



Financial Statements
September 30, 2014

Meridian Development Corporation

Meridian Development Corporation

Table of Contents
September 30, 2014

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	11
Notes to Financial Statements.....	12
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	19
Notes to Required Supplementary Information	20
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 Standard</i>	21



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 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, 2014, which collectively comprise MDC's basic financial statements as listed in the table of 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.

Auditor's Responsibility

Our responsibility is to express an opinion 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 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.

Opinion

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, 2014, 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 November 25, 2014 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 black ink that reads "Erik Sully LLP". The signature is written in a cursive, flowing style.

Boise, Idaho
November 25, 2014

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, 2014. Please use this information in conjunction with the information furnished in MDC's financial statements.

Financial Highlights

- Fiscal year 2014 is the eleventh full year that MDC has collected property tax. Property tax is MDC's principal source of revenue. Property tax collections decreased by approximately \$41,000 or 5.6% from fiscal year 2013 to fiscal year 2014.
- The total assets of MDC exceeded its liabilities and deferred inflows at September 30, 2014 by \$1,358,101. Of the total net position, \$582,059 is net investment in capital assets. The remaining net position of \$776,042 is restricted to meet the Corporation's on-going obligations. This is an decrease of \$23,747 from net position of \$1,381,848 at September 30, 2013.

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). At September 30, 2014, MDC's combined assets exceeded liabilities and deferred inflows by \$1,358,101.

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

	2014	2013
Current Assets	\$ 1,739,755	\$ 1,606,659
Capital Assets	1,385,079	1,439,016
Total Assets	3,124,834	3,045,675
Current Liabilities	166,495	852,944
Long Term Liabilities	715,886	810,883
Total Liabilities	882,381	1,663,827
Deferred Inflows	884,352	-
Total liabilities and deferred inflows	1,766,733	1,663,827
Net Position		
Net Investment in Capital Assets	582,059	533,858
Restricted	776,042	847,990
Total Net Position	\$ 1,358,101	\$ 1,381,848

Changes in Net Position

During the year, MDC's financial position decreased by \$23,747. This compares with the prior year increase in financial position of \$248,042.

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.

	2014	2013
General Revenues		
Property tax	\$ 689,361	\$ 730,286
Interest	752	752
Other Revenues	5,999	6,700
Total general revenues	696,112	737,738
Program Revenues	4,327	5,052
Total Revenues	700,439	742,790
Expenses		
Administrative	691,092	458,044
Interest on long-term debt	33,094	36,704
Total Expenses	724,186	494,748
Change in Net Position	(23,747)	248,042
Net Position		
Beginning of year	1,381,848	1,133,806
End of year	\$ 1,358,101	\$ 1,381,848

From fiscal year 2013 to fiscal year 2014, the MDC's tax increment financing decreased by .23%. 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

