



**OXFORD AREA SCHOOL DISTRICT
OXFORD, PENNSYLVANIA**

AUDIT REPORT

JUNE 30, 2016

OXFORD AREA SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

December 20, 2016

Board of School Directors
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 ("the District"), Oxford, Pennsylvania, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the 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 District'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 District'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.

Board of School Directors
Oxford Area School District

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, Pennsylvania, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the District's 2015 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated January 7, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the District has adopted the requirements of GASB Statement No. 72, "Fair Value Measurement and Application." This statement addresses accounting and financial reporting issues related to fair value measurements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 and the schedule of the District's proportionate share of the net pension liability and schedule of District contributions on pages 51 and 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board of School Directors
Oxford Area School District

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards on pages 61 and 62 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2016, on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

OXFORD AREA SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS - UNAUDITED

FOR THE YEAR ENDED JUNE 30, 2016

This section of the Oxford Area School District's ("the District") annual financial report provides a discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2016. 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 remained strong during the 2015-2016 fiscal year with a 2.00 percent increase in total net position over the course of the year to a deficit of \$11,977,648. The deficit is primarily due to the pension reporting under GASB Statements No. 68 and No. 71, as explained further below.
- The District's total revenues increased by \$1,943,850 or 3.21 percent.
- The net cost of governmental activities decreased 0.44 percent to \$49,419,060. The net cost shows the amount needed to be funded by other revenue sources, primarily the District's taxpayers.
- The net position of business-type activities – food services – decreased by \$339,298 this year. Revenues decreased 2.33 percent to \$1,813,395 and expenses increased 7.47 percent to \$2,152,693, resulting in an unrestricted net deficit of \$1,280,720. The deficit is primarily due to the pension reporting under GASB Statements No. 68 and No. 71, as explained further below.
- At June 30, 2016, the District had \$138,851,675 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 four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information, and 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.

OXFORD AREA SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

FOR THE YEAR ENDED JUNE 30, 2016

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 additional information about the District's participation in the PSERS pension plan and a section of supplementary information that includes the single audit results for the District's federal programs.

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 position • 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 position • Statement of revenues, expenses, and net position • 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/deferred inflows of resources/liability/deferred outflows of resources information	All assets/deferred outflows of resources and liabilities/deferred inflows of resources, both financial and capital, short-term and long-term	Generally assets/deferred outflows of resources expected to be used up and liabilities/deferred inflows of resources that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets/deferred outflows of resources and liabilities/deferred inflows of resources, both financial and capital, and short-term and long-term.	All assets/deferred outflows of resources and liabilities/deferred inflows of resources, 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

OXFORD AREA SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

FOR THE YEAR ENDED JUNE 30, 2016

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 Position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. 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 position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and its liabilities and deferred inflows of resources – is one way of measuring the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating. To assess the District's overall health, non-financial factors, such as changes in the District's property tax base and the condition of 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, reconciliation schedules after each of the governmental funds statements explains the relationship (or differences) between them.

OXFORD AREA SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

FOR THE YEAR ENDED JUNE 30, 2016

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.

Impact of GASB Statements No. 68 and No. 71

During the prior fiscal year, the District implemented Government Accounting Standards Board ("GASB") Statement No. 68, "Accounting and Financial Reporting for Pensions," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68." The purpose of these statements was to improve the transparency, consistency, and comparability of the pension information reported by state and local governments (e.g. school districts).

The adoption of GASB Statements No. 68 and No. 71 has had, and will continue to have, a profound effect on the financial statements and net position of school districts and governments not only in Pennsylvania, but across the nation. By recognizing the impact of any unfunded liability faced by defined benefit pension plans, plan administrators (at the direction of elected officials) and participants are required to evaluate the cost of providing these benefits as compared to the benefit to be derived through providing for certain retirement benefits to the work force.

More specifically, the District contributes to the Pennsylvania Public School Employees' Retirement System ("PSERS"), a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. In cost-sharing multiple-employer plans, the plan assets and liabilities are shared. Plan assets can be used to pay the pensions of the employees of any employer that provides pensions through the plan. The new standards have shifted pension reporting from a funding-based approach, in which the District reported only its contributions to the plan, to an accounting-based approach. Under this approach, the District reports its proportionate share of the net pension liability on the statement of net position of the government-wide and proprietary fund financial statements. Reporting in the governmental fund statements is not affected by these statements.

The net pension liability is the difference between the market value of pension fund assets and the actuarial present value of projected benefit payments at the measurement date. Included in the calculation are projected employer and employee contributions as well as the expectation that the assets will grow at the long-term assumed rate of return on plan investments.

OXFORD AREA SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

FOR THE YEAR ENDED JUNE 30, 2016

While the net pension liability is significant to the District's financial statements, it is a liability the District has limited control over. Over the last five years, the PSERS employer contribution rate has risen significantly, from 4.0 percent in 2009-2010 to 25.0 percent in 2015-2016. These increases are expected to improve the plan's funding level, which will reduce net position in future years. This rate is anticipated to continue to increase to a level of over 30 percent in future years.

Financial Analysis of the District as a Whole

The District's total net deficit was slightly smaller on June 30, 2016 than the previous year. The total net position increased 2.00 percent over the course of the year to a deficit of \$11,977,648. The following table presents condensed financial information for the net position of the District as of June 30, 2016 and June 30, 2015.

Condensed Statement of Net Position						
	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$ 33,524,872	\$ 32,832,117	\$ 511,938	\$ 697,615	\$ 34,036,810	\$ 33,529,732
Capital Assets, Net	88,702,315	91,613,984	951,961	1,027,139	89,654,276	92,641,123
Total Assets	122,227,187	124,446,101	1,463,899	1,724,754	123,691,086	126,170,855
Deferred Outflows of Resources	6,332,776	5,588,099	170,544	150,489	6,503,320	5,738,588
Total Assets and Deferred Outflows of Resources	128,559,963	130,034,200	1,634,443	1,875,243	130,194,406	131,909,443
Current Liabilities	10,049,073	9,419,837	90,490	35,157	10,139,563	9,454,994
Long-term Liabilities	128,782,860	128,314,029	1,835,631	1,707,474	130,618,491	130,021,503
Total Liabilities	138,831,933	137,733,866	1,926,121	1,742,631	140,758,054	139,476,497
Deferred Inflows of Resources	1,376,919	4,532,927	37,081	122,073	1,414,000	4,655,000
Total Liabilities and Deferred Inflows of Resources	140,208,852	142,266,793	1,963,202	1,864,704	142,172,054	144,131,497
Net Position:						
Net Investment in Capital Assets	26,155,584	24,548,988	951,961	1,027,139	27,107,545	25,576,127
Restricted for Capital Projects	3,518,317	3,671,022	-	-	3,518,317	3,671,022
Unrestricted (Deficit)	(41,322,790)	(40,452,603)	(1,280,720)	(1,016,600)	(42,603,510)	(41,469,203)
Total Net Position (Deficit)	<u>\$ (11,648,889)</u>	<u>\$ (12,232,593)</u>	<u>\$ (328,759)</u>	<u>\$ 10,539</u>	<u>\$ (11,977,648)</u>	<u>\$ (12,222,054)</u>

The restricted net position in the amount of \$3,518,317 is set aside to fund future capital improvements. The net deficit in the amount \$42,603,510 is primarily the result of the District's proportionate share of a net pension liability of \$69,998,000. Included within the deficit is \$4,315,948 set aside to cover unanticipated future revenue shortfalls and funds to cover future extraordinary healthcare, pension and utility costs, totaling \$8,977,117.

OXFORD AREA SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

FOR THE YEAR ENDED JUNE 30, 2016

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 \$1,943,850, or 3.21 percent. Property taxes and other taxes levied for general purposes accounted for most of the District's revenue in the amount of \$36,139,297, or 57.88 percent. Another \$13,585,814, or 21.76 percent, came from state aid such as the state basic education subsidy. The remainder, \$12,716,170 or 20.36 percent, came from several sources. Revenue of \$8,214,299 came from operating grants, including funds for student transportation, retirement and social security subsidies, and food service. Revenue of \$3,048,969 came from program specific operating grants for special education and federal programs Title I, II, III, IDEA, and ACCESS. Revenue of \$293,523 came from earnings on investments and rental income. Fees charged by food service for student and staff meals, along with catering services, were \$716,239. Fees charged for other services (excluding rental income) and other revenues amounted to \$443,140.

The total cost of all programs and services rose by \$878,220, or 1.43 percent. The District's expenses are predominately related to instructing, caring for (support services and operation of school facilities) and transporting students, which represents 92.52 percent, or \$57,542,633, of total expenses. Total revenues exceeded total expenses, which produced an increase in net position of \$244,406 over the past year.

