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**MERIDIAN PUBLIC SCHOOL DISTRICT
MERIDIAN, MISSISSIPPI**

AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

MERIDIAN PUBLIC SCHOOL DISTRICT

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MERIDIAN PUBLIC SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

For the Year Ended June 30, 2011



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INDEPENDENT AUDITOR'S REPORT

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, 2011, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2011, 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 21, 2011, on our consideration of the Meridian Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to

describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basis financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and directly relates to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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 other 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 Balance-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 do not express an opinion or provide any assurance on it.

Rea, Shaw, Giffin & Stuart

REA, SHAW, GIFFIN & STUART, LLP

Meridian, Mississippi
December 21, 2011

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

MERIDIAN PUBLIC SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2011

The following discussion and analysis of Meridian Public School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net assets for 2011 increased \$4,347,475, including a prior period adjustment of \$(52,298), which represents a 27% increase from fiscal year 2010. Total net assets for 2010 decreased \$670,457, including a prior period adjustment of (\$7,850), which represents a 4% decrease from fiscal year 2009.
- General revenues amounted to \$44,845,613 and \$46,329,888, or 73% and 75% of all revenues for fiscal years 2011 and 2010, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$16,866,709, or 27% of total revenues for 2011, and \$15,625,244, or 25% of total revenues for 2010.
- The District had \$57,312,549 and \$62,617,739 in expenses for fiscal years 2011 and 2010; only \$16,866,709 for 2011 and \$15,625,244 for 2010 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$44,845,613 for 2011 were adequate to provide for these programs. However, general revenues of \$46,329,888 for 2010 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$42,668,866 in revenues and \$36,766,253 in expenditures for 2011, and \$43,073,352 in revenues and \$40,600,011 in expenditures in 2010. The General Fund's fund balance increased by \$4,408,886, including a prior period adjustment of \$(635) and a decrease in the reserve for inventory of \$2,855, from 2010 to 2011, and increased by \$1,107,233, including a prior period adjustment of \$(121,307) and a decrease in the reserve for inventory of \$9,371, from 2009 to 2010.
- Capital assets, net of accumulated depreciation, decreased by \$1,177,055 for 2011 and increased by \$2,417,167 for 2010. The decrease for 2011 was due primarily to the increase in accumulated depreciation.
- Long-term debt decreased by \$604,413 for 2011 and decreased by \$1,036,441 for 2010. The decrease for 2011 was due to the principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$56,494 for 2011 and increased by \$38,723 for 2010.

MERIDIAN PUBLIC SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2011

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplemental information, supplemental information, and other information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net Assets and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets presents information on all the District's nonfiduciary assets and liabilities, with the differences between the two reported as "net assets." Over time, increases or decreases in the District's 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 periods.

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 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 – Most of the District's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental funds statements provide a detailed view of the District's near-term financing requirements.

MERIDIAN PUBLIC SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2011

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, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Assets, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities 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 funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All 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 funds are reported using the accrual basis of accounting. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Reconciliation of Government-wide and Fund Financial Statements

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

Capital assets used in governmental activities are not reported on governmental funds financial statements.

Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.

Bond and note proceeds result in liabilities on government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

MERIDIAN PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Required Supplemental Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplemental information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each major special revenue fund as required by the Governmental Accounting Standards Board.

Supplemental Information

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

Other information

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balance—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Funds Balance—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

MERIDIAN PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$20,695,870 as of June 30, 2011.

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.

Table 1 presents a summary of the District's net assets at June 30, 2011 and June 30, 2010.

Table 1
Condensed Statement of Net Assets

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Current assets	\$ 12,904,865	\$ 10,378,034	24.35%
Restricted assets	4,662,864	2,378,053	96.08%
Capital assets, net	<u>24,106,161</u>	<u>25,283,216</u>	-4.66%
Total assets	<u>\$ 41,673,890</u>	<u>\$ 38,039,303</u>	9.55%
Current Liabilities	\$ 1,279,235	\$ 1,387,710	-7.82%
Long-term debt outstanding	<u>19,698,785</u>	<u>20,303,198</u>	-2.98%
Total liabilities	<u>\$ 20,978,020</u>	<u>\$ 21,690,908</u>	-3.29%
Net assets:			
Invested in capital assets, net of related debt	\$ 9,247,763	\$ 7,607,875	21.56%
Restricted	2,704,753	4,545,522	-40.50%
Unrestricted	<u>8,743,354</u>	<u>4,194,998</u>	108.42%
Total net assets	<u>\$ 20,695,870</u>	<u>\$ 16,348,395</u>	26.59%

MERIDIAN PUBLIC SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2011

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

- Decrease in net capital assets in the amount of \$1,177,055.
- The principal retirement of \$3,547,919 of long-term debt.
- Proceeds from the issuance of qualified school construction bonds in the amount of \$3,000,000.

Changes in net assets

The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were \$61,712,322 and \$61,955,132, respectively. The total cost of all programs and services was \$57,312,549 for 2011 and \$62,617,739 for 2010.

Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2011 and June 30, 2010.

Table 2
Changes in Net Assets

	Year Ended June 30, 2011	Year Ended June 30, 2010	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 1,087,192	\$ 1,055,371	3.02%
Operating grants and contributions	15,779,517	14,569,873	8.30%
General revenues:			
Property taxes	18,681,639	17,930,718	4.19%
Grants and contributions not restricted	25,662,038	27,652,196	-7.20%
Investment earnings	39,044	165,506	-76.41%
Sixteenth section source	190,298	163,553	16.35%
Other	272,594	417,915	-34.77%
Total revenues	\$ 61,712,322	\$ 61,955,132	-0.39%
Expenses:			
Instruction	\$ 34,048,891	\$ 36,237,734	-6.04%
Support services	18,424,009	21,512,130	-14.36%
Non-instructional	4,142,227	4,124,505	0.43%
Sixteenth section	32,601	30,872	5.60%
Interest and other expenses on long-term liabilities	664,821	712,498	-6.69%
Total expenses	\$ 57,312,549	\$ 62,617,739	-8.47%
Increase (Decrease) in net assets	\$ 4,399,773	\$ (662,607)	764.01%
Net assets, July 1, as originally reported	\$ 16,348,395	\$ 17,018,852	-3.94%
Prior period adjustments	(52,298)	(7,850)	-566.22%
Net assets, July 1, as restated	\$ 16,296,097	\$ 17,011,002	-4.20%
Net assets, June 30	\$ 20,695,870	\$ 16,348,395	26.59%

MERIDIAN PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		<u>Percentage</u>
	<u>2011</u>	<u>2010</u>	<u>Change</u>
Instruction	\$ 34,048,891	\$ 36,237,734	-6.04%
Support services	18,424,009	21,512,130	-14.36%
Non-instructional	4,142,227	4,124,505	0.43%
Sixteenth section	32,601	30,872	5.60%
Interest on long-term liabilities	664,821	712,498	-6.69%
Total expenses	<u>\$ 57,312,549</u>	<u>\$ 62,617,739</u>	-8.47%
	<u>Net (Expense) Revenue</u>		<u>Percentage</u>
	<u>2011</u>	<u>2010</u>	<u>Change</u>
Instruction	\$ (24,995,711)	\$ (27,983,242)	-10.68%
Support services	(14,598,723)	(18,107,669)	-19.38%
Non-instructional	(159,937)	(158,482)	0.92%
Sixteenth section	(26,648)	(30,604)	-12.93%
Interest on long-term liabilities	(664,821)	(712,498)	-6.69%
Total net (expense) revenue	<u>\$ (40,445,840)</u>	<u>\$ (46,992,495)</u>	-13.93%

- Net cost of governmental activities (\$40,445,840 for 2011 and \$46,992,495 for 2010) was financed by general revenue, which is primarily made up of property taxes (\$18,681,639 for 2011 and \$17,930,718 for 2010) and state and federal revenues (\$25,662,038 for 2011 and \$27,652,196 for 2010). In addition, there was \$190,298 and \$163,553 in Sixteenth Section sources for 2011 and 2010, respectively.
- Investment earnings amounted to \$39,044 for 2011 and \$165,506 for 2010.