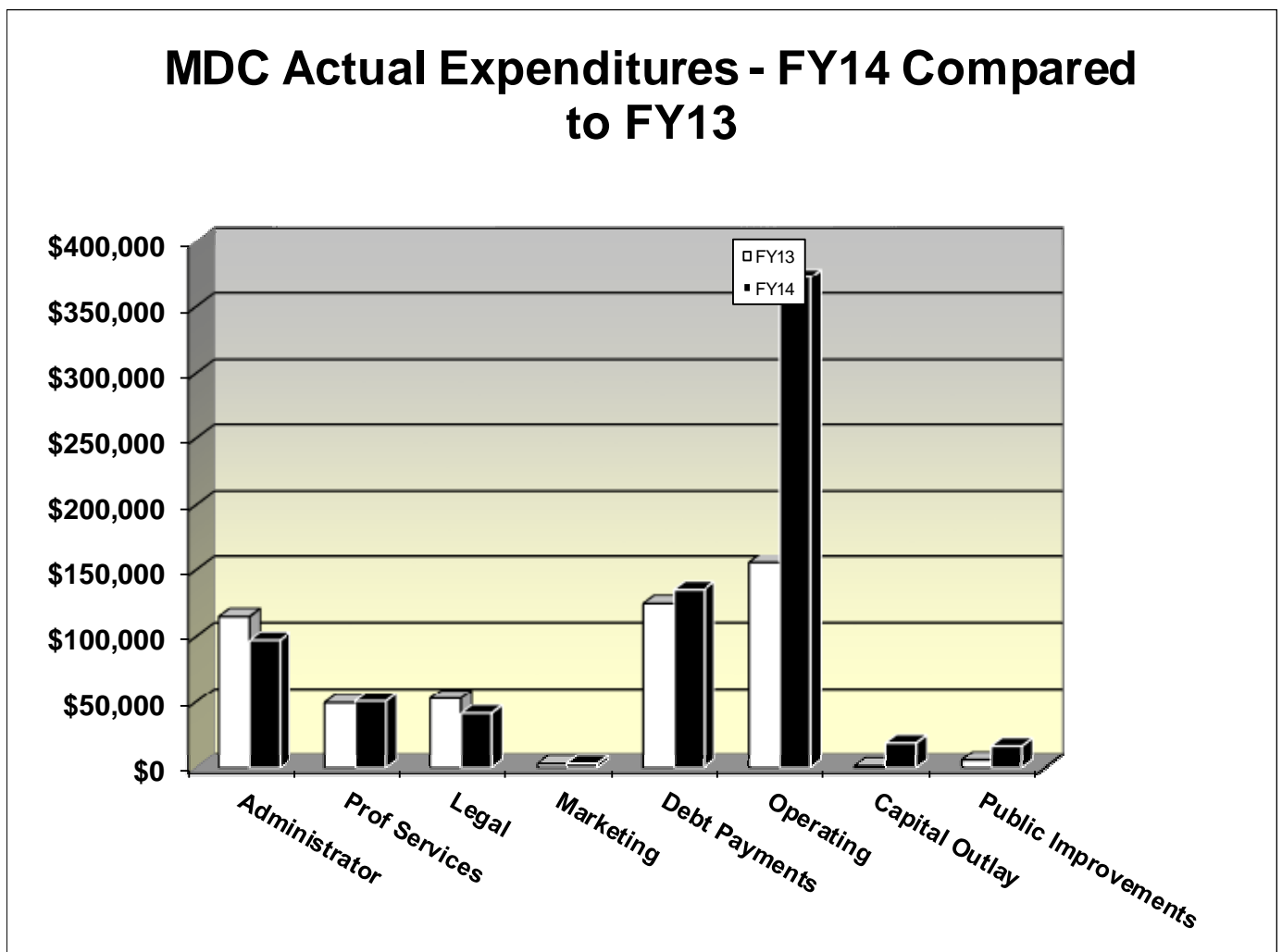
Governmental Fund

Fiscal year 2014 was the eleventh 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, 2014 the fund balance was \$728,099 as compared to \$790,596 at September 30, 2013. Of the fund balance, \$10,002 is nonspendable and \$718,097 is restricted. Fund balance decreased in fiscal year 2014 due to normal operating expenditures exceeding tax revenues.

