



TOWN OF OXFORD, MASSACHUSETTS

Basic Financial Statements
and Required Supplementary Information

June 30, 2007

(With Independent Auditors' Report Thereon)

TOWN OF OXFORD, MASSACHUSETTS

Table of Contents

	Page
Independent Auditors' Report	1
Management's Discussion and Analysis	3 - 8
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds	11
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	12
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Net Assets – Proprietary Funds	15
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds	16
Statement of Cash Flows – Proprietary Funds	17
Statement of Net Assets – Fiduciary Fund	18
Notes to Basic Financial Statements	19 - 35
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	36
Notes to Required Supplementary Information	37 - 38



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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, 2007, 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, 2007, 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 June 6, 2008, 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 8 and the Budgetary Comparison Information on pages 36 through 38 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

June 6, 2008

TOWN OF OXFORD, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2007

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, 2007.

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 2007 by approximately \$73.5 million (net assets).
- The Town's total net assets decreased by approximately \$1.2 million.
- At the end of fiscal 2007, undesignated fund balance for the general fund was approximately \$1.8 million or 5.7% of total general fund expenditures.
- The Town's total long-term bonds decreased by \$815,000 during fiscal 2007.

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, 2007

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 the High School 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, 2007

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.

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 \$71.3 million at the close of the current fiscal year.

A significant portion of the Town's net assets (46.5%) 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	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 40,502	48,158	688	186	41,190	48,344
Capital assets	49,067	49,755	1,644	1,408	50,711	51,163
Total assets	89,569	97,913	2,332	1,594	91,901	99,507
Long-term debt outstanding	15,950	16,695	—	—	15,950	16,695
Other long-term liabilities	555	521	—	—	555	521
Other liabilities	1,725	7,541	151	29	1,876	7,570
Total liabilities	18,230	24,757	151	29	18,381	24,786
Net assets:						
Invested in capital assets, net of related debt	33,191	27,275	1,644	1,408	34,835	28,683
Restricted	4,969	4,519	—	—	4,969	4,519
Unrestricted	33,179	41,362	537	157	33,716	41,519
Total net assets	\$ 71,339	73,156	2,181	1,565	73,520	74,721

An additional portion of the Town's net assets (7.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$33.2 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.

TOWN OF OXFORD, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2007

Governmental Activities – Governmental activities decreased the Town's net assets by approximately \$1.8 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 \$616 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	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 4,133	4,343	271	234	4,404	4,577
Operating grants	11,832	10,221	15	4	11,847	10,225
Capital grants	—	496	4	—	4	496
General revenues:						
Property taxes	14,298	14,791	—	—	14,298	14,791
Excise taxes	1,559	1,659	—	—	1,559	1,659
Intergovernmental	1,889	2,182	—	—	1,889	2,182
Other	1,969	1,662	—	—	1,969	1,662
Gain (loss) on disposal of capital assets	(4)	(52)	35	—	31	(52)
Transfers	(675)	—	675	—	—	—
Total revenues	35,001	35,302	1,000	238	36,001	35,540
Expenses:						
General government	3,471	2,961	—	—	3,471	2,961
Public safety	3,454	3,277	—	—	3,454	3,277
Education	23,831	24,531	—	—	23,831	24,531
Public works	3,474	3,786	—	—	3,474	3,786
Health and human services	233	372	—	—	233	372
Culture and recreation	789	983	—	—	789	983
State and county assessments	596	676	—	—	596	676
Interest on long-term debt	970	946	—	—	970	946
Enterprise accounts:						
Nonmajor funds	—	—	384	499	384	499
Total expenses	36,818	37,532	384	499	37,202	38,031
Increase (decrease) in net assets	(1,817)	(2,230)	616	(261)	(1,201)	(2,491)
Net assets, beginning of year	73,156	75,386	1,565	1,826	74,721	77,212
Net assets, end of year	\$ 71,339	73,156	2,181	1,565	73,520	74,721

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.