MERIDIAN PUBLIC SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2011

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, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$16,513,488, an increase of \$4,901,843, which includes a prior period adjustment of \$528,379 and a decrease in reserve for inventory of \$26,808. \$8,910,007 or 54% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$7,603,481, or 46%, is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except for purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$4,408,886, including a prior period adjustment of \$(635) and a decrease in reserve for inventory of \$2,855. The fund balance of Other Governmental Funds showed a decrease in the amount of \$1,856,356, which includes a prior period adjustment of \$8,239 and a decrease in reserve for inventory of \$23,953. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I-A Fund	no increase or decrease
2011 QSCB Construction Fund	\$ 2,351,348
\$14.5M 2008 Bond Issue Fund	\$ (2,035)

BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District.

MERIDIAN PUBLIC SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2011

Significant budget revisions made during the fiscal year are explained as follows:

- Budgeted amounts for revenue from local sources in the General Fund were increased during the fiscal year primarily to reflect an increase in ad valorem receipts from amounts originally budgeted.
- Budgeted amounts for revenue from state sources in the General Fund were decreased during the fiscal year to reflect a decrease in Mississippi Adequate Education Program (MAEP) resulting from budget cuts. However, the District did receive approximately \$1.5M in Budget Stabilization funds that were reported in a special revenue fund. The budget was also revised to reflect the federal revenue received and reported in the Budget Stabilization Fund because this funding was received subsequent to the approval of the original budget.
- Budgeted amounts for instruction expenditures in the General Fund were decreased during the fiscal year. The District received approximately \$1.5M in Budget Stabilization funds that were reported in a special revenue fund. Instructional expenditures normally incurred in the General Fund were reclassified to the Budget Stabilization Fund (special revenue fund) and federal funds were received to cover those expenditures. The District also took a conservative approach to spending during the fiscal year, resulting in a further decrease in instructional expenditures from amounts originally budgeted.
- The District revised the budget to reflect actual revenue from federal sources and instruction and support services expenditures in various special revenue funds receiving federal funds related to the American Recovery and Reinvestment Act (ARRA).

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2011, the District's total capital assets were \$43,237,203 including land, construction in progress, school buildings, and other improvements, buses, other school vehicles and furniture and equipment. This amount represents a gross increase of \$332,247 from 2010, due primarily to the purchase of various items of computer equipment, furniture and equipment and other mobile equipment. Total accumulated depreciation as of June 30, 2011, was \$19,131,042, and total depreciation expense for the year was \$934,565, resulting in total net capital assets of \$24,106,161.

MERIDIAN PUBLIC SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2011

**Table 4
Capital Assets, Net of Accumulated Depreciation**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Land	\$ 490,164	\$ 490,164	0.00%
Construction in progress	95,367	-	N/A
Buildings	17,067,716	17,742,787	-3.80%
Improvements other than buildings	5,527,145	6,201,048	-10.87%
Mobile equipment	723,029	796,683	-9.25%
Furniture and equipment	202,740	52,534	285.92%
Total	<u>\$ 24,106,161</u>	<u>\$ 25,283,216</u>	-4.66%

Additional information on the District's capital assets can be found in Note 5 included in this report.

Debt Administration. At June 30, 2011, the District had \$19,698,785 in outstanding long-term debt, of which \$1,052,164 is due within one year. During the fiscal year, the District made principal payments in the amount of \$3,547,919 on existing long-term debt, including the retirement of qualified zone academy bonds in the amount of \$2,500,000. The District received proceeds from the issuance of qualified school construction bonds in the amount of \$3,000,000. The liability for compensated absences decreased \$56,494 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 16,260,000	\$ 17,160,000	-5.24%
Shortfall notes payable	84,447	164,736	-48.74%
Obligations under energy efficiency lease	-	67,630	-100.00%
Qualified zone academy bonds payable	-	2,500,000	-100.00%
Qualified school construction bonds payable	3,000,000	-	N/A
Compensated absences payable	354,338	410,832	-13.75%
Total	<u>\$ 19,698,785</u>	<u>\$ 20,303,198</u>	-2.98%

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

MERIDIAN PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011

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. The District's system of financial planning, budgeting and internal financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

The District actively pursues grant funding to supplement the local, state and federal revenues.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

MERIDIAN PUBLIC SCHOOL DISTRICT
FINANCIAL STATEMENTS

REA, SHAW, GIFFIN & STUART, LLP

MERIDIAN PUBLIC SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2011

Exhibit A

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 9,890,249
Due from other governments	2,374,504
Other receivables	490,775
Inventories	149,337
Restricted assets	4,662,864
Capital assets, non-depreciable:	
Land	490,164
Construction in progress	95,367
Capital assets, net of accumulated depreciation:	
Buildings	17,067,716
Improvements other than buildings	5,527,145
Mobile equipment	723,029
Furniture and fixtures	<u>202,740</u>
Total assets	<u>\$ 41,673,890</u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 999,740
Unearned revenue	54,501
Interest payable on long-term liabilities	224,994
Long-term liabilities, due within one year	
Capital related liabilities	950,000
Non-capital related liabilities	102,164
Long-term liabilities, due beyond one year	
Capital related liabilities	18,310,000
Non-capital liabilities	<u>336,621</u>
Total liabilities	<u>\$ 20,978,020</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 9,247,763
Restricted for:	
Expendable:	
School - based activities	1,693,909
Debt service	776,777
Forestry improvements	32,299
Unemployment benefits	200,267
Non-expendable:	
Sixteenth section	1,501
Unrestricted	<u>8,743,354</u>
Total net assets	<u>\$ 20,695,870</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, 2011**

Exhibit B

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Governmental Activities</u>
Governmental Activities:					
Instruction	\$ 34,048,891	\$ 553,756	\$ 8,499,424	\$ -	\$ (24,995,711)
Support services	18,424,009	143,620	3,681,666	-	(14,598,723)
Non-instructional services	4,142,227	383,863	3,598,427	-	(159,937)
Sixteenth section	32,601	5,953	-	-	(26,648)
Interest on long-term liabilities	664,821	-	-	-	(664,821)
Total governmental activities	<u>\$ 57,312,549</u>	<u>\$ 1,087,192</u>	<u>\$ 15,779,517</u>	<u>\$ -</u>	<u>\$ (40,445,840)</u>
General Revenues:					
Taxes:					
					\$ 16,932,691
					1,748,948
Unrestricted grants and contributions:					
					24,039,985
					1,622,053
					39,044
					190,298
					<u>272,594</u>
					<u>\$ 44,845,613</u>
					<u>\$ 4,399,773</u>
					\$ 16,348,395
					<u>(52,298)</u>
					<u>16,296,097</u>
					<u>\$ 20,695,870</u>

