



Financial Statements
September 30, 2015

Meridian Development Corporation

Meridian Development Corporation

Table of Contents

September 30, 2015

Independent Auditor’s Report.....	1
Management’s Discussion and Analysis.....	3
Financial Statements	
Statement of Net Position and Governmental Fund Balance Sheet.....	9
Statement of Activities and Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances	10
Notes to Financial Statements.....	11
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	18
Notes to Required Supplementary Information	19
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	20



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and general fund of Meridian Development Corporation, (MDC), a component unit of the City of Meridian, Idaho, as of September 30, 2015, and the related statement of activities and governmental fund statement of revenues, expenditures, and changes in fund balances for the year then ended, and the related notes to the financial statements, which collectively comprise MDC's basic financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from 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 auditor's 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 auditor considers 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 financial position of Meridian Development Corporation, as of September 30, 2015, and the results of its operations for the year then ended in conformity 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 and budgetary comparison information as listed in the table of contents 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 03, 2015 on our consideration of MDC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 reports is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MDC's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Boise, Idaho
December 03, 2015

This section of the Meridian Development Corporation's (MDC or Corporation) annual financial report presents management's discussion and analysis of MDC's financial performance during the year ended September 30, 2015. Please use this information in conjunction with the information furnished in MDC's financial statements.

Financial Highlights

- Fiscal year 2015 is the twelfth full year that MDC has collected property tax. Property tax is MDC's principal source of revenue. Property tax collections increased by approximately \$147,172 or 21.35% from fiscal year 2014 to fiscal year 2015.
- The total assets of MDC exceeded its liabilities at September 30, 2015 by \$1,392,399. Of the total net position, \$736,035 is net investment in capital assets. The remaining net position of \$656,364 is restricted to meet the Corporation's on-going obligations. This is an increase of \$34,298 from net position of \$1,358,101 at September 30, 2014.

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 Position – Reports all of MDC's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position 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 Commissioners.

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.

MDC has one governmental fund:

General Fund: The general fund is the general operating fund of MDC. Income is derived primarily from property tax.

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 Position

Net Position measures the difference between what the entity owns (assets) versus what the entity owes (liabilities) and future revenues (deferred inflows). At September 30, 2015, MDC's combined assets exceeded liabilities and deferred inflows by \$1,392,399.

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

	2015	2014
Current Assets	\$ 1,665,869	\$ 1,739,755
Capital Assets	1,444,055	1,385,079
Total Assets	3,109,924	3,124,834
Current Liabilities	134,585	166,495
Long Term Liabilities	617,104	715,886
Total Liabilities	751,689	882,381
Deferred Inflows	965,836	884,352
Total Liabilities and Deferred Inflows	1,717,525	1,766,733
Net Position		
Net Investment in Capital Assets	736,035	582,059
Restricted	656,364	776,042
Total Net Position	\$ 1,392,399	\$ 1,358,101

Changes in Net Position

During the year, MDC's financial position increased by \$34,298. This compares with the prior year decrease in financial position of \$23,747.

The following condensed financial information was derived from the government-wide Statement of Activities and shows how MDC's net position changed during the year.

	2015	2014
General Revenues		
Property tax	\$ 836,533	\$ 689,361
Interest	617	752
Other revenues	12	5,999
Total General Revenues	837,162	696,112
Program Revenues	-	4,327
Total Revenues	837,162	700,439
Expenses		
Administrative	773,299	691,092
Interest on long-term debt	29,565	33,094
Total Expenses	802,864	724,186
Change in Net Position	34,298	(23,747)
Net Position		
Beginning of year	1,358,101	1,381,848
End of year	\$ 1,392,399	\$ 1,358,101

From fiscal year 2014 to fiscal year 2015, the MDC's tax increment financing increased by 22%. 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

