

**FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

MERIDIAN DEVELOPMENT CORPORATION

MERIDIAN DEVELOPMENT CORPORATION

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CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

Members of the Board of Directors
**Meridian Development Corporation, a component
unit of the City of Meridian, Idaho**

We have audited the accompanying financial statements of the governmental activities of Meridian Development Corporation, a component unit of the City of Meridian, Idaho, as of and for the year ended September 30, 2009, which collectively comprise of Meridian Development Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Meridian Development Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Meridian Development Corporation, as of September 30, 2009, and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2010, on our consideration of Meridian Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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The management's discussion and analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Eide Bailly LLP

Boise, Idaho
January 13, 2010

MERIDIAN DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009

This section of the Meridian Development Corporation's (MDC) annual financial report presents management's discussion and analysis of MDC's financial performance during the year ended September 30, 2009. Please use this information in conjunction with the information furnished in MDC's financial statements.

Financial Highlights

- Fiscal year 2009 is the sixth full year that MDC has collected property tax. Property tax is MDC's principal source of revenue. Property tax collections increased to 18% from fiscal year 2008 to fiscal year 2009 for a total of slightly less \$190,000.
- The total assets of MDC exceeded its liabilities at September 30, 2009 by \$2,023,587. Of the total net assets, \$1,374,653 is invested in capital assets, net of related debt. The remaining net assets of \$648,934 are unrestricted and are available to meet the Corporation's on-going obligations. This is an increase of \$302,066 over net assets of \$1,721,521 at September 30, 2008.

Overview of the Financial Statements

This annual report consists of five parts – *management discussion and analysis, the government-wide financial statements, fund financial statements, notes to the financial statements, and required supplementary information.*

Government- Wide Financial Statements

These statements report information about all of the operations of MDC using accounting methods similar to those used by private sector companies. These statements are prepared using the flow of economic resources measurement focus and accrual basis of accounting. The current year's revenues and expenses are recorded as transactions occur rather than when cash is received or paid.

The government-wide financial statements are divided into two categories:

Statement of Net Assets – Reports all of MDC's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the entity is improving or deteriorating.

Statement of Activities – Reports all of the Corporation's revenues and expenses for the year by function. MDC currently only has one function, the administrative function.

Fund Financial Statements

The Fund financial statements provide information about an entity's major funds. MDC only has one fund. Funds may be required by law or may be established by the MDC Board of Directors.

Governmental Funds: Governmental fund financial statements focus on short-term inflows and outflows of spendable resources, an accounting approach known as the flow of current financial resources measurement focus and the modified accrual basis of accounting. Information provided by these statements provides a short-term view of what resources will be available to meet needs.

MERIDIAN DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009

MDC has one governmental fund:

General Fund – The general fund is the general operating fund of MDC. Income is derived primarily from property tax and secondarily from a promissory note.

Notes to the Financial Statements

The notes provide additional information that is necessary to fully understand the data presented in the government-wide and fund financial statements.

Required Supplementary Information

This section has information that further explains and supports the information in the financial statements by including a comparison of the Corporation's budget data for the year.

FINANCIAL ANALYSIS OF MERIDIAN DEVELOPMENT CORPORATION AS A WHOLE

Net Assets

Net assets measure the difference between what the entity owns (assets) versus what the entity owes (liabilities). At September 30, 2009, MDC's combined assets exceeded liabilities by \$2,023,587. None of the unrestricted assets are restricted for any purpose.

The following statement is condensed from the Statement of Net Assets.

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Current and Other Assets	\$ 1,984,439	\$ 2,340,415
Capital Assets	1,845,113	1,172,063
Total Assets	<u>3,829,552</u>	<u>3,512,478</u>
Current Liabilities	1,351,711	1,317,313
Long Term Liabilities	454,254	473,644
Total Liabilities	<u>1,805,965</u>	<u>1,790,957</u>
Net Assets		
Invested in Capital Assets, net of related debt	1,374,653	684,361
Unrestricted	648,934	1,037,160
Total Net Assets	<u>\$ 2,023,587</u>	<u>\$ 1,721,521</u>

MERIDIAN DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009

Changes in Net Assets

During the year, MDC's financial position improved by \$302,066, comparable to the prior year change in financial position of \$745,005. During fiscal year 2009, MDC purchased land and buildings for \$681,425. MDC now has total net capital assets of \$1,845,113. The following condensed financial information was derived from the government-wide Statement of Activities and shows how MDC's net assets changed during the year.

