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**MERIDIAN PUBLIC SCHOOL DISTRICT  
MERIDIAN, MISSISSIPPI**

**AUDITED FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2006**

# MERIDIAN PUBLIC SCHOOL DISTRICT

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**MERIDIAN PUBLIC SCHOOL DISTRICT**

**FINANCIAL AUDIT REPORT**

For the Year Ended June 30, 2006



REA, SHAW, GIFFIN & STUART, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER  
AMERICAN INSTITUTE  
OF  
CERTIFIED PUBLIC  
ACCOUNTANTS

POST OFFICE BOX 2090  
MERIDIAN, MS 39302  
TELEPHONE 601-693-2841  
FAX 601-693-2851

POST OFFICE BOX 562  
WAYNESBORO, MS 39367  
TELEPHONE 601-735-2317  
FAX 601-735-0585

MEMBER  
MISSISSIPPI SOCIETY  
OF  
CERTIFIED PUBLIC  
ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON THE BASIC  
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**

TO THE SUPERINTENDENT AND SCHOOL BOARD  
MERIDIAN PUBLIC SCHOOL DISTRICT  
MERIDIAN MISSISSIPPI

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Meridian Public School District as of and for the year ended June 30, 2006, which collectively comprise the Meridian Public School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Meridian Public 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 opinion.

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 Meridian Public 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 12, 2006, on our consideration of the Meridian Public School District's internal control over financial reporting and 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, not to provide an opinion on the internal control over financial

reporting or 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 3 through 10 and the Budgetary Comparison Schedule and corresponding notes on pages 41 through 45 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 Meridian Public 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.

*Rea, Shaw, Giffin & Stuart*

REA, SHAW, GIFFIN & STUART, LLP

Meridian, Mississippi  
January 24, 2007

**MERIDIAN PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

## MERIDIAN PUBLIC SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2006

The discussion and analysis of Meridian Public 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 financial statements and the notes to the basic 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.

#### FINANCIAL HIGHLIGHTS

- Total net assets increased \$518,122, which represents a 3% increase from fiscal year 2005.
- General revenues account for \$41,877,667 in revenue, or 75% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$13,836,677 or 25% of total revenues.
- The District had \$55,256,509 in expenses; only \$13,836,677 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$41,877,667 were adequate to provide for these programs.
- Among major funds, the General Fund had \$41,444,093 in revenues and \$41,585,002 in expenditures. The General Fund's fund balance increased \$855,747 over the prior year. The revenues infused into the district from Federal Displaced Student grants reduced expenditures in the general fund and caused the fund balance to increase during the 2005 – 2006 fiscal year.
- Capital assets, net of accumulated depreciation, decreased by \$546,092.
- Long-term debt decreased by \$926,515.

#### 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, noninstructional, sixteenth section and interest and other expenses on long-term liabilities.

The government-wide financial statements can be found in 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 15 and 18, respectively of this report.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts* issued by the Mississippi Office of the State Auditor. 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 in 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 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 page 19.

**Notes to the financial statements.** The notes provide additional information that is essential to have 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 21-40 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 special revenue fund. This required supplementary information can be found on pages 41-45 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and a schedule of instructional, administrative and other expenditures for governmental funds can be found on pages 46-48, respectively, 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 \$16,510,210 as of June 30, 2006.

The largest portion of the District's net assets (45%) reflects its investment in capital assets (e.g., land, buildings, building improvements other than buildings, mobile equipment, and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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 summary of the District's net assets as of June 30, 2006 and 2005, respectively.

	Net Assets		Percentage Change
	June 30, 2006	June 30, 2005	
Current assets	\$ 9,820,962	\$ 9,727,092	1%
Capital assets, net	<u>11,709,095</u>	<u>12,255,187</u>	(4%)
<b>Total assets</b>	<b><u>\$ 21,530,057</u></b>	<b><u>\$ 21,982,279</u></b>	(2%)
Current Liabilities	\$ 204,678	\$ 312,056	(34%)
Long-term debt outstanding	<u>4,815,169</u>	<u>5,678,135</u>	(15%)
<b>Total liabilities</b>	<b><u>\$ 5,019,847</u></b>	<b><u>\$ 5,990,191</u></b>	(16%)
Net assets:			
Invested in capital assets, net of related debt	\$ 7,374,919	\$ 6,928,590	6%
Restricted	2,640,345	3,364,040	(22%)
Unrestricted	<u>6,494,946</u>	<u>5,699,458</u>	14%
<b>Total net assets</b>	<b><u>\$ 16,510,210</u></b>	<b><u>\$ 15,992,088</u></b>	3%

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

- The principal retirement of \$926,515 of long-term debt.

**Changes in net assets.** The District's total revenues for the fiscal year ended June 30, 2006 were \$55,714,344. The total cost of all programs and services was \$55,256,509. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2006 and 2005, respectively.

**Changes in net assets. (continued)**

	Change in Net Assets		Percentage Change
	June 30, 2006	June 30, 2005	
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 987,924	\$ 937,369	5%
Operating grants and contributions	12,848,753	10,805,739	19%
General revenues:			
Property taxes	14,892,064	14,297,276	4%
Grants and contributions not restricted	25,618,798	23,764,477	8%
Unrestricted investment earnings	379,812	240,617	58%
Sixteenth Section sources	208,975	105,170	99%
Other	778,018	732,703	6%
<b>Total revenues</b>	<b>\$ 55,714,344</b>	<b>\$ 50,883,351</b>	<b>9%</b>
<b>Expenses:</b>			
Instruction	\$ 32,739,378	\$ 30,646,677	7%
Support services	18,848,608	16,527,164	14%
Non-instructional	3,534,052	3,725,935	(5%)
Sixteenth section	32,994	25,068	32%
Interest and other expense on long-term liabilities	92,658	61,463	51%
Other	8,819	9,168	(4%)
<b>Total expenses</b>	<b>\$ 55,256,509</b>	<b>\$ 50,995,475</b>	<b>8%</b>
<b>Increase (decrease) in net assets</b>	<b>\$ 457,835</b>	<b>\$ (112,124)</b>	
<b>Net assets, July 1</b>	<b>\$ 15,992,088</b>	<b>\$ 16,114,473</b>	<b>(1%)</b>
<b>Prior period adjustments</b>	<b>60,287</b>	<b>(10,261)</b>	
<b>Net assets, June 30</b>	<b>\$ 16,510,210</b>	<b>\$ 15,992,088</b>	<b>3%</b>

**Governmental activities.** The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section and interest and other expenses on long-term debt for fiscal years ended June 30, 2006 and 2005, respectively. 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.