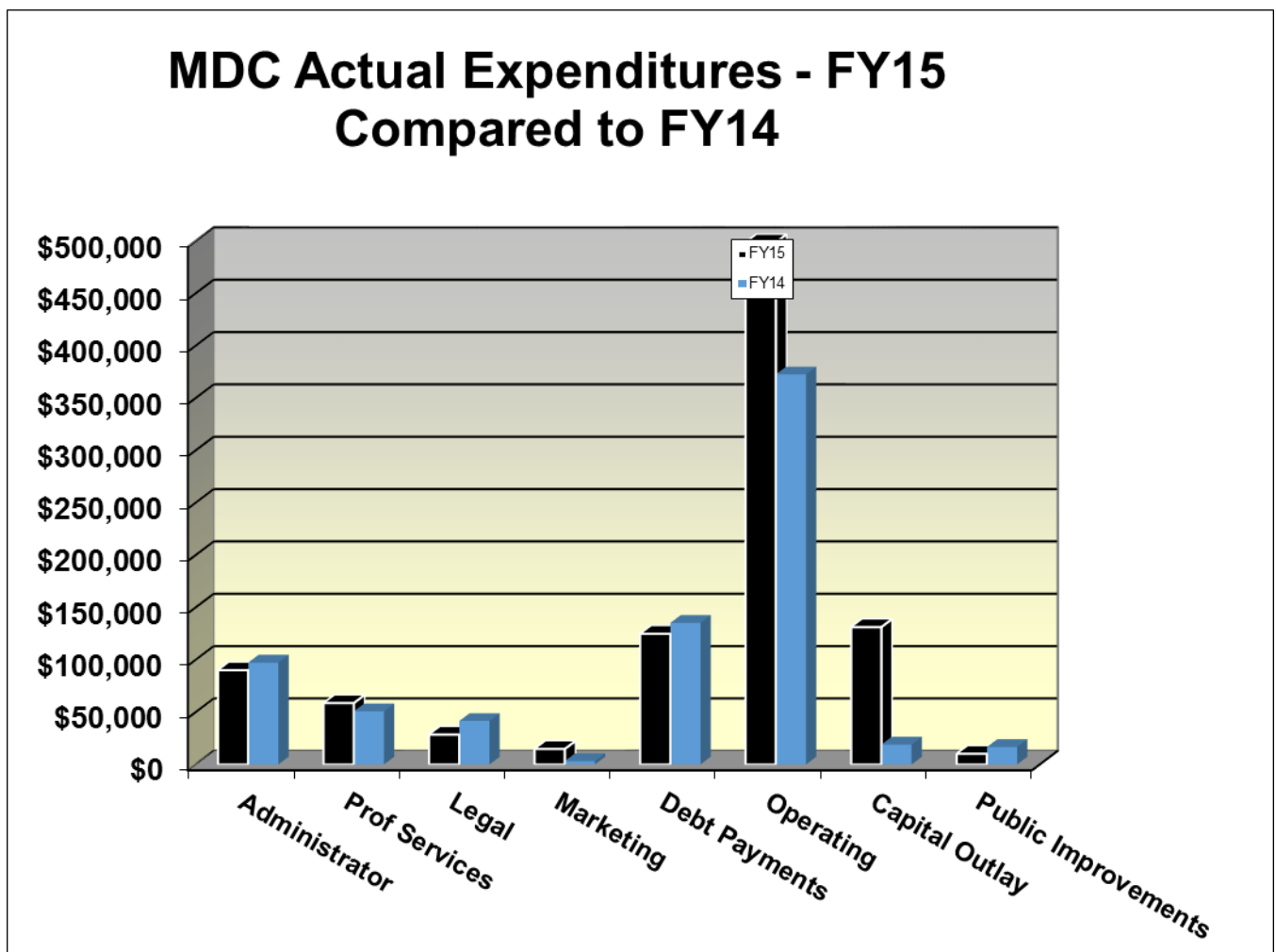
Governmental Fund

Fiscal year 2015 was the twelfth 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, 2015 the fund balance was \$619,459 as compared to \$728,099 at September 30, 2014. Of the fund balance, \$4,374 is nonspendable and \$615,085 is restricted. Fund balance increased in fiscal year 2015 due to tax revenues being higher than in fiscal year 2014 and due to the tax revenues exceeding normal operating expenditures.

