

Oxford Area Community Schools

Oxford, Michigan

**Annual Financial Statements
and
Auditors' Report**

June 30, 2007

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Oxford Area Community Schools
Members of the Board of Education and Administration
June 30, 2007

Members of the Board of Education

Colleen Schultz – President

Lee Barclay – Vice-President

Carol Mitchell – Secretary

Doug Myer – Treasurer

Major Murray – Trustee

Pam Phelps – Trustee

Sue Tombrella – Trustee

Administration

Ronald Franey – Interim Superintendent

Timothy Loock – Assistant Superintendent for Business and Operations



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Independent Auditors' Report

To the Board of Education
Oxford Area Community Schools
Oxford, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Oxford Area Community Schools as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Oxford Area Community Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Oxford Area Community Schools as of June 30, 2007, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 13, 2007, on our consideration of the Oxford Area Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Oxford Area Community Schools' basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yeo & Yeo, P.C.

Saginaw, Michigan
September 13, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Oxford Area Community Schools
Management's Discussion and Analysis
June 30, 2007**

This section of the 2007 annual financial report presents our discussion and analysis of the Oxford Area Community Schools financial performance during the fiscal year ended June 30, 2007. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Oxford Area Community School District financially as a whole. The district-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds - the General Fund and Capital Projects Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Financial Section

- Basic Financial Statements
 - District-wide Financial Statements
 - Fund Financial Statements
 - Fiduciary Fund
 - Notes to Financial Statements
- Required Supplemental Information
 - Budgetary Comparison Schedules – General Fund
- Other Supplemental Information
 - Combining Balance Sheet Non-major Governmental Funds
 - Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Non-major Governmental Funds
 - Comparative Information – General Fund
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Oxford Area Community Schools
Management's Discussion and Analysis
June 30, 2007

District-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the School District's net assets – the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets, as reported in the statement of activities, are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community education, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Services and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in reconciliation.

**Oxford Area Community Schools
Management's Discussion and Analysis
June 30, 2007**

Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The School District as a Whole

Summary of The Statement of Net Assets (in Millions)

	2007 Governmental Activities	2006 Governmental Activities
Assets		
Current Assets	\$ 13.90	\$ 11.15
Capital Assets, net book value	117.00	120.01
Total Assets	<u>130.90</u>	<u>131.16</u>
Liabilities		
Current Liabilities	7.56	10.63
Noncurrent Liabilities	128.23	124.98
Total Liabilities	<u>135.79</u>	<u>135.61</u>
Net Assets (Deficit)		
Invested in Capital Assets	(0.58)	(0.11)
Restricted	3.01	1.00
Unrestricted	<u>(7.32)</u>	<u>(5.34)</u>
Total Net Assets (Deficit)	<u>(4.89)</u>	<u>(4.45)</u>

Recall that the statement of net assets provides the perspective of the School District as a whole. The School District's net deficit was (\$4.9 million). Capital assets, net of related debt totaling (\$0.6 million), compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets is unrestricted and totals (\$7.3 million).

**Oxford Area Community Schools
Management's Discussion and Analysis
June 30, 2007**

The (\$7.3 million) of unrestricted net deficit for governmental activities represents the accumulated results of all past years operations. A positive unrestricted net assets balance would enable the School District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The School District's unrestricted net asset balance is a deficit that signals potential cash flow difficulties. This is why we need to borrow against future State Aid in order to have adequate cash on hand for operating purposes. There is also no reserve available to handle large unexpected uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

Summary of Net Activities (in Millions)

	2007 Governmental Activities	2006 Governmental Activities
Revenues		
Program revenues		
Charges for services	\$ 2.30	\$ 2.13
Operating grants and contributions	3.92	3.62
General revenues		
Property taxes	12.64	11.70
State aid	28.25	26.67
Investment earnings	0.29	0.17
Other	0.04	0.10
Total revenues	<u>47.44</u>	<u>44.39</u>
Expenses		
Instruction	25.14	24.43
Support services	13.60	14.73
Food services	1.58	1.36
Athletics	0.60	0.64
Community service	1.23	1.16
Interest on long-term debt	5.73	5.78
Total expenses	<u>47.88</u>	<u>48.10</u>
Change in net assets	<u>\$ (0.43)</u>	<u>\$ (3.73)</u>

**Oxford Area Community Schools
Management's Discussion and Analysis
June 30, 2007**

As reported in the statement of activities, the cost of all of our governmental activities this year was \$47.9 million. Certain activities are partially funded by those who benefited from the programs, \$2.3 million, or by other governments and organizations that subsidized certain programs with grants and contributions, \$3.9 million. We paid for the remaining "public benefit" portion of our governmental activities with \$12.6 million in taxes, \$28.3 million in State foundation allowance, and with our other revenues, i.e., interest income and general entitlements.

The School District experienced a decrease in net assets of (\$.4 million), which increased the total net deficit from (\$4.5 million) to (\$4.9 million). This change is due primarily to the planned borrowing from the School Bond Loan Fund to meet current debt obligations, and borrowing funds to purchase a new student information management system.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

The School District's Funds

As noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$7 million, which is an increase of \$3.6 million from last year. The primary reasons for the increase are noted as follows:

- In the General Fund, our principal operating fund, the fund balance increased \$1.6 million to approximately \$3.6 million. This change is mainly due to additional students enrolled, controlling expenditures and the unexpected receipt of state aid related to prior years. The General Fund's fund balance is available to fund costs related to allowable school operating purposes.
- Our Special Revenue Funds (Food Services, Athletics, and Community Services Funds) remained relatively stable with a combined net increase in fund balance of approximately \$49,000. This is due to prudent management of the funds with Food Services and Community Services posting modest operating surpluses.
- A Capital Projects Fund was established to pay for approximately \$3 million in energy conservation projects throughout the district. The source of funds for these projects is an energy bond that will be repaid with the savings from reduced utility consumption. The balance in this fund at June 30, 2007 was approximately \$2.3 million. These projects will be completed by June 30, 2008.

**Oxford Area Community Schools
Management's Discussion and Analysis
June 30, 2007**

- Combined, the Debt Service Funds showed a fund balance decrease of approximately \$265,000. Millage rates are set annually to ensure that the School District accumulates sufficient resources to pay annual bond related debt service. Durant debt obligations are funded by annual State appropriation, and no fund balance exists at year end. Debt Service Funds fund balances are reserved since they can only be used to pay debt service obligations.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was actually adopted just before year end. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

There were revisions made to the 2006-2007 General Fund original budget. Budgeted revenues were increased approximately \$.9 million due mainly to prior year adjustments in State Aid related to revised taxable values, and increased revenue associated with additional student enrollment. The variance from budget to actual for revenues was not significant.

Budgeted expenditures were increased approximately \$1 million primarily due to hiring additional teaching staff, revised budgets for federal grants, and additional resources provided for curriculum needs. The variance from budget to actual for expenditures was not significant.

Capital Assets and Debt Administration

Summary of Capital Assets

	2007	2006
Capital Assets		
Land	\$ 354,000	\$ 354,000
Construction in progress	657,707	-
Buildings and improvements	132,410,548	132,410,548
Furniture and equipment	16,207,411	16,091,488
Busses and other vehicles	2,362,831	2,362,831
Subtotal	151,992,497	151,218,867
Less accumulated depreciation	(34,988,240)	(31,208,523)
Total Capital Assets	\$ 117,004,257	\$ 120,010,344

**Oxford Area Community Schools
Management's Discussion and Analysis
June 30, 2007**

As of June 30, 2007 the School District had \$117 million, net of accumulated depreciation, invested in a broad range of capital assets, including land, construction in progress, buildings, vehicles, furniture, and equipment. This amount represents a net decrease (including additions, disposals, and depreciation) of \$3 million due to depreciation. We present more detailed information about our capital assets in the notes to the financial statements.

At the end of this year, the School District had \$97.0 million in general obligation bonds outstanding versus \$96.8 million in the previous year. Those bonds consisted of the following:

Summary of Debt

	2007	2006
General Obligation Bonds		
2001 General Obligation Bonds	\$ 6,200,000	\$ 43,500,000
2003 Refunding Bonds	2,400,000	3,425,000
2004 Refunding Bonds	36,075,000	37,465,000
2005 Refunding Bonds	12,410,000	12,410,000
2006 Refunding Bonds	36,955,000	-
2006 Energy Bond	2,912,143	-
Total general obligation bonds outstanding	96,952,143	96,800,000
Premium on bonds	2,728,606	2,699,616
Deferred amount of refunding	(3,099,465)	(2,004,731)
Durant Non-Plaintiff Bond	314,273	314,273
Installment loans	115,923	-
School Bond Loan Fund borrowings (including accrued interest)	28,525,775	26,756,581
Compensated Absences	1,875,377	1,876,466
Retirement Incentives	818,213	511,965
Total Debt	\$ 128,230,845	\$ 126,954,170

The net increase in bonded debt is due to the sale of an energy bond that is financing a number of energy conservation projects throughout the District.

The school district refunded a portion of the outstanding 2001 bonds in October 2006. This refunding saved the taxpayers of Oxford Area Community Schools almost \$2.0 million in interest costs over the life of the bond issue.

The School District's general obligation bond rating is A1. The State limits the amount of general obligation debt that schools can issue to 15 percent (\$219 million) of the assessed value of all taxable property within the School District's boundaries. If the School

**Oxford Area Community Schools
Management's Discussion and Analysis
June 30, 2007**

District issues "qualified debt," i.e. debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt of \$97.0 million is significantly below this \$219 million statutorily imposed limit.

Other obligations include accrued vacation pay, sick leave, early separation agreements, notes payable and School Bond Loan Fund. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets

Our elected officials and the administration consider many factors when setting the School District's 2007-2008 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2007-2008 fiscal year is 25 percent and 75 percent of the February 2007 and September 2007 student counts, respectively. The 2007-2008 budget was adopted in June 2007, based on an estimate of students that will be enrolled in September 2007. Approximately 75 percent of total General Fund revenue is from the State portion of the foundation allowance. Under State law, the School District cannot assess additional property tax revenue for general operations. As a result, School District funding is heavily dependent on the State's ability to fund local school operations. The blended count used to formulate the 2007-2008 budget is essentially the same as the 2006-2007 count. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual School District resources are not sufficient to fund original appropriations.

