

**TOWN OF OXFORD, MARYLAND**

**FINANCIAL REPORT**

**June 30, 2017**

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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 (“the Town”) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements as listed in the table of contents.

### **Management’s Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance 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'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 was derived from and relates 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 other supplementary information, as listed in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2017 on our consideration of the Town'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's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "J. M. Henry, LLC". The signature is written in a cursive, flowing style.

Salisbury, Maryland  
December 22, 2017

TOWN OF OXFORD, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017

**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, 2017. 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, 2017

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 \$346,650.
- Business-type activities net position increased by \$697,529.
- The Town's General Fund fund balance decreased by \$30,622.

**FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE**

**Net position**

Town's Net Position

	Governmental Activities		Business-type Activities		Total		% Change
	2017	2016	2017	2016	2017	2016	
Current and other assets	\$ 1,184,899	\$ 1,219,691	\$ 3,006,703	\$ 2,695,913	\$ 4,191,602	\$ 3,915,604	7%
Capital assets	2,706,052	2,293,415	2,900,694	2,325,678	5,606,746	4,619,093	21%
<b>Total assets</b>	<b>3,890,951</b>	<b>3,513,106</b>	<b>5,907,397</b>	<b>5,021,591</b>	<b>9,798,348</b>	<b>8,534,697</b>	<b>15%</b>
<b>Deferred outflows</b>	<b>202,023</b>	<b>147,278</b>	<b>-</b>	<b>-</b>	<b>202,023</b>	<b>147,278</b>	<b>37%</b>
Other liabilities	27,263	31,433	286,688	30,165	313,951	61,598	410%
Long-term debt	-	-	1,163,270	1,231,516	1,163,270	1,231,516	-6%
Net pension liability	705,864	608,446	-	-	705,864	608,446	16%
<b>Total liabilities</b>	<b>733,127</b>	<b>639,879</b>	<b>1,449,958</b>	<b>1,261,681</b>	<b>2,183,085</b>	<b>1,901,560</b>	<b>15%</b>
<b>Deferred inflows</b>	<b>42,601</b>	<b>49,909</b>	<b>-</b>	<b>-</b>	<b>42,601</b>	<b>49,909</b>	<b>-15%</b>
Net investment in capital assets	2,706,052	2,293,415	1,737,424	1,094,162	4,443,476	3,387,577	31%
Unrestricted	611,194	677,181	2,720,015	2,665,748	3,331,209	3,342,929	0%
<b>Total net position</b>	<b>\$ 3,317,246</b>	<b>\$ 2,970,596</b>	<b>\$ 4,457,439</b>	<b>\$ 3,759,910</b>	<b>\$ 7,774,685</b>	<b>\$ 6,730,506</b>	<b>16%</b>

- The Town's combined net position was \$7,774,685, consisting of \$4,443,476 net investment in capital assets and \$3,331,209 of unrestricted net position.

TOWN OF OXFORD, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017

**Changes in net position**

- Net position of the Town's governmental activities increased by \$346,650 to \$3,317,246.
- Net position of the Town's business-type activities increased by \$697,529 to \$4,457,439. The increase is mostly attributable to an increase of approximately \$504,000 grant receivable for the wastewater upgrade project.
- The Town's total revenues were \$3,012,870. This was an increase over the previous year of \$402,195 or 15%. The increase is mostly attributable to an increase of approximately \$504,000 grant receivable for the wastewater upgrade project.
- The cost of all services increased by 7% to \$1,968,691.