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

MERIDIAN PUBLIC SCHOOL DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2011

Exhibit C

	Major Funds				Total Governmental Funds
	General Fund	Title I-A Fund	2011 QSCB Construction Fund	\$14.5M 2008 Bond Issue Fund	
ASSETS					
Cash and cash equivalents	\$ 7,313,916	\$ -	\$ 2,703,715	\$ 1,957,478	\$ 14,553,113
Due from other governments	621,046	668,991	-	-	2,374,046
Other receivables	-	-	-	490,775	490,775
Due from other funds	1,339,514	-	-	-	1,435,654
Inventories	63,981	-	-	-	149,337
Total assets	\$ 9,338,457	\$ 668,991	\$ 2,703,715	\$ 2,448,253	\$ 19,002,925
LIABILITIES & FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 79,670	\$ 5,100	\$ 352,367	\$ 397,999	\$ 999,740
Due to other funds	12,667	663,891	-	-	1,435,196
Unearned revenue	-	-	-	-	54,501
Total liabilities	\$ 92,337	\$ 668,991	\$ 352,367	\$ 397,999	\$ 2,489,437
Fund balances:					
Nonspendable:					
Inventory	\$ 63,981	\$ -	\$ -	\$ -	\$ 85,356
Permanent fund principal	-	-	-	-	1,501
Restricted:					
Debt service	-	-	-	-	1,001,771
Capital projects	-	-	2,351,348	2,050,254	4,401,602
Forestry improvement purposes	-	-	-	-	32,299
Unemployment benefits	-	-	-	-	200,267
Other commitments	-	-	-	-	1,544,572
Assigned:					
Other purposes	272,132	-	-	-	272,132
Unassigned	8,910,007	-	-	-	8,910,007
Total fund balances	\$ 9,246,120	\$ -	\$ 2,351,348	\$ 2,050,254	\$ 2,865,766
Total liabilities & fund balances	\$ 9,338,457	\$ 668,991	\$ 2,703,715	\$ 2,448,253	\$ 19,002,925

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

MERIDIAN PUBLIC SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
June 30, 2011

Exhibit C-1

Total fund balances for governmental funds \$ 16,513,488

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

1. Capital assets are used in governmental activities and are not
financial resources and therefore are not reported in the funds:

Land	\$ 490,164	
Construction in progress	95,367	
Buildings	28,500,382	
Improvements other than buildings	8,885,147	
Mobile equipment	3,554,703	
Furniture and fixtures	1,711,440	
Accumulated depreciation	<u>(19,131,042)</u>	24,106,161

2. Long-term liabilities and related accrued interest are not due and
payable in the current period and therefore are not reported in the funds:

General obligation bonds	\$ (16,260,000)	
Other bonds payable	(3,000,000)	
Notes payable	(84,447)	
Compensated absences	(354,338)	
Accrued interest payable	<u>(224,994)</u>	<u>(19,923,779)</u>

Net assets of governmental activities \$ 20,695,870

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, 2011

Exhibit D

	Major Funds					Total Governmental Funds
	General Fund	Title I-A Fund	2011 QSCB Construction Fund	\$14.5M 2008 Bond Issue Fund	Other Governmental Funds	
REVENUES						
Local sources	\$ 17,892,013	\$ -	\$ 1,356	\$ 2,019	\$ 2,167,646	\$ 20,063,034
State sources	24,642,861	-	-	-	981,504	25,624,365
Federal sources	133,992	3,961,296	-	-	11,721,902	15,817,190
Sixteenth section sources	-	-	-	-	196,251	196,251
Total revenues	\$ 42,668,866	\$ 3,961,296	\$ 1,356	\$ 2,019	\$ 15,067,303	\$ 61,700,840
EXPENDITURES						
Instruction	\$ 22,750,579	\$ 2,077,751	\$ -	\$ -	\$ 8,517,140	\$ 33,345,470
Support services	13,630,791	1,653,181	539,619	524,829	2,099,585	18,448,005
Noninstructional services	313,676	155,262	-	-	3,690,655	4,159,593
Sixteenth section	-	-	-	-	32,601	32,601
Facilities acquisition and construction	-	-	95,367	-	-	95,367
Debt service:						
Principal	67,630	-	-	-	3,480,289	3,547,919
Interest	3,577	-	-	-	661,093	664,670
Other	-	-	15,022	-	3,403	18,425
Total expenditures	\$ 36,766,253	\$ 3,886,194	\$ 650,008	\$ 524,829	\$ 18,484,766	\$ 60,312,050
Excess (deficiency) of revenues over (under) expenditures	\$ 5,902,613	\$ 75,102	\$ (648,652)	\$ (522,810)	\$ (3,417,463)	\$ 1,388,790

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

Major Funds

	General Fund	Title I-A Fund	2011 QSCB Construction Fund	\$14.5M 2008 Bond Issue Fund	Other Governmental Funds	Total Governmental Funds
Bonds and notes issued	-	-	3,000,000	-	-	3,000,000
Insurance recovery	11,482	-	-	-	-	11,482
Payments held by escrow agent	-	-	-	-	96,697	96,697
Payments to QZAB debt escrow agent	-	-	-	-	(96,697)	(96,697)
Operating transfers in	160,592	-	-	-	1,662,311	1,822,903
Other financing sources	-	-	-	-	101	101
Operating transfers out	(1,662,311)	(75,102)	-	-	(85,490)	(1,822,903)
Other financing uses	-	-	-	-	(101)	(101)
Total other financing sources (uses)	\$ (1,490,237)	\$ (75,102)	\$ 3,000,000	\$ -	\$ 1,576,821	\$ 3,011,482
Net change in fund balances	\$ 4,412,376	\$ -	\$ 2,351,348	\$ (522,810)	\$ (1,840,642)	\$ 4,400,272
Fund balances:						
July 1, 2010, as originally reported	\$ 4,837,234	\$ -	\$ -	\$ 2,052,289	\$ 4,722,122	\$ 11,611,645
Prior period adjustments	(635)	-	-	520,775	8,239	528,379
July 1, 2010, as restated	\$ 4,836,599	\$ -	\$ -	\$ 2,573,064	\$ 4,730,361	\$ 12,140,024
Decrease for inventory	\$ (2,855)	\$ -	\$ -	\$ -	\$ (23,953)	\$ (26,808)
June 30, 2011	\$ 9,246,120	\$ -	\$ 2,351,348	\$ 2,050,254	\$ 2,865,766	\$ 16,513,488

OTHER FINANCING SOURCES (USES)

- Bonds and notes issued
- Insurance recovery
- Payments held by escrow agent
- Payments to QZAB debt escrow agent
- Operating transfers in
- Other financing sources
- Operating transfers out
- Other financing uses