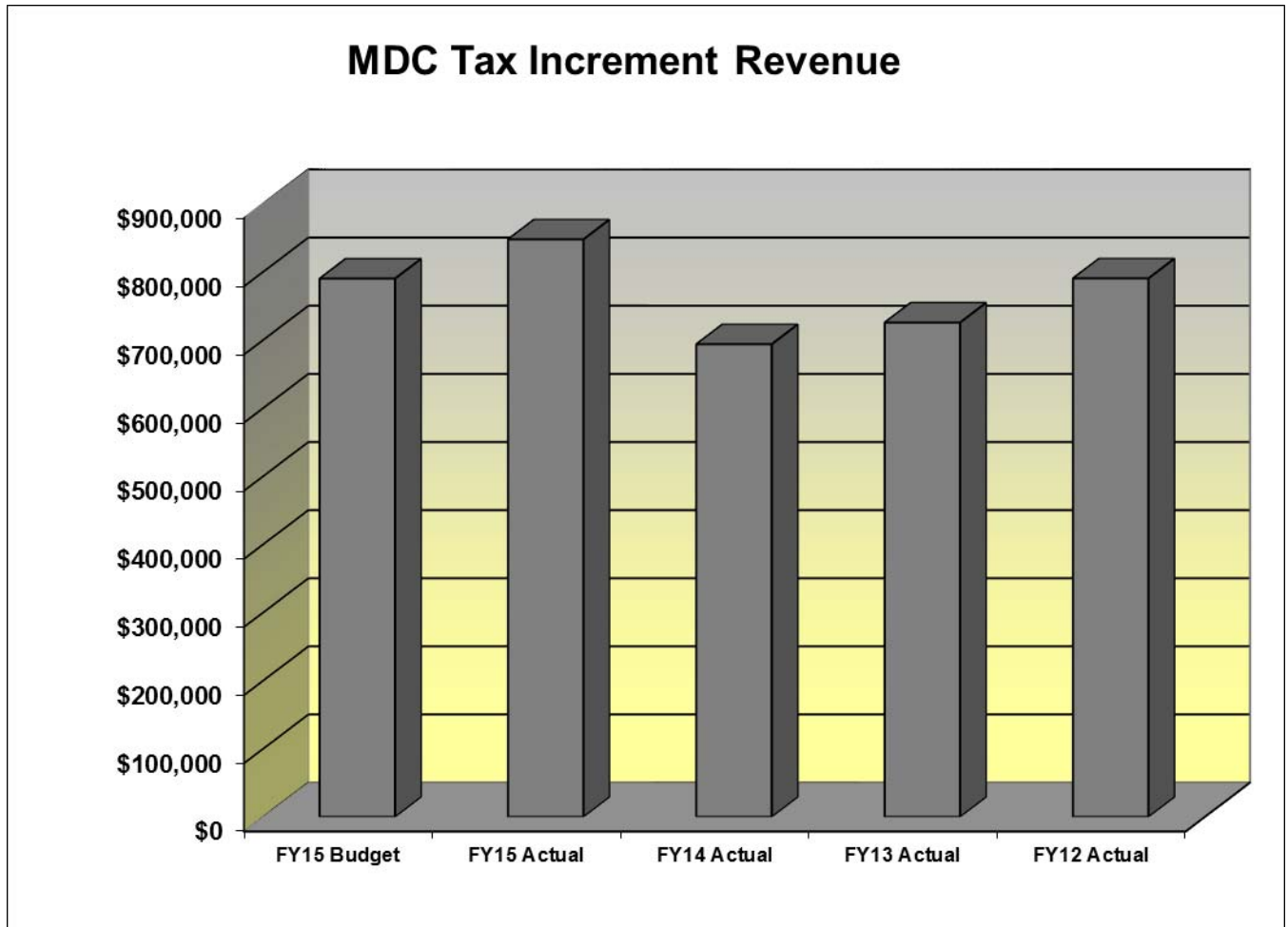
Budgetary Highlights

There were no amendments made to the original fiscal year 2015 budget. MDC budgeted \$170,000 in capital outlay for building improvements. Streetscape costs and other costs were budgeted as capital outlay. Total capital outlay was \$131,188. As an end result, actual capital outlay expenditures and operating expenses were under budget.

MDC does not have any employees and relies on professional service contracts for the administrator, legal, and marketing, etc. 25% of actual operating expenditures were for professional service contractors. MDC spent 56% of its operating budget.



Property tax revenue was budgeted to be \$790,000; actual tax collected was \$847,571.



Capital Asset and Debt Administration

Capital Assets

At the end of fiscal year 2014, MDC's total capital assets were \$1,385,079. At the end of fiscal year 2015, capital assets had increased to \$1,444,055, including \$845,067 in land, \$579,710 in buildings, \$100,436 in equipment, \$131,188 in building improvements, \$180,161 in intangibles and \$392,507 in accumulated depreciation. Intangible assets include the Downtown Master Plan, the 3D Modelling, and the MDC website. See Note 5 for further explanation of the changes in capital assets.

