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**OXFORD SCHOOL DISTRICT**  
**Audited Financial Statements**  
**For the Year Ended June 30, 2006**

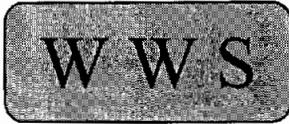
**WATKINS, WARD and STAFFORD, PLLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

OXFORD SCHOOL DISTRICT

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OXFORD SCHOOL DISTRICT  
FINANCIAL AUDIT REPORT



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INDEPENDENT AUDITOR'S REPORT  
ON  
THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Superintendent and School Board  
Oxford School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Oxford School District as of and for the year ended June 30, 2006, which collectively comprise the Oxford School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Oxford School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 the Oxford School District, as of June 30, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2006, on our consideration of the Oxford School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 9 and the Budgetary Comparison Schedule and corresponding notes on pages 36 and 37 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required 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 School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and other Expenditures – Governmental Funds 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.

Watkins, Ward and Stafford, PLLC

December 13, 2006

OXFORD SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

OXFORD SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2006

The discussion and analysis of Oxford School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

This discussion and analysis is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999. Certain comparative information between the current year and the prior year is required to be presented.

**FINANCIAL HIGHLIGHTS**

- Total net assets increased \$3,123,559 which represents a 21% increase from fiscal year 2005.
- General revenues account for \$24,724,166 in revenue, or 84% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,848,703 or 16% of total revenues.
- The District had \$26,449,310 in expenses; only \$4,848,703 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$24,724,166 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$22,701,207 in revenues and \$20,865,530 in expenditures. The General Fund's fund balance increased \$424,952 over the prior year.
- Capital assets, net of accumulated depreciation, increased by \$2,983,357.
- Long-term debt decreased by \$1,281,922. In addition, the liability for compensated absences decreased by \$2,813 from the prior fiscal year.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements:** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

The statement of net assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the

timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, and interest on long-term liabilities.

The government-wide financial statements can be found on pages 11 - 12 of this report.

**Fund financial statements:** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the school district's operations.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 14 and 16, respectively.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental fund financial statements can be found on pages 13 - 16 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Net Assets on pages 17-18.

**Notes to the financial statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 - 34 of this report.

**Other information:** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process. The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 35 - 37 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on page 39 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets:** Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$17,982,005 as of June 30, 2006.

The District's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a comparison of the District's net assets for the fiscal years ended June 30, 2006 and 2005.

	<u>6-30-06</u>	<u>6-30-05</u>	<u>Percent Change</u>
Current assets	\$ 15,879,239	16,814,743	-5.5%
Capital assets, net	<u>22,658,600</u>	<u>19,675,243</u>	15.16%
<b>Total assets</b>	<u>38,537,839</u>	<u>36,489,986</u>	5.6%
Current liabilities	423,946	214,917	97.26%
Long-term debt outstanding	<u>20,131,888</u>	<u>21,416,623</u>	-5.99%
<b>Total liabilities</b>	<u>20,555,834</u>	<u>21,631,540</u>	-4.98%
<b>Net assets:</b>			
Invested in capital assets, net of related debt	2,693,600	(1,571,679)	271.38%
Restricted	7,882,566	9,353,139	-15.72%
Unrestricted	<u>7,405,839</u>	<u>7,076,986</u>	4.65%
<b>Total net assets</b>	<u>\$17,982,005</u>	<u>14,858,446</u>	21.02%

The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- The principal retirement of \$1,281,922 of long-term debt.
- Capital Asset additions of \$3,798,607.

**Changes in net assets:** The District's total revenues for the fiscal year ended June 30, 2006 were \$29,572,869. The total cost of all programs and services was \$26,449,310. The following table presents a comparison of the changes in net assets for the fiscal years ended June 30, 2006 and 2005.

	<u>6-30-06</u>	<u>6-30-05</u>	<u>Percent Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for service	\$ 1,096,216	975,050	12.42%
Operating grants and contributions	3,655,662	2,973,980	22.92%
Capital grants and contributions	96,825	96,825	
General revenues:			
Property taxes	11,947,659	9,288,811	28.62%
Grants and contributions not restricted	11,986,904	11,368,590	5.40%
Other	<u>789,603</u>	<u>462,029</u>	70.90%
<b>Total revenues</b>	<u>29,572,869</u>	<u>25,165,285</u>	17.51%
<b>Expenses:</b>			
Instruction	16,168,866	14,401,580	12.27%
Support services	7,800,148	7,011,909	11.24%
Non-instructional	1,365,787	1,369,554	-20%
Interest on long-term liabilities	<u>1,114,509</u>	<u>608,818</u>	83.06%
<b>Total expenses</b>	<u>26,449,310</u>	<u>23,391,861</u>	13.07%
<b>Increase in net assets</b>	\$ 3,123,559	1,773,424	76.13%
<b>Net Assets, July 1</b>	<u>14,858,446</u>	<u>13,085,022</u>	13.55%
<b>Net Assets, June 30</b>	<u>17,982,005</u>	<u>14,858,446</u>	21.02%

