



**OXFORD AREA SCHOOL DISTRICT**

**BASIC FINANCIAL STATEMENTS  
AND SINGLE AUDIT REPORT**

**FOR THE YEAR ENDED JUNE 30, 2012**

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Certified Public Accountants

Timothy D. Umbreit, CPA  
Bonnie W. Korengel, CPA

TO THE BOARD OF SCHOOL DIRECTORS  
OXFORD AREA SCHOOL DISTRICT  
OXFORD, PENNSYLVANIA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Oxford Area School District (the School) for the year ended June 30, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, Government Auditing Standards and OMB Circular A-133, 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 August 29, 2012. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Oxford Area School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the School during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

Management's estimate of Other Post Retirement Benefits is based on an actuarial calculation of future benefits applied currently. We reviewed the actuarial calculations done by an outside expert firm and deemed them reasonable in relation to the statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

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TO THE BOARD OF SCHOOL DIRECTORS  
OXFORD AREA SCHOOL DISTRICT

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*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 trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as 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 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 School'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 School'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 Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, 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.

This information is intended solely for the use of the Board of Education and management of Oxford Area School District and is not intended to be and should not be used by anyone other than these specified parties.

*Umbreit, Koenig & Associates, P.C.*

August 29, 2012

**OXFORD AREA SCHOOL DISTRICT****LISTING OF DISTRIBUTION**

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       National Clearing House for Single Audit Reports  
       Bureau of the Census  
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       Jeffersonville, Indiana 47132
  
2.     Commonwealth of Pennsylvania  
       Bureau of Audits  
       Special Audit Services Division  
       Forum Place – 9<sup>th</sup> Floor  
       555 Walnut Street  
       Harrisburg, PA 17101



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## TRANSMITTAL LETTER

TO THE BOARD OF SCHOOL DIRECTORS  
OXFORD AREA SCHOOL DISTRICT  
OXFORD, PENNSYLVANIA

We have performed the Single Audit of the School District for the fiscal year ended June 30, 2012 and have enclosed the Single Audit reporting package.

The single audit was done to fulfill the requirements of OMB Circular A-133. It entailed: 1. an audit of the basic financial statements and our opinion thereon; 2. an examination of the schedule of federal financial assistance and our opinion thereon; 3. a review of the internal control structure based on the understanding obtained as part of the audit of the basic financial statements and opinion thereon; 4. a review of compliance based on an audit of the basic financial statements in accordance with Government Auditing Standards; and 5. a review of compliance with requirements and controls applicable to the federal financial assistance programs and our opinion thereon.

A SAS 115 letter was issued for June 30, 2012 indicating we did not identify any deficiencies in internal control that we considered to be material weaknesses.

*Umbreit, Korengel & Associates, P.C.*

August 29, 2012  
Kennett Square, Pennsylvania

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## INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF EDUCATION  
OXFORD AREA SCHOOL DISTRICT  
OXFORD, PENNSYLVANIA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Oxford Area School District, as of and for the year ended June 30, 2012, which collectively comprise the school district's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Oxford Area School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Oxford Area School District, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 29, 2012, on our consideration of the Oxford Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Oxford Area School District's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Umbreit, Krengel & Associates, P.C.*

August 29, 2012  
Kennett Square, Pennsylvania



**OXFORD AREA SCHOOL DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

This section of the Oxford Area School District's annual financial report provides a discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2012. This discussion and analysis should be read in conjunction with the District's accompanying financial statements, which immediately follow this section.

**Financial Highlights**

- The District's financial status continued to strengthen during the 2011-2012 fiscal year. Total net assets increased 3.60% over the course of the year to \$49,349,736.
- The District's total revenues decreased by 5.09% to \$56,709,244 but represents \$1,715,718 more than the cost of all programs and services.
- The total cost of all programs and services rose slightly to \$54,993,526 or .20%.
- The net assets of business-type activities – food services – decreased 1.94% this year. Revenues increased .83% to \$1,641,876 and expenses increased 1.47% to \$1,679,849; maintaining an unrestricted fund balance of \$668,013.
- At June 30, 2012, the District had \$135,616,617 invested in a broad range of capital assets, including land, school buildings, administrative offices, athletic facilities, furniture and equipment. This amount represents a net increase of \$981,818 or 0.73% from last year.

**Overview of the Financial Statements**

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements which present different views of the District. The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements. The governmental funds statements indicate how basic services such as regular and special education were financed in the short term as well as indicate future spending plans. Proprietary fund statements offer short and long-term financial information about activities the District operates like a business, such as food services. Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, such as student activity funds and scholarship funds.

The financial statements also include notes that explain some of the information in the statements, as well as provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

The following chart summarizes the major features of the District's financial statements. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

<b>Major Features of the District-wide and Fund Financial Statements</b>				
	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	Activities of the District that are not proprietary or fiduciary, such as general operating and capital projects	Activities the District operates similar to private businesses, such as food services.	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

### **District-wide Statements**

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two District-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way of measuring the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating. To assess the District's overall health, to non-financial factors, such as changes in the District's property tax base and the condition or need for improvements or expansion to existing school facilities are considered.

In the District-wide financial statements, the District's activities are divided into two categories as follows:

- **Governmental Activities:** Most of the District's basic services are included here, such as regular and special education, maintenance and operation of plant services, transportation services and administrative services. Property taxes along with state formula aid finance most of these activities.
- **Business-type Activities:** The District charges fees to cover the cost of certain services such as food services programs.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds. These statements focus on the District's most significant or "major" funds – not the District as a whole. Funds are accounting components the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law and by bond covenants. The District may establish other funds to control and manage money for particular purposes, such as repaying its long-term debts.

The District has three types of funds as follows:

**Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted into cash inflows and outflows and (2) balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

**Proprietary Funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide financial statements. The District's Enterprise Funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the food service fund.

**Fiduciary Funds:** The District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds or student activity funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

### Financial Analysis of the District as a Whole

The District's total net assets were larger on June 30, 2012, than they were the previous year. Total net assets increased 3.60% over the course of the year to \$49,349,736. The following table presents condensed financial information for the net assets of the District as of June 30, 2012 and June 30, 2011.

Condensed Statement of Net Assets						
	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and Other Assets	\$31,658,506	\$29,695,072	\$691,846	\$631,940	\$32,350,352	\$30,327,012
Capital Assets	98,040,071	100,186,964	1,249,978	1,324,333	99,290,049	101,511,297
Total Assets	<u>\$129,698,577</u>	<u>\$129,882,036</u>	<u>\$1,941,824</u>	<u>\$1,956,273</u>	<u>\$131,640,401</u>	<u>\$131,838,309</u>
Long-term Debt Outstanding	\$75,323,601	\$76,986,976			\$75,323,601	\$76,986,976
Current Liabilities	6,943,231	7,217,006	\$23,833	\$309	6,967,064	7,217,315
Total Liabilities	<u>\$82,266,832</u>	<u>\$84,203,982</u>	<u>\$23,833</u>	<u>\$309</u>	<u>\$82,290,665</u>	<u>\$84,204,291</u>
Net Assets						
Invested in Capital Assets, Net	\$21,010,071	\$21,121,964	\$1,249,978	\$1,324,333	\$22,260,049	\$22,446,297
Restricted	7,534,837	8,074,880			7,534,837	8,074,880
Unrestricted	18,886,837	16,481,210	\$668,013	\$631,631	19,554,850	17,112,841
Total Net Assets	<u>\$47,431,745</u>	<u>\$45,678,054</u>	<u>\$1,917,991</u>	<u>\$1,955,964</u>	<u>\$49,349,736</u>	<u>\$47,634,018</u>

The restricted net assets in the amount of \$7,534,837 are set aside to fund future capital improvements. The unrestricted net assets in the amount \$18,886,837 include \$4,315,947 set aside to cover unanticipated future revenue shortfalls. The District also set aside funds to cover future extraordinary health care, pension and utility costs, totaling \$8,966,082. The balance remaining in unrestricted net assets is available to fund any unforeseen financial issues.