	<u>2009</u>	<u>2008</u>
General Revenues		
Property tax	\$ 1,255,064	\$ 1,065,359
Interest	9,425	17,124
Other Revenues	28,117	-
Total Revenues	<u>1,292,606</u>	<u>1,082,483</u>
Expenses		
Administrative	967,795	313,121
Interest on long-term debt	22,745	24,357
Total Expenses	<u>990,540</u>	<u>337,478</u>
Change in Net Assets	302,066	745,005
Net Assets, beginning of year	1,721,521	976,516
Net Assets, end of year	<u>\$ 2,023,587</u>	<u>\$ 1,721,521</u>

From fiscal year 2008 to fiscal year 2009, the MDC's tax increment financing increased 18%. Tax increment financing is the tax on the difference between the market value in the base year – the year the urban renewal agency is established – and each subsequent year.

FINANCIAL ANALYSIS OF MDC'S FUNDS

Governmental Fund

Fiscal year 2009 was the sixth full year that MDC received property tax revenue. During its initial organization years, fiscal year 2002 and fiscal year 2003, MDC received contributions from the City of Meridian. At September 30, 2009 the fund balance was \$2,023,587 as compared to \$1,721,521 at September 30, 2008. Of the fund balance \$1,374,653 is invested in capital assets, net of related debt, while the remaining fund balance of \$648,934 is unrestricted.

