

TOWN OF OXFORD, MARYLAND

FINANCIAL REPORT

June 30, 2019

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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, 2019, 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, 2019, 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 January 21, 2020 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Town's 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 cursive script that reads "YHM Group LLC".

Salisbury, Maryland
January 21, 2020

TOWN OF OXFORD, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

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, 2019. 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, 2019

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 \$78,616.
- Business-type activities net position increased by \$9,618,408.
- The Town's General Fund fund balance increased by \$166,954.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Net position

Town's Net Position

	Governmental Activities		Business-type Activities		Total		% Change
	2019	2018	2019	2018	2019	2018	
Current and other assets	\$ 1,438,632	\$ 1,313,980	\$ 8,436,138	\$ 3,796,510	\$ 9,874,770	\$ 5,110,490	93%
Capital assets	2,634,926	2,675,625	15,724,294	6,445,077	18,359,220	9,120,702	101%
Total assets	4,073,558	3,989,605	24,160,432	10,241,587	28,233,990	14,231,192	98%
Deferred outflows	135,286	169,018	-	-	135,286	169,018	-20%
Other liabilities	10,918	53,220	257,501	857,072	268,419	910,292	-71%
Long-term debt	-	-	5,999,900	1,099,892	5,999,900	1,099,892	445%
Net pension liability	701,931	683,245	-	-	701,931	683,245	3%
Total liabilities	712,849	736,465	6,257,401	1,956,964	6,970,250	2,693,429	159%
Deferred inflows	81,592	86,371	-	-	81,592	86,371	-6%
Net investment in capital assets	2,634,926	2,675,625	9,724,394	5,345,185	12,359,320	8,020,810	54%
Unrestricted	779,477	660,162	8,178,637	2,939,438	8,958,114	3,599,600	149%
Total net position	\$ 3,414,403	\$ 3,335,787	\$ 17,903,031	\$ 8,284,623	\$ 21,317,434	\$ 11,620,410	83%

- The Town's combined net position was \$21,317,434, consisting of \$12,359,320 net investment in capital assets and \$8,958,114 of unrestricted net position.

TOWN OF OXFORD, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

Changes in net position

- Net position of the Town's governmental activities increased by \$78,616 to \$3,414,403.
- Net position of the Town's business-type activities increased by \$9,618,408 to \$17,903,031. The increase is mostly attributable to grant revenues of approximately \$9,374,523 for the wastewater upgrade, Morris Street water main replacement, town water system, and causeway bioretention projects.
- The Town's total revenues were \$11,747,634. This was an increase over the previous year of \$5,963,337 or 103%. The increase is mostly attributable to a \$5,773,091 increase in business-type capital grant revenues for the wastewater upgrade, Morris Street water main replacement, town water system, and causeway bioretention projects.
- The cost of all services increased by 6% to \$2,050,610.

Changes in Net Position

	Governmental Activities		Business-type Activities		Total		% Change
	2019	2018	2019	2018	2019	2018	
Revenues							
Program Revenues:							
Charges for services	\$ 83,326	\$ 83,193	\$ 1,032,331	\$ 924,222	\$ 1,115,657	\$ 1,007,415	11%
Operating grants	117,746	38,547	-	-	117,746	38,547	205%
Capital grants	22,939	1,374	9,374,523	3,601,432	9,397,462	3,602,806	161%
General Revenues:							
Property taxes	820,920	901,140	-	-	820,920	901,140	-9%
Other taxes	272,343	215,182	-	-	272,343	215,182	27%
Gain on sale of assets	7,000	-	-	-	7,000	-	100%
Investment and other	15,938	18,991	568	216	16,506	19,207	-14%
Total revenues	1,340,212	1,258,427	10,407,422	4,525,870	11,747,634	5,784,297	103%
Expenses							
General government	623,070	586,540	-	-	623,070	586,540	6%
Public safety	225,296	244,211	-	-	225,296	244,211	-8%
Public works	288,746	300,229	-	-	288,746	300,229	-4%
Parks and recreation	124,484	108,906	-	-	124,484	108,906	14%
Water	-	-	307,057	300,585	307,057	300,585	2%
Sewer	-	-	297,010	258,847	297,010	258,847	15%
SMSP	-	-	151,567	104,916	151,567	104,916	44%
Bay restoration fee	-	-	33,380	34,338	33,380	34,338	-3%
Total expenses	1,261,596	1,239,886	789,014	698,686	2,050,610	1,938,572	6%
Change in net position	\$ 78,616	\$ 18,541	\$ 9,618,408	\$ 3,827,184	\$ 9,697,024	\$ 3,845,725	152%

Governmental Activities

Revenues from the Town's governmental activities increased by \$81,785 or 6% from the prior year which is mostly attributable to an increase in both operating and capital grants, as there were over \$100,000 in expenditures related to the MEWS design, over \$20,000 in expenditures related to the Community Rating System, and a \$48,000 increase in local income tax revenues.

Expenses from the Town's governmental activities increased by \$21,710 or 2% from the prior year.

TOWN OF OXFORD, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

Business-type Activities

Revenues from the Town's business-type activities increased by \$5,881,552 or 130% from the prior year. This is mostly attributable to \$9,374,523 in grant revenues related to the wastewater upgrade, Morris Street water main replacement, town water system, and causeway bioretention projects.

Expenses from the Town's business-type activities increased by \$90,328 or 13% 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 \$1,427,714, an increase of \$166,954 from the prior year.