**Governmental activities.** (continued)

	2006		2005	
	Total Expenses	Net (expense) Revenue	Total Expenses	Net (expense) Revenue
Instruction	\$ 32,739,378	\$ (25,914,063)	\$ 30,646,677	\$ (25,174,853)
Support services	18,848,608	(15,395,422)	16,527,164	(13,709,719)
Non-instructional	3,534,052	24,124	3,725,935	(272,366)
Sixteenth section	32,994	(32,994)	25,068	(25,068)
Interest and other expenses				
on long-term liabilities	92,658	(92,658)	61,463	(61,463)
Other	8,819	(8,819)	9,168	(9,168)
<b>Total expenses</b>	<b>\$ 55,256,509</b>	<b>\$ (41,419,832)</b>	<b>\$ 50,995,475</b>	<b>\$ (39,252,637)</b>

- Net cost of governmental activities \$41,419,832, was financed by general revenue, which is made up of primarily property taxes of \$14,892,064 and state revenue of \$25,582,986.
- Investment earnings accounted for \$379,812 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 \$9,552,735, an increase of \$137,699 due primarily to increased federal money received on behalf of students displaced during Hurricane Katrina. \$6,751,113 or 71% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$2,801,622 or 29% is reserved or designated to indicate that it is not available for spending because it has already been committed.

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 \$855,747 as a result of additional federal revenue dollars that flowed into the district as a result of students displaced by Hurricane Katrina. The fund balance of Other Governmental Funds showed a decrease due primarily to the normal expenditure cycle of the building improvement fund when expenditures were recognized during

the 2005 – 2006 year for bond revenues that were recognized in a previous year. The fund balances for the two major funds (Title I FY 05-06 Fund 2211 and Displaced Students Fund 2570) did not change from the previous year.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the District revised the annual operating budget.

- A \$2,000,000 other financing source in the form of a tax anticipation note and the resulting repayment for the note was added to the budget to reflect the need for such cash flow borrowing in the months of December and January 2006. Other minor changes were made to the district budget.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and other major special revenue funds is provided in this report as required supplementary information.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital assets.** As of June 30, 2006, the District's total capital assets were \$27,166,603, including land, school buildings, buses, other school vehicles and furniture and equipment. This amount represents a decrease of \$30,478 from the previous year. Total accumulated depreciation as of June 30, 2006 was \$15,457,508 and total depreciation expense for the year was \$574,360, resulting in total net assets of \$11,709,095.

	Capital Assets		Percentage Change
	2006	2005	
Land	\$ 518,138	\$ 518,138	0%
Buildings	15,681,229	15,681,229	0%
Improvements other than buildings	6,408,586	6,408,586	0%
Mobile equipment	3,080,114	3,051,252	1%
Furniture and equipment	1,478,536	1,537,876	(4%)
<b>Total</b>	<b>\$ 27,166,603</b>	<b>\$ 27,197,081</b>	Less than 1%

Additional information of the District's capital assets can be found in Note 5 on pages 32-33 of this report.

**Debt administration.** At June 30, 2006, the District had \$4,751,620 in general obligation bonds and other long-term debt outstanding, of which \$916,779 is due within one year.

	Outstanding Debt		Percentage Change
	2006	2005	
General obligation bonds payable	\$ 429,000	\$ 601,000	(29%)
Three mill notes payable	3,600,000	4,250,000	(15%)
Transportation notes payable	-	118,454	(100%)
Obligations under energy efficiency lease	305,176	357,143	(15%)
Compensated absences payable	<u>417,444</u>	<u>351,538</u>	19%
<b>Total</b>	<b><u>\$ 4,751,620</u></b>	<b><u>\$ 5,678,135</u></b>	<b>(16%)</b>

The District maintains an A bond rating with Standards and Poor's.

Additional information of the District's long-term debt can be found in Note 6 on pages 33-36 of this report.

## **CURRENT ISSUES**

The Meridian Public 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 by 1/3 of a mill over the past five years. In addition, the District 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 is stable. The budget for the next fiscal year has taken into account this enrollment stability in both funding and staffing needs.

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

If you have any questions about this report, contact the Superintendent's Office of the Meridian Public School District, P. O. Box 31, Meridian, MS 39302.

MERIDIAN PUBLIC SCHOOL DISTRICT  
FINANCIAL STATEMENTS

**MERIDIAN PUBLIC SCHOOL DISTRICT  
FINANCIAL STATEMENTS**

**MERIDIAN PUBLIC SCHOOL DISTRICT**

**STATEMENT OF NET ASSETS**

June 30, 2006

**Exhibit A**

Governmental  
Activities

**ASSETS**

Cash and cash equivalents	\$ 5,851,546
Cash with fiscal agent	54,382
Investments	1,301,095
Due from other governments	2,420,798
Other receivables, net	42,391
Inventory	149,326
Restricted assets	1,424
Capital assets, not being depreciated:	
Land	518,138
Capital assets, net of accumulated depreciation:	
Buildings	5,809,546
Improvements other than buildings	4,625,088
Mobile equipment	727,375
Furniture and fixtures	28,948
	<hr/>
Total assets	\$ 21,530,057

**LIABILITIES**

Accounts payable and accrued liabilities	\$ 204,678
Deferred revenue	63,549
Long-term liabilities, due within one year	
Capital related liabilities	916,779
Long-term liabilities, due beyond one year	
Capital related liabilities	3,417,397
Non-capital liabilities	417,444
	<hr/>
Total liabilities	\$ 5,019,847

**NET ASSETS**

Invested in capital assets, net of related debt	\$ 7,374,919
Restricted net assets:	
Expendable:	
Debt service	2,125,628
Capital improvements	334,089
Forestry improvements	26,334
Unemployment benefits	152,870
Non-expendable:	
Sixteenth section	1,424
Unrestricted	6,494,946
	<hr/>
Total net assets	\$ 16,510,210

The Notes to the Financial Statements are an integral part of this statement.

