

TOWN OF OXFORD, MARYLAND

FINANCIAL REPORT

June 30, 2023

TOWN OF OXFORD, MARYLAND

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INDEPENDENT AUDITORS' REPORT

Commissioners of Oxford
Town of Oxford, Maryland
Oxford, Maryland

Report on the Audit of the Financial Statements

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements as listed in the table of contents.

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, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 2023, the Town adopted new accounting guidance from the Government Accounting Standards Board (GASB) Statement No. 96, “Subscription-Based Information Technology Arrangements”. Also, as described in Note 11 to the financial statements, the Town has adjusted the General Fund fund balance for lease receivable – right to use amounts. Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 (RSI), as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 RSI 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.

Supplementary 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 (OSI), 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 OSI, 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. The 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 OSI, 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 October 31, 2023, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.



Salisbury, Maryland
October 31, 2023

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, 2023. 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 ensure 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, 2023

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 decreased by \$52,546.
- Business-type activities net position decreased by \$386,510.
- The Town's General Fund fund balance increased by \$69,577.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Net position

Town's Net Position

	Governmental Activities		Business-type Activities		Total		% Change
	2023	2022	2023	2022	2023	2022	
Current and other assets	\$ 2,611,742	\$ 2,271,509	\$ 2,862,513	\$ 3,519,196	\$ 5,474,255	\$ 5,790,705	-5%
Capital assets	2,360,831	2,425,547	21,298,564	21,874,495	23,659,395	24,300,042	-3%
Total assets	4,972,573	4,697,056	24,161,077	25,393,691	29,133,650	30,090,747	-3%
Deferred outflows	365,095	248,587	-	-	365,095	248,587	47%
Other liabilities	649,868	330,077	63,484	641,395	713,352	971,472	-27%
Long-term debt	10,360	2,981	3,052,000	3,320,193	3,062,360	3,323,174	-8%
Net pension liability	669,546	508,344	-	-	669,546	508,344	32%
Net OPEB liability	253,846	184,011	-	-	253,846	184,011	100%
Total liabilities	1,583,620	1,025,413	3,115,484	3,961,588	4,699,104	4,987,001	-6%
Deferred inflows	634,818	748,454	-	-	634,818	748,454	-15%
Net investment in capital assets	2,350,471	2,422,566	18,246,564	18,554,302	20,597,035	20,976,868	-2%
Unrestricted	768,759	749,210	2,799,029	2,877,801	3,567,788	3,627,011	-2%
Total net position	\$ 3,119,230	\$ 3,171,776	\$ 21,045,593	\$ 21,432,103	\$ 24,164,823	\$ 24,603,879	-2%

- The Town's combined net position was \$24,164,823, consisting of \$20,597,035 net investment in capital assets and \$3,567,788 of unrestricted net position.

TOWN OF OXFORD, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

Changes in net position

- Net position of the Town's governmental activities decreased by \$52,546 to \$3,119,230.
- Net position of the Town's business-type activities decreased by \$386,510 to \$21,045,593.
- The Town's total revenues were \$2,744,323. This was a 23% decrease from the previous year primarily due to grant funding for various water and sewer projects completed in the prior year.
- The cost of all services increased by 13% to \$3,183,379. This is primarily due to an increase of business-type depreciation expense from the prior year associated with the various water and sewer projects completed in the prior year.

Changes in Net Position

	Governmental Activities		Business-type Activities		Total		% Change
	2023	2022	2023	2022	2023	2022	
Revenues							
Program Revenues:							
Charges for services	\$ 136,612	\$ 146,708	\$ 1,037,133	\$ 1,011,148	\$ 1,173,745	\$ 1,157,856	1%
Operating grants	48,293	17,297	-	-	48,293	17,297	179%
Capital grants	52,030	-	61,710	1,033,373	113,740	1,033,373	-89%
General Revenues:							
Property taxes	940,119	904,762	-	-	940,119	904,762	4%
Other taxes	430,953	362,587	-	-	430,953	362,587	19%
Investment and other	37,417	67,443	56	424	37,473	67,867	-45%
Total revenues	1,645,424	1,498,797	1,098,899	2,044,945	2,744,323	3,543,742	-23%
Expenses							
General government	863,217	815,416	-	-	863,217	815,416	6%
Public safety	295,954	236,853	-	-	295,954	236,853	25%
Public works	390,557	571,623	-	-	390,557	571,623	-32%
Parks and recreation	148,242	137,585	-	-	148,242	137,585	8%
Water	-	-	350,784	332,253	350,784	332,253	6%
Sewer	-	-	871,447	529,288	871,447	529,288	65%
SMSP	-	-	229,391	158,759	229,391	158,759	44%
Bay restoration fee	-	-	33,787	33,818	33,787	33,818	0%
Total expenses	1,697,970	1,761,477	1,485,409	1,054,118	3,183,379	2,815,595	13%
Excess (deficiency) before transfers	(52,546)	(262,680)	(386,510)	990,827	(439,056)	728,147	-160%
Transfers in (out)	-	(3,235)	-	3,235	-	-	
Change in net position	(52,546)	(265,915)	(386,510)	994,062	(439,056)	728,147	-160%
Net position, beginning of year	3,171,776	3,437,691	21,432,103	20,438,041	24,603,879	23,875,732	3%
Net position end of year	\$ 3,119,230	\$ 3,171,776	\$ 21,045,593	\$ 21,432,103	\$ 24,164,823	\$ 24,603,879	-2%

Governmental Activities

Revenues from the Town's governmental activities increased by \$146,627 or 10% from the prior year. This is mostly attributable to a slight increase in real property and income tax along with grant revenues.

Expenses from the Town's governmental activities decreased by \$63,507 or 4% from the prior year.

Business-type Activities

Revenues from the Town's business-type activities decreased by \$946,046 or 46% from the prior year. This is mostly attributable to grant fund revenues related to the completion of the wastewater treatment plant upgrade and the Morris St. watermain replacement project in the prior year.

Expenses from the Town's business-type activities increased by \$431,291 or 41% from the prior year. This is mostly attributable to an increase in depreciation expense of approximately \$346,000 over prior year. The increase in depreciation expense is mostly attributable to large projects completed and placed in service in the prior year.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

- As the Town completed the year, the general fund reported a fund balance of \$1,594,050, an increase of \$69,577 from the prior year.

General Fund Budgetary Highlights

- Revenues were over budget by \$116,849, which is mostly attributable to intergovernmental revenues being over-budget by \$64,093 and other agencies revenues being over-budget by \$28,123.
- Total expenditures were under budget by \$3,523.

CAPITAL AND INTANGIBLE ASSETS AND DEBT ADMINISTRATION

Capital and Intangible Assets

At the end of 2023, the Town had a net investment of \$23,659,395 in a broad range of capital and intangible assets, including land, equipment, buildings, vehicles, and water and sewer systems.

More detailed information about the Town's capital assets is presented in Note 4.

