

**TOWN OF OXFORD, MASSACHUSETTS**

Report on Examination of  
Basic Financial Statements  
and Additional Information  
Year Ended June 30, 2017

# TOWN OF OXFORD, MASSACHUSETTS

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## **INDEPENDENT AUDITOR'S REPORT**

Honorable Board of Selectmen  
Town of Oxford, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Oxford, Massachusetts, (the "Town") as of and for the year ended June 30, 2017 the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents,

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

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

### **Auditors' Responsibility**

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

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, based on our audit and the report of other auditors, 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, 2017 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Restatement**

The Town's basic financial statements as of and for the year ended June 30, 2016 were audited by other auditors whose opinion, dated May 4, 2017, on those basic financial statements was unmodified. As discussed in Note V, the Town restated its fiscal year 2016 basic financial statements during the current year. The other auditors reported on the basic financial statements before this restatement.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedules of the Town's proportionate share of net pension liability and contributions to pension plan, the schedule of the Commonwealth's collective share of the Massachusetts Teachers' Retirement System's net pension liability, the funding progress and contribution funding for other postemployment benefits, the schedules of changes in net other postemployment liability, ratios and contributions, schedule of investment returns for other postemployment benefit plans and budgetary comparison information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated February 2, 2018, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Roselli, Clark & Associates*

Roselli, Clark and Associates  
Certified Public Accountants  
Woburn, Massachusetts  
February 2, 2018

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the Town of Oxford, Massachusetts (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information.

### **Financial Highlights**

- Certain of the Town's beginning fund balances, retained earnings, net position and fiduciary net position were restated due to the accumulated effect of accounting errors. These are discussed in further detail in Note V. The Management Discussion and Analysis was prepared after giving effect to these prior period adjustments.
- The Town's assets and deferred outflows of financial resources exceeded its liabilities and deferred inflows of financial resources at the close of the most recent fiscal year by over \$16.2 million (*total net position*).
- The Town's total net position decreased by over \$3.9 million year-over-year. The net position in governmental activities over \$3.8 million while the net position in business-type activities decreased nearly \$0.1 million. Included in the 2017 governmental activities was over \$8.6 million in non-cash expenses related to other postemployment benefits and additional pension expense that were recorded on a GAAP basis versus a cash basis.
- The Town's total long-term debt in its governmental activities and business-type activities in aggregate decreased by nearly \$1.2 million due in totality to regular scheduled maturities in 2017. The Town's total long-term debt was approximately \$11.1 million at June 30, 2017. Governmental activities debt was over \$8.7 million and business-type activities debt was nearly \$2.4 million.
- As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of approximately \$12.4 million, which was approximately \$736,000 higher than the prior year. Of the ending fund balance over \$1.5 million is *available for spending* at the government's discretion as *unassigned fund balance*. The remainder is earmarked for specific expenditures.
- At the end of the current fiscal year, unassigned fund balance for the general fund was approximately \$2.4 million, or approximately 6% percent of total fiscal year 2017 general fund expenditures.
- The Town will adopt a new accounting standard in fiscal year 2018 relative to other postemployment benefits, or OPEB. The Town will be required to present in its government-wide and proprietary fund financial statements its net OPEB *liability*. Under the current accounting standards, the Town presents its net OPEB *obligation* in the government-wide and proprietary fund financial statements, which at June 30, 2017 was approximately \$27.1 million lower than its net OPEB *liability*. The adoption of this accounting standard, like the Town's adoption of the pension accounting standard in fiscal year 2015, will have a material impact on the Town's unrestricted net position in the affected financial statements. The Town expects to restate beginning balances in its fiscal 2018 financial statements as a result of the implementation of this accounting standard.

## **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** – The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation pay).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, highways and streets, sanitation, education, health and human services, culture and recreation, fringe benefits and debt service. The business-type activities of the Town include sewer, water and Community Center enterprise funds.

**Fund Financial Statements** – A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

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

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

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

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

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

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

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

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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



## **Government-Wide Financial Analysis**

The condensed comparative statements of net position for June 30, 2017 and 2016 are as follows:

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2017	June 30, 2016 (a)	June 30, 2017	June 30, 2016 (a)	June 30, 2017	June 30, 2016 (a) (b)
<b><u>Assets</u></b>						
Current and other assets	\$ 17,731,528	\$ 17,240,047	\$ 1,691,257	\$ 1,589,163	\$ 19,422,785	\$ 18,829,210
Capital assets, net	50,446,777	51,683,981	5,660,808	5,733,693	56,107,585	57,417,674
Total Assets	68,178,305	68,924,028	7,352,065	7,322,856	75,530,370	76,246,884
<b><u>Deferred Outflows of Resources</u></b>						
Pensions	4,941,873	2,246,712	19,847	9,023	4,961,720	2,255,735
Total Deferred Outflows of Resources	4,941,873	2,246,712	19,847	9,023	4,961,720	2,255,735
<b><u>Liabilities</u></b>						
Long-term liabilities	57,958,678	51,561,097	2,425,451	2,569,407	60,384,129	54,130,504
Other liabilities	2,342,546	2,725,676	576,129	301,936	2,918,675	3,027,612
Total Liabilities	60,301,224	54,286,773	3,001,580	2,871,343	63,302,804	57,158,116
<b><u>Deferred Inflows of Resources</u></b>						
Pensions	960,050	1,175,924	3,856	4,723	963,906	1,180,647
Total Deferred Inflows of Resources	960,050	1,175,924	3,856	4,723	963,906	1,180,647
<b><u>Net Position</u></b>						
Net investment in capital assets	40,974,146	41,663,270	2,966,374	3,169,740	43,940,520	44,833,010
Restricted	10,773,997	7,966,274	-	-	10,773,997	7,966,274
Unrestricted	(39,889,239)	(33,921,501)	1,400,102	1,286,073	(38,489,137)	(32,635,428)
Total Net Position	\$ 11,858,904	\$ 15,708,043	\$ 4,366,476	\$ 4,455,813	\$ 16,225,380	\$ 20,163,856

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

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's total net position decreased over \$3.9 million year-over-year. The net position in governmental activities decreased over \$3.8 million while the net position in business-type activities decreased nearly \$0.1 million.

The largest portion (over \$43.9 million) of the Town's overall net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt (netted down by those amounts expected to be reimbursed by the Commonwealth) used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional significant portion of the Town's total net position (nearly \$10.8 million) represents resources that are subject to external restrictions on how they may be used.

The remaining category represents *unrestricted net position*, which currently has a deficit balance of approximately \$38.5 million. This deficit balance is primarily the result of the reporting of approximately \$49.7 million in liabilities associated with pensions and other postemployment benefits in the Town's governmental activities at June 30, 2017. As there are few employees in the Town's sewer, water and Community Center enterprise funds, these liabilities have less of an impact on the business-type activities.

The condensed comparative statements of activities for fiscal years 2017 and 2016 are as follows:

	Governmental Activities		Business-Type Activities		Total	
	2017	2016 (a) (b)	2017	2016	2017	2016 (a) (b)
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 2,661,897	\$ 3,319,301	\$ 722,976	\$ 690,641	\$ 3,384,873	\$ 4,009,942
Operating grants and contributions	17,681,039	16,574,709	-	-	17,681,039	16,574,709
Capital grants and contributions	921,659	-	-	-	921,659	-
General revenues:						
Property taxes	21,543,462	21,241,736	-	-	21,543,462	21,241,736
Intergovernmental	1,977,095	1,895,585	-	-	1,977,095	1,895,585
Other	2,644,953	2,370,400	3,129	676	2,648,082	2,371,076
Total revenues	47,430,105	45,401,731	726,105	691,317	48,156,210	46,093,048
<b>Expenses</b>						
General government	4,420,690	3,895,918	-	-	4,420,690	3,895,918
Public safety	6,676,075	5,870,798	-	-	6,676,075	5,870,798
Education	34,046,072	34,228,750	-	-	34,046,072	34,228,750
Public works	4,580,994	3,914,782	-	-	4,580,994	3,914,782
Health and human services	369,538	373,118	-	-	369,538	373,118
Culture and recreation	794,892	827,405	-	-	794,892	827,405
Debt service	330,558	363,393	-	-	330,558	363,393
Sewer	-	-	439,471	278,025	439,471	278,025
Water	-	-	83,321	85,098	83,321	85,098
Community Center	-	-	353,075	340,645	353,075	340,645
Total expenses	51,218,819	49,474,164	875,867	703,768	52,094,686	50,177,932
Change in net position before transfers	(3,788,714)	(4,072,433)	(149,762)	(12,451)	(3,938,476)	(4,084,884)
Transfers	(60,425)	(72,100)	60,425	72,100	-	-
Change in net position	(3,849,139)	(4,144,533)	(89,337)	59,649	(3,938,476)	(4,084,884)
Net position - beginning of year	15,708,043	20,699,534	4,455,813	3,718,147	20,163,856	24,417,681
Restatement (a)	-	(846,958)	-	678,017	-	(168,941)
Net position - end of year	\$ 11,858,904	\$ 15,708,043	\$ 4,366,476	\$ 4,455,813	\$ 16,225,380	\$ 20,163,856

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

(b) Certain reclassifications were made to prior year balances to conform with current year presentation.

**Governmental Activities** – Total revenues in fiscal year 2017 in the Town’s governmental activities increased over \$2.0 million, or 4.5%, from fiscal year 2016. The Town’s largest revenue source is property taxes, which represented approximately 45% and 47% of total fiscal year 2017 and 2016 revenues, respectively. Property taxes increased approximately \$0.3 million in 2017 due to normal statutory property tax increases offset by the effects of a decrease in capital debt exclusions. Operating grants and contributions represented approximately 37% of total fiscal year 2017 and 2016 revenues. Operating grants and contributions increased over \$1.1 million in 2017, which was due almost entirely to an increase of approximately \$1.0 million in payments made by the Commonwealth to the Massachusetts Teachers Retirement System on-behalf of the Town. Capital grants was a minor part (about 2%) of current year revenue however the over \$0.9 million increase was due to projects initiated in the current year funded by State revenue that did not exist in the prior year. All other revenue fluctuations were consistent with the prior year or not material in amount.

Total expenses increased over \$1.7 million or over 3.5% higher than the prior year. No major fluctuations in expenses existed as some modest increases spread across most functional types were primarily due to increases in benefits allocated to these functions. Education represents the largest expense category for the Town. In total, education expenses represented approximately 66% of total fiscal year 2017 expenses, and as expected was the largest expense category

**Business-Type Activities** – Overall revenues in the business-type activities increased nearly \$35,000 in 2017. Expenses in the sewer operations increased approximately \$161,000 in 2017; expenses in the water and Community Center enterprises were relatively consistent year-over-year.