TOWN OF OXFORD, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2007

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of approximately \$20.6 million, an increase of approximately \$4.5 million from the prior year. The general fund and other governmental funds had undesignated fund balances of \$1.8 million and \$5.2 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, \$2.8 million, (2) reserved for permanent funds, \$3.9 million, (3) designated for stabilization, \$2.8 million, (4) designated for subsequent year's expenditures, \$154 thousand, (5) designated for future health claims, \$2.2 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 \$7.7 million, while total general fund equity balance was approximately \$10.3 million. Of this amount, \$1.8 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 5.7% of total general fund expenditures.

The fund balance of the Town's general fund decreased by \$887 thousand during the current fiscal year. This fund balance decrease was primarily driven by year-end timing, whereby, warrants payables increased from the prior year because of the timing of bills paid.

High School Capital Fund – The Town's High School Capital Fund is used to provide detailed information regarding the construction of a High School in Oxford. This project began in the early spring of 2000 and the building became occupied in the fall of 2002. The Town has borrowed long-term \$2.7 million with the remainder being funded from other sources. The Massachusetts School Building Authority (MSBA) has approved this project for 80% reimbursement contribution by the State that included the \$25 million project cost plus a portion of the interest cost. During fiscal year 2007, the Town received \$5.8 million of assistance for this project from the MSBA representing the final payment due on this project. As of June 30, 2007, the High School Capital Fund had no fund balance, thereby eliminating the fund deficit from the prior 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 \$2.2 million. Net assets of the proprietary funds increased approximately \$616 thousand in the current year. This was primarily driven a transfer of funds totaling \$675,000 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 due to stronger than expected motor vehicle excise receipts totaling approximately \$148 thousand. Further, actual expenditures were below budget in all of the categories of government, with the largest favorable variances in education 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 2006/2007.

TOWN OF OXFORD, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2007

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, 2007, amounted to approximately \$50.7 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 17% increase exclusively due to the start of the 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 \$16.4 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	\$ 15,880,000	—	15,880,000

The Town's bonds payable decreased by \$815,000 during the current fiscal year. This decrease was a result of scheduled principal repayments of the same amount.

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 seems to have stabilized. In preparing for the Fiscal 2008 budget, the Town anticipates small increases, if any, 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 services to be unaffected. The Town is expecting to start construction of a new Police Station in the summer of 2008 to be funded through a debt exclusion. It is anticipated that the slump in construction activity in the area and the reduction of interest rates in response to the economic slowdown will result in very competitive bids and a most favorable borrowing rate.

The annual unemployment rate for the Town for 2007 is currently 4.4%, 0.6% lower than the 5.0% rate in 2006. This compares to the 2007 State's average unemployment rate of 4.1%, and the 2007 national average rate of 4.8%. The decrease in the rate was better than expected as we projected it to remain constant for Fiscal 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, 2007

Assets	Governmental activities	Business-type activities	Total
Cash, cash equivalents and investments	\$ 21,977,714	670,873	22,648,587
Receivables, net:			
Property taxes	411,964	—	411,964
Motor vehicle excise	251,929	—	251,929
Tax liens	383,715	—	383,715
Intergovernmental	1,268,680	—	1,268,680
Departmental and other	337,825	17,057	354,882
Other assets	74,071	—	74,071
Long-term intergovernmental receivable	15,796,234	—	15,796,234
Capital assets:			
Nondepreciable	1,035,125	655,043	1,690,168
Depreciable, net	48,031,812	988,864	49,020,676
Total assets	\$ 89,569,069	2,331,837	91,900,906
Liabilities			
Warrants and accounts payable	\$ 501,833	147,585	649,418
Accrued liabilities	1,205,812	3,001	1,208,813
Other	17,274	—	17,274
Long-term liabilities:			
Due within one year:			
Compensated absences	143,009	—	143,009
Bonds and notes	1,235,000	—	1,235,000
Landfill and postclosure care costs	3,000	—	3,000
Due in more than one year:			
Compensated absences	333,688	—	333,688
Bonds and notes	14,715,066	—	14,715,066
Landfill and postclosure care costs	75,000	—	75,000
Total liabilities	\$ 18,229,682	150,586	18,380,268
Net Assets			
Invested in capital assets, net of related debt	\$ 33,190,942	1,643,907	34,834,849
Restricted for:			
Permanent funds:			
Nonexpendable	3,909,573	—	3,909,573
Expendable	1,059,881	—	1,059,881
Unrestricted	33,178,991	537,344	33,716,335
Total net assets	\$ 71,339,387	2,181,251	73,520,638