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, 2011

Exhibit D-1

Net change in fund balances - total governmental funds		\$ 4,400,272
Amounts reported for governmental activities in the statement of activities are different because:		
1. Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over the estimated useful lives as depreciation expense. In the current period these amounts are:		
Capital outlay	\$ 338,247	
Depreciation expense	<u>(934,565)</u>	(596,318)
2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold.		
		(60)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
Bonds and notes issued	\$ (3,000,000)	
Payments of debt principal	3,547,919	
Accrued interest payable	<u>18,274</u>	566,193
4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Change in compensated absences	56,494	
Change in inventory reserve	<u>(26,808)</u>	<u>29,686</u>
Change in net assets of governmental activities		<u>\$ 4,399,773</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, 2011

Exhibit E

	Private-Purpose Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 8,000	\$ 2,217,052
Investments	<u>167,573</u>	<u>-</u>
Total Assets	<u>\$ 175,573</u>	<u>\$ 2,217,052</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 8,000	\$ 2,146,397
Due to other funds	-	458
Due to student clubs	<u>-</u>	<u>70,197</u>
Total Liabilities	<u>\$ 8,000</u>	<u>\$ 2,217,052</u>
NET ASSETS		
Reserved for scholarships	<u>\$ 167,573</u>	
Total Net Assets	<u>\$ 167,573</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, 2011

Exhibit F

	Private-Purpose Trust Funds
Additions	
Interest on investments	\$ 3,915
Contributions and donations from private sources	21,802
Total additions	\$ 25,717
Deductions	
Scholarships awarded	\$ 7,332
Total deductions	\$ 7,332
Change in net assets	\$ 18,385
Net Assets	
July 1, 2010, as originally reported	\$ 146,688
Prior period adjustments	2,500
July 1, 2010, as restated	\$ 149,188
June 30, 2011	\$ 167,573

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, 2011

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. Basis of Presentation

In February 2009, the GASB issued GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

B. 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.

C. Government-wide and Fund Financial Statements

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax

MERIDIAN PUBLIC SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

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 non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

1. Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of 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, are 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 taxes and other items not included among program revenues are reported instead as general revenues.

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

The school district reports the following major governmental funds:

General Fund – This is the school district's primary operating fund. The general fund is used to account for and report all financial resources not accounted for reported in another fund.

MERIDIAN PUBLIC SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

Title I-A Fund – This is a special revenue fund that accounts for the federal revenue received and expenditures incurred related to the Title I Part A grants to local education agencies programs.

2011 QSCB Construction Fund – This is a capital projects fund that accounts for the proceeds received from the 2011 qualified school construction bond and the expenditures incurred related to the construction of various school facilities and other improvements.

\$14.5M 2008 Bond Issue Fund – This is a capital projects fund that accounts for the proceeds received from the \$14.5M 2008 Bond Issue and the expenditures incurred related to the renovation and construction of various school facilities and other improvements.

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

The school district also reports fiduciary funds which focus on net assets and changes in net assets.

The District's fiduciary funds include the following:

Private-Purpose Trust Funds – These various funds account for the earnings investments and contributions and donations received from private sources which are used to provide scholarships for students.

Payroll Clearing Fund – This fund serves as a clearing fund for payroll type transactions.

Student Club Funds – These various funds account for the monies raised through school club activities and fundraisers and club related expenditures approved by the individual clubs.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

MERIDIAN PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

Capital Projects Funds - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Permanent Funds - Permanent Funds are used to account for and report resources that are 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, in which the principal and income benefit individuals, private organizations or other governments.

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

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. 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 enough 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,

MERIDIAN PUBLIC SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

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 taxes, 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 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 inter-fund activity has been eliminated from the government-wide statements.

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2005 by the Government Finance Officers Association and are

MERIDIAN PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

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 approved purchase orders, work orders, and contracts. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

F. Assets, Liabilities, and Net Assets/Fund Balances

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 an original maturity greater than three months when acquired.

Investments for the district are reported at fair market value.

2. Receivables and payables

Activities 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 inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans).

MERIDIAN PUBLIC SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

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.

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 Statement of Net Assets because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets.

Capital assets include land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the governmental activities 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

MERIDIAN PUBLIC SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

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 table below.

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.

Depreciation is calculated on the straight-line basis for all assets, except land.

The following schedule details the capitalization thresholds:

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

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

7. Compensated Absences

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 a long-term liability 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 liability for compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

MERIDIAN PUBLIC SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

In the government-wide financial statements, outstanding debt 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.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 6 for details.

9. Fund Balances

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. Currently there is no committed fund balance for the District.

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general funds, this is the residual amount within the fund that is not restricted or committed.

MERIDIAN PUBLIC SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first.

Note 2. Cash and Cash Equivalents 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 excess 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 or 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, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (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 other interests in, any open-end or closed-end management type investment company

MERIDIAN PUBLIC SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

Note 2. Cash and Cash Equivalents and Investments (continued)

or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), 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. Investment income of less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$14,553,113 and \$2,225,052, respectively. The bank balance was \$18,446,704.

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 institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2011 none of the district's bank balance of \$18,446,704 was exposed to custodial credit risk.

Investments

As of June 30, 2011, the district had the following investments:

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
Mutual Funds	no rating	1 to 5	\$ 167,573
Total			\$ 167,573

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, 2011

Note 2. Cash and Cash Equivalents 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, 2011, the district did not have any investments to which this would apply.

Concentration of Credit Risk. Disclosure 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, 2011, the district had the following investments:

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
Stifel, Nicolaus & Company, Inc. - Mutual Funds	\$ 167,573	100%
	<u>\$ 167,573</u>	

Note 3. Inter-fund Receivables, Payables and Transfers

The following is a summary of inter-fund transactions and balances:

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Title I-A	\$ 663,891
	Fiduciary Funds	458
	Other Governmental Funds	675,165
Other Governmental Funds	General Fund	12,667
	Other Governmental Funds	<u>83,473</u>
Total		<u>\$ 1,435,654</u>

MERIDIAN PUBLIC SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

Note 3. Interfund Transactions and Balances (continued)

The primary purpose of the inter-fund receivables and payables was to eliminate deficit cash balances in certain federal and state programs as part of normal year end closing adjustments. All balances are expected to be repaid within one year from the date of the financial statements.

B. Inter-fund Transfers

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Title I-A	\$ 75,102
	Other Governmental Funds	85,490
Other Governmental Funds	General Fund	<u>1,662,311</u>
Total		<u>\$ 1,822,903</u>

Transfers in/out consisted primarily of transfers of indirect costs and other general operating transfers.

Note 4. Restricted Assets

The restricted assets represent the cash balances, totaling \$1,671 and \$4,661,193, respectively of the Sixteenth Section Principal Fund (Permanent Fund) and the 2011 QSCB Construction Bond and \$14.5M 2008 Bond Issue Fund (Capital Projects Funds) which are legally restricted and may not be used for purposes that support the district's programs.

