

TOWN OF OXFORD, MARYLAND

FINANCIAL REPORT

JUNE 30, 2016

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INDEPENDENT AUDITORS' REPORT

Commissioners of Oxford
Town of Oxford, Maryland
Oxford, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Oxford, Maryland as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Oxford, Maryland's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Oxford, Maryland as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Oxford, Maryland's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as listed in the table of contents is the responsibility of management and has been derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information, as listed in the table of contents is fairly stated in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2016 on our consideration of the Town of Oxford, Maryland's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* in considering the Town of Oxford, Maryland's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "YAM Group LLC". The letters are cursive and somewhat stylized.

Salisbury, Maryland
December 2, 2016

TOWN OF OXFORD, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

The Town of Oxford, Maryland

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Town of Oxford, Maryland's (the Town) annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year ended June 30, 2016. We encourage readers to consider the discussion and analysis along with the other information in this report, including the notes to the financial statements. In this section, we have provided an overview of the basic financial statements, selected condensed financial data and highlights, and analysis of the Town's financial position and changes in financial position.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial statements provide two views of the Town's financial position. On the Government-wide statements, the statements summarize all Town funds into one statement using the full accrual method of accounting.

- Statement of Net Position provides information on assets, deferred outflows, liabilities, deferred inflows and the difference, which is called net position. Over time increases and decreases in net position can serve as a barometer of financial health. The Statement of Net Position is similar to a balance sheet in private sector accounting.
- Statement of Activities is revenues and expenses that report the underlying cause of the change in net position. All changes in net position are reported as the change occurs. This means the statement includes depreciation on the assets. This statement does not report any capital projects. Capital projects are reported on the Statement of Net Position.

Fund Focus - A fund is defined as a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Funds are used to insure compliance with finance-related legal or regulatory compliance. Funds are classified as either governmental funds, proprietary funds or fiduciary funds (The Town has no fiduciary funds).

- Governmental funds are essentially the same as the governmental activities. Governmental funds facilitate cost allocation of centralized services such as building maintenance, street repair, accounting, printing, office equipment, engineering services, etc.
- Governmental funds use a modified accrual basis of accounting. Governmental funds focus on near-term inflows and outflows of spendable resources and on the balances of spendable resources. In the governmental statements, the accounting for items such as capital outlay, depreciation, debt payments, and accrued vacation is different than in the government-wide statements. In government funds, capital outlay and debt principal are reported on the Statement of Revenues, Expenditures and Changes in Fund Balance. Depreciation is not recorded. The rule for reporting accrued vacation is more restrictive. The Balance Sheet for governmental funds does not include any capital assets or long-term debt.

Major Funds - Major funds are the largest funds in terms of assets, liabilities, revenues or expenses. This allows the reader to see more detailed activities of the Major Funds. For the Town the following funds meet this requirement:

- General
- Water, Sewer, and Stormwater Fund

TOWN OF OXFORD, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Proprietary funds use a full accrual method of accounting for both government-wide statements and fund level statements. The Town has one proprietary fund.

Enterprise funds are used to report business like activities. These funds charge a fee for their services. The Town uses enterprise funds for water, sewer, and stormwater. All enterprise funds qualify as major funds.

Notes to the Financial Statements follow immediately after the basic financial statements. These notes are an integral part of the financial statements. The notes contain many additional disclosures about the financial health of the Town.

FINANCIAL HIGHLIGHTS

- Governmental activities net position increased by \$288,861.
- Business-type activities net position increased by \$479,296.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Net position

Town's Net Position

	Governmental Activities		Business-type Activities		Total		% Change
	2016	2015	2016	2015	2016	2015	
Current and other assets	\$ 1,219,691	\$ 1,321,153	\$ 2,695,913	\$ 2,132,949	\$ 3,915,604	\$ 3,454,102	13%
Capital assets	2,293,415	1,851,437	2,325,678	2,064,092	4,619,093	3,915,529	18%
Total assets	3,513,106	3,172,590	5,021,591	4,197,041	8,534,697	7,369,631	16%
Deferred outflows	147,278	68,308	-	-	147,278	68,308	116%
Other liabilities	31,433	53,051	30,165	99,218	61,598	152,269	-60%
Long-term debt	-	-	1,231,516	817,209	1,231,516	817,209	51%
Net pension liability	608,446	456,180	-	-	608,446	456,180	33%
Total liabilities	639,879	509,231	1,261,681	916,427	1,901,560	1,425,658	33%
Deferred inflows	49,909	49,932	-	-	49,909	49,932	0%
Net investment in capital assets	2,293,415	1,851,437	1,094,162	1,246,883	3,387,577	3,098,320	9%
Unrestricted	677,181	830,298	2,665,748	2,033,731	3,342,929	2,864,029	17%
Total net position	\$ 2,970,596	\$ 2,681,735	\$ 3,759,910	\$ 3,280,614	\$ 6,730,506	\$ 5,962,349	13%

- The Town's combined net position was \$6,730,506, consisting of \$3,387,577 net investment in capital assets and \$3,342,929 of unrestricted net position.

TOWN OF OXFORD, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Changes in net position

- Net position of the Town's governmental activities increased by \$288,861 to \$2,970,596.
- Net position of our business-type activities increased by \$479,296 to \$3,759,910.
- The Town's total revenues were \$2,610,675. This was an increase over the previous year of \$378,841 or 17%. The increase is mostly attributable to a \$300,000 grant received by the governmental activities for the purchase of the MEWS building.
- The cost of all services increased by 6% to \$1,842,518.

Changes in Net Position

	Governmental Activities		Business-type Activities		Total		%
	2016	2015	2016	2015	2016	2015	
Revenues							
Program Revenues:							
Charges for services	\$ 71,713	\$ 78,030	\$ 824,900	\$ 784,119	\$ 896,613	\$ 862,149	4%
Operating grants	12,944	14,116	-	-	12,944	14,116	-8%
Capital grants	321,925	57,774	266,896	256,864	588,821	314,638	87%
General Revenues:							
Property taxes	869,633	867,399	-	-	869,633	867,399	0%
Other taxes	184,479	170,746	-	-	184,479	170,746	8%
Investment and other	57,302	2,065	883	721	58,185	2,786	1988%
Total revenues	1,517,996	1,190,130	1,092,679	1,041,704	2,610,675	2,231,834	17%
Expenses							
General government	591,946	492,200	-	-	591,946	492,200	20%
Public safety	233,278	237,484	-	-	233,278	237,484	-2%
Public works	275,772	288,873	-	-	275,772	288,873	-5%
Parks and recreation	100,097	107,487	-	-	100,097	107,487	-7%
Water	-	-	327,726	303,906	327,726	303,906	8%
Sewer	-	-	189,378	190,402	189,378	190,402	-1%
SMSP	-	-	91,730	86,499	91,730	86,499	6%
Bay restoration fee	-	-	32,591	31,294	32,591	31,294	4%
Total expenses	1,201,093	1,126,044	641,425	612,101	1,842,518	1,738,145	6%
Transfers in/(out)	(28,042)	(302,934)	28,042	302,934	-	-	0%
Change in net position	\$ 288,861	\$ (238,848)	\$ 479,296	\$ 732,537	\$ 768,157	\$ 493,689	56%

Governmental Activities

Revenues from the Town's governmental activities increased by \$327,866 or 28% from the prior year.

Expenses from the Town's governmental activities increased by \$75,049 or 7% from the prior year.

TOWN OF OXFORD, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Business-type Activities

Revenues from the Town's business-type activities increased by \$50,975 or 5% from the prior year.

Expenses from the Town's business-type activities increased by \$29,324 or 5% from the prior year.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

- As the Town completed the year, the general fund reported a fund balance of \$1,188,258, a decrease of \$79,844 from the prior year.

General Fund Budgetary Highlights

- Revenues were over budget by \$386,120, which is mostly attributable to an unbudgeted \$300,000 grant received by the governmental activities for the purchase of the MEWS building.
- Total expenditures were over budget by \$297,205, also attributable to the unbudgeted \$300,000 grant for the MEWS building.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2016, the Town had invested \$4,619,093 in a broad range of capital assets, including land, equipment, buildings, vehicles, and water and sewer systems.

More detailed information about the Town's capital assets is presented in Note 5.

