



TOWN OF OXFORD, MASSACHUSETTS

Basic Financial Statements and
Required Supplementary Information

June 30, 2015

(With Independent Auditors' Report Thereon)

TOWN OF OXFORD, MASSACHUSETTS

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Independent Auditors' Report

The Board of Selectmen
Town of Oxford, Massachusetts:

Report on the Financial Statements

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, 2015, and 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 U.S. generally accepted accounting principles; 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 the 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, 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 of Oxford, Massachusetts, as of June 30, 2015, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

Adoption of New Accounting Pronouncement

As discussed in note 2 to the financial statements, in 2015 the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the required supplementary information detailed in the accompany table of contents be presented to supplement the basic financial statements. Such information, although not a 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the GASB 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2017 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

KPMG LLP

Boston, Massachusetts
February 2, 2017

TOWN OF OXFORD, MASSACHUSETTS

Statement of Net Position

June 30, 2015

Assets	Governmental activities	Business-type activities	Total
Cash, cash equivalents and investments	\$ 12,748,654	880,617	13,629,271
Receivables, net:			
Property taxes	535,100	—	535,100
Motor vehicle excise	208,705	—	208,705
Tax liens	538,148	—	538,148
Intergovernmental	935,686	—	935,686
Departmental and other	543,896	7,304	551,200
Internal balances	15,320	(15,320)	—
Long-term intergovernmental receivable	2,576,832	—	2,576,832
Prepaid asset	—	20,089	20,089
Capital assets:			
Nondepreciable	10,292,701	488,765	10,781,466
Depreciable, net	41,811,721	5,377,273	47,188,994
Total assets	<u>70,206,763</u>	<u>6,758,728</u>	<u>76,965,491</u>
Deferred Outflows of Resources			
Deferred amount for pension costs	14,025	—	14,025
Liabilities			
Warrants and accounts payable	824,709	286,849	1,111,558
Accrued liabilities	924,721	23,160	947,881
Other	47,335	—	47,335
Long-term liabilities:			
Due within one year:			
Compensated absences	65,789	—	65,789
Bonds and notes	960,000	162,190	1,122,190
Landfill and postclosure care costs	3,000	—	3,000
Due in more than one year:			
Compensated absences	372,807	—	372,807
Bonds and notes	9,722,786	2,568,382	12,291,168
Landfill and postclosure care costs	51,000	—	51,000
Net pension liability	23,319,110	—	23,319,110
Other postemployment benefits	13,229,997	—	13,229,997
Total liabilities	<u>49,521,254</u>	<u>3,040,581</u>	<u>52,561,835</u>
Net Position			
Net investment in capital assets	41,205,753	3,617,710	44,823,463
Restricted for:			
Permanent funds:			
Nonexpendable	5,721,111	—	5,721,111
Expendable	52,200	—	52,200
State and Federal Grants	32,821	—	32,821
Employee benefits	527,842	—	527,842
Capital Projects	215,883	—	215,883
Other	1,314,805	—	1,314,805
Unrestricted	(28,370,881)	100,437	(28,270,444)
Total net position	<u>\$ 20,699,534</u>	<u>3,718,147</u>	<u>24,417,681</u>

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Statement of Activities

Year ended June 30, 2015

Functions/programs	Expenses	Program revenues			Net (expense) revenue and changes in net position		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Governmental activities:							
General government	\$ 3,462,770	181,239	28,685	3,000	(3,249,846)		(3,249,846)
Public safety	4,493,322	989,315	185,211	—	(3,318,796)		(3,318,796)
Education	31,438,474	1,681,800	14,303,452	1,207,790	(14,245,432)		(14,245,432)
Public works	3,520,268	112,633	528,828	—	(2,878,807)		(2,878,807)
Health and human services	359,111	29,663	149,413	—	(180,035)		(180,035)
Culture and recreation	769,670	481	45,953	—	(723,236)		(723,236)
State and county assessments	906,099	—	—	—	(906,099)		(906,099)
Interest on long-term debt	387,635	—	—	—	(387,635)		(387,635)
Total governmental activities	<u>45,337,349</u>	<u>2,995,131</u>	<u>15,241,542</u>	<u>1,210,790</u>	<u>(25,889,886)</u>		<u>(25,889,886)</u>
Business-type activities:							
Water	97,137	38,589	—	—	(58,548)		(58,548)
Community Center	310,712	306,891	—	—	(3,821)		(3,821)
Sewer	389,375	313,946	—	—	(75,429)		(75,429)
Total business-type activities	<u>797,224</u>	<u>659,426</u>	<u>—</u>	<u>—</u>	<u>(137,798)</u>		<u>(137,798)</u>
Total primary government	<u>\$ 46,134,573</u>	<u>3,654,557</u>	<u>15,241,542</u>	<u>1,210,790</u>	<u>(137,798)</u>		<u>(26,027,684)</u>
General revenues:							
Property taxes, levied for general purposes, net					19,921,008		19,921,008
Excises					1,719,452		1,719,452
Penalties and interest on taxes					209,571		209,571
Other					4,468		4,468
Intergovernmental					1,770,395		1,770,395
Investment income					289,622		289,622
Transfers					(72,767)	<u>72,767</u>	—
Total general revenues					<u>23,841,749</u>	<u>72,767</u>	<u>23,914,516</u>
Change in net position					(2,048,137)	(65,031)	(2,113,168)
Net position, beginning of year, as restated (note 2(j))					<u>22,747,671</u>	<u>3,783,178</u>	<u>26,530,849</u>
Net position, end of year					<u>\$ 20,699,534</u>	<u>3,718,147</u>	<u>24,417,681</u>

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Balance Sheet – Governmental Funds

June 30, 2015

Assets	General	Other governmental	Total
Cash, cash equivalents and investments	\$ 4,420,097	8,328,557	12,748,654
Receivables, net:			
Property taxes	535,100	—	535,100
Motor vehicle excise	208,705	—	208,705
Tax liens	538,148	—	538,148
Intergovernmental	3,276,233	236,285	3,512,518
Departmental and other	320,914	222,982	543,896
Due from other funds	—	15,320	15,320
Total assets	\$ 9,299,197	8,803,144	18,102,341
Liabilities, Deferred Inflow of Resources, and Fund Balance			
Warrants and accounts payable	\$ 623,754	200,955	824,709
Accrued liabilities:			
Tax abatements	7,588	—	7,588
Payroll and related withholdings	706,166	58,207	764,373
Other	47,335	—	47,335
Total liabilities	1,384,843	259,162	1,644,005
Deferred inflows of resources:			
Revenue not considered available	4,642,878	222,982	4,865,860
Deferred inflows of resources	4,642,878	222,982	4,865,860
Fund balance:			
Nonspendable	—	5,721,111	5,721,111
Restricted	527,842	1,705,269	2,233,111
Committed	110,674	—	110,674
Assigned	413,161	894,620	1,307,781
Unassigned	2,219,799	—	2,219,799
Total fund balances	3,271,476	8,321,000	11,592,476
Total liabilities, deferred inflows of resources, and fund balances	\$ 9,299,197	8,803,144	18,102,341

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2015

Total fund balance – governmental funds	\$ 11,592,476
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	51,850,426
Certain revenues are earned but are not available and are therefore reported as deferred inflows of resources.	5,119,856
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
General obligation bonds	(10,525,000)
Bond issue premium	(157,786)
Landfill closure and post closure care costs	(54,000)
Accrued interest on bonds	(52,760)
Net pension liability, net of deferred amounts	(23,305,085)
Other postemployment benefits	(13,229,997)
Tax refunds	(100,000)
Compensated absences	<u>(438,596)</u>
	<u>(47,863,224)</u>
Net position of governmental activities	<u><u>\$ 20,699,534</u></u>

