



TOWN OF OXFORD, MASSACHUSETTS

Basic Financial Statements
and Required Supplementary Information

June 30, 2009

(With Independent Auditors' Report Thereon)

TOWN OF OXFORD, MASSACHUSETTS

Table of Contents

	Page(s)
Independent Auditors' Report	1 – 2
Management's Discussion and Analysis	3 – 9
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet – Governmental Funds	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	13
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Net Assets – Proprietary Funds	16
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds	17
Statement of Cash Flows – Proprietary Funds	18
Statement of Net Assets – Fiduciary Fund	19
Notes to Basic Financial Statements	20 – 39
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	40
Notes to Required Supplementary Information	41 – 42
Schedules of Funding Progress and Employer Contributions	43



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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, 2009, 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 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, 2009, 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.

As described in note 2(m), the Town, in 2009, implemented Governmental Accounting Standards Board (GASB) Statements Nos. 45 and 49, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and *Accounting and Financial Reporting for Pollution Remediation Obligations*, respectively.

In accordance with *Government Auditing Standards*, we have issued a separate report dated March 15, 2010, 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.



The Management's Discussion and Analysis on pages 3 through 9, the Budgetary Comparison Information on pages 40 through 42 and the Schedules of Funding Progress and Employer Contributions on page 43 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 15, 2010

TOWN OF OXFORD, MASSACHUSETTS

Required Supplementary Information

Management's Discussion and Analysis

June 30, 2009

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, 2009.

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 2009 by approximately \$65.2 million (net assets).
- The Town's total net assets decreased by approximately \$6.8 million in fiscal 2009.
- At the end of fiscal 2009, undesignated fund balance for the general fund was approximately \$1.1 million or 3% of total 2009 general fund expenditures.
- The Town's total long-term bonds increased by \$3.3 million during fiscal 2009.

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 analysis 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.

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

TOWN OF OXFORD, MASSACHUSETTS

Required Supplementary Information

Management's Discussion and Analysis

June 30, 2009

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 and Police Station Capital Fund, which are the Town's major governmental funds. 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 activity 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, which are considered to be nonmajor funds 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.

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.

TOWN OF OXFORD, MASSACHUSETTS

Required Supplementary Information

Management's Discussion and Analysis

June 30, 2009

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 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.

The Town, in 2009, adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This standard required the Town to account for postemployment benefits other than pensions, mainly health insurance benefits, on a full accrual basis, rather than on a pay-as-you-go basis. As required by this standard, the Town has presented the schedule of funding progress for its postemployment health plan as RSI.

Additionally, the Town adopted GASB Statement No. 49, *Accounting and Financial Reporting for Pollution remediation Obligations*. This standard requires the Town to recognize pollution remediation obligations when incurred. In 2009, the town did not record any pollution remediation obligations.

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 \$65.2 million at the close of the current fiscal year.

A significant portion of the Town's net assets (53%) 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 (1.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$26.6 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 \$6.8 million, thereby accounting for almost all of the decrease in net assets of the Town. This decrease was primarily due to the recognition of an other postemployment benefit (OPEB) liability of \$2.3 million due to the implementation of GASB 45.

TOWN OF OXFORD, MASSACHUSETTS

Required Supplementary Information

Management's Discussion and Analysis

June 30, 2009

Business-Type Activities – Business-type activities increased the Town's net assets by approximately \$8,500. The increase is the result of transfers from the governmental funds. Without the transfer, the business-type activities would have decreased the Town's net assets by \$145,000.

Condensed Schedule of Net Assets June 30, 2009 and 2008

	(in Thousands)					
	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 35,068	38,313	305	394	35,373	38,707
Capital assets	50,514	48,638	2,730	2,696	53,244	51,334
Total assets	85,582	86,951	3,035	3,090	88,617	90,041
Long-term debt outstanding	18,006	14,709	405	405	18,411	15,114
Other long-term liabilities	2,836	510	—	—	2,836	510
Other liabilities	1,845	2,010	332	396	2,177	2,406
Total liabilities	22,687	17,229	737	801	23,424	18,030
Net assets:						
Invested in capital assets, net of related debt	32,508	33,999	2,080	2,020	34,588	36,019
Restricted	4,076	4,804	—	—	4,076	4,804
Unrestricted	26,311	30,919	218	269	26,529	31,188
Total net assets	\$ 62,895	69,722	2,298	2,289	65,193	72,011

TOWN OF OXFORD, MASSACHUSETTS

Required Supplementary Information

Management's Discussion and Analysis

June 30, 2009

Condensed Schedule of Changes in Net Assets Years Ending June 30, 2009 and 2008

	(in Thousands)					
	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 3,525	3,823	503	412	4,028	4,235
Operating grants	12,718	11,975	7	6	12,725	11,981
Capital grants	192	—	—	8	192	8
General revenues:						
Property taxes	15,581	14,615	—	—	15,581	14,615
Excise taxes	1,421	1,611	—	—	1,421	1,611
Intergovernmental	2,324	2,642	—	—	2,324	2,642
Other	(164)	1,747	—	—	(164)	1,747
Gain (loss) on disposal of capital assets	(174)	(31)	—	—	(174)	(31)
Transfers	(153)	(125)	153	125	—	—
Total revenues	35,270	36,257	663	551	35,933	36,808
Expenses:						
General government	3,880	3,429	—	—	3,880	3,429
Public safety	4,104	3,372	—	—	4,104	3,372
Education	27,564	24,435	—	—	27,564	24,435
Public works	4,011	3,739	—	—	4,011	3,739
Health and human services	188	194	—	—	188	194
Culture and recreation	801	1,369	—	—	801	1,369
State and county assessments	783	690	—	—	783	690
Interest on long-term debt	766	646	—	—	766	646
Enterprise accounts:						
Nonmajor funds	—	—	654	443	654	443
Total expenses	42,097	37,874	654	443	42,751	38,317
Increase (decrease) in net assets	(6,827)	(1,617)	9	108	(6,818)	(1,509)
Net assets, beginning of year	69,722	71,339	2,289	2,181	72,011	73,520
Net assets, end of year	\$ 62,895	69,722	2,298	2,289	65,193	72,011

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.