Town's Capital and Intangible Assets

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 411,332	\$ 411,332	\$ -	\$ -	\$ 411,332	\$ 411,332
Construction in progress	-	-	240,352	178,642	240,352	178,642
Buildings	1,639,914	1,639,914	-	-	1,639,914	1,639,914
Equipment	392,733	330,140	1,594,386	1,598,051	1,987,119	1,928,191
Improvements	1,818,897	1,818,897	23,101,997	23,079,655	24,920,894	24,898,552
Vehicles	353,550	295,127	156,300	156,300	509,850	451,427
Right-to-use asset	12,720	3,465	-	-	12,720	3,465
Total	4,629,146	4,498,875	25,093,035	25,012,648	29,722,181	29,511,523
Accumulated depreciation and amortization	(2,268,315)	(2,073,328)	(3,794,471)	(3,138,153)	(6,062,786)	(5,211,481)
Net capital and intangible assets	\$ 2,360,831	\$ 2,425,547	\$ 21,298,564	\$ 21,874,495	\$ 23,659,395	\$ 24,300,042

Long Term Debt

At the end of 2023, the Town had \$3,985,752 in bonds, notes, and leases outstanding, and net pension and net OPEB liability.

More detailed information about the Town's bonds and notes payable is presented in Note 5.

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

More detailed information about the Town's net OPEB liability is presented in Note 8.

Town's Long Term Debt

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Water tower	\$ -	\$ -	\$ -	\$ 155,717	\$ -	\$ 155,717
Arsenic removal	-	-	144,773	191,842	144,773	191,842
Wastewater upgrade loan No. 2	-	-	463,689	472,864	463,689	472,864
Wastewater upgrade - extension	-	-	627,810	651,447	627,810	651,447
Wastewater upgrade loan No. 1	-	-	1,815,728	1,848,323	1,815,728	1,848,323
Right-to-use lease	10,360	2,981	-	-	10,360	2,981
Net pension liability	669,546	508,344	-	-	669,546	508,344
Net OPEB liability	253,846	184,011	-	-	253,846	184,011
Total long-term debt	\$ 933,752	\$ 695,336	\$ 3,052,000	\$ 3,320,193	\$ 3,985,752	\$ 4,015,529

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The Town's Governmental revenues for Fiscal Year 2023 demonstrate an increase over Fiscal Year 2022, mostly attributed to a slight increase in real property taxes and a continued increase in income tax revenues as found in General Other Taxes, along with an increase in grant revenues. Expenses for Fiscal Year 2023 demonstrated a slight decrease over Fiscal Year 2022. The Governmental Fund Balance continues to have sufficient reserves at this time.
- For Fiscal Year 2024, the Town has General Fund budgeted capital expenditures for the continued rolling sidewalk improvement program; \$100,000 of grant funds for park improvements; and the multi-grant funded major shoreline restoration project at \$3,000,000, to be completed within the year.
- The Town's Enterprise Funds or Business-Type Funds collected for Water and Sewer services continue to cover basic operating cost, but depreciation cost for the recent large capital improvements created a deficit. For Fiscal Year 2024 the Town approved a Water or Sewer rate increase of 3% to maintain revenues sufficient for operating expenses. It will be necessary to watch the depreciation cost to determine if further increase in rates is merited.
- For Fiscal Year 2024 the major Water Improvement Project is underway, with anticipated grant funding of \$2,102,000 and long-term debt service of \$2,572,000 at completion. Annual rate increases are anticipated to service this debt and provide reserves for maintenance. Additionally, the Town will use approximately \$600,000 of American Rescue Plan Act Funds to support resilience improvements to Stormwater Infrastructure.
- The Town of Oxford's budgeted revenues provide a sufficient level of anticipated services to the community and the Town has suitable surplus to fund any operational deficiencies and to accommodate any planned or emergency capital expenditures. The prior 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 build on community resilience in the face of climate change 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 necessary 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 Manager - Town of Oxford, PO Box 339, Oxford, Maryland, 21654.

TOWN OF OXFORD, MARYLAND
STATEMENT OF NET POSITION
June 30, 2023

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash	\$ 2,111,903	\$ 2,503,925	\$ 4,615,828
Accounts receivable, net of allowance	19,320	266,784	286,104
Grants receivable	59,547	91,804	151,351
Lease receivable	420,972	-	420,972
Nondepreciable capital assets	411,332	240,352	651,684
Capital and intangible assets, net	1,949,499	21,058,212	23,007,711
Total assets	4,972,573	24,161,077	29,133,650
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	365,095	-	365,095
LIABILITIES			
Accounts payable and accrued expenses	53,915	63,484	117,399
Unearned revenue - ARPA & other grants	595,953	-	595,953
Long-term liabilities, due within one year			
Lease payable - right to use	2,393	-	2,393
Bonds and notes payable	-	111,062	111,062
Long-term liabilities, due in more than one year			
Lease payable - right to use	7,967	-	7,967
Bonds and notes payable	-	2,940,938	2,940,938
Net pension liability	669,546	-	669,546
Post-employment health care benefits payable	253,846	-	253,846
Total liabilities	1,583,620	3,115,484	4,699,104
DEFERRED INFLOWS OF RESOURCES			
Lease receivable - right to use	367,824	-	367,824
Pensions	266,994	-	266,994
Total deferred inflows of resources	634,818	-	634,818
NET POSITION			
Net investment in capital assets	2,350,471	18,246,564	20,597,035
Unrestricted	768,759	2,799,029	3,567,788
Total net position	\$ 3,119,230	\$ 21,045,593	\$ 24,164,823

TOWN OF OXFORD, MARYLAND
STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
General government	\$ 863,217	\$ 136,612	\$ 35,738	\$ 52,030	\$ (638,837)	\$ -	\$ (638,837)
Public safety	295,954	-	12,555	-	(283,399)	-	(283,399)
Public works	390,557	-	-	-	(390,557)	-	(390,557)
Parks and recreation	148,242	-	-	-	(148,242)	-	(148,242)
Total governmental activities	1,697,970	136,612	48,293	52,030	(1,461,035)	-	(1,461,035)
Business-type activities							
Water	350,784	346,978	-	14,991	-	11,185	11,185
Sewer	871,447	519,591	-	-	-	(351,856)	(351,856)
SMSP	229,391	110,000	-	46,719	-	(72,672)	(72,672)
Bay restoration fee	33,787	60,564	-	-	-	26,777	26,777
Total business-type activities	1,485,409	1,037,133	-	61,710	-	(386,566)	(386,566)
Total	\$ 3,183,379	\$ 1,173,745	\$ 48,293	\$ 113,740	(1,461,035)	(386,566)	(1,847,601)
General revenues							
Property taxes					940,119	-	940,119
Intergovernmental					430,953	-	430,953
Investment income					21,755	56	21,811
Other					15,662	-	15,662
Total general revenues					1,408,489	56	1,408,545
Change in net position					(52,546)	(386,510)	(439,056)
Net position, beginning of year					3,171,776	21,432,103	24,603,879
Net position, end of year					\$ 3,119,230	\$ 21,045,593	\$ 24,164,823

TOWN OF OXFORD, MARYLAND
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2023

	General Fund
ASSETS	
Cash	\$ 2,111,903
Accounts receivable, net of allowance	19,320
Grants receivable	59,547
Lease receivable	420,972
Total assets	\$ 2,611,742
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable and accrued expenses	\$ 53,915
Unearned revenue	595,953
Total liabilities	649,868
DEFERRED INFLOWS OF RESOURCES	
Lease receivable - right to use	367,824
Total deferred inflows of resources	367,824
FUND BALANCES	
Nonspendable	53,148
Assigned	65,123
Unassigned	1,475,779
Total fund balances	1,594,050
Total liabilities, deferred inflows of resources and fund balances	\$ 2,611,742

TOWN OF OXFORD, MARYLAND
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2023

Total fund balances, governmental funds \$ 1,594,050

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

Certain 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.

