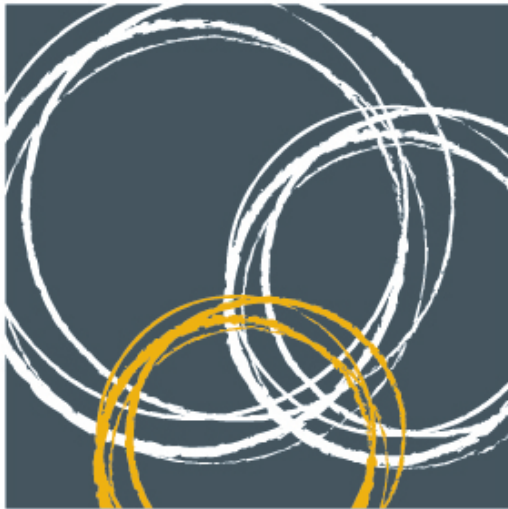


MERIDIAN DEVELOPMENT CORPORATION
2016 Annual Report



MERIDIAN
development corp.
REVIVE • RENEW • REDEFINE

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Letter from the Chairman

The City of Meridian was developed from a small rural village to an incorporated city by the dedicated work of its citizens who volunteered their time and contributed their resources to build a community. That spirit of voluntarism and building community is based on common goals that exists today. Nowhere is it more evident than in our historic downtown. The revitalization of our downtown core was, and continues to be, the vision of the Meridian City Council and the many citizen stakeholders who value the historic and economic aspect of a vibrant downtown.

By establishing the Meridian Development Corporation (MDC) as the urban renewal agency for the revitalization of the downtown core, tax increment dollars could be used to upgrade downtown infrastructure and remove blight so that downtown could continue to be economically viable and, most importantly, a source of historic pride for all citizens. Another goal was to make sure that downtown, with City Hall as the energy center, is accessible to young and old alike. Our downtown embodies the culture and history of Meridian for our children.

During 2016, MDC continued the progress made in recent years to revitalize downtown and the urban core. Partnerships have been the key to the promotion of activities for everyone in Meridian to enjoy. MDC partnered with the West Ada School District and the Meridian Arts Commission to wrap electrical boxes with student art. For the second year in a row, approximately 2,000 Meridian third graders, supervised by their teachers and parent volunteers, were able to experience the Historic Walking Tour and learn about city government with MDC, the West Ada School District and the City of Meridian as partners. The Meridian Parks and Recreation Department partnered with MDC to replace trees in downtown in new grated tree-wells to enhance streetscape and allow trees to thrive. The Concerts on Broadway series in the City Hall Plaza expanded from three to four concerts and included pre-shows featuring student musician performers. Concerts on Broadway is a partnership among the Meridian Arts Commission, the City of Meridian Parks and Recreation Department, private sponsors, and MDC. This past summer saw the development of the Youth Farmers Market in the City Hall Plaza on Saturday mornings as a partnership between the City of Meridian, MDC, young vendors, and their families. We offer a special thank you to the family-owned Cackleberry Farm for their support and outstanding farm products throughout the summer.

Idaho Avenue between Main Street and East Second Street was dedicated as an outdoor seating venue as part of a Project for Public Spaces Placemaking initiative. Idaho Avenue was also used as a focal point for the First Annual Art Walk and Sidewalk Chalk Art displays in September. A special thank you to local property owner Marty Schindler, and the City Community Development staff, for championing and project managing the Idaho Avenue project.

2016 was also the year when downtown branding came to fruition with signs and banners and six kiosks designating Meridian Historic Downtown as our downtown core.

Economic growth was also visible with the development of two key projects. First, Marty Schindler converted the former chocolate shop into a location for Blue Sky Bagels on Idaho Avenue. And, our thanks to Josh Evarts for not only renovating the building on the corner of Idaho Avenue and East Second Street, but keeping its historic roots with a facade reminiscent of the original bank building. Josh calls the venue “The Vault” and it has been used for many public and private gatherings. Frankie’s Java took over the location formerly used by The Grotto and added to outdoor seating in Generations Plaza. A special thanks to the Meridian Downtown Business Association for providing a way for local business and property owners to give input to the City of Meridian and MDC regarding downtown needs and activities. A special thank you to Joe Kozlowski, local attorney and businessman, who has served as the Downtown Business Association’s President.

As one of the fastest growing cities in the United States, Meridian is always encouraging economic development to support its citizens. In 2016, the Meridian City Council approved the formation of the Ten Mile Urban Renewal Area as a new district under MDC. The urban renewal designation has allowed private developers to convert acres of former farmland into a commercial center whose borders include I-84, Ten Mile Road and Franklin Avenue. Anyone exiting onto Ten Mile Road will notice the construction of office buildings in what will soon be a commercial area that includes retail as well as office space. The ability to live, work, and play in Meridian is helping to make Meridian more attractive to businesses.

A special thanks to Bruce Chatterton and the Meridian Economic Development and Community Development team for making the Ten Mile urban renewal district a reality.

Just like long ago, volunteers still constitute the prime resource for the development of Meridian. The MDC Board of Commissioners is composed of the following volunteers: Dave Winder, Nathan Meuller, Jim Escobar, Keith Bird, Mayor Tammy de Weerd, Callie Zamzow, Rob McCarvel, Rick Ritter, and Dan Basalone. A very special thank you to Jim Escobar for serving as chairperson of the MDC Board of Commissioners for the past three years. We also thank former Commissioner Eric Jensen, Kit Fitzgerald, and Calvin Barrett for their time as MDC Commissioners during a portion of 2016.

As Aesop said in his famous fable of the tortoise and the hare, “slow and steady wins the race.” The revitalization of Meridian Historic Downtown is happening because volunteer citizens are stepping forward and making it happen. It is also happening because more children and their families are becoming participants in downtown activities. 2017 is already promising to be another banner year in the slow and steady race of progress. I would recommend that you take annual photographs of our downtown to record the history of its continual development.

Thank you to everyone who has worked and supported the development of our Meridian Historic Downtown and the work of the Meridian Development Corporation.

Best Regards,
Dan Basalone
Chairman of the Board

BOARD OF COMMISSIONERS

A nine member Board of Commissioners makes up the Meridian Development Corporation. The Commissioners are appointed by the Meridian Mayor and City Council for rotating three-year terms.