Long-Term Debt

During Fiscal Year 2011, MDC took out a new promissory note with Washington Trust Bank, totaling \$1,274,000. The note payable was incurred in order to complete the building to be sold as condominium and office space units. The note matures on March 5, 2022. Proceeds from the sales of the units will be used to repay principal and interest on the note. As of September 30, 2015, the balance on the remaining note was \$707,751. See Note 6 for further explanation of the changes in long-term debt.

Fiscal Year 2015 Budgetary Considerations

For fiscal year 2016, 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, help fund public art and the split corridor lighting, and assist businesses with streetscape and façade improvements.

Property tax revenue is expected to be higher than the amount collected in fiscal year 2015.

Since its formation in fiscal year 2002, MDC has gone from a \$15,000 budget to approximately \$1.55 million in fiscal year 2015.

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: 800 W. Main Street, Suite 1220, Boise, ID 83702. Phone 208-387-6400.

Meridian Development Corporation
Statement of Net Position and Governmental Fund Balance Sheet
September 30, 2015

	General Fund	Adjustments Note 2	Statement of Net Position
Assets			
Current Assets			
Cash and cash equivalents	\$ 659,093	\$ -	\$ 659,093
Miscellaneous receivable	1,116	-	1,116
Property tax receivable	965,497	-	965,497
Delinquent property taxes receivable	36,905	-	36,905
Prepays and other receivables	3,258	-	3,258
Total current assets	<u>1,665,869</u>	<u>-</u>	<u>1,665,869</u>
Non Current Assets			
Capital assets, not subject to depreciation and amortization	-	845,067	845,067
Capital assets, subject to depreciation and amortization	-	991,495	991,495
Less accumulated depreciation	-	(392,507)	(392,507)
Total assets	<u>\$ 1,665,869</u>	<u>\$ 1,444,055</u>	<u>\$ 3,109,924</u>
Liabilities			
Current Liabilities			
Accounts payable	\$ 43,669	\$ 269	\$ 43,938
Note payable - current portion	-	90,647	90,647
Total current liabilities	<u>43,669</u>	<u>90,916</u>	<u>134,585</u>
Noncurrent Liabilities			
Note payable - less current portion	-	617,104	617,104
Total liabilities	<u>43,669</u>	<u>708,020</u>	<u>751,689</u>
Deferred Inflows			
Advanced revenues-property taxes	1,002,741	(36,905)	965,836
Total liabilities and deferred inflows	<u>1,046,410</u>	<u>671,115</u>	<u>1,717,525</u>
Fund Balance/Net Position			
Fund Balance			
Nonspendable	4,374	(4,374)	-
Restricted	615,085	(615,085)	-
Total fund balance	<u>619,459</u>	<u>(619,459)</u>	<u>-</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 1,665,869</u>		
Net investment in capital assets		736,035	736,035
Restricted		656,364	656,364
Total liabilities, deferred inflows and net position		<u>\$ 1,444,055</u>	<u>\$ 3,109,924</u>

Meridian Development Corporation
Statement of Activities and Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund
Balances
Year Ended September 30, 2015

	General Fund	Adjustments Note 3	Statement of Activities
Expenditures			
Office and operating expense	\$ 498,748	\$ 72,212	\$ 570,960
Professional services, surveys, and studies	177,119	-	177,119
Public education and marketing	24,951	-	24,951
Debt service			
Principal	95,269	(95,269)	-
Interest	29,565	-	29,565
Capital outlay	131,188	(130,919)	269
Total expenditures	<u>956,840</u>	<u>(153,976)</u>	<u>802,864</u>
General Revenues			
General property tax revenue	847,571	(11,038)	836,533
Interest earnings	617	-	617
Other revenue	12	-	12
Total general revenues	<u>848,200</u>	<u>(11,038)</u>	<u>837,162</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(108,640)</u>	<u>142,938</u>	<u>34,298</u>
Net Change in Fund Balances/Net Position	(108,640)	142,938	34,298
Fund Balance/Net Position, Beginning of Year	<u>728,099</u>		<u>1,358,101</u>
End of Year	<u>\$ 619,459</u>		<u>\$ 1,392,399</u>

Note 1 - Summary of Significant Accounting Policies

The Meridian Development Corporation (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.

Financial Reporting Entity

MDC is included as a component unit of 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 position 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. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

MDC is reported as a "Single Purpose Entity". This allows the government-wide financial statements to be combined with the fund-level 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.

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 \$500 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. Capital assets are depreciated on the straight-line basis with the half-year convention over useful lives of 3 to 30 years.