Capital assets	2,350,712
Intangible right-to-use asset	10,119

Deferred outflow of resources:

Pensions	365,095
----------	---------

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

Right-to-use lease payable	(10,360)
Net pension liability	(669,546)
Post-employment health care benefits payable	(253,846)

Deferred inflows of resources:

Pensions	(266,994)
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Net position of governmental activities in the Statement of Net Position	\$ 3,119,230
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TOWN OF OXFORD, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUND
Year Ended June 30, 2023

	General Fund
REVENUES:	
Property taxes	\$ 940,119
Intergovernmental	430,953
Licenses and permits	22,674
Other agencies	100,323
Rents	113,938
Investment income	21,755
Miscellaneous	15,662
<hr/>	
Total revenues	1,645,424
<hr/>	
EXPENDITURES:	
Current:	
General government	691,861
Public safety	285,811
Public works	353,476
Parks and recreation	120,813
Capital outlay	133,141
<hr/>	
Total expenditures	1,585,102
<hr/>	
Excess of revenues over expenditures	60,322
OTHER FINANCING SOURCES (USES):	
Proceeds from long-term leases	9,255
<hr/>	
Total other financing sources (uses)	9,255
<hr/>	
Net change in fund balance	69,577
Fund balance, beginning of year, as restated	1,524,473
<hr/>	
Fund balance, end of year	\$ 1,594,050
<hr/>	

TOWN OF OXFORD, MARYLAND
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

Net change in fund balances, governmental funds \$ 69,577

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	123,886
Depreciation and amortization expense	(195,776)
Leased equipment	9,255
Intangible right-to-use asset amortization	(2,081)

Repayment of long-term leases are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position

Proceeds from lease liability	(9,255)
Repayment of lease liability	1,876

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	116,508
Change in deferred inflows of resources - pensions	64,501
Change in net pension liability	(161,202)
Change in post-employment health care benefits ("OPEB")	(69,835)

Change in net position of governmental activities \$ (52,546)

TOWN OF OXFORD, MARYLAND
STATEMENT OF FUND NET POSITION - BUSINESS TYPE ACTIVITIES
June 30, 2023

	<u>Enterprise Fund</u>
ASSETS	
Current assets	
Cash	\$ 2,503,925
Accounts receivable	266,784
Grants receivable	91,804
<hr/>	
Total current assets	2,862,513
<hr/>	
Noncurrent assets	
Nondepreciable capital assets	240,352
Depreciable capital assets, net	21,058,212
<hr/>	
Total noncurrent assets	21,298,564
<hr/>	
Total assets	\$ 24,161,077
<hr/>	
LIABILITIES	
Current liabilities	
Accounts payable and accrued expenses	\$ 63,484
Current maturities of long-term debt	111,062
<hr/>	
Total current liabilities	174,546
<hr/>	
Noncurrent liabilities	
Long-term debt	2,940,938
<hr/>	
Total noncurrent liabilities	2,940,938
<hr/>	
Total liabilities	3,115,484
<hr/>	
NET POSITION	
Net investment in capital assets	18,246,564
Unrestricted	2,799,029
<hr/>	
Total net position	\$ 21,045,593
<hr/>	

TOWN OF OXFORD, MARYLAND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET
POSITION - BUSINESS TYPE ACTIVITIES
Year Ended June 30, 2023

	<u>Enterprise Fund</u>
OPERATING REVENUES:	
Water service charges	\$ 346,978
Wastewater service charges	519,591
SMSP service charges	110,000
Bay restoration fee	60,564
<hr/>	
Total operating revenues	1,037,133
<hr/>	
OPERATING EXPENSES:	
Water	350,784
Sewer	871,447
SMSP	229,391
Bay restoration fee	33,787
<hr/>	
Total operating expenses	1,485,409
<hr/>	
Operating loss	(448,276)
<hr/>	
NONOPERATING REVENUES (EXPENSES):	
Intergovernmental revenues	61,710
Investment income	56
<hr/>	
Total nonoperating revenues	61,766
<hr/>	
Change in net position	(386,510)
<hr/>	
Net position, beginning of year	21,432,103
<hr/>	
Net position, end of year	\$ 21,045,593
<hr/>	

TOWN OF OXFORD, MARYLAND
STATEMENT OF CASH FLOWS
BUSINESS-TYPE ACTIVITIES
Year Ended June 30, 2023

	<u>Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 1,187,264
Payments to suppliers	(992,270)
Payments to employees	(411,067)
<u>Net cash used by operating activities</u>	<u>(216,073)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal paid on long-term debt	(268,193)
Acquisition of capital assets	(84,052)
Net receipts from capital grants and financing	734,424
<u>Net cash provided by capital and related financing activities</u>	<u>382,179</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	56
<u>Net cash provided by investing activities</u>	<u>56</u>
Net increase in cash	166,162
Cash and cash equivalents, beginning of year	2,337,763
<u>Cash and cash equivalents, end of year</u>	<u>\$ 2,503,925</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	\$ (448,276)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	659,983
Changes in assets and liabilities:	
Decrease in receivables	150,131
Decrease in accounts payable and accrued expenses	(577,911)
<u>Net cash used by operating activities</u>	<u>\$ (216,073)</u>

TOWN OF OXFORD, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

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.

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.

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.

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.

Grant Receivables/Unearned Revenue – The Town records receivables when the applicable eligibility requirements including time requirements are met. Related revenues are recognized to the extent that cash is expected to be received within one year of year-end. Resources received before the eligibility requirements are met are reported as unearned revenue.

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, 2023. 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.

Note 2. Summary of Significant Accounting Policies (continued)

H. Receivables, Interfund Receivables/Payables, and Transfers In/Out

Receivables are shown net of an allowance for uncollectible accounts. Allowances for uncollectible accounts were \$1,264 for the year ended June 30, 2023. This amount relates to short-term loans. All other receivables are current and due within one year.

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

Note 2. Summary of Significant Accounting Policies (continued)

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.

The Town's policy is to pay employees for any unused vacation time, up to a maximum of 120 hours, upon termination of employment. Compensated absences are reported in both the governmental fund and enterprise fund under accounts payable and accrued expenses.

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.

Note 2. Summary of Significant Accounting Policies (continued)

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.

The Town uses restricted fund balance first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

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.

