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MERIDIAN PUBLIC SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2017

MERIDIAN PUBLIC SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT



WATKINS, WARD and STAFFORD
Professional Limited Liability Company
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

Superintendent and School Board
Meridian Public School District

Report on the Financial Statements

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, 2017, and the related notes to financial statements, which collectively comprise the Meridian Public School District's basic financial statements as listed in the contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 5-13, 45-47, 48, and 49, respectively, 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 supplementary 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 basic 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.

Other Information

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, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and 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 Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 Balances—All Governmental Funds, Last Four Years 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2018, 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 solely 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 effectiveness of the Meridian Public School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Meridian Public School District's internal control over financial reporting and compliance.

Philadelphia, Mississippi
February 7, 2018

Watkins Ward and Stafford, PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

MERIDIAN PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2017

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, 2017. 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 position for 2017 decreased \$3,074,185, including a prior period adjustment of (\$4,884), which represents an 8.6% decrease from fiscal year 2016. Total net position for 2016 decreased \$514,130, including a prior period adjustment of \$57,789, which represents a 1.5% decrease from fiscal year 2015.
- General revenues amounted to \$47,005,962 and \$47,181,751, or 79% and 80% of all revenues for fiscal years 2017 and 2016, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$12,232,763, or 21% of total revenues for 2017, and \$12,139,390, or 20% of total revenues for 2016.
- The District had \$62,308,026 and \$59,893,060 in expenses for fiscal years 2017 and 2016; only \$12,232,763 for 2017 and \$12,139,390 for 2016 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$47,005,962 for 2017 and \$47,181,751 for 2016 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$44,997,885 in revenues and \$41,969,562 in expenditures for 2017, and \$45,290,274 in revenues and \$42,775,149 in expenditures in 2016. The General Fund's fund balance increased by \$1,661,591 from 2016 to 2017, including a prior period adjustment of (\$4,884), and increased by \$1,141,789 from 2015 to 2016, including a prior period adjustment of \$62,817.
- Capital assets, net of accumulated depreciation, increased by \$229,788 for 2017 and increased by \$1,258,099 for 2016. The increase for 2017 was due to the addition of construction in progress, mobile equipment, and furniture and equipment.
- Long-term debt decreased by \$1,651,656 for 2017 and increased by \$4,220,824 for 2016. This decrease for 2017 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$113,344 for 2017 and decreased by \$29,176 for 2016.

OVERVIEW OF THE 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 supplementary information, supplementary 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 Position 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.

MERIDIAN PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2017

The Statement of Net Position presents information on all the District's nonfiduciary assets, deferred outflows, liabilities, and deferred inflows, with the differences between them reported as "net position." Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position 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, pension expense, 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 fund statements provide a detailed view of the District's near-term financing requirements.

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 Position, 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 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. These 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.

MERIDIAN PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2017

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.

A net pension liability results in a liability on the government-wide financial statements but is not reported on 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.

Notes to 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 financial statements can be found immediately following the basic financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules, Schedule of the District's Proportionate Share of the Net Pension Liability, and Schedule of District Contributions as required supplementary 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 additional major special revenue fund as required by the Governmental Accounting Standards Board.

Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

MERIDIAN PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$38,734,621 as of June 30, 2017.

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 position at June 30, 2017 and June 30, 2016.

Table 1
Condensed Statement of Net Position

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage</u> <u>Change</u>
Current assets	\$ 19,980,412	\$ 18,073,473	10.55 %
Restricted assets	3,874,456	6,413,148	(39.59) %
Capital assets, net	32,014,926	31,785,138	0.72 %
Total assets	<u>55,869,794</u>	<u>56,271,759</u>	(0.71) %
 Deferred outflows of resources	 <u>18,056,180</u>	 <u>18,767,490</u>	 (3.79) %
 Current liabilities	 933,933	 2,497,916	 (62.61) %
Long-term debt outstanding	18,005,061	19,656,717	(8.40) %
Net pension liability	92,425,204	80,707,604	14.52 %
Total liabilities	<u>111,364,198</u>	<u>102,862,237</u>	8.27 %
 Deferred inflows of resources	 <u>1,296,397</u>	 <u>7,837,448</u>	 (83.46) %
 Net position:			
Net investment in capital assets	16,785,740	16,222,680	3.47 %
Restricted	5,795,707	5,095,263	13.75 %
Unrestricted	(61,316,068)	(56,978,379)	(7.61) %
Total net position	<u>\$ (38,734,621)</u>	<u>\$ (35,660,436)</u>	(8.62) %

Additional information on unrestricted net position:

In connection with the application of standards on accounting and financial reporting for pensions, management presents the following additional information:

Total unrestricted net position (deficit)	\$ (61,316,068)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	75,665,421
Unrestricted net position, exclusive of the net pension liability effect	<u><u>\$ 14,349,353</u></u>

MERIDIAN PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2017

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

- Increase in net capital assets in the amount of \$229,788.
- The principal retirement of \$1,765,000 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2017 and June 30, 2016 were \$59,238,725 and \$59,321,141, respectively. The total cost of all programs and services was \$62,308,026 for 2017 and \$59,893,060 for 2016.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2017 and June 30, 2016.

Table 2
Changes in Net Position

	Year Ended June 30, 2017	Year Ended June 30, 2016	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 635,084	\$ 569,241	11.57 %
Operating grants and contributions	11,597,679	11,570,149	0.24 %
General revenues:			
Property taxes	21,134,773	20,420,536	3.50 %
Grants and contributions not restricted	24,750,305	25,504,001	(2.96) %
Investment earnings	64,406	67,641	(4.78) %
Sixteenth section sources	430,163	217,146	98.10 %
Other	626,315	972,427	(35.59) %
Total revenues	59,238,725	59,321,141	(0.14) %
Expenses:			
Instruction	28,194,397	29,644,362	(4.89) %
Support services	18,412,884	17,738,023	3.80 %
Non-instructional	4,200,945	4,460,539	(5.82) %
Sixteenth section	113,324	27,957	305.35 %
Pension expense	10,735,928	7,251,267	48.06 %
Interest on long-term liabilities	650,548	770,912	(15.61) %
Total expenses	62,308,026	59,893,060	4.03 %
Increase (Decrease) in net position	(3,069,301)	(571,919)	(436.67) %
Net Position, July 1, as previously reported	(35,660,436)	(35,146,306)	(1.46) %
Prior Period Adjustment	(4,884)	57,789	(108.45) %
Net Position, July 1, as restated	(35,665,320)	(35,088,517)	(1.64) %
Net Position, June 30	\$ (38,734,621)	\$ (35,660,436)	(8.62) %

MERIDIAN PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Governmental activities

The following table presents the cost of six major District functional activities: instruction, support services, non-instructional, sixteenth section, pension expense, and interest on long-term liabilities. 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

	Total Expenses		Percentage
	2017	2016	Change
Instruction	\$ 28,194,397	\$ 29,644,362	(4.89) %
Support services	18,412,884	17,738,023	3.80 %
Non-instructional	4,200,945	4,460,539	(5.82) %
Sixteenth section	113,324	27,957	305.35 %
Pension Expense	10,735,928	7,251,267	48.06 %
Interest on long-term liabilities	650,548	770,912	(15.61) %
Total expenses	\$ 62,308,026	\$ 59,893,060	4.03 %