Changes in Net Position

	Governmental Activities		Business-type Activities		Total		% Change
	2017	2016	2017	2016	2017	2016	
<b>Revenues</b>							
Program Revenues:							
Charges for services	\$ 80,900	\$ 71,713	\$ 856,142	\$ 824,900	\$ 937,042	\$ 896,613	5%
Operating grants	76,141	12,944	-	-	76,141	12,944	488%
Capital grants	385,946	321,925	526,412	266,896	912,358	588,821	55%
General Revenues:							
Property taxes	875,797	869,633	-	-	875,797	869,633	1%
Other taxes	201,581	184,479	-	-	201,581	184,479	9%
Investment and other	9,432	57,302	519	883	9,951	58,185	-83%
<b>Total revenues</b>	<b>1,629,797</b>	<b>1,517,996</b>	<b>1,383,073</b>	<b>1,092,679</b>	<b>3,012,870</b>	<b>2,610,675</b>	<b>15%</b>
<b>Expenses</b>							
General government	644,030	591,946	-	-	644,030	591,946	9%
Public safety	242,215	233,278	-	-	242,215	233,278	4%
Public works	286,184	275,772	-	-	286,184	275,772	4%
Parks and recreation	110,718	100,097	-	-	110,718	100,097	11%
Water	-	-	346,579	327,726	346,579	327,726	6%
Sewer	-	-	205,988	189,378	205,988	189,378	9%
SMSP	-	-	99,822	91,730	99,822	91,730	9%
Bay restoration fee	-	-	33,155	32,591	33,155	32,591	2%
<b>Total expenses</b>	<b>1,283,147</b>	<b>1,201,093</b>	<b>685,544</b>	<b>641,425</b>	<b>1,968,691</b>	<b>1,842,518</b>	<b>7%</b>
Transfers in/(out)	-	(28,042)	-	28,042	-	-	0%
<b>Change in net position</b>	<b>\$ 346,650</b>	<b>\$ 288,861</b>	<b>\$ 697,529</b>	<b>\$ 479,296</b>	<b>\$ 1,044,179</b>	<b>\$ 768,157</b>	<b>36%</b>

**Governmental Activities**

Revenues from the Town's governmental activities increased by \$111,801 or 7% from the prior year which is mostly attributable to an increase in local income taxes, as well as the boat landing and working waterfront grants.

Expenses from the Town's governmental activities increased by \$82,054 or 7% from the prior year.

TOWN OF OXFORD, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017

**Business-type Activities**

Revenues from the Town's business-type activities increased by \$290,394 or 27% from the prior year.

Expenses from the Town's business-type activities increased by \$44,119 or 7% 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 \$1,157,636, a decrease of \$30,622 from the prior year.

**General Fund Budgetary Highlights**

- Revenues were over budget by \$64,075, which is mostly attributable to the under-budgeting of local income taxes, as well as the boat landing and working waterfront grants.
- Total expenditures were under budget by \$231,502 mostly attributable to the over-budgeting of the water main installation.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2017, the Town had invested \$5,606,746 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	
	2017	2016	2017	2016	2017	2016
Land	\$ 411,332	\$ 411,332	\$ -	\$ -	\$ 411,332	\$ 411,332
Construction in progress	-	39,234	1,090,651	552,575	1,090,651	591,809
Buildings	1,334,175	1,239,915	-	-	1,334,175	1,239,915
Equipment	292,493	288,846	1,471,347	1,473,274	1,763,840	1,762,120
Improvements	1,769,502	1,271,397	2,586,582	2,424,033	4,356,084	3,695,430
Vehicles	204,834	204,834	115,376	115,376	320,210	320,210
Total	4,012,336	3,455,558	5,263,956	4,565,258	9,276,292	8,020,816
Accumulated Depreciation	(1,306,284)	(1,162,143)	(2,363,262)	(2,239,580)	(3,669,546)	(3,401,723)
Net Capital assets	\$ 2,706,052	\$ 2,293,415	\$ 2,900,694	\$ 2,325,678	\$ 5,606,746	\$ 4,619,093

TOWN OF OXFORD, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017

**Long Term Debt**

At the end of 2017, the Town had \$1,869,134 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	
	2017	2016	2017	2016	2017	2016
Water tower	\$ -	\$ -	\$ 249,875	\$ 265,439	\$ 249,875	\$ 265,439
System expansion	-	-	8,506	14,119	8,506	14,119
Wastewater upgrade	-	-	477,703	477,703	477,703	477,703
Arsenic removal	-	-	427,186	474,255	427,186	474,255
Net pension liability	705,864	608,446	-	-	705,864	608,446
<b>Total long-term debt</b>	<b>\$ 705,864</b>	<b>\$ 608,446</b>	<b>\$ 1,163,270</b>	<b>\$ 1,231,516</b>	<b>\$ 1,869,134</b>	<b>\$ 1,839,962</b>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