Changes in Net Position from Operating Results						
	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues						
Charges for Services	\$ 458,156	\$ 459,895	\$ 716,239	\$ 759,085	\$ 1,174,395	\$ 1,218,980
Operating Grants and Contributions	10,166,966	9,219,972	1,096,302	1,096,565	11,263,268	10,316,537
General Revenues						
Property Taxes and Other Taxes Levied for General Purposes	36,139,297	35,399,623	-	-	36,139,297	35,399,623
Grants and Contributions not Restricted	13,585,814	13,273,010	-	-	13,585,814	13,273,010
Other	277,653	288,090	854	1,191	278,507	289,281
Total Revenues	60,627,886	58,640,590	1,813,395	1,856,841	62,441,281	60,497,431
Expenses:						
Instruction	40,679,716	39,545,837	-	-	40,679,716	39,545,837
Support Services	16,862,917	16,517,450	-	-	16,862,917	16,517,450
Non-Instructional Services	1,001,876	981,051	-	-	1,001,876	981,051
Other	1,499,673	2,271,308	2,152,693	2,003,009	3,652,366	4,274,317
Total Expenses	60,044,182	59,315,646	2,152,693	2,003,009	62,196,875	61,318,655
Increase (Decrease) in Net Position	\$ 583,704	\$ (675,056)	\$ (339,298)	\$ (146,168)	\$ 244,406	\$ (821,224)

OXFORD AREA SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

FOR THE YEAR ENDED JUNE 30, 2016

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 decreased 0.44 percent to \$49,419,060.

Net Cost of Governmental Activities						
	<u>Total Cost of Services</u>		<u>%</u>	<u>Net Cost of Services</u>		<u>%</u>
	<u>2016</u>	<u>2015</u>	<u>2015-2016</u>	<u>2016</u>	<u>2015</u>	<u>2015-2016</u>
Instruction	\$ 40,679,716	\$ 39,545,837	2.87%	\$ 34,562,994	\$ 34,190,669	1.09%
Support Services	16,862,917	16,517,450	2.09%	13,911,850	13,598,708	2.30%
Non-instructional Services	1,001,876	981,051	2.12%	731,735	681,835	7.32%
Other	1,499,673	2,271,308	-33.97%	212,481	1,164,567	-81.75%
Total	\$ 60,044,182	\$ 59,315,646	1.23%	\$ 49,419,060	\$ 49,635,779	-0.44%

Financial Analysis of the District's Funds

At the end of fiscal year 2016, governmental funds had total fund balances of \$27,046,416. During 2015-2016, the net change in governmental fund balances was an increase of \$107,818, or 0.40 percent. The District has set aside \$6,018,317 to fund future capital improvements. The District also set aside funds to cover future extraordinary healthcare, pension, utility, and maintenance costs, totaling \$8,977,117. An amount of \$4,315,948 was set aside to cover unanticipated future revenue shortfalls, and \$7,735,034 is available to fund next year's operations and any unforeseen financial issues.

The business-type activities produced an operating loss because of planned increases to maintenance costs. 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 2015-2016 budget, the District had planned to utilize \$4,117,699 of fund balance from the previous year. The difference in the 2015-2016 revenues and expenditures compared to the budget resulted in an overall favorable variance of \$5,599,349. Revenues exceed budget by \$1,679,036; this

OXFORD AREA SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

FOR THE YEAR ENDED JUNE 30, 2016

is attributed to the expansion of a local retirement community, which brought in additional real estate taxes and additional basic education funding from the state. The variance was also due to reductions in budgeted expenditures. Variable interest rates on debt service payments and refunding resulted in a savings of \$231,260; fewer students attending charter schools resulted in a savings of \$454,607; pre-purchasing utilities and fuels resulted in a savings of \$543,836; and the successful management of health insurance through a self-insured program resulted in a savings of \$816,519.

Total revenues exceeded total expenditures in 2015-2016 by \$760,523. An amount of \$500,000 has been committed to fund future capital projects. The General Fund's unassigned fund balance increased by \$260,523, bringing it to \$7,735,034, or 11.78 percent of anticipated expenditures with the planned utilization of \$1,768,813 to fund next year's operations. More detailed information about fund balances can be found in the notes to the financial statements.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2016, the District had \$138,851,675 invested in a broad range of capital assets, including land, school buildings, administrative offices, athletic facilities, furniture, and equipment. This amount represents an increase of \$502,254, or 0.36 percent from last year. The increase is attributed to the maintenance and planned improvements of school facilities. Total depreciation expense for the year amounted to \$3,527,565. The following schedule depicts the change in capital assets for the period July 1, 2015 through June 30, 2016. More detailed information about capital assets can be found in the notes to the financial statements.

	Capital Assets						% Change 2015-2016
	Governmental Activities		Business-type Activities		Total Activities		
	2015	2015	2015	2015	2016	2015	
Land	\$ 5,255,835	\$ 5,255,835	\$ -	\$ -	\$ 5,255,835	\$ 5,255,835	0.00%
Building and Building Improvements	124,422,478	124,024,132	-	-	124,422,478	124,024,132	0.32%
Fixtures and Equipment	7,267,596	7,164,746	1,905,766	1,904,708	9,173,362	9,069,454	1.15%
Total	\$136,945,909	\$136,444,713	\$ 1,905,766	\$ 1,904,708	\$138,851,675	\$138,349,421	0.36%

Long-term Debt

As of June 30, 2016, the District had \$60,640,000 in general obligation bonds and other long-term debt outstanding, a decrease of \$4,050,000 over last year. More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

OXFORD AREA SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

FOR THE YEAR ENDED JUNE 30, 2016

	Outstanding Long-term Debt			
	Totals		\$ Change 2015-2016	% Change 2015-2016
	2016	2015		
General Obligation Bonds and Notes	<u>\$ 60,640,000</u>	<u>\$ 64,690,000</u>	<u>\$ (4,050,000)</u>	<u>-6.26%</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, 2018 will mark the expiration of the current four-year teacher's contract. The economic package (salaries and fringe benefits) over the next three years provides for an annual increase of 2.78 percent with one-step compaction, 2.5 percent and 2.5 percent with one-step compaction in salaries, and includes employee contributions for healthcare 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 two years provides for an annual increase equal to the Act 1 Index or 1.7 percent, whichever is greater in salaries and includes employee contributions for healthcare costs.
 - June 30, 2019 will mark the expiration of the current three-year classified employee's contract with the secretarial/clerical staff. The economic package (salaries and fringe benefits) over the next year provides for an annual increase equal to the Act 1 Index in salaries and includes employee contributions for healthcare costs.
2. The Pennsylvania School Employees Retirement System trustees set the contribution rate that all school districts must pay in 2016-2017 at 30.03 percent of eligible wages. Employer contribution rates are expected to rise to 32.04 percent in 2017-2018, 33.27 percent in 2018-2019, and 34.20 percent in 2019-2012. This increase will result in an additional expenditure of nearly \$877,000 for this District. The District has 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 number of successful real estate tax assessment appeals in the past few years has impacted the assessment base in a negative fashion, resulting in decreased revenue from local tax effort. The District has seen this stabilize due to the fact that most property owners have already appealed their assessment and a strengthening real estate market. Low interest rates have resulted in lower income earned on District investments.

OXFORD AREA SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

FOR THE YEAR ENDED JUNE 30, 2016

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, 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
JUNE 30, 2016
(With Comparative Data for June 30, 2015)**

	Governmental Activities	Business-type Activities	Totals	
			2016	2015
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS:				
Cash and cash equivalents	\$ 551,747	\$ 55,371	\$ 607,118	\$ 1,114,724
Investments	29,564,991	407,636	29,972,627	30,221,615
Taxes receivable, net of allowance	1,485,240	-	1,485,240	1,613,773
Due from other governments	1,790,119	28,883	1,819,002	518,625
Other receivables	132,775	778	133,553	40,582
Inventories	-	19,270	19,270	20,413
Land	5,255,835	-	5,255,835	5,255,835
Buildings and improvements	124,422,478	-	124,422,478	124,024,132
Furniture and equipment	7,267,596	1,905,766	9,173,362	9,069,454
Accumulated depreciation	(48,243,594)	(953,805)	(49,197,399)	(45,708,298)
TOTAL ASSETS	122,227,187	1,463,899	123,691,086	126,170,855
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred pension contributions	5,171,667	139,274	5,310,941	4,254,878
Deferred pension expenses	1,161,109	31,270	1,192,379	1,483,710
TOTAL DEFERRED OUTFLOWS OF RESOURCES	6,332,776	170,544	6,503,320	5,738,588
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$128,559,963	\$ 1,634,443	\$130,194,406	\$131,909,443
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES:				
Accounts payable	\$ 1,667,693	\$ 66,299	\$ 1,733,992	\$ 1,477,026
Accrued salaries, payroll withholdings, and benefits	3,560,772	-	3,560,772	3,004,187
Accrued interest payable	345,633	-	345,633	358,778
Unearned revenues	18,526	24,191	42,717	69,470
Other current liabilities	21,857	-	21,857	27,268
Long-term liabilities:				
Portion due or payable within one year:				
Bonds and note payable, net	4,434,592	-	4,434,592	4,374,592
Capital lease payable	-	-	-	143,673
Portion due or payable after one year:				
Bonds and note payable, net	58,112,139	-	58,112,139	62,546,731
Accumulated compensated absences	685,436	-	685,436	764,018
Other post-employment benefit obligations	1,822,916	-	1,822,916	1,599,754
Net pension liability	68,162,369	1,835,631	69,998,000	65,111,000
TOTAL LIABILITIES	138,831,933	1,926,121	140,758,054	139,476,497
DEFERRED INFLOWS OF RESOURCES:				
Deferred pension expenses	1,376,919	37,081	1,414,000	4,655,000
TOTAL DEFERRED INFLOWS OF RESOURCES	1,376,919	37,081	1,414,000	4,655,000
NET POSITION (DEFICIT):				
Net investment in capital assets	26,155,584	951,961	27,107,545	25,576,127
Restricted for capital projects	3,518,317	-	3,518,317	3,671,022
Unrestricted (deficit)	(41,322,790)	(1,280,720)	(42,603,510)	(41,469,203)
TOTAL NET POSITION (DEFICIT)	(11,648,889)	(328,759)	(11,977,648)	(12,222,054)
TOTAL LIABILITIES AND NET POSITION (DEFICIT)	\$128,559,963	\$ 1,634,443	\$130,194,406	\$131,909,443

The accompanying notes are an integral part of these financial statements.

