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MERIDIAN PUBLIC SCHOOL DISTRICT
MERIDIAN, MISSISSIPPI

AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2007

REA, SHAW, GIFFIN & STUART, LLP

MERIDIAN PUBLIC SCHOOL DISTRICT

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MERIDIAN PUBLIC SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

For the Year Ended June 30, 2007

REA, SHAW, GIFFIN & STUART, LLP

RSGS

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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, 2007, 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Meridian Public School District, as of June 30, 2007, 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 7, 2007, 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, and not to provide an opinion on the internal control over financial

reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 11 and the Budgetary Comparison Schedule and corresponding notes on pages 44 through 47 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
December 7, 2007

MERIDIAN PUBLIC SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

REA, SHAW, GIFFIN & STUART, LLP

MERIDIAN PUBLIC SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2007

The discussion and analysis of the 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, 2007. 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, including the effect of prior period adjustments, increased $1,959,844, which represents a 12% increase from fiscal year 2006. This increase in net assets is primarily due to the following: 1) capital outlays during the fiscal year were not reported as expenses in the Statement of Activities but were capitalized on the Statement of Net Assets, and 2) repayment of debt principal was not reported as an expense in the Statement of Activities but as a reduction of long-term liabilities on the Statement of Net Assets.

- General revenues accounted for $46,695,977 in revenue, or 79% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for $12,488,526, or 21% of total revenues.

- The District had $57,232,170 in expenses; only $12,488,526 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of $46,695,977 were adequate to provide for these programs.

- Among major funds, the General Fund had $42,603,413 in revenues and $44,377,353 in expenditures. After net other financing sources of $741,199, the net change in fund balance for the General Fund was a decrease of $1,032,741 from the previous fiscal year. This decrease is due primarily to an increase in salaries and benefits, specifically retirement benefits and insurance benefits.

- Capital assets, net of accumulated depreciation, increased by $2,663,302.

- Long-term debt decreased by $524,443.

MERIDIAN PUBLIC SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2007

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 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

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

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.

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

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

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.

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.

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 is also included in this report.

MERIDIAN PUBLIC SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2007

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by $18,470,054 as of June 30, 2007.

The district's net assets are comprised of 1) net assets invested in capital assets, net of related debt, 2) restricted net assets and 3) unrestricted net assets. $10,569,030 of the District's net assets (57%) reflects its investment in capital assets (e.g., land, buildings, 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. $3,335,759 of the District's net assets (18%) reflects its restricted net assets. A portion of the restricted net assets is expendable for school based activities, debt service, capital improvements, forestry improvements and unemployment benefits. The remaining portion of the restricted net assets is nonexpendable for 16th section investment purposes. $4,565,265 of the District's net assets (25%) reflects its unrestricted net assets.

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 for the fiscal year ended June 30, 2007 and comparative data for the fiscal year ended June 30, 2006.

	Net Assets		Percentage
	June 30, 2007	June 30, 2006	Change
Current assets	$ 8,745,960	$ 9,819,538	(10.9) %
Other assets	1,501	1,424	5.4 %
Capital assets, net	14,372,397	11,709,095	22.7 %
Total assets	$ 23,119,858	$ 21,530,057	7.4 %
Current liabilities	$ 422,627	$ 268,227	57.6 %
Long-term debt outstanding	4,227,177	4,751,620	(11.0) %
Total liabilities	$ 4,649,804	$ 5,019,847	(7.4) %
Net assets:			
Invested in capital assets, net of related debt	$ 10,569,030	$ 7,374,919	43.3 %
Restricted	3,335,759	2,640,345	26.3 %
Unrestricted	4,565,265	6,494,946	(29.7) %
Total net assets	$ 18,470,054	$ 16,510,210	11.9 %

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

- Current assets decreased from the previous fiscal year due primarily to a decrease in cash and cash equivalents.
- Capital assets increased from the previous fiscal year due primarily to the construction of new school facilities and other improvements, the purchase of new school buses and the purchase of various other items of mobile equipment and furniture and equipment.
- Current liabilities increased from the previous fiscal year due primarily to an increase in accounts payable and accrued liabilities.
- Long-term debt outstanding decreased from the previous fiscal year due primarily to principal payments made during the fiscal year on long-term debt.
- Net assets invested in capital assets, net of related debt, increased from the previous fiscal year due primarily to the increase in capital assets and the reduction of long-term debt related to the capital assets.
- Restricted net assets increased from the previous fiscal year due primarily to an increase in amounts restricted for school based activities.
- Unrestricted net assets decreased from the previous fiscal year due primarily to the decrease in the fund balance of the General Fund.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2007 were $59,184,503. The total cost of all programs and services was $57,232,170. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2007 and comparative data for the fiscal year ended June 30, 2006.