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Statement of Activities

Year ended June 30, 2007

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	\$ 3,470,861	317,477	68,549	—	(3,084,835)	—	(3,084,835)
Public safety	3,454,136	909,528	144,673	—	(2,399,935)	—	(2,399,935)
Education	23,830,654	2,755,582	11,245,711	—	(9,829,361)	—	(9,829,361)
Public works	3,473,906	21,126	205,173	—	(3,247,607)	—	(3,247,607)
Health and human services	233,184	124,452	29,224	—	(79,508)	—	(79,508)
Culture and recreation	788,706	4,615	138,247	—	(645,844)	—	(645,844)
State and county assessments	596,291	—	—	—	(596,291)	—	(596,291)
Interest on long-term debt	970,011	—	—	—	(970,011)	—	(970,011)
Total governmental activities	36,817,749	4,132,780	11,831,577	—	(20,853,392)	—	(20,853,392)
Business-type activities:							
Nonmajor enterprise funds	383,719	271,072	15,310	3,700	—	(93,637)	(93,637)
Total business-type activities	383,719	271,072	15,310	3,700	—	(93,637)	(93,637)
Total primary government	\$ 37,201,468	4,403,852	11,846,887	3,700	(20,853,392)	(93,637)	(20,947,029)
General revenues:							
Property taxes, levied for general purposes, net					14,298,459	—	14,298,459
Excises					1,558,627	—	1,558,627
Penalties and interest on taxes					146,740	—	146,740
Intergovernmental					1,888,774	—	1,888,774
Unrestricted contributions					577,762	—	577,762
Investment income					1,245,452	—	1,245,452
Transfers					(675,000)	675,000	—
Gain (loss) on disposal of capital assets					(4,200)	35,000	30,800
Total general revenues					19,036,614	710,000	19,746,614
Change in net assets					(1,816,778)	616,363	(1,200,415)
Net assets, beginning of year					73,156,165	1,564,888	74,721,053
Net assets, end of year					\$ 71,339,387	2,181,251	73,520,638

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Balance Sheet – Governmental Funds

June 30, 2007

Assets	General	High School Capital Fund	Other governmental	Total
Cash, cash equivalents and investments	\$ 11,448,505	—	10,529,209	21,977,714
Receivables, net:				
Property taxes	411,964	—	—	411,964
Motor vehicle excise	251,929	—	—	251,929
Tax liens	383,715	—	—	383,715
Intergovernmental	16,849,317	—	215,597	17,064,914
Departmental and other	11,189	—	326,636	337,825
Total assets	<u>\$ 29,356,619</u>	<u>—</u>	<u>11,071,442</u>	<u>40,428,061</u>
Liabilities and Fund Balance				
Warrants and accounts payable	\$ 286,628	—	215,205	501,833
Accrued liabilities:				
Tax abatements	164,570	—	—	164,570
Payroll and related withholdings	787,273	—	149,935	937,208
Deferred revenue	17,818,568	—	375,368	18,193,936
Other	17,274	—	—	17,274
Total liabilities	<u>19,074,313</u>	<u>—</u>	<u>740,508</u>	<u>19,814,821</u>
Fund balance:				
Reserved for:				
Encumbrances	2,609,717	—	214,516	2,824,233
Permanent funds	—	—	3,909,573	3,909,573
Unreserved:				
Designated for unemployment compensation	744,602	—	—	744,602
Designated for retirement contributions	—	—	1,025,245	1,025,245
Designated for health claims	2,162,412	—	—	2,162,412
Designated for subsequent year's expenditures	154,000	—	—	154,000
Designated for tax rate stabilization	2,832,617	—	—	2,832,617
Undesignated, reported in:				
General Fund	1,778,958	—	—	1,778,958
Permanent Funds	—	—	1,059,881	1,059,881
Special Revenue Funds	—	—	4,121,719	4,121,719
Total fund balances	<u>10,282,306</u>	<u>—</u>	<u>10,330,934</u>	<u>20,613,240</u>
Total liabilities and fund balances	<u>\$ 29,356,619</u>	<u>—</u>	<u>11,071,442</u>	<u>40,428,061</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, 2007

