



TOWN OF OXFORD, MASSACHUSETTS

Basic Financial Statements and
Required Supplementary Information

June 30, 2012

(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 Assets	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 Assets	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 Assets – Proprietary Funds	17
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds	18
Statement of Cash Flows – Proprietary Funds	19
Statement of Net Assets – Fiduciary Funds	20
Statement of Changes in Net Assets – Fiduciary Funds	21
Notes to Basic Financial Statements	22 – 45
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	46
Notes to Budgetary Comparison Schedule – General Fund	47 – 48
Schedules of Funding Progress and Employer Contributions	49



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Independent Auditors' Report

The Board of Selectmen
Town of Oxford, Massachusetts:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Oxford, Massachusetts (the Town), as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have issued a separate report dated March 29, 2013, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain



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

KPMG LLP

March 29, 2013

TOWN OF OXFORD, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2012

(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, 2012.

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 2012 by approximately \$52.7 million (net assets).
- The Town's total net assets decreased by approximately \$4.5 million in fiscal 2012.
- At the end of fiscal 2012, unassigned fund balance for the general fund was approximately \$2.5 million or 5.7% of total 2012 general fund expenditures.
- The Town's total long-term bonds decreased by \$7.5 million during fiscal 2012.

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

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

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

TOWN OF OXFORD, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2012

(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 a 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 assets and statement of changes in fiduciary net assets (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 fiduciary

TOWN OF OXFORD, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2012

(Unaudited)

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 assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by approximately \$52.7 million at the close of the current fiscal year.

A significant portion of the Town's net assets (76.5%) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt are generally provided from other sources, since the capital assets themselves typically are not used to liquidate these liabilities.

An additional portion of the Town's net assets (15.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4.1 million represents unrestricted net assets.

Governmental Activities – Governmental activities decreased the Town's net assets by approximately \$4.4 million, thereby accounting for almost all of the decrease in net assets of the Town. This decrease is primarily due to the establishment of an OPEB Trust fund. The Town contributed approximately \$3.1 million of funds to the OPEB Trust from the Health Care account, which was previously reported as part of the General Fund.

TOWN OF OXFORD, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2012

(Unaudited)

Business-Type Activities – Business-type activities decreased the Town's net assets by approximately \$133 thousand. The decrease is the result of water fund spending related to the acquisition of the water company.

Condensed schedule of net assets June 30, 2012 and 2011						
	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
	(In thousands)					
Current and other assets	\$ 21,114	32,593	474	1,480	21,588	34,073
Capital assets	46,708	47,351	4,142	2,773	50,850	50,124
Total assets	\$ 67,822	79,944	4,616	4,253	72,438	84,197
Long-term debt outstanding	\$ 8,364	15,805	1,705	355	10,069	16,160
Other long-term liabilities	6,391	7,291	27	—	6,418	7,291
Other liabilities	2,340	1,729	959	1,841	3,299	3,570
Total liabilities	\$ 17,095	24,825	2,691	2,196	19,786	27,021
Net assets:						
Invested in capital assets, net of related debt	\$ 38,344	31,547	1,936	1,768	40,280	33,315
Restricted	8,248	11,937	—	—	8,248	11,937
Unrestricted	4,135	11,635	(11)	289	4,124	11,924
Total net assets	\$ 50,727	55,119	1,925	2,057	52,652	57,176

TOWN OF OXFORD, MASSACHUSETTS

Required Supplementary Information Management's Discussion and Analysis

June 30, 2012

(Unaudited)

Condensed schedule of changes in net assets years ending June 30, 2012 and 2011						
	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
	(In thousands)					
Revenues:						
Program revenues:						
Charges for services	\$ 3,424	3,928	440	423	3,864	4,351
Operating grants	12,194	12,650	—	—	12,194	12,650
Capital grants	1,085	228	100	—	1,185	228
General revenues:						
Property taxes	17,331	16,977	—	—	17,331	16,977
Excise taxes	1,390	1,368	—	—	1,390	1,368
Intergovernmental	1,759	1,758	—	—	1,759	1,758
Other	338	688	—	—	338	688
Gain (loss) on disposal of capital assets	(45)	(58)	—	—	(45)	(58)
Total revenues	<u>37,476</u>	<u>37,539</u>	<u>540</u>	<u>423</u>	<u>38,016</u>	<u>37,962</u>
Expenses:						
General government	3,289	3,159	—	—	3,289	3,159
Public safety	4,337	4,438	—	—	4,337	4,438
Education	28,325	27,896	—	—	28,325	27,896
Public works	3,473	3,462	—	—	3,473	3,462
Health and human services	260	244	—	—	260	244
Culture and recreation	755	580	—	—	755	580
State and county assessments	748	660	—	—	748	660
Interest on long-term debt	649	703	—	—	649	703
Enterprise accounts:						
Water fund	—	—	208	306	208	306
Community center fund	—	—	278	199	278	199
Nonmajor fund	—	—	218	172	218	172
Total expenses	<u>41,836</u>	<u>41,142</u>	<u>704</u>	<u>677</u>	<u>42,540</u>	<u>41,819</u>
Increase (decrease) in net assets before transfers	<u>(4,360)</u>	<u>(3,603)</u>	<u>(164)</u>	<u>(254)</u>	<u>(4,524)</u>	<u>(3,857)</u>
Transfers	<u>(32)</u>	<u>(333)</u>	<u>32</u>	<u>333</u>	<u>—</u>	<u>—</u>
Change in net assets	(4,392)	(3,936)	(132)	79	(4,524)	(3,857)
Net assets, beginning of year	<u>55,119</u>	<u>59,055</u>	<u>2,057</u>	<u>1,978</u>	<u>57,176</u>	<u>61,033</u>
Net assets, end of year	<u>\$ 50,727</u>	<u>55,119</u>	<u>1,925</u>	<u>2,057</u>	<u>52,652</u>	<u>57,176</u>

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, 2012

(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 \$12.6 million, a decrease of approximately \$3.9 million from the prior year. The general fund has an unassigned fund balance of approximately \$2.5 million. The remainder of 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, \$3.7 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, \$4.1 million, (3) committed for future purposes in the form of continuing appropriations, \$936 thousand, or (4) assigned to the fiscal year 2013 budget or to liquidate purchase orders and contracts executed in fiscal year 2012, \$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 \$2.5 million, while total general fund balance was approximately \$5.1 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 5.7% of total general fund expenditures.

