



TOWN OF OXFORD, MASSACHUSETTS

Basic Financial Statements and
Required Supplementary Information

June 30, 2013

(With Independent Auditors' Report Thereon)

TOWN OF OXFORD, MASSACHUSETTS

Table of Contents

	Page(s)
Independent Auditors' Report	1 – 2
Management's Discussion and Analysis	3 – 10
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Net Position – Proprietary Funds	17
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	18
Statement of Cash Flows – Proprietary Funds	19
Statement of Net Position – Fiduciary Funds	20
Statement of Changes in Net Position – Fiduciary Funds	21
Notes to Basic Financial Statements	22 – 44
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	45
Notes to Budgetary Comparison Schedule – General Fund	46 – 47
Schedules of Funding Progress and Employer Contributions	48



KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

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, 2013, 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, as of June 30, 2013, 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.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis, budgetary comparison information and schedules of funding progress and employer contributions as listed in the table on 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2014 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

May 9, 2014

TOWN OF OXFORD, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2013

(Unaudited)

As management of the Town of Oxford (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2013.

The Town provides general governmental services for the territory within its boundaries, including police and fire protection, public education, sewer maintenance and parks, and recreational facilities.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of fiscal 2013 by approximately \$51.5 million (net position).
- The Town's total net position decreased by approximately \$1.1 million in fiscal 2013.
- At the end of fiscal 2013, unassigned fund balance for the general fund was approximately \$2.2 million or 6.3% of total 2013 general fund expenditures.
- The Town's total long-term bonds increased by \$3.2 million during fiscal 2013.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general administration, public safety, education, public works, human services, and cultural development. The business-type activities of the Town consist of sewer system, water works, and community center activities.

TOWN OF OXFORD, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2013

(Unaudited)

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is the Town's only major governmental fund. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation.

Proprietary Funds – Enterprise funds (one type of proprietary fund) are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its sewer, water, and community center activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide combined information for the sewer, water and community center activities. The water, sewer and community center funds are presented separately as major funds.

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

The Town's fiduciary activities include an other post-employment benefit (OPEB) trust fund and an agency fund. These funds are reported in a separate statement of fiduciary net position and statement of changes in fiduciary net position (OPEB Trust only). The OPEB Trust fund was established to accumulate assets to pay future OPEB costs for the Town's retirees. Funds in this trust fund may only be used to pay OPEB benefits of the Town's retirees. The agency fund, which is custodial in nature (assets equal liabilities), do not involve measurement of results of operations. The Town's agency fund primarily accounts for police and fire off-duty details. The

TOWN OF OXFORD, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2013

(Unaudited)

fiduciary activities are excluded from the Town's government-wide financial statements because the Town cannot use these assets to finance its operations.

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

Other Information – In addition to the basic financial statements and accompanying notes, these financial statements also present certain required supplementary information (RSI).

The Town adopts an annual appropriated budget for the general fund. A budgetary comparison schedule has been provided for the general fund as RSI to demonstrate compliance with this budget.

The Town participates in the Worcester Regional Retirement System (the System), a defined benefit, multi-employer cost-sharing retirement plan. The Town has presented the schedules of funding progress and employer contributions for the System as a whole as RSI. Although the Town is one participant of many, it has presented this information because the System does not issue stand-alone financial statements prepared in accordance with GASB standards.

A schedule of funding progress and employer contributions for the Town's other postemployment benefit plan has also been presented as RSI.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by approximately \$51.5 million at the close of the current fiscal year.

A significant portion of the Town's net position (81.8%) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt are generally provided from other sources, since the capital assets themselves typically are not used to liquidate these liabilities.

An additional portion of the Town's net position (16.1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1.1 million represents unrestricted net position.

Governmental Activities – Governmental activities decreased the Town's net position by approximately \$2.9 million. This decrease is primarily due to the continued recognition of the Town's other post-employment benefit liability.

TOWN OF OXFORD, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2013

(Unaudited)

Business-Type Activities – Business-type activities increased the Town's net position by approximately \$1.8 million. This increase is primarily due to the receipt of a State grant used to fund the construction of sewer infrastructure assets.

Condensed schedule of net position as of June 30, 2013 and 2012						
	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
(In thousands)						
Current and other assets	\$ 22,459	21,114	550	474	23,009	21,588
Capital assets	47,330	46,708	5,880	4,142	53,210	50,850
Total assets	\$ 69,789	67,822	6,430	4,616	76,219	72,438
Long-term debt outstanding	\$ 9,415	8,364	1,700	1,705	11,115	10,069
Other long-term liabilities	8,726	6,391	23	27	8,749	6,418
Other liabilities	3,870	2,340	942	959	4,812	3,299
Total liabilities	\$ 22,011	17,095	2,665	2,691	24,676	19,786
Net position:						
Net investment in capital assets	\$ 38,611	38,344	3,536	1,936	42,147	40,280
Restricted	8,318	8,248	—	—	8,318	8,248
Unrestricted	849	4,135	229	(11)	1,078	4,124
Total net position	\$ 47,778	50,727	3,765	1,925	51,543	52,652

TOWN OF OXFORD, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2013

(Unaudited)

Condensed schedule of changes in net position for the years ending June 30, 2013 and 2012						
	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
(In thousands)						
Revenues:						
Program revenues:						
Charges for services	\$ 3,322	3,424	449	440	3,771	3,864
Operating grants	12,654	12,194	—	—	12,654	12,194
Capital grants	1,407	1,085	2,181	100	3,588	1,185
General revenues:						
Property taxes	18,243	17,331	—	—	18,243	17,331
Excise taxes	1,484	1,390	—	—	1,484	1,390
Intergovernmental	1,849	1,759	—	—	1,849	1,759
Other	693	338	—	—	693	338
Gain (loss) on disposal of capital assets	—	(45)	—	—	—	(45)
Total revenues	39,652	37,476	2,630	540	42,282	38,016
Expenses:						
General government	3,365	3,289	—	—	3,365	3,289
Public safety	4,493	4,337	—	—	4,493	4,337
Education	28,969	28,325	—	—	28,969	28,325
Public works	3,515	3,473	—	—	3,515	3,473
Health and human services	267	260	—	—	267	260
Culture and recreation	811	755	—	—	811	755
State and county assessments	711	748	—	—	711	748
Interest on long-term debt	397	649	—	—	397	649
Enterprise accounts:						
Water fund	—	—	285	208	285	208
Community center fund	—	—	326	278	326	278
Nonmajor fund	—	—	252	218	252	218
Total expenses	42,528	41,836	863	704	43,391	42,540
Increase (decrease) in net position before transfers	(2,876)	(4,360)	1,767	(164)	(1,109)	(4,524)
Transfers	(73)	(32)	73	32	—	—
Change in net position	(2,949)	(4,392)	1,840	(132)	(1,109)	(4,524)
Net position, beginning of year	50,727	55,119	1,925	2,057	52,652	57,176
Net position, end of year	\$ 47,778	50,727	3,765	1,925	51,543	52,652