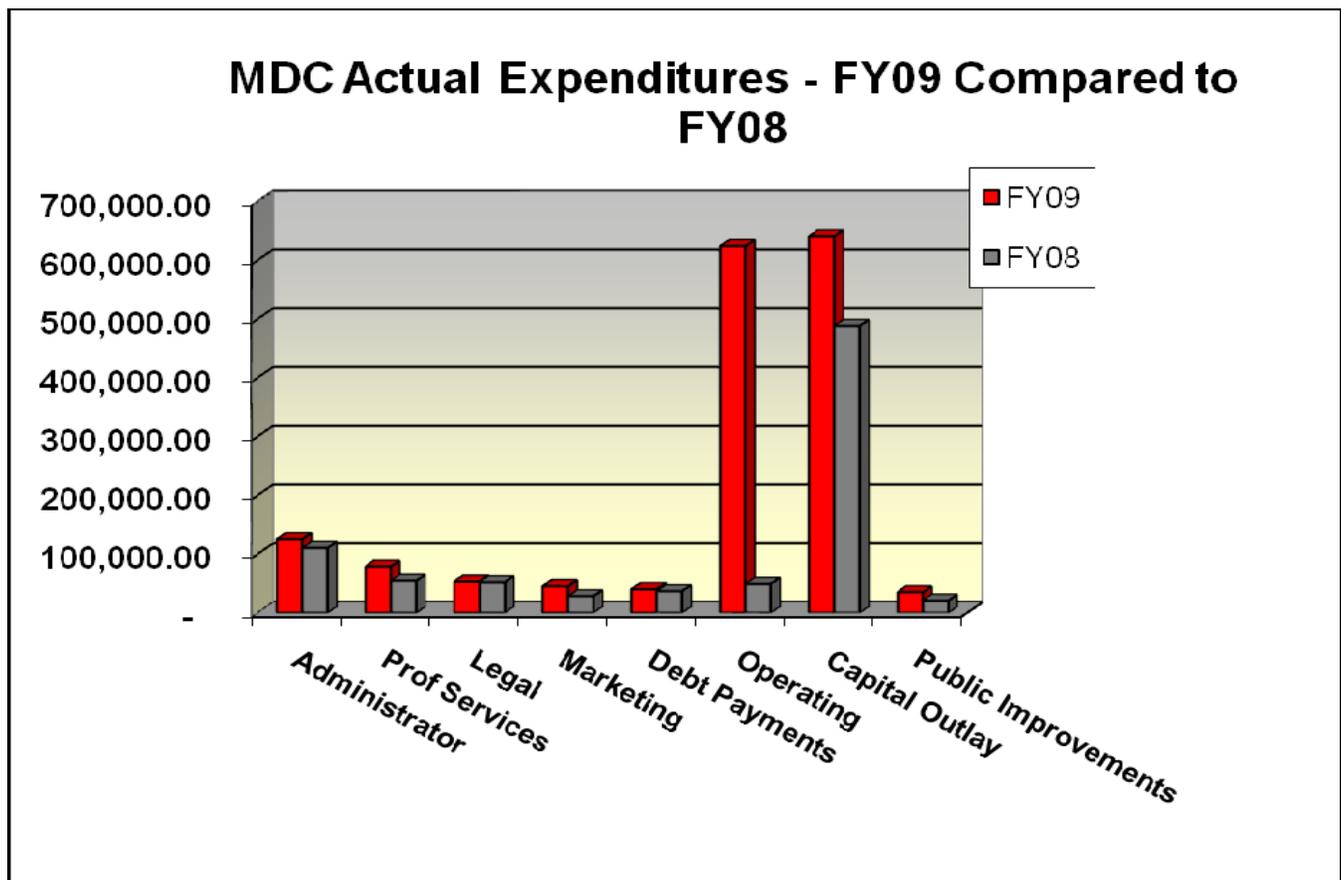
Budgetary Highlights

There were no amendments made to the original fiscal year 2009 budget. MDC budgeted over \$2 million dollars in capital outlay for land acquisition and accompanying debt. In actuality, by the end of fiscal year 2009, they had only purchased land and buildings for a total of \$681,425. Streetscape costs were incurred in the current year of \$116,000 as opposed to being capitalized per the budget. As an end result, actual capital outlay expenditures

MERIDIAN DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009

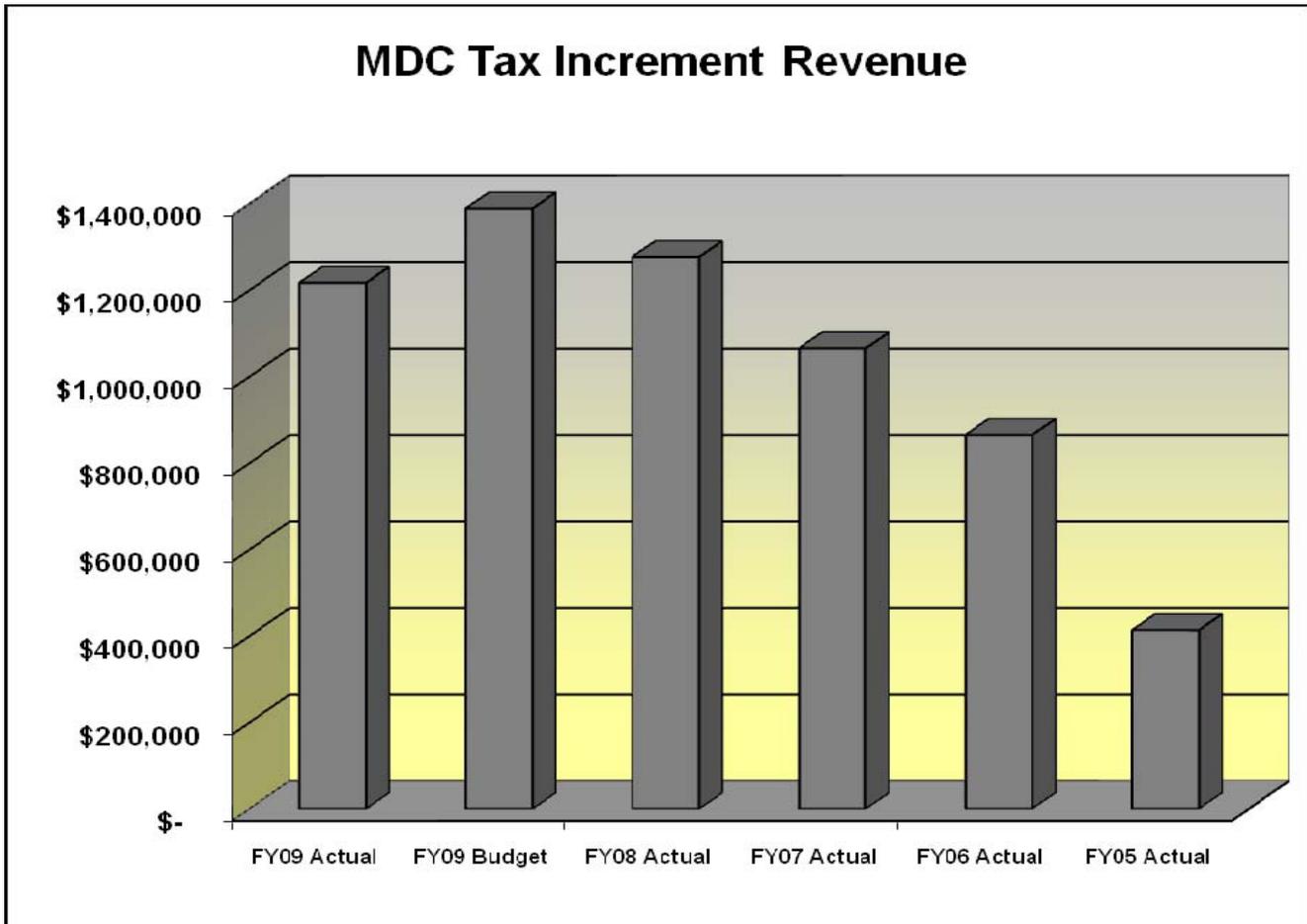
were considerably under budget. Also, \$442,000 of split corridor costs were spent in fiscal year 2009, some of which were budgeted to be spent in fiscal year 2008.