**MERIDIAN PUBLIC SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2006**

**Exhibit B**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>
<b>Governmental Activities:</b>					
Instruction	\$ 32,739,378	\$ 585,490	\$ 6,239,825	\$ -	\$ (25,914,063)
Support services	18,848,608	-	3,453,186	-	(15,395,422)
Non-instructional services	3,534,052	402,434	3,155,742	-	24,124
Sixteenth section	32,994	-	-	-	(32,994)
Interest on long-term liabilities	92,658	-	-	-	(92,658)
Other	8,819	-	-	-	(8,819)
Total governmental activities	<u>\$ 55,256,509</u>	<u>\$ 987,924</u>	<u>\$ 12,848,753</u>	<u>\$ -</u>	<u>\$ (41,419,832)</u>
<b>General Revenues:</b>					
Taxes:					
General purpose levies					\$ 14,029,864
Debt service levies					862,200
Unrestricted grants and contributions:					
State					25,582,986
Federal					35,812
Unrestricted investment earnings					379,812
Sixteenth section sources					208,975
Other					<u>778,018</u>
Total general revenues					<u>\$ 41,877,667</u>
Extraordinary items					
					<u>\$ -</u>
Total general revenues, special items, extraordinary items and transfers					<u>\$ 41,877,667</u>
Change in net assets					\$ 457,835
Net assets - Beginning					15,992,088
Adjustments					60,287
Net assets - Restated					<u>16,052,375</u>
Net assets - Ending					<u>\$ 16,510,210</u>

The Notes to the Financial Statements are an integral part of this statement.

MERIDIAN PUBLIC SCHOOL DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2006

Exhibit C

**ASSETS**

	General Fund	Title I Fund 2211	Displaced Students Fund 2570	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 3,980,518	\$ -	\$ -	\$ 1,872,452	\$ 5,852,970
Cash with fiscal agent	-	-	-	54,382	54,382
Investments	-	-	-	1,301,095	1,301,095
Due from other governments	494,366	424,197	574,919	927,316	2,420,798
Due from other funds	1,648,682	-	-	227,026	1,875,708
Inventory	41,059	-	-	108,267	149,326
Total assets	<u>\$ 6,164,625</u>	<u>\$ 424,197</u>	<u>\$ 574,919</u>	<u>\$ 4,490,538</u>	<u>\$ 11,654,279</u>

The Notes to the Financial Statements are an integral part of this statement.

## LIABILITIES & FUND BALANCES

Liabilities:							
Accounts payable and accrued liabilities	\$	142,502	\$	-	\$	62,176	\$
Due to other funds	-	424,197	574,919	-	834,201	1,833,317	-
Deferred revenue	-	-	-	-	63,549	63,549	-
<b>Total liabilities</b>	<b>\$</b>	<b>142,502</b>	<b>\$</b>	<b>424,197</b>	<b>\$</b>	<b>959,926</b>	<b>\$</b>
Fund balances:							
Reserved for:							
Investments	\$	-	\$	-	\$	1,424	\$
Capital improvements	-	-	-	-	334,089	334,089	-
Forestry Improvements	-	-	-	-	26,334	26,334	-
Inventory	41,059	-	-	-	108,267	149,326	-
Debt service	-	-	-	-	2,125,628	2,125,628	-
Ad valorem	11,951	-	-	-	-	11,951	-
Unemployment	-	-	-	-	152,870	152,870	-
Unreserved, reported in:							
General funds	5,969,113	-	-	-	-	5,969,113	-
Special revenue funds	-	-	-	-	782,000	782,000	-
<b>Total fund balances</b>	<b>\$</b>	<b>6,022,123</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>3,530,612</b>	<b>\$</b>
<b>Total liabilities &amp; fund balances</b>	<b>\$</b>	<b>6,164,625</b>	<b>\$</b>	<b>424,197</b>	<b>\$</b>	<b>4,490,538</b>	<b>\$</b>
							<b>11,654,279</b>

**MERIDIAN PUBLIC SCHOOL DISTRICT**  
**RECONCILIATION OF GOVERNMENTAL FUNDS**  
**BALANCE TO THE STATEMENT OF NET ASSETS**  
June 30, 2006

**Exhibit C-1**

Amount

Total Fund Balance - Governmental Funds \$ 9,552,735

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund, net of accumulated depreciation of \$15,457,508. 11,709,095

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (4,751,620)

Total Net Assets - Governmental Activities \$ 16,510,210

The Notes to the Financial Statements are an integral part of this statement.

**MERIDIAN PUBLIC SCHOOL DISTRICT**

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

For the Year Ended June 30, 2006

Exhibit D

	General Fund	Title I Fund 2211	Displaced Students Fund 2570	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Local sources	\$ 15,132,149	\$ -	\$ -	\$ 1,675,523	\$ 16,807,672
State sources	26,224,192	-	-	933,965	27,158,157
Federal sources	87,752	3,203,188	638,555	7,379,898	11,309,393
Sixteenth section sources	-	-	-	208,975	208,975
<b>Total revenues</b>	<b>\$ 41,444,093</b>	<b>\$ 3,203,188</b>	<b>\$ 638,555</b>	<b>\$ 10,198,361</b>	<b>\$ 55,484,197</b>
<b>EXPENDITURES</b>					
Instruction	\$ 25,225,412	\$ 1,792,661	\$ 638,060	\$ 4,471,112	\$ 32,127,245
Support services	13,888,384	1,276,683	495	3,671,875	18,837,437
Noninstructional services	260,705	95,142	-	3,185,260	3,541,107
Sixteenth section	-	-	-	32,994	32,994
Debt service:					
Principal	2,170,422	-	-	822,000	2,992,422
Interest	40,079	-	-	52,579	92,658
Other	-	-	-	8,819	8,819
<b>Total expenditures</b>	<b>\$ 41,585,002</b>	<b>\$ 3,164,486</b>	<b>\$ 638,555</b>	<b>\$ 12,244,639</b>	<b>\$ 57,632,682</b>
Excess (deficiency) of revenues over expenditures	\$ (140,909)	\$ 38,702	\$ -	\$ (2,046,278)	\$ (2,148,485)

The Notes to the Financial Statements are an integral part of this statement.