### **Government Funds Financial Analysis**

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

**Governmental Funds** – The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of approximately \$12.4 million, which was approximately \$736,000 higher than the prior year. Positive changes in fund balances in the Town's general fund and nonmajor governmental funds of approximately \$457,000 and \$708,000 were offset by a new reduction in the Town's capital projects funds of over \$428,000. Of the ending fund balances, approximately \$1.5 million is *available for spending* at the government's discretion as *unassigned fund balance*. The remainder is earmarked for specific expenditures. The increase in the Town's general fund was primarily due to the Town's budget to actual results exceeding expectations as a result of effective cost control combined with continued favorable revenues due to the expanding economy. The increases and decreases in the other funds was due primarily to the timing of revenues expenditures overlapping years as these funds are intended to be revenue in and expenditure out.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was approximately \$2.4 million, while total general fund balance approximated \$4.6 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance at year end represents approximately 6% of total fiscal year 2017 general fund expenditures, while total fund balance represents approximately 11% of that same amount.

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

**Fiduciary Fund** – The Town's fiduciary fund is comprised of its OPEB trust fund, private purpose funds and agency funds.

### **General Fund Budgetary Highlights**

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

### **Capital Asset and Debt Administration**

**Capital Assets** – The Town's investment in capital assets, which includes land, buildings, infrastructure, machinery and equipment, for its governmental and business-type activities as of June 30, 2017 amounts to approximately \$56.1 million, net of accumulated depreciation. This is a decrease of over \$1.3 million from the prior year as 2017 depreciation expense exceeded capital additions.

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

**Long-term Debt** – The Town’s total general obligation bond and notes payable debt decreased by approximately \$1.2 million in fiscal year 2017 to approximately \$11.1 million at June 30, 2017. This decrease was entirely due to the regularly scheduled repayments of long-term general obligations. The Town did not complete any long-term borrowings in fiscal year 2017.

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

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

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

- The median household income of the Town is approximately 28% lower than the state-wide median and its unemployment rates are slightly greater than the state-wide average.
- State aid in 2018, net, is expected to be approximately \$11,995,000 versus \$11,793,000 in 2017.
- The Town’s real estate tax base is made up predominantly of residential taxes, which in 2017 are approximately 78% of the entire property tax levy. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the Town’s ability to increase taxes in any one year by more than 2 ½% of the previous year’s tax levy. The Town typically taxes at or near its levy limit.

The above items were considered when the Town accepted its budget for fiscal year 2018 at its May 2017 Annual Town Meeting. The Town set its fiscal year 2018 property tax rate on February 8, 2018.

### **Requests for Information**

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

**TOWN OF OXFORD, MASSACHUSETTS**

**STATEMENT OF NET POSITION**

**JUNE 30, 2017**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 8,821,557	\$ 904,528	\$ 9,726,085
Investments	4,401,702	-	4,401,702
Receivables, net:			
Property taxes	1,073,865	-	1,073,865
User fees	-	786,729	786,729
Departmental and other	688,633	-	688,633
Intergovernmental	2,745,771	-	2,745,771
Land	943,770	387,130	1,330,900
Capital assets, net of accumulated depreciation	49,503,007	5,273,678	54,776,685
<b>Total Assets</b>	<b>68,178,305</b>	<b>7,352,065</b>	<b>75,530,370</b>
<b>Deferred Outflows of Resources</b>			
Pensions	4,941,873	19,847	4,961,720
<b>Deferred Outflows of Resources</b>	<b>4,941,873</b>	<b>19,847</b>	<b>4,961,720</b>
<b>Liabilities</b>			
Warrants and accounts payable	457,055	84,607	541,662
Accrued payroll and personnel costs	432,068	-	432,068
Accrued interest	46,418	20,705	67,123
Other liabilities	32,638	814	33,452
Bond anticipation notes payable	467,000	300,000	767,000
Noncurrent liabilities:			
Due within one year	907,367	170,003	1,077,370
Due in more than one year	57,958,678	2,425,451	60,384,129
<b>Total Liabilities</b>	<b>60,301,224</b>	<b>3,001,580</b>	<b>63,302,804</b>
<b>Deferred Inflows of Resources</b>			
Pensions	960,050	3,856	963,906
<b>Deferred Inflows of Resources</b>	<b>960,050</b>	<b>3,856</b>	<b>963,906</b>
<b>Net Position</b>			
Net investment in capital assets	40,974,146	2,966,374	43,940,520
Restricted:			
Nonexpendable perpetual funds	4,077,824	-	4,077,824
Expendable perpetual funds	890,450	-	890,450
Employee benefits	415,710	-	415,710
Other purposes	5,390,013	-	5,390,013
Unrestricted	(39,889,239)	1,400,102	(38,489,137)
<b>Total Net Position</b>	<b>\$ 11,858,904</b>	<b>\$ 4,366,476</b>	<b>\$ 16,225,380</b>

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2017**

STATE OF TEXAS - 2014							
		Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 4,420,690	\$ 123,101	\$ 66,507	\$ -	\$ (4,231,082)		(4,231,082)
Public safety	6,676,075	890,959	245,504	-	(5,539,612)		(5,539,612)
Education	34,046,072	1,416,025	16,944,441	-	(15,685,606)		(15,685,606)
Public works	4,580,994	107,803	77,037	921,659	(3,474,495)		(3,474,495)
Health and human services	369,538	117,130	215,451	-	(36,957)		(36,957)
Culture and recreation	794,892	6,879	56,512	-	(731,501)		(731,501)
Interest expense	330,558	-	75,587	-	(254,971)		(254,971)
Total governmental activities	51,218,819	2,661,897	17,681,039	921,659	(29,954,224)		(29,954,224)
<b>Business-Type activities:</b>							
Sewer	439,471	422,633	-	-		\$ (16,838)	(16,838)
Water	83,321	66,695	-	-		(16,626)	(16,626)
Community Center	353,075	233,648	-	-		(119,427)	(119,427)
Total business-type activities	875,867	722,976	-	-		(152,891)	(152,891)
<b>Total Primary Government</b>	<u>\$ 52,094,686</u>	<u>\$ 3,384,873</u>	<u>\$ 17,681,039</u>	<u>\$ 921,659</u>	(29,954,224)	(152,891)	(30,107,115)
<b>General Revenues:</b>							
Property taxes					21,543,462	-	21,543,462
Motor vehicle and other excise taxes					2,091,955	-	2,091,955
Grants and contributions not restricted to specific programs					1,977,095	-	1,977,095
Penalties and interest on taxes					133,471	-	133,471
Other revenues					49,761	-	49,761
Unrestricted investment income					369,766	3,129	372,895
Transfers (net)					(60,425)	60,425	-
Total general revenues and transfers					26,105,085	63,554	26,168,639
Change in Net Position					(3,849,139)	(89,337)	(3,938,476)
<b>Net Position:</b>							
Beginning of year (As restated; see Note V)					15,708,043	4,455,813	20,163,856
End of year					\$ 11,858,904	\$ 4,366,476	\$ 16,225,380

See accompanying notes to basic financial statements.

**TOWN OF OXFORD, MASSACHUSETTS**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2017**

	General Fund	Capital Projects Funds	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 4,904,273	\$ (232,244)	\$ 4,149,528	\$ 8,821,557
Investments	415,774	-	3,985,928	4,401,702
Receivables, net of allowance for uncollectibles:				
Property taxes	1,073,865	-	-	1,073,865
Departmental and other	378,271	-	310,362	688,633
Intergovernmental	2,246,804	-	498,967	2,745,771
<b>Total Assets</b>	<u>9,018,987</u>	<u>(232,244)</u>	<u>8,944,785</u>	<u>17,731,528</u>
<b>Deferred Outflows of Resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 9,018,987</u>	<u>\$ (232,244)</u>	<u>\$ 8,944,785</u>	<u>\$ 17,731,528</u>
<b>Liabilities:</b>				
Warrants and accounts payable	\$ 370,806	\$ 14,305	\$ 96,831	\$ 481,942
Accrued payroll and personnel costs	407,181	-	-	407,181
Other liabilities	32,638	-	-	32,638
Bond anticipation notes payable	-	467,000	-	467,000
<b>Total Liabilities</b>	<u>810,625</u>	<u>481,305</u>	<u>96,831</u>	<u>1,388,761</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - property taxes	1,073,865	-	-	1,073,865
Unavailable revenue - excise taxes	282,178	-	-	282,178
Unavailable revenue - intergovernmental	2,190,734	-	-	2,190,734
Unavailable revenue - other	96,093	-	310,362	406,455
<b>Total Deferred Inflows of Resources</b>	<u>3,642,870</u>	<u>-</u>	<u>310,362</u>	<u>3,953,232</u>
<b>Fund Balances:</b>				
Nonspendable	-	-	4,077,824	4,077,824
Restricted	485,575	129,205	4,459,768	5,074,548
Committed	676,351	-	-	676,351
Assigned	1,015,139	-	-	1,015,139
Unassigned	2,388,427	(842,754)	-	1,545,673
<b>Total Fund Balances</b>	<u>4,565,492</u>	<u>(713,549)</u>	<u>8,537,592</u>	<u>12,389,535</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 9,018,987</u>	<u>\$ (232,244)</u>	<u>\$ 8,944,785</u>	<u>\$ 17,731,528</u>

See accompanying notes to basic financial statements.

**TOWN OF OXFORD, MASSACHUSETTS**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION  
JUNE 30, 2017**

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<b>Total Governmental Fund Balances</b>	\$ 12,389,535
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	50,446,777
Other assets are not available to pay for current-period expenditures and are therefore deferred inflows of financial resources in the funds.	3,953,232
Deferred outflows and inflows of resources to be recognized in future pension expense are not available resources and, therefore, are not reported in the funds	3,981,823
In the statement of net position, interest is accrued on outstanding long-term debt whereas in the governmental funds, interest is not reported until due.	(46,418)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the government funds:	
Bonds and notes payable	(8,580,000)
Bonds premium amortization	(131,082)
Landfill post closure care costs	(48,000)
Compensated absences	(397,186)
Other postemployment benefits	(19,041,131)
Net pension liability	<u>(30,668,646)</u>
<b>Net Position of Governmental Activities</b>	<u><u>\$ 11,858,904</u></u>

See accompanying notes to basic financial statements.