MERIDIAN PUBLIC SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

Note 5. Capital Assets

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

	Balance 7/1/2010	Additions	Retirements	Adjustments	Balance 6/30/2011
Non-depreciable capital assets:					
Land	\$ 490,164	\$ -	\$ -	\$ -	\$ 490,164
Construction in progress	-	95,367	-	-	95,367
Total non-depreciable Capital assets	<u>\$ 490,164</u>	<u>\$ 95,367</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 585,531</u>
Depreciable capital assets:					
Buildings	\$ 28,500,382	\$ -	\$ -	\$ -	\$ 28,500,382
Improvements other than buildings	8,885,147	-	-	-	8,885,147
Mobile equipment	3,529,003	25,700	-	-	3,554,703
Furniture and equipment	1,500,260	217,180	(6,000)	-	1,711,440
Total depreciable capital assets	<u>\$ 42,414,792</u>	<u>\$ 242,880</u>	<u>\$ (6,000)</u>	<u>\$ -</u>	<u>\$ 42,651,672</u>
Less accumulated depreciation for:					
Buildings	\$ 10,757,595	\$ 461,659	\$ -	\$ 213,412	\$ 11,432,666
Improvements other than buildings	2,684,099	306,638	-	367,265	3,358,002
Mobile equipment	2,732,320	99,354	-	-	2,831,674
Furniture and equipment	1,447,726	66,914	(5,940)	-	1,508,700
Total accumulated depreciation	<u>\$ 17,621,740</u>	<u>\$ 934,565</u>	<u>\$ (5,940)</u>	<u>\$ 580,677</u>	<u>\$ 19,131,042</u>
Total depreciable capital assets, net	<u>\$ 24,793,052</u>	<u>\$ (691,685)</u>	<u>\$ (60)</u>	<u>\$ (580,677)</u>	<u>\$ 23,520,630</u>
Governmental activities capital assets, net	<u>\$ 25,283,216</u>	<u>\$ (596,318)</u>	<u>\$ (60)</u>	<u>\$ (580,677)</u>	<u>\$ 24,106,161</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 742,967
Support services	<u>191,598</u>
Total depreciation expense	<u>\$ 934,565</u>

MERIDIAN PUBLIC SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

Note 5. 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.

Construction in progress is composed of:

	<u>Amount</u>
Field house construction	\$ 6,717
Gym renovation and addition	<u>88,650</u>
	<u>\$ 95,367</u>

Construction projects included in governmental activities are funded with proceeds from the \$14.5M 2008 Bond Issue Fund and the 2011 QSCB Construction Fund.

Note 6. Long-term Liabilities

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

	<u>Balance 7/1/2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2011</u>	<u>Amounts due within one year</u>
A. General obligation bonds payable	\$ 17,160,000	\$ -	\$ 900,000	\$ 16,260,000	\$ 950,000
B. Shortfall notes payable	164,736	-	80,289	84,447	84,447
C. Obligations under energy efficiency lease	67,630	-	67,630	-	-
D. Qualified zone academy bonds payable	2,500,000	-	2,500,000	-	-
E. Qualified school construction bonds payable	-	3,000,000	-	3,000,000	-
F. Compensated absences payable	<u>410,832</u>	-	<u>56,494</u>	<u>354,338</u>	<u>17,717</u>
Total	<u>\$ 20,303,198</u>	<u>\$ 3,000,000</u>	<u>\$ 3,604,413</u>	<u>\$ 19,698,785</u>	<u>\$ 1,052,164</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>
1. General obligation bonds, Series 2007	4.20%	8/1/2007	8/1/2017	\$ 5,000,000	\$ 3,100,000
2. General obligation bonds, Series 2008	3.85%	3/1/2008	3/1/2023	<u>14,500,000</u>	<u>13,160,000</u>
Total				<u>\$ 19,500,000</u>	<u>\$ 16,260,000</u>

MERIDIAN PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

Note 6. Long-term Liabilities (continued)

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

1. General obligation bonds, Series 2007

Year Ending June 30	Principal	Interest	Total
2012	\$ 375,000	\$ 122,325	\$ 497,325
2013	400,000	106,050	506,050
2014	425,000	88,725	513,725
2015	450,000	70,350	520,350
2016	475,000	50,925	525,925
2017-2018	<u>975,000</u>	<u>41,475</u>	<u>1,016,475</u>
Total	<u>\$ 3,100,000</u>	<u>\$ 479,850</u>	<u>\$ 3,579,850</u>

This debt will be retired from the \$5 Million 2007 Bond Issue Fund (Debt Service Fund #4031).

2. General obligation bonds, Series 2008

Year Ending June 30	Principal	Interest	Total
2012	\$ 575,000	\$ 497,338	\$ 1,072,338
2013	625,000	478,650	1,103,650
2014	650,000	458,338	1,108,338
2015	700,000	437,212	1,137,212
2016	775,000	414,465	1,189,465
2017-2021	7,125,000	1,472,875	8,597,875
2022-2023	<u>2,710,000</u>	<u>144,800</u>	<u>2,854,800</u>
Total	<u>\$ 13,160,000</u>	<u>\$ 3,903,678</u>	<u>\$ 17,063,678</u>

This debt will be retired from the \$14.5 Million 2008 Bond Issue Fund (Debt Service Fund #4033).

MERIDIAN PUBLIC SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

Note 6. Long-term Liabilities (continued)

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2012	\$ 950,000	\$ 619,663	\$ 1,569,663
2013	1,025,000	584,700	1,609,700
2014	1,075,000	547,063	1,622,063
2015	1,150,000	507,562	1,657,562
2016	1,250,000	465,390	1,715,390
2017-2021	8,100,000	1,514,350	9,614,350
2022-2023	2,710,000	144,800	2,854,800
Total	<u>\$ 16,260,000</u>	<u>\$ 4,383,528</u>	<u>\$ 20,643,528</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, 2011, the amount of outstanding bonded indebtedness was equal to 6% of property assessments as of October 1, 2010.

MERIDIAN PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

Note 6. Long-term Liabilities (continued)

B. Shortfall notes 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>
Shortfall note, Series 2008	4.95%	7/25/2008	7/25/2011	\$ 241,248	\$ 84,447
Total				<u>\$ 241,248</u>	<u>\$ 84,447</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>
2012	\$ 84,447	\$ 4,172	\$ 88,619
Total	<u>\$ 84,447</u>	<u>\$ 4,172</u>	<u>\$ 88,619</u>

This debt will be retired from the District Maintenance Fund (General Fund #1120).

C. 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%	10/31/2000	10/31/2010	\$ 539,675	\$ -
Total				<u>\$ 539,675</u>	<u>\$ -</u>

MERIDIAN PUBLIC SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

Note 6. Long-term Liabilities (continued)

An energy efficiency lease agreement dated October 31, 2000, 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.

D. Qualified zone academy bonds payable

As more fully explained in Note 12, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

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

E. Qualified school construction bonds payable

As more fully explained in Note 13, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
1. Qualified school construction bonds, Series A	5.56%	11/4/2010	12/1/2025	\$ 1,500,000	\$ 1,500,000
2. Qualified school construction bonds, Series B	5.50%	2/1/2011	12/1/2021	<u>1,500,000</u>	<u>1,500,000</u>
Total				<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>

MERIDIAN PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

Note 6. Long-term Liabilities (continued)

F. Compensated absences payable.

As more fully explained in Note 1(F)(7), 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 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 9.00% 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, 2011, was 12.00% 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, 2011, 2010 and 2009 were \$3,895,183, \$4,130,090 and \$4,163,593, respectively, which equaled the required contributions for each year.

MERIDIAN PUBLIC SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

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. 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.

