Change in Deferred Outflow/(Inflow) of Resources Related to Pensions	(661,728)	
Net Change in Net Pension Liability	93,509	
Net Change in Accrued Interest on Long-Term Debt	2,302	(1,088,997)

**Change in Net Position of Governmental Activities** \$ (517,214)

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, 2020**

	Budgeted Amounts			Actual		Variance with Final Budget Positive (Negative)
	Amounts Carried Forward from Prior Year	Original Budget	Final Budget	Budgetary Basis	Amounts Carried Forward to Next Year	
<b>Revenues:</b>						
Property Taxes	\$ -	\$ 13,661,270	\$ 13,661,270	\$ 13,565,292	\$ -	\$ (95,978)
Intergovernmental	-	2,092,592	2,092,592	2,076,884	-	(15,708)
Excise and Other Taxes	-	1,771,570	1,771,570	1,594,131	-	(177,439)
Charges for Services	-	711,692	711,692	792,924	-	81,232
Licenses, Permits, Fees	-	450,739	450,739	510,113	-	59,374
Interest on Delinquent Taxes	-	116,000	116,000	106,003	-	(9,997)
Investment Income	-	91,710	91,710	33,698	-	(58,012)
<b>Total Revenues</b>	-	18,895,573	18,895,573	18,679,045	-	(216,528)
<b>Expenditures:</b>						
Current:						
General Government	90,038	1,653,524	1,776,558	1,418,647	77,243	280,668
Public Safety	3,186	2,623,007	2,748,412	2,655,713	3,186	89,513
Public Works	4,090	1,089,746	1,142,027	990,162	-	151,865
Education	-	9,725,746	9,711,750	9,711,750	-	-
Health and Human Services	600	241,878	226,292	217,581	-	8,711
Culture and Recreation	9,837	338,957	335,075	301,839	10,000	23,236
Employee Benefits and Insurance	-	1,939,966	2,010,383	1,910,877	-	99,506
State Assessments	-	28,184	28,184	28,344	-	(160)
Debt Service:						
Principal	-	1,000,600	1,050,600	1,000,000	-	50,600
Interest	-	324,266	324,266	290,468	-	33,798
<b>Total Expenditures</b>	107,751	18,965,874	19,353,547	18,525,381	90,429	737,737
<b>Excess of Revenues Over (Under) Expenditures</b>	(107,751)	(70,301)	(457,974)	153,664	(90,429)	521,209
<b>Other Financing Sources (Uses):</b>						
Operating Transfers In	-	182,727	289,716	461,146	-	171,430
Operating Transfers Out	-	(143,166)	(484,210)	(481,846)	-	2,364
<b>Total Other Financing Sources (Uses)</b>	-	39,561	(194,494)	(20,700)	-	173,794
<b>Net Change in Budgetary Fund Balance</b>	(107,751)	(30,740)	(652,468)	\$ 132,964	\$ (90,429)	\$ 695,003
<b>Other Budgetary Items:</b>						
Free Cash and Other Reserves	-	30,740	544,717			
Prior Year Encumbrances	107,751	-	107,751			
<b>Total Other Budgetary Items</b>	107,751	30,740	652,468			
<b>NET BUDGET</b>	\$ -	\$ -	\$ -			

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, 2020**

	<b>Revenues</b>	<b>Expenditures</b>
<b>Reported on a Budgetary Basis</b>	\$ 18,679,045	\$ 18,525,381
<u>Adjustments:</u>		
Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes	11,083	-
Net Increase in Revenue from Recording 60-Day Receipts	12,500	-
Net Decrease in Revenue from Recording Refund Taxes Payable	(11,700)	-
<b>Reported on a GAAP Basis</b>	\$ 18,690,928	\$ 18,525,381

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

**TOWN OF DUDLEY, MASSACHUSETTS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2020**

	<b>Business-Type Activities Enterprise Funds</b>		
	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Total</b>
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and Investments	\$ 544,437	\$ 1,763,456	\$ 2,307,893
Receivables, net of allowance for uncollectibles:			
User Charges	105,115	100,394	205,509
Tax Liens	21,174	10,693	31,867
Other	26,415	-	26,415
Special Assessments	271	-	271
Total current assets	<u>697,412</u>	<u>1,874,543</u>	<u>2,571,955</u>
<b>NONCURRENT:</b>			
Capital Assets, net of accumulated depreciation			
Nondepreciable	70,918	448,908	519,826
Depreciable	2,179,325	3,081,845	5,261,170
Total noncurrent assets	<u>2,250,243</u>	<u>3,530,753</u>	<u>5,780,996</u>
<b>Total Assets</b>	<u>2,947,655</u>	<u>5,405,296</u>	<u>8,352,951</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows Related to Pensions	34,740	28,970	63,710
Deferred Outflows Related to OPEB	165,252	137,068	302,320
<b>Total Deferred Outflows of Resources</b>	<u>199,992</u>	<u>166,038</u>	<u>366,030</u>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants Payable	402	45,541	45,943
Accrued Payroll	4,970	7,436	12,406
Accrued Interest	-	1,625	1,625
Deposits	850	-	850
Notes Payable	125,000	900,000	1,025,000
Bonds Payable	-	130,000	130,000
Total current liabilities	<u>131,222</u>	<u>1,084,602</u>	<u>1,215,824</u>
<b>NONCURRENT:</b>			
Compensated Absences	538	8,669	9,207
Net OPEB Liability	1,080,604	863,068	1,943,672
Net Pension Liability	590,529	492,443	1,082,972
Bonds Payable	-	260,000	260,000
Total noncurrent liabilities	<u>1,671,671</u>	<u>1,624,180</u>	<u>3,295,851</u>
<b>Total Liabilities</b>	<u>1,802,893</u>	<u>2,708,782</u>	<u>4,511,675</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows Related to Pensions	45,675	38,089	83,764
Deferred Inflows Related to OPEB	98,674	84,341	183,015
<b>Total Deferred Inflows of Resources</b>	<u>144,349</u>	<u>122,430</u>	<u>266,779</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	2,125,243	2,240,753	4,365,996
Restricted for Capital Projects	182,531	974,171	1,156,702
Unrestricted	(1,107,369)	(474,802)	(1,582,171)
<b>Total Net Position</b>	<u>\$ 1,200,405</u>	<u>\$ 2,740,122</u>	<u>\$ 3,940,527</u>

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

**TOWN OF DUDLEY, MASSACHUSETTS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

	<b>Business-Type Activities Enterprise Funds</b>		
	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Total</b>
<b>Operating Revenues:</b>			
Charges for Services	\$ 1,060,562	\$ 1,083,263	\$ 2,143,825
<b>Total Operating Revenues</b>	<u>1,060,562</u>	<u>1,083,263</u>	<u>2,143,825</u>
<b>Operating Expenses:</b>			
Salaries & Wages	163,838	256,630	420,468
Operating Expenses	1,216,201	387,786	1,603,987
Depreciation	108,456	131,305	239,761
<b>Total Operating Expenses</b>	<u>1,488,495</u>	<u>775,721</u>	<u>2,264,216</u>
<b>Operating Income (Loss)</b>	<u>(427,933)</u>	<u>307,542</u>	<u>(120,391)</u>
<b>Non-Operating Revenues (Expenses):</b>			
Investment Income	6,652	9,560	16,212
Special Assessments	241	-	241
Intergovernmental	-	13,339	13,339
Interest Expense	(2,800)	(9,299)	(12,099)
<b>Total Non-Operating Revenues (Expenses)</b>	<u>4,093</u>	<u>13,600</u>	<u>17,693</u>
<b>Income (Loss) Before Operating Transfers</b>	<u>(423,840)</u>	<u>321,142</u>	<u>(102,698)</u>
<b>Operating Transfers:</b>			
Transfers In	137,002	-	137,002
Transfers Out	(103,858)	(106,031)	(209,889)
<b>Total Operating Transfers</b>	<u>33,144</u>	<u>(106,031)</u>	<u>(72,887)</u>
<b>Change in Net Position</b>	<u>(390,696)</u>	<u>215,111</u>	<u>(175,585)</u>
<b>Net Position at Beginning of Year</b>	<u>1,591,101</u>	<u>2,525,011</u>	<u>4,116,112</u>
<b>Net Position at End of Year</b>	<u>\$ 1,200,405</u>	<u>\$ 2,740,122</u>	<u>\$ 3,940,527</u>