If the State's revenue budget falls short of projections, the legislature must then revise the appropriation or pro-ration of State aid will occur. We did not receive a pro-ration in the last fiscal year. Rather, the legislature revalued the investment portfolio for the employee retirement system. This allowed the effective retirement rate to be lowered. The corresponding reduction in retirement costs (\$570,601) was then offset by an equivalent reduction in state aid. At this time, it is not known whether a mid-year pro-ration will occur in 2007-2008, and what the impact will be on revenues.

As of this writing, the State has not adopted a budget for the 2007-2008 school year. We do not know what our student foundation grant is. We assume it will be not less than the \$7,343 per pupil that was received last year. Given the upward pressure on expenditures and probable inadequate revenue increase, it is likely that substantial budget reductions are needed for the foreseeable future if the school district hopes to maintain financial stability and independence. Inevitably, these budget reductions will affect the instructional programs and services that are presently offered. Every means will be used to minimize the impact on direct classroom instruction.

This report is designed to give an overview of the financial condition of the Oxford Area Community School District. If there are additional questions or information needed, please contact the finance office at (248) 969-5012.

BASIC FINANCIAL STATEMENTS

Oxford Area Community Schools
Statement of Net Assets
June 30, 2007

	Governmental Activities
Assets	
Cash	\$ 8,576,410
Taxes receivable	5,672
Accounts receivable	204,457
Due from other governmental units	5,045,387
Inventory	12,324
Prepaid items	51,676
Capital assets not being depreciated	1,011,707
Capital assets - net of accumulated depreciation	<u>115,992,550</u>
Total assets	<u>130,900,183</u>
Liabilities	
Accounts payable	1,579,685
State aid anticipation note payable	3,000,000
Payroll deductions and withholdings	35,024
Accrued expenditures	753,060
Accrued salaries payable	2,164,370
Deferred revenue	24,178
Noncurrent liabilities	
Due within one year	4,377,550
Due in more than one year	<u>123,853,295</u>
Total liabilities	<u>135,787,162</u>
Net assets (deficit)	
Invested in capital assets, net of related debt	(583,880)
Restricted for:	
Debt service	738,665
Capital projects	2,267,520
Unrestricted	<u>(7,309,284)</u>
Total net assets (deficit)	<u>\$ (4,886,979)</u>

See Accompanying Notes to Financial Statements

Oxford Area Community Schools
Statement of Activities
For the Year Ended June 30, 2007

	Program Revenues				
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets	
Functions/Programs					
Governmental activities					
Instruction	\$ 25,137,320	\$ -	\$ 2,986,247	\$ -	\$ (22,151,073)
Supporting services	13,603,042	94,430	451,263	-	(13,057,349)
Food services	1,577,822	1,062,880	355,139	-	(159,803)
Athletic activities	600,774	172,826	-	-	(427,948)
Community services	1,226,815	973,134	131,095	-	(122,586)
Interest on long-term debt	5,733,653	-	-	-	(5,733,653)
Total governmental activities	\$ 47,879,426	\$ 2,303,270	\$ 3,923,744	\$ -	(41,652,412)
General revenues					
					5,021,991
					7,613,173
					28,252,983
					293,600
					38,311
					41,220,058
					(432,354)
					(4,454,625)
					\$ (4,886,979)

See Accompanying Notes to Financial Statements

Oxford Area Community Schools
Governmental Funds
Balance Sheet
June 30, 2007

	General Fund	Capital Projects 2006	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 5,513,192	\$ 2,267,520	\$ 795,698	\$ 8,576,410
Taxes receivable	5,672	-	-	5,672
Accounts receivable	12,084	-	192,373	204,457
Due from other funds	-	-	643,294	643,294
Due from other governmental units	5,028,535	-	16,852	5,045,387
Inventory	-	-	12,324	12,324
Prepaid items	51,676	-	-	51,676
Total assets	\$ 10,611,159	\$ 2,267,520	\$ 1,660,541	\$ 14,539,220
Liabilities and fund balance				
Liabilities				
Accounts payable	\$ 1,358,050	\$ -	\$ 221,635	\$ 1,579,685
State aid anticipation note payable	3,000,000	-	-	3,000,000
Due to other funds	455,073	-	188,221	643,294
Payroll deductions and withholdings	35,024	-	-	35,024
Accrued expenditures	20,337	-	-	20,337
Accrued salaries payable	2,145,319	-	19,051	2,164,370
Deferred revenue	1,380	-	101,853	103,233
Total liabilities	7,015,183	-	530,760	7,545,943
Fund balance				
Reserved for inventory	-	-	12,324	12,324
Reserved for prepaid items	51,676	-	-	51,676
Reserved for debt service	-	-	738,665	738,665
Reserved for capital projects	-	2,267,520	-	2,267,520
Designated for long-term debt obligations	2,444,300	-	-	2,444,300
Designated for curriculum and program improvements	500,000	-	-	500,000
Designated of technology	300,000	-	-	300,000
Designated for bus purchases	300,000	-	-	300,000
Other undesignated	-	-	378,792	378,792
Total fund balance	3,595,976	2,267,520	1,129,781	6,993,277
Total liabilities and fund balance	\$ 10,611,159	\$ 2,267,520	\$ 1,660,541	\$ 14,539,220

See Accompanying Notes to Financial Statements

Oxford Area Community Schools
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2007

Total fund balances for governmental funds	\$ 6,993,277
Total net assets for governmental activities in the statement of net assets is different because:	
Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	79,055
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	1,011,707
Capital assets - net of accumulated depreciation	115,992,550
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(732,723)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	
Compensated absences	(1,875,377)
Bonds payable	(99,995,022)
Deferred amount on refunding	3,099,465
School bond loan payable	(22,844,177)
Accrued interest on school bond loan fund	(5,681,598)
Special termination benefits	(818,213)
Other loans payable and liabilities	<u>(115,923)</u>
Net assets of governmental activities	<u>\$ (4,886,979)</u>

Oxford Area Community Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2007

	General Fund	Capital Projects 2006	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 5,337,392	\$ 15,084	\$ 9,895,011	\$ 15,247,487
State sources	28,275,841	-	168,920	28,444,761
Federal sources	1,525,989	-	303,272	1,829,261
Interdistrict sources	1,911,521	-	-	1,911,521
	<u>37,050,743</u>	<u>15,084</u>	<u>10,367,203</u>	<u>47,433,030</u>
Expenditures				
Current				
Education				
Instruction	20,801,265	-	-	20,801,265
Supporting services	13,225,070	-	-	13,225,070
Food services	-	-	1,351,039	1,351,039
Athletic activities	-	-	600,774	600,774
Community services	5,158	-	1,070,469	1,075,627
Intergovernmental payments	1,010,595	-	-	1,010,595
Capital outlay	110,450	659,707	-	770,157
Debt service				
Principal	-	-	3,965,000	3,965,000
Interest and other expenditures	-	-	4,512,447	4,512,447
	<u>35,152,538</u>	<u>659,707</u>	<u>11,499,729</u>	<u>47,311,974</u>
Excess (deficiency) of revenues over expenditures	<u>1,898,205</u>	<u>(644,623)</u>	<u>(1,132,526)</u>	<u>121,056</u>

See Accompanying Notes to Financial Statements

Oxford Area Community Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2007

	General Fund	Capital Projects 2006	Nonmajor Governmental Funds	Total Governmental Funds
Other financing sources (uses)				
Proceeds from refinancing debt	\$ -	\$ -	\$ 37,120,430	\$ 37,120,430
Payment to bond refunding escrow agent	-	-	(36,921,221)	(36,921,221)
Proceeds from issuance of bonds	-	2,912,143	-	2,912,143
Proceeds from school bond loan fund	-	-	289,265	289,265
Proceeds from notes and loans	115,923	-	-	115,923
Transfers in	-	-	1,028,799	1,028,799
Transfers out	(427,948)	-	(600,851)	(1,028,799)
	<u>(312,025)</u>	<u>2,912,143</u>	<u>916,422</u>	<u>3,516,540</u>
Total other financing sources (uses)				
Net change in fund balance	1,586,180	2,267,520	(216,104)	3,637,596
Fund balance - beginning	<u>2,009,796</u>	<u>-</u>	<u>1,345,885</u>	<u>3,355,681</u>
Fund balance - ending	<u>\$ 3,595,976</u>	<u>\$ 2,267,520</u>	<u>\$ 1,129,781</u>	<u>\$ 6,993,277</u>

See Accompanying Notes to Financial Statements

Oxford Area Community Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2007

Net change in fund balances - Total governmental funds	\$ 3,637,596
Total change in net assets reported for governmental activities in the statement of activities is different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Operating grants	14,042
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(3,779,717)
Capital outlay	773,630
Expenses are recorded when incurred in the statement of activities.	
Interest	11,448
Interest on school bond loan fund	(1,292,607)
Special termination benefits	(306,248)
Compensated absences	1,089
Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, 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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Debt issued	(40,437,761)
Repayments of long-term debt	40,886,221
Amortization of premiums	170,219
Amortization of gain on debt defeasance	<u>(110,266)</u>
Change in net assets of governmental activities	\$ <u>(432,354)</u>

See Accompanying Notes to Financial Statements

Oxford Area Community Schools
Fiduciary Funds
Statement of Fiduciary Net Assets and Liabilities
June 30, 2007

	<u>Agency Funds</u>
Assets	
Cash	<u>\$ 364,806</u>
Liabilities	
Due to agency fund activities	<u>\$ 364,806</u>

See Accompanying Notes to Financial Statements

Oxford Area Community Schools
Notes to Financial Statements
June 30, 2007

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Oxford Area Community Schools (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The School District first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net assets resulting from current year activities.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as

Oxford Area Community Schools
Notes to Financial Statements
June 30, 2007

under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

General Funds – The General Funds are used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

Capital Projects Funds – The Building and Site Funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, building, equipment, and for remodeling and repairs. The fund is kept open until the purpose for which the fund was created has been accomplished.

