

TOWN OF OXFORD  
OXFORD, MARYLAND  
FINANCIAL STATEMENTS WITH  
SUPPLEMENTAL INFORMATION  
JUNE 30, 2007

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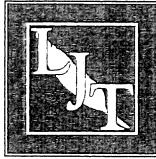
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## INDEPENDENT AUDITOR'S REPORT

TO THE COMMISSIONERS  
TOWN OF OXFORD, MARYLAND

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Oxford, as of and for the year ended June 30, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 and each major fund of the Town of Oxford as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General and Enterprise Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town of Oxford's basic financial statements. The accompanying financial information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Town of Oxford. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Lank, Johnson & Tull*

Seaford, Delaware  
November 20, 2007

**TOWN OF OXFORD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2007**

This Discussion and Analysis is intended to be an easily readable analysis of the Town of Oxford's financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

**Report Layout**

In addition to the Management's Discussion and Analysis (MD&A), the report consists of government-wide statements, fund financial statements, notes to the financial statements, and supplemental information. The first several statements are highly condensed and present a government-wide view of the Town's finances. Within this view, all Town operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services such as police, public works, parks and recreation, community development and general government administration. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the Town.

**Basic Financial Statements**

- The Statement of Net Assets focuses on resources available for future operations. In simple terms, this statement presents a snap-shot view of the assets the community owns, the liabilities owed and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts.
- The Statement of Activities focuses gross and net costs of Town programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund Financial Statements focus separately on major Governmental Funds and Proprietary Funds. Governmental Fund statements follow the more traditional presentation of Financial Statements. A budgetary comparison is presented for all funds. Statements for the Town's Proprietary Funds follow the Governmental Funds and include net assets, revenue, expenses and changes in net assets, and cash flow.
- The notes to the Financial Statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Town's financial condition.

**TOWN OF OXFORD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2007**

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

The Town's combined net assets increased by 11.86% from 2006 to 2007. (See table below) General fund net assets increased by 21.2%, while the business-type funds increased by 1.36%.

Town of Oxford  
Net Assets  
(in millions)

	Governmental		Business-Type		Total		Total
	2007	2006	2007	2006	2007	2006	Percentage Change
Current and Other Assets	1.01	0.96	0.66	0.73	1.67	1.69	-1.18%
Capital Assets	1.07	1.03	1.25	1.19	2.32	2.22	4.50%
Total Assets	2.08	1.99	1.91	1.92	3.99	3.91	2.05%
Long Term Debt	0.07	0.31	0.41	0.43	0.48	0.74	-35.14%
Other Liabilities	0.01	0.03	0.01	0.02	0.02	0.05	-60.00%
Total Liabilities	0.08	0.34	0.42	0.45	0.50	0.79	-36.71%
Net Assets							
Capital Assets Net of Debt	1.00	0.72	0.84	0.76	1.84	1.48	24.32%
Restricted	0.38	0.38	0.00	0.00	0.38	0.38	0.00%
Unrestricted	0.62	0.55	0.65	0.71	1.27	1.26	0.79%
Total Net Assets	2.00	1.65	1.49	1.47	3.49	3.12	11.86%

The increase in net assets is attributable to purchases of capital assets and payments on debt using surplus cash.

**TOWN OF OXFORD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2007**

The Town's total revenues increased by 8.39% to \$1.68 million. (See table below.) Revenue from business-type activities decreased by 2%, to \$.48 million. This decrease is attributable to a reduction in water and sewer revenue. Governmental revenues increased by 13.2% to \$1.20 million. This increase is attributable to an increase in property taxes and state shared income taxes.

The total cost of all programs and services increased by 15.00%, to \$1.38 million. Costs of business-type activities increased by 11.9%, to \$.47 million. This increase is attributed to the hiring of a new supervisor who did much needed maintenance and increases in other normal operating costs. The cost of governmental activities increased by 16.7% to \$.91 million. This increase is attributed to legal costs, capital projects and normal operating costs.