General Fund Budgetary Highlights

- Revenues were under budget by \$41,318, which is mostly attributable to the over-budgeting of the MEWS building design grant revenues and the under-budgeting of the local income tax revenues. Local income tax revenues are based on residents' income, and the Town is not provided with sufficient data, from which to make reasonable projections.
- Total expenditures were under budget by \$112,992 mostly attributable to the over-budgeting of the MEWS building design grant cost.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019, the Town had a net investment of \$18,359,220 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	
	2019	2018	2019	2018	2019	2018
Land	\$ 411,332	\$ 411,332	\$ -	\$ -	\$ 411,332	\$ 411,332
Construction in progress	156,123	52,716	14,072,069	4,697,686	14,228,192	4,750,402
Buildings	1,306,675	1,306,675	-	-	1,306,675	1,306,675
Equipment	335,435	331,048	1,543,355	1,537,347	1,878,790	1,868,395
Improvements	1,818,897	1,802,322	2,610,482	2,586,582	4,429,379	4,388,904
Vehicles	219,576	246,946	115,376	115,376	334,952	362,322
Total	4,248,038	4,151,039	18,341,282	8,936,991	22,589,320	13,088,030
Accumulated Depreciation	(1,613,112)	(1,475,414)	(2,616,988)	(2,491,914)	(4,230,100)	(3,967,328)
Net Capital assets	\$ 2,634,926	\$ 2,675,625	\$ 15,724,294	\$ 6,445,077	\$ 18,359,220	\$ 9,120,702

TOWN OF OXFORD, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

Long Term Debt

At the end of 2019, the Town had \$6,701,831 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	
	2019	2018	2019	2018	2019	2018
Water tower	\$ -	\$ -	\$ 225,250	\$ 238,945	\$ 225,250	\$ 238,945
System expansion	-	-	-	3,127	-	3,127
Wastewater upgrade	-	-	-	477,703	-	477,703
Wastewater upgrade - extension	-	-	3,500,000	-	3,500,000	-
Wastewater upgrade loan	-	-	1,941,602	-	1,941,602	-
Arsenic removal	-	-	333,048	380,117	333,048	380,117
Net pension liability	701,931	683,245	-	-	701,931	683,245
Total long-term debt	\$ 701,931	\$ 683,245	\$ 5,999,900	\$ 1,099,892	\$ 6,701,831	\$ 1,783,137

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The Town's Governmental revenues for FY 2019 demonstrate a slight increase over Fiscal Year 2018, again this year due to grant funding, 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 unless there is a change in the disbursement of State Highway Revenues that assures a suitable annual revenue for planning purposes. 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 prior 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 2019 to continue building the necessary revenues to fund the 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. This rate increase will also assist in preparing for the new debt service to be incurred with the replacement of the large water main that runs down Morris Street. The current estimate for the project is \$2,600,000 with anticipate MDE 50/50 grant/loan funding. The Town's Wastewater System is nearing completion of the upgrade to an Enhanced Nutrient Removal Wastewater Treatment System, with the current construction cost (including decommissioning of former lagoon) of approximately \$18,200,000. 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 2019, the Town continued its pattern of increasing Sewer Rates by 7 % in advance of this need to begin preparation for

TOWN OF OXFORD, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

the final cost of the upgrade. The annual increases will continue as the Town brings this system online and can determine its ability to cover the operational costs and debt service.

- The Town of Oxford's budgeted revenues provide a sufficient level of anticipated services to the community and the Town has suitable surplus for any planned or emergency capital expenditures. The addition of the Stormwater Management/Shoreline Protection Enterprise Fund with dedicated revenues has continued this fiscal responsibility by planning for and implementing infrastructure improvements to provide the community protection from Stormwater and significant tidal impacts. The Town has been successful in recent years in acquiring additional funding from both State and Federal opportunities in order to identify and improve infrastructure in support of this effort and will continue this effort.

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, 2019

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash	\$ 1,337,748	\$ 4,310,329	\$ 5,648,077
Accounts receivable	19,027	223,646	242,673
Grants receivable	81,857	3,899,933	3,981,790
Notes receivable - water and sewer bonds	-	2,230	2,230
Nondepreciable capital assets	567,455	14,072,069	14,639,524
Depreciable capital assets, net	2,067,471	1,652,225	3,719,696
Total assets	4,073,558	24,160,432	28,233,990
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	135,286	-	135,286
LIABILITIES			
Accounts payable	10,918	257,501	268,419
Long-term liabilities, due within one year			
Bonds and notes payable	-	3,587,053	3,587,053
Long-term liabilities, due in more than one year			
Bonds and notes payable	-	2,412,847	2,412,847
Net pension liability	701,931	-	701,931
Total liabilities	712,849	6,257,401	6,970,250
DEFERRED INFLOWS OF RESOURCES			
Pensions	81,592	-	81,592
NET POSITION			
Net investment in capital assets	2,634,926	9,724,394	12,359,320
Unrestricted	779,477	8,178,637	8,958,114
Total net position	\$ 3,414,403	\$ 17,903,031	\$ 21,317,434

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

TOWN OF OXFORD, MARYLAND

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2019**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental activities							
General government	\$ 623,070	\$ 83,326	\$ 103,408	\$ 21,039	\$ (415,297)	\$ -	\$ (415,297)
Public safety	225,296	-	14,338	-	(210,958)	-	(210,958)
Public works	288,746	-	-	1,900	(286,846)	-	(286,846)
Parks and recreation	124,484	-	-	-	(124,484)	-	(124,484)
Total governmental activities	1,261,596	83,326	117,746	22,939	(1,037,585)	-	(1,037,585)
Business-type activities							
Water	307,057	357,918	-	30,351	-	81,212	81,212
Sewer	297,010	455,326	-	8,694,032	-	8,852,348	8,852,348
SMSP	151,567	183,000	-	650,140	-	681,573	681,573
Bay restoration fee	33,380	36,087	-	-	-	2,707	2,707
Total business-type activities	789,014	1,032,331	-	9,374,523	-	9,617,840	9,617,840
Total	\$ 2,050,610	\$ 1,115,657	\$ 117,746	\$ 9,397,462	(1,037,585)	9,617,840	8,580,255
General revenues							
Property taxes					820,920	-	820,920
Intergovernmental					272,343	-	272,343
Investment income					5,710	568	6,278
Gain on sale of assets					7,000	-	7,000
Other					10,228	-	10,228
Total general revenues					1,116,201	568	1,116,769
Change in net position					78,616	9,618,408	9,697,024
Net position, beginning of year					3,335,787	8,284,623	11,620,410
Net position, end of year					\$ 3,414,403	\$ 17,903,031	\$ 21,317,434

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

TOWN OF OXFORD, MARYLAND

**BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2019**

	General Fund
ASSETS	
Cash	\$ 1,337,748
Accounts receivable	19,027
Grants receivable	81,857
Total assets	\$ 1,438,632
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable	\$ 10,918
Total liabilities	10,918
FUND BALANCES	
Assigned	74,487
Unassigned	1,353,227
Total fund balances	1,427,714
Total liabilities and fund balances	\$ 1,438,632

