



OXFORD AREA SCHOOL DISTRICT

**BASIC FINANCIAL STATEMENTS
AND SINGLE AUDIT REPORT**

FOR THE YEAR ENDED JUNE 30, 2013

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OXFORD AREA SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, Oxford, PA as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the school district's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Oxford Area School District, Oxford, PA as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 – 12 and 41 - 48 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Oxford Area School District's basic financial statements. The 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 basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 29, 2013, 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 in considering Oxford Area School District's internal control over financial reporting and compliance.

Umbreit, Krengel & Associates, P.C.

August 29, 2013
Kennett Square, Pennsylvania

OXFORD AREA SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2013

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, 2013. 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 2012-2013 fiscal year. Total net assets increased 2.62% over the course of the year to \$50,644,212.
- The District's total revenues increased by \$1,328,731 or 2.34%.
- The total cost of all programs and services rose to \$56,743,499 or 3.18%.
- The net assets of business-type activities – food services – decreased 3.00% this year. Revenues increased 8.74% to \$1,785,458 and expenses increased 9.71% to \$1,843,028; maintaining an unrestricted fund balance of \$686,390.
- At June 30, 2013, the District had \$136,722,433 invested in a broad range of capital assets, including land, school buildings, administrative offices, athletic facilities, furniture and equipment.

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.

Major Features of the District-wide and Fund Financial Statements				
	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"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
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, 2013, than they were the previous year. Total net assets increased 2.62% over the course of the year to \$50,644,212. The following table presents condensed financial information for the net assets of the District as of June 30, 2013 and June 30, 2012.

Condensed Statement of Net Assets						
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and Other Assets	\$30,348,865	\$31,658,506	\$716,172	\$691,846	\$31,065,037	\$32,350,352
Capital Assets	96,329,232	98,040,071	1,174,031	1,249,978	97,503,263	99,290,049
Total Assets	<u>\$126,678,097</u>	<u>\$129,698,577</u>	<u>\$1,890,203</u>	<u>\$1,941,824</u>	<u>\$128,568,300</u>	<u>\$131,640,401</u>
Long-term Debt Outstanding	\$70,418,587	\$75,323,601			\$70,418,587	\$75,323,601
Current Liabilities	7,475,719	6,943,231	\$29,782	\$23,833	7,505,501	6,967,064
Total Liabilities	<u>\$77,894,306</u>	<u>\$82,266,832</u>	<u>\$29,782</u>	<u>\$23,833</u>	<u>\$77,924,088</u>	<u>\$82,290,665</u>
Net Assets						
Invested in Capital Assets, Net	\$24,134,232	\$21,010,071	\$1,174,031	\$1,249,978	\$25,308,263	\$22,260,049
Restricted	4,398,813	7,534,837			4,398,813	7,534,837
Unrestricted	20,250,746	18,886,837	\$686,390	\$668,013	20,937,136	19,554,850
Total Net Assets	<u>\$48,783,791</u>	<u>\$47,431,745</u>	<u>\$1,860,421</u>	<u>\$1,917,991</u>	<u>\$50,644,212</u>	<u>\$49,349,736</u>

The restricted net assets in the amount of \$4,398,813 are set aside to fund future capital improvements. The unrestricted net assets in the amount \$20,937,136 include \$4,315,948 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 \$8,977,177. 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 increased by \$1,328,731 or 2.34%. Property taxes and other taxes levied for general purposes accounted for most of the District's revenue in the amount of \$34,734,165 or 59.85%. The property tax rate was raised .5 mills to offset a potential decline in the District's property tax collection due to a third year of larger than normal assessment appeals. Another \$16,603,890 or 28.61% came from state and federal formula aid such as the state basic education subsidy and federal program subsidies-Title I, II and III. The remainder, \$6,699,920 or 11.54% came from several sources. \$4,452,719 of the revenue came from operating grants such as the special education, student transportation and food service subsidies. \$530,665 came from earnings on investments, federal IDEA pass through revenue and rental income. \$917,754 was from debt service reimbursements and \$798,581 was fees charged by food service for student and staff meals along with catering services.

The total cost of all programs and services rose to \$56,743,499 or 3.18%. The District's expenses are predominately related to instructing, caring for (support services and operation of school facilities) and transporting students, which represents 86.53% or \$49,102,823 of total expenses. Total revenues exceeded total expenses, which produced an increase in net assets of \$1,294,476 over the past year.