Financial Analysis of the Town's Governmental Funds

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

Governmental Funds – The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's

TOWN OF OXFORD, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2013

(Unaudited)

financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of approximately \$13.6 million, an increase of approximately \$1.0 million from the prior year. The general fund has an unassigned fund balance of approximately \$2.2 million. The remainder of the Town's governmental fund balance is nonspendable, restricted, committed, or assigned to indicate that its use is constrained for specific purposes because it is (1) related to permanent fund principal, \$3.8 million, (2) restricted for various purposes, through federal and state grants, donors intent, state laws, and other agreements with external parties for purposes including employee benefits and ambulance operations, \$5.6 million, (3) committed for future purposes in the form of continuing appropriations, \$684 thousand, or (4) assigned to the fiscal year 2013 budget or to liquidate purchase orders and contracts executed in fiscal year 2013, \$1.4 million.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was approximately \$2.2 million, while total general fund balance was approximately \$4.4 million. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 6.3% of total general fund expenditures.

The fund balance of the Town's general fund decreased by approximately \$712 thousand during the current fiscal year. This decrease was primarily due to expenditures exceeding revenues and the Town's use of stabilization and other reserves to fund that shortfall.

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

The net position of the proprietary funds at the end of the current fiscal year totaled approximately \$3.8 million. Net position of the proprietary funds increased approximately \$1.8 million in the current year. This increase is primarily due to the receipt of a State grant used to fund the construction of sewer infrastructure assets.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget for the general fund were mainly the result of town meeting transfers and finance committee reserve transfers for unforeseen events. Amendments decreased budgeted expenditures by approximately \$379 thousand (1.1%). Actual revenues exceeded budgeted revenues by approximately \$190 thousand. Further, actual expenditures were under budget by \$290 thousand.

Capital Assets and Debt Administration

Capital Assets – The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounted to approximately \$53.2 million (net of accumulated depreciation). This investment in capital assets includes land, land improvements, construction in progress, buildings, machinery and equipment, and infrastructure.

TOWN OF OXFORD, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2013

(Unaudited)

Capital assets, net, increased \$622 thousand in the governmental activities due to depreciation exceeding capital asset additions. Business-type activities capital assets, net, increased approximately \$1.7 million due to sewer infrastructure improvements. The sewer infrastructure improvements were primarily funded by a State grant totaling \$2.2 million.

Long-Term Debt – At the end of the current fiscal year, the Town had total debt outstanding of \$12.6 million. The entire amount is backed by the full faith and credit of the Town.

	Outstanding debt		
	Governmental activities	Business-type activities	Total
Long-term bonds	\$ 10,145,000	1,680,000	11,825,000
Bond anticipation note	—	731,000	731,000
Total	\$ 10,145,000	2,411,000	12,556,000

The Town's bonds payable increased by \$3.2 million during the current fiscal year. The increase was a result of the Town issuing approximately \$3.9 million in general obligation bonds related to school, sewer, and community center projects.

The Town's bond anticipation notes outstanding decreased by \$69 thousand. The bond anticipation notes are related to the acquisition of the water company.

The Town maintains an insured debt rating of "Aaa" and an underlying debt rating of A2 from Moody's investor's service for its general obligation debt.

Economic Factors and Next Year's Budget

The state's economic condition is improving. In preparing for the Fiscal 2014 budget, the Town anticipates an increase from the State in the form of State Aid. The Town is continuing to apply reserves that it had built up for in an effort to begin making restoration to areas of the budget that had been affected by the downturned economy. The Town continues to ensure that Public Safety, Public Health, Public Works, and Education services remain unaffected.

The annual unemployment rate for the Town for June 2013 is currently 7.5%, 0.4% more than the 7.1% rate in June 2012. This compares to the June 2013 state's unemployment rate of 7.4%, and the June 2013 national rate of 7.5%. It appears that the Town's unemployment rate has stabilized with the state and national rate; in addition the national unemployment rate has slightly improved indicating an overall improving economy. The Town expects this improving economy to continue through 2014.

TOWN OF OXFORD, MASSACHUSETTS

Required Supplementary Information
Management's Discussion and Analysis

June 30, 2013

(Unaudited)

Requests for Information

This information is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this document or requests for additional financial information should be addressed to the Oxford Town Accountant at 325 Main Street, Oxford, MA 01540.

TOWN OF OXFORD, MASSACHUSETTS

Statement of Net Position

June 30, 2013

Assets	Governmental activities	Business-type activities	Total
Cash, cash equivalents and investments	\$ 16,148,272	161,345	16,309,617
Cash, cash equivalents and investments - restricted	—	213,921	213,921
Receivables, net:			
Property taxes	551,424	—	551,424
Motor vehicle excise	267,301	—	267,301
Tax liens	619,774	—	619,774
Intergovernmental	685,991	156,606	842,597
Departmental and other	472,820	—	472,820
Other assets	73,566	2,782	76,348
Long-term intergovernmental receivable	3,639,636	—	3,639,636
Other long-term receivable	—	15,000	15,000
Capital assets:			
Nondepreciable	3,069,168	387,130	3,456,298
Depreciable, net	44,260,795	5,493,069	49,753,864
Total assets	69,788,747	6,429,853	76,218,600
Liabilities			
Warrants and accounts payable	1,549,553	188,466	1,738,019
Accrued liabilities	1,489,564	22,515	1,512,079
Bond anticipation note	—	731,000	731,000
Other	26,213	—	26,213
Long-term liabilities:			
Due within one year:			
Compensated absences	73,317	—	73,317
Internal balances	(3,831)	3,831	—
Bonds and notes	805,000	90,000	895,000
Landfill and postclosure care costs	3,000	—	3,000
Due in more than one year:			
Internal balances	(19,150)	19,150	—
Compensated absences	415,460	—	415,460
Bonds and notes	9,414,401	1,609,786	11,024,187
Landfill and postclosure care costs	57,000	—	57,000
Other postemployment benefits	8,200,618	—	8,200,618
Total liabilities	22,011,145	2,664,748	24,675,893
Net Position			
Net investment in capital assets	38,610,562	3,535,622	42,146,184
Restricted for:			
Permanent funds:			
Nonexpendable	3,849,785	—	3,849,785
Expendable	1,272,803	—	1,272,803
State and Federal Grants	603,645	—	603,645
Employee benefits	944,456	—	944,456
Other	1,647,747	—	1,647,747
Unrestricted	848,604	229,483	1,078,087
Total net position	\$ 47,777,602	3,765,105	51,542,707