2016 MDC LEADERSHIP:

- ❖ Jim Escobar – Chairman
- ❖ Dan Basalone – Vice Chairman
- ❖ Dave Winder – Secretary/Treasurer

2016 BOARD MEMBERS:

- ❖ Meridian Mayor Tammy de Weerd
- ❖ Meridian City Council President Keith Bird
 - ❖ Callie Zamzow
 - ❖ Nathan Mueller
 - ❖ Rob McCarvel
 - ❖ Rick Ritter

Acknowledgment and thanks to outgoing MDC Board Members in 2016:

Kit Fitzgerald, Eric Jensen, and Calvin Barrett

BOARD OF COMMISSIONER MEETINGS

The Meridian Development Corporation meetings are scheduled for the second Wednesday of the month at 7:30am and the fourth Wednesday of the month at 4:00pm unless otherwise publicly noticed.

Meetings are held at Meridian City Hall located at 33 East Broadway Avenue in Conference Room A on the first floor.

MDC has a variety of subcommittees focusing on specific projects and initiatives. Stakeholder participation is not only welcomed, but actively encouraged. All board and subcommittee meetings are open to the public and are posted at www.meridiandevelopmentcorp.com.

For more information, please contact Ashley Squyres, MDC Administrator, at meridiandevelopmentcorp@gmail.com or 208.477.1632.

DOWNTOWN URBAN RENEWAL DISTRICT

DOWNTOWN INVESTMENT

Transportation and Pedestrian Connectivity

Through 2016, forward momentum continued with transportation and pedestrian connectivity initiatives in Meridian's Downtown District. Those investments include:

Pine Avenue:

Pine Avenue is one of the main eastern entrances into downtown and sets the stage for the look and feel as one arrives. MDC is working in partnership with the city of Meridian and the Ada County Highway District [ACHD] toward Pine Avenue improvements. The partnership is working towards the design and the ultimate construction of Pine Avenue in Fiscal Years 2017 and 2018. The project will include meeting vehicular, pedestrian, and cyclist needs, in addition to incorporating updated sewer, water, and irrigation infrastructure, historic lighting from Main Street to East Sixth Street, and thoughtful landscaping.

West First Street:

MDC has financially partnered with ACHD to provide the construction of sidewalks on both sides of West First Street between South Broadway Avenue and Pine Avenue. As pedestrian connectivity and safety is of utmost importance to MDC, this is an important pedestrian connection to the elementary school on the north side of Pine Avenue. The project will be constructed in 2017.

Downtown Bike Repair Stations:

MDC purchased three bike repair stations that have or will be placed in different locations in downtown. The first station was installed next to the Community Center on East Second Street and Idaho Avenue. The second station will be installed next to the soon to be renovated swimming pool at Storey Park. The third station location is currently undergoing evaluation at this time, but will be installed in the spring of 2017.

Bike Pathway Mapping:

In order to encourage biking throughout Meridian, MDC invested in creating a bike map highlighting all current, and soon to be constructed, bike routes in both downtown and for the community as a whole. The map also highlights future connections and key destinations. The maps are available free to the public in a variety of locations including: Meridian City Hall; Valley Regional Transit; Meridian Cycles; and the Meridian Chamber of Commerce.

DOWNTOWN INVESTMENT

Branding Downtown Meridian

In 2015, MDC hired Rizen Creative to assist in the creation of the overall branding for Meridian's downtown. MDC felt it was important to have consistency when sharing the story and the vision of downtown Meridian.

The intent of the branding is for the downtown Meridian's story to find its way into all facets that relate to downtown.

In 2015, MDC installed the signage that was placed in the center islands on Main Street.

In 2016, MDC continued the branding implementation and focused attentions on modifying the Destination: Downtown signage and modifying the business kiosk panels to reflect the new and current brand.

The new Destination: Downtown signage and kiosk panels will be installed in early 2017.



DOWNTOWN INVESTMENT AND PARTNERSHIP

140 East Idaho Avenue



In late 2015, Josh Evarts, the new owner of 140 East Idaho Avenue, applied for a partnership under the façade improvement program offered by MDC.

The site had a former use as a dry cleaners but had been vacant and in disrepair for over a decade.

The new owner painted a vision to MDC as the building being utilized as a community meeting space to be known as “The Vault”.

The Board approved the façade improvement application at a 50% match and work to the exterior and the interior began almost immediately. Josh worked to restore the historical integrity of the building that had either been stripped or that had deteriorated.

The building renovation was completed in 2016 and has quickly become a key asset and focal point in downtown Meridian.

DOWNTOWN INVESTMENT AND PARTNERSHIP

116 East Broadway Avenue

In the fall of 2016, Meridian Cycles met with MDC to describe a vision for their company's future. The vision included the purchase of the Frontier Bar located at 116 East Broadway Avenue and moving their cycle store into this location.

In addition to continuing their cycle business, the new location will feature a nano-bar; a coffee shop; and an outdoor seating area.

Paul and Krista McKenna feel that downtown Meridian is their home and with this project, they will be contributing to the cleanup of one of the most blighted blocks in downtown Meridian.

The MDC Board approved the request to fund 50% of the façade improvement work and will also continue to work with the owners on an Owner Participation Agreement to relocate sewer services from the alleyway into Broadway Avenue.

Work will be completed in 2017.



DOWNTOWN INVESTMENT AND PARTNERSHIP

Main and Broadway Project



In the summer of 2016, MDC was approached by an interested party about the possibility of redeveloping MDC-owned properties at 703 and 713 North Main Street. Due to property disposition rules for government entities, MDC issued a Request for Proposals [RFP] for the properties in response.

MDC received one RFP response from downtown property owner, Josh Evarts. The project envisioned the two properties being developed in two phases with 703 North Main serving as Phase One.

Phase One begins construction in the summer of 2017 and includes the following elements:

- A four-story, multi-use development.
- 3,800-sf of commercial retail space on the ground floor with an anchor restaurant.
- 4,000-sf of office space on the second floor.
- Residential lofts/condos on the third and fourth floors.

In October 2016, the MDC board voted to accept the proposal and to enter into negotiations with Josh. It is envisioned an agreement will be finalized in early 2017.