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, unreserved 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 \$17.0 million, a decrease of approximately \$1.9 million from the prior year. The general fund, police station capital fund, and other governmental funds had undesignated fund balances of \$1.1 million,

TOWN OF OXFORD, MASSACHUSETTS

Required Supplementary Information

Management's Discussion and Analysis

June 30, 2009

\$36,000, and \$4.2 million, respectively. The remainder of fund balance is reserved or designated to indicate that it is not expected to be available for new spending because it has already been (1) committed to liquidate contracts and purchase orders of the prior period, \$1.7 million, (2) reserved for permanent funds, \$3.2 million, (3) designated for stabilization, \$2.1 million, (4) designated for subsequent year's expenditures, \$175 thousand, (5) designated for future health claims, \$2.8 million, and (6) designated for retirement and unemployment compensation, \$1.7 million.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unreserved fund balance of the general fund was approximately \$6.9 million, while total general fund balance was approximately \$8.1 million. Of this amount, \$1.1 million constitutes undesignated fund balance, which is available for appropriation by the Town or for expenditures in accordance with legal restrictions. As a measure of the general fund's liquidity, it may be useful to compare undesignated fund balance to total fund expenditures. Undesignated fund balance represents 3% of total general fund expenditures.

The fund balance of the Town's general fund decreased by \$1.1 million during the current fiscal year. This fund balance decrease was primarily driven by increases in expenditures in excess of the increases in revenues during the year.

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 \$2.3 million. Net assets of the proprietary funds increased approximately \$8,500 in the current year. This was primarily driven a transfer of funds totaling \$153 thousand.

Budgetary Highlights

Differences between the original budget and the final amended budget were mainly the result of town meeting transfers and finance committee reserve transfers for unforeseen events and amounted to less than 1% of the Town's general fund expenditures. Actual revenues fell short of budgeted revenues by approximately \$1.3 million. Further, actual expenditures were below budget in all of the categories of government, with the largest favorable variances in education, public works, and pension/fringe benefits. The large favorable variances in these categories were driven by conservative budgeting as well as a surplus in the public works snow and ice removal budget due to below average snowfall in the winter of 2009/2010.

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, 2009, amounted to approximately \$53.2 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, increased in the governmental activities due to the construction of the police station during 2009. Business-type activities capital assets, net, remained relatively static with the water tower being moved from construction in progress to infrastructure due to the completion of that project.

TOWN OF OXFORD, MASSACHUSETTS

Required Supplementary Information

Management's Discussion and Analysis

June 30, 2009

Long-Term Debt – At the end of the current fiscal year, the Town had total debt outstanding of approximately \$18.35 million. The entire amount is backed by the full faith and credit of the Town.

	Outstanding debt		
	Governmental activities	Business-type activities	Total
Total long-term bonds	\$ 17,945,000	405,000	18,350,000

The Town's bonds payable increased by \$3.3 million during the current fiscal year. This increase was a result of the issuance of general obligation bonds for the construction of the new police station.

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 once again on a decline. In preparing for the Fiscal 2010 budget, the Town anticipates a decrease from the State in the form of State Aid. The Town is continuing to apply reserves that it had built up for this purpose and expects nonessential services to be slightly affected. The Town continues to ensure that Public Safety, Public Health, Public Works, and Education services remain unaffected.

The annual unemployment rate for the Town for 2009 is currently 9.6%, 3.9 percentage points higher than the 5.7% rate in 2008. This compares to the 2009 state's average unemployment rate of 8.6%, and the 2009 national average rate of 9.7%. The increase in the rate was anticipated due to the downturn in the state's economic condition, and the Town anticipates that this will not improve for 2010.

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, 2009

Assets	Governmental activities	Business-type activities	Total
Cash, cash equivalents and investments	\$ 17,975,953	268,687	18,244,640
Receivables, net:			
Property taxes	662,008	—	662,008
Motor vehicle excise	241,440	—	241,440
Tax liens	327,055	—	327,055
Intergovernmental	1,757,458	—	1,757,458
Departmental and other	314,275	17,664	331,939
Other assets	99,686	3,478	103,164
Long-term receivable	13,690,068	15,000	13,705,068
Capital assets:			
Nondepreciable	4,869,030	387,130	5,256,160
Depreciable, net	45,645,213	2,342,946	47,988,159
Total assets	<u>85,582,186</u>	<u>3,034,905</u>	<u>88,617,091</u>
Liabilities			
Warrants and accounts payable	383,313	80,444	463,757
Retainage payable	173,221	—	173,221
Accrued liabilities	1,265,807	6,705	1,272,512
Bond anticipation note	—	245,000	245,000
Other	23,252	—	23,252
Long-term liabilities:			
Due within one year:			
Compensated absences	136,980	—	136,980
Bonds and notes	1,075,000	25,000	1,100,000
Landfill and postclosure care costs	3,000	—	3,000
Due in more than one year:			
Compensated absences	319,621	—	319,621
Bonds and notes	16,931,447	380,000	17,311,447
Landfill and postclosure care costs	69,000	—	69,000
Other postemployment benefits	2,306,942	—	2,306,942
Total liabilities	<u>22,687,583</u>	<u>737,149</u>	<u>23,424,732</u>
Net Assets			
Invested in capital assets, net of related debt	32,507,796	2,079,401	34,587,197
Restricted for:			
Permanent funds:			
Nonexpendable	3,213,628	—	3,213,628
Expendable	862,619	—	862,619
Unrestricted	<u>26,310,560</u>	<u>218,355</u>	<u>26,528,915</u>
Total net assets	<u>\$ 62,894,603</u>	<u>2,297,756</u>	<u>65,192,359</u>

