



TOWN OF OXFORD, MASSACHUSETTS

Basic Financial Statements
and Required Supplementary Information

June 30, 2008

(With Independent Auditors' Report Thereon)

TOWN OF OXFORD, MASSACHUSETTS

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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, 2008, 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, 2008, 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 11, 2009, 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 38 through 40 and the Schedules of Funding Progress and Employer Contributions on page 41 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 11, 2009

TOWN OF OXFORD, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2008

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, 2008.

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 2008 by approximately \$72.0 million (net assets).
- The Town's total net assets decreased by approximately \$1.5 million.
- At the end of fiscal 2008, undesignated fund balance for the general fund was approximately \$1.3 million or 3.9% of total general fund expenditures.
- The Town's total long-term bonds decreased by \$830,000 during fiscal 2008.

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.

TOWN OF OXFORD, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2008

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 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 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, 2008

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.

Further, the Town participates in the Worcester Regional Retirement System (the System), a defined benefit, multi-employer cost-sharing retirement plan. In accordance with GASB Statement No. 50, *Pension Disclosures*, which was adopted by the Town for the year ended June 30, 2008, 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.

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 \$72.0 million at the close of the current fiscal year.

A significant portion of the Town's net assets (50.0%) 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.

	Net Assets (amounts in thousands)					
	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 38,313	40,502	394	688	38,707	41,190
Capital assets	48,638	49,067	2,696	1,644	51,334	50,711
Total assets	86,951	89,569	3,090	2,332	90,041	91,901
Long-term debt outstanding	14,709	15,950	405	—	15,114	15,950
Other long-term liabilities	510	555	—	—	510	555
Other liabilities	2,010	1,725	396	151	2,406	1,876
Total liabilities	17,229	18,230	801	151	18,030	18,381
Net assets:						
Invested in capital assets, net of related debt	33,999	33,191	2,020	1,644	36,019	34,835
Restricted	4,804	4,969	—	—	4,804	4,969
Unrestricted	30,919	33,179	269	537	31,188	33,716
Total net assets	\$ 69,722	71,339	2,289	2,181	72,011	73,520

An additional portion of the Town's net assets (6.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$31.2 million represents unrestricted net assets.

TOWN OF OXFORD, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2008

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 \$1.6 million, thereby accounting for almost all of the decrease in net assets of the Town. This decrease was primarily due to a decrease in cash as of year-end, which is a result of the timing of receipts and disbursements at year-end.

Business-Type Activities – Business-type activities increased the Town's net assets by approximately \$108 thousand. Almost all of that increase is due to a transfer of funds to the nonmajor water enterprise fund for construction of a water tank.

Changes in Net Assets (amounts in thousands)						
	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 3,823	4,133	412	271	4,235	4,404
Operating grants	11,975	11,832	6	15	11,981	11,847
Capital grants	—	—	8	4	8	4
General revenues:						
Property taxes	14,615	14,298	—	—	14,615	14,298
Excise taxes	1,611	1,559	—	—	1,611	1,559
Intergovernmental	2,642	1,889	—	—	2,642	1,889
Other	1,747	1,969	—	—	1,747	1,969
Gain (loss) on disposal of capital assets	(31)	(4)	—	35	(31)	31
Transfers	(125)	(675)	125	675	—	—
Total revenues	36,257	35,001	551	1,000	36,808	36,001
Expenses:						
General government	3,429	3,471	—	—	3,429	3,471
Public safety	3,372	3,454	—	—	3,372	3,454
Education	24,435	23,831	—	—	24,435	23,831
Public works	3,739	3,474	—	—	3,739	3,474
Health and human services	194	233	—	—	194	233
Culture and recreation	1,369	789	—	—	1,369	789
State and county assessments	690	596	—	—	690	596
Interest on long-term debt	646	970	—	—	646	970
Enterprise accounts:						
Nonmajor funds	—	—	443	384	443	384
Total expenses	37,874	36,818	443	384	38,317	37,202
Increase (decrease) in net assets	(1,617)	(1,817)	108	616	(1,509)	(1,201)
Net assets, beginning of year	71,339	73,156	2,181	1,565	73,520	74,721
Net assets, end of year	\$ 69,722	71,339	2,289	2,181	72,011	73,520

TOWN OF OXFORD, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2008

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 \$18.9 million, a decrease of approximately \$1.7 million from the prior year. The general fund and other governmental funds had undesignated fund balances of \$1.3 million and \$4.4 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, \$2.0 million, (2) reserved for permanent funds, \$4.0 million, (3) designated for stabilization, \$2.4 million, (4) designated for subsequent year's expenditures, \$251 thousand, (5) designated for future health claims, \$2.8 million, and (6) designated for retirement and unemployment compensation, \$1.8 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 \$7.5 million, while total general fund equity balance was approximately \$9.2 million. Of this amount, \$1.3 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 3.9% 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 \$108 thousand in the current year. This was primarily driven a transfer of funds totaling \$125 thousand for the construction of a water tank.