DOWNTOWN INVESTMENT AND PARTNERSHIP

Idaho Avenue Placemaking Project

In September 2016, after a year and a half of planning, the dedication of the Idaho Avenue Placemaking Project came to fruition.

The celebration marked the completion of the first phase of the Lighter, Quicker, Cheaper Placemaking project for one block between Main Street and East Second Street. The project is intended to be a three year pilot project.

Improvements to Idaho Avenue included: increased sidewalk space; planters; outdoor dining options; and opportunities for art.

The planning of the project came from a National Association of Realtor's Grant that was managed by Idaho Smart Growth and Project for Public Spaces. The implementation of the project was led by the City's Community Development Department and Marty Shindler, a property owner. The funding of the project was a financial partnership between MDC and the City of Meridian.

Many local businesses contributed in-kind for the project. They include: A-Core; B2B Seal Coat & Striping; C3 Environments; Cloverdale Nursery; Edwards Nursery; Fibreon; Integrity; Meridian Cycles; ProBuild; and Rule Steel.



DOWNTOWN PARTNERSHIP

Meridian Library District's "unBound"



MDC's partnership with the Meridian Library District [MLD] continued in 2016. unBound continued to find ways to capitalize on the MDC-owned space at 713 N. Main.

In 2016, unBound was able to try several new ideas and provide resources for thousands of people. The 3D printers drew in a large number of the initial patrons. In January 2016, MLD purchased a second Ultimaker to keep up with the growing demand and in August, they purchased a mini Ultimaker to help offset demands at unBound but also allow for easy setup at events in the community. MLD worked with a number of people on 3D printed art projects, prototypes, functional products and lots of just fun ideas. The 3D printers were able to print for over 8,000 hours in 2016.

Other services such as the Sound Studio gained more traction throughout 2016. A regular podcast group used the space at least once a week to create their podcast show. They have also taught a class at unBound to help others get started with their own podcasts. Several entrepreneurs and a few startups have used unBound as both a workspace and a meeting place for partners, investors, and clients. MLD has worked to create programs for small businesses and kids alike.

By the numbers:

- In 2016, MLD had 10,710 visits with a daily average of 35 visitors.
- MLD answered 5,458 reference questions for the year.
- Program attendance for the year: 1,485 participants.

DOWNTOWN PARTNERSHIP

Treasure Valley Children's Theatre

MDC continued its partnership with the Treasure Valley Children's Theatre [TVCT] in 2016.

Since 2013, TVCT has utilized and brought patrons to the MDC-owned building at 703 North Main Street for youth classes and performances.

Sadly, this partnership will end in 2017 due to the forthcoming redevelopment of the property; although it is MDC's hope that TVCT will find a new home in MDC's Downtown.

Some notable highlights of 2016 for TVCT:

- 2016 was a transition year for Treasure Valley Children's Theater, LLC and Treasure Valley Youth Theater, Inc. The Limited Liability Company filed for dissolution, effective Dec. 31, 2016 and the 501c3 Nonprofit Organization took over the operations of the LLC. As of January 01, 2017 it is operating as one, nonprofit arts organization doing business as Treasure Valley Children's Theater.
- The adult acting company produced a total of 34 performances, four shows, reaching 2,220 audience members. 22 of those performances were held at 703 N. Main Street bringing 1,000 audience members to downtown Meridian.
- In 2016, a total of 73 educational classes, camps, and workshops were produced; reaching 920 students in the Treasure Valley.
- The youth theater program, Treasure Valley Youth Theater, Inc., produced a total of three shows with seven performances in 2016 bringing 2,350 audience members into downtown Meridian.



DOWNTOWN PARTNERSHIP

Downtown Tree Replacement Program



In 2016, MDC continued its annual contribution of \$25,000 towards a partnership with the City of Meridian's Parks and Recreation Department.

The monies that MDC contributed in 2016 were utilized towards seven new trees; the new tree grates; the root barrier for the trees; the installation of each of the trees; and the rehabilitation of three trees in Meridian's downtown. Two new tree boxes were added at 140 East Idaho Avenue on the east side of the property.

In addition, the Meridian Parks and Recreation Department was able to complete a brick paver project to make some of the surfaces safer for pedestrians in downtown Meridian.

MDC will continue its partnership with the Meridian Parks and Recreation Department in 2017.

DOWNTOWN PARTNERSHIP

Meridian Historical Walking Tour

The Meridian Historic Walking Tour continues to be a gem to the City of Meridian. The tour began in 2014 and expanded to include a North Tour phase in 2015. No major updates occurred in 2016.

The interactive experience allows an individual to experience the past of a historic property not only through interpretive signage, but also through historic photos and videos provided by an area expert. These videos paint a colorful picture of Meridian's early residents and it is through these stories that early Meridian comes to life.