	Change in Net Assets		Percentage
	June 30, 2007	June 30, 2006	Change
Revenues:			
Program revenues:			
Charges for services	$ 1,114,382	$ 987,924	12.8 %
Operating grants and contributions	11,374,144	12,848,753	(11.5) %
General revenues:			
Property taxes	14,398,306	14,892,064	(3.3) %
Grants and contributions not restricted	27,180,752	25,618,798	6.1 %
Other	5,116,919	1,366,805	274.4 %
Total revenues	$ 59,184,503	$ 55,714,344	6.2 %

Expenses:			
Instruction	$ 33,576,174	$ 32,739,378	2.6 %
Support services	19,931,041	18,848,608	5.7 %
Non-instructional	3,596,287	3,534,052	1.8 %
Sixteenth section	30,090	32,994	(8.8) %
Interest and other expenses on long-term liabilities	98,578	101,477	(2.9) %
Total expenses	$ 57,232,170	$ 55,256,509	3.6 %
Increase (Decrease) in net assets	$ 1,952,333	$ 457,835	326.4 %
Net Assets, July 1	$ 16,510,210	$ 15,992,088	3.2 %
Prior Period Adjustments	7,511	60,287	(87.5) %
Net Assets, Restated, July 1	$ 16,517,721	$ 16,052,375	2.9 %
Net Assets, June 30	$ 18,470,054	$ 16,510,210	11.9 %

The following are significant current year transactions that have had an impact on the Statement of Activities:

- Program revenues decreased from the previous fiscal year due primarily to a decrease in operating grants and contributions. Federal funds were received in the previous fiscal year related to the Displaced Students Grant and other disaster relief grants as a result of Hurricane Katrina.

- General revenues increased from the previous fiscal year due primarily to an increase in unrestricted state grants and contributions and other general revenues, which include insurance loss recoveries received during the fiscal year.

Governmental activities. The following table presents, for the fiscal year ended June 30, 2007 and comparative data for the fiscal year ended June 30, 2006, the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section and interest and other expenses on long-term debt. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

	2007		2006	
	Total Expenses	Net (Expense) Revenue	Total Expenses	Net (Expense) Revenue
Instruction	$ 33,576,174	$ (27,491,201)	$ 32,739,378	$ (25,914,063)
Support services	19,931,041	(17,014,738)	18,848,608	(15,395,422)
Non-instructional	3,596,287	(109,037)	3,534,052	24,124
Sixteenth section	30,090	(30,090)	32,994	(32,994)
Interest and other expenses on long-term liabilities	98,578	(98,578)	101,477	(101,477)
Total expenses	$ 57,232,170	$ (44,743,644)	$ 55,256,509	$ (41,419,832)

- The net cost of governmental activities for fiscal year 2007 in the amount of $44,743,644 was financed by general revenue, which is made up of primarily property taxes of $14,398,306 and state revenue of $27,093,796.

- Investment earnings accounted for $442,985 of funding.

- Other general revenues include insurance loss recoveries resulting primarily from a fire at Carver Middle School.

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 fiscal year June 30, 2007, its governmental funds reported a combined fund balance of $8,356,373. The net change in fund balance for the fiscal year was a decrease of $1,253,569 due primarily to an increase in salaries and benefits, specifically an increase in retirement and insurance benefits. $5,910,512, or 71%, of the fund balance is reported by fund type in the unreserved, undesignated section of the Governmental Funds Balance Sheet. The portion of the fund balance reported in the General Fund is available for spending at the District's discretion. The portion of the fund balance reported in the Special Revenue Funds will be used for school based activities. The remaining fund balance of $2,445,861, or 29%, is reserved or designated to indicate that it is not available for spending because it has already been committed. This portion of the fund balance is reserved for inventory, unemployment benefits, forestry improvements, capital project purposes, debt service purposes and permanent fund purposes.

The General Fund is the principal operating fund of the District. The net change in fund balance for the General Fund for the fiscal year was a decrease of $1,032,741 due primarily to an increase in salaries and benefits, specifically an increase in retirement and insurance benefits. The net change in fund balance for the Other Governmental Funds for the fiscal year was a decrease of $220,828 due to the deficiency of revenues over expenditures in various governmental funds.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget. Significant budget revisions during the fiscal year are as follows:

- Budgeted amounts for revenue from state sources in the General Fund were increased to reflect the increase in Mississippi Adequate Education Program funds received during the fiscal year.

- Budgeted amounts for proceeds of loans and debt service principal expenditures in the General Fund were increased to reflect the proceeds received and the repayment of a short term loan acquired by the District.

- Budgeted amounts for insurance loss recoveries in the General Fund were increased to reflect the insurance proceeds received during the fiscal year resulting from a fire at Carver Middle School.

- Budgeted amounts for transfers out of the General Fund were increased to reflect the transfer of funds to the Carver Building Construction Fund during the fiscal year.