	Net (Expense) Revenue		Percentage
	2017	2016	Change
Instruction	\$ (23,290,872)	\$ (24,499,946)	(4.94) %
Support services	(15,680,032)	(15,161,718)	3.42 %
Non-instructional	222,388	(41,870)	(631.14) %
Sixteenth section	(94,724)	(27,957)	238.82 %
Pension Expense	(10,735,928)	(7,251,267)	48.06 %
Interest on long-term liabilities	(496,095)	(770,912)	(35.65) %
Total net (expense) revenue	\$ (50,075,263)	\$ (47,753,670)	4.86 %

- Net cost of governmental activities (\$50,075,263 for 2017 and \$47,753,670 for 2016) was financed by general revenue, which is primarily made up of property taxes (\$21,134,773 for 2017 and \$20,420,536 for 2016) and state and federal revenues (\$24,750,305 for 2017 and \$25,504,001 for 2016). In addition, there was \$430,163 and \$217,146 in Sixteenth Section sources for 2017 and 2016, respectively.
- Investment earnings amounted to \$64,406 for 2017 and \$67,641 for 2016.

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.

MERIDIAN PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2017

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 \$23,115,287, an increase of \$908,246, which includes a prior period adjustment of (\$4,884) and an increase in inventory of \$13,878. \$14,672,464 or 63% 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 \$8,442,823 or 37% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the 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 \$1,661,591, which includes a prior period adjustment of (\$4,884). The fund balance of Other Governmental Funds showed an increase in the amount of \$550,999, which includes an increase in reserve for inventory of \$13,878. 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 FY 17 Fund	no increase or decrease
IDEA Part B (SPED) Fund	no increase or decrease
2015 Bond Issue Fund	\$ (1,381,587)
Debt Service Clearing Fund	\$ 77,243

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.

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 funds is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2017, the District's total capital assets were \$58,408,683, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$1,595,603 from 2016. Total accumulated depreciation as of June 30, 2017, was \$26,393,757, and total depreciation expense for the year was \$1,600,286, resulting in total net capital assets of \$32,014,926.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Land	\$ 560,015	\$ 560,015	0.00 %
Construction in Progress	348,193	1,904,052	(81.71) %
Buildings	17,289,505	17,755,657	(2.63) %
Improvements other than buildings	11,727,944	9,436,371	24.28 %
Mobile equipment	1,593,643	1,649,643	(3.39) %
Furniture and equipment	495,626	479,400	3.38 %
Total	<u>\$ 32,014,926</u>	<u>\$ 31,785,138</u>	0.72 %

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

MERIDIAN PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Debt Administration. At June 30, 2017, the District had \$18,005,061 in outstanding long-term debt, of which \$2,415,000 is due within one year. The liability for compensated absences increased \$113,344 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 9,510,000	\$ 10,810,000	(12.03) %
Three mill notes payable	5,035,000	5,500,000	(8.45) %
Qualified school construction bonds payable	3,000,000	3,000,000	0.00 %
Compensated absences payable	460,061	346,717	32.69 %
Total	<u>\$ 18,005,061</u>	<u>\$ 19,656,717</u>	<u>(8.40) %</u>

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

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 any 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.

BASIC FINANCIAL STATEMENTS

MERIDIAN PUBLIC SCHOOL DISTRICT

**Statement of Net Position
June 30, 2017**

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 17,710,753
Due from other governments	2,091,738
Inventories	177,921
Restricted assets	3,874,456
Capital assets, non-depreciable:	
Land	560,015
Construction in progress	348,193
Capital assets, net of accumulated depreciation:	
Buildings	17,289,505
Improvements other than buildings	11,727,944
Mobile equipment	1,593,643
Furniture and equipment	495,626
Total Assets	<u>55,869,794</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	18,056,180
Total deferred outflows of resources	<u>18,056,180</u>
Liabilities	
Accounts payable and accrued liabilities	687,159
Unearned revenue	41,707
Interest payable on long-term liabilities	194,352
Other payables, net	10,715
Long-term liabilities, due within one year:	
Capital related liabilities	2,415,000
Long-term liabilities, due beyond one year:	
Capital related liabilities	15,130,000
Non-capital related liabilities	460,061
Net pension liability	92,425,204
Total Liabilities	<u>111,364,198</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	1,296,397
Total deferred inflows of resources	<u>1,296,397</u>
Net Position	
Net investment in capital assets	16,785,740
Restricted for:	
Expendable:	
School-based activities	2,710,562
Debt service	2,881,491
Forestry improvements	71,911
Unemployment benefits	130,242
Non-expendable:	
Sixteenth section	1,501
Unrestricted	(61,316,068)
Total Net Position	<u>\$ (38,734,621)</u>

The accompanying notes to financial statements are an integral part of these financial statements.

MERIDIAN PUBLIC SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2017

Exhibit B

					Net (Expense) Revenue and Changes in Net Position
		Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 28,194,397	\$ 492,629	\$ 4,410,896	\$ -	\$ (23,290,872)
Support services	18,412,884	-	2,732,852	-	(15,680,032)
Non-instructional	4,200,945	123,855	4,299,478	-	222,388
Sixteenth section	113,324	18,600	-	-	(94,724)
Pension expense	10,735,928	-	-	-	(10,735,928)
Interest on long-term liabilities	650,548	-	154,453	-	(496,095)
Total Governmental Activities	<u>\$ 62,308,026</u>	<u>\$ 635,084</u>	<u>\$ 11,597,679</u>	<u>\$ -</u>	<u>\$ (50,075,263)</u>
General Revenues:					
Taxes:					
General purpose levies					18,519,755
Debt purpose levies					2,615,018
Unrestricted grants and contributions:					
State					24,750,305
Unrestricted investment earnings					64,406
Sixteenth section sources					430,163
Other					626,315
Total General Revenues					<u>47,005,962</u>
Change in Net Position					<u>(3,069,301)</u>
Net Position - Beginning, as previously reported					(35,660,436)
Prior Period Adjustments					<u>(4,884)</u>
Net Position - Beginning, as restated					<u>(35,665,320)</u>
Net Position - Ending					<u>\$ (38,734,621)</u>

The accompanying notes to financial statements are an integral part of these financial statements.

