



TOWN OF OXFORD, MASSACHUSETTS

Basic Financial Statements and
Required Supplementary Information

June 30, 2011

(With Independent Auditors' Report Thereon)

TOWN OF OXFORD, MASSACHUSETTS

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KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Independent Auditors' Report

The 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, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have issued a separate report dated March 29, 2012, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain 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.

As described in note 2(l) of the financial statements, the Town adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of July 1, 2010.



The Management's Discussion and Analysis on pages 3 through 10, the Budgetary Comparison Schedule on pages 45 through 47 and the Schedules of Funding Progress and Employer Contributions on page 48 are not required parts of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

March 29, 2012

TOWN OF OXFORD, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2011

(Unaudited)

As management of the Town of Oxford (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, 2011.

The Town provides general governmental services for the territory within its boundaries, including police and fire protection, public education, sewer maintenance and parks, and recreational facilities.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of fiscal 2011 by approximately \$57.2 million (net assets).
- The Town's total net assets decreased by approximately \$3.9 million in fiscal 2011.
- At the end of fiscal 2011, unassigned fund balance for the general fund was approximately \$3.0 million or 8.6% of total 2011 general fund expenditures.
- The Town's total long-term bonds decreased by \$1.1 million during fiscal 2011.

Overview of the Financial Statements

Our discussion and analysis of the Town is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other required 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 private-sector business.

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 Town's net assets changed during the most recent fiscal year. All changes in net assets 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 result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick and vacation time).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general administration, public safety, education, public works, human services, and cultural development. The business-type activities of the Town consist of sewer system, water works, and community center activities.

TOWN OF OXFORD, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2011

(Unaudited)

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.

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. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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, which is the Town's only major governmental fund. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation.

Proprietary Funds – Enterprise funds (one type of proprietary fund) 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.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide combined information for the sewer, water and community center activities. The water and community center funds are presented separately as a major funds while the sewer fund is considered to be nonmajor fund of the Town.

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

The Town's fiduciary activities are reported in a separate statement of fiduciary net assets and consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Town's agency fund accounts for primarily police and fire off-duty details. These activities are excluded from the Town's government-wide financial statements because the Town cannot use these assets to finance its operations.

TOWN OF OXFORD, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2011

(Unaudited)

Notes to the Financial Statements – The notes provide additional information that is essential to a fuller 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, these financial statements also present certain required supplementary information (RSI).

The Town adopts an annual appropriated budget for the general fund. A budgetary comparison schedule has been provided for the general fund as RSI to demonstrate compliance with this budget.

The Town participates in the Worcester Regional Retirement System (the System), a defined benefit, multi-employer cost-sharing retirement plan. The Town has presented the schedules of funding progress and employer contributions for the System as a whole as RSI. Although the Town is one participant of many, it has presented this information because the System does not issue stand-alone financial statements prepared in accordance with GASB standards.

A schedule of funding progress for the Town's other postemployment benefit plan has also been presented as RSI.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by approximately \$57.2 million at the close of the current fiscal year.

A significant portion of the Town's net assets (58.2%) reflects its investment in capital assets, less any related debt 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, it should be noted that the resources needed to repay this debt are generally provided from other sources, since the capital assets themselves typically are not used to liquidate these liabilities.

An additional portion of the Town's net assets (20.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$11.6 million represents unrestricted net assets.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net assets, both for the Town as a whole, as well as for its separate governmental and business-type activities.

Governmental Activities – Governmental activities decreased the Town's net assets by approximately \$3.9 million, thereby accounting for almost all of the decrease in net assets of the Town. This decrease was primarily due to an increase in the other postemployment benefit (OPEB) liability of \$2.3 million in 2011.

TOWN OF OXFORD, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2011

(Unaudited)

Business-Type Activities – Business-type activities increased the Town's net assets by approximately \$80 thousand. The increase is the result of a transfer of funds from the governmental funds to help cover the costs of the enterprise funds.

Condensed schedule of net assets June 30, 2011 and 2010						
	Governmental activities		Business-type activities		Total	
	2011	2010*	2011	2010	2011	2010
	(In thousands)					
Current and other assets	\$ 32,593	33,575	1,480	547	34,073	34,122
Capital assets	47,351	49,037	2,773	2,625	50,124	51,662
Total assets	\$ 79,944	82,612	4,253	3,172	84,197	85,784
Long-term debt outstanding	\$ 15,805	16,925	355	380	16,160	17,305
Other long-term liabilities	7,291	5,081	—	—	7,291	5,081
Other liabilities	1,729	1,551	1,841	814	3,570	2,365
Total liabilities	\$ 24,825	23,557	2,196	1,194	27,021	24,751
Net assets:						
Invested in capital assets, net of related debt	\$ 31,547	32,112	1,768	2,045	33,315	34,157
Restricted	11,937	10,289	—	—	11,937	10,289
Unrestricted	11,635	16,654	289	(67)	11,924	16,587
Total net assets	\$ 55,119	59,055	2,057	1,978	57,176	61,033

* Certain amounts have been reclassified to conform to the current year presentation.

TOWN OF OXFORD, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2011

(Unaudited)

Condensed schedule of changes in net assets years ending June 30, 2011 and 2010

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010*	2011	2010
	(In thousands)					
Revenues:						
Program revenues:						
Charges for services	\$ 3,928	3,751	423	451	4,351	4,202
Operating grants	12,650	12,571	—	—	12,650	12,571
Capital grants	228	1,001	—	—	228	1,001
General revenues:						
Property taxes	16,977	16,576	—	—	16,977	16,576
Excise taxes	1,368	1,375	—	—	1,368	1,375
Intergovernmental	1,758	1,844	—	—	1,758	1,844
Other	688	543	—	—	688	543
Gain (loss) on disposal of capital assets	(58)	(5)	—	—	(58)	(5)
Total revenues	<u>37,539</u>	<u>37,656</u>	<u>423</u>	<u>451</u>	<u>37,962</u>	<u>38,107</u>
Expenses:						
General government	3,159	3,127	—	—	3,159	3,127
Public safety	4,438	4,598	—	—	4,438	4,598
Education	27,896	26,860	—	—	27,896	26,860
Public works	3,462	4,479	—	—	3,462	4,479
Health and human services	244	201	—	—	244	201
Culture and recreation	580	754	—	—	580	754
State and county assessments	660	731	—	—	660	731
Interest on long-term debt	703	746	—	—	703	746
Enterprise accounts:						
Water fund	—	—	306	347	306	347
Community center fund	—	—	199	268	199	268
Nonmajor fund	—	—	172	156	172	156
Total expenses	<u>41,142</u>	<u>41,496</u>	<u>677</u>	<u>771</u>	<u>41,819</u>	<u>42,267</u>
Increase (decrease) in net assets before transfers	<u>(3,603)</u>	<u>(3,840)</u>	<u>(254)</u>	<u>(320)</u>	<u>(3,857)</u>	<u>(4,160)</u>
Transfers	<u>(333)</u>	<u>—</u>	<u>333</u>	<u>—</u>	<u>—</u>	<u>—</u>
Change in net assets	<u>(3,936)</u>	<u>(3,840)</u>	<u>79</u>	<u>(320)</u>	<u>(3,857)</u>	<u>(4,160)</u>
Net assets, beginning of year	<u>59,055</u>	<u>62,895</u>	<u>1,978</u>	<u>2,298</u>	<u>61,033</u>	<u>65,193</u>
Net assets, end of year	<u>\$ 55,119</u>	<u>59,055</u>	<u>2,057</u>	<u>1,978</u>	<u>57,176</u>	<u>61,033</u>

* Certain amounts have been reclassified to conform to the current year presentation.

Financial Analysis of the Town's Governmental Funds

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

TOWN OF OXFORD, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2011

(Unaudited)

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 end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of approximately \$16.5 million, a decrease of approximately \$177 thousand from the prior year. The general fund and other governmental funds had unassigned fund balances of approximately \$3.0 million and \$(92) thousand, respectively. The remainder of fund balance is nonspendable, restricted, committed, or assigned to indicate that its use is constrained for specific purposes because it is (1) related to permanent fund principal, \$3.6 million, (2) restricted for various purposes, through federal and state grants, donors intent, state laws, and other agreements with external parties for purposes including employee benefits and ambulance operations, \$7.8 million, (3) committed for future purposes in the form of continuing appropriations, \$653 thousand, or (4) assigned to the fiscal year 2012 budget or to liquidate purchase orders and contracts executed in fiscal year 2011, \$1.6 million.