**TOWN OF OXFORD, MASSACHUSETTS**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2017**

	General Fund	Capital Projects Funds	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property taxes	\$ 21,261,635	\$ -	\$ -	\$ 21,261,635
Intergovernmental	17,303,459	-	3,464,696	20,768,155
Motor vehicle and other excises	1,973,306	-	-	1,973,306
Licenses and permits	29,820	-	-	29,820
Penalties and interest on taxes	133,471	-	-	133,471
Fines and forfeitures	74,440	-	-	74,440
Investment income	25,104	-	344,662	369,766
Departmental and other revenue	133,678	-	2,500,596	2,634,274
Contributions and donations	-	-	140,455	140,455
Other revenues	4,000	-	45,761	49,761
<b>Total Revenues</b>	<u>40,938,913</u>	<u>-</u>	<u>6,496,170</u>	<u>47,435,083</u>
<b>Expenditures:</b>				
Current:				
General government	3,347,598	353,560	31,228	3,732,386
Public safety	3,649,144	-	297,962	3,947,106
Education	22,148,678	15,357	3,479,361	25,643,396
Public works	2,815,128	48,648	1,022,218	3,885,994
Health and human services	250,556	-	29,935	280,491
Culture and recreation	438,962	35,816	32,677	507,455
Pension and fringe benefits	6,456,157	-	-	6,456,157
State and county assessments	854,816	-	-	854,816
Debt service:				
Principal	985,000	-	-	985,000
Interest	345,561	-	-	345,561
<b>Total Expenditures</b>	<u>41,291,600</u>	<u>453,381</u>	<u>4,893,381</u>	<u>46,638,362</u>
<b>(Deficiency) Excess of Revenues Over Expenditures</b>	<u>(352,687)</u>	<u>(453,381)</u>	<u>1,602,789</u>	<u>796,721</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	918,296	24,970	30,000	973,266
Transfers out	(108,645)	-	(925,046)	(1,033,691)
<b>Total Other Financing Sources (Uses)</b>	<u>809,651</u>	<u>24,970</u>	<u>(895,046)</u>	<u>(60,425)</u>
<b>Net Change in Fund Balances</b>	456,964	(428,411)	707,743	736,296
<b>Fund Balances - Beginning of year (a)</b>	<u>4,108,528</u>	<u>(285,138)</u>	<u>7,829,849</u>	<u>11,653,239</u>
<b>Fund Balances - End of year</b>	<u>\$ 4,565,492</u>	<u>\$ (713,549)</u>	<u>\$ 8,537,592</u>	<u>\$ 12,389,535</u>

(a) - As restated; see Note V.

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, 2017**

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**Net Change in Fund Balances - Total Governmental Fund Balances** \$ 736,296

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

Capital outlays	\$	2,019,450
Depreciation expense		<u>(3,256,654)</u>

Net effect of reporting capital assets (1,237,204)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities. The net amounts are

Bond premium amortization		13,352
Repayments of long-term debt		<u>985,000</u>

Net effect of reporting long-term debt 998,352

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

(4,975)

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

1,651

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

Landfill post closure care costs		3,000
Compensated absences		9,523
Other postemployment benefits		(2,615,868)
Net pension liability		<u>(1,739,914)</u>

Net effect of reporting long-term liabilities (4,343,259)

**Change in Net Position of Governmental Activities** \$ (3,849,139)

See accompanying notes to basic financial statements.

**TOWN OF OXFORD, MASSACHUSETTS**

**PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2017**

	Business-Type Activities			
	Sewer	Water	Community Center	Total
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 391,958	\$ 463,263	\$ 49,307	\$ 904,528
User charges receivable, net	154,268	-	-	154,268
Betterments receivable	247,935	384,526	-	632,461
Total current assets	794,161	847,789	49,307	1,691,257
Noncurrent assets:				
Land	-	11,397	375,733	387,130
Capital assets, net of accumulated depreciation	3,407,747	583,908	1,282,023	5,273,678
Total noncurrent assets	3,407,747	595,305	1,657,756	5,660,808
<b>Total Assets</b>	<b>4,201,908</b>	<b>1,443,094</b>	<b>1,707,063</b>	<b>7,352,065</b>
<b>Deferred Outflows of Resources</b>				
Pensions	-	-	19,847	19,847
<b>Total Deferred Outflows of Resources</b>	<b>-</b>	<b>-</b>	<b>19,847</b>	<b>19,847</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>4,201,908</b>	<b>1,443,094</b>	<b>1,726,910</b>	<b>7,371,912</b>
<b>Liabilities</b>				
Current liabilities:				
Warrants and accounts payable	72,182	-	6,122	78,304
Accrued payroll and personnel costs	553	-	5,750	6,303
Accrued interest	5,172	6,549	8,984	20,705
Other liabilities	814	-	-	814
Bond anticipation notes payable	-	-	300,000	300,000
Compensated absences	-	-	484	484
Bonds and notes payable	39,437	79,347	50,735	169,519
Total current liabilities	118,158	85,896	372,075	576,129
Noncurrent liabilities:				
Compensated absences	-	-	898	898
Other postemployment benefits	-	-	76,471	76,471
Net pension liability	-	-	123,167	123,167
Bonds and notes payable	574,441	889,451	761,023	2,224,915
Total noncurrent liabilities	574,441	889,451	961,559	2,425,451
<b>Total Liabilities</b>	<b>692,599</b>	<b>975,347</b>	<b>1,333,634</b>	<b>3,001,580</b>
<b>Deferred Inflows of Resources</b>				
Pensions	-	-	3,856	3,856
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>3,856</b>	<b>3,856</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>692,599</b>	<b>975,347</b>	<b>1,337,490</b>	<b>3,005,436</b>
<b>Net Position</b>				
Net investment in capital assets	2,793,869	(373,493)	545,998	2,966,374
Unrestricted	715,440	841,240	(156,578)	1,400,102
<b>Total Net Position</b>	<b>\$ 3,509,309</b>	<b>\$ 467,747</b>	<b>\$ 389,420</b>	<b>\$ 4,366,476</b>

See accompanying notes to basic financial statements.

**TOWN OF OXFORD, MASSACHUSETTS**

**PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2017**

	Business-Type Activities			
	Sewer	Water	Community Center	Total
<b>Operating Revenues:</b>				
Charges for services	\$ 422,633	\$ -	\$ 233,648	\$ 656,281
Other revenues	-	66,695	-	66,695
<b>Total Operating Revenues</b>	<u>422,633</u>	<u>66,695</u>	<u>233,648</u>	<u>722,976</u>
<b>Operating Expenses:</b>				
Personnel and related expenses	15,976	-	165,193	181,169
Operating expenses	322,398	-	89,041	411,439
Depreciation	83,733	53,679	79,298	216,710
<b>Total Operating Expenses</b>	<u>422,107</u>	<u>53,679</u>	<u>333,532</u>	<u>809,318</u>
<b>Total Operating Income (Loss)</b>	<u>526</u>	<u>13,016</u>	<u>(99,884)</u>	<u>(86,342)</u>
<b>Nonoperating Revenues (Expenses):</b>				
Interest income	2,280	278	571	3,129
Interest expense	(17,364)	(29,642)	(19,543)	(66,549)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(15,084)</u>	<u>(29,364)</u>	<u>(18,972)</u>	<u>(63,420)</u>
<b>Loss Before Transfers</b>	<u>(14,558)</u>	<u>(16,348)</u>	<u>(118,856)</u>	<u>(149,762)</u>
<b>Transfers:</b>				
Transfers in	-	-	60,425	60,425
<b>Transfers, net</b>	<u>-</u>	<u>-</u>	<u>60,425</u>	<u>60,425</u>
<b>Change in Net Position</b>	<u>(14,558)</u>	<u>(16,348)</u>	<u>(58,431)</u>	<u>(89,337)</u>
<b>Net Position - Beginning of Year (a)</b>	<u>3,523,867</u>	<u>484,095</u>	<u>447,851</u>	<u>4,455,813</u>
<b>Net Position - End of Year</b>	<u>\$ 3,509,309</u>	<u>\$ 467,747</u>	<u>\$ 389,420</u>	<u>\$ 4,366,476</u>

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

See accompanying notes to basic financial statements.

**TOWN OF OXFORD, MASSACHUSETTS**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2017**

	Business-Type Activities			
	Sewer	Water	Community Center	Total
<b>Cash Flows from Operating Activities:</b>				
Receipts from users	\$ 398,670	\$ 34,957	\$ 233,648	\$ 667,275
Receipts from other operating revenues	-	66,695	-	66,695
Payments to employees	(15,423)	-	(141,754)	(157,177)
Payments to vendors	(283,237)	-	(133,978)	(417,215)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>100,010</u>	<u>101,652</u>	<u>(42,084)</u>	<u>159,578</u>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Transfers in	-	-	60,425	60,425
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>-</u>	<u>-</u>	<u>60,425</u>	<u>60,425</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition and construction of capital assets	-	-	(143,825)	(143,825)
Proceeds from bond anticipation notes	-	-	300,000	300,000
Principal payments on bonds and notes	(39,437)	(79,347)	(50,735)	(169,519)
Interest payments on bonds and notes	(17,813)	(28,881)	(20,115)	(66,809)
<b>Net Cash Used in (Provided by) Capital and Related Financing Activities</b>	<u>(57,250)</u>	<u>(108,228)</u>	<u>85,325</u>	<u>(80,153)</u>
<b>Cash Flows from Investing Activities:</b>				
Investment income	2,280	278	571	3,129
<b>Net Cash Provided by Investing Activities</b>	<u>2,280</u>	<u>278</u>	<u>571</u>	<u>3,129</u>
<b>Net Change in Cash and Cash Equivalents</b>	45,040	(6,298)	104,237	142,979
<b>Cash and Cash Equivalents:</b>				
<b>Beginning of the year</b>	<u>346,918</u>	<u>469,561</u>	<u>(54,930)</u>	<u>761,549</u>
<b>End of the year</b>	<u>\$ 391,958</u>	<u>\$ 463,263</u>	<u>\$ 49,307</u>	<u>\$ 904,528</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</b>				
Operating Income	\$ 526	\$ 13,016	\$ (99,884)	\$ (86,342)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	83,733	53,679	79,298	216,710
Changes in assets and liabilities:				
Receivables	(23,963)	34,957	-	10,994
Prepaid items	15,464	-	14,427	29,891
Accounts payable and accrued expenses	23,436	-	(53,614)	(30,178)
Other assets and liabilities	814	-	17,689	18,503
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 100,010</u>	<u>\$ 101,652</u>	<u>\$ (42,084)</u>	<u>\$ 159,578</u>

See accompanying notes to basic financial statements.