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, 2020**

	<b>Business-Type Activities Enterprise Funds</b>		
	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Total</b>
<b>Cash Flows From Operating Activities:</b>			
Receipts from Customers and Users	\$ 1,048,718	\$ 1,060,497	\$ 2,109,215
Payments to Vendors	(923,434)	(483,096)	(1,406,530)
Payments to Employees	(164,324)	(245,837)	(410,161)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>(39,040)</b>	<b>331,564</b>	<b>292,524</b>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Transfers from (to) Other Funds	33,144	(106,031)	(72,887)
<b>Net Cash Provided by (Used for) Noncapital Financing Activities</b>	<b>33,144</b>	<b>(106,031)</b>	<b>(72,887)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Intergovernmental Revenues	-	13,339	13,339
Special Assessments	8,960	-	8,960
Other	-	-	-
Acquisition and Construction of Capital Assets	(48,833)	(416,140)	(464,973)
Proceeds from Bonds and Notes	125,000	900,000	1,025,000
Principal Payments on Bonds and Notes	(60,000)	(175,000)	(235,000)
Interest Expense	(3,360)	(10,872)	(14,232)
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>21,767</b>	<b>311,327</b>	<b>333,094</b>
<b>Cash Flows from Investing Activities:</b>			
Proceeds/(Purchase) of Investments	133,110	(245,013)	(111,903)
Investment Income	6,652	9,560	16,212
<b>Net Cash Provided by (Used for) Investing Activities</b>	<b>139,762</b>	<b>(235,453)</b>	<b>(95,691)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>155,633</b>	<b>301,407</b>	<b>457,040</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>(86,902)</b>	<b>337,741</b>	<b>250,839</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 68,731</b>	<b>\$ 639,148</b>	<b>\$ 707,879</b>

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

<b>Operating Income (Loss)</b>	\$ (427,933)	\$ 307,542	\$ (120,391)
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>			
Depreciation	108,456	131,305	239,761
Deferred (Outflows)/Inflows of Resources Related to Pensions	38,228	33,643	71,871
Deferred (Outflows)/Inflows of Resources Related to OPEB	(88,242)	(81,354)	(169,596)
Change in Assets and Liabilities:			
Increase (Decrease) in Warrants Payable	(10,196)	35,819	25,623
Increase (Decrease) in Accrued Payroll	(1,024)	2,662	1,638
Increase (Decrease) in Compensated Absences	538	8,131	8,669
Increase (Decrease) in OPEB Obligation Payable	478,727	67,730	546,457
Increase (Decrease) in Net Pension Liability	(125,750)	(151,148)	(276,898)
Decrease (Increase) in User Charges Receivable	(11,844)	(22,766)	(34,610)
<b>Total Adjustments</b>	<b>388,893</b>	<b>24,022</b>	<b>412,915</b>
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>\$ (39,040)</b>	<b>\$ 331,564</b>	<b>\$ 292,524</b>

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, 2020**

	Other	
	Post Employment Benefit Trust Fund	Agency Funds
<b>ASSETS</b>		
Cash and Investments	\$ 10,155	\$ 235,815
<b>Total Assets</b>	10,155	235,815
<b>LIABILITIES</b>		
Warrants Payable	-	75
Due to Others	-	13,006
Escrows & Deposits	-	222,734
<b>Total Liabilities</b>	-	235,815
<b>NET POSITION</b>		
Held in Trust for Other Postemployment Benefits and Other Purposes	\$ 10,155	\$ -

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, 2020**

	<b>Other Post Employment Benefit Trust Fund</b>
<b>Additions:</b>	
Contributions:	
Employer	\$ 316,958
Total Contributions	316,958
Investment Income	327
<b>Total Additions</b>	<b>317,285</b>
<b>Deductions:</b>	
Benefit Payments	314,958
<b>Total Deductions</b>	<b>314,958</b>
<b>Change in Net Position</b>	<b>2,327</b>
<b>Net Position at Beginning of Year</b>	<b>7,828</b>
<b>Net Position at End of Year</b>	<b>\$ 10,155</b>

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, 2020**

**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 2020, 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, 2020**

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, 2020**

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 *Dudley Municipal Center roof fund* is a capital projects fund used to account for the accumulation of resources for the building of a new roof for the facility.

The *Pearle L. Crawford Memorial Library Endowment Fund* is used to account for the accumulation of resources to of the public library.

The Town reports the following major proprietary funds:

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

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

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

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

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

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

**TOWN OF DUDLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

Additionally, the Town reports the following fund types:

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

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

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

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

**D. Cash and Cash Equivalents**

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. The Town maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption, "cash and cash equivalents".

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

Investment income from proprietary funds is maintained in those funds.

**E. Investments**

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

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

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

Level 3 inputs are unobservable for the asset or liability.

**TOWN OF DUDLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

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

Additional investment disclosures are presented in these Notes.

**F. Receivables**

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

**Property Taxes and Tax Liens**

Property taxes are based on assessments as of January 1, 2019 and include betterments, special assessments and liens. Taxes are used to finance the operations of the Town for the fiscal year July 1st to June 30th. By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% of fair cash value. Taxes are due and payable on July 1st. The Town has accepted the quarterly tax payment system. Under the quarterly tax payment system, the assessors make a preliminary tax commitment based on the prior year's net tax and may not exceed, with limited exceptions, fifty percent of that amount. The collector must mail preliminary tax bills each year by July 1st. The preliminary tax is payable in two equal installments. The first installment is due on August 1st and the second installment is due on November 1st. After the Town sets the tax rate, the assessors make the actual tax commitment. If actual bills are mailed on or before December 31st, the balance remaining is payable in two equal installments. The first installment is due on February 1st and the second installment is due on May 1st. If bills are mailed after December 31st, the entire balance is not due until May 1st or thirty days after the bills were mailed, whichever is later. Any betterments, special assessments and other charges are added to the actual bills. Interest at the rate of 14% is charged on the amount of any preliminary tax or actual tax installment payment that is unpaid and delinquent and is charged only for the number of days the payment is actually delinquent. If actual tax bills are mailed after December 31st, interest will be computed from May 1st, or the payment due date, whichever is later. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables. Revenues from property taxes are recognized in the fiscal year for which they have been levied.

The Town mailed preliminary tax bills for the fiscal year 2020 on June 27, 2019, that were due on August 1, 2019 and November 1, 2019 and actual bills on December 26, 2019 that were due on February 1, 2020 and May 1, 2020.

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 2020 is as follows:

Legal Levy Limit Under Proposition	
2 1/2 for fiscal year 2020	\$ 12,225,929
Add: Debt Exclusion	<u>1,552,890</u>
Maximum Allowable Levy	<u><u>\$ 13,778,819</u></u>

The total amount raised by taxation was \$13,767,721.

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, 2020**

**Excise Taxes**

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

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

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

**User Charges**

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

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

**Special Assessments**

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

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

**Departmental**

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

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

**Due from Other Governments**

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

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

**TOWN OF DUDLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

**G. Capital Assets**

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

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

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

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

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

**H. Interfund Transfers**

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

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

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

**I. Deferred Inflows of Resources**

**Government-wide financial statements**

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

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

**TOWN OF DUDLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

**Fund financial statements**

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

**J. Net Position and Fund Balances**

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

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

Net position has been "restricted for" the following:

"Capital projects" represents amounts restricted for capital purposes.

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

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

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

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

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

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

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

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

**TOWN OF DUDLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

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

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

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

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

**K. Long-term Debt**

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

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

**L. Compensated Absences**

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

**M. Pension Benefits**

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

**N. Post Retirement Benefits**

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

**TOWN OF DUDLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

**O. Use of Estimates**

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

**P. Total Column**

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

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

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

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

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

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

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

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

For fiscal year 2020, the Town incurred a final budget deficit of \$652,468 for the General Fund.