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 exceeded budgeted revenues by approximately \$9 thousand. Further, actual expenditures were below budget in all of the categories of government, with the largest favorable variances in general government and public works. 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 2007/2008.

TOWN OF OXFORD, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2008

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, 2008, amounted to approximately \$51.3 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, remained relatively static in the governmental activities with capital asset additions approximating depreciation for the year. Business-type activities capital assets, net, saw a 64% increase exclusively due to the continuing construction of the Town's water tank.

Long-term debt – At the end of the current fiscal year, the Town had total debt outstanding of approximately \$15.1 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	\$ 14,645,000	405,000	15,050,000

The Town's bonds payable decreased by \$830 thousand during the current fiscal year. This decrease was a result of scheduled principal repayments of the same amount. Additionally, subsequent to year-end, the Town refinanced Bond Anticipation Notes totaling \$405 thousand, which have been reclassified as long-term debt as of the end of the fiscal year.

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 on a decline. While preparing the Fiscal 2009 budget, the Town anticipated a decrease of State Aid. The Town is continuing to apply reserves that it had built up for this purpose and expects services to be unaffected. The Town is expecting to finish construction of a New Police Station by the end of Fiscal 2009. The Town has already bonded long term and received very favorable bond rates between 3.25-5.00% that will fund it by excluding the debt from their Levy Limit. In addition to low interest rates, the Town received very competitive bids and expects the project to finish under budget.

The annual unemployment rate for the Town for 2008 is currently 5.7%, 0.2% higher than the 5.5% rate in 2007. This compares to the 2008 state's average unemployment rate of 5.2%, and the 2008 national average rate of 5.6%. The increase in the rate was anticipated due to the downturn in the state's economic condition, and the Town anticipates that this will increase for 2009.

TOWN OF OXFORD, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2008

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, 2008

Assets	Governmental activities	Business-type activities	Total
Cash, cash equivalents and investments	\$ 20,370,954	366,239	20,737,193
Receivables, net:			
Property taxes	756,350	—	756,350
Motor vehicle excise	283,039	—	283,039
Tax liens	300,518	—	300,518
Intergovernmental	15,060,172	—	15,060,172
Departmental and other	419,182	28,013	447,195
Other assets	69,299	—	69,299
Long-term intergovernmental receivable	1,053,083	—	1,053,083
Capital assets:			
Nondepreciable	1,347,273	1,530,779	2,878,052
Depreciable, net	47,291,182	1,164,766	48,455,948
Total assets	\$ 86,951,052	3,089,797	90,040,849
Liabilities			
Warrants and accounts payable	\$ 788,891	118,537	907,428
Accrued liabilities	1,200,814	6,415	1,207,229
Bond anticipation note	—	270,000	270,000
Other	20,694	—	20,694
Deferred revenue	—	612	612
Long-term liabilities:			
Due within one year:			
Compensated absences	130,496	—	130,496
Bonds and notes	950,000	—	950,000
Landfill and postclosure care costs	3,000	—	3,000
Due in more than one year:			
Compensated absences	304,491	—	304,491
Bonds and notes	13,758,968	405,000	14,163,968
Landfill and postclosure care costs	72,000	—	72,000
Total liabilities	\$ 17,229,354	800,564	18,029,918
Net Assets			
Invested in capital assets, net of related debt	\$ 33,998,786	2,020,545	36,019,331
Restricted for:			
Permanent funds:			
Nonexpendable	4,039,179	—	4,039,179
Expendable	764,319	—	764,319
Unrestricted	30,919,414	268,688	31,188,102
Total net assets	\$ 69,721,698	2,289,233	72,010,931