**OXFORD AREA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016
(With Comparative Data for June 30, 2015)**

	Program Revenues			Net (Expense) and Changes in Net Position (Deficit)			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Business-type Activities		Totals
					Governmental Activities	2016	
GOVERNMENTAL ACTIVITIES:							
Instruction	\$ 40,679,716	\$ -	\$ 6,116,722	\$ -	\$ (34,562,994)	\$ (34,562,994)	\$ (34,190,669)
Instructional student support	3,560,970	-	297,194	-	(3,263,776)	(3,263,776)	(3,196,588)
Administrative and financial support services	5,410,568	69,836	319,983	-	(5,020,749)	(5,020,749)	(4,954,574)
Operation and maintenance of plant services	4,070,278	178,330	241,626	-	(3,650,322)	(3,650,322)	(3,595,795)
Pupil transportation	3,821,101	-	1,844,098	-	(1,977,003)	(1,977,003)	(1,851,751)
Student activities	1,001,876	209,990	60,151	-	(731,735)	(731,735)	(681,835)
Community services	33,590	-	2,146	-	(31,444)	(31,444)	(37,193)
Interest on long-term debt	1,466,083	-	1,285,046	-	(181,037)	(181,037)	(1,127,374)
TOTAL GOVERNMENTAL ACTIVITIES	60,044,182	458,156	10,166,966	-	(49,419,060)	(49,419,060)	(49,635,779)
BUSINESS-TYPE ACTIVITIES:							
Food service	2,152,693	716,239	1,096,302	-	(340,152)	(340,152)	(147,359)
TOTAL BUSINESS-TYPE ACTIVITIES	2,152,693	716,239	1,096,302	-	(340,152)	(340,152)	(147,359)
TOTAL PRIMARY GOVERNMENT	\$ 62,196,875	\$ 1,174,395	\$ 11,263,268	\$ -	(49,419,060)	(49,759,212)	(49,783,138)
GENERAL REVENUES							
Property taxes levied for general purposes					32,954,691	-	32,408,333
Taxes levied for specific purposes					3,184,606	-	2,991,290
Grants and entitlements not restricted to specific programs					13,585,814	-	13,273,010
Investment earnings					114,339	854	119,296
Gain on sale of assets					-	-	2,986
Miscellaneous					163,314	-	166,999
TOTAL GENERAL REVENUES					50,002,764	854	48,961,914
CHANGE IN NET POSITION					583,704	(339,298)	(821,224)
NET POSITION (DEFICIT), BEGINNING OF YEAR					(12,232,593)	10,539	(11,400,830)
NET POSITION (DEFICIT), END OF YEAR					\$ (11,648,889)	\$ (328,759)	\$ (12,222,054)

The accompanying notes are an integral part of these financial statements.

**OXFORD AREA SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016
(With Comparative Data for June 30, 2015)**

	Major Funds		Totals	
	General Fund	Capital Reserve Fund	2016	2015
ASSETS				
Cash and cash equivalents	\$ 547,696	\$ 4,051	\$ 551,747	\$ 1,016,920
Investments	25,873,787	3,691,204	29,564,991	29,687,179
Taxes receivable	1,535,640	-	1,535,640	1,670,682
Due from other governments	1,790,119	-	1,790,119	490,303
Other receivables	132,775	-	132,775	23,942
TOTAL ASSETS	<u>\$ 29,880,017</u>	<u>\$ 3,695,255</u>	<u>\$ 33,575,272</u>	<u>\$ 32,889,026</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 1,490,755	\$ 176,938	\$ 1,667,693	\$ 1,466,060
Accrued salaries, payroll withholdings, and benefits	3,560,772	-	3,560,772	3,004,187
Unearned revenue	18,526	-	18,526	45,279
Other liabilities	21,857	-	21,857	27,268
TOTAL LIABILITIES	<u>5,091,910</u>	<u>176,938</u>	<u>5,268,848</u>	<u>4,542,794</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenues - delinquent taxes	1,260,008	-	1,260,008	1,407,634
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,260,008</u>	<u>-</u>	<u>1,260,008</u>	<u>1,407,634</u>
FUND BALANCES:				
Restricted for capital projects	-	3,518,317	3,518,317	3,671,022
Committed	15,793,065	-	15,793,065	15,793,065
Unassigned	7,735,034	-	7,735,034	7,474,511
TOTAL FUND BALANCES	<u>23,528,099</u>	<u>3,518,317</u>	<u>27,046,416</u>	<u>26,938,598</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 29,880,017</u>	<u>\$ 3,695,255</u>	<u>\$ 33,575,272</u>	<u>\$ 32,889,026</u>

The accompanying notes are an integral part of these financial statements.

**OXFORD AREA SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
JUNE 30, 2016**

TOTAL GOVERNMENTAL FUND BALANCES \$ 27,046,416

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

Allowance for uncollectible taxes receivable (50,400)

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:

Land	\$ 5,255,835	
Buildings and improvements (including construction-in-progress)	124,422,478	
Furniture and equipment	7,267,596	
Accumulated depreciation	<u>(48,243,594)</u>	88,702,315

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:

Bonds and note payable, net	(62,546,731)	
Accumulated compensated absences	(685,436)	
Accrued interest payable	(345,633)	
Other post-employment benefits	(1,822,916)	
Net pension liability	<u>(68,162,369)</u>	(133,563,085)

Deferred inflows and outflows of resources related to the District's pension plan do not represent current resources or uses of resources and, therefore, are not reported in the funds. Deferred inflows and outflows of resources consist of the following:

Deferred outflows of resources:		
Deferred pension contributions	5,171,667	
Deferred pension expenses	1,161,109	
Deferred inflows of resources:		
Deferred pension expenses	<u>(1,376,919)</u>	4,955,857

Some of the District's revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and, therefore, are unavailable in the funds.

1,260,008

NET DEFICIT OF GOVERNMENTAL ACTIVITIES

\$ (11,648,889)

These accompanying notes are an integral part of these financial statements.

OXFORD AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016
(With Comparative Data for the Year Ended June 30, 2015)

	Major Funds		Totals	
	General Fund	Capital Reserve Fund	2016	2015
REVENUES				
Local sources	\$ 37,002,437	\$ 13,786	\$ 37,016,223	\$ 36,134,167
State sources	22,398,165	-	22,398,165	21,162,928
Federal sources	1,354,615	-	1,354,615	1,330,055
TOTAL REVENUES	<u>60,755,217</u>	<u>13,786</u>	<u>60,769,003</u>	<u>58,627,150</u>
EXPENDITURES				
Current:				
Instruction	37,578,919	-	37,578,919	35,325,897
Support services	15,592,656	-	15,592,656	15,082,521
Operation of noninstructional services	972,733	-	972,733	944,045
Capital outlays	-	519,384	519,384	816,916
Debt service	5,850,386	147,107	5,997,493	5,927,242
TOTAL EXPENDITURES	<u>59,994,694</u>	<u>666,491</u>	<u>60,661,185</u>	<u>58,096,621</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>760,523</u>	<u>(652,705)</u>	<u>107,818</u>	<u>530,529</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	-	-	23,200,000
Payment of debt - refunding	-	-	-	(24,905,000)
Bond premiums	-	-	-	2,210,120
Transfers in	-	500,000	500,000	500,000
Transfers out	(500,000)	-	(500,000)	(500,000)
Proceeds from sale of assets	-	-	-	2,986
TOTAL OTHER FINANCING SOURCES (USES)	<u>(500,000)</u>	<u>500,000</u>	<u>-</u>	<u>508,106</u>
NET CHANGE IN FUND BALANCES	260,523	(152,705)	107,818	1,038,635
FUND BALANCES, BEGINNING OF YEAR	<u>23,267,576</u>	<u>3,671,022</u>	<u>26,938,598</u>	<u>25,899,963</u>
FUND BALANCES, END OF YEAR	<u>\$ 23,528,099</u>	<u>\$ 3,518,317</u>	<u>\$ 27,046,416</u>	<u>\$ 26,938,598</u>

The accompanying notes are an integral part of these financial statements.

**OXFORD AREA SCHOOL DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		\$ 107,818
Capital outlays are reported in governmental funds 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 depreciation (\$3,451,329) exceeded capital outlays (\$539,660) in the period.		(2,911,669)
Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Unavailable tax revenues, net of change in allowance decreased by this amount this year.		(141,117)
Debt proceeds are reported as financing sources in the governmental funds and, thus, contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. This is the amount of debt repayments, net of premiums and discounts.		4,518,265
In the statement of activities, certain operating expenses – compensated absences (vacations and sick leave) and special termination benefits (early retirement) – 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 (essentially, the amounts actually paid). This is the amount by which current period amounts paid were less than current period compensated absences earned.		
Compensated absences	\$ 78,582	
Other post-employment benefits	<u>(223,162)</u>	(144,580)
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, however, interest expense is recognized as the interest accrues, regardless of when it is due.		13,145
In the statement of activities, pension expense reflects the change in net pension liability, net of deferrals. In the governmental funds, however, pension expenditures reflect payments made to fund the pension plan. This is the amount by which the change in net pension liability and related deferrals (\$4,887,000) exceeds pension contributions during the year (\$5,310,941).		<u>(858,158)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 583,704</u>

The accompanying notes are an integral part of these financial statements.