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, 2019**

Total fund balances, governmental funds \$ 1,427,714

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. 2,634,926

Deferred outflow of resources - pensions 135,286

Deferred inflows of resources - pensions (81,592)

Long-term liabilities are not due and payable in the current period and therefore
are not reported in the funds

Net pension liability (701,931)

Net position of governmental activities in the Statement of Net Position \$ 3,414,403

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, 2019**

	General <u>Fund</u>
REVENUES:	
Property taxes	\$ 820,920
Intergovernmental	272,343
Licenses and permits	20,148
Other agencies	140,685
Rents	63,178
Investment income	5,710
Sale of assets	7,000
Miscellaneous	10,228
<hr/>	
Total revenues	1,340,212
<hr/>	
EXPENDITURES:	
Current:	
General government	469,601
Public safety	208,796
Public works	268,810
Parks and recreation	98,702
Capital outlay	127,349
<hr/>	
Total expenditures	1,173,258
<hr/>	
Net change in fund balance	166,954
<hr/>	
Fund balance, beginning of year	1,260,760
<hr/>	
Fund balance, end of year	\$ 1,427,714
<hr/>	

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

TOWN OF OXFORD, MARYLAND

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2019**

Net change in fund balances, governmental funds \$ 166,954

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	127,349
Depreciation expense	(168,048)

In governmental fund financial statements, proceeds from a sale of assets are shown as
increases in financial resources. In government wide financial statements, gain or loss
is calculated and reported in the Statement of Activities:

Proceeds from sale of assets	(7,000)
Gain on sale of assets	7,000

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	(33,732)
Change in deferred inflows of resources - pensions	4,779
Change in net pension liability	(18,686)

Change in net position of governmental activities \$ 78,616

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, 2019**

	<u>Enterprise Fund</u>
ASSETS	
Current assets	
Cash	\$ 4,310,329
Accounts receivable	223,646
Grants receivable	3,899,933
<hr/>	
Total current assets	8,433,908
Noncurrent assets	
Nondepreciable capital assets	14,072,069
Depreciable capital assets, net	1,652,225
<hr/>	
Total noncurrent assets	15,724,294
<hr/>	
Other assets	
Notes receivable - water and sewer bonds	2,230
<hr/>	
Total assets	\$ 24,160,432
<hr/>	
LIABILITIES	
Current liabilities	
Accounts payable	\$ 257,501
Current maturities of long-term debt	3,587,053
<hr/>	
Total current liabilities	3,844,554
<hr/>	
Noncurrent liabilities	
Long-term debt	2,412,847
<hr/>	
Total noncurrent liabilities	2,412,847
<hr/>	
Total liabilities	6,257,401
<hr/>	
NET POSITION	
Net investment in capital assets	9,724,394
Unrestricted	8,178,637
<hr/>	
Total net position	\$ 17,903,031
<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, 2019**

	<u>Enterprise Fund</u>
OPERATING REVENUES:	
Water service charges	\$ 357,918
Wastewater service charges	455,326
SMSP service charges	183,000
Bay restoration fee	36,087
<hr/>	
Total operating revenues	1,032,331
<hr/>	
OPERATING EXPENSES:	
Water	307,057
Sewer	297,010
SMSP	151,567
Bay restoration fee	33,380
<hr/>	
Total operating expenses	789,014
<hr/>	
Operating income	243,317
<hr/>	
NONOPERATING REVENUES (EXPENSES):	
Grants - Causeway Bioretention Project	650,140
Grants - Other Construction Projects	8,724,383
Investment income	568
<hr/>	
Total nonoperating revenues (expenses)	9,375,091
<hr/>	
Change in net position	9,618,408
<hr/>	
Net position, beginning of year	8,284,623
<hr/>	
Net position, end of year	\$ 17,903,031

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, 2019**

	<u>Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 1,012,685
Payments to suppliers	(358,401)
Payments to employees	(310,002)
<hr/> Net cash provided by operating activities	<hr/> 344,282
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal paid on long-term debt	(563,992)
Proceeds from long-term debt	5,464,000
Acquisition of capital assets	(9,404,291)
Net receipts from capital grants and financing	7,073,460
Payments received on water and sewer bonds	1,179
<hr/> Net cash provided by capital and related financing activities	<hr/> 2,570,356
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	568
<hr/> Net cash provided by investing activities	<hr/> 568
Net increase in cash	2,915,206
<hr/> Cash and cash equivalents, beginning of year	<hr/> 1,395,123
<hr/> Cash and cash equivalents, end of year	<hr/> \$ 4,310,329
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 243,317
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	125,074
Changes in assets and liabilities:	
Increase in receivables	(19,646)
Decrease in accounts payable and accrued expenses	(4,463)
<hr/> Net cash provided by operating activities	<hr/> \$ 344,282

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, 2019. 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.

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.

O. Capitalized Interest

Interest costs are capitalized when incurred by proprietary funds where proceeds were used to finance the construction of assets.

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, 2019, the Town had bank deposits with various financial institutions totaling \$5,762,677 (carrying value \$5,648,077). 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, 2019 all deposits were fully insured or collateralized.

As of June 30, 2019, the Town has no investments therefore the Town has no credit or custodial risk.

Cash is designated as follows:

Checking	\$ 3,186,558
Artist Group	2,715
Certificate of deposit	839,686
Custom House fund	6,101
Doug Hanks Memorial fund	3,720
Innovative Health	1,300
Other	151
Savings -Parks and Recreation	1,464
Town House fund	59,182
WWTP interim financing	1,547,200
<u>Total Cash</u>	<u>\$ 5,648,077</u>

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, 2019:

	June 30, 2018	Additions	Deductions	June 30, 2019
GOVERNMENTAL ACTIVITIES				
Capital assets, not being depreciated:				
Land	\$ 411,332	\$ -	\$ -	\$ 411,332
Construction in progress	52,716	103,407	-	156,123
Total capital assets, not being depreciated	<u>464,048</u>	<u>103,407</u>	<u>-</u>	<u>567,455</u>
Capital assets, being depreciated:				
Buildings	1,306,675	-	-	1,306,675
Equipment	331,048	4,387	-	335,435
Improvements	1,802,322	16,575	-	1,818,897
Vehicles	246,946	2,980	(30,350)	219,576
Total capital assets, being depreciated	<u>3,686,991</u>	<u>23,942</u>	<u>(30,350)</u>	<u>3,680,583</u>
Less accumulated depreciation:				
Buildings	(559,441)	(37,632)	-	(597,073)
Equipment	(222,659)	(21,053)	-	(243,712)
Improvements	(494,466)	(91,012)	-	(585,478)
Vehicles	(198,848)	(18,351)	30,350	(186,849)
Total accumulated depreciation	<u>(1,475,414)</u>	<u>(168,048)</u>	<u>30,350</u>	<u>(1,613,112)</u>
Total capital assets, being depreciated, net	<u>2,211,577</u>	<u>(144,106)</u>	<u>-</u>	<u>2,067,471</u>
Governmental activities capital assets, net	<u>\$ 2,675,625</u>	<u>\$ (40,699)</u>	<u>\$ -</u>	<u>\$ 2,634,926</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 105,830
Public safety	16,500
Public works	19,936
Parks and recreation	25,782
	<u> </u>
Total depreciation expense	<u>\$ 168,048</u>

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (continued)

	June 30, 2018	Additions	Deductions	June 30, 2019
BUSINESS-TYPE ACTIVITIES				
Capital assets, not being depreciated:				
Construction in progress	\$ 4,697,686	\$ 9,374,383	\$ -	\$ 14,072,069
Total capital assets, not being depreciated	4,697,686	9,374,383	-	14,072,069
Capital assets, being depreciated:				
Equipment	1,537,347	6,008	-	1,543,355
Improvements	2,586,582	23,900	-	2,610,482
Vehicles	115,376	-	-	115,376
Total capital assets, being depreciated	4,239,305	29,908	-	4,269,213
Less accumulated depreciation:				
Equipment	(920,224)	(69,067)	-	(989,291)
Improvements	(1,466,079)	(49,840)	-	(1,515,919)
Vehicles	(105,611)	(6,167)	-	(111,778)
Total accumulated depreciation	(2,491,914)	(125,074)	-	(2,616,988)
Total capital assets, being depreciated, net	1,747,391	(95,166)	-	1,652,225
Business-type activities capital assets, net	\$ 6,445,077	\$ 9,279,217	\$ -	\$ 15,724,294

Construction in progress is as follows:

Wastewater treatment plant	\$ 13,184,059
Stormwater plan	81,472
Causeway improvement	657,603
CBT Watershed	29,098
Morris St. watermain replacement	65,079
Water system - preliminary engineering	32,395
Wetland Mitigation	22,363
Total	\$ 14,072,069

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, 0	Additions	Retirements and Repayments	Balances June 30,	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.	\$ 238,945	\$ -	\$ 13,695	\$ 225,250	\$ 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.	3,127	-	3,127	-	-
Note payable - Water arsenic removal: \$757,668 unsecured, maturing February 2027, no interest. Annual principal only payment of \$47,069.	380,117	-	47,069	333,048	47,069
Total notes from direct borrowings	622,189	-	63,891	558,298	59,129
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	-	-
Bond anticipation note - Wastewater Upgrade: \$13,880,000 unsecured, maturing December 2020, interest at 3.35%. Repayment upon receipt of a USDA loan, USDA grant and MDE grant.	-	3,500,000	-	3,500,000	3,500,000
Bond payable - Wastewater Upgrade: \$1,964,000 unsecured, maturing September 2058, interest at 2.50%. Monthly principal and interest payment of \$19,051.	-	1,964,000	22,398	1,941,602	27,924
Total bonds	477,703	5,464,000	500,101	5,441,602	3,527,924
Total Business-type Long-Term Debt	\$ 1,099,892	\$ 5,464,000	\$ 563,992	\$ 5,999,900	\$ 3,587,053

The annual requirements to amortize all business-type activities debt outstanding as of June 30, 2019 are as follows:

Fiscal Year Ending June 30,	Bonds		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest
2020	\$ 3,527,924	\$ 48,280	\$ 59,129	\$ 10,925
2021	28,629	47,575	59,129	10,340
2022	29,352	46,852	59,129	9,755
2023	30,092	46,112	59,129	9,170
2024	30,852	45,352	59,129	8,585
2025 & thereafter	1,794,753	922,533	262,653	35,321
TOTAL	\$ 5,441,602	\$ 1,156,704	\$ 558,298	\$ 84,096

Interest expense in the business-type activities for the year ended June 30, 2019 totaled \$46,485.

NOTES TO FINANCIAL STATEMENTS

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

The interim financing (bond anticipation note) of \$3,500,000 noted in the chart on the previous page will be paid in full in January 2020. See Note 11 for further discussion.

Note 7. Pension Plan

Organization

The State Retirement Agency (the 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, boards of education, community colleges, and libraries. The Municipal Pool consists of participating governmental units that elected to join the System. Neither pool shares in each other's actuarial liabilities, thus participating governmental units that elect to join the System (the "Municipal Pool") share in the liabilities of the Municipal Pool only. The State Retirement Agency issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State Retirement and Pension System of Maryland, 120 E. Baltimore Street, Suite 1660, Baltimore, Maryland 21202-1600 or on-line at www.sra.maryland.gov.

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

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

Basis of Accounting

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

Covered Members

Employees' Retirement and Pension Systems

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

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (continued)

Summary of Significant Plan Provisions

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

The member contribution rate for members of the Employees' Pension Systems is 6%.

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.

A brief summary of the retirement eligibility requirements of and the benefits available under the various systems in effect during fiscal year 2018 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 fair 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, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	In the 2018 actuarial valuation, 2.60% general, 3.10% wage. In the 2017 actuarial valuation, 2.65% general, 3.15% wage.
Salary Increases	In the 2018 actuarial valuation, 3.10% to 9.10%. In the 2017 actuarial valuation, 3.15% to 9.15%.
Investment Rate of Return	In the 2018 actuarial valuation, 7.45%. In the 2017 actuarial valuation, 7.50%.
Discount Rate	7.45% in 2018; 7.5% in 2017
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 (2-dimensional) mortality improvement scale.

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, 2018, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	37%	5.8%
Private Equity	13%	6.7%
Rate Sensitive	19%	1.1%
Credit Opportunity	9%	3.6%
Real Assets	14%	4.8%
Absolute Return	8%	3.2%
Total	<u>100%</u>	

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, 2018.