- The Town's Governmental revenues demonstrate a slight increase over Fiscal Year 2016, including an increase in capital grants, which are one-time awards. There has been a continued increase in State Highway User Revenue sharing in recent years, by way of one-time annual 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 State Highway 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 infrastructure and the Town will continue to be cautious in future budgets until and if, Highway User Revenue sharing from the State reaches pre 2010 funding levels.
- 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. The Town continued with a 7% increase in Water Rates for FY 2017 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. The Town is looking at a large water main replacement project in FY 2019, which will incur additional debt service, and rates will need to be reviewed and updated annually. 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 construction start date of June 1, 2017. Even with committed grant funding 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 2017, the Town continued its pattern of increasing Sewer Rates by 7 % in advance of this need to begin preparation for the final cost of the upgrade. The annual increases will continue as the Town moves forward with the construction of this system.

TOWN OF OXFORD, MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017

- The Town'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, 2017**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash	\$ 981,913	\$ 1,841,785	\$ 2,823,698
Accounts receivable	26,127	197,470	223,597
Grants receivable	176,859	963,173	1,140,032
Notes receivable - water and sewer bonds	-	4,275	4,275
Nondepreciable capital assets	411,332	1,090,651	1,501,983
Depreciable capital assets, net	2,294,720	1,810,043	4,104,763
<b>Total assets</b>	<b>3,890,951</b>	<b>5,907,397</b>	<b>9,798,348</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pensions	202,023	-	202,023
<b>LIABILITIES</b>			
Accounts payable	27,263	286,688	313,951
Long-term liabilities, due within one year			
Notes payable	-	67,635	67,635
Long-term liabilities, due in more than one year			
Notes payable	-	1,095,635	1,095,635
Net pension liability	705,864	-	705,864
<b>Total liabilities</b>	<b>733,127</b>	<b>1,449,958</b>	<b>2,183,085</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pensions	42,601	-	42,601
<b>NET POSITION</b>			
Net investment in capital assets	2,706,052	1,737,424	4,443,476
Unrestricted	611,194	2,720,015	3,331,209
<b>Total net position</b>	<b>\$ 3,317,246</b>	<b>\$ 4,457,439</b>	<b>\$ 7,774,685</b>

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

**TOWN OF OXFORD, MARYLAND**

**STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2017**

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
<b>Governmental activities</b>							
General government	\$ 644,030	\$ 80,900	\$ 62,646	\$ 35,334	\$ (465,150)	\$ -	\$ (465,150)
Public safety	242,215	-	13,495	-	(228,720)	-	(228,720)
Public works	286,184	-	-	350,612	64,428	-	64,428
Parks and recreation	110,718	-	-	-	(110,718)	-	(110,718)
<b>Total governmental activities</b>	<b>1,283,147</b>	<b>80,900</b>	<b>76,141</b>	<b>385,946</b>	<b>(740,160)</b>	<b>-</b>	<b>(740,160)</b>
<b>Business-type activities</b>							
Water	346,579	316,727	-	-	-	(29,852)	(29,852)
Sewer	205,988	404,329	-	526,412	-	724,753	724,753
SMSP	99,822	100,000	-	-	-	178	178
Bay restoration fee	33,155	35,086	-	-	-	1,931	1,931
<b>Total business-type activities</b>	<b>685,544</b>	<b>856,142</b>	<b>-</b>	<b>526,412</b>	<b>-</b>	<b>697,010</b>	<b>697,010</b>
<b>Total</b>	<b>\$ 1,968,691</b>	<b>\$ 937,042</b>	<b>\$ 76,141</b>	<b>\$ 912,358</b>	<b>(740,160)</b>	<b>697,010</b>	<b>(43,150)</b>