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 \$3.0 million, while total general fund balance was approximately \$8.6 million. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 8.9% of total general fund expenditures.

The fund balance of the Town's general fund decreased by approximately \$401 thousand during the current fiscal year. This relatively static fund balance was accomplished by decreasing spending to account for reduced revenues.

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

The net assets of the proprietary funds at the end of the current fiscal year totaled approximately \$2.1 million. Net assets of the proprietary funds increased approximately \$80 thousand in the current year. This was primarily driven by transfers into these funds from the governmental funds to help fund operations.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget for the general fund were mainly the result of town meeting transfers and finance committee reserve transfers for unforeseen events. Amendments increased budgeted expenditures by approximately \$807 thousand (2%). Actual revenues exceeded budgeted revenues by approximately \$17 thousand. Further, actual expenditures were under budget by \$1.3 million (4%).

TOWN OF OXFORD, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2011

(Unaudited)

Capital Assets and Debt Administration

Capital Assets – The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2011, amounted to approximately \$50.1 million (net of accumulated depreciation). This investment in capital assets includes land, land improvements, construction in progress, buildings, machinery and equipment, and infrastructure.

Capital assets, net, decreased in the governmental activities due to depreciation exceeding capital asset additions. Business-type activities capital assets, net, increased approximately \$148 thousand due to capital improvements to the Oxford Community Center.

Long-Term Debt – At the end of the current fiscal year, the Town had total debt outstanding of \$17.8 million. The entire amount is backed by the full faith and credit of the Town.

	Outstanding debt		
	Governmental activities	Business-type activities	Total
Long-term bonds	\$ 15,755,000	355,000	16,110,000
Bond anticipation notes	—	1,650,000	1,650,000
Total	\$ 15,755,000	2,005,000	17,760,000

The Town's bonds payable decreased by \$1.1 million during the current fiscal year. The decrease was a result of the Town making scheduled debt repayments while not issuing any new long-term bonds.

The Town's bond anticipation notes outstanding increased by \$900 thousand due primarily to the issuance of a \$1 million bond anticipation note for the purposes of funding capital improvements in the Oxford Community Center.

The Town maintains an insured debt rating of "Aaa" and an underlying debt rating of A2 from Moody's investor's service for its general obligation debt.

Economic Factors and Next Year's Budget

The state's economic condition is improving. In preparing for the Fiscal 2012 budget, the Town anticipates an increase from the State in the form of State Aid. The Town is continuing to apply reserves that it had built up for in an effort to begin making restoration to areas of the budget that had been affected by the downturned economy. The Town continues to ensure that Public Safety, Public Health, Public Works, and Education services remain unaffected.

TOWN OF OXFORD, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2011

(Unaudited)

The annual unemployment rate for the Town for 2012 is currently 7.5%, 1.9% points lower than the 9.4% rate in 2011. This compares to the 2012 state's average unemployment rate of 6.9%, and the 2012 national average rate of 8.3%. The decrease in the Town's unemployment rate was significant and brings us to 2009 levels; in addition the state's unemployment rate has significantly improved indicating an overall improving economy. The Town expects this improving economy to continue through 2012.

Requests for Information

This information is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this document or requests for additional financial information should be addressed to the Oxford Town Accountant at 325 Main Street, Oxford, MA 01540.

TOWN OF OXFORD, MASSACHUSETTS

Statement of Net Assets

June 30, 2011

Assets	Governmental activities	Business-type activities	Total
Cash, cash equivalents and investments	\$ 17,215,121	1,449,174	18,664,295
Receivables, net:			
Property taxes	602,364	—	602,364
Motor vehicle excise	197,055	—	197,055
Tax liens	552,512	—	552,512
Intergovernmental	1,789,821	—	1,789,821
Departmental and other	564,995	13,167	578,162
Other assets	86,626	3,130	89,756
Long-term intergovernmental receivable	11,583,902	—	11,583,902
Other long-term receivable	—	15,000	15,000
Capital assets:			
Nondepreciable	1,005,906	582,951	1,588,857
Depreciable, net	46,345,358	2,189,847	48,535,205
Total assets	79,943,660	4,253,269	84,196,929
Liabilities			
Warrants and accounts payable	382,448	186,609	569,057
Retainage payable	18,298	—	18,298
Accrued liabilities	1,306,066	4,257	1,310,323
Bond anticipation note	—	1,650,000	1,650,000
Other	21,838	—	21,838
Long-term liabilities:			
Due within one year:			
Compensated absences	135,732	—	135,732
Bonds and notes	1,150,000	25,000	1,175,000
Landfill and postclosure care costs	3,000	—	3,000
Due in more than one year:			
Compensated absences	316,678	—	316,678
Bonds and notes	14,654,551	330,000	14,984,551
Landfill and postclosure care costs	63,000	—	63,000
Other postemployment benefits	6,772,634	—	6,772,634
Total liabilities	24,824,245	2,195,866	27,020,111
Net Assets			
Invested in capital assets, net of related debt	31,546,713	1,767,798	33,314,511
Restricted for:			
Permanent funds:			
Nonexpendable	3,648,889	—	3,648,889
Expendable	1,204,323	—	1,204,323
State and Federal Grants	318,012	—	318,012
Employee benefits	4,301,129	—	4,301,129
Other	2,464,899	—	2,464,899
Unrestricted	11,635,450	289,605	11,925,055
Total net assets	\$ 55,119,415	2,057,403	57,176,818

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Statement of Activities

Year ended June 30, 2011

Functions/programs	Expenses	Program revenues			Net (expense) revenue and changes in net assets		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Governmental activities:							
General government	\$ 3,158,806	362,308	29,705	—	(2,766,793)		(2,766,793)
Public safety	4,438,374	862,854	352,560	—	(3,222,960)		(3,222,960)
Education	27,895,443	2,437,234	12,042,438	—	(13,415,771)		(13,415,771)
Public works	3,462,194	101,347	93,111	228,071	(3,039,665)		(3,039,665)
Health and human services	244,288	147,252	67,831	—	(29,205)		(29,205)
Culture and recreation	579,766	17,137	64,689	—	(497,940)		(497,940)
State and county assessments	660,037	—	—	—	(660,037)		(660,037)
Interest on long-term debt	702,790	—	—	—	(702,790)		(702,790)
Total governmental activities	41,141,698	3,928,132	12,650,334	228,071	(24,335,161)		(24,335,161)
Business-type activities:							
Water	306,163	39,771	—	—		(266,392)	(266,392)
Community Center	199,078	222,662	—	—		23,584	23,584
Sewer	172,078	161,135	—	—		(10,943)	(10,943)
Total business-type activities	677,319	423,568	—	—		(253,751)	(253,751)
Total primary government	\$ 41,819,017	4,351,700	12,650,334	228,071		(253,751)	(24,588,912)
General revenues:							
Property taxes, levied for general purposes, net					16,976,612	—	16,976,612
Excises					1,367,940	—	1,367,940
Penalties and interest on taxes					157,407	—	157,407
Other					6,631	—	6,631
Intergovernmental					1,758,507	—	1,758,507
Investment income					523,556	—	523,556
Transfers					(333,404)	333,404	—
Loss on disposal of capital assets					(57,600)	—	(57,600)
Total general revenues					20,399,649	333,404	20,733,053
Change in net assets					(3,935,512)	79,653	(3,855,859)
Net assets, beginning of year					59,054,927	1,977,750	61,032,677
Net assets, end of year					\$ 55,119,415	2,057,403	57,176,818

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Balance Sheet – Governmental Funds

June 30, 2011

Assets	General	Other governmental	Total
Cash, cash equivalents and investments	\$ 9,820,408	7,394,713	17,215,121
Receivables, net:			
Property taxes	602,364	—	602,364
Motor vehicle excise	197,055	—	197,055
Tax liens	552,512	—	552,512
Intergovernmental	12,636,985	736,738	13,373,723
Departmental and other	71,540	493,455	564,995
Due from other funds	—	6,000	6,000
Total assets	<u>\$ 23,880,864</u>	<u>8,630,906</u>	<u>32,511,770</u>
Liabilities and Fund Balance			
Warrants and accounts payable	\$ 274,354	108,094	382,448
Retainage payable	—	18,298	18,298
Due to other funds	6,000	—	6,000
Accrued liabilities:			
Tax abatements	67,409	—	67,409
Payroll and related withholdings	981,450	112,195	1,093,645
Deferred revenue	13,883,663	493,455	14,377,118
Other	21,838	—	21,838
Total liabilities	<u>15,234,714</u>	<u>732,042</u>	<u>15,966,756</u>
Fund balance:			
Nonspendable	—	3,648,889	3,648,889
Restricted	4,301,229	3,493,679	7,794,908
Committed	653,386	—	653,386
Assigned	730,756	848,157	1,578,913
Unassigned	2,960,779	(91,861)	2,868,918
Total fund balances	<u>8,646,150</u>	<u>7,898,864</u>	<u>16,545,014</u>
Total liabilities and fund balances	<u>\$ 23,880,864</u>	<u>8,630,906</u>	<u>32,511,770</u>