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Statement of Activities

Year ended June 30, 2008

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	\$ 3,429,175	243,644	80,141	—	(3,105,390)		(3,105,390)
Public safety	3,371,679	643,111	125,335	—	(2,603,233)		(2,603,233)
Education	24,435,036	2,721,089	11,321,609	—	(10,392,338)		(10,392,338)
Public works	3,739,306	106,633	357,522	—	(3,275,151)		(3,275,151)
Health and human services	194,182	99,921	34,492	—	(59,769)		(59,769)
Culture and recreation	1,368,764	8,568	55,504	—	(1,304,692)		(1,304,692)
State and county assessments	690,204	—	—	—	(690,204)		(690,204)
Interest on long-term debt	646,274	—	—	—	(646,274)		(646,274)
Total governmental activities	37,874,620	3,822,966	11,974,603	—	(22,077,051)	—	(22,077,051)
Business-type activities:							
Nonmajor enterprise funds	442,516	411,505	6,296	7,697	—	(17,018)	(17,018)
Total business-type activities	442,516	411,505	6,296	7,697	—	(17,018)	(17,018)
Total primary government	\$ 38,317,136	4,234,471	11,980,899	7,697	(22,077,051)	(17,018)	(22,094,069)
General revenues:							
Property taxes, levied for general purposes, net					14,614,793	—	14,614,793
Excises					1,610,979	—	1,610,979
Penalties and interest on taxes					131,054	—	131,054
Intergovernmental					2,642,330	—	2,642,330
Unrestricted contributions					614,239	—	614,239
Investment income					1,001,799	—	1,001,799
Transfers					(125,000)	125,000	—
Loss on disposal of capital assets					(30,832)	—	(30,832)
Total general revenues					20,459,362	125,000	20,584,362
Change in net assets					(1,617,689)	107,982	(1,509,707)
Net assets, beginning of year					71,339,387	2,181,251	73,520,638
Net assets, end of year					\$ 69,721,698	2,289,233	72,010,931

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Balance Sheet – Governmental Funds

June 30, 2008

Assets	General	Other governmental	Total
Cash, cash equivalents and investments	\$ 10,553,066	9,817,888	20,370,954
Receivables, net:			
Property taxes	756,350	—	756,350
Motor vehicle excise	283,039	—	283,039
Tax liens	300,518	—	300,518
Intergovernmental	15,847,198	266,057	16,113,255
Departmental and other	12,328	406,854	419,182
Due from other funds	50,000	9,480	59,480
Total assets	<u>\$ 27,802,499</u>	<u>10,500,279</u>	<u>38,302,778</u>
Liabilities and Fund Balance			
Warrants and accounts payable	\$ 637,955	150,936	788,891
Due to other funds	9,480	50,000	59,480
Accrued liabilities:			
Tax abatements	207,013	—	207,013
Payroll and related withholdings	778,257	174,901	953,158
Deferred revenue	16,930,641	406,854	17,337,495
Other	18,869	1,825	20,694
Total liabilities	<u>18,582,215</u>	<u>784,516</u>	<u>19,366,731</u>
Fund balance:			
Reserved for:			
Encumbrances	1,744,600	236,047	1,980,647
Permanent funds	—	4,039,179	4,039,179
Unreserved:			
Designated for unemployment compensation	727,926	—	727,926
Designated for retirement contributions		1,065,150	1,065,150
Designated for health claims	2,837,227	—	2,837,227
Designated for subsequent year's expenditures	250,616	—	250,616
Designated for tax rate stabilization	2,386,542	—	2,386,542
Undesignated, reported in:			
General Fund	1,273,373	—	1,273,373
Permanent Funds	—	764,319	764,319
Special Revenue Funds	—	3,611,068	3,611,068
Total fund balances	<u>9,220,284</u>	<u>9,715,763</u>	<u>18,936,047</u>
Total liabilities and fund balances	<u>\$ 27,802,499</u>	<u>10,500,279</u>	<u>38,302,778</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, 2008

Total fund balance – governmental funds	\$ <u>18,936,047</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>48,638,455</u>
Certain revenues are earned but are not available and are therefore deferred in the funds.	<u>17,337,495</u>
Bond issuance costs are capitalized in the government-wide statements but are recorded when bond proceeds are received in the funds.	<u>69,299</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	(14,645,000)
Bond issue premium	(63,968)
Landfill closure and post closure care costs	(75,000)
Accrued interest on bonds	(40,643)
Compensated absences	<u>(434,987)</u>
	<u>(15,259,598)</u>
Net assets of governmental activities	\$ <u><u>69,721,698</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, 2008