<b>General revenues</b>			
Property taxes		875,797	875,797
Intergovernmental		201,581	201,581
Investment income		3,472	3,991
Other		5,960	5,960
<b>Total general revenues</b>		<b>1,086,810</b>	<b>1,087,329</b>
Change in net position		346,650	1,044,179
<b>Net position, beginning of year</b>		<b>2,970,596</b>	<b>6,730,506</b>
<b>Net position, end of year</b>		<b>\$ 3,317,246</b>	<b>\$ 7,774,685</b>

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

**TOWN OF OXFORD, MARYLAND**

**BALANCE SHEET  
GOVERNMENTAL FUND  
June 30, 2017**

	General Fund
<b>ASSETS</b>	
Cash	\$ 981,913
Accounts receivable	26,127
Grants receivable	176,859
<hr/>	
<b>Total assets</b>	<b>\$ 1,184,899</b>
<hr/>	
<b>LIABILITIES AND FUND BALANCES</b>	
<b>LIABILITIES</b>	
Accounts payable	\$ 27,263
<hr/>	
Total liabilities	27,263
<hr/>	
<b>FUND BALANCES</b>	
Assigned	116,315
Unassigned	1,041,321
<hr/>	
Total fund balances	1,157,636
<hr/>	
<b>Total liabilities and fund balances</b>	<b>\$ 1,184,899</b>
<hr/>	

*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, 2017**

Total fund balances, governmental funds	\$ 1,157,636
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.	2,706,052
Deferred outflow of resources - pensions	202,023
Deferred inflows of resources - pensions	(42,601)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	
Net pension liability	(705,864)
<hr/>	
<b>Net position of governmental activities in the Statement of Net Position</b>	<b>\$ 3,317,246</b>

*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, 2017**

	General Fund
<b>REVENUES:</b>	
Property taxes	\$ 875,797
Intergovernmental	201,581
Licenses and permits	16,224
Other agencies	462,087
Rents	64,676
Investment income	3,472
Miscellaneous	5,960
<hr/>	
Total revenues	1,629,797
<hr/>	
<b>EXPENDITURES:</b>	
Current:	
General government	500,010
Public safety	231,503
Public works	259,550
Parks and recreation	99,832
Capital outlay	569,524
<hr/>	
Total expenditures	1,660,419
<hr/>	
Excess of expenditures over revenues	(30,622)
<hr/>	
Net change in fund balance	(30,622)
<hr/>	
Fund balance, beginning of year	1,188,258
<hr/>	
Fund balance, end of year	\$ 1,157,636

*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, 2017**

Net change in fund balances, governmental funds \$ (30,622)

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	569,524
Depreciation expense	(152,341)

Governmental funds only report the disposal of assets to the extent proceeds are  
received from the sale. In the Statement of Activities, a gain or loss is reported  
for each disposal. This is the cost of assets disposed of, less accumulated  
depreciation. (4,546)

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	54,745
Change in deferred inflows of resources - pensions	7,308
Change in net pension liability	(97,418)

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Change in net position of governmental activities \$ 346,650

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*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, 2017**

	<u>Enterprise Fund</u>
<b>ASSETS</b>	
Current assets	
Cash	\$ 1,841,785
Accounts receivable	197,470
Grants receivable	963,173
<hr/>	
Total current assets	3,002,428
<hr/>	
Noncurrent assets	
Nondepreciable capital assets	1,090,651
Depreciable capital assets, net	1,810,043
<hr/>	
Total noncurrent assets	2,900,694
<hr/>	
Other assets	
Notes receivable - water and sewer bonds	4,275
<hr/>	
Total assets	\$ 5,907,397
<hr/>	
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	\$ 286,688
Current maturities of long-term debt	67,635
<hr/>	
Total current liabilities	354,323
<hr/>	
Noncurrent liabilities	
Long-term debt	1,095,635
<hr/>	
Total noncurrent liabilities	1,095,635
<hr/>	
Total liabilities	1,449,958
<hr/>	
<b>NET POSITION</b>	
Net investment in capital assets	1,737,424
Unrestricted	2,720,015
<hr/>	
Total net position	\$ 4,457,439
<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, 2017**