**TOWN OF DUDLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

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

Unassigned fund balance:		
Free cash votes	\$	544,717
Prior year's encumbrances		107,751
	\$	652,468

**B. Deficit Fund Balances**

The following funds have deficits at June 30, 2020 as measured by the balances of unassigned fund balance.

- The *Dudley Municipal Center roof*, a major and capital project fund, has a deficit totaling of \$450,000. The Town has an outstanding bond anticipation note for \$450,000. This deficit will be eliminated upon the issuance of permanent debt.
- The *Ambulance* capital project fund has a deficit totaling of \$55,000. The Town has outstanding bond anticipation notes for \$55,000. This deficit will be eliminated upon the issuance of permanent debt.
- The *Highway vehicles and equipment* capital project funds have deficits totaling \$245,000. The Town has outstanding bond anticipation notes of \$25,000 for a paver and of \$225,000 for a sweeper. These deficits will be eliminated upon the issuance of permanent debt.
- The *Highway LED street light system* capital project fund has a deficit of \$200,000. The Town has an outstanding bond anticipation note for \$200,000. This deficit will be eliminated upon the issuance of permanent debt.
- The Emergency management grants special revenue fund has a deficit of \$78,377. This deficit will be eliminated upon additional receipts or appropriation.

**3. DETAILED NOTES**

**A. Deposits and Investments**

**Custodial Credit Risks - Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. Deposits at June 30, 2020 were \$2,117,489. Of these, none are exposed to custodial credit risk as uninsured and uncollateralized.

**Deposits and Investment Policies**

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

**TOWN OF DUDLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

The MMDT is an investment pool created by the Commonwealth under the supervision of the State Treasurer's office. According to the State Treasurer, the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U. S. Government obligations and highly-rated corporate securities with maturities of one year or less. The MMDT is an external investment pool that meets the criteria established under GASB Statement No. 79 to report its investments at amortized cost. MMDT's fair value is measured at amortized cost.

As of June 30, 2020, the Town had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1 to 5	6 to 10
<b>Debt Securities:</b>				
U. S. treasury obligations	\$ 185,343	\$ 85,169	\$ 100,174	\$ -
U. S. government agencies	110,388	-	90,357	20,031
Bond mutual funds	22,528	22,528	-	-
Corporate bonds	389,892	116,225	273,667	-
	<u>708,151</u>	<u>\$ 223,922</u>	<u>\$ 464,198</u>	<u>\$ 20,031</u>
<b>Other Investments:</b>				
Certificate of deposits	173,825			
Money market mutual fund	20,928			
MMDT	2,462,598			
	<u>\$ 3,365,502</u>			

**Custodial Credit Risks - Investments**

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Town's \$3,365,502 in investments, none are uninsured and unregistered. The Town has no policy on custodial credit risk.

**Interest Rate Risk**

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

**TOWN OF DUDLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

**Credit Risk**

The Town's exposure to credit risk as of June 30, 2020 is as follows:

Related Debt Instruments	Fair Value
<b>Moody's Quality Ratings</b>	
<b><i>U. S. Treasury Obligations:</i></b>	
Aaa	\$ 185,343
<b><i>U. S. Government Agencies:</i></b>	
Aaa	110,388
<b><i>Corporate Bonds:</i></b>	
Aaa	40,305
A1	84,268
A2	85,774
A3	20,837
AA3	20,191
Baa1	138,517
<b><i>Bond Mutual Funds:</i></b>	
Not rated	22,528
	\$ 708,151

**Concentration of Credit Risk**

The Town places no limit on the amount the Town may invest in one issuer. The Town does not have more than 5 percent of the Town's investments in one issuer.

**Fair Value of Investments**

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

**TOWN OF DUDLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

The Town has the following recurring fair value measurements as of June 30, 2020:

<b>Investment Type</b>	<b>Fair Value Measurements</b>			
	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>Investments by Fair Value Level:</b>				
U. S. treasury obligations	\$ 185,343	\$ 185,343	\$ -	\$ -
U. S. government agencies	110,388	110,388	-	-
Certificates of deposit	173,825	173,825	-	-
Money market mutual fund	20,928	20,928	-	-
Corporate bonds	389,892	-	389,892	-
	902,904	\$ 490,484	\$ 412,420	\$ -
<b>Investments Measured at Amortized Cost:</b>				
External Investment Pools (MMDT)	2,462,598			
<b>Total Investments</b>	<b>\$ 3,365,502</b>			

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

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

**B. Receivables**

At June 30, 2020, 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:

	<b>Gross Amount</b>	<b>Allowance for Uncollectibles</b>	<b>Net Amount</b>
<b>Major and nonmajor governmental funds:</b>			
Property taxes	\$ 146,414	\$ -	\$ 146,414
Tax liens	399,523	-	399,523
Excise taxes	244,014	(79,247)	164,767
Special assessments	950	-	950
Departmental	214,159	(22,023)	192,136
Due from other governments	804,924	-	804,924
	<b>\$ 1,809,984</b>	<b>\$ (101,270)</b>	<b>\$ 1,708,714</b>

**TOWN OF DUDLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

At June 30, 2020, receivables for the business-type activities consist of the following:

	<b>Gross Amount</b>	<b>Allowance for Uncollectibles</b>	<b>Net Amount</b>
<b>Sewer Fund:</b>			
Sewer user charges	\$ 105,615	\$ (500)	\$ 105,115
Sewer tax liens	21,174	-	21,174
Other	26,415	-	26,415
Special assessments	271	-	271
<b>Water Fund:</b>			
Water user charges	100,894	(500)	100,394
Water tax liens	10,693	-	10,693
	<u>\$ 265,062</u>	<u>\$ (1,000)</u>	<u>\$ 264,062</u>

The composition of amounts due from other governments as of June 30, 2020 for the governmental funds is as follows:

**Governmental Funds:**

**General Fund:**

**Commonwealth of Massachusetts:**

Department of Veterans Services:

Veteran's benefits \$ 119,140

**Nonmajor Governmental Funds:**

**U. S. Department of Homeland Security**

Through Massachusetts Emergency Management Agency:

Emergency Management Program Grant \$ 3,500

**Commonwealth of Massachusetts:**

Department of Housing and Community Development

Central Massachusetts Regional Planning Grant 8,546

Massachusetts Department of Transportation:

Highway Department - Chapter 90 funded projects 673,738

\$ 685,784

\$ 804,924

**TOWN OF DUDLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

**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:

<b>General Fund:</b>			
Property taxes	\$	49,314	
Tax liens		399,523	
Excise taxes		164,767	
Departmental		179,507	
Due from other governments		119,140	\$ 912,251
<b>Nonmajor governmental funds:</b>			
Special assessments		950	
Due from other governments		532,504	533,454
			\$ 1,445,705

**D. Capital Assets**

Capital asset activity for the governmental and business-type activities for the year ended June 30, 2020, are as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 841,940	\$ -	\$ -	\$ 841,940
Construction in progress	5,396,367	1,611,904	(77,585)	6,930,686
Total capital assets not being depreciated	6,238,307	1,611,904	(77,585)	7,772,626
Capital assets being depreciated:				
Buildings and Renovations	17,208,745	-	-	17,208,745
Machinery, equipment and other	5,258,456	296,578	(47,091)	5,507,943
Infrastructure	8,908,947	166,395	-	9,075,342
Total capital assets being depreciated	31,376,148	462,973	(47,091)	31,792,030
Less accumulated depreciation for:				
Buildings and Renovations	7,983,002	579,045	-	8,562,047
Machinery, equipment and other	3,590,384	408,765	(47,091)	3,952,058
Infrastructure	5,511,314	298,438	-	5,809,752
Total accumulated depreciation	17,084,700	1,286,248	(47,091)	18,323,857
Total capital assets being depreciated, net	14,291,448	(823,275)	-	13,468,173
Total governmental activities capital assets, net	\$ 20,529,755	\$ 788,629	\$ (77,585)	\$ 21,240,799