	<u>General</u>	<u>Other governmental</u>	<u>Total</u>
Revenues:			
Real and personal property taxes	\$ 14,504,761	—	14,504,761
Motor vehicle and other excises	1,579,869	—	1,579,869
Penalties and interest on taxes	131,054	—	131,054
Fees	140,450	3,397,437	3,537,887
License and permits	27,015	—	27,015
Intergovernmental	13,146,663	2,146,894	15,293,557
Fines and forfeitures	81,330	—	81,330
Investment income	491,784	510,015	1,001,799
Departmental and other revenue	220,271	137,623	357,894
Contributions and donations	614,239	139,800	754,039
Total revenues	<u>30,937,436</u>	<u>6,331,769</u>	<u>37,269,205</u>
Expenditures:			
Current:			
General government	2,849,529	72,826	2,922,355
Public safety	3,053,581	200,930	3,254,511
Education	15,595,618	4,798,664	20,394,282
Public works	2,697,519	224,942	2,922,461
Human services	139,231	16,034	155,265
Culture and recreation	474,308	714,344	1,188,652
State and county assessments	690,204	—	690,204
Pension, fringe and general insurance	5,347,677	—	5,347,677
Debt service	1,945,991	—	1,945,991
Total expenditures	<u>32,793,658</u>	<u>6,027,740</u>	<u>38,821,398</u>
Excess (deficiency) of revenues over expenditures	<u>(1,856,222)</u>	<u>304,029</u>	<u>(1,552,193)</u>
Other financing sources (uses):			
Transfers in	806,695	12,495	819,190
Transfers out	(12,495)	(931,695)	(944,190)
Total other financing sources (uses)	<u>794,200</u>	<u>(919,200)</u>	<u>(125,000)</u>
Deficiency of revenues and other financing sources over expenditures and other financing uses	<u>(1,062,022)</u>	<u>(615,171)</u>	<u>(1,677,193)</u>
Fund balance, beginning of year	<u>10,282,306</u>	<u>10,330,934</u>	<u>20,613,240</u>
Fund balance, end of year	<u>\$ 9,220,284</u>	<u>9,715,763</u>	<u>18,936,047</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, 2008

Net change in fund balances – total governmental funds	\$ (1,677,193)
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 (\$2,998,037) and net deletions (\$30,832) exceeded capital asset additions (\$2,600,387).	(428,482)
Accrual basis revenues can result in more or (less) revenues reported in the statement of activities depending upon timing of billings and collections.	196,642
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.	1,235,000
Bond premiums, net of amortization (\$6,098) 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 (\$4,772) are expenditures in the governmental funds, but are deferred assets in the statement of net assets.	1,326
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 decreases in compensated absences (\$41,710), interest payable (\$63,391) and the landfill accrual (\$3,000).	108,101
Change in net assets of governmental activities	<u>\$ (1,617,689)</u>

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Statement of Net Assets – Proprietary Funds

June 30, 2008

	Assets	Nonmajor enterprise funds
Current assets:		
Cash and cash equivalents		\$ 366,239
Receivables, net		28,013
Total current assets		<u>394,252</u>
Noncurrent assets:		
Nondepreciable capital assets, net		1,530,779
Depreciable capital assets, net		<u>1,164,766</u>
Total noncurrent assets		<u>2,695,545</u>
Total assets		<u>3,089,797</u>
	Liabilities	
Current liabilities:		
Warrants and accounts payable		118,537
Accrued liabilities		6,415
Bond anticipation note		270,000
Deferred revenue		<u>612</u>
Total current liabilities		<u>395,564</u>
Noncurrent liabilities:		
Bonds payable		<u>405,000</u>
Total noncurrent liabilities		<u>405,000</u>
Total liabilities		<u>800,564</u>
	Net Assets	
Invested in capital assets, net of related debt		2,020,545
Unrestricted		<u>268,688</u>
Total net assets		<u>\$ 2,289,233</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, 2008

	Nonmajor enterprise funds
Operating revenues:	
Charges for services	\$ 300,282
Fees	64,057
Other	47,166
Total operating revenues	<u>411,505</u>
Operating expenses:	
Salaries and benefits	105,818
Utilities	144,873
Other supplies and expenses	152,052
Depreciation	39,773
Total operating expenses	<u>442,516</u>
Operating loss	(31,011)
Nonoperating revenues:	
Interest income	<u>6,296</u>
Loss before transfers and capital contributions	<u>(24,715)</u>
Transfer in	125,000
Capital contribution	7,697
Total transfers and capital contributions	<u>132,697</u>
Change in net assets	107,982
Total net assets, beginning of year	<u>2,181,251</u>
Total net assets, end of year	<u><u>\$ 2,289,233</u></u>

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Statement of Cash Flows – Proprietary Funds