**OTHER FINANCING SOURCES (USES)**

Insurance loss recoveries	\$ 213,643	\$ -	\$ -	\$ 16,503	\$ 230,146
Other financing sources/Debt service	2,000,000	-	-	161,250	2,161,250
Transfers in	4,532,266	-	-	1,471,240	6,003,506
Transfers out	(5,796,284)	(38,702)	-	(168,520)	(6,003,506)
Other financing uses/Debt service	-	-	-	(161,250)	(161,250)
Total other financing sources and uses	\$ 949,625	\$ (38,702)	\$ -	\$ 1,319,223	\$ 2,230,146
Net change in fund balances	\$ 808,716	\$ -	\$ -	\$ (727,055)	\$ 81,661
Fund balances:					
July 1, 2005	\$ 5,166,376	\$ -	\$ -	\$ 4,248,660	\$ 9,415,036
Adjustments:	15,584	-	-	44,703	60,287
Adjusted fund balance, July 1, 2005	\$ 5,181,960	\$ -	\$ -	\$ 4,293,363	\$ 9,475,323
Increase (decrease) in inventory	\$ 31,447	\$ -	\$ -	\$ (35,696)	\$ (4,249)
June 30, 2006	\$ 6,022,123	\$ -	\$ -	\$ 3,530,612	\$ 9,552,735

**MERIDIAN PUBLIC SCHOOL DISTRICT**

**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, 2006

**Exhibit D-1**

	Amount
Net change in fund balances (Exhibit D)	\$ 81,661
Amounts reported in the statement of activities (Exhibit B) are different because:	
Capital outlays are reported as expenditures in governmental funds but are not reported as expenses in the statement of activities. Instead, costs associated with capital assets are capitalized in the statement of net assets.	28,862
Depreciation is not an expenditure in governmental funds but is an expense of allocating the cost of capital assets over their estimated useful lives in the statement of activities.	(574,360)
In the statement of activities, only gains and losses from the sale of capital assets are reported, whereas in governmental funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Losses on disposals of capital assets	(594)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	992,421
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the statement of activities, which is presented on the accrual basis, expenses, and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Compensated absences	(65,906)
Decrease in inventory is recorded as an adjustment to fund balance in the governmental funds, but non-instructional expenditures are decreased in the Statement of Activities	<u>(4,249)</u>
Change in net assets (Exhibit B)	<u>\$ 457,835</u>

The Notes to the Financial Statements are an integral part of this statement.

**MERIDIAN PUBLIC SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
 June 30, 2006

Exhibit E

	<b>Private-Purpose Trust Funds</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 2,253,447
Investments	175,193	-
	\$ 175,193	\$ 2,253,447
<b>Total Assets</b>	<b>\$ 175,193</b>	<b>\$ 2,253,447</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 7,500	\$ 2,129,952
Due to other funds	-	42,391
Due to student clubs	-	81,104
	\$ 7,500	\$ 2,253,447
<b>Total Liabilities</b>	<b>\$ 7,500</b>	<b>\$ 2,253,447</b>
<b>NET ASSETS</b>		
Reserved for endowments	\$ 167,693	
Held in Trust	-	
	\$ 167,693	
<b>Total Net Assets</b>	<b>\$ 167,693</b>	

The Notes to the Financial Statements are an integral part of this statement.

**MERIDIAN PUBLIC SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
For the Year Ended June 30, 2006

Exhibit F

	<b>Private-Purpose Trust Funds</b>
<b>Additions</b>	
Interest on investments	\$ 4,348
Net increase in fair value of investments	3,414
Contributions and donations from private sources	<u>1,830</u>
Total additions	<u>\$ 9,592</u>
<b>Deductions</b>	
Scholarships awarded	<u>\$ 7,500</u>
Total deductions	<u>\$ 7,500</u>
<b>Change in net assets</b>	<b>\$ 2,092</b>
<b>Net Assets</b>	
July 1, 2005	<u>\$ 165,601</u>
June 30, 2006	<u>\$ 167,693</u>

The Notes to the Financial Statements are an integral part of this statement.

**MERIDIAN PUBLIC SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2006

**Note 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 Meridian 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

**MERIDIAN PUBLIC SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2006

**Note 1. Summary of Significant Accounting Policies** (continued)

program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the school district.

*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.

**MERIDIAN PUBLIC SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2006

**Note 1. Summary of Significant Accounting Policies** (continued)

The school district reports the following major governmental funds:

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

Title I Fund – This is a special revenue fund that accounts for the current year proceeds of the Title I grant.

Displaced Students Fund – This is a special revenue fund that accounts for the current year proceeds of the Displaced Students Grant.

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.

Permanent Funds - Permanent Funds are used to account for resources that are legally restricted to the extent that only earnings, and not the principal, may be used for purposes that support the district's programs.

**FIDUCIARY FUNDS**

Private-purpose Trust Funds - Private-purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, under which the principal and income benefit individuals, private organizations or other governments.

**MERIDIAN PUBLIC SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2006

**Note 1. Summary of Significant Accounting Policies (continued)**

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 maintained to account for commitments resulting from purchase orders, work orders, and contracts during the fiscal year. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are/are not reported as reservations of fund balances since they do not constitute expenditures or liabilities.

**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.

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

Investments are reported at fair value.

**MERIDIAN PUBLIC SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2006

**Note 1. Summary of Significant Accounting Policies (continued)**

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.

I. Capital Assets.

Capital acquisition and construction are reflected as expenditures in 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
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 5 for details.

**MERIDIAN PUBLIC SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2006

**Note 1. Summary of Significant Accounting Policies (continued)**

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 6 for details.

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 4 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.

**MERIDIAN PUBLIC SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2006

**Note 1. Summary of Significant Accounting Policies** (continued)

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 and 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 investments – An account that represents the portion of the fund balance of the sixteenth section principal fund which is legally restricted for investment purposes.

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.

Reserved for capital improvements – 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 was legally restricted and not available for spending for any other purpose than that for which it is restricted.

Reserved for unemployment – An account that represents the fund balance of the unemployment compensation revolving fund which is legally restricted for the payment of unemployment benefits.

Reserved for ad valorem – An account used to record the ad valorem taxes collected in excess of legal limitations for the current fiscal year.