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2011

Total fund balance – governmental funds	\$ 16,545,014
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	47,351,264
Certain revenues are earned but are not available and are therefore deferred in the funds.	14,377,118
Bond issuance costs are capitalized in the government-wide statements but are recorded when bond proceeds are received in the funds.	86,626
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
General obligation bonds	(15,755,000)
Bond issue premium	(49,551)
Landfill closure and post closure care costs	(66,000)
Accrued interest on bonds	(37,642)
Other postemployment benefits	(6,772,634)
Tax refunds	(107,370)
Compensated absences	(452,410)
	<u>(23,240,607)</u>
Net assets of governmental activities	<u><u>\$ 55,119,415</u></u>

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year ended June 30, 2011

	<u>General</u>	<u>Other governmental</u>	<u>Total</u>
Revenues:			
Real and personal property taxes	\$ 17,015,736	—	17,015,736
Motor vehicle and other excises	1,393,240	—	1,393,240
Penalties and interest on taxes	157,407	—	157,407
Fees	125,075	3,084,845	3,209,920
License and permits	25,658	—	25,658
Intergovernmental	12,371,887	2,914,595	15,286,482
Fines and forfeitures	76,538	—	76,538
Investment income	61,969	461,587	523,556
Departmental and other revenue	287,502	228,094	515,596
Contributions and donations	337,620	34,710	372,330
	<u>31,852,632</u>	<u>6,723,831</u>	<u>38,576,463</u>
Total revenues			
Expenditures:			
Current:			
General government	2,691,419	19,365	2,710,784
Public safety	2,792,500	373,415	3,165,915
Education	16,248,205	4,450,536	20,698,741
Public works	2,301,599	354,335	2,655,934
Human services	175,191	24,601	199,792
Culture and recreation	380,586	18,632	399,218
State and county assessments	660,037	—	660,037
Pension, fringe and general insurance	6,109,417	—	6,109,417
Debt service	1,820,634	—	1,820,634
	<u>33,179,588</u>	<u>5,240,884</u>	<u>38,420,472</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>(1,326,956)</u>	<u>1,482,947</u>	<u>155,991</u>
Other financing sources (uses):			
Transfers in	975,300	49,279	1,024,579
Transfers out	(49,279)	(1,308,704)	(1,357,983)
	<u>926,021</u>	<u>(1,259,425)</u>	<u>(333,404)</u>
Total other financing sources (uses)			
Net change in fund balances	(400,935)	223,522	(177,413)
Fund balance, beginning of year, as restated (note 2(l))	9,047,085	7,675,342	16,722,427
Fund balance, end of year	<u>\$ 8,646,150</u>	<u>7,898,864</u>	<u>16,545,014</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, 2011

Net change in fund balances – total governmental funds	\$ (177,413)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital additions as expenditures. In the statement of activities, the cost of those assets is depreciated over their estimated useful lives. This is the amount by which depreciation expense (\$2,954,062) and loss on disposals (\$57,600) exceeded capital asset additions (\$1,325,500).	(1,686,162)
Accrual basis revenues can result in more or (less) revenues reported in the statement of activities depending upon timing of billings and collections.	181,180
Certain intergovernmental receivables are reported as revenues in the statement of activities when earned but are included in the activity statement of the governmental funds when received.	(1,053,083)
Repayment of bond principal is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net assets while bond issuances are other financing sources in governmental funds, but increase long-term liabilities in the statement of net assets. This is the repayment of bond principal.	1,115,000
Bond premiums, net of amortization (\$5,948) increase the long-term liabilities in the statement of net assets, but are included in the activity statement of the governmental funds when received. Bond issuance costs, net of amortization (\$6,530) are expenditures in the governmental funds when incurred, but are deferred assets in the statement of net assets. This is the amount by which current year amortization of bond issue costs, exceeds bond premiums on the statement of activities.	(582)
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. This amount represents increases in other postemployment benefits (\$2,268,857) and tax refunds payable (\$107,370) offset by decreases in compensated absences (\$55,350), accrued interest (\$3,425) and the landfill liability (\$3,000).	(2,314,452)
Change in net assets of governmental activities	\$ <u><u>(3,935,512)</u></u>

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Statement of Net Assets – Proprietary Funds

June 30, 2011

Assets	Water fund	Community Center fund	Nonmajor sewer enterprise fund	Total
Current assets:				
Cash and cash equivalents	\$ 232,128	96,096	120,950	449,174
Cash and cash equivalents, restricted	—	1,000,000	—	1,000,000
Receivables, net	—	3,723	9,444	13,167
Total current assets	232,128	1,099,819	130,394	1,462,341
Noncurrent assets:				
Receivables, net	—	15,000	—	15,000
Other assets	1,738	—	1,392	3,130
Nondepreciable capital assets	11,397	571,554	—	582,951
Depreciable capital assets, net	948,467	247,123	994,257	2,189,847
Total noncurrent assets	961,602	833,677	995,649	2,790,928
Total assets	\$ 1,193,730	1,933,496	1,126,043	4,253,269
Liabilities				
Current liabilities:				
Warrants and accounts payable	\$ 7,474	120,619	58,516	186,609
Accrued liabilities	345	3,650	262	4,257
Bond anticipation note	650,000	1,000,000	—	1,650,000
Bonds payable	14,198	—	10,802	25,000
Total current liabilities	672,017	1,124,269	69,580	1,865,866
Noncurrent liabilities:				
Bonds payable	187,406	—	142,594	330,000
Total noncurrent liabilities	187,406	—	142,594	330,000
Total liabilities	\$ 859,423	1,124,269	212,174	2,195,866
Net Assets				
Invested in capital assets, net of related debt	\$ 108,260	818,677	840,861	1,767,798
Unrestricted	226,047	(9,450)	73,008	289,605
Total net assets	\$ 334,307	809,227	913,869	2,057,403

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds

Year ended June 30, 2011

	Water fund	Community Center fund	Nonmajor sewer enterprise fund	Total
Operating revenues:				
Charges for services	\$ 38,125	155,548	144,839	338,512
Fees	—	66,846	2,242	69,088
Other	—	—	13,713	13,713
Total operating revenues	38,125	222,394	160,794	421,313
Operating expenses:				
Salaries and benefits	—	43,409	8,387	51,796
Utilities	—	—	129,093	129,093
Other supplies and expenses	208,704	129,091	1,332	339,127
Depreciation	76,561	26,578	26,555	129,694
Total operating expenses	285,265	199,078	165,367	649,710
Operating (loss) income	(247,140)	23,316	(4,573)	(228,397)
Nonoperating income (expense):				
Interest expense	(20,898)	—	(6,711)	(27,609)
Interest income	1,646	268	341	2,255
Total nonoperating income (expense)	(19,252)	268	(6,370)	(25,354)
Transfer in	171,693	161,711	—	333,404
Change in net assets	(94,699)	185,295	(10,943)	79,653
Total net assets, beginning of year	429,006	623,932	924,812	1,977,750
Total net assets, end of year	\$ 334,307	809,227	913,869	2,057,403

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Statement of Cash Flows – Proprietary Funds

Year ended June 30, 2011

	Water fund	Community Center fund	Nonmajor sewer enterprise fund	Total
Cash flows from operating activities:				
Cash received from customers	\$ —	235,654	158,087	393,741
Cash received from lessee	38,125	—	—	38,125
Cash paid to employees	—	(39,759)	(8,318)	(48,077)
Cash paid to vendors	(202,266)	(13,696)	(129,246)	(345,208)
Net cash (used in) provided by operating activities	(164,141)	182,199	20,523	38,581
Cash flows from noncapital financing activities:				
Transfers from other funds	171,693	161,711	—	333,404
Net cash provided by noncapital financing activities	171,693	161,711	—	333,404
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	—	(258,734)	(18,400)	(277,134)
Proceeds from sale of BAN's	650,000	1,000,000	—	1,650,000
Payment of bond principal	(14,198)	—	(10,802)	(25,000)
Payment of interest	(20,820)	—	(6,649)	(27,469)
Paydown of bond anticipation note	(750,000)	—	—	(750,000)
Net cash provided by (used in) capital and related financing activities	(135,018)	741,266	(35,851)	570,397
Cash flows from investing activities:				
Interest income	1,646	268	341	2,255
Net cash provided by investing activities	1,646	268	341	2,255
Increase (decrease) in cash and cash equivalents	(125,820)	1,085,444	(14,987)	944,637
Cash and cash equivalents, beginning of year	357,948	10,652	135,937	504,537
Cash and cash equivalents, end of year	\$ 232,128	1,096,096	120,950	1,449,174
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities:				
Operating (loss) income	\$ (247,140)	23,316	(4,573)	(228,397)
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities:				
Depreciation expense	76,561	26,578	26,555	129,694
Changes in operating assets and liabilities:				
Accounts receivable	—	13,260	(2,707)	10,553
Accounts payable	6,438	115,395	1,179	123,012
Accrued liabilities	—	3,650	69	3,719
Net cash (used in) provided by operating activities	\$ (164,141)	182,199	20,523	38,581