<u>Year Ending June 30</u>	<u>Amount</u>
2012	\$ 7,953
2013	7,953
2014	7,953
2015	7,953
2016	6,015
2017-2021	30,075
2022-2026	30,075
2027-2031	25,818
2032-2036	9,266
2037 and after	<u>3,850</u>
Total	<u>\$ 136,911</u>

MERIDIAN PUBLIC SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2011

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	\$ (52,298)
Total	<u>\$ (52,298)</u>

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

<u>Fund</u>	<u>Explanation</u>	<u>Amount</u>
General funds	Correction of prior period transactions	\$ (635)
\$14.5M Bond Issue fund	Correction of prior period transactions	520,775
Other Governmental funds	Correction of prior period transactions	<u>8,239</u>
Total		<u>\$ 528,379</u>

Exhibit F - Statement of Changes in Fiduciary Net Assets

<u>Explanation</u>	<u>Amount</u>
Correction of prior period transactions	\$ 2,500
Total	<u>\$ 2,500</u>

Note 10. Contingencies

Federal Grants – The school district has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district.

Litigation – The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to various

MERIDIAN PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

Note 10. Contingencies (continued)

proceedings. However, the school district's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

Note 11. 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. 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.

Note 12. 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 fiscal year 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. Both QZAB Issues were retired during fiscal year 2011.

MERIDIAN PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

Note 13. Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2010 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs.

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U.S. Treasury Department. The district has two bonds each for \$1,500,000 with terms of ten and fourteen years. Under this program, 10 percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2011 was \$0. The amount accumulated in the sinking fund at the end of the ten-year and fourteen-year periods will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Principal
2012	\$ 107,000
2013	257,000
2014	257,000
2015	257,000
2016	257,000
2017-2021	1,435,000
2022-2025	430,000
	\$ 3,000,000

MERIDIAN PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

Note 14. Insurance Loss Recoveries

The Meridian Public School District received \$11,482 in insurance loss recoveries related to damages during the 2010-2011 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and were allocated to the support services expenditure function.

Note 15. Subsequent Events

Management has evaluated subsequent events through December 21, 2011, the date on which the financial statements were available to be issued.

**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, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES					
Local sources	\$ 16,845,433	\$ 17,892,013	\$ 17,892,013	\$ 1,046,580	\$ -
State sources	25,738,936	24,642,861	24,642,861	(1,096,075)	-
Federal sources	42,000	133,992	133,992	91,992	-
Total revenues	\$ 42,626,369	\$ 42,668,866	\$ 42,668,866	\$ 42,497	\$ -
EXPENDITURES					
Instruction	\$ 26,597,090	\$ 22,750,579	\$ 22,750,579	\$ 3,846,511	\$ -
Support services	14,351,976	13,622,941	13,630,791	729,035	(7,850)
Noninstructional services	285,930	316,531	313,676	(30,601)	2,855
Facilities acquisition and construction	-	7,850	-	(7,850)	7,850
Debt service:					
Principal	2,567,630	67,630	67,630	2,500,000	-
Interest	28,659	3,577	3,577	25,082	-
Total expenditures	\$ 43,831,285	\$ 36,769,108	\$ 36,766,253	\$ 7,062,177	\$ 2,855
Excess (Deficiency) of Revenues over Expenditures	\$ (1,204,916)	\$ 5,899,758	\$ 5,902,613	\$ 7,104,674	\$ 2,855
OTHER FINANCING SOURCES (USES)					
Proceeds of bonds and notes	\$ 2,500,000	\$ -	\$ -	\$ (2,500,000)	\$ -
Insurance loss recoveries	-	11,482	11,482	11,482	-
Operating transfers in	6,366,391	5,841,059	160,592	(525,332)	(5,680,467)
Operating transfers out	(7,507,475)	(7,342,778)	(1,662,311)	164,697	5,680,467
Total other financing sources (uses)	\$ 1,358,916	\$ (1,490,237)	\$ (1,490,237)	\$ (2,849,153)	\$ -
Net change in fund balances	\$ 154,000	\$ 4,409,521	\$ 4,412,376	\$ 4,255,521	\$ 2,855
FUND BALANCES					
July 1, 2010, as previously reported	\$ 3,628,282	\$ 4,773,253	\$ 4,837,234	\$ 1,144,971	\$ 63,981
Prior period adjustments	-	(635)	(635)	(635)	-
July 1, 2010, as restated	\$ 3,628,282	\$ 4,772,618	\$ 4,836,599	\$ 1,144,336	\$ 63,981
Decrease in reserve for inventory	\$ -	\$ -	\$ (2,855)	\$ -	\$ (2,855)
June 30, 2011	\$ 3,782,282	\$ 9,182,139	\$ 9,246,120	\$ 5,399,857	\$ 63,981

The Notes to the Required Supplemental Information are an integral part of this statement.

MERIDIAN PUBLIC SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE FOR THE TITLE I-A FUND

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES					
Federal sources	\$ 3,742,809	\$ 5,125,340	\$ 3,961,296	\$ 1,382,531	\$ (1,164,044)
Total revenues	<u>\$ 3,742,809</u>	<u>\$ 5,125,340</u>	<u>\$ 3,961,296</u>	<u>\$ 1,382,531</u>	<u>\$ (1,164,044)</u>
EXPENDITURES					
Instruction	\$ 2,245,334	\$ 2,929,425	\$ 2,077,751	\$ (684,091)	\$ 851,674
Support services	1,272,855	2,393,081	1,653,181	(1,120,226)	739,900
Non-instructional services	137,428	283,629	155,262	(146,201)	128,367
Total expenditures	<u>\$ 3,655,617</u>	<u>\$ 5,606,135</u>	<u>\$ 3,886,194</u>	<u>\$ (1,950,518)</u>	<u>\$ 1,719,941</u>
Excess (Deficiency) of Revenue over Expenditures	\$ 87,192	\$ (480,795)	\$ 75,102	\$ (567,987)	\$ 555,897
OTHER FINANCING SOURCES (USES)					
Operating transfers out	\$ (87,192)	\$ (87,857)	\$ (75,102)	\$ (665)	\$ 12,755
Total other financing sources (uses)	<u>\$ (87,192)</u>	<u>\$ (87,857)</u>	<u>\$ (75,102)</u>	<u>\$ (665)</u>	<u>\$ 12,755</u>
Net change in fund balances	\$ -	\$ (568,652)	\$ -	\$ (568,652)	\$ 568,652
FUND BALANCES					
July 1, 2010	\$ -	\$ -	\$ -	\$ -	\$ -
June 30, 2011	<u>\$ -</u>	<u>\$ (568,652)</u>	<u>\$ -</u>	<u>\$ (568,652)</u>	<u>\$ 568,652</u>

The Notes to the Required Supplemental Information are an integral part of this statement.