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Statement of Activities

Year ended June 30, 2009

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	\$ 3,880,467	154,026	57,358	—	(3,669,083)	—	(3,669,083)
Public safety	4,104,164	754,204	158,862	—	(3,191,098)	—	(3,191,098)
Education	27,564,034	2,459,918	12,180,459	—	(12,923,657)	—	(12,923,657)
Public works	4,011,237	68,388	140,747	192,112	(3,609,990)	—	(3,609,990)
Health and human services	187,698	79,311	45,551	—	(62,836)	—	(62,836)
Culture and recreation	801,216	9,190	134,860	—	(657,166)	—	(657,166)
State and county assessments	782,653	—	—	—	(782,653)	—	(782,653)
Interest on long-term debt	765,962	—	—	—	(765,962)	—	(765,962)
Total governmental activities	<u>42,097,431</u>	<u>3,525,037</u>	<u>12,717,837</u>	<u>192,112</u>	<u>(25,662,445)</u>	<u>—</u>	<u>(25,662,445)</u>
Business-type activities:							
Nonmajor enterprise funds	654,230	502,973	6,397	—	—	(144,860)	(144,860)
Total business-type activities	<u>654,230</u>	<u>502,973</u>	<u>6,397</u>	<u>—</u>	<u>—</u>	<u>(144,860)</u>	<u>(144,860)</u>
Total primary government	<u>\$ 42,751,661</u>	<u>4,028,010</u>	<u>12,724,234</u>	<u>192,112</u>	<u>(25,662,445)</u>	<u>(144,860)</u>	<u>(25,807,305)</u>
General revenues:							
Property taxes, levied for general purposes, net				\$ 15,580,502	—	15,580,502	
Excises				1,421,109	—	1,421,109	
Penalties and interest on taxes				169,809	—	169,809	
Other				13,949	—	13,949	
Intergovernmental				2,323,632	—	2,323,632	
Unrestricted contributions				41,753	—	41,753	
Investment income				(388,242)	—	(388,242)	
Transfers				(153,383)	153,383	—	
Loss on disposal of capital assets				(173,779)	—	(173,779)	
Total general revenues				<u>18,835,350</u>	<u>153,383</u>	<u>18,988,733</u>	
Change in net assets				<u>(6,827,095)</u>	<u>8,523</u>	<u>(6,818,572)</u>	
Net assets, beginning of year				<u>69,721,698</u>	<u>2,289,233</u>	<u>72,010,931</u>	
Net assets, end of year				<u>\$ 62,894,603</u>	<u>2,297,756</u>	<u>65,192,359</u>	

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Balance Sheet – Governmental Funds

June 30, 2009

Assets	<u>General</u>	<u>Police Station capital project</u>	<u>Other governmental</u>	<u>Total</u>
Cash, cash equivalents and investments	\$ 9,114,076	851,747	8,010,130	17,975,953
Receivables, net:				
Property taxes	662,008	—	—	662,008
Motor vehicle excise	241,440	—	—	241,440
Tax liens	327,055	—	—	327,055
Intergovernmental	14,743,151	—	704,375	15,447,526
Departmental and other	15,330	—	298,945	314,275
Due from other funds	74,667	—	—	74,667
Total assets	<u>\$ 25,177,727</u>	<u>851,747</u>	<u>9,013,450</u>	<u>35,042,924</u>
Liabilities and Fund Balance				
Warrants and accounts payable	\$ 136,970	149,839	96,504	383,313
Retainage payable	—	173,221	—	173,221
Due to other funds	—	41,753	32,914	74,667
Accrued liabilities:				
Tax abatements	141,256	—	—	141,256
Payroll and related withholdings	872,912	—	207,108	1,080,020
Deferred revenue	15,862,081	—	298,945	16,161,026
Other	23,252	—	—	23,252
Total liabilities	<u>17,036,471</u>	<u>364,813</u>	<u>635,471</u>	<u>18,036,755</u>
Fund balance:				
Reserved for:				
Encumbrances	1,252,475	450,781	13,718	1,716,974
Permanent funds	—	—	3,213,628	3,213,628
Unreserved:				
Designated for unemployment compensation	706,585	—	—	706,585
Designated for retirement contributions	—	—	979,281	979,281
Designated for health claims	2,817,133	—	—	2,817,133
Designated for subsequent year's expenditures	175,000	—	—	175,000
Designated for tax rate stabilization	2,139,677	—	—	2,139,677
Undesignated, reported in:				
General fund	1,050,386	—	—	1,050,386
Permanent funds	—	—	862,619	862,619
Capital project fund	—	36,153	—	36,153
Special revenue funds	—	—	3,308,733	3,308,733
Total fund balances	<u>8,141,256</u>	<u>486,934</u>	<u>8,377,979</u>	<u>17,006,169</u>
Total liabilities and fund balances	<u>\$ 25,177,727</u>	<u>851,747</u>	<u>9,013,450</u>	<u>35,042,924</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, 2009

Total fund balance – governmental funds	\$ <u>17,006,169</u>
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.	<u>50,514,243</u>
Certain revenues are earned but are not available and are therefore deferred in the funds.	<u>16,161,026</u>
Bond issuance costs are capitalized in the government-wide statements but are recorded when bond proceeds are received in the funds.	<u>99,686</u>
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	(17,945,000)
Bond issue premium	(61,447)
Landfill closure and post closure care costs	(72,000)
Accrued interest on bonds	(44,531)
Other postemployment benefits	(2,306,942)
Compensated absences	<u>(456,601)</u>
Net assets of governmental activities	<u>(20,886,521)</u>
	\$ <u>62,894,603</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, 2009