For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 8.08%. 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 7.45% 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 7.45%. 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 7.45%, 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 6.45%	Discount Rate 7.45%	1% Increase to 8.45%
Employees (Muni)	\$ 1,011,021	\$ 701,931	\$ 445,408

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, 2018, 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, 2018, under the GASB No. 67 requirements.

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (continued)

At June 30, 2019, the Town reported the following related to pensions:

Employer's proportionate (percentage) of the collective net pension liability	0.0033455%
Employer's proportionate share of the collective net pension liability	\$ 701,931
Pension expense recognized by the employer for the year ended June 30,	\$ 115,874
Deferred outflows of resources, June 30,	\$ 169,018
Year end June 30, contributions	(66,711)
Difference between expected and actual experience	-
Change in assumptions	4,261
Amortization of items allowed by GASB 68	(39,517)
Year end June 30, contributions	68,235
Deferred outflows of resources, June 30,	\$ 135,286
Deferred inflows of resources, June 30,	\$ 86,371
Net difference between projected and actual investment earnings	7,075
Difference between actual and expected experience	18,529
Amortization of items allowed by GASB 68	(30,383)
Deferred inflows of resources, June 30,	\$ 81,592
NPL June 30,	\$ 683,245
Change in NPL factored for contributions	18,686
NPL June 30,	\$ 701,931

The \$68,235 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, 2019. Other amounts reported as deferred inflows/outflows of resources will be amortized over a five year period, as follows:

June 30,	Deferred Outflows	Deferred Inflows	Net Deferred (Inflows) Outflows
2020	\$ 38,769	\$ (23,593)	\$ 15,176
2021	24,561	(23,259)	1,302
2022	1,614	(20,819)	(19,205)
2023	1,455	(11,089)	(9,634)
2024	652	(2,832)	(2,180)
Total	\$ 67,051	\$ (81,592)	\$ (14,541)

For the year ended June 30, 2019 the Town's total payroll for all employees was \$599,526. Total covered payroll was \$579,116. 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, 2019, rental income recorded by the water and sewer fund was \$48,949.

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

Fiscal Year	
Ending June 30,	
2020	\$ 51,000
2021	54,000
2022	44,000
2023	34,000
2024	39,000

Note 9. Land and Property Leases

The Town rents real property to various businesses and banks. For the year ended June 30, 2019, rental income recorded by the general fund was \$30,688.

One of these leases is with Tred Avon Yacht Club, whose base rent is increased for inflation based on consumer price index, which is determined by the U.S. Department of Labor. Therefore, the Town does not have sufficient data in order to provide accurate future projections for a five-year maturity schedule. The Town has estimated future lease payments to be received over the next five years as follows:

Fiscal Year	
Ending June 30,	
2020	\$ 29,000
2021	25,000
2022	21,000
2023	21,000
2024	21,000

Note 10. 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, 2019. 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 11. 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 an original commitment from the Bank to provide interim financing for the Project in the amount of \$8,844,000. On January 22, 2019, the original commitment was amended, thus increasing the interim financing to \$13,880,000 and extending the maturity date of March 2019 to December 2020. As of June 30, 2019, the Town has capitalized \$13,184,059 in construction in progress related to this upgrade and has drawn \$3,500,000 of the new interim financing (see Note 5 and Note 6, respectively).

A summary of the project cost, funding sources, and drawdown requests as of June 30, 2019 are as follows:

	USDA Loan	USDA Grant	USDA Loan	USDA Grant	MDE NR	MDE BRNR	MDE BRNR	Total
Project Cost	\$1,964,000	\$1,935,000	\$ 493,000	\$1,735,000	\$4,739,412	\$2,989,477	\$4,332,241	\$18,188,130
Drawdown Request	(1,964,000)	(1,935,000)	(493,000)	(736,194)	(4,739,412)	(2,989,477)	(1,975,886)	(14,832,969)
Balance of Fund	\$ -	\$ -	\$ -	\$ 998,806	\$ -	\$ -	\$2,356,355	\$ 3,355,161

The Town paid the original interim financing balance in full when it received the \$1,964,000 USDA loan during the fiscal year ended June 30, 2019 (see Note 6). The Town also received the \$1,935,000 USDA grant funds during the fiscal year ended June 30, 2019. As of December 2019, the Town has received \$1,040,486 of the second USDA grant of \$1,735,000. There will be a final USDA loan in fiscal year ending June 30, 2020 in the amount of \$493,000. The Town anticipates closing out the interim financing of \$3,500,000 with the bond for \$493,000 and the remainder in grant funding to be received by February 2020. All remaining construction costs for the project are grant funded by USDA and MDE as the costs are incurred.

Morris Street Watermain Replacement and Water System

The Town is considering replacing the watermain and upgrading the water system. The Town has incurred preliminary engineering expenses for these projects and expects to receive reimbursement from the United States Department of Agriculture in the future. As of June 30, 2019, the Town has capitalized a total of \$97,474 in construction in progress related to these projects.

Causeway Improvement

The Town is currently working on improving the causeway retention ponds. The Town has received a \$650,000 grant award from the Maryland Department of Natural Resources to complete this project. As of June 30, 2019, the Town has capitalized \$657,603 in construction in progress related to this project. The project is expected to be completed in July 2019.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF OXFORD, MARYLAND

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended June 30, 2019**

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With Final <u>Budget</u>
REVENUES:				
Property taxes	\$ 816,000	\$ 820,561	\$ 820,920	\$ 359
Intergovernmental	177,313	227,624	272,343	44,719
Licenses and permits	12,687	19,053	20,148	1,095
Other agencies	213,000	238,039	140,685	(97,354) (1)
Rents	65,400	63,253	63,178	(75)
Investment income	2,000	1,000	5,710	4,710
Miscellaneous	11,000	12,000	17,228	5,228
Total revenues	1,297,400	1,381,530	1,340,212	(41,318)
EXPENDITURES				
General government	789,100	559,042	469,601	89,441 (1)
Public safety	250,000	216,000	208,796	7,204
Public works	486,500	283,900	268,810	15,090
Parks and recreation	100,650	101,900	98,702	3,198
Capital outlay	68,000	125,408	127,349	(1,941)
Total expenditures	1,694,250	1,286,250	1,173,258	112,992
Net change in fund balance	\$ (396,850)	\$ 95,280	\$ 166,954	\$ 71,674

(1) Attributable to the overbudgeting of the MEWS building design grant.