**TOWN OF OXFORD, MASSACHUSETTS**  
**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**JUNE 30, 2017**

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	OPEB Trust Fund	Private Purpose Trust Funds	Agency Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Assets</b>			
Cash and cash equivalents	\$ 367,894	\$ 571,315	\$ 1,018,144
Investments	3,330,111	541,309	-
Other receivables	<u>-</u>	<u>-</u>	<u>123,894</u>
<b>Total Assets</b>	<u>3,698,005</u>	<u>1,112,624</u>	<u>1,142,038</u>
<b>Liabilities</b>			
Warrants and accounts payable	-	-	135,110
Agency liabilities	<u>-</u>	<u>-</u>	<u>1,006,928</u>
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>1,142,038</u>
<b>Net Position</b>			
Held in trust	<u>3,698,005</u>	<u>1,112,624</u>	<u>-</u>
<b>Total Net Position</b>	<u><u>\$ 3,698,005</u></u>	<u><u>\$ 1,112,624</u></u>	<u><u>\$ -</u></u>

See accompanying notes to basic financial statements.

**TOWN OF OXFORD, MASSACHUSETTS**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2017**

	OPEB Trust Fund	Private Purpose Trust Funds
	<u>                    </u>	<u>                    </u>
<b>Additions</b>		
Contributions:		
Employer	\$ 1,248,695	\$ -
Other contributions and donations	<u>-</u>	<u>540</u>
Total contributions	<u>1,248,695</u>	<u>540</u>
Investment income	<u>194,711</u>	<u>8,316</u>
<b>Total Additions</b>	<u>1,443,406</u>	<u>8,856</u>
<b>Deductions</b>		
Benefit payments to retirees and beneficiaries	1,196,195	-
Scholarships and assistance	<u>-</u>	<u>26,400</u>
<b>Total Deductions</b>	<u>1,196,195</u>	<u>26,400</u>
<b>Change in Net Position</b>	247,211	(17,544)
<b>Net Position - Beginning of year (a)</b>	<u>3,450,794</u>	<u>1,130,168</u>
<b>Net Position - end of year</b>	<u>\$ 3,698,005</u>	<u>\$ 1,112,624</u>

(a) As restated; refer to Note V.

See accompanying notes to basic financial statements.

# TOWN OF OXFORD, MASSACHUSETTS

## NOTES TO BASIC FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

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

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

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

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

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

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

The Town is a member community of the Bay Path Regional Vocational Technical School. This joint venture assesses each of the ten member communities its share of the operational and debt service costs based on student population and other factors. In fiscal year 2017, the Town’s assessment was \$1,505,661. The Town has no equity interest in the joint venture. Complete audited financial statements can be obtained directly from the school’s administrative office located at 57 Old Muggett Hill Road, Charlton, 01507.

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

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



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

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

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

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

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

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

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

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

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

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

The government reports the following major governmental funds:

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

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

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

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues are user charges and fees, while operating expenses consist of salaries, ordinary maintenance, assessments, indirect costs and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Town reports the following major proprietary fund:

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

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

Community Center Fund – is used to account for the activities of the Oxford Community Center.

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

The Town reports the following fiduciary funds:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports deferred inflows of resources in its government-wide financial statements relative to pension-related transactions, which it expects to recognize against pension expense over the next four years. The Town reports unavailable revenues as deferred inflows of resources in its governmental funds financial statements, which will be recognized when these revenues become available.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	General Fund	Capital Projects Funds	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Perpetual permanent funds	\$ -	\$ -	\$ 4,077,824	\$ 4,077,824
Restricted:				
Expendable trusts	-	-	890,450	890,450
Capital projects	-	129,205	-	129,205
Federal and state grants	-	-	1,107,672	1,107,672
Revolving funds	-	-	2,461,646	2,461,646
Pension and other fringe benefits	415,710	-	-	415,710
Other purposes	69,865	-	-	69,865
Committed:				
Education	186,473	-	-	186,473
Public works	378,719	-	-	378,719
Other purposes	111,159	-	-	111,159
Assigned:				
General government	291,308	-	-	291,308
Public works	103,479	-	-	103,479
Other purposes	125,602	-	-	125,602
Subsequent year expenditures	494,750	-	-	494,750
Unassigned:				
Unrestricted	2,091,422	(842,754)	-	1,248,668
General stabilization	297,005	-	-	297,005
	<u>\$ 4,565,492</u>	<u>\$ (713,549)</u>	<u>\$ 8,537,592</u>	<u>\$ 12,389,535</u>

Stabilization Funds – The Town maintains several stabilization funds, each of which requires the affirmative vote of two-thirds of Town Meeting to be released. The following table summarizes the Town's stabilization funds at June 30, 2017:

Stabilization Fund Name	Amount	Purpose	Presentation
Retirement stabilization	\$ 212,832	Retirement appropriations	Restricted
Unemployment insurance stabilization	202,878	Employee unemployment	Restricted
High School debt stabilization	10,757	Debt service	Restricted
Celebration stabilization	9,108	Community celebrations	Restricted
Stabilization reserved for special education	50,000	Special education costs	Restricted
General stabilization	297,005	Any municipal purpose	Unassigned
	<u>\$ 782,580</u>		

Encumbrances – The Town's encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchase orders resulting from normal purchasing activity approved by the Town as assigned and (2) classify encumbrances that result from an action of the Board of Selectmen as committed. Encumbrances of funds already restricted, or committed are included within the classification of those fund balances and not reported separately. The Town reports \$520,389 of encumbrances from normal purchasing activity in the general fund as assigned. There are no encumbrances reported in any other fund.

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

During the fiscal year ended June 30, 2017, there were no instances where expenditures exceeded appropriations. The Town incurred several deficits in various special revenue funds at June 30, 2017, which were expected to be cured through future grant award receipts.

## **F. Use of Estimates**

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

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

## **A. Deposits and Investments**

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

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

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust, or MMDT, which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

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



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

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

The following table presents the Town's investments carried at fair value on a recurring basis in at June 30, 2017:

Investment Type	Fair	Fair Value Measurements Using		
	Value	Level 1	Level 2	Level 3
Investments by fair value level:				
Debt securities:				
U.S. Government obligations	\$ 114,641	\$ 114,641	\$ -	\$ -
U.S. Governmental agency obligations	208,818	208,818	-	-
Corporate bonds	<u>1,076,912</u>	<u>1,076,912</u>	<u>-</u>	<u>-</u>
Total debt securities	<u>1,400,371</u>	<u>1,400,371</u>	<u>-</u>	<u>-</u>
Equity securities	4,113,998	4,113,998	-	-
Mutual funds	<u>2,342,979</u>	<u>2,342,979</u>	<u>-</u>	<u>-</u>
Total investments measured at fair value	<u>7,857,348</u>	<u>\$ 7,857,348</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at amortized cost:				
MMDT	<u>415,774</u>			
Total investments	\$ 8,273,122			

All of the Town's investments in U.S. Government obligations (i.e., Treasury bills), U.S. Government agency obligations, corporate fixed income, equity securities and mutual funds were classified in Level 1 as these securities are traded in active markets. Short-term investments in the MMDT are measured at amortized cost.

*Custodial Credit Risk: Deposits* – In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town does not have a policy to manage its exposure to custodial credit risk relative to its deposits. The Town relies on depository insurance at its banking institutions to manage this risk. At June 30, 2017, \$652,713 in Town deposits were not subject to depository insurance from the Federal Depository Insurance Corporation or other depository insurance programs.

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

**Interest Rate Risk** – This is the risk that changes in interest rates will adversely affect the market value of an investment. The Town limits its exposure to interest rate risk by managing the duration of its investments. At June 30, 2017, the Town had the following investments with maturities:

Investment Type	Fair Value	Time Until Maturity (in years)		
		Less Than 1	1 to 5	6 to 10
U.S. government and agency obligations	\$ 323,459	\$ -	\$ 323,459	\$ -
Corporate fixed income securities	1,076,912	961,440	115,472	-
Total investments with maturities	1,400,371	<u>\$ 961,440</u>	<u>\$ 438,931</u>	<u>\$ -</u>
<u><b>Other Investments:</b></u>				
Equity securities	4,113,998			
Mutual funds	2,342,979			
MMDT	415,774			
Total Town investments	<u>\$ 8,273,122</u>			

**Credit Risk** – At June 30, 2017, all of the Town’s investments in U.S. government and agency obligations were rated Aaa by Moody’s Investors Service (“Moody’s”). Of the Town’s investments in corporate fixed income securities, \$60,209 were rated A3 by Moody’s and \$85,288 were rated Baa1 by Moody’s; \$931,414 in fixed income securities were unrated by Moody’s at June 30, 2017.

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

**Concentration of Credit Risk** – No other individual investment represented more than 5% of the Town’s total investments.

## B. Receivables

Receivables as of June 30, 2017 for the Town's major governmental funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, were as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Real estate taxes	\$ 365,314	\$ -	\$ 365,314
Personal property taxes	12,150	-	12,150
Tax liens	696,401	-	696,401
Motor vehicle and other excise taxes	282,178	-	282,178
Departmental and other	406,455	-	406,455
Intergovernmental - MSBA	2,190,734	-	2,190,734
Intergovernmental - other	555,037	-	555,037
Total	<u>\$ 4,508,269</u>	<u>\$ -</u>	<u>\$ 4,508,269</u>

Receivables as of June 30, 2017 for the Town's proprietary funds were as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Sewer user charges	\$ 154,267	\$ -	\$ 154,267
Sewer betterments	247,935	-	247,935
Water betterments	384,526	-	384,526
Total	<u>\$ 786,728</u>	<u>\$ -</u>	<u>\$ 786,728</u>

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

Receivable type:	General Fund	Nonmajor Funds	Total
Real estate and personal property taxes	\$ 377,464	\$ -	\$ 377,464
Tax liens	696,401	-	696,401
Motor vehicle and other excise taxes	282,178	-	282,178
Intergovernmental - MSBA	2,190,734	-	2,190,734
Departmental and other	96,093	310,362	406,455
Total	<u>\$ 3,642,870</u>	<u>\$ 310,362</u>	<u>\$ 3,953,232</u>

MSBA Reimbursements – The Town is currently being reimbursed by the Massachusetts School Building Authority, or MSBA, for a school construction project. The Town receives \$404,404 each year from the MSBA, which is to offset a portion of the general obligation debt the Town incurred to finance the project. The Town expects to receive these funds through fiscal year 2023. The net present value of the expected future reimbursement receipts of \$2,190,734 is reported as an intergovernmental receivable in the Town's general fund at June 30, 2017.

### C. Interfund Receivables, Payables and Transfers

The composition of interfund transfers for the fiscal year ended June 30, 2017 was as follows:

Transfers Out	Transfers In				Total	
	General Fund	Capital Projects	Nonmajor Governmental Funds	Enterprise Funds		
General fund	\$ -	\$ 18,220	\$ 30,000	\$ 60,425	\$ 108,645	(1)
Nonmajor funds	918,296	6,750	-	-	925,046	(2)
	<u>\$ 918,296</u>	<u>\$ 24,970</u>	<u>\$ 30,000</u>	<u>\$ 60,425</u>	<u>\$ 1,033,691</u>	

(1) General fund to capital projects for articles funded through free cash and debt service paid by the general fund for the Community Center enterprises.