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

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

Year ended June 30, 2015

	<u>General</u>	<u>Other governmental</u>	<u>Total</u>
Revenues:			
Real and personal property taxes	\$ 19,972,257	—	19,972,257
Motor vehicle and other excises	1,683,316	—	1,683,316
Penalties and interest on taxes	209,571	—	209,571
Fees	51,508	2,701,477	2,752,985
License and permits	30,504	—	30,504
Intergovernmental	14,750,968	3,390,406	18,141,374
Fines and forfeitures	84,227	—	84,227
Investment income	24,668	215,442	240,110
Departmental and other revenue	241,411	211,378	452,789
Contributions and donations	150,000	42,170	192,170
Total revenues	<u>37,198,430</u>	<u>6,560,873</u>	<u>43,759,303</u>
Expenditures:			
Current:			
General government	2,934,652	2,025	2,936,677
Public safety	3,185,581	196,776	3,382,357
Education	18,276,927	3,216,075	21,493,002
Public works	2,510,601	90,806	2,601,407
Human services	271,425	28,076	299,501
Culture and recreation	442,825	109,684	552,509
State and county assessments	906,099	—	906,099
Pension, fringe and general insurance	9,028,127	—	9,028,127
Capital outlay	—	2,533,288	2,533,288
Debt service	1,211,791	—	1,211,791
Total expenditures	<u>38,768,028</u>	<u>6,176,730</u>	<u>44,944,758</u>
Deficiency of revenues under expenditures	<u>(1,569,598)</u>	<u>384,143</u>	<u>(1,185,455)</u>
Other financing sources (uses):			
Bond proceeds	—	2,010,000	2,010,000
Bond premiums	98,955	—	98,955
Other	32,314	—	32,314
Transfers in	927,000	24,089	951,089
Transfers out	(24,089)	(999,767)	(1,023,856)
Total other financing sources	<u>1,034,180</u>	<u>1,034,322</u>	<u>2,068,502</u>
Net change in fund balances	<u>(535,418)</u>	<u>1,418,465</u>	<u>883,047</u>
Fund balance, beginning of year	<u>3,806,894</u>	<u>6,902,535</u>	<u>10,709,429</u>
Fund balance, end of year	<u>\$ 3,271,476</u>	<u>8,321,000</u>	<u>11,592,476</u>

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year ended June 30, 2015

Net change in fund balances – total governmental funds	\$ 883,047
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital additions as expenditures. In the statement of activities, the cost of those assets is depreciated over their estimated useful lives. This is the amount by which capital asset additions (\$4,601,550) exceeded depreciation expense (\$2,751,127).	1,850,423
Accrual basis revenues can result in more or (less) revenues reported in the statement of activities depending upon timing of billings and collections.	(25,235)
Certain intergovernmental receivables are reported as revenues in the statement of activities when earned but are included in the activity statement of the governmental funds when received.	(404,404)
Repayment of bond principal is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net position while bond issuances are other financing sources in governmental funds, but increase long-term liabilities in the statement of net position. This is the amount by which debt issuances (\$2,010,000) exceeded debt repayments (\$825,000).	(1,185,000)
Bond premiums, net of amortization decrease the long-term liabilities in the statement of net position, but are included in the activity statement of the governmental funds when received. This is the amount by which current year capitalization of bond premiums exceeds amortization of bond premiums on the statement of activities.	(91,170)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This amount represents an increase in the other post employment benefit liability (\$2,553,232), net pension liability (\$537,617) and accrued interest (\$8,629) offset by decreases in compensated absences (\$20,680) and landfill liability (\$3,000).	(3,075,798)
Change in net position of governmental activities	<u>\$ (2,048,137)</u>

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Statement of Net Position – Proprietary Funds

June 30, 2015

Assets	Water fund	Community Center fund	Sewer fund	Total
Current assets:				
Cash and cash equivalents	\$ 482,244	45,928	352,445	880,617
Receivables, net	—	—	7,304	7,304
Prepaid assets	1,009	11,692	7,388	20,089
Total current assets	<u>483,253</u>	<u>57,620</u>	<u>367,137</u>	<u>908,010</u>
Noncurrent assets:				
Nondepreciable capital assets	11,397	477,368	—	488,765
Depreciable capital assets, net	691,265	1,125,271	3,560,737	5,377,273
Total noncurrent assets	<u>702,662</u>	<u>1,602,639</u>	<u>3,560,737</u>	<u>5,866,038</u>
Total assets	<u><u>\$ 1,185,915</u></u>	<u><u>1,660,259</u></u>	<u><u>3,927,874</u></u>	<u><u>6,774,048</u></u>
Liabilities				
Current liabilities:				
Warrants and accounts payable	\$ —	121,923	164,926	286,849
Accrued liabilities	6,069	11,479	5,612	23,160
Due to other funds	—	3,830	—	3,830
Bonds payable	73,458	50,000	38,642	162,100
Total current liabilities	<u>79,527</u>	<u>187,232</u>	<u>209,180</u>	<u>475,939</u>
Noncurrent liabilities:				
Due to other funds	—	11,490	—	11,490
Bonds payable	1,051,134	863,228	654,110	2,568,472
Total noncurrent liabilities	<u>1,051,134</u>	<u>874,718</u>	<u>654,110</u>	<u>2,579,962</u>
Total liabilities	<u><u>\$ 1,130,661</u></u>	<u><u>1,061,950</u></u>	<u><u>863,290</u></u>	<u><u>3,055,901</u></u>
Net Position				
Net investment in capital assets	\$ 60,314	689,411	2,867,985	3,617,710
Unrestricted	<u>(5,060)</u>	<u>(91,102)</u>	<u>196,599</u>	<u>100,437</u>
Total net position	<u><u>\$ 55,254</u></u>	<u><u>598,309</u></u>	<u><u>3,064,584</u></u>	<u><u>3,718,147</u></u>

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS
 Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds
 Year ended June 30, 2015

	Water fund	Community Center fund	Sewer fund	Total
Operating revenues:				
Charges for services	\$ 38,125	193,313	300,509	531,947
Fees	—	94,905	2,410	97,315
Other	—	18,630	10,747	29,377
Total operating revenues	<u>38,125</u>	<u>306,848</u>	<u>313,666</u>	<u>658,639</u>
Operating expenses:				
Salaries and benefits	—	91,586	15,443	107,029
Utilities	—	—	20,742	20,742
Repairs and maintenance	—	—	33,000	33,000
Other supplies and expenses	11,578	125,477	218,549	355,604
Depreciation	<u>53,678</u>	<u>71,607</u>	<u>83,444</u>	<u>208,729</u>
Total operating expenses	<u>65,256</u>	<u>288,670</u>	<u>371,178</u>	<u>725,104</u>
Operating income (loss)	<u>(27,131)</u>	<u>18,178</u>	<u>(57,512)</u>	<u>(66,465)</u>
Nonoperating income (expense):				
Interest expense	(31,881)	(22,042)	(18,197)	(72,120)
Interest income	<u>464</u>	<u>43</u>	<u>280</u>	<u>787</u>
Total nonoperating expense	<u>(31,417)</u>	<u>(21,999)</u>	<u>(17,917)</u>	<u>(71,333)</u>
Transfer in, net	<u>57,679</u>	<u>—</u>	<u>15,088</u>	<u>72,767</u>
Change in net position	<u>(869)</u>	<u>(3,821)</u>	<u>(60,341)</u>	<u>(65,031)</u>
Net position, beginning of year	<u>56,123</u>	<u>602,130</u>	<u>3,124,925</u>	<u>3,783,178</u>
Net position, end of year	<u>\$ 55,254</u>	<u>598,309</u>	<u>3,064,584</u>	<u>3,718,147</u>

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Statement of Cash Flows – Proprietary Funds