Property Taxes Receivable

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 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.

Deferred Inflow of Resources and Advanced Revenue

Unavailable revenue is considered a deferred inflow of resources in accordance with the modified accrual basis of accounting for the fund financial statements. Deferred inflows of resources are measurable but do not represent available expendable resources for the fund financial statements for the fiscal year ended September 30, 2015. Since MDC is on a September 30 fiscal year end, property taxes levied during September for the succeeding year's collection are recorded as unavailable revenues 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 (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.

Fund Balances

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the MDC is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at September 30, 2015 by MDC are nonspendable in form. This includes prepaid expenses of \$3,258 and miscellaneous receivables of \$1,116. MDC has not reported any amounts that are legally or contractually required to be maintained intact.

Restricted - This fund balance is constrained for a specific purpose and legally restricted by external parties, such as State or Federal agencies. MDC had \$615,085 in restricted fund balance at September 30, 2015.

Committed - This fund balance constraint is self-imposed by the Board of Directors. Formal action is required by the Board of Directors to commit funds and must occur prior to year-end; however, the actual dollar amount may be determined in the subsequent period.

Assigned - This fund balance is intended for a specific purpose and the authority to “assign” is delegated to the Administrator. Formal action is not necessary to impose, remove or modify an Assigned Fund Balance.

Unassigned - This is the remaining fund balance that has no internal or external restrictions. Unassigned amounts are available for any purpose. Although there is generally no set spending plan, there is a need to maintain a certain funding level. The unassigned fund balance is commonly used for emergency expenditures or reserves needed to ensure cash flow.

MDC has a policy regarding minimum fund balance for a stabilization arrangement to reserve 8% of the current year budget of tax revenues in order to ensure there is sufficient cash flow to maintain services between property tax receipts.

This Resolution states that it shall be the Policy of MDC that this reserve will be in the unassigned fund balance unless the Administrator designates otherwise. The policy also requires that the restricted, committed, assigned fund balances are to be expended first, followed by the unassigned, unless the Board of Directors approves to do otherwise through the budget process.

Note 2 - Explanation of Differences Between the Governmental Funds Balance Sheet and the Statement of Net Position

“Total fund balances” in MDC’s governmental fund may differ from the “net position” of the governmental activities reported in the Statement of Net Position as a result of the long-term economic focus of the Statements of Net Position 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 not reported in the funds.	<u><u>\$ 36,905</u></u>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u><u>\$ 1,444,055</u></u>
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds. All liabilities, both current and long-term, are reported on the statement of net position.	<u><u>\$ (707,751)</u></u>
Accounts payable on capital outlay is not due and payable in the current period and, therefore, is not reported in the funds.	<u><u>\$ (269)</u></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 position” 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><u>\$ (11,038)</u></u>
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$131,188) exceeded depreciation (\$52,056) in the current period.	<u><u>\$ 79,132</u></u>
Repayment of long-term debt expenditures are reported in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position.	<u><u>\$ 95,269</u></u>
Loss on sales and disposals of assets are not reported in governmental funds. In the Statement of Activities, however, these losses are shown as a reduction of net income.	<u><u>\$ (20,156)</u></u>
Accounts payable for capital outlay is not reported in the governmental funds.	<u><u>\$ (269)</u></u>

Note 4 - Deposits –Custodial Credit Risk

Cash and Cash Equivalents

As of September 30, 2015, the carrying amount and account balance of the checking account was \$144,086 and \$152,894, respectively. As of September 30, 2015, the carrying amount and account balance of the money market account was \$515,007. \$417,901 was uninsured and uncollateralized as of September 30, 2015. Cash is held in the custody of Washington Trust Bank in MDC’s name.

Note 5 - Capital Assets

Changes to capital assets are as follows:

	Balance Oct. 1, 2014	Additions	Deletions	Transfers	Balance Sept. 30, 2015
Governmental Activities					
Capital assets, not depreciated					
Land	\$ 845,067	\$ -	\$ -	\$ -	\$ 845,067
Total capital assets, not depreciated	<u>845,067</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>845,067</u>
Capital assets, depreciated					
Buildings	579,710	-	-	-	579,710
Equipment	105,495	-	(5,059)	-	100,436
Building Improvements	18,981	131,188	(18,981)	-	131,188
Intangibles	180,161	-	-	-	180,161
Total capital assets, depreciated	<u>884,347</u>	<u>131,188</u>	<u>(24,040)</u>	<u>-</u>	<u>991,495</u>
Less accumulated depreciation					
Buildings	(100,051)	(21,810)	632	-	(121,229)
Equipment	(80,580)	(13,790)	3,252	-	(91,118)
Intangibles	(163,704)	(16,456)	-	-	(180,160)
Total accumulated depreciation	<u>(344,335)</u>	<u>(52,056)</u>	<u>3,884</u>	<u>-</u>	<u>(392,507)</u>
Total net capital assets, depreciated	<u>540,012</u>	<u>79,132</u>	<u>(20,156)</u>	<u>-</u>	<u>598,988</u>
Governmental activities capital assets, net	<u>\$ 1,385,079</u>	<u>\$ 79,132</u>	<u>\$ (20,156)</u>	<u>\$ -</u>	<u>\$ 1,444,055</u>

Note 6 - Changes in Long-Term Debt

MDC has a promissory note for \$1,274,000 that matures on March 5, 2022 with a fixed interest rate of 3.89% collateralized by real property.

The following is a summary of changes in debt of MDC for the year ended September 30, 2015.

	Balance Oct. 1, 2014	Debt Issued	Debt Retired	Balance Sept. 30, 2015
Governmental Activities				
Note Payable - Building	\$ 803,020	\$ -	\$ (95,269)	\$ 707,751
Governmental activities liabilities	\$ 803,020	\$ -	\$ (95,269)	\$ 707,751

Maturities of the note payable are as follows for the years ended September 30:

	Principal	Interest	Total
2016	\$ 90,649	\$ 23,781	\$ 114,430
2017	102,638	22,192	124,830
2018	106,703	18,127	124,830
2019	110,928	13,901	124,829
2020	115,321	9,809	125,130
2021-2022	181,512	19,245	200,757
Totals	\$ 707,751	\$ 107,055	\$ 814,806

Note 7 - Related Party Transactions

MDC partners with the City of Meridian for various downtown improvements. During the fiscal year, MDC reimbursed the City of Meridian for cost related to joint projects.

Note 8 - Line of Credit

MDC extended a revolving line of credit with Washington Trust Bank that provides for available borrowings up to \$100,000. The agreement matures on July 30, 2016 and is unsecured. Borrowings under the line of credit bear variable interest rates at 3.25% per annum. There were no amounts outstanding on the line as of September 30, 2015. Borrowings under the line of credit are subject to certain covenants and restrictions on indebtedness and dividend payments.



Required Supplementary Information
September 30, 2015

Meridian Development Corporation

Meridian Development Corporation
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund
Year Ended September 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
General property tax revenue	\$ 790,000	\$ 790,000	\$ 847,571	\$ 57,571
Interest earnings	725	725	617	(108)
Other revenue	102,524	102,524	12	(102,512)
	<u>893,249</u>	<u>893,249</u>	<u>848,200</u>	<u>(45,049)</u>
Expenditures				
Office and operating expense	1,049,588	1,049,588	498,748	550,840
Professional services, surveys, studies	196,100	196,100	177,119	18,981
Public education and marketing	13,215	13,215	24,951	(11,736)
Debt service				
Principal	94,968	94,968	95,269	(301)
Interest	29,862	29,862	29,565	297
Capital outlay	170,000	170,000	131,188	38,812
	<u>1,553,733</u>	<u>1,553,733</u>	<u>956,840</u>	<u>596,893</u>
Net Change in Fund Balances	(660,484)	(660,484)	(108,640)	551,844
Fund Balance,				
Beginning of Year	<u>419,034</u>	<u>419,034</u>	<u>728,099</u>	<u>309,065</u>
End of Year	<u>\$ (241,450)</u>	<u>\$ (241,450)</u>	<u>\$ 619,459</u>	<u>\$ 860,909</u>

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 Commissioners 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 Commissioners. State law does not allow fund expenditures to exceed fund appropriations.

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



Independent Auditor’s 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 Standard*

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

We have audited, 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, the financial statements of the governmental activities, and the major fund of Meridian Development Corporation (MDC), a component unit of the City of Meridian, Idaho as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise Meridian Development Corporation’s basic financial statements, and have issued our report thereon dated December 03, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Meridian Development Corporation’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 Meridian Development Corporation’s internal control. Accordingly, we do not express an opinion on the effectiveness of Meridian Development Corporation’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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Meridian Development Corporation'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*.

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.

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

Boise, Idaho
December 03, 2015