**Governmental activities:** The following table presents the cost of four major District functional activities: instruction, support services, non-instructional, and interest on long-term debt. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

	6-30-05 Total <u>Expenses</u>	6-30-05 Net (Expense) <u>Revenue</u>	6-30-05 Total <u>Expenses</u>	6-30-05 Net (Expense) <u>Revenue</u>
Instruction	\$16,168,866	\$(13,666,698)	14,401,580	(13,022,411)
Support services	7,800,148	(6,749,398)	7,011,909	(6,187,949)
Non-instructional	1,365,787	(70,002)	1,369,554	473,172
Interest on long-term liabilities	<u>1,114,509</u>	<u>(1,114,509)</u>	<u>608,818</u>	<u>( 608,818)</u>
<b>Total expenses</b>	<b><u>\$26,449,310</u></b>	<b><u>\$(21,600,607)</u></b>	<b><u>23,391,861</u></b>	<b><u>(19,346,006)</u></b>

- Net cost of governmental activities \$21,600,607, was financed by general revenue, which is made up of primarily property taxes \$11,947,659, state revenue \$11,820,385, federal revenue \$166,519, and other general revenues not otherwise classified \$323,448.
- Investment earnings accounted for \$466,155 of funding.

#### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$15,495,749, a decrease of \$1,124,263 due primarily to capital improvement. \$7,892,925 or 51% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$424,952. The fund balance of the Other Governmental Funds (Non-Major Funds) decreased in the amount of \$1,549,215, which was due primarily to the costs of new construction in the District.

#### BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget. The original budget was amended to reflect an increase in revenues from tax collections and state grants. Also, a decrease in instruction and support services, along with construction costs, required the expenditures to be amended.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund is provided in this report as required supplementary information and can be found on page 36 of this report

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2006, the District's total capital assets were \$32,577,960, including land, school buildings, building and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$3,788,427 from the previous year. Total accumulated depreciation as of June 30, 2006 was \$9,919,360 and total depreciation expense for the year was \$815,148 resulting in total net assets of \$22,658,600.

Additional information of the District's capital assets can be found in Note 4 on page 28 of this report.

**Debt Administration.** At June 30, 2006, the District had \$19,965,000 in long-term debt outstanding, of which \$1,335,000 is due within one year. In addition, the liability for compensated absences decreased by \$2,813 from the prior year.

The District does not have a bond rating.

Additional information of the District's long-term debt can be found in Note 5 on pages 29-33 of this report.

## **CURRENT ISSUES**

The OXFORD SCHOOL DISTRICT is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. The millage has increased 1.77 mills over last year. In addition, the District's system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

Latest enrollment figures indicate that student enrollment in the District increased by 95 students. The budget for the next fiscal year has taken into account this increase in funding and staffing needs.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the OXFORD SCHOOL DISTRICT, 224 Bramlett Avenue, Oxford, MS, 39655.

OXFORD SCHOOL DISTRICT

FINANCIAL STATEMENTS

OXFORD SCHOOL DISTRICT  
Statement of Net Assets  
June 30, 2006

Exhibit A

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 14,713,820
Investments	62,637
Due from other governments	1,034,339
Inventories and prepaid items	31,093
Deferred Charges - Debt Issuance Cost	37,350
Capital assets, not being depreciated:	
Land	1,389,062
Construction in progress	2,277,975
Capital assets, net of accumulated depreciation:	
Buildings	13,139,806
Building improvements	4,440,818
Improvements other than buildings	349,555
Mobile equipment	1,020,534
Furniture and equipment	40,850
<b>Total Assets</b>	<b>\$ <u>38,537,839</u></b>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 346,140
Interest payable on long-term liabilities	77,806
Long-term liabilities, due within one year	
Capital related liabilities	1,335,000
Non-capital related liabilities	7,963
Long-term liabilities, due beyond one year	
Capital related liabilities	18,630,000
Non-capital related liabilities	158,925
<b>Total Liabilities</b>	<b>\$ <u>20,555,834</u></b>
<b>Net Assets</b>	
Investment in capital assets, net of related debt	\$ 2,693,600
Restricted net assets:	
Expendable:	
School - based activities	310,835
Debt service	901,267
Capital Improvements	6,611,790
Unemployment benefits	58,674
Non-expendable:	
Other	
Unrestricted	7,405,839
<b>Total Net Assets</b>	<b>\$ <u>17,982,005</u></b>
<b>Total Liabilities and Net Assets</b>	<b>\$ <u>38,537,839</u></b>

The notes to the financial statements are an integral part of this statement.