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Statement of Activities

Year ended June 30, 2013

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	\$ 3,364,939	254,508	26,470	—	(3,083,961)		(3,083,961)
Public safety	4,492,884	741,930	125,012	—	(3,625,942)		(3,625,942)
Education	28,968,711	2,182,687	12,187,026	891,729	(13,707,269)		(13,707,269)
Public works	3,515,371	114,944	122,124	515,683	(2,762,620)		(2,762,620)
Health and human services	267,155	27,838	108,788	—	(130,529)		(130,529)
Culture and recreation	810,811	157	84,633	—	(726,021)		(726,021)
State and county assessments	710,613	—	—	—	(710,613)		(710,613)
Interest on long-term debt	397,062	—	—	—	(397,062)		(397,062)
Total governmental activities	42,527,546	3,322,064	12,654,053	1,407,412	(25,144,017)		(25,144,017)
Business-type activities:							
Water	284,930	38,752	—	—		(246,178)	(246,178)
Community Center	326,327	210,781	—	—		(115,546)	(115,546)
Sewer	251,897	199,863	—	2,180,798		2,128,764	2,128,764
Total business-type activities	863,154	449,396	—	2,180,798		1,767,040	1,767,040
Total primary government	\$ 43,390,700	3,771,460	12,654,053	3,588,210		1,767,040	(23,376,977)
General revenues:							
Property taxes, levied for general purposes, net					18,242,546	—	18,242,546
Excises					1,483,674	—	1,483,674
Penalties and interest on taxes					161,883	—	161,883
Other					9,412	—	9,412
Intergovernmental					1,848,781	—	1,848,781
Investment income					521,489	—	521,489
Transfers					(73,217)	73,217	—
Total general revenues					22,194,568	73,217	22,267,785
Change in net position					(2,949,449)	1,840,257	(1,109,192)
Net position, beginning of year					50,727,051	1,924,848	52,651,899
Net position, end of year					\$ 47,777,602	3,765,105	51,542,707

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Balance Sheet – Governmental Funds

June 30, 2013

Assets	General	Other governmental	Total
Cash, cash equivalents and investments	\$ 6,246,832	9,901,440	16,148,272
Receivables, net:			
Property taxes	551,424	—	551,424
Motor vehicle excise	267,301	—	267,301
Tax liens	619,774	—	619,774
Intergovernmental	4,096,867	228,760	4,325,627
Departmental and other	86,525	386,295	472,820
Due from other funds	—	31,846	31,846
Total assets	<u>\$ 11,868,723</u>	<u>10,548,341</u>	<u>22,417,064</u>
Liabilities and Fund Balance			
Warrants and accounts payable	\$ 812,987	736,566	1,549,553
Due to other funds	8,865	—	8,865
Accrued liabilities:			
Tax abatements	7,621	—	7,621
Payroll and related withholdings	1,180,229	154,571	1,334,800
Deferred revenue	5,451,710	423,785	5,875,495
Other	26,213	—	26,213
Total liabilities	<u>7,487,625</u>	<u>1,314,922</u>	<u>8,802,547</u>
Fund balance:			
Nonspendable	—	3,849,785	3,849,785
Restricted	944,456	4,621,046	5,565,502
Committed	684,046	—	684,046
Assigned	595,975	762,588	1,358,563
Unassigned	2,156,621	—	2,156,621
Total fund balances	<u>4,381,098</u>	<u>9,233,419</u>	<u>13,614,517</u>
Total liabilities and fund balances	<u>\$ 11,868,723</u>	<u>10,548,341</u>	<u>22,417,064</u>

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, 2013

Total fund balance – governmental funds	\$ 13,614,517
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.	47,329,963
Certain revenues are earned but are not available and are therefore deferred in the funds.	5,875,495
Bond issuance costs are capitalized in the government-wide statements but are recorded when bond proceeds are received in the funds.	73,566
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	(10,145,000)
Bond issue premium	(74,401)
Landfill closure and post closure care costs	(60,000)
Accrued interest on bonds	(47,143)
Other postemployment benefits	(8,200,618)
Tax refunds	(100,000)
Compensated absences	(488,777)
	<u>(19,115,939)</u>
Net position of governmental activities	\$ <u><u>47,777,602</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, 2013

	<u>General</u>	<u>Other governmental</u>	<u>Total</u>
Revenues:			
Real and personal property taxes	\$ 18,159,482	—	18,159,482
Motor vehicle and other excises	1,437,691	—	1,437,691
Penalties and interest on taxes	161,883	—	161,883
Fees	90,651	2,959,441	3,050,092
License and permits	33,731	—	33,731
Intergovernmental	12,460,155	3,207,717	15,667,872
Fines and forfeitures	74,167		74,167
Investment income	35,297	478,547	513,844
Departmental and other revenue	233,201	294,684	527,885
Contributions and donations	250,000	113,737	363,737
Total revenues	<u>32,936,258</u>	<u>7,054,126</u>	<u>39,990,384</u>
Expenditures:			
Current:			
General government	2,707,395	69,423	2,776,818
Public safety	3,020,011	131,342	3,151,353
Education	17,305,546	3,968,555	21,274,101
Public works	2,309,078	86,861	2,395,939
Human services	197,932	23,811	221,743
Culture and recreation	398,218	238,064	636,282
State and county assessments	710,613	—	710,613
Pension, fringe and general insurance	6,787,745	—	6,787,745
Capital outlay	—	2,439,436	2,439,436
Debt service	1,047,032	—	1,047,032
Total expenditures	<u>34,483,570</u>	<u>6,957,492</u>	<u>41,441,062</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,547,312)</u>	<u>96,634</u>	<u>(1,450,678)</u>
Other financing sources (uses):			
Premium on bonds issued	—	36,746	36,746
Bond proceeds	—	2,500,000	2,500,000
Transfers in	889,791	54,104	943,895
Transfers out	(54,104)	(963,008)	(1,017,112)
Total other financing sources (uses)	<u>835,687</u>	<u>1,627,842</u>	<u>2,463,529</u>
Net change in fund balances	(711,625)	1,724,476	1,012,851
Fund balance, beginning of year	<u>5,092,723</u>	<u>7,508,943</u>	<u>12,601,666</u>
Fund balance, end of year	<u>\$ 4,381,098</u>	<u>9,233,419</u>	<u>13,614,517</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, 2013