Note 2. Summary of Significant Accounting Policies (continued)

O. New Accounting Policies

The Town adopted Government Accounting Standards Board's Statement No. 96, *Subscription-Based Information Technology Arrangements*, at July 1, 2022. This statement's objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for subscription-based information technology arrangements. The Statement increases the usefulness of the financial statements by requiring the recognition of certain subscription-based assets and liabilities. It additionally requires disclosure of essential information about those arrangements. The Town did not have any arrangements that met the definition of a right-to-use subscription-based information technology arrangement at June 30, 2023.

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, 2023, the Town had bank deposits with various financial institutions totaling \$4,752,880 (carrying value \$4,615,828). 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, 2023 all deposits were fully insured or collateralized.

As of June 30, 2023, the Town has no investments therefore the Town has no credit risk.

Cash is designated as follows:

Checking	\$ 882,732
Certificate of deposit	3,653,236
Town House fund	59,593
Other	20,267
<hr/>	
Total Cash	\$ 4,615,828

TOWN OF OXFORD, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

Note 4. Capital and Intangible Assets

The following is a summary of changes in capital and intangible assets for the year ended June 30, 2023:

	June 30, 2022	Additions	Transfers / Deductions	June 30, 2023
GOVERNMENTAL ACTIVITIES				
Capital assets, not being depreciated:				
Land	\$ 411,332	\$ -	\$ -	\$ 411,332
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	411,332	-	-	411,332
Capital assets, being depreciated:				
Buildings	1,639,914	-	-	1,639,914
Equipment	330,140	65,463	(2,870)	392,733
Improvements	1,818,897	-	-	1,818,897
Vehicles	295,127	58,423	-	353,550
Total capital assets, being depreciated	4,084,078	123,886	(2,870)	4,205,094
Less accumulated depreciation:				
Buildings	(715,883)	(54,182)	-	(770,065)
Equipment	(260,458)	(23,759)	2,870	(281,347)
Improvements	(861,193)	(91,905)	-	(953,098)
Vehicles	(235,274)	(25,930)	-	(261,204)
Total accumulated depreciation	(2,072,808)	(195,776)	2,870	(2,265,714)
Total capital assets, being depreciated, net	2,011,270	(71,890)	-	1,939,380
Intangible right-to-use assets:				
Leased equipment	3,465	9,255	-	12,720
Less accumulated amortization	(520)	(2,081)	-	(2,601)
Total intangible right-to-use assets, net	2,945	7,174	-	10,119
Governmental activities capital and intangible assets, net	\$ 2,425,547	\$ (64,716)	\$ -	\$ 2,360,831

Depreciation expense was charged to governmental functions as follows:

General government	\$ 121,123
Public safety	10,143
Public works	37,081
Parks and recreation	27,429
Total depreciation expense	\$ 195,776

TOWN OF OXFORD, MARYLAND
 NOTES TO FINANCIAL STATEMENTS
 For the year ended June 30, 2023

Note 4. Capital Assets (continued)

	June 30, 2022	Additions	Transfers / Deductions	June 30, 2023
BUSINESS-TYPE ACTIVITIES				
Capital assets, not being depreciated:				
Construction in progress	\$ 178,642	\$ 61,710	\$ -	\$ 240,352
Total capital assets, not being depreciated	<u>178,642</u>	<u>61,710</u>	<u>-</u>	<u>240,352</u>
Capital assets, being depreciated:				
Equipment	1,598,051	-	(3,665)	1,594,386
Improvements	23,079,655	22,342	-	23,101,997
Vehicles	156,300	-	-	156,300
Total capital assets, being depreciated	<u>24,834,006</u>	<u>22,342</u>	<u>(3,665)</u>	<u>24,852,683</u>
Less accumulated depreciation:				
Equipment	(1,137,307)	(69,708)	3,665	(1,203,350)
Improvements	(1,887,879)	(580,275)	-	(2,468,154)
Vehicles	(112,967)	(10,000)	-	(122,967)
Total accumulated depreciation	<u>(3,138,153)</u>	<u>(659,983)</u>	<u>3,665</u>	<u>(3,794,471)</u>
Total capital assets, being depreciated, net	<u>21,695,853</u>	<u>(637,641)</u>	<u>-</u>	<u>21,058,212</u>
Business-type activities capital assets, net	<u>\$ 21,874,495</u>	<u>\$ (575,931)</u>	<u>\$ -</u>	<u>\$ 21,298,564</u>

Construction in progress is as follows:

Oxford Central Park - Stormwater Engineering	\$ 10,422
Strand Beach Living Shoreline	94,879
Amphitheater - Oxford Community Park	29,083
Water System Upgrade	59,643
Oxford 2100 Study - Visioning Project	30,608
Flood Remediation	15,717
Total	<u>\$ 240,352</u>

TOWN OF OXFORD, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

Note 5. 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, 2022	Additions	Retirements and Repayment	Balances June 30, 2023	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.	\$ 155,717	\$ -	\$ 155,717	\$ -	\$ -
Note payable - Water arsenic removal: \$757,668 unsecured, maturing February 2027, no interest.	191,842	-	47,069	144,773	47,069
Total notes from direct borrowings	347,559	-	202,786	144,773	47,069
Bond payable - Wastewater Upgrade: \$493,000 unsecured, maturing January 2060, interest at 1.625%. Quarterly principal and interest payment of \$4,201.	472,864	-	9,175	463,689	9,302
Bonds payable 2021A and 2021B - Water Main Replacement: \$1,349,978 unsecured, maturing February 2052, interest at 0.4%. Annual principal and interest payments of \$26,537. \$674,989 2021A bond has been forgiven.	651,447	-	23,637	627,810	21,410
Bond payable - Wastewater Upgrade: \$1,964,000 unsecured, maturing September 2058, interest at 2.375%. Quarterly principal and interest payment of \$19,051.	1,848,323	-	32,595	1,815,728	33,281
Total bonds	2,972,634	-	65,407	2,907,227	63,993
Total Business-type Long-Term Debt	\$ 3,320,193	\$ -	\$ 268,193	\$ 3,052,000	\$ 111,062

The annual requirements to amortize all business-type activities debt outstanding as of June 30, 2023 are as follows:

Fiscal Year Ending June 30,	Bonds		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest
2024	\$ 63,993	\$ 52,940	\$ 47,069	\$ -
2025	65,030	51,902	47,069	-
2026	66,090	50,843	47,069	-
2027	67,169	49,761	3,566	-
2028	68,273	48,656	-	-
2029 & thereafter	2,576,672	809,346	-	-
TOTAL	\$ 2,907,227	\$ 1,063,448	\$ 144,773	\$ -

Interest expense in the business-type activities for the year ended June 30, 2023 totaled \$59,792.

TOWN OF OXFORD, MARYLAND
 NOTES TO FINANCIAL STATEMENTS
 For the year ended June 30, 2023

Note 6. Leases

The Town implemented the guidance of GASB No. 87, *Leases*, at July 1, 2021 for accounting and reporting leases.

Town as Lessee

On July 1, 2022, The Town had a lease agreement in place for a postage machine. Payments under this lease total approximately \$752 per year and will expire during fiscal year 2027. For purposes of discounting future payments on this lease, the Town used its incremental borrowing rate in place at the time of lease inception of 3.25%.