	<u>Enterprise Fund</u>
<b>OPERATING REVENUES:</b>	
Water service charges	\$ 316,727
Wastewater service charges	404,329
SMSP service charges	100,000
Bay restoration fee	35,086
<hr/>	
Total operating revenues	856,142
<hr/>	
<b>OPERATING EXPENSES:</b>	
Water	346,579
Sewer	205,988
SMSP	99,822
Bay restoration fee	33,155
<hr/>	
Total operating expenses	685,544
<hr/>	
Operating income	170,598
<hr/>	
<b>NONOPERATING REVENUES (EXPENSES):</b>	
Grants	526,412
Investment income	519
<hr/>	
Total nonoperating revenues (expenses)	526,931
<hr/>	
Change in net position	697,529
<hr/>	
Net position, beginning of year	3,759,910
<hr/>	
Net position, end of year	\$ 4,457,439

*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, 2017**

	<u>Enterprise Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from customers	\$ 843,543
Payments to suppliers	(20,307)
Payments to employees	(283,105)
Net cash provided by operating activities	540,131
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Principal paid on long-term debt	(68,246)
Acquisition of capital assets	(700,625)
Receipts from capital grants	33,500
Payments received on water and sewer bonds	6,546
Net cash used in capital and related financing activities	(728,825)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest income	519
Net cash provided by investing activities	519
Net increase in cash	(188,175)
Cash and cash equivalents, beginning of year	2,029,960
Cash and cash equivalents, end of year	\$ 1,841,785
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating income	\$ 170,598
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	125,609
Changes in assets and liabilities:	
Increase in receivables	(12,599)
Increase in accounts payable and accrued expenses	256,523
Net cash provided by operating activities	\$ 540,131

*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, 2017. 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, 2017, the Town had bank deposits with various financial institutions totaling \$2,972,880 (carrying value \$2,823,698). 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, 2017 all deposits were fully insured or collateralized.

As of June 30, 2017, the Town has no investments therefore the Town has no credit or custodial risk.

Cash is designated as follows:

Checking	\$ 1,392,882
Artist Group	2,712
Certificate of deposit	836,646
Custom House fund	6,082
Doug Hanks Memorial fund	3,492
Innovative Health	1,529
Other	155
Savings -Parks and Recreation	1,460
Sidewalk fund	42,030
Town House fund	59,007
WWTP interim financing	477,703
<hr/>	
Total Cash	\$ 2,823,698

### 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, 2017:

	June 30, 2016	Additions	Deductions	June 30, 2017
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets, not being depreciated:				
Land	\$ 411,332	\$ -	\$ -	\$ 411,332
Construction in progress	39,234	-	(39,234)	-
Total capital assets, not being depreciated	<u>450,566</u>	-	<u>(39,234)</u>	<u>411,332</u>
Capital assets, being depreciated:				
Buildings	1,239,915	94,260	-	1,334,175
Equipment	288,846	11,847	(8,200)	292,493
Improvements	1,271,397	463,417	34,688	1,769,502
Vehicles	204,834	-	-	204,834
Total capital assets, being depreciated	<u>3,004,992</u>	<u>569,524</u>	<u>26,488</u>	<u>3,601,004</u>
Less accumulated depreciation:				
Buildings	(484,130)	(37,099)	-	(521,229)
Equipment	(190,892)	(19,220)	8,200	(201,912)
Improvements	(332,500)	(72,989)	-	(405,489)
Vehicles	(154,621)	(23,033)	-	(177,654)
Total accumulated depreciation	<u>(1,162,143)</u>	<u>(152,341)</u>	<u>8,200</u>	<u>(1,306,284)</u>
Total capital assets, being depreciated, net	<u>1,842,849</u>	<u>417,183</u>	<u>34,688</u>	<u>2,294,720</u>
Governmental activities capital assets, net	<u>\$ 2,293,415</u>	<u>\$ 417,183</u>	<u>\$ (4,546)</u>	<u>\$ 2,706,052</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 104,109
Public safety	10,712
Public works	26,634
Parks and recreation	10,886
Total depreciation expense	<u>\$ 152,341</u>