MDC does not have any employees and relies on professional service contracts for the administrator, legal, and marketing, etc. 31% of actual operating expenditures were for professional service contractors. MDC only spent 51% of their operating budget. This was mainly due to not spending several line items; \$100,000 budgeted for Special Projects, \$55,000 budgeted for Downtown Building Improvements, \$401,000 budgeted for Miscellaneous Expenses, and only spending \$40,000 of the \$252,000 budgeted for principal and interest debt payments.



MERIDIAN DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009

Property tax revenue was budgeted to be \$1,389,000; actual tax collected was slightly less at \$1,217,000.



Capital Asset and Debt Administration

Capital Assets

At the end of fiscal year 2008, MDC had net investments in capital assets of \$1,172,063. At the end of fiscal year 2009, the net investment in capital assets had increased to \$1,845,113, including \$39,613 in construction in progress, \$1,311,358 in land, \$502,517 in buildings, and \$8,375 in accumulated depreciation.

Long-Term Debt

MDC has a promissory note with the Bank of the Cascades for \$500,000. This note was taken out in fiscal year 2008 for the purpose of purchasing land for redevelopment. As of September 30, 2009, the short-term balance was \$16,206 and the long-term balance was \$454,254 for a total of \$470,460.

**MERIDIAN DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009**

Fiscal Year 2010 Budgetary Considerations

For fiscal year 2010, MDC will continue downtown rehabilitation efforts by purchasing properties for redevelopment and parking and by participating in a variety of community downtown projects and programs. MDC will partner with the City of Meridian for downtown decorations, actively support the new downtown business association, help fund public art, assist business with streetscape and façade improvements, and fund split corridor landscaping.

Property tax revenue is expected to be just slightly less than the amount collected in fiscal year 2009. MDC has also budgeted a potential \$205,000 in sales of capital assets and planned for possible receipts of \$30,000 from the Business Incubator project.

Since its formation in fiscal year 2002, MDC has gone from a \$15,000 budget to just over \$2.5 million in fiscal year 2010.

Requests for Information

This report is designed to provide a general overview of Meridian Development Corporation's finances for our citizens and customers. If you have questions about this report or need additional financial information contact the Finance Office: 628 S. Glenn Brook Pl, Kuna, ID 83634. Phone 208-724-4182.