**MERIDIAN PUBLIC SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2006

**Note 1. Summary of Significant Accounting Policies (continued)**

Reserved for forestry improvements – An account that represents a portion of the fund balance that is legally restricted for improving sixteenth section forest lands.

**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.

**Note 2. Changes in Accounting Standards**

As required, the Meridian Public 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.

**MERIDIAN PUBLIC SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2006

**Note 3. Cash and Cash Equivalents, Cash with Fiscal Agents and Investments**

Cash and Cash Equivalents

The collateral for public entities' 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 \$5,852,970 and \$2,253,447, respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents \$5,851,546 and Restricted Assets \$1,424. The Restricted assets represent the cash balance of the sixteenth section principal funds (permanent funds) which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$9,967,445.

*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 none of the district's bank balance of \$9,967,445 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$54,382.

**MERIDIAN PUBLIC SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2006

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

Investments

As of June 30, 2006, the District had the following investments:

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>	<u>Rating</u>
Federal National Mortgage Association	1 to 5	\$ 1,301,095	A-1+
Mutual Funds	1 to 5	<u>175,193</u>	N/A
Total Investments		<u>\$ 1,476,288</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 27-1055-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The district does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

**Custodial 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 of 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, the district did not have any investments to which this would apply.

**Concentration of Credit Risk.** Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2006, the district had the following investments:

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
USB Financial Services, Inc. - Mutual Funds	\$ 175,193	12%
Trustmark National Bank - Mortgage Backed Securities	<u>1,301,095</u>	88%
	<u>\$ 1,476,288</u>	

**MERIDIAN PUBLIC SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2006

**Note 4. Interfund Transactions and Balances**

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	<u>Due from</u>	<u>Due to</u>
Governmental funds:		
General fund	\$ 1,648,682	\$ 225,790
Title I	-	424,197
Displaced students	227,026	574,919
Other governmental funds	-	608,411
Fiduciary Funds	-	42,391
Total Funds	<u>\$ 1,875,708</u>	<u>\$ 1,875,708</u>

B. Transfers In/Out:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental funds:		
General fund	\$ 4,532,266	\$ 5,796,284
Title I	-	38,702
Other governmental funds	1,471,240	168,520
Total Funds	<u>\$ 6,003,506</u>	<u>\$ 6,003,506</u>

Interfund transactions and balances consisted primarily of amounts to cover operating loans awaiting reimbursement from the federal and state programs. Transfers In/Out consisted primarily of transfers of indirect costs and other general operating transfers.

**MERIDIAN PUBLIC SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2006

**Note 5. Capital Assets**

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

	<u>Balance 7-1-2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6-30-2006</u>
Non-depreciable capital assets:				
Land	\$ 518,138	\$ -	\$ -	\$ 518,138
Total non-depreciable Capital assets	<u>\$ 518,138</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 518,138</u>
Depreciable capital assets:				
Buildings	\$ 15,681,229	\$ -	\$ -	\$ 15,681,229
Improvements other than buildings	6,408,586	-	-	6,408,586
Mobile equipment	3,051,252	28,862	-	3,080,114
Furniture and equipment	<u>1,537,876</u>	<u>-</u>	<u>(59,340)</u>	<u>1,478,536</u>
Total depreciable capital assets	<u>\$ 26,678,943</u>	<u>\$ 28,862</u>	<u>\$ (59,340)</u>	<u>\$ 26,648,465</u>
Less accumulated depreciation for:				
Buildings	\$ 9,701,112	\$ 170,570	\$ -	\$ 9,871,682
Improvements other than buildings	1,590,996	192,502	-	1,783,498
Mobile equipment	2,210,509	142,230	-	2,352,739
Furniture and equipment	<u>1,439,277</u>	<u>69,058</u>	<u>(58,746)</u>	<u>1,449,589</u>
Total accumulated depreciation	<u>\$ 14,941,894</u>	<u>\$ 574,360</u>	<u>\$ (58,746)</u>	<u>\$ 15,457,508</u>
Total depreciable capital assets, net	<u>\$ 11,737,049</u>	<u>\$ (545,498)</u>	<u>\$ (594)</u>	<u>\$ 11,190,957</u>
Governmental activities capital assets, net	<u>\$ 12,255,187</u>	<u>\$ (545,498)</u>	<u>\$ (594)</u>	<u>\$ 11,709,095</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 569,168
Support services	<u>5,193</u>
Total depreciation expense	<u>\$ 574,361</u>

**MERIDIAN PUBLIC SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2006

**Note 5. Capital Assets** (continued)

The capital assets above include significant amounts of buildings which have been valued at estimated historical cost. The estimated cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition.

**Note 6. Long-term Liabilities**

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

	<u>Balance</u>				<u>Balance</u>	<u>Amounts</u>
	<u>7-1-2005</u>	<u>Additions</u>	<u>Reductions</u>		<u>6-30-2006</u>	<u>due within</u>
						<u>one year</u>
A. General obligation bonds payable	\$ 601,000	\$ -	\$ 172,000		\$ 429,000	\$ 177,000
B. Three mill notes payable	1,750,000	-	650,000		1,100,000	685,000
C. Transportation equipment loans payable	118,454	-	118,454		-	-
D. Obligations under energy efficiency lease	357,143	-	51,967		305,176	54,779
E. Qualified zone academy bonds payable	2,500,000	-	-		2,500,000	-
F. Other loans payable	-	2,000,000	2,000,000		-	-
G. Compensated absences payable	<u>351,538</u>	<u>65,906</u>	<u>-</u>		<u>417,444</u>	<u>-</u>
Total	<u>\$ 5,678,135</u>	<u>\$ 2,065,906</u>	<u>\$ 2,992,421</u>		<u>\$ 4,751,620</u>	<u>\$ 916,779</u>

**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:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
2003 Refunding	2.32%	5/1/2003	11/1/2008	\$ 923,000	\$ 429,000
Total				<u>\$ 923,000</u>	<u>\$ 429,000</u>

**MERIDIAN PUBLIC SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2006

**Note 6. Long-term Liabilities (continued)**

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

Year Ending June 30	Principal	Interest	Total
2007	\$ 177,000	\$ 8,622	\$ 185,622
2008	172,000	4,393	176,393
2009	80,000	1,100	81,100
Total	<u>\$ 429,000</u>	<u>\$ 14,115</u>	<u>\$ 443,115</u>

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 school 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 0.15% of property assessments as of October 1, 2005. This debt will be retired from the debt service fund 4035.