During fiscal year 2023, the Town entered into an agreement to lease a copier. Payments under this lease total approximately \$2,160 per year and will expire during fiscal year 2028. For purposes of discounting future payments on the lease, the Town used its incremental borrowing rate at the time of lease inception of 6.25%.

The leased equipment and accumulated amortization of the right-to-use assets are outlined in Note 4.

Description	Balances June 30, 2022	Additions	Retirements and Repayments	Balances June 30, 2023	Amount Due in One Year
Lease Obligation	\$ 2,981	\$ 9,255	\$ (1,876)	\$ 10,360	\$ 2,393

The future minimum lease payments are approximately as follows:

Fiscal Year Ending June 30,	Equipment		Total
	Principal	Interest	
2024	\$ 2,393	\$ 519	\$ 2,912
2025	2,524	387	2,911
2026	2,665	247	2,912
2027	2,243	105	2,348
2028	535	6	541
Total	\$ 10,360	\$ 1,264	\$ 11,624

Town as Lessor

The Town entered into a lease on March 1, 2003 for its yacht club property, annual initial rent payment of \$15,000, increasing annually using the Consumer Price Index, until March 1, 2032.

The Town entered into a lease on January 1, 2021 for its bank property, monthly installments of \$700, until December 31, 2023.

The Town entered into a lease on April 1, 2021 for its MEWS Building, monthly installments of \$1,000, until March 31, 2051.

The Town entered into a lease on September 1, 2020 for its water tower, monthly installments of \$2,011, until August 31, 2025, at which time there is an option to renew for an additional five year period.

TOWN OF OXFORD, MARYLAND
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2023

Note 6. Leases (continued)

Town as Lessor (continued)

Rental income for the year ended June 30, 2023, related to the above leases, was approximately \$70,000.

The Town used its incremental borrowing rate in place at the time of loan inception to calculate the lease receivable of \$420,972 as of June 30, 2023. The rates range between 3.25% and 4.25%.

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.

Note 7. Pension Plan (continued)

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.

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 2022 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.

Note 7. Pension Plan (continued)

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.

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%.

Note 7. Pension Plan (continued)

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.

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.

TOWN OF OXFORD, MARYLAND
 NOTES TO FINANCIAL STATEMENTS
 For the year ended June 30, 2023

Note 7. Pension Plan (continued)

Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	In the 2022 actuarial valuation, 2.25% general, 2.75% wage. In the 2021 actuarial valuation, 2.25% general, 2.75% wage.
Salary Increases	In the 2022 actuarial valuation, 2.75% to 11.25%. In the 2021 actuarial valuation, 2.75% to 9.25%.
Investment Rate of Return	In the 2022 actuarial valuation, 6.80%. In the 2021 actuarial valuation, 6.80%.
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2019 valuation pursuant to the 2018 experience study for the period July 1, 2014 to July 30, 2018.
Mortality	Various versions of the Pub- 2010 Mortality Tables for males and females with projected generational mortality improvements based on the MP-2018 fully generational mortality improvements scale for males and females.

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, 2022, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	34%	6.0%
Private Equity	16%	8.4%
Rate Sensitive	21%	1.2%
Credit Opportunity	8%	4.9%
Real Assets	14%	5.2%
Absolute Return	7%	3.5%
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, 2022.

For the year ended June 30, 2022, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was (2.97)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 7. Pension Plan (continued)

Discount rate

A single discount rate of 6.80% 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 6.80%. 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 6.80%, 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 5.80%	Discount Rate 6.80%	1% Increase to 7.80%
Employees (Muni)	\$ 1,027,297	\$ 669,546	\$ 372,696

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, 2022, 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, 2022, under the GASB No. 67 requirements.

TOWN OF OXFORD, MARYLAND
 NOTES TO FINANCIAL STATEMENTS
 For the year ended June 30, 2023

Note 7. Pension Plan (continued)

At June 30, 2023, the Town reported the following related to pensions:

Employer's proportionate (percentage) of the collective net pension liability	0.0033463%
Employer's proportionate share of the collective net pension liability	\$ 669,546
Pension expense recognized by the employer for the year ended June 30, 2023	\$ 65,391

	Deffered Outflows of Resources	Deffered Inflows of Resources
Changes in assumptions	\$ 74,649	\$ (6,748)
Net difference between projected and actual investment earnings on pension plan investments	205,247	(207,275)
Differences between expected and actual experience	-	(47,801)
Change in proportion	-	(5,170)
Contributions subsequent to measurment date	85,199	-
Total	<u>\$ 365,095</u>	<u>\$ (266,994)</u>

The \$85,199 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, 2024. Other amounts reported as deferred inflows/outflows of resources will be amortized over a five year period, as follows:

June 30,	Net Deferred (Inflows) Outflows	
2024	\$	(6,420)
2025		(6,038)
2026		(16,083)
2027		45,262
2028		(3,819)
Total	<u>\$</u>	<u>12,902</u>

For the year ended June 30, 2023 the Town's total payroll for all employees was \$929,809. Total covered payroll was \$779,503. Covered payroll refers to all compensation paid by the Town to active employees covered by Employees' Systems.

Note 8. Other Post-Employment Health Care Benefits (“OPEB”)

Plan Description

The Town administers a single-employer defined benefit health care plan (“the Plan”) for employees that have met certain service requirements. The Town has the authority to establish and amend the funding of the Plan. No assets are accumulated in a trust that meet the criteria as defined in GASB No. 75 paragraph 4. The Town reimburses qualified expenses from the general fund. The Plan does not issue a separate publicly available financial report.

Under the Retiree Health Reimbursement Plan effective July 1, 2021, retired employees with 30 years of service with the Town or retired employees with 10 years of service with the Town and at least 62 years old at retirement are eligible to receive benefits. The Town will provide reimbursement for qualified expenses not to exceed \$4,000 per plan year.

The number of covered employees are as follows:

Participants	
Active employees	10
Inactive employees entitled to but not yet receiving benefits	-
Inactive employees currently receiving benefits	2
	12

TOWN OF OXFORD, MARYLAND
 NOTES TO FINANCIAL STATEMENTS
 For the year ended June 30, 2023

Note 8. Other Post-Employment Health Care Benefits (“OPEB”) (continued)

Significant assumptions and other inputs to measure the total OPEB liability are as follows:

Assumptions

Age adjustment factor	1.00%
Average retirement age	65
Employer future premium contribution	Remain at the current \$ level over time
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll
Assets backing liability	\$0
Plan asset return	0.00%
Bond yield	3.60%
Discount rate	3.60%
Measurement date	6/30/2023
Prior measurement date	6/30/2022
Prior year discount rate	4.09%
Projected salary increases	3.00%
Amortization period	20
Percentage participation	100.00%
NOL and ADC	Calculated using the Alternative Measurement Method in accordance with GASB methodology.
Mortality table	Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for 10 years.
Turnover assumption	Derived from data maintained by the U.S. Office of Personnel Management regarding the most recent experience of the employee group covered by the Federal Employees Retirement System.

