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**MERIDIAN PUBLIC SCHOOL DISTRICT  
MERIDIAN, MISSISSIPPI**

**AUDITED FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2008**

## MERIDIAN PUBLIC SCHOOL DISTRICT

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**MERIDIAN PUBLIC SCHOOL DISTRICT**

**FINANCIAL AUDIT REPORT**

For the Year Ended June 30, 2008



**REA, SHAW, GIFFIN & STUART, LLP**  
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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, 2008, 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, 2008, 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 15, 2008, 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 47 through 50 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.

The other supplemental information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances, General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances, All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Rea, Shaw, Giffin & Stuart*

REA, SHAW, GIFFIN & STUART, LLP

Meridian, Mississippi  
December 15, 2008

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

## MERIDIAN PUBLIC SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2008

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, 2008. 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 \$1,110,487, which represents a 6% increase from fiscal year 2007. 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 during the fiscal year 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 \$45,572,677 in revenue, or 79% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$12,220,694, or 21% of total revenues.
- The District had \$56,770,613 in expenses; only \$12,220,694 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$45,572,677 were adequate to provide for these programs.
- Among major funds, the General Fund had \$43,721,589 in revenues and \$43,260,746 in expenditures. After net other financing uses of \$1,309,231, prior period adjustments of \$64,197, and increase in inventory of \$17,857, the net change in fund balance for the General Fund was a decrease of \$766,334 from the previous fiscal year.
- Capital assets, net of accumulated depreciation, increased by \$2,314,155 due primarily to the continued construction and renovation of school facilities and various improvements made to school facilities during the fiscal year.
- Long-term debt increased by \$18,688,762 due primarily to general obligation bonds issued during the fiscal year.

## MERIDIAN PUBLIC SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2008

#### 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.

**MERIDIAN PUBLIC SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2008

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.

A schedule of expenditures of federal awards is required by OMB Circular A-133 and a schedule of instructional, administrative and other expenditures for governmental funds is also included in this report.

Additionally, as required by the Mississippi Department of Education, the Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund – Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds – Last Four Years, are presented as other supplemental information.

**MERIDIAN PUBLIC SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2008

**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 \$19,580,541 as of June 30, 2008.

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. \$11,410,603 of the District's net assets (58%) reflects its investment in capital assets (e.g., land, construction in progress, 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. \$4,381,875 of the District's net assets (22%) reflects its restricted net assets. A portion of the restricted net assets is expendable for school based activities, debt service, forestry improvements and unemployment benefits. The remaining portion of the restricted net assets is nonexpendable for 16<sup>th</sup> section investment purposes. \$3,788,063 of the District's net assets (20%) 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, 2008 and comparative data for the fiscal year ended June 30, 2007.

	Net Assets		Percentage Change
	June 30, 2008	June 30, 2007	
Current assets	\$ 26,483,712	\$ 8,745,960	202.8%
Other assets	1,580	1,501	5.3%
Capital assets, net	<u>16,686,552</u>	<u>14,372,397</u>	16.1%
<b>Total assets</b>	<b><u>\$ 43,171,844</u></b>	<b><u>\$ 23,119,858</u></b>	86.7%
Current Liabilities	\$ 675,364	\$ 422,627	59.8%
Long-term debt outstanding	<u>22,915,939</u>	<u>4,227,177</u>	442.1%
<b>Total liabilities</b>	<b><u>\$ 23,591,303</u></b>	<b><u>\$ 4,649,804</u></b>	407.4%
<b>Net assets:</b>			
Invested in capital assets, net of related debt	\$ 11,410,603	\$ 10,569,030	8.0%
Restricted	4,381,875	3,335,759	31.4%
Unrestricted	<u>3,788,063</u>	<u>4,565,265</u>	-17.0%
<b>Total net assets</b>	<b><u>\$ 19,580,541</u></b>	<b><u>\$ 18,470,054</u></b>	6.0%

**MERIDIAN PUBLIC SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2008

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

- Current assets increased from the previous fiscal year due primarily to an increase in cash and cash equivalents. During the fiscal year, the District received bond proceeds from the issuance of general obligation bonds and a majority of the proceeds remained unspent at fiscal year end.
- Capital assets increased from the previous fiscal year due primarily to the continued construction and renovation of school facilities and various improvements made to school facilities during the fiscal year.
- Current liabilities increased from the previous fiscal year due primarily to an increase in interest payable on long-term liabilities resulting from the issuance of general obligation bonds during the fiscal year.
- Long-term debt outstanding increased from the previous fiscal year due primarily to the issuance of general obligation bonds during the fiscal year.
- Restricted net assets increased from the previous fiscal year due primarily to an increase in amounts restricted for school based activities and debt service.
- 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, 2008 were \$57,793,371. The total cost of all programs and services was \$56,770,613. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2008 and comparative data for the fiscal year ended June 30, 2007.

	Change in Net Assets		Percentage Change
	June 30, 2008	June 30, 2007	
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 1,146,283	\$ 1,114,382	2.9%
Operating grants and contributions	11,074,411	11,374,144	-2.6%
General revenues:			
Property taxes	15,573,465	14,398,306	8.2%
Grants and contributions not restricted	28,156,701	27,180,752	3.6%
Other	1,842,511	5,116,919	-64.0%
<b>Total revenues</b>	<b>\$ 57,793,371</b>	<b>\$ 59,184,503</b>	<b>-2.4%</b>

**MERIDIAN PUBLIC SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2008

<b>Expenses:</b>			
Instruction	\$ 34,606,732	\$ 33,576,174	3.1%
Support services	17,638,446	19,931,041	-11.5%
Non-instructional	3,925,589	3,596,287	9.2%
Sixteenth section	26,926	30,090	-10.5%
Interest and other expense on long-term liabilities	<u>572,920</u>	<u>98,578</u>	481.2%
<b>Total expenses</b>	<b><u>\$ 56,770,613</u></b>	<b><u>\$ 57,232,170</u></b>	<b>-0.8%</b>
<b>Increase (decrease) in net assets</b>	<b><u>\$ 1,022,758</u></b>	<b><u>\$ 1,952,333</u></b>	<b>-47.6%</b>
<b>Net assets, July 1</b>	<b><u>\$ 18,470,054</u></b>	<b><u>\$ 16,510,210</u></b>	<b>11.9%</b>
<b>Prior period adjustments</b>	<u>87,729</u>	<u>7,511</u>	1068.0%
<b>Net assets, Restated, July 1</b>	<b><u>\$ 18,557,783</u></b>	<b><u>\$ 16,517,721</u></b>	<b>12.4%</b>
<b>Net assets, June 30</b>	<b><u>\$ 19,580,541</u></b>	<b><u>\$ 18,470,054</u></b>	<b>6.0%</b>

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

- Other general revenues decreased from the previous fiscal year. Insurance loss recoveries were received in the previous fiscal year related to a fire at Carver Middle School.
- Support services expenses decreased from the previous fiscal year. Support services expenditures in the prior year included expenditures related to the cleanup after the fire at Carver Middle School. The insurance company directly paid Belfor approximately \$1.6M for the cleanup services but the expenditures and the insurance loss recoveries were recorded on the District's financial statements.
- Interest and other expenses on long-term liabilities increased from the previous fiscal year due primarily to the accrued interest on the general obligation bonds issued during the fiscal year.