	<u>General</u>	<u>Police Station capital project</u>	<u>Other governmental</u>	<u>Total</u>
Revenues:				
Real and personal property taxes	\$ 15,581,776	—	—	15,581,776
Motor vehicle and other excises	1,462,708	—	—	1,462,708
Penalties and interest on taxes	169,809	—	—	169,809
Fees	95,380	—	3,359,229	3,454,609
License and permits	24,855	—	—	24,855
Intergovernmental	12,051,248	—	3,311,868	15,363,116
Fines and forfeitures	78,402	—	—	78,402
Investment income	166,113	—	(554,355)	(388,242)
Departmental and other revenue	351,783	672	133,678	486,133
Contributions and donations	471,472	—	101,141	572,613
Total revenues	30,453,546	672	6,351,561	36,805,779
Expenditures:				
Current:				
General government	3,094,261	—	9,019	3,103,280
Public safety	2,780,723	—	120,963	2,901,686
Education	15,774,807	—	5,837,119	21,611,926
Public works	2,149,351	—	460,956	2,610,307
Human services	129,167	—	20,839	150,006
Culture and recreation	429,827	—	146,561	576,388
State and county assessments	782,653	—	—	782,653
Pension, fringe and general insurance	5,567,983	—	—	5,567,983
Capital outlay	—	3,763,738	54,485	3,818,223
Debt service	1,709,822	—	—	1,709,822
Total expenditures	32,418,594	3,763,738	6,649,942	42,832,274
Deficiency of revenues over expenditures	<u>(1,965,048)</u>	<u>(3,763,066)</u>	<u>(298,381)</u>	<u>(6,026,495)</u>
Other financing sources (uses):				
Bond proceeds	—	4,250,000	—	4,250,000
Transfers in	934,056	—	19,388	953,444
Transfers out	(48,036)	—	(1,058,791)	(1,106,827)
Total other financing sources (uses)	886,020	4,250,000	(1,039,403)	4,096,617
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(1,079,028)</u>	<u>486,934</u>	<u>(1,337,784)</u>	<u>(1,929,878)</u>
Fund balance, beginning of year	<u>9,220,284</u>	<u>—</u>	<u>9,715,763</u>	<u>18,936,047</u>
Fund balance, end of year	\$ 8,141,256	486,934	8,377,979	17,006,169

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, 2009

Net change in fund balances – total governmental funds	\$ (1,929,878)
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 capital asset additions (\$4,741,828) exceeded depreciation expense (\$2,660,449) and net deletions (\$205,591).	1,875,788
Accrual basis revenues can result in more or (less) revenues reported in the statement of activities depending upon timing of billings and collections.	(123,386)
Intergovernmental revenues decrease receivables on the statement of net assets, but are included in the operating statement of governmental funds.	(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 amount by which bond issuances (\$4,250,000) exceed repayment of bond principal (\$950,000).	(3,300,000)
Bond premiums, net of amortization (\$2,521) increase the long-term liabilities in the statement of net assets, but are included in the operating statement of the governmental funds. Bond issuance costs, net of amortization (\$30,387) are expenditures in the governmental funds, but are deferred assets in the statement of net assets.	32,908
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 compensated absences (\$21,614), interest payable (\$3,888) and other postemployment benefits (\$2,306,942) offset by a decrease in the landfill accrual (\$3,000).	(2,329,444)
Change in net assets of governmental activities	<u>\$ (6,827,095)</u>

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Statement of Net Assets – Proprietary Funds

June 30, 2009

	Assets	Nonmajor enterprise funds
Current assets:		
Cash and cash equivalents	\$ 268,687	
Receivables, net	17,664	
Total current assets	<u>286,351</u>	
Noncurrent assets:		
Receivables, net	15,000	
Other assets	3,478	
Nondepreciable capital assets, net	387,130	
Depreciable capital assets, net	<u>2,342,946</u>	
Total noncurrent assets	<u>2,748,554</u>	
Total assets	<u>3,034,905</u>	
	Liabilities	
Current liabilities:		
Warrants and accounts payable	80,444	
Accrued liabilities	6,705	
Bond anticipation note	245,000	
Bonds payable	<u>25,000</u>	
Total current liabilities	<u>357,149</u>	
Noncurrent liabilities:		
Bonds payable	<u>380,000</u>	
Total noncurrent liabilities	<u>380,000</u>	
Total liabilities	<u>737,149</u>	
	Net Assets	
Invested in capital assets, net of related debt	2,079,401	
Unrestricted	<u>218,355</u>	
Total net assets	<u>\$ 2,297,756</u>	

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, 2009

	Nonmajor enterprise funds
Operating revenues:	
Charges for services	\$ 385,096
Fees	78,280
Other	<u>39,597</u>
	<u>502,973</u>
Operating expenses:	
Salaries and benefits	121,767
Utilities	263,925
Other supplies and expenses	117,423
Depreciation	<u>125,179</u>
	<u>628,294</u>
Operating loss	(125,321)
Nonoperating:	
Interest expense	(25,936)
Interest income	<u>6,397</u>
	<u>(19,539)</u>
Total nonoperating	(19,539)
Loss before transfers	<u>(144,860)</u>
Transfer in	<u>153,383</u>
Change in net assets	8,523
Total net assets, beginning of year	<u>2,289,233</u>
Total net assets, end of year	<u>\$ 2,297,756</u>

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Statement of Cash Flows – Proprietary Funds