Changes in Net Assets from Operating Results						
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues						
Charges for Services			\$798,581	\$792,733	\$798,581	\$792,733
Operating Grants and Contributions	\$3,466,043	\$3,688,009	986,676	848,657	4,452,719	4,536,666
Capital Grants and Contributions	917,754	1,020,777			917,754	1,020,777
General Revenues						
Property Taxes and other taxes levied for general purposes	34,734,165	33,500,252			34,734,165	33,500,252
Grants and Contributions not restricted	16,603,890	16,171,189			16,603,890	16,171,189
Other	530,665	687,141	201	486	530,866	687,627
Total Revenues	\$56,252,517	\$55,067,368	\$1,785,458	\$1,641,876	\$58,037,975	\$56,709,244
Expenses:						
Instruction	\$33,774,764	\$32,027,010			\$33,774,764	\$32,027,010
Support Services	15,328,059	15,091,776			15,328,059	15,091,776
Non-Instructional Services	774,051	830,691			774,051	830,691
Other	5,023,597	5,364,200	1,843,028	1,679,849	6,866,625	7,044,049
Total Expenses	\$54,900,471	\$53,313,677	\$1,843,028	\$1,679,849	\$56,743,499	\$54,993,526
Increase(Decrease) in Net Assets	\$1,352,046	\$1,753,691	(\$57,570)	(\$37,973)	\$1,294,476	\$1,715,718

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 3.93% to \$50,516,674.

Net Cost of Governmental Activities						
	Total Cost of Services		% Change 2012-13	Net Cost of Services		% Change 2012-13
	2013	2012		2013	2012	
Instruction	\$33,774,764	\$32,027,010	5.46%	\$32,079,580	\$30,330,215	5.77%
Support Services	15,328,059	15,091,776	1.57%	13,774,372	13,282,254	3.71%
Non-Instructional Services	774,051	830,691	-6.82%	556,879	648,999	-14.19%
Other	5,023,597	5,364,200	-6.35%	4,105,843	4,343,423	-5.47%
Total	\$54,900,471	\$53,313,677	2.98%	\$50,516,674	\$48,604,891	3.93%

Financial Analysis of the District's Funds

At the end of fiscal year 2013, governmental funds had total fund balances of \$25,953,342. During 2012-2013 the net change in governmental fund balances decreased by \$1,611,399 or 5.85%. The decline was the result of a planned prepayment of future debt service totaling \$3,145,000. As previously mentioned \$4,398,813 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 \$10,897,053. \$4,315,948 was set aside to cover unanticipated future revenue shortfalls and \$6,341,528 is available to fund next year's operations and 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 \$2,179,043 of fund balance from the previous year. The difference in the 2012-2013 revenues and expenses compared to the budget resulted in an overall favorable variance of \$3,703,668. The variance was due to a combination of factors. \$462,107 of additional revenue from Earned Income taxes; \$334,473 of additional state revenue from operating subsidies for Special Education (\$148,389) and Accountability Block Grant (\$186,084); and \$201,181 of additional federal funds through Title I resulted in \$997,761 additional revenue. Variable interest rates on debt service payments and refunding resulting in a savings of \$509,576; a change to the charter school tuition formula from budget to actual expenditures resulting in a savings of \$492,968; and the successful management of health insurance through a self-insured program resulting in a savings of \$1,703,363 produced a total savings of \$2,705,907.

Since total revenues exceeded total expenditures in 2012-2013 by \$1,524,625, the District was able to commit additional funds towards foreseen and unforeseen financial issues. An additional \$921,607 was committed to Capital Reserve to fund future capital projects and \$11,035 was committed for unanticipated medical claims. The balance, \$591,982, remained in the General Fund's unassigned fund balance, bringing it to \$6,341,528 or 7.75% of anticipated expenditures after the planned utilization of \$1,799,183 to fund next year's operations.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2013, the District had \$136,722,433 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 \$1,105,816 or 0.82% from last year. The increase is attributed to the maintenance of school facilities. Total depreciation expense for the year amounted to \$2,892,601. The following schedule depicts the change in capital assets for the period July 1,

2012 through June 30, 2013. More detailed information about capital assets can be found in the notes to the financial statements.

	Governmental Activities		Capital Assets Business-Type Activities		Total Activities		% Change 2012-13
	2013	2012	2013	2012	2013	2012	
Land	\$5,255,835	\$5,255,835			\$5,255,835	\$5,255,835	0.00%
Building & Building Improvements	122,922,209	121,931,661			122,922,209	121,931,661	0.81%
Fixtures & Equipment	6,430,476	6,509,776	1,897,657	1,895,597	8,328,133	8,405,373	-0.92%
Construction in Progress	216,255	23,748			216,255	23,748	100.00%
Total	<u>\$134,824,776</u>	<u>\$133,721,020</u>	<u>\$1,897,657</u>	<u>\$1,895,597</u>	<u>\$136,722,433</u>	<u>\$135,616,617</u>	<u>0.82%</u>