**OXFORD AREA SCHOOL DISTRICT
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Final	Actual (GAAP Basis)	Variance with Final Budget Positive (Negative)
	Original	Final	Final	(GAAP Basis)	(Negative)
REVENUES					
Local sources	\$ 36,477,842		\$ 36,477,842	\$ 37,002,437	524,595
State sources	21,838,418		21,838,418	22,398,165	559,747
Federal sources	759,921		759,921	1,354,615	594,694
TOTAL REVENUES	<u>59,076,181</u>		<u>59,076,181</u>	<u>60,755,217</u>	<u>1,679,036</u>
EXPENDITURES					
Instruction:					
Regular programs	25,151,036		25,416,879	23,591,394	1,825,485
Special programs	11,609,476		11,784,874	11,861,796	(76,922)
Vocational programs	2,036,531		2,036,531	2,036,531	-
Other instructional programs	91,441		111,296	89,198	22,098
Total Instruction	<u>38,888,484</u>		<u>39,349,580</u>	<u>37,578,919</u>	<u>1,770,661</u>
Support services:					
Pupil personnel services	1,432,456		1,423,476	1,350,109	73,367
Instructional staff services	1,519,285		1,574,554	1,358,938	215,616
Administrative services	3,312,795		3,335,726	3,102,551	233,175
Pupil health	620,972		620,715	580,831	39,884
Business services	615,595		623,026	581,644	41,382
Operation and maintenance of plant services	4,407,499		4,414,138	3,777,798	636,340
Student transportation services	3,950,536		4,000,692	3,528,594	472,098
Central support services	1,401,915		1,383,279	1,291,354	91,925
Other support services	22,000		22,000	20,837	1,163
Total Support Services	<u>17,283,053</u>		<u>17,397,606</u>	<u>15,592,656</u>	<u>1,804,950</u>
Operation of noninstructional services:					
Student activities	1,000,314		998,504	939,233	59,271
Community services	28,662		75,950	33,500	42,450
Total Operation of Noninstructional Services	<u>1,028,976</u>		<u>1,074,454</u>	<u>972,733</u>	<u>101,721</u>
Debt service	6,093,367		6,093,367	5,850,386	242,981
TOTAL EXPENDITURES	<u>63,293,880</u>		<u>63,915,007</u>	<u>59,994,694</u>	<u>3,920,313</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(4,217,699)</u>		<u>(4,838,826)</u>	<u>760,523</u>	<u>5,599,349</u>
OTHER FINANCING SOURCES (USES)					
Budgetary reserve	100,000		100,000	-	100,000
Transfers to other funds	-		-	(500,000)	500,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>100,000</u>		<u>100,000</u>	<u>(500,000)</u>	<u>(600,000)</u>
NET CHANGE IN FUND BALANCE	<u>(4,117,699)</u>		<u>(4,738,826)</u>	<u>260,523</u>	<u>4,999,349</u>
FUND BALANCE, BEGINNING OF YEAR	-		-	23,267,576	23,267,576
FUND BALANCE, END OF YEAR	<u>\$ (4,117,699)</u>		<u>\$ (4,738,826)</u>	<u>\$ 23,528,099</u>	<u>\$ 28,266,925</u>

The accompanying notes are an integral part of these financial statements.

**OXFORD AREA SCHOOL DISTRICT
STATEMENTS OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2016 AND 2015**

	Food Service Fund	
	2016	2015
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
ASSETS:		
Cash and cash equivalents	\$ 55,371	\$ 97,804
Investments	407,636	534,436
Due from other governments	28,883	28,322
Accounts receivable	778	16,640
Inventories	19,270	20,413
Furniture and equipment	1,905,766	1,904,708
Accumulated depreciation	(953,805)	(877,569)
TOTAL ASSETS	1,463,899	1,724,754
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred pension contributions	139,274	111,580
Deferred pension expenses	31,270	38,909
TOTAL DEFERRED OUTFLOWS OF RESOURCES	170,544	150,489
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 1,634,443	\$ 1,875,243
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
LIABILITIES:		
Accounts payable	\$ 66,299	\$ 10,966
Unearned revenues	24,191	24,191
Long term liabilities:		
Net pension liability	1,835,631	1,707,474
TOTAL LIABILITIES	1,926,121	1,742,631
DEFERRED INFLOWS OF RESOURCES:		
Deferred pension expenses	37,081	122,073
TOTAL DEFERRED INFLOWS OF RESOURCES	37,081	122,073
NET POSITION:		
Net investment in capital assets	951,961	1,027,139
Unrestricted (deficit)	(1,280,720)	(1,016,600)
TOTAL NET POSITION (DEFICIT)	(328,759)	10,539
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 1,634,443	\$ 1,875,243

The accompanying notes are an integral part of these financial statements.

**OXFORD AREA SCHOOL DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUND
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	Food Service Fund	
	2016	2015
OPERATING REVENUES		
Food service revenues	\$ 716,239	\$ 759,085
Total Operating Revenues	716,239	759,085
OPERATING EXPENSES		
Salaries	634,379	574,646
Employee benefits	474,389	447,365
Purchased professional and technical services	59,584	35,858
Other operating expenses	7,916	5,747
Supplies	896,994	859,068
Depreciation	76,236	76,639
Dues and fees	3,195	3,686
Total Operating Expenses	2,152,693	2,003,009
OPERATING LOSS	(1,436,454)	(1,243,924)
NONOPERATING REVENUES		
Earnings on investments	854	1,191
State sources	161,319	148,261
Federal sources	934,983	948,304
Total Nonoperating Revenues	1,097,156	1,097,756
CHANGE IN NET POSITION	(339,298)	(146,168)
NET POSITION, BEGINNING OF YEAR	10,539	156,707
NET POSITION (DEFICIT), END OF YEAR	\$ (328,759)	\$ 10,539

The accompanying notes are an integral part of these financial statements.

**OXFORD AREA SCHOOL DISTRICT
STATEMENTS OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	Food Service Fund	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 725,875	\$ 755,073
Payments to suppliers	(796,813)	(809,557)
Payments to employees	(1,085,658)	(974,651)
NET CASH USED BY OPERATING ACTIVITIES	(1,156,596)	(1,029,135)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State sources	161,364	148,615
Federal sources	826,203	853,557
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	987,567	1,002,172
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(1,058)	(4,851)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,058)	(4,851)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Earnings on investments	854	1,191
Sale of investments	126,800	51,044
NET CASH PROVIDED BY INVESTING ACTIVITIES	127,654	52,235
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(42,433)	20,421
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	97,804	77,383
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 55,371	\$ 97,804
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	\$ (1,436,454)	\$ (1,243,924)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	76,236	76,639
Donated commodities	108,174	99,387
Decrease (Increase) in:		
Accounts receivable	15,862	(11,223)
Inventories	1,143	5,796
Deferred outflows of resources - pension	(20,055)	(62,414)
Increase (Decrease) in:		
Accounts payable	55,333	(4,155)
Unearned revenues	-	985
Net pension liability	128,157	(12,299)
Deferred inflows of resources - pension	(84,992)	122,073
NET CASH USED BY OPERATING ACTIVITIES	\$ (1,156,596)	\$ (1,029,135)
SUPPLEMENTAL DISCLOSURE		
Noncash noncapital financing activity:		
USDA donated commodities	\$ 108,174	\$ 99,387

The accompanying notes are an integral part of these financial statements.

**OXFORD AREA SCHOOL DISTRICT
STATEMENTS OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2016 AND 2015**

	Private Purpose Trust		Agency Fund	
	Scholarship Fund		Student Activities Fund	
	2016	2015	2016	2015
ASSETS:				
Cash	\$ 119,502	\$ 104,754	\$ 96,716	\$ 104,939
TOTAL ASSETS	\$ 119,502	\$ 104,754	\$ 96,716	\$ 104,939
LIABILITIES AND NET POSITION:				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 96,716	\$ 104,939
NET POSITION	119,502	104,754	-	-
TOTAL LIABILITIES AND NET POSITION	\$ 119,502	\$ 104,754	\$ 96,716	\$ 104,939

The accompanying notes are an integral part of these financial statements.

**OXFORD AREA SCHOOL DISTRICT
STATEMENTS OF ACTIVITIES - FIDUCIARY FUND
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	Scholarship Fund	
	2016	2015
REVENUES		
Contributions	\$ 57,468	\$ 58,169
Interest income	70	55
Total Revenues	<u>57,538</u>	<u>58,224</u>
EXPENSES		
Scholarships	42,775	35,425
Miscellaneous expenses	15	24
Total Expenses	<u>42,790</u>	<u>35,449</u>
CHANGE IN NET POSITION	14,748	22,775
NET POSITION, BEGINNING OF YEAR	<u>104,754</u>	<u>81,979</u>
NET POSITION, END OF YEAR	<u>\$ 119,502</u>	<u>\$ 104,754</u>

The accompanying notes are an integral part of these financial statements.

OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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 the 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.

The financial statements of the 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.