MERIDIAN PUBLIC SCHOOL DISTRICT

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION

For the Year Ended June 30, 2011

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, 2011

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:		
NSLP Equipment Grant	10.XXX	\$ <u>36,481</u>
Child Nutrition Cluster:		
School Breakfast Program	10.553	791,124
National School Lunch Program	10.555	2,437,313
Summer Food Service Program for Children	10.559	<u>214,125</u>
Total child nutrition cluster		<u>\$ 3,442,562</u>
Total U.S. Department of Agriculture		<u>\$ 3,479,043</u>
U.S. Department of Defense		
Direct Programs:		
Reserve officers training corps	12.XXX	\$ <u>79,315</u>
Total U.S. Department of Defense		<u>\$ 79,315</u>
U.S. Department of Labor		
Passed-through Mississippi Development Authority:		
Workforce Investment Act - Youth Activities	17.259	\$ <u>513,238</u>
Total U.S. Department of Labor		<u>\$ 513,238</u>
Federal Communication Commission		
Administered through Universal Service Administration Company:		
Communications Information and Assistance and Investigation of Complaints	32.001	\$ <u>79,389</u>
Total Federal Communication Commission		<u>\$ 79,389</u>
U.S. Department of Education		
Direct Programs:		
Impact Aid	84.041	\$ 54,604
Passed-through Mississippi Department of Education:		
High Schools That Work	84.XXX	10,681
Career and Technical Education - basic grants to states	84.048	103,390
Safe and drug-free schools and communities - state grants	84.186	17,950
Education technology state grants	84.318	20,362
Gaining early awareness and readiness in undergraduate programs	84.334	36,641
Reading first state grant	84.357	289,023
Improving Teacher Quality - state grant	84.367	711,307
ARRA - Education Technology formula grant	84.386	30,086
ARRA - Education Jobs Fund	84.410	1,144,291
ARRA - State Fiscal Stabilization Fund - education state grants	84.394	<u>1,532,382</u>
		<u>\$ 3,950,717</u>

MERIDIAN PUBLIC SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

(continued)

For the Year Ended June 30, 2011

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance #	Federal Expenditures
Title I Cluster:		
Title I - grants to local educational agencies	84.010	\$ 4,165,204
ARRA - Title I - grants to local educational agencies	84.389	<u>1,491,001</u>
Total Title I cluster		<u>\$ 5,656,205</u>
Special Education Cluster:		
Special Education - grants to states	84.027	\$ 1,490,803
Special Education - preschool grants	84.173	96,168
ARRA - Special Education - grants to states	84.391	463,253
ARRA - Special Education - preschool grants	84.392	<u>9,059</u>
Total special education cluster		<u>\$ 2,059,283</u>
Total passed-through Mississippi Department of Education		<u>\$ 11,666,205</u>
Total Federal Financial Assistance		<u>\$ 15,817,190</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, 2011

<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	\$ 44,067,132	\$ 34,101,919	\$ 959,751	\$ 2,787,533	\$ 6,217,929
Other	16,244,919	5,334,319	413,417	54,429	10,442,754
Total	\$ 60,312,051	\$ 39,436,238	\$ 1,373,168	\$ 2,841,962	\$ 16,660,683
Total number of students *	6,241				
Cost per student	\$ 9,664	\$ 6,319	\$ 220	\$ 455	\$ 2,670

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.

General Administration – includes expenditures for the following functions: Support Services – General Administration and Support Services – Business.

School Administration – includes expenditures for the following function: Support Services – School Administration.

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

* includes the number of students reported on the ADA report submission for month 9, which is the final submission for the fiscal year.

**MERIDIAN PUBLIC SCHOOL DISTRICT
OTHER SUPPLEMENTAL INFORMATION**

MERIDIAN PUBLIC SCHOOL DISTRICT

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

Last Four Years

Unaudited

	2011	2010*	2009*	2008*
REVENUES				
Local sources	\$ 17,892,013	\$ 16,839,087	\$ 16,330,931	\$ 15,025,463
Intermediate sources	-	-	4,760	10,050
State sources	24,642,861	26,085,528	28,248,662	28,621,354
Federal sources	<u>133,992</u>	<u>148,737</u>	<u>194,634</u>	<u>64,722</u>
Total revenues	<u>\$ 42,668,866</u>	<u>\$ 43,073,352</u>	<u>\$ 44,778,987</u>	<u>\$ 43,721,589</u>
EXPENDITURES				
Instruction	\$ 22,750,579	\$ 25,386,959	\$ 28,486,338	\$ 28,078,435
Support services	13,630,791	14,855,164	15,347,336	14,710,391
Noninstructional services	313,676	263,696	282,181	316,442
Facilities acquisition and construction	-	-	71,591	71,840
Debt service:				
Principal	67,630	64,159	60,866	57,742
Interest	<u>3,577</u>	<u>30,033</u>	<u>26,861</u>	<u>25,896</u>
Total expenditures	<u>\$ 36,766,253</u>	<u>\$ 40,600,011</u>	<u>\$ 44,275,173</u>	<u>\$ 43,260,746</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ 5,902,613</u>	<u>\$ 2,473,341</u>	<u>\$ 503,814</u>	<u>\$ 460,843</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of loans	\$ -	\$ -	\$ 22,842	\$ -
Insurance loss recoveries	11,482	350,587	239,134	756
Sale of transportation equipment	-	-	-	-
Operating transfers in	160,592	172,996	442,771	314,013
Operating transfers out	<u>(1,662,311)</u>	<u>(1,759,013)</u>	<u>(1,725,739)</u>	<u>(1,624,000)</u>
Total other financing sources (uses)	<u>\$ (1,490,237)</u>	<u>\$ (1,235,430)</u>	<u>\$ (1,020,992)</u>	<u>\$ (1,309,231)</u>
Net change in fund balances	<u>\$ 4,412,376</u>	<u>\$ 1,237,911</u>	<u>\$ (517,178)</u>	<u>\$ (848,388)</u>
FUND BALANCES				
Beginning of period, as previously reported	\$ 4,837,234	\$ 3,730,001	\$ 4,249,342	\$ 5,015,676
Prior period adjustments	<u>(635)</u>	<u>(121,307)</u>	<u>2,335</u>	<u>64,197</u>
Beginning of period, as restated	<u>\$ 4,836,599</u>	<u>\$ 3,608,694</u>	<u>\$ 4,251,677</u>	<u>\$ 5,079,873</u>
Increase (Decrease) in reserve for inventory	<u>\$ (2,855)</u>	<u>\$ (9,371)</u>	<u>\$ (4,498)</u>	<u>\$ 17,857</u>
End of period	<u>\$ 9,246,120</u>	<u>\$ 4,837,234</u>	<u>\$ 3,730,001</u>	<u>\$ 4,249,342</u>