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are presented to determine the final amount of the District's activities that are supported by other general revenues. The largest revenues are property taxes and the basic education subsidy provided by the Commonwealth of Pennsylvania.

The following table presents condensed financial information from the Statement of Activities in a different format. The District's total revenues decreased by \$3,040,552 or 5.09%. Property taxes and other taxes levied for general purposes accounted for most of the District's revenue in the amount of \$33,500,252 or 59.07%. While the property tax rate remained constant, the District's property tax collection declined slightly due to a second year of larger than normal number of assessment appeals. Another \$16,171,189 or 28.52% came from state and federal formula aid such as the state basic education subsidy and federal program subsidies-Title I, II and III. The majority of the decline in revenue occurred in this category, a direct result of the cessation of the American Recovery and Reinvestment Act (ARRA) subsidies. The remainder, \$7,037,083 or 12.41% came from several sources. \$4,536,666 of the revenue came from operating grants such as the special education, student transportation and food service subsidies. \$687,627 came from earnings on investments, federal IDEA pass through revenue and rental income. \$1,020,777 was

from debt service reimbursements and \$792,733 was fees charged by food service for student and staff meals along with catering services.

The total cost of all programs and services rose slightly to \$54,993,526 or .20%. The District's expenses are predominately related to instructing, caring for (support services and operation of school facilities) and transporting students, which represents 85.68% or \$47,118,786 of total expenses. Total revenues exceeded total expenses, which produced an increase in net assets of \$1,715,718 over the past year.

Changes in Net Assets from Operating Results						
	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues						
Charges for Services			\$792,733	\$835,334	\$792,733	\$835,334
Operating Grants and Contributions	\$3,688,009	\$3,569,052	848,657	792,667	4,536,666	4,361,719
Capital Grants and Contributions	1,020,777	1,345,000			1,020,777	1,345,000
General Revenues						
Property Taxes and other taxes levied for general purposes	33,500,252	33,833,416			33,500,252	33,833,416
Grants and Contributions not restricted	16,171,189	18,853,372			16,171,189	18,853,372
Other	687,141	520,531	486	424	687,627	520,955
Total Revenues	\$55,067,368	\$58,121,371	\$1,641,876	\$1,628,425	\$56,709,244	\$59,749,796
Expenses:						
Instruction	\$32,027,010	\$32,478,712			\$32,027,010	\$32,478,712
Support Services	15,091,776	15,304,619			15,091,776	15,304,619
Non-Instructional Services	830,691	849,827			830,691	849,827
Other	5,364,200	4,595,806	1,679,849	1,655,466	7,044,049	6,251,272
Total Expenses	\$53,313,677	\$53,228,964	\$1,679,849	\$1,655,466	\$54,993,526	\$54,884,430
Increase(Decrease) in Net Assets	\$1,753,691	\$4,892,407	(\$37,973)	(\$27,041)	\$1,715,718	\$4,865,366

Presented below is the cost of four (4) major District activities: instruction, support services, non-instructional services, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and governmental aid provided for specific programs). The net cost shows the amount needed to be funded by other revenue sources, primarily the District's taxpayers. The net cost of governmental activities increased by only .60% to \$48,604,891.

Net Cost of Governmental Activities						
	Total Cost of Services		% Change 2011-12	Net Cost of Services		% Change 2011-12
	2012	2011		2012	2011	
Instruction	\$32,027,010	\$32,478,712	-1.39%	\$30,330,215	\$30,691,443	-1.18%
Support Services	15,091,776	15,304,619	-1.39%	13,282,254	13,681,568	-2.92%
Non-Instructional Services	830,691	849,827	-2.25%	648,999	691,095	-6.09%
Other	5,364,200	4,595,806	16.72%	4,343,423	3,250,806	33.61%
Total	\$53,313,677	\$53,228,964	0.16%	\$48,604,891	\$48,314,912	0.60%

## **Financial Analysis of the District's Funds**

At the end of fiscal year 2012, governmental funds had total fund balances of \$27,564,741. During 2011-2012 the net change in governmental fund balances increased by \$2,057,623 or 8.07%. As previously mentioned \$7,534,837 was set aside to fund future capital improvements. The District also set aside funds to cover future extraordinary health care, pension, utility and maintenance costs, totaling \$8,966,082. \$4,315,947 was set aside to cover unanticipated future revenue shortfalls and \$5,749,546 is available to fund any unforeseen financial issues.

The business-type activities produced a slight operating loss because of planned capital improvements. In addition to the District-wide financial statements, food services are reported in greater detail in the proprietary fund statements.

### **General Fund Budgetary Highlights**

During the fiscal year, the Board of School Directors authorized revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. A schedule showing the District's original and final budget amounts compared to amounts actually received and disbursed is provided in the financial statements.

To balance the budget, the District had planned to utilize \$1,056,624 of fund balance from the previous year. The difference in the 2011-2012 revenues and expenses compared to the budget resulted in an overall positive variance of \$2,597,666. An additional \$998,329 was committed to Capital Reserve to fund future capital projects and \$2,019,936 was committed for future increased pension costs, increasing the General Fund's unassigned fund balance to \$5,749,546 or 8% of anticipated expenditures.

The excess was due to a combination of factors. \$539,578 of the positive budget variance in state revenue sources was operating subsidies for Special Education (\$150,000), Accountability Block Grant (\$186,084), Transportation (\$146,111) and Debt Service (\$57,383). A majority of the \$214,661 additional federal funds was a result of eligible reimbursements under Medical Access. Variable interest rates on debt service payments resulting in a savings of \$265,391; favorable negotiations for the purchase of electric, natural gas and other utilities resulting in a savings of \$860,690; favorable fuel costs and efficiency in the transportation of students resulting in a savings of \$240,869 and the successful management of health insurance through a self-insured program resulting in a savings of \$1,890,988 produced a total savings of \$3,257,938.

## **Capital Asset and Debt Administration**

### **Capital Assets**

At June 30, 2012, the District had \$135,616,617 invested in a broad range of capital assets, including land, school buildings, administrative offices, athletic facilities, furniture and equipment. This amount represents a net increase of \$981,818 or 0.73% from last year. The increase is attributed to the maintenance of school facilities. Total depreciation expense for the year amounted to \$3,203,066. The following schedule depicts the change in capital assets for the period July 1, 2011 through June 30, 2012. More detailed information about capital assets can be found in the notes to the financial statements.

	Capital Assets						% Change 2011-12
	Governmental Activities		Business-Type Activities		Total Activities		
	2012	2011	2012	2011	2012	2011	
Land	\$5,255,835	\$5,255,835			\$5,255,835	\$5,255,835	0.00%
Building & Building Improvements	121,931,661	121,074,338			121,931,661	121,074,338	0.71%
Fixtures & Equipment	6,509,776	6,415,801	1,895,597	1,888,825	8,405,373	8,304,626	1.21%
Construction in Progress	23,748				23,748	0	100.00%
Total	<u>\$133,721,020</u>	<u>\$132,745,974</u>	<u>\$1,895,597</u>	<u>\$1,888,825</u>	<u>\$135,616,617</u>	<u>\$134,634,799</u>	<u>0.73%</u>

### Long-term Debt

As of June 30, 2012, the District had \$77,030,000 in general obligation bonds and other long-term debt outstanding, a decrease of \$2,035,000 over last year. Along with its annual debt service payments totaling \$3,170,000, the District issued \$10,000,000 of new debt in 2012 to refund obligations totaling \$8,865,000 which were redeemed. More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

	Outstanding Long-Term Debt			
	Totals		\$ Change	% Change
	2012	2011	2011-12	2011-12
General Obligation Bonds	<u>\$77,030,000</u>	<u>\$79,065,000</u>	<u>(\$2,035,000)</u>	<u>-2.57%</u>

### Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of four existing circumstances that could impact its future:

1. The following employee labor contracts:

- June 30, 2014 will mark the expiration of the current four-year teacher's contract. The economic package (salaries and fringe benefits) over the next two years provides for a 3.5% annual increase in salaries each year and includes an increase in employee contributions for health care costs each year.
- June 30, 2013 will mark the expiration of the current four-year classified employee's contract with the custodial/maintenance staff. The economic package (salaries and fringe benefits) over the next year provides for a 3.5% annual increase in salaries and includes an increase in employee contributions for health care costs.
- June 30, 2013 will mark the expiration of the current three-year classified employee's contract with the secretarial/clerical staff. The economic package (salaries and fringe benefits) over the next year provides for a 1.7% annual increase in salaries and includes an increase in employee contributions for health care costs.