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds include Food Service, Athletic, and Community Service Funds. Operating deficits generated by these activities are generally transferred from the General Fund.

Debt Service Funds – Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

Assets, Liabilities and Equity

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Property taxes and other receivables are shown net of an allowance for uncollectible amounts.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2007, the rates are as follows per \$1,000 of assessed value.

General Fund	
Homestead	0.0000
Nonhomestead	18.0000
Debt Service Funds	
Homestead	7.0000
Nonhomestead	7.0000

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School

Oxford Area Community Schools
Notes to Financial Statements
June 30, 2007

District's boundaries. Approximately 79% of the School District's tax roll lies within Oxford Township.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the County of Oakland and remitted to the School District by May 15.

Investments – Investments are stated at fair value based on a quoted market price. Certificates of deposit are stated at cost which approximates fair value.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$10,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	50 years
Site improvements	10-20 years
Equipment and furniture	5-15 years
Buses and other vehicles	7 years

Compensated Absences – The liability for compensated absences reported in the district-wide statements consists of accumulated sick

leave balance. A liability for these amounts is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

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. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data

Comparative data is not included in the School District's financial statements.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Upcoming Accounting and Reporting Change

The Government Accounting Standards Board has issued Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits other than Pensions*. The new pronouncement provides guidance for school districts in recognizing the cost of retiree health care. The new rules will cause district-wide financial statements to recognize the cost of providing retiree healthcare coverage over the

Oxford Area Community Schools
Notes to Financial Statements
June 30, 2007

working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

The Government Accounting Standards Board has issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement addresses how to account for pollution remediation activities of the effects of existing pollution; it does not include prevention or control activities or remediation required upon the retirement of an asset. In general, the new rules will cause district-wide financial statements to recognize a liability on the current value of expected costs as estimated using the expected cash flows method. This statement is effective for the year ending June 30, 2009.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby cancel all encumbrances. These appropriations are reestablished at the beginning of the year.

The appropriation level adopted by the Board is the level of control authorized under the Act. The Act requires expenditures to be budgeted on a functional basis. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the Act if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations which were amended.

Excess of Expenditures over Appropriations

During the year, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
General administration	\$ 492,626	\$ 528,010	\$ 35,384
Pupil transportation services	1,996,281	2,042,684	46,403
Intergovernmental payments	990,000	1,010,595	20,595

Compliance Bond Proceeds

The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. The following is a summary of the revenue and expenditures in the 2007 Capital Project Funds from the inception of the funds through the current fiscal year:

	2006 Fund
Revenues	\$ 2,927,227
Expenditures	659,707

Deficit Net Assets

As of June 30, 2007, the School District reported a government-wide net unrestricted deficit balance of \$7,309,284. The deficit is the result of borrowings in excess of capital assets placed into service. The district expects to eliminate this deficit through future debt levies.

Oxford Area Community Schools
Notes to Financial Statements
June 30, 2007

Note 3 - Deposits and Investments

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	<u>\$ 8,576,410</u>	<u>\$ 364,806</u>	<u>\$ 8,941,216</u>

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 8,939,178
Petty cash and cash on hand	2,038
Total	<u>\$ 8,941,216</u>

Interest rate risk – In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than 12 months.

Credit risk – State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

Concentration of credit risk – The District's investment policy does not allow for an investment in any one issuer that is in excess of five percent of the District's total investments.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of year end, \$ 9,246,423 of the District's bank balance of \$ 9,446,423 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 4 - Capital Assets

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 354,000	\$ -	\$ -	\$ 354,000
Construction in progress	-	657,707	-	657,707
Total capital assets not being depreciated	354,000	657,707	-	1,011,707
Capital assets being depreciated				
Buildings and additions	132,410,548	-	-	132,410,548
Equipment and furniture	16,091,488	115,923	-	16,207,411
Buses and other vehicles	2,362,831	-	-	2,362,831
Total capital assets being depreciated	150,864,867	115,923	-	150,980,790
Less accumulated depreciation for				
Buildings and additions	20,587,343	2,503,082	-	23,090,425
Equipment and furniture	8,923,668	1,100,578	-	10,024,246
Buses and other vehicles	1,697,512	176,057	-	1,873,569
Total accumulated depreciation	31,208,523	3,779,717	-	34,988,240
Net capital assets being depreciated	119,656,344	(3,663,794)	-	115,992,550
Net capital assets	<u>\$ 120,010,344</u>	<u>\$ (3,006,087)</u>	<u>\$ -</u>	<u>\$ 117,004,257</u>

Oxford Area Community Schools
Notes to Financial Statements
June 30, 2007

Depreciation expense was charged to activities of the School District as follows:

Governmental activities

Instruction	\$ 3,023,774
Support services	377,972
Food services	226,783
Community services	<u>151,188</u>
 Total governmental activities	 <u>\$ 3,779,717</u>

Construction Contracts

As of year end, the School District had the following construction contracts in progress:

Project	Total Contract	Remaining Construction Commitment at Year End	Contract Payable at Year End
Energy upgrades	\$ 2,912,143	\$ 2,254,436	\$ -

Contracts payable at year end, represent actual contractor billings of \$ 659,707 and are recorded as a Capital Projects Fund liability. All projects are expected to be complete by June 30, 2008.

Note 5 - Interfund Receivable and Payable and Transfers

Individual interfund receivable and payable balances at year end were:

Due From Fund	Due to Fund	Amount
General Fund	Nonmajor Funds	\$ 455,073
Nonmajor Funds	Nonmajor Funds	<u>188,221</u>
		<u>\$ 643,294</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers consist of the following:

	General Fund	Non Major Funds	Total
Transfers in			
Non Major Funds	<u>\$ 427,948</u>	<u>\$ 600,851</u>	<u>\$ 1,028,799</u>

These transfers were made to cover the costs of School District programs that were in excess of revenues generated from those activities.

Note 6 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
State grants	\$ -	\$ 7,401
Childcare	79,055	-
Food service	-	15,397
Other	<u>-</u>	<u>1,380</u>
Total	<u>\$ 79,055</u>	<u>\$ 24,178</u>

Oxford Area Community Schools
Notes to Financial Statements
June 30, 2007

Note 7 - State Aid Anticipation Note

The School District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the School District receives state aid from October through the following August for its fiscal year ending June 30th.

Short-term debt activity for the year was as follows:

	Beginning Balance	Proceeds	Repayments	Ending Balance
State aid anticipation note	\$ 1,500,000	\$ 3,000,000	\$ 1,500,000	\$ 3,000,000

Note 8 - Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Government obligation bonds	\$ 96,800,000	\$ 39,788,153	\$ (39,636,010)	\$ 96,952,143	\$ 3,895,000
Durant bonds	314,273	-	-	314,273	-
Installment loans	-	115,923	-	115,923	21,585
School Bond Loan	22,310,492	533,685	-	22,844,177	-
Accrued interest on School Bond Loan Fund	4,446,089	1,292,607	-	5,681,598	-
Compensated absences	1,876,466	305,998	(307,087)	1,875,377	-
Retirement incentives	511,965	477,248	(171,000)	818,213	460,965
Premium on bonds	2,699,616	-	28,990	2,728,606	-
Deferred amount on refunding	(2,004,731)	-	(1,094,734)	(3,099,465)	-
Total	\$ 126,954,170	\$ 42,513,614	\$ (41,179,841)	\$ 128,230,845	\$ 4,377,550

General obligation bonds payable at year end, consists of the following:

\$61,750,000 serial bonds due in annual installments of \$1,550,000 through May 1, 2011, interest at 4.25% to 5.00%	\$ 6,200,000
\$7,400,000 refunding bonds due in annual installments of \$120,000 to \$975,000 through May 1, 2013, interest at 3.00% to 4.00%	2,400,000
\$37,735,000 refunding bonds due in annual installments of \$185,000 to \$2,250,000 through May 1, 2025, interest at 2.50% to 5.00%	36,075,000
\$12,555,000 refunding bonds due in annual installments of \$145,000 to \$2,505,000 through May 1, 2018, interest at 3.00% to 5.00%	12,410,000
\$2,912,143 bonds due in monthly installments of \$8,392 to \$118 through June 23, 2022, interest at 3.98%	2,912,143
\$36,955,000 refunding bonds due in annual installments of \$100,000 to \$2,550,000 through May 1, 2031, interest at 4.00% to 5.50%	<u>36,955,000</u>
Total general obligation bonded debt	<u>\$ 96,952,143</u>

Future principal and interest requirements for bonded debt are as follows:

	Principal	Interest	Total
Year Ending June 30,			
2008	\$ 3,895,000	\$ 4,394,194	\$ 8,289,194
2009	3,901,658	4,229,261	8,130,919
2010	3,552,237	4,060,329	7,612,566
2011	3,614,356	3,911,855	7,526,211
2012	3,749,907	3,768,134	7,518,041
2013-2017	24,175,073	15,733,510	39,908,583
2018-2022	25,343,912	9,993,712	35,337,624
2023-2027	18,990,000	4,442,436	23,432,436
2028-2031	<u>9,730,000</u>	<u>1,060,774</u>	<u>10,790,774</u>
Total	<u>\$ 96,952,143</u>	<u>\$ 51,594,205</u>	<u>\$ 148,546,348</u>

Oxford Area Community Schools
Notes to Financial Statements
June 30, 2007

The general obligation bonds are payable from the Debt Service Funds. As of year end, the funds had a balance of to pay this debt. Future debt and interest will be payable from future tax levies.

Other bonds consist of the following:

\$532,249 Durant Refunding serial bonds due in annual installments through May 14, 2013; interest 4.76% due annually \$ 314,273

These bond obligations issued by PA 142 are payable solely from and are secured solely by an assignment by each School District of certain categorical State School Aid payments. The State Legislature has no obligation to make such appropriations. In the event the Legislature fails to appropriate funds, the School District is under no obligation for repayment of the debt obligation issued by PA 142.