MERIDIAN DEVELOPMENT CORPORATION
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
SEPTEMBER 30, 2009

	General Fund	Adjustments Note 2	Statement of Net Assets
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 778,948	\$ -	\$ 778,948
Property tax receivable	1,202,639	-	1,202,639
Miscellaneous receivable	127	-	127
Prepaid expenses	2,725	-	2,725
	<u>1,984,439</u>	<u>-</u>	<u>1,984,439</u>
NON CURRENT ASSETS			
Capital assets	-	1,853,488	1,853,488
Less accumulated depreciation	-	(8,375)	(8,375)
	<u>-</u>	<u>(8,375)</u>	<u>(8,375)</u>
Total assets	<u>\$ 1,984,439</u>	<u>\$ 1,845,113</u>	<u>\$ 3,829,552</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	\$ 207,517	\$ -	\$ 207,517
Deferred property tax revenue	1,196,814	(82,626)	1,114,188
Other deferred revenue	-	13,800	13,800
Note - current portion	-	16,206	16,206
Total current liabilities	<u>1,404,331</u>	<u>(52,620)</u>	<u>1,351,711</u>
NONCURRENT LIABILITIES			
Note Payable - less current portion	-	454,254	454,254
Total liabilities	<u>1,404,331</u>	<u>401,634</u>	<u>1,805,965</u>
FUND BALANCE/NET ASSETS			
Fund balances			
Unreserved	<u>580,108</u>	<u>(580,108)</u>	<u>-</u>
TOTAL LIABILITIES			
AND FUND BALANCES			
	<u>\$ 1,984,439</u>		
Capital assets, net of related debt		1,374,653	1,374,653
Unrestricted		<u>648,934</u>	<u>648,934</u>
		<u>\$ 3,698,601</u>	<u>\$ 3,829,552</u>

MERIDIAN DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2009

	General Fund	Adjustments Note 3	Statement of Activities
EXPENDITURES			
Office and operating expense	\$ 487,666	\$ 8,375	\$ 496,041
Professional services, surveys, studies	300,867	-	300,867
Public education and marketing	170,887	-	170,887
Debt service			
Principal	17,242	(17,242)	-
Interest	22,745	-	22,745
Capital outlay	640,025	(640,025)	-
	<u>1,639,432</u>	<u>(648,892)</u>	<u>990,540</u>
GENERAL REVENUES			
General property tax revenue	1,216,974	38,090	1,255,064
Interest earnings	9,425	-	9,425
Other revenue	517	27,600	28,117
Total general revenues	<u>1,226,916</u>	<u>65,690</u>	<u>1,292,606</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES			
	<u>(412,516)</u>	<u>714,582</u>	<u>302,066</u>
NET CHANGE IN FUND BALANCES			
	(412,516)	714,582	302,066
FUND BALANCE/NET ASSETS, BEGINNING OF YEAR			
	<u>992,624</u>		<u>1,721,521</u>
END OF YEAR			
	<u>\$ 580,108</u>		<u>\$ 2,023,587</u>

MERIDIAN DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Meridian Development Corporate (MDC) is a separate and distinct legal entity of the City of Meridian (City) created by state statute. The Directors for MDC are appointed by the Mayor and approved by the City Council. MDC provides urban renewal services for the citizens of the City.

The financial statements of MDC have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

The accounting and reporting policies of MDC relating to the funds included in the accompanying basic financial statements conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the GASB, the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, MDC has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

Financial Reporting Entity

For financial reporting purposes, in conformity with GASB Statement No. 14, *The Financial Reporting Entity* as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, MDC is included as a component unit in the City of Meridian, Idaho's financial statements. MDC provides urban renewal services to the City and its citizens. These statements present only the funds of MDC and are not intended to present the financial position and results of operations of the City of Meridian, Idaho in conformity with generally accepted accounting principles.

Government-Wide and Fund Financial Statements

The government-wide column of the financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. 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 that are clearly identifiable with a specific function or segment. *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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. There were no program revenues in 2009. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

As allowed under GASB 34, MDC is reported as a "Single Purpose Entity". This allows for the government-wide financial statements to be combined with the fund-level financial statements.