Town's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 411,332	\$ 20,232	\$ -	\$ -	\$ 411,332	\$ 20,232
Construction in progress	39,234	17,309	552,575	285,679	591,809	302,988
Buildings	1,239,915	1,119,940	-	-	1,239,915	1,119,940
Equipment	288,846	266,259	1,473,274	1,438,761	1,762,120	1,705,020
Improvements	1,271,397	1,252,607	2,424,033	2,379,033	3,695,430	3,631,640
Vehicles	204,834	218,099	115,376	115,376	320,210	333,475
Total	3,455,558	2,894,446	4,565,258	4,218,849	8,020,816	7,113,295
Accumulated Depreciation	(1,162,143)	(1,043,009)	(2,239,580)	(2,154,757)	(3,401,723)	(3,197,766)
Net Capital assets	\$ 2,293,415	\$ 1,851,437	\$ 2,325,678	\$ 2,064,092	\$ 4,619,093	\$ 3,915,529

TOWN OF OXFORD, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Long Term Debt

At the end of 2016, the Town had \$1,839,962 in bonds and notes outstanding, and net pension liability.

More detailed information about the Town's bonds and notes payable is presented in Note 6.

More detailed information about the Town's net pension liability is presented in Note 7.

Town's Long Term Debt

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Water tower	\$ -	\$ -	\$ 265,439	\$ 276,274	\$ 265,439	\$ 276,274
System expansion	-	-	14,119	19,611	14,119	19,611
Wastewater upgrade	-	-	477,703	-	477,703	-
Arsenic removal	-	-	474,255	521,324	474,255	521,324
Net pension liability	608,446	456,180	-	-	608,446	456,180
Total long-term debt	\$ 608,446	\$ 456,180	\$ 1,231,516	\$ 817,209	\$ 1,839,962	\$ 1,273,389

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The Town's Governmental revenues appear to demonstrate an increase over Fiscal Year 2015, but the additional funds are the result of a single year grant of \$300,000. Actual revenues are comparable to prior years with no significant increase for the last ten years. There has been a slight increase in State Highway User Revenue sharing in recent years, by way of one-time grants from the Governor's office, but nothing nearing the pre 2010 funding that municipalities were receiving to fund Roads maintenance and resurfacing. This decrease in annual revenues requires continued conservative budgeting of funds and presents concerns regarding infrastructure maintenance and replacement. The Town has utilized prior year reserves to continue to provide the services and maintenance the community is accustomed to, but at some point the Commissioners may have to review this trend. The Governmental Funds have sufficient reserves at this time to maintain most infrastructures and the Town will continue to be cautious in future budgets if the revenue stream continues to remain stagnant.
- The Town's Enterprise Funds or Business-Type Funds continue to run with a small surplus each year allowing future funding of major equipment repairs and replacement. For FY 2015, the Town incorporated a third Business Type function into their Enterprise endeavors, identified as Stormwater Management and Shoreline Improvements, which included revenues generated by an additional .03 cents per \$100 of real property tax directed to the Fund, resulting in annual dedicated revenues of \$100,000 on an annual basis. The intention is to utilize and leverage the new funding to provide the needed management and improvements to the infrastructure.
- The Town continued to increase Water Rates in FY 2016 by 7% to fund the increased debt service incurred in 2011 for the Arsenic Removal System, along with the increased operational cost, including an estimated \$50,000 for media replacement to operate the Arsenic System. Other costs for the Water System should remain fairly level with a slight increase for electricity and supplies.

TOWN OF OXFORD, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

- The Town's Wastewater System has been in serious need of a complete upgrade to comply with acceptable standards of discharge. The Town has successfully acquired grant and loan funding for the estimated 11 million dollar renovation of the facility with a potential construction start date in FY 2017. Even with anticipated grants covering nearly 80% of the cost, the Enterprise revenues will need to increase to cover the anticipated debt service and operational cost increase. For FY 2016, the Town continued its pattern of increasing Sewer Rates by 7% in advance of this need to begin preparation for the upgrade. The annual increases will continue as the Town moves forward with the construction of this system in order to maintain the necessary revenues to allow for such a major upgrade and the resulting operational cost.

- The Town of Oxford's budgeted revenues provide a sufficient level of anticipated services to the community and the Town has suitable surplus for any planned or emergency capital expenditures. The addition of the Stormwater Management/Shoreline Protection Enterprise Fund with dedicated revenues will continue this fiscal responsibility by planning for and eventually implementing infrastructure improvements to provide the community protection from stormwater and significant tidal impacts.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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 the Town Administrator-Clerk/Treasurer - Town of Oxford, PO Box 339, Oxford, Maryland 21654.

TOWN OF OXFORD, MARYLAND

STATEMENT OF NET POSITION

June 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash	\$ 859,390	\$ 2,029,960	\$ 2,889,350
Accounts receivable	17,539	184,871	202,410
Grants receivable	342,762	470,261	813,023
Notes receivable - water and sewer bonds	-	10,821	10,821
Nondepreciable capital assets	450,566	552,575	1,003,141
Depreciable capital assets, net	1,842,849	1,773,103	3,615,952
Total assets	3,513,106	5,021,591	8,534,697
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	147,278	-	147,278
LIABILITIES			
Accounts payable	31,433	30,165	61,598
Long-term liabilities, due within one year			
Notes payable	-	64,621	64,621
Long-term liabilities, due in more than one year			
Notes payable	-	1,166,895	1,166,895
Net pension liability	608,446	-	608,446
Total liabilities	639,879	1,261,681	1,901,560
DEFERRED INFLOWS OF RESOURCES			
Pensions	49,909	-	49,909
NET POSITION			
Net investment in capital assets	2,293,415	1,094,162	3,387,577
Unrestricted	677,181	2,665,748	3,342,929
Total net position	\$ 2,970,596	\$ 3,759,910	\$ 6,730,506

The Notes to Financial Statements are an integral part of this statement.

TOWN OF OXFORD, MARYLAND

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
General government	\$ 591,946	\$ 71,713	\$ -	\$ 315,000	\$ (205,233)	\$ -	\$ (205,233)
Public safety	233,278	-	12,944	-	(220,334)	-	(220,334)
Public works	275,772	-	-	6,925	(268,847)	-	(268,847)
Parks and recreation	100,097	-	-	-	(100,097)	-	(100,097)
Total governmental activities	1,201,093	71,713	12,944	321,925	(794,511)	-	(794,511)
Business-type activities							
Water	327,726	306,171	-	-	-	(21,555)	(21,555)
Sewer	189,378	383,589	-	266,896	-	461,107	461,107
SMSP	91,730	100,000	-	-	-	8,270	8,270
Bay restoration fee	32,591	35,140	-	-	-	2,549	2,549
Total business-type activities	641,425	824,900	-	266,896	-	450,371	450,371
Total	\$ 1,842,518	\$ 896,613	\$ 12,944	\$ 588,821	(794,511)	450,371	(344,140)
General revenues							
Property taxes					869,633	-	869,633
Intergovernmental					184,479	-	184,479
Investment income					1,952	883	2,835
Other					55,350	-	55,350
Transfers In/(Out)					(28,042)	28,042	-
Total general revenues					1,083,372	28,925	1,112,297
Change in net position					288,861	479,296	768,157
Net position, beginning of year					2,681,735	3,280,614	5,962,349
Net position, end of year					\$ 2,970,596	\$ 3,759,910	\$ 6,730,506

The Notes to Financial Statements are an integral part of this statement.

TOWN OF OXFORD, MARYLAND

**BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2016**

	<u>General Fund</u>
ASSETS	
Cash	\$ 859,390
Accounts receivable	17,539
Grants receivable	342,762
<hr/>	
Total assets	\$ 1,219,691
<hr/>	
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable	\$ 31,433
<hr/>	
Total liabilities	31,433
<hr/>	
FUND BALANCES	
Assigned	117,635
Unassigned	1,070,623
<hr/>	
Total fund balances	1,188,258
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Total liabilities and fund balances	\$ 1,219,691
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The Notes to Financial Statements are an integral part of this statement.

TOWN OF OXFORD, MARYLAND

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

June 30, 2016

Total fund balances, governmental funds	\$ 1,188,258
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are therefore not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.	2,293,415
Deferred outflow of resources - pensions	147,278
Deferred inflows of resources - pensions	(49,909)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	
Net pension liability	(608,446)
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Net position of governmental activities in the Statement of Net Position	\$ 2,970,596

The Notes to Financial Statements are an integral part of this statement.