NOTES TO FINANCIAL STATEMENTS

**Note 5. Capital Assets (continued)**

	June 30, 2016	Additions	Deductions	June 30, 2017
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ 552,575	\$ 538,076	\$ -	\$ 1,090,651
Total capital assets, not being depreciated	<u>552,575</u>	<u>538,076</u>	<u>-</u>	<u>1,090,651</u>
Capital assets, being depreciated:				
Equipment	1,473,274	-	(1,927)	1,471,347
Improvements	2,424,033	162,549	-	2,586,582
Vehicles	115,376	-	-	115,376
Total capital assets, being depreciated	<u>4,012,683</u>	<u>162,549</u>	<u>(1,927)</u>	<u>4,173,305</u>
Less accumulated depreciation:				
Equipment	(785,437)	(67,317)	1,927	(850,827)
Improvements	(1,372,603)	(44,300)	-	(1,416,903)
Vehicles	(81,540)	(13,992)	-	(95,532)
Total accumulated depreciation	<u>(2,239,580)</u>	<u>(125,609)</u>	<u>1,927</u>	<u>(2,363,262)</u>
Total capital assets, being depreciated, net	<u>1,773,103</u>	<u>36,940</u>	<u>-</u>	<u>1,810,043</u>
Business-type activities capital assets, net	<u>\$ 2,325,678</u>	<u>\$ 575,016</u>	<u>\$ -</u>	<u>\$ 2,900,694</u>

Construction in progress is as follows:

Wastewater treatment plant	\$ 987,384
Stormwater plan	51,806
CBT Watershed	29,098
Wetland Mitigation	22,363
<b>Total</b>	<b><u>\$ 1,090,651</u></b>

## 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, 2016	Additions	Retirements and Repayments	Balances June 30, 2017	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.	\$ 265,439	\$ -	\$ 15,564	\$ 249,875	\$ 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.	14,119	-	5,613	8,506	8,506
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.	474,255	-	47,069	427,186	47,069
<b>Total Business-type Long-Term Debt</b>	<b>\$ 1,231,516</b>	<b>\$ -</b>	<b>\$ 68,246</b>	<b>\$ 1,163,270</b>	<b>\$ 67,635</b>

The annual requirements to amortize all business-type activities debt outstanding as of June 30, 2017 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 67,635	\$ 23,007	\$ 90,642
2019	536,831	22,235	559,066
2020	59,129	10,949	70,078
2021	59,129	10,364	69,493
2022	59,129	9,779	68,908
2023 - 2027	252,141	40,123	292,264
2028 - 2030	129,276	12,540	141,816
	<b>\$ 1,163,270</b>	<b>\$ 128,997</b>	<b>\$ 1,292,267</b>

Interest expense in the business-type activities for the year ended June 30, 2017 totaled \$10,442.

## 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](http://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 2016 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, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	In the 2015 and 2016 actuarial valuations, 2.70% general, 3.20% wage.
Salary Increases	In the 2015 and 2016 actuarial valuations, 3.30% to 9.20% including inflation.
Investment Rate of Return	In the 2015 and 2016 actuarial valuations, 7.55%.
Discount Rate	7.55%
Investment Rate of Return	7.55%
Retirement Age	Experience-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.

#### 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, 2016, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	37%	6.6%
Private Equity	10%	7.4%
Rate Sensitive	20%	1.3%
Credit Opportunity	9%	4.2%
Real Assets	15%	4.7%
Absolute Return	9%	3.7%
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, 2016.