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, 2007, the District's total capital assets, before depreciation, were $30,214,539, including land, buildings, improvements other than buildings, mobile equipment and furniture and equipment. This amount represents a gross increase of $3,047,936 from the previous year due primarily to the purchase of modular classrooms, the completion of the building project at Carver Middle School, the purchase of new school buses and the purchase of various items of mobile equipment and furniture and equipment. The District also recognized an impairment loss as a result of the fire at Carver Middle School and the District disposed of several buses and various other items of equipment. Total depreciation expense for the year was $496,861. Total accumulated depreciation as of June 30, 2007 was $15,842,142, resulting in total net capital assets of $14,372,397.

	Capital Assets, Net of Depreciation		Percentage
	2007	2006	Change
Land	$ 518,138	$ 518,138	0.0 %
Buildings	8,247,096	5,809,547	42.0 %
Improvements other than buildings	4,459,011	4,625,088	(3.6) %
Mobile equipment	1,110,895	727,375	52.7 %
Furniture and equipment	37,257	28,947	28.7 %
Total	$ 14,372,397	$11,709,095	22.7 %

Debt Administration. At June 30, 2007, the District had $4,227,177 in general obligation bonds and other long-term debt outstanding, of which $768,666 is due within one year. During the fiscal year, the District obtained a transportation equipment loan and a short-term loan. The District made principal payments during the fiscal year in the amount of $2,416,779, which included repayment of the short-term loan of $1,500,000.

	Outstanding Debt		Percentage
	2007	2006	Change
General obligation bonds payable	$ 252,000	$ 429,000	(41.3) %
Three mill notes payable	415,000	1,100,000	(62.3) %
Transportation equipment loans payable	385,970	0	
Obligations under energy efficiency leases	250,397	305,176	(17.9) %
Qualified zone academy bonds payable	2,500,000	2,500,000	0.0 %
Compensated absences payable	423,810	417,444	1.5 %
Total	$ 4,227,177	$ 4,751,620	(11.0) %

CURRENT ISSUES

The Meridian Public School District is financially stable. The District is proud of its community support of the public schools. The District has committed itself to financial excellence for many years. In addition, the District's system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have 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

REA, SHAW, GIFFIN & STUART, LLP

MERIDIAN PUBLIC SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2007

Exhibit A

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 4,366,338
Cash with fiscal agent	51,755
Investments	1,539,111
Due from other governments	2,119,658
Other receivables, net	470,076
Inventory	199,022
Restricted assets	1,501
Capital assets, not being depreciated:	
Land	518,138
Capital assets, net of accumulated depreciation:	
Buildings	8,247,096
Improvements other than buildings	4,459,011
Mobile equipment	1,110,895
Furniture and fixtures	37,257
Total assets	$ 23,119,858
LIABILITIES	
Accounts payable and accrued liabilities	$ 358,781
Deferred revenue	32,307
Interest payable on long-term liabilties	31,539
Long-term liabilities, due within one year	
Capital related liabilities	768,666
Long-term liabilities, due beyond one year	
Capital related liabilities	3,034,701
Non-capital liabilities	423,810
Total liabilities	$ 4,649,804

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

MERIDIAN PUBLIC SCHOOL DISTRICT

STATEMENT OF NET ASSETS (continued)
June 30, 2007

Exhibit A

NET ASSETS	
Invested in capital assets, net of related debt	$ 10,569,030
Restricted net assets:	
Expendable:	
School - based activities	1,156,706
Debt service	1,965,510
Capital improvements	17,810
Forestry improvements	27,357
Unemployment benefits	166,875
Non-expendable:	
Sixteenth section	1,501
Unrestricted	4,565,265
Total net assets	$ 18,470,054

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, 2007

Exhibit B

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities
Governmental Activities:					
Instruction	$ 33,576,174	$ 599,035	$ 5,485,938	$ -	$ (27,491,201)
Support services	19,931,041	127,908	2,788,395	-	(17,014,738)
Non-instructional services	3,596,287	387,439	3,099,811	-	(109,037)
Sixteenth section	30,090	-	-	-	(30,090)
Interest on long-term liabilities	98,578	-	-	-	(98,578)
Other	-	-	-	-	-
Total governmental activites	$ 57,232,170	$ 1,114,382	$ 11,374,144	$ -	$ (44,743,644)
General Revenues:					
Taxes:					
General purpose levies					$ 13,887,064
Debt service levies					511,242
Unrestricted grants and contributions:					
State					27,093,796
Federal					86,956
Unrestricted investment earnings					442,985
Sixteenth section sources					225,899
Other					4,448,035
Total general revenues					$ 46,695,977
Change in net assets					$ 1,952,333
Net assets - Beginning					$ 16,510,210
Prior period adjustments					7,511
Net assets - Restated					16,517,721
Net assets - Ending					$ 18,470,054

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

MERIDIAN PUBLIC SCHOOL DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2007