Total fund balance – governmental funds	\$ 20,613,240
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	49,066,937
Certain revenues are earned but are not available and are therefore deferred in the funds.	18,193,936
Bond issuance costs are capitalized in the government-wide statements but are recorded when bond proceeds are received in the funds	74,071
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
General obligation bonds	(15,880,000)
Bond issue premium	(70,066)
Landfill closure and post closure care costs	(78,000)
Accrued interest on bonds	(104,034)
Compensated absences	(476,697)
	(16,608,797)
Net assets of governmental activities	\$ 71,339,387

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, 2007

	<u>General</u>	<u>High School Capital Fund</u>	<u>Other governmental</u>	<u>Total</u>
Revenues:				
Real and personal property taxes	\$ 14,212,476	—	—	14,212,476
Motor vehicle and other excises	1,634,107	—	—	1,634,107
Penalties and interest on taxes	146,740	—	—	146,740
Fees	139,549	—	3,562,412	3,701,961
License and permits	23,663	—	—	23,663
Intergovernmental	12,332,267	5,835,971	2,110,558	20,278,796
Fines and forfeitures	80,675	—	—	80,675
Investment income	673,572	2,994	568,886	1,245,452
Departmental and other revenue	83,212	38,296	—	121,508
Contributions and donations	373,477	3,672	200,613	577,762
Total revenues	<u>29,699,738</u>	<u>5,880,933</u>	<u>6,442,469</u>	<u>42,023,140</u>
Expenditures:				
Current:				
General government	2,841,216	—	57,040	2,898,256
Public safety	3,074,739	—	205,012	3,279,751
Education	14,714,070	—	4,530,614	19,244,684
Public works	2,291,986	—	452,525	2,744,511
Human services	151,976	—	15,407	167,383
Culture and recreation	464,032	—	135,118	599,150
State and county assessments	596,291	—	—	596,291
Pension, fringe and general insurance	5,564,037	—	—	5,564,037
Capital outlay	192	1,581	—	1,773
Debt service	1,706,096	—	—	1,706,096
Total expenditures	<u>31,404,635</u>	<u>1,581</u>	<u>5,395,716</u>	<u>36,801,932</u>
Excess (deficiency) of revenues over expenditures	<u>(1,704,897)</u>	<u>5,879,352</u>	<u>1,046,753</u>	<u>5,221,208</u>
Other financing sources (uses):				
Transfers in	817,615	—	—	817,615
Transfers out	—	(48,451)	(1,444,164)	(1,492,615)
Total other financing sources (uses)	<u>817,615</u>	<u>(48,451)</u>	<u>(1,444,164)</u>	<u>(675,000)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(887,282)</u>	<u>5,830,901</u>	<u>(397,411)</u>	<u>4,546,208</u>
Fund balance (deficit), beginning of year	<u>11,169,588</u>	<u>(5,830,901)</u>	<u>10,728,345</u>	<u>16,067,032</u>
Fund balance, end of year	\$ <u>10,282,306</u>	<u>—</u>	<u>10,330,934</u>	<u>20,613,240</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, 2007

Net change in fund balances – total governmental funds	\$ 4,546,208
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 (\$2,775,026) and net deletions (\$4,200) exceeded capital asset additions (\$2,090,995)	(688,231)
Accrual basis revenues can result in more or (less) revenues reported in the statement of activities depending upon timing of billings and collections	213,899
Intergovernmental revenues decrease receivables on the statement of net assets, but are included in the operating statement of governmental funds	(6,518,572)
Repayment of bond principal is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net assets.	815,000
Bond premiums, net of amortization (\$36,178) 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.	(40,950)
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 the increases in interest payable (\$76,261) and compensated absences (\$70,871), netted against a decrease in the landfill accrual (\$3,000).	(144,132)
Change in net assets of governmental activities	\$ <u>(1,816,778)</u>

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Statement of Net Assets – Proprietary Funds