Future principal and interest requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2008	\$ -	\$ -	\$ -
2009	29,621	7,756	37,377
2010	182,415	68,710	251,125
2011	32,508	4,868	37,376
2012	34,054	3,320	37,374
2013	<u>35,675</u>	<u>1,699</u>	<u>37,374</u>
Total	<u>\$ 314,273</u>	<u>\$ 86,353</u>	<u>\$ 400,626</u>

Other debt consists of the following installment purchase contact issued in 2007. Debt and interest payments at 3.660% are payable annually from the General Fund.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2008	\$ 21,585	\$ 4,196	\$ 25,781
2009	22,328	3,453	25,781
2010	23,146	2,636	25,782
2011	23,993	1,788	25,781
2012	<u>24,871</u>	<u>910</u>	<u>25,781</u>
Total	<u>\$ 115,923</u>	<u>\$ 12,983</u>	<u>\$ 128,906</u>

State School Bond Loan

The State School Bond Loan consists of a borrowing agreement with the State of Michigan for the purpose of meeting the financing of current debt maturities on the School District's outstanding bond issues. The bond elections, as passed by the voters, specified that the School District debt millage would not exceed the pre-bond vote millage of 7.0 mills, but instead the elections permitted the School District to extend this levy. Since the monies generated by the 7.0 mills are presently not sufficient to cover the entire debt service requirements of the School District, it has been necessary for the School District to borrow additional funds to meet debt service requirements. Management of the School District anticipates that as the other bonds mature, the revenues provided by the debt millage will be sufficient to satisfy the future debt service requirements of the bonds and all necessary borrowing from the State School Bond Loan Fund. During the year, the School District borrowed \$533,685 of principal and increased the accrued interest by \$1,292,607, and had an outstanding balance at year end of \$28,525,775 of principal and interest, from the State School Bond Loan Fund. The School District has agreed to repay the loan amount with interest at rates and at times to be determined by the State Treasurer.

Compensated Absences

Accrued compensated absences at year end, consists of \$1,875,377 of vacation hours earned and vested or estimated to be potentially vested. The entire vested amount is considered long-term as the

Oxford Area Community Schools
Notes to Financial Statements
June 30, 2007

amount expended each year is expected to be offset by sick time earned for the year.

Retirement Benefits

The School District offered a voluntary severance incentive plan to employees to be paid over a five year period. The balance as of year end was \$818,213.

Future payments are as follows:

Year Ending June 30,	
2008	\$ 460,965
2009	120,000
2010	120,000
2011	<u>117,248</u>
 Total	 <u>\$ 818,213</u>

Advance Refunding

During the year ended June 30, 2007, the School District issued refunding general obligation bonds of \$36,955,000 (par value) with an interest rate of 5.50% to 4.50% to advance refund a portion of general obligation bonds with an interest rate of 5.50% to 4.25% and a par value of \$61,750,000. The general obligation bonds mature on May 1, 2031. The refunding general obligation bonds were issued at a premium and after paying issuance costs of \$199,209, the net proceeds were \$37,120,430. The net proceeds from the issuance of the refunding general obligation bonds were deposited with an escrow agent to provide debt service payments until the general obligation bonds mature. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were reduced on the School District's financial statements.

Defeased Debt

In prior years, the School District has defeased various bonds issued by creating separate irrevocable trust funds. New debt has been issued and the net proceeds of each refunding were placed in

separate special escrow accounts and invested in securities of the U.S. Government and its agencies. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded bonds are considered to be defeased. Accordingly, the trust account assets and liability for the defeased bonds are not included in the School District's financial statements.

The final payment date is 2025. As of year end, the amount of defeased debt outstanding but removed from the School District's financial statements is as follows:

1996 Refunding	\$ 4,075,000
2001 Refunding	720,000
2006 Refunding	<u>1,250,000</u>
 Total	 <u>\$ 6,045,000</u>

Note 9 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The School District has purchased commercial insurance for health claims (excluding dental) and participates in SET-SEG (risk pool) for claims relating to worker' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program operates as a common risk-sharing management program for school districts in Michigan. Member's premiums are used to purchase commercial excess insurance coverage and pay members claims in excess of deductible amounts.

The School District is self insured for dental claims. The District estimates the liability for dental claims that have been reported as

Oxford Area Community Schools
Notes to Financial Statements
June 30, 2007

well as those that have not been reported. The obligation is not material to the financial statements.

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the school District must reimburse the Employment Commission for all benefits charged against the District. The School District had no significant unemployment compensation expense for the year and has made no provision for possible future claims.

Note 10 - Defined Benefit Pension Plan

Plan Description

The School District has a defined benefit pension plan covering substantially all employees. The plan is operated by the State of Michigan's Public School Employees Retirement System (MPSERS), which is a cost-sharing public employee retirement system (PERS).

The pension plan provides retirement, survivor and disability benefits to plan members and their beneficiaries.

MPSERS operates within the Michigan Department of Management and Budget, Office of Retirement Systems who has the authority to establish and amend benefit provisions. The Michigan Department of Management and Budget issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing Office of Retirement Services, P.O. Box 30171, Lansing, Michigan 48909-7671 or calling 800-381-5111.

Funding Policy

The School is required by State statute to contribute to MPSERS an actuarially determined percentage of payroll for all participating employees. Additionally, employees participating in the Member Investment Plan contributed 3% to 4.3% of their covered wages

through payroll deduction. In addition to retirement benefits, a portion of the total MPSERS contribution is allocated to cover health, dental and vision benefits. The following table discloses pertinent information relative to MPSERS funding for the three-year period beginning July 1, 2004 through June 30, 2007.

	2007	2006	2005
Funding percentage range	16.34-17.74%	14.87-16.34%	12.99-14.87%
Total payroll	\$21,549,359	\$21,412,373	\$20,868,021
Total covered payroll	21,161,466	21,096,436	20,525,041
School contributions	3,683,142	3,372,751	2,976,075
Employee MIP contributions	660,895	647,031	611,124
Tax deferred payment program	205,083	219,367	301,412
Portion of school contribution covering health, dental and vision benefits	37%	40%	44%

Trend Information

Ten-year historical trend information is presented in the September 30, 2006, PERS Comprehensive Annual Financial Report. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due. The total benefit obligations and net assets available for benefits as of September 30, 2005, the latest date for which information is available, approximates \$ 48.2 billion and \$ 38.2 billion, respectively. The School's share of the total current actuarially determined employer contribution requirement under MPSERS was less than 1% for the year ended September 30, 2006.

Post Employment Benefits

In addition to the pension benefits described above, the School District provides post-retirement health care, dental, and vision benefits for retirees and beneficiaries through Michigan Public School Employees Retirement System (MPSERS).

Oxford Area Community Schools
Notes to Financial Statements
June 30, 2007

Expenditures for these benefits are recognized on a cash disbursement basis. During the year ended September 30, 2006, statewide expenditures of \$ 694 million were recognized for post-retirement health care, dental and vision. This represented approximately 20% of the total expenditures of the Michigan Public School Employees Retirement System.

REQUIRED SUPPLEMENTAL INFORMATION

Oxford Area Community Schools
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources	\$ 5,312,000	\$ 5,339,399	\$ 5,337,392	\$ (2,007)
State sources	27,217,757	27,918,237	28,275,841	357,604
Federal sources	1,544,418	1,623,295	1,525,989	(97,306)
Interdistrict sources	<u>1,838,629</u>	<u>1,893,065</u>	<u>1,911,521</u>	<u>18,456</u>
Total revenues	<u>35,912,804</u>	<u>36,773,996</u>	<u>37,050,743</u>	<u>276,747</u>
Expenditures				
Instruction				
Basic programs	16,370,456	16,924,602	16,693,340	(231,262)
Added needs	4,402,020	4,524,898	4,107,925	(416,973)
Supporting services				
Pupil	1,743,074	1,756,097	1,719,545	(36,552)
Instructional staff	1,354,644	1,230,807	1,113,808	(116,999)
General administration	357,345	492,626	528,010	35,384
School administration	2,116,430	2,144,726	2,051,082	(93,644)
Business	471,550	681,018	633,859	(47,159)
Operations and maintenance	4,654,175	4,517,421	4,148,455	(368,966)
Pupil transportation services	1,913,653	1,996,281	2,042,684	46,403
Central	1,025,964	1,024,905	987,627	(37,278)
Community services	12,604	12,598	5,158	(7,440)
Intergovernmental payments	1,002,039	990,000	1,010,595	20,595
Capital outlay	<u>9,400</u>	<u>112,922</u>	<u>110,450</u>	<u>(2,472)</u>
Total expenditures	<u>35,433,354</u>	<u>36,408,901</u>	<u>35,152,538</u>	<u>(1,256,363)</u>
Excess of revenues over expenditures	<u>479,450</u>	<u>365,095</u>	<u>1,898,205</u>	<u>1,533,110</u>

Oxford Area Community Schools
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
Other financing sources (uses)				
Proceeds from notes and loans	\$ -	\$ 115,923	\$ 115,923	\$ -
Transfers out	<u>(479,132)</u>	<u>(479,132)</u>	<u>(427,948)</u>	<u>51,184</u>
Total other financing sources (uses)	<u>(479,132)</u>	<u>(363,209)</u>	<u>(312,025)</u>	<u>51,184</u>
Net change in fund balance	318	1,886	1,586,180	1,584,294
Fund balance - beginning	<u>2,009,796</u>	<u>2,009,796</u>	<u>2,009,796</u>	<u>-</u>
Fund balance - ending	<u><u>\$ 2,010,114</u></u>	<u><u>\$ 2,011,682</u></u>	<u><u>\$ 3,595,976</u></u>	<u><u>\$ 1,584,294</u></u>

OTHER SUPPLEMENTAL INFORMATION

Oxford Area Community Schools
Other Supplemental Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2007