The fund balance of the Town's general fund decreased by approximately \$3.6 million during the current fiscal year. This decrease was primarily due to the establishment of the OPEB Trust fund. In 2012, the Town contributed approximately \$3.1 million to the OPEB Trust fund that came from the Health Claims account, which was reported as part of the General Fund in prior years.

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

The net assets of the proprietary funds at the end of the current fiscal year totaled approximately \$1.9 million. Net assets of the proprietary funds decreased approximately \$133 thousand in the current year. This was primarily driven by the Town's continued effort to purchase the water company.

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 increased budgeted expenditures by approximately \$179 thousand (.5%). Actual revenues exceeded budgeted revenues by approximately \$131 thousand. Further, actual expenditures were under budget by \$1.3 million (4%).

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, 2012, amounted to approximately \$50.8 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, 2012

(Unaudited)

Capital assets, net, decreased \$643 thousand in the governmental activities due to depreciation exceeding capital asset additions. Business-type activities capital assets, net, increased approximately \$1.4 million due to capital improvements to the Oxford Community Center and sewer infrastructure additions for certain users.

Long-Term Debt – At the end of the current fiscal year, the Town had total debt outstanding of \$7.5 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	\$ 8,320,000	330,000	8,650,000
Bond anticipation notes	—	1,375,000	1,375,000
Total	\$ 8,320,000	1,705,000	10,025,000

The Town's bonds payable decreased by \$7.5 million during the current fiscal year. The decrease was a result of the Town making scheduled debt repayments while not issuing any new long-term bonds as well as a refunding of callable debt. In 2012, the Town paid down certain debt using cash on-hand that was received from the Massachusetts School Building Authority (MSBA). The MSBA was scheduled to pay the Town over 10 years, however, the Town and MSBA agreed to accelerate those payments and use the proceeds to pay-down the related debt.

The Town's bond anticipation notes outstanding increased by \$525 thousand due primarily to the issuance of a \$375 thousand bond anticipation note for the purposes of funding capital improvements to the Town's sewer system.

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 2013 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 2013 is currently 7.5%, the same as the 7.5% rate in 2012. This compares to the 2012 state's average unemployment rate of 6.7%, and the 2012 national average rate of 8.1%. It appears that the Town's unemployment rate has stabilized and should be in a position to improve; in addition the state's 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, 2012

(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 Assets

June 30, 2012

Assets	Governmental activities	Business-type activities	Total
Cash, cash equivalents and investments	\$ 14,345,416	400,681	14,746,097
Receivables, net:			
Property taxes	461,048	—	461,048
Motor vehicle excise	221,318	—	221,318
Tax liens	606,080	—	606,080
Intergovernmental	867,177	—	867,177
Departmental and other	462,055	55,567	517,622
Internal balances	26,810	—	26,810
Other assets	80,096	2,956	83,052
Long-term intergovernmental receivable	4,044,040	—	4,044,040
Other long-term receivable	—	15,000	15,000
Capital assets:			
Nondepreciable	1,125,469	421,857	1,547,326
Depreciable, net	45,582,407	3,719,941	49,302,348
Total assets	67,821,916	4,616,002	72,437,918
Liabilities			
Warrants and accounts payable	960,890	150,249	1,111,139
Retainage payable	18,298	—	18,298
Accrued liabilities	1,339,382	9,095	1,348,477
Bond anticipation note	—	800,000	800,000
Other	21,838	—	21,838
Long-term liabilities:			
Due within one year:			
Compensated absences	70,076	—	70,076
Internal balances		3,830	3,830
Bonds and notes	675,000	25,000	700,000
Landfill and postclosure care costs	3,000	—	3,000
Bond anticipation notes	—	1,375,000	1,375,000
Due in more than one year:			
Internal balances	—	22,980	22,980
Compensated absences	397,098	—	397,098
Bonds and notes	7,688,603	305,000	7,993,603
Landfill and postclosure care costs	60,000	—	60,000
Other postemployment benefits	5,860,680	—	5,860,680
Total liabilities	17,094,865	2,691,154	19,786,019
Net Assets			
Invested in capital assets, net of related debt	38,344,273	1,935,523	40,279,796
Restricted for:			
Permanent funds:			
Nonexpendable	3,651,689	—	3,651,689
Expendable	1,178,913	—	1,178,913
State and Federal Grants	188,729	—	188,729
Employee benefits	1,161,449	—	1,161,449
Other	2,066,931	—	2,066,931
Unrestricted	4,135,067	(10,675)	4,124,392
Total net assets	\$ 50,727,051	1,924,848	52,651,899

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Statement of Activities

Year ended June 30, 2012

Functions/programs	Expenses	Program revenues			Net (expense) revenue and changes in net assets		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Governmental activities:							
General government	\$ 3,289,071	439,856	34,108	—	(2,815,107)		(2,815,107)
Public safety	4,336,593	572,332	318,610	13,728	(3,431,923)		(3,431,923)
Education	28,325,100	2,237,566	11,557,911	70,778	(14,458,845)		(14,458,845)
Public works	3,472,816	64,635	123,456	1,000,841	(2,283,884)		(2,283,884)
Health and human services	260,464	101,391	80,398	—	(78,675)		(78,675)
Culture and recreation	754,805	8,514	79,337	—	(666,954)		(666,954)
State and county assessments	747,906	—	—	—	(747,906)		(747,906)
Interest on long-term debt	649,044	—	—	—	(649,044)		(649,044)
Total governmental activities	41,835,799	3,424,294	12,193,820	1,085,347	(25,132,338)		(25,132,338)
Business-type activities:							
Water	208,447	38,726	—	—		(169,721)	(169,721)
Community Center	277,993	232,652	—	—		(45,341)	(45,341)
Sewer	218,392	168,860	—	100,000		50,468	50,468
Total business-type activities	704,832	440,238	—	100,000		(164,594)	(164,594)
Total primary government	\$ 42,540,631	3,864,532	12,193,820	1,185,347		(164,594)	(25,296,932)
General revenues:							
Property taxes, levied for general purposes, net					17,330,570	—	17,330,570
Excises					1,389,949	—	1,389,949
Penalties and interest on taxes					179,912	—	179,912
Other					21,483	—	21,483
Intergovernmental					1,758,795	—	1,758,795
Investment income					136,746	—	136,746
Transfers					(32,039)	32,039	—
Loss on disposal of capital assets					(45,442)	—	(45,442)
Total general revenues					20,739,974	32,039	20,772,013
Change in net assets					(4,392,364)	(132,555)	(4,524,919)
Net assets, beginning of year					55,119,415	2,057,403	57,176,818
Net assets, end of year					\$ 50,727,051	1,924,848	52,651,899