MERIDIAN PUBLIC SCHOOL DISTRICT

Governmental Funds

Balance Sheet

June 30, 2017

Exhibit C

	Major Funds						
	General Fund	Title I FY 17 Fund	IDEA Part B (SPED) Fund	2015 Bond Issue Fund	Debt Service Clearing Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and cash equivalents	\$ 12,950,514	\$ -	\$ -	\$ 2,305,064	\$ 1,951,309	\$ 3,070,718	\$ 20,277,605
Investments	-	-	-	-	-	1,307,604	1,307,604
Due from other governments	841,321	469,414	234,471	-	52,362	494,170	2,091,738
Due from other funds	1,346,539	-	-	-	-	15,564	1,362,103
Inventories	44,138	-	-	-	-	133,783	177,921
Total assets	15,182,512	469,414	234,471	2,305,064	2,003,671	5,021,839	25,216,971
Liabilities and Fund Balances							
Liabilities:							
Accounts payable and accrued liabilities	\$ 302,338	\$ 8,145	\$ 6,825	\$ 249,354	\$ -	\$ 120,497	\$ 687,159
Due to other funds	26,622	419,572	227,646	-	254,172	444,806	1,372,818
Unearned revenue	-	41,697	-	-	-	10	41,707
Total Liabilities	328,960	469,414	234,471	249,354	254,172	565,313	2,101,684
Fund Balances:							
Nonspendable:							
Inventory	44,138	-	-	-	-	133,783	177,921
Permanent fund principal	-	-	-	-	-	1,501	1,501
Restricted:							
Debt service	-	-	-	-	1,749,499	1,326,344	3,075,843
Capital projects	-	-	-	2,055,710	-	260,104	2,315,814
Forestry improvement purposes	-	-	-	-	-	71,911	71,911
Grant activities	-	-	-	-	-	2,532,456	2,532,456
Unemployment benefits	-	-	-	-	-	130,242	130,242
Other purposes	-	-	-	-	-	185	185
Assigned:							
Activity funds	136,950	-	-	-	-	-	136,950
Unassigned	14,672,464	-	-	-	-	-	14,672,464
Total Fund Balances	14,853,552	-	-	2,055,710	1,749,499	4,456,526	23,115,287
Total Liabilities and Fund Balances	\$ 15,182,512	\$ 469,414	\$ 234,471	\$ 2,305,064	\$ 2,003,671	\$ 5,021,839	\$ 25,216,971

The accompanying notes to financial statements are an integral part of these financial statements.

MERIDIAN PUBLIC SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2017**

Exhibit C-1

Total fund balances for governmental funds \$ 23,115,287

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

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

Land	\$ 560,015	
Construction in progress	348,193	
Buildings	31,599,756	
Improvements other than buildings	18,095,794	
Mobile equipment	4,907,945	
Furniture and equipment	2,896,980	
Accumulated depreciation	<u>(26,393,757)</u>	32,014,926

2. Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:

Net pension liability	(92,425,204)	
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	18,056,180	
Deferred inflows of resources related to pensions	<u>(1,296,397)</u>	(75,665,421)

3. 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	(9,510,000)	
Three mill note payable	(5,035,000)	
Qualified school construction bonds	(3,000,000)	
Compensated absences	(460,061)	
Accrued interest payable	<u>(194,352)</u>	(18,199,413)

Net position of governmental activities	<u>\$ (38,734,621)</u>
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The accompanying notes to financial statements are an integral part of these financial statements.

MERIDIAN PUBLIC SCHOOL DISTRICT

Governmental Funds

**Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017**

Exhibit D

	Major Funds						
	General Fund	Title I FY 17 Fund	IDEA Part B (SPED) Fund	2015 Bond Issue Fund	Debt Service Clearing Fund	Other Governmental Funds	Total Governmental Funds
Revenues:							
Local sources	\$ 19,437,448	\$ -	\$ -	\$ 7,055	\$ 77,243	\$ 2,920,232	\$ 22,441,978
State sources	25,105,027	-	-	-	-	867,449	25,972,476
Federal sources	25,247	2,936,561	1,357,206	-	-	6,056,494	10,375,508
Sixteenth section sources	430,163	-	-	-	-	18,600	448,763
Total Revenues	44,997,885	2,936,561	1,357,206	7,055	77,243	9,862,775	59,238,725
Expenditures:							
Instruction	24,786,521	1,832,367	674,058	-	-	2,880,162	30,173,108
Support services	16,801,407	975,020	653,694	-	-	1,333,437	19,763,558
Noninstructional services	270,235	104,172	22	-	-	3,945,008	4,319,437
Sixteenth section	111,399	-	-	-	-	1,925	113,324
Facilities acquisition and construction	-	-	-	1,388,642	-	141,872	1,530,514
Debt service:							
Principal	-	-	-	-	-	1,765,000	1,765,000
Interest	-	-	-	-	-	670,584	670,584
Other	-	-	-	-	-	3,948	3,948
Total Expenditures	41,969,562	2,911,559	1,327,774	1,388,642	-	10,741,936	58,339,473
Excess (Deficiency) of Revenues over (under) Expenditures	3,028,323	25,002	29,432	(1,381,587)	77,243	(879,161)	899,252
Other Financing Sources (Uses):							
Payment held by QSCB escrow agent	-	-	-	-	-	257,000	257,000
Payment to QSCB escrow agent	-	-	-	-	-	(257,000)	(257,000)
Operating transfers in	233,229	-	-	-	-	1,595,077	1,828,306
Operating transfers out	(1,595,077)	(25,002)	(29,432)	-	-	(178,795)	(1,828,306)
Total Other Financing Sources (Uses)	(1,361,848)	(25,002)	(29,432)	-	-	1,416,282	-
Net Change in Fund Balances	1,666,475	-	-	(1,381,587)	77,243	537,121	899,252
Fund Balances:							
July 1, 2016, as previously reported	13,191,961	-	-	3,437,297	1,672,256	3,905,527	22,207,041
Prior period adjustments	(4,884)	-	-	-	-	-	(4,884)
July 1, 2016, as restated	13,187,077	-	-	3,437,297	1,672,256	3,905,527	22,202,157
Increase (Decrease) in reserve for inventory	-	-	-	-	-	13,878	13,878
June 30, 2017	\$ 14,853,552	\$ -	\$ -	\$ 2,055,710	\$ 1,749,499	\$ 4,456,526	\$ 23,115,287

The accompanying notes to financial statements are an integral part of these financial statements.

MERIDIAN PUBLIC SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2017**

Exhibit D-1

Net change in fund balances - total governmental funds \$ 899,252

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

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 1,856,126	
Depreciation expense	<u>(1,600,286)</u>	255,840

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 position differs from the change in fund balance by the cost of the assets sold. (26,052)

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 position. Also, governmental funds report the effect of 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:

Payments of debt principal	1,765,000	
Accrued interest payable	<u>23,984</u>	1,788,984

4. Some items relating to pensions and 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 the governmental funds. These activities include:

Pension expense	(10,735,928)	
Contributions subsequent to the measurement date	<u>4,848,069</u>	(5,887,859)

5. 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	(113,344)	
Change in inventory reserve	<u>13,878</u>	(99,466)

Change in net position of governmental activities \$ (3,069,301)

The accompanying notes to financial statements are an integral part of these financial statements.

MERIDIAN PUBLIC SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Net Position
June 30, 2017

Exhibit E

	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ -	\$ 2,219,419
Investments	182,391	-
Due from other funds	1,000	10,058
Total Assets	<u>183,391</u>	<u>\$ 2,229,477</u>
Liabilities		
Accounts payable and accrued liabilities	1,000	\$ 2,156,194
Due to other funds	-	343
Due to student clubs	-	72,940
Total Liabilities	<u>1,000</u>	<u>\$ 2,229,477</u>
Net Position		
Reserved for endowments	<u>182,391</u>	
Total Net Position	<u>\$ 182,391</u>	

The accompanying notes to financial statements are an integral part of these financial statements.

MERIDIAN PUBLIC SCHOOL DISTRICT

Fiduciary Funds

Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2017

Exhibit F

	Private-Purpose Trust Funds
Additions	
Interest on investments	\$ 16,604
Total Additions	<u>16,604</u>
Deductions	
Scholarships awarded	<u>6,641</u>
Total Deductions	<u>6,641</u>
Change in Net Position	<u>9,963</u>
Net Position	
July 1, 2016	<u>172,428</u>
June 30, 2017	<u><u>\$ 182,391</u></u>

The accompanying notes to financial statements are an integral part of these financial statements.