Year ended June 30, 2009

	Nonmajor enterprise funds
Cash flows from operating activities:	
Cash received from customers	\$ 497,710
Cash paid to employees	(122,152)
Cash paid to vendors	<u>(422,919)</u>
Net cash used in operating activities	<u>(47,361)</u>
Cash flows from noncapital financing activities:	
Transfers	<u>153,383</u>
Net cash provided by noncapital financing activities	<u>153,383</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(159,710)
Proceeds from sale of bonds	405,000
Payment of interest	(25,261)
Paydown of bond anticipation note	<u>(430,000)</u>
Net cash used in capital and related financing activities	<u>(209,971)</u>
Cash flows from investing activity:	
Interest income	<u>6,397</u>
Net cash provided by investing activity	<u>6,397</u>
Decrease in cash and cash equivalents	<u>(97,552)</u>
Cash and cash equivalents, beginning of year	<u>366,239</u>
Cash and cash equivalents, end of year	<u>\$ 268,687</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (125,321)
Reconciliation of operating loss to net cash used in operating activities:	
Depreciation expense	125,179
Changes in operating assets and liabilities:	
Accounts receivable	(5,263)
Accounts payable	(41,571)
Accrued liabilities	<u>(385)</u>
Net cash used in operating activities	<u>\$ (47,361)</u>

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Statement of Net Assets – Fiduciary Fund

June 30, 2009

	Assets	Agency fund
Cash and cash equivalents	\$ 846,511	\$ 846,511
Total assets	<u><u>846,511</u></u>	<u><u>846,511</u></u>
	Liabilities	
Accounts payable and other liabilities	\$ 846,511	\$ 846,511
Total liabilities	<u><u>846,511</u></u>	<u><u>846,511</u></u>

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2009

(1) Financial Statement Presentation

The 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 criteria, 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 2009:

Joint venture and address	Purpose	Annual assessment
Bay Path Regional Vocational Technical School District 57 Old Muggett Hill Road Charlton, MA 01507	To provide vocational educational services	\$ 987,029

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 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 Basic Financial Statements

June 30, 2009

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 activity 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 enterprise funds are also nonmajor funds.

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 funds:

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.

Police Station Capital Project Fund – This fund accounts for all activity related to the construction of the Town's new police headquarters.

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.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2009

(b) *Measurement Focus, Basis of Accounting*

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: The government-wide and proprietary 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. Property taxes, motor excise taxes, charges for service, 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, and compensated absences, which are recognized as expenditures to the extent they have matured. Tax abatement liability is based upon actual claims submitted prior to June 30 and that are expected to be liquidated within the ensuing twelve months. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financial sources.

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.

(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.

(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

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2009

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 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 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 not.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2009

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) Fund Balances – Governmental Funds

The Town has reserved fund balances (portion of fund balance that is not appropriable or is legally segregated) and has designated fund balances (portion of fund balance that Town management intends to use for a particular purpose but is not legally required) of its governmental funds as follows:

Reserved for encumbrances – Represents the amount of unexpended appropriations carried forward to fiscal 2010 for projects which have not been completed, open purchase orders and for contracts which have not been performed.

Reserved for permanent funds – Represents the amount of legally restricted expendable and nonexpendable trust funds maintained by the Town.

Designated for unemployment compensation – Represents the amount of funds Town management intends to fund unemployment compensation.

Designated for retirement contributions – Represents the amount of funds Town management intends to fund future annual pension contributions.

Designated for health claims – Represents the amount of funds Town management intends to fund future appropriations for healthcare premiums.

Designated for subsequent year's expenditures – Represents the amount of fund balance authorized to fund fiscal 2010 appropriations.

Designated for tax rate stabilization – Represents the amount of fund balance designated for future tax rate stability. Funds may be appropriated from this account with 2/3 vote of the populace at the annual or a special town meeting.

Undesignated – Represents the amount of funds available for appropriations by the Town or for expenditure in accordance with legal restrictions for certain special revenue, capital project, and permanent funds.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2009

(i) Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation of the Town or through external restrictions imposed by grantors or laws or regulations primarily for employee retirement, educational scholarships, certain grants and other purposes.

The Town applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

(j) 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, 2009, the Town has covered its MSWLF in accordance with applicable laws and regulations.

The liability for postclosure care 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 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 2009.

(k) 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 deferred charges.

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.

(l) 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.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2009

(m) Adoption of New Accounting Pronouncements

During the fiscal year ended June 30, 2009, the Town adopted GASB Statement No. 49 (GASB 49), *Accounting and Financial Reporting for Pollution Remediation Obligations*, establishing accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The standard excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and postclosure care.

The Town did not identify any pollution remediation obligations that are required to be recorded under GASB Statement No. 49.

The Town also adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. See footnote 8 for further discussion.

(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 statewide 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.

(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, 2009, under this program, the Town was due funds totaling \$14.7 million.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2009

In the governmental funds, the receivable is offset by deferred revenue because the revenue is not considered available. The following is a schedule of the anticipated MSBA receipts as of June 30, 2009:

Fiscal year:	
2010	\$ 1,053,083
2011	1,053,083
2012	1,053,083
2013	1,053,083
2014	1,053,083
2015 – 2019	5,265,415
2020 – 2023	4,212,321
Total	<u>\$ 14,743,151</u>

During fiscal 2009, the Town received \$1,053,083 in such assistance and recorded the receipt in the general fund.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2009

(4) Capital Assets

Capital asset activity for the year ended June 30, 2009 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	\$ 916,870	8,400	—	925,270
Construction in progress	<u>430,403</u>	<u>3,613,915</u>	<u>(100,558)</u>	<u>3,943,760</u>
Total capital assets, not being depreciated	<u>1,347,273</u>	<u>3,622,315</u>	<u>(100,558)</u>	<u>4,869,030</u>
Capital assets, being depreciated:				
Buildings	50,790,700	—	—	50,790,700
Land improvements	5,250	—	—	5,250
Machinery and equipment	7,700,419	500,186	(862,414)	7,338,191
Infrastructure	<u>20,060,440</u>	<u>619,327</u>	<u>—</u>	<u>20,679,767</u>
	<u>78,556,809</u>	<u>1,119,513</u>	<u>(862,414)</u>	<u>78,813,908</u>
Less accumulated depreciation for:				
Buildings	13,631,135	1,084,113	—	14,715,248
Land improvements	5,250	—	—	5,250
Machinery and equipment	5,897,658	605,672	(757,381)	5,745,949
Infrastructure	<u>11,731,584</u>	<u>970,664</u>	<u>—</u>	<u>12,702,248</u>
	<u>31,265,627</u>	<u>2,660,449</u>	<u>(757,381)</u>	<u>33,168,695</u>
Total capital assets, being depreciated, net	<u>47,291,182</u>	<u>(1,540,936)</u>	<u>(105,033)</u>	<u>45,645,213</u>
Governmental capital assets, net	<u>\$ 48,638,455</u>	<u>2,081,379</u>	<u>(205,591)</u>	<u>50,514,243</u>