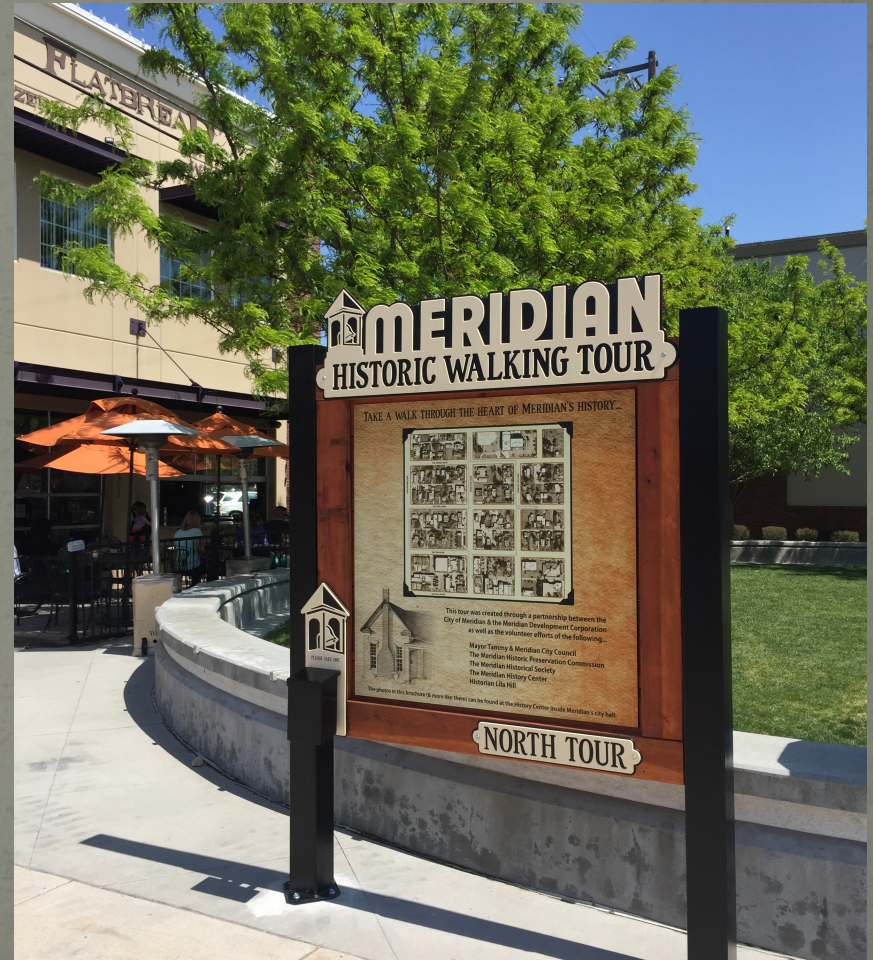
Through a partnership and grant funded by MDC, an estimated 1,300 third grade West Ada School District students receive bussing to take the walking tour as part of their curriculum. In addition, the tour expanded to include Meridian charter schools wishing to take part.

Connecting our third graders with their past is crucial to the development of a long-term love for history and preservation in Meridian.

The walking tour has been a tremendous success and has been praised by the parents, the students, the educators and the community as a whole.

The Meridian Historic Preservation Commission received approval from City Council to pursue launching a mobile app in 2017.

MDC will continue its sponsorship of the program in 2017.



DOWNTOWN PARTNERSHIP

Concerts on Broadway

In 2016, MDC contributed a \$10,000 sponsorship towards the annual Concerts on Broadway series brought to the community by the Meridian Arts Commission.

The summer series provides concerts with local performers and showcases up-and-coming young local talent as the opening acts.

The 2016 season had four concerts:

- ❖ Patch, new to the concert series
- ❖ High Street Band
- ❖ Precious Byrd, new to the concert series
- ❖ Kevin Kirk & Onomatopoeia and Sally Tibbs

The events were heavily attended by the public.

MDC's sponsorship of this special community event will continue in 2017.



DOWNTOWN PARTNERSHIP

Art Installation at Fairview and Main

In 2016, MDC contributed \$40,000 towards the new art installation at the southeast corner of Fairview Avenue and Main Street.

Through 2015 and into 2016, the Meridian Arts Commission led the process of soliciting and evaluating the proposed art pieces.

Ultimately, the Meridian Arts Commission chose “Native Grasses” by CJR Design and the installation of the piece occurred in the fall of 2016.



DOWNTOWN PARTNERSHIP

Downtown Utility Box Art Wraps



MDC provided the Meridian Arts Commission with a \$5,127 sponsorship for the installation of utility box art wraps within the urban renewal district boundaries.

In 2016, the following art wraps were installed with MDC funds:

- SW Corner of Carlton and Main Street
- SW Corner of Corporate and Meridian Street
- SW Corner of Corporate and Main Street
- SW Corner of Cherry and Meridian Street
- Franklin between NE Second and Third Streets
- SW Corner of Gem and Main Street

MDC Commissioner, Dan Basalone, was part of the panel to select the youth-created pieces.

MDC will continue its sponsorship of this program in 2017.

DOWNTOWN PARTNERSHIP

Youth Farmers Market

In 2016, MDC provided a \$5,000 sponsorship to the City of Meridian towards the inaugural Youth Farmer's Market. The market ran from Dairy Days in June until the end of September.

The first market season included:

- 38 total vendors, 32 of which were youth vendors.
- An average of 15 vendors a week.
- A variety of market goods including:
 - *Produce
 - *Meat
 - *Homemade goods
 - *Artwork
- A variety of youth musicians and performers.
- Animals ranging from baby goats and pigs to exotic bird.
- An average season gross per vendor of \$600-\$1,000.

Youth participating in the market learned valuable business skills such as: marketing; accounting practices; the art of supply and demand; and how to work with customers.

MDC has committed to continuing its sponsorship of the market through the 2017 season.



DOWNTOWN INITIATIVES

Downtown Conference Center Feasibility Study



In 2014, the Meridian Chamber of Commerce formulated a Steering Committee that includes members of the Chamber, MDC, the Meridian Downtown Business Association and the City of Meridian.

One of the purposes of the committee is to explore the community desire for a potential project in downtown Meridian that may include a performing arts center, a conference center and a potential companion hotel.

A feasibility study with recommendations were presented to MDC and the City in early 2015. Initial findings showed a need and the community capacity for a project such as this.

Based upon these findings, the committee hired a polling firm in early 2016. The goal of the polling is to determine the Meridian community's desire for such a project and what they, as residents, would ultimately like to see in their downtown.

The results of the poll demonstrated an interest in a project in downtown Meridian however, it did not clearly define what the project would be.

The next steps are back before the Steering Committee to better define a project and to potentially pursue the creation of an Auditorium District.

TEN MILE URBAN RENEWAL DISTRICT

Ten Mile District Formation

The Idaho Transportation Department initiated planning for the development of a new interchange with Interstate 84 at Ten Mile Road in the 1990's. Construction of the interchange was completed in 2012.

In support of the State's investment and in anticipation of the resultant development pressure from the opening of the new interchange on the area immediately west of the Meridian City limits, the City initiated a broad-based planning effort for the general area.

The Plan that was produced was the Ten Mile Interchange Specific Area Plan and was adopted by the City Council on June 19, 2007. The Plan remains in effect and is intended to guide development decisions within the study area.

To further promote development within this area, the City approved a new urban renewal district in June 2016 to help with the development of public infrastructure. The goal of the district is to spur a high quality, mixed-use development that brings employment to the City of Meridian.

The new district is different from the downtown district in that it aims to spur economic development rather than revitalize a blighted area. Urban renewal revenue will reimburse developers for building public infrastructure such as major roads; street lights; water and sewer improvements; and traffic signals.