TOWN OF OXFORD, MARYLAND

**REQUIRED SUPPLEMENTARY INFORMATION
MARYLAND STATE RETIREMENT AND PENSION PLAN
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (as of measurement date)
JUNE 30, 2019**

Measurement Date	Employer's Proportion (Percentage) of the Collective NPL A	Employer's Proportion Share of the Collective NPL B	Covered Payroll C	Proportionate Share as a Percentage of Covered Payroll (B / C)	Plan's Total Fiduciary Net Position D	Plan's Total Pension Liability E	Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (D / E)
June 30, 2014	0.0025705%	\$ 456,180	\$ 472,761	96%	\$ 45,339,988,000	\$ 63,086,719,000	72%
June 30, 2015	0.0008234%	\$ 608,446	\$ 497,972	122%	\$ 45,789,840,000	\$ 66,571,552,000	69%
June 30, 2016	0.0029917%	\$ 705,864	\$ 520,058	136%	\$ 45,365,927,000	\$ 68,959,954,000	66%
June 30, 2017	0.0031597%	\$ 683,245	\$ 608,259	112%	\$ 48,987,184,000	\$ 70,610,885,000	69%
June 30, 2018	0.0033455%	\$ 701,931	\$ 600,047	117%	\$ 51,827,233,000	\$ 72,808,833,000	71%

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
MARYLAND STATE RETIREMENT AND PENSION PLAN
SCHEDULE OF CONTRIBUTIONS (as of fiscal year)
JUNE 30, 2019**

Fiscal Year	Contractually Required Contribution A	Actual Contribution B	Contribution Deficiency (Excess) (A - B)	Employer's Covered Employee Payroll C	Actual Contribution as a Percentage of Covered Payroll (B / C)
2015	\$ 61,710	\$ 61,710	-	\$ 497,972	12%
2016	\$ 58,281	\$ 58,281	-	\$ 520,058	11%
2017	\$ 64,311	\$ 64,311	-	\$ 608,259	11%
2018	\$ 66,711	\$ 66,711	-	\$ 600,047	11%
2019	\$ 68,235	\$ 68,235	-	\$ 579,116	12%

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
MARYLAND STATE RETIREMENT AND PENSION PLAN
ACTUARIAL ASSUMPTIONS
JUNE 30, 2019**

Changes in Benefit Terms

There were no benefit changes during the year.

Changes in Assumptions

Adjustments to the roll-forward liabilities were made to reflect the following assumptions change in the 2018 valuation:

Inflation assumptions changed from 2.65% to 2.60%

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	22 years for the State Systems, 23 years for LEOPS Muni, and 30 years for CORS Muni. For ECS Numi: 100 years phasing down to 20 years over 6 years, 100 years remaining.
Asset Valuation Model	Five-year smoothed market; 20% collar
Inflation	In the 2018 actuarial valuation, 2.60% general, 3.10% wage. In the 2017 actuarial valuation, 2.65% general, 3.15% wage.
Salary Increases	In the 2018 actuarial valuation, 3.10% to 9.10% including inflation. In the 2017 actuarial valuation, 3.15% to 9.15% including inflation.
Investment Rate of Return	In the 2018 actuarial valuation, 7.45%. In the 2017 actuarial valuation, 7.50%.
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 calibrated to MSRPS experience with generational mortality projections using MP-2014 (2-dimensional) mortality improvement scale.

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, 2019**

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With Final <u>Budget</u>
OPERATING REVENUES:				
Water service charges	\$ 330,250	\$ 348,999	\$ 357,918	\$ 8,919
Wastewater service charges	422,500	434,000	455,326	21,326
SMSP service charges	183,000	183,000	183,000	-
Bay restoration fee	35,000	35,500	36,087	587
Total operating revenues	970,750	1,001,499	1,032,331	30,832
OPERATING EXPENSES:				
Water	506,800	371,300	307,057	64,243
Sewer	269,900	304,400	297,010	7,390
SMSP	329,100	883,100	151,567	731,533 (1)
Bay restoration fee	34,000	34,000	33,380	620
Total operating expenses	1,139,800	1,592,800	789,014	803,786
Operating income (loss)	(169,050)	(591,301)	243,317	834,618
NONOPERATING REVENUES (EXPENSES):				
Grants - Causeway Bioretention Project	-	650,000	650,140	140
Grants - Other Construction Projects	-	-	8,724,383	8,724,383 (2)
Investment income	800	150	568	418
Total nonoperating revenues (expenses)	800	650,150	9,375,091	8,724,941
Change in net position	\$ (168,250)	\$ 58,849	\$ 9,618,408	\$ 9,559,559

(1) Attributable to the budgeted Causeway Bioretention project, for which actual expenditures were capitalized.

(2) The grant fund revenues for the Wastewater Treatment construction were not noted in the legally adopted annual budget, but were approved as construction funding for the identified Wastewater System Upgrade as found in the Town minutes.

Herbert J. Geary III
Corey N. Duncan
Roy J. Geiser
Chris A. Hall
Ronald W. Hickman
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, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated January 21, 2020.

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 material weaknesses.

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 2019-001

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*.

The Town of Oxford, Maryland's Response to Findings

The Town's response to the findings identified above was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We noted certain matters that we reported to management of the Town, in a separate letter dated January 21, 2020.

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.

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

Salisbury, Maryland
January 21, 2020

TOWN OF OXFORD, MARYLAND

AUDIT COMMUNICATIONS

JUNE 30, 2019

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I. COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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



January 21, 2020

Commissioners of Oxford
Town of Oxford, Maryland
Oxford, Maryland

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Oxford, Maryland (“the Town”) for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 9, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the Town during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 21, 2020.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the required supplementary information (RSI), as listed in the table of contents, which supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Restriction on Use

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

Very truly yours,

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

TGM Group LLC
Salisbury, Maryland

II. COMMUNICATION OF SIGNIFICANT DEFICIENCIES
AND MATERIAL WEAKNESSES

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



January 21, 2020

Commissioners of Oxford
Town of Oxford, Maryland
Oxford, Maryland

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities and each major fund of the Town of Oxford, Maryland (“the Town”) as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Town’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Town’s internal control.