	Special Revenue Funds			Debt Service Funds					Capital Projects Fund	Total Nonmajor Governmental Funds
	Athletics	Cafeteria	Community Services	2001 Debt	2003 Debt	2004 Debt	2005 Debt	2006 Debt	2001 Capital Projects Fund	
Assets										
Cash	\$ -	\$ 31,844	\$ 95,413	\$ 152,420	\$ 109,804	\$ 257,753	\$ 28,689	\$ 119,775	\$ -	\$ 795,698
Accounts receivable	45,633	7,434	139,306	-	-	-	-	-	-	192,373
Due from other funds	-	184,251	33,934	-	54,334	57,936	93,464	17,343	202,032	643,294
Due from other governmental units	-	7,250	9,602	-	-	-	-	-	-	16,852
Inventory	-	12,324	-	-	-	-	-	-	-	12,324
Total assets	\$ 45,633	\$ 243,103	\$ 278,255	\$ 152,420	\$ 164,138	\$ 315,689	\$ 122,153	\$ 137,118	\$ 202,032	\$ 1,660,541
Liabilities and fund balance										
Liabilities										
Accounts payable	\$ 3,846	\$ 11,472	\$ 3,714	\$ 138	\$ 85	\$ 227	\$ 25	\$ 96	\$ 202,032	\$ 221,635
Due to other funds	35,939	-	-	152,282	-	-	-	-	-	188,221
Accrued salaries payable	5,848	3,588	9,615	-	-	-	-	-	-	19,051
Deferred revenue	-	15,397	86,456	-	-	-	-	-	-	101,853
Total liabilities	45,633	30,457	99,785	152,420	85	227	25	96	202,032	530,760
Fund balance										
Reserved for inventory	-	12,324	-	-	-	-	-	-	-	12,324
Reserved for debt service	-	-	-	-	164,053	315,462	122,128	137,022	-	738,665
Other undesignated	-	200,322	178,470	-	-	-	-	-	-	378,792
Total fund balance	-	212,646	178,470	-	164,053	315,462	122,128	137,022	-	1,129,781
Total liabilities and fund balance	\$ 45,633	\$ 243,103	\$ 278,255	\$ 152,420	\$ 164,138	\$ 315,689	\$ 122,153	\$ 137,118	\$ 202,032	\$ 1,660,541

Oxford Area Community Schools
Other Supplemental Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2007

	Special Revenue Funds			Debt Service Funds					Capital Projects Fund	Total	
	Athletics	Cafeteria	Community Services	1996 Debt	2001 Debt	2003 Debt	2004 Debt	2005 Debt	2006 Debt	2001 Capital Projects Fund	Nonmajor Governmental Funds
Revenues											
Local sources	\$ 172,826	\$ 1,031,146	\$ 967,309	\$ -	\$ 1,877,322	\$ 1,155,055	\$ 2,983,270	\$ 419,753	\$ 1,288,330	\$ -	\$ 9,895,011
State sources	-	51,867	117,053	-	-	-	-	-	-	-	168,920
Federal sources	-	303,272	-	-	-	-	-	-	-	-	303,272
Total revenues	172,826	1,386,285	1,084,362	-	1,877,322	1,155,055	2,983,270	419,753	1,288,330	-	10,367,203
Expenditures											
Current											
Education											
Food services	-	1,351,039	-	-	-	-	-	-	-	-	1,351,039
Athletic activities	600,774	-	-	-	-	-	-	-	-	-	600,774
Community services	-	-	1,070,469	-	-	-	-	-	-	-	1,070,469
Debt service											
Principal	-	-	-	-	1,550,000	1,025,000	1,390,000	-	-	-	3,965,000
Interest and other expenditures	-	-	-	-	1,260,965	108,852	1,675,745	596,053	870,832	-	4,512,447
Total expenditures	600,774	1,351,039	1,070,469	-	2,810,965	1,133,852	3,065,745	596,053	870,832	-	11,499,729
Excess (deficiency) of revenues over expenditures	(427,948)	35,246	13,893	-	(933,643)	21,203	(82,475)	(176,300)	417,498	-	(1,132,526)
Other financing sources (uses)											
Proceeds from refinancing debt	-	-	-	-	-	-	-	-	37,120,430	-	37,120,430
Payment to bond refunding escrow agent	-	-	-	-	-	-	-	-	(36,921,221)	-	(36,921,221)
Proceeds from school bond loan fund	-	-	-	-	113,595	-	169,219	6,451	-	-	289,265
Transfers in	427,948	-	-	-	385,571	-	-	215,280	-	-	1,028,799
Transfers out	-	-	-	(121,166)	-	-	-	-	(479,685)	-	(600,851)
Total other financing sources (uses)	427,948	-	-	(121,166)	499,166	-	169,219	221,731	(280,476)	-	916,422
Net change in fund balance	-	35,246	13,893	(121,166)	(434,477)	21,203	86,744	45,431	137,022	-	(216,104)
Fund balance - beginning	-	177,400	164,577	121,166	434,477	142,850	228,718	76,697	-	-	1,345,885
Fund balance - ending	\$ -	\$ 212,646	\$ 178,470	\$ -	\$ -	\$ 164,053	\$ 315,462	\$ 122,128	\$ 137,022	\$ -	\$ 1,129,781

Oxford Area Community Schools
Other Supplemental Information
General Fund
Comparative Balance Sheet
June 30, 2007

	2007	2006
Assets		
Cash	\$ 5,513,192	\$ 2,742,137
Taxes receivable	5,672	8,077
Accounts receivable	12,084	25,570
Due from other governmental units	5,028,535	5,185,092
Prepaid items	51,676	-
	\$ 10,611,159	\$ 7,960,876
Liabilities and fund balance		
Liabilities		
Accounts payable	\$ 1,358,050	\$ 1,635,466
State aid anticipation note payable	3,000,000	1,500,000
Due to other funds	455,073	537,392
Due to other governmental units	-	70,082
Payroll deductions and withholdings	35,024	32,281
Accrued expenditures	20,337	-
Accrued salaries payable	2,145,319	2,175,859
Deferred revenue	1,380	-
	7,015,183	5,951,080
Fund balance		
Reserved for prepaid items	51,676	-
Designated for long-term debt obligations	2,444,300	2,009,796
Designated for curriculum and program improvements	500,000	-
Designated of technology	300,000	-
Designated for bus purchases	300,000	-
	3,595,976	2,009,796
Total fund balance	\$ 10,611,159	\$ 7,960,876
Total liabilities and fund balance	\$ 10,611,159	\$ 7,960,876

Oxford Area Community Schools
Other Supplemental Information
General Fund
Schedule of Revenues Compared to Budget
For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenue from local sources				
Property tax levy	\$ 5,005,000	\$ 5,032,399	\$ 4,999,133	\$ (33,266)
Earnings on investments	126,000	126,000	167,401	41,401
Student activities	46,000	46,000	63,374	17,374
Community service activities	<u>135,000</u>	<u>135,000</u>	<u>107,484</u>	<u>(27,516)</u>
Total revenues from local sources	<u>5,312,000</u>	<u>5,339,399</u>	<u>5,337,392</u>	<u>(2,007)</u>
Revenues from state sources				
Grants - unrestricted	<u>27,217,757</u>	<u>27,918,237</u>	<u>28,275,841</u>	<u>357,604</u>
Revenues from federal sources				
Grants	<u>1,544,418</u>	<u>1,623,295</u>	<u>1,525,989</u>	<u>(97,306)</u>
Interdistrict sources				
Tuition	-	-	9,430	9,430
Transportation	65,000	45,000	56,146	11,146
Cooperative education	<u>1,773,629</u>	<u>1,848,065</u>	<u>1,845,945</u>	<u>(2,120)</u>
Total interdistrict sources	<u>1,838,629</u>	<u>1,893,065</u>	<u>1,911,521</u>	<u>18,456</u>
Other financing sources				
Proceeds from notes and loans	<u>-</u>	<u>115,923</u>	<u>115,923</u>	<u>-</u>
Total revenue and other financing sources	<u>\$ 35,912,804</u>	<u>\$ 36,889,919</u>	<u>\$ 37,166,666</u>	<u>\$ 276,747</u>

Oxford Area Community Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Basic program - elementary				
Salaries	\$ 5,046,415	\$ 5,209,986	\$ 5,231,501	\$ 21,515
Employee benefits	2,543,336	2,553,292	2,499,082	(54,210)
Purchased services	117	147	13	(134)
Supplies and materials	144,721	231,987	230,463	(1,524)
Other	<u>2,294</u>	<u>26,456</u>	<u>21,114</u>	<u>(5,342)</u>
Total elementary	<u>7,736,883</u>	<u>8,021,868</u>	<u>7,982,173</u>	<u>(39,695)</u>
Basic program - middle school				
Salaries	2,341,525	2,452,924	2,394,006	(58,918)
Employee benefits	1,133,810	1,158,311	1,141,740	(16,571)
Purchased services	150	750	749	(1)
Supplies and materials	70,863	109,009	103,985	(5,024)
Other	<u>17,250</u>	<u>16,000</u>	<u>14,805</u>	<u>(1,195)</u>
Total middle school	<u>3,563,598</u>	<u>3,736,994</u>	<u>3,655,285</u>	<u>(81,709)</u>
Basic program - high school				
Salaries	3,167,814	3,255,109	3,266,909	11,800
Employee benefits	1,576,785	1,612,355	1,557,287	(55,068)
Purchased services	99,572	99,572	46,059	(53,513)
Supplies and materials	177,780	145,204	130,737	(14,467)
Other	<u>48,024</u>	<u>53,500</u>	<u>54,890</u>	<u>1,390</u>
Total high school	<u>5,069,975</u>	<u>5,165,740</u>	<u>5,055,882</u>	<u>(109,858)</u>

Oxford Area Community Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Added needs - special education				
Salaries	\$ 1,747,744	\$ 1,811,387	\$ 1,774,440	\$ (36,947)
Employee benefits	1,026,039	1,071,916	762,931	(308,985)
Purchased services	23,209	21,866	4,531	(17,335)
Supplies and materials	14,773	10,076	6,896	(3,180)
Total special education	<u>2,811,765</u>	<u>2,915,245</u>	<u>2,548,798</u>	<u>(366,447)</u>
Added needs - compensatory education				
Salaries	388,300	386,635	389,975	3,340
Employee benefits	99,500	126,986	120,684	(6,302)
Purchased services	45,709	63,503	61,799	(1,704)
Supplies and materials	34,282	77,501	67,620	(9,881)
Total compensatory education	<u>567,791</u>	<u>654,625</u>	<u>640,078</u>	<u>(14,547)</u>
Added needs - career and technical education				
Salaries	614,528	576,511	573,933	(2,578)
Employee benefits	303,806	294,002	282,847	(11,155)
Purchased services	5,898	9,398	5,644	(3,754)
Supplies and materials	97,826	74,711	52,344	(22,367)
Other	406	406	4,281	3,875
Total career and technical education	<u>1,022,464</u>	<u>955,028</u>	<u>919,049</u>	<u>(35,979)</u>
Pupil - guidance services				
Salaries	345,460	388,052	390,261	2,209
Employee benefits	170,787	179,817	190,570	10,753
Purchased services	350	350	-	(350)
Supplies and materials	2,752	2,800	967	(1,833)
Total guidance services	<u>519,349</u>	<u>571,019</u>	<u>581,798</u>	<u>10,779</u>