June 30, 2007

	Assets	Nonmajor enterprise funds
Current assets:		
Cash and cash equivalents		\$ 670,873
Receivables, net		17,057
Total current assets		<u>687,930</u>
Noncurrent assets:		
Nondepreciable capital assets, net		655,043
Depreciable capital assets, net		988,864
Total noncurrent assets		<u>1,643,907</u>
Total assets		<u>2,331,837</u>
	Liabilities	
Current liabilities:		
Warrants and accounts payable		147,585
Accrued liabilities		3,001
Total current liabilities		<u>150,586</u>
	Net Assets	
Invested in capital assets		1,643,907
Unrestricted		537,344
Total net assets		<u>\$ 2,181,251</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, 2007

	Nonmajor enterprise funds
Operating revenues:	
Charges for services	\$ 172,621
Fees	96,951
Other	1,500
Total operating revenues	<u>271,072</u>
Operating expenses:	
Salaries and benefits	129,295
Utilities	164,015
Other supplies and expenses	47,364
Depreciation	43,045
Total operating expenses	<u>383,719</u>
Operating loss	(112,647)
Nonoperating revenues:	
Interest income	<u>15,310</u>
Loss before transfers, capital contributions, and capital asset disposals	<u>(97,337)</u>
Transfer in	675,000
Capital contribution	3,700
Gain on disposal of capital asset	<u>35,000</u>
Total transfers, capital contributions, and capital asset disposals	<u>713,700</u>
Change in net assets	616,363
Total net assets, beginning of year	<u>1,564,888</u>
Total net assets, end of year	<u><u>\$ 2,181,251</u></u>

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Statement of Cash Flows – Proprietary Funds

Year ended June 30, 2007

	Nonmajor enterprise funds
Cash flows from operations:	
Cash received from customers	\$ 293,954
Cash paid to employees	(128,355)
Cash paid to vendors	(223,678)
Net cash used in operations	(58,079)
Cash flows from noncapital financing activities:	
Transfers	675,000
Net cash provided by noncapital financing activities	675,000
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(142,653)
Sale of building	20,000
Net cash used in capital and related financing activities	(122,653)
Cash flows from investing activity:	
Interest income	15,310
Net cash provided by investing activity	15,310
Increase in cash and cash equivalents	509,578
Cash and cash equivalents, beginning of year	161,295
Cash and cash equivalents, end of year	\$ 670,873
Reconciliation of operating loss to net cash provided by operations:	
Operating loss	\$ (112,647)
Reconciliation of operating loss to net cash provided by operations:	
Depreciation expense	43,045
Changes in operating assets and liabilities:	
Accounts receivable	22,882
Accounts payable	(12,299)
Accrued liabilities	940
Net cash used in operations	\$ (58,079)
Noncash capital and related financing activities:	
Capital asset additions totaling \$132,957 are included in accounts payable as of June 30, 2007.	
Proceeds from sale of building totaling \$15,000 are included in accounts receivable as of June 30, 2007.	

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Statement of Net Assets – Fiduciary Fund

June 30, 2007

	Assets	Agency fund
Cash and cash equivalents		\$ 257,463
Other		44,818
Total assets		\$ 302,281
	Liabilities	
Accounts payable and other liabilities		\$ 302,281
Total liabilities		\$ 302,281

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2007

(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 2007.

<u>Joint venture and address</u>	<u>Purpose</u>	<u>Annual assessment</u>
Bay Path Regional Vocational Technical School District 57 Old Muggett Hill Road Charlton, MA 01507	To provide vocational educational services	\$ 736,954

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, 2007

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.

High School – This fund accounts for the activities associated with the construction of the Town's new High School.

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, 2007

(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, 2007

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 share price.

(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 and proprietary fund 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, 2007

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 2008 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 2008 appropriations.

Designated for tax rate stabilization – Represents the amount of fund balance designated for future tax rate stability.

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

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2007

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, 2007, 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 2007.

(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

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2007

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 2-1/2" limits the property tax levy to an amount equal to 2-1/2% 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 2-1/2%, plus taxes levied on certain property newly added to the tax rolls. Certain Proposition 2-1/2 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, 2007, under this program, the Town was due funds totaling \$16,849,317.