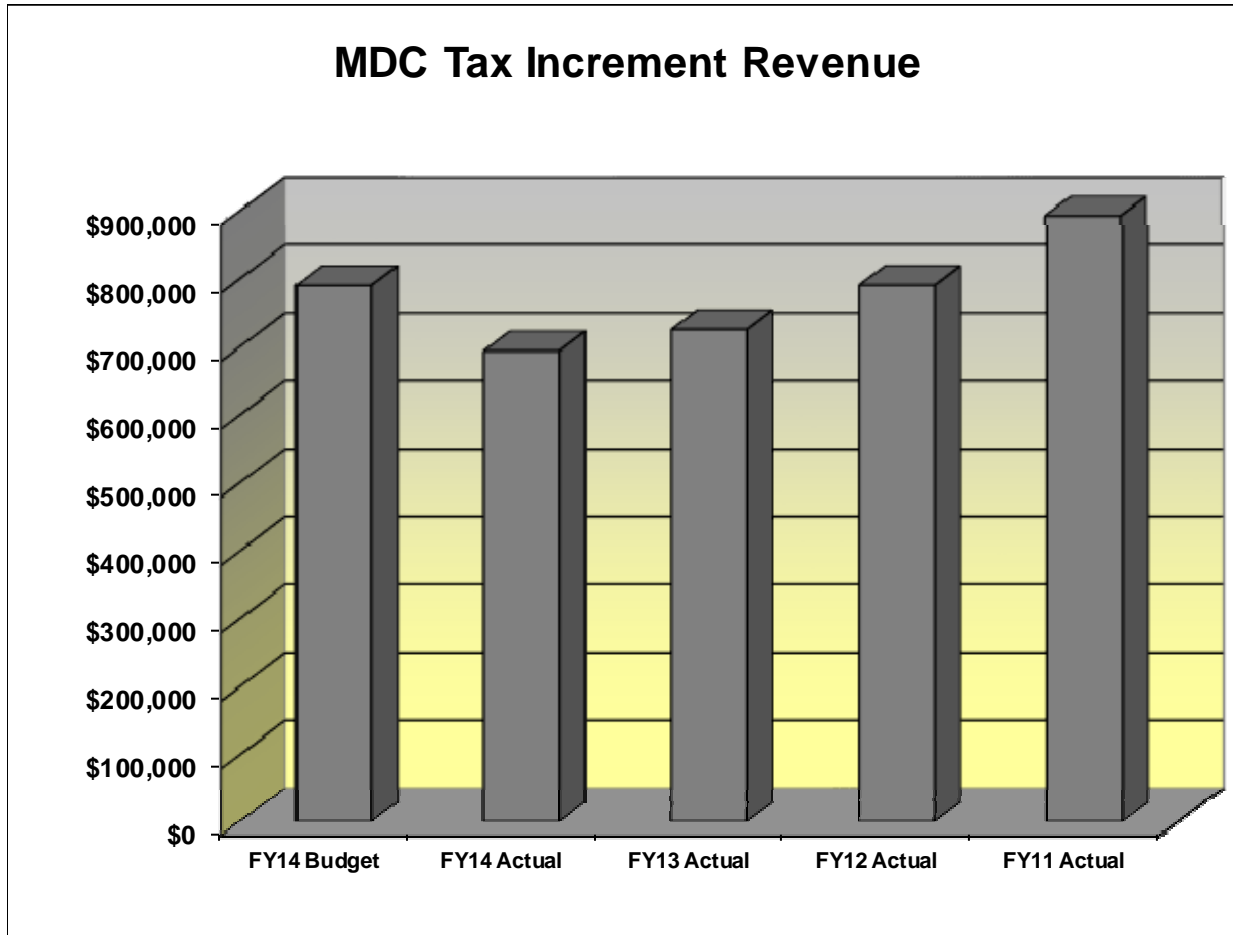
Budgetary Highlights

There were no amendments made to the original fiscal year 2014 budget. MDC budgeted \$80,000 in capital outlay for building improvements. Streetscape costs and other costs were budgeted as capital outlay. Total capital outlay was \$18,981. 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. 32% of actual operating expenditures were for professional service contractors. MDC spent 68% of its operating budget.



Property tax revenue was budgeted to be \$790,000; actual tax collected was \$693,754.



Capital Asset and Debt Administration

Capital Assets

At the end of fiscal year 2013, MDC's total capital assets were \$1,439,016. At the end of fiscal year 2014, capital assets had decreased to \$1,382,517, including \$845,067 in land, \$579,710 in buildings, \$105,495 in equipment, \$18,981 in building improvements, \$180,161 in intangibles and \$346,897 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 two new promissory notes with Washington Trust Bank, totaling \$2,850,000. These notes payable were incurred in order to complete the building to be sold as condominium and office space units. The first note was for \$1,576,000 and matured on March 5, 2012 and was paid in full when the building was sold. The second note was for \$1,274,000 and matures on March 5, 2022. Proceeds from the sales of the units were used to repay principal and interest on these notes. As of September 30, 2014, the balance on the remaining note was \$803,020. See Note 6 for further explanation of the changes in long-term debt.

Fiscal Year 2014 Budgetary Considerations

For fiscal year 2014, 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 2014.

Since its formation in fiscal year 2002, MDC has gone from a \$15,000 budget to approximately \$1.1 million in fiscal year 2014.

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: 3215 S. Canonero Way, Boise, ID 83709. Phone 208-724-4182.

Meridian Development Corporation
Statement of Net Position and Governmental Fund Balance Sheet
September 30, 2014

	General Fund	Adjustments Note 2	Statement of Net Position
Assets			
Current Assets			
Cash and cash equivalents, unrestricted	\$ 782,222	\$ -	\$ 782,222
Miscellaneous receivable	7,037	-	7,037
Property tax receivable	899,588	-	899,588
Delinquent property taxes receivable	47,943	-	47,943
Prepays and other receivables	2,965	-	2,965
	<u>1,739,755</u>	<u>-</u>	<u>1,739,755</u>
Total current assets	<u>1,739,755</u>	<u>-</u>	<u>1,739,755</u>
Non Current Assets			
Capital assets, not subject to depreciation and amortization	-	845,067	845,067
Capital assets, subject to depreciation and amortization	-	884,347	884,347
Less accumulated depreciation	-	(344,335)	(344,335)
	<u>-</u>	<u>(344,335)</u>	<u>(344,335)</u>
Total assets	<u>\$ 1,739,755</u>	<u>\$ 1,385,079</u>	<u>\$ 3,124,834</u>