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2009

Depreciation expense was charged to governmental functions as follows:

Governmental activities:

General government	\$ 99,886
Public safety	287,714
Public works	1,203,729
Education	981,969
Human services	10,569
Culture and recreation	76,582
 Total depreciation expense – governmental activities	 <u>\$ 2,660,449</u>

Business-type activities:

	Beginning balance	Increases	Decreases	Ending balance
Capital assets, not being depreciated:				
Land	\$ 387,130	—	—	387,130
Construction in progress	<u>1,143,649</u>	—	<u>(1,143,649)</u>	—
Total capital assets, not being depreciated	<u>1,530,779</u>	—	<u>(1,143,649)</u>	387,130
Capital assets, being depreciated:				
Buildings	734,865	125,209	—	860,074
Machinery and equipment	24,730	—	—	24,730
Infrastructure	<u>1,235,812</u>	<u>1,178,150</u>	—	<u>2,413,962</u>
Total capital assets, being depreciated	<u>1,995,407</u>	<u>1,303,359</u>	—	<u>3,298,766</u>
Less accumulated depreciation for:				
Buildings	621,944	23,902	—	645,846
Machinery and equipment	24,730	—	—	24,730
Infrastructure	<u>183,967</u>	<u>101,277</u>	—	<u>285,244</u>
Total accumulated depreciation	<u>830,641</u>	<u>125,179</u>	—	<u>955,820</u>
Total capital assets being depreciated, net	<u>1,164,766</u>	<u>1,178,180</u>	—	<u>2,342,946</u>
Other enterprise capital assets, net	<u>\$ 2,695,545</u>	<u>1,178,180</u>	<u>(1,143,649)</u>	<u>2,730,076</u>

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2009

(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, 2009, the book value of the leased water tank is \$1.1 million and is included as infrastructure in the nonmajor 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:	
2010	\$ 38,125
2011	38,125
2012	38,125
2013	38,125
2014	38,125
2015 – 2019	190,625
2020 – 2024	190,625
2025 – 2027	114,375
	<hr/>
	<hr/>
	\$ 686,250

(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 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, 2009, the bank balances of uninsured and uncollateralized deposits totaled \$7.6 million.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2009

(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, 2009:

Investment type	Fair value	Less than 1	1 – 5	6 – 10	More than 10
U.S. Agency	\$ 781,317	418,724	263,570	99,023	—
Corporate bonds	105,929	—	105,929	—	—
Mutual funds	76,765	—	—	76,765	21,911
Certificate of deposit	136,076	25,586	110,490	—	—
MMDT	2,820,365	2,820,365	—	—	—
Total	\$ 3,920,452	3,264,675	479,989	175,788	21,911

(d) Credit Risk

The fixed income mutual funds, certificate of deposit and external investment pool were not rated as of June 30, 2009. The U.S. Agency and Corporate bonds are rated A to AAA by Standards & Poors as of June 30, 2009.

(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 holds a mutual fund where the underlying securities are denominated in various foreign currencies. The fair value of the international mutual fund was \$21,911 as of June 30, 2009.

(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. 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. The System issues a publicly available financial report which can be obtained through the Commonwealth of Massachusetts, Public Employee Retirement Administration Commission (PERAC), One Ashburton Place, Boston, Massachusetts 02108.

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

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2009

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, 2009, 2008 and 2007 were \$926,542, \$811,893, and \$796,538, 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, 2009, the balance of this fund was \$979,281 and is recorded as a fund designation in the other governmental funds.

A summary of the changes in the retirement trust fund during fiscal 2009 is as follows:

Ending balance, June 30, 2008	\$ 1,065,150
Interest income	17,702
Transfer out to General Fund	<u>(103,571)</u>
Ending balance, June 30, 2009	<u><u>\$ 979,281</u></u>

(8) Other Postemployment Benefits

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, is required to be implemented by governments with annual revenues less than \$100 million but greater than \$10 million for financial statement periods beginning after December 15, 2007. The Town has adopted for its fiscal year beginning July 1, 2008. 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. 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 statement of net assets over time.

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, 2008, the valuation date, 180 retirees and 346 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.

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.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2009

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, 2008, 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.

(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, 2009, 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, 2008:

Annual Required Contribution (ARC)	\$ 2,928,000
Interest on net OPEB obligation	—
Adjustment to ARC	—
Annual OPEB cost	2,928,000
Contributions made	<u>(621,058)</u>
Change in net OPEB obligation	2,306,942
Net OPEB obligation – beginning of year	—
Net OPEB obligation – end of year	\$ <u>2,306,942</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:

	Annual OPEB cost	Percentage of OPEB cost contributed	Net OPEB obligation
Fiscal year ended: 2009	\$ 2,928,000	21%	\$ 2,306,942

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2009

(c) Funded Status and Funding Progress

The funded status of the plan as of June 30, 2009, based on an actuarial valuation as of July 1, 2008, was as follows:

Actuarially accrued liability (AAL)	\$ 28,738,000
Actuarial value of plan assets	<u>—</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 28,738,000</u>
Funded ratio (actuarial value of plan assets/AAL)	—%
Covered payroll (active plan members)	\$ 19,304,000
UAAL as a percentage of covered payroll	148.9%