Year ended June 30, 2008

	Nonmajor enterprise funds
Cash flows from operations:	
Cash received from customers	\$ 401,161
Cash paid to employees	(102,404)
Cash paid to vendors	(193,016)
Net cash provided by operations	<u>105,741</u>
Cash flows from noncapital financing activities:	
Transfers	<u>125,000</u>
Net cash provided by noncapital financing activities	<u>125,000</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(1,216,671)
Proceeds from issuance of bond anticipation notes	675,000
Net cash used in capital and related financing activities	<u>(541,671)</u>
Cash flows from investing activity:	
Interest income	<u>6,296</u>
Net cash provided by investing activity	<u>6,296</u>
Decrease in cash and cash equivalents	(304,634)
Cash and cash equivalents, beginning of year	<u>670,873</u>
Cash and cash equivalents, end of year	<u><u>\$ 366,239</u></u>
Reconciliation of operating loss to net cash provided by operations:	
Operating loss	\$ (31,011)
Reconciliation of operating loss to net cash provided by operations:	
Depreciation expense	39,773
Changes in operating assets and liabilities:	
Accounts receivable	(10,344)
Accounts payable	103,909
Accrued liabilities	3,414
Net cash provided by operations	<u><u>\$ 105,741</u></u>
Noncash capital and related financing activities:	
Non-cash capital additions totaled \$32,427 for the year ended June 30, 2008	

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Statement of Net Assets – Fiduciary Fund

June 30, 2008

	Assets	Agency fund
Cash and cash equivalents		\$ 624,810
Total assets		<u>\$ 624,810</u>
	Liabilities	
Accounts payable and other liabilities		\$ 624,810
Total liabilities		<u>\$ 624,810</u>

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2008

(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 2008:

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	\$ 841,470

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 U.S. generally accepted accounting principles 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, 2008

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.

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 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

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2008

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 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.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2008

(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.

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

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2008

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 2009 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 2009 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 and permanent funds.

(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, 2008, the Town has covered its MSWLF in accordance with applicable laws and regulations.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2008

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 2008.

(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 U.S. generally accepted accounting principles 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.

(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

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2008

financial assistance (generally 80% of total costs) to the Town to build and/or renovate schools. As of June 30, 2008, under this program, the Town was due funds totaling \$15,796,234.

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, 2008:

Fiscal year:	
2009	\$ 1,053,083
2010	1,053,083
2011	1,053,083
2012	1,053,083
2013	1,053,083
2014 – 2018	5,265,415
2019 – 2023	<u>5,265,404</u>
Total	<u>\$ 15,796,234</u>

During fiscal 2008, 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, 2008

(4) Capital Assets

Capital asset activity for the year ended June 30, 2008 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	\$ 924,567	—	(7,697)	916,870
Construction in progress	110,558	319,845	—	430,403
Total capital assets, not being depreciated	<u>1,035,125</u>	<u>319,845</u>	<u>(7,697)</u>	<u>1,347,273</u>
Capital assets, being depreciated:				
Buildings	50,146,095	644,605	—	50,790,700
Land improvements	5,250	—	—	5,250
Machinery and equipment	6,797,955	956,113	(53,649)	7,700,419
Infrastructure	19,380,616	679,824	—	20,060,440
	<u>76,329,916</u>	<u>2,280,542</u>	<u>(53,649)</u>	<u>78,556,809</u>
Less accumulated depreciation for:				
Buildings	12,288,176	1,342,959	—	13,631,135
Land improvements	5,250	—	—	5,250
Machinery and equipment	5,268,528	659,644	(30,514)	5,897,658
Infrastructure	10,736,150	995,434	—	11,731,584
	<u>28,298,104</u>	<u>2,998,037</u>	<u>(30,514)</u>	<u>31,265,627</u>
Total capital assets, being depreciated, net	<u>48,031,812</u>	<u>(717,495)</u>	<u>(23,135)</u>	<u>47,291,182</u>
Governmental capital assets, net	<u>\$ 49,066,937</u>	<u>(397,650)</u>	<u>(30,832)</u>	<u>48,638,455</u>

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2008

Depreciation expense was charged to governmental functions as follows:

Governmental activities:

General government	\$ 78,831
Public safety	277,004
Public works	1,287,472
Education	1,269,279
Human services	8,869
Culture and recreation	76,582
	<hr/>
Total depreciation expense – governmental activities	\$ 2,998,037
	<hr/> <hr/>