2. The Pennsylvania School Employees Retirement System trustees set the contribution rate that all school districts must pay in 2011-12 at 8.65% of eligible wages. Employer contribution rates are expected to rise to 12.36% in 2012-13, 16.75% in 2013-14 and 21.25% in 2014-15. Starting in 2019-20 rates are expected to climb to 28%. This increase will result in an additional expenditure of \$4,800,000 annually for this District. The District committed \$6,629,232 of its fund balance to cover future increased pension costs.
3. The current national and global economic conditions continue to affect the District's revenue stream. The downturn in the current housing market has resulted in the loss of interim real estate taxes (new construction) and real estate transfer tax (sales of existing homes). The number of successful real estate tax assessment appeals in the past few years has reached a level to impact the assessment base downward resulting in the loss of annual real estate taxes. The District is hoping for a slight increase in future real estate taxes due to the completion of a new shopping center; however that positive impact is short lived. Declining interest rates have resulted in lower income earned on district investments and increasing unemployment has resulted in slower growth of earned income tax.
4. Special Session Act 1 of 2006: The law limits real estate tax increases to an index established by the Pennsylvania Department of Education. Districts that cannot balance their budget, even after including revenue to be obtained by increasing taxes to the maximum extent allowed by the index, are eligible to seek back-end referendum exceptions. The exceptions are for costs that are beyond the direct control of local school boards. However during the past year the number of exceptions has been reduced from seven (7) to two (2); increases in mandated special education costs and in contributions to the employee retirement system (Act 25 of 2011). If additional dollars received through the exceptions are still not adequate to balance the budget, districts must either decide to go to the voters for approval for a tax increase or make further cuts to their budget to fit the revenues available.

### **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Business Office, Oxford Area School District, 125 Bell Tower Lane, Oxford, PA 19363



OXFORD AREA SCHOOL DISTRICT

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STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2012

ASSETS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 682,949	\$ 96,424	\$ 779,373
Investments	28,672,075	562,725	29,234,800
Taxes Receivable, Net	1,935,921	-	1,935,921
Internal Balances	-	-	-
Intergovernmental Receivables	346,210	12,588	358,798
Inventory/Other	21,351	20,109	41,460
<b>TOTAL CURRENT ASSETS</b>	<b>31,658,506</b>	<b>691,846</b>	<b>32,350,352</b>
<b>NON-CURRENT ASSETS</b>			
Land	5,255,835	-	5,255,835
Building and Building Improvements	121,955,409	-	121,955,409
Fixtures and Equipment	6,509,776	1,895,597	8,405,373
Less: Accumulated Depreciation	(35,680,949)	(645,619)	(36,326,568)
<b>TOTAL NON-CURRENT ASSETS</b>	<b>98,040,071</b>	<b>1,249,978</b>	<b>99,290,049</b>
<b>TOTAL ASSETS</b>	<b>\$ 129,698,577</b>	<b>\$ 1,941,824</b>	<b>\$ 131,640,401</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$ 833,537	\$ 3,839	\$ 837,376
Accrued Salaries & Benefits	1,868,568	-	1,868,568
Accrued Interest	1,217,000	-	1,217,000
Current Portion of Long-Term Obligations	3,020,000	-	3,020,000
Deferred Revenue	4,126	19,994	24,120
<b>TOTAL CURRENT LIABILITIES</b>	<b>6,943,231</b>	<b>23,833</b>	<b>6,967,064</b>
<b>NON-CURRENT LIABILITIES</b>			
Bonds Payable	74,010,000	-	74,010,000
Post Employment Benefits	902,848	-	902,848
Long-Term Portion of Compensated Absences	410,753	-	410,753
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>75,323,601</b>	<b>-</b>	<b>75,323,601</b>
<b>TOTAL LIABILITIES</b>	<b>82,266,832</b>	<b>23,833</b>	<b>82,290,665</b>
<b>NET ASSETS</b>			
Invested in Capital Assets (Net)	21,010,071	1,249,978	22,260,049
Restricted	7,534,837	-	7,534,837
Unrestricted	18,886,837	668,013	19,554,850
<b>TOTAL NET ASSETS</b>	<b>47,431,745</b>	<b>1,917,991</b>	<b>49,349,736</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 129,698,577</b>	<b>\$ 1,941,824</b>	<b>\$ 131,640,401</b>

See Notes to Financial Statements

**OXFORD AREA SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012**

FUNCTIONS/PROGRAMS	Program Revenues			Net Expense/Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES							
Instruction	\$ 32,027,010	\$ -	\$ 1,696,795	\$ -	\$ 30,330,215	\$ -	\$ 30,330,215
Support Services	15,091,776	-	1,809,522	-	13,282,254	-	13,282,254
Non-Instructional Services	830,691	-	181,692	-	648,999	-	648,999
Interest on Long-Term Debt	4,427,618	-	-	1,020,777	3,406,841	-	3,406,841
Unallocated Depreciation Expense	936,582	-	-	-	936,582	-	936,582
TOTAL GOVERNMENT ACTIVITIES	53,313,677	-	3,688,009	1,020,777	48,604,891	-	48,604,891
BUSINESS-TYPE ACTIVITIES							
Food Services	1,679,849	792,733	848,657	-	-	38,459	38,459
TOTAL PRIMARY GOVERNMENT	\$ 54,993,526	\$ 792,733	\$ 4,536,666	\$ 1,020,777	48,604,891	38,459	48,643,350
GENERAL REVENUES							
Property taxes, levied for general purposes					31,404,881	-	31,404,881
Earned Income Tax					2,095,371	-	2,095,371
Grants, Subsidies, and Contributions Not Restricted					16,171,189	-	16,171,189
Investment Earnings					108,722	486	109,208
Miscellaneous Income					578,419	-	578,419
Transfers					-	-	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS					50,358,582	486	50,359,068
CHANGE IN NET ASSETS					1,753,691	(37,973)	1,715,718
NET ASSETS - Beginning					45,678,054	1,955,964	47,634,018
NET ASSETS - Ending					\$ 47,431,745	\$ 1,917,991	\$ 49,349,736

See Notes to Financial Statements

**OXFORD AREA SCHOOL DISTRICT**

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**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012**

	<u>GENERAL FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>CAPITAL RESERVE FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 571,177	\$ 908	\$ 110,864	\$ 682,949
Investments	21,249,010	3,050,960	4,372,105	28,672,075
Accounts Receivables:				
Delinquent Taxes	1,993,736	-	-	1,993,736
Intergovernmental	346,210	-	-	346,210
Other Assets	21,350	-	-	21,350
<b>TOTAL ASSETS</b>	<u><u>\$ 24,181,483</u></u>	<u><u>\$ 3,051,868</u></u>	<u><u>\$ 4,482,969</u></u>	<u><u>\$ 31,716,320</u></u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 833,537	\$ -	\$ -	\$ 833,537
Salaries and Benefits Payable	1,868,568	-	-	1,868,568
Deferred Revenue	1,449,474	-	-	1,449,474
Due to Other Funds	-	-	-	-
Commitments/Contingencies	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u><u>4,151,579</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>4,151,579</u></u>
<b>FUND BALANCES</b>				
Non-Spendable	-	-	-	-
Restricted	-	3,051,868	4,482,969	7,534,837
Committed	14,280,358	-	-	14,280,358
Assigned	-	-	-	-
Unassigned	5,749,546	-	-	5,749,546
<b>TOTAL FUND BALANCE</b>	<u><u>20,029,904</u></u>	<u><u>3,051,868</u></u>	<u><u>4,482,969</u></u>	<u><u>27,564,741</u></u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>\$ 24,181,483</u></u>	<u><u>\$ 3,051,868</u></u>	<u><u>\$ 4,482,969</u></u>	<u><u>\$ 31,716,320</u></u>