NOTES TO FINANCIAL STATEMENTS

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide column of the financial statements is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund column of the financial statements is 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. 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 of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

MDC reports the following major governmental funds:

General Funds - MDC is a general fund. General funds are used for all financial resources except those required to be accounted for in another fund.

Capital Assets

Capital assets are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. All material fixed assets are valued at cost. Donated fixed assets are valued at their estimated fair value on the date donated. Buildings are depreciated on the straight-line basis with the half-year convention over a useful life of 30 years.

During fiscal year 2007, the MDC purchased the first piece of land in the downtown core to be used for redevelopment and public parking. These efforts continued in fiscal years 2008 and 2009 with the purchase of a second lot and two buildings.

During fiscal year 2009, MDC purchased a building and land that included leasing the building back to the seller for 18 months at no cost. The purchase price of the building and land have been increased and a deferred revenue has been recorded to reflect the fair market value of this lease.

Property Taxes Receivable and Deferred Revenue

Property taxes are recognized as revenue when the amount of taxes levied is measurable, and proceeds are available to finance current period expenditures.

Available tax proceeds include property tax receivables expected to be collected within sixty days after year-end. Property taxes attach as liens on properties on January 1, and are levied in September of each year. Tax notices are

NOTES TO FINANCIAL STATEMENTS

sent to taxpayers during November, with tax payments scheduled to be collected on or before December 20. Taxpayers may pay all or one half of their tax liability on or before December 20, and if one half of the amount is paid, they may pay the remaining balance by the following June 20. Since MDC is on a September 30 fiscal year end, property taxes levied during September for the succeeding year's collection are recorded as deferred revenue at the MDC's year-end and recognized as revenue in the following fiscal year. Ada County bills and collects taxes for MDC.

Risk Management

As a component unit of the City of Meridian (the City), MDC is exposed to various risks of loss related to theft of, damage to, or destruction of assets. The City, and MDC as a component unit, participates in a public entity risk pool, Idaho Counties Risk Management Pool (ICRMP), for property and liability insurance. The City's and MDC's exposure to loss from its participation in ICRMP is limited to the extent of their deductible only.

NOTE 2 – EXPLANATION OF DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS BALANCE SHEET AND THE STATEMENT OF NET ASSETS

“Total fund balances” in MDC's governmental fund may differ from the “net assets” of the governmental activities reported in the Statement of Net Assets as a result of the long-term economic focus of the Statements of Net Assets versus the current financial resources focus of the governmental fund balance sheet.

Some of the property taxes receivable are not available to pay for current-period expenditures and therefore, are deferred in the funds.	<u>\$ 82,626</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>\$ 1,845,113</u>
Lease revenue is not available to pay for current-period expenditures and therefore, is deferred in the funds (Lease revenue of \$41,400 less amortization of \$27,600).	<u>\$ (13,800)</u>
Long-term debt is not due and payable in the current period and therefore is not reported in the funds.	<u>\$ (470,460)</u>

NOTE 3 – EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND OPERATING STATEMENTS AND THE STATEMENT OF ACTIVITIES

The “net change in fund balances” for governmental funds may differ from the “change in net assets” for governmental activities reported in the Statement of Activities as a result of the long-term economic focus of the Statement of Activities versus the current financial resource focus of the governmental funds.

Some property tax revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the funds.	<u>\$ 38,090</u>
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NOTES TO FINANCIAL STATEMENTS

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of the those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$640,025) exceeded depreciation (\$8,375) in the current period. \$ 631,650

Amortization of deferred lease revenue is not reported in the funds. However, in the Statement of Activities, the revenue is reported as a government-wide revenue. \$ 27,600

Repayment of long-term debt is expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Assets. \$ 17,242

NOTE 4 – DEPOSITS –CUSTODIAL CREDIT RISK

Cash and Cash Equivalents

As of September 30, 2009, the account balance of the bank account was \$180,058. Of this amount, \$0 exceeded FDIC insurance limits and is uncollateralized. Cash is held in custody of The Bank of the Cascades in MDC's name.