Exhibit C

	General Fund	Title I Fund 2211	Carver Bldg Construction Fund 3025	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 2,943,450	$ -	$ 162,020	$ 1,262,369	$ 4,367,839
Cash with fiscal agent	-	-	-	51,755	51,755
Investments	-	-	-	1,539,111	1,539,111
Due from other governments	562,840	433,180	-	1,123,638	2,119,658
Other receivables	441,194	-	-	-	441,194
Due from other funds	1,189,366	-	-	4,372	1,193,738
Inventory	62,848	-	-	136,174	199,022
Total assets	$ 5,199,698	$ 433,180	$ 162,020	$ 4,117,419	$ 9,912,317

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

LIABILITIES & FUND BALANCES

Liabilities:					
Accounts payable and accrued liabilities	$ 184,022	$ -	$ 162,020	$ 12,739	$ 358,781
Due to other funds	-	433,180	-	731,676	1,164,856
Deferred revenue	-	-	-	32,307	32,307
Total liabilities	$ 184,022	$ 433,180	$ 162,020	$ 776,722	$ 1,555,944
Fund balances:					
Reserved for:					
Investments	$ -	$ -	$ -	$ 1,501	$ 1,501
Capital improvements	-	-	-	54,057	54,057
Forestry Improvements	-	-	-	27,357	27,357
Inventory	62,848	-	-	136,174	199,022
Debt service	-	-	-	1,997,049	1,997,049
Ad valorem	-	-	-	-	-
Unemployment	-	-	-	166,875	166,875
Unreserved, reported in:					
General funds	4,952,828	-	-	-	4,952,828
Special revenue funds	-	-	-	957,684	957,684
Total fund balances	$ 5,015,676	$ -	$ -	$ 3,340,697	$ 8,356,373
Total liabilities & fund balances	$ 5,199,698	$ 433,180	$ 162,020	$ 4,117,419	$ 9,912,317

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

MERIDIAN PUBLIC SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE TO THE STATEMENT OF NET ASSETS

June 30, 2007

Exhibit C-1

	Amount
Total Fund Balance - Governmental Funds	$ 8,356,373
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 $15,842,142.	14,372,397
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(4,227,177)
Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Net Assets recognizes interest as it accrues.	(31,539)
Total Net Assets - Governmental Activities	$ 18,470,054

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, 2007

Exhibit D

	General Fund	Title I Fund 2211	Carver Bldg Construction Fund 3025	Other Governmental Funds	Total Governmental Funds
REVENUES					
Local sources	$ 14,964,853	$ -	$ -	$ 1,156,491	$ 16,121,344
State sources	27,517,867	-	-	904,164	28,422,031
Federal sources	120,693	3,190,623	-	6,821,549	10,132,865
Sixteenth section sources	-	-	-	225,899	225,899
Total revenues	$ 42,603,413	$ 3,190,623	$ -	$ 9,108,103	$ 54,902,139
EXPENDITURES					
Instruction	$ 26,909,174	$ 1,690,273	$ -	$ 4,479,566	$ 33,079,013
Support services	15,397,149	1,337,425	1,660,476	1,723,259	20,118,309
Noninstructional services	310,059	129,691	-	3,205,596	3,645,346
Sixteenth section	-	-	-	30,090	30,090
Facilities acquisition and construction	176,274	-	2,660,676	331,388	3,168,338
Debt service:					
Principal	1,554,779	-	-	862,000	2,416,779
Interest	29,918	-	-	36,474	66,392
Other	-	-	-	647	647
Total expenditures	$ 44,377,353	$ 3,157,389	$ 4,321,152	$ 10,669,020	$ 62,524,914
Excess (deficiency) of revenues over expenditures	$ (1,773,940)	$ 33,234	$ (4,321,152)	$ (1,560,917)	$ (7,622,775)

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

OTHER FINANCING SOURCES (USES)					
Proceeds of loans	$ 1,885,970	$ -	$ -	$ -	$ 1,885,970
Insurance loss recoveries	2,818,310	-	1,660,476	-	4,478,786
Sale of transportation equipment	3,200	-	-	-	3,200
Operating transfers in	4,987,783	-	2,660,676	1,709,149	9,357,608
Payments held by QZAB debt escrow agent	-	-	-	150,000	150,000
Other financing sources	-	-	-	1,250	1,250
Operating transfers out	(8,954,064)	(33,234)	-	(370,310)	(9,357,608)
Payments to QZAB debt escrow agent	-	-	-	(150,000)	(150,000)
Total other financing sources and uses	$ 741,199	$ (33,234)	$ 4,321,152	$ 1,340,089	$ 6,369,206
Net change in fund balances	$ (1,032,741)	$ -	$ -	$ (220,828)	$ (1,253,569)
Fund balances:					
July 1, 2006	$ 6,022,123	$ -	$ -	$ 3,530,612	$ 9,552,735
Prior period adjustments	4,505	-	-	3,006	7,511
Adjusted fund balance, July 1, 2006	$ 6,026,628	$ -	$ -	$ 3,533,618	$ 9,560,246
Increase (decrease) in inventory	$ 21,789	$ -	$ -	$ 27,907	$ 49,696
June 30, 2007	$ 5,015,676	$ -	$ -	$ 3,340,697	$ 8,356,373