**TOWN OF DUDLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

<b>Business-Type Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 82,037	\$ -	\$ -	\$ 82,037
Construction in progress	13,228	424,561	-	437,789
Total capital assets not being depreciated	95,265	424,561	-	519,826
Capital assets being depreciated:				
Machinery, equipment and other	648,414	-	(46,830)	601,584
Infrastructure	12,693,955	40,412	-	12,734,367
Total capital assets being depreciated	13,342,369	40,412	(46,830)	13,335,951
Less accumulated depreciation for:				
Machinery, equipment and other	489,810	41,260	(46,830)	484,240
Infrastructure	7,392,040	198,501	-	7,590,541
Total accumulated depreciation	7,881,850	239,761	(46,830)	8,074,781
Total capital assets being depreciated, net	5,460,519	(199,349)	-	5,261,170
Total business-type activities capital assets, net	\$ 5,555,784	\$ 225,212	\$ -	\$ 5,780,996

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

**Governmental Activities:**

General government	\$ 302,636
Public safety	251,790
Public works	455,400
Health and human services	6,333
Culture and recreation	270,089
Total depreciation expense - governmental activities	<u>\$ 1,286,248</u>

**Business-Type Activities:**

Sewer fund	\$ 108,456
Water fund	131,305
Total depreciation expense - business-type activities	<u>\$ 239,761</u>

**E. Interfund Receivables, Payables and Transfers**

Interfund transfers for the fiscal year ended June 30, 2020, are summarized below:

Transfers Out:	Transfers In:			Total
	General fund	Nonmajor Governmental fund	Business-type fund	
General fund	\$ -	\$ 94,844	\$ 137,002	\$ 231,846
Nonmajor governmental funds	68,530	-	-	68,530
Business-type fund	209,889	-	-	209,889
Total transfers out	<u>\$ 278,419</u>	<u>\$ 94,844</u>	<u>\$ 137,002</u>	<u>\$ 510,265</u>

**TOWN OF DUDLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

**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, 2019	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2020
<b>Governmental Activities</b>						
<b>Bond Anticipation Note:</b>						
Ambulance	2.10%	5/29/2020	\$ 110,000	\$ -	\$ 110,000	\$ -
Highway asphalt paver	2.10%	5/29/2020	40,000	-	40,000	-
LED street light system	2.10%	5/29/2020	200,000	-	200,000	-
Municipal Center roof	2.10%	5/29/2020	450,000	-	450,000	-
New fire station project	2.10%	5/29/2020	225,000	-	225,000	-
Highway sweeper	1.73%	12/31/2020	-	225,000	-	225,000
Ambulance	1.18%	5/28/2021	-	55,000	-	55,000
Highway asphalt paver	1.18%	5/28/2021	-	20,000	-	20,000
LED street light system	1.18%	5/28/2021	-	200,000	-	200,000
Municipal Center roof	1.18%	5/28/2021	-	450,000	-	450,000
Total Governmental Activities			<u>\$ 1,025,000</u>	<u>\$ 950,000</u>	<u>\$ 1,025,000</u>	<u>\$ 950,000</u>

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

Purpose	Interest Rate	Final Maturity Date	Balance July 1, 2019	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2020
<b>Business-Type Activities:</b>						
<b>Bond Anticipation Notes:</b>						
<b>Sewer Fund:</b>						
Sewer project	1.73%	12/31/2020	\$ -	\$ 125,000	\$ -	\$ 125,000
<b>Water Fund:</b>						
Water project	1.18%	5/28/2021	-	900,000	-	900,000
Total Business-type activities			<u>\$ -</u>	<u>\$ 1,025,000</u>	<u>\$ -</u>	<u>\$ 1,025,000</u>

**TOWN OF DUDLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

**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:

	<b>Interest Rate</b>	<b>Date Issued</b>	<b>Final Maturity Date</b>	<b>Original Amount Issued</b>	<b>Outstanding June 30, 2020</b>
<b>Inside Debt:</b>					
Municipal building renovation	4.20%	12/13/2002	12/15/2022	\$ 5,770,000	\$ 855,000
Municipal building renovation	4.13%	4/6/2004	12/15/2022	1,840,000	285,000
New Fire Station	3.02%	5/15/2018	5/15/2038	6,405,000	5,760,000
Total governmental type debt					<u>\$ 6,900,000</u>

**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, 2020, are as follows:

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	\$ 700,000	\$ 238,480	\$ 938,480
2022	700,000	208,141	908,141
2023	700,000	177,647	877,647
2024	320,000	159,200	479,200
2025	320,000	146,400	466,400
2026-2030	1,600,000	559,200	2,159,200
2021-2035	1,600,000	313,440	1,913,440
2036-2038	960,000	64,640	1,024,640
	<u>\$ 6,900,000</u>	<u>\$ 1,867,148</u>	<u>\$ 8,767,148</u>

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

	<b>Interest Rate</b>	<b>Date Issued</b>	<b>Final Maturity Date</b>	<b>Original Amount Issued</b>	<b>Outstanding June 30, 2020</b>
<b>Outside Debt:</b>					
<b>Water Fund:</b>					
Water Main Healy Road	2.00%	10/15/2012	10/15/2022	\$ 450,000	\$ 135,000
Water Main Dudley Oxford Road	2.00%	10/15/2012	10/15/2022	850,000	255,000
Total Business-type debt					<u>\$ 390,000</u>

**TOWN OF DUDLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

**Future Debt Service**

The annual principal and interest payments to retire all business-type long-term debt outstanding as of June 30, 2020, are as follows:

Year	Principal	Interest	Total
2021	\$ 130,000	\$ 6,500	\$ 136,500
2022	130,000	3,900	133,900
2023	130,000	1,300	131,300
	<u>\$ 390,000</u>	<u>\$ 11,700</u>	<u>\$ 401,700</u>

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

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Amounts Due within One Year
<b>Governmental activities:</b>					
<b>Bonds Payable:</b>					
General obligation bonds	\$ 7,600,000	\$ -	\$ 700,000	\$ 6,900,000	\$ 700,000
<b>Compensated absences</b>	255,263	47,041	26,457	275,847	55,169
<b>Net OPEB liability</b>	12,933,193	2,359,476	-	15,292,669	-
<b>Net pension liability</b>	11,717,394	-	93,509	11,623,885	-
Governmental activity					
Long-term liabilities	<u>\$ 32,505,850</u>	<u>\$ 2,406,517</u>	<u>\$ 819,966</u>	<u>\$ 34,092,401</u>	<u>\$ 755,169</u>
<b>Business-type activities:</b>					
<b>Bonds Payable:</b>					
General obligation bonds	\$ 580,000	\$ -	\$ 190,000	\$ 390,000	\$ 130,000
Massachusetts Clean Water Trust bonds	45,000	-	45,000	-	-
<b>Compensated absences</b>	538	8,669	-	9,207	-
<b>Net OPEB liability</b>	1,397,215	546,457	-	1,943,672	-
<b>Net pension liability</b>	1,359,870	-	276,898	1,082,972	-
Business-type activity					
Long-term liabilities	<u>\$ 3,382,623</u>	<u>\$ 555,126</u>	<u>\$ 511,898</u>	<u>\$ 3,425,851</u>	<u>\$ 130,000</u>

**TOWN OF DUDLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

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, 2020 totaled \$6,900,000.

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."