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Balance Sheet – Governmental Funds

June 30, 2012

Assets	General	Other governmental	Total
Cash, cash equivalents and investments	\$ 6,883,403	7,462,013	14,345,416
Receivables, net:			
Property taxes	461,048	—	461,048
Motor vehicle excise	221,318	—	221,318
Tax liens	606,080	—	606,080
Intergovernmental	4,453,947	457,270	4,911,217
Departmental and other	81,648	380,407	462,055
Due from other funds	—	35,675	35,675
Total assets	<u>\$ 12,707,444</u>	<u>8,335,365</u>	<u>21,042,809</u>
Liabilities and Fund Balance			
Warrants and accounts payable	\$ 808,483	152,407	960,890
Retainage payable	—	18,298	18,298
Due to other funds	8,865	—	8,865
Accrued liabilities:			
Tax abatements	7,824	—	7,824
Payroll and related withholdings	1,045,522	163,341	1,208,863
Deferred revenue	5,722,189	492,376	6,214,565
Other	21,838	—	21,838
Total liabilities	<u>7,614,721</u>	<u>826,422</u>	<u>8,441,143</u>
Fund balance:			
Nonspendable	—	3,651,689	3,651,689
Restricted	1,161,449	2,942,197	4,103,646
Committed	936,060	—	936,060
Assigned	510,617	915,057	1,425,674
Unassigned	2,484,597	—	2,484,597
Total fund balances	<u>5,092,723</u>	<u>7,508,943</u>	<u>12,601,666</u>
Total liabilities and fund balances	<u>\$ 12,707,444</u>	<u>8,335,365</u>	<u>21,042,809</u>

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2012

Total fund balance – governmental funds	\$ 12,601,666
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	46,707,876
Certain revenues are earned but are not available and are therefore deferred in the funds.	6,214,565
Bond issuance costs are capitalized in the government-wide statements but are recorded when bond proceeds are received in the funds.	80,096
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	(8,320,000)
Bond issue premium	(43,603)
Landfill closure and post closure care costs	(63,000)
Accrued interest on bonds	(22,695)
Other postemployment benefits	(5,860,680)
Tax refunds	(100,000)
Compensated absences	(467,174)
	<u>(14,877,152)</u>
Net assets of governmental activities	\$ <u><u>50,727,051</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, 2012

	<u>General</u>	<u>Other governmental</u>	<u>Total</u>
Revenues:			
Real and personal property taxes	\$ 17,567,198	—	17,567,198
Motor vehicle and other excises	1,365,686	—	1,365,686
Penalties and interest on taxes	179,912	—	179,912
Fees	122,203	3,117,181	3,239,384
License and permits	24,408	—	24,408
Intergovernmental	19,353,965	2,197,632	21,551,597
Fines and forfeitures	74,433	—	74,433
Investment income	55,622	81,124	136,746
Departmental and other revenue	200,825	406,694	607,519
Contributions and donations	47,626	174,972	222,598
	<u>38,991,878</u>	<u>5,977,603</u>	<u>44,969,481</u>
Total revenues			
Expenditures:			
Current:			
General government	2,602,933	3,336	2,606,269
Public safety	3,017,461	248,776	3,266,237
Education	16,475,665	4,007,525	20,483,190
Public works	2,304,105	75,357	2,379,462
Human services	190,096	21,971	212,067
Culture and recreation	395,116	185,264	580,380
State and county assessments	747,906	—	747,906
Pension, fringe and general insurance	9,391,996	—	9,391,996
Capital outlay	—	1,114,874	1,114,874
Debt service	8,098,409	—	8,098,409
	<u>43,223,687</u>	<u>5,657,103</u>	<u>48,880,790</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>(4,231,809)</u>	<u>320,500</u>	<u>(3,911,309)</u>
Other financing sources (uses):			
Transfers in	756,300	104,728	861,028
Transfers out	(77,918)	(815,149)	(893,067)
	<u>678,382</u>	<u>(710,421)</u>	<u>(32,039)</u>
Total other financing sources (uses)			
Net change in fund balances	(3,553,427)	(389,921)	(3,943,348)
Fund balance, beginning of year	8,646,150	7,898,864	16,545,014
Fund balance, end of year	<u>\$ 5,092,723</u>	<u>7,508,943</u>	<u>12,601,666</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, 2012

Net change in fund balances – total governmental funds	\$ (3,943,348)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital additions as expenditures. In the statement of activities, the cost of those assets is depreciated over their estimated useful lives. This is the amount by which depreciation expense (\$2,831,080) and loss on disposals (\$45,442) exceeded capital asset additions (\$2,233,134).	(643,388)
Accrual basis revenues can result in more or (less) revenues reported in the statement of activities depending upon timing of billings and collections.	25,988
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.	(8,188,541)
Repayment of bond principal is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net assets while bond issuances are other financing sources in governmental funds, but increase long-term liabilities in the statement of net assets. This is the repayment of bond principal.	7,435,000
Bond premiums, net of amortization (\$5,948) increase the long-term liabilities in the statement of net assets, 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 assets. This is the amount by which current year amortization of bond issue costs, exceeds amortization of bond premiums on the statement of activities.	(582)
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 (\$14,764) offset by decreases in accrued interest (\$14,947), landfill liability (\$3,000), tax liability (\$7,370), and the other postemployment benefit liability (\$911,954).	922,507
Change in net assets of governmental activities	<u><u>\$ (4,392,364)</u></u>

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Statement of Net Assets – Proprietary Funds