OXFORD AREA SCHOOL DISTRICT

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RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

AS OF JUNE 30, 2012

**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS** \$ 27,564,741

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

Capital assets used in governmental activities are not financial resources  
and therefore are not reported as assets in governmental funds. The cost  
of the assets is \$133,721,020 and the accumulated depreciation is \$35,680,949. 98,040,071

Property taxes receivable will be collected this year, but are not available  
soon enough to pay for the current period's expenditures and therefore  
are deferred in the funds. 1,445,348

Allowance for doubtful accounts - taxes receivable (57,814)

Long-term liabilities, including bonds payable, are not due and payable in the  
current period and therefore are not reported as liabilities in the funds. Long-term  
liabilities at year end consist of:

Bonds Payable	(77,030,000)
Accrued Interest on Bonds	(1,217,000)
Compensated Absences	(410,753)

Other post-retirement employment benefits (OPEB) retiree benefits are viewed  
as a form of deferred compensation. As such, the benefits are treated as being  
earned over the working lifetime of the employee so that the cost is fully charged  
to operations by the earliest date of eligibility under the plan. (902,848)

**TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES** \$ 47,431,745

OXFORD AREA SCHOOL DISTRICT

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STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2012

	GENERAL	CAPITAL PROJECTS	CAPITAL RESERVE	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>				
Revenue from local sources:				
Real estate taxes	\$ 29,936,676	\$ -	\$ -	\$ 29,936,676
Interim taxes	107,286	-	-	107,286
Earned income taxes	2,095,371	-	-	2,095,371
Transfer taxes	358,221	-	-	358,221
Delinquent taxes	1,073,112	-	-	1,073,112
Earnings from investments	93,516	901	14,305	108,722
Other revenue/bond proceeds	760,111	10,000,000	-	10,760,111
Subtotal	34,424,293	10,000,901	14,305	44,439,499
State reimbursements	19,457,976	-	-	19,457,976
Federal reimbursements	1,240,307	-	-	1,240,307
<b>TOTAL REVENUES</b>	<b>55,122,576</b>	<b>10,000,901</b>	<b>14,305</b>	<b>65,137,782</b>
<b>EXPENDITURES</b>				
Instruction	30,660,689	-	-	30,660,689
Support services	14,051,115	-	-	14,051,115
Non-instructional services	830,691	-	-	830,691
Facilities acquisition, construction and improvement	-	21,827	954,635	976,462
Debt service	6,561,202	10,000,000	-	16,561,202
<b>TOTAL EXPENDITURES</b>	<b>52,103,697</b>	<b>10,021,827</b>	<b>954,635</b>	<b>63,080,159</b>
Excess of revenues or (expenditures)	3,018,879	(20,926)	(940,330)	2,057,623
Fund transfers	(421,213)	(338,245)	759,458	-
Excess of revenues or (expenditures and fund transfers)	2,597,666	(359,171)	(180,872)	2,057,623
<b>FUND BALANCE - July 1</b>	<b>17,432,238</b>	<b>3,411,039</b>	<b>4,663,841</b>	<b>25,507,118</b>
<b>FUND BALANCE - June 30</b>	<b>\$ 20,029,904</b>	<b>\$ 3,051,868</b>	<b>\$ 4,482,969</b>	<b>\$ 27,564,741</b>

See Notes to Financial Statements

**OXFORD AREA SCHOOL DISTRICT**

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**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2012**

**NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** **\$ 2,057,623**

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 as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital Outlays	975,046
Less: Depreciation Expense	(3,121,939)

Because some property taxes will not be collected for several months after the District's year end, they are not considered as "available" revenues in the governmental funds. Deferred revenues changed by this amount during the year (73,348)

Difference in yearly bad debt allowance 2,934

Issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, neither transaction has any effect on net assets. Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. The effect of these transactions in the statement of activities is shown below:

Issuance of bond proceeds	(10,000,000)
Repayment of bond principal	12,035,000

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest accrued in the statement of activities over the amount due is shown here 100,000

In the statement of activities, certain operating expenses-compensated absences (vacations and sick days) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used:

Compensated absences (vacations and sick days)	(13,546)
Other post-retirement employment benefits (OPEB)	(208,079)

**CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** **\$ 1,753,691**

OXFORD AREA SCHOOL DISTRICT

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STATEMENT OF NET ASSETS  
PROPRIETARY FUND - FOOD SERVICE

JUNE 30, 2012

ASSETS

Cash	\$ 96,424
Investments	562,725
Receivables	12,588
Inventory	20,109
Equipment	1,895,597
Less: Accumulated Depreciation	<u>(645,619)</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,941,824</u></b>

LIABILITIES AND NET ASSETS

LIABILITIES

Accrued Expenses	\$ 3,839
Deferred Income	19,994
<b>TOTAL LIABILITIES</b>	<b><u>23,833</u></b>

NET ASSETS

Invested in Capital Assets (Net)	1,249,978
Retained earnings	<u>668,013</u>
<b>TOTAL NET ASSETS</b>	<b><u>1,917,991</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,941,824</u></b>

See Notes to Financial Statements

OXFORD AREA SCHOOL DISTRICT

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STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - PROPRIETARY FUND

FOR THE YEAR ENDED JUNE 30, 2012

**REVENUES**

Sales	\$ 792,733
<b>TOTAL REVENUES</b>	<u>792,733</u>

**EXPENDITURES**

Food and Supplies	760,925
Wages and Benefits	890,470
Utilities	19,282
Maintenance	11,009
Depreciation	81,127
Miscellaneous	8,042
<b>TOTAL EXPENDITURES</b>	<u>1,770,855</u>

Operating Income before transfers (978,122)

Interest Income	486
Subsidies - Federal	826,341
Subsidies - State	<u>113,322</u>

**NET INCOME (LOSS)** (37,973)

**FUND BALANCES**

Beginning of year	<u>1,955,964</u>
End of year	<u>\$ 1,917,991</u>

See Notes to Financial Statements



OXFORD AREA SCHOOL DISTRICT

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STATEMENT OF CASH FLOWS  
PROPRIETARY FUND - FOOD SERVICE

FOR THE YEAR ENDED JUNE 30, 2012

	Proprietary Fund Type Food Service
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Users	\$ 792,733
Cash Payments for Expenses	(1,666,508)
	<u>(873,775)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
State Sources	115,100
Federal Sources	844,583
	<u>959,683</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of Equipment	<u>(6,772)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Earnings on Investments	486
Increase in Investments	(68,860)
	<u>(68,374)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	10,762
<b>CASH - BEGINNING OF YEAR</b>	<u>85,662</u>
<b>CASH - END OF YEAR</b>	<u>\$ 96,424</u>
<b>RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating Income (Loss)	<u>\$ (978,122)</u>
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR):</b>	
Depreciation and Net Amortization	81,127
(Increase) Decrease in Inventories	(304)
(Increase) Decrease in Other Current Assets	-
Increase (Decrease) in Liabilities	23,524
<b>TOTAL ADJUSTMENTS</b>	<u>104,347</u>
<b>CASH PROVIDED BY (USED FOR) TOTAL</b>	<u>\$ (873,775)</u>

There were no significant non-cash, non-cash investing, capital or financing activities during the reporting period.