Oxford Area Community Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Pupil - health services				
Salaries	\$ 6,800	\$ 6,490	\$ 6,024	\$ (466)
Employee benefits	3,067	1,637	1,522	(115)
Purchased services	131,153	133,800	116,310	(17,490)
Supplies and materials	500	2,200	1,670	(530)
Total health services	<u>141,520</u>	<u>144,127</u>	<u>125,526</u>	<u>(18,601)</u>
Pupil - psychological services				
Salaries	111,024	112,689	112,689	-
Employee benefits	54,887	55,310	57,417	2,107
Purchased services	5,938	1,000	1,224	224
Supplies and materials	2,500	2,500	2,563	63
Total psychological services	<u>174,349</u>	<u>171,499</u>	<u>173,893</u>	<u>2,394</u>
Pupil - speech services				
Salaries	225,506	191,522	175,233	(16,289)
Employee benefits	125,084	130,627	91,839	(38,788)
Purchased services	1,000	28,625	29,019	394
Supplies and materials	1,100	2,600	1,356	(1,244)
Total speech services	<u>352,690</u>	<u>353,374</u>	<u>297,447</u>	<u>(55,927)</u>
Pupil - social work services				
Salaries	205,301	206,311	200,368	(5,943)
Employee benefits	118,096	118,353	118,783	430
Purchased services	1,395	1,395	1,266	(129)
Supplies and materials	1,000	1,000	663	(337)
Total social work services	<u>325,792</u>	<u>327,059</u>	<u>321,080</u>	<u>(5,979)</u>

Oxford Area Community Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Pupil - teacher consultant				
Salaries	\$ 138,162	\$ 88,181	\$ 94,494	\$ 6,313
Employee benefits	68,303	55,613	50,030	(5,583)
Purchased services	-	1,000	795	(205)
Total teacher consultant	<u>206,465</u>	<u>144,794</u>	<u>145,319</u>	<u>525</u>
Pupil - other support services				
Salaries	8,700	25,700	48,156	22,456
Employee benefits	2,209	6,525	18,465	11,940
Purchased services	6,500	6,500	2,379	(4,121)
Supplies and materials	<u>5,500</u>	<u>5,500</u>	<u>5,482</u>	<u>(18)</u>
Total other pupil support services	<u>22,909</u>	<u>44,225</u>	<u>74,482</u>	<u>30,257</u>
Instructional staff - improvement of education				
Salaries	25,600	45,522	32,020	(13,502)
Employee benefits	12,999	14,181	19,263	5,082
Purchased services	27,258	22,396	18,357	(4,039)
Supplies and materials	6,303	18,399	4,006	(14,393)
Other	<u>4,200</u>	<u>15,500</u>	<u>13,768</u>	<u>(1,732)</u>
Total improvement of education	<u>76,360</u>	<u>115,998</u>	<u>87,414</u>	<u>(28,584)</u>
Instructional staff - educational media services				
Salaries	485,823	365,737	341,857	(23,880)
Employee benefits	240,178	209,689	171,777	(37,912)
Supplies and materials	<u>6,162</u>	<u>14,199</u>	<u>13,711</u>	<u>(488)</u>
Total educational media services	<u>732,163</u>	<u>589,625</u>	<u>527,345</u>	<u>(62,280)</u>

Oxford Area Community Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Instructional staff - technology assisted instruction				
Supplies and materials	\$ 2,937	\$ 1,453	\$ 1,453	\$ -
Instructional staff - supervision and direction of instructional staff				
Salaries	332,577	235,531	227,648	(7,883)
Employee benefits	165,917	129,891	114,871	(15,020)
Purchased services	4,750	127,311	125,575	(1,736)
Supplies and materials	4,150	4,350	2,937	(1,413)
Other	900	900	817	(83)
Total supervision and direction of instructional staff	<u>508,294</u>	<u>497,983</u>	<u>471,848</u>	<u>(26,135)</u>
Instructional staff - academic student assessment				
Salaries	27,400	20,000	20,000	-
Employee benefits	7,060	5,748	5,748	-
Supplies and materials	430	-	-	-
Total academic student assessment	<u>34,890</u>	<u>25,748</u>	<u>25,748</u>	<u>-</u>
General administration - board of education				
Purchased services	69,190	107,378	109,519	2,141
Other	8,110	8,422	8,988	566
Total board of education	<u>77,300</u>	<u>115,800</u>	<u>118,507</u>	<u>2,707</u>
General administration - executive administration				
Salaries	178,700	217,725	218,192	467
Employee benefits	88,345	109,101	135,359	26,258
Purchased services	3,144	33,136	35,496	2,360
Supplies and materials	2,500	2,500	1,907	(593)
Other	7,356	14,364	18,549	4,185
Total executive administration	<u>280,045</u>	<u>376,826</u>	<u>409,503</u>	<u>32,677</u>

Oxford Area Community Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
School administration - office of the principal				
Salaries	\$ 1,403,119	\$ 1,397,314	\$ 1,330,177	\$ (67,137)
Employee benefits	693,666	688,331	629,031	(59,300)
Purchased services	-	35,444	64,688	29,244
Supplies and materials	18,520	23,237	26,789	3,552
Other	1,125	400	397	(3)
Total office of the principal	<u>2,116,430</u>	<u>2,144,726</u>	<u>2,051,082</u>	<u>(93,644)</u>
Business - fiscal services				
Salaries	177,700	314,261	278,119	(36,142)
Employee benefits	87,850	123,357	131,111	7,754
Purchased services	35,000	34,000	39,665	5,665
Supplies and materials	16,500	16,900	11,054	(5,846)
Other	25,500	25,500	8,825	(16,675)
Total fiscal services	<u>342,550</u>	<u>514,018</u>	<u>468,774</u>	<u>(45,244)</u>
Business - other				
Other	<u>129,000</u>	<u>167,000</u>	<u>165,085</u>	<u>(1,915)</u>
Operations and maintenance - operating building services				
Salaries	1,374,291	1,259,082	1,220,766	(38,316)
Employee benefits	679,413	657,868	598,635	(59,233)
Purchased services	213,620	213,620	186,962	(26,658)
Supplies and materials	2,036,851	2,036,851	1,790,352	(246,499)
Other	350,000	350,000	351,740	1,740
Total operating building services	<u>4,654,175</u>	<u>4,517,421</u>	<u>4,148,455</u>	<u>(368,966)</u>

Oxford Area Community Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Pupil transportation services				
Salaries	\$ 1,020,496	\$ 1,100,314	\$ 1,152,346	\$ 52,032
Employee benefits	504,507	505,317	540,855	35,538
Purchased services	35,000	35,000	32,600	(2,400)
Supplies and materials	323,150	325,150	295,964	(29,186)
Other	30,500	30,500	20,919	(9,581)
Total transportation services	<u>1,913,653</u>	<u>1,996,281</u>	<u>2,042,684</u>	<u>46,403</u>
Central - communication services				
Salaries	10,300	34,129	36,906	2,777
Employee benefits	16,338	22,388	15,563	(6,825)
Purchased services	12,750	5,750	2,535	(3,215)
Supplies and materials	18,000	18,000	14,608	(3,392)
Total communication services	<u>57,388</u>	<u>80,267</u>	<u>69,612</u>	<u>(10,655)</u>
Central - staff/personnel services				
Salaries	196,600	149,439	149,439	-
Employee benefits	97,194	85,219	87,553	2,334
Purchased services	7,500	40,700	33,206	(7,494)
Supplies and materials	4,800	2,600	1,864	(736)
Other	1,000	1,000	808	(192)
Total staff/personnel services	<u>307,094</u>	<u>278,958</u>	<u>272,870</u>	<u>(6,088)</u>
Central - support services technology				
Salaries	348,963	351,311	338,671	(12,640)
Employee benefits	172,519	173,369	160,256	(13,113)
Purchased services	121,500	122,500	127,758	5,258
Supplies and materials	10,000	10,000	9,986	(14)
Other	8,500	8,500	8,474	(26)
Total support services technology	<u>661,482</u>	<u>665,680</u>	<u>645,145</u>	<u>(20,535)</u>

Oxford Area Community Schools
Other Supplemental Information
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Community services - direction				
Supplies and materials	\$ 4,716	\$ 4,716	\$ 553	\$ (4,163)
Community services - community activities				
Salaries	1,000	1,000	-	(1,000)
Employee benefits	260	254	-	(254)
Supplies and materials	1,000	1,000	95	(905)
Total community activities	<u>2,260</u>	<u>2,254</u>	<u>95</u>	<u>(2,159)</u>
Community services - welfare activities				
Supplies and materials	1,000	1,000	430	(570)
Community services - non-public school pupils				
Supplies and materials	528	528	-	(528)
Community services - other				
Purchased services	4,100	4,100	4,080	(20)
Intergovernmental payments				
Payments to other public schools	1,002,039	990,000	1,010,595	20,595
Capital outlay				
Added needs - compensatory education	4,900	27,000	25,882	(1,118)
Business - fiscal services	1,000	1,000	475	(525)
Pupil transportation services	3,500	3,500	2,671	(829)
Central - support services technology	-	81,422	81,422	-
Total capital outlay	<u>9,400</u>	<u>112,922</u>	<u>110,450</u>	<u>(2,472)</u>
Other financing uses				
Transfers out	479,132	479,132	427,948	(51,184)
Total expenditures and financing uses	<u>\$ 35,912,486</u>	<u>\$ 36,888,033</u>	<u>\$ 35,580,486</u>	<u>\$ (1,307,547)</u>

