

**ROSELLI, CLARK & ASSOCIATES**  
Certified Public Accountants

**TOWN OF OXFORD, MASSACHUSETTS**

Report on Examination of  
Basic Financial Statements  
and Additional Information

Year Ended June 30, 2018



# TOWN OF OXFORD, MASSACHUSETTS

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## **INDEPENDENT AUDITOR'S REPORT**

Honorable Board of Selectmen  
Town of Oxford, 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 Oxford, Massachusetts, (the "Town") as of and for the year ended June 30, 2018 the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes 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 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, as of June 30, 2018 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Restatement

We audited the Town's basic financial statements for the year ended June 30, 2017, for which we issued an unmodified opinion dated February 2, 2018. As discussed in Note V to the financial statements, the Town adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. In connection with the adoption of this accounting standard, previously reported total net positions in the governmental activities and business-type activities in the Statement of Net Position as well as those in the proprietary funds were restated.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the schedules listed under the required supplementary information section in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated January 8, 2019 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Roselli, Clark & Associates*

Roselli, Clark and Associates  
Certified Public Accountants  
Woburn, Massachusetts  
January 8, 2019

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the Town of Oxford, Massachusetts (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information.

### **Financial Highlights**

- The Town adopted a new accounting pronouncement related to other postemployment benefits, or OPEB, in fiscal year 2018. As a result, beginning net positions in the Town's governmental activities and business-type activities decreased approximately \$27.0 million and \$0.1 million, respectively.
- The Town's liabilities and deferred inflows of financial resources exceeded its assets and deferred outflows of financial resources at the close of the most recent fiscal year, which resulted in a deficit of nearly \$13.6 million (*total net position*). A deficit net position of over \$17.8 million in the Town's governmental activities was offset by a positive net position of over \$4.2 million in its business-type activities. Included in the governmental activities was nearly \$73.3 million in net other postemployment benefits (\$45.9 million) and pension (\$27.4 million) liabilities.
- The Town's total net position decreased by nearly \$2.7 million year-over-year, which was almost entirely driven by change in net position in governmental activities. Included in the 2018 governmental activities was nearly \$3.2 million in non-cash expenses related to other postemployment benefits and additional pension expense that were recorded on a GAAP basis versus a cash basis.
- In fiscal year 2018, the Town's total long-term debt in its governmental activities and business-type activities in aggregate decreased by approximately \$938,000 due entirely to regular scheduled maturities. The Town's total long-term debt was approximately \$10.2 million at June 30, 2018. Additionally, the Town maintains short-term debt in the form of bond anticipation notes of approximately \$1.6 million at June 30, 2018.
- As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of nearly \$13.0 million, which was approximately \$609,000 higher than the prior year. Of the ending fund balance over \$1.5 million is *available for spending* at the government's discretion as *unassigned fund balance*. The remainder is earmarked for specific expenditures.
- At the end of the current fiscal year, unassigned fund balance for the general fund was approximately \$3.1 million, or approximately 7% percent of total fiscal year 2018 general fund expenditures.
- The Town's governing body voted to terminate its Community Center enterprise fund effective July 1, 2018 (i.e., fiscal year 2019).

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise 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 the Town’s finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all the Town’s assets and deferred outflows of resources and its liabilities and deferred inflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town 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 pay).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (*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 of the Town include general government, public safety, highways and streets, sanitation, education, health and human services, culture and recreation, fringe benefits and debt service. The business-type activities of the Town include sewer, water and Community Center enterprise funds.

**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. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Accounting guidelines distinguish fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications:

- Nonspendable —amounts that cannot be spent because they are either (a) not in spendable form (i.e., inventory or prepaid expenses) or (b) legally or contractually required to be maintained intact.
- Restricted—amounts constrained by external parties, constitutional provision, or enabling legislation.
- Committed—amounts constrained by a government using its highest level of decision-making authority.
- Assigned—amounts a government intends to use for a particular purpose.
- Unassigned—amounts that are not constrained at all will be reported in the general fund of in other major funds if negative.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and capital project funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. This schedule has been prepared as required supplementary information and can be found along with the corresponding notes in this report.

***Proprietary Funds*** – *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town utilizes the proprietary funds to report activities of its enterprise funds. *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, water and Community Center 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 statement 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 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.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits and other postemployment benefits to its employees as well as a budget to actual comparison for the current year's general fund operations.

## **Government-Wide Financial Analysis**

The condensed comparative statements of net position for June 30, 2018 and 2017 are as follows:

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2018	June 30, 2017 (a)	June 30, 2018	June 30, 2017 (a)	June 30, 2018	June 30, 2017 (a)
<b><u>Assets</u></b>						
Current and other assets	\$ 19,203,201	\$ 17,731,528	\$ 1,609,028	\$ 1,691,257	\$ 20,812,229	\$ 19,422,785
Capital assets, net	49,725,876	50,446,777	5,577,780	5,660,808	55,303,656	56,107,585
Total Assets	68,929,077	68,178,305	7,186,808	7,352,065	76,115,885	75,530,370
<b><u>Deferred Outflows of Resources</u></b>	2,867,977	4,941,873	11,518	19,847	2,879,495	4,961,720
<b><u>Liabilities</u></b>						
Long-term liabilities	80,581,398	84,964,239	2,344,915	2,533,906	82,926,313	87,498,145
Other liabilities	3,537,014	2,342,546	582,739	576,129	4,119,753	2,918,675
Total Liabilities	84,118,412	87,306,785	2,927,654	3,110,035	87,046,066	90,416,820
<b><u>Deferred Inflows of Resources</u></b>	5,511,799	960,050	22,136	3,856	5,533,935	963,906
<b><u>Net Position</u></b>						
Net investment in capital assets	41,567,639	40,974,146	3,082,865	2,966,374	44,650,504	43,940,520
Restricted	11,467,695	10,773,997	-	-	11,467,695	10,773,997
Unrestricted	(70,868,491)	(66,894,800)	1,165,671	1,291,647	(69,702,820)	(65,603,153)
Total Net Position	\$ (17,833,157)	\$ (15,146,657)	\$ 4,248,536	\$ 4,258,021	\$ (13,584,621)	\$ (10,888,636)

(a) As restated for the adoption of GASB Statement No. 75; refer to Note V in the basic annual financial statements.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's total net position decreased nearly \$2.7 million year-over-year, which was almost entirely driven by change in net position in governmental activities. Included in the 2018 governmental activities was nearly \$3.2 million in non-cash expenses related to other postemployment benefits and additional pension expense that were recorded on a GAAP basis versus a cash basis.

The largest portion (approximately \$44.7 million) of the Town's overall net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt (netted down by those amounts expected to be reimbursed by the Commonwealth) used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, 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 significant portion of the Town's total net position (nearly \$11.5 million) represents resources that are subject to external restrictions on how they may be used.

The remaining category represents *unrestricted net position*, which currently has a deficit balance of approximately \$69.7 million. This deficit balance is primarily the result of the reporting of approximately \$73.3 million in liabilities associated with net pension and other postemployment benefits liabilities in the Town's governmental activities at June 30, 2018. As there are few dedicated employees in the Town's sewer, water and Community Center enterprise funds, these liabilities have less of an impact on the business-type activities. Furthermore, upon the termination of the Town's Community Center enterprise fund in fiscal year 2019, the Town will not report any of these liabilities in its business-type activities.



The condensed comparative statements of activities for fiscal years 2018 and 2017 are as follows:

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b><u>Revenues</u></b>						
Program revenues:						
Charges for services	\$ 3,082,270	\$ 2,661,897	\$ 679,763	\$ 722,976	\$ 3,762,033	\$ 3,384,873
Operating grants and contributions	17,562,805	17,681,039	-	-	17,562,805	17,681,039
Capital grants and contributions	802,110	921,659	-	-	802,110	921,659
General revenues:						
Property taxes	22,396,639	21,543,462	-	-	22,396,639	21,543,462
Intergovernmental	2,054,202	1,977,095	-	-	2,054,202	1,977,095
Other	2,632,508	2,644,953	807	3,129	2,633,315	2,648,082
Total revenues	48,530,534	47,430,105	680,570	726,105	49,211,104	48,156,210
<b><u>Expenses</u></b>						
General government	3,450,350	4,420,690	-	-	3,450,350	4,420,690
Public safety	6,601,102	6,676,075	-	-	6,601,102	6,676,075
Education	33,909,421	34,046,072	-	-	33,909,421	34,046,072
Public works	5,216,819	4,580,994	-	-	5,216,819	4,580,994
Health and human services	338,192	369,538	-	-	338,192	369,538
Culture and recreation	1,066,340	794,892	-	-	1,066,340	794,892
Debt service	281,198	330,558	-	-	281,198	330,558
Sewer	-	-	418,791	439,471	418,791	439,471
Water	-	-	79,462	83,321	79,462	83,321
Community Center	-	-	545,414	353,075	545,414	353,075
Total expenses	50,863,422	51,218,819	1,043,667	875,867	51,907,089	52,094,686
Change in net position before transfers	(2,332,888)	(3,788,714)	(363,097)	(149,762)	(2,695,985)	(3,938,476)
Transfers	(353,612)	(60,425)	353,612	60,425	-	-
Change in net position	(2,686,500)	(3,849,139)	(9,485)	(89,337)	(2,695,985)	(3,938,476)
Net position - beginning of year	(15,146,657)	15,708,043	4,258,021	4,455,813	(10,888,636)	20,163,856
Restatement (a)	-	(27,005,561)	-	(108,455)	-	(27,114,016)
Net position - end of year	\$ (17,833,157)	\$ (15,146,657)	\$ 4,248,536	\$ 4,258,021	\$ (13,584,621)	\$ (10,888,636)

(a) Restatement for the adoption of GASB Statement No. 75; refer to Note V in the basic annual financial statements.

**Governmental Activities** – Total revenues in fiscal year 2018 in the Town’s governmental activities increased over \$1.1 million, or 2.3%, from fiscal year 2017. The Town’s largest revenue source is property taxes, which represented approximately 46% and 45% of total fiscal year 2018 and 2017 revenues, respectively. Property taxes increased approximately \$853,000 million, or 4.0%, in 2018 due to normal statutory property tax increases and new growth. Operating grants and contributions represented approximately 36% and 37% of total fiscal year 2018 and 2017 revenues, respectively. Operating grants and contributions decreased approximately \$118,000 in 2018. No other revenue source exceeded 10% of total revenues in either fiscal year 2018 or 2017.

Total expenses decreased approximately \$355,000 in fiscal year 2018, which was entirely driven by the effects of the net pension and other postemployment benefits liabilities; these non-cash expenses were nearly \$1.2 million lower in fiscal year 2018 than 2017. Education represents the largest expense category for the Town. In total, education expenses represented approximately 67% of total fiscal year 2018 expenses versus 66% of total fiscal year 2017 expenses. Public safety expenses represented 13% of total expenses in both fiscal year 2018 and 2017.

**Business-Type Activities** – Overall revenues in the business-type activities increased approximately \$46,000 in 2018 while expenses increased by \$168,000. The Town’s sewer and water enterprises reported modest losses from operations in fiscal year 2018. The Community Center enterprise fund reported an approximate \$333,000 loss from operations; the general fund subsidized this fund’s operations in fiscal year 2018 by transferred in over \$330,000. The Town’s governing body voted to terminate its Community Center enterprise fund effective July 1, 2018 (i.e., fiscal year 2019).

### **Government Funds Financial Analysis**

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

**Governmental Funds** – The focus of the Town’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town’s 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 close of the current fiscal year, the Town’s governmental funds balance sheet reported a combined ending fund balance surplus of approximately \$13.0 million, which was approximately \$609,000 higher than the prior year. Positive changes in fund balances in the Town’s general fund and nonmajor governmental funds of approximately \$821,000 and \$566,000 were offset by a new reduction in the Town’s capital projects funds of over \$777,000. Of the ending fund balances, approximately \$1.5 million is *available for spending* at the government’s discretion as *unassigned fund balance*. The remainder is earmarked for specific expenditures. The increase in the Town’s general fund was primarily due to the Town’s budget to actual results exceeding expectations as a result of effective cost control combined with continued favorable revenues due to the expanding economy. The increases and decreases in the other funds was due primarily to the timing of revenues expenditures overlapping years as these funds are intended to be revenue in and expenditure out.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was approximately \$3.1 million, while total general fund balance approximated \$5.4 million. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance at year end represents approximately 7% of total fiscal year 2018 general fund expenditures, while total fund balance represents approximately 13% of that same amount.

**Proprietary Funds** – The Town’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

**Fiduciary Fund** – The Town’s fiduciary fund is comprised of its other postemployment benefits trust fund, private purpose funds and agency funds.

### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget were not significant. A reconciliation of these differences is found in the required supplementary information.

## **Capital Asset and Debt Administration**

**Capital Assets** – The Town’s investment in capital assets, which includes land, buildings, infrastructure, machinery and equipment, for its governmental and business-type activities as of June 30, 2018 amounts to approximately \$55.3 million, net of accumulated depreciation. This is a decrease of nearly \$804,000 from the prior year as 2018 depreciation expense exceeded capital additions.

Additional information on the Town capital assets can be found in the notes to the financial statements.

**Long-term Debt** – The Town’s total general obligation bond and notes payable debt decreased by approximately \$938,000 in fiscal year 2018 to approximately \$10.2 million at June 30, 2018. This decrease was entirely due to the regularly scheduled repayments of long-term general obligations. The Town did not complete any long-term borrowings in fiscal year 2018.

The Town also holds a proportionate share of debt of other governmental units that provide services within the Town’s boundaries. Debt service from such arrangements is assessed annually to the Town. Additional information on the Town’s debt can be found in the notes to the financial statements.

Town’s general obligations are rated Aa3 by Moody’s Investor Services, which is the fourth highest credit rating for long-term debt issued by this agency.

## **Economic Factors and Next Year’s Budgets and Rates**

- The median household income of the Town is approximately 28% lower than the state-wide median and its unemployment rates are slightly greater than the state-wide average.
- Net state aid for fiscal year 2019 is expected to decrease approximately \$13,000 to \$11,982,000.
- The Town’s real estate tax base is made up predominantly of residential taxes, which in 2018 are approximately 76% of the entire property tax levy. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the Town’s ability to increase taxes in any one year by more than 2 ½% of the previous year’s tax levy. The Town typically taxes at or near its levy limit.

The above items were considered when the Town accepted its budget for fiscal year 2019 at its May 2018 Annual Town Meeting. The Town set its fiscal year 2019 property tax rate on November 20, 2018.

## **Requests for Information**

This financial report is designed to provide a general overview of the Town’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Town Finance Director, Town of Oxford, Massachusetts, 325 Main Street, Oxford, Massachusetts 01540.

**TOWN OF OXFORD, MASSACHUSETTS**

**STATEMENT OF NET POSITION**

**JUNE 30, 2018**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 9,825,610	\$ 909,589	\$ 10,735,199
Investments	4,633,871	-	4,633,871
Receivables, net:			
Property taxes	1,085,488	-	1,085,488
User fees	-	699,439	699,439
Departmental and other	564,180	-	564,180
Intergovernmental	3,094,052	-	3,094,052
Land	943,770	387,130	1,330,900
Capital assets, net of accumulated depreciation	48,782,106	5,190,650	53,972,756
<b>Total Assets</b>	<u>68,929,077</u>	<u>7,186,808</u>	<u>76,115,885</u>
<b>Deferred Outflows of Resources</b>			
Other postemployment benefits	77,925	313	78,238
Pensions	2,790,052	11,205	2,801,257
<b>Deferred Outflows of Resources</b>	<u>2,867,977</u>	<u>11,518</u>	<u>2,879,495</u>
<b>Liabilities</b>			
Warrants and accounts payable	535,625	119,680	655,305
Accrued payroll and personnel costs	564,014	-	564,014
Health claims incurred but not reported	-	-	-
Accrued interest	58,014	18,377	76,391
Other liabilities	177,182	-	177,182
Bond anticipation notes payable	1,320,300	270,000	1,590,300
Noncurrent liabilities:			
Due within one year	881,879	174,682	1,056,561
Due in more than one year	80,581,398	2,344,915	82,926,313
<b>Total Liabilities</b>	<u>84,118,412</u>	<u>2,927,654</u>	<u>87,046,066</u>
<b>Deferred Inflows of Resources</b>			
Other postemployment benefits	2,160,461	8,677	2,169,138
Pensions	3,351,338	13,459	3,364,797
<b>Deferred Inflows of Resources</b>	<u>5,511,799</u>	<u>22,136</u>	<u>5,533,935</u>
<b>Net Position</b>			
Net investment in capital assets	41,567,639	3,082,865	44,650,504
Restricted:			
Nonexpendable perpetual funds	4,356,316	-	4,356,316
Expendable perpetual funds	704,949	-	704,949
Employee benefits	190,653	-	190,653
Other purposes	6,215,777	-	6,215,777
Unrestricted	(70,868,491)	1,165,671	(69,702,820)
<b>Total Net Position</b>	<u>\$ (17,833,157)</u>	<u>\$ 4,248,536</u>	<u>\$ (13,584,621)</u>

See accompanying notes to basic financial statements.

**TOWN OF OXFORD, MASSACHUSETTS**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018**

YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 3,450,350	\$ 134,041	\$ 51,830	\$ -	\$ (3,264,479)		(3,264,479)
Public safety	6,601,102	1,097,721	252,195	-	(5,251,186)		(5,251,186)
Education	33,909,421	1,568,254	16,858,136	-	(15,483,031)		(15,483,031)
Public works	5,216,819	137,381	60,803	802,110	(4,216,525)		(4,216,525)
Health and human services	338,192	135,182	209,412	-	6,402		6,402
Culture and recreation	1,066,340	9,691	64,707	-	(991,942)		(991,942)
Interest expense	281,198	-	65,722	-	(215,476)		(215,476)
Total governmental activities	50,863,422	3,082,270	17,562,805	802,110	(29,416,237)		(29,416,237)
<b>Business-Type activities:</b>							
Sewer	418,791	412,034	-	-		\$ (6,757)	(6,757)
Water	79,462	55,422	-	-		(24,040)	(24,040)
Community Center	545,414	212,307	-	-		(333,107)	(333,107)
Total business-type activities	1,043,667	679,763	-	-		(363,904)	(363,904)
<b>Total Primary Government</b>	<u>\$ 51,907,089</u>	<u>\$ 3,762,033</u>	<u>\$ 17,562,805</u>	<u>\$ 802,110</u>	<u>(29,416,237)</u>	<u>(363,904)</u>	<u>(29,780,141)</u>
<b>General Revenues:</b>							
Property taxes					22,396,639	-	22,396,639
Motor vehicle and other excise taxes					2,156,892	-	2,156,892
Grants and contributions not restricted to specific programs					2,054,202	-	2,054,202
Penalties and interest on taxes					167,910	-	167,910
Other revenues					20,931	-	20,931
Unrestricted investment income					286,775	807	287,582
Transfers (net)					(353,612)	353,612	-
Total general revenues and transfers					26,729,737	354,419	27,084,156
Change in Net Position					(2,686,500)	(9,485)	(2,695,985)
<b>Net Position:</b>							
Beginning of year (As restated; see Note V)					(15,146,657)	4,258,021	(10,888,636)
End of year					\$ (17,833,157)	\$ 4,248,536	\$ (13,584,621)

See accompanying notes to basic financial statements.

**TOWN OF OXFORD, MASSACHUSETTS**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2018**

	General Fund	Capital Projects Funds	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 5,759,812	\$ -	\$ 4,065,798	\$ 9,825,610
Investments	572,933	-	4,060,938	4,633,871
Receivables, net of allowance for uncollectibles:				
Property taxes	1,085,488	-	-	1,085,488
Departmental and other	259,954	-	304,226	564,180
Intergovernmental	1,957,520	-	1,136,532	3,094,052
<b>Total Assets</b>	<u>9,635,707</u>	<u>-</u>	<u>9,567,494</u>	<u>19,203,201</u>
<b>Deferred Outflows of Resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 9,635,707</u>	<u>\$ -</u>	<u>\$ 9,567,494</u>	<u>\$ 19,203,201</u>
<b>Liabilities:</b>				
Warrants and accounts payable	\$ 353,809	\$ 24,773	\$ 159,979	\$ 538,561
Accrued payroll and personnel costs	561,078	-	-	561,078
Other liabilities	31,448	145,734	-	177,182
Bond anticipation notes payable	-	1,320,300	-	1,320,300
<b>Total Liabilities</b>	<u>946,335</u>	<u>1,490,807</u>	<u>159,979</u>	<u>2,597,121</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - property taxes	1,085,488	-	-	1,085,488
Unavailable revenue - excise taxes	253,810	-	-	253,810
Unavailable revenue - intergovernmental	1,957,520	-	-	1,957,520
Unavailable revenue - other	6,144	-	304,226	310,370
<b>Total Deferred Inflows of Resources</b>	<u>3,302,962</u>	<u>-</u>	<u>304,226</u>	<u>3,607,188</u>
<b>Fund Balances:</b>				
Nonspendable	-	-	4,356,316	4,356,316
Restricted	260,887	129,205	4,746,973	5,137,065
Committed	1,564,700	-	-	1,564,700
Assigned	479,848	-	-	479,848
Unassigned	3,080,975	(1,620,012)	-	1,460,963
<b>Total Fund Balances</b>	<u>5,386,410</u>	<u>(1,490,807)</u>	<u>9,103,289</u>	<u>12,998,892</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 9,635,707</u>	<u>\$ -</u>	<u>\$ 9,567,494</u>	<u>\$ 19,203,201</u>

See accompanying notes to basic financial statements.

**TOWN OF OXFORD, MASSACHUSETTS**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION  
JUNE 30, 2018**

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<b>Total Governmental Fund Balances</b>		\$ 12,998,892
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		49,725,876
Other assets are not available to pay for current-period expenditures and are therefore deferred inflows of financial resources in the funds.		3,607,188
Deferred outflows and inflows of resources to be recognized in future personnel benefit expenses are not available resources and therefore are not reported in the funds:		
Deferred outflows of resources - other postemployment benefits	77,925	
Deferred outflows of resources - pensions	2,790,052	
Deferred inflows of resources - other postemployment benefits	(2,160,461)	
Deferred inflows of resources - pensions	<u>(3,351,338)</u>	
Net effect of reporting deferred outflows and inflows of resources		(2,643,822)
In the statement of net position, interest is accrued on outstanding long-term debt whereas in the governmental funds, interest is not reported until due.		(58,014)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the government funds:		
Bonds and notes payable	(7,825,000)	
Bonds premium amortization	(117,730)	
Landfill post-closure care costs	(45,000)	
Compensated absences	(215,791)	
Net other postemployment benefits liability	(45,892,731)	
Net pension liability	<u>(27,367,025)</u>	
Net effect of reporting long-term liabilities		<u>(81,463,277)</u>
<b>Net Position of Governmental Activities</b>		<b>\$ <u>(17,833,157)</u></b>

See accompanying notes to basic financial statements.

**TOWN OF OXFORD, MASSACHUSETTS**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2018**

	General Fund	Capital Projects Funds	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property taxes	\$ 22,385,016	\$ -	\$ -	\$ 22,385,016
Intergovernmental	17,312,412	-	3,190,336	20,502,748
Motor vehicle and other excises	2,185,260	-	-	2,185,260
Licenses and permits	36,473	-	-	36,473
Penalties and interest on taxes	167,910	-	-	167,910
Fines and forfeitures	63,775	-	-	63,775
Investment income	49,083	-	237,692	286,775
Departmental and other revenue	188,582	-	2,784,057	2,972,639
Contributions and donations	4,000	-	251,051	255,051
Other revenues	-	-	20,930	20,930
<b>Total Revenues</b>	<u>42,392,511</u>	<u>-</u>	<u>6,484,066</u>	<u>48,876,577</u>
<b>Expenditures:</b>				
Current:				
General government	2,890,118	-	31,059	2,921,177
Public safety	3,978,346	-	214,727	4,193,073
Education	22,510,228	574,022	3,547,306	26,631,556
Public works	4,072,051	-	975,213	5,047,264
Health and human services	215,276	-	32,020	247,296
Culture and recreation	426,809	326,009	23,534	776,352
Pension and fringe benefits	6,065,397	-	-	6,065,397
State and county assessments	993,539	-	-	993,539
Debt service:				
Principal	755,000	-	-	755,000
Interest	282,954	-	-	282,954
<b>Total Expenditures</b>	<u>42,189,718</u>	<u>900,031</u>	<u>4,823,859</u>	<u>47,913,608</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>202,793</u>	<u>(900,031)</u>	<u>1,660,207</u>	<u>962,969</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	1,024,500	122,773	3,305	1,150,578
Transfers out	(406,375)	-	(1,097,815)	(1,504,190)
<b>Total Other Financing Sources (Uses)</b>	<u>618,125</u>	<u>122,773</u>	<u>(1,094,510)</u>	<u>(353,612)</u>
<b>Net Change in Fund Balances</b>	820,918	(777,258)	565,697	609,357
<b>Fund Balances - Beginning of year</b>	<u>4,565,492</u>	<u>(713,549)</u>	<u>8,537,592</u>	<u>12,389,535</u>
<b>Fund Balances - End of year</b>	<u>\$ 5,386,410</u>	<u>\$ (1,490,807)</u>	<u>\$ 9,103,289</u>	<u>\$ 12,998,892</u>

See accompanying notes to basic financial statements.