TOWN OF OXFORD, MARYLAND

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
Year Ended June 30, 2016**

	General Fund
REVENUES:	
Property taxes	\$ 869,633
Intergovernmental	184,479
Licenses and permits	12,088
Other agencies	334,869
Rents	59,625
Investment income	1,952
Miscellaneous	55,350
<hr/>	
Total revenues	1,517,996
<hr/>	
EXPENDITURES:	
Current:	
General government	422,466
Public safety	219,097
Public works	247,167
Parks and recreation	94,628
Capital outlay	586,440
<hr/>	
Total expenditures	1,569,798
<hr/>	
Excess of expenditures over revenues	(51,802)
<hr/>	
OTHER FINANCING SOURCES (USES):	
Transfer out	(28,042)
<hr/>	
Net change in fund balance	(79,844)
<hr/>	
Fund balance, beginning of year	1,268,102
<hr/>	
Fund balance, end of year	\$ 1,188,258
<hr/>	

The Notes to Financial Statements are an integral part of this statement.

TOWN OF OXFORD, MARYLAND

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016**

Net change in fund balances, governmental funds \$ (79,844)

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement
of Activities, the cost of those assets is allocated over their estimated useful lives and
reported as depreciation expense. In the current period, these amounts are:

Capital outlay	586,440
Depreciation expense	(144,462)

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 governmental funds

Change in deferred outflow of resources - pensions	78,970
Change in deferred inflows of resources - pensions	23
Change in net pension liability	(152,266)

Change in net position of governmental activities \$ 288,861

The Notes to Financial Statements are an integral part of this statement.

TOWN OF OXFORD, MARYLAND
STATEMENT OF FUND NET POSITION
BUSINESS-TYPE ACTIVITIES
June 30, 2016

	<u>Enterprise Fund</u>
ASSETS	
Current assets	
Cash	\$ 2,029,960
Accounts receivable	184,871
Grants receivable	470,261
<hr/>	
Total current assets	2,685,092
<hr/>	
Noncurrent assets	
Nondepreciable capital assets	552,575
Depreciable capital assets, net	1,773,103
<hr/>	
Total noncurrent assets	2,325,678
<hr/>	
Other assets	
Notes receivable - water and sewer bonds	10,821
<hr/>	
Total assets	\$ 5,021,591
<hr/>	
LIABILITIES	
Current liabilities	
Accounts payable	\$ 30,165
Current maturities of long-term debt	64,621
<hr/>	
Total current liabilities	94,786
<hr/>	
Noncurrent liabilities	
Long-term debt	1,166,895
<hr/>	
Total noncurrent liabilities	1,166,895
<hr/>	
Total liabilities	1,261,681
<hr/>	
NET POSITION	
Net investment in capital assets	1,094,162
Unrestricted	2,665,748
<hr/>	
Total net position	\$ 3,759,910
<hr/>	

The Notes to Financial Statements are an integral part of this statement.

TOWN OF OXFORD, MARYLAND

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
BUSINESS-TYPE ACTIVITIES
Year Ended June 30, 2016**

	<u>Enterprise Fund</u>
OPERATING REVENUES:	
Water service charges	\$ 306,171
Wastewater service charges	383,589
SMSP service charges	100,000
Bay restoration fee	35,140
<hr/>	
Total operating revenues	824,900
<hr/>	
OPERATING EXPENSES:	
Water	327,726
Sewer	189,378
SMSP	91,730
Bay restoration fee	32,591
<hr/>	
Total operating expenses	641,425
<hr/>	
Operating income	183,475
<hr/>	
NONOPERATING REVENUES (EXPENSES):	
Grants	266,896
Investment income	883
<hr/>	
Total nonoperating revenues (expenses)	267,779
<hr/>	
Income/(loss) before transfers	451,254
<hr/>	
Transfer in	28,042
<hr/>	
Change in net position	479,296
<hr/>	
Net position, beginning of year	3,280,614
<hr/>	
Net position, end of year	\$ 3,759,910

The Notes to Financial Statements are an integral part of this statement.

TOWN OF OXFORD, MARYLAND

**STATEMENT OF CASH FLOWS
BUSINESS-TYPE ACTIVITIES
Year Ended June 30, 2016**

	<u>Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 810,616
Payments to suppliers	(338,157)
Payments to employees	(246,298)
Net cash provided by operating activities	226,161
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Interfund transfers	28,042
Net cash provided by noncapital financing activities	28,042
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Proceeds from long-term debt	477,703
Principal paid on long-term debt	(63,396)
Acquisition of capital assets	(387,609)
Receipts from capital grants	53,499
Payments received on water and sewer bonds	2,769
Net cash used by capital and related financing activities	82,966
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	883
Net cash provided by investing activities	883
Net increase in cash	338,052
Cash and cash equivalents, beginning of year	1,691,908
Cash and cash equivalents, end of year	\$ 2,029,960
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 183,475
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	126,023
Changes in assets and liabilities:	
Increase in receivables	(14,284)
Decrease in accounts payable and accrued expenses	(69,053)
Net cash provided by operating activities	\$ 226,161

The Notes to Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

Note 1. Description of The Town of Oxford

The Town of Oxford, Maryland ("the Town") was incorporated in 1694, under the provisions of the State of Maryland. The Town operates under a Commissioner form of government and provides the following services as authorized by its charter: general administrative services, public safety, public works and recreation. Other services include water, sewer, and stormwater (SMSP) operations.

Note 2. Summary of Significant Accounting Policies

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

A. Basis of Presentation

The Town's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities display information about the Town as a whole. These statements include the financial activities of the Town. The statements distinguish between those activities of the Town that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the Town at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental activities and for business-type activities of the Town. Direct expenses are those that are specifically associated with a service, program or department, and therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Town, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from general revenues of the Town.

FUND FINANCIAL STATEMENTS

During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at a more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The Town has no non-major funds.

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

B. Fund Accounting

The Town uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The Town has no fiduciary funds.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the Town's only governmental fund:

General Fund - The general fund is the general operating fund of the Town. All general revenues and other receipts that are not allocated by law or contractual agreement to another fund and general operating expenditures are accounted for in this fund.

PROPRIETARY FUNDS

Proprietary funds focus on the determination of changes in net position, financial position and cash flows and are classified as enterprise.

Enterprise fund - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Town's major enterprise fund is:

Water, Sewer, and Stormwater Fund - The water, sewer, and stormwater fund is used to account for all financial transactions, including the acquisition or construction of major capital facilities, related to the operations of the Town's water, sewer, and stormwater services.

C. Measurement Focus

Government-wide financial statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Town are included on the statement of net position.

Fund financial statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

C. Measurement Focus (continued)

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the Town finances and meets the cash flow needs of its proprietary activities.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. The Town has no fiduciary funds.

Revenues - Exchange and Non-exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the Town is defined as collected within 60 days subsequent to year end.

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include primarily grants. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Town must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Town on a reimbursable basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: charges for services, interest and licenses and permits.

Deferred Outflows / Inflows of Resources – In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

See pension plan footnote for further details relating to the deferred outflows / inflows of resources, as recorded on the statement of net position, relating to the Town's pension plan.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated assets during the year is reported in the operating statement as an expense with a like amount reported as donated revenue. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Data

Budgetary control is exercised in all funds. The budget shown in the financial statements is the budget ordinance approved for fiscal year ended June 30, 2016. The Commissioners approve all expenditures. Once approved, the Commissioners may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenditures/expense.

The annual budget of the General Fund is prepared in accordance with the basis of accounting utilized by that fund. The budget for the proprietary fund is adopted under a governmental basis, showing capital outlay, debt service, and non-operating income and expense items.

F. Cash Equivalents

For the purpose of the statement of cash flows, the proprietary fund considers all highly liquid investments with an original maturity of one year or less to be cash equivalents.

G. Property Tax

The Town's real property tax is levied each July 1 on the assessed values certified as of that date for all taxable real property located in the Town. The Maryland State Department of Assessments and Taxation (SDAT) establishes assessed values at predetermined percentages of estimated market value. Payments are due by September 30. Beginning October 1, interest is charged each month on taxes that remain unpaid. Property represented by delinquent taxes is sold at public auction in June. The Talbot County Treasurer's office collects the Town's real property taxes along with county real property taxes. Collections are remitted to the Town on a monthly basis.

Personal property taxes are levied on personal property owned by businesses operating within the incorporated Town. These taxes are based on the assessed values of personal property certified by SDAT. The Town office is responsible for the collection of personal property taxes.

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

H. Interfund Receivables/Payables and Transfers In/Out

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables." Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net position. The only interfund balances which remain on the government-wide statement of net position are those between governmental and business-type activities. These amounts are reflected as "Internal Balances."

Interfund transfers in/out are classified in other financing (uses) sources in the statement of revenues, expenditures and changes in fund balances and in nonoperating revenues (expenses) in the statement of revenues, expenses and changes in fund net position.