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

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, 2007

Exhibit D-1

	Amount
Net change in fund balances (Exhibit D)	$ (1,253,569)
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.	3,369,561
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.	(496,861)
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:	
Gains on disposals of capital assets	(209,398)
The issuance of long-term debt provides current financial resources to governmental funds, but the issuance increases long-term liabilities for governmental activities.	(1,885,970)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	2,416,779
Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	(31,539)

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

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, 2007 **Exhibit D-1**

(continued)

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	(6,366)
Increase 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	49,696
Change in net assets (Exhibit B)	$ 1,952,333

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

MERIDIAN PUBLIC SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2007

Exhibit E

	Private-Purpose Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	$ -	$ 2,663,573
Investments	191,348	-
Total Assets	$ 191,348	$ 2,663,573
LIABILITIES		
Accounts payable and accrued liabilities	$ 8,500	$ 2,553,699
Due to other funds	-	28,882
Due to student clubs	-	80,992
Total Liabilities	$ 8,500	$ 2,663,573
NET ASSETS		
Reserved for endowments	$ 182,848	
Total Net Assets	$ 182,848	

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, 2007

Exhibit F

	Private-Purpose Trust Funds
Additions	
Interest on investments	$ 5,428
Net increase in fair value of investments	15,117
Contributions and donations from private sources	3,110
Total additions	$ 23,655
Deductions	
Scholarships awarded	$ 8,500
Total deductions	$ 8,500
Change in net assets	$ 15,155
Net Assets	
July 1, 2006	$ 167,693
June 30, 2007	$ 182,848

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

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

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.

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.

Carver Building Construction Fund – This is a capital projects fund. It accounts for the construction of one of the district's school buildings that was damaged by fire in 2006.

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.

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, 2003* 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 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 original maturities of three 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 an original maturity greater than three months when acquired.

Investments are reported at fair value.

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

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

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

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

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

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

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 5 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 3 for details for interfund transactions, including receivables and payables at year-end.

L. Equity Classifications.

Government-wide Financial Statements:

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

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

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 or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

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

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

Reserved for 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 that 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.

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. Cash and Cash Equivalents, Cash with Fiscal Agents and Investments

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code. Ann. (1972). The collateral pledged for the school district's 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.

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest surplus funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits and interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or interest in, and open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration. Investment income on bond funds (Capital Projects Funds), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of $100 or more of any fund must be credited to that fund. Amounts less than $100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was $4,367,839 and $2,663,573, respectively. The carrying amount of deposits reported in the government-wide statements was: cash and cash equivalents $4,366,338 and restricted assets $1,501. The restricted assets of $1,501 represent the cash balance of the Sixteenth Section

Note 2. Cash and Cash Equivalents, Cash with Fiscal Agents and Investments (continued)

Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was $1,501.

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, 2007 none of the district's bank balance of $8,917,312 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 $51,755.

Investments

As of June 30, 2007, the district had the following investments:

Investment Type	Maturities (in years)	Fair Value	Rating
Federal National Mortgage Association	1 to 5	$ 1,539,111	A-1+
Mutual Funds	1 to 5	191,348	N/A
Total Investments		$ 1,730,459	

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

Credit Risk. State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The district does not have a formal investment policy that would further limit its 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 or collateral securities that are in the possession of an outside

Note 2. Cash and Cash Equivalents, Cash with Fiscal Agents and Investments (continued)

party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2007, 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, 2007, the district had the following investments:

Issuer	Fair Value	% of Total Investments
UBS Financial Services, Inc. - Mutual Funds	$ 191,348	11%
Trustmark National Bank - Mortgage Backed Securities	1,539,111	89%
	$ 1,730,459	

Note 3. Interfund Transactions and Balances

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	Due from	Due to
Governmental funds:		
General fund	$ 1,189,366	$ -
Title I	-	433,180
Other governmental funds	4,372	731,676
Fiduciary Funds	-	28,882
Total Funds	$ 1,193,738	$ 1,193,738

B. Transfers In/Out:

	Transfers In	Transfers Out
Governmental funds:		
General fund	$ 4,987,783	$ 8,954,064
Title I	-	33,234
Carver building construction	2,660,676	-
Other governmental funds	1,709,149	370,310
Total Funds	$ 9,357,608	$ 9,357,608

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.