Healthcare Cost Trend Rates

	Medical	Pharmacy	Dental	Vison
Year 1	4.70%	5.20%	3.50%	3.00%
Year 10+	4.20%	4.20%	3.00%	3.00%

The following presents the Plan’s net OPEB liability, calculated using the current discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher:

	DISCOUNT RATE		
	1% Decrease	Discount Rate	1% Increase
Net OPEB liability	291,157	253,846	223,587

The following presents the Plan’s net OPEB liability, calculated using the current health care trend rate, as well as what the net OPEB liability would be if it were calculated using a health care trend rate that is 1% point lower or 1% point higher:

	HEALTH CARE TREND		
	1% Decrease	Baseline Trend	1% Increase
Net OPEB liability	252,631	253,846	255,055

TOWN OF OXFORD, MARYLAND
 NOTES TO FINANCIAL STATEMENTS
 For the year ended June 30, 2023

Note 8. Other Post-Employment Health Care Benefits (“OPEB”) (continued)

Changes in the net OPEB liability are as follows:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances as of June 30, 2022	\$ 184,011	\$ -	\$ 184,011
Service cost	6,567	-	6,567
Interest on total OPEB liability	7,754	-	7,754
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	41,921	-	41,921
Effect of assumption changes or inputs	15,591	-	15,591
Benefit payment	(1,998)	(1,998)	-
Employer contributions	-	1,998	(1,998)
Employee contributions	-	-	-
Net investment income	-	-	-
Administrative expenses	-	-	-
Balances as of June 30, 2023	\$ 253,846	\$ -	\$ 253,846

The amount of OPEB expense recognized in the reporting period are as follows:

	OPEB Expense
Service cost	\$ 6,567
Interest on total OPEB liability	7,754
Effect of plan changes	-
Effect of economic/demographic gains or losses	41,921
Effect of assumption changes or inputs	15,591
Benefit payments	-
Employer contributions	-
Employee contributions	-
Net investment income	-
Administrative expense	-
Total	\$ 71,833

Per GASB 75 paragraph 43(a), deferred inflows/outflows of resources related to differences between actual and expected experience with regard to economic or demographic factors or changes in assumptions and other inputs should not be used under the Alternative Measurement Method. These items should be recognized in OPEB expense immediately. Per paragraph 43(b), the difference between projected and actual earnings on OPEB plan investments should be recognized in OPEB expense over a closed 5-year period; the amount not immediately recognized should be reported as deferred inflows/outflows. As such, if your plan does not have OPEB assets in a trust, deferred inflows/outflows are \$0.

TOWN OF OXFORD, MARYLAND
 NOTES TO FINANCIAL STATEMENTS
 For the year ended June 30, 2023

Note 9. Risk Management

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

There were no significant reductions in insurance coverage during the fiscal year ended June 30, 2023. Settlement amounts have not exceeded insurance coverage for the current or three prior years.

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

Note 10. Commitments, Contingencies and Subsequent Events

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

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

Note 11. Correction of an Error

During the year ended June 30, 2023, it was determined that lease receivables for lessor accounting should be reported on the General Fund. Therefore, an adjustment was made to reflect the appropriate reporting.

	<u>General Fund Fund Balance</u>
June 30, 2022, as previously reported	1,472,294
Lease receivable	469,138
<u>Lease receivable - right to use</u>	<u>(416,959)</u>
<u>June 30, 2022, as restated</u>	<u>1,524,473</u>

TOWN OF OXFORD, MARYLAND
 NOTES TO FINANCIAL STATEMENTS
 For the year ended June 30, 2023

Note 12. Required Fund Disclosures

The following funds had expenditures exceeding budgeted amounts:

Funds	Budgeted Expenditures	Actual Expenditures	Excess of Actual Over Budgeted Expenditures
Enterprise	\$ 1,207,750	\$ 1,485,409	\$ 277,659

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF OXFORD, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
REVENUES:				
Property taxes	\$ 937,589	\$ 939,475	\$ 940,119	\$ 644
Intergovernmental	320,061	366,860	430,953	64,093
Licenses and permits	21,600	21,770	22,674	904
Other agencies	161,600	72,200	100,323	28,123
Rents	90,980	105,520	113,938	8,418
Investment income	2,500	9,000	21,755	12,755
Miscellaneous	3,500	13,750	15,662	1,912
Total revenues	1,537,830	1,528,575	1,645,424	116,849
EXPENDITURES				
General government	669,100	680,450	691,861	(11,411)
Public safety	283,000	292,525	285,811	6,714
Public works	344,000	371,150	353,476	17,674
Parks and recreation	99,650	103,500	120,813	(17,313)
Capital outlay	157,000	141,000	133,141	7,859
Total expenditures	1,552,750	1,588,625	1,585,102	3,523
Excess (deficiency) of revenue over expenditures	(14,920)	(60,050)	60,322	113,326
OTHER FINANCING SOURCES (USES):				
Proceeds from long-term leases	-	-	9,255	(9,255)
Total other financing sources (uses)	-	-	9,255	(9,255)
Net change in fund balance	\$ (14,920)	\$ (60,050)	\$ 69,577	\$ 104,071

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, 2023

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%
June 30, 2019	0.0033229%	\$ 685,351	\$ 579,116	118%	\$ 53,943,420,000	\$ 74,569,030,000	72%
June 30, 2020	0.0032569%	\$ 736,113	\$ 564,082	130%	\$ 54,586,037,000	\$ 77,187,397,000	71%
June 30, 2021	0.0033884%	\$ 508,344	\$ 729,147	70%	\$ 67,604,500,000	\$ 82,606,805,000	82%
June 30, 2022	0.0033463%	\$ 669,546	\$ 722,543	93%	\$ 64,310,991,000	\$ 84,319,523,000	76%

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, 2023

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%
2020	\$ 69,831	\$ 69,831	\$ -	\$ 564,082	12%
2021	\$ 74,665	\$ 74,665	\$ -	\$ 729,147	10%
2022	\$ 76,373	\$ 76,373	\$ -	\$ 722,543	11%
2023	\$ 85,199	\$ 85,199	\$ -	\$ 779,503	11%

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

**TOWN OF OXFORD, MARYLAND
 REQUIRED SUPPLEMENTARY INFORMATION
 MARYLAND STATE RETIREMENT AND PENSION PLAN
 ACTUARIAL ASSUMPTIONS
 JUNE 30, 2023**

Changes in Benefit Terms

There were no benefit changes during the year.

Changes in Assumptions

Discount rate remains unchanged from 6.80%.

Method and Assumptions used in Calculations of Actuarially Determined Contributions

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25-year closed amortization period ending June 30, 2039; 16 years remaining.
Asset Valuation Model	Five-year smoothed market (max. 120% and min 80% of the market value)
Inflation	In the 2022 actuarial valuation, 2.25% general, 2.75% wage. In the 2021 actuarial valuation, 2.25% general, 2.75% wage.
Salary Increases	In the 2022 actuarial valuation, 2.75% to 11.25%. In the 2021 actuarial valuation, 2.75% to 9.25%.
Investment Rate of Return	In the 2022 actuarial valuation, 6.80%. In the 2021 actuarial valuation, 6.80%.
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2019 valuation pursuant to the 2019 experience study for the period July 1, 2014 to June 30, 2018.
Mortality	Various versions of the Pub- 2010 Mortality Tables for males and females with projected generational mortality improvements based on the MP-2018 fully generational mortality improvements scale for males and females.