OXFORD SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2006

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Primary Government Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
Instruction	\$ 16,168,866	719,992	1,685,351	96,825	-13,666,698
Support services	7,800,148		1,050,750		-6,749,398
Non-instructional	1,365,787	376,224	919,561		-70,002
Interest on long-term liabilities	1,114,509				-1,114,509
Total governmental activities	\$ <u>26,449,310</u>	<u>1,096,216</u>	<u>3,655,662</u>	<u>96,825</u>	<u>-21,600,607</u>
General Revenues:					
Taxes:					
					9,809,160
					2,138,499
Unrestricted grants and contributions:					
					11,820,385
					166,519
					466,155
					323,448
					<u>24,724,166</u>
					<u>3,123,559</u>
					14,858,446
					<u>17,982,005</u>

The notes to the financial statements are an integral part of this statement.

OXFORD SCHOOL DISTRICT  
 Balance Sheet - Governmental Funds  
 June 30, 2006

Exhibit C

	<u>Major Funds</u>		<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Other Governmental Funds</u>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,890,856	7,822,964	14,713,820
Investments		62,637	62,637
Due from other governments	390,704	643,635	1,034,339
Due from other funds	488,265		488,265
Inventories and prepaid items		31,093	31,093
<b>Total Assets</b>	<b>\$ 7,769,825</b>	<b>8,560,329</b>	<b>16,330,154</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 78,000	288,140	346,140
Due to other funds		488,265	488,265
<b>Total Liabilities</b>	<b>78,000</b>	<b>756,405</b>	<b>834,405</b>
<b>Fund Balances:</b>			
<b>Reserved for:</b>			
Capital Improvements		6,611,790	6,611,790
Inventory		31,093	31,093
Unemployment Benefits		58,674	58,674
Debt Service		901,267	901,267
<b>Unreserved:</b>			
<b>Undesignated, reported in:</b>			
General fund	7,691,825		7,691,825
Special Revenue funds		201,100	201,100
<b>Total Fund Balances</b>	<b>7,691,825</b>	<b>7,803,924</b>	<b>15,495,749</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 7,769,825</b>	<b>8,560,329</b>	<b>16,330,154</b>

The notes to the financial statements are an integral part of this statement.

OXFORD SCHOOL DISTRICT  
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
 June 30, 2006

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 15,495,749
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$22,658,600	22,658,600
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds, as follows.	
Long-term Liabilities	(20,131,888)
Accrued Interest on Debt	(77,806)
3. Governmental funds recognize bond issue costs when it becomes due, however the Statement of Net Assets recognizes the cost as it is amortized.	<u>37,350</u>
Total Net Assets - Governmental Activities	<u>\$ 17,982,005</u>

The notes to the financial statements are an integral part of this statement.

OXFORD SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2006

Exhibit D

	Major Funds		Total Governmental Funds
	General Fund	Other Governmental Funds	
<b>Revenues:</b>			
Local sources	\$ 10,602,066	3,034,124	13,636,190
State sources	11,882,426	664,584	12,547,010
Federal sources	216,715	2,982,014	3,198,729
Total Revenues	<u>22,701,207</u>	<u>6,680,722</u>	<u>29,381,929</u>
<b>Expenditures:</b>			
Instruction	13,593,010	1,924,482	15,517,492
Support services	6,682,749	1,126,300	7,809,049
Noninstructional services	47,490	1,315,829	1,363,319
Facilities acquisition and construction	540,359	3,085,449	3,625,808
Debt service:			
Principal	1,922	1,280,000	1,281,922
Interest		1,084,830	1,084,830
Other		11,484	11,484
Total Expenditures	<u>20,865,530</u>	<u>9,828,374</u>	<u>30,693,904</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,835,677</u>	<u>-3,147,652</u>	<u>-1,311,975</u>
<b>Other Financing Sources (Uses):</b>			
Insurance Loss Recoveries	190,940		190,940
Operating transfers in	14,674	1,716,705	1,731,379
Operating transfers out	-1,616,339	-115,040	-1,731,379
Total Other Financing Sources (Uses)	<u>-1,410,725</u>	<u>1,601,665</u>	<u>190,940</u>
Net Change in Fund Balances	<u>424,952</u>	<u>-1,545,987</u>	<u>-1,121,035</u>
<b>Fund Balances:</b>			
July 1, 2005	<u>7,266,873</u>	<u>9,353,139</u>	<u>16,620,012</u>
Inc. (Dec.) in reserve for inventory		-3,228	-3,228
June 30, 2006	<u>\$ 7,691,825</u>	<u>7,803,924</u>	<u>15,495,749</u>

The notes to the financial statements are an integral part of this statement.

OXFORD SCHOOL DISTRICT  
 Reconciliation of the Governmental Funds Statement of Revenues,  
 Expenditures and Changes in Fund Balances to the Statement of Activities  
 For the Year Ended June 30, 2006

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ -1,121,035
Amounts reported for governmental activities in the statement of activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$3,798,607 and the depreciation expense amounted to \$815,148.	2,983,459
2. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.	1,281,922
3. (Increase) decrease in compensated absence is reported as an expenditure in the governmental funds, but the payment reduces long-term liability in the Statement of Activities.	2,813
4. Gains and losses on the sale or disposal of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	-102
5. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	-18,195
6. Payment of bond issue cost is reported as an expenditure in the governmental funds, but the payment is amortized in the Statement of Activities.	-2,075
7. A decrease in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are increased in the statement of activities.	<u>-3,228</u>
Change in Net Assets of Governmental Activities	<u>\$ 3,123,559</u>

The notes to the financial statements are an integral part of this statement.