See Notes to Financial Statements

OXFORD AREA SCHOOL DISTRICT

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STATEMENT OF NET ASSETS  
AGENCY FUNDS

JUNE 30, 2012

	Trust and Agency	Student Activity Funds
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 41,944	\$ 111,689
	<u>                    </u>	<u>                    </u>
<b>TOTAL ASSETS</b>	<u>\$ 41,944</u>	<u>\$ 111,689</u>
<b>LIABILITIES</b>		
Accrued Liabilities	\$ -	\$ 111,689
	<u>                    </u>	<u>                    </u>
<b>TOTAL LIABILITIES</b>	-	111,689
<b>NET ASSETS</b>	<u>41,944</u>	<u>-</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 41,944</u>	<u>\$ 111,689</u>

STATEMENT OF ACTIVITIES  
TRUST AND AGENCY FUND  
FOR THE YEAR ENDED JUNE 30, 2012

<b>INCOME</b>	\$ 23,897
<b>EXPENSES</b>	<u>13,615</u>
<b>NET INCOME</b>	<u>\$ 10,282</u>

## OXFORD AREA SCHOOL DISTRICT NOTES TO FINANCIAL STATEMENTS

The Oxford Area School District (the "District") was formed by state law and began operations on July 1, 1965. The District is located in Chester County and includes the Borough of Oxford, and the townships of Lower and Upper Oxford, East and West Nottingham, and Elk.

The District is a political subdivision of the Commonwealth of Pennsylvania created to assist in the administration of the General Assembly's duties under the Constitution of the Commonwealth to "provide for the maintenance and support of a thorough and efficient system of public education to serve the needs of the Commonwealth".

The District is governed by a board of nine school directors who are residents of the School District and who are elected every two years, on a staggered basis, for a four-year term. The Board of School Directors have the power and duty to establish, equip, furnish, and maintain a sufficient number of elementary, secondary and other schools necessary to educate every person residing in such District, between the ages of six and twenty-one years, who may attend.

The Superintendent is the chief administrative officer and chief instructional officer of the Board and the District and is responsible for the execution of all actions of the Board. Subject to the policies and direction of the Board, the Superintendent is responsible for the administration and operation of the public school system and oversees all matters pertaining to instruction. The Superintendent manages the District with the assistance of the Business Administrator, the Assistant Superintendent of Pupil Services and Personnel, the Assistant Superintendent of Curriculum and Instruction and the Building Principals.

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Oxford Area School District (the School District) have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles.

**Use of Estimates:** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affected the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Reporting Entity:** In evaluating the District as a reporting entity, management has addressed all potential component units for which the District may or may not be financially accountable, and as such, be includable within the District's financial statements. In accordance with GASB Statement No. 14, the District is financially accountable if it appoints a voting majority of the organization governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burden on the

## OXFORD AREA SCHOOL DISTRICT NOTES TO FINANCIAL STATEMENTS

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

District. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statement to be misleading or incomplete.

Based upon the application of these criteria, the District has determined it has no component units.

**Fund Accounting:** The accounts of the School District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent.

There are three major fund types and two account groups presented in this report. A brief description of each is presented below:

1. **Governmental Funds** – These funds are used to account for most of the District finances. The focus is on determination of the financial position and changes in financial position (current financial resources) rather than on income determination.

General Fund - The principal operating fund of the School District. It is used to account for all financial resources not accounted for and reported in another fund.

Capital Projects Fund - used to account for financial resources related to general fixed asset acquisitions, construction and improvements.

Capital Reserve Fund - accounts for maintenance projects under Section 2932 of the Code.

2. **Proprietary Fund** – This fund accounts for District activities that are similar to business operations in the private sector or where the reporting focus is on determining net income, financial position and changes in financial position. (Economic resources measurement focus). Proprietary funds apply Financial

Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Enterprise Fund - accounts for the operation of the Food Service Division.

**OXFORD AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

- 3. Fiduciary Funds** - These funds are used to account for assets held by the District as trustee or agent. The District excludes these activities from the District-wide financial statements because it cannot use those assets to finance its operations.

Private Purpose Trust Funds – Trust Funds are used to account for assets held by the School District in a trustee capacity. This fund accounts for various scholarship programs for students.

Agency Fund – This fund accounts for the receipts and disbursements of monies from student activity organizations. These organizations exist with the explicit approval and are subject to revocation of the District governing body. This accounting reflects the District's agency relationship with the student activity organizations.

**Basis of Presentation**

**Government-wide financial statements** (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District. As a general rule the effect of interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. In addition, program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Fund financial statements** are also provided in the report for all of the governmental funds, proprietary funds, and the fiduciary funds of the District. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are food

**OXFORD AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

service charges. Operating expenses for the District's enterprise fund include food production costs, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District reports the following major governmental funds:

The general fund is the District's primary operating fund. It accounts for all financial resources not accounted for and reported in another fund.

The capital projects fund accounts for financial resources that are used for the acquisition or construction of major capital equipment and facilities.

The capital reserve fund accounts for transfers from other funds and related investment earnings for capital outlays not accounted for in another fund.

**Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net assets (total assets less total liabilities) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net assets. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net assets.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are susceptible to accrual (both measurable and available.) Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state and other grants designated for payment of specific school district expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as deferred revenues until earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**OXFORD AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**Budgets and Budgetary Accounting**

An operating budget is adopted each year for the General Fund on a modified accrual basis of accounting.

The Pennsylvania School Code dictates specific procedures relative to adoption of the School District's budget and reporting of its financial statements, specifically:

- The School District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.
- The School District is required to publish notice by advertisement, at least once in two newspapers of general circulation in the municipality in which it is located, and within fifteen days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative office of the School District. Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least ten (10) days prior to when final action on adoption is taken by the Board.
- The Board of Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action. An affirmative vote of two-thirds of all members of the Board is required.
- Fund balances in Budgetary Funds may be appropriated based on resolutions passed by the Board of Education, which authorize the School District to make expenditures. Appropriations lapse at the end of the fiscal period.
- Included in the General Fund budget are program budgets as prescribed by the state and federal agencies funding the program. These budgets are approved on a program by program basis by the state or federal funding agency.
- Capital budgets are not implemented for capital improvements and capital projects in the Capital Projects Fund. An adopted budget is not presently required due to the fund's recent inception and the limited amount of transactions. Additionally, all transactions of the Capital Projects Fund are approved by the Board prior to commitment thereby constructively achieving budgetary control.
- An Enterprise Fund budget is not adopted; however, a formal budget is prepared and approved by management and expenditures are controlled on the basis of this budget.

**OXFORD AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**Receivables/Payables**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

**Cash and Temporary Investments**

Cash and temporary investments consist of cash, certificates of deposit and liquid asset funds.

Cash equivalents in the basic financial statements include all highly-liquid investments with an original maturity of three months or less.

**Inventories**

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

Inventories of the governmental funds, consisting principally of textbooks and instructional supplies, are not valued since it is the consistent policy of the District to charge these items to expense upon acquisition.

Inventories of the food service fund consisting of food and paper supplies are carried at cost, using the first-in, first-out method. Federal donated commodities are valued at their fair market value as determined by the U. S. Department of Agriculture at the date of donation.

**Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than \$5,000 as composite groups for financial reporting purposes. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.



**OXFORD AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
School buildings	40
Building improvements	20
Land improvements	40
Furniture	10
Vehicles	8
Equipment	3-10

Proprietary fund equipment purchases are capitalized in the proprietary fund at cost and depreciated on a straight-line basis over estimated useful lives (10 years).

**Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financial uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Net Assets and Fund Balance**

The following classifications describe the relative strength of the spending constraints:

**Nonspendable**-amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

## OXFORD AREA SCHOOL DISTRICT NOTES TO FINANCIAL STATEMENTS

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

**Restricted**-amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

**Committed**-amounts constrained to specific purposes by the School District itself, using its highest level of decision-making authority (the Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the School District takes the same highest level action to remove or change the constraint.

**Assigned**-amounts the School District intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.

**Unassigned**-amounts available for any purpose. Positive amounts are reported only in the General Fund.

The Board of Directors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the Board of Directors through adoption or amendment of the budget as intended for specific purposes (such as the purchase of fixed assets, construction, debt service, or for other purposes).

The School District will typically use Restricted fund balances 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.

In the general fund, the School District strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 8% of the actual GAAP basis expenditures and other financing sources and uses.