For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 1.10%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Pension Plan (continued)

#### 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.

#### 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 6.65%	Current Discount	1% Increase to 8.65%
Employees (Muni)	\$ 969,567	\$ 705,864	\$ 486,426

#### 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, 2016, 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, 2016, under the GASB No. 67 requirements.

NOTES TO FINANCIAL STATEMENTS

**Note 7. Pension Plan (continued)**

At June 30, 2017, the Town reported the following related to pensions:

Employer's proportionate (percentage) of the collective net pension liability	0.0029917%
Employer's proportionate share of the collective net pension liability	\$ 705,864
Pension expense recognized by the employer for the year ended June 30, 2017	\$ 99,676
Deferred outflows of resources, June 30, 2016	\$ 147,278
Year end June 30, 2016 contributions	(58,281)
Difference between expected and actual experience	70,017
Amortization of items allowed by GASB 68	(21,302)
Year end June 30, 2017 contributions	64,311
Deferred outflows of resources, June 30, 2017	\$ 202,023
Deferred inflows of resources, June 30, 2016	\$ 49,909
Difference between expected and actual experience	7,734
Amortization of items allowed by GASB 68	(15,042)
Deferred inflows of resources, June 30, 2017	\$ 42,601
NPL June 30, 2016	\$ 608,446
Change in NPL factored for contributions	97,418
NPL June 30, 2017	\$ 705,864

The \$64,311 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, 2018. Other amounts reported as deferred inflows/outflows of resources will be amortized over a five year period, as follows:

	Deferred Outflows		Deferred Inflows
June 30,	Difference between expected and actual experience	Change in assumptions	Difference between expected and actual experience
2018	\$ 13,398	\$ 25,408	\$ (16,632)
2019	13,398	25,407	(16,632)
2020	13,397	23,758	(4,149)
2021	-	22,946	(3,816)
2022	-	-	(1,372)
Total	\$ 40,193	\$ 97,519	\$ (42,601)

For the year ended June 30, 2017 the Town's total payroll for all employees was \$640,111. Total covered payroll was \$600,047. Covered payroll refers to all compensation paid by the Town to active employees covered by Employees' Systems.

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Tower Rent

The Town rents space on its water tower to several cellular and utility companies. For the year ended June 30, 2017, rental income recorded by the water and sewer fund was \$43,026.

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

<u>Fiscal Year</u>		
<u>Ending June 30,</u>		
2018	\$	50,000
2019		50,000
2020		50,000
2021		50,000

### 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, 2017. 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.

## NOTES TO FINANCIAL STATEMENTS

### **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, 2017, the Town has capitalized \$987,384 in construction in progress related to this upgrade 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, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>REVENUES:</b>				
Property taxes	\$ 874,163	\$ 874,163	\$ 875,797	\$ 1,634
Intergovernmental	169,934	173,420	201,581	28,161
Licenses and permits	10,782	14,074	16,224	2,150
Other agencies	12,374	432,020	462,087	30,067
Rents	62,170	64,670	64,676	6
Investment income	1,400	1,700	3,472	1,772
Miscellaneous	7,000	5,675	5,960	285
<b>Total revenues</b>	<b>1,137,823</b>	<b>1,565,722</b>	<b>1,629,797</b>	<b>64,075</b>
<b>EXPENDITURES</b>				
General government	529,650	545,321	500,010	45,311
Public safety	235,500	229,500	231,503	(2,003)
Public works	539,500	543,950	259,550	284,400
Parks and recreation	108,650	133,650	99,832	33,818
Capital outlay	107,000	439,500	569,524	(130,024)
<b>Total expenditures</b>	<b>1,520,300</b>	<b>1,891,921</b>	<b>1,660,419</b>	<b>231,502</b>
<b>Excess of expenditures over revenues</b>	<b>(382,477)</b>	<b>(326,199)</b>	<b>(30,622)</b>	<b>295,577</b>
<b>Net change in fund balance</b>	<b>\$ (382,477)</b>	<b>\$ (326,199)</b>	<b>\$ (30,622)</b>	<b>\$ 295,577</b>