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 379,433	7,697	—	387,130
Construction in progress	275,610	868,039	—	1,143,649
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets, not being depreciated	655,043	875,736	—	1,530,779
	<hr/>	<hr/>	<hr/>	<hr/>
Capital assets, being depreciated:				
Buildings	1,404,664	38,821	(708,620)	734,865
Machinery and equipment	—	24,730	—	24,730
Infrastructure	1,058,958	176,854	—	1,235,812
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets, being depreciated	2,463,622	240,405	(708,620)	1,995,407
	<hr/>	<hr/>	<hr/>	<hr/>
Less accumulated depreciation for:				
Buildings	1,315,507	15,057	(708,620)	621,944
Machinery and equipment	—	24,730	—	24,730
Infrastructure	159,251	24,716	—	183,967
	<hr/>	<hr/>	<hr/>	<hr/>
Total accumulated depreciation	1,474,758	64,503	(708,620)	830,641
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets being depreciated, net	988,864	175,902	—	1,164,766
	<hr/>	<hr/>	<hr/>	<hr/>
Other enterprise capital assets, net	\$ 1,643,907	1,051,638	—	2,695,545
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2008

(5) Leasing Arrangement

In fiscal year 2008, the Town has entered into a 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, 2008, the book value of the leased water tank is \$1.1 million and is included as construction in progress in the non-major water fund until the asset is completed in fiscal year 2009 when depreciation will begin.

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:	
2009	\$ 38,125
2010	38,125
2011	38,125
2012	38,125
2013	38,125
2014 – 2018	190,625
2019 – 2023	190,625
2024 – 2027	152,500
	<hr/>
	\$ 724,375
	<hr/>

(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, 2008, the bank balances of uninsured

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2008

and uncollateralized deposits totaled \$7.3 million. Subsequent to year-end, the FDIC limit was raised to \$250,000. Under this limit, the uninsured deposits were reduced to \$6.8 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, 2008:

Investment type	Fair value	Less than 1	1 – 5	6 – 10
U.S. Treasury note	\$ 100,281	100,281	—	—
U.S. Agency	439,079	—	242,442	196,637
Corporate bonds	40,282	—	40,282	—
Mutual funds	66,778	—	—	66,778
Certificate of deposit	25,440	—	25,440	—
External investment pool	5,427,340	5,427,340	—	—
Total	\$ 6,099,200	5,527,621	308,164	263,415

(d) Credit Risk

The U.S. Treasury note carries no credit risk as it is explicitly guaranteed by the U.S. government. The fixed income mutual funds, certificate of deposit and external investment pool were not rated as of June 30, 2008. The U.S. Agency and Corporate bonds are rated A to AAA by Standards & Poors as of June 30, 2008.

(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 mutual funds where the underlying securities are denominated in various foreign currencies. The fair value of the international stock and international bond mutual funds were \$6,731 and \$66,778 as of June 30, 2008, respectively.

(7) Pension Plan and Postemployment 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

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2008

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, 2008, 2007 and 2006 were \$811,893, \$796,538, and \$723,046, 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, 2008, the balance of this fund was \$1,065,150 and is recorded as a fund designation in the other governmental funds.

A summary of the changes in the retirement trust fund during fiscal 2008 is as follows:

Ending balance, June 30, 2007	\$	1,025,245
Interest income		<u>39,905</u>
Ending balance, June 30, 2008	\$	<u><u>1,065,150</u></u>

(d) Postemployment Benefits

In addition to the pension benefits described above, the Town provides health and life insurance benefits to retirees, their dependents and beneficiaries in accordance with Chapter 32B of the MGL under various contributory plans. Specific benefit provisions and contribution rates are established by collective-bargaining agreements, state law, and Town ordinance. Currently, approximately 150 retirees are eligible to receive such benefits. All benefits are provided through third-party insurance carriers and health maintenance organizations that administer, assume, and pay all claims. 50% of premiums are paid for by the Town, with the remainder funded by retiree contributions, or for some participants, through pension benefit deductions. During fiscal 2008, expenditures for other postemployment benefit payments, net of participant contributions, approximated \$566,000 and are accounted for on a pay-as-you-go basis.

GASB Statement No. 45, *Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, is effective June 30, 2009. This statement will require the Town to account for and

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2008

report the value of its future other post-employment benefit (OPEB) obligations currently rather than on a pay-as-you-go basis. The Town has not yet estimated its total OPEB obligation.