June 30, 2012

Assets	Water fund	Community Center fund	Sewer fund	Total
Current assets:				
Cash and cash equivalents	\$ —	74,010	27,946	101,956
Cash and cash equivalents, restricted	298,725	—	—	298,725
Receivables, net	—	48	55,519	55,567
Total current assets	298,725	74,058	83,465	456,248
Noncurrent assets:				
Receivables, net	—	15,000	—	15,000
Other assets	1,641	—	1,315	2,956
Nondepreciable capital assets	11,397	375,733	34,727	421,857
Depreciable capital assets, net	875,838	1,314,624	1,529,479	3,719,941
Total noncurrent assets	888,876	1,705,357	1,565,521	4,159,754
Total assets	\$ 1,187,601	1,779,415	1,648,986	4,616,002
Liabilities				
Current liabilities:				
Warrants and accounts payable	\$ 9,819	8,209	132,221	150,249
Accrued liabilities	326	7,320	1,449	9,095
Due to other funds	—	3,830	—	3,830
Bond anticipation note	800,000	—	—	800,000
Bonds payable	14,198	—	10,802	25,000
Total current liabilities	824,343	19,359	144,472	988,174
Noncurrent liabilities:				
Due to other funds	—	22,980	—	22,980
Bond anticipation note	—	1,000,000	375,000	1,375,000
Bonds payable	173,208	—	131,792	305,000
Total noncurrent liabilities	173,208	1,022,980	506,792	1,702,980
Total liabilities	\$ 997,551	1,042,339	651,264	2,691,154
Net Assets				
Invested in capital assets, net of related debt	\$ 198,554	690,357	1,046,612	1,935,523
Unrestricted	(8,504)	46,719	(48,890)	(10,675)
Total net assets	\$ 190,050	737,076	997,722	1,924,848

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds

Year ended June 30, 2012

	Water fund	Community Center fund	Sewer fund	Total
Operating revenues:				
Charges for services	\$ 38,125	149,050	147,459	334,634
Fees	—	82,491	2,736	85,227
Other	—	—	18,100	18,100
Total operating revenues	38,125	231,541	168,295	437,961
Operating expenses:				
Salaries and benefits	—	93,390	10,090	103,480
Utilities	—	—	152,611	152,611
Other supplies and expenses	115,487	91,638	8,771	215,896
Depreciation	77,216	81,529	38,293	197,038
Total operating expenses	192,703	266,557	209,765	669,025
Operating (loss) income	(154,578)	(35,016)	(41,470)	(231,064)
Nonoperating income (expense):				
Interest expense	(15,744)	(11,436)	(8,627)	(35,807)
Interest income	601	1,111	565	2,277
Total nonoperating income (expense)	(15,143)	(10,325)	(8,062)	(33,530)
Transfer in/(out)	25,464	(26,810)	33,385	32,039
Capital contributions	—	—	100,000	100,000
Change in net assets	(144,257)	(72,151)	83,853	(132,555)
Total net assets, beginning of year	334,307	809,227	913,869	2,057,403
Total net assets, end of year	\$ 190,050	737,076	997,722	1,924,848

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Statement of Cash Flows – Proprietary Funds

Year ended June 30, 2012

	Water fund	Community Center fund	Sewer Fund	Total
Cash flows from operating activities:				
Cash received from customers	\$ —	235,217	147,220	382,437
Cash received from lessee	38,125	—	—	38,125
Cash paid to employees	—	(89,720)	(9,330)	(99,050)
Cash paid to vendors	(113,142)	(204,049)	(118,504)	(435,695)
Net cash (used in) provided by operating activities	(75,017)	(58,552)	19,386	(114,183)
Cash flows from noncapital financing activities:				
Transfers from other funds	25,464	—	33,385	58,849
Net cash provided by noncapital financing activities	25,464	—	33,385	58,849
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(4,587)	(953,209)	(576,973)	(1,534,769)
Proceeds from sale of BAN's	800,000	1,000,000	375,000	2,175,000
Payment of bond principal	(14,198)	—	(10,802)	(25,000)
Payment of interest	(15,666)	(11,436)	(8,565)	(35,667)
Capital contribution	—	—	75,000	75,000
Paydown of bond anticipation note	(650,000)	(1,000,000)	—	(1,650,000)
Net cash provided by (used in) capital and related financing activities	115,549	(964,645)	(146,340)	(995,436)
Cash flows from investing activities:				
Interest income	601	1,111	565	2,277
Net cash provided by investing activities	601	1,111	565	2,277
Increase (decrease) in cash and cash equivalents	66,597	(1,022,086)	(93,004)	(1,048,493)
Cash and cash equivalents, beginning of year	232,128	1,096,096	120,950	1,449,174
Cash and cash equivalents, end of year	\$ 298,725	74,010	27,946	400,681
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities:				
Operating (loss) income	\$ (154,578)	(35,016)	(41,470)	(231,064)
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities:				
Depreciation expense	77,216	81,529	38,293	197,038
Changes in operating assets and liabilities:				
Accounts receivable	—	3,675	(21,075)	(17,400)
Accounts payable	2,345	(112,410)	42,878	(67,187)
Accrued liabilities	—	3,670	760	4,430
Net cash (used in) provided by operating activities	\$ (75,017)	(58,552)	19,386	(114,183)
Noncash capital contributions	—	—	25,000	25,000

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Statement of Net Assets – Fiduciary Funds

June 30, 2012

Assets	OPEB Trust fund	Agency fund
Cash and cash equivalents	\$ 2,293,326	\$ 699,719
Receivables:		
Employer contributions	333,927	—
Investments, at fair value:		
Exchange traded funds	43,125	—
Equity mutual funds	378,576	—
Fixed income mutual funds	263,473	—
Total investments	685,174	—
Total assets	3,312,427	699,719
Liabilities		
Accounts payable and other liabilities	—	699,719
Total liabilities	—	\$ 699,719
Net Assets		
Held in trust for other postemployment benefits	\$ 3,312,427	

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS
Statement of Changes in Net Assets – Fiduciary Funds
June 30, 2012

	<u>OPEB Trust fund</u>
Additions:	
Contributions:	
Employer	\$ 4,415,382
Investment earnings:	
Realized and unrealized gains on investments	19,296
Investment income	4,792
Interest and dividends	836
Less investment expenses	<u>(886)</u>
Net investment earnings	<u>24,038</u>
Total additions	<u>4,439,420</u>
Deductions:	
Benefits	1,126,818
Administrative expenses and other	<u>175</u>
Total deductions	<u>1,126,993</u>
Change in net assets	3,312,427
Net assets – beginning of year	<u>—</u>
Net assets – end of year	<u><u>\$ 3,312,427</u></u>

See accompanying notes to basic financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2012

(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 2012:

<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	\$ 1,081,896

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 Town also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and proprietary funds provided they do not conflict with or contradict GASB pronouncements. The most significant of the Town's accounting policies are described below:

(a) Basis of Presentation

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the primary government (the Town). These statements include the financial activities of the overall government,

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2012

except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the Town where governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions and business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type 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, 2012

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) in fiscal year 2012. To initially fund the OPEB Trust, the Town moved all assets from the health claims account, which was previously reported as part of the General Fund. 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, 2012

(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 assets.