**Oxford Area Community Schools
Other Supplemental Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2007**

2001 Issue

<u>Year Ending June 30,</u>	<u>Interest Rate (Percent)</u>	<u>Interest Due November 1</u>	<u>Interest Due May 1</u>	<u>Principal Due May 1</u>	<u>Total</u>
2008	4.250	\$ 147,250	\$ 147,250	\$ 1,550,000	\$ 1,844,500
2009	5.000	108,500	108,500	1,550,000	1,767,000
2010	5.000	69,750	69,750	1,550,000	1,689,500
2011	4.000	<u>31,000</u>	<u>31,000</u>	<u>1,550,000</u>	<u>1,612,000</u>
Total		<u>\$ 356,500</u>	<u>\$ 356,500</u>	<u>\$ 6,200,000</u>	<u>\$ 6,913,000</u>

Oxford Area Community Schools
Other Supplemental Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2007

2003 Refunding Issue

<u>Year Ending June 30,</u>	<u>Interest Rate (Percent)</u>	<u>Interest Due November 1</u>	<u>Interest Due May 1</u>	<u>Principal Due May 1</u>	<u>Total</u>
2008	3.000	\$ 40,475	\$ 40,475	\$ 975,000	\$ 1,055,950
2009	3.500	25,850	25,850	935,000	986,700
2010	3.500	9,488	9,488	125,000	143,976
2011	4.000	7,300	7,300	120,000	134,600
2012	4.000	4,900	4,900	125,000	134,800
2013	4.000	<u>2,400</u>	<u>2,400</u>	<u>120,000</u>	<u>124,800</u>
Total		<u>\$ 90,413</u>	<u>\$ 90,413</u>	<u>\$ 2,400,000</u>	<u>\$ 2,580,826</u>

Oxford Area Community Schools
Other Supplemental Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2007

2004 Refunding Issue

Year Ending June 30,	Interest Rate (Percent)	Interest Due November 1	Interest Due May 1	Principal Due May 1	Total
2008	2.500	\$ 814,138	\$ 814,137	\$ 1,370,000	\$ 2,998,275
2009	4.000	797,012	797,013	1,345,000	2,939,025
2010	3.500	770,113	770,112	1,740,000	3,280,225
2011	4.000	739,662	739,663	1,815,000	3,294,325
2012	3.500	703,363	703,362	1,895,000	3,301,725
2013	5.000	670,200	670,200	1,965,000	3,305,400
2014	3.600	621,075	621,075	2,060,000	3,302,150
2015	3.700	583,995	583,995	2,020,000	3,187,990
2016	5.000	546,625	546,625	2,085,000	3,178,250
2017	5.000	494,500	494,500	2,175,000	3,164,000
2018	5.000	440,125	440,125	2,165,000	3,045,250
2019	5.000	386,000	386,000	2,250,000	3,022,000
2020	5.000	329,750	329,750	2,235,000	2,894,500
2021	5.000	273,875	273,875	2,220,000	2,767,750
2022	5.000	218,375	218,375	2,205,000	2,641,750
2023	5.000	163,250	163,250	2,190,000	2,516,500
2024	5.000	108,500	108,500	2,180,000	2,397,000
2025	5.000	54,000	54,000	2,160,000	2,268,000
Total		<u>\$ 8,714,558</u>	<u>\$ 8,714,557</u>	<u>\$ 36,075,000</u>	<u>\$ 53,504,115</u>

Oxford Area Community Schools
Other Supplemental Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2007

2005 Refunding Issue

Year Ending June 30,	Interest Rate (Percent)	Interest Due November 1	Interest Due May 1	Principal Due May 1	Total
2008	3.000	\$ 297,850	\$ 297,850	-	\$ 595,700
2009	3.000	297,850	297,850	-	595,700
2010	3.000	297,850	297,850	-	595,700
2011	3.000	297,850	297,850	-	595,700
2012	3.000	297,850	297,850	-	595,700
2013	3.000	297,850	297,850	-	595,700
2014	5.000	297,850	297,850	2,505,000	3,100,700
2015	5.000	235,225	235,225	2,495,000	2,965,450
2016	5.000	172,850	172,850	2,485,000	2,830,700
2017	4.000	110,725	110,725	2,480,000	2,701,450
2018	5.000	61,125	61,125	2,445,000	2,567,250
Total		<u>\$ 2,664,875</u>	<u>\$ 2,664,875</u>	<u>\$ 12,410,000</u>	<u>\$ 17,739,750</u>

Oxford Area Community Schools
Other Supplemental Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2007

2006 Energy Bond

Year Ending June 30,	Interest Rate (Percent)	Interest Due May 1	Interest Due May 1	Total
2008	3.980	\$ 139,227	\$ -	\$ 139,227
2009	3.980	115,294	71,658	186,952
2010	3.980	110,386	137,237	247,623
2011	3.980	104,688	129,356	234,044
2012	3.980	100,367	104,907	205,274
2013	3.980	95,822	126,135	221,957
2014	3.980	90,407	148,900	239,307
2015	3.980	84,058	173,292	257,350
2016	3.980	76,710	199,406	276,116
2017	3.980	68,293	227,340	295,633
2018	3.980	58,732	257,198	315,930
2019	3.980	47,949	289,090	337,039
2020	3.980	35,861	323,130	358,991
2021	3.980	22,381	359,441	381,822
2022	3.980	7,405	365,053	372,458
Total		<u>\$ 1,157,580</u>	<u>\$ 2,912,143</u>	<u>\$ 4,069,723</u>

Oxford Area Community Schools
Other Supplemental Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2007

2006 Refunding Issue

Year Ending June 30,	Interest Rate (Percent)	Interest Due November 1	Interest Due May 1	Principal Due May 1	Total
2008	5.500	\$ 827,771	\$ 827,771	-	\$ 1,655,542
2009	5.500	827,771	827,771	-	1,655,542
2010	5.500	827,771	827,771	-	1,655,542
2011	5.500	827,771	827,771	-	1,655,542
2012	5.500	827,771	827,771	1,625,000	3,280,542
2013	5.500	783,083	783,083	2,510,000	4,076,166
2014	4.000	714,058	714,058	100,000	1,528,116
2015	5.000	712,058	712,058	100,000	1,524,116
2016	5.000	709,558	709,558	100,000	1,519,116
2017	4.000	707,058	707,058	100,000	1,514,116
2018	4.000	705,058	705,058	100,000	1,510,116
2019	4.000	703,058	703,058	2,550,000	3,956,116
2020	4.200	652,058	652,058	2,530,000	3,834,116
2021	4.500	598,928	598,928	2,515,000	3,712,856
2022	4.500	542,340	542,340	2,535,000	3,619,680
2023	4.125	485,303	485,303	2,525,000	3,495,606
2024	4.125	433,225	433,225	2,505,000	3,371,450
2025	4.500	381,559	381,559	2,490,000	3,253,118
2026	4.500	325,534	325,534	2,475,000	3,126,068
2027	4.500	269,847	269,847	2,465,000	3,004,694
2028	4.500	214,384	214,384	2,455,000	2,883,768
2029	4.500	159,147	159,147	2,440,000	2,758,294
2030	4.250	104,247	104,247	2,430,000	2,638,494
2031	4.375	52,609	52,609	2,405,000	2,510,218
Total		<u>\$ 13,391,967</u>	<u>\$ 13,391,967</u>	<u>\$ 36,955,000</u>	<u>\$ 63,738,934</u>

Oxford Area Community Schools
Other Supplemental Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2007

Durant Non-Plaintiff

Year Ending June 30,	Interest Rate (Percent)	Interest Due May 15	Principal May 15	Total
2008	4.761	\$ -	\$ -	\$ -
2009	4.761	7,756	29,621	37,377
2010	4.761	68,710	182,415	251,125
2011	4.761	4,868	32,508	37,376
2012	4.761	3,320	34,054	37,374
2013	4.761	1,699	35,675	37,374
Total		<u>\$ 86,353</u>	<u>\$ 314,273</u>	<u>\$ 400,626</u>

**Oxford Area Community Schools
Other Supplemental Information
Continuing Disclosure Report
For the Year Ended June 30, 2007**

Enrollment

Ten-year Blended Count History

<u>School Year</u>	<u>Blended Count</u>	<u>School Year</u>	<u>Blended Count</u>
2007-2008 (est)	4297	2002-2003	3990
2006-2007	4289	2001-2002	3980
2005-2006	4172	2000-2001	3849
2004-2005	4078	1999-2000	3722
2003-2004	4029	1998-1999	3572

2007-2008 Fall Count (est.)

	<u>Enrollment</u>	<u>Grade</u>	<u>Enrollment</u>	<u>Grade</u>	<u>Enrollment</u>
PPI	19	4th	303	9th	323
Kindergarten	327	5th	341	10th	326
1st	328	6th	349	11th	348
2nd	333	7th	317	12th	320
3rd	323	8th	338	Crossroads for Youth	105

Labor Relations

<u>Class</u>	<u>Number</u>	<u>Affiliation</u>	<u>Contract Expires</u>	
Teachers	223	Oxford Education Association	8/31/2008	
Custodians, Bus Drivers/ Mechanics/Monitors, Food Service	105	AFSCME	8/31/2006	negotiating
Administrators	18	Oxford Administrators Association	7/31/2008	
Secretaries and Paraprofessionals	74	OESPA	6/30/2009	
Child Care	37	Not affiliated	N/A	
Tutorial Assistants	14	Not affiliated	N/A	
Crossing Guards	3	Not affiliated	N/A	
Central Office Secretaries	8	Not affiliated	N/A	
Central Office Administrators	4	Not affiliated	N/A	
Other Employees	8	Not affiliated	N/A	
TOTAL	328			

During the past ten years, the School District has not experienced a strike by any of its bargaining units.