Note 4. Capital Assets

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

	Balance 7/1/2006	Additions	Retirements	Balance 6/30/2007
Non-depreciable capital assets:				
Land	$ 518,138	$ -	$ -	$ 518,138
Total non-depreciable Capital assets	$ 518,138	$ -	$ -	$ 518,138
Depreciable capital assets:				
Buildings	$ 15,681,229	$ 2,797,476	$ (197,672)	$ 18,281,033
Improvements other than buildings	6,408,586	26,425	-	6,435,011
Mobile equipment	3,080,114	517,438	(116,507)	3,481,045
Furniture and equipment	1,478,536	28,222	(7,446)	1,499,312
Total depreciable capital assets	$ 26,648,465	$ 3,369,561	$ (321,625)	$ 29,696,401
Less accumulated depreciation for:				
Buildings	$ 9,871,682	$ 162,255	$ -	$ 10,033,937
Improvements other than buildings	1,783,498	192,502	-	1,976,000
Mobile equipment	2,352,739	122,267	(104,856)	2,370,150
Furniture and equipment	1,449,589	19,837	(7,371)	1,462,055
Total accumulated depreciation	$ 15,457,508	$ 496,861	$ (112,227)	$ 15,842,142
Total depreciable capital assets, net	$ 11,190,957	$ 2,872,700	$ (209,398)	$ 13,854,259
Governmental activities capital assets, net	$ 11,709,095	$ 2,872,700	$ (209,398)	$ 14,372,397

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	$ 493,023
Support services	3,838
Total depreciation expense	$ 496,861

Note 4. Capital Assets (continued)

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

Note 5. Long-term Liabilities

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

	Balance 7/1/2006	Additions	Reductions	Balance 6/30/2007	Amounts due within one year
A. General obligation bonds payable	$ 429,000	$ -	$ 177,000	$ 252,000	$ 172,000
B. Three mill notes payable	1,100,000	-	685,000	415,000	415,000
C. Transportation equipment loans payable	-	385,970	-	385,970	123,924
D. Obligations under energy efficiency lease	305,176	-	54,779	250,397	57,742
E. Qualified zone academy bonds payable	2,500,000	-	-	2,500,000	-
F. Other loans payable	-	1,500,000	1,500,000	-	-
G. Compensated absenses payable	417,444	6,366	-	423,810	-
Total	$ 4,751,620	$ 1,892,336	$ 2,416,779	$ 4,227,177	$ 768,666

A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
2003 Refunding	2.32%	5/1/2003	11/1/2008	$ 923,000	$ 252,000
Total				$ 923,000	$ 252,000

Note 5. 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
2008	$ 172,000	$ 4,393	$ 176,393
2009	80,000	1,100	81,100
Total	$ 252,000	$ 5,493	$ 257,493

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2007, the amount of outstanding bonded indebtedness was equal to .09% of property assessments as of October 1, 2006. 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	$ 415,000
Total				$ 1,750,000	$ 415,000

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

Year Ending June 30	Principal	Interest	Total
2008	$ 415,000	$ 11,413	$ 426,413
Total	$ 415,000	$ 11,413	$ 426,413

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

Note 5. Long-term Liabilities (continued)

C. Transportation equipment loans payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Transportation equipment	4.125%	11/14/2006	11/14/2009	$ 385,970	$ 385,970
Total				$ 385,970	$ 385,970

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

Year Ending June 30	Principal	Interest	Total
2008	$ 123,924	$ 15,391	$ 139,315
2009	128,325	10,989	139,314
2010	133,721	5,593	139,314
Total	$ 385,970	$ 31,973	$ 417,943

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

D. 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
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	$ 250,397	$ 34,759	$ 285,156

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

Note 5. Long-term Liabilities (continued)

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).

E. 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:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Series A	0%	7/1/2000	7/1/2010	$ 1,294,000	$ 1,294,000
Series B	0%	3/22/2001	3/15/2011	1,206,000	1,206,000
Total				$ 2,500,000	$ 2,500,000

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

Note 5. Long-term Liabilities (continued)

F. Other loans payable.

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

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Tax & revenue anticipation note payable				$ 1,500,000	$ -
Total				$ 1,500,000	$ -

G. 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.

Note 6. Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The rate for fiscal year ended June 30, 2007, was 11.30% 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, 2007, 2006 and 2005 were $3,804,204, $3,527,056 and $3,080,039, respectively, which equaled the required contributions for each year.

Note 7. 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.

Note 7. 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 June 30	Amount
2008	$ 11,583
2009	11,583
2010	11,583
2011	6,376
2012	5,180
2013-2017	25,900
2018-2022	25,900
2023-2027	25,900
Total	$ 124,005

Note 8. Prior Period Adjustments

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

Explanation	Amount
Correction of prior period transactions	$ 7,511
Total	$ 7,511

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

Major funds:	Explanation	Amount
General funds	Correction of prior period transactions	$ 4,505
Other Governmental Funds	Correction of prior period transactions	3,006
Total		$ 7,511

Note 9. Subsequent Events

On October 1, 2007, the school district issued $5,000,000 of 4.20% general obligation bonds. The bond proceeds are to be used to build a new school building on the Meridian High School campus, install air conditioning units at several schools, and fund several renovation projects at various school locations.