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

(e) Investment Valuation

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. The Town maintains a capitalization threshold of \$10,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed as incurred.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2012

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 Assets and Fund Balance*

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

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

Restricted: Net assets 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. Nonexpendable amounts are required to remain intact under such constraints.

Unrestricted: Remaining net assets 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, 2012

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 assets available to finance the program. It is the Town's policy to first apply cost-reimbursement grant (restricted) resources to such programs, followed by categorical block grants (unrestricted), and then by general revenues (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 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 \$1,509,506 at June 30, 2012.

(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, 2012, 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 2012.

(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 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.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2012

(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, 2012, under this program, the Town was due funds totaling \$4.4 million.

In 2012, the Town restructured its agreement with the MSBA. In lieu of receiving payments over the next 10 years, the Town agreed to receive a lump-sum payment from the MSBA. The amount received from the MSBA represented the present value of payments that were expected to be received over the next 10 years and was used to pay-off certain general obligation bonds. This resulted in the Town receiving \$706,000 less than what they would have received if the agreement was not restructured. This amount is recognized as an education expense in the government-wide financial statements.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2012

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, 2012:

Fiscal year:		
2013	\$	404,404
2014		404,404
2015		404,404
2016		404,404
2017		404,404
2018 – 2022		2,022,020
2023		404,404
		<hr/>
Total	\$	<u>4,448,444</u>

During fiscal 2012, the Town received \$7,481,924 in such assistance and recorded the receipt as intergovernmental revenue in the general fund. The receipt was comprised of scheduled receipts of \$1,053,083 and the lump-sum receipt described above of \$6,428,841.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2012

(4) Capital Assets

Capital asset activity for the year ended June 30, 2012 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	\$ 940,270	3,500	—	943,770
Construction in progress	65,636	181,699	(65,636)	181,699
Total capital assets, not being depreciated	<u>1,005,906</u>	<u>185,199</u>	<u>(65,636)</u>	<u>1,125,469</u>
Capital assets, being depreciated:				
Buildings	55,004,645	79,364	—	55,084,009
Land improvements	5,250	—	—	5,250
Machinery and equipment	8,127,640	841,670	(249,345)	8,719,965
Infrastructure	22,354,183	1,192,537	—	23,546,720
	<u>85,491,718</u>	<u>2,113,571</u>	<u>(249,345)</u>	<u>87,355,944</u>
Less accumulated depreciation for:				
Buildings	17,688,340	1,244,560	—	18,932,900
Land improvements	5,250	—	—	5,250
Machinery and equipment	6,747,729	589,825	(203,903)	7,133,651
Infrastructure	14,705,041	996,695	—	15,701,736
	<u>39,146,360</u>	<u>2,831,080</u>	<u>(203,903)</u>	<u>41,773,537</u>
Total capital assets, being depreciated, net	<u>46,345,358</u>	<u>(717,509)</u>	<u>(45,442)</u>	<u>45,582,407</u>
Governmental capital assets, net	<u>\$ 47,351,264</u>	<u>(532,310)</u>	<u>(111,078)</u>	<u>46,707,876</u>

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2012

Depreciation expense was charged to governmental functions as follows:

Governmental activities:	
General government	\$ 109,723
Public safety	341,495
Public works	1,114,882
Education	1,176,076
Human services	11,109
Culture and recreation	<u>77,795</u>
Total depreciation expense – governmental activities	<u><u>\$ 2,831,080</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	<u>1,178,150</u>	<u>—</u>	<u>—</u>	<u>1,178,150</u>
	<u>1,178,150</u>	<u>4,587</u>	<u>—</u>	<u>1,182,737</u>
Less accumulated depreciation for:				
Machinery and equipment	—	655	—	655
Infrastructure	<u>229,683</u>	<u>76,561</u>	<u>—</u>	<u>306,244</u>
	<u>229,683</u>	<u>77,216</u>	<u>—</u>	<u>306,899</u>
Total capital assets being depreciated, net	<u>948,467</u>	<u>(72,629)</u>	<u>—</u>	<u>875,838</u>
Water enterprise fund capital assets, net	<u><u>\$ 959,864</u></u>	<u><u>(72,629)</u></u>	<u><u>—</u></u>	<u><u>887,235</u></u>

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2012

	<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
Construction in progress	195,821	—	(195,821)	—
Total capital assets, not being depreciated	<u>571,554</u>	<u>—</u>	<u>(195,821)</u>	<u>375,733</u>
Capital assets, being depreciated:				
Buildings	872,365	1,149,030	—	2,021,395
Machinery and equipment	24,730	—	(24,730)	—
Infrastructure	72,313	—	—	72,313
Total capital assets, being depreciated	<u>969,408</u>	<u>1,149,030</u>	<u>(24,730)</u>	<u>2,093,708</u>
Less accumulated depreciation for:				
Buildings	696,108	80,083	—	776,191
Machinery and equipment	24,730	—	(24,730)	—
Infrastructure	1,447	1,446	—	2,893
Total accumulated depreciation	<u>722,285</u>	<u>81,529</u>	<u>(24,730)</u>	<u>779,084</u>
Total capital assets being depreciated, net	<u>247,123</u>	<u>1,067,501</u>	<u>—</u>	<u>1,314,624</u>
Community Center capital assets, net	<u>\$ 818,677</u>	<u>1,067,501</u>	<u>(195,821)</u>	<u>1,690,357</u>

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2012

	<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	1,254,212	573,515	—	1,827,727
Less accumulated depreciation for:				
Infrastructure	<u>259,955</u>	<u>38,293</u>	<u>—</u>	<u>298,248</u>
Total capital assets being depreciated, net	<u>994,257</u>	<u>535,222</u>	<u>—</u>	<u>1,529,479</u>
Sewer enterprise fund capital assets, net	<u>\$ 994,257</u>	<u>569,949</u>	<u>—</u>	<u>1,564,206</u>

(5) Leasing Arrangement

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

As of June 30, 2012, the book value of the leased water tank is \$871,906 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:	
2013	\$ 38,125
2014	38,125
2015	38,125
2016	38,125
2017	38,125
2018 – 2022	190,625
2023 – 2027	<u>190,625</u>
	<u>\$ 571,875</u>

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2012

(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, 2012, the bank balances of uninsured and uncollateralized deposits totaled \$2.8 million.