Long-term Debt

As of June 30, 2013, the District had \$72,195,000 in general obligation bonds and other long-term debt outstanding, a decrease of \$4,835,000 over last year. The School District issued \$9,700,000 of new debt in 2013 to refund obligations totaling \$8,370,000 which were redeemed. Along with its annual debt service payments totaling \$3,020,000, the District prepaid \$3,145,000 with savings from the previously mentioned refund and unspent capital borrowings. 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
	2013	2012	2012-13	2012-13
General Obligation Bonds	<u>\$72,195,000</u>	<u>\$77,030,000</u>	<u>(\$4,835,000)</u>	<u>-6.28%</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, 2013 marked the expiration of the current three-year classified employee's contract with the secretarial/clerical staff. As of November 30, 2013 a contract is still being negotiated with Teamsters Local 384.
- June 30, 2014 will mark the expiration of the current four-year teacher's contract. The economic package (salaries and fringe benefits) during the final year provides for a 3.5% annual increase in salaries and includes employee contributions for health care costs.
- June 30, 2017 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 4 years provides for an annual increase equal to the Act 1 index or 1.7%, whichever is greater 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 2012-13 at 12.36% of eligible wages. Employer contribution rates are expected to rise to 16.93% in 2013-14, 21.31% in 2014-15 and 25.80% in 2015-16. Starting in 2019-20 rates are expected to climb to 30%. This increase will result in an additional expenditure of \$4,500,000 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 expecting this to stabilize going forward due to the fact that most residential home owners have already appealed their assessment. 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

**STATEMENT OF NET POSITION
AS OF JUNE 30, 2013**

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 376,727	\$ 97,337	\$ 474,064
Investments	27,324,002	630,199	27,954,201
Taxes Receivable, Net	2,113,746	-	2,113,746
Internal Balances	55,521	(55,521)	-
Intergovernmental Receivables	454,619	21,704	476,323
Inventory	24,250	22,453	46,703
TOTAL CURRENT ASSETS	<u>30,348,865</u>	<u>716,172</u>	<u>31,065,037</u>
NON-CURRENT ASSETS			
Land	5,255,835	-	5,255,835
Building and Building Improvements	122,922,209	-	122,922,209
Fixtures and Equipment	6,646,731	1,897,657	8,544,388
Less: Accumulated Depreciation	(38,495,543)	(723,626)	(39,219,169)
TOTAL NON-CURRENT ASSETS	<u>96,329,232</u>	<u>1,174,031</u>	<u>97,503,263</u>
TOTAL ASSETS	<u>\$ 126,678,097</u>	<u>\$ 1,890,203</u>	<u>\$ 128,568,300</u>
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts Payable	\$ 770,648	\$ 7,679	\$ 778,327
Accrued Salaries and Benefits	2,255,070	-	2,255,070
Accrued Interest	1,081,000	-	1,081,000
Current Portion of Long-Term Obligations	3,365,000	-	3,365,000
Unearned Revenue	4,001	22,103	26,104
TOTAL CURRENT LIABILITIES	<u>7,475,719</u>	<u>29,782</u>	<u>7,505,501</u>
NON-CURRENT LIABILITIES			
Bonds Payable	68,830,000	-	68,830,000
Other Post Employment Benefits	1,139,720	-	1,139,720
Long-Term Portion of Compensated Absences	448,867	-	448,867
TOTAL NON-CURRENT LIABILITIES	<u>70,418,587</u>	<u>-</u>	<u>70,418,587</u>
TOTAL LIABILITIES	<u>77,894,306</u>	<u>29,782</u>	<u>77,924,088</u>
NET POSITION			
Net Invested in Capital Assets	24,134,232	1,174,031	25,308,263
Restricted	4,398,813	-	4,398,813
Unrestricted	20,250,746	686,390	20,937,136
TOTAL NET POSITION	<u>48,783,791</u>	<u>1,860,421</u>	<u>50,644,212</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 126,678,097</u>	<u>\$ 1,890,203</u>	<u>\$ 128,568,300</u>

See Notes to Financial Statements

OXFORD AREA SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

FUNCTIONS/PROGRAMS	Program Revenues				Net Expense/Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES							
Instruction	\$ 33,774,764	\$ -	\$ 1,695,184	\$ -	\$ 32,079,580	\$ -	\$ 32,079,580
Support Services	15,328,059	-	1,553,687	-	13,774,372	-	13,774,372
Non-Instructional Services	774,051	-	217,172	-	556,879	-	556,879
Interest on Long-Term Debt	4,179,219	-	-	917,754	3,261,465	-	3,261,465
Unallocated Depreciation Expense	844,378	-	-	-	844,378	-	844,378
TOTAL GOVERNMENT ACTIVITIES	54,900,471	-	3,466,043	917,754	50,516,674	-	50,516,674
BUSINESS-TYPE ACTIVITIES							
Food Services	1,843,028	798,581	986,676	-	-	57,771	57,771
TOTAL PRIMARY GOVERNMENT	\$ 56,743,499	\$ 798,581	\$ 4,452,719	\$ 917,754	50,516,674	57,771	50,574,445
GENERAL REVENUES							
Property taxes, levied for general purposes					32,292,058	-	32,292,058
Earned Income Tax					2,442,107	-	2,442,107
Grants, Subsidies, and Contributions Not Restricted					16,603,890	-	16,603,890
Investment Earnings					124,424	201	124,625
Miscellaneous Income					406,241	-	406,241
Transfers					-	-	-
TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS					51,868,720	201	51,868,921
CHANGE IN NET POSITION					1,352,046	(57,570)	1,294,476
NET POSITION - Beginning					47,431,745	1,917,991	49,349,736
NET POSITION - Ending					\$ 48,783,791	\$ 1,860,421	\$ 50,644,212