(2) Transfers from receipts reserved funds per Town Meeting votes and other budgetary transfers.

### D. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance (a)	Increases	Decreases	Ending Balance
<i>Governmental Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 943,770	\$ -	\$ -	\$ 943,770
Construction in-process	9,478,516	-	(9,478,516)	-
Total capital assets not being depreciated	<u>10,422,286</u>	<u>-</u>	<u>(9,478,516)</u>	<u>943,770</u>
Capital assets being depreciated:				
Buildings and improvements	55,821,485	9,903,898	(356,387)	65,368,996
Infrastructure	25,946,584	836,055	-	26,782,639
Machinery and equipment	5,691,183	513,630	(4,350)	6,200,463
Vehicles	5,775,949	244,383	(541,024)	5,479,308
Total capital assets being depreciated	<u>93,235,201</u>	<u>11,497,966</u>	<u>(901,761)</u>	<u>103,831,406</u>
Less accumulated depreciation for:				
Buildings and improvements	(24,120,488)	(1,487,478)	356,387	(25,251,579)
Infrastructure	(19,183,190)	(850,699)	-	(20,033,889)
Machinery and equipment	(3,567,191)	(638,407)	4,350	(4,201,248)
Vehicles	(5,102,637)	(280,070)	541,024	(4,841,683)
Total accumulated depreciation	<u>(51,973,506)</u>	<u>(3,256,654)</u>	<u>901,761</u>	<u>(54,328,399)</u>
Total capital assets being depreciated, net	<u>41,261,695</u>	<u>8,241,312</u>	<u>-</u>	<u>49,503,007</u>
Total governmental activities capital assets, net	<u>\$ 51,683,981</u>	<u>\$ 8,241,312</u>	<u>\$ (9,478,516)</u>	<u>\$ 50,446,777</u>

	Beginning Balance (a)	Increases	Decreases	Ending Balance
<u><i>Business-Type Activities:</i></u>				
Capital assets not being depreciated:				
Land	\$ 387,130	\$ -	\$ -	\$ 387,130
Construction in-process	163,832	143,825	(307,657)	-
Total capital assets not being depreciated	550,962	143,825	(307,657)	387,130
Capital assets being depreciated:				
Buildings and improvements	2,096,751	307,657	-	2,404,408
Infrastructure	5,292,057	-	-	5,292,057
Machinery and equipment	43,408	-	-	43,408
Total capital assets being depreciated	7,432,216	307,657	-	7,739,873
Less accumulated depreciation for:				
Buildings and improvements	(1,064,439)	(77,357)	-	(1,141,796)
Infrastructure	(1,164,301)	(136,756)	-	(1,301,057)
Machinery and equipment	(20,745)	(2,597)	-	(23,342)
Total accumulated depreciation	(2,249,485)	(216,710)	-	(2,466,195)
Total capital assets being depreciated, net	5,182,731	90,947	-	5,273,678
Total business-type activities capital assets, net	<u>\$ 5,733,693</u>	<u>\$ 234,772</u>	<u>\$ (307,657)</u>	<u>\$ 5,660,808</u>

	Beginning Balance (a)	Increases	Decreases	Ending Balance
<u><i>Business-Type Activities: Sewer</i></u>				
Capital assets being depreciated:				
Infrastructure	\$ 4,113,907	\$ -	\$ -	\$ 4,113,907
Total capital assets being depreciated	4,113,907	-	-	4,113,907
Less accumulated depreciation for:				
Infrastructure	(622,427)	(83,733)	-	(706,160)
Total accumulated depreciation	(622,427)	(83,733)	-	(706,160)
Total capital assets being depreciated, net	3,491,480	(83,733)	-	3,407,747
Total sewer capital assets, net	<u>\$ 3,491,480</u>	<u>\$ (83,733)</u>	<u>\$ -</u>	<u>\$ 3,407,747</u>

(continued)

	Beginning Balance (a)	Increases	Decreases	Ending Balance
<u><i>Business-Type Activities: Water</i></u>				
Capital assets not being depreciated:				
Land	\$ 11,397	\$ -	\$ -	\$ 11,397
Total capital assets not being depreciated	11,397	-	-	11,397
Capital assets being depreciated:				
Infrastructure	1,178,150	-	-	1,178,150
Machinery and equipment	4,587	-	-	4,587
Total capital assets being depreciated	1,182,737	-	-	1,182,737
Less accumulated depreciation for:				
Infrastructure	(541,874)	(53,023)	-	(594,897)
Machinery and equipment	(3,276)	(656)	-	(3,932)
Total accumulated depreciation	(545,150)	(53,679)	-	(598,829)
Total capital assets being depreciated, net	637,587	(53,679)	-	583,908
Total water capital assets, net	<u>\$ 648,984</u>	<u>\$ (53,679)</u>	<u>\$ -</u>	<u>\$ 595,305</u>
<u><i>Business-Type Activities: Community Center</i></u>				
Capital assets not being depreciated:				
Land	\$ 375,733	\$ -	\$ -	\$ 375,733
Construction in-process	163,832	143,825	(307,657)	-
Total capital assets not being depreciated	539,565	143,825	(307,657)	375,733
Capital assets being depreciated:				
Buildings and improvements	2,096,751	307,657	-	2,404,408
Machinery and equipment	38,821	-	-	38,821
Total capital assets being depreciated	2,135,572	307,657	-	2,443,229
Less accumulated depreciation for:				
Buildings and improvements	(1,064,439)	(77,357)	-	(1,141,796)
Machinery and equipment	(17,469)	(1,941)	-	(19,410)
Total accumulated depreciation	(1,081,908)	(79,298)	-	(1,161,206)
Total capital assets being depreciated, net	1,053,664	228,359	-	1,282,023
Total Community Center capital assets, net	<u>\$ 1,593,229</u>	<u>\$ 372,184</u>	<u>\$ (307,657)</u>	<u>\$ 1,657,756</u>
				(concluded)

(a) Certain reclassifications were made to the beginning balances to conform to current year presentation.

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:		Business-Type Activities:	
General government	\$ 110,416	Sewer	\$ 83,733
Public safety	357,202	Water	53,679
Education	1,678,785	Community Center	79,298
Public works	996,853		<u>\$ 216,710</u>
Health and human services	20,569		
Culture and recreation	92,829		
	<u>\$ 3,256,654</u>		

## E. Temporary Debt

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

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

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

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

Type	Interest Rate	Maturity Date	July 1, 2016	Additions	Retirements	Rollovers	June 30, 2017
BAN	1.1%	8/9/2017	<u>\$ -</u>	<u>\$ 767,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 767,000</u>

Temporary debt was used for the following authorized purposes:

Memorial Clock Tower	\$ 327,000
Library repairs	140,000
Community Center splash pad	<u>300,000</u>
	<u>\$ 767,000</u>

## F. Long-term Obligations

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

**Legal Debt Margin** – State law permits a Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5% of its equalized valuation. Debt issued in accordance with this section of the law is designated as being “inside the debt limit.” In addition, a Town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being “outside the debt limit.” The Town’s legal debt margin as of June 30, 2017 was approximately \$64.0 million based on an equalized valuation of approximately \$1.3 billion.

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

Description of Issue	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
General obligation bonds and notes payable	\$ 9,565,000	\$ -	\$ (985,000)	\$ 8,580,000	\$ 755,000
Unamortized bond premiums	144,434	-	(13,352)	131,082	13,352
Compensated absences	406,709	-	(9,523)	397,186	139,015
Post closure landfill monitoring	51,000	-	(3,000)	48,000	3,000
Other postemployment benefits (a)	16,425,263	3,959,168	(1,343,300)	19,041,131	-
Net pension liability (a)	26,017,697	6,436,668	(1,785,719)	30,668,646	-
Total Governmental Activities	<u>\$ 52,610,103</u>	<u>\$ 10,395,836</u>	<u>\$ (4,139,894)</u>	<u>\$ 58,866,045</u>	<u>\$ 910,367</u>
<i>Business-Type Activities - Sewer:</i>					
General obligation bonds and notes payable	\$ 638,706	\$ -	\$ (38,642)	\$ 600,064	\$ 38,642
Unamortized bond premiums	14,609	-	(795)	13,814	795
Total Sewer	<u>653,315</u>	<u>-</u>	<u>(39,437)</u>	<u>613,878</u>	<u>39,437</u>
<i>Business-Type Activities - Water:</i>					
General obligation bonds and notes payable	1,006,294	-	(76,358)	929,936	76,358
Unamortized bond premiums	41,851	-	(2,989)	38,862	2,989
Total Water	<u>1,048,145</u>	<u>-</u>	<u>(79,347)</u>	<u>968,798</u>	<u>79,347</u>
<i>Business-Type Activities - Community Center:</i>					
General obligation bonds and notes payable	850,000	-	(50,000)	800,000	50,000
Unamortized bond premiums	12,493	-	(735)	11,758	735
Compensated absences	1,186	196	-	1,382	484
Other postemployment benefits (a)	65,965	15,901	(5,395)	76,471	-
Net pension liability (a)	104,489	18,678	-	123,167	-
Total Community Center	<u>1,034,133</u>	<u>34,775</u>	<u>(56,130)</u>	<u>1,012,778</u>	<u>51,219</u>
Total Business-Type Activities	<u>\$ 2,735,593</u>	<u>\$ 34,775</u>	<u>\$ (174,914)</u>	<u>\$ 2,595,454</u>	<u>\$ 170,003</u>

(a) As restated; refer to Note V.

The governmental activities liabilities will be liquidated by the general fund. The business-type liabilities will be liquidated by the respective enterprise funds.