Net change in fund balances – total governmental funds	\$ 1,012,851
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 (\$3,441,387) exceeded depreciation expense (\$2,819,300).	622,087
Accrual basis revenues can result in more or (less) revenues reported in the statement of activities depending upon timing of billings and collections.	65,334
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 (\$2,500,000) exceeded debt repayments (\$675,000).	(1,825,000)
Bond premiums, net of amortization (\$30,798) increase the long-term liabilities in the statement of net position, but are included in the activity statement of the governmental funds when received. Bond issuance costs, net of amortization (\$6,530) are expenditures in the governmental funds when incurred, but are deferred assets in the statement of net position. This is the amount by which current year amortization of bond issue costs and capitalization of bond premiums, exceeds amortization of bond premiums on the statement of activities.	(37,328)
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 compensated absences (\$21,603), accrued interest (\$24,448) and the other postemployment benefit liability (\$2,339,938) offset by a decrease in the landfill liability (\$3,000).	(2,382,989)
Change in net position of governmental activities	\$ <u><u>(2,949,449)</u></u>

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Statement of Net Position – Proprietary Funds

June 30, 2013

Assets	Water fund	Community Center fund	Sewer fund	Total
Current assets:				
Cash and cash equivalents	\$ —	56,980	104,365	161,345
Cash and cash equivalents, restricted	213,921	—	—	213,921
Receivables, net	—	—	156,606	156,606
Total current assets	213,921	56,980	260,971	531,872
Noncurrent assets:				
Receivables, net	—	15,000	—	15,000
Other assets	1,544	—	1,238	2,782
Nondepreciable capital assets	11,397	375,733	—	387,130
Depreciable capital assets, net	798,622	1,233,095	3,461,352	5,493,069
Total noncurrent assets	811,563	1,623,828	3,462,590	5,897,981
Total assets	\$ 1,025,484	1,680,808	3,723,561	6,429,853
Liabilities				
Current liabilities:				
Warrants and accounts payable	\$ 120,386	5,196	62,884	188,466
Accrued liabilities	306	16,403	5,806	22,515
Due to other funds	—	3,831	—	3,831
Bond anticipation note	731,000	—	—	731,000
Bonds payable	14,198	50,000	25,802	90,000
Total current liabilities	865,890	75,430	94,492	1,035,812
Noncurrent liabilities:				
Due to other funds	—	19,150	—	19,150
Bonds payable	159,010	964,698	486,078	1,609,786
Total noncurrent liabilities	159,010	983,848	486,078	1,628,936
Total liabilities	\$ 1,024,900	1,059,278	580,570	2,664,748
Net Position				
Net investment in capital assets	\$ —	586,150	2,949,472	3,535,622
Unrestricted	584	35,380	193,519	229,483
Total net position	\$ 584	621,530	3,142,991	3,765,105

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, 2013

	Water fund	Community Center fund	Sewer fund	Total
Operating revenues:				
Charges for services	\$ 38,125	111,501	177,129	326,755
Fees	—	98,890	2,380	101,270
Other	—	—	20,232	20,232
Total operating revenues	38,125	210,391	199,741	448,257
Operating expenses:				
Salaries and benefits	—	65,511	11,065	76,576
Utilities	—	—	139,323	139,323
Other supplies and expenses	197,435	157,277	8,689	363,401
Depreciation	77,216	81,529	78,500	237,245
Total operating expenses	274,651	304,317	237,577	816,545
Operating loss	(236,526)	(93,926)	(37,836)	(368,288)
Nonoperating income (expense):				
Interest expense	(10,279)	(22,010)	(14,320)	(46,609)
Interest income	627	390	122	1,139
Total nonoperating income (expense)	(9,652)	(21,620)	(14,198)	(45,470)
Transfer in/(out), net	56,712	—	16,505	73,217
Capital contributions	—	—	2,180,798	2,180,798
Change in net position	(189,466)	(115,546)	2,145,269	1,840,257
Net position, beginning of year	190,050	737,076	997,722	1,924,848
Net position, end of year	\$ 584	621,530	3,142,991	3,765,105

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Statement of Cash Flows – Proprietary Funds

Year ended June 30, 2013

	Water fund	Community Center fund	Sewer Fund	Total
Cash flows from operating activities:				
Cash received from customers	\$ —	210,439	222,077	432,516
Cash received from lessee	38,125	—	—	38,125
Cash paid to employees	—	(67,245)	(11,303)	(78,548)
Cash paid to vendors	(86,868)	(160,289)	(216,826)	(463,983)
Net cash used in operating activities	(48,743)	(17,095)	(6,052)	(71,890)
Cash flows from noncapital financing activities:				
Transfers from other funds	56,712	—	16,505	73,217
Net cash provided by noncapital financing activities	56,712	—	16,505	73,217
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	—	—	(1,975,646)	(1,975,646)
Proceeds from sale of BAN's	731,000	—	—	731,000
Proceeds from issuance of long-term debt	—	1,000,000	375,000	1,375,000
Receipt of bond premium	—	14,698	5,088	19,786
Payment of bond principal	(14,198)	—	(10,802)	(25,000)
Payment of interest	(10,202)	(11,193)	(10,171)	(31,566)
Capital contribution	—	—	2,057,375	2,057,375
Repayment of interfund loan	—	(3,830)	—	(3,830)
Paydown of bond anticipation note	(800,000)	(1,000,000)	(375,000)	(2,175,000)
Net cash provided by (used in) capital and related financing activities	(93,400)	(325)	65,844	(27,881)
Cash flows from investing activities:				
Interest income	627	390	122	1,139
Net cash provided by investing activities	627	390	122	1,139
Increase (decrease) in cash and cash equivalents	(84,804)	(17,030)	76,419	(25,415)
Cash and cash equivalents, beginning of year	298,725	74,010	27,946	400,681
Cash and cash equivalents, end of year	<u>\$ 213,921</u>	<u>56,980</u>	<u>104,365</u>	<u>375,266</u>
Reconciliation of operating loss to net cash used in operating activities:				
Operating loss	\$ (236,526)	(93,926)	(37,836)	(368,288)
Reconciliation of operating loss to net cash used in operating activities:				
Depreciation expense	77,216	81,529	78,500	237,245
Changes in operating assets and liabilities:				
Accounts receivable	—	48	22,336	22,384
Accounts payable	110,567	(3,012)	(68,814)	38,741
Accrued liabilities	—	(1,734)	(238)	(1,972)
Net cash used in operating activities	<u>\$ (48,743)</u>	<u>(17,095)</u>	<u>(6,052)</u>	<u>(71,890)</u>

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Statement of Net Position – Fiduciary Funds

June 30, 2013

Assets	OPEB Trust fund	Agency fund
Cash and cash equivalents	\$ 938,561	\$ 1,408,691
Receivables:		
Employer contributions	334,683	—
Other	—	40,083
Investments, at fair value:		
Equity mutual funds	925,894	—
Fixed income mutual funds	1,172,311	—
Total investments	2,098,205	—
Total assets	3,371,449	1,448,774
Liabilities		
Accounts payable and other liabilities	—	1,448,774
Total liabilities	—	\$ 1,448,774
Net Position		
Held in trust for other postemployment benefits	\$ 3,371,449	