Town of Oxford  
Change in Net Assets  
(in millions)

	Governmental		Business-Type		Total		Total
	2007	2006	2007	2006	2007	2006	Percentage Change
Program Revenue							
Fees, Fines, Services	0.09	0.06	0.47	0.48	0.56	0.53	5.66%
Operating Grants	0.02	0.02	0.00	0.00	0.02	0.02	0.00%
General Revenue							
Taxes	1.06	0.96	0.00	0.00	1.06	0.96	10.42%
Investment income(loss)	0.03	0.02	0.01	0.01	0.04	0.04	0.00%
Total Revenue	1.20	1.06	0.48	0.49	1.68	1.55	8.39%
Program Expenses							
General	0.26	0.20	0.00	0.00	0.26	0.20	30.00%
Public Safety	0.19	0.17	0.00	0.00	0.19	0.17	11.76%
Public Works	0.23	0.16	0.00	0.00	0.23	0.16	43.75%
Parks and Recreation	0.08	0.07	0.00	0.00	0.08	0.07	14.29%
Debt Service	0.01	0.02	0.00	0.00	0.01	0.02	-50.00%
Miscellaneous	0.14	0.16	0.00	0.00	0.14	0.16	-12.50%
Water & Sewer	0.00	0.00	0.47	0.42	0.47	0.42	11.90%
Total Expenses	0.91	0.78	0.47	0.42	1.38	1.20	15.00%
Change in Net Assets	0.29	0.28	0.01	0.07	0.30	0.35	-14.29%
Net Assets Beginning	1.64	1.36	1.47	1.40	3.11	2.76	12.68%
Net Assets Ending	1.93	1.64	1.48	1.47	3.41	3.11	9.65%

**TOWN OF OXFORD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2007**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The original budget was not amended during the current fiscal year.

General Fund revenues of \$1,202,320 exceeded budgeted revenues of \$1,037,182 by \$165,138 (15.92%). This excess was primarily the result of increased State-shared taxes.

General Fund expenditures of \$1,132,888 were less than budgeted expenditures of \$1,457,017 by \$324,129 (22.2%). Street paving was budgeted at \$125,000, but only \$68,365 was expended. Contingencies were budgeted at \$218,646 but were minimal.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2007 the Town had \$2.32 million invested in capital assets, including police equipment, park and recreation facilities, buildings, land, vehicles, and water and sewer system improvements. The Town purchased a vehicle in the current fiscal year, along with costs incurred to drill a new well, a part of the ongoing arsenic removal plan, and paving of streets.

Town of Oxford  
 Capital Assets Net of Depreciation  
 (in millions)

	Governmental		Business-Type		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land	0.02	0.02	0.00	0.00	0.02	0.02
Buildings	0.90	0.93	0.00	0.00	0.90	0.93
Improvements	0.07	0.00	0.00	0.00	0.07	0.00
Equipment	0.05	0.05	0.00	0.00	0.05	0.05
Vehicles	0.03	0.03	0.00	0.00	0.03	0.03
Water and Sewer	0.00	0.00	1.25	1.19	1.25	1.19
<b>Total Capital Assets</b>	<b>1.07</b>	<b>1.03</b>	<b>1.25</b>	<b>1.19</b>	<b>2.32</b>	<b>2.22</b>

Note 4 of the Notes to Basic Financial Statements gives further details of the Town's capital asset activity.

**TOWN OF OXFORD**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2007**

Debt

At year-end, the Town had \$.48 million in bonds and notes outstanding versus \$.74 million last year, a decrease of \$.26 million.

Town of Oxford  
Debt  
(in millions)

	Governmental		Business-Type		Total	
	2007	2006	2007	2006	2007	2006
Town Hall Renovation	0.07	0.31	0.00	0.00	0.07	0.31
Water Tower	0.00	0.00	0.35	0.36	0.35	0.36
System Expansion	0.00	0.00	0.06	0.07	0.06	0.07
Total	0.07	0.31	0.41	0.43	0.48	0.74

There were no new borrowings during the current year. Note 5 of the Notes to Basic Financial Statements gives further details of the Town's debt activity.