Year ended June 30, 2015

	Water fund	Community Center fund	Sewer fund	Total
Cash flows from operating activities:				
Cash received from customers	\$ —	322,748	321,127	643,875
Cash received from lessee	38,125	—	—	38,125
Cash received other funds	59,426	—	10,734	70,160
Cash paid to employees	—	(94,153)	(16,292)	(110,445)
Cash paid to vendors	(22,275)	(26,247)	(203,845)	(252,367)
Net cash provided by operating activities	<u>75,276</u>	<u>202,348</u>	<u>111,724</u>	<u>389,348</u>
Cash flows from noncapital financing activities:				
Transfers from other funds	57,679	—	15,088	72,767
Net cash provided by noncapital financing activities	<u>57,679</u>	<u>—</u>	<u>15,088</u>	<u>72,767</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	—	(143,500)	(261,331)	(404,831)
Proceeds from issuance of long-term debt	932,100	—	220,000	1,152,100
Receipt of bond premium	44,840	—	10,824	55,664
Payment of bond principal	(11,358)	(50,000)	(23,642)	(85,000)
Payment of interest	(26,097)	(23,350)	(17,289)	(66,736)
Repayment of interfund loan	—	(3,830)	—	(3,830)
Proceeds from issuance of short-term debt	932,100	—	—	932,100
Paydown of bond anticipation note	(1,892,100)	—	—	(1,892,100)
Net cash used in capital and related financing activities	<u>(20,515)</u>	<u>(220,680)</u>	<u>(71,438)</u>	<u>(312,633)</u>
Cash flows from investing activities:				
Interest income	464	43	280	787
Net cash provided by investing activities	<u>464</u>	<u>43</u>	<u>280</u>	<u>787</u>
Increase (decrease) in cash and cash equivalents	112,904	(18,289)	55,654	150,269
Cash and cash equivalents, beginning of year	369,340	64,217	296,791	730,348
Cash and cash equivalents, end of year	<u>\$ 482,244</u>	<u>45,928</u>	<u>352,445</u>	<u>880,617</u>
Reconciliation of operating loss to net cash (used in) provided by operating activities:				
Operating (loss) income	\$ (27,131)	18,178	(57,512)	(66,465)
Reconciliation of operating (loss) to net cash (used in) provided by operating activities:				
Depreciation expense	53,678	71,607	83,444	208,729
Changes in operating assets and liabilities:				
Accounts receivable	—	15,900	7,461	23,361
Prepaid assets	(1,009)	(11,692)	(7,388)	(20,089)
Due from other funds	59,426	—	10,734	70,160
Accounts payable	(9,688)	110,923	75,834	177,069
Accrued liabilities	—	(2,568)	(849)	(3,417)
Net cash provided by (used in) operating activities	<u>\$ 75,276</u>	<u>202,348</u>	<u>111,724</u>	<u>389,348</u>

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Statement of Net Position – Fiduciary Funds

June 30, 2015

Assets	OPEB Trust fund	Agency fund
Cash and cash equivalents	\$ 960,421	904,025
Receivables:		
Other	—	—
Investments, at fair value:		
Equity mutual funds	1,492,823	—
Fixed income mutual funds	909,128	—
Total investments	<u>2,401,951</u>	—
Total assets	<u>3,362,372</u>	<u>\$ 904,025</u>
Liabilities		
Accounts payable and other liabilities	—	\$ 904,025
Total liabilities	<u>—</u>	<u>\$ 904,025</u>
Net Position		
Held in trust for other postemployment benefits	<u>\$ 3,362,372</u>	

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Statement of Changes in Net Position – Fiduciary Funds

June 30, 2015

	OPEB Trust fund
Additions:	
Contributions:	
Employer	\$ 1,421,091
Investment earnings:	
Realized and unrealized loss on investments	(121,532)
Interest and dividends	150,020
Less investment expenses	<u>(11,288)</u>
Net investment earnings	<u>17,200</u>
Total additions	<u>1,438,291</u>
Deductions:	
Benefits	<u>1,533,432</u>
Total deductions	<u>1,533,432</u>
Change in net position	(95,141)
Net position – beginning of year	<u>3,457,513</u>
Net position – end of year	<u>\$ 3,362,372</u>

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2015

(1) Financial Statement Presentation

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

(a) Joint Venture

The Town has entered into a joint venture with other municipalities to pool resources and share the costs, risk, and rewards of providing goods or services to venture participants directly, or for the benefit of the general public or specified recipients. The following is the Town's joint venture, the address where the joint venture financial statements are available, its purpose, and the annual assessment paid by the Town in 2015:

Joint venture and address	Purpose	Annual assessment
Bay Path Regional Vocational: Technical School District 57 Old Muggett Hill Road Charlton, MA 01507	To provide vocational educational services	\$ 1,287,049

The Town has no equity interest in the joint venture.

(b) Related Organization

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

(2) Summary of Significant Accounting Policies

The financial statements of the Town have been prepared in conformity with GAAP as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the Town's accounting policies are described below:

(a) Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the primary government (the Town). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the Town where governmental activities generally are financed through taxes, intergovernmental

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2015

revenues, and other nonexchange transactions and business-type activities are financed in whole or in part by fees charged to external parties.

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

Fund Financial Statements

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

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

The Town reports the following major governmental fund:

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

The Town reports the following major enterprise funds:

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

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

Sewer Fund – This fund is used to account for the construction of the Town's sewer infrastructure for certain users and the user charges associated with the provision of sewer services.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2015

Additionally, the Town reports the following fiduciary fund types:

OPEB Trust Fund – This fund is an irrevocable trust fund established for other postemployment benefits (OPEB). Any future assets will be appropriated from the General Fund and accumulate to reduce the unfunded actuarial OPEB liability. A portion of the assets of the trust are used for direct payments of benefits.

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

(b) *Measurement Focus, Basis of Accounting*

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

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

(c) *Cash and Cash Equivalents*

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

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2015

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

(d) *Investment Valuation*

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

(e) *Compensated Absences*

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

(f) *Capital Assets*

General capital assets are those capital assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are reported as expenditures in the governmental fund financial statements. The Town reports general fund expenditures related to capital assets within their respective functions, whereas other governmental capital asset related expenditures are presented as capital outlay. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

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

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

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

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2015

(g) Net Position and Fund Balance

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

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

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

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

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

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

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

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

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

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

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

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2015

The Town maintains a stabilization account in accordance with MGL Chapter 40 Section 5B that is reported as unassigned fund balance in the general fund. The Town may appropriate in any year an amount not exceeding 10% of the amount raised in the preceding fiscal year from real and personal property taxes, or a larger amount as approved by the Massachusetts Department of Revenue. Further, the stabilization account may not exceed 10% of the Town's equalized valuation as defined in MGL Chapter 44 Section 1. Funds can be appropriated from or added to the stabilization account by 2/3 vote of Town Meeting. The balance of the stabilization account was \$723,187 at June 30, 2015.

(h) *Landfill Closure and Postclosure Care Costs*

State and federal regulations require that the Town place a final cover on its municipal solid waste landfill (MSWLF) site and perform certain maintenance and monitoring functions at the site for 30 years thereafter. At June 30, 2015, the Town has covered its MSWLF in accordance with applicable laws and regulations.

The liability for postclosure care reported in the government-wide financial statements is estimated based on current costs, which is the amount that would be paid if all equipment, facilities, and services included in the estimate were acquired during the current period. Such costs are recognized as expenditures in the governmental funds to the extent that they have been paid or are expected to be paid with expendable available financial resources. Expenditures relating to MSWLF were not significant in 2015.