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Statement of Changes in Net Position – Fiduciary Funds

June 30, 2013

	<u>OPEB Trust fund</u>
Additions:	
Contributions:	
Employer	\$ 897,261
Investment earnings:	
Realized and unrealized gains on investments	35,432
Interest and dividends	72,099
Less investment expenses	<u>(11,411)</u>
Net investment earnings	<u>96,120</u>
Total additions	<u>993,381</u>
Deductions:	
Benefits	<u>934,359</u>
Total deductions	<u>934,359</u>
Change in net position	59,022
Net position – beginning of year	<u>3,312,427</u>
Net position – end of year	<u><u>\$ 3,371,449</u></u>

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2013

(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 2013:

<u>Joint venture and address</u>	<u>Purpose</u>	<u>Annual assessment</u>
Bay Path Regional Vocational: Technical School District 57 Old Muggett Hill Road Charlton, MA 01507	To provide vocational educational services	\$ 1,039,556

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

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2013

activities of the Town where governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions and business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type 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, 2013

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, 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) *Deferred Revenue*

In the governmental fund financial statements, deferred revenue represents monies received or revenues accrued which have not been earned or do not meet the "available" criterion for revenue recognition under the modified accrual basis of accounting.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2013

(d) *Cash and Cash Equivalents*

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

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

(e) *Investment Valuation*

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

(f) *Compensated Absences*

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

(g) *Capital Assets*

General capital assets are those 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. 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. The Town maintains a capitalization threshold of \$10,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed as incurred.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2013

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

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

(h) *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.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2013

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.

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 \$1,225,193 at June 30, 2013.

(i) *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, 2013, 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 material in 2013.

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

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

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

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2013

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.

(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, 2013, under this program, the Town was due funds totaling \$4.0 million.

In the governmental funds, the receivable is offset by deferred revenue because the revenue is not considered available until received. The following is a schedule of the anticipated MSBA receipts as of June 30, 2013:

Fiscal year:	
2014	\$ 404,404
2015	404,404
2016	404,404
2017	404,404
2018	404,404
2019 – 2023	2,022,020
Total	<u>\$ 4,044,040</u>

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2013

During fiscal 2013, 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, 2013 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	181,699	1,943,699	—	2,125,398
Total capital assets, not being depreciated	<u>1,125,469</u>	<u>1,943,699</u>	<u>—</u>	<u>3,069,168</u>
Capital assets, being depreciated:				
Buildings	55,084,009	53,421	—	55,137,430
Land improvements	5,250	—	—	5,250
Machinery and equipment	8,719,965	749,135	(20,562)	9,448,538
Infrastructure	23,546,720	695,132	—	24,241,852
	<u>87,355,944</u>	<u>1,497,688</u>	<u>(20,562)</u>	<u>88,833,070</u>
Less accumulated depreciation for:				
Buildings	18,932,900	1,247,273	—	20,180,173
Land improvements	5,250	—	—	5,250
Machinery and equipment	7,133,651	624,114	(20,562)	7,737,203
Infrastructure	15,701,736	947,913	—	16,649,649
	<u>41,773,537</u>	<u>2,819,300</u>	<u>(20,562)</u>	<u>44,572,275</u>
Total capital assets, being depreciated, net	<u>45,582,407</u>	<u>(1,321,612)</u>	<u>—</u>	<u>44,260,795</u>
Governmental capital assets, net	<u>\$ 46,707,876</u>	<u>622,087</u>	<u>—</u>	<u>47,329,963</u>

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2013

Depreciation expense was charged to governmental functions as follows:

Governmental activities:	
General government	\$ 124,142
Public safety	339,523
Public works	1,107,994
Education	1,157,577
Human services	11,109
Culture and recreation	78,955
	<u>2,819,300</u>
Total depreciation expense – governmental activities	\$ <u><u>2,819,300</u></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	1,178,150	—	—	1,178,150
	<u>1,182,737</u>	<u>—</u>	<u>—</u>	<u>1,182,737</u>
Less accumulated depreciation for:				
Machinery and equipment	655	655		1,310
Infrastructure	306,244	76,561		382,805
	<u>306,899</u>	<u>77,216</u>	<u>—</u>	<u>384,115</u>
Total capital assets being depreciated, net	<u>875,838</u>	<u>(77,216)</u>	<u>—</u>	<u>798,622</u>
Water enterprise fund capital assets, net	<u><u>\$ 887,235</u></u>	<u><u>(77,216)</u></u>	<u><u>—</u></u>	<u><u>810,019</u></u>

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2013

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Community Center enterprise fund:				
Capital assets, not being depreciated:				
Land	\$ 375,733	—	—	375,733
Capital assets, being depreciated:				
Buildings	2,021,395	—	—	2,021,395
Infrastructure	72,313	—	—	72,313
Total capital assets, being depreciated	2,093,708	—	—	2,093,708
Less accumulated depreciation for:				
Buildings	776,191	80,083	—	856,274
Infrastructure	2,893	1,446	—	4,339
Total accumulated depreciation	779,084	81,529	—	860,613
Total capital assets being depreciated, net	1,314,624	(81,529)	—	1,233,095
Community Center capital assets, net	\$ 1,690,357	(81,529)	—	1,608,828

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2013

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Sewer enterprise fund:				
Capital assets, not being depreciated:				
Construction in progress	\$ 34,727	—	(34,727)	—
Capital assets, being depreciated:				
Infrastructure	1,827,727	2,010,373	—	3,838,100
Less accumulated depreciation for:				
Infrastructure	298,248	78,500		376,748
Total capital assets being depreciated, net	1,529,479	1,931,873	—	3,461,352
Sewer enterprise fund capital assets, net	\$ 1,564,206	1,931,873	(34,727)	3,461,352

(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, 2013, the book value of the leased water tank is \$795,345 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 over a 20 year period as follows:

Year ending June 30:	
2014	\$ 38,125
2015	38,125
2016	38,125
2017	38,125
2018	38,125
2019 – 2023	190,625
2024 – 2027	152,500
	<u>\$ 533,750</u>

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2013

(6) Deposits and Investments

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

(a) *Investment Policy*

State and local statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits (including demand deposits, term deposits, and certificates of deposit) in any one financial institution may not exceed certain prescribed levels without collateralization by the financial institutions involved. Investments can also be made in securities issued by or unconditionally guaranteed by the U.S. government or agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by the U.S. government or agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase and units in the Massachusetts Municipal Depository Trust (MMDT). 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, 2013, the bank balances of uninsured and uncollateralized deposits totaled \$4.0 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, 2013:

Investment type	Fair value	Less than 1	1 – 5	6 – 10
U.S. Agency	\$ 35,274	—	35,274	—
U.S. Treasury	62,817	—	62,817	—
Corporate bonds	137,276	—	137,276	—
Fixed income mutual funds	1,250,188	172,700	395,144	682,344
Money market funds	465,044	465,044	—	—
External investment pool	1,583,437	1,583,437	—	—
Total	\$ 3,534,036	2,221,181	630,511	682,344

(d) *Credit Risk*

The fixed income mutual funds, external investment pool, and money market funds were not rated as of June 30, 2013. The U.S. Agency bonds are rated AA+ and the corporate bonds are rated AA and BBB by Standards & Poors as of June 30, 2013.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2013

(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.