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, 2008 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.5% investment rate of return and an annual health care cost trend rate of 10.5% initially, reduced by decrements to an ultimate rate of 5% after 5 years. 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, 2008 was thirty years.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2009

(9) Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2009:

	Maturing through year ended June 30	Interest percentage range	Outstanding beginning of year	Additions	Reductions	Outstanding end of year
Governmental activities:						
General obligation bonds	2023	2.00 – 4.65%	\$ 14,645,000	4,250,000	(950,000)	17,945,000
				Add (deduct):		
				Unamortized bond premium		<u>61,447</u>
						<u>18,006,447</u>
			Total governmental activities bonded debt, net			
Business-type activities:						
General obligation bonds	2028	3.25 – 5.00%	405,000	—	—	<u>405,000</u>
			Total business-type activities debt, net			<u>405,000</u>
			Total bonded debt, net			<u>18,411,447</u>
Other governmental long-term obligations:						
Compensated absences			434,987	21,614	—	456,601
Other postemployment benefits			—	2,928,000	(621,058)	2,306,942
Landfill and postclosure care cost			75,000	—	(3,000)	72,000
			<u>509,987</u>	<u>2,949,614</u>	<u>(624,058)</u>	<u>2,835,543</u>
			Total long-term obligations	<u>\$ 15,559,987</u>	<u>7,199,614</u>	<u>(1,574,058)</u>
						<u>21,185,543</u>

Maturity of Bond Indebtedness

Bond indebtedness outstanding at June 30, 2009 matures as follows:

	Governmental activities		
	Principal	Interest	Total
Year ending June 30:			
2010	\$ 1,075,000	748,721	1,823,721
2011	1,115,000	705,634	1,820,634
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 – 2019	6,355,000	2,090,286	8,445,286
2020 – 2024	4,620,000	746,963	5,366,963
2025 – 2028	1,215,000	132,470	1,347,470
	<u>\$ 17,945,000</u>	<u>6,279,238</u>	<u>24,224,238</u>

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2009

Year ending June 30:	Business-type activities		
	Other		
	Principal	Interest	Total
2010	\$ 25,000	16,200	41,200
2011	25,000	15,387	40,387
2012	25,000	14,575	39,575
2013	25,000	13,763	38,763
2014	25,000	12,950	37,950
2015 – 2019	100,000	51,825	151,825
2020 – 2024	100,000	29,305	129,305
2025 – 2028	<u>80,000</u>	<u>8,530</u>	<u>88,530</u>
	<u><u>\$ 405,000</u></u>	<u><u>162,535</u></u>	<u><u>567,535</u></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, 2009, the Town has the ability to issue \$57.8 million of additional debt within the normal debt limit.

As of June 30, 2009, the Town has total authorized unissued debt of \$7.3 million. The remaining authorized unissued debt is intended to finance the purchase of the water company.

(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);
- 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 2009, the Town incurred \$11,031 in interest expenditures for temporary borrowings, all recorded in the nonmajor enterprise funds.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2009

Short-term debt activity for the year ended June 30, 2009 was as follows:

	Outstanding at June 30, 2008	Additions	Deductions	Outstanding at June 30, 2009
Bond anticipation notes payable:				
Nonmajor enterprise funds:				
Water tank construction	\$ 270,000	245,000	(270,000)	245,000

(11) Transfers

Transfers to (from) governmental funds and their purposes during the year ended June 30, 2009 were as follows:

	General	Other governmental	Other enterprise
Ambulance – operating expense	\$ 593,000	(593,000)	—
Retirement trust fund – pension expense	103,571	(103,571)	—
BOH – operating expense	101,088	(101,088)	—
WRTA – operating expense	27,000	(27,000)	—
Donation – stabilization	25,000	(25,000)	—
Insurance – operating expense	23,157	(23,157)	—
State Aid Libraries – operating expense	20,194	(20,194)	—
Conservation – operating expense	12,000	(12,000)	—
Animal Control – operating expense	6,246	(6,246)	—
Cemetery – operating expense	6,000	(6,000)	—
Conservation – operating expense	5,000	(5,000)	—
Revolving – operating expense	4,000	(4,000)	—
HAP Charity – operating expense	4,000	(4,000)	—
Community Development – operating exp.	3,800	(42,100)	38,300
Trust funds – skate park construction	—	(86,435)	86,435
Revolving – operating expense	(782)	782	—
Animal Control – operating expense	(1,175)	1,175	—
Sewer enterprise – bond issuance costs	(7,652)	—	7,652
Water enterprise – bond issuance costs	(9,956)	—	9,956
General funds – skate park construction	(11,040)	—	11,040
BOH – operating expense	(17,431)	17,431	—
Total transfers to (from)	\$ 886,020	(1,039,403)	153,383

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2009

(12) Interfund Receivable and Payable Balances

Individual fund receivable and payable balances at June 30, 2009, are as follows:

Interfund balances	Receivable	Payable
General	\$ 74,667	—
Police station capital project	—	41,753
Other governmental:		
Special revenue	—	32,914
 Balances at June 30, 2009	 \$ 74,667	 74,667

(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.

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 2009.

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 other than uniformed police and fire personnel. MIIA is self-sustaining through member premiums and reinsurance through commercial companies for stop loss insurance. The total premium assessed by MIIA to the Town in 2009 amounted to \$338,698 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 67% of the premium cost for employees who elect the primary care indemnity plan. The Town contributes 90% of the premium costs for those employees who elect a managed health care program. Additionally, the Town is self-insured for unemployment compensation. In fiscal 2009, claims related to unemployment compensation amounted to \$35,928. The liability for self-insured unemployment compensation is not material at June 30, 2009.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2009

The Town maintains a health claims fund designated to meet future appropriations for health care. As of June 30, 2009, the balance in this fund was \$2,817,133. The Town also maintains an unemployment compensation fund designated to fund unemployment claims. As of June 30, 2009, the balance in this fund was \$706,585. Pursuant to MGL Chapter 50, Section 5(e), the balance of the unemployment compensation fund is limited to 1% of the Town's equalized value. These amounts are recorded as reservations of fund balance in the general fund.