* 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

	<u>2011</u>	<u>2010*</u>	<u>2009*</u>	<u>2008*</u>
REVENUES				
Local sources	\$ 20,063,034	\$ 19,217,117	\$ 19,522,015	\$ 18,203,815
Intermediate sources	-	-	4,760	10,050
State sources	25,624,365	27,149,900	29,951,518	29,606,636
Federal sources	15,817,190	15,072,169	10,087,611	9,624,476
Sixteenth section sources	<u>196,251</u>	<u>163,821</u>	<u>161,478</u>	<u>169,578</u>
Total revenues	<u>\$ 61,700,840</u>	<u>\$ 61,603,007</u>	<u>\$ 59,727,382</u>	<u>\$ 57,614,555</u>
EXPENDITURES				
Instruction	\$ 33,345,470	\$ 35,614,545	\$ 35,910,963	\$ 34,287,471
Support services	18,448,005	21,382,936	20,321,773	17,481,844
Noninstructional services	4,159,593	4,101,865	4,100,058	3,857,039
Sixteenth section	32,601	30,872	26,612	26,926
Facilities acquisition and construction	95,367	3,164,527	7,564,370	2,845,513
Debt service:				
Principal	3,547,919	1,075,164	1,809,083	768,002
Interest	664,670	730,875	872,121	57,755
Other	<u>18,425</u>	<u>2,588</u>	<u>2,300</u>	<u>163,103</u>
Total expenditures	<u>\$ 60,312,050</u>	<u>\$ 66,103,372</u>	<u>\$ 70,607,280</u>	<u>\$ 59,487,653</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ 1,388,790</u>	<u>\$ (4,500,365)</u>	<u>\$ (10,879,898)</u>	<u>\$ (1,873,098)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of general obligation bonds	\$ -	\$ -	\$ -	\$ 19,500,000
Premium on bond issuance	-	-	-	62,784
Proceeds of loans	3,000,000	-	241,248	-
Insurance loss recoveries	11,482	350,587	239,134	756
Sale of land	-	-	-	142,000
Payments held by QZAB debt escrow agent	96,697	142,000	150,000	150,000
Payment to QZAB debt escrow agent	(96,697)	(142,000)	(150,000)	(150,000)
Operating transfers in	1,822,903	2,652,523	4,273,512	2,087,157
Other financing sources	101	1,538	1,250	1,250
Operating transfers out	(1,822,903)	(2,652,523)	(4,273,512)	(2,087,157)
Other financing uses	<u>(101)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>\$ 3,011,482</u>	<u>\$ 352,125</u>	<u>\$ 481,632</u>	<u>\$ 19,706,790</u>
Net change in fund balances	<u>\$ 4,400,272</u>	<u>\$ (4,148,240)</u>	<u>\$ (10,398,266)</u>	<u>\$ 17,833,692</u>

MERIDIAN PUBLIC SCHOOL DISTRICT

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

Last Four Years
Unaudited
(Continued)

FUND BALANCES

Beginning of period, as previously reported	\$ 11,611,645	\$ 15,756,675	\$ 26,193,529	\$ 8,356,373
Prior period adjustments	<u>528,379</u>	<u>(7,850)</u>	<u>(41,761)</u>	<u>40,574</u>
Beginning of period, as restated	<u>\$ 12,140,024</u>	<u>\$ 15,748,825</u>	<u>\$ 26,151,768</u>	<u>\$ 8,396,947</u>
Increase (Decrease) in reserve for inventory	<u>\$ (26,808)</u>	<u>\$ 11,060</u>	<u>\$ 3,173</u>	<u>\$ (37,110)</u>
End of period	<u>\$ 16,513,488</u>	<u>\$ 11,611,645</u>	<u>\$ 15,756,675</u>	<u>\$ 26,193,529</u>

* SOURCE - PRIOR YEAR AUDIT REPORTS

MERIDIAN PUBLIC SCHOOL DISTRICT

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



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

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, 2011, which collectively comprise the Meridian Public School District's basic financial statements and have issued our report thereon dated December 21, 2011. 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

Management of Meridian Public School District is responsible for establishing and maintaining effective 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 opinion 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be material weakness.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2011-1 to be a material weakness.

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*.

Meridian Public School District's response to the finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. We did not audit the school district's response and, accordingly, we express no opinion on it.

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.

Rea, Shaw, Giffin & Stuart

REA, SHAW, GIFFIN & STUART, LLP

Meridian, Mississippi
December 21, 2011

MERIDIAN PUBLIC SCHOOL DISTRICT

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON 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 Meridian Public School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the district's major federal programs for the year ended June 30, 2011. The school district's major federal programs are identified in the summary of auditor's 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.

Rea, Shaw, Giffin & Stuart

REA, SHAW, GIFFIN & STUART, LLP

Meridian, Mississippi
December 21, 2011

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



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MEMBER
MISSISSIPPI SOCIETY
OF
CERTIFIED PUBLIC
ACCOUNTANTS

**INDEPENDENT AUDITOR'S 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, 2011, which collectively comprise the Meridian Public School District's basic financial statements and have issued our report thereon dated December 21, 2011. 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 \$8,427 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.

Rea, Shaw, Giffin & Stuart

REA, SHAW, GIFFIN & STUART, LLP

Meridian, Mississippi
December 21, 2011

**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, 2011

SECTION I: SUMMARY OF AUDITORS' RESULTS

Financial Statements:

- | | |
|--|---------------|
| 1. Type of auditor's report issued: | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weakness identified? | Yes |
| b. Significant deficiency identified? | None reported |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards:

- | | |
|---|---------------|
| 4. Internal control over major programs: | |
| a. Material weakness identified? | No |
| b. Significant deficiency identified? | None reported |
| 5. Type of auditor's report issued on compliance for major programs: | Unqualified |
| 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | No |
| 7. Federal programs identified as major programs: | |

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555, 10.559	Child Nutrition Cluster
17.259	Workforce Investment Act-Youth Activities
84.318	Education Technology State Grant
84.386	ARRA – Education Technology State Grant
84.410	ARRA – Education Jobs Fund

MERIDIAN PUBLIC SCHOOL DISTRICT

Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2011

SECTION I: SUMMARY OF AUDITORS' RESULTS (continued)

Federal Awards (continued):

- | | |
|---|-----------|
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$474,516 |
| 9. Auditee qualified as a low-risk auditee? | Yes |

SECTION II: FINANCIAL STATEMENT FINDINGS

The results of our tests disclosed the following finding related to the financial statements that is required to be reported by *Government Auditing Standards*.

Significant Deficiency Considered to be a Material Weakness

Finding 2011-1:

During our audit of the year ended June 30, 2011, we became aware of an invoice of a material amount having been paid twice. The overpayment occurred in fiscal year 2010 and was discovered during fiscal year 2011 during routine analysis of construction projects and related costs performed by a school district employee. It appears that the employee immediately began the process of recovering the overpayment. The error was the result of a lapse in internal controls that allowed the invoice to be processed twice. The duplicate invoice was a photo copy of the original and was not properly approved.

Recommendation:

Employees involved in disbursements of the school district's funds should question an invoice that is not an original. Expenditure documentation should be complete, prepared by authorized individuals and reviewed for accuracy.

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.

AUDITEE'S CORRECTIVE ACTION PLAN



Meridian Public School District

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Linda B. Spence
Chief Fiscal Officer

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section __.315(b) of OMB Circular A-133, the Meridian Public School District has prepared and hereby submits the following corrective action plan for the finding included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2011:

Finding

Corrective Action Plan Details

2011-1

a. Contact Person Responsible for Corrective Action:

Name: Linda Spence

Title: Chief Fiscal Officer

Phone Number: 601-483-6271

b. Corrective Action Planned:

Employees involved in the disbursements of the school district's funds will research any invoices submitted for payment that are not originals and process only invoices containing complete documentation including signatures by authorized individuals. As a further safeguard, a list of all non-payroll checks in excess of \$100,000 is generated for review by district personnel and is provided to the board monthly.

c. Anticipated Completion Date:

The corrective action plan was implemented at the time of the discovery of the duplication of payment of the invoice.