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Statement of Net Assets – Fiduciary Fund

June 30, 2011

	Assets	Agency fund
Cash and cash equivalents		\$ 643,016
Total assets		\$ 643,016
	Liabilities	
Accounts payable and other liabilities		\$ 643,016
Total liabilities		\$ 643,016

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2011

(1) Financial Statement Presentation

The Town of Oxford (Town) is governed by an elected five-member board of selectmen. U.S. generally accepted accounting principles (GAAP) require that the accompanying basic financial statements present the Town (the primary government) and its component units. Component units are separate legal entities and are included in the reporting entity if they have significant operational and financial relationships with the Town. Pursuant to this criterion, the Town did not identify any component units requiring inclusion in the general purpose financial statements.

(a) Joint Venture

The Town has entered into a joint venture with other municipalities to pool resources and share the costs, risk, and rewards of providing goods or services to venture participants directly, or for the benefit of the general public or specified recipients. The following is the Town's joint venture, the address where the joint venture financial statements are available, its purpose, and the annual assessment paid by the Town in 2011:

<u>Joint venture and address</u>	<u>Purpose</u>	<u>Annual assessment</u>
Bay Path Regional Vocational: Technical School District 57 Old Muggett Hill Road Charlton, MA 01507	To provide vocational educational services	\$ 910,085

The Town has no equity interest in the joint venture.

(b) Related Organization

Oxford Housing Authority (Authority). Board members of the Authority are elected by the Town. The Town has no oversight responsibility for the Authority's operations and no responsibility for its deficits or debt.

(2) Summary of Significant Accounting Policies

The financial statements of the Town have been prepared in conformity with GAAP as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Town also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and proprietary funds provided they do not conflict with or contradict GASB pronouncements. The most significant of the Town's accounting policies are described below:

(a) Basis of Presentation

Government-Wide Statements

The statement of net assets and the statement of activities display information about the primary government (the Town). These statements include the financial activities of the overall government,

TOWN OF OXFORD, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2011

except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the Town where governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions and business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the Town's funds, including its fiduciary fund. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. The Town's water and community center enterprise funds are considered major funds while the remaining sewer enterprise fund is considered a nonmajor fund.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Operating expenses for the proprietary fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town reports the following major governmental fund:

General Fund – This is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Town reports the following major enterprise funds:

Water Fund – This fund is used to account for the construction of the Town's water tank and the user charges associated with third-party use of the water tank.

Community Center Fund – This fund is used to account for the activities of the Oxford Community Center and the user charges associated with the leasing of the community center.

TOWN OF OXFORD, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2011

Additionally, the Town reports the following fiduciary fund type:

Agency Funds – These funds account for off-duty police, fire and custodial details. The Town's agency funds are custodial in nature (assets equals liabilities) and do not involve measurement of results of operations.

(b) *Measurement Focus, Basis of Accounting*

Government-wide, Proprietary, and Fiduciary Fund Financial Statements – The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary and agency fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Town considers revenues reported in the governmental funds to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within sixty days after year-end, except for grants, entitlements, and donations for which the availability period is one year and receipts from the school building assistance program and ambulance services which are recognized when received. Property taxes, motor excise taxes, charges for service, grants, entitlements and donations, investment income, and in lieu of tax payments are considered to be susceptible to accrual. Revenue from grants, entitlements, and donations is recognized when all eligibility requirements have been satisfied and they are measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, landfill postclosure care cost, other post-employment benefits, tax abatements and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financial sources.

(c) *Deferred Revenue*

In the governmental fund financial statements, deferred revenue represents monies received or revenues accrued which have not been earned or do not meet the "available" criterion for revenue recognition under the modified accrual basis of accounting.

TOWN OF OXFORD, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2011

(d) *Cash and Cash Equivalents*

To improve cash management, cash received by the Town is pooled. Monies for all funds, except those restricted by MGL to be held separately, are maintained in this pool. Individual fund integrity is maintained through Town records. Each fund's interest in the pool is presented as "cash and cash equivalents" on the statement of net assets.

For purposes of the statement of cash flows, all highly liquid investments with maturities of three months or less when purchased are considered to be cash equivalents.

(e) *Investment Valuation*

The Town's investments are carried at fair value. The Town invests in the Massachusetts Municipal Depository Trust (MMDT) which is an external investment pool and is not SEC-registered. This fund is state-regulated and is valued at current unit value.

(f) *Compensated Absences*

Employees are granted vacation and sick leave in varying amounts. Upon retirement, termination, or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their then current rates of pay. The cost of compensated absences for employees is recorded as earned in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if it has matured (i.e., come due for payment). To the extent it is probable that unused sick days will result in termination payments, a liability based on established payment rates and the Town's past experience in making such termination payments, adjusted for other current factors and expectations, has been recorded.

(g) *Capital Assets*

General capital assets are those capital assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are reported as expenditures in the governmental fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. The Town maintains a capitalization threshold of \$10,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed as incurred.

TOWN OF OXFORD, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2011

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the Town's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

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

(h) *Net Assets and Fund Balance*

In the government-wide and proprietary fund financial statements, net assets are reported in the following categories:

Invested in capital assets, net of related debt: Capital assets, net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted: Net assets the use of which is subject to constraints imposed by external parties, including creditors, grantors, and laws and regulations of other governments, or imposed by enabling legislation. Nonexpendable amounts are required to remain intact under such constraints.

Unrestricted: Remaining net assets not considered invested in capital assets, net of related debt or restricted.

In the governmental fund financial statements, fund balance is reported in the following categories:

Nonspendable: Amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to remain intact.

Restricted: Amounts the use of which is subject to constraints imposed by external parties, including creditors, grantors, and laws and regulations of other governments, or imposed by enabling legislation.

Committed: Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. For the Town, this formal action takes the form of articles which are passed by Town Meeting and approved by the Board of Selectmen.

Assigned: Amounts that are constrained by the Town's intent for use for specific purposes, but are considered neither restricted or committed. The Town Accountant/Finance Director has the authority to assign amounts to be used for specific purposes on behalf of the Town.

TOWN OF OXFORD, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2011

Unassigned: Amounts in the general fund that are not otherwise constrained for a specific purpose more narrow than the general operations of the Town.

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. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Town's policy to first apply cost-reimbursement grant (restricted) resources to such programs, followed by categorical block grants (unrestricted), and then by general revenues (unrestricted). When unrestricted resources are used, committed resources are used first, followed by assigned and unassigned resources, respectively.

The Town maintains a stabilization account in accordance with MGL Chapter 40 Section 5B that is reported as unassigned fund balance in the general fund. The Town may appropriate in any year an amount not exceeding 10% of the amount raised in the preceding fiscal year from real and personal property taxes, or a larger amount as approved by the Department of Revenue. Further, the stabilization account may not exceed 10% of the Town's equalized valuation as defined in MGL Chapter 44 Section 1. Funds can be appropriated from or added to the stabilization account by 2/3 vote of Town Meeting. The balance of the stabilization account was \$1,769,857 at June 30, 2011.

(i) *Landfill Closure and Postclosure Care Costs*

State and federal regulations require that the Town place a final cover on its municipal solid waste landfill (MSWLF) site and perform certain maintenance and monitoring functions at the site for 30 years thereafter. At June 30, 2011, the Town has covered its MSWLF in accordance with applicable laws and regulations.

The liability for postclosure care reported in the government-wide financial statements is estimated based on current costs, which is the amount that would be paid if all equipment, facilities and services included in the estimate were acquired during the current period. Such costs are recognized as expenditures in the governmental funds to the extent that they have been paid or are expected to be paid with expendable available financial resources. Expenditures relating to MSWLF were not material in 2011.