General obligation bonds and notes payable outstanding at June 30, 2017 were as follows:

Description of Issue	Interest Rates	Beginning Balance	Additions	Maturities and Deductions	Ending Balance
<i>Governmental Activities:</i>					
General obligation bonds	0.5% to 5.0%	\$ 9,565,000	\$ -	\$ (985,000)	\$ 8,580,000
Add: unamortized bond premiums		<u>144,434</u>	<u>-</u>	<u>(13,352)</u>	<u>131,082</u>
Total Governmental Activities, net		<u>\$ 9,709,434</u>	<u>\$ -</u>	<u>\$ (998,352)</u>	<u>\$ 8,711,082</u>
<i>Business-Type Activities - Sewer:</i>					
General obligation bonds	0.5% to 4.0%	638,706	-	(38,642)	600,064
Add: unamortized bond premiums		<u>14,609</u>	<u>-</u>	<u>(795)</u>	<u>13,814</u>
Total Sewer, net		<u>653,315</u>	<u>-</u>	<u>(39,437)</u>	<u>613,878</u>
<i>Business-Type Activities - Water:</i>					
General obligation bonds	2.0% to 4.0%	1,006,294	-	(76,358)	929,936
Add: unamortized bond premiums		<u>41,851</u>	<u>-</u>	<u>(2,989)</u>	<u>38,862</u>
Total Water, net		<u>1,048,145</u>	<u>-</u>	<u>(79,347)</u>	<u>968,798</u>
<i>Business-Type Activities - Community Center:</i>					
General obligation bonds	0.5% to 2.9%	850,000	-	(50,000)	800,000
Add: unamortized bond premiums		<u>12,493</u>	<u>-</u>	<u>(735)</u>	<u>11,758</u>
Total Community Center, net		<u>862,493</u>	<u>-</u>	<u>(50,735)</u>	<u>811,758</u>
Total Business-Type Activities, net		<u>\$ 2,563,953</u>	<u>\$ -</u>	<u>\$ (169,519)</u>	<u>\$ 2,394,434</u>

Authorized and unissued debt at June 30, 2017 included:

Project	Amount
Middle school roof	\$ 3,300,000
Other school projects	758,000
Memorial Hall Tower	327,000
Carbuncle beach house	300,000
Library repairs	140,000
Water company purchase	6,300,000
Dana Road water	200,000
Community Center splash pad	<u>300,000</u>
	<u>\$ 11,625,000</u>

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

<u>Year Ended June 30,</u>	<u>Principal Balance</u>	<u>Interest Balance</u>	<u>Total</u>
<i>Governmental Activities:</i>			
2018	\$ 755,000	\$ 308,661	\$ 1,063,661
2019	790,000	279,886	1,069,886
2020	815,000	249,868	1,064,868
2021	770,000	219,343	989,343
2022	780,000	189,623	969,623
2023-2027	2,860,000	565,958	3,425,958
2028-2032	1,410,000	161,473	1,571,473
2033-2035	<u>400,000</u>	<u>16,811</u>	<u>416,811</u>
Total Governmental Activities	<u>\$ 8,580,000</u>	<u>\$ 1,991,623</u>	<u>\$ 10,571,623</u>
<i>Business-Type Activities - Combined:</i>			
2018	\$ 165,000	\$ 67,153	\$ 232,153
2019	170,000	62,928	232,928
2020	165,000	58,628	223,628
2021	165,000	53,828	218,828
2022	165,000	48,278	213,278
2023-2027	800,000	165,918	965,918
2028-2032	600,000	93,395	693,395
2033-2035	<u>100,000</u>	<u>3,451</u>	<u>103,451</u>
Total Business-Type Activities - Combined	<u>\$ 2,330,000</u>	<u>\$ 553,579</u>	<u>\$ 2,883,579</u>
<u>Year Ended June 30,</u>	<u>Principal Balance</u>	<u>Interest Balance</u>	<u>Total</u>
<i>Business-Type Activities: Sewer</i>			
2018	\$ 38,642	\$ 17,522	\$ 56,164
2019	43,642	16,415	60,057
2020	38,642	15,233	53,875
2021	38,642	14,087	52,729
2022	38,642	12,842	51,484
2023-2027	193,210	46,767	239,977
2028-2032	158,644	19,873	178,517
2033-2035	<u>50,000</u>	<u>2,026</u>	<u>52,026</u>
Total Sewer	<u>\$ 600,064</u>	<u>\$ 144,765</u>	<u>\$ 744,829</u>

(continued)

<u>Year Ended June 30,</u>	<u>Principal Balance</u>	<u>Interest Balance</u>	<u>Total</u>
<i>Business-Type Activities: Water</i>			
2018	\$ 76,358	\$ 30,031	\$ 106,389
2019	76,358	28,163	104,521
2020	76,358	26,295	102,653
2021	76,358	23,891	100,249
2022	76,358	20,836	97,194
2023-2027	356,790	61,826	418,616
2028-2030	<u>191,356</u>	<u>8,590</u>	<u>199,946</u>
Total Water	<u>\$ 929,936</u>	<u>\$ 199,632</u>	<u>\$ 1,129,568</u>
<i>Business-Type Activities: Community Center:</i>			
2018	\$ 50,000	\$ 19,600	\$ 69,600
2019	50,000	18,350	68,350
2020	50,000	17,100	67,100
2021	50,000	15,850	65,850
2022	50,000	14,600	64,600
2023-2027	250,000	57,325	307,325
2028-2032	250,000	64,932	314,932
2033	<u>50,000</u>	<u>1,425</u>	<u>51,425</u>
Total Community Center	<u>\$ 800,000</u>	<u>\$ 209,182</u>	<u>\$ 1,009,182</u>

(concluded)

## G. Tax Abatements

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

For the fiscal year ended June 30, 2017, the Town abated property taxes for one commercial and industrial property owner totaling \$46,485. The Town entered into a twenty-year TIF agreement in May 2005 with this property owner. Under the terms of the TIF agreement, the property owner, in exchange for a 95% abatement in year 1 that phased down to a 20% abatement in year 10 and 1% for each year thereafter, agreed to construct a new 80,000 square foot manufacturing facility, commit to \$4.5 million in capital investments and employ fifty or more area residents as full-time, permanent employees.

There were two other TIF abatements in fiscal year 2017, neither of which was significant individually or in the aggregate.

### III. Other Information

#### A. Retirement System

Pension Plan Description – The Town contributes to the Worcester Regional Retirement System (the “Retirement System”), a cost-sharing multiple-employer defined benefit pension plan. The Retirement System was established under Chapter 32 of MGL. The Retirement System is administered by the Worcester Regional Retirement Board (the “Retirement Board”). Stand-alone financial statements for the year ended December 31, 2016 were issued and are available by submitting a request to the Retirement System at 23 Midstate Drive, Suite 106, Auburn, Massachusetts 01501.

Current membership in the Retirement System for all ninety-seven employers as of December 31, 2016 was as follows:

Active members	7,473
Inactive members entitled to, but not receiving benefits	1,674
Inactive members (or beneficiaries) currently receiving benefits	<u>3,618</u>
	<u>12,765</u>

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

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

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

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

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

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

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

The Retirement System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws. There were no significant changes to the Retirement System's benefit terms in fiscal year 2017.

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

The Town contributed \$1,785,719 to the Retirement System in fiscal year 2017, which equaled the actuarially-determined contribution requirement for the fiscal year. Contributions as a percentage of covered payroll was approximately 21% in fiscal year 2017.

Net Pension Liability – At June 30, 2017, the Town reported a liability of \$30,791,813 for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. These figures were updated by the independent actuary to December 31, 2016. There were no material changes to the Retirement System's benefit terms since the actuarial valuation. However, since the last actuarial valuation, the Retirement System decreased the discount rate used in the actuarial valuation decreased from 8.00% to 7.75%. There were no other material changes made in this update to the actuarial assumptions (see below).

The Town's proportion of the net pension liability is based on a projection of the Town's long-term share of contributions to the Retirement System relative to the projected contributions of all employers. The Town's proportion was approximately 3.7% at December 31, 2016, which was consistent with its proportionate share measured at January 1, 2016.

Fiduciary Net Position – The elements of the Retirement System's basic financial statements (that is, all information about the Retirement System's assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position) can be found in the Retirement System's full financial statements as of and for the year ended December 31, 2016, which can be obtained by contacting the Retirement Board.

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

Pension Expense – The Town recognized approximately \$3,533,000 in pension expense in the statement of activities in fiscal year 2017.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 251,081	\$ -
Changes of assumptions	3,642,148	-
Net difference between projected and actual earnings on pension plan investments	1,068,491	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	963,906
	<u>\$ 4,961,720</u>	<u>\$ 963,906</u>

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

<u>Year ended June 30,</u>	
2018	\$ 955,421
2019	955,421
2020	952,770
2021	<u>1,134,202</u>
	<u>\$ 3,997,814</u>

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

Inflation:	3.0% per year (3.5% per year for the actuarial valuation as of January 1, 2014)
Amortization method:	Payment increases 4.0% per year, except for early retirement incentive ("ERI") programs for 2002 and 2003 (4.5%) and 2010 (level dollar)
Remaining amortization period:	19 years, except for ERI for 2002 and 2003 (12 years) and 2010 (6 years)

Asset valuation method:	5-year smoothing
Salary increases:	Group 1: 4.20-6.00%, based on service (3.00% for the actuarial valuation as of January 1, 2014) Group 4: 4.75-7.00%, based on service (3.00% for the actuarial valuation as of January 1, 2014)
Investment rate of return:	7.75%, net of pension plan investment expense, including inflation (8.00% for the actuarial valuation as of January 1, 2014)
Mortality rates:	Based on the RP-2000 Mortality Table (base year 2009) with full generational mortality improvement using Scale BB
Disabled life mortality:	For disabled lives, the mortality rates were based on the RP-2000 Mortality Table (base year 2012) with full generational mortality improvement using Scale BB

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the Retirement System's target allocation as of December 31, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global equity	40 %	4.97 %
Fixed income	22 %	2.29 %
Private equity	11 %	6.50 %
Real estate	10 %	3.50 %
Timber/natural resources	4 %	3.00 %
Hedge funds	13 %	3.48 %

**Discount Rate** – The discount rate used to measure the total pension liability was 7.75%, which is a reduction from the previous 8.0% discount rate. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made in accordance with Sections 22D and 22F of Chapter 32 of MGL. Based on those assumptions, the Retirement System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity Analysis** – The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.75% as well as the Town’s proportionate share of the net pension liability using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount (7.75%)	1% Increase (8.75%)
Town's proportionate share of the net pension liability	\$ 37,089,107	\$ 30,791,813	\$ 25,475,849

The Town established a retirement stabilization trust fund that is separate and distinct from the Retirement System pursuant to Section 5D of MGL Chapter 40. The purpose of this fund is to provide a reserve to meet future annual contributions to the Retirement System. The balance of this fund at June 30, 2017 was \$212,832 as is reported as a restricted fund balance in the general fund.

## B. Massachusetts Teachers’ Retirement System

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

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

For the year ended June 30, 2017, the Commonwealth contributed \$2,016,643 to the MTRS on behalf of the Town. The Town’s proportionate share of the collective MTRS net pension liability at this reporting date was 0.179324%, which was based on the actual, actuarially determined contribution made by the Commonwealth on behalf of the Town as a percentage of the total annual contribution made by the Commonwealth on behalf of all employers.