**Governmental activities.** The following table presents, for the fiscal year ended June 30, 2008 and comparative data for the fiscal year ended June 30, 2007, 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.

**MERIDIAN PUBLIC SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Year Ended June 30, 2008

	2008		2007	
	Total Expenses	Net (expense) Revenue	Total Expenses	Net (expense) Revenue
Instruction	\$ 34,606,732	\$ (28,417,269)	\$ 33,576,174	\$ (27,491,201)
Support services	17,638,446	(15,055,632)	19,931,041	(17,014,738)
Non-instructional	3,925,589	(477,172)	3,596,287	(109,037)
Sixteenth section	26,926	(26,926)	30,090	(30,090)
Interest and other expenses on long-term liabilities	572,920	(572,920)	98,578	(98,578)
<b>Total expenses</b>	<b>\$ 56,770,613</b>	<b>\$ (44,549,919)</b>	<b>\$ 57,232,170</b>	<b>\$ (44,743,644)</b>

- The net cost of governmental activities for fiscal year 2008 in the amount of \$44,549,919 was financed by general revenue, which is made up of primarily property taxes of \$15,573,465 and state revenue of \$28,144,329.
- Investment earnings accounted for \$877,024 of funding.

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

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed fiscal year June 30, 2008, its governmental funds reported a combined fund balance of \$26,193,529. The net change in fund balance for the fiscal year was an increase of \$17,833,692 due primarily to bond proceeds received during the fiscal year from the issuance of general obligation bonds in which the majority of the proceeds remained unspent at fiscal year end. Prior period adjustments of \$40,574 increased and inventory changes of \$37,110 decreased the net change in fund balance to \$17,837,156. \$5,330,809, or 20%, 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 portion of the unreserved, undesignated fund balance reported in the Permanent Funds is a result of earnings on sixteenth section investments that have not yet been transferred to the 16<sup>th</sup> Section Interest Fund but may be transferred in the future. The remaining fund balance of \$20,862,720,

## MERIDIAN PUBLIC SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2008

or 80%, 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 plus prior period adjustments and inventory changes was a decrease of \$766,334 due primarily to the cost of current year operations exceeding current year revenue received from local, state and federal sources. The net change in fund balance for the \$5M 2007 Bond Issue Fund for the fiscal year was an increase of \$3,255,913 due primarily to proceeds from the issuance of general obligation bonds during the fiscal year. The net change in fund balance for the \$14.5M 2008 Bond Issue Fund for the fiscal year was an increase of \$14,003,503 due primarily to proceeds from the issuance of general obligation bonds during the fiscal year. The net change in fund balance for the Other Governmental Funds for the fiscal year less prior period adjustments and inventory changes was an increase of \$1,344,074 due primarily to the excess of revenues and other financing sources over expenditures and other financing uses in various Debt Service Funds.

#### BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget. Budget revisions were made during the fiscal year to reclassify expenditure types when needed and to adjust revenues and expenditures to more accurately reflect actual activity during the fiscal year. However, the budget revisions were routine in nature and were insignificant when compared with the District's total revenues and expenditures.

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, 2008, the District's total capital assets, before depreciation, were \$32,987,627, including land, construction in progress, buildings, improvements other than buildings, mobile equipment and furniture and equipment. This amount represents a gross increase of \$2,773,088 from the previous year. During the fiscal year, the District continued the renovation and construction of school facilities, completed various improvements and purchased various items of mobile equipment and furniture and equipment. Total depreciation expense for the year was \$568,884. Total accumulated depreciation as of June 30, 2008 was \$16,301,075, resulting in total net capital assets of \$16,686,552.

**MERIDIAN PUBLIC SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2008

	Capital Assets		Percentage Change
	2008	2007	
Land	\$ 490,164	\$ 518,138	-5.4%
Construction in progress	1,505,871	-	100.0%
Buildings	8,301,159	8,247,096	0.7%
Improvements other than buildings	5,324,955	4,459,011	19.4%
Mobile equipment	988,177	1,110,895	-11.0%
Furniture and equipment	76,226	37,257	104.6%
<b>Total</b>	<b>\$ 16,686,552</b>	<b>\$ 14,372,397</b>	<b>16.1%</b>

**Debt Administration.** At June 30, 2008, the District had \$22,915,939 in general obligation bonds and other long-term debt outstanding, of which \$1,804,790 is due within one year. During the fiscal year, the District received proceeds in the amount of \$19,500,000 from the issuance of general obligation bonds. The District made principal payments in the amount of \$2,311,238 during the fiscal year, including the repayment of a \$1,500,000 short term loan.

	Outstanding Debt		Percentage Change
	2008	2007	
General obligation bonds payable	\$ 19,580,000	\$ 252,000	7669.8%
Three mill notes payable	-	415,000	-100.0%
Transportation notes payable	262,710	385,970	-31.9%
Obligations under energy efficiency lease	192,655	250,397	-23.1%
Qualified zone academy bonds payable	2,500,000	2,500,000	0.0%
Compensated absences payable	380,574	423,810	-10.2%
<b>Total</b>	<b>\$ 22,915,939</b>	<b>\$ 4,227,177</b>	<b>442.1%</b>

**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**

MERIDIAN PUBLIC SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2008

Exhibit A

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 22,316,831
Cash with fiscal agent	51,998
Investments	1,791,798
Due from other governments	2,128,176
Other receivables, net	32,997
Inventory	161,912
Restricted assets	1,580
Capital assets, not being depreciated:	
Land	490,164
Construction in progress	1,505,871
Capital assets, net of accumulated depreciation:	
Buildings	8,301,159
Improvements other than buildings	5,324,955
Mobile equipment	988,177
Furniture and fixtures	<u>76,226</u>
Total assets	<u>\$ 43,171,844</u>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	\$ 291,763
Interest payable on long-term liabilities	383,601
Long-term liabilities, due within one year	
Capital related liabilities	1,809,191
Long-term liabilities, due beyond one year	
Capital related liabilities	20,726,174
Non-capital liabilities	<u>380,574</u>
Total liabilities	<u>\$ 23,591,303</u>

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

**MERIDIAN PUBLIC SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS** (continued)  
June 30, 2008

**Exhibit A**

**NET ASSETS**

Invested in capital assets, net of related debt	\$ 11,410,603
Restricted net assets:	
Expendable:	
School - based activities	1,324,084
Debt service	2,882,771
Forestry improvements	28,804
Unemployment benefits	144,715
Non-expendable:	
Sixteenth section	1,501
Unrestricted	<u>3,788,063</u>
Total net assets	<u>\$ 19,580,541</u>