(j) *Bond Discounts, Premiums and Issuance Costs*

In the government-wide and proprietary fund financial statements, bond discounts/premiums and issuance costs are deferred and amortized over the term of the bonds using the straight-line method, which is not materially different than the effective interest method. Bond issue costs are reported as other assets.

In the fund financial statements, governmental fund types recognize bond discounts, premiums, and issuance costs in the period the bond proceeds are received. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as expenditures.

TOWN OF OXFORD, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2011

(k) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(l) Implementation of Accounting Pronouncement

For the fiscal year ended June 30, 2011, the Town implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). GASB 54 requires the use of new fund balance classifications that compose a hierarchy primarily based upon the extent to which the government is bound to follow constraints on the use of governmental fund resources. These classifications are described in note 2(h). GASB 54 also clarified the definitions of the governmental fund types. The effect of implementation of GASB 54 on the Town's financial statements included the use of the new fund balance classifications and a change in reporting of the activities of the Retirement Trust Fund from a fund among the other governmental funds to the general fund. This change in fund classification resulted in restated fund balances as of July 1, 2010 as follows:

	General Fund	Other Governmental Funds
Fund balance as of June 30, 2010	\$ 8,169,567	8,552,860
Restatement	877,518	(877,518)
Fund balance as of July 1, 2010	<u>\$ 9,047,085</u>	<u>7,675,342</u>

(3) Receivables

(a) Property Taxes

Real and personal property taxes are based on values assessed as of each January 1 and are due in semiannual installments on November 1st and May 1st. By law, all taxable property in the Commonwealth must be assessed at 100% of fair cash value. Taxes due and unpaid after the respective due dates are subject to interest and penalties. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables in the fiscal year of the levy.

A state-wide tax limitation statute known as "Proposition 2-½" limits the property tax levy to an amount equal to 2-½% of the value of all taxable property in the Town. A secondary limitation is that no levy in a fiscal year may exceed the preceding year's allowable tax levy by more than 2-½%, plus taxes levied on certain property newly added to the tax rolls. Certain Proposition 2-½ taxing limitations can be overridden by a Town-wide referendum vote.

TOWN OF OXFORD, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2011

(b) School Building Assistance

The Town participates in the Commonwealth's school building assistance program, which is administered by the Massachusetts School Building Authority (MSBA). The MSBA provides financial assistance (generally 80% of total costs) to the Town to build and/or renovate schools. As of June 30, 2011, under this program, the Town was due funds totaling \$12.6 million.

In the governmental funds, the receivable is offset by deferred revenue because the revenue is not considered available until received. The following is a schedule of the anticipated MSBA receipts as of June 30, 2011:

Fiscal year:	
2012	\$ 1,053,083
2013	1,053,083
2014	1,053,083
2015	1,053,083
2016	1,053,083
2017 – 2021	5,265,414
2022 – 2023	2,106,156
Total	<u>\$ 12,636,985</u>

During fiscal 2011, the Town received \$1,053,083 in such assistance and recorded the receipt as intergovernmental revenue in the general fund.

TOWN OF OXFORD, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2011

(4) Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 925,270	15,000	—	940,270
Construction in progress	22,500	65,636	(22,500)	65,636
Total capital assets, not being depreciated	<u>947,770</u>	<u>80,636</u>	<u>(22,500)</u>	<u>1,005,906</u>
Capital assets, being depreciated:				
Buildings	54,964,495	40,150	—	55,004,645
Land improvements	5,250	—	—	5,250
Machinery and equipment	7,990,804	446,790	(309,954)	8,127,640
Infrastructure	21,573,759	780,424	—	22,354,183
	<u>84,534,308</u>	<u>1,267,364</u>	<u>(309,954)</u>	<u>85,491,718</u>
Less accumulated depreciation for:				
Buildings	16,440,884	1,247,456	—	17,688,340
Land improvements	5,250	—	—	5,250
Machinery and equipment	6,300,738	699,345	(252,354)	6,747,729
Infrastructure	13,697,780	1,007,261	—	14,705,041
	<u>36,444,652</u>	<u>2,954,062</u>	<u>(252,354)</u>	<u>39,146,360</u>
Total capital assets, being depreciated, net	<u>48,089,656</u>	<u>(1,686,698)</u>	<u>(57,600)</u>	<u>46,345,358</u>
Governmental capital assets, net	<u>\$ 49,037,426</u>	<u>(1,606,062)</u>	<u>(80,100)</u>	<u>47,351,264</u>

TOWN OF OXFORD, MASSACHUSETTS

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Depreciation expense was charged to governmental functions as follows:

Governmental activities:	
General government	\$ 122,860
Public safety	443,475
Public works	1,075,227
Education	1,224,809
Human services	11,109
Culture and recreation	<u>76,582</u>
Total depreciation expense – governmental activities	<u>\$ 2,954,062</u>

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Water enterprise fund:				
Capital assets, not being depreciated:				
Land	\$ 11,397	—	—	11,397
Capital assets, being depreciated:				
Infrastructure	1,178,150	—	—	1,178,150
Less accumulated depreciation for:				
Infrastructure	<u>153,122</u>	<u>76,561</u>	<u>—</u>	<u>229,683</u>
Total capital assets being depreciated, net	<u>1,025,028</u>	<u>(76,561)</u>	<u>—</u>	<u>948,467</u>
Water enterprise fund capital assets, net	<u>\$ 1,036,425</u>	<u>(76,561)</u>	<u>—</u>	<u>959,864</u>

TOWN OF OXFORD, MASSACHUSETTS

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	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Community Center enterprise fund:				
Capital assets, not being depreciated:				
Land	\$ 375,733	—	—	375,733
Construction in progress	9,400	186,421	—	195,821
Total capital assets, not being depreciated	<u>385,133</u>	<u>186,421</u>	<u>—</u>	<u>571,554</u>
Capital assets, being depreciated:				
Buildings	872,365	—	—	872,365
Machinery and equipment	24,730	—	—	24,730
Infrastructure	—	72,313	—	72,313
Total capital assets, being depreciated	<u>897,095</u>	<u>72,313</u>	<u>—</u>	<u>969,408</u>
Less accumulated depreciation for:				
Buildings	670,977	25,131	—	696,108
Machinery and equipment	24,730	—	—	24,730
Infrastructure	—	1,447	—	1,447
Total accumulated depreciation	<u>695,707</u>	<u>26,578</u>	<u>—</u>	<u>722,285</u>
Total capital assets being depreciated, net	<u>201,388</u>	<u>45,735</u>	<u>—</u>	<u>247,123</u>
Community Center capital assets, net	<u>\$ 586,521</u>	<u>232,156</u>	<u>—</u>	<u>818,677</u>

TOWN OF OXFORD, MASSACHUSETTS

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	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Nonmajor sewer enterprise fund:				
Capital assets, being depreciated:				
Infrastructure	\$ 1,235,812	18,400	—	1,254,212
Less accumulated depreciation for:				
Infrastructure	<u>233,400</u>	<u>26,555</u>	<u>—</u>	<u>259,955</u>
Nonmajor enterprise fund capital assets, net	<u>\$ 1,002,412</u>	<u>(8,155)</u>	<u>—</u>	<u>994,257</u>

(5) Leasing Arrangement

The Town has entered into an operating lease agreement with a private water company (the lessee). The lease agreement gives the lessee the right to use of Town owned land as well as a Town owned water tank in consideration for rent over the term of the lease.

As of June 30, 2011, the book value of the leased water tank is \$948,467 and is included as infrastructure in the water fund.

The lessee has agreed to pay the Town minimum lease payments of \$38,125 per year over a 20 year period as follows:

Year ending June 30:	
2012	\$ 38,125
2013	38,125
2014	38,125
2015	38,125
2016	38,125
2017 – 2021	190,625
2022 – 2026	190,625
2027	<u>38,125</u>
	<u>\$ 610,000</u>

(6) Deposits and Investments

The following represents essential risk information about the Town's deposits and investments.

(a) Investment Policy

State and local statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits (including demand deposits, term deposits, and certificates of deposit) in any one financial institution may not exceed certain prescribed levels without collateralization by the

TOWN OF OXFORD, MASSACHUSETTS

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financial institutions involved. Investments can also be made in securities issued by or unconditionally guaranteed by the U.S. government or agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by the U.S. government or agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase and units in the Massachusetts Municipal Depository Trust (MMDT).