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

	Commonwealth Portion	Paid (or assumed) on Behalf of Town	Town Portion
Net pension liability	\$ 40,093,044	\$ 40,093,044	\$ -
Pension expense	4,089,753	4,089,753	-

The Town recognized \$4,089,753 in intergovernmental revenue and pension expense relative to this arrangement.



### C. Other Postemployment Benefits

In addition to the pension benefits previously described, the Town provides health and life insurance benefits (other postemployment benefits, or OPEB) to current and future retirees, their dependents and beneficiaries in accordance with MGL Chapter 32B Section 20 (hereinafter referred to as the “OPEB Plan”). Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law and Town ordinance. All benefits are provided through the Town’s insurance program. The OPEB Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the OPEB Plan.

Under Chapter 32B Section 20, the Town Treasurer is the custodian of the OPEB Plan. OPEB Plan assets may be invested and reinvested by the custodian consistent with the prudent investor rule and an approved OPEB trust investment policy. OPEB Plan assets are segregated from other funds and shall not be subject to the claims of any general creditor of the Town.

For the year ended June 30, 2017, the Town records its net OPEB obligation under GASB Statement No. 45. However, additional note disclosures are also presented for the Town’s OPEB Plan since those note disclosures are required under GASB Statement No. 74. All GASB 45 references and disclosures will be removed from the Town’s financial statements in the fiscal year ended June 30, 2018 as they will no longer be applicable upon the Town’s adoption of GASB Statement No. 75 in fiscal year 2018. Refer to Note IV for additional details on current year and future year accounting pronouncements.

Plan Membership – Current membership in the Plan as of June 30, 2017 was as follows:

Inactive employees or beneficiaries receiving benefits	188
Active employees	<u>312</u>
	<u>500</u>

Contributions – The contribution requirements of OPEB Plan members and the Town are established and may be amended by the Town. Town retirees contribute 50% of monthly health, dental and life insurance premiums. The costs of administering the OPEB Plan are paid by the Town.

Annual OPEB Cost and Net OPEB Obligation – The Town’s annual OPEB cost is calculated based on the annual required contribution (“ARC”) of the employer, an actuarially determined amount that is calculated in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities over a period not to exceed thirty years.

The following table reflects the activity regarding the Town's OPEB obligation:

	Governmental Activities	Business-Type Activities	Total
Annual required contribution ("ARC")	\$ 4,252,145	\$ 17,077	\$ 4,269,222
Interest on net OPEB obligation	657,010	2,639	659,649
Adjustment to ARC	(949,987)	(3,815)	(953,802)
Annual OPEB cost	3,959,168	15,901	3,975,069
Contributions made	(1,343,300)	(5,395)	(1,348,695)
Increase in net OPEB obligation	2,615,868	10,506	2,626,374
Net OPEB obligation - beginning of year (a)	16,425,263	65,965	16,491,228
Net OPEB obligation - end of year	<u>\$ 19,041,131</u>	<u>\$ 76,471</u>	<u>\$ 19,117,602</u>

(a) As restated; refer to Note V.

Trend information regarding annual OPEB cost, the percentage of the annual OPEB cost contributed and the net OPEB obligation is as follows for the Town OPEB Plan:

Fiscal Year Ended	Annual OPEB Cost (AOPEBC)	Percent of AOPEBC Contributed	Net OPEB Obligation
June 30, 2017	\$ 3,975,069 *	34.0%	\$ 19,117,602
June 30, 2016	4,268,529	23.6%	16,491,228
June 30, 2015	4,086,664	37.5%	13,229,997

\* Reflected in the statement of activities as follows:

The AOPEBC was charged to the following functional programs: general government \$265,265; public safety \$669,099; education \$2,696,193; public works \$233,591; health and human services \$19,796; culture and recreation \$75,224; and Community Center \$15,901.

***Funding Status and Funding Progress*** – The funded status of the Town OPEB Plans at June 30, 2017 for the most recent actuarial valuation performed under GASB Statement No. 45, was as follows:

Actuarial accrued liability (AAL)	\$ 44,519,869
Actuarial value of assets	<u>3,350,794</u>
Unfunded AAL (UAAL)	<u>\$ 41,169,075</u>
Funded ratio	7.5%
Covered payroll	<u>\$ 19,881,270</u>
UUAL as a percentage of covered payroll	207.1%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Amounts determined regarding the funded status of the Plan and the ARC of the employer are subject to continual revision as estimates are compared to actual results and past expectations.

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

**Investment Policy** – The Plan invests its funds in permissible investments as specified by the Commonwealth.

**Investment Rate of Return** – For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was approximately 9.025%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net OPEB Liability** – The components of the net OPEB Liability of the Town at June 30, 2017 were as follows (dollar amounts are in thousands):

Total OPEB liability	\$ 49,930
Plan fiduciary net position	<u>(3,698)</u>
Net OPEB liability	<u>\$ 46,232</u>
Plan fiduciary net position as a percentage of the total OPEB liability	7.41%

The net OPEB liability is not reported in the accompanying financial statements. It is presented herein as prescribed under GASB Statement No. 74. The Town will report its net OPEB liability beginning in fiscal year 2018 upon adoption of GASB Statement No. 75. The Town presently reports its OPEB obligation in its government-wide and proprietary funds financial statements in accordance with GASB Statement No. 45.

**Actuarial Assumptions** – The significant methods and assumptions as of the latest valuation are as follows:

Valuation date	July 1, 2016
Actuarial cost method	Individual entry age normal
Asset valuation method	Market value of assets as of reporting date
Healthcare cost trend rates	8.0% per annum decreasing 0.5% per year to an ultimate rate of 5.0% for 2022 and later years
Inflation	2.6% per annum
Investment rate of return	7.5% per annum, net of OPEB plan investment expense, including inflation.
Discount rate	3.63% per annum
Expected future contributions	The Town does not currently have a funding policy for OPEB and is assumed not to make future contributions to the OPEB trust
Pre-retirement mortality	RP-2000 Employees Mortality Table, base year 2009 (2014 for teachers), projected with generational mortality improvement using scale
Post-retirement mortality	RP-2000 Healthy Annuitant Mortality Table, base year 2009 (2014 for teachers), projected with generational improvement using scale BB

*Long-term Expected Rate of Return* – The long-term expected rate of return, or discount rate, on OPEB Plan investments was 3.63%. The projection of cash flows used to determine the discount rate assumed that contributions from the Town will be made in accordance with the Town’s funding policy. Based on those assumptions, the OPEB Plan’s fiduciary net position was projected to be insufficient to make all projected benefit payments to current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to the first six periods of projected future benefit payments and the 3.58% municipal bond rate was applied to all periods thereafter to determine the total OPEB liability. The 3.58% municipal bond rate was based on the Bond Buyer 20-Bond General Obligation Municipal Bond Index as of June 29, 2017.

*Sensitivity Analysis* – The following presents the net OPEB liability of the Town, as well as what the Town’s net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.63%) or one percentage-point higher (4.63%) than the current discount rate (dollar amounts are in thousands):

	1% Decrease (2.63%)	Current Discount (3.63%)	1% Increase (4.63%)
Net OPEB liability	\$ 55,745	\$ 42,232	\$ 38,797

The following presents the net OPEB liability of the Town, as well as what the Town’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage-point higher than the current healthcare cost trend rates (dollar amounts are in thousands):

	Healthcare Cost		
	1% Decrease (7% Year 1 Decreasing to 4%)	Trend Rates (8% Year 1 Decreasing to 5%)	1% Increase (9% Year 1 Decreasing to 6%)
Net OPEB liability	\$ 37,260	\$ 42,232	\$ 58,735

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

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

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

*General* – During its day-to-day operations, the Town is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters in these situations cannot be reasonably estimated. Although the amount of liability, if any, in these situations at June 30, 2017, cannot be determined, management believes that the resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2017.

*Appellate Tax Board* – The Town has pending cases filed with the Massachusetts Appellate Tax Board of the Commonwealth of Massachusetts (“ATB”). In total, the assessed real and personal property values for ATB cases totaled nearly \$13.2 million at June 30, 2017. No provision has been made in the financial statements in the event that the Town is unsuccessful in ATB.

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

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

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

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

The initial rate charged to the Town for the Firm Commitment is \$0.0895 per kilowatt hour escalating at 2.5% per annum. As of June 30, 2017, based on the annual charges, the Town expects to pay the following for its Firm Commitment:

<u>Year Ended June 30,</u>	
2018	\$ 338,970
2019	343,970
2020	349,043
2021	354,192
2022	359,416
2023-2027	1,878,181
2028-2032	<u>2,020,845</u>
	<u>\$ 5,644,617</u>

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

The Town’s water enterprise has entered into a multi-year leasing arrangement with a private water company for a water tank owned by the Town, which is set to expire in fiscal year 2027. The private water company leases the water tank for an annual rental fee of \$38,125. The Town expects to receive \$381,250 during the final ten years of this lease agreement.

#### **G. Concentrations**

During the year ended June 30, 2016, approximately 42% of general fund revenues reported in the governmental funds financial statements were received from the Commonwealth or federal agencies.

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

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

In June 2015, the GASB issued GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. GASB 74's objective was to improve the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The provisions of this Statement became effective for the Town in fiscal year 2017. The adoption of this Statement increased disclosures surrounding the Town's OPEB plan and the means by which it reports its OPEB activities in its fiduciary funds.

In August 2015, the GASB issued GASB Statement No. 77, *Tax Abatement Disclosures*. GASB 77 required the disclosure of the terms of certain tax abatement agreements entered into by a government with individuals or entities. The provisions of this Statement became effective for the Town in fiscal year 2017. The adoption of this Statement did not have a material impact on the financial statements.

In December 2015, the GASB issued GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The provisions of GASB 78 were applicable to certain government pension plans that (i) are not administered as a trust by a state or local governmental pension plan, (ii) are shared between governmental and nongovernmental employees, and (iii) have not predominant state or local governmental employer. The provisions of this Statement became effective for the Town in fiscal year 2017. The adoption of this Statement did not have a material impact on the financial statements.

In January 2016, the GASB issued GASB Statement No. 80, *Blending Requirements for Certain Component Units*. The provisions of GASB 80 applied to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The provisions of this Statement became effective for the Town in fiscal year 2017. The adoption of this Statement did not have a material impact on the financial statements.

In March 2016, the GASB issued GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of GASB 82 was to address issues raised with respect to previously issued statements related to pensions. The provisions of this Statement became effective for the Town in fiscal year 2017. The adoption of this Statement did not have a material impact on the financial statements.

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

In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*. GASB 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2017 (fiscal year 2018). The Town believes adoption will have a material impact on the financial statements.

In March 2016, the GASB issued GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of the Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2016 (fiscal year 2018) and should be applied retroactively. The Town is currently evaluating whether adoption will have a material impact on the financial statements.