MERIDIAN PUBLIC SCHOOL DISTRICT

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Meridian since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

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

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. The effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the District's non-fiduciary assets, deferred outflows, liabilities, and deferred inflows with the difference reported as net position. Net position is reported in three categories:

1. Net investment in capital assets 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 position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has 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.

MERIDIAN PUBLIC SCHOOL DISTRICT

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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 and reported in another fund.

Title I FY 17 Fund – This special revenue fund accounts for the revenues and expenditures associated with the Title I grants to local education agencies programs for the 2017 fiscal year.

IDEA Part B (SPED) Fund – A special revenue fund, this fund accounts for expenditures and related revenues associated with a Federal award that provides supplemental services for special needs students.

2015 Bond Issue Fund – This capital projects fund is used to account for the projects funded with proceeds from the 2015 Bond Issue.

Debt Service Clearing Fund – This debt service fund accounts for the accumulation of resources for, and the payment of principal, interest, and related costs of a debt issue.

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 position and changes in net position.

The District's fiduciary funds include the following:

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 fund raisers and club related expenditures approved by the individual clubs.

Scholarship Funds – These five (5) private purpose trust funds serve to report all trust arrangements.

Accounts Payable Clearing Fund – This fund serves as a clearing fund for payables outstanding at year end.

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 specified purposes other than debt service or capital projects.

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.

MERIDIAN PUBLIC SCHOOL DISTRICT

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

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

In the government-wide Statement of Net Position 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, 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 financing sources.

MERIDIAN PUBLIC SCHOOL DISTRICT

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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 is both restricted and unrestricted net position 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 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2014*, issued by the U.S. Department of Education.

D. Encumbrances

An encumbrance system is maintained to account for commitments or assignments 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.

E. Assets, liabilities, deferred outflows/inflows, and net position/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). All other outstanding balances between funds are reported as "due to/from other funds."

MERIDIAN PUBLIC SCHOOL DISTRICT

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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 Position because their use is limited by applicable debt statutes, e.g. Qualified School Construction 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, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the 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.

MERIDIAN PUBLIC SCHOOL DISTRICT

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

The following schedule details the capitalization thresholds:

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

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then. The District has a deferred outflow related to pensions in accordance with GASB 68.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has a deferred inflow related to pensions in accordance with GASB 68.

See Note 14 for further details.

8. 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.

9. Long-term Liabilities and Bond Discounts/Premiums

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

MERIDIAN PUBLIC SCHOOL DISTRICT

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. 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 this school 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 fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Superintendent and the Business Manager pursuant to authorization established by the District's approved fund balance policy.

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.

MERIDIAN PUBLIC SCHOOL DISTRICT

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

It is a goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year-end of not less than 7% of District Maintenance revenues. If the unassigned fund balance at fiscal year-end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

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 deposit 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 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 \$20,277,605 and \$2,219,419, respectively.

MERIDIAN PUBLIC SCHOOL DISTRICT

Notes to Financial Statements

Note 2 – Cash and Cash Equivalents and Investments (Continued)

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. 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. 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.

Investments

As of June 30, 2017, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Treasury SLGS Deposit	AAA	1 to 5 years	\$ 1,307,604
Mutual funds	No rating	Varies	<u>182,391</u>
Total			<u>\$ 1,489,995</u>

The district categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The district has the following recurring fair value measurements as of June 30, 2017:

- U.S. Treasury SLGS Deposit and Mutual fund type of investments of \$1,489,995 are valued using quoted market prices (Level 1 inputs)

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk.

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, 2017, the district had the following investments:

MERIDIAN PUBLIC SCHOOL DISTRICT

Notes to Financial Statements

Note 2 – Cash and Cash Equivalents and Investments (Continued)

Issuer	Value	Investments
U.S. Treasury SLGS Deposit	\$ 1,307,604	88%
Mutual funds	182,391	12%
Total	<u>\$ 1,489,995</u>	<u>100%</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

Receivable Fund	Payable Fund	Amount
General Fund	Title I FY 17 Fund	\$ 419,572
	IDEA Part B (SPED) Fund	227,646
	Debt Service Clearing Fund	254,172
	Other governmental funds	444,806
	Fiduciary funds	343
Other governmental funds	General Fund	15,564
Fiduciary funds	General Fund	11,058
Total		<u>\$ 1,373,161</u>

The primary purpose of the inter-fund balances is to eliminate deficit cash balances in pooled bank accounts caused by negative federal program fund cash flows and to recognize the effects of inter-fund loans between funds.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 1,595,077
Title I FY 17 Fund	General Fund	25,002
IDEA Part B (SPED) Fund	General Fund	29,432
Other governmental funds	General Fund	178,795
Total		<u>\$ 1,828,306</u>

The transfers constitute transfers of indirect costs from special revenue funds to the General Fund and operating transfers between governmental funds.

Note 4 – Restricted Assets

The restricted assets represent the cash balance, totaling \$2,798, \$2,305,064, \$257,305, and \$1,685, of the William Dean Elementary Fund (Capital Projects), the 2015 Bond Issue Fund (Capital Projects), the \$14.5 M 2008 Series Fund (Capital Projects), and the Sixteenth Section Principal Fund (Permanent Fund) which are legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the investment balance, totaling \$1,307,604, of the QSCB Bond Retirement Funds.

MERIDIAN PUBLIC SCHOOL DISTRICT

Notes to Financial Statements

Note 5 – Capital Assets

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

	Balance 7/1/2016	Increases	Decreases	Adjustments	Balance 6/30/2017
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 560,015	\$ -	\$ -	\$ -	560,015
Construction-in-progress	1,904,052	1,530,514	-	(3,086,373)	348,193
Total non-depreciable capital assets	2,464,067	1,530,514	-	(3,086,373)	908,208
<u>Depreciable capital assets:</u>					
Buildings	31,548,949	-	-	50,807	31,599,756
Improvements other than buildings	15,129,158	-	-	2,966,636	18,095,794
Mobile equipment	4,994,763	173,705	260,523	-	4,907,945
Furniture and equipment	2,676,143	151,907	-	68,930	2,896,980
Total depreciable capital assets	54,349,013	325,612	260,523	3,086,373	57,500,475
<u>Less accumulated depreciation for:</u>					
Buildings	13,793,292	516,959	-	-	14,310,251
Improvements other than buildings	5,692,787	675,063	-	-	6,367,850
Mobile equipment	3,345,120	203,653	234,471	-	3,314,302
Furniture and equipment	2,196,743	204,611	-	-	2,401,354
Total accumulated depreciation	25,027,942	1,600,286	234,471	-	26,393,757
Total depreciable capital assets, net	29,321,071	(1,274,674)	26,052	3,086,373	31,106,718
Governmental activities capital assets, net	\$ 31,785,138	\$ 255,840	\$ 26,052	\$ -	\$ 32,014,926

Adjustments were made to capitalize construction projects completed during the year.