Meridian Development Corporation
Statement of Position and Governmental Fund Balance Sheet
September 30, 2014

	<u>General Fund</u>	<u>Adjustments Note 2</u>	<u>Statement of Net Position</u>
Liabilities			
Current Liabilities			
Accounts payable	\$ 79,361	\$ -	\$ 79,361
Interest payable	-	-	-
Note payable - current portion	-	87,134	87,134
Total current liabilities	<u>79,361</u>	<u>87,134</u>	<u>166,495</u>
Noncurrent Liabilities			
Note Payable - less current portion	-	715,886	715,886
Total liabilities	<u>79,361</u>	<u>803,020</u>	<u>882,381</u>
Deferred Inflows			
Unavailable revenues - property taxes	932,295	(47,943)	884,352
Total Liabilities and Deferred Inflows	<u>1,011,656</u>	<u>755,077</u>	<u>1,766,733</u>
Fund Balance/Net Position			
Fund Balance			
Nonspendable	10,002	(10,002)	-
Restricted	718,097	(718,097)	-
Total fund balance	<u>728,099</u>	<u>(728,099)</u>	<u>-</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 1,739,755</u>		
Net investment in capital assets		582,059	582,059
Restricted		776,042	776,042
		<u>\$ 1,385,079</u>	<u>\$ 3,124,834</u>

Meridian Development Corporation
Statement of Activities and Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund
Balances
Year Ended September 30, 2014

	<u>General Fund</u>	<u>Adjustments Note 3</u>	<u>Statement of Activities</u>
Expenditures			
Office and operating expense	\$ 403,727	\$ 77,976	\$ 481,703
Professional services, surveys, and studies	189,596	-	189,596
Public education and marketing	19,793	-	19,793
Debt service			
Principal	99,213	(99,213)	-
Interest	36,019	(2,925)	33,094
Capital outlay	18,981	(18,981)	-
Total expenditures	<u>767,329</u>	<u>(43,143)</u>	<u>724,186</u>
General Revenues			
General property tax revenue	693,754	(4,393)	689,361
Interest earnings	752	-	752
Other revenue	5,999	-	5,999
Total general revenues	<u>700,505</u>	<u>(4,393)</u>	<u>696,112</u>
Program Revenues			
Grant revenues	4,327	-	4,327
Total revenues	<u>704,832</u>	<u>(4,393)</u>	<u>700,439</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(62,497)</u>	<u>38,750</u>	<u>(23,747)</u>
Net Change in Fund Balances/Net Position	(62,497)	38,750	(23,747)
Fund Balance/Net Position, Beginning of year	<u>790,596</u>		<u>1,381,848</u>
End of year	<u>\$ 728,099</u>		<u>\$ 1,358,101</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 Commissioners 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 one major governmental fund:

General Fund - 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 Unavailable 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, 2014. 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, 2014 by MDC are nonspendable in form. This includes prepaid expenses of \$2,925 and miscellaneous receivables of \$10,002. 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 \$718,097 in restricted fund balance at September 30, 2014.

Committed - This fund balance constraint is self-imposed by the Board of Commissioners. Formal action is required by the Board of Commissioners 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.

On September 28, 2011, MDC developed and adopted a Fund Balance Policy with Resolution No. 11-021. This policy states that GASB refers to a minimum fund balance as a Stabilization Arrangement and MDC has established the practice of reserving 8% of the current year budget of tax revenues as the amount needed to reserve 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.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on net position.

Recently Issued and Adopted Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, *“Items Previously Reported as Assets and Liabilities”*. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This Statement is effective for periods beginning after December 15, 2012. MDC implemented it in fiscal year 2014. MDC fully expensed financing costs during fiscal year 2014 totaling \$5,058.

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 deferred in the funds.	<u><u>\$ 47,943</u></u>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u><u>\$ 1,385,079</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>\$ (803,020)</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>\$ (4,393)</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 (\$18,981) exceeded depreciation (\$72,918) in the current period.	<u><u>\$ (53,937)</u></u>
Deferred financing costs are reported as expense in Governmental funds. However, in the statement of activities, those costs were allocated over the life of the loans and reported as amortization expense. During Fiscal Year 2014 MDC implemented GASB 65 and fully expensed the remaining balance of deferred financing costs.	<u><u>\$ (5,058)</u></u>
Repayment of long-term debt expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position.	<u><u>\$ 99,213</u></u>
Interest expense accrued but not paid reported in the statement of activities does not require the use of current financial resources and therefore is not reported as expenditures in governmental funds.	<u><u>\$ 2,925</u></u>

Note 4 - Deposits –Custodial Credit Risk

Cash and Cash Equivalents

As of September 30, 2014, the carrying amount and account balance of the checking account was \$5,832 and \$9,039 respectively. As of September 30, 2014, the carrying amount and account balance of the money market account was \$776,389. \$535,429 was uninsured and uncollateralized as of September 30, 2014. Cash is held in custody of The Washington Trust Bank in MDC’s name.