I. Capital Assets

General capital assets are those assets not specifically related to activities reported in proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical costs) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Town maintains a capitalization threshold of \$2,500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value to the asset or materially extend an asset's life are not.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

	Governmental Activities Useful Lives	Business-type Activities Useful Lives
Land	n/a	n/a
Construction in progress	n/a	n/a
Buildings	5 - 40	n/a
Improvements	10 - 25	7 - 40
Vehicles	3 - 10	5 - 10
Equipment	3 - 10	3 - 40

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

K. Net Position

Net position represents the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources. Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Restricted components of net position are reported when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by grantors, contributors, creditors, or laws and regulations of other governments.

The Town applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

L. Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can only be spent for specific purposes because of the Town charter or code, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes determined by formal action by the Town Council ordinance or resolutions.

Assigned – Amounts that are designated by the Council or management with intent to be used for specific purposes, but are neither restricted or committed by ordinance or resolution.

Unassigned – Amounts not included in other spendable classifications.

M. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Town, these revenues are charges for services for water and sewer activities. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as non-operating.

N. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTES TO FINANCIAL STATEMENTS

Note 3. Cash

The Town is authorized to invest unexpended revenues from taxation, lawful distributions of funds from other governmental agencies, or any other funds properly received by it, until it determines the funds are needed for proper public purpose. The Town can invest such funds in federally insured banking institutions that pledge United States Treasury bills, notes, or other obligations to secure such deposits and the Maryland Local Government Investment Pool.

At June 30, 2016, the Town had bank deposits with various financial institutions totaling \$2,903,860 (carrying value \$2,889,350). As required by law, a depository is required to pledge securities, in addition to FDIC insurance, at least equal to the amount on deposit at all times. The depository bank pledges collateral for specific accounts, which are held in the Town's name by their trust department or agents. As of June 30, 2016 all deposits were fully insured or collateralized.

As of June 30, 2016, the Town has no investments therefore the Town has no credit or custodial risk.

Cash is designated as follows:

Checking	\$ 1,078,739
Artist Group	2,711
Certificate of deposit	1,215,125
Custom House fund	6,073
Doug Hanks Memorial fund	2,865
Innovative Health	3,046
Money Management	560
Other	155
Savings -Parks and Recreation	1,457
Sidewalk fund	41,988
Town House fund	58,929
WWTP interim financing	477,702
Total Cash	\$ 2,889,350

Note 4. Notes Receivable – Water and Sewer Bonds

The Town obtained financing from the Maryland Department of the Environment in 2002 to help with the extension of water and sewer lines to certain Town residents. The residents who benefited from these improvements are repaying the Town in quarterly installments of principal and interest, plus an administrative fee. All of the notes mature in June 2021 and bear interest at the rate of 2.2%.

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets

The following is a summary of changes in capital assets for the year ended June 30, 2016:

	June 30, 2015	Additions	Deductions	June 30, 2016
GOVERNMENTAL ACTIVITIES				
Capital assets, not being depreciated:				
Land	\$ 20,232	\$ 391,100	\$ -	\$ 411,332
Construction in progress	17,309	21,925	-	39,234
Total capital assets, not being depreciated	37,541	413,025	-	450,566
Capital assets, being depreciated:				
Buildings	1,119,940	119,975	-	1,239,915
Equipment	266,259	33,000	(10,413)	288,846
Improvements	1,252,607	18,790	-	1,271,397
Vehicles	218,099	1,650	(14,915)	204,834
Total capital assets, being depreciated	2,856,905	173,415	(25,328)	3,004,992
Less accumulated depreciation:				
Buildings	(454,546)	(29,584)	-	(484,130)
Equipment	(181,562)	(19,743)	10,413	(190,892)
Improvements	(265,542)	(66,958)	-	(332,500)
Vehicles	(141,359)	(28,177)	14,915	(154,621)
Total accumulated depreciation	(1,043,009)	(144,462)	25,328	(1,162,143)
Total capital assets, being depreciated, net	1,813,896	28,953	-	1,842,849
Governmental activities capital assets, net	\$ 1,851,437	\$ 441,978	\$ -	\$ 2,293,415

Depreciation expense was charged to governmental functions as follows:

General government	\$ 96,207
Public safety	14,181
Public works	28,605
Parks and recreation	5,469
Total depreciation expense	\$ 144,462

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (continued)

	June 30, 2015	Additions	Deductions	June 30, 2016
BUSINESS-TYPE ACTIVITIES				
Capital assets, not being depreciated:				
Construction in progress	\$ 285,679	\$ 266,896	\$ -	\$ 552,575
Total capital assets, not being depreciated	<u>285,679</u>	<u>266,896</u>	<u>-</u>	<u>552,575</u>
Capital assets, being depreciated:				
Equipment	1,438,761	75,713	(41,200)	1,473,274
Improvements	2,379,033	45,000	-	2,424,033
Vehicles	115,376	-	-	115,376
Total capital assets, being depreciated	<u>3,933,170</u>	<u>120,713</u>	<u>(41,200)</u>	<u>4,012,683</u>
Less accumulated depreciation:				
Equipment	(756,169)	(70,468)	41,200	(785,437)
Improvements	(1,331,616)	(40,987)	-	(1,372,603)
Vehicles	(66,972)	(14,568)	-	(81,540)
Total accumulated depreciation	<u>(2,154,757)</u>	<u>(126,023)</u>	<u>41,200</u>	<u>(2,239,580)</u>
Total capital assets, being depreciated, net	<u>1,778,413</u>	<u>(5,310)</u>	<u>-</u>	<u>1,773,103</u>
Business-type activities capital assets, net	<u>\$ 2,064,092</u>	<u>\$ 261,586</u>	<u>\$ -</u>	<u>\$ 2,325,678</u>

NOTES TO FINANCIAL STATEMENTS

Note 6. Bonds and Notes Payable – Business-type Activities

The following is a summary of the changes in the business-type activities long-term debt obligations:

	Balances June 30, 2015	Additions	Retirements and Repayments	Balances June 30, 2016	Amount Due in One Year
Note payable - Water Tower: \$600,000 unsecured, maturing June 2030, interest at 4.85%. Monthly principal and interest payment of \$2,083. The Town has made prepayments of principal on this loan.	\$ 276,274	\$ -	\$ 10,835	\$ 265,439	\$ 12,060
Note payable - Water and sewer system expansion: \$102,592 unsecured, maturing February 2020, interest at 2.2%. Annual principal and interest payment of \$6,228.	19,611	-	5,492	14,119	5,492
Bond anticipation note - Wastewater Upgrade: \$8,844,000 unsecured, maturing March 2019, interest at 2.24%. Repayment upon receipt of a USDA loan, USDA grant and MDE grant.	-	477,703	-	477,703	-
Note payable - Water arsenic removal: \$757,668 unsecured, maturing February 2027, no interest. Annual principal only payment of \$47,069.	521,324	-	47,069	474,255	47,069
Total Business-type Long-Term Debt	\$ 817,209	\$ 477,703	\$ 63,396	\$ 1,231,516	\$ 64,621

The annual requirements to amortize all business-type activities debt outstanding as of June 30, 2016 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$ 64,621	\$ 23,885	\$ 88,506
2018	67,755	23,110	90,865
2019	536,831	22,405	559,236
2020	59,129	11,119	70,248
2021	59,129	10,534	69,663
2022 - 2026	295,643	44,482	340,125
2027 - 2030	148,408	19,905	168,313
	\$ 1,231,516	\$ 155,440	\$ 1,386,956

Interest expense in the business-type activities for the year ended June 30, 2016 totaled \$14,895.

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan

Organization

The State Retirement Agency is the administrator of the Maryland State Retirement and Pension System (the System). The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to State employees, teachers, police, judges, legislators, and employees of participating governmental units. Responsibility for the System's administration and operation is vested in a 15 member Board of Trustees. The System is made up of two cost-sharing employer pools: the "State Pool" and the "Municipal Pool". The State Pool consists of State agencies, board of education, community colleges, and libraries. The Municipal Pool consists of participating governmental units that elected to join the System. Neither pool shares in each other's actuarial liabilities, thus participating governmental units that elect to join the System (the "Municipal Pool") share in the liabilities of the Municipal Pool only. The State Retirement Agency issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State Retirement and Pension System of Maryland, 120 E. Baltimore Street, Suite 1660, Baltimore, Maryland 21202-1600 or on-line at www.sra.maryland.gov.