OXFORD SCHOOL DISTRICT  
Statement of Fiduciary Net Assets  
June 30, 2006

Exhibit E

	Private-Purpose Trust Funds	Agency Funds
	<u>                    </u>	<u>                    </u>
Assets		
Cash and cash equivalents	\$ <u>          649</u>	<u>          809,643</u>
Total Assets	\$ <u>          649</u>	<u>          809,643</u>
Liabilities		
Accounts payable and accrued liabilities	\$ <u>                  0</u>	<u>          809,643</u>
Total Liabilities	\$ <u>                  0</u>	<u>          809,643</u>
Net Assets		
Reserved for Endowments	\$ <u>          649</u>	
Total Net Assets	\$ <u>          649</u>	

The notes to the financial statements are an integral part of this statement.

OXFORD SCHOOL DISTRICT  
Statement of Changes in Fiduciary Net Assets  
June 30, 2006

Exhibit F

Additions	
Interest earned	\$ <u>22</u>
Total Additions	<u>22</u>
Deductions	
Scholarships awarded	<u>22</u>
Total Deductions	<u>22</u>
Change in Net Assets	<u>          </u>
Net Assets	
July 1, 2005	<u>649</u>
June 30, 2006	\$ <u><u>649</u></u>

The notes to the financial statements are an integral part of this statement.

OXFORD SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2006

(1) Summary of Significant Accounting Policies.

The accompanying financial statements of the school district have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the school district's accounting policies are described below.

A. Financial Reporting Entity.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Oxford since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

B. Basis of Presentation.

The school district's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

*Government-wide Financial Statements:*

The Statement of Net Assets and Statement of Activities display information about the school district as a whole. They include all funds of the reporting entity except for fiduciary funds, if applicable. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues.

The Statement of Net Assets presents the financial condition of the governmental activities of the school district at year-end. The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the school district's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the school district, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the school district.

OXFORD SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2006

[continue]

*Fund Financial Statements:*

Fund financial statements of the school district are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

C. Measurement Focus and Basis of Accounting.

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting as are the Fiduciary Fund financial statements. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flow takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Property taxes, state appropriations and federal awards associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The school district reports the following major governmental fund:

General Funds - This is the school district's primary operating funds. It accounts for all financial resources of the school district, except those required to be accounted for in another fund.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

Additionally, the school district reports the following fund types:

**GOVERNMENTAL FUNDS**

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specific expenditure purposes.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

OXFORD SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2006

[continue]

FIDUCIARY FUNDS

Agency Funds - Agency Funds are used to report resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting Auditing, and Financial Reporting* as issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 1990* issued by the U.S. Department of Education.

E. Encumbrances.

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

F. Cash and Cash Equivalents.

The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Cash and cash equivalents consist of amounts on deposit in demand accounts and certificates of deposit with maturities of 12 months or less. Cash and cash equivalents are valued at cost.

G. Investments.

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

Investments are reported at fair value.

For accounting purposes, certificates of deposit are classified as investments if they have a maturity greater than 12 months when acquired.

H. Inventories and Prepaid Items.

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis).

The costs of governmental fund type inventories are reported as expenditures when purchased.

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

OXFORD SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2006

[continue]

I. Capital Assets.

Capital acquisition and construction are reflected as expenditures in the Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements.

Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

(\*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 4 for details.

J. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. In the government-wide Statement of Net Assets, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column. See Note 5 for details.

OXFORD SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2006

[continue]

K. Interfund Transactions and Balances.

Interfund transactions and balances are the result of timing differences between the date expenses/expenditures occur and the date payments are made.

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources.

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3 for details for interfund transactions, including receivables and payables at year-end.

L. Equity Classifications.

*Government-wide Financial Statements:*

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

*Fund Financial Statements:*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved classified as designated and undesignated.

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following is a description of fund reserves used by the district:

Reserved for unemployment benefits - An account that represents a portion of the fund balance that is legally restricted for the payment of unemployment benefits.

Reserved for inventory - An account that represents a portion of the fund balance which indicates that inventories do not represent available spendable resources even though they are a component of net current assets.

OXFORD SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2006

[continue]

Reserved for capital projects – An account that represents that portion of fund balance in the Capital Projects Fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

Reserved for debt service - An account that represents that portion of fund balance in the Debt Service Fund which are legally restricted and not available for spending for any other purpose than that for which it is restricted.

M. Property Taxes.

Ad valorem property taxes are levied by the governing authority of the city on behalf of the school district based upon an order adopted by the school board of the school district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

N. Mississippi Adequate Education Program Revenues.

Revenues from the adequate education program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the state of Mississippi.

O. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by school district policy. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

The liability for these compensated absences is recorded as long-term liabilities in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources only if the payable has matured, for example, an employee retires.