**B. Three mill notes payable.**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill note	1.90%	9/1/2004	9/1/2007	\$ 1,750,000	\$ 1,100,000
Total				<u>\$ 1,750,000</u>	<u>\$ 1,100,000</u>

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

Year Ending June 30	Principal	Interest	Total
2007	\$ 685,000	\$ 27,852	\$ 712,852
2008	415,000	11,413	426,413
Total	<u>\$ 1,100,000</u>	<u>\$ 39,265</u>	<u>\$ 1,139,265</u>

This debt will be retired from the EEF-Building and Bus Fund (2410) and Three Mill Debt Service (4037).

**MERIDIAN PUBLIC SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2006

**Note 6. Long-term Liabilities** (continued)

C. Obligations under energy efficiency lease.

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2007	\$ 54,779	\$ 16,510	\$ 71,289
2008	57,742	13,547	71,289
2009	60,866	10,423	71,289
2010	64,159	7,130	71,289
2011	67,630	3,659	71,289
Total	<u>\$ 305,176</u>	<u>\$ 51,269</u>	<u>\$ 356,445</u>

An energy efficiency lease agreement dated October 31, 2002, was executed by and between the district, the lessee, and Trustmark National Bank, the lessor.

The agreement authorized the borrowing of \$539,675 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the district maintenance fund and not exceed ten (10) years.

The district entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972).

Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

This debt will be retired from the district maintenance fund (1120).

**MERIDIAN PUBLIC SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2006

**Note 6. Long-term Liabilities (continued)**

D. Qualified zone academy bonds payable

As more fully explained in Note 11, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is 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>
Series A	0%	7/1/2000	7/1/2010	\$ 1,294,000	\$ 1,294,000
Series B	0%	3/22/2001	3/15/2011	<u>1,206,000</u>	<u>1,206,000</u>
Total				<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>

This debt will be retired from the QZAB Debt Service Fund.

E. Other loans payable.

The school district has issued a tax and revenue anticipation note payable.

Debt currently outstanding is 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>
Tax & revenue anticipation note payable	3.39%	12/15/2005	4/22/2005	<u>\$ 2,000,000</u>	<u>\$ -</u>
Total				<u>\$ 2,000,000</u>	<u>\$ -</u>

F. Compensated absences payable.

As more fully explained in Note 1, 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.

## MERIDIAN PUBLIC SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2006

#### Note 7. 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 \$3,527,056, \$3,080,039 and \$2,969,067, respectively, which equaled the required contributions for each year.

#### Note 8. Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools.

**MERIDIAN PUBLIC SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2006

**Note 8. Sixteenth Section Lands (continued)**

The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending <u>June 30</u>	<u>Amount</u>
2007	11,364
2008	11,364
2009	11,364
2010	6,381
2011	4,961
2012-2016	24,805
2017-2021	24,805
2022-2026	24,805
Total	<u>\$ 119,849</u>

**Note 9. Prior Period Adjustments**

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
Correction of prior period transactions	\$ 60,287
Total	<u>\$ 60,287</u>

Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances

<u>Major funds:</u>	<u>Explanation</u>	<u>Amount</u>
General funds	Correction of prior period transactions	\$ 15,584
<u>Non-Major Funds:</u>	<u>Explanation</u>	
Other Governmental Funds	Correction of prior period transactions	<u>44,703</u>
Total		<u>\$ 60,287</u>

**MERIDIAN PUBLIC SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2006

**Note 10. 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.

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 Bancorp South 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.

**Note 11. Qualified Zone Academy Bonds**

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with the Riley Foundation, has entered into such an arrangement dated July 19, 2000. There are two QZAB Issues: one in 2000 and one in 2001, equaling \$2,500,000.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before July 15 of each year. The amount accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt.

**MERIDIAN PUBLIC SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2006

**Note 11. Qualified Zone Academy Bonds (continued)**

The following schedule reports the yearly deposits to be made to the sinking fund by the school district.

<u>Year ending June 30</u>	<u>Amount</u>
2007	\$ 150,000
2008	150,000
2009	150,000
2010	144,000
2011	<u>98,000</u>
Totals	<u>\$ 692,000</u>

**MERIDIAN PUBLIC SCHOOL DISTRICT  
REQUIRED SUPPLEMENTAL INFORMATION**

**SCHEDULE 1**  
**BUDGETARY COMPARISON**

**MERIDIAN PUBLIC SCHOOL DISTRICT**

**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND**

For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances		Final to Actual
	Original	Final		Positive (Negative) Original to Final	Positive (Negative) Final to Actual	
<b>REVENUES</b>						
Local sources	\$ 14,314,249	\$ 15,213,126	\$ 15,132,149	\$ 898,877	\$ (80,977)	
State sources	25,916,315	26,224,190	26,224,192	307,875	2	
Federal sources	42,690	87,752	87,752	45,062	-	
<b>Total revenues</b>	<b>\$ 40,273,254</b>	<b>\$ 41,525,068</b>	<b>\$ 41,444,093</b>	<b>\$ 1,251,814</b>	<b>\$ (80,975)</b>	
<b>EXPENDITURES</b>						
Instruction	\$ 25,905,925	\$ 25,519,142	\$ 25,225,412	\$ 386,783	\$ 293,730	
Support services	13,245,168	14,192,054	13,888,384	(946,886)	303,670	
Noninstructional services	287,306	260,705	260,705	26,601	-	
Facilities acquisition	187,000	284,617	-	(97,617)	284,617	
Debt service:						
Principal	171,002	2,171,002	2,170,422	(2,000,000)	580	
Interest	23,749	40,467	40,079	(16,718)	388	
<b>Total expenditures</b>	<b>\$ 39,820,150</b>	<b>\$ 42,467,987</b>	<b>\$ 41,585,002</b>	<b>\$ (2,647,837)</b>	<b>\$ 882,985</b>	
Excess (deficiency) of revenues	\$ 453,104	\$ (942,919)	\$ (140,909)	\$ (1,396,023)	\$ 802,010	