**Oxford Area Community Schools
Other Supplemental Information
Continuing Disclosure Report
For the Year Ended June 30, 2007**

Retirement Plan

<u>Contributions Period</u>	<u>Contribution Rate (Percent)</u>
October 1, 2007 - September 30, 2008	16.72
October 1, 2006 - September 30, 2007	17.74
October 1, 2005 - September 30, 2006	16.34
October 1, 2004 - September 30, 2005	14.87
October 1, 2003 - September 30, 2004	12.99
October 1, 2002 - September 30, 2003	12.99

<u>Fiscal Year Ended June 30</u>	<u>Contributions to MPSERS</u>
2008	\$ 3,650,415 estimate
2007	3,176,836
2006	3,372,751
2005	2,976,075
2004	2,683,546
2003	2,615,277

History of Valuation - State Equalized Valuation and Taxable Valuation

<u>Year</u>	<u>State Equalized Valuation</u>	<u>Taxable Valuation</u>
2007	\$ 1,462,054,261	\$ 1,141,995,106
2006	1,405,272,077	1,088,624,724
2005	1,358,756,114	1,010,562,821
2004	1,253,525,736	935,522,243
2003	1,173,757,215	874,469,811
2002	1,043,369,701	808,884,741

Sources: Oakland County and Lapeer County Departments of Equalization and the School District

**Oxford Area Community Schools
Other Supplemental Information
Continuing Disclosure Report
For the Year Ended June 30, 2007**

Tax Levies and Collections

<u>School Year</u>	<u>Operating Tax Levy</u>	<u>Current Collections to March 1</u>		<u>Current Collections to June 30</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
2007-2008	\$ 5,323,313	In process of collection		Not available	
2006-2007	5,148,094	\$ 4,465,841	86.75	\$ 4,999,133	97.10
2005-2006	4,770,000	4,027,322	84.43	4,625,480	96.97
2004-2005	4,101,511	3,515,575	85.71	3,915,247	95.46
2003-2004	3,914,457	3,421,835	87.42	3,819,330	97.57
2002-2003	3,737,712	3,243,462	86.78	3,615,343	96.73

Note: Since 2000-01, Consumers Energy Company and Detroit Edison Company have delayed some of their tax payments to the municipal units due to pending personal property tax appeals.

State Aid Payments

<u>School Year</u>	<u>Blended Pupil Total State Aid</u>	
	<u>Count</u>	<u>School Year</u>
2007-2008	4,297	\$27,794,990 estimate
2006-2007	4,273	27,791,224
2005-2006	4,172	26,172,676
2004-2005	4,078	25,014,258
2003-2004	4,028	24,647,333
2002-2003	3,990	24,830,945

School District Tax Rates (Per \$1,000 of Valuation)

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Operating-Extra Voted	17.9946	18.0000	18.0000	15.6451	15.7936
Debt	7.0000	7.0000	7.0000	7.0000	7.0000
Total homestead	7.0000	7.0000	7.0000	7.0000	7.0000
Total nonhomestead	24.9946	25.0000	25.0000	22.6451	22.7936

The operating millage on non-homestead property was renewed in November 2006. It will expire with the December 2016 levy. The operating millage in 2003, 2004 and 2007 was reduced as a result of the Headlee Amendment, Article IX, Section 31 of the Michigan Constitution.

Oxford Area Community Schools
Other Supplemental information
Continuing Disclosure Report
For the Year Ended June 30, 2007

School Bond Loan Fund

As of June 30, 2007, the School District had an outstanding balance, including interest, of \$28,525,774 in the School Bond Loan Fund.
 Source: Michigan Department of Treasury

<u>Direct Debt</u>	<u>Bond</u>	<u>Original Issue Amount</u>	<u>Year</u>
\$6,200,000	2001 School Building and Site Bonds (UTQ)	\$ 61,750,000	11/13/2001
2,400,000	2003 Refunding Bonds (UTQ)	7,400,000	3/20/2003
36,075,000	2004 Refunding Bonds (UTQ)	37,735,000	11/16/2004
12,410,000	2005 Refunding Bonds (UTQ)	12,555,000	6/14/2005
2,912,143	2006 Energy Bond	2,912,143	5/8/2007
36,955,000	2006 Refunding Bonds (UTQ)	36,955,000	12/5/2006

Largest Taxpayers

Shown below are the ten largest identifiable taxpayers in the School District based on their 2007 taxable valuations.
 The taxpayers listed below represent 5.5% of the School District's 2007 taxable valuation of \$1,141,995,106.

<u>Taxpayer</u>	<u>Service or Product</u>	<u>Taxable Value</u>
Detroit Edison Company *	Utility	\$ 14,589,050
MSP Industries Corporation	Iron and steel forgings	8,770,370
Meijer, Inc.	Retail	6,482,660
Christopher Investments	Mobile Home Community	6,284,580
Royal Oak Boring	Machine Engine Blocks	6,061,400
Consumers Energy Company *	Utility	4,951,210
American Aggregates	Gravel Mining	4,411,960
Oxford Mills Mall	Strip Mall	4,004,110
PM First Management	Senior Center Complex	3,460,550
Horizon Development	Industrial Property	3,278,550
TOTAL		<u>\$ 62,294,440</u>

* Has filed personal property tax appeals.

Sources: Oxford Township Treasurer, Brandon Township Treasurer, Addison Township Treasurer, Lapeer County Equalization

**Oxford Area Community Schools
Other Supplemental Information
Continuing Disclosure Report
For the Year Ended June 30, 2007**

RESOLVED, that this resolution shall be the general appropriations of Oxford Area Community Schools for the fiscal year 2007-2008.
A resolution to make appropriations; to provide for the expenditure of the appropriations; and to provide for the disposition of all income received by Oxford Area Community Schools.

BE IT FURTHER RESOLVED, that the total revenues and unappropriated fund balance estimated to be available for appropriations in the General Fund of the Oxford Area Community Schools for fiscal year 2007-2008 are as follows:

REVENUES

Local	\$ 5,695,313
State	27,609,519
Federal	1,623,295
Other	<u>2,264,861</u>
TOTAL REVENUES	\$37,192,988
Estimated Fund Balance July 1, 2007	<u>2,011,683</u>
TOTAL AVAILABLE TO APPROPRIATE	<u><u>\$39,204,671</u></u>

BE IT FURTHER RESOLVED, that \$37,191,188 of the total available to appropriate in the general fund is hereby appropriated in the amounts and for the purposes set forth below:

EXPENDITURES

Instruction	
Basic Programs	\$17,198,698
Added Needs	4,514,637
Support Services	
Pupil	1,784,449
Instructional Staff	1,104,730
General Administration	388,424
School Administration	2,191,127
Business	7,264,200
Central	1,116,472
Community Services	12,776
Outgoing Transfers and Other	<u>1,615,675</u>
TOTAL APPROPRIATED	<u><u>\$37,191,188</u></u>



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To the Management and
Board of Education of
Oxford Area Community Schools

In planning and performing our audit of the financial statements of Oxford Area Community Schools as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Oxford Area Community Schools' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

During our audit we noted the following significant deficiencies:

Journal Entries

During our audit we noted that the Bookkeeper is able to records journal entries without any form of approval. Additionally, the Bookkeeper has the ability to change and delete entries without approval, and there is no system in place to check or review these entries. We recommend that all entries posted, even those made erroneously, should not be deleted or altered to preserve a proper audit trail. Therefore when an adjusting entry is necessary they should be given a new entry number.

We further recommend that all journal entries be reviewed and approved by the Executive Director of Business and Finance, and that the District take steps to make sure entries cannot be simply deleted from the system.

Electronic Fund Transfers

We found that the District has no formal policy related to electronic fund transfers. Currently, the District only requires one signature to authorize the bank to transfer funds to another account. In addition, this transfer can be done for any amount. Currently, the Executive Director of Business and Finance and the Bookkeeper are authorized to transfer funds.

We recommend that the district establish and follow a policy that will limit the amount of a single transfer, and identify those individuals who can initiate and those who can approve electronic funds transfers.

In addition, we noted the following items that we feel need to be communicated to the Board and management. These are areas that we have concerns and hopefully can provide for greater operating efficiencies if followed.

Management Turnover – Financial Position

Over the past two years the District has had a substantial amount of turnover in key management and financial reporting positions. These positions have included the Assistant Superintendent of Finance and Operations, Superintendent, and Bookkeeper. These positions are all very important to the operations and financial stability of the District. We are concerned that a significant amount of institutional and financial knowledge has left the District during this short period of time.

During the audit of the current year, we provided additional services beyond our original audit engagement that were necessary to complete the audit as originally scheduled. When we arrived at the district we found several audit items/schedules were not complete or ready for us to perform our audit procedures. Following discussions with management we assisted the accounting staff in completing several of the schedules and other information, previously prepared for us by the District, in order to meet the District's timelines. We understand the difficulties the accounting department has faced recently, this was the first, full year, that the Executive Director of Business and Finance had with the District, and that the Bookkeeper retired mid-year and a replacement was not hired until later in the year. However, all parties worked hard to get the audit complete in the appropriate time, and we thank them for their efforts. We further encourage management to monitor the accounting area and to ensure that all of the required information and reconciliations are being performed timely in order for management and the Board to make decisions related to the financial position of the District using reliable information.

Childcare Program Receivables

In the past years the District began using new software for billing and tracking of children's account balances. We noted receivable balances in the community services fund from parents whose children had already received services. In the current year we noted little improvement or changes in this area other than program staff are meeting with the business office more regularly, but cash collections are still slower than they should be.

We continue to suggest that administration monitor this receivable balance and operations of the childcare activities. In addition, more training on the new software may be necessary to help the program employees catch up, or if the program continues to grow, the billing and collection, may be best handled by the business office.

Cash Handling

The District made some improvements in the area of cash handling in the current year. For example, we know that Athletics has a cash collection sheet in place for the fall, and will be using that to track collections at games. We continue to suggest that administration develop written procedures to formalize the existing practices and make sure that the policies are adequate to safeguard the assets of the District.

Financial Condition

In the past few years the District had used General Fund reserves to cover operating shortfalls, and we suggested that management monitor the budget and fund balance to help stabilize operations. In the current year, the General Fund had a surplus, which is excellent, but we want the District to keep in mind that the surplus still did not exceed the amount that was expended over the past two years out of fund balance, and this is a good start to replenishing the District's operating reserves.

This communication is intended solely for the information and use of management, Members of the Board of Education, others within the organization, and the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Saginaw, Michigan
September 13, 2007