MDC also participates in the State of Idaho Local Government Investment Pool (LGIP). Idaho State Treasurer's Pooled Idle Fund. The pool is an internal investment pool managed by the State Treasurer's Office on behalf of participants. The LGIP is a part of the Joint Powers Investment Pool managed by the State of Idaho Treasurer's Office and was established as a cooperative endeavor to enable public entities of the State of Idaho to aggregate funds for investment. This pooling is intended to improve administrative efficiency and increase investment yield. The funds of the Pool are invested in certificates of deposit, repurchase agreements, and U.S. government securities. The certificates of deposit are federally insured. The U.S. government securities and the collateral for the repurchase agreements are held in trust by a safekeeping bank.

An annual audit of the Joint Powers Investment Pool is conducted by the State Legislative Auditors Office. The Legislative Auditor of the State of Idaho has full access to the records of the Pool. The amount invested in the LGIP is considered a cash equivalent and as of September 30, 2009 was \$605,140.

For purposes of efficient cash flow management and the management of temporary investments, MDC utilizes the LGIP for its cash.

Investments Authorized by the State of Idaho and MDC's Investment Policy

Investment types that are authorized for MDC by the Idaho Code and MDC's investment policy are as follows:

1. Local and State Agency Bonds
2. U. S. Agency Bonds
3. U. S. Agency Securities
4. Time Deposit Accounts

NOTES TO FINANCIAL STATEMENTS

Credit Risk

Credit risk is the risk that an issuer of debt securities or another counterparty to an investment will not fulfill its obligation is commonly expressed in terms of the credit quality rating issued by a nationally recognized statistical rating organization such as Moody's, Standard & Poor's and Fitch's. MDC's investment policy requires a rating of A or better by Standard & Poor's or other nationally recognized rating agency. The rating of the LGIP as of September 30, 2009 was AA Af.

Interest Rate Risk

Interest rate risk is the risk that the changes in market interest rates will adversely impact the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to change in market interest rates. The Board is invested in LGIP and does not have a policy concerning maturities of investments. The LGIP had a weighted average maturity of 50 days as of September 30, 2009.

Custodial Credit Risk

For deposits and investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Board will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party. The Board does not have a policy for custodial credit risk outside of the deposit and investment agreements.

Concentration of Credit Risk

When investments are concentrated in one issuer, this concentration represents heightened risk of potential loss. No specific percentage identifies when concentration risk is present. The Governmental Accounting Standards Board has adopted a principal that governments should provide note disclosure when five percent of the total entities investments are concentrated in any one issuer. Investments in obligations specifically guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure. MDC places no limit on the amount it may invest in any one issuer.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – CAPITAL ASSETS

Changes to capital assets are as follows:

	Balance Oct. 1, 2008	Additions	Deletions	Balance Sept. 30, 2009
Governmental Activities:				
Capital assets, not depreciated:				
CIP	\$ 33,388	\$ 6,225	\$ -	\$ 39,613
Land	1,138,675	172,683	-	1,311,358
Total capital assets, not depreciated	1,172,063	178,908	-	1,350,971
Capital assets, depreciated:				
Buildings	-	502,517	-	502,517
Less accumulated depreciation	-	(8,375)	-	(8,375)
Total net capital assets, depreciated	-	494,142	-	494,142
Governmental activities capital assets, net	<u>\$ 1,172,063</u>	<u>\$ 673,050</u>	<u>\$ -</u>	<u>\$ 1,845,113</u>

NOTE 6 – CHANGES IN LONG-TERM DEBT

MDC has a \$500,000 promissory note with the Bank of the Cascades to acquire property for redevelopment and public parking. The note was issued October 16, 2007 and has a maturity date of November 1, 2017. The note has an interest rate of 5.115 % and requires monthly payments of \$3,332 and is collateralized with future tax revenues. The following is a summary of changes in long-term debt of MDC for the year ended September 30, 2009.