**TOWN OF OXFORD, MARYLAND**

**REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2017**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

<b>Fiscal Year</b>	<b>Measurement Date</b>	<b>Employer's Proportion (Percentage) of the Collective NPL A</b>	<b>Employer's Proportion Share of the Collective NPL B</b>	<b>Employer's Covered Employee Payroll C</b>	<b>Proportionate Share as a Percentage of Covered Payroll (B / C)</b>	<b>Plan's Total Fiduciary Net Position D</b>	<b>Plan's Total Pension Liability E</b>	<b>Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (D / E)</b>
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%
2017	June 30, 2016	0.0029917%	\$ 705,864	\$ 600,047	118%	\$ 45,365,927,000	\$ 68,959,954,000	66%

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, 2017**

**SCHEDULE OF CONTRIBUTIONS**

<b>Fiscal Year</b>	<b>Measurement Date</b>	<b>Contractually Required Contribution A</b>	<b>Actual Contribution B</b>	<b>Contribution Deficiency (Excess) (A - B)</b>	<b>Employer's Covered Employee Payroll C</b>	<b>Actual Contribution as a Percentage of Covered Payroll (B / C)</b>
2015	June 30, 2014	\$ 61,710	\$ 61,710	\$ -	\$ 497,972	12%
2016	June 30, 2015	\$ 58,281	\$ 58,281	\$ -	\$ 520,058	11%
2017	June 30, 2016	\$ 64,311	\$ 64,311	\$ -	\$ 600,047	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, 2017**

**ACTUARIAL ASSUMPTIONS - PENSION PLAN**

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	In the 2012 actuarial valuation: 8 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 valuations: 25 years for the State Systems, 26 years for the LEOPS Muni, and 32 years for CORS Muni. For ECS Muni: 7 years remaining for prior UAAL existing on June 30, 2000. 25 years from each subsequent valuation date for each year's additional UAAL. In the 2014 actuarial valuation: 24 years for the State Systems, 25 years for LEOPS Muni, and 31 years for CORS Muni. For ECS Muni: 6 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 Model	Five-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. In the 2014 actuarial valuation, 2.90% general, 3.40% 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. In the 2014 actuarial valuation, 3.40% to 10.65% including inflation.
Investment Rate of Return	In the 2012 actuarial valuation, 7.75%. In the 2013 actuarial valuation, 7.70%. In the 2014 valuation, 7.65%.
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, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>OPERATING REVENUES:</b>				
Water service charges	\$ 308,900	\$ 308,900	\$ 316,727	\$ 7,827
Wastewater service charges	390,600	390,600	404,329	13,729
SMSP service charges	100,000	100,000	100,000	-
Bay restoration fee	35,000	35,000	35,086	86
<b>Total operating revenues</b>	<b>834,500</b>	<b>834,500</b>	<b>856,142</b>	<b>21,642</b>
<b>OPERATING EXPENSES:</b>				
Water	396,500	373,600	346,579	27,021
Sewer	230,300	211,800	205,988	5,812
SMSP	368,000	205,000	99,822	105,178
Bay restoration fee	34,000	34,000	33,155	845
<b>Total operating expenses</b>	<b>1,028,800</b>	<b>824,400</b>	<b>685,544</b>	<b>138,856</b>
<b>Operating income (loss)</b>	<b>(194,300)</b>	<b>10,100</b>	<b>170,598</b>	<b>160,498</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Grants	-	-	526,412	526,412
Investment income	800	800	519	(281)
<b>Total nonoperating revenues (expenses)</b>	<b>800</b>	<b>800</b>	<b>526,931</b>	<b>526,131</b>
<b>Change in net position</b>	<b>\$ (193,500)</b>	<b>\$ 10,900</b>	<b>\$ 697,529</b>	<b>\$ 686,629</b>

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 ("the Town") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 22, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the 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 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 2017-001

*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'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, in a separate letter dated December 22, 2017.

## **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 22, 2017