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 1,085,974
Support services	329,019
Non-instructional	185,293
Total depreciation expense - Governmental activities	<u>\$ 1,600,286</u>

The details of construction-in-progress are as follows:

	Spent to June 30, 2017	Remaining Commitment
Governmental Activities:		
Oakland Heights Reroofing Project	\$ 346,181	\$ 230,410
TJ Harris Repaving & Improvement Project	2,012	42,413
Total governmental activities	<u>348,193</u>	<u>272,823</u>

Construction projects included in governmental activities are funded with proceeds of a 2015 Three Mill Note.

MERIDIAN PUBLIC SCHOOL DISTRICT

Notes to Financial Statements

Note 6 – Long-term Liabilities

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

	Balance 7/1/2016	Additions	Reductions	Balance 6/30/2017	Amounts due within one year
A. General obligation bonds payable	\$ 10,810,000	\$ -	\$ 1,300,000	\$ 9,510,000	\$ 1,925,000
B. Three mill notes payable	5,500,000	-	465,000	5,035,000	490,000
C. Qualified school construction bonds payable	3,000,000	-	-	3,000,000	-
D. Compensated absences payable	346,717	113,344	-	460,061	-
Total	<u>\$ 19,656,717</u>	<u>\$ 113,344</u>	<u>\$ 1,765,000</u>	<u>\$ 18,005,061</u>	<u>\$ 2,415,000</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:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Series 2007	4.20%	8/1/2007	8/1/2017	\$ 5,000,000	\$ 500,000
2. Series 2008	3.25%	3/1/2008	3/1/2023	14,500,000	9,010,000
Total				<u>\$ 19,500,000</u>	<u>\$ 9,510,000</u>

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

1. General obligation bond issue of August 1, 2007:

Year Ending June 30	Principal	Interest	Total
2018	\$ 500,000	\$ 10,500	\$ 510,500
Total	<u>\$ 500,000</u>	<u>\$ 10,500</u>	<u>\$ 510,500</u>

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

MERIDIAN PUBLIC SCHOOL DISTRICT

Notes to Financial Statements

Note 6 – Long-term Liabilities (Continued)

2. General obligation bond issue of March 1, 2008:

Year Ending June 30	Principal	Interest	Total
2018	\$ 1,425,000	\$ 360,400	\$ 1,785,400
2019	1,525,000	303,400	1,828,400
2020	1,625,000	242,400	1,867,400
2021	1,725,000	177,400	1,902,400
2022	1,800,000	108,400	1,908,400
2023	910,000	36,400	946,400
Total	<u>\$ 9,010,000</u>	<u>\$ 1,228,400</u>	<u>\$ 10,238,400</u>

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

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2018	\$ 1,925,000	\$ 370,900	\$ 2,295,900
2019	1,525,000	303,400	1,828,400
2020	1,625,000	242,400	1,867,400
2021	1,725,000	177,400	1,902,400
2022	1,800,000	108,400	1,908,400
2023	910,000	36,400	946,400
Total	<u>\$ 9,510,000</u>	<u>\$ 1,238,900</u>	<u>\$ 10,748,900</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, 2017, the amount of outstanding bonded indebtedness was equal to 2.7% of property assessments as of October 1, 2016.

B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Note Series 2015	1.51%	8/20/2015	8/20/2025	\$ 5,500,000	\$ 5,035,000
Total				<u>\$ 5,500,000</u>	<u>\$ 5,035,000</u>

MERIDIAN PUBLIC SCHOOL DISTRICT

Notes to Financial Statements

Note 6 – Long-term Liabilities (Continued)

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 490,000	\$ 76,029	\$ 566,029
2019	505,000	68,630	573,630
2020	525,000	61,004	586,004
2021	540,000	53,077	593,077
2022	560,000	44,923	604,923
2023 – 2026	2,415,000	92,260	2,507,260
Total	<u>\$ 5,035,000</u>	<u>\$ 395,923</u>	<u>\$ 5,430,923</u>

This debt will be retired from the 2015 Limited Tax Note (Debt Service) Fund.

C. 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:

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

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

1. Qualified school construction bond issue of November 4, 2010:

Year Ending June 30	Principal	Interest	Total
2018	\$ -	\$ 83,400	\$ 83,400
2019	-	83,400	83,400
2020	-	83,400	83,400
2021	-	83,400	83,400
2022	-	83,400	83,400
2023 – 2026	1,500,000	333,600	1,833,600
Total	<u>\$ 1,500,000</u>	<u>\$ 750,600</u>	<u>\$ 2,250,600</u>

MERIDIAN PUBLIC SCHOOL DISTRICT

Notes to Financial Statements

Note 6 – Long-term Liabilities (Continued)

2. Qualified school construction bond issue of February 1, 2011:

Year Ending June 30	Principal	Interest	Total
2018	\$ -	\$ 82,500	\$ 82,500
2019	-	82,500	82,500
2020	-	82,500	82,500
2021	-	82,500	82,500
2022	1,500,000	82,500	1,582,500
Total	\$ 1,500,000	\$ 412,500	\$ 1,912,500

Total other loans payments for all issues:

Year Ending June 30	Principal	Interest	Total
2018	\$ -	\$ 165,900	\$ 165,900
2019	-	165,900	165,900
2020	-	165,900	165,900
2021	-	165,900	165,900
2022	1,500,000	165,900	1,665,900
2023 – 2026	1,500,000	333,600	1,833,600
Total	\$ 3,000,000	\$ 1,163,100	\$ 4,163,100

D. Compensated absences payable

As more fully explained in Note 1(E)(8), 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 – Other Commitments

Commitments under construction contracts are described in Note 5.

The school district has several operating leases for the following:

1. 21 Ricoh Copiers
2. Telephone Equipment
3. 2 Postage Machines

Lease expenditures for the year ended June 30, 2017, amounted to \$118,016.

MERIDIAN PUBLIC SCHOOL DISTRICT

Notes to Financial Statements

Note 7 – Other Commitments (Continued)

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2018	\$ 121,006
2019	31,282
2020	8,650
2021	8,650
2022	6,666
Total	<u>\$ 176,254</u>

Note 8 – Defined Benefit Pension Plan

General Information about the 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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the 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.

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

MERIDIAN PUBLIC SCHOOL DISTRICT

Notes to Financial Statements

Note 8 – Defined Benefit Pension Plan (Continued)

Contributions. 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 as of June 30, 2017 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2017, 2016 and 2015 were \$4,848,069, \$5,213,407 and \$5,137,386, respectively, which equaled the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the school district reported a liability of \$92,425,204 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2017 net pension liability was 0.517426 percent, which was based on a measurement date of June 30, 2016. This was an decrease of 0.004682 percent from its proportionate share used to calculate the June 30, 2016 net pension liability, which was based on a measurement date of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$10,735,928. At June 30, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,589,307	\$
Net difference between projected and actual earnings on pension plan investments	6,222,253	
Changes of assumptions	4,396,551	245,603
Changes in proportion and differences between District contributions and proportionate share of contributions		1,050,794
District contributions subsequent to the measurement date	4,848,069	
Total	\$ <u>18,056,180</u>	\$ <u>1,296,397</u>

\$4,848,069 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2018	\$ 3,896,953
2019	3,047,995
2020	3,140,888
2021	<u>1,825,878</u>
Total	\$ <u>11,911,714</u>

MERIDIAN PUBLIC SCHOOL DISTRICT

Notes to Financial Statements

Note 8 – Defined Benefit Pension Plan (Continued)

Actuarial assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.75-19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
U.S. Broad	34	%	5.20	%
International Equity	19		5.00	
Emerging Markets Equity	8		5.45	
Fixed Income	20		0.25	
Real Assets	10		4.00	
Private Equity	8		6.15	
Cash	1		(0.50)	
Total	100	%		

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at the current employer contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

MERIDIAN PUBLIC SCHOOL DISTRICT

Notes to Financial Statements

Note 8 – Defined Benefit Pension Plan (Continued)

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 118,509,833	\$ 92,425,204	\$ 70,783,416

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

Note 9 – 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.