The System is comprised of the Teachers' Retirement and Pension Systems, Employees' Retirement and Pension Systems, State Police Retirement System, Judges' Retirement System, and the Law Enforcement Officers' Pension System.

Generally, employees of the Town participate in the Employees' Retirement and Pension Systems (Employee's Systems). The Employees' Systems are cost sharing multiple-employer defined benefit pension plans.

Basis of Accounting

The System's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the System and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Covered Members

Employees' Retirement and Pension Systems

On October 1, 1941, the Employees' Retirement System was established to provide retirement allowances and other benefits to State employees, elected and appointed officials and the employees of participating governmental units. Effective January 1, 1980, the Employees' Retirement System was essentially closed to new members and the Employees' Pension system was established. As a result, State employees (other than correctional officers) and employees of participating governmental units hired after December 31, 1979, became members of the Employees' Pension System as a condition of employment, while all State correctional officers and members of the Maryland General Assembly continue to be enrolled as members of the Employees' Retirement System. On or after January 1, 2005, an individual who is a member of the Employees' Retirement System may not transfer membership to the Employees' Pension System.

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (continued)

Summary of Significant Plan Provisions

All plan benefits are specified by the State Personnel and Pensions Article of the Annotated Code of Maryland. For all individuals who are members of the Employees', Teachers', Correctional Officers' or State Police Retirement System on or before June 30, 2011, retirement allowances are computed using both the highest three years' Average Final Compensation (AFC) and the actual number of years of accumulated creditable service. For all individuals who are members of the pension systems of the State Retirement and Pension System on or before June 30, 2011, pension allowances are computed using both the highest three consecutive years' AFC and the actual number of years of accumulated creditable service. For any individual who becomes a member of one of the pension systems on or after July 1, 2011, pension allowances are computed using both the highest five consecutive year's AFC and the actual number of years of accumulated creditable service. Various retirement options are available under each system which ultimately determines how a retiree's benefit allowance will be computed. Some of these options require actuarial reductions based on the retiree's and/or designated beneficiary's attained age and similar actuarial factors.

Beginning July 1, 2011, the member contribution rate was increased for members of the Employees' Pension Systems from 4% to 6%, in fiscal year 2013.

In Addition, the benefit attributable to service on or after July 1, 2011 in many of the pension systems now will be subject to different cost-of-living adjustments (COLA) that is based on the increase in the Consumer Price Index (CPI) and capped at 2.5% or 1.0% based on whether the market value investment return for the preceding calendar year was higher or lower than the investment return assumption used in the valuation (currently 7.55%).

A brief summary of the retirement eligibility requirements of and the benefits available under the various systems in effect during fiscal year 2015 are as follows:

Service Retirement Allowances

A member of either the Teachers' or Employees' Retirement System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. The annual retirement allowance equals 1/55 (1.81%) of the member's AFC multiplied by the number of years of accumulated creditable service.

An individual who is a member of either the Teachers' or Employees' Pension System on or before June 30, 2011, is eligible for full retirement benefits upon the earlier of attaining age 62, with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. An individual who becomes a member of either the Teachers' or Employees' Pension System on or after July 1, 2011, is eligible for full retirement benefits if the member's combined age and eligibility service equals at least 90 years or if the member is at least age 65 and has accrued at least 10 years of eligibility service.

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (continued)

For most individuals who retired from either the Teachers' or Employees' Pension System on or before June 30, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.4% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. With certain exceptions, for individuals who are members of the Teachers' or Employees' Pension System on or after July 1, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.8% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. Beginning July 1, 2011, any new member of the Teachers' or Employees' Pension System shall earn an annual pension allowance equal to 1.5% of the member's AFC multiplied by the number of years of creditable service accumulated as a member of the Teachers' or Employee's Pension System.

Exceptions to these benefit formulas apply to members of the Employees' Pension System, who are employed by a participating governmental unit that does not provide the 1998 or 2006 enhanced pension benefits or the 2011 reformed pension benefits. The pension allowance for those members equals 0.8% of the member's AFC up to the social security integration level (SSIL), plus 1.5% of the member's AFC in excess of the SSIL, multiplied by the number of years of accumulated creditable service. For the purpose of computing pension allowances, the SSIL is the average of the social security wage bases for the past 35 calendar years ending with the year the retiree separated from service.

Vested Allowances

Any individual who is a member of the State Retirement and Pension System on or before June 30, 2011 (other than a judge or a legislator), and who terminates employment before attaining retirement age but after accumulating five years of eligibility service is eligible for a vested retirement allowance. Any individual who joins the State Retirement and Pension System on or after July 1, 2011 (other than a judge or a legislator), and who terminates employment before attaining retirement age but after accumulating 10 years of eligibility service is eligible for a vested retirement allowance. A member, who terminates employment prior to attaining retirement age and before vesting, receives a refund of all member contributions and interest.

Early Service Retirement

A member of either the Teachers' or Employees' Retirement System may retire with reduced benefits after completing 25 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree either attains age 60 or would have accumulated 30 years of creditable service, whichever is less. The maximum reduction for a Teachers' or Employees' Retirement System member is 30%.

An individual who is a member of either the Teachers' or Employees' Pension System on or before June 30, 2011 may retire with reduced benefits upon attaining age 55 with a least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 62. The maximum reduction for these members of the Teachers' or Employees' Pension System is 42%. An individual who become a member of either the Teachers' or Employees' Pension System on or after July 1, 2011, may retire with reduced benefits upon attaining age 60 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 65. The maximum reduction for these members of the Teachers' or Employees' Pensions System is 30%.

Members of the State Police, Judges', Law Enforcement Officers' and Local Fire and Police Systems are not eligible for early service benefits.

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (continued)

Disability and Death Benefits

Generally, a member covered under retirement plan provisions who is permanently disabled after five years of service receives a service allowance based on a minimum percentage (usually 25%) of the member's AFC. A member covered under pension plan provisions who is permanently disabled after accumulating 5 years of eligibility service receives a service allowance computed as if service had continued with no change in salary until the retiree attained age 62. A member (other than a member of the Maryland General Assembly or a judge, both of which are ineligible for accidental disability benefits) who is permanently and totally disabled as the result of an accident occurring in the line of duty receives 2/3 (66.7%) of the member's AFC plus an annuity based on all member contributions and interest. Death benefits are equal to a member's annual salary as of the date of death plus all member contributions and interest.

Adjusted Retirement Allowances

Retirement and pension allowances are increased annually to provide for changes in the cost of living according to prescribed formulae. Such adjustments for retirees are based on the annual change in the CPI. For the Teachers' and Employees' Retirement Systems (TRS/ERS) the method by which the annual COLA's are computed depends upon elections made by members who were active on July 1, 1984 (or within 90 days of returning to service, for members who were inactive on July 1, 1984) enabling the member to receive either an unlimited COLA, a COLA limited to 5% or a two part combination COLA depending upon the COLA election made by the member.

However, beginning July 1, 2011, for benefits attributable to service earned on or after July 1, 2011, in all of the systems except the judges' and legislators' systems, the adjustment is capped in the lesser of 2.5% or the increase in CPI if the most recent calendar year market value rate of return was greater than or equal to the assumed rate. The adjustment is capped at the lesser of 1% or the increase in CPI if the market value return was less than the assumed rate of return. In years in which COLAs would be less than zero due to a decline in the CPI, retirement allowances will not be adjusted. COLAs in succeeding years are adjusted until the difference between the negative COLA that would have applied and the zero COLA is fully recovered.

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (continued)

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Changes in Benefit Terms	There were no benefit changes during the year.
Changes in Assumptions	Adjustments to the roll-forward liabilities were made to reflect the following assumptions changes in the 2015 valuation: Investment return assumption changed from 7.65% to 7.55% Inflation assumption changed from 2.90% to 2.70%
Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	In the 2012 actuarial valuation: eight years remaining as of June 30, 2012 for prior UAAL existing on June 30, 2000 and 25 years from each subsequent valuation date for each year's additional UAAL for the State systems and ECS Muni. 27 years for LEOPS Muni, and 34 years for CORS Muni. In the 2013 actuarial valuation: 25 years for the State System, 26 years for the LEOPS Muni, and 32 years for CORS Muni. For ECS Muni: seven years remaining for prior UAAL existing on June 30, 2000. 25 years from each subsequent valuation date for each year's additional UAAL.
Asset Valuation Method	5-year smoothed market; 20% collar
Inflation	In the 2012 actuarial valuation, 3.00% general, 3.50% wage. In the 2013 actuarial valuation, 2.95% general, 3.45% wage.
Salary Increases	In the 2012 actuarial valuation, 3.50% to 10.75% including inflation. In the 2013 actuarial valuation, 3.45% to 10.70% including inflation.
Investment Rate of Return	In the 2012 actuarial valuation, 7.75%. In the 2013 actuarial valuation, 7.70%.
Discount Rate	7.55%
Investment Rate of Return	7.55%
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience.