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

**OTHER FINANCING SOURCES (USES)**

Proceeds of loans	\$ -	\$ 2,000,000	\$ 2,000,000	\$ -
Insurance loss recoveries	20,000	221,643	213,643	201,643
Operating transfers in	4,870,906	4,545,929	4,532,266	(324,977)
Operating transfers out	(6,092,376)	(5,802,189)	(5,796,284)	290,187
				<u>5,905</u>

**Total other financing sources (uses)**

	\$ (1,201,470)	\$ 965,383	\$ 949,625	\$ 2,166,853	\$ (15,758)
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**Net change in fund balances**

	\$ (748,366)	\$ 22,464	\$ 808,716	\$ 770,830	\$ 786,252
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**FUND BALANCES**

July 1, 2005	\$ 5,166,376	\$ 5,166,376	\$ 5,166,376	\$ -	\$ -
Prior period adjustments	15,584	15,584	15,584	-	-

**July 1, 2005, as restated**

	\$ 5,181,960	\$ 5,181,960	\$ 5,181,960	\$ -	\$ -
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**Changes in inventory**

	\$ 31,447	\$ 31,447	\$ 31,447		
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**June 30, 2006**

	\$ 4,465,041	\$ 5,235,871	\$ 6,022,123	\$ 770,830	\$ 786,252
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**MERIDIAN PUBLIC SCHOOL DISTRICT**

**BUDGETARY COMPARISON SCHEDULE FOR THE TITLE I FUND**  
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Positive (Negative) Original to Final	Positive (Negative) Final to Actual
<b>REVENUES</b>					
Federal sources	\$ 3,602,594	\$ 3,737,282	\$ 3,203,188	\$ 134,688	\$ (534,094)
<b>Total revenues</b>	\$ 3,602,594	\$ 3,737,282	\$ 3,203,188	\$ 134,688	\$ (534,094)
<b>EXPENDITURES</b>					
Instruction	\$ 2,543,360	\$ 2,052,518	\$ 1,792,661	\$ 490,842	\$ 259,857
Support services	1,002,350	1,481,430	1,276,683	(479,080)	204,747
Non-instructional services	56,884	158,876	95,142	(101,992)	63,734
<b>Total expenditures</b>	\$ 3,602,594	\$ 3,692,824	\$ 3,164,486	\$ (90,230)	\$ 528,338
Excess (deficiency) of revenue over expenditures	\$ -	\$ 44,458	\$ 38,702	\$ 44,458	\$ (5,756)
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers out	\$ -	\$ (44,458)	\$ (38,702)	\$ (44,458)	\$ 5,756
<b>Total other financing sources (uses)</b>	\$ -	\$ (44,458)	\$ (38,702)	\$ (44,458)	\$ 5,756
Net change in fund balances	\$ -	\$ -	\$ -	\$ -	\$ -
<b>FUND BALANCES</b>					
July 1, 2005	\$ -	\$ -	\$ -	\$ -	\$ -
June 30, 2006	\$ -	\$ -	\$ -	\$ -	\$ -

**MERIDIAN PUBLIC SCHOOL DISTRICT**

**BUDGETARY COMPARISON SCHEDULE FOR THE DISPLACED STUDENTS FUND**

For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Positive (Negative) Original to Final	Positive (Negative) Final to Actual
<b>REVENUES</b>					
Federal sources	\$ -	\$ 666,770	\$ 638,555	\$ 666,770	\$ (28,215)
<b>Total revenues</b>	\$ -	\$ 666,770	\$ 638,555	\$ 666,770	\$ (28,215)
<b>EXPENDITURES</b>					
Instruction	\$ -	\$ 666,275	\$ 638,060	\$ (666,275)	\$ 28,215
Support services	-	495	495	(495)	-
<b>Total expenditures</b>	\$ -	\$ 666,770	\$ 638,555	\$ (666,770)	\$ 28,215
Excess (deficiency) of revenue over expenditures	\$ -	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ -	\$ -	\$ -
<b>FUND BALANCES</b>					
July 1, 2005	\$ -	\$ -	\$ -	\$ -	\$ -
June 30, 2006	\$ -	\$ -	\$ -	\$ -	\$ -

## MERIDIAN PUBLIC SCHOOL DISTRICT

### NOTES TO THE REQUIRED SUPPLEMENTAL 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 and each major special revenue fund consistent with accounting principles generally accepted in the United States of America.

**SCHEDULE 2**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**MERIDIAN PUBLIC 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 #	Federal Expenditures
U. S. Department of Agriculture		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food Donation	10.550	\$ 175,000
Summer Food Service Program for Children	10.559	134,695
Fresh Fruit and Vegetable Program	10.582	25,013
Child Nutrition Cluster:		
School Breakfast Program	10.553	609,344
National School Lunch Program	10.555	<u>1,849,105</u>
Total U.S. Department of Agriculture		<u>\$ 2,793,157</u>
U.S. Department of Labor		
Passed-through Mississippi Development Authority:		
Workforce Investment Act - Youth Activities	17.259	<u>\$ 342,882</u>
Total U.S. Department of Labor		<u>\$ 342,882</u>
U.S. Department of Education		
Direct Programs:		
Impact Aid - Facilities Maintenance	84.041	\$ 35,812
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	3,294,193
Vocational Education - basic grants to states	84.048	111,671
Safe and drug-free schools and communities - state grants	84.186	59,504
Fund for the Improvement of Education	84.215	397,053
Twenty-First Century Community Learning Centers	84.287	262,076
State grants for innovative programs	84.298	50,081
Education technology state grants	84.318	190,361
Gaining early awareness and readiness for undergraduate programs	84.334	30,771
Reading first state grant	84.357	614,647
Improving Teacher Quality - state grant	84.367	727,969
Grants for state assessments and related activities	84.369	41,485
Hurricane Education Recovery	84.938	748,826
Special Education Cluster:		
Special Education: grants to states	84.027	1,457,803
Special Education: preschool grants	84.173	<u>64,744</u>
Total U.S. Department of Education		<u>\$ 8,086,996</u>

**MERIDIAN PUBLIC SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
 (continued)  
 For the Year Ended June 30, 2006

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance #	Federal Expenditures
U.S. Department of Health and Human Services Passed-through Mississippi Department of Health and Human Services: Consolidated Knowledge Development and Application Program	93.230	\$ 21,808
Total U.S. Department of Health and Human Services		<u>\$ 21,808</u>
U.S. Department of Defense Direct Programs: Reserve officers training corps	12.xxx	\$ 64,550
Total U.S. Department of Defense		<u>\$ 64,550</u>
Total Federal Financial Assistance		<u>\$ 11,309,393</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.