P. Other Significant Accounting Policies.

The Debt Service Funds for long-term debt issued prior to April 15, 1986, under the provisions of Section 37-59-101, Miss. Code Ann. (1972), et seq., and prior to March 3, 1987, under the provisions of Section 37-59-1, Miss. Code Ann. (1972), et seq., are maintained by the governing authority of the city and are not included in the government-wide financial statements of the school district. The borrowing of money by the issuance of the debt referred to above was a function of the governing authority of the city prior to April 15, 1986, or March 3, 1987, as the case may be.

In our state, school boards and superintendents had no responsibility in connection with the debt issued before the dates referred to above. The payment of this debt is an obligation of the governing authority of the city who is acting for the school district.

In connection with any debt issued subsequent to the dates referred to above, the school board is responsible for the issuance and maintenance of school district related debt.

OXFORD SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2006

[continue]

(2) Changes in Accounting Standards

As required, the Oxford School District has implemented Government Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* for the current fiscal year. This Statement requires governments to evaluate major events effecting capital assets to determine whether they are impaired. Such events include physical damage, changes in legal or environmental factors, technology changes or obsolescence, changes in the manner or duration of use and construction stoppage. Appropriate note disclosures have been incorporated to comply with the requirements of this standard.

(3) Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments.

Cash and Cash Equivalents.

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits are imposed by statutes as follows:

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school districts' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$14,713,820 and \$810,292, respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents \$ 14,713,820. The bank balance was \$16,942,433.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2006, \$0 of the district's bank balance of \$16,942,433 was exposed to custodial credit risk.

Cash with Fiscal Agents.

The school district had no cash with fiscal agents held by financial institutions at June 30, 2006.

OXFORD SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2006

[continue]

Investments.

As of June 30, 2006, the district had the following investments. All investments are in an internal investment pool.

Investment Type	Maturities			Fair Value	Rating
	Less than 1 year	1 to 5 years	6 to 10 years		
Hancock Horizon treasury securities money market fund	\$ 62,637			62,637	AAAm
Subtotal	<u>\$ 62,637</u>		<u>0</u>		
Total Investments				<u>\$ 62,637</u>	

**Interest Rate Risk.** The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk.** State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The district does not have a formal investment policy that would further limit its investments choices or one that addresses credit risk.

**Cusodial Credit Risk – Investments.** Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2006, all of the district's investment balance of \$62,637 was exposed to custodial credit risk.

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	Due From	Due To
Governmental funds:		
General funds	\$ 488,265	
Other Governmental Funds		488,265
Total Funds	<u>\$ 488,265</u>	<u>488,265</u>

Interfund transactions and balances consisted primarily of amounts to cover operating loans awaiting reimbursement from the federal and state programs.

OXFORD SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2006

[continue]

B. Transfers In/Out.

	Transfers In	Transfers Out
Governmental funds:		
General funds	\$ 14,674	1,616,339
Other Governmental Funds	1,716,705	115,040
Total Funds	\$ 1,731,379	1,731,379

The transfers between funds were for the purpose of purchasing school buses, capital improvement programs and for other indirect costs.

OXFORD SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2006

[continue]

(4) Capital Assets.

The following is a summary of changes in capital assets for governmental activities:

	Balance 7-1-2005	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2006
<b>Non-depreciable capital assets:</b>						
Land	\$ 851,461	537,601				1,389,062
Construction in progress	275,785	3,038,683		(1,036,493)		2,277,975
<b>Total non-depreciable capital assets</b>	<b>1,127,246</b>	<b>3,576,284</b>		<b>(1,036,493)</b>		<b>3,667,037</b>
<b>Depreciable capital assets:</b>						
Buildings	17,451,533					17,451,533
Building improvements	6,461,888	1,036,493				7,498,381
Improvements other than buildings	685,537					685,537
Mobile equipment	2,236,985	196,045				2,433,030
Furniture and equipment	826,344	26,278	(10,180)			842,442
Leased property under capital leases						
<b>Total depreciable capital Assets</b>	<b>27,662,287</b>	<b>1,258,816</b>	<b>(10,180)</b>			<b>28,910,923</b>
<b>Less accumulated depreciation for:</b>						
Buildings	4,002,302	309,425				4,311,727
Building improvements	2,757,628	299,935				3,057,563
Improvements other than buildings	308,561	27,421				335,982
Mobile equipment	1,250,775	161,721				1,412,496
Furniture and equipment	795,024	16,646	(10,078)			801,592
Leased property under capital leases						
<b>Total accumulated depreciation</b>	<b>9,114,290</b>	<b>815,148</b>	<b>(10,078)</b>			<b>9,919,360</b>
<b>Total depreciable capital assets, net</b>	<b>18,547,997</b>	<b>443,668</b>	<b>(102)</b>			<b>18,991,563</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 19,675,243</b>	<b>4,019,952</b>	<b>(102)</b>	<b>(1,036,493)</b>		<b>22,658,600</b>

OXFORD SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2006

[continue]

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 653,427
Support services	161,721
Non-instructional	0
Total depreciation expense	<u>\$ 815,148</u>

Commitments under construction contracts at June 30, 2006, are summarized as follows:

	<u>Remaining Commitment</u>	<u>Required Future Financing</u>
Oxford High School Auditorium	\$ 327,606	0
Bramlett Elementary Classroom Addition	41,055	0
Oxford High School Physical Ed Facility	1,721,466	0
Transportation & Maintenance Facility	786,861	0
Oxford High School Football Lights	3,877	0
New Elementary School Building	<u>7,396,712</u>	0
Total	<u>\$ 10,277,577</u>	

(5) Long-term liabilities.