(7) Pension Benefits

(a) Plan Description

The Town contributes to the Worcester Regional Retirement System (the System), a cost-sharing multiple-employer, defined benefit pension plan (Plan) administered by a regional retirement board. The System provides retirement, disability, and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws (MGL) assigns authority to establish and amend benefit provisions of the System's plan to the System's Board.

The System does not issue a publicly available stand-alone plan financial report prepared in accordance with the requirements of GASB Statement 25, as amended. The System's schedule of funding progress and employer contributions is included as required supplementary information following the notes to the basic financial statements.

(b) Funding Policy

Plan members are required to contribute to the System at rates ranging from 5% to 9% of annual covered compensation. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30,000. The Town is required to pay into the System, its share of the remaining system-wide actuarially determined contribution plus administration costs which are apportioned among the employers based on active covered payroll. The Commonwealth of Massachusetts (Commonwealth) reimburses the System for a portion of benefit payments for cost-of-living (COLA) increases made prior to July 1, 1998. Chapter 32 of the MGL governs the contributions of Plan members and the Town. The Town's contributions to the System for the years ended June 30, 2013, 2012 and 2011 were \$1,211,409, \$1,046,630 and \$1,063,828, respectively, which were equal to its required contributions for each of these years.

(c) Retirement Trust Fund

Pursuant to MGL Chapter 40, Section 5(d), the Town has established a retirement trust fund that is distinct and separate from the System information noted above. The balance of this fund is not to exceed 10% of the Town's equalized value. The purpose of this fund is to provide a reserve to meet future annual contributions to the System. As of June 30, 2013, the balance of this fund was \$592,691 and was reported as restricted fund balance in the general fund.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2013

A summary of the changes in the retirement trust fund during fiscal 2013 is as follows:

Ending balance, June 30, 2012	\$	704,058
Interest income		2,189
Retirement payments		(113,556)
Ending balance, June 30, 2013	\$	<u>592,691</u>

(8) 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.

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, 2012, the valuation date, 208 retirees and spouses and 362 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 service 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, 2012, 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.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2013

(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 year ending June 30, 2013, 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, 2012:

Annual Required Contribution (ARC)	\$ 3,379,631
Interest on net OPEB obligation	234,427
Adjustment to ARC	<u>(338,924)</u>
Annual OPEB cost	3,275,134
Contributions made	<u>(935,196)</u>
Change in net OPEB obligation	2,339,938
Net OPEB obligation – beginning of year	<u>5,860,680</u>
Net OPEB obligation – end of year	<u><u>\$ 8,200,618</u></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:			
2013	\$ 3,275,134	28.6%	\$ 8,200,618
2012	3,503,428	126.0	5,860,680
2011	3,333,676	31.9	6,772,634

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2013

(d) Funded Status and Funding Progress

The funded status of the plan as of June 30, 2013, based on an actuarial valuation as of July 1, 2012, was as follows:

Actuarially accrued liability (AAL)	\$	35,373,694
Actuarial value of plan assets		<u>3,312,427</u>
Unfunded actuarial accrued liability (UAAL)	\$	<u><u>32,061,267</u></u>
Funded ratio (actuarial value of plan assets/AAL)		9.4%
Covered payroll (active plan members)	\$	20,422,119
UAAL as a percentage of covered payroll		157.0%

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, 2012 actuarial valuation, the entry age normal 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 a closed basis. The remaining amortization period at July 1, 2012 was thirty years.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2013

(9) Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2013:

	Maturing through year ended June 30	Interest percentage range	Outstanding beginning of year	Additions	Reductions	Outstanding end of year
Governmental activities:						
General obligation bonds	2033	0.50 - 4.65%	\$ 8,320,000	2,500,000	(675,000)	10,145,000
Add (deduct):						
Unamortized bond premium			43,603	36,746	(5,948)	74,401
Total governmental activities bonded debt, net			8,363,603	2,536,746	(680,948)	10,219,401
Business-type activities:						
Water fund:						
General obligation bonds	2028	3.25 - 5.00	187,406	—	(14,198)	173,208
Sewer fund:						
General obligation bonds	2033	0.50 - 4.65	142,594	375,000	(10,802)	506,792
Bond anticipation note			375,000	—	(375,000)	—
Add (deduct):						
Unamortized bond premium			—	5,088	—	5,088
Total sewer bonded debt, net			517,594	380,088	(385,802)	511,880
Community Center fund:						
Bond anticipation note			1,000,000	—	(1,000,000)	—
General obligation bonds	2033	0.50 - 2.85	—	1,000,000	—	1,000,000
Add (deduct):						
Unamortized bond premium			—	14,698	—	14,698
Total community center bonded debt, net			—	1,014,698	—	1,014,698
Total business-type activities bonded debt, net			705,000	1,394,786	(400,000)	1,699,786
Total bonded debt, net			9,068,603	3,931,532	(1,080,948)	11,919,187
Other governmental long-term obligations:						
Compensated absences			467,174	21,603	—	488,777
Other postemployment benefits			5,860,680	3,275,134	(935,196)	8,200,618
Landfill and postclosure care costs			63,000	—	(3,000)	60,000
			6,390,854	3,296,737	(938,196)	8,749,395
Total long-term obligations			\$ 15,415,854	7,191,523	(2,013,196)	20,594,181

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

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2013

Maturity of Bond Indebtedness

Bond indebtedness outstanding at June 30, 2013 matures as follows:

	Governmental activities		
	Principal	Interest	Total
Year ending June 30:			
2014	\$ 805,000	378,824	1,183,824
2015	825,000	352,024	1,177,024
2016	845,000	321,574	1,166,574
2017	870,000	287,999	1,157,999
2018	645,000	253,349	898,349
2019 – 2023	3,370,000	865,589	4,235,589
2024 – 2028	2,135,000	329,880	2,464,880
2029 – 2033	650,000	53,885	703,885
	<u>\$ 10,145,000</u>	<u>2,843,124</u>	<u>12,988,124</u>