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

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

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

(j) *New Government Accounting Standards Board Pronouncement*

During 2015, the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (GASB 68). Statement No. 68 addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to pensions. Note disclosure and required supplementary information requirements about pensions also are addressed. For defined benefit pensions, this statement also identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Town employees are provided with defined benefit pensions through the

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2015

Worcester Regional Retirement System (System), a cost-sharing, multiple-employer defined benefit pension plan. In accordance with the provisions of Statement No. 68, the Town has reported its proportionate share of the System's collective net pension liability, deferred outflows of resources, and pension expense. As a result of the implementation of Statement No. 68, the Town's governmental activities beginning net position as of July 1, 2014 was restated as follows:

Beginning Net Position, as previously reported	\$ 45,515,139
Implementation of GASB Statement No. 68	<u>(22,767,468)</u>
Beginning Net Position, as restated	<u><u>\$ 22,747,671</u></u>

(k) Use of Estimates

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

(3) Receivables

(a) Property Taxes

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

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

(b) School Building Assistance

The Town participates in the Commonwealth's school building assistance program, which is administered by the Massachusetts School Building Authority (MSBA). The MSBA provides financial assistance (generally 80% of total costs) to the Town to build and/or renovate schools. As of June 30, 2015, under this program, the Town was due funds totaling \$3.2 million.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2015

In the governmental funds, the receivable is offset by deferred inflows of resources because the revenue is not considered available until received. The following is a schedule of the anticipated MSBA receipts as of June 30, 2015:

Fiscal year:	
2016	\$ 404,404
2017	404,404
2018	404,404
2019	404,404
2020	404,404
2021–2023	<u>1,213,212</u>
Total	<u>3,235,232</u>

During fiscal 2015, the Town received \$404,404 in such assistance and recorded the receipt as intergovernmental revenue in the general fund.

(4) Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 943,770	—	—	943,770
Construction in progress	<u>7,055,310</u>	<u>2,293,621</u>	<u>—</u>	<u>9,348,931</u>
Total capital assets, not being depreciated	<u>7,999,080</u>	<u>2,293,621</u>	<u>—</u>	<u>10,292,701</u>
Capital assets, being depreciated:				
Buildings	55,297,466	322,993	—	55,620,459
Land improvements	5,250	—	—	5,250
Machinery and equipment	9,689,168	1,193,635	(8,500)	10,874,303
Infrastructure	<u>24,650,044</u>	<u>791,301</u>	<u>—</u>	<u>25,441,345</u>
	<u>89,641,928</u>	<u>2,307,929</u>	<u>(8,500)</u>	<u>91,941,357</u>

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2015

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Less accumulated depreciation for:				
Buildings	\$ 21,427,495	1,421,714	—	22,849,209
Land improvements	5,250	—	—	5,250
Machinery and equipment	8,427,131	436,150	(8,500)	8,854,781
Infrastructure	<u>17,527,133</u>	<u>893,263</u>	<u>—</u>	<u>18,420,396</u>
	<u>47,387,009</u>	<u>2,751,127</u>	<u>(8,500)</u>	<u>50,129,636</u>
Total capital assets, being depreciated, net	<u>42,254,919</u>	<u>(443,198)</u>	<u>—</u>	<u>41,811,721</u>
Governmental capital assets, net	<u>\$ 50,253,999</u>	<u>1,850,423</u>	<u>—</u>	<u>52,104,422</u>

Depreciation expense was charged to governmental functions as follows:

Governmental activities:				
General government	\$ 101,600			
Public safety	350,926			
Public works	1,224,420			
Education	970,540			
Human services	20,244			
Culture and recreation	<u>83,397</u>			
Total depreciation expense – governmental activities	<u>\$ 2,751,127</u>			

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Water enterprise fund:				
Capital assets, not being depreciated:				
Land	\$ 11,397	—	—	11,397
Capital assets, being depreciated:				
Machinery and equipment	4,587	—	—	4,587
Infrastructure	<u>1,178,150</u>	<u>—</u>	<u>—</u>	<u>1,178,150</u>
	<u>1,182,737</u>	<u>—</u>	<u>—</u>	<u>1,182,737</u>

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2015

	Beginning balance	Increases	Decreases	Ending balance
Less accumulated depreciation for:				
Machinery and equipment	\$ 1,966	655	—	2,621
Infrastructure	<u>435,828</u>	<u>53,023</u>	<u>—</u>	<u>488,851</u>
	<u>437,794</u>	<u>53,678</u>	<u>—</u>	<u>491,472</u>
Total capital assets being depreciated, net	<u>744,943</u>	<u>(53,678)</u>	<u>—</u>	<u>691,265</u>
Water enterprise fund capital assets, net	<u>\$ 756,340</u>	<u>(53,678)</u>	<u>—</u>	<u>702,662</u>
Business-type activities:				
Community Center enterprise fund:				
Capital assets, not being depreciated:				
Land	\$ 375,733	—	—	375,733
Construction in progress	<u>—</u>	<u>101,635</u>	<u>—</u>	<u>101,635</u>
Total capital assets, not being depreciated	<u>375,733</u>	<u>101,635</u>	<u>—</u>	<u>477,368</u>
Capital assets, being depreciated:				
Buildings	2,021,395	41,865	—	2,063,260
Infrastructure	<u>72,313</u>	<u>—</u>	<u>—</u>	<u>72,313</u>
Total capital assets, being depreciated	<u>2,093,708</u>	<u>41,865</u>	<u>—</u>	<u>2,135,573</u>
Less accumulated depreciation for:				
Buildings	932,910	70,161	—	1,003,071
Infrastructure	<u>5,785</u>	<u>1,446</u>	<u>—</u>	<u>7,231</u>
Total accumulated depreciation	<u>938,695</u>	<u>71,607</u>	<u>—</u>	<u>1,010,302</u>
Total capital assets being depreciated, net	<u>1,155,013</u>	<u>(29,742)</u>	<u>—</u>	<u>1,125,271</u>
Community Center capital assets, net	<u>\$ 1,530,746</u>	<u>71,893</u>	<u>—</u>	<u>1,602,639</u>

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2015

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Sewer enterprise fund:				
Capital assets, being depreciated:				
Infrastructure	\$ 3,838,100	261,331	—	4,099,431
Less accumulated depreciation for:				
Infrastructure	<u>455,250</u>	<u>83,444</u>	<u>—</u>	<u>538,694</u>
Total capital assets being depreciated, net	<u>3,382,850</u>	<u>177,887</u>	<u>—</u>	<u>3,560,737</u>
Sewer enterprise fund capital assets, net	<u>\$ 3,382,850</u>	<u>177,887</u>	<u>—</u>	<u>3,560,737</u>

(5) Leasing Arrangement

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

As of June 30, 2015, the book value of the leased water tank is \$457,500 and is included as infrastructure in the water fund.

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

Year ending June 30:	
2016	\$ 38,125
2017	38,125
2018	38,125
2019	38,125
2020	38,125
2021–2025	190,625
2026–2028	<u>76,250</u>
	<u>\$ 457,500</u>

(6) Deposits and Investments

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

(a) Investment Policy

State and local statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits (including demand deposits, term deposits, and certificates of deposit) in any one

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2015

financial institution may not exceed certain prescribed levels without collateralization by the financial institutions involved. Investments can also be made in securities issued by or unconditionally guaranteed by the U.S. government or agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by the U.S. government or agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase and units in the Massachusetts Municipal Depository Trust (MMDT). The OPEB Trust has the ability to own equity and fixed income investments, including stocks, bonds, and mutual funds.

(b) Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the Town's deposits may not be returned. The Town carries deposits that are fully insured by FDIC insurance or collateralized with securities held by the Town or the Town's agent in the Town's name. The Town also carries deposits that are not collateralized and are uninsured. As of June 30, 2015, the bank balances of uninsured and uncollateralized deposits totaled \$4.8 million.

(c) Interest Rate Risk

The following is a listing of the Town's fixed-income investments and related maturity schedule (in years) as of June 30, 2015:

Investment type	Fair value	Less than 1	1-5	6-10
U.S. agency	\$ 139,873	—	139,873	—
U.S. Treasury	94,893	—	94,893	—
Corporate bonds	137,115	75,943	61,172	—
Certificate of deposit	316,194	200,656	115,538	—
Fixed income mutual funds	1,593,861	—	725,589	868,272
Money market funds	6,037,205	6,037,205	—	—
External investment pool	1,118,049	1,118,049	—	—
Total	<u>\$ 9,437,190</u>	<u>7,431,853</u>	<u>1,137,065</u>	<u>868,272</u>

(d) Credit Risk

The certificate of deposits, fixed income mutual funds, external investment pool, and money market funds were not rated as of June 30, 2015. The U.S. Agency bonds are rated AA+ and the corporate bonds are rated AA+ and BBB+ by Standard & Poor's as of June 30, 2015.