The following is a computation of the legal debt limit as of June 30, 2020:

Equalized Valuation-Real Estate and Personal Property (2018)		<u>\$ 1,016,192,300</u>
Debt Limit: 5 % of Equalized value		50,809,615
Total Debt Outstanding	\$ 7,290,000	
Less: Debt Outside Debt Limit	<u>(390,000)</u>	<u>6,900,000</u>
Inside Debt Excess Borrowing Capacity at June 30, 2020		<u>\$ 43,909,615</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. Loan authorizations that have not been issued as of June 30, 2020 and are not reflected in the Town's financial statements are as follows:

<b>Date Town Meeting Authorized</b>	<b>Purpose</b>	<b>Amount</b>
6/22/2020	Purchase an ambulance	\$ 260,000
6/22/2020	Sewer infiltration and inflow mitigation	1,300,000
6/22/2020	Drinking Water Systems Improvement Projects	5,225,000
6/22/2020	Water Pump Station No. 3 and No. 6 Connection	1,000,000
6/22/2020	Water Pump Station No. 3 and No. 6 PFAS	200,000
		<u>\$ 7,985,000</u>

**TOWN OF DUDLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

**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.

	<b>Current Year's Debt</b>	<b>Town's Estimated Share</b>	<b>Town's Estimated Indirect Debt</b>
<b>Southern Worcester Regional Vocational School District:</b>			
School Construction	\$ 23,965,000	10.31%	<u>\$ 2,470,792</u>

**TOWN OF DUDLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

**H. Fund Balances**

The following is a summary of the Town's Governmental fund balances at the year ended June 30, 2020:

	<b>General Fund</b>	<b>Major Funds</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Nonspendable:</b>				
Permanent funds	\$ -	\$ -	\$ 52,550	\$ 52,550
<b>Restricted:</b>				
Federal and state grants	-	-	681,491	681,491
Town Revolving funds	-	-	108,604	108,604
Gifts and donations	-	-	64,855	64,855
Capital projects	-	-	19,680	19,680
Permanent funds	-	-	35,211	35,211
Pearle L. Crawford Library endowment fund	-	1,429,441	-	1,429,441
Other	-	-	184,703	184,703
	-	1,429,441	1,094,544	2,523,985
<b>Committed:</b>				
Insurance and employee benefits	-	-	58,793	58,793
Other	-	-	37,494	37,494
	-	-	96,287	96,287
<b>Assigned:</b>				
General government	77,243	-	-	77,243
Public safety	3,186	-	-	3,186
Culture and recreation	10,000	-	-	10,000
Subsequent year's budget	71,776	-	-	71,776
	162,205	-	-	162,205
<b>Unassigned:</b>				
General Fund	1,153,938	-	-	1,153,938
Deficit special revenue funds	-	-	(78,377)	(78,377)
Deficit capital projects	-	(450,000)	(500,000)	(950,000)
	1,153,938	(450,000)	(578,377)	125,561
<b>Total Governmental fund balances</b>	<b>\$ 1,316,143</b>	<b>\$ 979,441</b>	<b>\$ 665,004</b>	<b>\$ 2,960,588</b>

**TOWN OF DUDLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

**I. Special Trust Funds**

**Stabilization Fund**

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

At June 30, 2020 the balances in the stabilization funds are reported in the General Fund as unassigned fund balance consisting of the following:

General purpose stabilization fund	\$ 206,942
Capital stabilization fund	155,206
	<u>\$ 362,148</u>

**4. OTHER INFORMATION**

**A. Risk Management**

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

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

**Hampshire County Health Group**

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

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

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

As of the HCHG's most recent available unaudited financial statements (fiscal year ended June 30, 2019), the HCHG had an unrestricted net asset balance of \$24,464,951.

**TOWN OF DUDLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

**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, 2020, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2020.

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

**C. Subsequent Events**

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

**D. Tax Abatements**

The Town enters into property tax abatement agreements with local businesses under the Commonwealth of Massachusetts Economic Development Incentive Program Act of 1993 and as amended in 2009. Under this Act, state municipalities may grant property tax abatements of up to 100% of a business' property tax bill for the purpose of attracting or retaining these businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the Town of Dudley. As of June 30, 2020, the Town of Dudley abated property taxes under this program, including the following tax abatement agreement.

A 100% declining to 0% over ten years property tax abatement agreement was approved in November 2015 for the WEBCO Chemical Corporation to make improvements to the property on West Main Street of at least \$6.9 million (\$3.5 million in improvements and \$3.4 million expended for new equipment), retain its existing employment level of 53 employees and create 15 new full-time jobs. In addition, the WEBCO Chemical Corporation agrees to operate its business and maintain the level of jobs as long as the agreement is in effect (term is ten years). The company had \$4,812 of abatements in this fiscal year.

**E. Pension Plan**

**Plan Description**

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

**TOWN OF DUDLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

**Benefits Provided**

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

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

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

**Contributions**

MGL Chapter 32 governs the contributions of plan members and the Town. Plan members are required to contribute to the System at rates ranging from 5% to 9% based upon their membership date of gross regular compensation with an additional 2% contribution after exceeding \$30,000 in annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The Town's proportionate share of the required contribution to the System for the year ended December 31, 2019 was \$869,193, representing 27.09% 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, 2020, the Town reported a liability of \$12,706,857 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2019, the Town's proportional percentage was 1.4275%, which was a slight decrease from the last measurement.

**TOWN OF DUDLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

**Pension Expense**

For the year ended June 30, 2020, the Town recognized a pension expense of \$1,232,386 and reported deferred outflows of resources related to pensions of \$747,527 from the net difference between expected and actual experience and changes in assumptions; and deferred inflows of resources related to pensions of \$982,829 from the net difference between expected and actual experience, the net difference between projected and actual investment earnings and the change in allocated proportion.

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

<u>For years ended June 30,</u>	
<b>2021</b>	\$ (173,174)
<b>2022</b>	(87,460)
<b>2023</b>	(48,064)
<b>2024</b>	100,112
<b>Thereafter:</b>	<u>(26,716)</u>
	<u><u>\$ (235,302)</u></u>

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement that was updated December 31, 2019:

Valuation date	January 1, 2018
Actuarial cost method	Entry Age Normal
Amortization method	Payment increases 4.0% per year.
Asset valuation method	Market value of assets
Inflation	2.4% per year
Salary increases	Group 1: 4.25% -- 6.00%, based on service Group 4: 4.75% -- 7.00%, based on service
Investment rate of return	7.65%, net of pension plan investment expense, including inflation
Mortality rates	RP-2000 Mortality Table (base year 2009) with full generational mortality improvement using Scale BB. For disabled lives, RP-2000 Mortality Table (base year 2012) with full generational mortality improvement using Scale BB.

**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, 2020**

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, 2019, are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global Equity	39%	4.68%
Fixed income	23%	1.90%
Private Equity	13%	8.50%
Real Estate	10%	3.70%
Timber/Natural Resources	4%	4.30%
Portfolio Completion Strategies	11%	3.40%
Total	<u>100%</u>	

**Rate of Return**

For the year ended December 31, 2019, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 16.55%. The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period. The rate of return is then calculated by solving, through an iterative process, for the rate that equates the sum of the weighted external cash flows into and out of the pension plan investments to the ending fair value of pension plan investments.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.65%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that member employer contributions will be made in accordance with Section 22D and Section 22F of MGL Chapter 32. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.65%. As well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65%) or 1-percentage-point higher (8.65%) than the current rate:

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
	<b>6.65%</b>	<b>7.65%</b>	<b>8.65%</b>
Net pension liability	\$ 15,505,674	\$ 12,706,857	\$ 10,343,335

**TOWN OF DUDLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

**F. Other Post Employment Benefits Payable (OPEB)**

**GASB Statement No. 74 and GASB Statement No. 75**

The cost of post employment benefits generally should be associated with the periods in which costs occur rather than in the future year when it will be paid. The Town recognizes the cost of post employment benefits in the year when the employee services are received. The Town reports the accumulated liability from prior years and provides information useful in assessing potential demands on the Town's future cash flows.

**Plan Description**

In addition to providing pension benefits, the Town provides post employment health care and life insurance benefits for retired employees, their dependents and beneficiaries. The benefits, benefit levels, employee and employer contributions are governed by Massachusetts General Law Chapter 32. There are approximately 97 active and retired/disabled employees that meet the eligibility requirements. The plan does not issue a separate financial report.