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, 2008**

**Exhibit B**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Capital</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Grants and</u>	<u>Governmental</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Activities</u>
			<u>Contributions</u>	<u>Contributions</u>	
<b>Governmental Activities:</b>					
Instruction	\$ 34,606,732	\$ 617,073	\$ 5,572,390	\$ -	\$ (28,417,269)
Support services	17,638,446	124,317	2,458,497	-	(15,055,632)
Non-instructional services	3,925,589	404,893	3,043,524	-	(477,172)
Sixteenth section	26,926	-	-	-	(26,926)
Interest on long-term liabilities	572,920	-	-	-	(572,920)
Total governmental activities	<u>\$ 56,770,613</u>	<u>\$ 1,146,283</u>	<u>\$ 11,074,411</u>	<u>\$ -</u>	<u>\$ (44,549,919)</u>
 <b>General Revenues:</b>					
Taxes:					
General purpose levies					\$ 13,961,460
Debt service levies					1,592,005
Unrestricted grants and contributions:					
State					28,144,329
Federal					12,372
Unrestricted investment earnings					877,024
Sixteenth section sources					169,578
Other					795,909
Total general revenues					<u>\$ 45,572,677</u>
Change in net assets					<u>\$ 1,022,758</u>
Net assets - Beginning					\$ 18,470,054
Prior period adjustments					87,729
Net assets - Restated					<u>18,557,783</u>
Net assets - Ending					<u>\$ 19,580,541</u>

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

**MERIDIAN PUBLIC SCHOOL DISTRICT**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
 June 30, 2008

**Exhibit C**

	General Fund	Title I Fund 2211	\$5M 2007 Bond Issue Fund 3027	\$14.5M 2008 Bond Issue Fund 3037	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 2,292,939	-	\$ 3,299,891	\$ 14,186,976	\$ 2,538,605	\$ 22,318,411
Cash with fiscal agent	-	-	-	-	51,998	51,998
Investments	-	-	-	-	1,791,798	1,791,798
Due from other governments	697,701	425,891	-	-	1,004,584	2,128,176
Due from other funds	1,319,086	-	-	-	3,761	1,322,847
Inventory	80,705	-	-	-	81,207	161,912
<b>Total assets</b>	<b>\$ 4,390,431</b>	<b>\$ 425,891</b>	<b>\$ 3,299,891</b>	<b>\$ 14,186,976</b>	<b>\$ 5,471,953</b>	<b>\$ 27,775,142</b>

**LIABILITIES & FUND BALANCES**

Liabilities:									
Accounts payable and accrued liabilities	\$ 141,089	\$ -	\$ 30,747	\$ 41,728	\$ 78,199	\$ 291,763			
Due to other funds	-	425,891	13,231	141,745	708,983	1,289,850			
	<u>\$ 141,089</u>	<u>\$ 425,891</u>	<u>\$ 43,978</u>	<u>\$ 183,473</u>	<u>\$ 787,182</u>	<u>\$ 1,581,613</u>			
<b>Total liabilities</b>									
Fund balances:									
Reserved for:									
Inventory	\$ 80,705	\$ -	\$ -	\$ -	\$ 81,207	\$ 161,912			
Unemployment benefits	-	-	-	-	144,715	144,715			
Forestry improvements	-	-	-	-	28,804	28,804			
Capital projects	-	-	3,255,913	14,003,503	-	17,259,416			
Debt service	-	-	-	-	3,266,372	3,266,372			
Permanent fund	-	-	-	-	1,501	1,501			
Unreserved, reported in:									
General funds	4,168,637	-	-	-	-	4,168,637			
Special revenue funds	-	-	-	-	1,162,093	1,162,093			
Permanent fund	-	-	-	-	79	79			
	<u>\$ 4,249,342</u>	<u>\$ -</u>	<u>\$ 3,255,913</u>	<u>\$ 14,003,503</u>	<u>\$ 4,684,771</u>	<u>\$ 26,193,529</u>			
<b>Total fund balances</b>									
	<u>\$ 4,390,431</u>	<u>\$ 425,891</u>	<u>\$ 3,299,891</u>	<u>\$ 14,186,976</u>	<u>\$ 5,471,953</u>	<u>\$ 27,775,142</u>			
<b>Total liabilities &amp; fund balances</b>									

**MERIDIAN PUBLIC SCHOOL DISTRICT**  
**RECONCILIATION OF GOVERNMENTAL FUNDS**  
**BALANCE TO THE STATEMENT OF NET ASSETS**  
June 30, 2008

**Exhibit C-1**

Amount

Total Fund Balance - Governmental Funds	\$ 26,193,529
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$16,301,075.	16,686,552
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(22,915,939)
--	--------------

Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Net Assets recognizes interest as it accrues.	<u>(383,601)</u>
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Total Net Assets - Governmental Activities	<u>\$ 19,580,541</u>
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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, 2008

Exhibit D

	General Fund	Title I Fund 2211	\$5M 2007 Bond Issue Fund 3027	\$14.5M 2008 Bond Issue Fund 3037	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Local sources	\$ 15,025,463	\$ -	\$ 192,781	\$ 246,220	\$ 2,739,351	\$ 18,203,815
Intermediate sources	10,050	-	-	-	-	10,050
State sources	28,621,354	-	-	-	985,282	29,606,636
Federal sources	64,722	3,055,806	-	-	6,503,948	9,624,476
Sixteenth section sources	-	-	-	-	169,578	169,578
<b>Total revenues</b>	<b>\$ 43,721,589</b>	<b>\$ 3,055,806</b>	<b>\$ 192,781</b>	<b>\$ 246,220</b>	<b>\$ 10,398,159</b>	<b>\$ 57,614,555</b>
<b>EXPENDITURES</b>						
Instruction	\$ 28,078,435	\$ 1,435,394	\$ -	\$ -	\$ 4,773,642	\$ 34,287,471
Support services	14,710,391	1,446,815	-	-	1,324,638	17,481,844
Noninstructional services	316,442	80,551	-	-	3,460,046	3,857,039
Sixteenth section	-	-	-	-	26,926	26,926
Facilities acquisition and construction	71,840	-	1,897,902	682,010	193,761	2,845,513
Debt service:						
Principal	57,742	-	-	-	710,260	768,002
Interest	25,896	-	-	-	31,859	57,755
Other	-	-	38,966	123,491	646	163,103
<b>Total expenditures</b>	<b>\$ 43,260,746</b>	<b>\$ 2,962,760</b>	<b>\$ 1,936,868</b>	<b>\$ 805,501</b>	<b>\$ 10,521,778</b>	<b>\$ 59,487,653</b>
Excess (deficiency) of revenues over expenditures	\$ 460,843	\$ 93,046	\$ (1,744,087)	\$ (559,281)	\$ (123,619)	\$ (1,873,098)

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

**OTHER FINANCING SOURCES (USES)**

Proceeds of general obligation bonds	\$ -	\$ -	\$ 5,000,000	\$ 14,500,000	\$ -	\$ 19,500,000
Premium on bond issuance	-	-	-	62,784	-	62,784
Insurance loss recoveries	756	-	-	-	-	756
Sale of land	-	-	-	-	142,000	142,000
Operating transfers in	314,013	-	-	-	1,773,144	2,087,157
Payments held by QZAB debt escrow agent	-	-	-	-	150,000	150,000
Other financing sources	-	-	-	-	1,250	1,250
Operating transfers out	(1,624,000)	(93,046)	-	-	(370,111)	(2,087,157)
Payments to QZAB debt escrow agent	-	-	-	-	(150,000)	(150,000)