(8) Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2008:

	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%	\$ <u>15,880,000</u>	<u>—</u>	<u>(1,235,000)</u>	<u>14,645,000</u>
			Add (deduct):			
			Unamortized bond premium			<u>63,968</u>
Total governmental activities bonded debt, net						<u>14,708,968</u>
Business-type activities:						
Long-term BANs	2028	3.25 – 5.00%	\$ <u>—</u>	<u>405,000</u>	<u>—</u>	<u>405,000</u>
			Add (deduct):			
			Unamortized bond premium			<u>—</u>
Total business-type activities debt, net						<u>405,000</u>
Total bonded debt, net						<u>15,113,968</u>
Other governmental long-term obligations:						
Compensated absences			\$ 476,697	—	(41,710)	434,987
Landfill and postclosure care cost			<u>78,000</u>	<u>—</u>	<u>(3,000)</u>	<u>75,000</u>
			<u>554,697</u>	<u>—</u>	<u>(44,710)</u>	<u>509,987</u>
Total long-term obligations			\$ <u>16,434,697</u>	<u>405,000</u>	<u>(1,279,710)</u>	<u>15,559,987</u>

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2008

Maturity of Bond Indebtedness

Bond indebtedness outstanding at June 30, 2008 matures as follows:

Governmental activities			
	Principal	Interest	Total
Year ending June 30:			
2009	\$ 950,000	607,403	1,557,403
2010	930,000	573,973	1,503,973
2011	960,000	535,598	1,495,598
2012	990,000	498,411	1,488,411
2013	1,020,000	458,835	1,478,835
2014 – 2018	5,415,000	1,652,877	7,067,877
2019 – 2023	4,380,000	527,772	4,907,772
	<u>\$ 14,645,000</u>	<u>4,854,869</u>	<u>19,499,869</u>
Business-type Activities			
		Other	
	Principal	Interest	Total
Year ending June 30:			
2009	\$ —	14,130	14,130
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 – 2018	105,000	56,300	161,300
2019 – 2023	100,000	33,555	133,555
2024 – 2028	100,000	12,755	112,755
	<u>\$ 405,000</u>	<u>176,665</u>	<u>581,665</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, 2008, the Town has the ability to issue \$52.7 million of additional debt within the normal debt limit.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2008

As of June 30, 2008, the Town has total authorized unissued debt of \$4.9 million. The remaining authorized unissued debt is intended to finance the following:

Purchase of water company	\$ 600,000
Sewer improvements	25,000
New police station	<u>4,250,000</u>
Total	<u><u>\$ 4,875,000</u></u>

(9) 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 2008, there were no interest expenditures for temporary borrowings.

Short-term debt activity for the year ended June 30, 2008 was as follows:

	<u>Outstanding at June 30, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding at June 30, 2008</u>
Bond anticipation notes payable:				
Non-major enterprise funds:				
Water tank construction	\$ —	500,000	(230,000)	270,000
Sewer improvements	<u>—</u>	<u>175,000</u>	<u>(175,000)</u>	<u>—</u>
	<u>\$ —</u>	<u>675,000</u>	<u>(405,000)</u>	<u>270,000</u>

Subsequent to year-end, the Town issued \$4,655,000 of general obligation long-term bonds. Proceeds of \$4,250,000 were new monies while proceeds of \$405,000 were used to pay down BANs outstanding as of June 30, 2008. The \$175,000 BAN was fully paid down while the \$500,000 BAN was partially paid down with the bond proceeds. Therefore, \$405,000 of BANs have been reclassified as long-term debt.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2008

(10) Transfers

Transfers to (from) governmental funds and their purposes during the year ended June 30, 2008 were as follows:

	<u>General</u>	<u>Other governmental</u>	<u>Other enterprise</u>
Sale of cemetery lots – operating expense	\$ (2,500)	2,500	—
Sale of cemetery lots – operating expense	2,500	(2,500)	—
Ambulance – operating expense	(515)	515	—
Ambulance – operating expense	571,000	(571,000)	—
WRTA – operating expense	27,000	(27,000)	—
BOH – operating expense	101,088	(101,088)	—
Conservation – operating expense	12,000	(12,000)	—
Animal Control – operating expense	5,000	(5,000)	—
Revolving – operating expense	5,000	(5,000)	—
State Aid Libraries – operating expense	22,807	(22,807)	—
Community Development – operating expense	3,800	(3,800)	—
Donation - stabilization	50,000	(50,000)	—
Cemetery – operating expense	(9,380)	9,380	—
Cemetery – operating expense	3,500	(3,500)	—
HAP Charity – operating expense	(100)	100	—
HAP Charity – operating expense	3,000	(3,000)	—
Sale of real estate - water tank construction	—	(125,000)	125,000
Total transfers to (from)	\$ <u>794,200</u>	<u>(919,200)</u>	<u>125,000</u>

(11) Interfund Receivable and Payable Balances

Individual fund receivable and payable balances at June 30, 2008, are as follows:

<u>Interfund balances</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ 50,000	9,480
Other governmental:		
Special revenue	—	50,000
Permanent	9,480	—
Balances at June 30, 2008	\$ <u>59,480</u>	<u>59,480</u>

(12) 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.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2008

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 2008.