**TOWN OF OXFORD, MASSACHUSETTS**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018**

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**Net Change in Fund Balances - Total Governmental Fund Balances** \$ 609,357

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The net amounts are reflects as reconciling items:

Capital outlays	\$	2,839,773
Depreciation expense		<u>(3,560,675)</u>

Net effect of reporting capital assets (720,902)

The issuance of long-term debt 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 has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities. The net amounts are

Bond premium amortization		13,352
Repayments of long-term debt		<u>755,000</u>

Net effect of reporting long-term debt 768,352

Revenues in the statement of activities that do not provide current financial resources are unavailable in the statement of revenues, expenditures and changes in fund balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. The amount presented represents differences derived from unavailable revenue.

(346,043)

In the Statement of Activities, interest is accrued on outstanding long-term debt; whereas in governmental funds interest is not reported until due. The net amount presented here as a reconciling item represents the difference in accruals between this year and the prior year.

(11,596)

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

Landfill post-closure care costs		3,000
Compensated absences		181,395
Net other postemployment benefits liability		(1,928,575)
Net pension liability		<u>(1,241,488)</u>

Net effect of reporting long-term liabilities (2,985,668)

**Change in Net Position of Governmental Activities** \$ (2,686,500)

See accompanying notes to basic financial statements.

**TOWN OF OXFORD, MASSACHUSETTS**

**PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2018**

	Business-Type Activities			
	Sewer	Water	Community Center	Total
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 395,677	\$ 447,653	\$ 66,259	\$ 909,589
User charges receivable, net	123,577	-	-	123,577
Betterments receivable	226,293	349,569	-	575,862
Total current assets	745,547	797,222	66,259	1,609,028
Noncurrent assets:				
Land	-	11,397	375,733	387,130
Capital assets, net of accumulated depreciation	3,463,771	530,230	1,196,649	5,190,650
Total noncurrent assets	3,463,771	541,627	1,572,382	5,577,780
<b>Total Assets</b>	4,209,318	1,338,849	1,638,641	7,186,808
<b>Deferred Outflows of Resources</b>				
Other postemployment benefits	-	-	313	313
Pensions	-	-	11,205	11,205
<b>Total Deferred Outflows of Resources</b>	-	-	11,518	11,518
<b>Total Assets and Deferred Outflows of Resources</b>	4,209,318	1,338,849	1,650,159	7,198,326
<b>Liabilities</b>				
Current liabilities:				
Warrants and accounts payable	103,685	-	9,251	112,936
Accrued payroll and personnel costs	324	-	6,420	6,744
Accrued interest	4,676	5,291	8,410	18,377
Bond anticipation notes payable	-	-	270,000	270,000
Compensated absences	-	-	163	163
Bonds and notes payable	44,437	79,347	50,735	174,519
Total current liabilities	153,122	84,638	344,979	582,739
Noncurrent liabilities:				
Compensated absences	-	-	303	303
Net other postemployment benefits liability	-	-	184,308	184,308
Net pension liability	-	-	109,908	109,908
Bonds and notes payable	530,004	810,104	710,288	2,050,396
Total noncurrent liabilities	530,004	810,104	1,004,807	2,344,915
<b>Total Liabilities</b>	683,126	894,742	1,349,786	2,927,654
<b>Deferred Inflows of Resources</b>				
Other postemployment benefits	-	-	8,677	8,677
Pensions	-	-	13,459	13,459
<b>Total Deferred Inflows of Resources</b>	-	-	22,136	22,136
<b>Total Liabilities and Deferred Inflows of Resources</b>	683,126	894,742	1,371,922	2,949,790
<b>Net Position</b>				
Net investment in capital assets	2,889,330	(347,824)	541,359	3,082,865
Unrestricted	636,862	791,931	(263,122)	1,165,671
<b>Total Net Position</b>	\$ 3,526,192	\$ 444,107	\$ 278,237	\$ 4,248,536

See accompanying notes to basic financial statements.

**TOWN OF OXFORD, MASSACHUSETTS**

**PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2018**

	Business-Type Activities			
	Sewer	Water	Community Center	Total
<b>Operating Revenues:</b>				
Charges for services	\$ 412,034	\$ -	\$ 212,307	\$ 624,341
Other revenues	-	55,422	-	55,422
<b>Total Operating Revenues</b>	<u>412,034</u>	<u>55,422</u>	<u>212,307</u>	<u>679,763</u>
<b>Operating Expenses:</b>				
Personnel and related expenses	24,101	-	156,302	180,403
Operating expenses	293,314	-	285,447	578,761
Depreciation	85,145	53,678	85,374	224,197
<b>Total Operating Expenses</b>	<u>402,560</u>	<u>53,678</u>	<u>527,123</u>	<u>983,361</u>
<b>Total Operating Income (Loss)</b>	<u>9,474</u>	<u>1,744</u>	<u>(314,816)</u>	<u>(303,598)</u>
<b>Nonoperating Revenues (Expenses):</b>				
Interest income	325	400	82	807
Interest expense	(16,231)	(25,784)	(18,291)	(60,306)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(15,906)</u>	<u>(25,384)</u>	<u>(18,209)</u>	<u>(59,499)</u>
<b>Loss Before Transfers</b>	<u>(6,432)</u>	<u>(23,640)</u>	<u>(333,025)</u>	<u>(363,097)</u>
<b>Transfers:</b>				
Transfers in	23,315	-	330,297	353,612
<b>Change in Net Position</b>	<u>16,883</u>	<u>(23,640)</u>	<u>(2,728)</u>	<u>(9,485)</u>
<b>Net Position - Beginning of Year (a)</b>	<u>3,509,309</u>	<u>467,747</u>	<u>280,965</u>	<u>4,258,021</u>
<b>Net Position - End of Year</b>	<u>\$ 3,526,192</u>	<u>\$ 444,107</u>	<u>\$ 278,237</u>	<u>\$ 4,248,536</u>

(a) As restated; refer to Note V to the financial statements.

See accompanying notes to basic financial statements.

**TOWN OF OXFORD, MASSACHUSETTS**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2018**

	Business-Type Activities			
	Sewer	Water	Community Center	Total
<b>Cash Flows from Operating Activities:</b>				
Receipts from users	\$ 464,367	\$ 34,957	\$ 212,307	\$ 711,631
Receipts from other operating revenues	-	55,422	-	55,422
Payments to employees	(24,330)	-	(143,816)	(168,146)
Payments to vendors	(262,625)	-	(282,318)	(544,943)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>177,412</u>	<u>90,379</u>	<u>(213,827)</u>	<u>53,964</u>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Transfers in	23,315	-	330,297	353,612
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>23,315</u>	<u>-</u>	<u>330,297</u>	<u>353,612</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition and construction of capital assets	(141,169)	-	-	(141,169)
Proceeds from bond anticipation notes	-	-	(30,000)	(30,000)
Principal payments on bonds and notes	(39,437)	(79,347)	(50,735)	(169,519)
Interest payments on bonds and notes	(16,727)	(27,042)	(18,865)	(62,634)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<u>(197,333)</u>	<u>(106,389)</u>	<u>(99,600)</u>	<u>(403,322)</u>
<b>Cash Flows from Investing Activities:</b>				
Investment income	325	400	82	807
<b>Net Cash Provided by Investing Activities</b>	<u>325</u>	<u>400</u>	<u>82</u>	<u>807</u>
<b>Net Change in Cash and Cash Equivalents</b>	3,719	(15,610)	16,952	5,061
<b>Cash and Cash Equivalents:</b>				
<b>Beginning of the year</b>	<u>391,958</u>	<u>463,263</u>	<u>49,307</u>	<u>904,528</u>
<b>End of the year</b>	<u>\$ 395,677</u>	<u>\$ 447,653</u>	<u>\$ 66,259</u>	<u>\$ 909,589</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</b>				
Operating Income (Loss)	\$ 9,474	\$ 1,744	\$ (314,816)	\$ (303,598)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	85,145	53,678	85,374	224,197
Changes in assets and liabilities:				
Receivables	52,333	34,957	-	87,290
Prepaid items	-	-	-	-
Accounts payable and accrued expenses	30,460	-	3,799	34,259
Other assets and liabilities	-	-	11,816	11,816
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 177,412</u>	<u>\$ 90,379</u>	<u>\$ (213,827)</u>	<u>\$ 53,964</u>

See accompanying notes to basic financial statements.

**TOWN OF OXFORD, MASSACHUSETTS**

**FIDUCIARY FUNDS**

**STATEMENT OF FIDUCIARY NET POSITION**

**JUNE 30, 2018**

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	OPEB Trust Fund	Private Purpose Trust Funds	Agency Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Assets</b>			
Cash and cash equivalents	\$ 438,100	\$ 484,733	\$ 700,893
Investments	3,506,895	602,918	-
Other receivables	<u>-</u>	<u>-</u>	<u>66,191</u>
<b>Total Assets</b>	<u>3,944,995</u>	<u>1,087,651</u>	<u>767,084</u>
 <b>Liabilities</b>			
Warrants and accounts payable	-	-	127,966
Agency liabilities	<u>-</u>	<u>-</u>	<u>639,118</u>
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>767,084</u>
 <b>Net Position</b>			
Held in trust	<u>3,944,995</u>	<u>1,087,651</u>	<u>-</u>
<b>Total Net Position</b>	<u><u>\$ 3,944,995</u></u>	<u><u>\$ 1,087,651</u></u>	<u><u>\$ -</u></u>

See accompanying notes to basic financial statements.

**TOWN OF OXFORD, MASSACHUSETTS**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2018**

	OPEB Trust Fund	Private Purpose Trust Funds
	<u>                    </u>	<u>                    </u>
<b>Additions</b>		
Contributions:		
Employer	\$ 1,374,320	\$ -
Other contributions and donations	<u>-</u>	<u>375</u>
Total contributions	<u>1,374,320</u>	<u>375</u>
Investment income	<u>181,990</u>	<u>9,397</u>
<b>Total Additions</b>	<u>1,556,310</u>	<u>9,772</u>
 <b>Deductions</b>		
Benefit payments to retirees and beneficiaries	1,309,320	-
Scholarships and assistance	<u>-</u>	<u>34,745</u>
<b>Total Deductions</b>	<u>1,309,320</u>	<u>34,745</u>
 <b>Change in Net Position</b>	246,990	(24,973)
 <b>Net Position - Beginning of year</b>	<u>3,698,005</u>	<u>1,112,624</u>
<b>Net Position - End of year</b>	<u><u>\$ 3,944,995</u></u>	<u><u>\$ 1,087,651</u></u>

See accompanying notes to basic financial statements.

## TOWN OF OXFORD, MASSACHUSETTS

### NOTES TO BASIC FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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#### **I. Summary of Significant Accounting Policies**

The accompanying basic financial statements of the Town of Oxford (the “Town”) have been prepared in conformity with generally accepted accounting principles (“GAAP”) as applied to state and local governments. GAAP is prescribed by the Governmental Accounting Standards Board (“GASB”), which is the primary standard-setting body for state and local government entities. The following is a summary of the more significant policies and practices used by the Town:

##### **A. Reporting Entity**

The Town is located in Worcester County and is approximately eleven miles south of the City of Worcester, Massachusetts. The Town is also in close proximity to northern Connecticut. The Town was incorporated in 1713.

The Town operates under a representative Town Meeting form of government with a five-member elected Board of Selectmen and an appointed Town Manager, who performs and oversees the Town’s daily executive and administrative duties. The Town provides governmental services for the territory within its boundaries, including education, public safety, public works, health and human services, culture and recreation and general governmental services. Additionally, the Town owns and operates water, sewer and community recreation services; each of which are funded through user charges and treated as business enterprises.

Component units, while separate entities, are in substance part of the governmental operations if the significance of their operations and/or financial relationship with the Town meet certain criteria. Pursuant to these criteria, there are no component units required to be included in the Town’s financial statements.

The Town is a member community of the Bay Path Regional Vocational Technical School. This joint venture assesses each of the ten member communities its share of the operational and debt service costs based on student population and other factors. In fiscal year 2018, the Town’s assessment was \$1,541,856. The Town has no equity interest in the joint venture. Complete audited financial statements can be obtained directly from the school’s administrative office located at 57 Old Muggett Hill Road, Charlton, 01507.