Note 5 - Capital Assets

Changes to capital assets are as follows:

	Balance Oct. 1, 2013	Additions	Deletions	Transfers	Balance Sept. 30, 2014
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	18,981	-	-	598,691
Equipment	105,495	-	-	-	105,495
Intangibles	180,161	-	-	-	180,161
Total capital assets, depreciated	<u>865,366</u>	<u>18,981</u>	<u>-</u>	<u>-</u>	<u>884,347</u>
Less accumulated depreciation					
Buildings	(80,095)	(19,956)	-	-	(100,051)
Equipment	(64,430)	(16,150)	-	-	(80,580)
Intangibles	(126,892)	(36,812)	-	-	(163,704)
Total accumulated depreciation	<u>(271,417)</u>	<u>(72,918)</u>	<u>-</u>	<u>-</u>	<u>(344,335)</u>
Total net capital assets, depreciated	<u>593,949</u>	<u>(53,937)</u>	<u>-</u>	<u>-</u>	<u>540,012</u>
Governmental activities capital assets, net	<u>\$ 1,439,016</u>	<u>\$ (53,937)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,385,079</u>

Note 6 - Changes in Long-Term Debt

During fiscal year 2011, MDC obtained two promissory notes, totaling \$2,850,000, with Washington Trust Bank. These notes payable were incurred in order to complete a building to be sold as condominium and office space units. The first note was for \$1,576,000 and matured on March 5, 2012. The second note was for \$1,274,000 and matures on March 5, 2022. Proceeds from the sales of the units were used to repay the first note in total and a portion of the second note.

The following is a summary of changes in debt of MDC for the year ended September 30, 2014.

	Balance Oct. 1, 2013	Debt Issued	Debt Retired	Balance Sept. 30, 2014
Governmental Activities:				
Note Payable - Building	\$ 902,233	\$ -	\$ (99,213)	\$ 803,020
Governmental activities liabilities	\$ 902,233	\$ -	\$ (99,213)	\$ 803,020

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

	Principal	Interest	Total
2015	\$ 87,134	\$ 27,234	\$ 114,368
2016	98,727	26,101	124,828
2017	102,638	22,192	124,830
2018	106,703	18,127	124,830
2019	110,928	13,901	124,829
2020-2022	296,890	29,054	325,944
Totals	\$ 803,020	\$ 136,609	\$ 939,629

Note 7 - Related Party Transactions

MDC partners with the City of Meridian for various downtown improvements. During the fiscal year, total expenditures were \$42,712.

Note 8 - Line of Credit

MDC has entered into a revolving line of credit with Washington Trust Bank that provides for available borrowings up to \$100,000. The agreement matures on July 30, 2015. Borrowings under the line of credit bear variable interest rate at 3.25% per annum. There were no amounts outstanding on the line as of September 30, 2014. Borrowings under the line of credit are subject to certain covenants and restrictions on indebtedness and dividend payments.



Required Supplementary Information
September 30, 2014

Meridian Development Corporation

Meridian Development Corporation
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund
Year Ended September 30, 2014

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
General property tax revenue	\$ 790,000	\$ 790,000	\$ 693,754	\$ (96,246)
Interest earnings	500	500	752	252
Other revenue	-	-	10,326	10,326
Total revenues	790,500	790,500	704,832	(85,668)
Expenditures				
Office and operating expense	576,140	576,140	403,727	172,413
Professional services, surveys, studies	214,100	214,100	189,596	24,504
Public education and marketing	67,252	67,252	19,793	47,459
Debt service				
Principal	90,830	90,830	99,213	(8,383)
Interest	34,000	34,000	36,019	(2,019)
Capital Outlay	80,000	80,000	18,981	61,019
Total expenditures	1,062,322	1,062,322	767,329	294,993
Net change in fund balances	(271,822)	(271,822)	(62,497)	209,325
Fund Balance,				
Beginning of year	690,856	690,856	790,596	99,740
End of year	\$ 419,034	\$ 419,034	\$ 728,099	\$ 309,065

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, 2014, 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 November 25, 2014.

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 controls 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 controls 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 yet 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 cursive script that reads "Eide Bailly LLP".

Boise, Idaho
November 25, 2014