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (continued)

Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board of Trustees after considering input from the System's investment consultant(s) and actuary(s). For each major asset class that is included in the System's target asset allocation as of June 30, 2015, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	35%	6.30%
Fixed Income	10%	0.60%
Credit Opportunity	10%	3.20%
Real Return	14%	1.80%
Absolute Return	10%	4.20%
Private Equity	10%	7.20%
Real Estate	10%	4.40%
Cash	1%	0.00%
Total	100%	

The above was the Board of Trustees adopted asset allocation policy and best estimate of geometric real rates of return for each major asset class as of June 30, 2015.

For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 2.71%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate

A single discount rate of 7.55% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.55%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (continued)

Sensitivity of the Net Pension Liability

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.55%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher:

System	1 % Decrease to 6.55%	Current Discount	1% Increase to 8.55%
Employees (Muni)	\$ 859,945	\$ 608,446	\$ 399,903

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was calculated as follows by the System(s):

1. Calculate the net pension liability for the entire System. For purposes of funding the System, all calculations are determined on an actuarial basis and are completed through the development of rates based on two separate asset pools, one for employees of the State of Maryland (the State) and one for the Participating Governmental Units ("PGUs"). These pools are kept on an actuarial basis and allow for the State to fund only State employees and PGUs to fund only PGU employees. For the accounting of the System, however, the assets of the System are accounted in a single pool which is audited annually.
2. Determined the total contributions to the System by the State and PGUs, inclusive of any underfunding of contributions.
3. Calculated for each participating government, their percentage of the adjusted System contribution by dividing the total adjusted System contribution into each PGU's contribution.
4. Provide each PGU its adjusted percentage of contribution and the System's net pension liability and other related amounts as of June 30, 2015, under the GASB No. 67 requirements.

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (continued)

At June 30, 2016, the Town reported the following related to pensions:

Employer's proportionate (percentage) of the collective net pension liability	0.0029278%
Employer's proportionate share of the collective net pension liability	\$ 608,446
Pension expense recognized by the employer for the year ended June 30, 2015	\$ 73,273
Deferred outflows of resources, June 30, 2015	\$ 68,308
Year end June 30, 2015 contributions	(61,710)
Difference between expected and actual experience	53,591
Change in assumptions	30,458
Amortization of items allowed by GASB 68	(1,650)
Year end June 30, 2016 contributions	58,281
Deferred outflows of resources, June 30, 2016	\$ 147,278
Deferred inflows of resources, June 30, 2015	\$ 49,932
Difference between expected and actual experience	12,460
Amortization of items allowed by GASB 68	(12,483)
Deferred inflows of resources, June 30, 2016	\$ 49,909
NPL June 30, 2015	\$ 456,180
Change in NPL factored for contributions	152,266
NPL June 30, 2016	\$ 608,446

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (continued)

The \$58,281 of deferred outflows of resources resulting from the Town's contributions to the Employees' Systems subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred inflows/outflows of resources will be amortized over a five year period, as follows:

June 30,	2015 Amortization		2014 Amortization		
	Deferred Outflows		Deferred Inflows	Deferred Outflows	
	Difference between expected and actual experience	Change in assumptions	Difference between expected and actual experience	Change in assumptions	Difference between expected and actual experience
2017	13,398	6,254	(2,559)	1,650	(12,483)
2018	13,398	6,254	(2,559)	1,650	(12,483)
2019	13,398	6,254	(2,559)	1,648	(12,483)
2020	13,397	6,254	(2,559)	-	-
2021	-	5,442	(2,224)	-	-
Total	53,591	30,458	(12,460)	4,948	(37,449)

For the year ended June 30, 2016 the Town's total payroll for all employees was \$549,304. Total covered payroll was \$520,058. Covered payroll refers to all compensation paid by the Town to active employees covered by Employees' Systems.

Note 8. Tower Rent

The Town rents space on its water tower to several cellular and utility companies. For the year ended June 30, 2016, rental income recorded by the water and sewer fund was \$45,052.

Future minimum lease payments to be received over the next five years are approximately as follows:

Fiscal Year Ending June 30,	
2017	\$ 48,000
2018	50,000
2019	50,000
2020	50,000
2021	50,000

NOTES TO FINANCIAL STATEMENTS

Note 9. Risk Management

The Town has identified various areas where it is at risk of loss during the normal course of business. Those areas include property damage or destruction, general liability, employee dishonesty, worker's compensation, etc. It is the Town's policy to eliminate the risk of loss in those areas through the purchase of commercial insurance and/or participation in the Local Government Insurance Trust (LGIT).

There were no significant reductions in insurance coverage during the fiscal year ended June 30, 2016. Settlement amounts have not exceeded insurance coverage for the current or three prior years.

LGIT is a consortium of Maryland local governments that provides insurance coverage to its participants. The Town's annual premium requirements will be affected by the loss experience of the various insurance pools in which it participates. The Town may be required to make additional assessments from time to time. These amounts would be recorded as expenditure when they are probable and can be reasonably estimated. Conversely, favorable performance of certain insurance pools may result in reduced premiums.

Note 10. Commitments, Contingencies and Subsequent Events

In the normal course of business, there are outstanding various commitments and contingent liabilities in addition to the normal encumbrances for the purchase of goods and services. The Town does not anticipate losses as a result of these transactions.

In the normal course of operations, the Town receives grant funds from various Federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise as the result of these audits, is not believed to be material.

Wastewater System Upgrade

The Town has determined that it is desirable and in the public interest to undertake the construction of a new wastewater treatment plant. The Town has received one or more written commitments from the United States of America Department of Agriculture, Rural Utilities Service ("RUS") for one or more permanent loans in the total maximum principal amount not to exceed \$1,964,000 (the "USDA Loan"), and has also received a grant from USDA in the amount of \$1,935,000 (the "USDA Grant") to finance or refinance a portion of the costs of constructing the Project. The Town has a commitment from the Maryland Department of the Environment ("MDE") to provide grant funding at a grant share of 55.2% of the Project Cost (the "MDE Grant"). The Town has received a written commitment from the Bank to provide interim financing for the Project in the amount of \$8,844,000. As of June 30, 2016, the Town has capitalized \$552,575 in construction in progress and has drawn \$477,703 of the interim financing.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF OXFORD, MARYLAND

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended June 30, 2016**

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With Final <u>Budget</u>
REVENUES:				
Property taxes	\$ 864,900	\$ 867,901	\$ 869,633	\$ 1,732
Intergovernmental	167,951	167,629	184,479	16,850
Licenses and permits	10,659	10,442	12,088	1,646
Other agencies	13,625	12,374	334,869	322,495
Rents	61,000	59,770	59,625	(145)
Investment income	1,100	1,400	1,952	552
Miscellaneous	2,450	12,360	55,350	42,990
Total revenues	1,121,685	1,131,876	1,517,996	386,120
EXPENDITURES				
General government	491,193	637,850	422,466	215,384
Public safety	224,571	222,500	219,097	3,403
Public works	279,345	259,605	247,167	12,438
Parks and recreation	98,000	95,530	94,628	902
Capital outlay	116,000	57,235	586,440	(529,205)
Total expenditures	1,209,109	1,272,720	1,569,798	(297,078)
Excess of expenditures over revenues	(87,424)	(140,844)	(51,802)	89,042
OTHER FINANCING SOURCES (USES):				
Transfer in / (out)	-	-	(28,042)	(28,042)
Net change in fund balance	\$ (87,424)	\$ (140,844)	(79,844)	\$ 61,000
Fund balance - beginning			<u>1,268,102</u>	
Fund balance - ending			<u>\$ 1,188,258</u>	

TOWN OF OXFORD, MARYLAND

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2016

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Fiscal Year	Measurement Date	Employer's Proportion (Percentage) of the Collective NPL A	Employer's Proportion Share of the Collective NPL B	Employer's Covered Employee Payroll C	Proportionate Share as a Percentage of Covered Payroll (B / C)	Plan's Total Fiduciary Net Position D	Plan's Total Pension Liability E	Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (D / E)
2015	June 30, 2014	0.0025705%	\$ 456,180	\$ 497,972	92%	\$ 45,339,988,000	\$ 63,086,719,000	72%
2016	June 30, 2015	0.0008234%	\$ 608,446	\$ 520,058	117%	\$ 45,789,840,000	\$ 66,571,552,000	69%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which the information is available.