See Notes to Financial Statements

OXFORD AREA SCHOOL DISTRICT

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2013

	GENERAL FUND	CAPITAL PROJECTS FUND	CAPITAL RESERVE FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and Cash Equivalents	\$ 267,914	\$ 3,071	\$ 105,742	\$ 376,727
Investments	23,034,002	-	4,290,000	27,324,002
Accounts Receivable:				
Delinquent Taxes	2,170,655	-	-	2,170,655
Intergovernmental	454,619	-	-	454,619
Other Assets	24,250	-	-	24,250
Due From Other Funds	55,521	-	-	55,521
TOTAL ASSETS	<u>\$ 26,006,961</u>	<u>\$ 3,071</u>	<u>\$ 4,395,742</u>	<u>\$ 30,405,774</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 770,648	\$ -	\$ -	\$ 770,648
Salaries and Benefits Payable	2,255,070	-	-	2,255,070
Unearned Revenue	1,426,714	-	-	1,426,714
Commitments/Contingencies	-	-	-	-
TOTAL LIABILITIES	<u>4,452,432</u>	<u>-</u>	<u>-</u>	<u>4,452,432</u>
FUND BALANCES				
Non-Spendable	-	-	-	-
Restricted	-	3,071	4,395,742	4,398,813
Committed	15,213,001	-	-	15,213,001
Assigned	-	-	-	-
Unassigned	6,341,528	-	-	6,341,528
TOTAL FUND BALANCES	<u>21,554,529</u>	<u>3,071</u>	<u>4,395,742</u>	<u>25,953,342</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 26,006,961</u>	<u>\$ 3,071</u>	<u>\$ 4,395,742</u>	<u>\$ 30,405,774</u>

See Notes to Financial Statements

OXFORD AREA SCHOOL DISTRICT

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

AS OF JUNE 30, 2013

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 25,953,342
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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 \$134,824,775 and the accumulated depreciation is \$38,495,543.	96,329,232
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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.	1,422,713
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Allowance for doubtful accounts - taxes receivable	(56,909)
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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	(72,195,000)
Accrued Interest on Bonds	(1,081,000)
Compensated Absences	(448,867)

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.	<u>(1,139,720)</u>
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TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u><u>\$ 48,783,791</u></u>
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See Notes to Financial Statements

OXFORD AREA SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2013

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>CAPITAL RESERVE</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES				
Revenue from local sources:				
Real estate taxes	\$ 30,398,098	\$ -	\$ -	\$ 30,398,098
Interim taxes	472,119	-	-	472,119
Earned income taxes	2,442,107	-	-	2,442,107
Transfer taxes	353,408	-	-	353,408
Delinquent taxes	1,090,163	-	-	1,090,163
Earnings from investments	99,953	706	23,765	124,424
Other revenue	564,900	-	58,513	623,413
Subtotal	<u>35,420,748</u>	<u>706</u>	<u>82,278</u>	<u>35,503,732</u>
State reimbursements	19,580,616	-	-	19,580,616
Federal reimbursements	1,189,899	-	-	1,189,899
TOTAL REVENUES	<u>56,191,263</u>	<u>706</u>	<u>82,278</u>	<u>56,274,247</u>
EXPENDITURES				
Instruction	32,394,421	-	-	32,394,421
Support services	14,365,245	-	-	14,365,245
Non-instructional services	774,051	-	-	774,051
Facilities acquisition, construction and improvement	-	-	1,201,710	1,201,710
Debt service	9,150,219	-	-	9,150,219
TOTAL EXPENDITURES	<u>56,683,936</u>	<u>-</u>	<u>1,201,710</u>	<u>57,885,646</u>
Excess of revenues or (expenditures)	(492,673)	706	(1,119,432)	(1,611,399)
OTHER FINANCING SOURCES (USES)				
Fund transfers	2,017,298	(3,049,503)	1,032,205	-
Issuance of bonds	-	9,700,000	-	9,700,000
Payments of refunded debt	-	(9,700,000)	-	(9,700,000)
NET CHANGE IN FUND BALANCES	1,524,625	(3,048,797)	(87,227)	(1,611,399)
FUND BALANCE - July 1	<u>20,029,904</u>	<u>3,051,868</u>	<u>4,482,969</u>	<u>27,564,741</u>
FUND BALANCE - June 30	<u>\$ 21,554,529</u>	<u>\$ 3,071</u>	<u>\$ 4,395,742</u>	<u>\$ 25,953,342</u>