**Investment Policy**

The Town's policy in regard to the allocation of invested assets is established and may be amended by the Board of Selectmen by majority vote of its members. The OPEB plan's assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan. The long-term real rate of return on OPEB investments was determined using the Town's investment policy. As of June 30, 2020, investments, concentration and rate of return information consisted of pooled funds in the Town's Commonwealth Financial investments described earlier under Deposits and Investments (refer to note 3A).

**Funding Policy**

The contribution requirements of plan members and the Town are established and may be amended through Town ordinances. For the 2020 fiscal year, the total Town premiums plus implicit costs for the retiree medical program were \$314,958. The Town also made a contribution to an OPEB Trust of \$2,000 for a total contribution during the measurement period of \$316,958 to be reported on the financial statement for the fiscal year ending June 30, 2020. The Town did establish a trust fund in order to contribute funds to reduce the future OPEB liability. The trust balance is \$10,155 as of June 30, 2020.

**Measurement Date**

GASB Statement No. 74 and GASB Statement No. 75 require the net OPEB liability to be measured as of the OPEB Plan's most recent fiscal year-end. Accordingly, the net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2019.

**Plan Membership:**

Current active members	57
Current retirees, beneficiaries and dependents	<u>40</u>
Total	<u><u>97</u></u>

**TOWN OF DUDLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

**Net OPEB Liability**

The components of the net OPEB liability are as follows:

	<b>6/30/2020</b>
Total OPEB liability	\$ 17,246,496
Less: Plan fiduciary net position	(10,155)
City's Net OPEB liability	\$ 17,236,341
 Plan fiduciary net position as a percentage of the total OPEB liability	0.06%

**Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of July 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified;

Valuation date	July 1, 2019
Actuarial cost method	Entry Age Normal
Inflation rate	2.00% annually
Single equivalent discount rate	2.21%, net of OPEB plan investment expense, including inflation
Participant salary increases	3.50% annually
Healthcare cost trend rates	2019 medical trend rates: 7.5% annually grading down 0.5% per annum to an ultimate trend rate of 4.5% annually in 2025
Mortality rates	For healthy participants, the mortality rates are from the RPH-2014 Total Dataset Headcount-Weighted mortality table, adjusted back to 2006 Base rates, then, projected generationally with Scale MP-2019.

The actuarial assumptions used in the July 1, 2019 valuation were reflective of published municipal bond indices; the Bond Buyer's 20 Bond Index as of June 30, 2020 is 2.21%.

**Rate of Return**

For the year ended June 30, 2020, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 3.33%.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 2.21%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that member employer contributions will be made in accordance Massachusetts General Law Chapter 32. Based on those assumptions, the OPEB plan fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**TOWN OF DUDLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

**Changes in the Net OPEB Liability**

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Total OPEB Liability
Balances at July 1, 2019	\$ 14,338,236	\$ 7,828	\$ 14,330,408
Service cost	482,506	-	482,506
Interest	472,109	-	472,109
Changes in benefit terms	-	-	-
Changes in assumptions	2,642,577	-	2,642,577
Difference between actual and expected experience	(373,974)	53	(374,027)
Net investment income	-	274	(274)
Employer contributions to Trust	-	316,958	(316,958)
Benefit payments	(314,958)	(314,958)	-
Administrative expense	-	-	-
Net change in total OPEB liability	2,908,260	2,327	2,905,933
Balances at June 30, 2019	\$ 17,246,496	\$ 10,155	\$ 17,236,341

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

The following presents the Town's the net OPEB liability as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21%) or 1-percentage-point higher (3.21%) than the current rate:

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
	Town's net OPEB liability	\$ 20,878,862	\$ 17,236,341

**TOWN OF DUDLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

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

The following presents the Town's the net OPEB liability as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.50% decreasing to 3.50%) or 1-percentage-point higher (8.50% decreasing to 5.50%) than the current healthcare cost trend rates:

	<b>1% Decrease (6.50% decreasing to 3.50%)</b>	<b>Healthcare Cost Trend Rates (7.50% decreasing to 4.50%)</b>	<b>1% Increase (8.50% decreasing to 5.50%)</b>
Town's net OPEB liability	\$ 14,011,883	\$ 17,236,341	\$ 21,595,605

**Summary of Significant Accounting Policies**

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

**Expense, Deferred Outflows or Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2020, the GASB Statement No. 75 reporting period and fiscal year ending date, the Town recognized an OPEB expense of \$1,196,315 and reported deferred outflows of resources related to OPEB of \$2,830,717 from the changes in assumptions and asset loss and deferred inflows of resources related to OPEB of \$1,319,945 from experience gain, the changes in assumptions and asset gain.

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

<b>For years ended June 30,</b>	
<b>2021</b>	\$ 241,974
<b>2022</b>	241,974
<b>2023</b>	238,462
<b>2024</b>	425,236
<b>2025</b>	363,126
	<b>\$ 1,510,772</b>

**G. Implementation of New GASB Pronouncements**

The GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This pronouncement postponed the effective dates of certain provisions in GASB statements and Implementation Guides that first became effective or are scheduled to be effective for periods beginning after June 15, 2018 or later.

**TOWN OF DUDLEY, MASSACHUSETTS**  
**Notes to the Financial Statements**  
**Year Ended June 30, 2020**

**H. Future GASB Pronouncements**

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

The GASB issued Statement No. 84, *Fiduciary Activities*, for implementation in fiscal year 2021.

The GASB issued Statement No. 87, *Leases*, for implementation in fiscal year 2022.

The GASB issued Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, for implementation in fiscal year 2021.

The GASB issued Statement No. 91, *Conduit Debt Obligations*, for implementation in fiscal year 2023.

The GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*, for implementation in fiscal 2022.

The GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, for implementation in fiscal year 2023.

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, for implementation in fiscal year 2023.

The GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, for implementation in fiscal year 2021 and 2022.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF DUDLEY, MASSACHUSETTS**  
**Required Supplementary Information**  
**Pension Schedules**  
**Worcester Regional Contributory Retirement System**  
**For the Year Ended June 30, 2020**

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:**

<b>Date</b>	<b>Town's proportion of the net pension liability (asset)</b>	<b>Town's proportionate share of the net pension liability (asset)</b>	<b>Town's covered employee payroll</b>	<b>Net pension liability percentage of covered employee payroll</b>	<b>Plan fiduciary net position as a percentage of the total pension liability</b>
12/31/2019	1.4275%	\$ 12,706,857	\$ 3,208,904	395.99%	47.36%
12/31/2018	1.4422%	\$ 13,077,264	\$ 3,881,684	336.90%	43.05%
12/31/2017	1.4474%	\$ 11,802,799	\$ 3,132,977	376.73%	46.40%
12/31/2016	1.5090%	\$ 12,639,235	\$ 3,074,191	411.14%	42.00%
12/31/2015	1.5105%	\$ 10,721,806	\$ 3,068,416	349.42%	44.52%
12/31/2014	1.7379%	\$ 10,341,497	\$ 2,950,400	350.51%	47.94%

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

**TOWN OF DUDLEY, MASSACHUSETTS  
Required Supplementary Information  
Pension Schedules  
Worcester Regional Contributory Retirement System  
For the Year Ended June 30, 2020**

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:**

<b>Date</b>	<b>Actuarially determined contribution</b>	<b>Less: Contributions in relation to the actuarially determined contribution</b>	<b>Contribution deficiency (excess)</b>	<b>Town's covered employee payroll</b>	<b>Contributions percentage of covered employee payroll</b>
12/31/2019	\$ 869,193	\$ (869,193)	\$ -	\$ 3,208,904	27.09%
12/31/2018	\$ 802,934	\$ (802,934)	\$ -	\$ 3,881,684	20.69%
12/31/2017	\$ 732,393	\$ (732,393)	\$ -	\$ 3,132,977	23.38%
12/31/2016	\$ 732,991	\$ (732,991)	\$ -	\$ 3,074,191	23.84%
12/31/2015	\$ 679,525	\$ (679,525)	\$ -	\$ 3,068,416	22.15%
12/31/2014	\$ 686,789	\$ (686,789)	\$ -	\$ 2,950,400	23.28%