(e) Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Town does not hold any securities denominated in a foreign currency.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2015

(7) Pension Benefits – Worcester Regional Retirement System

(a) Plan Description

The Town contributes to the Worcester Regional Retirement System (the System), a cost-sharing multiple-employer, defined benefit pension plan (Plan) administered by a regional retirement board made up of five elected and appointed members. Substantially all employees of the Town are members of the System, except for public school teachers and certain school administrative personnel who are members of the Massachusetts Teachers' Retirement System (see note 8). The System provides retirement, disability, and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws (MGL) assigns authority to establish and amend benefit provisions of the System's plan to the System's Board. Public school teachers are covered by the Commonwealth of Massachusetts Teachers' Retirement System, to which the Town does not contribute.

The System issued a publicly available audit financial statement for the year ended December 31, 2014. A copy may be obtained by submitting a request to the System's Chairman/Chief Executive Officer at 23 Midstate Drive, Suite 106, Auburn, Massachusetts 01501.

(b) Benefits

Benefit provisions and state law establishes contribution requirements of the System. Members of the System become vested after 10 years of creditable service. Normal retirement occurs at age 65 (age 67 if hired on or after April 2, 2012), except for certain public safety employees and other special situations.

For employees hired prior to April 2, 2012, the annual amount of the retirement allowance is based on the member's final three-year average salary multiplied by (1) the number of years and full months of creditable service at the time of retirement and (2) a percentage based on age at retirement in accordance with a schedule provided by state law. Assuming normal retirement at age 65, this percentage is 2.5%, which is reduced for individuals who retire prior to age 65 to reflect the longer pay out period. A member's final three-year average salary is defined as the greater of the highest consecutive three-year average annual rate of regular compensation and the average annual rate of regular compensation received during the last three years of creditable service prior to retirement.

For employees hired on or after April 2, 2012, the annual amount of the retirement allowance is based on the member's final five-year average salary multiplied by (1) the number of years and full months of creditable service at the time of retirement and (2) a percentage based on age at retirement in accordance with a schedule provided by state law. Assuming normal retirement at age 67, this percentage is 2.5%. A member's final five-year average salary is defined as the greater of the highest consecutive five-year average annual rate of regular compensation and the average annual rate of regular compensation received during the last five years of creditable service prior to retirement.

Employees may elect early retirement after 20 years of service or at any time after attaining age 55 (age 60 if hired on or after April 2, 2012) with 10 years of eligible service. Plan members who become permanently and totally disabled may be eligible to receive a disability retirement allowance. The amount of benefits to be received depends on several factors, including the member's age,

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compensation, veteran status, years of service and whether or not the disability is work-related. In addition, certain death benefits exist for beneficiaries of employees who die in active service.

Under MGL, c.32 Section 3(8)(c), members leaving a member employer to work for other Massachusetts governmental units requires the System transfer their accumulated account balances and creditable service to the retirement system of their new employer. Other such retirement systems are in turn required to make comparable transfers to the System for employees coming to work at a member employer of the System. Per statute, the PERAC actuary shall consider length of service as well as acceptance of military service credit and salary cap provisions if applicable in calculating the liability.

(c) Contributions

Chapter 32 of the MGL governs the contributions of plan members and member employers.

Plan members are required to contribute to the System at rates ranging from 5.0% to 9.0% of annual covered compensation. Members hired after December 31, 1978 must contribute an additional 2.0% of regular compensation in excess of \$30,000. Employees in Group 1 hired on or after April 2, 2012 with 30 years of credit services or greater will pay a base contribution rate of 6.0%. These deductions earn interest at a rate determined by PERAC that vests based upon years of service. The Town is required to pay into the System, its share of the remaining system-wide actuarially determined contribution plus administration costs which are apportioned among the employers based on annual employer normal cost and amortization payments to pay the unfunded actuarial accrued liability. The Commonwealth of Massachusetts (Commonwealth) reimburses the System for a portion of benefit payments for cost-of-living (COLA) increases made prior to July 1, 1998.

For the year ended June 30, 2015, the Town's required and actual contribution was \$1,548,645.

COLA's granted through June 30, 1998 are reimbursed by the Commonwealth of Massachusetts. COLA's granted subsequent to June 30, 1998 are the responsibility of the System and are limited to 3% of the base retirement allowance or \$14,000.

(d) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions

At June 30, 2015, the Town reported a liability of \$23,319,110 for its proportionate share of the System net pension liability measured as of December 31, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014 rolled forward to December 31, 2014.

The Town's proportion of the net pension liability was based on a manner in which contributions to the plan are made. Employer allocations, based on employer contributions made for the 2015 fiscal year, was the proportionate share of each employer to all employers and each employer's allocation percentage. At December 31, 2014, the Town's proportion was 3.92%, which was the same percentage as of December 31, 2013.

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For the year ended June 30, 2015, the Town recognized pension expense of \$2,086,262 associated with the System. At June 30, 2015, the Town reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred outflows of resources</u>
Net difference between projected and actual investment earnings	\$ 14,025

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ 3,506
2017	3,506
2018	3,506
2019	3,507
<hr/> Total	<hr/> \$ 14,025

For purposes of measuring the net pension liability, deferred outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the System and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported for the System. Employer contributions to the plan are recognized when due and the employer has a legal obligation to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

(e) *Actuarial Assumptions*

The total pension liability was determined by using an actuarial valuation as of January 1, 2014, using the following assumptions, applied to all periods including the measurement date that was updated to December 31, 2014:

Inflation	Not explicitly assumed for the update to 12/31/14 (3.5% per year for the actuarial valuation as of January 1, 2014)
Salary scale	3.0% per year, including longevity
Investment rate of return, including inflation	8.0%, net of pension plan investment expense, including inflation
Mortality	RP-2000 mortality tables projected to 2014 with using Scale AA For disabled lives the mortality rates were based on the RP-2000 Mortality Table set forward two years.

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The actuarial assumptions used in the January 1, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2012 through December 31, 2013.

The long-term expected rate of return on pension plan investments was using a building block method in which best estimates ranges of expected future real rates of return (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 real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of the actuarial valuation date arithmetic real rates of return for each major asset class included in the target asset allocation as of December 31, 2014 are summarized below:

Asset class	Target allocation	Long-term expected real rate of return
Global equity	43%	8.23%
Fixed income	23	5.05
Private equity	10	9.75
Real estate	10	6.50
Timber/natural resources	4	6.88
Hedge funds	10	7.00
	<hr/> <hr/> 100%	

(f) Discount Rate

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made in accordance with Sections 22D and 22F of Chapter 32 of the Massachusetts General Laws. Based upon these assumptions, the 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.

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(g) Sensitivity of the Town's Proportionate Share of the System Net Pension Liability

The following presents the Town's proportionate share of the System net pension liability calculated using the discount rate of 8.0%, as well as what the Town's proportionate share of the System net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0%) or 1-percentage-point higher (9.0%) than the current rate for the System:

	1% Decrease (7.0%)	Current discount rate (8.0%)	1% Increase (9.0%)
June 30, 2015	\$ 28,391,996	23,319,110	19,011,431

(h) Retirement Trust Fund

Pursuant to MGL Chapter 40, Section 5(d), the Town has established a retirement trust fund that is distinct and separate from the System information noted above. The balance of this fund is not to exceed 10% of the Town's equalized value. The purpose of this fund is to provide a reserve to meet future annual contributions to the System. As of June 30, 2015, the balance of this fund was \$372,561 and was reported as restricted fund balance in the general fund.