	Business-type activities					
	Water			Sewer		
	Principal	Interest	Total	Principal	Interest	Total
Year ending June 30:						
2014	\$ 14,198	7,354	21,552	25,802	14,511	40,313
2015	11,358	6,857	18,215	23,642	14,058	37,700
2016	11,358	6,460	17,818	23,642	13,380	37,022
2017	11,358	5,920	17,278	23,642	12,595	36,237
2018	11,358	5,381	16,739	23,642	11,809	35,451
2019 – 2023	56,790	19,056	75,846	143,210	46,299	189,509
2024 – 2028	56,788	7,245	64,033	143,212	26,220	169,432
2029 – 2033	—	—	—	100,000	8,290	108,290
	<u>\$ 173,208</u>	<u>58,273</u>	<u>231,481</u>	<u>506,792</u>	<u>147,162</u>	<u>653,954</u>

	Business-type activities					
	Community Center			Total		
	Principal	Interest	Total	Principal	Interest	Total
Year ending June 30:						
2014	\$ 50,000	23,600	73,600	90,000	45,465	135,465
2015	50,000	23,350	73,350	85,000	44,265	129,265
2016	50,000	22,100	72,100	85,000	41,940	126,940
2017	50,000	20,850	70,850	85,000	39,365	124,365
2018	50,000	19,600	69,600	85,000	36,790	121,790
2019 – 2023	250,000	79,500	329,500	450,000	144,855	594,855
2024 – 2028	250,000	51,775	301,775	450,000	85,240	535,240
2029 – 2033	250,000	20,725	270,725	350,000	29,015	379,015
	<u>\$ 1,000,000</u>	<u>261,500</u>	<u>1,261,500</u>	<u>1,680,000</u>	<u>466,935</u>	<u>2,146,935</u>

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2013

On August 6, 2012, the Town issued \$3,875,000 of general obligation bonds. The proceeds of the bonds will be used to fund school renovations (\$2,500,000), sewer projects (\$375,000) and community center improvements (\$1,000,000). Interest on the bonds are payable semiannually each January 15 and July 15 until maturity in fiscal year 2033.

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, 2013, the Town has the ability to issue \$57.3 million of additional debt within the normal debt limit.

As of June 30, 2013, the Town has total authorized unissued debt of \$10,050,000, intended to finance the following:

Governmental activities:	
Middle school roof	\$ 3,300,000
Water fund:	
Water company purchase	6,550,000
Water main	200,000
	<hr/>
	\$ 10,050,000
	<hr/>

(10) Temporary Borrowings

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

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

Temporary loans are general obligations of the Town and carry maturity dates which are limited by statute. In fiscal 2013, the Town incurred \$4,256 in interest expense for temporary borrowings, all recorded in the business-type activities.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2013

Short-term debt activity for the year ended June 30, 2013 was as follows:

	Outstanding at June 30, 2012	Additions	Deductions	Outstanding at June 30, 2013
Bond anticipation notes payable:				
Water fund:				
Water tank construction	\$ 50,000	—	(50,000)	—
Water company purchase	750,000	731,000	(750,000)	731,000
Total	<u>\$ 800,000</u>	<u>731,000</u>	<u>(800,000)</u>	<u>731,000</u>

Subsequent to year-end, the Water company purchase BAN totaling \$731,000 matured. The Town issued a new BAN totaling \$960,000 at an interest rate of 0.5% due on September 5, 2014.

Further, on December 2, 2103, the Massachusetts Superior Court ruled that the Town can acquire the “franchise, property, rights, and privileges” of the privately owned Oxford Water Company upon payment of approximately \$8.1 million.

(11) Interfund Receivable and Payable Balances

Individual fund receivable and payable balances at June 30, 2013, are as follows:

Interfund balances	Receivable	Payable
General	\$ —	8,865
Other governmental:		
Permanent funds	8,865	—
Special revenue funds	22,981	—
Community center fund	—	22,981
Balances at June 30, 2013	<u>\$ 31,846</u>	<u>31,846</u>

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2013

(12) Transfers

Transfers to (from) governmental funds and their purposes during the year ended June 30, 2013 were as follows:

	<u>General</u>	<u>Other governmental</u>	<u>Water</u>	<u>Sewer</u>
Ambulance – operating expense	\$ 665,000	(665,000)	—	—
BOH – operating expense	75,000	(75,000)	—	—
WRTA – operating expense	27,000	(27,000)	—	—
Conservation – operating expense	10,000	(10,000)	—	—
Animal Control – operating expense	6,000	(6,000)	—	—
Cemetery – operating expense	6,000	(6,000)	—	—
Revolving – operating expense	4,000	(4,000)	—	—
HAP Charity – operating expense	4,000	(4,000)	—	—
Insurance proceeds - operating expense	11,800	(11,800)	—	—
Sale of Real Estate – operating exp.			—	—
Available funds – WRTA	(11,342)	11,342	—	—
Available funds – Cemetery Perp. Care	(6,000)	6,000	—	—
Available funds – Ambulance funding	(15,752)	15,752	—	—
Available funds – BOH	(11,010)	11,010	—	—
Available funds – Conservation	(10,000)	10,000	—	—
Available funds - Operating expenses	80,991	(80,991)	—	—
Revolving – Water operations	—	(56,712)	56,712	—
Revolving – Sewer operations	—	(16,505)	—	16,505
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total net transfers to (from)	\$ <u>835,687</u>	<u>(908,904)</u>	<u>56,712</u>	<u>16,505</u>

(13) Risk Management

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

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

The Town is insured for general liability up to \$100,000 per claim to a maximum of \$1,000,000 per occurrence; however, Chapter 258 of the MGL limits the Town's liability to a maximum of \$100,000 per claim in all matters except in actions relating to federal/civil rights, eminent domain and breach of contract. Such claims are charged to the general fund. There were no such claims or related judgments paid in 2013.

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

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2013

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 member premiums and reinsures through commercial companies for stop loss insurance. The total premium assessed by MIIA to the Town in 2013 amounted to \$397,977 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 2013, claims related to unemployment compensation amounted to \$25,431. The liability for self-insured unemployment compensation is not material at June 30, 2013.

The Town maintains an unemployment compensation account designated to fund unemployment claims. As of June 30, 2013, the balance in this account was \$351,765 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.

(14) Commitments and Contingencies

There are several lawsuits in which the Town is involved. The Town estimates that the potential claims against the Town not covered by insurance resulting from such litigation would not materially affect the Town's basic financial statements.