TOWN OF OXFORD, MARYLAND

**REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016**

SCHEDULE OF CONTRIBUTIONS

Fiscal Year	Measurement Date	Contractually Required Contribution A	Actual Contribution B	Contribution Deficiency (Excess) (A - B)	Employer's Covered Employee Payroll C	Actual Contribution as a Percentage of Covered Payroll (B / C)
2015	June 30, 2014	\$ 61,710	\$ 61,710	\$ -	\$ 497,972	12%
2016	June 30, 2015	\$ 58,281	\$ 58,281	\$ -	\$ 520,058	11%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which the information is available.

TOWN OF OXFORD, MARYLAND

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2016

ACTUARIAL ASSUMPTIONS - PENSION PLAN

Changes in Benefit Terms	There were no benefit changes during the year.
Changes in Assumptions	Adjustments to the roll-forward liabilities were made to reflect the following assumptions changes in the 2015 valuation: Investment return assumption changed from 7.65% to 7.55% Inflation assumption changed from 2.90% to 2.70%
Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	In the 2012 actuarial valuation: eight years remaining as of June 30, 2012 for prior UAAL existing on June 30, 2000 and 25 years from each subsequent valuation date for each year's additional UAAL for the State systems and ECS Muni. 27 years for LEOPS Muni, and 34 years for CORS Muni. In the 2013 actuarial valuation: 25 years for the State System, 26 years for the LEOPS Muni, and 32 years for CORS Muni. For ECS Muni: seven years remaining for prior UAAL existing on June 30, 2000. 25 years from each subsequent valuation date for each year's additional UAAL.
Asset Valuation Method	5-year smoothed market; 20% collar
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Salary Increases	In the 2012 actuarial valuation, 3.50% to 10.75% including inflation. In the 2013 actuarial valuation, 3.45% to 10.70% including inflation.
Investment Rate of Return	In the 2012 actuarial valuation, 7.75%. In the 2013 actuarial valuation, 7.70%.
Discount Rate	7.55%
Investment Rate of Return	7.55%
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF OXFORD, MARYLAND

**OTHER SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE -
WATER, SEWER, AND STORMWATER FUND REVENUE AND EXPENSE DETAIL
Year Ended June 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
OPERATING REVENUES:				
Water service charges	\$ 303,371	\$ 296,450	\$ 306,171	\$ 9,721
Wastewater service charges	381,200	372,000	383,589	11,589
SMSP service charges	100,000	100,000	100,000	-
Bay restoration fee	35,000	35,000	35,140	140
Total operating revenues	819,571	803,450	824,900	21,450
OPERATING EXPENSES:				
Water	402,600	400,800	327,726	73,074
Sewer	294,350	240,300	189,378	50,922
SMSP	283,000	108,225	91,730	16,495
Bay restoration fee	34,000	34,000	32,591	1,409
Total operating expenses	1,013,950	783,325	641,425	141,900
Operating income (loss)	(194,379)	20,125	183,475	163,350
NONOPERATING REVENUES (EXPENSES):				
Grants	-	-	266,896	266,896
Investment income	240	750	883	133
Total nonoperating revenues (expenses)	240	750	267,779	267,029
Income/(loss) before transfers	(194,139)	20,875	451,254	430,379
Transfers	-	-	28,042	28,042
Change in net position	\$ (194,139)	\$ 20,875	\$ 479,296	\$ 458,421

Herbert J. Geary III
Corey N. Duncan
Roy J. Geiser
Chris A. Hall
Ronald W. Hickman
Charles M. Meenehan
Craig A. Walter
Mark A. Welsh



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Commissioners of Oxford
Town of Oxford, Maryland
Oxford, Maryland

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Oxford, Maryland as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Oxford, Maryland's basic financial statements and have issued our report thereon dated December 2, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Oxford, Maryland's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstance for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Oxford, Maryland's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Oxford, Maryland's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We identified the following deficiency in internal control over financial reporting that we consider to be a material weakness, as defined above.

Finding Number 2016-001

Criteria: Proper segregation of duties should be in place to strengthen internal controls to provide reasonable assurance that a material misstatement to the financial statements is prevented.

Condition: We noted that the system currently in place creates conflicts within duties assigned to a single individual and produces a high level of internal control risk. During our audit, we noted a lack of segregation of duties.

Cause: The lack of appropriately designed internal control systems has produced conflicts regarding assigned duties.

Effect: Segregation of duties issues does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, the misappropriation of assets and/or errors on a timely basis.

Recommendation: We recommend that, when possible, responsibilities for authorization, recording, and maintaining custody of assets be assigned to different employees. In situations where this is not possible, we recommend the implementation of certain transaction review controls. It is important to note that review controls do not eliminate all risk when segregation of duties conflicts exist, and management and those charged with governance need to be aware of such risks.

Identification of Repeat Finding: Due to the nature and size of the Town, this is a repeat finding.

Views of Responsible Officials: It has been determined that it would not be cost effective for the Town to add additional personnel to ensure complete segregation of duties in the finance department. However, within the two person finance

department, the Town has effectively designed and implemented mitigating internal controls to help reduce such risk.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Oxford, Maryland's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Town of Oxford, Maryland, in a separate letter dated December 2, 2016.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Salisbury, Maryland
December 2, 2016

TOWN OF OXFORD, MARYLAND

AUDIT COMMUNICATIONS

JUNE 30, 2016

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I. COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Herbert J. Geary III
Corey N. Duncan
Roy J. Geiser
Chris A. Hall
Ronald W. Hickman
Charles M. Meenehan
Craig A. Walter
Mark A. Welsh



December 2, 2016

Commissioners of Oxford
Town of Oxford, Maryland
Oxford, Maryland

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Oxford, Maryland (“the Town”) for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 16, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by the Town during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Town’s financial statements was:

Management’s estimation of depreciation expense is based on the estimated useful lives of these assets. We evaluated the key factors and assumptions used to develop depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension liability is based upon an actuarial study performed by a third party. We evaluated the key factors and assumptions used to develop the pension liability and pension expense in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 2, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Town's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Town's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) as listed in the table of contents, which supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information as listed in the table of contents, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Commissioners of Oxford, and management of the Town and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "TGM Group LLC". The signature is written in a cursive, flowing style.

TGM Group LLC
Salisbury, Maryland

**II. COMMUNICATION OF SIGNIFICANT DEFICIENCIES
AND MATERIAL WEAKNESSES**

Herbert J. Geary III
Corey N. Duncan
Roy J. Geiser
Chris A. Hall
Ronald W. Hickman
Charles M. Meenehan
Craig A. Walter
Mark A. Welsh



December 2, 2016

Commissioners of Oxford
Town of Oxford, Maryland
Oxford, Maryland

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities and each major fund of the Town of Oxford, Maryland (“the Town”) as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Town’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Town’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A *material weakness* is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency in the Town’s internal control to be a material weakness:

Finding Number 2016-001

Criteria: Proper segregation of duties should be in place to strengthen internal controls to provide reasonable assurance that a material misstatement to the financial statements is prevented.

Condition: We noted that the system currently in place creates conflicts within duties assigned to a single individual and produces a high level of internal control risk. During our audit, we noted a lack of segregation of duties.

Cause: The lack of appropriately designed internal control systems has produced conflicts regarding assigned duties.

Effect: Segregation of duties issues does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, the misappropriation of assets and/or errors on a timely basis.

Recommendation: We recommend that, when possible, responsibilities for authorization, recording, and maintaining custody of assets be assigned to different employees. In situations where this is not possible, we recommend the implementation of certain transaction review controls. It is important to note that review controls do not eliminate all risk when segregation of duties conflicts exist, and management and those charged with governance need to be aware of such risks.

Identification of Repeat Finding: Due to the nature and size of the Town, this is a repeat finding.

Views of Responsible Officials: It has been determined that it would not be cost effective for the Town to add additional personnel to ensure complete segregation of duties in the finance department. However, within the two person finance department, the Town has effectively designed and implemented mitigating internal controls to help reduce such risk.

This communication is intended solely for the information and use of management and the Commissioners, and is not intended to be, and should not be, used by anyone other than these specified parties.