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

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

In May 2017, the GASB issued GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of the Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2017 (fiscal year 2018). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

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

## V. Restatements

The following tables illustrate the restatements made to the net positions and fund balances reported in the accompanying financial statements:

	Governmental Activities	Business-Type Activities			Total
		Sewer	Water	Community Center	
Net position at June 30, 2016, as previously reported	\$ 16,555,001	\$ 3,155,110	\$ 8,681	\$ 614,005	\$ 3,777,796
Record due from agency fund	200,000	-	-	-	-
Eliminate invalid accounts payable	284,264	-	-	-	-
Reclassify private purpose trust funds to fiduciary funds	(1,130,168)	-	-	-	-
Reclassify water betterments fund to water enterprise fund	(55,931)	-	55,931	-	55,931
Reduce multi-year MSBA receivable to net present value	(311,277)	-	-	-	-
Record additional accounts receivable	-	368,757	419,483	-	788,240
Allocate OPEB to enterprise fund	65,965	-	-	(65,965)	(65,965)
Allocate net pension liability to enterprise fund	104,489	-	-	(104,489)	(104,489)
Allocate net deferred outflow of resources to enterprise fund	(4,300)	-	-	4,300	4,300
Net position at June 30, 2016, as restated	<u>\$ 15,708,043</u>	<u>\$ 3,523,867</u>	<u>\$ 484,095</u>	<u>\$ 447,851</u>	<u>\$ 4,455,813</u>

  

	General Fund	Capital Projects Funds	Nonmajor Governmental Funds	Total
Fund balances at June 30, 2016, as previously reported	\$ 3,624,264	\$ -	\$ 8,730,810	\$ 12,355,074
Separately present capital projects funds	-	(285,138)	285,138	-
Reclassify private purpose trust funds to fiduciary funds	-	-	(1,130,168)	(1,130,168)
Reclassify water betterments fund to water enterprise fund	-	-	(55,931)	(55,931)
Record due from agency fund	200,000	-	-	200,000
Eliminate invalid accounts payable	284,264	-	-	284,264
Fund balances at June 30, 2016, as restated	<u>\$ 4,108,528</u>	<u>\$ (285,138)</u>	<u>\$ 7,829,849</u>	<u>\$ 11,653,239</u>

\* \* \* \* \*



**TOWN OF OXFORD, MASSACHUSETTS****REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS**  
**YEAR ENDED JUNE 30, 2017**

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

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

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

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

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

See accompanying independent auditor's report.

**TOWN OF OXFORD, MASSACHUSETTS**

**REQUIRED SUPPLEMENTARY INFORMATION - MTRS**  
**YEAR ENDED JUNE 30, 2017**

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

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

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

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

See accompanying independent auditor's report.

**TOWN OF OXFORD, MASSACHUSETTS**

**REQUIRED SUPPLEMENTARY INFORMATION - OPEB**  
**YEAR ENDED JUNE 30, 2017**

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS**

*(dollar amounts are in thousands)*

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	(b-a/c)
7/1/2016	\$ 3,698	\$ 44,520	\$ 40,822	8.3%	\$ 19,881	205%
7/1/2014	3,457	42,381	38,924	8.2%	21,481	181%
7/1/2012	3,312	35,374	32,062	9.4%	20,422	157%

**SCHEDULE OF CONTRIBUTIONS - OTHER POSTEMPLOYMENT BENEFITS**

*(dollar amounts are in thousands)*

Year Ended June 30,	Annual Required Contribution	Actual Contributions	Percentage Contributed
2017	\$ 4,269	\$ 1,349	31.6%
2016	4,505	1,007	22.4%
2015	4,277	1,533	35.8%

See accompanying independent auditors' report.

**TOWN OF OXFORD, MASSACHUSETTS****REQUIRED SUPPLEMENTARY INFORMATION - OPEB**  
**YEAR ENDED JUNE 30, 2017**

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

	<u>2017</u>
Total OPEB liability:	
Service cost	\$ 2,506,859
Interest	1,615,467
Changes in benefit terms	-
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	(6,602,086)
Benefit payments	<u>(1,196,195)</u>
Net change in total OPEB liability	(3,675,955)
Total OPEB liability - beginning of year	<u>53,605,578</u>
Total OPEB liability - end of year (a)	<u><u>\$ 49,929,623</u></u>
Plan fiduciary net position:	
Contributions	\$ 1,248,695
Net investment income	194,711
Benefit payments	<u>(1,196,195)</u>
Net change in Plan fiduciary net position	247,211
Plan fiduciary net position - beginning of year	<u>3,450,794</u>
Plan fiduciary net position - end of year (b)	<u><u>\$ 3,698,005</u></u>
Net OPEB liability - end of year (a) - (b)	<u><u>\$ 46,231,618</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	7.41%
Covered-employee payroll	\$ 22,036,578
Net OPEB liability as a percentage of covered-employee payroll	209.79%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

Note: This schedule is presented using the optional format of combining the required schedules in paragraph 36a and 36b of GASB Statement No. 74.

See accompanying independent auditor's report.

## TOWN OF OXFORD, MASSACHUSETTS

### REQUIRED SUPPLEMENTARY INFORMATION - OPEB YEAR ENDED JUNE 30, 2017

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#### SCHEDULE OF CONTRIBUTIONS

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

#### Notes to Schedule

Actuarial cost method	Entry age normal
Amortization method	Level dollar amount over 30 years on an open amortization period
Asset valuation method	Market value of assets as of reporting date
Inflation	2.6% per annum
Healthcare cost trend rates	8.0% per annum initial, decreasing 0.5% per year to an ultimate rate of 5.0%
Investment rate of return	4.0% per annum, net of OPEB plan investment expense, including inflation.
Pre-retirement mortality	RP-2000 Employees Mortality Table, base year 2009, projected with generational mortality improvement using BB
Post-retirement mortality	RP-2000 Healthy Annuitant Mortality Table, base year 2009, projected with generational mortality improvement using scale

#### SCHEDULE OF INVESTMENT RETURNS

	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	9.02%

Note: These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

See accompanying independent auditor's report.

**TOWN OF OXFORD, MASSACHUSETTS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual		Actual	Variance
	Original	Final	Budgetary	Encumbrances	Budgetary	Positive
	Budget	Budget	Amounts		Adjusted	(Negative)
<b>Revenues:</b>						
Real estate and personal property	\$ 21,123,807	\$ 21,123,807	\$ 21,261,635		\$ 21,261,635	\$ 137,828
Intergovernmental	13,233,969	13,233,969	13,213,706		13,213,706	(20,263)
Motor vehicle and other excises	1,856,000	1,856,000	1,973,306		1,973,306	117,306
Licenses and permits	30,000	30,000	29,820		29,820	(180)
Departmental and other revenue	126,100	126,100	133,678		133,678	7,578
Penalties and interest	180,000	180,000	133,471		133,471	(46,529)
Fines and forfeitures	69,000	69,000	74,440		74,440	5,440
Investment income	26,000	26,000	20,547		20,547	(5,453)
Total Revenues	<u>36,644,876</u>	<u>36,644,876</u>	<u>36,840,603</u>		<u>36,840,603</u>	<u>195,727</u>
<b>Expenditures:</b>						
General government	3,850,660	3,877,774	3,311,196	\$ 327,811	3,639,007	238,767
Public safety	3,622,660	3,858,843	3,678,218	99,671	3,777,889	80,954
Education	18,675,507	18,745,723	18,458,857	271,483	18,730,340	15,383
Public works	3,583,451	3,583,451	2,979,250	482,198	3,461,448	122,003
Health and human services	307,290	307,290	250,602	-	250,602	56,688
Culture and recreation	494,164	494,164	438,808	15,577	454,385	39,779
Fringe and pension benefits	6,596,547	6,596,547	6,326,606	-	6,326,606	269,941
State and county tax assessments	889,112	889,112	854,816	-	854,816	34,296
Debt service	1,426,411	1,426,411	1,390,986	-	1,390,986	35,425
Total Expenditures	<u>39,445,802</u>	<u>39,779,315</u>	<u>37,689,339</u>	<u>\$ 1,196,740</u>	<u>38,886,079</u>	<u>893,236</u>
<b>Other Financing Sources (Uses):</b>						
Transfers in	1,011,700	1,347,296	1,347,296		1,347,296	-
Transfers out	(415,000)	(448,220)	(448,220)		(448,220)	-
Total Other Financing Sources (Uses)	<u>596,700</u>	<u>899,076</u>	<u>899,076</u>		<u>899,076</u>	<u>-</u>
(Deficiency) Excess of Revenues and Other Financing Sources over Expenditures/Use of Prior Year Budgetary Fund Balance	<u>(2,204,226)</u>	<u>(2,235,363)</u>	<u>\$ 50,340</u>		<u>\$ (1,146,400)</u>	<u>\$ 1,088,963</u>
<b>Other Budgetary Items:</b>						
Prior year encumbrances	1,575,405	1,575,405				
Free cash	671,000	671,000				
Other budgetary items	(42,179)	(11,042)				
Total Other Budgetary Items	<u>2,204,226</u>	<u>2,235,363</u>				
<b>Net Budget</b>	<u>\$ -</u>	<u>\$ -</u>				

See accompanying independent auditors' report.

See notes to the required supplementary information of this schedule.

# TOWN OF OXFORD, MASSACHUSETTS

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2017

### I. Budgetary Basis of Accounting

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

Budgetary-to-GAAP Reconciliation – The Town's general fund is prepared on a basis of accounting other than GAAP to conform to the Uniform Municipal Accounting System basis of accounting as prescribed by the Massachusetts Department of Revenue. A reconciliation of the budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2017, is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis			\$ 36,840,603
Transfer treatment for budget	\$ -	\$ 4,000	4,000
Stabilization revenue	-	4,557	4,557
On behalf payments	4,089,753	-	4,089,753
Revenues on a GAAP basis	<u>\$ 4,089,753</u>	<u>\$ 8,557</u>	<u>\$ 40,938,913</u>
Expenditures on a budgetary basis			\$ 37,689,339
Transfer treatment for budget	\$ -	\$ 71,626	71,626
Expense cutoff recognition	(559,118)	-	(559,118)
On behalf payments	4,089,753	-	4,089,753
Revenues on a GAAP basis	<u>\$ 3,530,635</u>	<u>\$ 71,626</u>	<u>\$ 41,291,600</u>
Net transfers on a budgetary basis			\$ 899,076
Transfer treatment for budget	\$ -	\$ (89,425)	(89,425)
Net transfers on a GAAP basis	<u>\$ -</u>	<u>\$ (89,425)</u>	<u>\$ 809,651</u>

Appropriation Deficits – During fiscal year 2017, there were no instances of expenditures exceeding their line item appropriation.