Total other financing sources and uses

	\$ (1,309,231)	\$ (93,046)	\$ 5,000,000	\$ 14,562,784	\$ 1,546,283	\$ 19,706,790
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Net change in fund balances

	\$ (848,388)	\$ -	\$ 3,255,913	\$ 14,003,503	\$ 1,422,664	\$ 17,833,692
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Fund balances:

July 1, 2007	\$ 5,015,676	\$ -	\$ -	\$ -	\$ 3,340,697	\$ 8,356,373
Prior period adjustments	64,197	-	-	-	(23,623)	40,574
Adjusted fund balance, July 1, 2007	\$ 5,079,873	\$ -	\$ -	\$ -	\$ 3,317,074	\$ 8,396,947
Increase (decrease) in inventory	\$ 17,857	\$ -	\$ -	\$ -	\$ (54,967)	\$ (37,110)
June 30, 2008	\$ 4,249,342	\$ -	\$ 3,255,913	\$ 14,003,503	\$ 4,684,771	\$ 26,193,529

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, 2008

**Exhibit D-1**

	Amount
Net change in fund balances (Exhibit D)	\$ 17,833,692
Amounts reported in the statement of activities (Exhibit B) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$2,865,042 and the depreciation expense amounted to \$568,884.	2,296,158
The issuance of long-term debt provides current financial resources to governmental funds, but the issuance increases long-term liabilities for governmental activities.	(21,000,000)
Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities for governmental activities.	2,268,002
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.	(352,062)
Gains and losses on the sale or disposal of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(29,158)
Decrease in inventory is recorded as an adjustment to fund balance in the governmental funds, but non-instructional expenditures are increased in the Statement of Activities.	(37,110)
Expenses in the Statement of Activities not normally paid with expendable available resources are not reported as expenditures in the governmental funds:	
Compensated absences	43,236
Change in net assets (Exhibit B)	<u>\$ 1,022,758</u>

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

**MERIDIAN PUBLIC SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
June 30, 2008

Exhibit E

	<b>Private-Purpose Trust Funds</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 500	\$ 2,356,844
Investments	<u>177,242</u>	<u>-</u>
Total Assets	<u>\$ 177,742</u>	<u>\$ 2,356,844</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 9,000	\$ 2,240,273
Due to other funds	-	32,997
Due to student clubs	<u>-</u>	<u>83,574</u>
Total Liabilities	<u>\$ 9,000</u>	<u>\$ 2,356,844</u>
<b>NET ASSETS</b>		
Reserved for endowments	<u>\$ 168,742</u>	
Total Net Assets	<u>\$ 168,742</u>	

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, 2008

Exhibit F

	<b>Private-Purpose Trust Funds</b>
<b>Additions</b>	
Interest on investments	\$ 7,945
Contributions and donations from private sources	<u>1,549</u>
Total additions	<u>\$ 9,494</u>
<b>Deductions</b>	
Scholarships awarded	\$ 8,500
Net decrease in fair value of investments	<u>15,100</u>
Total deductions	<u>\$ 23,600</u>
<b>Change in net assets</b>	<b>\$ (14,106)</b>
<b>Net Assets</b>	
July 1, 2007	<u>\$ 182,848</u>
June 30, 2008	<u><u>\$ 168,742</u></u>

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

**MERIDIAN PUBLIC SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2008

**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**

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.

For financial reporting purposes, Meridian Public School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board.

**B. Basis of Presentation**

*Government-wide Financial Statements:*

The Statement of Net Assets and Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

**MERIDIAN PUBLIC SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2008

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

1. Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

*Fund Financial Statements:*

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

The school district reports the following major governmental funds:

General Fund – This is the school district's primary operating fund. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support, and other costs.

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

**MERIDIAN PUBLIC SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2008

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

\$5M 2007 Bond Issue Fund – This is a capital projects fund. It accounts for the proceeds received on the \$5M 2007 Bond Issue and related construction and renovation projects including cafeteria air conditioning, Meridian High School auditorium seating replacement, tennis courts and track and field renovations and retaining wall repairs at Magnolia Middle School as well as various other improvements.

\$14.5M 2008 Bond Issue Fund – This is a capital projects fund. It accounts for the proceeds received on the \$14.5M 2008 Bond Issue and related construction and renovation projects including constructing and equipping a new ninth grade building, renovating and configuring facilities for small learning communities at Meridian High School, and making various other improvements and renovations at all school campuses.

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

Additionally, the school district reports the following fund types:

**GOVERNMENTAL FUNDS**

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

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

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

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

**FIDUCIARY FUNDS**

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

**MERIDIAN PUBLIC SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2008

**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.

**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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

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

**MERIDIAN PUBLIC SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2008

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

levies are not recognized until the taxes are actually collected by the tax levying authority.

Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The effect of interfund activity has been eliminated from the government-wide statements.

Revenues from the Mississippi Adequate Education Program Revenues are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

**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.

**MERIDIAN PUBLIC SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2008

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

**F. Assets, Liabilities, and Net Assets**

**1. Cash, Cash Equivalents and Investments**

Cash and cash equivalents

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

Investments

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

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

Investments are reported at fair market value.

**2. Receivables and payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

**3. Due from Other Governments**

Due from other governments represents amounts due from the State of Mississippi, and various grants and reimbursements from other governments.

**MERIDIAN PUBLIC SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2008

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

4. 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.

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the balance sheet because their use is limited by applicable debt statutes. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this account.

6. Capital Assets.

Capital assets, which include property, plant, furniture and equipment, are reported in the applicable governmental column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the following table and estimated useful lives in excess of two years.

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.

**MERIDIAN PUBLIC SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2008

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

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.

**7. Compensated Absenses**

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. 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 the compensated absence liability payable from expendable available financial resources only if the payable has matured, for example, an employee retires.

**8. Long-term liabilities, Deferred Debt Expense, and Bond Discounts/Premiums**

In the government-wide financial statement, outstanding debit is reported as liabilities. Bond issue cost, bond discounts or premiums, and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

**MERIDIAN PUBLIC SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2008

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

The governmental fund financial statements recognize the proceeds of debt and premiums as other financial sources of the current period. Issuance costs are reported as expenditures.

**9. Fund equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specified purpose. Designations of fund balance represent tentative management plans that are subject to change.

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

Reserved for debt service – An account that represents that portion of fund balance in the Debt Service Fund which 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 forestry improvements – An account that represents a portion of the fund balance that is legally restricted for improving sixteenth section forest lands.

Reserved for permanent fund purposes – An account that represents a portion of the fund balance that is legally restricted for investment purposes or borrowing by the school board for capital purposes.

**MERIDIAN PUBLIC SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2008

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

Unreserved, undesignated – An account that represents the portion of fund balance that is expendable available financial resources.

**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 Deposit 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.

MERIDIAN PUBLIC SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2008

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

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 \$22,318,411 and \$2,357,344, respectively. The carrying amount of deposits reported in the government-wide statements was: cash and cash equivalents \$22,316,831 and restricted assets \$1,580. The restricted assets of \$1,580 represent the cash balance of Sixteenth Section 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 \$1,580.