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

**TOWN OF DUDLEY, MASSACHUSETTS**  
**Required Supplementary Information**  
**Other Post Employment Benefit Plan Schedules**  
**For the Year Ended June 30, 2020**

**Schedule of Changes in the Net OPEB Liability:**

	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
<b>Total OPEB liability</b>				
Service cost	\$ 482,506	\$ 451,737	\$ 550,377	\$ 406,676
Interest on net OPEB liability	472,109	503,429	447,112	451,210
Changes in Benefit terms	-	-	-	-
Changes in Assumptions	2,642,577	955,087	-	1,252,925
Difference between actual and expected experience	(373,974)	-	-	(1,118,067)
Benefit payments, including refunds of member contributions	(314,958)	(255,147)	(245,588)	(276,758)
Administrative expense	-	-	-	-
Net change in total OPEB liability	<u>2,908,260</u>	<u>1,655,106</u>	<u>751,901</u>	<u>715,986</u>
Total OPEB liability-beginning	-	14,608,122	13,856,221	11,011,951
Changes in Accounting	<u>14,338,236</u>	<u>(1,924,992)</u>	<u>-</u>	<u>2,128,284</u>
<b>Total OPEB liability-ending (a)</b>	<u><u>\$ 17,246,496</u></u>	<u><u>\$ 14,338,236</u></u>	<u><u>\$ 14,608,122</u></u>	<u><u>\$ 13,856,221</u></u>
<b>Plan fiduciary net position</b>				
Difference between actual and expected experience	\$ 53	\$ (83)	\$ -	\$ -
Net investment income	274	56	178	(28)
Employer contributions to Trust	316,958	256,147	246,589	277,758
Benefit payments, including refunds of member contributions	(314,958)	(255,147)	(245,588)	(276,758)
Administrative expense	-	-	-	-
Net change in plan fiduciary net position	<u>2,327</u>	<u>973</u>	<u>1,179</u>	<u>972</u>
Total fiduciary net position-beginning	<u>7,828</u>	<u>6,855</u>	<u>5,676</u>	<u>4,704</u>
<b>Total fiduciary net position-ending (b)</b>	<u><u>\$ 10,155</u></u>	<u><u>\$ 7,828</u></u>	<u><u>\$ 6,855</u></u>	<u><u>\$ 5,676</u></u>
<b>Town's net OPEB liability (a-b)</b>	<u><u>\$ 17,236,341</u></u>	<u><u>\$ 14,330,408</u></u>	<u><u>\$ 14,601,267</u></u>	<u><u>\$ 13,850,545</u></u>

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

**TOWN OF DUDLEY, MASSACHUSETTS**  
**Required Supplementary Information**  
**Other Post Employment Benefit Plan Schedules**  
**For the Year Ended June 30, 2020**

**Schedule of Net OPEB Liability:**

	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
Total OPEB liability	\$ 17,246,496	\$ 14,338,236	\$ 14,608,122	\$ 13,856,221
Less: Plan fiduciary net position	(10,155)	(7,828)	(6,855)	(5,676)
Town's Net OPEB liability	<u>\$ 17,236,341</u>	<u>\$ 14,330,408</u>	<u>\$ 14,601,267</u>	<u>\$ 13,850,545</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.06%	0.05%	0.05%	0.04%
Town's share of covered employee payroll	\$ 3,229,319	\$ 3,252,732	\$ 3,142,736	\$ 2,979,748
Participating employer net OPEB liability (asset) as a percentage of covered-employee payroll	533.75%	440.57%	464.60%	464.82%

**Schedule of Contributions:**

	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
Actuarially determined contribution	\$ 314,958	\$ 255,147	\$ 245,588	\$ 276,758
Less: Contributions in relation to the actuarially determined contribution	(316,958)	(256,147)	(246,589)	(277,758)
Contribution deficiency (excess)	<u>\$ (2,000)</u>	<u>\$ (1,000)</u>	<u>\$ (1,001)</u>	<u>\$ (1,000)</u>
Town's share of covered employee payroll	\$ 3,229,319	\$ 3,252,732	\$ 3,142,736	\$ 2,979,748
Contributions percentage of covered-employee payroll	9.8%	7.8%	7.8%	9.29%
Annual money-weighted rate of return net of investment expense	3.33%	N/A	N/A	N/A

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

**TOWN OF DUDLEY, MASSACHUSETTS**  
**Required Supplementary Information**  
**Other Post Employment Benefit Plan Schedules**  
**For the Year Ended June 30, 2020**

**Schedule of Funding Progress:**

<b>Other Post Employment Benefits</b>								
<b>Reporting Date</b>	<b>Actuarial Fiduciary Net Position (A)</b>	<b>Actuarial Total OPEB Liability (B)</b>	<b>Actuarial Net OPEB Liability (B-A)</b>	<b>Actuarial Funded Ratio (A/B)</b>	<b>Actuarial Covered Payroll (C)</b>	<b>Actuarial Percentage of Covered Payroll ((B-A)/C)</b>		
6/30/2020	\$ 10,155	\$ 17,246,496	\$ 17,236,341	0.06%	\$ 3,229,319	533.75%		
6/30/2019	\$ 7,828	\$ 14,338,236	\$ 14,330,408	0.05%	\$ 3,252,732	440.57%		
6/30/2018	\$ 6,855	\$ 14,608,122	\$ 14,601,267	0.05%	\$ 3,142,736	464.60%		
6/30/2017	\$ 5,676	\$ 13,856,221	\$ 13,850,545	0.04%	\$ 2,979,748	464.82%		

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

## **SUPPLEMENTARY SCHEDULES**

**TOWN OF DUDLEY, MASSACHUSETTS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Fund Balances July 1, 2019	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2020
<b>Special Revenue:</b>					
<b>Federal and State Grants:</b>					
Arts Lottery Council Grants	\$ 3,692	\$ 7,830	\$ 5,567	\$ -	\$ 5,955
Capital Planning Grant	18,750	-	18,722	-	28
Cyber Security Grant	-	35,000	18,912	-	16,088
Elder Affairs Grants	11,283	30,818	29,848	-	12,253
Emergency Management Grants	-	154,668	233,045	-	(78,377)
Green Community Grants	13,517	80,171	1,238	(50,000)	42,450
Library Grants	86,874	24,193	12,839	-	98,228
Other Grants and Programs	6,350	53,380	30,323	-	29,407
Public Safety Grants	51,256	165,796	59,538	-	157,514
Public Works Grants	3,564	137,250	140,534	-	280
Wage Study Grant	-	25,000	8,513	-	16,487
<b>Other:</b>					
Ambulance Revolving	7,349	31,509	33,721	-	5,137
Board of Health Revolving Funds	1,681	-	-	-	1,681
Cemetery Revolving	7,950	300	600	-	7,650
Commission on Disabilities Fund	451	3	-	-	454
Conservation Funds	25,973	5,053	7,238	-	23,788
Council on Aging Meals Revolving	684	918	746	-	856
Deputy Collector Revolving	-	28,413	28,413	-	-
Fire Department Revolving	189	-	-	-	189
Firefighters Outside Details	-	11,457	10,368	-	1,089
Genealogy Research Revolving	2,909	912	-	-	3,821
Gift Shop Revolving	733	-	-	-	733
Gifts and Donations	54,842	34,098	24,085	-	64,855
Greater Media Cable Access	203,720	40,163	49,491	-	194,392
Inspection Revolving	52	31,644	31,644	-	52
Insurance Reimbursements	28,146	38,347	34,687	-	31,806
<b>Total Special Revenue page 68</b>	<b>\$ 529,965</b>	<b>\$ 936,923</b>	<b>\$ 780,072</b>	<b>\$ (50,000)</b>	<b>\$ 636,816</b>