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, 2007:

Fiscal year:	
2008	\$ 1,053,083
2009	1,053,083
2010	1,053,083
2011	1,053,083
2012	1,053,083
2013 – 2017	5,265,415
2018 – 2022	5,265,413
2023	1,053,074
Total	<u>\$ 16,849,317</u>

During fiscal 2007, the Town received \$5,835,971 in such assistance and recorded the receipt in the High School Capital fund.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2007

(4) Capital Assets

Capital asset activity for the year ended June 30, 2007 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	\$ 928,767	—	(4,200)	924,567
Construction in progress	—	110,558	—	110,558
Total capital assets, not being depreciated	<u>928,767</u>	<u>110,558</u>	<u>(4,200)</u>	<u>1,035,125</u>
Capital assets, being depreciated:				
Buildings	49,962,005	184,090	—	50,146,095
Land improvements	5,250	—	—	5,250
Machinery and equipment	5,947,062	1,314,314	(463,421)	6,797,955
Infrastructure	18,898,583	482,033	—	19,380,616
	<u>74,812,900</u>	<u>1,980,437</u>	<u>(463,421)</u>	<u>76,329,916</u>
Less accumulated depreciation for:				
Buildings	11,056,099	1,232,077	—	12,288,176
Land improvements	5,250	—	—	5,250
Machinery and equipment	5,156,280	575,669	(463,421)	5,268,528
Infrastructure	9,768,870	967,280	—	10,736,150
	<u>25,986,499</u>	<u>2,775,026</u>	<u>(463,421)</u>	<u>28,298,104</u>
Total capital assets, being depreciated, net	<u>48,826,401</u>	<u>(794,589)</u>	<u>—</u>	<u>48,031,812</u>
Governmental capital assets, net	<u>\$ 49,755,168</u>	<u>(684,031)</u>	<u>(4,200)</u>	<u>49,066,937</u>

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2007

Depreciation expense was charged to governmental functions as follows:

Governmental activities:	
General government	\$ 60,450
Public safety	261,656
Public works	1,183,253
Education	1,184,215
Human services	8,869
Culture and recreation	<u>76,583</u>
Total depreciation expense – governmental activities	<u><u>\$ 2,775,026</u></u>

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 375,733	3,700	—	379,433
Construction in progress	<u>—</u>	<u>275,610</u>	<u>—</u>	<u>275,610</u>
Total capital assets, not being depreciated	<u>375,733</u>	<u>279,310</u>	<u>—</u>	<u>655,043</u>
Capital assets, being depreciated:				
Buildings	1,428,114	—	23,450	1,404,664
Infrastructure	<u>1,058,958</u>	<u>—</u>	<u>—</u>	<u>1,058,958</u>
Total capital assets, being depreciated	<u>2,487,072</u>	<u>—</u>	<u>23,450</u>	<u>2,463,622</u>
Less accumulated depreciation for:				
Buildings	1,317,091	21,866	23,450	1,315,507
Infrastructure	<u>138,072</u>	<u>21,179</u>	<u>—</u>	<u>159,251</u>
Total accumulated depreciation	<u>1,455,163</u>	<u>43,045</u>	<u>23,450</u>	<u>1,474,758</u>
Total capital assets being depreciated, net	<u>1,031,909</u>	<u>(43,045)</u>	<u>—</u>	<u>988,864</u>
Other enterprise capital assets, net	<u><u>\$ 1,407,642</u></u>	<u><u>236,265</u></u>	<u><u>—</u></u>	<u><u>1,643,907</u></u>

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2007

(5) 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). The System has additional investment powers, most notably the ability to invest in common stocks, corporate bonds and other specified investments.

(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, 2007, the bank balances of uninsured and uncollateralized deposits totaled \$9,332,176.

(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, 2007:

Investment type	Fair value	Less than 1	1 – 5	6 – 10
U.S. Treasury note	\$ 197,830	98,780	99,050	—
U.S. Agency	456,303	74,735	342,280	39,288
Corporate bonds	39,920	—	—	39,920
Mutual funds	106,832	—	—	106,832
External investment pool	5,563,215	5,563,215	—	—
Total	\$ 6,364,100	5,736,730	441,330	186,040

(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 and external investment pool were not rated as of June 30, 2007. The U.S. Agency and Corporate bonds are rated A to AAA by Standards & Poors as of June 30, 2007.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2007

(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 \$19,731 and \$19,819 as of June 30, 2007, respectively.

(6) **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.