The following is a summary of changes in long-term liabilities and other obligations for governmental activities:

	Balance 7-1-2005	Additions	Reductions	Adjustments	Balance 6-30-2006	Amounts due within one Year
A. General obligation bonds payable	\$ 17,120,000		945,000		16,175,000	985,000
B. Limited obligation bonds Payable	2,980,000		165,000		2,815,000	175,000
C. Three mill notes payable	1,145,000		170,000		975,000	175,000
D. Other loans payable	1,922		1,922		0	0
E. Compensated absences payable	169,701		2,813		166,888	7,963
Total	<u>\$ 21,416,623</u>		<u>1,284,735</u>		<u>20,131,888</u>	<u>1,342,963</u>

OXFORD SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2006

[continue]

A. General obligation bonds payable.

General obligation bonds are direct obligations and pledge the full faith and credit of the school district. General obligation bonds currently outstanding are as follows.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, Series 1998	Varies	06-01-1998	06-01-2018	\$ 6,000,000	4,350,000
General obligation bonds, Series 1999	Varies	05-01-1999	05-01-2019	2,000,000	1,580,000
General obligation bonds, Series 2004	4.15%	06-01-2001	06-01-2024	9,000,000	8,735,000
2003 Refunding bonds	2.79%	03-01-2004	03-01-2009	2,205,000	1,510,000
Total				<u>\$ 19,205,000</u>	<u>16,175,000</u>

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30	Principal	Interest	Total
2007	\$ 985,000	666,757	1,651,757
2008	1,030,000	621,866	1,651,866
2009	1,070,000	580,139	1,650,139
2010	1,125,000	536,369	1,661,369
2011	790,000	495,359	1,285,359
2012 – 2016	4,580,000	1,889,225	6,469,225
2017 – 2021	3,995,000	890,648	4,885,648
2022 – 2026	<u>2,600,000</u>	<u>214,600</u>	<u>2,814,600</u>
Total	<u>\$ 16,175,000</u>	<u>5,894,963</u>	<u>22,069,963</u>

OXFORD SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2006

[continue]

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2006, the amount of outstanding bonded indebtedness was equal to 7.5% of property assessments as of October 1, 2005. This debt will be retired from the corresponding debt service funds.

B. Limited obligation bonds payable.

Limited obligation bonds are direct obligations and pledge the full faith and credit of the school district. Limited obligation bonds currently outstanding are as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
State aid capital Improvement, series 1998	Varies	06-01-98	06-01-18	\$ 3,630,000	2,815,000
Total				<u>\$ 3,630,000</u>	<u>2,815,000</u>

The following is a schedule by years of the total payments due on this debt:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 175,000	133,419	308,419
2008	185,000	124,231	309,231
2009	195,000	114,519	309,519
2010	205,000	104,379	309,379
2011	215,000	94,949	309,949
2012 – 2016	1,245,000	312,361	1,557,361
2017 – 2021	595,000	40,500	635,500
Total	<u>\$ 2,815,000</u>	<u>924,358</u>	<u>3,739,358</u>

OXFORD SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2006

[continue]

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the state of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage. This debt will be retired from the MAEP Retirement Fund.

C. Three mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
3 Mill – 10 Year Note	5.7%	06-01-01	06-01-11	\$ 1,700,000	975,000
Total				\$ 1,700,000	975,000

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30	Principal	Interest	Total
2007	\$ 175,000	39,000	214,000
2008	185,000	32,000	217,000
2009	195,000	24,600	219,600
2010	205,000	16,800	221,800
2011	215,000	8,600	223,600
2012 – 2016			
Total	\$ 975,000	121,000	1,096,000

This debt will be retired from the Three Mill Levy Retirement Fund.

OXFORD SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2006

[continue]

D. Compensated absences payable.

As more fully explained in Note 1(O), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

(6) Defined Benefit Pension Plan.

**Plan Description.** The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

**Funding Policy.** PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The current rate is 10.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2006, 2005 and 2004 were \$1,564,959, \$ 1,300,636 and \$1,187,904, respectively, which equaled the required contributions for each year.

(7) Other Commitments.

Commitments under construction contracts are described in Note 4.

(8) Prior Period Adjustments/Exhibits.

The school district did not have any prior period adjustment.

(9) Risk Management.