As of our report date, the school district has received $5,000,000 of bond proceeds and has earned $73,591 of interest. The school district has expended $969,566 for the installation of air conditioning units at several schools and for renovations to the auditorium at Meridian High School.

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 121 school districts and one community college and covers risks of loss arising from injuries to the member's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by BancorpSouth Bank in Jackson. The funds in the trust account are used to pay any claim up to $700,000. For a claim exceeding $700,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers Compensation Commission Act. 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.

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

Year ending June 30	Amount
2008	$ 150,000
2009	150,000
2010	144,000
2011	98,000
Totals	$ 542,000

Note 12. Impairment of Assets

During the current fiscal year, the Meridian Public School District has recognized that the following assets qualified as impaired due to fire.

Classification	Asset Qualifying As Impaired	Historical Cost	Less: Accumulated Depreciation	Carrying Value	Recognized Property Insurance Recovery	Impairment Loss	(Gain) Loss
Building	Carver Building	$ 920,941	$ 736,753	$ 184,188	$ 2,180,705	$ 171,976	$ 2,008,729
Building	Carver Renovations	138,308	60,856	77,452	325,852	25,697	300,155
Total Governmental Type Activities		$ 1,059,249	$ 797,609	$ 261,640	$ 2,506,557	$ 197,673	$ 2,308,884

This impairment loss is reported on the financial statements as an operating expense.

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, 2007

	Budgeted Amounts		Actual	Variances Positive (Negative)	Variances Positive (Negative)
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
REVENUES					
Local sources	$ 14,955,915	$ 14,964,853	$ 14,964,853	$ 8,938	$ -
State sources	27,189,892	27,517,867	27,517,867	327,975	-
Federal sources	87,000	120,693	120,693	33,693	-
Total revenues	$ 42,232,807	$ 42,603,413	$ 42,603,413	$ 370,606	$ -
EXPENDITURES					
Instruction	$ 27,141,039	$ 26,909,174	$ 26,909,174	$ 231,865	$ -
Support services	14,810,671	15,397,149	15,397,149	(586,478)	-
Noninstructional services	293,237	288,270	310,059	4,967	(21,789)
Facilities acquisition and construction	287,000	176,274	176,274	110,726	-
Debt service:					
Principal	54,779	1,554,779	1,554,779	(1,500,000)	-
Interest	34,510	29,918	29,918	4,592	-
Total expenditures	$ 42,621,236	$ 44,355,564	$ 44,377,353	$ (1,734,328)	$ (21,789)
Excess (deficiency) of revenues	$ (388,429)	$ (1,752,151)	$ (1,773,940)	$ (1,363,722)	$ (21,789)

OTHER FINANCING SOURCES (USES)					
Proceeds of loans	$ 405,000	$ 1,885,970	$ 1,885,970	$ 1,480,970	$ -
Insurance loss recoveries	25,000	2,818,310	2,818,310	2,793,310	-
Sale of transportation equipment	-	3,200	3,200	3,200	-
Operating transfers in	5,024,660	4,987,783	4,987,783	(36,877)	-
Operating transfers out	(6,296,224)	(8,792,044)	(8,954,064)	(2,495,820)	(162,020)
Total other financing sources (uses)	$ (841,564)	$ 903,219	$ 741,199	$ 1,744,783	$ (162,020)
Net change in fund balances	$ (1,229,993)	$ (848,932)	$ (1,032,741)	$ 381,061	$ (183,809)
FUND BALANCES					
July 1, 2006	$ 4,465,041	$ 5,235,871	$ 6,022,123	$ 770,830	$ 786,252
Prior period adjustments	4,505	4,505	4,505	-	-
July 1, 2006, as restated	$ 4,469,546	$ 5,240,376	$ 6,026,628	$ 770,830	$ 786,252
Changes in inventory	$ 21,789	$ 21,789	$ 21,789		
June 30, 2007	$ 3,261,342	$ 4,413,233	$ 5,015,676	$ 1,151,891	$ 602,443