Economic Factors and 2008 Budget & Rates

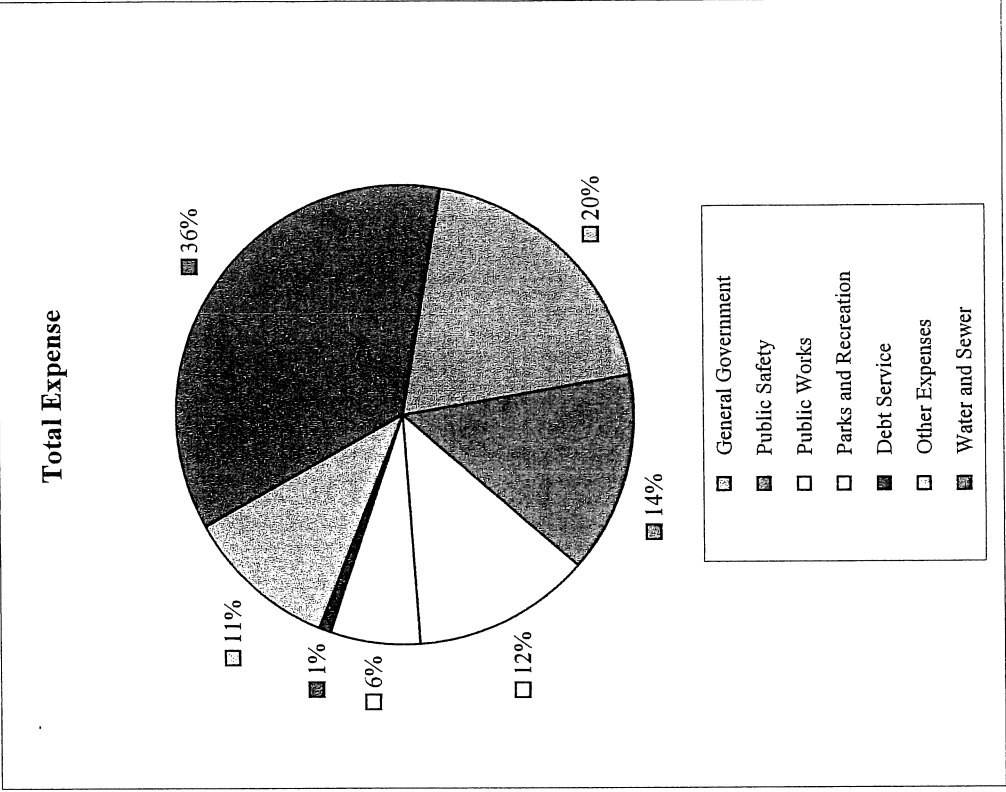
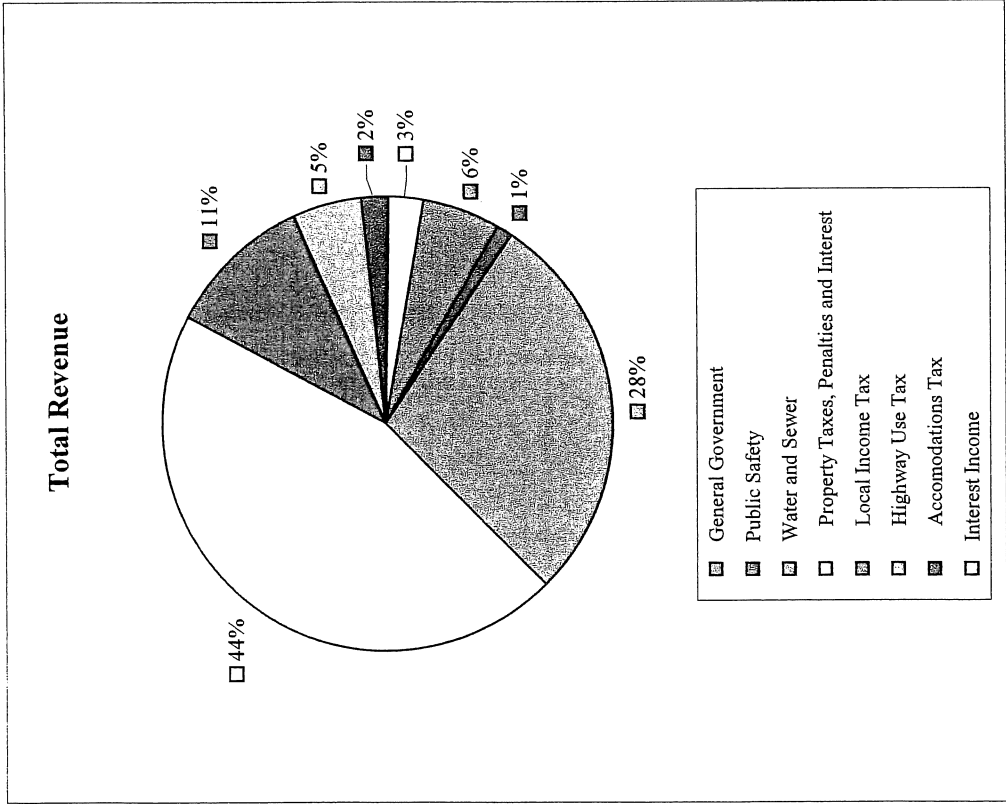
The Town continues to benefit from increases in State-shared revenue resulting from continued economic growth. The Town faces a significant capital outlay in trying to mitigate the presence of arsenic in our water supply. This, along with upgrading the existing waste treatment facility will present significant challenges to the Town. At present the Town is financially sound, but additional funding sources will be necessary to make the aforementioned improvements feasible.