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except as described below, the district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

OXFORD SCHOOL DISTRICT  
Notes to Financial Statements  
For the Year Ended June 30, 2006

[continue]

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 119 school districts and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by BancorpSouth Bank in Jackson. The funds in the trust account are used to pay any claim up to \$500,000. For a claim exceeding \$500,000, MSBAWCT has insurance which will pay the excess up to \$25,000,000. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

(10) Vocational Technical Consortium.

The school district entered into a Vocational Educational Agreement dated July 30, 2001, creating the Oxford/Lafayette County Vocational Technical Consortium. This consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the Oxford School District and the Lafayette County School District. Section 37-31-73(6), Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational education consortium. Any such agreement should provide for a designated fiscal agent, providing the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

The Lafayette County School District has been designated as the fiscal agent for the Oxford/Lafayette County Vocational Technical Center, and the operations of the consortium are included in its financial statements.

OXFORD SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION

OXFORD SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2006

Schedule 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 10,003,094	10,602,066	10,602,066	598,972	0
State sources	11,897,483	11,882,426	11,882,426	-15,057	0
Federal sources	157,516	216,715	216,715	59,199	0
Total Revenues	<u>22,058,093</u>	<u>22,701,207</u>	<u>22,701,207</u>	<u>643,114</u>	<u>0</u>
Expenditures:					
Instruction	14,082,922	13,592,001	13,593,010	490,921	-1,009
Support services	7,490,130	6,655,703	6,682,749	834,427	-27,046
Noninstructional services	94,718	47,490	47,490	47,228	0
Facilities acquisition and construction	1,072,894	537,601	540,359	535,293	-2,758
Debt service:				0	0
Principal	5,000	1,922	1,922	3,078	0
Total Expenditures	<u>22,745,664</u>	<u>20,834,717</u>	<u>20,865,530</u>	<u>1,910,947</u>	<u>-30,813</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-687,571</u>	<u>1,866,490</u>	<u>1,835,677</u>	<u>2,554,061</u>	<u>-30,813</u>
Other Financing Sources (Uses):					
Insurance Loss Recoveries	175,016	190,940	190,940	15,924	
Sale of Transportation Equipment					
Operating transfers in	1,575,331	1,553,227	14,674	-22,104	1,538,553
Operating transfers out	-1,863,376	-3,154,892	-1,616,339	-1,291,516	-1,538,553
Total Other Financing Sources (Uses)	<u>-113,029</u>	<u>-1,410,725</u>	<u>-1,410,725</u>	<u>-1,297,696</u>	<u>0</u>
Net Change in Fund Balances	<u>-800,600</u>	<u>455,765</u>	<u>424,952</u>	<u>1,256,365</u>	<u>-30,813</u>
Fund Balances:					
July 1, 2005	<u>7,266,873</u>	<u>7,266,873</u>	<u>7,266,873</u>	<u>0</u>	<u>0</u>
June 30, 2006	<u>\$ 6,466,273</u>	<u>7,722,638</u>	<u>7,691,825</u>	<u>1,256,365</u>	<u>-30,813</u>

The notes to the required supplementary information are an integral part of this statement

OXFORD SCHOOL DISTRICT

Notes to the Required Supplementary Information  
For the Year Ended June 30, 2006

Budgetary Comparison Schedule

(1) Basis of Presentation.

The Budgetary Comparison Schedule presents the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

(2) Budget Amendments and revisions.

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison is presented for the general fund consistent with accounting principles generally accepted in the United States of America.

OXFORD SCHOOL DISTRICT  
SUPPLEMENTAL INFORMATION

OXFORD SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2006

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U. S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food Donation	10.550	\$ 61,601
Child Nutrition cluster:		
School breakfast program	10.553	262,702
National school lunch program	10.555	588,470
Summer food service program for children	10.559	40,369
Total child nutrition cluster		<u>891,541</u>
Total U. S. Department of Agriculture		<u>953,142</u>
<u>U.S. Department of Defense</u>		
Direct Program:		
Flood control projects	12.106	7,117
Total U. S. Department of Defense		<u>7,117</u>
<u>U. S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	467,776
Safe and drug-free school and communities - state grants	84.186	21,932
Education for homeless children and youth	84.196	46,177
Eisenhower professional development state grants	84.281	162,911
State grants for innovative programs	84.298	9,671
Education technology state grants	84.318	9,661
Comprehensive school reform demonstration	84.332	17,825
Teacher quality enhancement grants	84.336	2,656
English language acquisition grants	84.365	28,739
Improving teacher quality - state grants	84.367	185,698
Grants for state assessments and related activities	84.369	20,355
Hurricane Katrina Recovery	84.938	284,428
Total		<u>1,237,829</u>
Special education cluster:		
Special education - grant to states	84.027	604,605
Special education - preschool grants	84.173	29,468
Total		<u>634,073</u>
Total passed-through Mississippi Department of Education		<u>1,871,902</u>
Direct programs:		
Impact Aid	84.041	50,195
Total direct programs		<u>50,195</u>
Total U. S. Department of Education		<u>1,922,097</u>
<u>Federal Communications Commission</u>		
Administered-through Universal Service Administrative Company:		
The schools and libraries program of the Universal Service Fund	32.XXX	50,286
Total Federal Communications Commission		<u>50,286</u>
<u>U.S. Department of Labor</u>		
Passed through Three Rivers:		
WIA Youth Activities	17.259	41,930
Total U.S. Department of Labor		<u>41,930</u>
<u>U.S. Department of Interior</u>		
Direct Program:		
Payments in lieu of tax	15.226	109,117
Total Department of Interior		<u>109,117</u>
Total for All Federal Awards		<u>\$ 3,083,689</u>