### NOTE 2 – FUND BALANCE

#### General Fund

The General Fund has an Unassigned Fund Balance of \$5,749,546 at June 30, 2012.

The General Fund has Committed Funds that consists of Reserve Accounts of \$14,280,358. The Reserve Accounts were authorized by resolution to set aside resources to fund anticipated expenditures as follows:

**OXFORD AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 – FUND BALANCE (Cont'd)**

Capital projects and outlays	\$ 998,329
Health costs	1,986,850
Retirement costs	6,629,232
Utility costs	350,000
Revenue shortfalls	<u>4,315,947</u>
TOTAL	<u>\$ 14,280,358</u>

**Other Major Funds**

The Capital Projects fund has restricted funds of \$3,051,868 at June 30, 2012, consisting primarily of unspent bond funds, and amounts for other capital outlays of \$4,482,969 in the Capital Reserve fund.

**NOTE 3 – REAL ESTATE TAXES**

Real estate taxes for the School District are collected by the District. The tax on real estate in Oxford for public school purposes for fiscal year 2012 was 29.5479 mills (per \$1,000 of assessed valuation) as levied by the Board. Assessed valuations of property are determined by Chester County and the elected tax collectors are responsible for collection. The schedule for real estate taxes levied for each fiscal year is as follows:

July 1	- Levy Date
July 1 - August 31	- 2% Discount Period
September 1 - October 31	- Face Payment Period
November 1 - January 14	- 10% Penalty Period
January 15	- Lien Date

The District, in accordance with generally accepted accounting principles, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by the administration. A portion of the net amount estimated to be collectible which was measurable and available within 60 days was recognized as revenue and the balance deferred in the fund financial statements.

Delinquent taxes receivable, less reserve, of the General Fund at June 30, 2012 were:

Real estate taxes receivable-all open years	\$ 1,658,292
Other taxes	1,673,883
Less reserve for uncollectibles	<u>( 1,396,254)</u>
Net	<u>\$ 1,935,921</u>

The deferred revenue balance in the General Fund of \$14,449,474 consists of deferred taxes of \$1,445,348 and deferred revenue from special grants of \$4,126.

**OXFORD AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 – GENERAL FIXED ASSETS**

The following schedule summarizes the General Fixed Assets Account Group at June 30:

	Balance <u>6/30/11</u>	<u>Additions/</u> <u>Deletions</u>	Balance <u>6/30/12</u>
Land	\$ 5,255,835	\$ -	\$ 5,255,835
Building & Improvements	121,074,338	881,071	121,955,409
Machinery & Equipment	<u>6,415,801</u>	<u>93,975</u>	<u>6,509,776</u>
	132,745,974	975,046	133,721,020
Accumulated Depreciation	<u>( 32,559,010)</u>	<u>( 3,121,939)</u>	<u>( 35,680,949)</u>
Net Capital Assets	<u>\$ 100,186,964</u>	<u>\$ ( 2,146,893)</u>	<u>\$ 98,040,071</u>

Proprietary Fund

Transactions of the Food Service Fund resulted in the following equipment balance:

	Balance - <u>Beginning</u>	<u>Additions/</u> <u>Deletions</u>	Balance - <u>Ending</u>
Equipment costs	\$ 1,888,825	\$ 6,772	\$ 1,895,597
Accumulated Depreciation	<u>(564,492)</u>	<u>( 81,127)</u>	<u>(645,619)</u>
Net Capital Assets	<u>\$ 1,324,333</u>	<u>\$ ( 74,355)</u>	<u>\$ 1,249,978</u>

**NOTE 5 – LONG-TERM DEBT OBLIGATIONS**

General Obligation Bonds, Series A & B of 2005,  
interest varies between 2.6% and 4.857%  
payable semi-annually, due June, 2022

\$ 36,895,000

General Obligation Bonds, Series C of 2007,  
interest varies (maximum 25%), 4.0% at  
June 30, payable monthly, due 8/1/2028

8,500,000

General Obligation Bonds, Series B of 2008,  
interest payable semi-annually, due 2/15/2026,  
interest varies between 2.35% and 4.375%.

4,750,000

General Obligation Bonds, Series of 2012,  
interest payable semi-annually, due 2/1/2028,  
interest varies between .8% and 3.0%.

10,000,000

**OXFORD AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 – LONG-TERM DEBT OBLIGATIONS (Cont'd)**

General Obligation Bonds, Series D of 2007,  
interest varies (maximum 25%), 4.0% at  
June 30, payable monthly, due 8/1/2025 13,785,000

General Obligation Note - Series of 2007A,  
interest payable monthly, variable rate, 4.5% at  
June 30, (maximum 25%), due 8/1/2023. 3,100,000  
\$ 77,030,000

Annual debt service requirements to maturity for general obligation bonds, including interest, are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 3,020,000	\$ 3,224,000	\$ 6,244,000
2014	3,360,000	3,226,000	6,586,000
2015	3,720,000	3,074,000	6,794,000
2016	3,885,000	2,915,000	6,800,000
2017	4,075,000	2,729,000	6,804,000
Thereafter	<u>58,970,000</u>	<u>15,638,000</u>	<u>74,608,000</u>
	<u>\$ 77,030,000</u>	<u>\$ 30,806,000</u>	<u>\$ 107,836,000</u>

The School District issued \$10,000,000 of General Obligation Bonds in 2012 to refund obligations of the District totaling \$8,865,000 which were redeemed.

**NOTE 6 – PENSION PLAN**

**Plan Description:**

The District contributes to a governmental cost-sharing multiple-employer defined pension plan administered by the Commonwealth of Pennsylvania Public School Employees Retirement System (PSERS). Benefit provisions of the plan are established under the provisions of the PSERS Code ("the Code") and may be amended by an act of the Pennsylvania State Legislature. The plan provides retirement, disability, and death benefits, legislatively mandated ad hoc cost-of-living adjustments, and healthcare insurance premium assistance to qualifying plan members and beneficiaries. It also provides for refunds of a member's accumulated contribution upon termination of a member's employment in the public school sector. PSERS issues a publicly available financial report that includes financial statements for the plan. That report may be obtained by writing to PSERS, PO Box 125, Harrisburg, PA 17108-0125.

**OXFORD AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 – PENSION PLAN (Cont'd)**

**Funding Policy:**

The contribution policy is set by the Code and requires contributions by active employees and by participating employers. Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class TC) or at 6.50% (Membership Class TD) of the member's qualifying compensation. Members joining PSERS on or after July 22, 1983 and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class TC) or at 7.50% (Membership Class TD) of the member's qualifying compensation. Members joining PSERS after June 30, 2001 contribute at 7.50% (automatic Membership Class TD). For all new hires and for members who elected Class TD membership, the higher contribution rates began with service rendered on or after January 1, 2002. Members joining PSERS after June 30, 2011 must elect between a shared risk contribution level of 7.5% to 9.5% (Membership Class TE), or a shared risk contribution level of 10.3% to 12.3% (Membership Class TF). The contribution level of these two shared risk membership classes may increase or decrease by 0.5% within the specified range once every three years, starting in July 1, 2015, based upon the performance of the fund's investment assets.

The contributions required of participating employers are based on an actuarial valuation and are expressed as a percentage of annual covered payroll during the period for which the amount is determined. Before July 1, 1995, the District and the Commonwealth shared the employer contribution equally. Since July 1, 1995, the District is required to pay the entire employer contribution rate and is reimbursed by the Commonwealth in an amount equal to the Commonwealth's share as determined by the income aid ratio (as defined in Act 29 of 1994), which is at least one-half of the total employer rate. For the fiscal year ended June 30, 2012, the rate of employer contributions was 8.65% of covered payroll. The District's contribution to PSERS for the year ended June 30, 2012 was \$1,757,160. That amount is equal to the required contribution for the year.

**NOTE 7 – CASH AND TEMPORARY INVESTMENTS**

Under Section 440.1 of the Public School Code of 1949, as amended, the School District is permitted to invest funds in the following types of investments:

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

**OXFORD AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 – CASH AND TEMPORARY INVESTMENTS (Cont'd)**

Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.