*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, 2008 none of the district's bank balance of \$26,363,228 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 \$51,998.

Investments

As of June 30, 2008, the district had the following investments:

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>	<u>Rating</u>
Federal National Mortgage Association	1 to 5	\$ 1,791,798	A-1+
Mutual Funds	1 to 5	<u>177,242</u>	N/A
Total Investments		<u>\$ 1,969,040</u>	

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

**MERIDIAN PUBLIC SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2008

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

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 party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2008, 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, 2008, the district had the following investments:

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
UBS Financial Services, Inc. - Mutual Funds	\$ 177,242	9%
Trustmark National Bank - Mortgage Backed Securities	1,791,798	91%
	<u>\$ 1,969,040</u>	

**MERIDIAN PUBLIC SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2008

**Note 3. Interfund Transactions and Balances**

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	<u>Due from</u>	<u>Due to</u>
Governmental funds:		
General fund	\$ 1,319,086	\$ -
Title I	-	425,891
\$5M 2007 bond issue fund	-	13,231
\$14.5 2008 bond issue fund	-	141,745
Other governmental funds	3,761	708,983
Fiduciary Funds	<u>-</u>	<u>32,997</u>
Total Funds	<u>\$ 1,322,847</u>	<u>\$ 1,322,847</u>

B. Transfers In/Out:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental funds:		
General fund	\$ 314,013	\$ 1,624,000
Title I	-	93,046
Other governmental funds	<u>1,773,144</u>	<u>370,111</u>
Total Funds	<u>\$ 2,087,157</u>	<u>\$ 2,087,157</u>

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

**MERIDIAN PUBLIC SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2008

**Note 4. Capital Assets**

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

	Balance 7/1/2007	Additions	Retirements	Adjustments*	Balance 6/30/2008
<b>Non-depreciable capital assets:</b>					
Land	\$ 518,138	\$ -	\$ (27,974)	\$ -	\$ 490,164
Construction in progress	<u>-</u>	<u>1,505,871</u>	<u>-</u>	<u>-</u>	<u>1,505,871</u>
<b>Total non-depreciable Capital assets</b>	<b>\$ 518,138</b>	<b>\$ 1,505,871</b>	<b>\$ (27,974)</b>	<b>\$ -</b>	<b>\$ 1,996,035</b>
<b>Depreciable capital assets:</b>					
Buildings	\$ 18,281,033	\$ 226,600	\$ -	\$ -	\$ 18,507,633
Improvements other than buildings	6,435,011	1,073,372	-	(26,421)	7,481,962
Mobile equipment	3,481,045	7,970	(14,977)	7,338	3,481,376
Furniture and equipment	<u>1,499,312</u>	<u>51,229</u>	<u>(29,920)</u>	<u>-</u>	<u>1,520,621</u>
<b>Total depreciable capital assets</b>	<b>\$ 29,696,401</b>	<b>\$ 1,359,171</b>	<b>\$ (44,897)</b>	<b>\$ (19,083)</b>	<b>\$ 30,991,592</b>
<b>Less accumulated depreciation for:</b>					
Buildings	\$ 10,033,937	\$ 172,531	\$ -	\$ 6	\$ 10,206,474
Improvements other than buildings	1,976,000	215,064	-	(34,057)	2,157,007
Mobile equipment	2,370,150	156,510	(14,092)	(19,369)	2,493,199
Furniture and equipment	<u>1,462,055</u>	<u>24,779</u>	<u>(29,621)</u>	<u>(12,818)</u>	<u>1,444,395</u>
<b>Total accumulated depreciation</b>	<b>\$ 15,842,142</b>	<b>\$ 568,884</b>	<b>\$ (43,713)</b>	<b>\$ (66,238)</b>	<b>\$ 16,301,075</b>
<b>Total depreciable capital assets, net</b>	<b>\$ 13,854,259</b>	<b>\$ 790,287</b>	<b>\$ (1,184)</b>	<b>\$ 47,155</b>	<b>\$ 14,690,517</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 14,372,397</b>	<b>\$ 2,296,158</b>	<b>\$ (29,158)</b>	<b>\$ 47,155</b>	<b>\$ 16,686,552</b>

\*Adjustments to the asset and accumulated depreciation balances are the result of errors made in prior years discovered during the fiscal year ended June 30, 2008. These adjustments are included in the amounts shown in Note 8.

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 357,846
Support services	<u>211,038</u>
<b>Total depreciation expense</b>	<b>\$ 568,884</b>

**MERIDIAN PUBLIC SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2008

**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			Balance	Amounts
	<u>7/1/2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/2008</u>	<u>due within</u>
					<u>one year</u>
A. General obligation bonds payable	\$ 252,000	\$ 19,500,000	\$ 172,000	\$ 19,580,000	\$ 1,620,000
B. Three mill notes payable	415,000	-	415,000	-	-
C. Transportation equipment loans payable	385,970	-	123,260	262,710	128,325
D. Obligations under energy efficiency lease	250,397	-	57,742	192,655	60,866
E. Qualified zone academy bonds payable	2,500,000	-	-	2,500,000	-
F. Compensated absences payable	<u>423,810</u>	<u>-</u>	<u>43,236</u>	<u>380,574</u>	<u>-</u>
Total	<u>\$ 4,227,177</u>	<u>\$ 19,500,000</u>	<u>\$ 811,238</u>	<u>\$ 22,915,939</u>	<u>\$ 1,809,191</u>

**A. General obligation bonds payable**

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
2003 Refunding	2.32%	5/1/2003	11/1/2008	\$ 923,000	\$ 80,000
2007 Bond Issue	4.20%	8/1/2007	8/1/2017	5,000,000	5,000,000
2008 Bond Issue	3.85%	3/1/2008	3/1/2023	<u>14,500,000</u>	<u>14,500,000</u>
Total				<u>\$ 20,423,000</u>	<u>\$ 19,580,000</u>

**MERIDIAN PUBLIC SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2008

**Note 5. Long-term Liabilities (continued)**

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

1. Bond issue of 2003

Year Ending June 30	Principal	Interest	Total
2009	\$ 80,000	\$ 1,100	\$ 81,100

This debt will be retired from the debt service fund 4035.

2. Bond issue of 2007

Year Ending June 30	Principal	Interest	Total
2009	\$ 1,250,000	\$ 288,750	\$ 1,538,750
2010	300,000	151,200	451,200
2011	350,000	137,550	487,550
2012	375,000	122,325	497,325
2013	400,000	106,050	506,050
2014-2018	<u>2,325,000</u>	<u>251,475</u>	<u>2,576,475</u>
	<u>\$ 5,000,000</u>	<u>\$ 1,057,350</u>	<u>\$ 6,057,350</u>

This debt will be retired from the debt service fund 4035.

3. Bond issue of 2008

Year Ending June 30	Principal	Interest	Total
2009	\$ 290,000	\$ 544,313	\$ 834,313
2010	500,000	532,713	1,032,713
2011	550,000	515,213	1,065,213
2012	575,000	497,338	1,072,338
2013	625,000	478,650	1,103,650
2014-2018	4,375,000	2,059,689	6,434,689
2019-2023	<u>7,585,000</u>	<u>868,000</u>	<u>8,453,000</u>
	<u>\$ 14,500,000</u>	<u>\$ 5,495,916</u>	<u>\$ 19,995,916</u>

This debt will be retired from the debt service fund 4035.