Year Ending June 30	Amount
2018	\$ 16,908
2019	16,908
2020	16,908
2021	14,532
2022	14,532
2023 – 2027	55,235
2028 – 2032	50,496
2033 – 2037	31,881
2038 – 2042	12,040
Thereafter	5,363
Total	<u>\$ 234,803</u>

MERIDIAN PUBLIC SCHOOL DISTRICT

Notes to Financial Statements

Note 10 – Prior Period Adjustments

A summary of significant Net Position/Fund Balance adjustments is as follows:

Exhibit B - Statement of Activities

Explanation	Amount
1. To correct prior period error	\$ (4,884)
Total	<u>\$ (4,884)</u>

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

Fund	Explanation	Amount
General Fund	To correct prior period error	\$ (4,884)
Total		<u>\$ (4,884)</u>

Note 11 – 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 the various 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 12 – 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 13 – Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 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. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

MERIDIAN PUBLIC SCHOOL DISTRICT

Notes to Financial Statements

Note 13 – Qualified School Construction Bonds (Continued)

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. For the year ended June 30, 2017, the subsidy payments amounted to \$154,453.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten 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, 2017 was \$1,307,604. The amount accumulated in the sinking fund at the end of the seventeen-year period is expected to 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	Amount
2018	\$ 257,000
2019	257,000
2020	257,000
2021	257,000
2022	257,000
2023 – 2026	430,000
Total	<u>\$ 1,715,000</u>

Note 14 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$61,316,068) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$18,056,180 balance of the deferred outflow of resources at June 30, 2017 will be recognized as an expense and will decrease unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$61,316,068) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$1,296,397 balance of the deferred inflow of resources at June 30, 2017 will be recognized as revenue and will increase unrestricted net position over the next 3 years.

Note 15 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Meridian Public School District evaluated the activity of the district through February 7, 2018, and determined that no subsequent event has occurred requiring disclosure in the notes to financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

MERIDIAN PUBLIC SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 18,588,356	\$ 19,316,776	\$ 19,437,448	\$ 728,420	\$ 120,672
State sources	24,834,849	25,105,027	25,105,027	270,178	-
Federal sources	117,500	25,247	25,247	(92,253)	-
Sixteenth section sources	166,400	430,163	430,163	263,763	-
Total Revenues	43,707,105	44,877,213	44,997,885	1,170,108	120,672
Expenditures:					
Instruction	26,460,920	24,786,521	24,786,521	1,674,399	-
Support services	17,411,670	16,801,407	16,801,407	610,263	-
Noninstructional services	281,568	270,235	270,235	11,333	-
Sixteenth section	34,590	111,399	111,399	(76,809)	-
Total Expenditures	44,188,748	41,969,562	41,969,562	2,219,186	-
Excess (Deficiency) of Revenues over (under) Expenditures	(481,643)	2,907,651	3,028,323	3,389,294	120,672
Other Financing Sources (Uses):					
Operating transfers in	6,156,112	5,587,419	233,229	(568,693)	(5,354,190)
Operating transfers out	(7,468,185)	(6,949,268)	(1,595,077)	518,917	5,354,191
Total Other Financing Sources (Uses)	(1,312,073)	(1,361,849)	(1,361,848)	(49,776)	1
Net Change in Fund Balances	(1,793,716)	1,545,802	1,666,475	3,339,518	120,673
Fund Balances:					
July 1, 2016, as previously reported	12,091,492	13,191,724	13,191,961	1,100,232	237
Prior period adjustments	-	(4,647)	(4,884)	(4,647)	(237)
July 1, 2016, as restated	12,091,492	13,187,077	13,187,077	1,095,585	-
June 30, 2017	\$ 10,297,776	\$ 14,732,879	\$ 14,853,552	\$ 4,435,103	\$ 120,673

The notes to required supplementary information are an integral part of this schedule.

MERIDIAN PUBLIC SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
Title I FY 17 Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 3,735,156	\$ 3,735,260	\$ 2,936,561	\$ 104	\$ (798,699)
Total Revenues	3,735,156	3,735,260	2,936,561	104	(798,699)
Expenditures:					
Instruction	1,970,087	2,015,826	1,832,367	(45,739)	183,459
Support services	1,601,095	1,555,460	975,020	45,635	580,440
Noninstructional services	138,974	138,972	104,172	2	34,800
Total Expenditures	3,710,156	3,710,258	2,911,559	(102)	798,699
Excess (Deficiency) of Revenues over (under) Expenditures	25,000	25,002	25,002	2	-
Other Financing Sources (Uses):					
Operating transfers out	(25,000)	(25,002)	(25,002)	(2)	-
Total Other Financing Sources (Uses)	(25,000)	(25,002)	(25,002)	(2)	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2016	-	-	-	-	-
June 30, 2017	\$ -	\$ -	\$ -	\$ -	\$ -

The notes to required supplementary information are an integral part of this schedule.

MERIDIAN PUBLIC SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
IDEA Part B (SPED) Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 1,592,464	\$ 1,655,337	\$ 1,357,206	\$ 62,873	\$ (298,131)
Total Revenues	1,592,464	1,655,337	1,357,206	62,873	(298,131)
Expenditures:					
Instruction	752,258	807,677	674,058	(55,419)	133,619
Support services	805,589	798,465	653,694	7,124	144,771
Noninstructional services	1,500	2,814	22	(1,314)	2,792
Total Expenditures	1,559,347	1,608,956	1,327,774	(49,609)	281,182
Excess (Deficiency) of Revenues over (under) Expenditures	33,117	46,381	29,432	13,264	(16,949)
Other Financing Sources (Uses):					
Operating transfers out	(33,117)	(46,381)	(29,432)	(13,264)	16,949
Total Other Financing Sources (Uses)	(33,117)	(46,381)	(29,432)	(13,264)	16,949
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2016	-	-	-	-	-
June 30, 2017	\$ -	\$ -	\$ -	\$ -	\$ -

The notes to required supplementary information are an integral part of this schedule.

MERIDIAN PUBLIC SCHOOL DISTRICT**Required Supplementary Information****SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY****PERS****Last 10 Fiscal Years***

	2017	2016	2015
District's proportion of the net pension liability (asset)	0.517426%	0.522108%	0.525481%
District's proportionate share of the net pension liability (asset)	\$ 92,425,204	\$ 80,707,604	\$ 63,783,772
District's covered payroll	33,100,997	32,618,324	32,109,600
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	279%	247%	199%
Plan fiduciary net position as a percentage of the total pension liability	57%	62%	67%

The notes to required supplementary information are an integral part of this schedule.

* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

MERIDIAN PUBLIC SCHOOL DISTRICT
Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

PERS

Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 4,848,069	\$ 5,213,407	\$ 5,137,386
Contributions in relation to the contractually required contribution	4,848,069	5,213,407	5,137,386
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	30,781,390	33,100,997	32,618,324
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%

The notes to required supplementary information are an integral part of this schedule.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented in FYE 6/30/2015, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

MERIDIAN PUBLIC SCHOOL DISTRICT

Notes to Required Supplementary Information For the Year Ended June 30, 2017

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) Changes of assumptions

2015:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016:

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

(2) Changes in benefit provisions

2016:

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

SUPPLEMENTARY INFORMATION

MERIDIAN PUBLIC SCHOOL DISTRICT

Supplementary Information

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 3,979,578
National school lunch program	10.555	91,295
Summer food service program for children	10.559	113,688
Total child nutrition cluster		<u>4,184,561</u>
Total passed-through Mississippi Department of Education		<u>4,184,561</u>
Total U.S. Department of Agriculture		<u>4,184,561</u>
<u>U.S. Department of Defense</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	60,789
Total U.S. Department of Defense		<u>60,789</u>
<u>U.S. Department of Education</u>		
Direct Program:		
Impact Aid	84.041	25,247
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	3,873,203
Career and technical education - basic grants to states	84.048	99,562
Improving teacher quality-State Grants	84.367	489,884
School improvement grant	84.377	41,826
Subtotal		<u>4,504,475</u>
Special education cluster:		
Special education - grants to states	84.027	1,357,206
Special education - preschool grants	84.173	47,708
Total special education cluster		<u>1,404,914</u>
Total passed-through Mississippi Department of Education		<u>5,909,389</u>
Total U.S. Department of Education		<u>5,934,636</u>
Total for All Federal Awards		<u>\$ 10,179,986</u>

The notes to Supplementary Information are an integral part of this schedule.

MERIDIAN PUBLIC SCHOOL DISTRICT

Notes to Supplementary Information
For the Year Ended June 30, 2017

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Meridian Public School District under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Meridian Public School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Meridian Public School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) Indirect Cost Rate

The Meridian Public School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

(4) Noncash Awards – Commodities

The amount of donated commodities reported on the schedule is the value of donated commodities received by the District and reported under the National School Lunch Program CFDA #10.555. The value of the commodities received during the fiscal year was \$297,350.

MERIDIAN PUBLIC SCHOOL DISTRICT

Supplementary Information

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2017**

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 44,280,528	33,231,618	1,546,075	3,161,667	6,341,168
Other	14,058,945	3,890,545	551,318	42,726	9,574,356
Total	<u>\$ 58,339,473</u>	<u>37,122,163</u>	<u>2,097,393</u>	<u>3,204,393</u>	<u>15,915,524</u>
Total number of students *	<u>5,447</u>				
Cost per student	<u>\$ 10,710</u>	<u>6,815</u>	<u>385</u>	<u>588</u>	<u>2,922</u>

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

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type.

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

OTHER INFORMATION

MERIDIAN PUBLIC SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2017	2016*	2015*	2014*
Revenues:				
Local sources	\$ 19,437,448	\$ 19,252,527	\$ 18,256,098	\$ 17,902,925
State sources	25,105,027	25,670,815	25,340,958	25,300,919
Federal sources	25,247	149,786	173,512	143,525
Sixteenth section sources	430,163	217,146	253,908	-
Total Revenues	44,997,885	45,290,274	44,024,476	43,347,369
Expenditures:				
Instruction	24,786,521	26,148,653	25,332,551	24,862,649
Support services	16,801,407	16,333,003	15,666,637	16,101,331
Noninstructional services	270,235	265,536	215,444	210,042
Sixteenth section	111,399	27,957	30,098	-
Facilities acquisition and construction	-	-	74,944	72,651
Total Expenditures	41,969,562	42,775,149	41,319,674	41,246,673
Excess (Deficiency) of Revenues over (under) Expenditures	3,028,323	2,515,125	2,704,802	2,100,696
Other Financing Sources (Uses):				
Operating transfers in	233,229	360,787	319,859	596,341
Operating transfers out	(1,595,077)	(1,796,940)	(3,500,392)	(1,893,332)
Total Other Financing Sources (Uses)	(1,361,848)	(1,436,153)	(3,180,533)	(1,296,991)
Net Change in Fund Balances	1,666,475	1,078,972	(475,731)	803,705
Fund Balances:				
Beginning of period, as previously reported	13,191,961	12,050,172	12,309,308	11,520,278
Fund reclassification	-	-	317,682	-
Prior period adjustments	(4,884)	62,817	(100,248)	(7,291)
Beginning of period, as restated	13,187,077	12,112,989	12,526,742	11,512,987
Increase (Decrease) in reserve for inventory	-	-	(839)	(7,384)
End of Period	\$ 14,853,552	\$ 13,191,961	\$ 12,050,172	\$ 12,309,308

*SOURCE - PRIOR YEAR AUDIT REPORTS

MERIDIAN PUBLIC SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2017	2016*	2015*	2014*
Revenues:				
Local sources	\$ 22,441,978	\$ 22,029,843	\$ 21,423,800	\$ 20,947,310
State sources	25,972,476	26,528,859	26,195,753	26,079,709
Federal sources	10,375,508	10,545,292	10,902,210	10,951,644
Sixteenth section sources	448,763	217,146	253,908	258,205
Total Revenues	59,238,725	59,321,140	58,775,671	58,236,868
Expenditures:				
Instruction	30,173,108	32,070,360	31,139,243	31,124,518
Support services	19,763,558	19,732,393	18,779,072	19,258,126
Noninstructional services	4,319,437	4,552,868	4,312,502	4,022,458
Sixteenth section	113,324	27,957	30,098	90,209
Facilities acquisition and construction	1,530,514	2,007,270	2,749,261	859,459
Debt service:				
Principal	1,765,000	1,250,000	1,713,000	1,632,000
Interest	670,584	631,288	679,543	571,103
Other	3,948	85,799	2,650	2,229
Total Expenditures	58,339,473	60,357,935	59,405,369	57,560,102
Excess (Deficiency) of Revenues over (under) Expenditures	899,252	(1,036,795)	(629,698)	676,766
Other Financing Sources (Uses):				
Proceeds of loans	-	5,500,000	-	-
Payment held by QSCB escrow agent	257,000	257,000	257,000	257,000
Payment to QSCB escrow agent	(257,000)	(257,000)	(257,000)	(257,000)
Operating transfers in	1,828,306	2,157,727	5,659,312	2,828,057
Other financing sources	-	16,054	10,083	3,766
Operating transfers out	(1,828,306)	(2,157,727)	(5,659,312)	(2,828,057)
Total Other Financing Sources (Uses)	-	5,516,054	10,083	3,766
Net Change in Fund Balances	899,252	4,479,259	(619,615)	680,532
Fund Balances:				
Beginning of period, as previously reported	22,207,041	17,666,761	18,278,933	17,599,744
Prior period adjustments	(4,884)	57,789	(5,599)	(7,291)
Beginning of period, as restated	22,202,157	17,724,550	18,273,334	17,592,453
Increase (Decrease) in reserve for inventory	13,878	3,232	13,042	5,948
End of Period	\$ 23,115,287	\$ 22,207,041	\$ 17,666,761	\$ 18,278,933