Financial Contact

The Town's Financial Statements are designed to present the users (citizens, taxpayers, customers, and creditors) with a general overview of the Town's finances and to demonstrate the town's accountability. If you have any questions about the report or need additional financial information, please put your request in writing to the attention of: Town Clerk - Town of Oxford, Oxford, Maryland 21654.



TOWN OF OXFORD  
 MANAGEMENT DISCUSSION AND ANALYSIS  
 TOTAL REVENUE AND EXPENSES  
 GOVERNMENT-WIDE  
 JUNE 30, 2007



**TOWN OF OXFORD**  
**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
**JUNE 30, 2007**

**EXHIBIT A**

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash	\$ 935,251	\$ 484,839	\$ 1,420,090
Accounts Receivable	67,775	129,144	196,919
Notes Receivable - Water and Sewer Bonds	-	45,204	45,204
Capital Assets:			
Land	20,232	-	20,232
Buildings	1,119,940	-	1,119,940
Equipment	97,048	967,579	1,064,627
Improvements	68,365	1,496,060	1,564,425
Vehicles	69,691	33,437	103,128
Accumulated Depreciation	<u>(302,050)</u>	<u>(1,249,252)</u>	<u>(1,551,302)</u>
Total Assets	<u>2,076,252</u>	<u>1,907,011</u>	<u>3,983,263</u>
 <b>LIABILITIES</b>			
Accounts Payable	8,831	10,232	19,063
Non-Current Liabilities:			
Due within one year	21,172	12,692	33,864
Due in more than one year	<u>49,279</u>	<u>399,748</u>	<u>449,027</u>
Total Liabilities	<u>79,282</u>	<u>422,672</u>	<u>501,954</u>
 <b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	1,002,775	835,383	1,838,158
Restricted	378,580	-	378,580
Unrestricted	<u>615,615</u>	<u>648,956</u>	<u>1,264,571</u>
Total Net Assets	<u>\$ 1,996,970</u>	<u>\$ 1,484,339</u>	<u>\$ 3,481,309</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF OXFORD  
 GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2007