**MERIDIAN PUBLIC SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2008

**Note 5. Long-term Liabilities (continued)**

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2009	\$ 1,620,000	\$ 834,163	\$ 2,454,163
2010	800,000	683,913	1,483,913
2011	900,000	652,763	1,552,763
2012	950,000	619,663	1,569,663
2013	1,025,000	584,700	1,609,700
2014-2018	6,700,000	2,311,164	9,011,164
2019-2023	<u>7,585,000</u>	<u>868,000</u>	<u>8,453,000</u>
	<u>\$ 19,580,000</u>	<u>\$ 6,554,366</u>	<u>\$ 26,134,366</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). 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 Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2008, the amount of outstanding bonded indebtedness was equal to 8.4% of property assessments as of October 1, 2007.

**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	\$ -
Total				<u>\$ 1,750,000</u>	<u>\$ -</u>

**MERIDIAN PUBLIC SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2008

**Note 5. Long-term Liabilities (continued)**

C. Transportation equipment loans payable

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Transportation equipment	4.125%	11/14/2006	11/14/2009	\$ 385,970	\$ 262,710
Total				<u>\$ 385,970</u>	<u>\$ 262,710</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 128,325	\$ 10,989	\$ 139,314
2010	<u>134,385</u>	<u>4,929</u>	<u>139,314</u>
Total	<u>\$ 262,710</u>	<u>\$ 15,918</u>	<u>\$ 278,628</u>

This debt will be retired from the education enhance fund – buildings and buses (2410).

D. Obligations under energy efficiency lease.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Energy Efficiency Improvements	5.41%	10/31/2002	10/23/2012	\$ 539,675	\$ 192,655
Total				<u>\$ 539,675</u>	<u>\$ 192,655</u>

**MERIDIAN PUBLIC SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2008

**Note 5. Long-term Liabilities (continued)**

Details of the district's June 30, energy efficiency lease payable are as follows:

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2009	\$ 60,866	\$ 10,423	\$ 71,289
2010	64,159	7,130	71,289
2011	67,630	3,659	71,289
Total	<u>\$ 192,655</u>	<u>\$ 21,212</u>	<u>\$ 213,867</u>

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

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

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

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

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

**E. Qualified zone academy bonds payable**

As more fully explained in Note 10, 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				<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>

**MERIDIAN PUBLIC SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2008

**Note 5. Long-term Liabilities (continued)**

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

**F. Compensated absences payable.**

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

**Note 6. Short-term Financing**

During the fiscal year ended June 30, 2008, the school district participated in the following short-term financing to provide money for school purposes in anticipation of the collection of taxes and other revenues.

The Meridian Public School District issued a revenue anticipation note payable to Great Southern National Bank, and the proceeds from such issuance are accounting for as a current liability in the general fund of the school district. Once the cash flow was available the district made a payment consisting of principal and interest to the trustee.

All transactions related to participation in this program are accounted for as part of the school district's General Fund.

Changes in short-term debt activity recorded in the governmental activities during fiscal year 2008 are as follows:

<u>Description</u>	<u>Balance 7/1/2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2008</u>
Tax & revenue anticipation note payable	\$ -	\$ 1,500,000	\$ 1,500,000	\$ -
Total	\$ -	\$ 1,500,000	\$ 1,500,000	\$ -

**MERIDIAN PUBLIC SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2008

**Note 7. Defined Benefit Pension Plan**

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2008, was 11.85% 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, 2008, 2007 and 2006 were \$4,058,551, \$3,804,204 and \$3,527,056, respectively, which equaled the required contributions for each year.

**Note 8. Sixteenth Section Lands**

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

**MERIDIAN PUBLIC SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended June 30, 2008

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

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

Year Ending	<u>Amount</u>
<u>June 30</u>	
2009	\$ 14,881
2010	14,881
2011	9,253
2012	5,404
2013	5,404
2014-2018	27,020
2019-2023	27,020
2024-2028	27,020
2029 and after	<u>17,886</u>
Total	<u>\$ 148,769</u>

**Note 9. Prior Period Adjustments**

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
Correction of prior period transactions	<u>\$ 87,729</u>
Total	<u>\$ 87,729</u>

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

<u>Major funds:</u>	<u>Explanation</u>	<u>Amount</u>
General funds	Correction of prior period transactions	\$ 17,857
Other Governmental Funds	Correction of prior period transactions	<u>(54,967)</u>
Total		<u>\$ (37,110)</u>

**MERIDIAN PUBLIC SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2008

**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.

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 95 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 Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, 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.

**MERIDIAN PUBLIC SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2008

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

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

<u>Year ending June 30</u>	<u>Amount</u>
2009	\$ 150,000
2010	144,000
2011	<u>98,000</u>
Totals	<u>\$ 392,000</u>

**MERIDIAN PUBLIC SCHOOL DISTRICT  
REQUIRED SUPPLEMENTAL INFORMATION**

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

**MERIDIAN PUBLIC SCHOOL DISTRICT**

**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND**

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Positive (Negative) Original to Final	Positive (Negative) Final to Actual
<b>REVENUES</b>					
Local sources	\$ 15,268,287	\$ 15,025,463	\$ 15,025,463	\$ (242,824)	\$ -
Intermediate sources	-	10,050	10,050	10,050	-
State sources	29,119,190	28,621,354	28,621,354	(497,836)	-
Federal sources	87,140	64,722	64,722	(22,418)	-
<b>Total revenues</b>	<b>\$ 44,474,617</b>	<b>\$ 43,721,589</b>	<b>\$ 43,721,589</b>	<b>\$ (753,028)</b>	<b>\$ -</b>
<b>EXPENDITURES</b>					
Instruction	\$ 28,347,463	\$ 28,078,435	\$ 28,078,435	\$ 269,028	\$ -
Support services	15,152,301	14,710,391	14,710,391	441,910	-
Noninstructional services	296,847	298,585	316,442	(1,738)	(17,857)
Facilities acquisition and construction	75,000	71,840	71,840	3,160	-
Debt service:					
Principal	1,500,000	1,557,742	57,742	(57,742)	1,500,000
Interest	18,000	25,896	25,896	(7,896)	-
<b>Total expenditures</b>	<b>\$ 45,389,611</b>	<b>\$ 44,742,889</b>	<b>\$ 43,260,746</b>	<b>\$ 646,722</b>	<b>\$ 1,482,143</b>
<b>Excess (deficiency) of revenues</b>	<b>\$ (914,994)</b>	<b>\$ (1,021,300)</b>	<b>\$ 460,843</b>	<b>\$ (106,306)</b>	<b>\$ 1,482,143</b>

**OTHER FINANCING SOURCES (USES)**

Proceeds of loans	\$ 1,500,000	\$ 1,500,000	\$ -	\$ -	\$ (1,500,000)
Insurance loss recoveries	442,000	756	756	(441,244)	-
Sale of transportation equipment	3,200	-	-	(3,200)	-
Operating transfers in	5,298,301	5,269,399	314,013	(28,902)	(4,955,386)
Operating transfers out	<u>(6,301,582)</u>	<u>(6,579,386)</u>	<u>(1,624,000)</u>	<u>(277,804)</u>	<u>4,955,386</u>