See Notes to Financial Statements

OXFORD AREA SCHOOL DISTRICT

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, 2013

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ (1,611,399)**

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	1,103,755
Less: Depreciation Expense	(2,814,594)

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

(22,635)

Difference in yearly bad debt allowance

905

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	(9,700,000)
Repayment of bond principal	14,535,000

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

136,000

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)	(38,114)
Other post-retirement employment benefits (OPEB)	(236,872)

CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 1,352,046

OXFORD AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION PROPRIETARY FUND - FOOD SERVICE

JUNE 30, 2013

ASSETS

Cash	\$ 97,337
Investments	630,199
Receivables	21,704
Inventory	22,453
Equipment	1,897,657
Less: Accumulated Depreciation	<u>(723,626)</u>
TOTAL ASSETS	<u><u>\$ 1,945,724</u></u>

LIABILITIES AND NET POSITION

LIABILITIES

Accrued Expenses	\$ 7,679
Deferred Income	22,103
Due to Other Fund	<u>55,521</u>
TOTAL LIABILITIES	<u>85,303</u>

NET POSITION

Invested in Capital Assets (Net)	1,174,031
Retained earnings	<u>686,390</u>
TOTAL NET POSITION	<u>1,860,421</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 1,945,724</u></u>

See Notes to Financial Statements

OXFORD AREA SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITION - PROPRIETARY FUND**

FOR THE YEAR ENDED JUNE 30, 2013

REVENUES

Sales	\$ 798,581
TOTAL REVENUES	<u>798,581</u>

EXPENDITURES

Food and Supplies	746,259
Wages and Benefits	913,614
Utilities	79,954
Maintenance	16,179
Depreciation	78,007
Miscellaneous	9,015
TOTAL EXPENDITURES	<u>1,843,028</u>

Operating Income before transfers	(1,044,447)
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Interest Income	201
Subsidies - Federal	870,945
Subsidies - State	<u>115,731</u>

NET INCOME (LOSS)	(57,570)
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NET POSITION

Beginning of year	<u>1,917,991</u>
End of year	<u><u>\$ 1,860,421</u></u>

See Notes to Financial Statements

OXFORD AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND - FOOD SERVICE

FOR THE YEAR ENDED JUNE 30, 2013

	Proprietary Fund Type Food Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Users	\$ 800,690
Cash Payments for Expenses	<u>(1,707,610)</u>
	<u>(906,920)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Sources	115,362
Federal Sources	<u>861,803</u>
	<u>977,165</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Equipment	<u>(2,060)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on Investments	201
Increase in Investments	<u>(67,473)</u>
	<u>(67,272)</u>
NET INCREASE (DECREASE) IN CASH	913
CASH - BEGINNING OF YEAR	<u>96,424</u>
CASH - END OF YEAR	<u><u>\$ 97,337</u></u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Income (Loss)	<u>\$ (1,044,053)</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR):	
Depreciation and Net Amortization	78,007
(Increase) Decrease in Inventories	(2,344)
Increase (Decrease) in Liabilities	<u>61,470</u>
TOTAL ADJUSTMENTS	<u>137,133</u>
CASH PROVIDED BY (USED FOR) TOTAL	<u><u>\$ (906,920)</u></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

STATEMENT OF NET POSITION AGENCY FUNDS

JUNE 30, 2013

	Trust and Agency	Student Activity Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and Cash Equivalents	\$ 57,824	\$ 81,275
TOTAL ASSETS	<u>\$ 57,824</u>	<u>\$ 81,275</u>
LIABILITIES		
Accrued Liabilities	\$ -	\$ 81,275
TOTAL LIABILITIES	-	81,275
NET POSITION	<u>57,824</u>	<u>-</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 57,824</u>	<u>\$ 81,275</u>

STATEMENT OF ACTIVITIES TRUST AND AGENCY FUND

FOR THE YEAR ENDED JUNE 30, 2013

INCOME	\$ 27,830
EXPENSES	<u>11,950</u>
NET INCOME	<u>\$ 15,880</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.

During the current year, the District elected to early implement the provisions of GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities." The objective of this statement is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

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.

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

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

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 as amended by GASB Statement No. 39 and 61, 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 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 1432 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

OXFORD AREA SCHOOL DISTRICT NOTES TO FINANCIAL STATEMENTS

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

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.

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

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 position 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, if any, are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

OXFORD AREA SCHOOL DISTRICT NOTES TO FINANCIAL STATEMENTS

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

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 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 position (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 position. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net position.

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

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

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

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.

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.
- A Proprietary 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 position. 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 Position 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 \$6,341,528 at June 30, 2013.