##### **B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

Major Fund Criteria – Major funds must be reported if both of the following criteria are met:

- 1) The total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least ten percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), and
- 2) The total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding element for all governmental and enterprise funds combined.

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded when a liability is incurred. Property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. For the most part, the effect of interfund activity has been removed from the government-wide financial statements. Interfund services provided and used are not eliminated in the process of consolidation.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when susceptible to accrual (i.e. measurable and available). Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.



The Town applies the susceptible to accrual criteria to intergovernmental revenues. In applying the susceptible to accrual concept, there are two types of revenues. In one, monies must be expended for a specific purpose or project before any amounts will be paid to the; therefore, revenues are recognized as expenditures are incurred. In the other, monies are virtually unrestricted and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues when cash is received, or earlier if the susceptible to accrual criteria are met. State aid is accrued as revenue in the year that the funds are appropriated by the Commonwealth of Massachusetts (the “Commonwealth”).

The Town considers property tax revenues to be available if they are collected within sixty days after the end of the fiscal year, if material. Investment income associated with the current fiscal period is susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received and are recognized as revenue at that time.

The government reports the following major governmental funds:

*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.

*Capital Project Funds* – is used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays. The Town began to separately present its capital projects funds in fiscal year 2017.

*Nonmajor Governmental Funds* – consist of other special revenue and permanent funds that are aggregated and presented in the nonmajor governmental funds column on the governmental funds financial statements. The following describes the general use of these fund types:

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Permanent funds are used to account for financial resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

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

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 are user charges and fees, while operating expenses consist of salaries, ordinary maintenance, assessments, indirect costs and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Town reports the following major proprietary fund:

Sewer Enterprise Fund – is used to account for the operation of the Town’s wastewater treatment operations.

Water Enterprise Fund – is used to account for the operation of the Town’s water activities, which are primarily limited to certain betterments and the rental of a water tank to a third party.

Community Center Fund – is used to account for the activities of the Oxford Community Center. The Town’s governing body voted to terminate this enterprise fund effective July 1, 2018 (i.e., fiscal year 2019).

Fiduciary fund financial statements are reported using the *economic resources measurement focus* and use the *accrual basis of accounting*. Fiduciary funds are used to account for assets held in a trustee capacity and cannot be used to support the governmental programs.

The Town reports the following fiduciary funds:

Other Postemployment Benefits Trust Fund – is used to account for funds accumulated by the Town to assist it in its future other postemployment benefits, or OPEB, obligations.

Private-Purpose Trust Funds – is used to account for trust arrangements under which principal and income benefit individuals, private organizations or other governments. This fund is used primarily for public assistance and scholarships.

Agency Fund – is used to account for assets held in a purely custodial capacity. The Town’s agency funds consist primarily of student activities, off-duty work details and escrow and other deposits.

When both restricted and unrestricted resources are available for use, it is the Town’s policy to use restricted resources first, then unrestricted resources, as they are needed.

#### **D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Equity**

Deposits and Investments – The Town’s cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments for the Town are reported at fair value.

Receivables – Real estate and personal property taxes are assessed on January 1 every year and are due in semiannual installments on November 1<sup>st</sup> and May 1<sup>st</sup> each year. Interest accrues on delinquent taxes at the rate of 14% per annum. Property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate taxes and water, sewer and other user fees are secured through a lien process within sixty days after the due date and are considered 100% collectible. Accordingly, an allowance for uncollectible balances for these receivables is not reported. All personal property tax, excise tax and other departmental receivables are shown net of an allowance for uncollectible balances comprised of those outstanding amounts greater than five years old.

*Inventories and Prepaid Items* – In the case of the Town, inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase. Certain payments to vendors reflect costs applicable to future accounting periods and may be recorded as prepaid items in both government-wide and governmental funds financial statements.

*Capital Assets* – Capital assets, which include land, land improvements, buildings and improvements, machinery and equipment, vehicles, library materials and infrastructure (e.g. roads, sidewalks, water and sewer systems, bridges and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All purchases and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected lives of greater than two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets (excluding land and construction-in-process) are depreciated on a straight-line-basis.

The estimated useful lives of capital assets being depreciated are as follows:

Buildings and improvements	20 – 40 years
Infrastructure	20 – 50 years
Machinery and equipment	5 – 20 years
Vehicles	5 – 10 years

*Interfund Balances* – Activity between funds that are representative of lending arrangements outstanding at the end of the fiscal year are referred to as either *due to/from other funds* or *advances to/from other funds*. All other outstanding balances between funds are reported as due to/from other funds.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*.

*Interfund Transfers* – During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out in the individual fund statements. Transfers between and within governmental and fiduciary funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the statement of activities as *transfers, net*.

*Investment Income* – Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by state law. Investment income of the proprietary funds may be voluntarily assigned to the general fund.

Compensated Absences – It is the Town’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting payroll and related expenditures. Amounts related to these benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured.

Long-term Obligations – Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond anticipation notes payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, the face amount of long-term debt issued is reported as other financing sources. Premiums received on a debt issuance are reported as other financing sources while discounts are reported as other financing uses, if material. Issuance costs are exclusively reported as general government expenditures regardless of whether they are withheld from the actual proceeds.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports items related to its net other postemployment benefits and pension liabilities as deferred outflows of resources in its government-wide financial statements, which it expects to amortize into personnel expenses over the next six fiscal years. The Town does not report deferred outflows of resources in its governmental funds financial statements.

In addition to liabilities, the statement of financial 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports items related to its net other postemployment benefits and pension liabilities as deferred inflows of resources in its government-wide financial statements, which it expects to amortize as a benefit into personnel expenses over the next six fiscal years. The Town reports unavailable revenues as deferred inflows of resources in its governmental funds financial statements, which will be recognized when these revenues become available.

Net Position – In the government-wide financial statements, net position reported as “net investment in capital assets” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital related debt.

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific use. Net position has been *restricted* for the following:

*Nonexpendable perpetual funds* represent the endowment portion of donor restricted trusts that support governmental programs.

*Expendable perpetual funds* represent the spendable portion of donor restricted trusts that support governmental programs.

*Employee benefits* represent stabilization funds restricted for funding of pension and unemployment insurance appropriations and benefits.

*Other purposes* represent assets that are restricted by donors for specific governmental programs and uses, revolving funds and federal and state grants.

*Fund Equity* – The Town presents fund balances in its governmental funds financial statements using classifications that comprise a hierarchy based primarily on the extent in which the Town is required to honor constraints on the specific purpose for which amounts in the funds can be spent.

Fund balance is reported in five components – nonspendable, restricted, committed, assigned, and unassigned as described below:

*Nonspendable* represents amounts that cannot be spent because they are either (a) not in spendable form (i.e. inventory or prepaid) or (b) legally or contractually required to be maintained intact such as the corpus of an endowment.

*Restricted* represents amounts that have constraints placed either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Town to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

*Committed* represents amounts that can only be used for specific purposes pursuant to formal action of the Town's highest level of decision making authority, which is the Town Meeting action, and can be modified or rescinded on through these actions.

*Assigned* represents amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed.

*Unassigned* represents amounts that have not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a *negative* unassigned fund balance amount.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the Town's policy to use committed resources first, then assigned, and then unassigned as they are needed.

The following table reflects the Town's fund equity categorizations:

	General Fund	Capital Projects Funds	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Perpetual permanent funds	\$ -	\$ -	\$ 4,356,316	\$ 4,356,316
Restricted:				
Expendable trusts	-	-	704,949	704,949
Capital projects	-	129,205	-	129,205
Federal and state grants	-	-	570,568	570,568
Revolving funds	-	-	3,471,456	3,471,456
Pension and other fringe benefits	190,653	-	-	190,653
Other purposes	70,234	-	-	70,234
Committed:				
General government	31,436	-	-	31,436
Public safety	111,828	-	-	111,828
Education	148,134	-	-	148,134
Public works	466,152	-	-	466,152
Subsequent year expenditures	807,150	-	-	807,150
Assigned:				
Education	265,595	-	-	265,595
Other purposes	214,253	-	-	214,253
Unassigned:				
Unrestricted	2,628,695	(1,620,012)	-	1,008,683
General stabilization	452,280	-	-	452,280
	<u>\$ 5,386,410</u>	<u>\$ (1,490,807)</u>	<u>\$ 9,103,289</u>	<u>\$ 12,998,892</u>

Stabilization Funds – The Town maintains several stabilization funds, each of which requires the affirmative vote of two-thirds of Town Meeting to be released. The following table summarizes the Town's stabilization funds at June 30, 2018:

Stabilization Fund Name	Amount	Purpose	Presentation
Retirement stabilization	\$ 113,375	Retirement appropriations	Restricted
Unemployment insurance stabilization	77,278	Employee unemployment	Restricted
High School debt stabilization	10,928	Debt service	Restricted
Celebration stabilization	9,136	Community celebrations	Restricted
Stabilization reserved for special education	50,170	Special education costs	Restricted
General stabilization	<u>452,280</u>	Any municipal purpose	Unassigned
	<u>\$ 713,167</u>		

Encumbrances – The Town's encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchase orders resulting from normal purchasing activity approved by the Town as assigned and (2) classify encumbrances that result from an action of the Board of Selectmen as committed. Encumbrances of funds already restricted, or committed are included within the classification of those fund balances and not reported separately. The Town reports \$479,848 of encumbrances from normal purchasing activity in the general fund as assigned. There are no encumbrances reported in any other fund.

## **E. Excess of Expenditures Over Appropriations and Deficits**

During the fiscal year ended June 30, 2018, expenditures for state and county assessments exceeded budget by \$105,721, which the Town will raise on its fiscal year 2019 property tax levy.

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

# **II. Detailed Notes to All Funds**

## **A. Deposits and Investments**

A cash and investment pool is maintained and is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as *cash and cash equivalents*. The deposits and investments of trust funds are held separately from those of other funds.

State laws and regulations require the Town to invest funds only in pre-approved investment instruments which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements and the Massachusetts Municipal Depository Trust (the "MMDT"), which is administered by the Treasurer of the Commonwealth. In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a United States obligation. During the fiscal year, the Town did not enter into any repurchase agreements.

*Fair Value of Investments* – The Town reports its investments at fair value. When actively quoted observable prices are not available, the Town generally uses either implied pricing from similar investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors).

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. This hierarchy is based on valuation inputs used to measure the fair value of the asset or liability. The three levels of the hierarchy are as follows:

- *Level 1* – Inputs are quoted prices in active markets for identical investments at the measurement date.
- *Level 2* – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the investment through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.
- *Level 3* – Inputs reflect the Town's best estimate of what market participants would use in pricing the investment at the measurement date.

The following table presents the Town's investments carried at fair value on a recurring basis in at June 30, 2018:

Investment Type	Fair	Fair Value Measurements Using		
	Value	Level 1	Level 2	Level 3
Investments by fair value level:				
Debt securities:				
U.S. Treasury notes	\$ 149,601	\$ 149,601	\$ -	\$ -
U.S. Governmental agency obligations	206,913	-	206,913	-
Corporate bonds	178,078	-	178,078	-
Total debt securities	534,592	149,601	384,991	-
Equity securities	154,674	154,674	-	-
Mutual funds	7,481,486	-	7,481,486	-
Total investments measured at fair value	8,170,752	\$ 304,275	\$ 7,866,477	\$ -
Investments measured at amortized cost:				
MMDT	572,932			
Total investments	\$ 8,743,684			

All the Town's investments in U.S Treasuries and equity securities were classified in Level 1 as each investment is quoted in an active market. Corporate bonds, mutual funds and U.S. government agency bonds are valued using matrix pricing based on the securities' relationship to benchmark quoted prices. The MMDT is valued at amortized cost, which approximates fair value.

Custodial Credit Risk: Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town does not have a policy to manage its exposure to custodial credit risk relative to its deposits. The Town relies on depository insurance at its banking institutions to manage this risk. At June 30, 2018, \$1,189,256 in Town deposits were not subject to depository insurance from the Federal Depository Insurance Corporation or other depository insurance programs.

Custodial Credit Risk: Investments – In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town may not be able to recover the full amount of its principal investment and/or investment earnings. All the Town's investments are registered in its name and cannot be pledged or assigned. The Town is not exposed to custodial credit risk on its investments.



*Interest Rate Risk* – This is the risk that changes in interest rates will adversely affect the market value of an investment. The Town limits its exposure to interest rate risk by managing the duration of its investments.

*Concentration of Credit Risk* – At June 30, 2018, the Town’s investment in the MMDT represented approximately 7% of the Town’s total investment balance. No other individual investment exceeded 5% of the Town’s investment balance.