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 reinsures through commercial companies for stop loss insurance. The total premium assessed by MIIA to the Town in 2008 amounted to \$442,683 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 2008, claims related to unemployment compensation amounted to \$48,878. The liability for self-insured unemployment compensation is not material at June 30, 2008.

The Town maintains a health claims fund designated to meet future appropriations for health care. As of June 30, 2008, the balance in this fund was \$2,837,227. The Town also maintains an unemployment compensation fund designated to fund unemployment claims. As of June 30, 2008, the balance in this fund was \$727,926. 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.

(13) 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.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2008

(14) Fund Deficits

The following funds had deficit fund balances at June 30, 2008:

Other governmental funds:

Special revenue:

Highway projects – state grants	\$	265,000
Federal and state education grants		12,698
School lunch		12,801
Federal and state police grants		3,139
Community activities		<u>88,121</u>
Total	\$	<u><u>381,759</u></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, 2008

	Budgeted amounts		Actual amounts (budgetary basis)	Variance with final budget positive (negative)
	Original	Final		
Resources (inflows):				
Real and personal property taxes, net	\$ 14,486,357	14,486,357	14,507,676	21,319
Excises	1,555,000	1,555,000	1,579,869	24,869
Penalties and interest	146,000	146,000	131,054	(14,946)
Fees	139,200	139,200	140,450	1,250
Licenses and permits	23,600	23,600	27,015	3,415
Intergovernmental	13,128,308	13,128,308	13,095,700	(32,608)
Fines and forfeitures	80,600	80,600	81,330	730
Investment income	395,300	395,300	248,116	(147,184)
Other	68,097	68,097	220,271	152,174
Amounts available for appropriation	30,022,462	30,022,462	30,031,481	9,019
Charges to appropriations (outflows):				
Current:				
General government	2,878,708	3,034,508	2,812,675	221,833
Public safety	2,508,412	2,853,479	2,833,367	20,112
Education	15,188,014	15,188,014	15,160,379	27,635
Public works	2,161,130	2,802,586	2,264,860	537,726
Human services	140,329	140,329	136,334	3,995
Culture and recreation	474,394	474,394	474,394	—
State and county assessments	705,631	705,631	690,204	15,427
Pension, fringe, and general insurance	5,191,001	5,263,295	5,263,295	—
Debt service	2,080,000	2,080,000	1,945,991	134,009
Total charges to appropriations	31,327,619	32,542,236	31,581,499	960,737
Excess (deficiency)	(1,305,157)	(2,519,774)	(1,550,018)	969,756
Other financing sources:				
Transfers in, net	1,151,157	1,368,157	1,355,662	(12,495)
Total other financing sources	1,151,157	1,368,157	1,355,662	(12,495)
Excess (deficiency)	\$ (154,000)	(1,151,617)	(194,356)	957,261
Other budget items:				
Free cash	154,000	1,151,617		
Total other budget items	154,000	1,151,617		
Net budget	\$ —	—		

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

TOWN OF OXFORD, MASSACHUSETTS

Notes to Requires Supplementary Information

June 30, 2008

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, 2008.
- (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, 2008

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	\$ 30,031,481	31,581,499	1,355,662
Adjustment of revenues to a modified accrual basis	48,048	—	—
Adjustment for encumbrances and continuing appropriations and accrued expenditures, net of prior year reversals	—	1,127,777	—
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	857,907	84,382	(561,462)
As reported on a GAAP basis	<u>\$ 30,937,436</u>	<u>32,793,658</u>	<u>794,200</u>

Note C – Expenditures in Excess of Budget

The Town did not have any expenditures in excess of budgeted appropriations.

TOWN OF OXFORD, MASSACHUSETTS

Required Supplementary Information

June 30, 2008

(Unaudited)

(Dollar amounts in thousands)

Schedule of Funding Progress - Worcester Regional Contributory Retirement System ¹

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)
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

Schedule of Employer Contributions - Worcester Regional Contributory Retirement System ¹

	Annual required contribution	Percentage contributed
Year ended December 31:		
2007	\$ 22,921	100%
2006	21,013	100
2005	17,562	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 3.0% 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.