The General Fund has Committed Funds that consists of Reserve Accounts of \$15,213,001. 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	\$ 1,919,936
Health costs	1,997,885
Retirement costs	6,629,232
Utility costs	350,000
Revenue shortfalls	<u>4,315,948</u>
TOTAL	<u>\$ 15,213,001</u>

Other Major Funds

The Capital Projects fund has restricted funds of \$3,071 at June 30, 2013, consisting primarily of unspent bond funds, and amounts for other capital outlays of \$4,395,742 in the Capital Reserve fund at June 30, 2013.

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 2013 was 30.0502 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, 2013 were:

Real estate taxes receivable-all open years	\$ 1,738,870
Other taxes	1,770,225
Less reserve for uncollectibles	<u>(1,395,349)</u>
Net	<u>\$ 2,113,746</u>

The deferred revenue balance in the General Fund of \$1,426,714 consists of deferred taxes of \$1,422,713 and deferred revenue from special grants of \$4,001.

**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>6/30/12</u>	<u>Additions/ Deletions</u>	Balance <u>6/30/13</u>
Land	\$ 5,255,835	\$ -	\$ 5,255,835
Building & Improvements	121,955,409	966,800	122,922,209
Machinery & Equipment	<u>6,509,776</u>	<u>136,955</u>	<u>6,646,731</u>
	133,721,020	1,103,755	134,824,775
Accumulated Depreciation	<u>(35,680,949)</u>	<u>(2,814,594)</u>	<u>(38,495,543)</u>
Net Capital Assets	<u>\$ 98,040,071</u>	<u>\$ (1,710,839)</u>	<u>\$ 96,329,232</u>

Proprietary Fund

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

	Balance - <u>Beginning</u>	<u>Additions/ Deletions</u>	Balance - <u>Ending</u>
Equipment costs	\$ 1,895,597	\$ 2,060	\$ 1,897,657
Accumulated Depreciation	<u>(645,619)</u>	<u>(78,007)</u>	<u>(723,626)</u>
Net Capital Assets	<u>\$ 1,249,978</u>	<u>\$ (75,947)</u>	<u>\$ 1,174,031</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 \$ 33,885,000

General Obligation Bonds, Series C of 2007,
interest varies (maximum 25%), 4.0% at
June 30, payable monthly, due 8/1/2028 7,950,000

General Obligation Bonds, Series B of 2008,
interest payable semi-annually, due 2/15/2026,
interest varies between 2.35% and 4.375%. 4,745,000

General Obligation Bonds, Series of 2012,
interest payable semi-annually, due 2/1/2028,
interest varies between .8% and 3.0%. 10,000,000

General Obligation Bonds, Series of 2013,
interest payable semi-annually, due 2/1/2026,
interest varies between .55% and 2.45%. 9,700,000

**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 5,415,000

General Obligation Note - Series of 2007A,
interest payable monthly, variable rate, 4.5% at
June 30, (maximum 25%), due 8/1/2023. 500,000
\$ 72,195,000

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>
2014	\$ 3,365,000	\$ 2,884,000	\$ 6,249,000
2015	3,725,000	2,730,000	6,455,000
2016	3,890,000	2,570,000	6,460,000
2017	4,080,000	2,384,000	6,464,000
2018	4,415,000	2,208,000	6,623,000
Thereafter	<u>52,720,000</u>	<u>10,614,000</u>	<u>63,334,000</u>
	<u>\$ 72,195,000</u>	<u>\$ 23,390,000</u>	<u>\$ 95,585,000</u>

The School District issued \$9,700,000 of General Obligation Bonds in 2013 to refund obligations of the District totaling \$8,370,000 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, 2013, the rate of employer contributions was 12.36% of covered payroll. The District's contribution to PSERS for the year ended June 30, 2013 was \$2,534,729, for June 30, 2012 contributions were \$1,757,160, and for June 30, 2011 contributions were \$1,143,455. These amounts are equal to the required contributions for the years.

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, 2013 is as follows:

Cash	\$ 474,064
Investments	<u>27,954,201</u>
	<u>\$ 28,428,265</u>

Deposits:

At year-end, the carrying amount (book value) of the District's deposits was \$474,064, and the bank balance was \$749,214 (bank balance does not include \$275,150 of reconciling items) at June 30, 2013. 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, 2013 categorized by risk:

Deposits	1	Category 2	3	Bank Balance
Cash	<u>\$ 398,315</u>	<u>\$ 75,749</u>	<u>\$ -</u>	<u>\$ 474,064</u>
Invested at banks	<u>\$ 750,000</u>	<u>\$ -</u>	<u>\$11,642,301</u>	<u>\$12,392,301</u>

Investments:

Most of the District's investments are in the Pennsylvania Local Government Investment Trust ("PLGIT"), and the Pennsylvania School District Liquid Asset Fund ("PSDLAF"). Although not registered with the Securities and Exchange Commission and not subject to

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

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

regulatory oversight, PLGIT and PSDLAF act like money market mutual funds in that their objective is to maintain a stable net asset value of \$1 per share, are rated by a nationally recognized statistical rating organization and are subject to an independent annual audit. The carrying value of the District's investments at June 30, 2013 was \$15,561,900.