MDC anticipates approving its first Owner Participation Agreement for such reimbursements in early 2017.



ALSO COMING IN 2017

2017 for MDC also includes the following projects and initiatives not already mentioned:

- ***Nine Mile Floodplain Study:*** MDC will continue coordination with the city of Meridian's Floodplain Administrator, the Nampa-Meridian Irrigation District, and the Corp of Engineers to determine potential opportunities to reduce the Nine Mile Floodplain impact for MDC property owners. The federal government released their draft study in 2016 for public comment. MDC has hired a hydrologist to assist the agency to assess the impacts to district property owners and how MDC can assist in the reduction the floodplain boundary.
- ***Wayfinding and Signage Program:*** MDC will continue with the implementation of the wayfinding and signage master plan.
- ***Legislative:*** MDC will continue working in concert with the legislative community to ensure the protection of urban renewal agencies and their ability to provide public investment into strategic target areas in order to encourage additional investment by the private sector.
- ***Streetscape Program:*** MDC will continue to work in collaboration with the city of Meridian and downtown business and property owners on the streetscape priorities for downtown. MDC will continue to work on block by block transformations that include: street trees; historic lighting; and construction or reconstruction of sidewalks and bike lanes where feasible.
- ***Downtown Parking and Transportation:*** MDC will continue working with stakeholders to determine: on-going, short-term and long-term goals for downtown parking.
- ***Public Involvement:*** MDC will continue its foresight to look towards collaborating with new and existing business owners in order to create continued opportunity in downtown Meridian.

IN CONCLUSION

Meridian Development Corporation is committed to public service, to the fiscally responsible use of urban renewal dollars, and to public transparency. The following are links to MDC efforts of public and stakeholder interest:

MDC Website:

www.meridiandevelopmentcorp.com

MDC Contact Information:

Ashley Squyres

MDC Administrator

Email: meridiandevelopmentcorp@gmail.com

Phone: 208.477.1632

Mailing Address:

104 East Fairview Avenue, #239

Meridian, Idaho 83642

APPENDIX A

FY2016 MDC Annual Audit



December 6, 2016

To the Members of the Board of Commissioners
Meridian Development Corporation
Meridian, Idaho

We have audited the financial statements of Meridian Development Corporation (MDC), a component unit of the City of Meridian, Idaho, for the year ended September 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 8, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by MDC are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during year 2016. We noted no transactions entered into by MDC during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No such misstatements were noted.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 6, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis and Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Very truly yours,

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

Boise, Idaho

MERIDIAN DEVELOPMENT CORPORATION
FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2016

**MERIDIAN DEVELOPMENT CORPORATION
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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 each major fund of Meridian Development Corporation (MDC), a component unit of the City of Meridian, Idaho, as of September 30, 2016, 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.

(1)

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, 2016, 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 6, 2016 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 report 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 6, 2016

**MERIDIAN DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016**

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, 2016. Please use this information in conjunction with the information furnished in MDC's financial statements.

Financial Highlights

- Fiscal year 2016 is the thirteenth full year that MDC has collected property tax. Property tax is MDC's principal source of revenue. Property tax collections increased by approximately \$63,871 or 7.64% from fiscal year 2015 to fiscal year 2016.
- The total assets of MDC exceeded its liabilities at September 30, 2016 by \$1,772,396. Of the total net position, \$806,556 is net investment in capital assets. The remaining net position of \$965,840 is restricted to meet the Corporation's on-going obligations. This is an increase of \$379,997 from net position of \$1,392,399 at September 30, 2015.

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 has two functions, the community development and public education and marketing functions.

Fund Financial Statements

The Fund financial statements provide information about an entity's major funds. 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.

**MERIDIAN DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016**

Fund Financial Statements (continued)

MDC has two governmental funds:

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

10 Mile District: The 10 Mile District fund was established as of July 1, 2016. The only expenses incurred by this fund relate to legal fees necessary for its formation.

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, 2016, MDC's combined assets exceeded liabilities and deferred inflows by \$1,772,396.

The following statement is condensed from the statement of net position.

	2016	2015
ASSETS		
CURRENT ASSETS	\$ 2,173,939	\$ 1,665,869
CAPITAL ASSETS	1,415,162	1,444,055
Total Assets	3,589,101	3,109,924
LIABILITIES		
CURRENT LIABILITIES	145,783	134,585
LONG-TERM LIABILITIES	514,363	617,104
Total Liabilities	660,146	751,689
DEFERRED INFLOWS	1,156,559	965,836
Total Liabilities and Deferred Inflows	1,816,705	1,717,525
NET POSITION		
NET INVESTMENT IN CAPITAL ASSETS	806,556	736,035
RESTRICTED	965,840	656,364
	<u>\$ 1,772,396</u>	<u>\$ 1,392,399</u>

**MERIDIAN DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016**

Changes in Net Position

During the year, MDC's financial position increased by \$379,997. This compares with the prior year increase in financial position of \$34,298.

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.

	2016	2015
GENERAL REVENUES		
Property Tax	\$ 900,404	\$ 836,533
Interest	3,135	617
Other Revenues	4,886	12
Total General Revenues	908,425	837,162
PROGRAM REVENUES	-	-
Total Revenues	908,425	837,162
EXPENSES		
Community Development	496,403	748,348
Public Education and Marketing	6,338	24,951
Interest on Long-Term Debt	25,687	29,565
Total Expenses	528,428	802,864
CHANGE IN NET POSITION	379,997	34,298
Net Position - Beginning of Year	1,392,399	1,358,101
NET POSITION - END OF YEAR	<u>\$ 1,772,396</u>	<u>\$ 1,392,399</u>

From fiscal year 2015 to fiscal year 2016, the MDC's property tax revenue increased by 7.64%.

FINANCIAL ANALYSIS OF MDC'S FUNDS

Governmental Fund

Fiscal year 2016 was the thirteenth full year that MDC received property tax revenue. At September 30, 2016 the fund balance was \$916,077 as compared to \$619,459 at September 30, 2015. Of the fund balance, \$5,725 is nonspendable and \$910,352 is restricted. Fund balance increased in fiscal year 2016 due to tax revenues being higher than in fiscal year 2015 and due to the tax revenues exceeding normal operating expenditures.