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



WATKINS, WARD and STAFFORD
Professional Limited Liability Company
Certified Public Accountants

James L. Stafford, CPA
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Clifford P. Stewart, CPA

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

To the Superintendent and School Board
Meridian Public School District

We have audited, in accordance with the 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, 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, 2017, and the related notes to financial statements, which collectively comprise the Meridian Public School District's basic financial statements and have issued our report thereon dated February 7, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Meridian Public School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Meridian Public School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Meridian Public School District's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (Finding **2017-01**).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Meridian Public School District's financial statements are free from 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 Findings

Meridian Public School District's response to the finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. Meridian Public School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Philadelphia, Mississippi
February 7, 2018

Watkins Ward and Stafford, PLLC



WATKINS, WARD and STAFFORD
Professional Limited Liability Company
Certified Public Accountants

James L. Stafford, CPA
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William B. Stagers, CPA
Michael W. McCully, CPA
Mort Stroud, CPA
R. Steve Sinclair, CPA
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Jerry L. Gammel, CPA
Michael C. Knox, CPA
Clifford P. Stewart, CPA

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Superintendent and School Board
Meridian Public School District

Report on Compliance for Major Federal Program

We have audited the Meridian Public School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Meridian Public School District's major federal program for the year ended June 30, 2017. Meridian Public School District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Meridian Public School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the major federal program occurred. An audit includes examining, on a test basis, evidence about the Meridian Public 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the Meridian Public School District's compliance.

Opinion on Major Federal Program

In our opinion, the Meridian Public School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the Meridian Public School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Meridian Public School District's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Meridian Public 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 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Philadelphia, Mississippi
February 7, 2018

Watkins Ward and Stafford, PUC

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS



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

Superintendent and School Board
Meridian Public School District

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, 2017, which collectively comprise Meridian Public School District's basic financial statements and have issued our report thereon dated February 7, 2018. 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.

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 disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

1. Proper form should be filed for all retirees

The Mississippi Public Employees Retirement System (PERS) requires, under the re-employment provisions of Section 25-11-27, Miss Code Ann. (1972), school districts hiring PERS service retirees to file PERS Form 4B "Certification/Acknowledgment of Re-employment of Retiree" with the PERS office within five days from the date of employment of the retiree.

During our testing of state legal compliance, we noted ten instances where Form 4B's were not signed within five days of rehire and one instance where a rehired retiree received earnings in excess of the salary listed on the Form 4B. In addition, we noted three instances where Form 4B's were not on file for a rehired retiree.

Recommendation

We recommend the District implement procedures to ensure that the District follows the provisions of Section 25-11-27, Miss. Code Ann. (1972).

School District Response

The District concurs with the recommendation and no retiree will be rehired until a Form 4B has been completed. This will ensure that the District is in compliance with the five day requirement. The District will monitor the salary paid to rehires.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the finding in this report to insure that corrective action has been taken.

The Meridian Public School District's response to the finding included in this report was not audited 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, the Office of the State Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Philadelphia, Mississippi
February 7, 2018

Watkins Ward and Stafford, PLLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MERIDIAN PUBLIC SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|--|---|------------|
| 1. | Type of auditor's report issued: | Unmodified |
| 2. Internal control over financial reporting: | | |
| a. | Material weakness(es) identified? | No |
| b. | Significant deficiency(ies) identified? | Yes |
| 3. Noncompliance material to financial statements noted? | | |
| | | No |

Federal Awards:

- | | | |
|---|---|--|
| 4. | Internal control over major programs: | |
| a. | Material weakness(es) identified? | No |
| b. | Significant deficiency(ies) identified? | None reported |
| 5. Type of auditor's report issued on compliance for major programs: | | |
| | | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | | |
| | | No |
| 7. Identification of major programs: | | |
| | <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
| | 84.010 | Title I grants to local educational agencies |
| 8. Dollar threshold used to distinguish between type A and type B programs: | | |
| | | \$750,000 |
| 9. Auditee qualified as low-risk auditee? | | |
| | | Yes |

MERIDIAN PUBLIC SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section II: Financial Statement Findings

Significant Deficiency Not Considered to be a Material Weakness

Finding 2016-01: Internal Controls Surrounding Payroll Expenditures and Related Liabilities Should Be Strengthened

CRITERIA: The school district is charged with developing a control system that will provide safeguards over district assets that will ensure all transactions are properly authorized and that will ensure all transactions are properly classified and accounted for in the appropriate accounting period.

CONDITION: Out of a sample size of 49 payroll transactions tested, the following deviations from identified controls were noted:

- We noted two instances where an employee was not paid based on a board approved salary scale.
- We noted that all non-instructional personnel are paid based on multiple board approved step-level salary scales. The step and the scale at which these personnel are paid are at the discretion of the Superintendent. The Board did not approve the specific scale that pertains to an employee or the step of that employee.

CAUSE: The cause of this condition is not properly implementing internal controls for payroll expenditures.

EFFECT: The effect is that payments to personnel were processed without adequate documentation. This could result in employees being improperly compensated.

RECOMMENDATION: We recommend that all personnel be paid according to the board approved salary scale and that the District maintain adequate records for all personnel to support payroll expenditures. We also recommend that in addition to approval of employment, the Board should approve the specific scale that pertains to each employee and the step on the scale at which each employee is to be paid.

VIEWS OF RESPONSIBLE OFFICIALS OF THE AUDITEE: The school district acknowledges the finding and will implement policies to ensure that employees are paid according to board approved contract amounts and will maintain adequate records for payroll expenditures. In addition, the school district will implement procedures to ensure that the employee is paid on a specific board approved salary scale.

Section III: Federal Award Findings and Questioned Costs

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

AUDITEE'S CORRECTIVE ACTION PLAN
AND
SUMMARY OF PRIOR AUDIT FINDINGS



Central Administrative Office

1019 25th Avenue
Meridian, MS 39301
601-483-4915

Dr. Amy Carter, Superintendent
Carolyn Davis, Business Manager

AUDITEE'S CORRECTIVE ACTION PLAN

As required by 2 CFR 200.511(c) of OMB Circular A-133, the Meridian Public School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Cost for the year ended June 30, 2017:

Finding 2017-01: Internal Controls Surrounding Payroll Expenditures and Related Liabilities Should Be Strengthened

a. Name of Contact Person Responsible for Corrective Action

Name: Carolyn Davis
Phone Number: (601) 484-4904

b. Corrective Action Planned:

Meridian Public School District will implement policies and procedures to ensure that all Personnel is paid according to the board approved contract amount and that the District will maintain adequate records for all personnel to support payroll expenditures. The District will also implement procedures to ensure that in addition to approval of employment, the Board will approve the specific scale that pertains to each employee and the step on the scale at which each employee is to be paid.

c. Anticipated Completion Date:

February 26, 2018



Central Administrative Office

1019 25th Avenue
Meridian, MS 39301
601-483-4915

Dr. Amy Carter

Superintendent
amcarter@mpsdk12.net

February 7, 2018

Summary Schedule of Prior Audit Findings

Financial and Compliance Audit Division

As required by 2 CFR 200.511(c), the Meridian Public School District has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of June 30, 2017.

<u>Finding</u>	<u>Status</u>
2016-01	Repeat finding
2016-02	Corrected
2016-03	Corrected