(b) Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the Town's deposits may not be returned. The Town carries deposits that are fully insured by FDIC insurance or collateralized with securities held by the Town or the Town's agent in the Town's name. The Town also carries deposits that are not collateralized and are uninsured. As of June 30, 2011, the bank balances of uninsured and uncollateralized deposits totaled \$13.2 million.

(c) Interest Rate Risk

The following is a listing of the Town's fixed-income investments and related maturity schedule (in years) as of June 30, 2011:

Investment type	Fair value	Less than 1	1 – 5	6 – 10	More than 10
U.S. treasury	\$ 34,773	—	34,773	—	—
U.S. agency	251,379	—	—	211,125	40,254
Corporate bonds	37,209	—	37,209	—	—
Mutual funds	102,450	—	—	89,257	13,193
Money market funds	2,707,259	2,707,259	—	—	—
Total	\$ 3,133,070	2,707,259	71,982	300,382	53,447

(d) Credit Risk

The fixed income mutual funds and money market funds were not rated as of June 30, 2011. The U.S. Agency bonds are rated AAA and the Corporate bonds are rated AA by Standards & Poors as of June 30, 2011.

(e) Foreign Currency Risk

Foreign currency risk 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. However, the Town holds a mutual fund where the underlying securities are denominated in various foreign currencies. The fair value of the international mutual fund was \$26,527 as of June 30, 2011.

(7) Pension Benefits

(a) Plan Description

The Town contributes to the Worcester Regional Retirement System (the System), a cost-sharing multiple-employer, defined benefit pension plan (Plan) administered by a regional retirement board.

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The System provides retirement, disability, and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws (MGL) assigns authority to establish and amend benefit provisions of the System's plan to the System's Board.

The System does not issue a publicly available stand-alone plan financial report prepared in accordance with the requirements of GASB Statement 25, as amended. The System's schedule of funding progress and employer contributions is included as required supplementary information following the notes to the basic financial statements.

(b) Funding Policy

Plan members are required to contribute to the System at rates ranging from 5% to 9% of annual covered compensation. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30,000. The Town is required to pay into the System, its share of the remaining system-wide actuarially determined contribution plus administration costs which are apportioned among the employers based on active covered payroll. The Commonwealth of Massachusetts (Commonwealth) reimburses the System for a portion of benefit payments for cost-of-living (COLA) increases made prior to July 1, 1998. Chapter 32 of the MGL governs the contributions of Plan members and the Town. The Town's contributions to the System for the years ended June 30, 2011, 2010 and 2009 were \$1,063,828, \$987,477 and \$926,542, respectively, which were equal to its required contributions for each of these years.

(c) Retirement Trust Fund

Pursuant to MGL Chapter 40, Section 5(d), the Town has established a retirement trust fund that is distinct and separate from the System information noted above. The balance of this fund is not to exceed 10% of the Town's equalized value. The purpose of this fund is to provide a reserve to meet future annual contributions to the System. As of June 30, 2011, the balance of this fund was \$789,952 and was reported as restricted fund balance in the general fund.

A summary of the changes in the retirement trust fund during fiscal 2011 is as follows:

Ending balance, June 30, 2010	\$	877,518
Interest income		3,841
Contribution payments		(91,407)
Ending balance, June 30, 2011	\$	<u>789,952</u>

(8) Other Postemployment Benefits

GASB Statement No. 45 requires governments to account for other postemployment benefits, primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis in the government-wide financial statements. The effect is the recognition of an actuarially required contribution as an expense on the government-wide statement of activities when a future retiree earns their postemployment benefit rather than when they use their postemployment benefit. To the extent that an entity does not fund their actuarially required contribution, a postemployment benefit liability is recognized on the government-wide

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statement of net assets over time. Expenditures for other postemployment benefits are reported on a pay-as-you-go basis in the governmental funds.

The Town provides postemployment health care and life insurance benefits, in accordance with state statute and Town charter, to participating retirees and their beneficiaries. As of July 1, 2010, the valuation date, 207 retirees and spouses and 376 active members meet the eligibility requirements as put forth in Chapter 32B of MGL. The Town sponsors and participates in a single-employer defined-benefit OPEB plan. The OPEB plan is administered by the Town and does not issue a stand-alone financial report as a separate trust for the Plan has not been established as of June 30, 2011.

Medical and prescription drug benefits are provided to all eligible retirees not enrolled in Medicare through a variety of plans offered by Blue Cross Blue Shield of Massachusetts, Tufts Health Plan, and Fallon Community Health. Medical and prescription drug benefits are provided to retirees enrolled in Medicare through supplemental and Medicare Advantage plans offered by Blue Cross Blue Shield of Massachusetts.

Groups 1, 2 and 4 retirees, including teachers, with at least 10 years or 20 years of creditable service are eligible at age 55 or any age, respectively. Retirees on accidental disability retirement are eligible at any age while ordinary disability requires 10 years of creditable service for veterans and 15 years of creditable for nonveterans. The surviving spouse may be eligible to receive both pre- and post-retirement death benefits, as well as medical and prescription drug coverage.

(a) *Funding Policy*

Employer and employee contribution rates are governed by the Board of Selectmen. The Town currently funds the plan on a pay-as-you-go basis. The Town and plan members share the cost of benefits. As of July 1, 2010, the valuation date, the plan members contribute 20% to 25% of the monthly premium cost, depending on the plan in which they are enrolled. The Town contributes the balance of the premium cost.

TOWN OF OXFORD, MASSACHUSETTS

Notes to the Basic Financial Statements

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(b) Annual OPEB Cost and Net OPEB Obligation

The Town's annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2011, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of July 1, 2010:

Annual Required Contribution (ARC)	\$	3,407,500
Interest on net OPEB obligation		202,670
Adjustment to ARC		(276,494)
Annual OPEB cost		<u>3,333,676</u>
Contributions made		<u>(1,064,819)</u>
Change in net OPEB obligation		2,268,857
Net OPEB obligation – beginning of year		<u>4,503,777</u>
Net OPEB obligation – end of year	\$	<u><u>6,772,634</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

	<u>Annual OPEB cost</u>	<u>Percentage of OPEB cost contributed</u>	<u>Net OPEB obligation</u>
Fiscal year ended:			
2011	\$ 3,333,676	31.9%	\$ 6,772,634
2010	3,090,448	28.9	4,503,777
2009	2,928,000	21.2	2,306,942

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Notes to the Basic Financial Statements

June 30, 2011

(c) ***Funded Status and Funding Progress***

The funded status of the plan as of June 30, 2011, based on an actuarial valuation as of July 1, 2010, was as follows:

Actuarially accrued liability (AAL)	\$	33,466,144
Actuarial value of plan assets		<u>—</u>
Unfunded actuarial accrued liability (UAAL)	\$	<u>33,466,144</u>
Funded ratio (actuarial value of plan assets/AAL)		—%
Covered payroll (active plan members)	\$	17,509,156
UAAL as a percentage of covered payroll		191.1%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the Town are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

(d) ***Actuarial Methods and Assumptions***

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

In the July 1, 2010 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.5% investment rate of return. The annual health care cost trend rate starts at 9.5% and 9.0% for retirees pre-65 and post-65, respectively. Those rates are reduced to an ultimate rate of 5.0% after 9 years for pre-65 and 8 years for post-65. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at July 1, 2010 was thirty years.

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Notes to the Basic Financial Statements

June 30, 2011

(9) Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2011:

	<u>Maturing through year ended June 30</u>	<u>Interest percentage range</u>	<u>Outstanding beginning of year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding end of year</u>
Governmental activities:						
General obligation bonds	2028	2.00 – 4.65%	\$ 16,870,000	—	(1,115,000)	15,755,000
Add (deduct):						
Unamortized bond premium			<u>55,499</u>	<u>—</u>	<u>(5,948)</u>	<u>49,551</u>
Total governmental activities bonded debt, net			<u>16,925,499</u>	<u>—</u>	<u>(1,120,948)</u>	<u>15,804,551</u>
Business-type activities:						
Water fund:						
General obligation bonds	2028	3.25 – 5.00%	215,802	—	(14,198)	201,604
Nonmajor sewer fund:						
General obligation bonds	2028	3.25 – 5.00%	<u>164,198</u>	<u>—</u>	<u>(10,802)</u>	<u>153,396</u>
Total business-type activities bonded debt, net			<u>380,000</u>	<u>—</u>	<u>(25,000)</u>	<u>355,000</u>
Total bonded debt, net			<u>17,305,499</u>	<u>—</u>	<u>(1,145,948)</u>	<u>16,159,551</u>
Other governmental long-term obligations:						
Compensated absences			507,760	—	(55,350)	452,410
Other postemployment benefits			4,503,777	3,610,170	(1,341,313)	6,772,634
Landfill and postclosure care costs			<u>69,000</u>	<u>—</u>	<u>(3,000)</u>	<u>66,000</u>
			<u>5,080,537</u>	<u>3,610,170</u>	<u>(1,399,663)</u>	<u>7,291,044</u>
Total long-term obligations			<u>\$ 22,330,537</u>	<u>3,610,170</u>	<u>(2,539,663)</u>	<u>23,401,044</u>

Other governmental long-term obligations are generally liquidated by the general fund.