TOWN OF OXFORD, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CHANGES IN THE TOTAL OPEB LIABILITY
(as of measurement date)
Last ten fiscal years
JUNE 30, 2023

	2022	2023
Balances, beginning of year	\$ -	\$ 184,011
Service cost	-	6,567
Interest on total OPEB liability	(40)	7,754
Effect of plan changes	186,050	-
Effect of economic/demographic gains or losses	-	41,921
Effect of assumption changes or inputs	-	15,591
Benefit payments	(1,999)	(1,998)
Employer contributions	-	-
Employee contributions	-	-
Net investment income	-	-
Administrative expense	-	-
Balances, end of year	\$ 184,011	\$ 253,846

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which the information is available, will be presented.

TOWN OF OXFORD, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
(as of measurement date)
Last ten fiscal years
JUNE 30, 2023

	2022	2023
Total OPEB Liability (A)	\$ 184,011	\$ 253,846
Covered payroll (B)	\$ 805,489	\$ 929,809
% of Covered-employee payroll (A / B)	23%	27%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which the information is available, will be presented.

TOWN OF OXFORD, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLAN
JUNE 30, 2023

The Town does not have a dedicated Trust to pay retiree healthcare benefits.

The following factors affect trends in the amounts reported:

	Discount Rate
June 30, 2022	4.09%
June 30, 2023	3.60%

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, 2023

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	Variance With Final <u>Budget</u>
OPERATING REVENUES:				
Water service charges	\$ 353,100	\$ 347,600	\$ 346,978	\$ (622)
Wastewater service charges	509,000	510,500	519,591	9,091
SMSP service charges	110,000	110,000	110,000	-
Bay restoration fee	35,500	60,500	60,564	64
Total operating revenues	1,007,600	1,028,600	1,037,133	8,533
OPERATING EXPENSES:				
Water	312,200	341,150	350,784	(9,634)
Sewer	496,500	531,800	871,447	(339,647)
SMSP	110,000	300,000	229,391	70,609
Bay restoration fee	34,800	34,800	33,787	1,013
Total operating expenses	953,500	1,207,750	1,485,409	(277,659)
Operating income (loss)	54,100	(179,150)	(448,276)	(269,126)
NONOPERATING REVENUES (EXPENSES):				
Intergovernmental revenues	-	60,000	61,710	1,710
Investment income	150	55	56	1
Total nonoperating revenues (expenses)	150	60,055	61,766	1,711
Change in net position	\$ 54,250	\$ (119,095)	\$ (386,510)	\$ (267,415)

**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, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated October 31, 2023.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstance for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

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

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

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

Finding Number 2023-001

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 with regard to the review of bank reconciliations and utility billing and collection 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: Management continues to develop formal procedures in response to the finding above, which for 2024 will include a billing system upgrade that will allow two party review for improved oversight, requirements for dual signatures authorization on relevant transactions, and quarterly external review of bookkeeping software and bank reconciliations.

Report on 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 financial statements. 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*.

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.

The logo for UHY LLP is written in a stylized, cursive font. The letters 'UHY' are larger and more prominent, with 'LLP' in a smaller font size to the right.

Salisbury, Maryland
October 31, 2023

TOWN OF OXFORD, MARYLAND

AUDIT COMMUNICATIONS

JUNE 30, 2023

TOWN OF OXFORD, MARYLAND

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I. COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

October 31, 2023

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, 2023. 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 July 25, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

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. Effective July 1, 2022, the Town adopted new accounting guidance from the Government Accounting Standard Board (GASB) Statement No. 96, Subscription-Based Information Technology Agreements as discussed in Note 2. 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 estimates affecting the Town’s financial statements were:

Management’s estimation of the allowance for uncollectible amounts was based on past experience. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

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 post-employment health care benefit obligation. We evaluated key factors and assumptions used to develop the benefit obligation 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.

Management's estimate of the lessor and lessee; lease asset, deferred outflow, and lease liability as it relates to GASB No. 87. We evaluated the key factors and assumptions used to develop the estimates in determining that they are 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. The attached Adjusting Journal Entry Reports, as listed in the table of contents, list misstatements corrected by management.

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 October 31, 2023.

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 dark ink that reads "UHY LLP". The letters are stylized and cursive.

UHY LLP
Salisbury, Maryland

II. COMMUNICATION OF SIGNIFICANT DEFICIENCIES
AND MATERIAL WEAKNESSES

October 31, 2023

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, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the Town’s system of 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 2023-001

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 with regard to the review of bank reconciliations and utility billing and collection 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: Management continues to develop formal procedures in response to the finding above, which for 2024 will include a billing system upgrade that will allow two party review for improved oversight, requirements for dual signatures authorization on relevant transactions, and quarterly external review of bookkeeping software and bank reconciliations.

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.



UHY LLP
Salisbury, Maryland
October 31, 2023

III. ADJUSTING JOURNAL ENTRY REPORTS

Client: **Oxford Maryland Town of**
Engagement: **Town of Oxford, MD**
Period Ending: **6/30/2023**
Workpaper: **GF AJE's**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1		2061k		
To adjust Pension Plan to actual				
19200	Deferred Financing Outflow		116,508.00	
27100	Deferred Financing Inflow		64,501.00	
27000	Net Pension Liability			161,202.00
33000	Fund Balance - Pension			19,807.00
Total			181,009.00	181,009.00
Adjusting Journal Entries JE # 2		7106		
To reclass rental income to proper account				
73200	MEWS		2,000.00	
45300	Land/Property Leases			2,000.00
Total			2,000.00	2,000.00
Adjusting Journal Entries JE # 3		4206 GF		
To adjust deferred revenue for ARPA Exp in SMSP Fund.				
12271	DHCD-ARPA		15,717.50	
11800GF	General Fund Transfer Account			15,717.50
Total			15,717.50	15,717.50
Adjusting Journal Entries JE # 4		4204 GF		
To adjust for FY22 AR received in FY23 posted to revenue. (Reverse UHY FY22 Entry)				
44100	Grant - Critical Areas		1,000.00	
46900	Misc Revenues - Other		161.90	
12100	General Accounts Receivable			1,161.90
Total			1,161.90	1,161.90
Adjusting Journal Entries JE # 5		7105		
To reverse FY22 UHY AR Entry for Highway User Revenue & adjust AR for Grant - SAPPF Police.				
42400	Highway User Revenue		10,376.04	
44200	Grant - SAPPF Police		1,899.25	
14000	Due From State of Maryland			1,899.25
14000	Due From State of Maryland			10,376.04
Total			12,275.29	12,275.29