Program Activities	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>Governmental Activities</u>						
General Government	\$ 257,554	\$ 93,857	\$ -	\$ (163,697)	\$ -	\$ (163,697)
Public Safety	185,074	4,155	15,349	(165,570)	-	(165,570)
Public Works	163,143	-	-	(163,143)	-	(163,143)
Parks and Recreation	84,154	-	1,025	(83,129)	-	(83,129)
Debt Service	14,227	-	-	(14,227)	-	(14,227)
Other Expenses	141,725	-	-	(141,725)	-	(141,725)
<u>Total Governmental Activities</u>	<u>845,877</u>	<u>98,012</u>	<u>16,374</u>	<u>(731,491)</u>	<u>-</u>	<u>(731,491)</u>
<u>Business-Type Activities</u>						
Water and Sewer	471,370	470,704	-	-	(666)	(666)
<u>Total Government</u>	<u>\$ 1,317,247</u>	<u>\$ 568,716</u>	<u>\$ 16,374</u>	<u>(731,491)</u>	<u>(666)</u>	<u>(732,157)</u>
General Revenues:						
Taxes:						
Property Taxes, Penalties and Interest				758,994	-	758,994
Local Income Tax				177,314	-	177,314
Amusement Tax				620	-	620
Franchise Tax				4,256	-	4,256
Highway Use Tax				81,958	-	81,958
Accommodations Tax				32,837	-	32,837
Interest Income				31,955	11,319	43,274
Total General Revenues				1,087,934	11,319	1,099,253
Change in Net Assets				356,443	10,653	367,096
Net Assets-Beginning				1,640,527	1,473,686	3,114,213
Net Assets-Ending				\$ 1,996,970	\$ 1,484,339	\$ 3,481,309

The accompany notes are an integral part of these financial statements.

**TOWN OF OXFORD  
BALANCE SHEET  
GOVERNMENTAL FUND  
JUNE 30, 2007**

**EXHIBIT C**

	<b>General Fund</b>
<b>ASSETS</b>	
Cash	\$ 935,251
Accounts Receivable	<u>67,775</u>
Total Assets	<u>\$ 1,003,026</u>

**LIABILITIES AND FUND BALANCES**

Liabilities:	
Accounts Payable	<u>\$ 8,831</u>
Fund Balance:	
Reserved	378,580
Unreserved	<u>615,615</u> ✓
Total Fund Balance	<u>994,195</u>
Total Liabilities and Fund Balance	<u>\$ 1,003,026</u>

**Amounts Reported For Governmental Activities in The Statement of Activities Are Different Because:**

Total Fund Balance	\$ 994,195
Capital assets, and related accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	1,073,226
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(70,451)</u>
Net Assets of Governmental Activities	<u>\$ 1,996,970</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF OXFORD**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**EXHIBIT D**

	<u>General Fund</u>
<b>Revenues:</b>	
Property Taxes	\$ 758,994
Charges for Services	1,756
Intergovernmental	313,359
Licenses and Permits	16,649
Interest	31,955
Rents	51,792
Police Fines	4,155
Miscellaneous	23,660
Total Revenues	1,202,320
<b>Expenditures:</b>	
<b>Current:</b>	
General Government	222,884
Public Safety	173,916
Public Works	228,498
Parks and Recreation	80,974
Other Expenditures	141,725
Capital Outlay	26,711
<b>Debt Service:</b>	
Principal Retirement	243,953
Interest	14,227
Total Expenditures	1,132,888
Net Change in Fund Balance	69,432
Fund Balances at Beginning of Year	924,763
Fund Balances at End of Year	\$ 994,195

The accompanying notes are an integral part of these financial statements.