	Balance Oct. 1, 2008	Debt Issued	Debt Retired	Balance Sept. 30, 2009
Governmental Activities:				
Note Payable				
Building	\$ 487,702	\$ -	\$ 17,242	\$ 470,460
Governmental activities long-term liabilities	<u>\$ 487,702</u>	<u>\$ -</u>	<u>\$ 17,242</u>	<u>\$ 470,460</u>

NOTES TO FINANCIAL STATEMENTS

The future debt service payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 16,206	\$ 23,782	\$ 39,988
2011	17,054	22,933	39,987
2012	17,885	22,102	39,987
2013	18,884	21,103	39,987
2014	19,873	20,114	39,987
2015 - 2018	380,558	55,307	435,865
<u>Totals</u>	<u>\$ 470,460</u>	<u>\$ 165,341</u>	<u>\$ 635,801</u>

NOTE 7 – RELATED PARTY TRANSACTIONS

MDC contracted with the City of Meridian to provide accounting services through the end of Fiscal Year 2009. Pursuant to their agreement, MDC pays the City of Meridian \$7,500 per year. As of September 30, 2009, total expenditures were \$7,500. MDC also partners with the City for various downtown improvements. As of September 30, 2009, total expenditures were \$34,800. In addition, MDC has a contract with V&G Ventures, LLC for administrative services through the end of Fiscal Year 2009. Pursuant to the agreement, MDC pays \$10,417 per month, and total expenses for the year were \$125,000, of which \$10,417 was outstanding as a payable as of September 30, 2009.

MERIDIAN DEVELOPMENT CORPORATION

REQUIRED SUPPLEMENTARY INFORMATION

MERIDIAN DEVELOPMENT CORPORATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET
AND ACTUAL - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2009

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
General property tax revenue	\$ 1,388,929	\$ 1,388,929	\$ 1,216,974	\$ (171,955)
Interest earnings	10,000	10,000	9,425	(575)
Other revenue	3,132,500	3,132,500	517	(3,131,983)
Total revenues	<u>4,531,429</u>	<u>4,531,429</u>	<u>1,226,916</u>	<u>(3,304,513)</u>
EXPENDITURES				
Office and operating expense	1,239,225	1,239,225	487,666	751,559
Professional services, surveys, studies	482,000	482,000	300,867	181,133
Public education and marketing	168,400	168,400	170,887	(2,487)
Debt service				
Principal	63,000	63,000	17,242	45,758
Interest	189,000	189,000	22,745	166,255
Capital Outlay	<u>2,300,000</u>	<u>2,300,000</u>	<u>640,025</u>	<u>1,659,975</u>
Total expenditures	<u>4,441,625</u>	<u>4,441,625</u>	<u>1,639,432</u>	<u>2,802,193</u>
Excess (deficiency) revenues over (under) expenditures	89,804	89,804	(412,516)	(502,320)
FUND BALANCE, BEGINNING OF YEAR	<u>992,624</u>	<u>992,624</u>	<u>992,624</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,082,428</u>	<u>\$ 1,082,428</u>	<u>\$ 580,108</u>	<u>\$ (502,320)</u>

MERIDIAN DEVELOPMENT CORPORATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2009

Budgets and Budgetary Accounting

MDC follows these procedures in establishing the budgetary data reflected in the financial statements:

Prior to September 1, the members of the Board of Directors, staff from the City of Meridian and the contract administrator prepare a proposed operating budget for the fiscal year commencing on October 1. The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted at City Hall to obtain taxpayer comments.

Prior to October 1, the budget is legally enacted through passage of an ordinance.

Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general fund. All annual appropriations lapse at fiscal year-end. Revisions that alter the total expenditure appropriation of any fund must be approved by the Board of Directors. State law does not allow fund expenditures to exceed fund appropriations.

Formal budgetary integration is employed as a management control device during the year.

MERIDIAN DEVELOPMENT CORPORATION

SUPPLEMENTARY INFORMATION



CPAs & BUSINESS ADVISORS

**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***

Members of the Board of Directors
Meridian Development Corporation
Meridian, Idaho

We have audited the financial statements of the governmental activities and the major fund of Meridian Development Corporation, a component unit of the City of Meridian, Idaho, as of and for the year ended September 30, 2009, which collectively comprise Meridian Development Corporation's basic financial statements and have issued our report thereon dated January 13, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Meridian Development Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Meridian Development Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Meridian Development Corporation's internal control over financial reporting.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Meridian Development Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Meridian Development Corporation in a separate letter dated January 13, 2010.

This report is intended solely for the information and use of management, the City Council, the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho
January 13, 2010