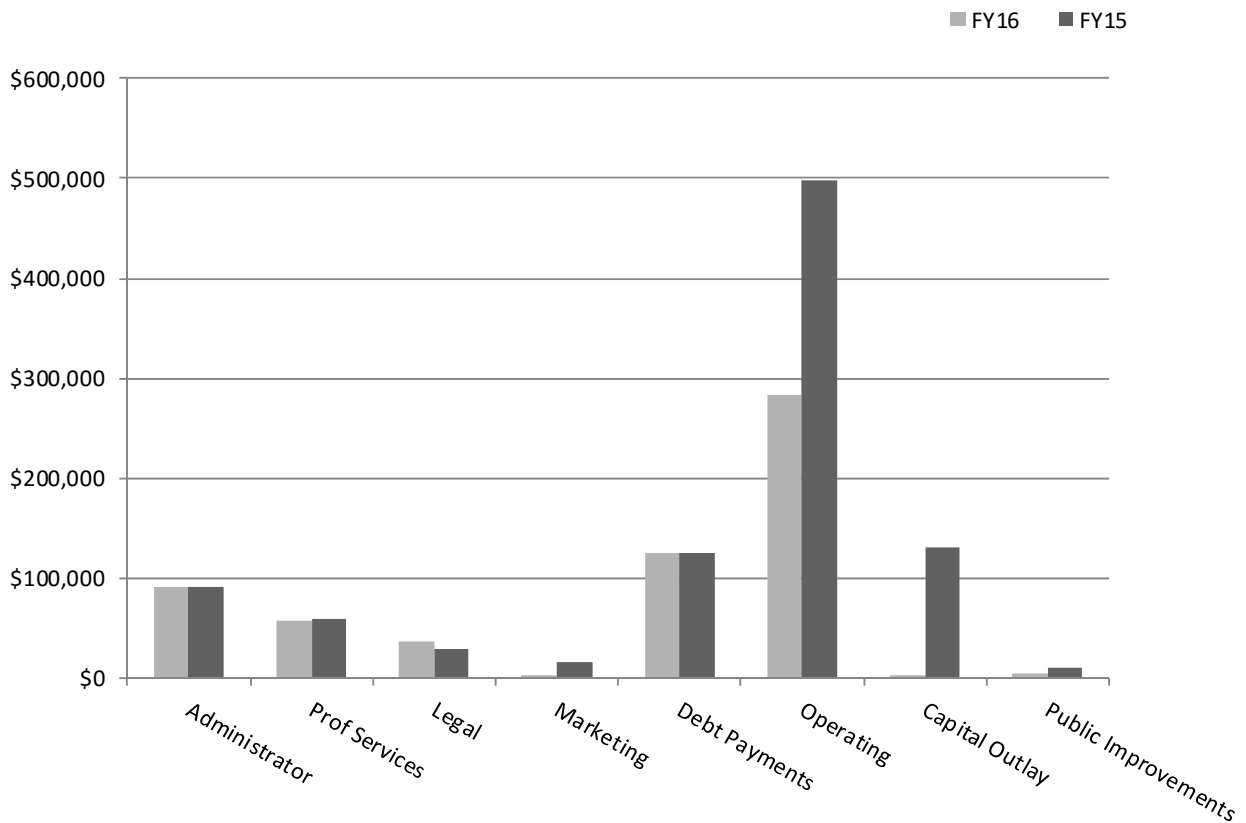
**MERIDIAN DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016**

Budgetary Highlights

There were no amendments made to the original fiscal year 2016 budget. MDC budgeted \$250,000 for Pine Avenue building improvements. Total capital outlay was \$1,100 for the replacement of sidewalks. As an end result, combined 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. 31% of actual operating expenditures were for professional service contractors. MDC spent 77% of its operating budget.

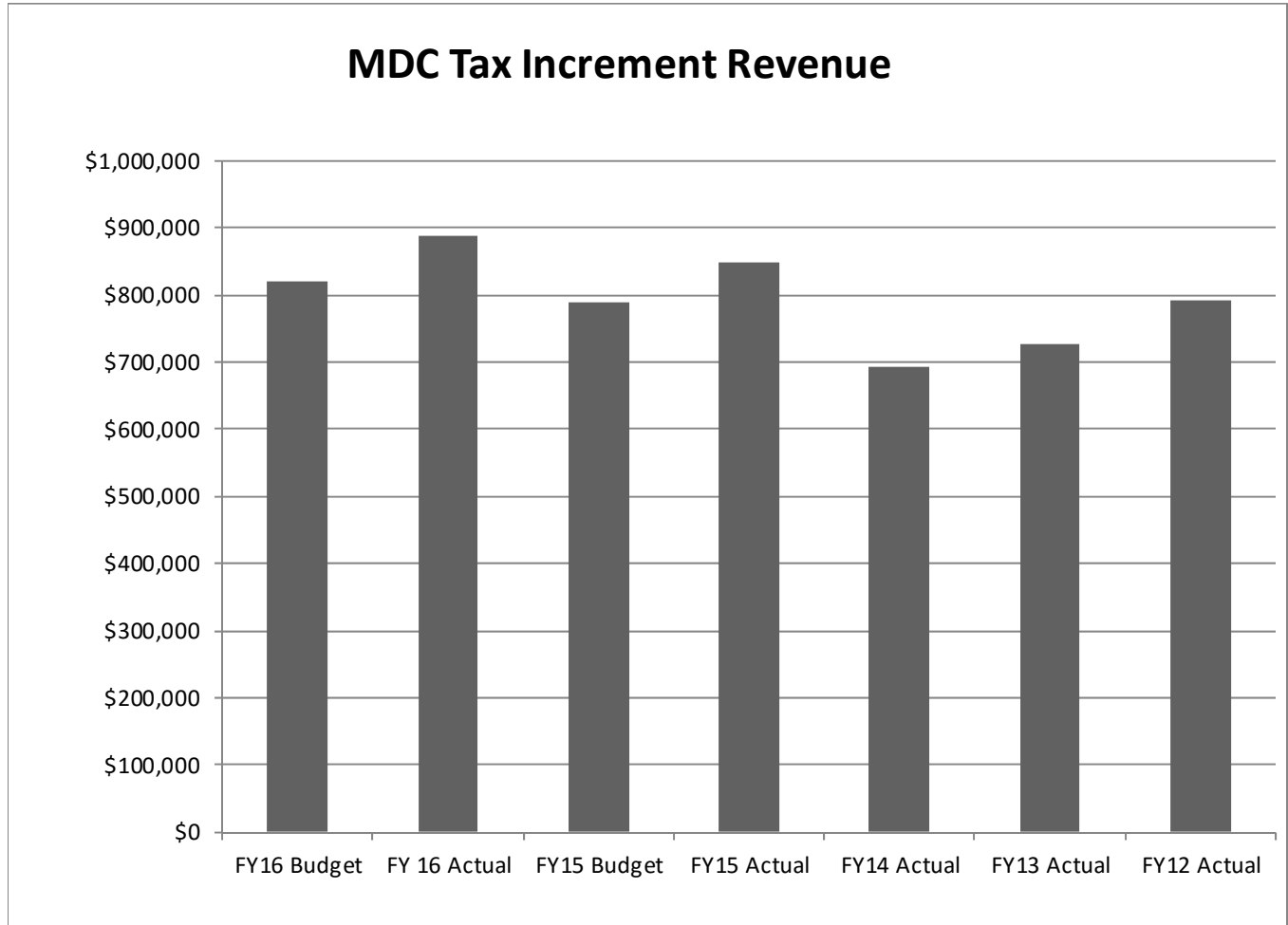
MDC Actual Expenditures - FY16 Compared to FY15