MERIDIAN PUBLIC SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE FOR THE TITLE I FUND
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variances Positive (Negative)	Variances Positive (Negative)
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
REVENUES					
Federal sources	$ 3,711,167	$ 3,210,416	$ 3,190,623	$ (500,751)	$ (19,793)
Total revenues	$ 3,711,167	$ 3,210,416	$ 3,190,623	$ (500,751)	$ (19,793)
EXPENDITURES					
Instruction	$ 2,227,063	$ 1,690,273	$ 1,690,273	$ 536,790	$ -
Support services	1,279,672	1,337,425	1,337,425	(57,753)	-
Non-instructional services	159,932	129,691	129,691	30,241	-
Total expenditures	$ 3,666,667	$ 3,157,389	$ 3,157,389	$ 509,278	$ -
Excess (deficiency) of revenue over expenditures	$ 44,500	$ 53,027	$ 33,234	$ 8,527	$ (19,793)
OTHER FINANCING SOURCES (USES)					
Operating transfers out	$ (44,500)	$ (33,234)	$ (33,234)	$ 11,266	$ -
Total other financing sources (uses)	$ (44,500)	$ (33,234)	$ (33,234)	$ 11,266	$ -
Net change in fund balances	$ -	$ 19,793	$ -	$ 19,793	$ (19,793)
FUND BALANCES					
July 1, 2006	$ -	$ -	$ -	$ -	$ -
June 30, 2007	$ -	$ 19,793	$ -	$ 19,793	$ (19,793)

MERIDIAN PUBLIC SCHOOL DISTRICT

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION

For the Year Ended June 30, 2007

Budgetary Comparison Schedule

1) Basis of Presentation

   The Budgetary Comparison Schedules present 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, 2007

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	$ 197,440
Fresh Fruit and Vegetable Program	10.582	24,078
Child Nutrition Cluster:		
School Breakfast Program	10.553	682,596
National School Lunch Program	10.555	1,920,748
Summer Food Service Program for Children	10.559	194,872
Total child nutrition cluster		$ 2,798,216
Total U.S. Department of Agriculture		$ 3,019,734
U.S. Department of Labor		
Passed-through Mississippi Development Authority:		
Workforce Investment Act - Youth Activities	17.259	$ 368,916
Total U.S. Department of Labor		$ 368,916
U.S. Department of Education		
Direct Programs:		
Impact Aid	84.041	$ 33,635
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	3,239,291
Vocational Education - basic grants to states	84.048	115,186
Safe and drug-free schools and communities - state grants	84.186	42,585
Fund for the Improvement of Education	84.215	-
Twenty-First Century Community Learning Centers	84.287	234,761
State grants for innovative programs	84.298	19,916
Education technology state grants	84.318	75,405
Gaining early awareness and readiness in undergraduate programs	84.334	39,728
Reading first state grant	84.357	708,833
Improving Teacher Quality - state grant	84.367	682,339
Grants for state assessments and related activities	84.369	34,861
Special Education Cluster:		
Special Education - grants to states	84.027	1,300,394
Special Education - preschool grants	84.173	63,555
Total special education		$ 1,363,949
Total U.S. Department of Education		$ 6,590,489

MERIDIAN PUBLIC SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(continued)
For the Year Ended June 30, 2007

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance #	Federal Expenditures
U.S. Department of Homeland Security		
Passed-through Mississippi Emergency Management Agency:		
Disaster Grants - Public Assistance (Presidentially declared disasters	97.036	$ 86,956
Total Department of Homeland Security		$ 86,956
U.S. Department of Defense		
Direct Programs:		
Reserve officers training corps	12.xxx	$ 66,770
Total U.S. Department of Defense		$ 66,770
Total Federal Financial Assistance		$ 10,132,865

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, 2007

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	$ 45,455,913	$ 35,292,427	$ 1,333,873	$ 3,065,938	$ 5,763,675
Other	17,069,001	4,020,553	536,030	65,356	12,447,062
Total	$ 62,524,914	$ 39,312,980	$ 1,869,903	$ 3,131,294	$ 18,210,737
Total number of students	6,327				
Cost per student	$ 9,882	$ 6,214	$ 296	$ 495	$ 2,878

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*

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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, 2007, which collectively comprise the Meridian Public School District's basic financial statements and have issued our report thereon dated December 7, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

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

Rea, Shaw, Giffin & Stuart

REA, SHAW, GIFFIN & STUART, LLP

Meridian, Mississippi
December 7, 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

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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, 2007. 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, 2007.

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 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal programs such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the school board and management, others within the entity, 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
December 7, 2007

MERIDIAN PUBLIC SCHOOL DISTRICT

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

REA, SHAW, GIFFIN & STUART, LLP

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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, 2007, which collectively comprise the Meridian Public School District's basic financial statements and have issued our report thereon dated December 7, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported $59,948 of classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

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 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
December 7, 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, 2007

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 weakness identified?	No
b. Significant deficiency identified that is not considered to be a material weakness?	No

Federal Awards:

4. Type of auditor's report issued on compliance for major federal programs:	Unqualified
5. Internal control over major programs:	
a. Material weakness identified?	No
b. Significant deficiency identified that is not considered to be a material weakness?	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. Title I – Grants to Local Educational Agencies	84.010
b. Twenty-First Century Community Learning Centers	84.287
c. Reading First State Grant	84.357

MERIDIAN PUBLIC SCHOOL DISTRICT

Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2007

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.