**TOWN OF DUDLEY, MASSACHUSETTS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Fund Balances July 1, 2019	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2020
<b>Continued from page 68</b>	\$ 529,965	\$ 936,923	\$ 780,072	\$ (50,000)	\$ 636,816
<b>Special Revenue (Continued):</b>					
<b>Other (Continued):</b>					
Law Enforcement Drug Enforcement	22,270	3,079	879	-	24,470
Library Lost Book Revolving	1,245	434	4	-	1,675
Municipal Hearings Revolving	56	-	38	-	18
Planning Revolving	100	-	-	-	100
Police Arrest Warrant Services	561	-	-	-	561
Police Court Judgement	1,769	-	850	-	919
Police Cruiser Use Detail	13,585	6,050	642	(13,000)	5,993
Police DARE Program	11	220	1,897	-	(1,666)
Police Firearms Permit Services	29,349	6,925	-	(5,000)	31,274
Police Off-Duty Revolving	-	266,895	266,895	-	-
Rail Trail-Sale of Steel	32,670	-	15,583	-	17,087
Road Machinery	551	-	-	-	551
Premium on Bond	1,791	-	-	-	1,791
Tax Title Fees Revolving	37,326	8,689	21,359	-	24,656
Title V Septic Repair Loan Repayments	81,030	508	-	-	81,538
Underground Tank Cleanup	2,400	-	-	-	2,400
Website Revolving Fund	746	2,000	969	-	1,777
West Main Street Sale of Bricks Revolving	1,922	200	-	-	2,122
Anniversary Fund	777	7	-	-	784
Clarinda Wood Fund	167,703	5,321	7,120	-	165,904
Compensated Absences Fund	2,205	33	-	5,000	7,238
Municipal Insurance Fund	7,083	61	-	-	7,144
Unemployment Compensation Fund	3,811	61	49,790	89,845	43,927
Workers Compensation Fund	479	5	-	-	484
<b>Total Special Revenue Funds</b>	<b>\$ 939,405</b>	<b>\$ 1,237,411</b>	<b>\$ 1,146,098</b>	<b>\$ 26,845</b>	<b>\$ 1,057,563</b>

**TOWN OF DUDLEY, MASSACHUSETTS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

	Fund Balances July 1, 2019	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2020
<b>Capital Projects:</b>					
Ambulance	\$ (110,000)	\$ -	\$ -	\$ 55,000	\$ (55,000)
Fire Exhaust System	48	-	-	-	48
Fire Station Construction	1,347,164	-	1,552,851	225,000	19,313
Health and Human Services	319	-	-	-	319
Highway Vehicles and Equipment	(39,806)	-	225,194	20,000	(245,000)
LED Street Light installation	(160,150)	-	39,850	-	(200,000)
Police Vehicles	531	-	-	(531)	-
<b>Total Capital Projects</b>	<b>1,038,106</b>	<b>-</b>	<b>1,817,895</b>	<b>299,469</b>	<b>(480,320)</b>
<b>Perpetual Permanent Funds:</b>					
Cemetery Perpetual Care Fund	49,050	3,500	-	-	52,550
<b>Permanent Funds:</b>					
Cemetery Perpetual Care Fund	30,445	4,308	4,000	-	30,753
Library Funds	4,420	38	-	-	4,458
<b>Total Permanent Funds</b>	<b>34,865</b>	<b>4,346</b>	<b>4,000</b>	<b>-</b>	<b>35,211</b>
<b>Total - Non-Major Governmental Funds</b>	<b>\$ 2,061,426</b>	<b>\$ 1,245,257</b>	<b>\$ 2,967,993</b>	<b>\$ 326,314</b>	<b>\$ 665,004</b>

**TOWN OF DUDLEY, MASSACHUSETTS  
SCHEDULE OF REAL ESTATE, PERSONAL PROPERTY AND SUPPLEMENTAL TAXES  
JULY 1, 2019 TO JUNE 30, 2020**

	<b>Uncollected Taxes July 1, 2019</b>	<b>Commitments</b>	<b>Abatements and Adjustments</b>	<b>Collections Net of Refunds and Overpayments</b>	<b>Uncollected Taxes June 30, 2020</b>	<b>Uncollected Taxes Per Detail June 30, 2020</b>
<b>Real Estate Taxes:</b>						
Levy of 2020	\$ -	\$ 13,445,511	\$ 213,930	\$ 13,073,453	\$ 158,128	\$ 158,324
Levy of 2019	149,497	-	80,708	85,432	(16,643)	(16,643)
Levy of 2018	7,488	-	10,160	(2,735)	63	63
Levy of 2017	5,237	-	10,946	(5,723)	14	64
Levy of 2016	63	-	-	-	63	63
Prior Years	3,986	-	521	-	3,465	3,465
	<u>166,271</u>	<u>13,445,511</u>	<u>316,265</u>	<u>13,150,427</u>	<u>145,090</u>	<u>145,336</u>
<b>Personal Property Taxes:</b>						
Levy of 2020	-	327,407	-	326,771	636	636
Levy of 2019	801	-	-	801	-	-
Levy of 2018	(1,361)	-	-	(1,562)	201	-
Levy of 2017	40	-	-	40	-	-
Levy of 2016	100	-	-	100	-	-
	<u>(420)</u>	<u>327,407</u>	<u>-</u>	<u>326,150</u>	<u>837</u>	<u>636</u>
<b>Supplemental Taxes</b>	<u>-</u>	<u>4,335</u>	<u>-</u>	<u>3,848</u>	<u>487</u>	<u>487</u>
<b>Total Real Estate, Personal Property and Supplemental Taxes</b>	<u>\$ 165,851</u>	<u>\$ 13,777,253</u>	<u>\$ 316,265</u>	<u>\$ 13,480,425</u>	<u>\$ 146,414</u>	<u>\$ 146,459</u>

**TOWN OF DUDLEY, MASSACHUSETTS  
SCHEDULE OF MOTOR VEHICLE EXCISE AND BOAT EXCISE TAXES  
JULY 1, 2019 TO JUNE 30, 2020**

	Uncollected Taxes July 1, 2019	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2020	Uncollected Taxes Per Detail June 30, 2020
<b>Motor Vehicle Excise Taxes:</b>						
Levy of 2020	\$ -	\$ 1,423,121	\$ 25,543	\$ 1,294,044	\$ 103,534	\$ 103,534
Levy of 2019	99,460	152,936	16,148	191,824	44,424	44,399
Levy of 2018	40,841	-	1,992	20,828	18,021	18,021
Levy of 2017	18,576	-	85	6,768	11,723	11,723
Levy of 2016	11,493	-	-	2,445	9,048	9,048
Prior Years	56,317	-	-	3,147	53,170	53,170
	<u>226,687</u>	<u>1,576,057</u>	<u>43,768</u>	<u>1,519,056</u>	<u>239,920</u>	<u>239,895</u>
<b>Boat Excise Taxes:</b>						
Levy of 2019	-	4,831	214	3,657	960	960
Levy of 2018	903	-	38	45	820	820
Levy of 2017	378	-	-	-	378	378
Levy of 2016	356	-	-	-	356	356
Levy of 2015	293	-	-	-	293	293
Prior Years	1,287	-	-	-	1,287	1,287
	<u>3,217</u>	<u>4,831</u>	<u>252</u>	<u>3,702</u>	<u>4,094</u>	<u>4,094</u>
<b>Total Motor Vehicle Excise and Boat Excise Taxes</b>	<u>\$ 229,904</u>	<u>\$ 1,580,888</u>	<u>\$ 44,020</u>	<u>\$ 1,522,758</u>	<u>\$ 244,014</u>	<u>\$ 243,989</u>

**TOWN OF DUDLEY, MASSACHUSETTS  
SCHEDULE OF TAX LIENS  
JULY 1, 2019 TO JUNE 30, 2020**

	<b>Uncollected Accounts July 1, 2019</b>	<b>Commitments</b>	<b>Abatements and Adjustments</b>	<b>Collections Net of Refunds and Overpayments</b>	<b>Uncollected Accounts June 30, 2020</b>	<b>Uncollected Accounts Per Detail June 30, 2020</b>
<b>Tax Liens</b>	\$ 248,423	\$ 235,967	\$ -	\$ 84,867	\$ 399,523	\$ 399,523