**MERIDIAN DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016**

Budgetary Highlights (continued)

Property tax revenue was budgeted to be \$820,000; actual tax collected was \$887,546.



**MERIDIAN DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016**

Capital Asset and Debt Administration

Capital Assets

At the end of fiscal year 2015, MDC's total capital assets were \$1,444,055. At the end of fiscal year 2016, capital assets had decreased to \$1,415,162, including \$845,067 in land, \$579,710 in buildings, \$100,437 in equipment, \$132,288 in building improvements, \$180,160 in intangibles and \$422,500 in accumulated depreciation. Intangible assets include the Downtown Master Plan, the 3D Modelling, and the MDC website. See Note 3 for further explanation of the changes in capital assets.

Long-Term Debt

During Fiscal Year 2011, MDC took out a 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, 2016, the balance on the remaining note was \$608,606. See Note 4 for further explanation of the changes in long-term debt.

Fiscal Year 2016 Budgetary Considerations

For fiscal year 2017, 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 2016.

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
SEPTEMBER 30, 2016

ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$	961,892
Miscellaneous Receivable		2,899
Property Tax Receivable		1,156,559
Delinquent Property Taxes Receivable		49,763
Prepays and Other Receivables		2,826
Total Current Assets		2,173,939
NONCURRENT ASSETS		
Capital Assets, Not Subject to Depreciation and Amortization		845,067
Capital Assets, Subject to Depreciation and Amortization		992,595
Less: Accumulated Depreciation		(422,500)
Total Noncurrent Assets		1,415,162
Total Assets		3,589,101
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable		51,540
Note Payable, Current Portion		94,243
Total Current Liabilities		145,783
NONCURRENT LIABILITIES		
Note Payable, Less Current Portion		514,363
Total Liabilities		660,146
DEFERRED INFLOWS OF RESOURCES		
Advanced Revenues, Property Taxes		1,156,559
NET POSITION		
Net Investment in Capital Assets		806,556
Restricted		965,840
Total Net Position	\$	1,772,396

See accompanying Notes to Financial Statements.

MERIDIAN DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2016

EXPENSES		
Community Development	\$	496,403
Public Education and Marketing		6,338
Debt Service Interest		25,687
Total Expenditures		528,428
GENERAL REVENUES		
General Property Tax Revenue		900,404
Interest Earnings		3,135
Other Revenue		4,886
Total General Revenues		908,425
CHANGE IN NET POSITION		379,997
Net Position - Beginning of Year		1,392,399
NET POSITION - END OF YEAR		\$ 1,772,396

See accompanying Notes to Financial Statements.

**MERIDIAN DEVELOPMENT CORPORATION
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2016**

	General		
	Fund	10 Mile District	Total
ASSETS			
Cash and Cash Equivalents	\$ 961,892	\$ -	\$ 961,892
Miscellaneous Receivable	2,899	-	2,899
Interfund Receivable (Payable)	12,474	(12,474)	-
Property Tax Receivable	1,156,559	-	1,156,559
Delinquent Property Taxes Receivable	49,763	-	49,763
Prepays and Other Receivables	2,826	-	2,826
Total Assets	\$ 2,186,413	\$ (12,474)	\$ 2,173,939
LIABILITIES			
Accounts Payable	\$ 51,540	\$ -	\$ 51,540
DEFERRED INFLOWS OF RESOURCES			
Advanced Revenues, Property Taxes	1,206,322	-	1,206,322
FUND BALANCE			
FUND BALANCE			
Nonspendable	5,725	-	5,725
Restricted	922,826	(12,474)	910,352
Total Fund Balance	928,551	(12,474)	916,077
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,186,413	\$ (12,474)	\$ 2,173,939

See accompanying Notes to Financial Statements.

MERIDIAN DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2016

	General Fund	10 Mile District	Total
EXPENDITURES			
Office and Operating Expense	\$ 283,447	\$ -	\$ 283,447
Professional Services, Surveys, and Studies	170,758	12,474	183,232
Public Education and Marketing	6,338	-	6,338
Debt Service:			
Principal	99,145	-	99,145
Interest	25,687	-	25,687
Capital Outlay	1,100	-	1,100
Total Expenditures	586,475	12,474	598,949
REVENUES			
General Property Tax Revenue	887,546	-	887,546
Interest Earnings	3,135	-	3,135
Other Revenue	4,886	-	4,886
Total General Revenues	895,567	-	895,567
NET CHANGE IN FUND BALANCES	309,092	(12,474)	296,618
Fund Balance - Beginning of Year	619,459	-	619,459
FUND BALANCE - END OF YEAR	<u>\$ 928,551</u>	<u>\$ (12,474)</u>	<u>\$ 916,077</u>

See accompanying Notes to Financial Statements.