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

OXFORD SCHOOL DISTRICT  
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
 For the Year Ended June 30, 2006

Expenditures	Total	Instruction and Other			
		Student Instructional Expenditures	General Administrative	School Administrative	Other
Salaries and fringe benefits	\$ 18,531,230	13,648,108	706,703	1,231,090	2,945,329
Other	12,162,674	1,790,479	151,206	23,440	10,197,549
<b>Total</b>	<b>\$ 30,693,904</b>	<b>15,438,587</b>	<b>857,909</b>	<b>1,254,530</b>	<b>13,142,878</b>
Total number of students	3261				
Cost per student	\$ 9,412	4,734	263	385	4,030

For purposes of this schedule, the following columnar descriptions are applicable:

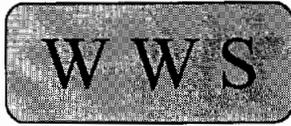
**Instruction and Other Instructional Expenditures** - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type. (All the 1000, 2100 & 2200 functional codes)

**General Administration** - includes expenditures for the following functions: Support Services - General Administration (2300s); and Support Services - Business (2500s)

**School Administration** - includes expenditures for the following function: Support Services - School Administration (2400s)

**Other** - includes all expenditure functions not included in Instruction or Administration Categories

OXFORD SCHOOL DISTRICT  
REPORTS ON COMPLIANCE AND INTERNAL CONTROL



**Watkins, Ward and Stafford**  
 Professional Limited Liability Company  
 Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT  
 ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
 COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS  
 PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

December 13, 2006

Superintendent and School Board  
 Oxford School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Oxford School District as of and for the year ended June 30, 2006, and have issued our report thereon dated December 13, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

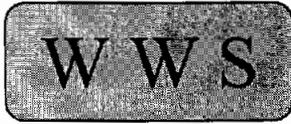
In planning and performing our audit, we considered the school district's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We did not note any matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Watkins, Ward and Stafford, PLLC*  
 December 13, 2006



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INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Superintendent and School Board  
Oxford School District

Compliance

We have audited the compliance of the Oxford School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The school district's major federal programs are identified in the summary of auditor's results section of the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

In our opinion, Oxford School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the Oxford School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the school district's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

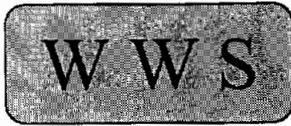
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We did not note any matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Watkins, Ward and Stafford, PLLC*

December 13, 2006

OXFORD SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
 STATE LAWS AND REGULATIONS

Superintendent and School Board  
 Oxford School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Oxford School District as of and for the year ended June 30, 2006, which collectively comprise Oxford School District's basic financial statements and have issued our report thereon dated December 13, 2006. 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.

Section 37-9-18(3), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds". As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$2,124 of classroom supply funds carried over from previous years.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Watkins, Ward and Stafford, PLLC*

December 13, 2006

OXFORD SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OXFORD SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2006

Section 1: Summary of Auditor's Results

Financial Statements:

- |    |   |             |
|----|---|-------------|
| 1. | Type of auditor's report issued on the financial statements:                          | Unqualified |
| 2. | Material noncompliance relating to the financial statements?                          | No          |
| 3. | Internal control over financial reporting:  |             |
| a. | Material weaknesses identified?   | No          |
| b. | Reportable condition(s) identified that are not considered to be material weaknesses? | No          |

Federal Awards:

- |     |  |             |
|-----|--|-------------|
| 4.  | Type of auditor's report issued on compliance for major federal programs:  | Unqualified |
| 5.  | Internal control over major programs:  |             |
| a.  | Material weakness(es) identified?  | No          |
| b.  | Reportable condition(s) identified that are not considered to be material weaknesses?  | No          |
| 6.  | Any audit finding(s) reported as required by Section __.510(a) of Circular A-133?  | No          |
| 7.  | Federal programs identified as major programs:   |             |
| a.  | Child Nutrition Cluster<br>CFDA # 10.553<br>CFDA # 10.555<br>CFDA # 10.559   |             |
| b.  | Special Education Cluster<br>CFDA # 84.027<br>CFDA # 84.173  |             |
| c.  | Title I – grants to local educational agencies<br>CFDA # 84.010  |             |
| 8.  | The dollar threshold used to distinguish between type A and type B programs:   | \$300,000   |
| 9.  | Auditee qualified as a low-risk auditee?   | Yes         |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | Yes         |

OXFORD SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2006

Section 2: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to the federal awards.