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

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

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

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

Finding Number 2019-001

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

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

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

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

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

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

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

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



TGM Group LLC
Salisbury, Maryland
January 21, 2020

III. ADJUSTING JOURNAL ENTRY REPORTS

Client: *Oxford Maryland Town of*
Engagement: *Town of Oxford, MD*
Period Ending: *6/30/2019*
Workpaper: *GF AJE's*
Account Description

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 1			
CLIENT REVERSE ON 7/1 - To book 4th quarter SAPPF Police Grant for consistency with prior years revenues.			
14000	Due from State of Maryland	3,593.25	
44200	Grant - SAPPF Police		3,593.25
Total		<u>3,593.25</u>	<u>3,593.25</u>
Adjusting Journal Entries JE # 2			
To adjust for GASB 68.			
27100	Deferred Financing Inflow	4,779.00	
33000	Fund Balance - Pension	47,639.00	
19200	Deferred Financing Outflow		33,732.00
27000	Net Pension Liability		18,686.00
Total		<u>52,418.00</u>	<u>52,418.00</u>
Adjusting Journal Entries JE # 3			
To reclass grant reimbursement to revenue.			
12261	DNR Waterway Improvements	1,900.00	
74100	Grant Funds - Boat Landing		1,900.00
Total		<u>1,900.00</u>	<u>1,900.00</u>
Adjusting Journal Entries JE # 4			
To adjust grants to actual at 6/30/19.			
12100	General Accounts Receivable	42,668.96	
52520	Planning Commission	21,039.04	
83500	MEWS Capital	103,407.67	
12267	DHCD - MEWS		42,668.96
44202	MEWS Design Grant		103,407.67
74200	DNR-Grant Coastal		21,039.04
Total		<u>167,115.67</u>	<u>167,115.67</u>
Adjusting Journal Entries JE # 5			
To book CY additions.			
17700	Construction in Progress	103,407.67	
32000	Fund Balance - Fixed Assets		103,407.67
Total		<u>103,407.67</u>	<u>103,407.67</u>
Adjusting Journal Entries JE # 6			
To book CY AP found during subsequent disb. testing.			
51450	Legal Fees	2,051.45	
52530	Port Wardens	1,170.00	
53200	Uniforms & Equipment	1,657.50	
20100	Accounts Payable - General		4,878.95
Total		<u>4,878.95</u>	<u>4,878.95</u>
Adjusting Journal Entries JE # 7			
To reclass gross proceeds from sale of assets.			
46900	Misc Revenues - Other	7,000.00	
45450	Sale of Property		7,000.00
Total		<u>7,000.00</u>	<u>7,000.00</u>

Adjusting Journal Entries JE # 8

To reclass items from capital outlay to expense.

55500	Parks & Recreation Expenses	6,862.11	
89000	Docks Capital		6,862.11
Total		6,862.11	6,862.11

Adjusting Journal Entries JE # 9

To record 4th quarter accomodations tax AR and reclass payment against PY AR.

14100	Due From County	14,921.68	
42100	Accomodations Tax	12,889.20	
14100	Due From County		12,889.20
42100	Accomodations Tax		14,921.68
Total		27,810.88	27,810.88

Adjusting Journal Entries JE # 10

To reclass refund to revenues.

53900	Workmens Comp Oxford Fire Dept	4,880.00	
46900	Misc Revenues - Other		4,880.00
Total		4,880.00	4,880.00

Adjusting Journal Entries JE # 11

To record CY additions.

17200	Street Improvements	16,575.00	
17300	Vehicles	2,980.00	
17600	Equipment	4,386.48	
32000	Fund Balance - Fixed Assets		23,941.48
Total		23,941.48	23,941.48

Adjusting Journal Entries JE # 12

To record CY disposals.

17310	Vehicles-A/D	30,350.00	
17300	Vehicles		30,350.00
Total		30,350.00	30,350.00

Adjusting Journal Entries JE # 13

To record CY depreciation.

32000	Fund Balance - Fixed Assets	168,047.25	
17110	Buildings-A/D		37,631.66
17210	Street Improvements-A/D		91,011.81
17310	Vehicles-A/D		18,351.07
17610	Equipment-A/D		21,052.71
Total		168,047.25	168,047.25

Adjusting Journal Entries JE # 14

To adjust register balance and remove duplicate lease entry.

45300	Land/Property Leases	700.00	
11304	Easton Bank 304 Deposit		700.00
Total		700.00	700.00

Adjusting Journal Entries JE # 15

To write-off uncollectible receivables.

12124	RE Taxes Receivable Y/E 2017	494.67	
12125	RE Taxes Receivable Y/E 2018	531.94	
66900	Reconciliation Discrepancies	537.37	
12123	RE Taxes Receivable Y/E 2016		1,563.98
Total		1,563.98	1,563.98

Client:
Engagement: *2019 AU - Town of Oxford, MD*
Period Ending: *6/30/2019*
Trial Balance: *Water Fund TB*
Workpaper: *Water Fund AJE's*

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 1			
To adjust grants to actual and record CY additions.			
18420	Construction in Progress	30,350.73	
74000W	Grants - MDE/USDA Watermain		30,350.73
Total		<u>30,350.73</u>	<u>30,350.73</u>

Adjusting Journal Entries JE # 2			
To adjust debt to actual.			
28110	MDE Clean Water Loan	1,357.56	
57160W	Interest on Debt	222.82	
57160W	Interest on Debt	87.27	
28120	Talbot Water Department		87.27
90000EF	Transfers		1,580.38
Total		<u>1,667.65</u>	<u>1,667.65</u>

Adjusting Journal Entries JE # 3			
To record CY AP found during subsequent disb. testing.			
57225W	Chemicals	206.25	
20100	Accounts Payable - General		206.25
Total		<u>206.25</u>	<u>206.25</u>

Adjusting Journal Entries JE # 4			
To adjust depreciation to actual at 6/30/19.			
18150	Water System - Accum Deprec	150,000.00	
18211	Equipment-A/D		49,498.84
18310	Improvements-A/D		40,944.25
18410	Vehicles-A/D		3,083.60
57140W	Depreciation		56,473.31
Total		<u>150,000.00</u>	<u>150,000.00</u>