The deposit and investment policy of the District adheres to state statutes. The administration is not aware of any deposits or investment transactions during the year that were in violation of either state statutes or the policy of the District.

The breakdown of total cash and investments at June 30, 2012 is as follows:

Cash	\$ 779,373
Investments	<u>29,234,800</u>
	<u>\$ 30,014,173</u>

**Deposits:**

At year-end, the carrying amount (book value) of the District's deposits was \$779,373, and the bank balance was \$1,054,164 (bank balance does not include \$274,791 of reconciling items) at June 30, 2012. The entire bank balance was covered by federal depository insurance (category 1) or by collateral held by the District's agent in the agent's name (category 3).

Deposit categories of credit risk are as follows:

1. Insured or collateralized with securities held by the entity or by its agent in the entity's name.
2. Collateralized with securities held by the pledging financial institutions' trust department or agent in the entity's name.
3. Uncollateralized

The following is a schedule of the District's deposits at June 30, 2012 categorized by risk:

Deposits	1	Category 2	3	Bank Balance
Cash	<u>\$ 458,196</u>	<u>\$ 321,177</u>	<u>\$ -</u>	<u>\$ 779,373</u>
Invested at banks	<u>\$ 750,000</u>	<u>\$ -</u>	<u>\$12,244,188</u>	<u>\$12,994,188</u>

**Investments:**

In general, all government's investments are categorized as either (1) insured or registered for which the securities are held by the government or its agent in the government's name, (2) uninsured and unregistered for which the securities are held by the broker's or

**OXFORD AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 – CASH AND TEMPORARY INVESTMENTS (Cont'd)**

dealer's trust department or agent in the government's name or (3) uninsured and unregistered for which the securities are held by the broker or dealer, or by its trust department or agency, but not in the government's name. Investments, which can be categorized, are summarized as follows:

	Category			Market Value
	1	2	3	
PSDLAF/PLGIT	\$ -	\$ -	\$ 16,240,612	\$ 16,240,612

Interest Rate Risk

The District does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30 2012, the District's investments were rated as:

Investment	Standard & Poor's
PA Local Government Investment Trust	AAA
PA School District Liquid Asset Fund	AAA

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. More than 5 percent of the District's investments are in PLGIT and PSDLAF.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The District has no investment subject to custodial credit risk.

**NOTE 8 – CAPITAL PROJECTS FUND BALANCE**

The Fund Balance in the Capital Projects Fund represents unexpended but appropriated amounts for construction in progress at that date.



**OXFORD AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 – OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES**

Generally accepted accounting principles require disclosure, as part of the Combined Financial Statements, of certain information concerning individual funds as follows:

- a. No funds have a deficit fund balance at June 30, 2012
- b. There were no interfund receivables and payables at June 30, 2012.

**NOTE 10 – COMPENSATED ABSENCES**

The District allows employees to accumulate some unused vacation and sick days. As of June 30, 2012 liability for accrued vacation and sick leave is approximately \$411,000.

**NOTE 11 – CONTINGENT LIABILITIES AND SUBSEQUENT EVENTS**

Grant Programs

The School District participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The School District is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Litigation

In the normal course of operations, the School District is involved in various civil disputes regarding property tax appeals. Management is of the opinion that any unfavorable outcome resulting from these actions would not have material effect on the School District's financial position.

**NOTE 12 – RENT AGREEMENT**

The District entered into a rent income agreement with Brandywine River Valley Home, Health, & Hospice and STS, Inc. for excess office space at a combined yearly rate of \$78,921.

**NOTE 13- POST EMPLOYMENT HEALTHCARE PLAN**

Plan description – The School District is providing a retiree medical program for employees who meet the eligibility requirements upon retirement. Under GASB 45, retiree benefits are viewed as a form of deferred compensation. As such, the benefits are treated as being earned over the working lifetime of the employee so that the cost is fully charged to operations by the earliest date of eligibility under the plan. A plan report is available at the District office.

**OXFORD AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 13- POST EMPLOYMENT HEALTHCARE PLAN (Cont'd)**

**Funding Policy** – The required contribution is based on projected pay as you go financing requirements. For the current fiscal year, the District contributed \$204,611.

**Annual OPEB Cost and Net OPEB Obligation** – The District's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to EHP:

Annual required contribution	\$ 422,196
Interest on net OPEB obligation	14,601
Adjustment to annual required contribution	<u>24,107</u>
Annual OPEB cost	412,690
Contributions made	<u>(204,611)</u>
Increase in net OPEB obligation	208,079
Net OPEB obligation—beginning of year	<u>694,769</u>
Net OPEB obligation—end of year	<u><u>\$ 902,848</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/12	\$ 412,690	49.6%	\$ 208,079

**Funded Status and Funding Progress** – This is a pay as you go plan; no assets are being set aside for the plan.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**OXFORD AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 13- POST EMPLOYMENT HEALTHCARE PLAN (Cont'd)**

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the actuarial valuation, the unit credit actuarial cost method was used. The actuarial assumptions included a 3 percent discount rate. The UAAL is being amortized as a level dollar amount over 30 years.

**REQUIRED SUPPLEMENTAL INFORMATION**

**OXFORD AREA SCHOOL DISTRICT**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2012

	Budget		Actual	Favorable (Unfavorable) Variance to Final Budget
	Original	Final		
<b>REVENUES</b>				
Local sources:				
Real estate taxes	\$ 29,874,801	\$ 29,874,801	\$ 29,936,676	\$ 61,875
Interim real estate	200,000	200,000	107,286	(92,714)
Earned income tax	1,974,093	1,974,093	2,095,371	121,278
Real estate transfers	328,000	328,000	358,221	30,221
Delinquent taxes	1,300,000	1,300,000	1,073,112	(226,888)
Interest on investments	190,000	190,000	93,516	(96,484)
Miscellaneous	503,414	503,414	760,111	256,697
Total local sources	34,370,308	34,370,308	34,424,293	53,985
State sources	18,909,057	18,909,057	19,457,976	548,919
Federal sources	1,025,646	1,025,646	1,240,307	214,661
<b>TOTAL REVENUES</b>	<u>54,305,011</u>	<u>54,305,011</u>	<u>55,122,576</u>	<u>817,565</u>
<b>EXPENDITURES</b>				
Instruction	32,197,250	32,087,246	30,660,689	1,426,557
Support services	15,355,346	15,553,940	14,051,115	1,502,825
Non-instructional services	882,446	893,856	830,691	63,165
Debt service/Reserve	6,926,593	6,826,593	6,561,202	265,391
<b>TOTAL EXPENDITURES</b>	<u>55,361,635</u>	<u>55,361,635</u>	<u>52,103,697</u>	<u>3,257,938</u>
Excess (Deficiency) of revenue	(1,056,624)	(1,056,624)	3,018,879	4,075,503
Interfund transfers	-	-	(421,213)	(421,213)
	<u>(1,056,624)</u>	<u>(1,056,624)</u>	<u>2,597,666</u>	<u>3,654,290</u>
<b>FUND BALANCES</b>				
Beginning	14,198,006	14,198,006	17,432,238	3,234,232
End of Year	<u>\$ 13,141,382</u>	<u>\$ 13,141,382</u>	<u>\$ 20,029,904</u>	<u>\$ 6,888,522</u>