(c) *Interest Rate Risk*

The following is a listing of the Town's fixed-income investments and related maturity schedule (in years) as of June 30, 2012:

<u>Investment type</u>	<u>Fair value</u>	<u>Less than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>
U.S. Agency	\$ 226,298	—	226,298	—
Corporate bonds	35,652	35,652	—	—
Fixed income mutual funds	303,687	64,294	76,428	162,965
Money market funds	6,380,340	6,380,340	—	—
External investment pool	1,892,371	1,892,371	—	—
Total	<u>\$ 8,838,348</u>	<u>8,372,657</u>	<u>302,726</u>	<u>162,965</u>

(d) *Credit Risk*

The fixed income mutual funds and money market funds were not rated as of June 30, 2012. The U.S. Agency bonds are rated AA+ and the corporate bonds are rated AA by Standards & Poors as of June 30, 2012.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2012

(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. However, the Town holds a mutual fund where the underlying securities are denominated in various foreign currencies. The fair value of the international mutual fund was \$28,831 as of June 30, 2012.

(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, 2012, 2011 and 2010 were \$1,046,630, \$1,063,828 and \$987,477, 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, 2012, the balance of this fund was \$704,058 and was reported as restricted fund balance in the general fund.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2012

A summary of the changes in the retirement trust fund during fiscal 2012 is as follows:

Ending balance, June 30, 2011	\$	789,952
Interest income		2,637
Retirement payments		(88,531)
Ending balance, June 30, 2012	\$	<u>704,058</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 assets 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, 2010, the valuation date, 207 retirees and spouses and 376 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, 2010, the valuation date, the plan members contribute 20% to 25% of the monthly premium cost, depending on the plan in which they are enrolled. The Town contributes the balance of the premium cost.

During 2012, the Town established an OPEB Trust fund that will be used to accumulate assets to pay the health benefits of retirees. The Town made an initial contribution of approximately \$3.1 million

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2012

from its prior Health Trust account. The Town does not currently anticipate contributing additional funds above and beyond the pay-as-you-go amount.

(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.
- Exchange traded funds are stated at quoted market value.
- 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, 2012, 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, 2010:

Annual Required Contribution (ARC)	\$ 3,614,441
Interest on net OPEB obligation	304,769
Adjustment to ARC	<u>(415,782)</u>
Annual OPEB cost	3,503,428
Contributions made	<u>(4,415,382)</u>
Change in net OPEB obligation	(911,954)
Net OPEB obligation – beginning of year	<u>6,772,634</u>
Net OPEB obligation – end of year	<u>\$ 5,860,680</u>

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2012

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:			
2012	\$ 3,503,428	126.0%	\$ 5,860,680
2011	3,333,676	31.9	6,772,634
2010	3,090,448	28.9	4,503,777

(d) Funded Status and Funding Progress

The funded status of the plan as of June 30, 2012, based on an actuarial valuation as of July 1, 2010, was as follows:

Actuarially accrued liability (AAL)	\$ 33,466,114
Actuarial value of plan assets	<u>—</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 33,466,114</u>
Funded ratio (actuarial value of plan assets/AAL)	—%
Covered payroll (active plan members)	\$ 17,509,156
UAAL as a percentage of covered payroll	191.1%

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

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2012

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, 2010 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.5% investment rate of return. The annual health care cost trend rate starts at 9.5% and 9.0% for retirees pre-65 and post-65, respectively. Those rates are reduced to an ultimate rate of 5.0% after 9 years for pre-65 and 8 years for post-65. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at July 1, 2010 was thirty years.

(9) Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2012:

	<u>Maturing through year ended June 30</u>	<u>Interest percentage range</u>	<u>Outstanding beginning of year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding end of year</u>
Governmental activities:						
General obligation bonds	2028	2.00 – 4.65%	\$ 15,755,000	—	(7,435,000)	8,320,000
Add (deduct):						
Unamortized bond premium			49,551	—	(5,948)	43,603
Total governmental activities bonded debt, net			<u>15,804,551</u>	<u>—</u>	<u>(7,440,948)</u>	<u>8,363,603</u>
Business-type activities:						
Water fund:						
General obligation bonds	2028	3.25 – 5.00	201,604	—	(14,198)	187,406
Sewer fund:						
General obligation bonds	2028	3.25 – 5.00	153,396	—	(10,802)	142,594
Bond anticipation note			—	375,000	—	375,000
Community Center fund:						
Bond anticipation note			—	1,000,000	—	1,000,000
Total business-type activities bonded debt, net			<u>355,000</u>	<u>1,375,000</u>	<u>(25,000)</u>	<u>1,705,000</u>
Total bonded debt, net			<u>16,159,551</u>	<u>1,375,000</u>	<u>(7,465,948)</u>	<u>10,068,603</u>
Other governmental long-term obligations:						
Compensated absences			452,410	14,764	—	467,174
Other postemployment benefits			6,772,634	3,919,210	(4,831,164)	5,860,680
Landfill and postclosure care costs			66,000	—	(3,000)	63,000
			<u>7,291,044</u>	<u>3,933,974</u>	<u>(4,834,164)</u>	<u>6,390,854</u>
Total long-term obligations			<u>\$ 23,401,044</u>	<u>5,308,974</u>	<u>(12,294,164)</u>	<u>16,415,854</u>

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2012

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

In 2012, the Town redeemed \$6,285,000 of general obligation bonds outstanding with cash on hand received from a lump-sum payment from the MSBA. The bonds were called and are no longer considered outstanding.