**Total other financing sources (uses)**

\$ 941,919 \$ 190,769 \$ (1,309,231) \$ (751,150) \$ (1,500,000)

**Net change in fund balances**

\$ 26,925 \$ (830,531) \$ (848,388) \$ (857,456) \$ (17,857)

**FUND BALANCES**

July 1, 2007	\$ 3,261,342	\$ 4,413,233	\$ 5,015,676	\$ 1,151,891	\$ 602,443
Prior period adjustments	64,197	64,197	-	-	-
July 1, 2007, as restated	<u>3,325,539</u>	<u>4,477,430</u>	<u>5,079,873</u>	<u>1,151,891</u>	<u>602,443</u>
Changes in inventory	17,857	17,857	17,857	-	-
<b>June 30, 2008</b>	<u>\$ 3,370,321</u>	<u>\$ 3,664,756</u>	<u>\$ 4,249,342</u>	<u>\$ 294,435</u>	<u>\$ 584,586</u>

MERIDIAN PUBLIC SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE FOR THE TITLE I FUND  
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Positive (Negative) Original to Final	Positive (Negative) Final to Actual
<b>REVENUES</b>					
Federal sources	\$ 4,129,970	\$ 4,135,956	\$ 3,055,806	\$ 5,986	\$ (1,080,150)
<b>Total revenues</b>	\$ 4,129,970	\$ 4,135,956	\$ 3,055,806	\$ 5,986	\$ (1,080,150)
<b>EXPENDITURES</b>					
Instruction	\$ 2,352,774	\$ 1,920,439	\$ 1,435,394	\$ 432,335	\$ 485,045
Support services	1,497,839	1,931,058	1,446,815	(433,219)	484,243
Non-instructional services	111,488	148,307	80,551	(36,819)	67,756
<b>Total expenditures</b>	\$ 3,962,101	\$ 3,999,804	\$ 2,962,760	\$ (37,703)	\$ 1,037,044
Excess (deficiency) of revenue over expenditures	\$ 167,869	\$ 136,152	\$ 93,046	\$ (31,717)	\$ (43,106)
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers out	\$ (108,025)	\$ (93,046)	\$ (93,046)	\$ 14,979	\$ -
<b>Total other financing sources (uses)</b>	\$ (108,025)	\$ (93,046)	\$ (93,046)	\$ 14,979	\$ -
Net change in fund balances	\$ 59,844	\$ 43,106	\$ -	\$ (16,738)	\$ (43,106)
<b>FUND BALANCES</b>					
July 1, 2007	\$ -	\$ -	\$ -	\$ -	\$ -
June 30, 2008	\$ 59,844	\$ 43,106	\$ -	\$ (16,738)	\$ (43,106)

**MERIDIAN PUBLIC SCHOOL DISTRICT**

**NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION**

For the Year Ended June 30, 2008

**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, 2008

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:		
Fresh Fruit and Vegetable Program	10.582	\$ <u>10,042</u>
Child Nutrition Cluster:		
School Breakfast Program	10.553	727,379
National School Lunch Program	10.555	2,121,373
Summer Food Service Program for Children	10.559	<u>153,875</u>
Total child nutrition cluster		\$ <u>3,002,627</u>
Total U.S. Department of Agriculture		\$ <u>3,012,669</u>
U.S. Department of Defense		
Direct Programs:		
Reserve officers training corps	12.XXX	\$ <u>69,858</u>
Total U.S. Department of Defense		\$ <u>69,858</u>
U.S. Department of Labor		
Passed-through Mississippi Development Authority:		
Workforce Investment Act - Youth Activities	17.259	\$ <u>480,477</u>
Total U.S. Department of Labor		\$ <u>480,477</u>
U.S. Department of Education		
Direct Programs:		
Impact Aid	84.041	\$ <u>52,350</u>
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	3,117,091
Career and Technical Education - basic grants to states	84.048	119,094
Safe and drug-free schools and communities - state grants	84.186	38,533
Twenty-First Century Community Learning Centers	84.287	112,634
State grants for innovative programs	84.298	12,999
Education technology state grants	84.318	32,307
Reading first state grant	84.357	417,901
Improving Teacher Quality - state grant	84.367	657,482
Grants for state assessments and related activities	84.369	34,401
RC Youth Health Grant	84.UN	<u>1,769</u>
		\$ <u>4,544,211</u>

**MERIDIAN PUBLIC SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
(continued)  
For the Year Ended June 30, 2008

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance #	Federal Expenditures
Special Education Cluster:		
Special Education - grants to states	84.027	\$ 1,336,540
Special Education - preschool grants	84.173	<u>79,796</u>
Total special education cluster		<u>\$ 1,416,336</u>
Total passed-through Mississippi Department of Education		<u>\$ 6,012,897</u>
Passed-through the Board Office of the State of Mississippi Institutions of Higher Learning:		
Gaining early awareness and readiness in undergraduate programs	84.334	<u>\$ 36,203</u>
U.S. Department of Homeland Security Passed-through Mississippi Emergency Management Agency:		
Disaster Grants - Public Assistance (Presidentially declared disasters)	97.036	<u>\$ 12,372</u>
Total Department of Homeland Security		<u>\$ 12,372</u>
Total Federal Financial Assistance		<u>\$ 9,624,476</u>

NOTES TO SCHEDULE

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

**MERIDIAN PUBLIC SCHOOL DISTRICT**

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

For the Year Ended June 30, 2008

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 46,320,729	\$ 36,140,292	\$ 1,034,541	\$ 3,103,052	\$ 6,042,844
Other	<u>14,666,924</u>	<u>3,772,941</u>	<u>715,064</u>	<u>72,395</u>	<u>10,106,524</u>
Total	<u>\$ 60,987,653</u>	<u>\$ 39,913,233</u>	<u>\$ 1,749,605</u>	<u>\$ 3,175,447</u>	<u>\$ 16,149,368</u>
 Total number of students	 <u>6,374</u>				
 Cost per student	 <u>\$ 9,568</u>	 <u>\$ 6,262</u>	 <u>\$ 274</u>	 <u>\$ 498</u>	 <u>\$ 2,534</u>

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

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

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

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

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

**MERIDIAN PUBLIC SCHOOL DISTRICT  
OTHER SUPPLEMENTAL INFORMATION**

MERIDIAN PUBLIC SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GENERAL FUND