See Notes to Financial Statements

**OXFORD AREA SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR/PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING/ ENDING DATES	PROGRAM OR AWARD AMOUNT	TOTAL RECEIVED FOR YEAR	ACCURED OR (DEFERRED) REVENUE AT JULY 1	REVENUE RECOGNIZED	EXPENDITURES	ACCURED OR (DEFERRED) REVENUE AT JUNE 30
<b>US DEPARTMENT OF EDUCATION</b>										
<b>PASSED THROUGH THE PENNSYLVANIA DEPARTMENT OF EDUCATION:</b>										
<b>TITLE I CLUSTER</b>										
TITLE I	I	84.010	13-11-0315	08/17/10-09/30/11	\$	442,510	\$ 126,082	\$	66,896	\$ -
TITLE I	I	84.010	13-12-0315	07/01/11-09/30/12		426,297	289,028		405,810	116,782
TITLE I	I	84.010	13-10-0315	07/01/09-09/30/10		447,574	(654)		654	-
TITLE I-IMPROV-SET ASIDE	I	84.010	42-10-0315	06/01/10-09/30/11		64,466	(3,361)		1,982	(1,379)
SUBTOTAL						1,380,847	415,110		475,342	115,403
ARRA-ED JOBS	I	84.410A	140-139267	08/10/10-09/30/11		13,078	-		13,078	13,078
ARRA-TITLE I SCH IMPROV	I	84.389	134-10-0315	06/01/10-09/30/11		44,734	(4,353)		4,353	-
SUBTOTAL ARRA						57,812	(4,353)		17,431	13,078
SUBTOTAL OF TITLE I CLUSTER						1,438,659	415,110		492,773	128,481
<b>TITLE II-IMPR. TEACHER QUAL.</b>										
TITLE II-IMPR. TEACHER QUAL.	I	84.367	20-10-0315	07/01/11-09/30/12		102,116	88,907		100,123	11,216
SUBTOTAL	I	84.367	20-09-0315	08/17/10-09/30/11		124,402	34,785		2,854	-
						226,518	123,692		102,977	11,216
<b>TITLE III-LANG. INST.</b>										
TITLE III-LANG. INST.	I	84.365	10-08-0315	08/17/10-09/30/11		79,291	50,973		65,178	2,976
TITLE III-LANG. INST.	I	84.365	10-09-0315	07/01/11-09/30/12		94,491	19,630		8,092	(11,538)
TITLE III-LANG. INST.	I	84.365	10-10-0315	07/01/09-09/30/10		73,606	29,833		6,361	-
SUBTOTAL						247,388	100,436		79,631	(8,562)
<b>ARRA-BASIC EDUCATION</b>										
ARRA-BASIC EDUCATION	I	84.394	126-11-0315	07/01/10-06/30/11		1,424,938	118,745		-	-
SUBTOTAL OF PDE						3,337,503	757,983		675,381	131,135
<b>IDEA-619</b>										
IDEA	I	84.027	131-11-0024	07/01/11-06/30/12		3,717	3,717		3,717	-
IDEA	I	84.027	62-12-0024	07/01/11-06/30/12		453,068	372,869		453,068	80,199
IDEA	I	84.027	62-11-0024	07/01/10-06/30/11		514,306	35,570		7,786	-
SUBTOTAL						971,091	412,156		464,571	80,199
ARRA-IDEA	I	84.391A	128-10-0024	02/17/09-09/30/11		750,398	-		9,793	-
SUBTOTAL OF IDEA CLUSTER						1,721,489	412,156		474,364	80,199
TOTAL US DEPT. OF EDUCATION						5,058,992	1,170,139		1,149,745	211,334
<b>OTHER</b>										
DPW MEDICAL ASSISTANCE	I	93.778	-	07/01/10-06/30/11		41,341	22,885		-	-
DPW MEDICAL ASSISTANCE	I	93.778	-	07/01/11-06/30/12		90,562	-		90,562	16,704
SUBTOTAL						131,903	22,885		90,562	16,704
<b>US DEPT. OF AGRICULTURE</b>										
<b>PASSED THROUGH THE PENNSYLVANIA DEPARTMENT OF EDUCATION:</b>										
AFTER SCHOOL SNACKS	I	10.555	N/A	07/01/11-06/30/12		N/A	2,612		2,612	-
AFTER SCHOOL SNACKS	I	10.555	N/A	07/01/10-06/30/11		N/A F	100		-	-
FOOD NUTRITION LUNCH	I	10.555	N/A	07/01/11-06/30/12		N/A F	569,471		577,899	8,428
FOOD NUTRITION LUNCH	I	10.555	N/A	07/01/10-06/30/11		N/A F	22,935		-	-
SUBTOTAL						595,118	23,035		580,511	8,428
FOOD NUTRITION BREAKFAST	I	10.553	N/A	07/01/11-06/30/12		N/A F	151,599		154,824	3,225
FOOD NUTRITION BREAKFAST	I	10.553	N/A	07/01/10-06/30/11		N/A F	6,860		-	-
SUBTOTAL						158,459	6,860		154,824	3,225
VALUE OF USDA DONATED COMM.	I	10.555	N/A	07/01/10-06/30/11		N/A	-		-	-
TOTAL DEPT. OF AGR. FOOD CLUSTER						92,186	(5,736)		91,006	(6,916)
						845,763	24,159		826,341	4,737
<b>TOTAL FEDERAL ASSISTANCE</b>						\$ 2,112,645	\$ 278,772		\$ 2,066,648	\$ 232,775

**FOOTNOTES:**

- A) Commodities received from Department of Agriculture  
B) Beginning Inventory at July 1  
C) Total amount of Commodities used  
D) Ending Inventory at June 30  
\* Selected for testing

**SOURCE CODES:**

- D=Direct Funding  
I=Indirect Funding  
F=Federal Share

Test of 25% rule  
Food Cluster

Total Federal Expenditure

\$ 826,341  
2,066,648  
39.98%

**OXFORD AREA SCHOOL DISTRICT****NOTES TO SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2012****NOTE - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Oxford Area School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirement of OMB Circular A-133, Audits of States, Local Government, and Non-Profit Organizations. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.



UMBREIT  
KORENGEL  
& ASSOCIATES, P.C.  
Certified Public Accountants

Timothy D. Umbreit, CPA  
Bonnie W. Korengel, CPA

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

TO THE BOARD OF SCHOOL DIRECTORS  
OXFORD AREA SCHOOL DISTRICT  
OXFORD, PENNSYLVANIA

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Oxford Area School District as of and for the year ended June 30, 2012, which collectively comprise the Oxford Area School District's basic financial statements and have issued our report thereon dated August 29, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Oxford Area School District's internal control over financial reporting as a basis for designing our auditing procedures 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 Oxford Area School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Oxford Area School District's internal control over financial reporting.

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



Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Board of School Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Umbreit, Krengel & Associates, P.C.*

August 29, 2012  
Kennett Square, Pennsylvania



UMBREIT  
KORENGEL  
& ASSOCIATES, P.C.  
Certified Public Accountants

Timothy D. Umbreit, CPA  
Bonnie W. Korengel, CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO THE BOARD OF SCHOOL DIRECTORS  
OXFORD AREA SCHOOL DISTRICT  
OXFORD, PENNSYLVANIA

Compliance

We have audited the compliance for Oxford Area School District, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2012. Oxford Area School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Oxford Area School District's management. Our responsibility is to express an opinion on Oxford Area School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Oxford Area School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Oxford Area School District's compliance with those requirements.

In our opinion, Oxford Area School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

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### Internal Control Over Compliance

Management of Oxford Area School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Oxford Area School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Oxford Area School District's internal control over compliance.

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

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

This report is intended solely for the information and use of management, the Board of School Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Umbreit, Krengel & Associates, P.C.*

August 29, 2012  
Kennett Square, Pennsylvania

# OXFORD AREA SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2012

### SUMMARY OF AUDITOR'S RESULTS

#### Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
<ul style="list-style-type: none"> <li>Material weakness identified?</li> </ul>	No
<ul style="list-style-type: none"> <li>Significant deficiency identified that are not considered to be material weaknesses?</li> </ul>	None reported
Noncompliance material to financial statements noted?	No

#### Federal Awards

Internal control over major programs:	
<ul style="list-style-type: none"> <li>Material weakness identified?</li> </ul>	No
<ul style="list-style-type: none"> <li>Significant deficiency identified?</li> </ul>	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No
Identification of major program:	
<u>CFDA Number</u> 10.553/10.555	<u>Name of Federal Program or Cluster</u> FOOD CLUSTER
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes
Findings – Prior Financial Statements Audit	None
Findings and Questioned Costs – Prior Major Federal Award Programs Audit	None