The Town has committed \$2.0 million in open purchase orders and contracts as follows:

General fund	\$	495,795
Other governmental		1,438,354
Sewer fund		70,729
Community Center fund		10,745
Balances at June 30, 2013	\$	<u>2,015,623</u>

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2013

(15) Fund Balance Classification

The components of fund balance for the Town's governmental funds as of June 30, 2013 are as follows (in thousands):

<u>Fund balance</u>	<u>General</u>	<u>Other governmental</u>
Nonspendable – permanent fund principal	\$ —	3,849,785
Restricted:		
General government	—	671,915
Public safety	—	1,051,645
Education	—	1,791,453
Public works	—	145,735
Health and human services	—	203,909
Culture and recreation	—	756,389
Pension and fringe	944,456	—
Subtotal	<u>944,456</u>	<u>4,621,046</u>
Committed:		
General government	25,000	—
Public safety	85,325	—
Public works	573,721	—
Subtotal	<u>684,046</u>	<u>—</u>
Assigned:		
General government	326,578	15,598
Public safety	23,708	114,011
Education	49,927	514,908
Public works	94,805	116,660
Health and human services	57	—
Culture and recreation	900	1,411
Subsequent years expenditures	100,000	—
Subtotal	<u>595,975</u>	<u>762,588</u>
Unassigned:	<u>2,156,621</u>	<u>—</u>
Balances at June 30, 2013	<u>\$ 4,381,098</u>	<u>9,233,419</u>

TOWN OF OXFORD, MASSACHUSETTS

Budgetary Comparison Schedule – General Fund

(Unaudited)

June 30, 2013

	Budgeted amounts		Actual amounts (budgetary basis)	Variance with final budget positive (negative)
	Original	Final		
Resources (inflows):				
Real and personal property taxes, net	\$ 18,082,879	18,082,879	18,205,590	122,711
Excises	1,399,225	1,399,225	1,437,691	38,466
Penalties and interest	184,150	184,150	161,883	(22,267)
Fees	167,500	167,500	90,651	(76,849)
Licenses and permits	24,400	24,400	33,731	9,331
Intergovernmental	12,537,755	12,537,755	12,619,328	81,573
Fines and forfeitures	74,425	74,425	74,167	(258)
Investment income	41,425	41,425	29,125	(12,300)
Other	183,875	183,875	233,201	49,326
Amounts available for appropriation	32,695,634	32,695,634	32,885,367	189,733
Charges to appropriations (outflows):				
Current:				
General government	2,847,855	2,727,490	2,680,374	47,116
Public safety	2,906,369	3,014,919	3,001,583	13,336
Education	17,088,528	17,214,282	17,214,282	—
Public works	2,295,057	2,521,057	2,493,639	27,418
Human services	184,008	210,323	198,178	12,145
Culture and recreation	398,589	398,589	398,218	371
State and county assessments	789,549	789,549	710,613	78,936
Pension, fringe, and general insurance	6,749,814	6,749,814	6,749,814	—
Debt service	1,903,635	1,157,917	1,047,032	110,885
Total charges to appropriations	35,163,404	34,783,940	34,493,733	290,207
Excess (deficiency)	(2,467,770)	(2,088,306)	(1,608,366)	479,940
Other financing sources:				
Transfers in, net	1,611,056	1,636,056	1,531,952	(104,104)
Total other financing sources	1,611,056	1,636,056	1,531,952	(104,104)
Excess (deficiency)	(856,714)	(452,250)	(76,414)	375,836
Other budget items:				
Free cash	452,250	452,250		
Other available funds	—	—		
Total other budget items	452,250	452,250		
Net budget	\$ (404,464)	—		

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

TOWN OF OXFORD, MASSACHUSETTS

Notes to Budgetary Comparison Schedule – General Fund

June 30, 2013

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.

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

	<u>Revenue</u>	<u>Expenditures</u>	<u>Other financing sources (uses), net</u>
As reported on a budgetary basis	\$ 32,885,367	34,493,733	1,531,952
Adjustment of revenues to a modified accrual basis	(205,281)	—	—
Adjustment for encumbrances and continuing appropriations and accrued expenditures, net of prior year reversals	—	(48,094)	(57,709)
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	256,172	37,931	(638,556)
As reported on a GAAP basis	<u>\$ 32,936,258</u>	<u>34,483,570</u>	<u>835,687</u>

TOWN OF OXFORD, MASSACHUSETTS

Notes to Budgetary Comparison Schedule – General Fund

June 30, 2013

Note C – Expenditures in Excess of Budget

The Town had no expenditures in excess of budgeted appropriations.

TOWN OF OXFORD, MASSACHUSETTS
Schedules of Funding Progress and Employer Contributions
June 30, 2013
(Unaudited)
(Dollar amounts in thousands, except Notes to Schedules)

Schedules of Funding Progress						
Actuarial valuation date		Actuarial value of assets (a)	Actuarial accrued liability (b)	Unfunded (b-a)	Funded ratio (a/b)	Unfunded as a % of payroll ((b-a)/c)
Pension (Worcester Regional Contributory Retirement System¹)						
1/1/2012	\$	436,672	982,797	546,125	44.4%	228.5%
1/1/2010		413,977	863,002	449,025	48.0	185.6
1/1/2007		389,759	692,768	303,009	56.3	143.3
Other postemployment benefits						
7/1/2012	\$	3,312	35,374	32,062	9.4%	157.0%
7/1/2010		—	33,466	33,466	—	191.1
7/1/2008		—	28,738	28,738	—	148.9

Schedule of Employer Contributions – Worcester Regional Contributory Retirement System¹

	Annual required contribution	Percentage contributed
Year ended December 31:		
2012	\$ 35,056	100%
2011	33,072	100
2010	31,200	100

Schedule of Employer Contributions – OPEB Trust Fund

	Annual required contribution	Percentage contributed
Year ended June 30:		
2013	\$ 3,380	27.7%
2012	3,614	122.0

Notes to schedules

Additional information as of the latest actuarial valuations:

	Pension	OPEB
Valuation date	January 1, 2012	July 1, 2012
Actuarial cost method	Individual entry age normal cost	Entry age normal cost
Amortization method	Increasing amortizations at 4.0%	Level Dollar, Closed
Remaining amortization period	18 years	30 years
Asset valuation method	Fair value	Fair value
Actuarial assumptions:		
Investment rate of return	8.0%	4.0%
Projected salary increases	3.0	None
Healthcare cost inflation	None	8.5% to 5.0%
Cost-of-living adjustments	Increase annually by 3% up to a maximum of \$420.	None

¹ The information presented above relates to the cost-sharing plan as a whole, of which the Town is one participating employer of ninety-six. The Town's annual required contribution is approximately 3.6% of the System's total annual required contribution.

See accompanying independent auditors' report.