At June 30, 2018, the Town had the following investments with maturities:

Investment Type	Fair Value	Time Until Maturity (in years)		
		Less Than 1	1 to 5	6 to 10
U.S. government and agency obligations	\$ 356,514	\$ -	\$ 356,514	\$ -
Corporate fixed income securities	178,078	-	178,078	-
Total investments with maturities	534,592	<u>\$ -</u>	<u>\$ 534,592</u>	<u>\$ -</u>
<u>Other Investments:</u>				
Equity securities	154,674			
Mutual funds	7,481,486			
MMDT	572,932			
Total Town investments	<u>\$ 8,743,684</u>			

*Credit Risk* – At June 30, 2018, all the Town’s investments in U.S. government and agency obligations were rated Aaa by Moody’s Investors Service (“Moody’s”). Of the Town’s investments in corporate fixed income securities, \$113,789 were rated A3 by Moody’s and \$64,289 were rated Baa2 by Moody’s.

*Foreign Currency Risk* – This is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Town does not hold any securities denominated in a foreign currency and therefore is not exposed to foreign currency credit risk.

## B. Receivables

Receivables as of June 30, 2018 for the Town’s major governmental funds in the aggregate, including applicable allowances for uncollectible accounts, were as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Real estate and personal property taxes	\$ 227,025	\$ -	\$ 227,025
Tax liens	858,463	-	858,463
Motor vehicle and other excise taxes	253,810	-	253,810
Departmental and other	310,370	-	310,370
Intergovernmental - MSBA	1,852,052	-	1,852,052
Intergovernmental - other	<u>1,242,000</u>	<u>-</u>	<u>1,242,000</u>
Total	<u>\$ 4,743,720</u>	<u>\$ -</u>	<u>\$ 4,743,720</u>

Receivables as of June 30, 2018 for the Town's proprietary funds were as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Sewer user charges	\$ 123,577	\$ -	\$ 123,577
Sewer betterments	226,293	-	226,293
Water betterments	349,569	-	349,569
Total	<u>\$ 699,439</u>	<u>\$ -</u>	<u>\$ 699,439</u>

Governmental funds report unavailable revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The following table identifies the components of unavailable revenues in the governmental funds:

	General Fund	Nonmajor Funds	Total
Receivable type:			
Real estate and personal property taxes	\$ 227,025	\$ -	\$ 227,025
Tax liens	858,463	-	858,463
Motor vehicle and other excise taxes	253,810	-	253,810
Intergovernmental	1,957,520	-	1,957,520
Departmental and other	6,144	304,226	310,370
Total	<u>\$ 3,302,962</u>	<u>\$ 304,226</u>	<u>\$ 3,607,188</u>

MSBA Reimbursements – The Town is currently being reimbursed by the Massachusetts School Building Authority, or MSBA, for a school construction project. The Town receives \$404,404 each year from the MSBA, which is to offset a portion of the general obligation debt the Town incurred to finance the project. The Town expects to receive these funds through fiscal year 2023. The net present value of the expected future reimbursement receipts of \$1,852,052 is reported as an intergovernmental receivable in the Town's general fund at June 30, 2018.

### C. Interfund Receivables, Payables and Transfers

The composition of interfund transfers for the fiscal year ended June 30, 2018 was as follows:

Transfers Out	Transfers In				Total
	General Fund	Capital Projects	Nonmajor Governmental Funds	Enterprise Funds	
General fund	\$ -	\$ 72,773	\$ 3,305	\$ 330,297	\$ 406,375 (1)
Nonmajor funds	<u>1,024,500</u>	<u>50,000</u>	<u>-</u>	<u>23,315</u>	<u>1,097,815</u> (2)
	<u>\$ 1,024,500</u>	<u>\$ 122,773</u>	<u>\$ 3,305</u>	<u>\$ 353,612</u>	<u>\$ 1,504,190</u>

- (1) General fund transferred \$26,073 and \$46,700 to capital projects for an article and to fund repayments on BANs, respectively; \$3,305 was transferred to nonmajor governmental funds to fund a deficit; \$230,697 was transferred to the Community Center to supplement its operations; \$30,000 was transferred to the Community Center to fund a BAN repayment; and \$69,600 was paid by the general fund for long-term general obligation bonds due by the Community Center
- (2) Transfers of \$864,500 from receipts reserved funds per Town Meeting votes; \$160,000 was transferred to the general fund to supplement the general fund budget from revolving and trust funds; \$50,000 was transferred to assist in the funding of a bathhouse capital project; \$23,315 was transferred to the sewer enterprise from a related revolving fund on its closing.

### D. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 943,770	\$ -	\$ -	\$ 943,770
Capital assets being depreciated:				
Buildings and improvements	65,368,996	1,011,114	-	66,380,110
Infrastructure	26,782,639	1,355,810	-	28,138,449
Machinery and equipment	6,200,463	203,797	-	6,404,260
Vehicles	<u>5,479,308</u>	<u>269,052</u>	<u>(183,616)</u>	<u>5,564,744</u>
Total capital assets being depreciated	<u>103,831,406</u>	<u>2,839,773</u>	<u>(183,616)</u>	<u>106,487,563</u>
Less accumulated depreciation for:				
Buildings and improvements	(25,251,579)	(1,759,705)	-	(27,011,284)
Infrastructure	(20,033,889)	(901,846)	-	(20,935,735)
Machinery and equipment	(4,201,248)	(629,156)	-	(4,830,404)
Vehicles	<u>(4,841,683)</u>	<u>(269,967)</u>	<u>183,616</u>	<u>(4,928,034)</u>
Total accumulated depreciation	<u>(54,328,399)</u>	<u>(3,560,674)</u>	<u>183,616</u>	<u>(57,705,457)</u>
Total capital assets being depreciated, net	<u>49,503,007</u>	<u>(720,901)</u>	<u>-</u>	<u>48,782,106</u>
Total governmental activities capital assets, net	<u>\$ 50,446,777</u>	<u>\$ (720,901)</u>	<u>\$ -</u>	<u>\$ 49,725,876</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<i><u>Business-Type Activities:</u></i>				
Capital assets not being depreciated:				
Land	\$ 387,130	\$ -	\$ -	\$ 387,130
Capital assets being depreciated:				
Buildings and improvements	2,404,408	-	-	2,404,408
Infrastructure	5,292,057	141,169	-	5,433,226
Machinery and equipment	43,408	-	-	43,408
Total capital assets being depreciated	7,739,873	141,169	-	7,881,042
Less accumulated depreciation for:				
Buildings and improvements	(1,141,796)	(83,433)	-	(1,225,229)
Infrastructure	(1,301,057)	(138,168)	-	(1,439,225)
Machinery and equipment	(23,342)	(2,596)	-	(25,938)
Total accumulated depreciation	(2,466,195)	(224,197)	-	(2,690,392)
Total capital assets being depreciated, net	5,273,678	(83,028)	-	5,190,650
Total business-type activities capital assets, net	<u>\$ 5,660,808</u>	<u>\$ (83,028)</u>	<u>\$ -</u>	<u>\$ 5,577,780</u>
	Beginning Balance	Increases	Decreases	Ending Balance
<i><u>Business-Type Activities: Sewer</u></i>				
Capital assets being depreciated:				
Infrastructure	\$ 4,113,907	\$ 141,169	\$ -	\$ 4,255,076
Less accumulated depreciation for:				
Infrastructure	(706,160)	(85,145)	-	(791,305)
Total accumulated depreciation	(706,160)	(85,145)	-	(791,305)
Total capital assets being depreciated, net	3,407,747	56,024	-	3,463,771
Total sewer capital assets, net	<u>\$ 3,407,747</u>	<u>\$ 56,024</u>	<u>\$ -</u>	<u>\$ 3,463,771</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities: Water</u>				
Capital assets not being depreciated:				
Land	\$ 11,397	\$ -	\$ -	\$ 11,397
Capital assets being depreciated:				
Infrastructure	1,178,150	-	-	1,178,150
Machinery and equipment	4,587	-	-	4,587
Total capital assets being depreciated	1,182,737	-	-	1,182,737
Less accumulated depreciation for:				
Infrastructure	(594,897)	(53,023)	-	(647,920)
Machinery and equipment	(3,932)	(655)	-	(4,587)
Total accumulated depreciation	(598,829)	(53,678)	-	(652,507)
Total capital assets being depreciated, net	583,908	(53,678)	-	530,230
Total water capital assets, net	<u>\$ 595,305</u>	<u>\$ (53,678)</u>	<u>\$ -</u>	<u>\$ 541,627</u>
<u>Business-Type Activities: Community Center</u>				
Capital assets not being depreciated:				
Land	\$ 375,733	\$ -	\$ -	\$ 375,733
Capital assets being depreciated:				
Buildings and improvements	2,404,408	-	-	2,404,408
Machinery and equipment	38,821	-	-	38,821
Total capital assets being depreciated	2,443,229	-	-	2,443,229
Less accumulated depreciation for:				
Buildings and improvements	(1,141,796)	(83,433)	-	(1,225,229)
Machinery and equipment	(19,410)	(1,941)	-	(21,351)
Total accumulated depreciation	(1,161,206)	(85,374)	-	(1,246,580)
Total capital assets being depreciated, net	1,282,023	(85,374)	-	1,196,649
Total Community Center capital assets, net	<u>\$ 1,657,756</u>	<u>\$ (85,374)</u>	<u>\$ -</u>	<u>\$ 1,572,382</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:		Business-Type Activities:	
General government	\$ 129,965	Sewer	\$ 85,145
Public safety	354,128	Water	53,678
Education	1,929,110	Community Center	85,374
Public works	1,032,278		<u>\$ 224,197</u>
Health and human services	20,569		
Culture and recreation	94,624		
	<u>\$ 3,560,674</u>		

## E. Temporary Debt

The Town is authorized to borrow on a temporary basis to fund the following:

Current Operating Costs – Prior to collection of revenues, expenditures may be financed through the issuance of revenue or tax anticipation notes.

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes (“BANS”) or grant anticipation notes. In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount.

Temporary notes are general obligations of the Town and carry maturity dates that are limited by state law. Interest expenditures and expenses for temporary borrowings are accounted for in the general fund and enterprise funds, respectively. Activity in the Town’s temporary notes during the current fiscal year included:

Type	Interest Rate	Maturity Date	July 1, 2017	Additions	Retirements	Rollovers	June 30, 2018
BAN	1.1%	matured	\$ 767,000	\$ -	\$ (76,700)	\$ (690,300)	\$ -
BAN	1.3%	8/9/2018	-	-	-	690,300	690,300
BAN	1.6%	3/13/2019	-	900,000	-	-	\$ 900,000
			<u>\$ 767,000</u>	<u>\$ 900,000</u>	<u>\$ (76,700)</u>	<u>\$ -</u>	<u>\$ 1,590,300</u>

Temporary debt was used for the following authorized purposes:

High School roof and bleacher replacements	\$ 600,000
Carbuncle bath house	300,000
Memorial Clock Tower	294,300
Library repairs	126,000
Community Center - splash pad	270,000
	<u>\$ 1,590,300</u>

## F. Long-term Obligations

The Town issues general obligation bonds and notes and capital leases to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes have been issued for both governmental and business-type activities. Additionally, the Town incurs various other long-term obligations relative to associated personnel costs.

Legal Debt Margin – State law permits a Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5% of its equalized valuation. Debt issued in accordance with this section of the law is designated as being “inside the debt limit.” In addition, a Town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being “outside the debt limit.” The Town’s legal debt margin as of June 30, 2018 was approximately \$65.2 million based on an equalized valuation of approximately \$1.3 billion.