MERIDIAN DEVELOPMENT CORPORATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT
OF NET POSITION
SEPTEMBER 30, 2016

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS	\$ 916,077
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:	
Land	845,067
Buildings, Improvements, Equipment, and Intangibles, Net of \$422,500	
Accumulated Depreciation	570,095
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position.	
Note Payable	(608,606)
Some of the property taxes receivable are not available to pay for current period expenditures and, therefore, are not reported in the funds.	49,763
Total Net Position as Shown on the Statement of Net Position	\$ 1,772,396

See accompanying Notes to Financial Statements.

MERIDIAN DEVELOPMENT CORPORATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2016

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 296,618
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	
Capital Outlay	1,100
Accounts Payable for Capital Outlay	269
Depreciation Expense	(29,993)
The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability.	
Payment of General Obligation Refunding Bond Principal	99,145
The change in property taxes receivable to be collected subsequent to year-end, but not available soon enough to pay for the current period's expenditures are not recognized.	12,858
Change in Net Position, as Reflected on the Statement of Activities	\$ 379,997

See accompanying Notes to Financial Statements.

MERIDIAN DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Meridian Development Corporation (MDC) is a separate and distinct legal entity of the City of Meridian, Idaho (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 accounting principles generally accepted in the United States of America (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 GAAP applicable to state and local governments.

Financial Reporting Entity

MDC is included as a component unit in the City'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 in conformity with GAAP.

Government-Wide and Fund Financial Statements

The government-wide 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.

MERIDIAN DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are 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 financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. 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 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.

10 Mile District Fund - The 10 Mile District fund was established as of July 1, 2016.

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.

MERIDIAN DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2016. 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, 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, 2016 by MDC are nonspendable in form. This includes prepaid expenses of \$2,826 and miscellaneous receivables of \$2,899. 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 \$922,069 in restricted fund balance at September 30, 2016.

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.

MERIDIAN DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 (the Resolution).

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 DEPOSITS – CUSTODIAN CREDIT RISK

Cash and Cash Equivalents

As of September 30, 2016, the account balance of the checking account was \$85,642. As of September 30, 2016, the account balance of the money market account was \$892,612. \$728,254 was uninsured and uncollateralized as of September 30, 2016. Cash is held in the custody of Washington Trust Bank in MDC's name.

MERIDIAN DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 3 CAPITAL ASSETS

Changes to capital assets are as follows:

	Balance 10/1/2015	Additions	Deletions	Transfers	Balance 9/30/2016
GOVERNMENTAL ACTIVITIES					
Capital Assets, not					
Depreciated Land	\$ 845,067	\$ -	\$ -	\$ -	\$ 845,067
Total Capital Assets, not Depreciated	845,067	-	-	-	845,067
CAPITAL ASSETS, DEPRECIATED					
Buildings	579,710	-	-	-	579,710
Equipment	100,437	-	-	-	100,437
Building Improvements	131,188	1,100	-	-	132,288
Intangibles	180,160	-	-	-	180,160
Total Capital Assets, Depreciated	991,495	1,100	-	-	992,595
Less: Accumulated Depreciation					
Buildings	(121,229)	(23,733)	-	-	(144,962)
Equipment	(91,118)	(6,260)	-	-	(97,378)
Intangibles	(180,160)	-	-	-	(180,160)
Total Accumulated Depreciation	(392,507)	(29,993)	-	-	(422,500)
Total Net Capital Assets, Depreciated	598,988	(28,893)	-	-	570,095
GOVERNMENTAL ACTIVITIES					
CAPITAL ASSETS, NET	<u>\$1,444,055</u>	<u>\$ (28,893)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,415,162</u>

MERIDIAN DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 4 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, 2016.

	10/1/2015	Issued	Retired	9/30/2016
GOVERNMENTAL ACTIVITIES				
Note Payable - Building	\$ 707,751	\$ -	\$ (99,145)	\$ 608,606
GOVERNMENTAL ACTIVITIES				

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

	Years Ending,	Principal	Interest	Total
	2017	\$ 94,243	\$ 20,184	\$ 114,427
	2018	106,710	18,120	124,830
	2019	110,935	13,894	124,829
	2020	115,330	9,500	124,830
	2021	119,897	4,933	124,830
	2022	61,491	698	62,189
	Totals	\$ 608,606	\$ 67,329	\$ 675,935

NOTE 5 RELATED PARTY TRANSACTIONS

MDC partners with the City of Meridian for various downtown improvements. During the fiscal year, MDC reimbursed the City of Meridian \$139,039 for costs related to joint projects.

NOTE 6 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 31, 2017 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, 2016. Borrowings under the line of credit are subject to certain covenants and restrictions on indebtedness and dividend payments.

MERIDIAN DEVELOPMENT CORPORATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
General Property Tax Revenue	\$ 820,000	\$ 820,000	\$ 887,546	\$ 67,546
Interest Earnings	650	650	3,135	2,485
Other Revenue	103,774	103,774	4,886	(98,888)
Total Revenues	924,424	924,424	895,567	(28,857)
EXPENDITURES				
Office and Operating Expense	424,737	424,737	283,447	141,290
Professional Services, Surveys, and Studies	196,100	196,100	170,758	25,342
Public Education and Marketing	35,000	35,000	6,338	28,662
Debt Service				
Principal	94,968	94,968	99,145	(4,177)
Interest	29,862	29,862	25,687	4,175
Capital Outlay	-	-	1,100	(1,100)
Total Expenditures	780,667	780,667	586,475	194,192
Excess (deficiency) revenues				
NET CHANGE IN FUND BALANCES	143,757	143,757	309,092	165,335
Fund Balance - Beginning of Year	690,000	690,000	619,459	(70,541)
FUND BALANCE - END OF YEAR	<u>\$ 833,757</u>	<u>\$ 833,757</u>	<u>\$ 928,551</u>	<u>\$ 94,794</u>

MERIDIAN DEVELOPMENT CORPORATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2016

NOTE 1 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 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 GAAP for the funds. 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, 2016, 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 6, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered MDC'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 MDC's internal control. Accordingly, we do not express an opinion on the effectiveness of MDC's internal control.

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.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MDC'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 "Erik Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho
December 6, 2016