A summary of the changes in the retirement trust fund during fiscal 2015 is as follows:

Ending balance, June 30, 2014	\$ 475,111
Interest income	702
Retirement payments	<u>(103,252)</u>
Ending balance, June 30, 2015	\$ 372,561

(8) Pension Benefits – Massachusetts Teachers' Retirement System

(a) General Information about the Pension Plan

Plan description – Public school teachers and certain administrators are provided with pensions through the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Massachusetts Teachers' Retirement Board. The MTRS is part of the Commonwealth of Massachusetts' (Commonwealth) reporting entity and does not issue a stand-alone audited financial report. The MTRS is reported as a Pension Trust Fund in the Commonwealth's audited financial statements that can be obtained at <http://www.mass.gov/osc/publications-and-reports/financial-reports/cafr-reports.html>.

Benefits provided – MTRS provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit requirements. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based

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upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

Contributions – The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Member contributions for MTRS vary depending on the most recent date of membership, ranging from 5-11% of regular compensation. Members hired in 1979 or subsequent contribute an additional 2% of regular compensation in excess of \$30,000.

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. 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* and the Commonwealth is a nonemployer contributing entity in MTRS.

(b) *Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

Since the Town does not contribute directly to MTRS, the Town does not report a proportionate share of the net pension liability of the MTRS at June 30, 2015. The Commonwealth's net pension liability associated with the Town was \$29,146,253.

The MTRS' net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014 rolled forward to June 30, 2014.

For the year ended June 30, 2015, the Town recognized pension expense of \$2,024,930 associated with MTRS and revenue of the same amount for support provided by the Commonwealth.

(9) Other Postemployment Benefits

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

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The Town provides postemployment health care and life insurance benefits, in accordance with state statute and Town charter, to participating retirees and their beneficiaries. As of July 1, 2014, the valuation date, 275 retirees and spouses and 352 active members meet the eligibility requirements as put forth in Chapter 32B of MGL. The Town sponsors and participates in a single-employer defined-benefit OPEB plan. The OPEB plan is administered by the Town and does not issue a stand-alone financial report.

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

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

(a) *Funding Policy*

Employer and employee contribution rates are governed by the Board of Selectmen. The Town currently funds the plan on a pay-as-you-go basis. The Town and plan members share the cost of benefits. As of July 1, 2014, the valuation date, the active plan members contribute 20% to 25% of the monthly premium cost, depending on the plan in which they are enrolled. The retired plan members contribute 50% of the monthly premium cost. The Town contributes the balance of the premium cost.

(b) *Basis of Accounting*

The OPEB Trust Fund is prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when made. Benefits are recognized when due and payable in accordance with the terms of the plan.

Investments of the OPEB Trust fund are stated as follows:

- Mutual funds are reported at net asset value as reported by the investment manager.
- Cash is stated at carrying amount, which is reconciled to book balance.

(c) *Annual OPEB Cost and Net OPEB Obligation*

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

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year ending June 30, 2015, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of July 1, 2014:

Annual Required Contribution (ARC)	\$ 4,277,104
Interest on net OPEB obligation	427,071
Adjustment to ARC	<u>(617,511)</u>
Annual OPEB cost	4,086,664
Contributions made	<u>(1,533,432)</u>
Change in net OPEB obligation	2,553,232
Net OPEB obligation – beginning of year	<u>10,676,765</u>
Net OPEB obligation – end of year	<u>\$ 13,229,997</u>

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

	<u>Annual OPEB cost</u>	<u>Percentage of OPEB cost contributed</u>	<u>Net OPEB obligation</u>
Fiscal year ended:			
2015	\$ 4,086,664	37.5%	\$ 13,229,997
2014	3,442,796	28.1	10,676,765
2013	3,275,134	28.6	8,200,618

(d) Funded Status and Funding Progress

The funded status of the plan as of June 30, 2015, based on an actuarial valuation as of July 1, 2014, was as follows:

Actuarially accrued liability (AAL)	\$ 42,381,429
Actuarial value of plan assets	<u>3,457,513</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 38,923,916</u>
Funded ratio (actuarial value of plan assets/AAL)	8.2%
Covered payroll (active plan members)	\$ 21,481,154
UAAL as a percentage of covered payroll	181.2%

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

(e) *Actuarial Methods and Assumptions*

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

In the July 1, 2014 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.0% investment rate of return. The annual health care cost trend rate starts at 8.5% and 8.0% for retirees pre-65 and post-65, respectively. Those rates are reduced to an ultimate rate of 5.0% after 7 years for pre-65 and 6 years for post-65. The Town's unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis. The remaining amortization period at July 1, 2014 was thirty years.

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(10) Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2015:

	Maturing through year ended June 30	Interest percentage range	Outstanding beginning of year *	Additions	Reductions	Outstanding end of year
Governmental activities:						
General obligation bonds	2035	0.50–4.65%	\$ 9,340,000	2,010,000	(825,000)	10,525,000
Add (deduct):						
Unamortized bond premium			66,616	98,955	(7,785)	157,786
Total governmental activities bonded debt, net			9,406,616	2,108,955	(832,785)	10,682,786
Business-type activities:						
Water fund:						
General obligation bonds	2030	3.25–5.00	159,010	932,100	(11,358)	1,079,752
Add (deduct):						
Unamortized bond premium			—	44,840	—	44,840
Total water bonded debt, net			159,010	976,940	(11,358)	1,124,592

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	<u>Maturing through year ended June 30</u>	<u>Interest percentage range</u>	<u>Outstanding beginning of year *</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding end of year</u>
Sewer fund:						
General obligation bonds	2035	0.50–4.65	\$ 480,990	220,000	(23,642)	677,348
Add (deduct):						
Unamortized bond premium			4,834	10,824	(254)	15,404
Total sewer bonded debt, net			485,824	230,824	(23,896)	692,752
Community Center fund:						
General obligation bonds	2033	0.50–2.85	950,000	—	(50,000)	900,000
Add (deduct):						
Unamortized bond premium			13,963	—	(735)	13,228
Total community center bonded debt, net			963,963	—	(50,735)	913,228
Total business-type activities bonded debt, net			1,608,797	1,207,764	(85,989)	2,730,572
Total bonded debt, net			11,015,413	3,316,719	(918,774)	13,413,358
Other governmental long-term obligations:						
Compensated absences			459,276	12,932	(33,612)	438,596
Other postemployment benefits			10,676,765	4,086,664	(1,533,432)	13,229,997
Net pension liability			22,767,468	2,100,287	(1,548,645)	23,319,110
Landfill and postclosure care costs			57,000		(3,000)	54,000
			33,960,509	6,199,883	(3,118,689)	37,041,703
Total long-term obligations			\$ 44,975,922	9,516,602	(4,037,463)	50,455,061

* Beginning balance restated to include the result of the implementation of GASB 68.

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

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Maturity of Bond Indebtedness

Bond indebtedness outstanding at June 30, 2015 matures as follows:

	Governmental activities					
	Principal	Interest	Total			
Year ending June 30:						
2016	\$ 960,000	381,436	1,341,436			
2017	985,000	345,561	1,330,561			
2018	755,000	308,661	1,063,661			
2019	790,000	279,886	1,069,886			
2020	815,000	249,868	1,064,868			
2021–2025	3,375,000	808,535	4,183,535			
2026–2030	2,005,000	286,870	2,291,870			
2031–2034	840,000	57,801	897,801			
	<u>\$ 10,525,000</u>	<u>2,718,618</u>	<u>13,243,618</u>			
Business-type activities						
	Water	Sewer				
Principal	Interest	Total	Principal	Interest	Total	
Year ending June 30:						
2016	\$ 73,458	33,681	107,139	38,642	19,693	58,335
2017	76,358	31,870	108,228	38,642	18,608	57,250
2018	76,358	30,031	106,389	38,642	17,522	56,164
2019	76,358	28,163	104,521	43,642	16,415	60,057
2020	76,358	26,295	102,653	38,642	15,233	53,875
2021–2025	366,790	89,728	456,518	193,210	58,475	251,685
2026–2030	334,072	25,415	359,487	175,928	29,758	205,686
2031–2034	—	—	—	110,000	7,361	117,361
	<u>\$ 1,079,752</u>	<u>265,183</u>	<u>1,344,935</u>	<u>677,348</u>	<u>183,065</u>	<u>860,413</u>
Business-type activities						
	Community Center	Total	Principal	Interest	Total	
Principal	Interest	Total	Principal	Interest	Total	
Year ending June 30:						
2016	\$ 50,000	22,100	72,100	162,100	75,474	237,574
2017	50,000	20,850	70,850	165,000	71,328	236,328
2018	50,000	19,600	69,600	165,000	67,153	232,153
2019	50,000	18,350	68,350	170,000	62,928	232,928
2020	50,000	17,100	67,100	165,000	58,628	223,628
2021–2025	250,000	68,150	318,150	810,000	216,353	1,026,353
2026–2030	250,000	39,950	289,950	760,000	95,123	855,123
2031–2034	150,000	8,450	158,450	260,000	15,811	275,811
	<u>\$ 900,000</u>	<u>214,550</u>	<u>1,114,550</u>	<u>2,657,100</u>	<u>662,798</u>	<u>3,319,898</u>

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The Town is subject to a dual-level general debt limit: the normal debt limit and the double debt limit. Such limits are equal to 5% and 10%, respectively, of the valuation of taxable property in the Town as last equalized by the Commonwealth's Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit, however, require the approval of the Commonwealth's Emergency Finance Board. Additionally, there are many categories of general obligation debt which are exempt from the debt limit but are subject to other limitations. As of June 30, 2015, the Town has the ability to issue \$49.1 million of additional debt within the normal debt limit.

As of June 30, 2015, the Town has total authorized unissued debt of \$10,398,000, intended to finance the following:

Governmental activities:		
Middle school roof	\$	3,300,000
Woodward school repair		158,000
Splash Pad		300,000
Library Repair		140,000
Water fund:		
Water company purchase		6,300,000
Water main		200,000
	\$	<u>10,398,000</u>

(11) Temporary Borrowings

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

- Current operating costs prior to the collection of revenues through issuance of revenue anticipation notes (RANs);
- Capital project costs incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANs);
- Federal and state aided capital projects and other program expenditures prior to receiving reimbursement through issuance of federal and state aid anticipation notes (FANs and SANs).

Temporary loans are general obligations of the Town and carry maturity dates, which are limited by statute. In fiscal 2015, the Town incurred \$7,225 in interest expense for temporary borrowings.

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Short-term debt activity for the year ended June 30, 2015 was as follows:

	<u>Outstanding at June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding at June 30, 2015</u>
Revenue anticipation notes payable:				
General fund:				
Revenue anticipation note	\$ 1,800,000	—	(1,800,000)	—
Bond anticipation notes payable:				
Water fund:				
Water company purchase	960,000	932,100	(1,892,100)	—
Total	<u>\$ 2,760,000</u>	<u>932,100</u>	<u>(3,692,100)</u>	<u>—</u>

(12) Interfund Receivable and Payable Balances

Individual fund receivable and payable balances at June 30, 2015 are as follows:

	<u>Interfund balances</u>	<u>Receivable</u>	<u>Payable</u>
Other governmental:			
Special revenue funds	\$ 15,320	—	—
Community center fund	—	—	15,320
Balances at June 30, 2015	<u>\$ 15,320</u>	<u>15,320</u>	<u>15,320</u>

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(13) Transfers

Transfers to (from) governmental and proprietary funds and their purposes during the year ended June 30, 2015 were as follows:

	General	Other governmental	Sewer	Water
Ambulance – operating expense	\$ 650,000	(650,000)	—	—
Board of Health – operating expense	140,000	(140,000)	—	—
WRTA – operating expense	27,000	(27,000)	—	—
Conservation – operating expense	14,000	(14,000)	—	—
Animal Control – operating expense	8,000	(8,000)	—	—
Cemetery – operating expense	6,000	(6,000)	—	—
Revolving – operating expense	4,000	(4,000)	—	—
HAP Charity – operating expense	4,000	(4,000)	—	—
	General	Other governmental	Sewer	Water
Library State Aid – operating expense	\$ 24,000	(24,000)	—	—
Municipal Building – operating expense	50,000	(50,000)	—	—
Available funds – WRTA	(12,575)	12,575	—	—
Available funds – Conservation	(255)	255	—	—
Available funds – Animal Control	(7,083)	7,083	—	—
Available funds – State Aid-Library	(4,176)	4,176	—	—
Revolving – Water operations	—	(15,088)	15,088	—
Revolving – Sewer operations	—	(57,679)	—	57,679
Total net transfers to (from)	\$ 902,911	(975,678)	15,088	57,679

(14) Risk Management

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

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

The Town is insured for general liability up to \$100,000 per claim to a maximum of \$1,000,000 per occurrence; however, Chapter 258 of the MGL limits the Town's liability to a maximum of \$100,000 per claim in all matters except in actions relating to federal/civil rights, eminent domain and breach of contract. Such claims are charged to the general fund. There were no such claims or related judgments paid in 2015.

The Town is a member of the Massachusetts Interlocal Insurance Association (MIIA), a public entity risk pool currently operating as a common risk management and insurance program for workers' compensation benefits for employees including uniformed police and fire personnel. Uniformed personnel are covered up to \$1,250 per week through MIIA with the Town covering the difference. MIIA is self-sustaining through

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2015

member premiums and reinsurance through commercial companies for stop loss insurance. The total premium assessed by MIIA to the Town in 2015 amounted to \$461,721 and was recorded in the general fund.

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

Health insurance benefits for employees are provided through a third-party insurance carrier and health maintenance organizations. The Town pays approximately 65% of the premium cost for employees who elect the primary care indemnity plan. The Town contributes 80% of the premium costs for those employees who elect a managed health care program that were hired before July 1, 2006 and 75% for those hired after. That percentage reduces to 50% when an employee retires. Additionally, the Town is self-insured for unemployment compensation. In fiscal 2015, claims related to unemployment compensation amounted to \$122,173. The liability for self-insured unemployment compensation is not material at June 30, 2015.

The Town maintains an unemployment compensation account designated to fund unemployment claims. As of June 30, 2015, the balance in this account was \$155,281 and is reported in the general fund as restricted fund balance. Pursuant to MGL Chapter 40, Section 5(e), the balance of the unemployment compensation account is limited to 1% of the Town's equalized value. These amounts are recorded as fund balances restricted for employee benefits.

(15) Commitments and Contingencies

On August 21, 2012, the Town entered into two Solar Power Net Meter Purchase Agreements (the Agreements) with EPG Solar, LLC (EPG Solar). These Agreements provide for obtaining solar power net metering credits produced by the Solar Facility.

The Agreements expire in 2032 unless extended, renewed, or terminated. These Agreements may be renewed for up to 10 additional years in five year renewal terms.

EPG Solar makes available to the Town a minimum of the Firm Commitment of net metering credits on a yearly basis. The Firm Commitment for both Agreements range from 1.45 thousand kWhs to 1.76 thousand kWhs over the 20 year contracts.