The following reflects the current year activity in the Town's long-term liability accounts:

Description of Issue	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
General obligation bonds and notes payable	\$ 8,580,000	\$ -	\$ (755,000)	\$ 7,825,000	\$ 790,000
Unamortized bond premiums	131,082	-	(13,352)	117,730	13,352
Compensated absences	397,186	-	(181,395)	215,791	75,527
Post-closure landfill monitoring	48,000	-	(3,000)	45,000	3,000
Net other postemployment benefits liability (a)	46,046,692	3,375,323	(3,529,284)	45,892,731	-
Net pension liability	30,668,646	7,297,362	(10,598,983)	27,367,025	-
Total Governmental Activities	<u>\$ 85,871,606</u>	<u>\$ 10,672,685</u>	<u>\$ (15,081,014)</u>	<u>\$ 81,463,277</u>	<u>\$ 881,879</u>
<i>Business-Type Activities - Sewer:</i>					
General obligation bonds and notes payable	\$ 600,064	\$ -	\$ (38,642)	\$ 561,422	\$ 43,642
Unamortized bond premiums	13,814	-	(795)	13,019	795
Total Sewer	<u>613,878</u>	<u>-</u>	<u>(39,437)</u>	<u>574,441</u>	<u>44,437</u>
<i>Business-Type Activities - Water:</i>					
General obligation bonds and notes payable	929,936	-	(76,358)	853,578	76,358
Unamortized bond premiums	38,862	-	(2,989)	35,873	2,989
Total Water	<u>968,798</u>	<u>-</u>	<u>(79,347)</u>	<u>889,451</u>	<u>79,347</u>
<i>Business-Type Activities - Community Center:</i>					
General obligation bonds and notes payable	800,000	-	(50,000)	750,000	50,000
Unamortized bond premiums	11,758	-	(735)	11,023	735
Compensated absences	1,382	-	(916)	466	163
Net other postemployment benefits liability (a)	184,926	13,556	(14,174)	184,308	-
Net pension liability	123,167	29,307	(42,566)	109,908	-
Total Community Center	<u>1,121,233</u>	<u>42,863</u>	<u>(108,391)</u>	<u>1,055,705</u>	<u>50,898</u>
Total Business-Type Activities	<u>\$ 2,703,909</u>	<u>\$ 42,863</u>	<u>\$ (227,175)</u>	<u>\$ 2,519,597</u>	<u>\$ 174,682</u>

(a) As restated; refer to Note V.

The governmental activities liabilities will be liquidated by the general fund. The business-type liabilities will be liquidated by the respective enterprise funds. The Community Center's long-term liabilities will be transferred to general government in fiscal year 2019 as the Town's governing body voted to terminate this enterprise fund effective July 1, 2018 (i.e., fiscal year 2019).

General obligation bonds and notes payable outstanding at June 30, 2018 were as follows:

Description of Issue	Interest Rates	Beginning Balance	Additions	Maturities and Deductions	Ending Balance
<i>Governmental Activities:</i>					
General obligation bonds	0.5% to 5.0%	\$ 8,580,000	\$ -	\$ (755,000)	\$ 7,825,000
Add: unamortized bond premiums		<u>131,082</u>	<u>-</u>	<u>(13,352)</u>	<u>117,730</u>
Total Governmental Activities, net		<u>\$ 8,711,082</u>	<u>\$ -</u>	<u>\$ (768,352)</u>	<u>\$ 7,942,730</u>
<i>Business-Type Activities - Sewer:</i>					
General obligation bonds	0.5% to 4.0%	600,064	-	(38,642)	561,422
Add: unamortized bond premiums		<u>13,814</u>	<u>-</u>	<u>(795)</u>	<u>13,019</u>
Total Sewer, net		<u>613,878</u>	<u>-</u>	<u>(39,437)</u>	<u>574,441</u>
<i>Business-Type Activities - Water:</i>					
General obligation bonds	2.0% to 4.0%	929,936	-	(76,358)	853,578
Add: unamortized bond premiums		<u>38,862</u>	<u>-</u>	<u>(2,989)</u>	<u>35,873</u>
Total Water, net		<u>968,798</u>	<u>-</u>	<u>(79,347)</u>	<u>889,451</u>
<i>Business-Type Activities - Community Center:</i>					
General obligation bonds	0.5% to 2.9%	800,000	-	(50,000)	750,000
Add: unamortized bond premiums		<u>11,758</u>	<u>-</u>	<u>(735)</u>	<u>11,023</u>
Total Community Center, net		<u>811,758</u>	<u>-</u>	<u>(50,735)</u>	<u>761,023</u>
Total Business-Type Activities, net		<u>\$ 2,394,434</u>	<u>\$ -</u>	<u>\$ (169,519)</u>	<u>\$ 2,224,915</u>

Authorized and unissued debt at June 30, 2018 included:

Project	Amount
Middle School roof	\$ 3,300,000
Sacarrappa bridge repair	800,000
Street light conversion to LED	296,000
Woodward School repair	158,000
Water company purchase	6,300,000
Dana Road water	<u>200,000</u>
	<u>\$ 11,054,000</u>



Payments on outstanding general obligation bonds and notes payable due in future years consist of the following:

<u>Year Ended June 30,</u>	<u>Principal Balance</u>	<u>Interest Balance</u>	<u>Total</u>
<i>Governmental Activities:</i>			
2019	\$ 790,000	\$ 279,886	\$ 1,069,886
2020	815,000	249,868	1,064,868
2021	770,000	219,343	989,343
2022	780,000	189,623	969,623
2023	780,000	159,633	939,633
2024-2028	2,620,000	461,668	3,081,668
2029-2033	1,090,000	117,091	1,207,091
2034-2035	<u>180,000</u>	<u>5,850</u>	<u>185,850</u>
Total Governmental Activities	<u>\$ 7,825,000</u>	<u>\$ 1,682,962</u>	<u>\$ 9,507,962</u>
<i>Business-Type Activities - Combined:</i>			
2019	\$ 170,000	\$ 62,928	\$ 232,928
2020	165,000	58,628	223,628
2021	165,000	53,828	218,828
2022	165,000	48,278	213,278
2023	159,998	43,158	203,156
2024-2028	800,002	141,706	941,708
2029-2033	520,000	77,253	597,253
2034-2035	<u>20,000</u>	<u>650</u>	<u>20,650</u>
Total Business-Type Activities - Combined	<u>\$ 2,165,000</u>	<u>\$ 486,429</u>	<u>\$ 2,651,429</u>
<u>Year Ended June 30,</u>	<u>Principal Balance</u>	<u>Interest Balance</u>	<u>Total</u>
<i>Business-Type Activities: Sewer</i>			
2019	\$ 43,642	\$ 16,415	\$ 60,057
2020	38,642	15,233	53,875
2021	38,642	14,087	52,729
2022	38,642	12,842	51,484
2023	38,642	11,687	50,329
2024-2028	193,212	40,986	234,198
2029-2033	150,000	15,346	165,346
2034-2035	<u>20,000</u>	<u>650</u>	<u>20,650</u>
Total Sewer	<u>\$ 561,422</u>	<u>\$ 127,246</u>	<u>\$ 688,668</u>

<u>Year Ended June 30,</u>	<u>Principal Balance</u>	<u>Interest Balance</u>	<u>Total</u>
<i>Business-Type Activities: Water</i>			
2019	\$ 76,358	\$ 28,163	\$ 104,521
2020	76,358	26,295	102,653
2021	76,358	23,891	100,249
2022	76,358	20,836	97,194
2023	71,356	17,871	89,227
2024-2028	356,790	48,945	405,735
2029-2030	<u>120,000</u>	<u>3,600</u>	<u>123,600</u>
Total Water	<u>\$ 853,578</u>	<u>\$ 169,601</u>	<u>\$ 1,023,179</u>
<i>Business-Type Activities: Community Center:</i>			
2019	\$ 50,000	\$ 18,350	\$ 68,350
2020	50,000	17,100	67,100
2021	50,000	15,850	65,850
2022	50,000	14,600	64,600
2023	50,000	13,600	63,600
2024-2029	250,000	51,775	301,775
2029-2033	<u>250,000</u>	<u>58,307</u>	<u>308,307</u>
Total Community Center	<u>\$ 750,000</u>	<u>\$ 189,582</u>	<u>\$ 939,582</u>

## G. Tax Abatements

The Town enters into property tax abatements with local business as an incentive for economic growth. The agreements are commonly referred to as tax increment financing, or TIF, agreements. Under Massachusetts General Laws (“MGL”), property owners may be granted property tax abatements of up to 100% of the value of a tax increment for a maximum term of twenty years provided the property is located in a TIF zone. TIF zones are approved by the Massachusetts Economic Assistance Coordinating Council. The Board of Selectmen and Town Meeting must approve all TIF agreements.

For the fiscal year ended June 30, 2018, the Town abated property taxes for three commercial and industrial property owner totaling \$16,808.

## III. Other Information

### A. Retirement System

*Pension Plan Description* – The Town contributes to the Worcester Regional Retirement System (the “Retirement System”), a cost-sharing multiple-employer defined benefit pension plan. The Retirement System was established under Chapter 32 of MGL. The Retirement System is administered by the Worcester Regional Retirement Board (the “Retirement Board”). Stand-alone financial statements for the year ended December 31, 2017 were issued and are available by submitting a request to the Retirement System at 23 Midstate Drive, Suite 106, Auburn, Massachusetts 01501.

Current membership in the Retirement System for all ninety-seven employers as of December 31, 2017 was as follows:

Active members	7,601
Inactive members entitled to, but not receiving benefits	1,653
Inactive members (or beneficiaries) currently receiving benefits	<u>3,723</u>
	<u>12,977</u>

*Benefit Terms* – Membership in the Retirement System is mandatory for all full-time employees and non-seasonal, part-time employees who, in general, regularly work more than twenty hours per week. Teachers and certain administrative personnel employed by the regional and vocational schools participate in a separate pension plan administered by the Massachusetts Teachers' Retirement System, which is the legal responsibility of the Commonwealth of Massachusetts. Members of the Retirement System do not participate in the federal Social Security retirement system.

Massachusetts contributory retirement system benefits are uniform throughout the Commonwealth. The Retirement System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest three-year or five-year average annual rate of regular compensation, depending on the participant's date of hire. Benefit payments are based upon a participant's age, length of creditable service, level of compensation and job classification.

The most common benefits paid by the Retirement System include normal retirement, disability retirement and survivor benefits.

Normal retirement generally occurs at age 65. However, participants may retire after twenty years of service or at any time after attaining age 55, if hired prior to April 2, 2012 or at any time after attaining age 60 if hired on or after April 2, 2012. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years' creditable service in order to retire at age 55. Participants become vested after ten years of service. Benefits commencing before age 65 are provided at a reduced rate. Members working in certain occupations may retire with full benefits earlier than age 65.

Ordinary disability retirement is where a participant is permanently incapacitated from a cause unrelated to employment. Accidental disability retirement is where the disability is the result of an injury or illness received or aggravated in the performance of duty. The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of service, average compensation and veteran status.

Survivor benefits are extended to eligible beneficiaries of participants whose death occurs prior to or following retirement.

Cost-of-living adjustments granted to members of Massachusetts retirement systems granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth during those years have been the financial responsibility of the Commonwealth. Beginning in 1998, the funding of cost-of-living amounts became the responsibility of the participating units like the Retirement System.

The Retirement System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws. There were no significant changes to the Retirement System's benefit terms in fiscal year 2018.

Contributions Requirements – The Retirement Board has elected provisions of Chapter 32, Section 22D (as amended) of MGL, which require that a funding schedule be established to fully fund the pension plan by June 30, 2040. Under provisions of this law, participating employers are assessed their share of the total retirement cost based on the entry age, normal actuarial cost method.

The Town contributed \$1,705,012 to the Retirement System in fiscal year 2018, which equaled the actuarially-determined contribution requirement for the fiscal year. Contributions as a percentage of covered payroll was approximately 23% in fiscal year 2018.

Net Pension Liability – At June 30, 2018, the Town reported a liability of \$27,476,933 for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. These figures were updated by the independent actuary to December 31, 2017. There were no material changes to the Retirement System's benefit terms since the actuarial valuation.

The Town's proportion of the net pension liability is based on a projection of the Town's long-term share of contributions to the Retirement System relative to the projected contributions of all employers. The Town's proportion was approximately 3.37% at December 31, 2017, which was lower than its 3.68% proportionate share measured at December 31, 2016.

Fiduciary Net Position – The elements of the Retirement System's basic financial statements (that is, all information about the Retirement System's assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position) can be found in the Retirement System's full financial statements as of and for the year ended December 31, 2017, which can be obtained by contacting the Retirement Board.

The Retirement System's fiduciary net position was determined using the accrual basis of accounting. The Retirement System's accounting records are maintained on a calendar-year basis in accordance with the standards and procedures established by the Massachusetts Public Employee Retirement Administration Commission, or PERAC. Contributions from employers and employees are recognized in the period in which they become due pursuant to formal commitments, statutory or contractual requirements. Benefit payments (including refunds of employee contributions) are recorded when incurred, regardless of the timing of payment. Investments are reported at fair value; fair value is determined as the price one would receive in an orderly transaction between market participants at a measurement date.