Reporting Entity

GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39 and GASB Statement No. 61, established the criteria for determining the activities, organizations, and functions of government to be included in the financial statements of the reporting entity. In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the District's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. The District is considered to be an independent reporting entity and has no component units.

OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Basis of Presentation

Entity-wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements distinguish between activities that are governmental and those that are considered business-type. These statements include the financial activities of the primary government, except for fiduciary funds.

The entity-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined under proprietary funds below. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the entity-wide statements and the statements of governmental funds.

The entity-wide statement of activities presents a comparison between expenses and program revenues for each function of the business-type activities of the District and for each governmental program. Expenses are those that are specifically associated with a service or program and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District.

Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, which are reported as transfers and internal balances, the effect of interfund activity has been removed from these statements.

The entity-wide financial statements report net position in one of three components. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowings attributable to acquiring, constructing, or improving those assets. Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Those restrictions affect net position arising from the capital projects fund. Unrestricted net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted."

OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Fund Financial Statements

During the school year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Fiduciary fund financial statements are presented by fund type.

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The District reports the following major governmental funds:

The **General Fund** is the government's primary operating fund. It accounts for all financial resources of the general government, including the athletic fund, except those required to be accounted for in another fund.

The **Capital Reserve Fund** is used to account for the acquisition, construction, and renovation of major capital facilities and their related capital assets and to account for funds set aside for future capital needs.

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, 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 and similar revenue streams to be available if collected within 60 days of the end of the fiscal period. During the year ended June 30, 2016, the District recognized certain revenues from the Commonwealth of Pennsylvania which were received more than 60 days after year end but are usually received within 60 days of year end. The District determined that their exclusion would be misleading to the financial statements. Revenue from federal, state, and other grants designated for payment of specific District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned.

Other revenues, including certain other charges for services and miscellaneous revenues, are recorded as revenue when received in cash because they generally are not measurable until actually received.

OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt which has not matured are recognized when paid. Liabilities for compensated absences and special termination benefits are recognized as fund liabilities to the extent they mature each period. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Proprietary Funds

Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are financed primarily by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The District does not attempt to allocate all "building-wide costs" to the proprietary fund. Thus, general fund expenditures which partially benefit the proprietary fund (utilities, janitorial services, insurance, etc.) are not recognized proportionately within the proprietary fund. Similarly, the proprietary fund does not recognize a cost for the building space it occupies.

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

Fiduciary Funds

Fiduciary funds account for the assets held by the District as a trustee or agent for individuals, private organizations, and/or governmental units and are, therefore, not available to support the District's own programs. The District accounts for these assets as agency funds and trust funds. The agency fund accounts for funds held on behalf of students of the District. It is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The trust fund accounts for monies contributed for scholarships and memorials.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Investments

Investments are recorded at fair value.

In establishing the fair value of investments, the District uses the following hierarchy. The lowest available level of valuation available is used for all investments.

Level 1 – Valuations based on quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2 – Valuations based on quoted prices of similar products in active markets or identical products in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the entity-wide financial statements as “internal balances.”

Taxes receivable are presented net of allowances for estimated uncollectibles of \$56,305. The allowance for uncollectible accounts is based upon historical data established according to experience and other factors which, in the judgment of District management, deserve recognition in estimating possible losses. Management believes that they have adequately provided for future probable losses.

Property Taxes

Taxes are levied on July 1 and are payable in the following periods:

July 1 - August 31	-	Discount period, 2% of gross levy
September 1 - October 31	-	Face period
November 1 - collection	-	Penalty period, 10% of gross levy
January 15	-	Lien date

An installment payment plan is available to residential property owners, who have been approved as homestead owners by the Chester County Board of Assessments, with three equal installments due as follows:

OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- August 31 - one third of the gross levy
- September 30 - one third of the gross levy
- October 31 - one third of the gross levy

In order to participate in the installment payment plan, homestead owners must forego the opportunity to make payment at the two percent of gross levy discount rate.

The District's taxes are billed and collected by the District. The tax on real estate for public school purposes for fiscal years 2015 - 2016 was 30.5347 mills (\$30.5347 for \$1,000 of assessed valuation) for the entire District.

Inventories

All inventories are valued at the lower of cost (first-in, first-out method) or market.

Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

Property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Building improvements	5 - 20 years
Land improvements	20 years
Furniture	10 years
Equipment	3 - 20 years

OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Compensated Absences

District policies permit employees to accumulate earned but unused vacation and personal and sick days as stipulated in each bargaining unit's contract. The liability for these compensated absences is recorded as long-term debt in the entity-wide financial statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report the compensated absence liability payable from expendable available financial resources.

Long-term Obligations

In the entity-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are netted against outstanding principal balances and amortized over the life of the bonds. Bond issuance costs are expensed when incurred. Deferred amounts on refunding are recorded as a deferred inflow or outflow of resources and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amortized amounts are amortized using the straight-line method.

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. Premiums received and discounts paid on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Inflows and Deferred Outflows of Resources

In addition to assets and liabilities, the statement of net position will sometimes report separate sections for deferred inflows and deferred outflows of resources. These separate financial statement elements represent acquisition or use of net position that applies to a future period(s) and so will not be recognized as an inflow or outflow of resources (revenue or expense/expenditure) until that time. The District currently has three types of items that qualify for reporting in this category. Delinquent taxes not collected within 60 days of year end, and therefore are not available under modified accrual reporting, are reflected as deferred inflows of resources on the general fund balance sheet. Pension contributions made subsequent to the measurement date, and therefore not reflected in the net pension liability under full accrual basis reporting, are reported as a deferred outflow of resources on the entity-wide and proprietary fund statements of net position. Certain changes to the net pension liability are required to be amortized over a period of years; the unamortized portions of these changes are reflected as deferred outflows and inflows of resources on the entity-wide and proprietary fund statements of net position.

OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then unrestricted resources as they are needed.

As of June 30, 2016, fund balances of the governmental funds are classified, if applicable, as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Directors.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Finance Committee, the Superintendent, or the Business Manager may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Implementation of GASB Statements

During the year ended June 30, 2016, the District implemented GASB Statement No. 72, "Fair Value Measurement and Application." GASB Statement No. 72 provides guidance for determining a fair value measurement for financial reporting purposes and applying fair value to certain investments, as well as improving disclosures related to all fair value measurements.

The effects of this statement have been included in the District's financial statement footnotes.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

An annual budget is adopted prior to the beginning of each year for the general fund on the modified accrual basis of accounting. The general fund is the only fund for which a budget is legally required, although project-length financial plans are adopted for all capital projects funds.

The District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by District officials on a uniform form furnished by such Department and submitted to the Board of School Directors for approval prior to the beginning of the fiscal year on July 1.

Under the Taxpayer Relief Act, the District must adopt a preliminary budget proposal (which must include estimated revenues and expenditures and proposed tax rates) no later than 90 days prior to the date of the election immediately preceding the fiscal year. The preliminary budget proposal must be printed and made available for public inspection at least 20 days prior to its adoption; the Board of School Directors may hold a public hearing on the budget; and the Board must give at least 10 days' public notice of its intent to adopt such budget.

If the adopted preliminary budget includes an increase in the rate of any tax levy, the preliminary budget must be submitted to the Pennsylvania Department of Education ("PDE") no later than 85 days prior to the date of the election immediately preceding the fiscal year. The PDE is to compare the proposed percentage increase in the rate of any tax with the District's Index and within 10 days, but no later than 75 days, prior to the upcoming election to inform the District whether the proposed percentage increase is less than or equal to the Index. If the PDE determines that a proposed tax increase will exceed the Index, the District must reduce the proposed tax increase, seek voter approval for the tax increase at the upcoming election, or seek approval to utilize one or more of the referendum exceptions authorized by the Taxpayer Relief Act.

OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont'd)

With respect to the utilization of any of the Taxpayer Relief Act referendum exceptions for which the PDE approval is required, the District must publish notice of its intent to seek the PDE approval not less than one week before submitting its request for approval to the PDE and, if the PDE determines to schedule a public hearing on the request, a notice of the date, time, and place of such hearing. The PDE is required by the Taxpayer Relief Act to rule on the District's request and inform the school district of its decision no later than 55 days prior to the upcoming election so that, if the PDE denies the school district's request, the school district may submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

To use any of the referendum exceptions for which court approval is required under the Taxpayer Relief Act, the District must petition the court of common pleas no later than 75 days prior to the upcoming election, after giving one week's public notice of the intent to file such petition. The court may schedule a hearing on the petition, and the District must prove by clear and convincing evidence that it qualifies for the exception sought. The Taxpayer Relief Act requires that the court rule on the petition and inform the District of its decision no later than 55 days prior to the upcoming election. Such Act provides that the court, in approving the petition, shall determine the dollar amount for which the exception is granted, the tax rate increase required to fund the exception, and the appropriate duration of the tax increase. If the court denies the District's petition, such Act permits the District to submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

If the District seeks voter approval to increase taxes at a rate higher than the applicable Index, whether or not it first seeks approval to utilize one or more of the referendum exceptions available under the Taxpayer Relief Act, and the referendum question is not approved by a majority of the voters voting on the question, the Board of School Directors may not approve an increase in the tax rate greater than the applicable Index.

The above budgetary procedures will not apply if the District adopts a resolution no later than 110 days prior to the election immediately preceding the upcoming fiscal year declaring that it will not increase any tax rate that exceeds the Index, and that a tax increase at or below the rate of the Index will be sufficient to balance its budget. In that case, the Taxpayer Relief Act requires only that the proposed annual budget be prepared at least 30 days and made available for public inspection at least 20 days prior to its adoption, and that at least 10 days' public notice be given of the Board's intent to adopt the annual budget. No referendum exceptions are available to a school district adopting such a resolution.