(14) 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.

(15) Fund Deficits

The following funds had deficit fund balances at June 30, 2009:

Other governmental funds:		
Special revenue:		
Highway projects – state grants	\$	20,695
Community activities		125,649
Federal and state police grants		7,620
Federal and state education grants		85
Total	\$	<u>154,049</u>

The special revenue deficits will be eliminated upon satisfactory completion of federal and state audits, receipt of final grant funds, and recovery of costs through fees.

TOWN OF OXFORD, MASSACHUSETTS
 Budgetary Comparison Schedule – General Fund
 Required Supplementary Information

June 30, 2009

	Budgeted amounts		Actual amounts (budgetary basis)	Variance with final budget positive (negative)
	Original	Final		
Resources (inflows):				
Real and personal property taxes, net	\$ 15,456,823	15,456,823	15,460,007	3,184
Excises	1,579,850	1,579,850	1,462,708	(117,142)
Penalties and interest	131,050	131,050	169,809	38,759
Fees	139,200	139,200	105,980	(33,220)
Licenses and permits	27,000	27,000	24,855	(2,145)
Intergovernmental	13,280,251	13,280,251	12,102,212	(1,178,039)
Fines and forfeitures	81,300	81,300	78,402	(2,898)
Investment income	248,100	248,100	65,101	(182,999)
Other	136,100	136,100	341,185	205,085
Amounts available for appropriation	<u>31,079,674</u>	<u>31,079,674</u>	<u>29,810,259</u>	<u>(1,269,415)</u>
Charges to appropriations (outflows):				
Current:				
General government	3,012,893	3,005,743	2,858,512	147,231
Public safety	2,712,042	2,780,288	2,740,825	39,463
Education	16,154,141	16,202,298	15,651,561	550,737
Public works	2,050,991	2,466,991	2,014,169	452,822
Human services	133,263	133,263	130,983	2,280
Culture and recreation	448,304	449,704	431,552	18,152
State and county assessments	690,990	690,990	782,653	(91,663)
Pension, fringe, and general insurance	5,518,366	5,548,366	5,134,199	414,167
Debt service	1,873,953	1,873,953	1,723,952	150,001
Total charges to appropriations	<u>32,594,943</u>	<u>33,151,596</u>	<u>31,468,406</u>	<u>1,683,190</u>
Excess (deficiency)	<u>(1,515,269)</u>	<u>(2,071,922)</u>	<u>(1,658,147)</u>	<u>413,775</u>
Other financing sources:				
Transfers in, net	1,264,653	1,361,056	1,341,776	(19,280)
Total other financing sources	<u>1,264,653</u>	<u>1,361,056</u>	<u>1,341,776</u>	<u>(19,280)</u>
Excess (deficiency)	<u>(250,616)</u>	<u>(710,866)</u>	<u>\$ (316,371)</u>	<u>394,495</u>
Other budget items:				
Free cash	250,616	710,866		
Total other budget items	<u>250,616</u>	<u>710,866</u>		
Net budget	<u>\$ —</u>	<u>—</u>		

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

TOWN OF OXFORD, MASSACHUSETTS

Notes to Requires Supplementary Information

June 30, 2009

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:

- (a) 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).
- (b) Encumbrances and continuing appropriations are recorded as the equivalent of expenditures (budget), as opposed to a reservation of fund balance (GAAP). The following reconciliations summarize the differences between budget and GAAP basis accounting principles for the year ended June 30, 2009.
- (c) Revenues, expenditures and transfers in (out) for budgetary purposes exclude certain funds that are reported in the General Fund on a GAAP basis.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Requires Supplementary Information

June 30, 2009

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

	Revenue	Expenditures	Other financing sources (uses), net
As reported on a budgetary basis	\$ 29,810,259	31,468,406	1,341,776
Adjustment of revenues to a modified accrual basis	70,803	—	—
Adjustment for encumbrances and continuing appropriations and accrued expenditures, net of prior year reversals	—	516,404	(28,756)
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	<u>572,484</u>	<u>433,784</u>	<u>(427,000)</u>
As reported on a GAAP basis	<u><u>\$ 30,453,546</u></u>	<u><u>32,418,594</u></u>	<u><u>886,020</u></u>

Note C – Expenditures in Excess of Budget

The Town had expenditures in excess of budgeted appropriations of \$91,663 in State and county assessments. In compliance with Chapter 44, Section 31 of the MGL, these amounts will be incorporated into the Town's fiscal year 2010 budget.

TOWN OF OXFORD, MASSACHUSETTS
Schedules of Funding Progress and Employer Contributions
June 30, 2009
(Uaudited)
(Dollar amounts in thousands)

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)	((b-a)/c)
Pension (Worcester Regional Contributory Retirement System¹)						
1/1/2007	\$ 389,759	692,768	303,009	56.3%	\$ 211,519	143.3%
1/1/2004	350,880	552,774	201,894	63.5	170,669	118.3
1/1/2001	316,389	426,281	109,892	74.2	145,000	75.8
Other Postemployment Benefits						
7/1/2008	\$ —	28,738	28,738	-%	\$ 19,304	148.9%

Schedule of Employer Contributions – Worcester Regional Contributory Retirement System¹

Year ended December 31:	Annual required contribution	Percentage contributed
2008	\$ 26,400	100%
2007	22,921	100
2006	21,013	100

Notes to Schedules

Additional information as of the latest actuarial valuation follows:

Valuation date	January 1, 2007
Actuarial cost method	Individual entry age normal cost
Amortization method	Increasing amortizations at 2.0%
Remaining amortization period	20 years
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	8.5%
Projected salary increases	3% – 4.75%
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.