TOWN OF OXFORD, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2011

Maturity of Bond Indebtedness

Bond indebtedness outstanding at June 30, 2011 matures as follows:

	Governmental activities		
	Principal	Interest	Total
Year ending June 30:			
2012	\$ 1,150,000	663,409	1,813,409
2013	1,185,000	618,634	1,803,634
2014	1,230,000	573,121	1,803,121
2015	1,275,000	525,471	1,800,471
2016	1,320,000	474,811	1,794,811
2017 – 2021	6,280,000	1,544,121	7,824,121
2022 – 2026	2,680,000	384,190	3,064,190
2027 – 2028	635,000	41,125	676,125
	<u>\$ 15,755,000</u>	<u>4,824,882</u>	<u>20,579,882</u>

	Business-type activities					
	Water			Other		
	Principal	Interest	Total	Principal	Interest	Total
Year ending June 30:						
2012	\$ 14,198	8,277	22,475	10,802	6,298	17,100
2013	14,198	7,816	22,014	10,802	5,947	16,749
2014	14,198	7,354	21,552	10,802	5,596	16,398
2015	11,358	6,857	18,215	8,642	5,218	13,860
2016	11,358	6,460	17,818	8,642	4,915	13,557
2017 – 2021	56,790	24,150	80,940	43,210	18,375	61,585
2022 – 2026	56,790	11,991	68,781	43,210	9,124	52,334
2027 – 2028	22,714	1,461	24,175	17,286	1,109	18,395
	<u>\$ 201,604</u>	<u>74,366</u>	<u>275,970</u>	<u>153,396</u>	<u>56,582</u>	<u>209,978</u>

TOWN OF OXFORD, MASSACHUSETTS

Notes to the Basic Financial Statements

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	Business-type activities		
	Total		
	Principal	Interest	Total
Year ending June 30:			
2012	\$ 25,000	14,575	39,575
2013	25,000	13,763	38,763
2014	25,000	12,950	37,950
2015	20,000	12,075	32,075
2016	20,000	11,375	31,375
2017 – 2021	100,000	42,525	142,525
2022 – 2026	100,000	21,115	121,115
2027 – 2028	40,000	2,570	42,570
	<u>\$ 355,000</u>	<u>130,948</u>	<u>485,948</u>

The Town is subject to a dual-level general debt limit: the normal debt limit and the double debt limit. Such limits are equal to 5% and 10%, respectively, of the valuation of taxable property in the Town as last equalized by the Commonwealth's Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit, however, require the approval of the Commonwealth's Emergency Finance Board. Additionally, there are many categories of general obligation debt which are exempt from the debt limit but are subject to other limitations. As of June 30, 2011, the Town has the ability to issue \$54.3 million of additional debt within the normal debt limit.

As of June 30, 2011, the Town has total authorized unissued debt of \$13,125,000. The remaining authorized unissued debt is intended to finance the following:

Governmental activities:	
Middle school roof	\$ 5,800,000
Water fund:	
Water company purchase	6,750,000
Pumping station	375,000
Water main	200,000
	<u>\$ 13,125,000</u>

(10) Temporary Borrowings

Under state law and by authorization of the board of selectmen, the Town is authorized to borrow on a temporary basis to fund the following:

- Current operating costs prior to the collection of revenues through issuance of tax anticipation notes (TANs);
- Capital project costs incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANs);

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- Federal and state aided capital projects and other program expenditures prior to receiving reimbursement through issuance of federal and state aid anticipation notes (FANs and SANs).

Temporary loans are general obligations of the Town and carry maturity dates which are limited by statute. In fiscal 2011, the Town incurred \$12,081 in interest expense for temporary borrowings, all recorded in the water fund.

Short-term debt activity for the year ended June 30, 2011 was as follows:

	Outstanding at June 30, 2010	Additions	Deductions	Outstanding at June 30, 2011
Bond anticipation notes payable:				
Water fund:				
Water tank construction	\$ 200,000	100,000	(200,000)	100,000
Water company purchase	550,000	550,000	(550,000)	550,000
Subtotal	750,000	650,000	(750,000)	650,000
Community center fund:				
Capital improvements	—	1,000,000	—	1,000,000
Total	\$ 750,000	1,650,000	(750,000)	1,650,000

(11) Interfund Receivable and Payable Balances

Individual fund receivable and payable balances at June 30, 2011, are as follows:

Interfund balances	Receivable	Payable
General	\$ —	6,000
Other governmental:		
Permanent funds	6,000	—
Balances at June 30, 2011	\$ 6,000	6,000

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June 30, 2011

(12) Transfers

Transfers to (from) governmental funds and their purposes during the year ended June 30, 2011 were as follows:

	<u>General</u>	<u>Other governmental</u>	<u>Water</u>	<u>Community Center</u>
Ambulance – operating expense	\$ 792,000	(792,000)	—	—
BOH – operating expense	50,000	(50,000)	—	—
WRTA – operating expense	27,000	(27,000)	—	—
Capital projects – stabilization			—	—
State Aid Libraries – operating expense	18,500	(18,500)	—	—
Conservation – operating expense	7,000	(7,000)	—	—
Animal Control – operating expense	36,000	(36,000)	—	—
Cemetery – operating expense	6,000	(6,000)	—	—
Revolving – operating expense	9,000	(9,000)	—	—
HAP Charity – operating expense	4,000	(4,000)	—	—
Community Development – operating exp.	3,800	(3,800)	—	—
Council on Aging – operating exp.	7,000	(7,000)	—	—
Sale of Real Estate – operating exp.	15,000	(15,000)	—	—
Available funds – Tri-Centennial Trust	(20,000)	20,000	—	—
Available funds – Cemetery Perp. Care	(6,000)	6,000	—	—
Available funds – Ambulance funding	(14,306)	14,306	—	—
Available funds – Board of Health funding	(7,450)	7,450	—	—
Available funds – Comm. Development	(1,514)	1,514	—	—
Available funds – Library	(9)	9		
Revolving – Water operations	—	(171,693)	171,693	—
Manville Reserve – Community Center Ops.	—	(15,344)	—	15,344
Clean-up fund – Community Center Ops.	—	(46,367)	—	46,367
Community Development – C.C. Ops.	—	(100,000)	—	100,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total net transfers to (from)	\$ 926,021	(1,259,425)	171,693	161,711

(13) Risk Management

The Town is exposed to various risks of loss related to general liability, property, and casualty, workers' compensation and unemployment compensation claims.

TOWN OF OXFORD, MASSACHUSETTS

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Buildings and property are insured against fire, theft, and natural disaster to the extent that losses exceed \$10,000 per incident.

The Town is insured for general liability up to \$100,000 per claim to a maximum of \$1,000,000 per occurrence; however, Chapter 258 of the MGL limits the Town's liability to a maximum of \$100,000 per claim in all matters except in actions relating to federal/civil rights, eminent domain and breach of contract. Such claims are charged to the general fund. There were no such claims or related judgments paid in 2011.

The Town is a member of the Massachusetts Interlocal Insurance Association (MIIA), a public entity risk pool currently operating as a common risk management and insurance program for workers' compensation benefits for employees including uniformed police and fire personnel. Uniformed personnel are covered up to \$1,250 per week through MIIA with the Town covering the difference. MIIA is self-sustaining through member premiums and reinsures through commercial companies for stop loss insurance. The total premium assessed by MIIA to the Town in 2011 amounted to \$288,301 and was recorded in the general fund.

The Town purchases Accidental Death and Dismemberment (ADD) Insurance with an Income Rider for uniformed police and fire personnel. The ADD policy has a limit of \$200,000 per individual for the loss of life, limb, sight, or hearing. The Income Rider has a limit of \$400 per week for the first 28 days and covers 100% of the average weekly wage after 28 days with a maximum of 260 weeks per injury.