Maturity of Bond Indebtedness

Bond indebtedness outstanding at June 30, 2012 matures as follows:

	Governmental activities		
	Principal	Interest	Total
Year ending June 30:			
2013	\$ 675,000	344,676	1,019,676
2014	695,000	319,564	1,014,564
2015	715,000	293,314	1,008,314
2016	735,000	265,614	1,000,614
2017	760,000	234,789	994,789
2018 – 2022	2,720,000	775,818	3,495,818
2023 – 2027	1,695,000	267,250	1,962,250
2028	325,000	13,975	338,975
	<u>\$ 8,320,000</u>	<u>2,515,000</u>	<u>10,835,000</u>

	Business-type activities					
	Water			Sewer		
	Principal	Interest	Total	Principal	Interest	Total
Year ending June 30:						
2013	\$ 14,198	7,816	22,014	10,802	5,947	16,749
2014	14,198	7,354	21,552	10,802	5,596	16,398
2015	11,358	6,857	18,215	8,642	5,218	13,860
2016	11,358	6,460	17,818	8,642	4,915	13,557
2017	11,358	5,920	17,278	8,642	4,505	13,147
2018 – 2022	56,790	21,566	78,356	43,210	16,409	59,619
2023 – 2027	56,790	9,626	66,416	43,210	7,324	50,534
2028	11,356	490	11,846	8,644	370	9,014
	<u>\$ 187,406</u>	<u>66,089</u>	<u>253,495</u>	<u>142,594</u>	<u>50,284</u>	<u>192,878</u>

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2012

	Business-type activities		
	Total		
	Principal	Interest	Total
Year ending June 30:			
2013	\$ 25,000	13,763	38,763
2014	25,000	12,950	37,950
2015	20,000	12,075	32,075
2016	20,000	11,375	31,375
2017	20,000	10,425	30,425
2018 – 2022	100,000	37,975	137,975
2023 – 2027	100,000	16,950	116,950
2028	20,000	860	20,860
	<u>\$ 330,000</u>	<u>116,373</u>	<u>446,373</u>

The Town is subject to a dual-level general debt limit: the normal debt limit and the double debt limit. Such limits are equal to 5% and 10%, respectively, of the valuation of taxable property in the Town as last equalized by the Commonwealth's Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit, however, require the approval of the Commonwealth's Emergency Finance Board. Additionally, there are many categories of general obligation debt which are exempt from the debt limit but are subject to other limitations. As of June 30, 2012, the Town has the ability to issue \$54.6 million of additional debt within the normal debt limit.

As of June 30, 2012, the Town has total authorized unissued debt of \$12,550,000. The authorized unissued debt is intended to finance the following:

Governmental activities:	
Middle school roof	\$ 5,800,000
Water fund:	
Water company purchase	6,550,000
Water main	<u>200,000</u>
	<u>\$ 12,550,000</u>

(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).

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2012

Temporary loans are general obligations of the Town and carry maturity dates which are limited by statute. In fiscal 2012, the Town incurred \$21,093 in interest expense for temporary borrowings, all recorded in the business-type activities.

Subsequent to year-end, the Town issued general obligation bonds totaling \$3,875,000. The interest rates range from 0.50% to 2.85% and the bonds are due in 2033. A portion of the proceeds, \$1,375,000, were used to refund short-term debt. Thus, the Town has reclassified \$1,000,000 and \$375,000 of Community Center fund and Sewer fund BAN's, respectively, to long-term debt as of June 30, 2012.

Short-term debt activity for the year ended June 30, 2012 was as follows:

	Outstanding at June 30, 2011	Additions	Deductions	Outstanding at June 30, 2012
Bond anticipation notes payable:				
Water fund:				
Water tank construction	\$ 100,000	50,000	(100,000)	50,000
Water company purchase	550,000	750,000	(550,000)	750,000
Subtotal	650,000	800,000	(650,000)	800,000
Community center fund:				
Capital improvements	1,000,000	—	(1,000,000)	—
Total	\$ 1,650,000	800,000	(1,650,000)	800,000

(11) Interfund Receivable and Payable Balances

Individual fund receivable and payable balances at June 30, 2012, are as follows:

Interfund balances	Receivable	Payable
General	\$ —	8,865
Other governmental:		
Permanent funds	8,865	—
Special revenue funds	26,810	—
Community center fund	—	26,810
Balances at June 30, 2012	\$ 35,675	35,675

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2012

(12) Transfers

Transfers to (from) governmental funds and their purposes during the year ended June 30, 2012 were as follows:

	<u>General</u>	<u>Other governmental</u>	<u>Water</u>	<u>Community Center</u>	<u>Sewer</u>
Ambulance – operating expense	\$ 610,000	(610,000)	—	—	—
BOH – operating expense	60,000	(60,000)	—	—	—
WRTA – operating expense	27,000	(27,000)	—	—	—
Donation – stabilization	25,000	(25,000)	—	—	—
Conservation – operating expense	7,000	(7,000)	—	—	—
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)	—	—	—
Community Development – operating exp.	3,800	(3,800)	—	—	—
Sale of Real Estate – operating exp.	3,500	(3,500)	—	—	—
Available funds – Tri-Centennial Trust	(30,000)	30,000	—	—	—
Available funds – Cemetery Perp. Care	(6,000)	6,000	—	—	—
Available funds – Ambulance funding	(30,141)	30,141	—	—	—
Available funds – HAP Charity	(2,865)	2,865	—	—	—
Available funds – Animal Control	(4,912)	4,912	—	—	—
Available funds – Revolving	(4,000)	4,000	—	—	—
Available funds - Loan repayment	—	26,810	—	(26,810)	—
Revolving – Water operations	—	(25,464)	25,464	—	—
Revolving – Sewer operations	—	(33,385)	—	—	33,385
Total net transfers to (from)	<u>\$ 678,382</u>	<u>(710,421)</u>	<u>25,464</u>	<u>(26,810)</u>	<u>33,385</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 2012.