Client:
Engagement: *2019 AU - Town of Oxford, MD*
Period Ending: *6/30/2019*
Trial Balance: *SMSP Fund TB*
Workpaper: *SMSP Fund AJE's*

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 1			
To adjust grants to actual at 6/30/19 and book CY CIP.			
18420	Construction in Progress	650,000.20	
51150SMSP	General Advertising	140.00	
57740SMSP	Stormwater Improvements	7,603.19	
57740SMSP	Stormwater Improvements	750.00	
12264	DNR Grant Coastal		7,603.19
12264	DNR Grant Coastal		750.00
74200SMSP	DNR-Coastal		650,140.20
Total		<u>658,493.39</u>	<u>658,493.39</u>

Adjusting Journal Entries JE # 2			
To reclass miscellaneous items from capital outlay to expense.			
57740SMSP	Stormwater Improvements	1,604.78	
81500SMSP	SMSP Improvement Capital		1,604.78
Total		<u>1,604.78</u>	<u>1,604.78</u>

Adjusting Journal Entries JE # 3			
To reclass capital outlay to fixed assets.			
18300	Improvements	23,900.00	
81500SMSP	SMSP Improvement Capital		23,900.00
Total		<u>23,900.00</u>	<u>23,900.00</u>

Adjusting Journal Entries JE # 4			
To record CY depreciation.			
57140SMSP	Depreciation	12,627.46	
18211	Equipment-A/D		11,963.57
18310	Improvements-A/D		663.89
Total		<u>12,627.46</u>	<u>12,627.46</u>

Client:
Engagement: *2019 AU - Town of Oxford, MD*
Period Ending: *6/30/2019*
Trial Balance: *Sewer Fund TB*
Workpaper: *Sewer Fund AJE's*

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 1			
To reverse PY AP accrual and record CY AP found during subsequent disb. testing.			
12263	MDE/USDA Wastewater Upgrade	245,992.07	
20100	Accounts Payable - General	454,042.59	
57625S	Chemicals	4,958.50	
58100BRF	Bay Restoration Payment	7,964.47	
12263	MDE/USDA Wastewater Upgrade		445,961.69
20100	Accounts Payable - General		250,950.57
20100	Accounts Payable - General		7,964.47
58100BRF	Bay Restoration Payment		8,080.90
Total		<u>712,957.63</u>	<u>712,957.63</u>
Adjusting Journal Entries JE # 2			
To adjust grants to actual and book CY CIP.			
18420	Construction in Progress	8,677,232.26	
74000S	Grant Funds - WTTO Upgrades		8,677,232.26
Total		<u>8,677,232.26</u>	<u>8,677,232.26</u>
Adjusting Journal Entries JE # 3			
To adjust debt to actual.			
12263	MDE/USDA Wastewater Upgrade	4,969,497.12	
28140	Wastewater Upgrade Loan USDA	455,304.43	
57560S	Interest on Debt	16,800.01	
90000EF	Transfers	1,580.38	
28110	MDE Clean Water Loan		1,580.38
28150	USDA Loan - WWTP		1,941,601.56
28160	Line of Credit - Shore United Bank		3,500,000.00
Total		<u>5,443,181.94</u>	<u>5,443,181.94</u>
Adjusting Journal Entries JE # 4			
To capture interim loan interest payment not shown on PBC GL.			
12263	MDE/USDA Wastewater Upgrade	16,800.00	
18420	Construction in Progress	16,800.00	
57560S	Interest on Debt		16,800.00
74000S	Grant Funds - WTTO Upgrades		16,800.00
Total		<u>33,600.00</u>	<u>33,600.00</u>
Adjusting Journal Entries JE # 5			
To reclass capital outlay to fixed assets.			
18210	Equipment	6,007.62	
82003S	Wastewater Capital		6,007.62
Total		<u>6,007.62</u>	<u>6,007.62</u>
Adjusting Journal Entries JE # 6			
To book CY depreciation.			
57140S	Depreciation	18,920.11	
18211	Equipment-A/D		7,604.46
18310	Improvements-A/D		8,232.05
18410	Vehicles-A/D		3,083.60
Total		<u>18,920.11</u>	<u>18,920.11</u>

TOWN OF OXFORD, MARYLAND

SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2019

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Herbert J. Geary III
Corey N. Duncan
Roy J. Geiser
Chris A. Hall
Ronald W. Hickman
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, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated January 21, 2020.

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.

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 *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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs, as item 2019-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from 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*.

The Town of Oxford, Maryland's Response to Findings

The Town's response to the findings identified above was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
January 21, 2020

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



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Commissioners of Oxford
Town of Oxford, Maryland
Oxford, Maryland

Report on Compliance for Each Major Federal Program

We have audited the Town of Oxford, Maryland's (the "Town") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2019. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Town, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We issued our report thereon dated January 21, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Salisbury, Maryland
January 21, 2020

TOWN OF OXFORD, MARYLAND

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2019**

<u>Funding Source</u>	Catalog of Federal Domestic <u>Assistance Number</u>	Grant <u>Number</u>	Federal <u>Expenditures</u>	Expenditures <u>to Subrecipients</u>
U.S. Department of Agriculture - Wastewater Treatment Plant Upgrade	10.760	-	\$ 2,982,969	\$ -
Total Department of Agriculture			2,982,969	-
Total Expenditures of Federal Awards			\$ 2,982,969	\$ -

TOWN OF OXFORD, MARYLAND
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2019

Note 1. Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the Federal grant activity of the Town of Oxford, Maryland and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Depending on the federal award date, these expenditures are recognized following the cost principles contained in the OMB Cost Circular or the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

The Town of Oxford, Maryland has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

TOWN OF OXFORD, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of the Town of Oxford, Maryland (the "Town").
2. One material weakness relating to the audit of the financial statements is reported in the 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*.
3. No instances of noncompliance material to the financial statements of the Town were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for the Town expresses an unmodified opinion.
6. No findings relative to major federal award programs for the Town are reported in Part C of this Schedule.
7. The programs tested as major programs include:
 - Wastewater Treatment Plant Upgrade - CFDA #10.760
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The Town was determined to be a high-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

Yes – see below

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

TOWN OF OXFORD, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

1. FINANCIAL STATEMENT FINDINGS

Finding Number 2019-001 – Segregation of Duties

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.