**TOWN OF OXFORD**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2007**

EXHIBIT E

<b>Net Change in Fund Balance-Total Governmental Funds</b>	<b>\$ 69,432</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(50,832)
Some expenses in the Governmental funds require the use of current financial resources but are not expenses in the statement of activities:	
Capital Outlay	93,890
Principal Retirement	<u>243,953</u>
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ 356,443</u></b>

The accompanying notes are an integral part of these financial statements.

**TOWN OF OXFORD**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**EXHIBIT F**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Favorable (Unfavorable) Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Property Taxes	\$ 744,412	\$ 744,412	\$ 758,994	\$ 14,582
Charges for Services	500	500	1,756	1,256
Intergovernmental	213,760	213,760	313,359	99,599
Licenses and Permits	8,260	8,260	16,649	8,389
Interest	39,725	39,725	31,955	(7,770)
Rents	27,525	27,525	51,792	24,267
Police Fines	2,500	2,500	4,155	1,655
Miscellaneous	500	500	23,660	23,160
Total Revenues	<u>1,037,182</u>	<u>1,037,182</u>	<u>1,202,320</u>	<u>165,138</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government	226,460	226,460	222,884	3,576
Public Safety	175,325	175,325	173,916	1,409
Public Works	323,424	323,424	228,498	94,926
Parks and Recreation	87,647	87,647	80,974	6,673
Other Expenditures	410,601	410,601	141,725	268,876
Capital Outlay	33,560	33,560	26,711	6,849
Debt Service	200,000	200,000	258,180	(58,180)
Total Expenditures	<u>1,457,017</u>	<u>1,457,017</u>	<u>1,132,888</u>	<u>324,129</u>
Net Change in Fund Balance	(419,835)	(419,835)	69,432	489,267
Fund Balances at Beginning of Year	<u>924,763</u>	<u>924,763</u>	<u>924,763</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 504,928</u>	<u>\$ 504,928</u>	<u>\$ 994,195</u>	<u>\$ 489,267</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF OXFORD  
BALANCE SHEET-ENTERPRISE FUND  
JUNE 30, 2007**

**EXHIBIT G**

**ASSETS**

**Current Assets:**

Cash	\$ 484,839
Accounts Receivable	129,144
Total Current Assets	<u>613,983</u>

**Capital Assets:**

Equipment	967,579
Improvements	1,496,060
Vehicles	33,437
Accumulated Depreciation	<u>(1,249,252)</u>
Total Capital Assets	<u>1,247,824</u>

**Other Assets:**

Notes Receivable-Water and Sewer Bonds	<u>45,204</u>
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Total Assets	<u><u>\$ 1,907,011</u></u>
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**LIABILITIES AND FUND BALANCES**

**Current Liabilities:**

Accounts Payable	\$ 10,232
Current Portion of Long term Debt	12,692
Total Current Liabilities	<u>22,924</u>

**Non-Current Liabilities:**

Long Term Debt-Net of Current Portion	<u>399,748</u>
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Total Liabilities	<u>422,672</u>
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**NET ASSETS**

Invested in Capital Assets, Net of Related Debt	835,383
Unrestricted	648,956
Total Net Assets	<u>1,484,339</u>

Total Liabilities and Net Assets	<u><u>\$ 1,907,011</u></u>
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The accompanying notes are an integral part of these financial statements.



**TOWN OF OXFORD**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET ASSETS**  
**BUDGET AND ACTUAL-ENTERPRISE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**EXHIBIT H**