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2012

The Town is a member of the Massachusetts Interlocal Insurance Association (MIIA), a public entity risk pool currently operating as a common risk management and insurance program for workers' compensation benefits for employees including uniformed police and fire personnel. Uniformed personnel are covered up to \$1,250 per week through MIIA with the Town covering the difference. MIIA is self-sustaining through member premiums and reinsures through commercial companies for stop loss insurance. The total premium assessed by MIIA to the Town in 2012 amounted to \$327,916 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 2012, claims related to unemployment compensation amounted to \$119,528. The liability for self-insured unemployment compensation is not material at June 30, 2012.

The Town maintains an unemployment compensation account designated to fund unemployment claims. As of June 30, 2012, the balance in this account was \$376,400 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 \$1.1 million in encumbrances for purchase orders and contracts as follows:

General fund	\$	558,707
Other governmental		397,817
Sewer fund		158,569
Water fund		15,888
		<hr/>
Balances at June 30, 2012	\$	<u><u>1,130,981</u></u>

TOWN OF OXFORD, MASSACHUSETTS

Notes to Basic Financial Statements

June 30, 2012

(15) Fund Balance Classification

The components of fund balance for the Town's governmental funds as of June 30, 2012 are as follows (in thousands):

Fund balance	General	Other governmental
Nonspendable – permanent fund principal	\$ —	3,651,689
Restricted:		
General government	—	683,794
Public safety	—	1,014,253
Education	—	265,289
Public works	—	266,005
Health and human services	—	64,842
Culture and recreation	—	648,014
Debt service	80,991	—
Pension and fringe	1,080,458	—
Subtotal	1,161,449	2,942,197
Committed:		
General government	378,610	—
Public safety	125,953	—
Public works	431,497	—
Subtotal	936,060	—
Assigned:		
General government	276,081	8,991
Public safety	22,564	109,139
Education	122,759	681,053
Public works	89,172	114,618
Health and human services	41	1,256
Subtotal	510,617	915,057
Unassigned:	2,484,597	—
Balances at June 30, 2012	\$ 5,092,723	7,508,943

TOWN OF OXFORD, MASSACHUSETTS

Budgetary Comparison Schedule – General Fund

(Unaudited)

June 30, 2012

	Budgeted amounts		Actual amounts (budgetary basis)	Variance with final budget positive (negative)
	Original	Final		
Resources (inflows):				
Real and personal property taxes, net	\$ 17,609,545	17,609,545	17,614,685	5,140
Excises	1,394,000	1,394,000	1,365,686	(28,314)
Penalties and interest	158,000	158,000	179,912	21,912
Fees	80,000	80,000	132,528	52,528
Licenses and permits	26,000	26,000	24,408	(1,592)
Intergovernmental	12,632,122	12,632,122	12,789,233	157,111
Fines and forfeitures	77,000	77,000	74,433	(2,567)
Investment income	37,511	37,511	41,426	3,915
Other	267,489	267,489	190,499	(76,990)
Amounts available for appropriation	32,281,667	32,281,667	32,412,810	131,143
Charges to appropriations (outflows):				
Current:				
General government	2,767,024	2,719,116	2,409,153	309,963
Public safety	2,686,286	2,876,358	2,776,915	99,443
Education	16,352,463	16,594,590	16,360,206	234,384
Public works	2,264,098	2,364,689	2,158,965	205,724
Human services	162,493	195,493	189,849	5,644
Culture and recreation	395,691	395,691	394,661	1,030
State and county assessments	714,523	714,523	747,906	(33,383)
Pension, fringe, and general insurance	6,944,976	6,605,918	6,182,584	423,334
Debt service	1,913,409	1,913,409	1,813,409	100,000
Total charges to appropriations	34,200,963	34,379,787	33,033,648	1,346,139
Excess (deficiency)	(1,919,296)	(2,098,120)	(620,838)	1,477,282
Other financing sources:				
Transfers in, net	1,436,466	1,379,966	950,201	(429,765)
Total other financing sources	1,436,466	1,379,966	950,201	(429,765)
Excess (deficiency)	(482,830)	(718,154)	\$ 329,363	1,047,517
Other budget items:				
Free cash	523,000	593,000		
Other available funds	—	125,154		
Total other budget items	523,000	718,154		
Net budget	\$ 40,170	—		

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

TOWN OF OXFORD, MASSACHUSETTS

Notes to Budgetary Comparison Schedule – General Fund

June 30, 2012

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	\$ 32,412,810	33,033,648	950,201
Adjustment of revenues to a modified accrual basis	(47,486)	—	61,711
Adjustment for encumbrances and continuing appropriations and accrued expenditures, net of prior year reversals	—	632,776	—
Adjustment for revenues, expenditures and transfers that are not included in the general fund for budgetary purposes, but are included in the general fund for financial reporting purposes	<u>6,626,554</u>	<u>9,557,263</u>	<u>(333,530)</u>
As reported on a GAAP basis	<u>\$ 38,991,878</u>	<u>43,223,687</u>	<u>678,382</u>

TOWN OF OXFORD, MASSACHUSETTS

Notes to Budgetary Comparison Schedule – General Fund

June 30, 2012

Note C – Expenditures in Excess of Budget

The Town had expenditures in excess of budgeted appropriations for state and county assessments. In accordance with Commonwealth of Massachusetts town finance regulations, the Town has raised this amount on its 2013 budget.

TOWN OF OXFORD, MASSACHUSETTS
Schedules of Funding Progress and Employer Contributions
June 30, 2012
(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						
7/1/2010	\$	—	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:		
2011	\$ 33,072	100
2010	31,200	100
2009	28,800	100

Schedule of Employer Contributions – OPEB Trust Fund

	Annual required contribution	Percentage contributed
Year ended June 30:		
2012	\$ 3,614	122

Notes to schedules

Additional information as of the latest actuarial valuation for the Worcester Regional Contributory Retirement System follows:

Valuation date	January 1, 2012
Actuarial cost method	Individual entry age normal cost
Amortization method	Increasing amortizations at 4.0%
Remaining amortization period	18 years
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	3.0
Cost-of-living adjustments	Increase annually by 3% up to a maximum of \$420.

¹ The information presented above relates to the cost-sharing plan as a whole, of which the Town is one participating employer of ninety-four. The Town's annual required contribution is approximately 3.2% of the System's total annual required contribution.

See accompanying independent auditors' report.