The initial rate charged to the Town for the Firm Commitment is \$0.0895 per kWh escalating at 2.5% per annum.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2015

As of June 30, 2015, based on the above annual charges, the Town expects to pay \$6.3 million for its Firm Commitment as follows:

	<u>Amount</u>
Fiscal Year:	
2016	\$ 329,187
2017	334,043
2018	338,970
2019	343,970
2020	349,043
2021–2025	1,823,977
2026–2030	1,962,523
2031–2032	<u>826,133</u>
	<u><u>\$ 6,307,846</u></u>

The Town has committed \$625 thousand in open purchase orders and contracts as follows:

General fund	\$ 284,654
Other governmental	89,787
Sewer fund	131,261
Community Center fund	<u>118,867</u>
Balances at June 30, 2015	<u><u>\$ 624,569</u></u>

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2015

(16) Fund Balance Classification

The components of fund balance for the Town's governmental funds as of June 30, 2015 are as follows (in thousands):

Fund balance	General	Other governmental
Nonspendable – permanent fund principal	\$ —	5,721,111
Restricted:		
General government	—	405,062
Public safety	—	700,577
Education	—	39,911
Public works	—	299,407
Health and human services	—	100,280
Culture and recreation	—	160,032
Pension and Fringe	527,842	—
Subtotal	<u>527,842</u>	<u>1,705,269</u>
Committed:		
General government	28,112	—
Public safety	4,368	—
Public works	78,194	—
Subtotal	<u>110,674</u>	<u>—</u>
Assigned:		
General government	192,561	5,878
Public safety	4,680	232,017
Education	81,214	586,157
Public works	134,706	69,751
Culture and recreation	—	817
Subtotal	<u>413,161</u>	<u>894,620</u>
Unassigned:	<u>2,219,799</u>	<u>—</u>
Balances at June 30, 2015	<u><u>\$ 3,271,476</u></u>	<u><u>8,321,000</u></u>

TOWN OF OXFORD, MASSACHUSETTS
 Budgetary Comparison Schedule – General Fund
 (Unaudited)
 June 30, 2015

	Budgeted amounts		Actual amounts (budgetary basis)	Variance with final budget positive (negative)
	Original	Final		
Resources (inflows):				
Real and personal property taxes, net	\$ 19,695,117	19,745,117	19,980,560	235,443
Excises	1,640,577	1,640,577	1,683,316	42,739
Penalties and interest	177,728	177,728	209,571	31,843
Fees	82,380	82,380	51,508	(30,872)
Licenses and permits	33,525	33,525	30,504	(3,021)
Intergovernmental	12,792,906	12,792,906	12,726,038	(66,868)
Fines and forfeitures	80,859	80,859	84,227	3,368
Investment income	30,599	30,599	21,717	(8,882)
Other	154,332	154,332	372,680	218,348
Amounts available for appropriation	<u>34,688,023</u>	<u>34,738,023</u>	<u>35,160,121</u>	<u>422,098</u>
Charges to appropriations (outflows):				
Current:				
General government	2,889,243	2,877,243	2,821,627	55,616
Public safety	3,157,076	3,227,076	3,219,792	7,284
Education	18,306,832	18,306,832	18,278,589	28,243
Public works	2,367,666	2,567,402	2,567,402	—
Human services	221,817	283,817	271,242	12,575
Culture and recreation	448,127	448,127	442,825	5,302
State and county assessments	857,694	906,099	906,099	—
Pension, fringe, and general insurance	6,884,260	6,884,260	6,866,765	17,495
Debt service	1,300,374	1,300,374	1,211,791	88,583
Total charges to appropriations	<u>36,433,089</u>	<u>36,801,230</u>	<u>36,586,132</u>	<u>215,098</u>
Deficiency	<u>(1,745,066)</u>	<u>(2,063,207)</u>	<u>(1,426,011)</u>	<u>637,196</u>
Other financing sources:				
Transfers in, net	1,481,006	1,481,006	1,406,163	(74,843)
Total other financing sources	<u>1,481,006</u>	<u>1,481,006</u>	<u>1,406,163</u>	<u>(74,843)</u>
(Deficiency) excess	<u>(264,060)</u>	<u>(582,201)</u>	<u>\$ (19,848)</u>	<u>562,353</u>
Other budget items:				
Free cash	265,000	265,000		
Other available funds	(940)	317,201		
Total other budget items	<u>264,060</u>	<u>582,201</u>		
Net budget	<u>\$ —</u>	<u>—</u>		

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

TOWN OF OXFORD, MASSACHUSETTS

Notes to Budgetary Comparison Schedule – General Fund

June 30, 2015

Note A – Budgetary Basis of Accounting

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

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

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

The major differences between budget and GAAP bases are that:

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

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

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

TOWN OF OXFORD, MASSACHUSETTS

Notes to Budgetary Comparison Schedule – General Fund

June 30, 2015

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

	Revenue	Expenditures	Other financing sources (uses), net
As reported on a budgetary basis	\$ 35,160,121	36,586,132	1,406,163
Adjustment of revenues to a modified accrual basis	(139,571)	—	131,269
Adjustment for encumbrances and continuing appropriations and accrued expenditures, net of prior year reversals	—	19,793	—
Adjustment for revenues, expenditures and transfers that are not included in the general fund for budgetary purposes, but are included in the general fund for financial reporting purposes	<u>2,177,880</u>	<u>2,162,103</u>	<u>(503,252)</u>
As reported on a GAAP basis	<u><u>\$ 37,198,430</u></u>	<u><u>38,768,028</u></u>	<u><u>1,034,180</u></u>

Note C – Expenditures in Excess of Budget

The Town had no expenditures in excess of budgeted appropriations.

TOWN OF OXFORD, MASSACHUSETTS

Schedule of Proportionate Share of the Net Pension Liability

June 30, 2015

(Unaudited)

(Dollars in thousands)

	System (December 31, 2014 measurement date)	MTRS (June 30, 2014 measurement date)
Town's proportion of the net pension liability	3.9%	—%
Town's proportionate share of the net pension liability	\$ 23,319	—
Commonwealth's proportionate share of the net pension liability associated with the Town	N/A	29,146
Town's covered-employee payroll	\$ 9,093	1,317
Town's proportionate share of the net pension liability as a percentage of covered-employee payroll	636.7%	N/A
Plan fiduciary net position as a percentage of the total pension liability	47.9%	61.1%

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying independent auditors' report.

TOWN OF OXFORD, MASSACHUSETTS

Schedule of Contributions

June 30, 2015

(Unaudited)

(Dollar amounts in thousands, except Notes to schedules)

	System	MTRS
Town's actuarially determined contribution	\$ 1,549	—
Contributions in relation to the actuarially determined contribution	(1,549)	—
Contribution deficiency	<u><u>\$ —</u></u>	<u><u>—</u></u>
Covered-employee payroll	\$ 9,093	TBD
Contributions as a percentage of covered-employee payroll	18.80%	NA

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Notes to schedules

The actuarial determined contributions for the System are calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported above.

Pension	
Valuation date	January 1, 2014
Actuarial cost method	Individual entry age normal cost
Amortization method	Increasing amortizations at 4.0%
Remaining amortization period	21 years
Asset valuation method	Market value investment reduced by sum of gains and losses spread over 5-year rolling period; not less than 80% nor more than 120% of market value
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	3.0%
Healthcare cost inflation	None
Cost-of-living adjustments	Increase annually by 3% up to a maximum of \$480

See accompanying independent auditors' report.

TOWN OF OXFORD, MASSACHUSETTS

Schedules of Funding Progress and Employer Contributions – Other Postemployment Benefits

June 30, 2015

(Unaudited)

(Dollar amounts in thousands, except Notes to schedules)

Schedules of Funding Progress – Other Postemployment Benefits

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (b)	Unfunded (b-a)	Funded ratio (a/b)	Covered payroll (c)	Unfunded as a % of payroll (b-a)/c)
7/1/2014	\$ 3,457	42,381	38,924	8.2%	\$ 21,481	181.2%
7/1/2012	3,312	35,374	32,062	9.4	20,422	157.0
7/1/2010	—	33,466	33,466	—	17,509	191.1

Schedule of Employer Contributions – OPEB Trust Fund

	Annual required contribution	Percentage contributed
Year ended June 30:		
2015	\$ 4,277	35.9%
2014	3,589	26.9
2013	3,380	27.7

Notes to schedules

Additional information as of the latest actuarial valuation:

OPEB

Valuation date	July 1, 2014
Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar, Open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	None
Healthcare cost inflation	8.0% to 5.0%
Cost-of-living adjustments	None

See accompanying independent auditors' report.