Credit Risk

The District has an investment policy that limits its investment choices in local government investment pools only to the extent it is rated in the highest rating category by a nationally recognized rating agency. As of June 30, 2013, PLGIT and PSDLAF were rated as AAA by a nationally recognized statistical rating organization.

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.

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, 2013
- b. Interfund receivables and payables at June 30, 2013 are as follows:

	<u>Due To</u>		<u>Due From</u>
General Fund	\$ 55,521	\$	-
Food Service	-		55,521

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

NOTE 10 – COMPENSATED ABSENCES

The District allows employees to accumulate some unused vacation and sick days. As of June 30, 2013 liability for accrued vacation and sick leave is approximately \$449,000.

NOTE 11 – CONTINGENT LIABILITIES AND SUBSEQUENT EVENTS

The District has evaluated those events and transactions that occurred after the financial statement date of June 30, 2013 through August 29, 2013, the date the financial statements were available to be issued. There were no material recordable events or transactions noted.

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 \$81,372.

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 \$156,788 same as

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	\$ 411,295
Interest on net OPEB obligation	27,085
Adjustment to annual required contribution	<u>(44,720)</u>
Annual OPEB cost	393,660
Contributions made	<u>(156,788)</u>
Increase in net OPEB obligation	236,872
Net OPEB obligation–beginning of year	<u>902,848</u>
Net OPEB obligation–end of year	<u><u>\$ 1,139,720</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>
06/30/11	\$ 412,690	49.6%	\$ 208,079
06/30/12	\$ 412,690	49.6%	\$ 208,079
06/30/13	\$ 393,660	39.8%	\$ 236,872

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

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

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

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.

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, 2013

	Budget			Favorable (Unfavorable) Variance to Final Budget
	Original	Final	Actual	
REVENUES				
Local sources:				
Real estate taxes	\$ 30,241,203	\$ 30,241,203	\$ 30,398,098	\$ 156,895
Interim real estate	350,000	350,000	472,119	122,119
Earned income tax	1,980,000	1,980,000	2,442,107	462,107
Real estate transfers	328,000	328,000	353,408	25,408
Delinquent taxes	1,300,000	1,300,000	1,090,163	(209,837)
Interest on investments	150,000	150,000	99,953	(50,047)
Miscellaneous	491,718	491,718	564,900	73,182
Total local sources	34,840,921	34,840,921	35,420,748	579,827
State sources	19,495,396	19,495,396	19,580,616	85,220
Federal sources	886,470	886,470	1,189,899	303,429
TOTAL REVENUES	<u>55,222,787</u>	<u>55,222,787</u>	<u>56,191,263</u>	<u>968,476</u>
EXPENDITURES				
Instruction	33,897,729	34,011,322	32,394,421	1,616,901
Support services	15,707,510	15,697,338	14,365,245	1,332,093
Non-instructional services	871,698	840,164	774,051	66,113
Debt service/Reserve	6,924,893	6,853,006	9,150,219	(2,297,213)
TOTAL EXPENDITURES	<u>57,401,830</u>	<u>57,401,830</u>	<u>56,683,936</u>	<u>717,894</u>
Excess (Deficiency) of revenue	(2,179,043)	(2,179,043)	(492,673)	1,686,370
Interfund transfers	-	-	2,017,298	2,017,298
	(2,179,043)	(2,179,043)	1,524,625	3,703,668
FUND BALANCES				
Beginning	15,376,008	15,376,008	20,029,904	4,653,896
End of Year	<u>\$ 13,196,965</u>	<u>\$ 13,196,965</u>	<u>\$ 21,554,529</u>	<u>\$ 8,357,564</u>