Pension Expense – The Town recognized \$2,951,488 in pension expense in the statement of activities in fiscal year 2018.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 182,787	\$ -
Changes of assumptions	2,618,470	-
Net difference between projected and actual earnings on pension plan investments	-	856,769
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	2,508,058
	<u>\$ 2,801,257</u>	<u>\$ 3,364,827</u>

The deferred outflows of resources and deferred inflows of resources are expected to be recognized into pension expense as follows:

Year ended June 30,

2019	\$ (205,126)
2020	(204,253)
2021	(117,265)
2022	(36,926)
	<u>\$ (563,570)</u>

Actuarial Valuation – The measurement of the Retirement System’s total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2016. The significant actuarial assumptions used in the January 1, 2016 actuarial valuation included:

Inflation:	3.0% per year (3.5% per year for the actuarial valuation as of January 1, 2014)
Amortization method:	Payment increases 4.0% per year, except for early retirement incentive programs for 2002 and 2003 (4.5%) and 2010 (level dollar)
Remaining amortization period:	19 years
Asset valuation method:	5-year smoothing
Salary increases:	Group 1: 4.20-6.00%; Group 4: 4.75-7.00%
Investment rate of return:	7.75%, net of pension plan investment expense, including inflation
Mortality rates:	Based on the RP-2000 Mortality Table (base year 2009) with full generational mortality improvement using Scale BB
Disabled life mortality:	For disabled lives, the mortality rates were based on the RP-2000 Mortality Table (base year 2012) with full generational mortality improvement using Scale BB

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of returns (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 weighting the expected future rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the Retirement System's target allocation as of December 31, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Rate of Return
Global equity	40%	4.91%
Fixed income	22%	2.04%
Private equity	11%	6.50%
Real estate	10%	3.70%
Timber/natural resources	4%	3.25%
Hedge funds	13%	3.40%

*Discount Rate* – The discount rate used to measure the total pension liability was 7.75%, which is a reduction from the previous 8.0% discount rate. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made in accordance with Sections 22D and 22F of Chapter 32 of MGL. Based on those assumptions, the Retirement 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 Analysis* – The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.75% as well as the Town's proportionate share of the net pension liability using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount (7.75%)	1% Increase (8.75%)
Town's proportionate share of the net pension liability	\$ 33,488,472	\$ 27,476,933	\$ 22,400,150

The Town established a retirement stabilization trust fund that is separate and distinct from the Retirement System pursuant to Section 5D of MGL Chapter 40. The purpose of this fund is to provide a reserve to meet future annual contributions to the Retirement System. The balance of this fund at June 30, 2018 was \$113,375 as is reported as a restricted fund balance in the general fund.

## B. Massachusetts Teachers' Retirement System

Teachers and certain administrative employees of the Town's school department participate in the Massachusetts Teachers' Retirement System ("MTRS"), a cost-sharing multiple employer defined benefit pension plan. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. Like the Retirement System, MTRS was established under MGL Chapter 32. The Commonwealth's legislature has the authority to amend or modify the MTRS's funding policies.

The Commonwealth is a nonemployer contributor to the MTRS and is legally responsible by statute for all actuarially determined employer contributions and future benefit requirements of the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

The Commonwealth contributed \$2,044,643 to the MTRS on behalf of the Town in the current fiscal year. The Town's proportionate share of the collective MTRS net pension liability at this reporting date was 0.16%, which was based on the actual, actuarially determined contribution made by the Commonwealth on behalf of the Town as a percentage of the total annual contribution made by the Commonwealth on behalf of all employers.

The table below presents the Town's proportionate share of the following:

	Commonwealth	Paid (or assumed) on Behalf of	Town
	Portion	Town	Portion
Net pension liability	\$ 37,872,834	\$ 37,872,834	\$ -
Pension expense	3,952,898	3,952,898	-

The Town recognized \$3,952,898 in intergovernmental revenue and pension expense relative to this arrangement.

## C. Other Postemployment Benefits

The Town administers a single-employer defined benefit healthcare plan (the "OPEB Plan"). The OPEB Plan provides health and life insurance benefits (other postemployment benefits) to current and future retirees, their dependents and beneficiaries in accordance with Section 20 of Massachusetts General Law Chapter 32B. Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law and Town ordinance. All benefits are provided through the Town's premium-based insurance program. The OPEB Plan does not issue a stand-alone financial report and is presented as a fiduciary fund in the Town's financial statements. OPEB Plan disclosures can be found in this footnote disclosure.

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of June 30, 2018:

Inactive employees or beneficiaries receiving benefits	174
Active employees	<u>334</u>
	<u>508</u>

**Contributions** – The contribution requirements of OPEB Plan members and the Town are established and may be amended by the Town. Retirees contribute 50% of the calculated health, dental and life insurance premiums; the remainder of the cost is funded by the Town. The Town currently contributes enough money to the OPEB Plan to satisfy current obligations on a pay-as-you-go basis plus additional contributions in varying amounts annually. The costs of administering the OPEB Plan are paid by the Town. For the year ended June 30, 2018, the Town’s average contribution rate was 5.7% of covered-employee payroll.

**Net OPEB Liability** – The Town’s net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated July 1, 2016.

The components of the net OPEB liability of the Town at June 30, 2018 were as follows:

Total OPEB liability	\$ 50,022,034
Plan fiduciary net position	<u>(3,944,995)</u>
Net OPEB liability	<u>\$ 46,077,039</u>

Plan fiduciary net position as a percentage of the total OPEB liability	7.89%
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The total OPEB liability in the most recent actuarial valuation was determined using the following key actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Valuation date	July 1, 2016
Actuarial cost method	Individual entry age normal
Asset valuation method	Market value of assets as of reporting date
Healthcare cost trend rates	8.0% per annum decreasing 0.5% per year to an ultimate rate of 5.0%
Inflation	2.8% (previously 2.6%)
Investment rate of return	7.5%, net of OPEB plan investment expense
Municipal bond rate	3.87% based on the Bond Buyer 20-Bond GO Index published June 28, 2018 (previously 3.58%)
Discount rate	3.93% (previously 3.63%)
Pre-retirement mortality	RP-2000 Employees Mortality Table, base year 2009, projected with generational mortality improvement using scale BB
Post-retirement mortality	RP-2000 Healthy Annuitant Mortality Table, base year 2009, projected with generational improvement using scale BB

The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:



Asset Class	Target Allocation	Long-Term
		Expected Real Rates of Return
Domestic equities	30%	6.11%
Domestic fixed income	25%	3.82%
Alternatives	20%	3.67%
International equities	15%	2.78%
International fixed income	10%	3.94%
Cash and cash equivalents	0%	0.00%

Discount Rate – The discount rate used to measure the total OPEB liability was 3.93%. The projection of cash flows used to determine the discount rate assumed that contributions from the Town will be made in accordance with the OPEB Plan’s funding policy. Based on those assumptions, the OPEB Plan’s fiduciary net position was projected to be insufficient to make all projected benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to the first six periods of projected future benefit payments and the 3.87% municipal bond rate was applied to all periods thereafter to determine the total OPEB liability.

Changes in the Net OPEB Liability – The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2018:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2017	\$ 49,929,623	\$ 3,698,005	\$ 46,231,618
Changes for the year:			
Service cost	2,102,507	-	2,102,507
Interest	1,865,002	-	1,865,002
Changes of benefit terms	(20,706)	-	(20,706)
Differences between expected and actual experience	-	-	-
Changes in assumptions	(2,545,072)	-	(2,545,072)
Employer contributions	-	1,374,320	(1,374,320)
Net investment income	-	181,990	(181,990)
Benefit payments	(1,309,320)	(1,309,320)	-
Net changes	92,411	246,990	(154,579)
Balances at June 30, 2018	<u>\$ 50,022,034</u>	<u>\$ 3,944,995</u>	<u>\$ 46,077,039</u>

Sensitivity Analyses – The following presents the Town’s 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 1.0% lower or 1.0% higher than the current discount rate:

	1% Decrease (2.93%)	Current Discount (3.93%)	1% Increase (4.93%)
Net OPEB liability	\$ 55,354,994	\$ 46,077,039	\$ 38,805,668

The following presents the Town’s 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 1.0% lower or 1.0% higher than the current healthcare cost trend rates:

	Healthcare Cost		
	1% Decrease (7% Year 1 Decreasing to 4%)	Trend Rates (8% Year 1 Decreasing to 5%)	1% Increase (9% Year 1 Decreasing to 6%)
Net OPEB liability	\$ 36,881,213	\$ 46,077,039	\$ 58,920,115

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2018, the Town recognized OPEB expense of \$3,310,641. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2018 were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	2,169,138
Net difference between projected and actual earnings on OPEB Plan investments	78,238	-
	<u>\$ 78,238</u>	<u>\$ 2,169,138</u>

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

Year Ended June 30,

2019	\$ (356,374)
2020	(356,374)
2021	(356,375)
2022	(356,375)
2023	(375,934)
2024	(289,468)
	<u>\$ (2,090,900)</u>

*Investment Custody* – In accordance with Massachusetts General Laws, the Town Treasurer is the custodian of the OPEB Plan and is responsible for the general supervision of the management, investment and reinvestment of the OPEB Plan assets. OPEB Plan assets may be invested and reinvested by the custodian consistent with the prudent investor rule established in Chapter 203C and may, with the approval of the State Retiree Benefits Trust Fund Board of Trustees, be invested in the State Retiree Benefits Trust Fund established in Section 24 of Chapter 32A. OPEB Plan assets must be segregated from other funds and not be subject to the claims of any general creditor of the Town.

*Investment Policy* – The OPEB Plan has a formal investment policy, which permits it to invest its funds in permissible investments as stipulated by the Commonwealth.

*Investment Rate of Return* – For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was approximately 4.9%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

#### **D. Risk Financing**

The Town is exposed to various risks of loss related to general liability; torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

#### **E. Commitments and Contingencies**

*General* – During its day-to-day operations, the Town is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters in these situations cannot be reasonably estimated. Although the amount of liability, if any, in these situations at June 30, 2018 cannot be determined, management believes that the resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2018.

*Appellate Tax Board* – The Town has pending cases filed with the Massachusetts Appellate Tax Board of the Commonwealth of Massachusetts (“ATB”). In total, the assessed real and personal property values for ATB cases totaled over \$39.4 million at June 30, 2018. No provision has been made in the financial statements in the event that the Town is unsuccessful in ATB.

*Grants* – Other amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

*Arbitrage* – The Town is subject to certain Federal arbitrage laws in accordance with long-term borrowing agreements. Failure to comply with the rules could result in the payment of penalties. The Town does not believe it has failed to comply with any of these agreements.

*Solar Power Commitments* – On August 21, 2012, the Town entered into Solar Power Net Meter Purchase Agreements (the “Solar Agreements”) with EPG Solar LLC (“EPG”). The Solar Agreements provide for obtaining solar power net metering credits produced by an EPG solar facility. The Solar Agreements expire in 2032 unless extended, renewed or terminated. The Solar Agreements may be renewed for up to ten additional years in five-year renewal terms.

EPG makes available to the Town a minimum of the Firm Commitment of net metering credits on a yearly basis. The Firm Commitment for both Solar Agreements range from 1.45 thousand kilowatt-hours to 1.76 thousand kilowatt-hours over the twenty-year contracts.

The initial rate charged to the Town for the Firm Commitment is \$0.0895 per kilowatt hour escalating at 2.5% per annum. As of June 30, 2018, based on the annual charges, the Town expects to pay the following for its Firm Commitment:

<u>Year Ended June 30,</u>	
2019	\$ 343,970
2020	349,043
2021	354,192
2022	359,416
2023	364,717
2024-2028	1,905,884
2029-2032	<u>1,628,425</u>
	<u>\$ 5,305,647</u>

#### **F. Water Tank Leasing Arrangement**

The Town's water enterprise has entered into a multi-year leasing arrangement with a private water company for a water tank owned by the Town, which is set to expire in fiscal year 2027. The private water company leases the water tank for an annual rental fee of \$38,125. The Town expects to receive \$343,125 during the final nine years of this lease agreement.

#### **G. Concentrations**

During the year ended June 30, 2018, approximately 41% of general fund revenues reported in the governmental funds financial statements were received from the Commonwealth or federal agencies.

## **IV. Implementation of Accounting Pronouncements**

### **A. Current Year Implementations**

In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*. GASB 75 established new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions of this Statement became effective in fiscal year 2018. The adoption of GASB No. 75 resulted in a reduction in beginning net position of approximately \$27.0 million and \$0.1 million in the Town's governmental and business-type activities, respectively. Refer to Note V.

In March 2016, the GASB issued GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of the Statement was to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions of this Statement became effective in fiscal year 2018 and did not have a material impact on the Town's financial statements.

In May 2017, the GASB issued GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of the Statement was to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The provisions of this Statement became effective in fiscal year 2018 and did not have a material impact on the Town's financial statements.