Client: **Oxford Maryland Town of**
Engagement: **Town of Oxford, MD**
Period Ending: **6/30/2023**
Workpaper: **GF AJE's**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 6		4104 GF		
To adjust CD balances to actual				
10066	BayVanguard CD 4066		617.34	
10377	BayVanguard CD 8377		617.34	
10634	BayVanguard CD 5634		3,300.49	
10757	BayVanguard CD 1757		617.34	
10827	BayVanguard CD 1827		617.34	
11991	Shore United CD 991		2,729.03	
46950	Interest Income			8,498.88
Total			8,498.88	8,498.88
Adjusting Journal Entries JE # 7		4104 GF		
To adjust closed account and void duplicate check.				
10500	BayVanguard 4500 Closed		1,700.18	
11302	BayVanguard 302 General Acct		3,604.00	
46900	Misc Revenues - Other			1,700.18
54190	Vehicle Main and Repairs			3,604.00
Total			5,304.18	5,304.18
Adjusting Journal Entries JE # 8		4204 GF		
To reclass Q3 Accomodations Tax receipt, record Q4 receipt and reverse PY AR entry.				
14100	Due From County		16,828.42	
42100	Accomodations Tax		19,392.34	
46900	Misc Revenues - Other		3,462.87	
14100	Due From County			19,392.34
42100	Accomodations Tax			3,462.87
42100	Accomodations Tax			16,828.42
Total			39,683.63	39,683.63
Adjusting Journal Entries JE # 9		7204 GF		
To expense Dugout costs capitalized. All under cap policy.				
32000	Fund Balance - Fixed Assets		7,516.87	
17700	Construction in Progress			7,516.87
Total			7,516.87	7,516.87
Adjusting Journal Entries JE # 10		4605 GW		
To record CY depreciation expense for General Fund.				
32000	Fund Balance - Fixed Assets		195,775.96	
17110	Buildings-A/D			54,182.55
17210	Street Improvements-A/D			91,905.28
17310	Vehicles-A/D			25,929.57
17610	Equipment-A/D			23,758.56
Total			195,775.96	195,775.96

Client: **Oxford Maryland Town of**
Engagement: **Town of Oxford, MD**
Period Ending: **6/30/2023**
Workpaper: **GF AJE's**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 11		5100K.1		
To adjust for GASB 87 - Xerox Lease				
86000	Administration Capital		9,255.00	
48000	Loan Proceeds			9,255.00
Total			9,255.00	9,255.00
Adjusting Journal Entries JE # 12		6003 GF		
To adjust fund balance rollforward.				
35100	Retained Earnings General		54.81	
46900	Misc Revenues - Other			54.81
Total			54.81	54.81
Adjusting Journal Entries JE # 13		5100K.2		
Correction of an Error - Lease Receivable/Deferred Inflow for Governmental Funds				
14099	Lease Receivable		420,972.21	
21099	Deferred Inflow - Leases			367,823.81
35100	Retained Earnings General			52,179.00
47999	Excess Lease Revenue - GASB 87			969.40
Total			420,972.21	420,972.21

Client: **199650.0 - Oxford Maryland Town of**
Engagement: **6/23 AUD - Town of Oxford, MD**
Period Ending: **6/30/2023**
Trial Balance: **Water Fund TB**
Workpaper: **Water Fund AJE's**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 1				
To adjust debt principal to actual				
57160W	Interest on Debt		1,188.00	
28160	Wastewater Upgrade Interim Loc			1,188.00
Total			1,188.00	1,188.00
Adjusting Journal Entries JE # 2				
To record GMB June Invoice as AP, CIP, AR and grant revenue.				
12272	USDA Water System Upgrade		11,281.44	
18420	Construction in Progress		11,281.44	
20100	Accounts Payable - General			11,281.44
44600W	Grant - USDA			11,281.44
Total			22,562.88	22,562.88
Adjusting Journal Entries JE # 3				
To record CY depreciation expense for Water Fund.				
57140W	Depreciation		138,966.36	
18211	Equipment-A/D			42,811.51
18310	Improvements-A/D			91,154.85
18410	Vehicles-A/D			5,000.00
Total			138,966.36	138,966.36
Adjusting Journal Entries JE # 4				
To record W/S corrections - CLIENT DO NOT POST				
12210	Water Service A/R		1,499.98	
47110W	Water Service Charge			1,499.98
Total			1,499.98	1,499.98
Adjusting Journal Entries JE # 5				
To reclass 4/14/23 deposit incorrectly posted to water fund.				
12220	Wastewater Service A/R		6,292.25	
12230	Bay Restoration A/R		480.00	
90000EF	Transfers			6,772.25
Total			6,772.25	6,772.25
Total Adjusting Journal Entries			170,989.47	170,989.47
Total All Journal Entries			170,989.47	170,989.47

Client: **199650.0 - Oxford Maryland Town of**
Engagement: **6/23 AUD - Town of Oxford, MD**
Period Ending: **6/30/2023**
Trial Balance: **Sewer Fund TB**
Workpaper: **Sewer Fund AJE's**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 1				
5304 EF				
To adjust debt to actual				
28141	Wastewater Upgrade Loan USDA #2		2,333.00	
28140	Wastewater Upgrade Loan USDA #1			2,333.00
Total			2,333.00	2,333.00
Adjusting Journal Entries JE # 2				
4604 EF				
To record CY depreciation expense for Sewer Fund.				
57140S	Depreciation		480,334.70	
18211	Equipment-A/D			12,577.12
18310	Improvements-A/D			462,757.58
18410	Vehicles-A/D			5,000.00
Total			480,334.70	480,334.70
Adjusting Journal Entries JE # 3				
BC AJE #1				
To record W/S corrections - CLIENT DO NOT POST				
12220	Wastewater Service A/R		2,454.11	
12230	Bay Restoration A/R		198.50	
47510S	Wastewater Service Charge			2,454.11
48000S	Bay Restoration Fund			198.50
Total			2,652.61	2,652.61
Adjusting Journal Entries JE # 4				
4204 EF				
To reclass 4/14/23 deposit incorrectly posted to water fund.				
90000EF	Transfers		6,772.25	
12220	Wastewater Service A/R			6,292.25
12230	Bay Restoration A/R			480.00
Total			6,772.25	6,772.25
Total Adjusting Journal Entries			492,092.56	492,092.56
Total All Journal Entries			492,092.56	492,092.56

Client: **199650.0 - Oxford Maryland Town of**
 Engagemet: **6/23 AUD - Town of Oxford, MD**
 Period Ending: **6/30/2023**
 Trial Balance: **SMSP Fund TB**
 Workpaper: **SMSP Fund AJE's**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 1		4206 GF		
To adjust deferred revenue for ARPA Exp in SMSP Fund.				
11800EF	Entrprs Fund Transfer Account		15,717.50	
12271	DHCD-ARPA			15,717.50
Total			15,717.50	15,717.50
Adjusting Journal Entries JE # 2				
Adjusting Journal Entries JE # 2		4604 EF		
To record CY depreciation expense for SMSP Fund.				
57140SMSP	Depreciation		40,681.90	
18211	Equipment-A/D			14,318.92
18310	Improvements-A/D			26,362.98
Total			40,681.90	40,681.90
Total Adjusting Journal Entries			56,399.40	56,399.40
Total All Journal Entries			56,399.40	56,399.40