OXFORD AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

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
US DEPARTMENT OF EDUCATION										
PASSED THROUGH THE PENNSYLVANIA DEPARTMENT OF EDUCATION:										
TITLE I CLUSTER										
TITLE I	I	84.010	13-13-0315	07/01/12-09/30/13	\$ 675,791	\$ 407,125	\$ -	\$ 478,101	\$ 478,101	\$ 70,976
TITLE I	I	84.010	13-12-0315	07/01/11-09/30/12	426,297	137,269	116,782	19,516	19,516	(971)
TITLE I-IMPROV-SET ASIDE	I	84.010	42-13-0315	05/05/13-09/30/14	-	-	-	-	-	-
TITLE I-IMPROV-SET ASIDE	I	84.010	42-10-0315	06/01/10-09/30/11	64,466	-	(1,379)	1,379	1,379	-
SUBTOTAL OF TITLE I					1,236,957	544,394	115,403	498,996	498,996	70,005
ARRA-ED JOBS	I	84.410A	140-120315	07/01/11-06/30/12	13,078	13,078	13,078	-	-	-
SUBTOTAL OF TITLE I CLUSTER					1,250,035	557,472	128,481	498,996	498,996	70,005
TITLE II-IMPR. TEACHER QUAL.										
TITLE II-IMPR. TEACHER QUAL.	I	84.367	20-12-0315	07/01/11-09/30/12	102,116	13,209	11,216	1,993	1,993	-
SUBTOTAL OF TITLE II	I	84.367	20-13-0315	07/01/12-09/30/13	107,419	71,756	-	107,419	107,419	35,663
TITLE III-LANG. INST.	I	84.365	10-11-0315	08/17/10-09/30/11	209,535	84,965	11,216	109,412	109,412	35,663
TITLE III-LANG. INST.	I	84.365	10-12-0315	07/01/11-09/30/12	94,491	61,250	2,976	2,688	2,688	-
TITLE III-LANG. INST.	I	84.365	10-13-0315	07/01/12-09/30/13	72,513	19,337	(11,538)	69,028	69,028	(3,760)
SUBTOTAL OF TITLE III					246,295	86,251	(8,562)	77,108	77,108	(17,705)
SUBTOTAL OF PDE					1,705,865	728,688	131,135	685,516	685,516	87,963
IDEA-619										
IDEA	I	84.027	131-12-0024	07/01/12-06/30/13	2,879	2,879	-	2,879	2,879	-
IDEA	I	84.027	62-12-0024	07/01/11-06/30/12	453,068	80,199	80,199	-	-	-
IDEA	I	84.027	62-13-0024	07/01/12-06/30/13	459,955	337,300	-	459,955	459,955	122,655
SUBTOTAL OF IDEA					915,902	420,378	80,199	462,834	462,834	122,655
TOTAL US DEPT. OF EDUCATION					2,621,767	1,149,066	211,334	1,148,350	1,148,350	210,618
OTHER										
DPW MEDICAL ASSISTANCE	I	95.778	-	07/01/12-06/30/13	39,186	34,778	-	39,186	39,186	4,408
DPW MEDICAL ASSISTANCE	I	95.778	-	07/01/11-06/30/12	90,562	16,704	16,704	-	-	-
SUBTOTAL OF DPW					129,748	51,482	16,704	39,186	39,186	4,408
US DEPT. OF AGRICULTURE										
PASSED THROUGH THE PENNSYLVANIA DEPARTMENT OF EDUCATION:										
AFTER SCHOOL SNACKS	I	10.555	N/A	07/01/12-06/30/13	N/A	2,516	-	2,516	2,516	-
FOOD NUTRITION LUNCH	I	10.555	N/A	07/01/11-06/30/12	N/A	8,428	8,428	-	-	-
FOOD NUTRITION LUNCH	I	10.555	N/A	07/01/12-06/30/13	N/A	608,016	-	623,860	623,860	15,844
SUBTOTAL						618,960	8,428	626,376	626,376	15,844
FOOD NUTRITION BREAKFAST	I	10.555	N/A	07/01/11-06/30/12	N/A	3,225	3,225	-	-	-
FOOD NUTRITION BREAKFAST	I	10.555	N/A	07/01/12-06/30/13	N/A	144,655	-	149,212	149,212	4,557
SUBTOTAL						147,880	3,225	149,212	149,212	4,557
VALUE OF USDA DONATED COMM.	I	10.555	N/A	07/01/12-06/30/13	N/A	95,159	(6,916)	95,357	95,357	(6,718)
TOTAL DEPT. OF AGR. FOOD CLUSTER						861,999	4,737	870,945	870,945	13,683
TOTAL FEDERAL ASSISTANCE						\$ 2,062,547	\$ 232,775	\$ 2,058,481	\$ 2,058,481	\$ 228,709

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
 Title I Cluster
 IDEA
 Total Federal Expenditure
 \$ 498,996
 462,834
 \$ 961,830
 2,058,481
 46.75%

OXFORD AREA SCHOOL DISTRICT**NOTES TO SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2013****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

INDEPENDENT AUDITOR'S 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, 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, 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 as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Oxford Area School District's basic financial statements and have issued our report thereon dated August 29, 2013.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Umbreit, Krengel & Associates, P.C.

August 29, 2013
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
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited Oxford Area School District's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Oxford Area School District's major federal programs for the year ended June 30, 2013. 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 questions costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Oxford Area School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination on Oxford Area School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Oxford Area School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Oxford Area School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Oxford Area School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Umbreit, Krengel & Associates, P.C.

August 29, 2013
Kennett Square, Pennsylvania

OXFORD AREA SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2013

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:	
<ul style="list-style-type: none"> Material weakness identified? 	No
<ul style="list-style-type: none"> Significant deficiency identified? 	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
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>	<u>Name of Federal Program or Cluster</u>
84.027	IDEA
84.010	Title I
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