Health insurance benefits for employees are provided through a third-party insurance carrier and health maintenance organizations. The Town pays approximately 65% of the premium cost for employees who elect the primary care indemnity plan. The Town contributes 80% of the premium costs for those employees who elect a managed health care program that were hired before July 1, 2006 and 75% for those hired after. That percentage reduces to 50% when an employee retires. Additionally, the Town is self-insured for unemployment compensation. In fiscal 2011, claims related to unemployment compensation amounted to \$108,732. The liability for self-insured unemployment compensation is not material at June 30, 2011.

The Town maintains a health claims account designated to meet future appropriations for health care. As of June 30, 2011, the balance in this account was \$3,016,518 and is reported in the general fund as restricted fund balance. The Town also maintains an unemployment compensation account designated to fund unemployment claims. As of June 30, 2011, the balance in this account was \$494,759 and is reported in the general fund as restricted fund balance. Pursuant to MGL Chapter 40, Section 5(e), the balance of the unemployment compensation account is limited to 1% of the Town's equalized value. These amounts are recorded as fund balances restricted for employee benefits.

(14) Commitments and Contingencies

There are several lawsuits in which the Town is involved. The Town estimates that the potential claims against the Town not covered by insurance resulting from such litigation would not materially affect the Town's basic financial statements.

The Town has committed \$1.6 million in encumbrances for purchase orders and contracts.

TOWN OF OXFORD, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2011

(15) Fund Balance Classification

The components of fund balance for the Town's governmental funds as of June 30, 2011 are as follows (in thousands):

Fund Balance	General	Other Governmental
Nonspendable – permanent fund principal	\$ —	3,648,889
Restricted:		
General Government	—	375,454
Public Safety	—	1,167,694
Education	—	849,698
Public Works	—	371,404
Health and Human Services	—	57,456
Culture and Recreation	—	671,973
Pension and Fringe	4,301,229	—
Subtotal	4,301,229	3,493,679
Committed:		
General Government	148,903	—
Public Safety	227,431	—
Public Works	277,052	—
Subtotal	653,386	—
Assigned:		
General Government	114,519	36,317
Public Safety	34,279	—
Education	29,472	523,968
Public Works	29,318	86,493
Health and Human Services	168	201,379
Subsequent Years Expenditures	523,000	—
Subtotal	730,756	848,157
Unassigned:	2,960,779	(91,861)
Balances at June 30, 2011	\$ 8,646,150	7,898,864

TOWN OF OXFORD, MASSACHUSETTS
 Budgetary Comparison Schedule – General Fund
 (Unaudited)
 June 30, 2011

	Budgeted amounts		Actual amounts (budgetary basis)	Variance with final budget positive (negative)
	Original	Final		
Resources (inflows):				
Real and personal property taxes, net	\$ 16,902,953	16,902,953	16,910,072	7,119
Excises	1,402,568	1,402,568	1,393,240	(9,328)
Penalties and interest	209,865	209,865	157,407	(52,458)
Fees	93,086	93,086	125,075	31,989
Licenses and permits	24,639	24,639	25,658	1,019
Intergovernmental	12,399,943	12,399,943	12,371,886	(28,057)
Fines and forfeitures	85,090	85,090	76,538	(8,552)
Investment income	37,521	37,521	37,072	(449)
Other	211,289	211,289	287,502	76,213
Amounts available for appropriation	31,366,954	31,366,954	31,384,450	17,496
Charges to appropriations (outflows):				
Current:				
General government	2,696,732	2,764,293	2,523,343	240,950
Public safety	2,717,354	2,981,354	2,735,050	246,304
Education	15,914,382	16,185,924	16,115,064	70,860
Public works	2,009,511	2,198,011	2,059,352	138,659
Human services	163,663	179,663	175,061	4,602
Culture and recreation	380,729	380,729	380,586	143
State and county assessments	747,110	747,110	660,037	87,073
Pension, fringe, and general insurance	6,354,647	6,354,647	5,973,638	381,009
Debt service	1,975,000	1,975,000	1,820,634	154,366
Total charges to appropriations	32,959,128	33,766,731	32,442,765	1,323,966
Excess (deficiency)	(1,592,174)	(2,399,777)	(1,058,315)	1,341,462
Other financing sources:				
Transfers in, net	1,442,174	1,604,174	1,585,364	(18,810)
Total other financing sources	1,442,174	1,604,174	1,585,364	(18,810)
Excess (deficiency)	(150,000)	(795,603)	\$ 527,049	1,322,652
Other budget items:				
Free cash	150,000	292,000		
Other available funds	—	503,603		
Total other budget items	150,000	795,603		
Net budget	\$ —	—		

See notes to required supplementary information and independent auditors' report.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Budgetary Comparison Schedule – General Fund

June 30, 2011

Note A – Budgetary Basis of Accounting

The Town must establish its property tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2½ and also constitute that amount which will equal the sum of (a) the aggregate of all annual appropriations for expenditures and transfers, plus (b) provision for the prior fiscal year's deficits, if any, less (c) the aggregate of all nonproperty tax revenue and transfers projected to be received by the Town, including available surplus funds.

The budgets for all departments and operations of the Town, except that of public schools, are prepared under the direction of the board of selectmen. The School Department budget is prepared under the direction of the School Committee. Original and supplemental appropriations are acted upon by Town meeting.

All general fund functions are budgeted and are prepared on a basis other than generally accepted accounting principles (GAAP). The “actual” results column budgetary basis is presented on a “budget basis” to provide a meaningful comparison with the budget.

The major differences between budget and GAAP bases are that:

Budgeted revenues are recorded when cash is received, except for real estate and personal property taxes, which are recorded as revenue when levied (budget), as opposed to when susceptible to accrual (GAAP).

Encumbrances and continuing appropriations are recorded as the equivalent of expenditures (budget) as opposed to a constraint on fund balance (GAAP).

Revenues, expenditures and transfers in (out) for budgetary purposes exclude certain funds that are reported in the General Fund on a GAAP basis.

Note B – Explanation of Differences between Budgetary Revenues and Expenditures and GAAP Revenues and Expenditures – General Fund

	<u>Revenue</u>	<u>Expenditures</u>	<u>Other financing sources (uses), net</u>
As reported on a budgetary basis	\$ 31,384,450	32,442,765	1,585,364
Adjustment of revenues to a modified accrual basis	20,448	—	—
Adjustment for encumbrances and continuing appropriations and accrued expenditures, net of prior year reversals	—	628,091	(61,712)
Adjustment for revenues, expenditures and transfers that are not included in the general fund for budgetary purposes, but are included in the general fund for financial reporting purposes	447,734	108,732	(597,631)
As reported on a GAAP basis	<u>\$ 31,852,632</u>	<u>33,179,588</u>	<u>926,021</u>

TOWN OF OXFORD, MASSACHUSETTS

Notes to Budgetary Comparison Schedule – General Fund

June 30, 2011

Note C – Expenditures in Excess of Budget

The Town had no expenditures in excess of budgeted appropriations.

TOWN OF OXFORD, MASSACHUSETTS
Schedules of Funding Progress and Employer Contributions
June 30, 2011
(Unaudited)
(Dollar amounts in thousands, except Notes to Schedules)

Schedules of Funding Progress

Actuarial valuation date		Actuarial value of assets (a)	Actuarial accrued liability (b)	Unfunded (b-a)	Funded ratio (a/b)	Covered payroll (c)	Unfunded as a % of payroll ((b-a)/c)
Pension (Worcester Regional Contributory Retirement System¹)							
1/1/2010	\$	413,977	863,002	449,025	48.0%	\$ 241,993	185.6%
1/1/2007		389,759	692,768	303,009	56.3	211,516	143.3
1/1/2004		350,880	552,774	201,894	63.5	170,669	118.3
Other postemployment benefits							
7/1/2010	\$	—	33,466	33,466	—%	\$ 17,509	191.1%
7/1/2008		—	28,738	28,738	—	19,304	148.9

Schedule of Employer Contributions – Worcester Regional Contributory Retirement System¹

	Annual required contribution	Percentage contributed
Year ended December 31:		
2010	\$ 31,200	100%
2009	28,800	100
2008	26,400	100

Notes to schedules

Additional information as of the latest actuarial valuation for the Worcester Regional Contributory Retirement System follows:

Valuation date	January 1, 2010
Actuarial cost method	Individual entry age normal cost
Amortization method	Increasing amortizations at 4.0%
Remaining amortization period	18 years
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	3%
Cost-of-living adjustments	Increase annually by 3% up to a maximum of \$360.

¹ The information presented above relates to the cost-sharing plan as a whole, of which the Town is one participating employer of ninety-four. The Town's annual required contribution is approximately 3.5% of the System's total annual required contribution.

See accompanying independent auditors' report.