(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, 2007, 2006 and 2005 were \$796,538, \$723,046, and \$607,257, 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, 2007, the balance of this fund was \$1,025,245 and is recorded as a fund designation in the other governmental funds.

A summary of the changes in the retirement trust fund during fiscal 2007 is as follows:

Beginning balance, July 1, 2006	\$	978,555
Interest income		<u>46,690</u>
Ending balance, June 30, 2007	\$	<u><u>1,025,245</u></u>

June 30, 2007

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 90 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 2007, expenditures for other postemployment benefit payments, net of participant contributions, approximated \$528 thousand and are accounted for on a pay-as-you-go basis.

	Maturing through year ended June 30	Interest percentage range	Outstanding beginning of year	Additions	Reductions	Outstanding end of year	Due in one year
Governmental activities:							
General obligation bonds	2023	2.0-4.65%	16,695,000	—	(815,000)	15,880,000	1,235,000
Total debt			16,695,000	—	(815,000)	15,880,000	1,235,000
			Add (deduct):				
			Unamortized bond premium			70,066	
			Current portion of long-term debt			(1,235,000)	
						<u>\$ 14,715,066</u>	
Other governmental long-term liabilities:							
Compensated absences			405,826	70,871	—	476,697	143,009
Landfill and postclosure care cost			81,000	—	(3,000)	78,000	3,000
			486,826	70,871	(3,000)	554,697	146,009
Total long-term obligations			\$ 17,181,826	70,871	(818,000)	16,434,697	1,381,009

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2007

Maturity of Bond Indebtedness

Bond indebtedness outstanding at June 30, 2007 matures as follows:

	Governmental activities		
	Principal	Interest	Total
Year ending June 30:			
2008	\$ 1,235,000	710,989	1,945,989
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 – 2017	5,470,000	1,873,913	7,343,913
2018 – 2022	5,070,000	753,196	5,823,196
2023	275,000	12,375	287,375
	<u>\$ 15,880,000</u>	<u>5,565,858</u>	<u>21,445,858</u>

The Commonwealth of Massachusetts has approved school construction assistance to the Town. The assistance program, which is administered by the MSBA, provides funds for future debt service of general obligation school bonds and bond anticipation notes outstanding.

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, 2007, the Town has the ability to issue \$54,557,670 of additional debt within the normal debt limit.

At June 30, 2007, the Town had \$1,100,000 of authorized and unissued debt in order to fund the construction of a water tank.

The Town pays assessments, which include debt service payments to other local governmental units providing services within the Town's boundaries (commonly referred to as overlapping debt). The primary overlapping debt relates to the Bay Path Regional School (School). The following unaudited summary sets forth the long-term debt of the entity at June 30, 2007, the estimated share of such debt being serviced by the Town, and the total of its share of estimated indirect debt (dollars in thousands):

	Debt outstanding (unaudited)	Town's estimated share	Estimated indirect debt (unaudited)
School	\$ 675,000	11.96%	\$ 80,730

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2007

(8) 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 2007, interest expenditures for temporary borrowings were approximately \$320,000, which was recorded in the general fund.

Short-term debt activity for the year ended June 30, 2007 was as follows:

	Outstanding at June 30, 2006	Additions	Deductions	Outstanding at June 30, 2007
Bond anticipation notes payable:				
High school construction	\$ 5,830,000	—	(5,830,000)	—
	<u>\$ 5,830,000</u>	<u>—</u>	<u>(5,830,000)</u>	<u>—</u>

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2007

(9) Transfers

Transfers to (from) governmental funds and their purposes during the year ended June 30, 2007 were as follows:

	<u>General</u>	<u>High School capital fund</u>	<u>Other Governmental</u>	<u>Other Enterprise</u>
Sale of cemetery lots – operating expense	\$ 2,500	—	(2,500)	—
Ambulance – operating expense	555,000	—	(555,000)	—
WRTA – operating expense	22,500	—	(22,500)	—
BOH – operating expense	109,650	—	(109,650)	—
Conservation – operating expense	5,000	—	(5,000)	—
Animal Control – operating expense	6,000	—	(6,000)	—
Revolving – operating expense	4,000	—	(4,000)	—
State Aid Libraries – operating expense	24,406	—	(24,406)	—
Community Development – operating expense	3,800	—	(3,800)	—
Council on Aging – donation	15,000	—	(15,000)	—
Cemetery – operating expense	17,500	—	(17,500)	—
HAP Charity – operating expense	2,500	—	(2,500)	—
Bond Premium – operating expense	48,451	(48,451)	—	—
Elementary schools – operating expense	1,308	—	(1,308)	—
Available funds – water tank construction	—	—	(675,000)	675,000
Total transfers to (from)	\$ <u>817,615</u>	<u>(48,451)</u>	<u>(1,444,164)</u>	<u>675,000</u>