### **B. Future Year Implementations**

In November 2016, the GASB issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. The objective of the Statement is to address accounting and financial reporting for certain asset retirement obligations that have legally enforceable liability associated with the retirement of a tangible capital asset. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2018 (fiscal year 2019). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. The objective of the Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2018 (fiscal year 2020). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement redefines the manner in which long-term leases are accounted and reported. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2019 (fiscal year 2021). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In April 2018, the GASB issued GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The provisions of this

Statement are effective for financial reporting periods beginning after June 15, 2018 (fiscal year 2019). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement establishes accounting requirements for interest costs incurred before the end of a construction period. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2019 (fiscal year 2021). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In August 2018, the GASB issued GASB Statement No. 90, *Majority Equity Interest – An Amendment of GASB Statements No. 14 and No. 61*. The objective of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2018 (fiscal year 2020). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

## V. Restatement

The Town adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in fiscal year 2018. Previously, OPEB was accounted for under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The result of the adoption of GASB Statement No. 75 was to eliminate the net OPEB obligation recorded in the Town financial statements and record the net OPEB liability at June 30, 2017.

The impact is illustrated in the table below:

	Governmental Activities	Business-Type Activities			
		Sewer	Water	Community Center	Total
Net position at June 30, 2017, as reported	\$ 11,858,904	\$ 3,509,309	\$ 467,747	\$ 389,420	\$ 4,366,476
Eliminate recorded OPEB obligation (GASB No. 45)	19,041,131	-	-	76,471	76,471
Record net OPEB liability (GASB No. 75)	<u>(46,046,692)</u>	<u>-</u>	<u>-</u>	<u>(184,926)</u>	<u>(184,926)</u>
Net position at June 30, 2017, as restated	<u>\$ (15,146,657)</u>	<u>\$ 3,509,309</u>	<u>\$ 467,747</u>	<u>\$ 280,965</u>	<u>\$ 4,258,021</u>

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**TOWN OF OXFORD, MASSACHUSETTS**

**REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS**  
**YEAR ENDED JUNE 30, 2018**

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**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY**  
*(dollar amounts are in thousands)*

		Years Ended December 31,			
	2017	2016	2015	2014	
Town's proportion of the net pension liability (asset)	3.37%	3.68%	3.68%	3.92%	
Town's proportionate share of the net pension liability (asset)	\$ 27,477	\$ 30,792	\$ 26,122	\$ 23,319	
Town's covered payroll	\$ 7,341	\$ 8,510	\$ 9,457	\$ 9,093	
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	374.3%	361.8%	276.2%	256.5%	
Plan fiduciary net position as a percentage of the total pension liability	46.4%	42.0%	44.5%	47.9%	

**SCHEDULE OF THE TOWN CONTRIBUTIONS TO PENSION PLAN**  
*(dollar amounts are in thousands)*

		Years Ended June 30,			
	2018	2017	2016	2015	
Actuarially determined contribution	\$ 1,705	\$ 1,786	\$ 1,656	\$ 1,549	
Contributions in relation to the actuarially determined contribution	1,705	1,786	1,656	1,549	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	
Town's covered payroll	\$ 7,341	\$ 8,510	\$ 9,457	\$ 9,093	
Contributions as a percentage of covered payroll	23.2%	21.0%	17.5%	17.0%	

These schedules are presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years in which information is available.

See accompanying independent auditor's report.

**TOWN OF OXFORD, MASSACHUSETTS**

**REQUIRED SUPPLEMENTARY INFORMATION - MTRS**  
**YEAR ENDED JUNE 30, 2018**

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**SCHEDULE OF THE COMMONWEALTH'S COLLECTIVE SHARE  
OF THE NET PENSION LIABILITY**  
*(dollar amounts are in thousands)*

	<u>2017</u>	<u>Year Ended June 30, 2016</u>	<u>2015</u>	<u>2014</u>
Commonwealth's proportion of the collective net pension liability (asset)	100.0%	100.0%	100.0%	100.0%
Town's proportion of the collective net pension liability (asset)	0.0%	0.0%	0.0%	0.0%
Commonwealth's proportionate share of the net pension liability (asset)	\$ 37,872,834	\$ 22,357,928	\$ 20,489,643	\$ 15,896,354
Commonwealth's actuarially determined contribution	\$ 2,044,643	\$ 1,124,583	\$ 1,021,930	\$ 937,379

Contributions to MTRS are the responsibility of the Commonwealth of Massachusetts.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years in which information is available.

See accompanying independent auditor's report.



**TOWN OF OXFORD, MASSACHUSETTS**

**REQUIRED SUPPLEMENTARY INFORMATION - OPEB**  
**YEAR ENDED JUNE 30, 2018**

**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS**

	2018	2017
Total OPEB liability:		
Service cost	\$ 2,102,507	\$ 2,506,859
Interest	1,865,002	1,615,467
Changes in benefit terms	(20,706)	-
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes in assumptions	(2,545,072)	(6,602,086)
Benefit payments	(1,309,320)	(1,196,195)
Net change in total OPEB liability	92,411	(3,675,955)
Total OPEB liability - beginning of year	49,929,623	53,605,578
Total OPEB liability - end of year (a)	<u>\$ 50,022,034</u>	<u>\$ 49,929,623</u>
Plan fiduciary net position:		
Contributions	\$ 1,374,320	\$ 1,248,695
Net investment income	181,990	194,711
Benefit payments	(1,309,320)	(1,196,195)
Net change in Plan fiduciary net position	246,990	247,211
Plan fiduciary net position - beginning of year	3,698,005	3,450,794
Plan fiduciary net position - end of year (b)	<u>\$ 3,944,995</u>	<u>\$ 3,698,005</u>
Net OPEB liability - end of year (a) - (b)	<u>\$ 46,077,039</u>	<u>\$ 46,231,618</u>
Plan fiduciary net position as a percentage of the total OPEB liability	7.89%	7.41%
Covered payroll	\$ 22,414,238	\$ 22,036,578
Net OPEB liability as a percentage of covered payroll	205.57%	209.79%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years in which information is available.

See accompanying independent auditor's report.

## TOWN OF OXFORD, MASSACHUSETTS

### REQUIRED SUPPLEMENTARY INFORMATION - OPEB YEAR ENDED JUNE 30, 2018

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#### SCHEDULE OF CONTRIBUTIONS

	2018	2017
Actuarially-determined contribution	\$ 4,269,222	\$ 4,269,222
Contributions in relation to the actuarially-determined contribution	<u>(1,248,695)</u>	<u>(1,248,695)</u>
Contribution deficiency (excess)	<u>\$ 3,020,527</u>	<u>\$ 3,020,527</u>
Covered payroll	\$ 22,036,578	\$ 22,036,578
Contribution as a percentage of covered payroll	5.7%	5.7%

#### Notes to Schedule

Actuarial cost method	Individual entry age normal
Asset valuation method	Market value of assets as of reporting date
Inflation	2.8% (previously 2.6%)
Healthcare cost trend rates	8.0% per annum decreasing 0.5% per year to an ultimate rate of 5.0%
Investment rate of return	7.5%, net of OPEB plan investment expense
Municipal bond rate	3.87% based on the Bond Buyer 20-Bond GO Index (previously 3.58%)
Discount rate	3.93% (previously 3.63%)
Pre-retirement mortality	RP-2000 Employees Mortality Table, base year 2009, projected with generational mortality improvement using BB
Post-retirement mortality	RP-2000 Healthy Annuitant Mortality Table, base year 2009, projected with generational mortality improvement using scale BB

#### SCHEDULE OF INVESTMENT RETURNS

	2018	2017
Annual money-weighted rate of return, net of investment expense	4.91%	9.02%

These schedules are presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years in which information is available.

See accompanying independent auditor's report.

**TOWN OF OXFORD, MASSACHUSETTS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual		Actual	Variance
	Original	Final	Budgetary	Encumbrances	Budgetary	Positive
	Budget	Budget	Amounts		Adjusted	(Negative)
<b>Revenues:</b>						
Real estate and personal property	\$ 22,200,795	\$ 22,200,795	\$ 22,385,016		\$ 22,385,016	\$ 184,221
Intergovernmental	13,381,345	13,381,345	13,359,514		13,359,514	(21,831)
Motor vehicle and other excises	1,880,000	1,880,000	2,185,260		2,185,260	305,260
Licenses and permits	30,000	30,000	36,473		36,473	6,473
Departmental and other revenue	131,500	131,500	188,582		188,582	57,082
Penalties and interest	147,300	147,300	167,910		167,910	20,610
Fines and forfeitures	69,000	69,000	63,775		63,775	(5,225)
Investment income	25,000	25,000	42,211		42,211	17,211
Total Revenues	37,864,940	37,864,940	38,428,741		38,428,741	563,801
<b>Expenditures:</b>						
General government	3,334,160	3,334,160	2,881,657	\$ 82,397	2,964,054	370,106
Public safety	4,088,940	4,088,940	3,957,004	129,777	4,086,781	2,159
Education	18,897,086	18,897,086	18,471,329	413,729	18,885,058	12,028
Public works	4,705,820	4,705,820	4,064,600	563,995	4,628,595	77,225
Health and human services	309,776	309,776	214,645	-	214,645	95,131
Culture and recreation	479,742	479,742	424,410	15,000	439,410	40,332
Fringe and pension benefits	6,303,695	6,303,695	6,000,397	32,500	6,032,897	270,798
State and county assessments	887,818	887,818	993,539	-	993,539	(105,721)
Debt service	1,231,503	1,231,503	1,184,254	-	1,184,254	47,249
Total Expenditures	40,238,540	40,238,540	38,191,835	\$ 1,237,398	39,429,233	809,307
<b>Other Financing Sources (Uses):</b>						
Transfers in	1,158,500	1,158,500	1,128,500		1,128,500	30,000
Transfers out	(449,002)	(449,002)	(475,075)		(475,075)	26,073
Total Other Financing Sources (Uses)	709,498	709,498	653,425		653,425	56,073
(Deficiency) Excess of Revenues and Other Financing Sources over Expenditures/Use of Prior Year Budgetary Fund Balance	(1,664,102)	(1,664,102)	\$ 890,331		\$ (347,067)	\$ 1,429,181
<b>Other Budgetary Items:</b>						
Prior year encumbrances	1,196,740	1,196,740				
Free cash	494,720	494,720				
Other budgetary items	(27,358)	(27,358)				
Total Other Budgetary Items	1,664,102	1,664,102				
<b>Net Budget</b>	\$ -	\$ -				

See accompanying independent auditors' report.

See notes to the required supplementary information of this schedule.

# TOWN OF OXFORD, MASSACHUSETTS

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2018

### I. Budgetary Basis of Accounting

Budgetary Information – An annual budget is legally adopted for the general fund and each enterprise fund. Financial orders are initiated by the Town Manager, recommended by the Town Finance Committee and approved by Town Meeting. Expenditures may not legally exceed appropriations at the department level or in the categories of personnel and non-personnel expenses. Department heads may transfer, without Town Meeting approval, appropriation balances from one account to another within their department or budget, and within the categories of personnel and non-personnel. The Town Meeting however must approve any transfer of unencumbered appropriation balances between departments or agencies. At the close of each fiscal year, unencumbered appropriation balances lapse and revert to unassigned fund balance.

Budgetary-to-GAAP Reconciliation – The Town's general fund is prepared on a basis of accounting other than GAAP to conform to the Uniform Municipal Accounting System basis of accounting as prescribed by the Massachusetts Department of Revenue. A reconciliation of the budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2018, is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis			\$ 38,428,741
Transfer treatment for budget	\$ -	\$ 4,000	4,000
Stabilization revenue	-	6,872	6,872
On behalf payments	3,952,898	-	3,952,898
Revenues on a GAAP basis	<u>\$ 3,952,898</u>	<u>\$ 10,872</u>	<u>\$ 42,392,511</u>
Expenditures on a budgetary basis			\$ 38,191,835
Transfer treatment for budget	\$ -	\$ (81,300)	(81,300)
Expense recognition	-	126,285	126,285
On behalf payments	3,952,898	-	3,952,898
Revenues on a GAAP basis	<u>\$ 3,952,898</u>	<u>\$ 44,985</u>	<u>\$ 42,189,718</u>
Net transfers on a budgetary basis			\$ 653,425
Transfer treatment for budget	\$ -	\$ (35,300)	(35,300)
Net transfers on a GAAP basis	<u>\$ -</u>	<u>\$ (35,300)</u>	<u>\$ 618,125</u>

Appropriation Deficits – During the fiscal year ended June 30, 2018, expenditures for state and county assessments exceeded budget by \$105,721, which the Town will raise on its fiscal year 2019 property tax levy.