Legal budgetary control is maintained at the sub-function/major object level. The Board may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without Board approval. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont'd)

Excess of Expenditures Over Appropriations

General fund special instruction programs incurred expenditures in excess of appropriations of \$76,922 for the year ended June 30, 2016. The excess of expenditures over appropriations was financed by current year revenue sources.

NOTE 3 CASH, POOLED CASH, AND INVESTMENTS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The District does not have a policy for custodial credit risk. At June 30, 2016, the carrying amount of the District's deposits was \$823,336, and the bank balance was \$1,671,268. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$1,421,268 was exposed to custodial credit risk because, in accordance with Act 72 of the Commonwealth of Pennsylvania, it was uninsured and the collateral held by the depository's agent was not in the District's name.

Investments

Statutes authorize the District to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, State Treasurer's investment pools, or mutual funds.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The District has the following recurring fair value measurements as of June 30, 2016:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Matures in Less Than One Year</u>
Certificates of deposit	\$ 5,664,159	\$ -	\$ 5,664,159	\$ 5,664,159
Money Market	10,202,473	10,202,473	-	10,202,473
PLGIT/PSDLAF	14,105,995	14,105,995	-	-
TOTAL	\$ 29,972,627	\$ 24,308,468	\$ 5,664,159	\$ 15,866,632

OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 3 DEPOSITS AND INVESTMENTS (cont'd)

Of the District's \$29,972,627 in investments, \$14,105,995 are invested 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 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.

Additionally, the District has \$5,664,159 in certificates of deposit held with banks, including \$105,691 invested through the CDARS program. The certificates of deposit have maturities of less than one year as of June 30, 2016 and are fully covered through a combination of FDIC insurance and letters of credit obtained by the depositors in the District's name. The remaining \$10,202,473 was invested in money market accounts offered by banks. Of this balance, \$400,030 was covered by FDIC insurance, and \$9,802,443 was exposed to custodial credit risk because, in accordance with Act 72 of the Commonwealth of Pennsylvania, it was uninsured and the collateral held by the depository's agent was not in the District's name.

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, 2016, PLGIT and PSDLAF were rated as AAAM by a nationally recognized statistical rating organization.

NOTE 4 UNEARNED REVENUES

The District records unearned revenue for resources that have been received but not yet earned. At the end of the current fiscal year, unearned revenue reported in the governmental funds resulted from federal grants received that have not satisfied eligibility requirements and revenue received but not yet earned. Unearned revenue in the proprietary funds and the entity-wide financial statements represents resources that have been received but not yet earned.

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 5,255,835	\$ -	\$ -	\$ 5,255,835
Total Capital Assets Not Being Depreciated	5,255,835	-	-	5,255,835

OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Buildings and improvements	124,024,132	398,346	-	124,422,478
Furniture and equipment	7,164,746	141,314	38,464	7,267,596
Total Capital Assets Being Depreciated	131,188,878	539,660	38,464	131,690,074
Less accumulated depreciation	44,830,729	3,451,329	38,464	48,243,594
Total Capital Assets Being Depreciated, Net	86,358,149	(2,911,669)	-	83,446,480
Governmental Activities Assets, Net	\$ 91,613,984	\$(2,911,669)	\$ -	\$ 88,702,315
Business-type Activities:				
Capital assets being depreciated:				
Furniture and equipment	\$ 1,904,708	\$ 1,058	\$ -	\$ 1,905,766
Less accumulated depreciation	877,569	76,236	-	953,805
Business-type Activities Assets, Net	\$ 1,027,139	\$ (75,178)	\$ -	\$ 951,961

Depreciation expense was charged to functions/programs of the District as follows:

Governmental Activities:	
Instruction	\$ 2,394,587
Instructional student support	209,351
Administrative and financial support services	319,851
Operation and maintenance of plant services	241,526
Pupil transportation	225,888
Student activities	60,126
Total Depreciation Expense - Governmental Activities	\$ 3,451,329
Business-type Activities - Food Service	\$ 76,236

NOTE 6 INTERNAL RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances between funds represent temporary loans recorded at year end subsequent to a final allocation of expenses. There were no internal balances as of June 30, 2016. There was one transfer during the year to the capital reserve fund for the purpose of funding future capital projects. The general fund transferred \$500,000 to the capital reserve fund.

OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 7 GENERAL LONG-TERM DEBT

The following summarizes the changes in the long-term liabilities of governmental activities for the year ended June 30, 2016:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016
Bonds and note payable, net	\$ 66,921,323	\$ -	\$ 4,374,592	\$ 62,546,731
Capital lease payable	143,673	-	143,673	-
Accumulated compensated absences	764,018	-	78,582	685,436
Other post-employment benefits	1,599,754	223,162	-	1,822,916
TOTALS	<u>\$ 69,428,768</u>	<u>\$ 223,162</u>	<u>\$ 4,596,847</u>	<u>\$ 65,055,083</u>

Bonds and note payable at June 30, 2016 is comprised of the following:

Bonds and note payable, at face	\$60,640,000
Unamortized discount	(17,140)
Unamortized premium	<u>1,923,871</u>
 Bonds and note payable, net	 <u>\$62,546,731</u>

Payments of long-term debt are expected to be funded by the general fund.

General Obligation Note

Series A of 2007, maturing through August 1, 2023, bearing variable rate interest to a maximum of 25% (4.50% at June 30, 2016), interest payable monthly. \$ 500,000

General Obligation Bonds

Series C of 2007, maturing through August 1, 2028 bearing variable interest to a maximum of 25% (4.00% at June 30, 2016), interest payable monthly. 7,935,000

Series of 2012, maturing through February 1, 2028, bearing interest ranging from 0.80% to 3.00%, interest payable semi-annually on February 1 and August 1. 9,785,000

Series of 2013, maturing through February 1, 2026, bearing interest ranging from 0.55% to 2.45%, interest payable semi-annually on February 1 and August 1. 9,685,000

OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 7 GENERAL LONG-TERM DEBT (cont'd)

Series A of 2013, maturing through February 15, 2026, bearing interest ranging from 0.35% to 3.25%, interest payable semi-annually on February 15 and August 15.	4,860,000
Series of 2014, maturing through February 15, 2022, bearing interest ranging from 0.30% to 4.00%, interest payable semi-annually on February 15 and August 15.	7,470,000
Series A of 2014, maturing through February 15, 2022, bearing interest ranging from 0.35% to 5.00%, interest payable semi-annually on February 15 and August 15.	15,880,000
Series of 2015, maturing through February 1, 2023, bearing interest ranging from 1.50% to 4.00%, interest payable semi-annually on February 1 and August 1.	<u>4,525,000</u>
TOTAL	<u>\$ 60,640,000</u>

Presented below is a summary of debt requirements to maturity by years:

<u>Year Ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2017	\$ 4,110,000	\$ 1,943,342	\$ 6,053,342
2018	4,395,000	1,826,242	6,221,242
2019	4,545,000	1,671,730	6,216,730
2020	4,725,000	1,496,105	6,221,105
2021	4,850,000	1,371,090	6,221,090
2022-2026	25,375,000	4,335,034	29,710,034
2027-2029	<u>12,640,000</u>	<u>524,917</u>	<u>13,164,917</u>
	<u>\$ 60,640,000</u>	<u>\$ 13,168,459</u>	<u>\$ 73,808,459</u>

NOTE 8 OPERATING LEASE - LESSOR

The District rents excess office space to Brandywine River Valley Home, Health & Hospice under an agreement in effect through July 31, 2018. This lease is considered as an operating lease for accounting purposes. The District also rents excess office space to Set Free to Set Free under an agreement in effect through January 31, 2017. This lease is considered as an operating lease for accounting purposes. The following is a summary of the minimum rental income for the remaining term at June 30, 2016:

OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 OPERATING LEASE - LESSOR (cont'd)

Year Ending June 30,

2017	\$ 75,157
2018	72,019
2019	<u>6,011</u>
	<u>\$ 153,187</u>

An amount of \$74,121 was received under operating leases during the year ended June 30, 2016.

NOTE 9 CAPITAL LEASE - LESSEE

The District has entered into a lease agreement as a lessee for financing the acquisition of technology equipment used within the District. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the lower of asset value or present value of future minimum lease payments as of the inception date.

Lease payments for the year ended June 30, 2016 totaled \$147,107, of which \$143,673 represented principal and \$3,434 represented interest. The lease was fully repaid during the year ended June 30, 2016. The leased equipment was capitalized at an original cost of \$431,100, and is fully depreciated as of June 30, 2016.

NOTE 10 PENSION PLAN

Plan Description

The District contributes to the Public School Employees' Retirement System ("PSERS"), a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the system include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available comprehensive annual financial report that includes the financial statements and required supplementary information for the plan. A copy of this report may be obtained by writing to the Public School Employees' Retirement System, P.O. Box 125, Harrisburg, Pennsylvania, 17108-0125, or by visiting the PSERS website at www.psers.state.pa.us.

OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 10 PENSION PLAN (cont'd)

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62, with at least one year of credited service, (b) age 60 with 30 or more years of credited service, or (c) 35 or more years of service regardless of age. Act 120 of 2010 ("Act 120") preserves the benefits of existing members and introduced benefit reductions for individuals who became new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E ("Class T-E"), and Membership Class T-F ("Class T-F"). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of three years of service, or attain a total combination and age and service that is equal to or greater than 92, with a minimum of 35 years of service. Benefits are generally equal to two percent or two and one-half percent, depending upon the membership class, of the member's final average salary as defined in the Code, multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to two percent or two and one-half percent, depending upon the membership class, of the member's final average salary as defined in the Code, multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members, or who has at least five years of credited service for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

Member Contributions

Active members who joined the system prior to July 22, 1983 contributed at 5.25 percent (Membership Class T-C), or at 6.50 percent (Membership Class T-D) of the member's qualifying compensation.

Members who joined the system on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25 percent (Membership Class T-C), or at 7.50 percent (Membership Class T-D) of the member's qualifying compensation.

Members who joined the system after June 30, 2001 and before July 1, 2011 contribute at 7.50 percent (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 10 PENSION PLAN (cont'd)

Members who joined the system after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.50 percent (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.30 percent (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.50 percent and 9.50 percent, and Membership Class T-F contribution rate to fluctuate between 10.30 percent and 12.30 percent.

Employer Contributions

The District's contractually required annual contribution is based on an actuarially determined amount that, when combined with the employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2016, the rate of the employer contribution was 25.84 percent of covered payroll, which was comprised of 25 percent for pension contributions and 0.84 percent for healthcare contributions. The District's contribution to PSERS for the year ended June 30, 2016 was \$5,489,389, of which \$5,310,941 was pension contributions and \$178,448 was healthcare contributions.

Pension Liability and Expense, and Deferred Outflows and Inflows of Resources

At June 30, 2016, the District reported a liability of \$69,998,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by rolling forward the system's total pension liability as of June 30, 2014 to June 30, 2015. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2015, the District's proportion was 0.1616 percent, which was a decrease of 0.0029 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$6,176,376. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ -	\$ 142,000
Difference between expected and actual experience	-	288,000
Changes in proportions	1,077,000	984,000
Difference between employer contributions and proportionate share of total contributions	115,379	-
Contributions subsequent to the date of measurement	5,310,941	-
	\$ 6,503,320	\$ 1,414,000

OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 10 PENSION PLAN (cont'd)

An amount of \$5,310,941 is reported as deferred outflows of resources resulting from the District's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts will be reported as deferred outflows and resources and deferred inflows of resources related to pensions, and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2017	\$ (265,791)
2018	(265,791)
2019	(265,791)
2020	<u>575,752</u>
	<u>\$ (221,621)</u>

Actuarial Assumptions

The total pension liability as of June 30, 2016 was determined by rolling forward the system's total pension liability as of the June 30, 2014 to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – entry age normal, level percentage of pay.
- Investment return – 7.50 percent, including inflation of 3.00 percent.
- Salary increases – effective average of 5.50 percent, which reflects an allowance for inflation of 3.00 percent, real wage growth of 1.00 percent, and merit or seniority increases of 1.50 percent.
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back three years for both males and females. For disabled annuitants, the RP-2000 Combined Disabled Tables (male and female) with age set back seven years for males and three years for females.

The actuarial assumptions used in the June 30, 2014 valuation were based on the experience study that was performed for the five-year period ended June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Board at its March 11, 2011 board meeting, and were effective beginning with the June 30, 2011 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using the building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 10 PENSION PLAN (cont'd)

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS Board of Directors. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

A schedule of plan investments by asset class, target allocations, and long-term expected real rate of return is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Public markets global equity	22.5%	4.8%
Private markets (equity)	15.0%	6.6%
Private real estate	12.0%	4.5%
Global fixed income	7.5%	2.4%
U.S. long treasuries	3.0%	1.4%
TIPS	12.0%	1.1%
High yield bonds	6.0%	3.3%
Cash	3.0%	0.7%
Absolute return	10.0%	4.9%
Risk parity	10.0%	3.7%
MLPs/infrastructure	5.0%	5.2%
Commodities	8.0%	3.1%
Financing (LIBOR)	(14.0%)	1.1%
	<u>100.00%</u>	

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2015.

Discount Rate

The discount used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates which are actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 10 PENSION PLAN (cont'd)

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent) or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease 6.50%	Current Rate Discount Rate 7.50%	1% Increase 8.50%
Proportionate share of the net pension liability	\$ 86,279,000	\$ 69,998,000	\$ 56,313,000

Pension Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report, which can be found on the system's website at www.psers.state.pa.us.

NOTE 11 JOINT VENTURES

The District is a participating member of the Center for Arts Technology ("the Vo-Tech"). The Vo-Tech is run by a joint board consisting of school directors from each member district. The board of directors from each member district must approve the Vo-Tech's annual budget. Each member pays an allocated share of the debt and operating costs of the Vo-Tech based on the number of students from each district. For fiscal year ended June 30, 2016, the District's share of debt and operating costs was \$2,155,145. The Vo-Tech prepares financial statements which are available to the public. The financial statements of the Vo-Tech are available from the Chester County Intermediate Unit located at 455 Boot Road, Downingtown, Pennsylvania 19335.

NOTE 12 POST-EMPLOYMENT HEALTHCARE PLAN

Plan Description

The District has implemented Governmental Accounting Standards Board Statement No. 45, "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions," for certain post-employment healthcare benefits and life insurance benefits provided by the District. This statement generally provides for prospective implementation - i.e., that

OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 12 POST-EMPLOYMENT HEALTHCARE PLAN (cont'd)

employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. Accordingly, for financial reporting purposes, no liability is reported for the post-employment benefits liability at the date of transition.

The District's post-employment healthcare plan is a single-employer defined benefit healthcare plan. The plan provides medical insurance benefits to eligible retirees and their spouses. The Board of School Directors has the authority to establish and amend benefit provisions through the collective bargaining process with members of the professional and support staff, an agreement with administrative employees, and individual employment contracts with certain employees. The plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

Funding Policy

The contribution requirements of plan members are established and may be amended by the Board of School Directors. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to prefund as determined annually by the Board of School Directors. For fiscal year 2016, the District contributed \$178,463.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other post-employment benefit 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 No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan.

Annual required contribution	\$ 428,515
Interest on net OPEB obligation	41,298
Adjustment to annual required contribution	<u>(68,188)</u>
Annual OPEB cost (expense)	401,625
Contributions made	<u>(178,463)</u>
Increase in net OPEB obligation	223,162
Net OPEB obligation - beginning of year	<u>1,599,754</u>
Net OPEB obligation - end of year	<u>\$ 1,822,916</u>

OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 12 POST-EMPLOYMENT HEALTHCARE PLAN (cont'd)

Funded Status and Funding Progress

The schedule of funding progress of OPEB is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2014	\$ -	\$ 3,928,218	\$ 3,928,218	0.00%	\$21,187,999	18.54%
7/1/2012	\$ -	\$ 3,385,674	\$ 3,385,674	0.00%	\$20,122,432	16.83%
7/1/2010	\$ -	\$ 4,096,543	\$ 4,096,543	0.00%	\$20,343,736	20.14%

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 healthcare cost trends. 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.

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 the plan members) 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 liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2014 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 3.0 percent investment rate of return and an annual healthcare cost trend rate of 9.0 percent in 2015, reduced by decrements to an ultimate rate of five percent in 2023 or later. The UAAL is being amortized based on the level dollar, 30-year open period. The remaining amortization period at June 30, 2016 was 25 years.

OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 13 FUND BALANCES

As of June 30, 2016, fund balances are composed of the following:

	General Fund	Capital Reserve Fund	Total Governmental Funds
Restricted:			
Capital projects	\$ -	\$ 3,518,317	\$ 3,518,317
Committed:			
Capital projects	2,500,000	-	2,500,000
Healthcare costs	1,997,885	-	1,997,885
Retirement costs	6,629,232	-	6,629,232
Utility costs	350,000	-	350,000
Revenue shortfalls	4,315,948	-	4,315,948
Unassigned	7,735,035	-	7,735,035
Total Fund Balances	\$ 23,528,099	\$ 3,518,317	\$ 27,046,416

NOTE 14 CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

The 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 District is potentially liable for any expenditure 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.

NOTE 15 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs except for workers' compensation, for which the District retains risk of loss. For insured programs, there were no significant reductions in insurance coverages during the 2015 - 2016 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 16 DEFICIT NET POSITION

For governmental activities, business-type activities, and the food service fund, the unrestricted net deficit amounts of \$41,322,790, \$1,280,720, and \$1,280,720, respectively, includes the effect of the deferring the recognition of pension contributions made subsequent to the measurement date of the net pension liability, the unamortized portion of contributions made in

OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 16 DEFICIT NET POSITION (cont'd)

excess of the District's share of its contributions to its pension plan, and the deferred outflows resulting from the change in the District's share of the net pension liability. This is offset by the District's actuarially determined pension liability and the deferred inflows resulting from the differences between projected and actual investment earnings.