(10) 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 2007.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2007

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 2007 amounted to \$457,252 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 2007, claims related to unemployment compensation amounted to \$37,618. The liability for self-insured unemployment compensation is not material at June 30, 2007.

The Town maintains a health claims fund designated to meet future appropriations for health care. As of June 30, 2007, the balance in this fund was \$2,162,412. The Town also maintains an unemployment compensation fund designated to fund unemployment claims. As of June 30, 2007, the balance in this fund was \$744,602. 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.

(11) 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, 2007

(12) Fund Deficits

The following funds had deficit fund balances at June 30, 2007:

Other governmental funds:

Special revenue:

Highway projects – state grants	\$	210,000
Federal and state education grants		7,332
Federal and state community development grants		14,875
Local educational programs		<u>5,446</u>
Total	\$	<u><u>237,653</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, 2007

	Budgeted amounts		Actual amounts (budgetary basis)	Variance with final budget positive (negative)
	Original	Final		
Resources (inflows):				
Real and personal property taxes, net	\$ 14,144,085	14,144,085	14,190,451	46,366
Excises	1,486,500	1,486,500	1,634,107	147,607
Penalties and interest	150,000	150,000	146,740	(3,260)
Fees	48,000	48,000	96,211	48,211
Licenses and permits	26,000	26,000	23,663	(2,337)
Intergovernmental	12,298,325	12,298,325	12,332,267	33,942
Fines and forfeitures	80,000	80,000	80,675	675
Investment income	348,000	348,000	395,377	47,377
Other	61,500	61,500	83,213	21,713
Amounts available for appropriation	28,642,410	28,642,410	28,982,704	340,294
Charges to appropriations (outflows):				
Current:				
General government	2,642,459	2,892,459	2,516,348	376,111
Public safety	2,522,754	3,142,754	2,839,454	303,300
Education	14,235,258	14,992,449	14,292,909	699,540
Public works	2,079,148	2,497,348	1,909,463	587,885
Human services	156,355	156,355	140,495	15,860
Culture and recreation	459,864	459,864	458,769	1,095
State and county assessments	710,360	710,360	596,291	114,069
Pension, fringe, and general insurance	5,155,906	5,155,906	5,155,906	—
Debt service	1,711,500	1,711,500	1,706,096	5,404
Total charges to appropriations	29,673,604	31,718,995	29,615,731	2,103,264
Excess (deficiency)	(1,031,194)	(3,076,585)	(633,027)	2,443,558
Other financing sources:				
Transfers in, net	781,194	859,645	860,953	1,308
Total other financing sources	781,194	859,645	860,953	1,308
Excess (deficiency)	\$ (250,000)	(2,216,940)	227,926	2,444,866
Other budget items:				
Free cash	150,000	2,033,175		
Other available funds	100,000	183,765		
Total other budget items	250,000	2,216,940		
Net budget	\$ —	—		

See notes to required supplementary information.

See accompanying independent auditors' report.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Requires Supplementary Information

June 30, 2007

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 2 1/2 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, 2007.
- (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, 2007

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	\$ 28,982,704	29,615,731	860,953
Adjustment of revenues to a modified accrual basis	65,362	—	—
Adjustment for encumbrances and continuing appropriations and accrued expenditures, net of prior year reversals	—	1,472,376	(43,338)
Adjustment for revenues, expenditures and transfers that are not included in the general fund, but are included in the general fund for financial reporting purposes on a budgetary basis	<u>651,672</u>	<u>316,528</u>	<u>—</u>
As reported on a GAAP basis	<u>\$ 29,699,738</u>	<u>31,404,635</u>	<u>817,615</u>

Note C – Expenditures in Excess of Budget

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