**MERIDIAN PUBLIC SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE AND OTHER EXPENDITURES –  
GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2006

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 43,848,136	\$ 33,979,731	\$ 1,321,689	\$ 3,024,866	\$ 5,521,850
Other	<u>13,784,546</u>	<u>4,706,858</u>	<u>585,775</u>	<u>45,472</u>	<u>8,446,441</u>
Total	<u>\$ 57,632,682</u>	<u>\$ 38,686,589</u>	<u>\$ 1,907,464</u>	<u>\$ 3,070,338</u>	<u>\$ 13,968,291</u>
 Total number of students	 <u>6,497</u>				
 Cost per student	 <u>8,871</u>	 <u>5,955</u>	 <u>294</u>	 <u>473</u>	 <u>2,150</u>

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

Instruction and Other Student 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

**MERIDIAN PUBLIC SCHOOL DISTRICT**

**INDEPENDENT AUDITORS' 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***



REA, SHAW, GIFFIN & STUART, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER  
AMERICAN INSTITUTE  
OF  
CERTIFIED PUBLIC  
ACCOUNTANTS

POST OFFICE BOX 2090  
MERIDIAN, MS 39302  
TELEPHONE 601-693-2841  
FAX 601-693-2851

POST OFFICE BOX 562  
WAYNESBORO, MS 39367  
TELEPHONE 601-735-2317  
FAX 601-735-0585

MEMBER  
MISSISSIPPI SOCIETY  
OF  
CERTIFIED PUBLIC  
ACCOUNTANTS

**INDEPENDENT AUDITORS' 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**

TO THE SUPERINTENDENT AND SCHOOL BOARD  
MERIDIAN PUBLIC SCHOOL DISTRICT  
MERIDIAN MISSISSIPPI

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Meridian Public School District as of and for the year ended June 30, 2006, which collectively comprise the Meridian Public School District's basic financial statements and have issued our report thereon dated December 12, 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 opinion on the financial statements and not to provide assurance 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 over financial reporting that might be material weaknesses. A material weakness is a 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 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 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.

*Rea, Shaw, Giffin & Stuart*

REA, SHAW, GIFFIN & STUART, LLP

Meridian, Mississippi  
January 24, 2007

**MERIDIAN PUBLIC SCHOOL DISTRICT**

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



REA, SHAW, GIFFIN & STUART, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER  
AMERICAN INSTITUTE  
OF  
CERTIFIED PUBLIC  
ACCOUNTANTS

POST OFFICE BOX 2090  
MERIDIAN, MS 39302  
TELEPHONE 601-693-2841  
FAX 601-693-2851

POST OFFICE BOX 562  
WAYNESBORO, MS 39367  
TELEPHONE 601-735-2317  
FAX 601-735-0585

MEMBER  
MISSISSIPPI SOCIETY  
OF  
CERTIFIED PUBLIC  
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

TO THE SUPERINTENDENT AND SCHOOL BOARD  
MERIDIAN PUBLIC SCHOOL DISTRICT  
MERIDIAN, MISSISSIPPI

**Compliance**

We have audited the compliance of the Meridian Public 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 auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of 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, the Meridian Public 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 Meridian Public 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 Meridian Public 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 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, 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.

*Rea, Shaw, Giffin & Stuart*

REA, SHAW, GIFFIN & STUART, LLP

Meridian, Mississippi  
January 24, 2007

**MERIDIAN PUBLIC SCHOOL DISTRICT**  
**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH**  
**STATE LAWS AND REGULATIONS**



REA, SHAW, GIFFIN & STUART, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER  
AMERICAN INSTITUTE  
OF  
CERTIFIED PUBLIC  
ACCOUNTANTS

POST OFFICE BOX 2090  
MERIDIAN, MS 39302  
TELEPHONE 601-693-2841  
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POST OFFICE BOX 562  
WAYNESBORO, MS 39367  
TELEPHONE 601-735-2317  
FAX 601-735-0585

MEMBER  
MISSISSIPPI SOCIETY  
OF  
CERTIFIED PUBLIC  
ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
STATE LAWS AND REGULATIONS**

TO THE SUPERINTENDENT AND SCHOOL BOARD  
MERIDIAN PUBLIC SCHOOL DISTRICT  
MERIDIAN, MISSISSIPPI

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Meridian Public School District as of and for the year ended June 30, 2006 and have issued our report thereon dated December 12, 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*.

Section 37-9-18(3), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure 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 \$62,391 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.

*Rea, Shaw, Giffin & Stuart*  
REA, SHAW, GIFFIN & STUART, LLP

Meridian, Mississippi  
January 24, 2007

**MERIDIAN PUBLIC SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**MERIDIAN PUBLIC SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2006

**SECTION I: SUMMARY OF AUDITORS' 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 conditions identified that are not considered to 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 weaknesses identified?   | No          |
| b. Reportable conditions identified that are not considered to be material weaknesses? | No          |
| 6. Any audit findings reported as required by Section __.510(a) of Circular A-133?     | No          |
| 7. Federal programs identified as major programs:                                      |             |
| a. Fund for the Improvement of Education   | 84.215      |
| b. Special Education Cluster   |             |
| Special Education – grants to states   | 84.027      |
| Special Education – preschool grants   | 84.173      |
| c. Improving Teacher Quality   | 84.367      |
| d. Hurricane Education Recovery  | 84.938      |

**MERIDIAN PUBLIC SCHOOL DISTRICT**

**Schedule of Findings and Questioned Costs (continued)**  
For the Year Ended June 30, 2006

**SECTION I: SUMMARY OF AUDITORS' RESULTS (continued)**

**Federal Awards (continued):**

- |   |           |
|---|-----------|
| 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 audit findings 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? | No        |

**SECTION II: 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 III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

The results of our tests did not disclose any findings and questioned costs related to federal awards that are required to be reported by Section \_\_.510(a) of Circular A-133.