NOTE 17 SUBSEQUENT EVENTS

The District has evaluated all subsequent events through December 20, 2016, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**OXFORD AREA SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
Pennsylvania Public School Employees' Retirement System (PSERS)**

	Measurement Date	
	<u>June 30, 2015</u>	<u>June 30, 2014</u>
District's proportion of the net pension liability	0.1616%	0.1645%
District's proportion of the net pension liability - dollar value	\$69,998,000	\$65,111,000
District's covered employee payroll	\$20,786,124	\$20,992,941
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	336.75%	310.16%
Plan fiduciary net position as a percentage of the total pension liability	54.36%	57.24%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**OXFORD AREA SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS
Pennsylvania Public School Employees' Retirement System (PSERS)**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 5,310,941	\$ 4,261,155
Contributions in relation to the contractually required contribution	<u>5,310,941</u>	<u>4,261,155</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$21,243,764	\$20,786,124
Contributions as a percentage of covered-employee payroll	25.00%	20.50%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SINGLE AUDIT SUPPLEMENT

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

December 20, 2016

Board of School Directors
Oxford Area School District
Oxford, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Oxford Area School District ("the District"), Oxford, Pennsylvania, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 20, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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.

Board of Directors
Oxford Area School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

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

December 20, 2016

Board of School Directors
Oxford Area School District
Oxford, Pennsylvania

Report on Compliance for Major Federal Program

We have audited the Oxford Area School District's ("the District") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2016. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 the major federal program. However, our audit does not provide a legal determination of the District's compliance.

Board of School Directors
Oxford Area School District

Basis for Qualified Opinion

As described in the accompanying schedule of findings and recommendations, the District did not comply with requirements regarding the Child Nutrition Cluster, as described in finding #2016-001 for Verification. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Opinion on Major Federal Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster, for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

Board of School Directors
Oxford Area School District

The Oxford Area School District's response to the internal control over compliance findings identified in our audit is described in a statement following the notes to the schedule of expenditures of federal awards. The Oxford Area School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

OXFORD AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART A - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported
- Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported

Type of auditor's report issued on compliance for major programs [*unmodified, qualified, adverse, or disclaimer*]:

Qualified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? X Yes No

Identification of major program:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

OXFORD AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

PART C - FINDINGS RELATED TO FEDERAL AWARDS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Child Nutrition Cluster (CDFA #10.553, 10.555)

2016-001

Condition

In accordance with the OMB Compliance Supplement, the District must verify the income of a sample of free and reduced price applications. During our audit, we noted that the District did not properly verify one of the five samples (as determined by the U.S. Department of Agriculture's sampling guidelines) because overtime hours worked were not included in the calculation of annual income.

Effect

As a result, one family went from being classified as free to reduced instead of being classified as paid, causing them to receive program benefits that they should not have been receiving.

OXFORD AREA SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

Cause

Management oversight.

Criteria

Calculation of family income for verification of free and reduced lunch program eligibility should include overtime pay for the period tested.

Recommendation

We recommend that the District annualize the total base and total overtime earned as of the date of the of the pay stub that is received and compare it to the annual income eligibility guidelines instead of using the weekly or bi-weekly guidelines. This will eliminate any fluctuations of hours worked on the particular paystub that was submitted.

**OXFORD AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING/ ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (UNEARNED) REVENUE 7/01/2015	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (UNEARNED) REVENUE 6/30/2016	PASSED THROUGH TO SUB-RECIPIENTS
U.S. Department of Education											
Passed through Pennsylvania Department of Education											
Title I - Grants to Local Education Agencies	I	84.010	013-14-0315	08/12/13-09/30/14	\$ 615,381	\$ -	\$ (25,804)	\$ 25,804	\$ 25,804	\$ -	\$ -
Title I - Grants to Local Education Agencies	I	84.010	013-15-0315	10/09/14-09/30/15	634,769	157,079	16,154	177,335	177,335	36,410	-
Title I - Grants to Local Education Agencies	I	84.010	013-16-0315	10/28/15-09/30/16	720,900	473,981	-	529,553	529,553	55,572	-
Total CFDA #84.010						631,060	(9,650)	732,692	732,692	91,982	-
Title II - Improving Teacher Quality	I	84.367	020-15-0315	10/09/14-09/30/15	97,976	24,432	24,432	-	-	-	-
Title II - Improving Teacher Quality	I	84.367	020-16-0315	10/28/15-09/30/16	98,297	41,068	-	89,451	89,451	48,383	-
Total CFDA #84.367						65,500	24,432	89,451	89,451	48,383	-
Title III - Language Inst LEP	I	84.365	010-14-0315	08/12/13-09/30/14	88,519	4,893	(11,475)	16,368	16,368	-	-
Title III - Language Inst LEP	I	84.365	010-15-0315	10/09/14-09/30/15	81,551	20,388	(7,999)	30,093	30,093	1,706	-
Title III - Language Inst LEP	I	84.365	010-16-0315	10/09/15-09/30/16	82,595	27,495	-	8,969	8,969	(18,526)	-
Total CFDA #84.365						52,776	(19,474)	55,430	55,430	(16,820)	-
Subgrant from U.S. Department of Education											
Passed through Chester County Intermediate Unit											
I.D.E.A. Part B	I	84.027	062-14-0024	07/01/14-06/30/15	386,362	278,553	278,553	-	-	-	-
I.D.E.A. Part B	I	84.027	062-15-0024	07/01/15-06/30/16	466,097	278,553	278,553	466,097	466,097	466,097	-
Total CFDA #84.027						278,553	278,553	466,097	466,097	466,097	-
I.D.E.A. Preschool	I	84.173	131-15-0024B	07/01/15-06/30/16	1,570	-	-	1,570	1,570	1,570	-
Total Special Education Cluster						278,553	278,553	467,667	467,667	467,667	-
Total U.S. Department of Education						1,027,889	273,861	1,345,240	1,345,240	591,172	-
U.S. Department of Health and Human Services											
Passed through Pennsylvania Department of Public Welfare											
Medical Assistance Program	I	93.778	N/A	07/01/12-06/30/13	47,932	-	2,481	-	-	2,481	-
Medical Assistance Program	I	93.778	N/A	07/01/13-06/30/14	21,003	-	15,742	-	-	15,742	-
Medical Assistance Program	I	93.778	N/A	07/01/14-06/30/15	20,304	16,050	12,347	3,703	3,703	-	-
Medical Assistance Program	I	93.778	N/A	07/01/15-06/30/16	5,672	3,668	-	5,672	5,672	2,004	-
Total CFDA #93.778						19,718	30,570	9,375	9,375	20,227	-
Total U.S. Department of Health and Human Services						19,718	30,570	9,375	9,375	20,227	-

Continued on next page.

**OXFORD AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING/ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (UNEARNED) REVENUE 7/01/2015	REVENUE RECOGNIZED	ACCRUED EXPENDITURES	ACCRUED (UNEARNED) REVENUE 6/30/2016	PASSED THROUGH TO SUB-RECIPIENTS
<i>(cont'd)</i>											
U.S. Department of Agriculture											
Passed through Pennsylvania Department of Agriculture National School Lunch Program	I	10.555	N/A		N/A	108,174	-	108,174	108,174	-	-
Passed through Pennsylvania Department of Education National School Lunch Program	I	10.555	N/A	07/01/14-06/30/15	N/A	21,494	21,494	-	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/15-06/30/16	N/A	677,220	-	699,810	699,810	22,590	-
Total CFDA #10.555						806,888	21,494	807,984	807,984	22,590	-
Breakfast Program	I	10.553	N/A	07/01/14-06/30/15	N/A	5,252	5,252	-	-	-	-
Breakfast Program	I	10.553	N/A	07/01/15-06/30/16	N/A	122,237	-	126,999	126,999	4,762	-
Total CFDA #10.553						127,489	5,252	126,999	126,999	4,762	-
Total Child Nutrition Cluster						934,377	26,746	934,983	934,983	27,352	-
Total U.S. Department of Agriculture						934,377	26,746	934,983	934,983	27,352	-
TOTAL FEDERAL AWARDS						<u>\$ 1,981,984</u>	<u>\$ 331,177</u>	<u>\$ 2,289,598</u>	<u>\$ 2,289,598</u>	<u>\$ 638,751</u>	<u>\$ -</u>

Source Code:

I = Indirect Funding

OXFORD AREA SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A SCOPE OF THIS SCHEDULE

The schedule of expenditures of federal awards reflects federal expenditures for all individual grants which were active during the fiscal year.

NOTE B BASIS OF ACCOUNTING

The District uses the modified accrual method of recording transactions except as noted for the accounting of donated commodities in Note C. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

NOTE C NONMONETARY FEDERAL AWARDS - DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals, and prisons) and to the needy. Expenditures reported in the schedule of expenditures of federal awards under CFDA #10.555, Value of USDA Donated Commodities, represent surplus food consumed by the District during the 2015 - 2016 fiscal year.

NOTE D INDIRECT COST RATE

Oxford Area School District has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Oxford Area School District

David A. Woods
Superintendent

Brian Cooney
Business Administrator

Margaret Billings-Jones, Ed.D.
Assistant Superintendent

Kids First, Progress and Unity

MANAGEMENT'S RESPONSE TO FINDING AND RECOMMENDATION

FINDING RELATED TO COMPLIANCE

2016-001 CHILD NUTRITION CLUSTER (CFDA #10.553, 10.555)

Management acknowledges that the identified verification was not properly calculated. Management has evaluated the internal controls surrounding this process and have not identified any necessary changes. The employees involved in the verification process have been provided additional training to ensure that the calculations are performed in accordance with the U.S. Department of Agriculture regulations.



Oxford Area School District

Jordan Bank School Elk Ridge School Nottingham School Hopewell School Penn's Grove Middle School Oxford Area High School

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