TGM Group LLC
Salisbury, Maryland
December 2, 2016

III. ADJUSTING JOURNAL ENTRY REPORTS

Client: *Oxford Maryland Town of*
Engagement: *Town of Oxford, MD*
Period Ending: *6/30/2016*
Workpaper: *GF AJE's*

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1		DD-01		
To adjust equity to acutal - full accrual to modified accrual				
12261	DNR Waterway Improvements		105,109.84	
33000	Fund Balance - Pension		437,804.00	
35000	Opening Bal Equity		57.00	
35100	Retained Earnings General		334,262.49	
35000	Opening Bal Equity			105,109.84
35000	Opening Bal Equity			334,262.49
35000	Opening Bal Equity			437,804.00
66900	Reconciliation Discrepancies			57.00
Total			877,233.33	877,233.33
Adjusting Journal Entries JE # 2		10.01		
To adjust RE tax rev / AR to actual				
41150	Tax Discount		6,871.37	
12123	RE Taxes Receivable Y/E 2016			5,476.39
41100	Real Estate			150.70
41200	Interest Paid			1,244.28
Total			6,871.37	6,871.37
Adjusting Journal Entries JE # 3		AA-02		
To reclass Annexation Deposit				
21005	Accrued Expense		1,000.00	
21005	Accrued Expense		2,000.00	
43200	Annexations and Subdivisions		6,561.17	
21005	Accrued Expense			6,561.17
90000GF	Transfers			3,000.00
Total			9,561.17	9,561.17
Adjusting Journal Entries JE # 4		C.01		
To adjust Accomodation Tax Rev / AR to actual				
14100	Due From County		15,386.23	
42100	Accomodations Tax		15,694.48	
14100	Due From County			15,694.48
42100	Accomodations Tax			15,386.23
Total			31,080.71	31,080.71
Adjusting Journal Entries JE # 5		C-05		
To record note receivable and offsetting allowance for Gorman property				
14200	Note Receivable - Gorman		39,000.00	
14201	Allowance for Gorman Note			39,000.00
Total			39,000.00	39,000.00

Client: *Oxford Maryland Town of*
Engagement: *Town of Oxford, MD*
Period Ending: *6/30/2016*
Workpaper: *GF AJE's*

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 6		A.01		
To book unrecorded interest at 6/30/16				
11650	Talbot Bank CD 650		26.37	
11651	Talbot Bank CD 651		164.30	
11652	Talbot Bank CD 652		63.49	
11837	PNC Sidewalk Fund		42.03	
46950	Interest Income			296.19
Total			<u>296.19</u>	<u>296.19</u>
Adjusting Journal Entries JE # 7		F.01.1		
To book CY additions				
17050	Land		391,100.00	
17100	Buildings		119,975.55	
17200	Street Improvements		18,790.00	
17300	Vehicles		1,650.00	
17600	Equipment		32,999.50	
17700	Construction in Progress		21,925.00	
32000	Fund Balance - Fixed Assets			586,440.05
Total			<u>586,440.05</u>	<u>586,440.05</u>
Adjusting Journal Entries JE # 8		F.01.1		
To book CY disposals				
17310	Vehicles-A/D		22,915.44	
17610	Equipment-A/D		12,412.65	
17300	Vehicles			22,915.44
17600	Equipment			12,412.65
Total			<u>35,328.09</u>	<u>35,328.09</u>
Adjusting Journal Entries JE # 9		F.01.1		
To book CY depreciation				
32000	Fund Balance - Fixed Assets		144,462.34	
17110	Buildings-A/D			29,584.23
17210	Street Improvements-A/D			66,956.90
17310	Vehicles-A/D			28,177.38
17610	Equipment-A/D			19,743.83
Total			<u>144,462.34</u>	<u>144,462.34</u>

Client: *Oxford Maryland Town of*
Engagement: *Town of Oxford, MD*
Period Ending: *6/30/2016*
Workpaper: *GF AJE's*

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 10		F.04		
To reclass amount previously recognized as capital asset AND record fully depreciated assets previously not on depr schedule				
17300	Vehicles		8,000.00	
17600	Equipment		2,000.00	
54220	Streets - Main/Repairs		935.00	
17310	Vehicles-A/D			8,000.00
17610	Equipment-A/D			2,000.00
85000	Public Works Capital			935.00
Total			10,935.00	10,935.00
Adjusting Journal Entries JE # 11		P-00		
To adjust NPL to actual				
19200	Deferred Financing Outflow		78,970.00	
27100	Deferred Financing Inflow		23.00	
33000	Fund Balance - Pension		73,273.00	
27000	Net Pension Liability			152,266.00
Total			152,266.00	152,266.00
Adjusting Journal Entries JE # 12		C-06		
To adjust grants to actual				
12261	DNR Waterway Improvements		5,158.00	
12266	Facade Program		15,000.00	
12267	DHCD - MEWS		300,000.00	
83000	Municipal Building Capital		15,000.00	
83000	Municipal Building Capital		204,676.55	
83000	Municipal Building Capital		300,000.00	
88000	Boat Landing Capital		6,925.00	
90000GF	Transfers		4,000.00	
90000GF	Transfers		22,801.00	
12100	General Accounts Receivable			4,000.00
12100	General Accounts Receivable			15,000.00
12100	General Accounts Receivable			22,801.00
12100	General Accounts Receivable			300,000.00
46900	Misc Revenues - Other			5,158.00
52400	MEWS			204,676.55
73100	Fascade program			15,000.00
73200	MEWS			300,000.00
74100	Grant Funds - Boat Landing			6,925.00
Total			873,560.55	873,560.55

Client: *199650.0 - Oxford Maryland Town of*
Engagement: *2016 AU - Town of Oxford, MD*
Period Ending: *6/30/2016*
Trial Balance: *Enterprise Fund*
Workpaper: *Enterprise fund AJE's*

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1		BB.01		
To reclass Wastewater Upgrade loan with Shore United Bank				
12263	MDE/USDA Wastewater Upgrade		477,702.88	
28140	Wastewater Upgrade Loan			477,702.88
Total			477,702.88	477,702.88
Adjusting Journal Entries JE # 2		AA-02		
To reclass Annexation Deposit				
90000EF	Transfers		3,000.00	
47130W	Connection Fees			1,000.00
47530S	Connection Fees			2,000.00
Total			3,000.00	3,000.00
Adjusting Journal Entries JE # 3		AA-01		
To record AP				
81500SMSP	SMSP Improvement Capital		8,691.50	
20100	Accounts Payable - General			8,691.50
Total			8,691.50	8,691.50
Adjusting Journal Entries JE # 4		F.04		
To reclass capital assets from expense				
18210	Equipment		75,713.00	
18300	Improvements		45,000.00	
81500SMSP	SMSP Improvement Capital			25,350.00
82001W	Water Capital			50,363.00
82003S	Wastewater Capital			45,000.00
Total			120,713.00	120,713.00
Adjusting Journal Entries JE # 5		A.01		
To book unrecorded interest at 6/30/16				
11910	Bank of America CD Enterprise		47.29	
47910W	Interest - Water			47.29
Total			47.29	47.29

Client: **199650.0 - Oxford Maryland Town of**
Engagement: **2016 AU - Town of Oxford, MD**
Period Ending: **6/30/2016**
Trial Balance: **Enterprise Fund**
Workpaper: **Enterprise fund AJE's**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 6		F.02.1		
To book CY disposals and adjust 6/30/16 depreciation to actual				
18150	Water System - Accum Deprec		150,000.00	
18211	Equipment-A/D		41,200.00	
18210	Equipment			41,200.00
18211	Equipment-A/D			70,467.94
18310	Improvements-A/D			40,986.82
18410	Vehicles-A/D			14,568.07
57140W	Depreciation			23,977.17
Total			<u>191,200.00</u>	<u>191,200.00</u>
Adjusting Journal Entries JE # 7		BB-01		
To adjust debt to actual				
57160W	Interest on Debt		1,725.76	
28110	MDE Clean Water Loan			735.32
28120	Talbot Water Department			990.44
Total			<u>1,725.76</u>	<u>1,725.76</u>
Adjusting Journal Entries JE # 8		C-06		
To adjust grants to actual				
12264	DNR Grant Coastal		22,801.00	
12265	CBT Watershed Assistance		4,000.00	
18420	Construction in Progress		29,098.00	
18420	Construction in Progress		40,301.00	
18420	Construction in Progress		197,497.00	
74000S	Grant Funds - WTTO Upgrades			197,497.00
74200S	DNR-Coastal			40,301.00
74300S	CBT-Watershed Assistance			29,098.00
90000EF	Transfers			4,000.00
90000EF	Transfers			22,801.00
Total			<u>293,697.00</u>	<u>293,697.00</u>