UNAUDITED

Last Four Years

	2008	2007*	2006*	2005*
<b>REVENUES</b>				
Local sources	\$ 15,025,463	\$ 14,964,853	\$ 15,132,149	\$ 14,485,045
Intermediate sources	10,050	-	-	-
State sources	28,621,354	27,517,867	26,224,192	24,019,577
Federal sources	64,722	120,693	87,752	220,908
Sixteenth section sources	-	-	-	-
<b>Total revenues</b>	<b>\$ 43,721,589</b>	<b>\$ 42,603,413</b>	<b>\$ 41,444,093</b>	<b>\$ 38,725,530</b>
<b>EXPENDITURES</b>				
Instruction	\$ 28,078,435	\$ 26,909,174	\$ 25,225,412	\$ 24,123,339
Support services	14,710,391	15,397,149	13,888,384	12,929,570
Noninstructional services	316,442	310,059	260,705	308,184
Sixteenth section	-	-	-	-
Facilities acquisition and construction	71,840	176,274	-	-
Debt service:				
Principal	57,742	1,554,779	2,170,422	164,764
Interest	25,896	29,918	40,079	45,861
Other	-	-	-	-
<b>Total expenditures</b>	<b>\$ 43,260,746</b>	<b>\$ 44,377,353</b>	<b>\$ 41,585,002</b>	<b>\$ 37,571,718</b>
Excess (deficiency) of revenues over expenditures	\$ 460,843	\$ (1,773,940)	\$ (140,909)	\$ 1,153,812

<b>OTHER FINANCING SOURCES (USES)</b>							
Proceeds of general obligation bonds	\$	-	\$	-	\$	-	\$
Proceeds of loans		-	1,885,970	-	-	-	-
Premium on bond issuance		-	-	-	-	-	-
Insurance loss recoveries		756	2,818,310	213,643	114,580		
Sale of assets		-	3,200	-	-	-	-
Operating transfers in		314,013	4,987,783	4,532,266	4,362,139		
Payments held by QZAB debt escrow agent		-	-	-	-	-	-
Other financing sources		-	-	2,000,000	-	-	-
Operating transfers out		(1,624,000)	(8,954,064)	(5,796,284)	(5,528,051)		
Payments to QZAB debt escrow agent		-	-	-	-	-	-
<b>Total other financing sources and uses</b>	<b>\$</b>	<b>(1,309,231)</b>	<b>\$ 741,199</b>	<b>\$ 949,625</b>	<b>\$ (1,051,332)</b>		
<b>Net change in fund balances</b>	<b>\$</b>	<b>(848,388)</b>	<b>\$ (1,032,741)</b>	<b>\$ 808,716</b>	<b>\$ 102,480</b>		
<b>Fund balances:</b>							
July 1, 2007	\$	5,015,676	\$ 6,022,123	\$ 5,166,376	\$ 5,078,116		
Prior period adjustments		64,197	4,505	15,584	(14,220)		
July 1, 2007, as restated	\$	5,079,873	\$ 6,026,628	\$ 5,181,960	\$ 5,063,896		
Increase (decrease) in inventory	\$	17,857	\$ 21,789	\$ 31,447	\$ -		
June 30, 2008	\$	4,249,342	\$ 5,015,676	\$ 6,022,123	\$ 5,166,376		

\* SOURCE - PRIOR YEAR AUDIT REPORTS

MERIDIAN PUBLIC SCHOOL DISTRICT

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

Last Four Years

UNAUDITED

	2008	2007*	2006*	2005*
<b>REVENUES</b>				
Local sources	\$ 18,203,815	\$ 16,121,344	\$ 16,807,672	\$ 16,089,607
Intermediate sources	10,050	-	-	-
State sources	29,606,636	28,422,031	27,158,157	24,888,564
Federal sources	9,624,476	10,132,865	11,309,393	9,681,653
Sixteenth section sources	169,578	225,899	208,975	105,170
<b>Total revenues</b>	<b>\$ 57,614,555</b>	<b>\$ 54,902,139</b>	<b>\$ 55,484,197</b>	<b>\$ 50,764,994</b>
<b>EXPENDITURES</b>				
Instruction	\$ 34,287,471	\$ 33,079,013	\$ 32,127,245	\$ 30,055,581
Support services	17,481,844	20,118,309	18,837,437	16,633,752
Noninstructional services	3,857,039	3,645,346	3,541,107	3,735,471
Sixteenth section	26,926	30,090	32,994	25,068
Facilities acquisition and construction	2,845,513	3,168,338	-	-
Debt service:				
Principal	768,002	2,416,779	2,992,422	336,764
Interest	57,755	66,392	92,658	61,463
Other	163,103	647	8,819	9,168
<b>Total expenditures</b>	<b>\$ 59,487,653</b>	<b>\$ 62,524,914</b>	<b>\$ 57,632,682</b>	<b>\$ 50,857,267</b>
Excess (deficiency) of revenues over expenditures	\$ (1,873,098)	\$ (7,622,775)	\$ (2,148,485)	\$ (92,273)

**OTHER FINANCING SOURCES (USES)**

Proceeds of general obligation bonds	\$	19,500,000	\$	-	\$	-	\$	-
Proceeds of loans			1,885,970					1,750,000
Premium on bond issuance		62,784						
Insurance loss recoveries		756	4,478,786		230,146			118,356
Sale of assets		142,000	3,200					
Operating transfers in		2,087,157	9,357,608		6,003,506			5,875,359
Payments held by QZAB debt escrow agent		150,000	150,000					
Other financing sources		1,250	1,250		2,161,250			170,000
Operating transfers out		(2,087,157)	(9,357,608)		(6,003,506)			(5,875,359)
Payments to QZAB debt escrow agent		(150,000)	(150,000)					
Other financing uses		-	-		(161,250)			(170,000)

Total other financing sources and uses

\$ 19,706,790 \$ 6,369,206 \$ 2,230,146 \$ 1,868,356

Net change in fund balances

\$ 17,833,692 \$ (1,253,569) \$ 81,661 \$ 1,776,083

Fund balances:

July 1, 2007

\$ 8,356,373 \$ 9,552,735 \$ 9,415,036 \$ 7,657,114

Prior period adjustments

40,574 7,511 60,287 (10,261)

July 1, 2007, as restated

\$ 8,396,947 \$ 9,560,246 \$ 9,475,323 \$ 7,646,853

Increase (decrease) in inventory

\$ (37,110) \$ 49,696 \$ (4,249) \$ (7,900)

June 30, 2008

\$ 26,193,529 \$ 8,356,373 \$ 9,552,735 \$ 9,415,036

\* SOURCE - PRIOR YEAR AUDIT REPORTS

**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, 2008, which collectively comprise the Meridian Public School District's basic financial statements and have issued our report thereon dated December 15, 2008. 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, LLP

Meridian, Mississippi  
December 15, 2008

**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, 2008. The Meridian Public 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, 2008.

## Internal Control Over Compliance

The management of the Meridian Public School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Meridian Public School District's internal control over compliance with the 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 program 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, LLP

Meridian, Mississippi  
December 15, 2008

**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, 2008, which collectively comprise the Meridian Public School District's basic financial statements and have issued our report thereon dated December 15, 2008. 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 \$76,995 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 15, 2008

**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, 2008

**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. Child nutrition cluster:  |             |
| School breakfast program   | 10.553      |
| National school lunch program  | 10.555      |
| Summer food service program for children   | 10.559      |
| b. WIA Youth Activities  | 17.259      |
| c. Vocational Education – basic grants to states                                       | 84.048      |

**MERIDIAN PUBLIC SCHOOL DISTRICT**

**Schedule of Findings and Questioned Costs (continued)**  
For the Year Ended June 30, 2008

**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.