	<u>Budget</u>	<u>Water and Sewer Actual Amounts</u>	<u>Favorable (Unfavorable) Variance</u>
<b>Operating Revenues:</b>			
Charges for Services	\$ 470,000	\$ 428,357	\$ (41,643)
Rents	25,600	36,043	10,443
Capital Charges	6,000	3,000	(3,000)
Plumbing Permits	1,500	1,368	(132)
Bay Restoration Fees	5,677	1,763	(3,914)
Miscellaneous	-	173	173
Total Operating Revenues	508,777	470,704	(38,073)
<b>Operating Expenses:</b>			
Clerk Salaries	16,978	16,979	(1)
Office Salaries	34,090	19,084	15,006
Office Supplies and Expense	5,100	4,688	412
Telephone	1,800	1,568	232
Auditing	2,800	2,800	-
Financial and Computer Services	1,000	100	900
Utilities	800	-	800
Repairs and Maintenance	2,000	49,691	(47,691)
Backhoe Repair	10,000	10,520	(520)
Automotive	7,500	6,470	1,030
Shop Utilities	3,240	3,600	(360)
Insurance	15,000	15,000	-
Employee Benefits	37,842	37,842	-
Subcontractors	20,000	2,865	17,135
Salaries	83,216	70,354	12,862
Materials and Equipment	58,000	34,654	23,346
Lab Supplies	30,000	24,685	5,315
Depreciation	85,000	84,588	412
Electricity	29,500	34,799	(5,299)
Social Security	10,272	8,141	2,131
Testing	23,000	15,371	7,629
Training	2,500	538	1,962
Maintenance Contracts	500	-	500
Interest	22,000	19,994	2,006
Workman's Compensation Insurance	7,039	7,039	-
Total Operating Expenses	509,177	471,370	37,807
Net Operating Income (Loss)	(400)	(666)	(266)
<b>Non-Operating Revenue (Expense):</b>			
Interest	6,400	11,319	4,919
Change in Net Assets	6,000	10,653	4,653
Net Assets at Beginning of Year	1,473,686	1,473,686	-
Net Assets at End of Year	\$ 1,479,686	\$ 1,484,339	\$ 4,653

The accompanying notes are an integral part of these financial statements.

**TOWN OF OXFORD  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUND  
FOR THE YEAR ENDED JUNE 30, 2007**

**EXHIBIT I**

	<u>Water and Sewer Fund</u>
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Customers	\$ 426,563
Rents	36,043
Capital Charges	3,000
Plumbing Permits	1,368
Miscellaneous	173
Cash Payments for Interest	(19,994)
Cash Payments to Employees for Services	(106,417)
Cash Payments to Suppliers for Goods and Services	(266,774)
Net Cash from Operating Activities	<u>73,962</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Purchase of Capital Assets	(145,249)
Retirement of Debt	(12,186)
Payments Received on Water and Sewer Bonds	2,955
Net Cash from Capital and Related Financing Activities	<u>(154,480)</u>
<b>Cash Flows from Investing Activities:</b>	
Interest Income	<u>11,319</u>
Net Increase (Decrease) in Cash	(69,199)
Cash - Beginning of year	<u>554,038</u>
Cash - End of year	<u>\$ 484,839</u>
<b>Reconciliation of Income (Loss) to Net Cash from Operating Activities:</b>	
Income (Loss)	\$ (666)
<b>Adjustments to Reconcile Income (Loss) to Net Cash from Operating Activities:</b>	
Depreciation	84,588
Change in Accounts Receivable	(3,557)
Change in Accounts Payable	<u>(6,403)</u>
Net Cash from Operating Activities	<u>\$ 73,962</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF OXFORD  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007

EXHIBIT J  
PAGE 1

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

A. General Statement

The Town of Oxford is located on the Eastern Shore of Maryland and has a population of approximately 771 people. Some of the major services provided by the Town include water and sewer, trash removal, parks and recreation, planning and zoning, improvements, and public safety.

The accounting and reporting policies of the Town relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). As allowed by GASB's Codification of Governmental Accounting and Financial Reporting Standards, the Town has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the Town are described below.

In June 1999, the GASB unanimously approved Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Town's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Town's activities.
- A change in the fund financial statements to focus on the major funds.

B. Financial Reporting Entity

The Town's basic financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The Town holds the corporate powers of the organization
- The Town appoints a voting majority of the organization's board
- The Town is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the Town
- There is fiscal dependency by the organization on the Town

Based on the aforementioned criteria, the Town of Oxford has no component units.