

MERIDIAN DEVELOPMENT CORPORATION
2017 Annual Report



MERIDIAN
development corp.
REVIVE • RENEW • REDEFINE

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Letter from the Chairman

Dear Meridian Stakeholder -

Strategic planning, public and private partnerships, and fiscal conservatism continue to be the guiding principles for all Meridian Development Corporation projects and policies.

As the Meridian Development Corporation [MDC] Urban Renewal Downtown District enters the final third of its 24-year existence, we can see the progress that has been made to revitalize the heart of our city, but we can also see what is unfinished. As you will note in the project descriptions included in our Annual Report, we continue to work on the long-term economic development of our downtown through public partnerships with the City of Meridian, Ada County Highway District [ACHD], the West Ada School District and the Meridian Library District.

We have started partnerships with private entities to develop townhomes on 2.5-Street, as well as the Main and Broadway block as a live/work destination, along with the potential lease with Union Pacific Railroad [UPRR] for the property on the south side of Broadway between Main and East Third Street for additional downtown parking.

One of our major projects during 2017 was the development of the plan and the finalization of financing for the MDC portion of the Pine Avenue streetscape project. When completed in October 2018, pedestrian sidewalks, bike lanes, historic lighting, and streetscape amenities will make Pine Avenue a multi-use thoroughfare in the heart of our city and a grand entrance into our downtown. Through prudent fiscal planning over the course of several years, MDC saved a portion of our annual funding to pay for this important project.

Another project that demonstrates our partnership with the City of Meridian and ACHD is the addition of sidewalks for pedestrian safety along Carlton Avenue adjacent to the Cole Valley School property. When completed, the sidewalks will provide a safe way for pedestrians, especially children going to and from Cole Valley and Meridian Elementary School, to walk safely to and from school and activities. We look forward to adding more sidewalks in our MDC residential areas as funds become available.

In order to support economic development in the downtown core, MDC continues to partner and fund operating agreements for the West Ada School District Historic Walking Tour, Concerts on Broadway, the weekly Farmers Market during the summer months, as well as Meridian Art Week and other community activities.

MDC is also pleased to work cooperatively with the Meridian Downtown Business Association [MDBA] to support activities for our downtown and to address business and property owner concerns. We also work in close contact with the Meridian Chamber of Commerce to identify business concerns and needs.

Partnerships are always about people. Mayor Tammy and our City Council work to make downtown redevelopment and growth a priority for all Meridian citizens and for this we are truly grateful. Representatives from ACHD and West Ada School District have been supporters of our downtown and participate in any needed discussions to clarify goals and implementation of projects. A special thanks to the MDBA for actively promoting downtown businesses and cultural activities. We especially thank President Nick Grove for his leadership of MDBA during the past year. Nick has also guided the Meridian Library District's unBound location on Main Street to prominence in changing the concept of a library from being strictly book sharing to being a technology destination as well. Treasure Valley Children's Theater continues to grow and adapt as a resource for children and adults in the Meridian community.

While we have more steps to take during the final eight years of MDC downtown district, we know that we have already taken many steps. 2018 will see more projects developed and coming to fruition. The MDC Downtown District may be drawing to a conclusion, but the MDC Ten Mile Urban Renewal District is just beginning. As you drive in the area of the City between I-84, Ten Mile Road and Franklin Road, you can see the area grow and develop as a commercial, retail, and live/work hub for our city. Major companies such as Ameriben, Paylocity, Brighton Corporation and Horrocks Engineers are building and inhabiting major facilities with high wage jobs for our citizens.

Thanks to everyone who work every day to make Meridian the great city that it is. We are proud of our progress. We are proud of our history. We are most proud of the feeling of community in all that we do.

In conclusion, I would like to offer a special thanks to our 2017 MDC Board of Commissioners: Dave Winder, Nathan Mueller, Keith Bird, Mayor Tammy de Weerd, Rob McCarvel, Steve Vlassek, Rick Ritter, and Diane Bevan for their volunteer service. We also thank former Commissioners Jim Escobar and Callie Zamzow as they stepped down during 2017 from their Commissioner roles. Also, a special thank you to our Administrator Ashley Squyres and Legal Counsel Todd Lakey for their outstanding work to implement our policy resolutions. And, thank you to everyone who has supported downtown development.

Sincerely,

Dan Basalone

2017 MDC Chairperson

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.

2017 LEADERSHIP:

- ❖ Dan Basalone – *Chairman*
- ❖ Dave Winder – *Vice Chairman*
- ❖ Nathan Mueller – *Secretary/Treasurer*

2017 BOARD MEMBERS:

- ❖ Meridian Mayor Tammy de Weerd
- ❖ Meridian City Council President Keith Bird
 - ❖ Diane Bevan
 - ❖ Steve Vlassek
 - ❖ Rob McCarvel
 - ❖ Rick Ritter

*Our acknowledgment and thanks to outgoing MDC Board Members in 2017:
Former Chairman Jim Escobar and Former Commissioner Callie Zamzow*

BOARD OF COMMISSIONER MEETINGS

The MDC 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 unless otherwise noted.

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 2017, forward momentum continued with transportation and pedestrian connectivity initiatives in Meridian's Downtown District. Those investments include:

Pine Avenue Streetscape Improvements:

Pine Avenue is one of the key entrances into downtown Meridian and sets the stage for the look and feel as one arrives. For the past few years, MDC has been working in partnership with the city of Meridian and ACHD toward the redevelopment of Pine Avenue from Meridian Road to Locust Grove Road. Through combined efforts, the design of the project was completed in 2017 and the project will begin construction in 2018. The project will include meeting vehicular, pedestrian, and cyclist needs in addition to incorporating updated sewer, water, irrigation, fiber optic infrastructure, historic lighting, and landscaping within the right-of-way.

West First Street Sidewalk Improvements:

MDC has financially partnered with ACHD to provide for 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 Meridian Elementary School on the northwest corner of Pine Avenue and Meridian Road. The project was designed in 2016 and constructed in 2017.

Community Development Block Grant Funded Downtown Sidewalk Project Improvements:

MDC is the recipient of Community Development Block Grant dollars for Program Year 2016. These dollars were allocated and used for the design of three blocks of sidewalk in a low to moderate income residential area between Carlton Avenue and Pine Avenue in downtown Meridian. These funds provided 100% of the design funding which was completed and approved by the city of Meridian and ACHD in 2017. MDC was able to successfully partner with Cole Valley Christian School [CVCS] to obtain an additional 20-feet of right-of-way on the north side of Carlton Avenue to allow for the widening and reconstruction of a substandard road section as part of the overall construction. MDC has been awarded Program Year 2018 dollars for the construction portion of this project, and it is estimated completion of the project will occur in Fall 2018.

DOWNTOWN INVESTMENT

Nine Mile Floodplain

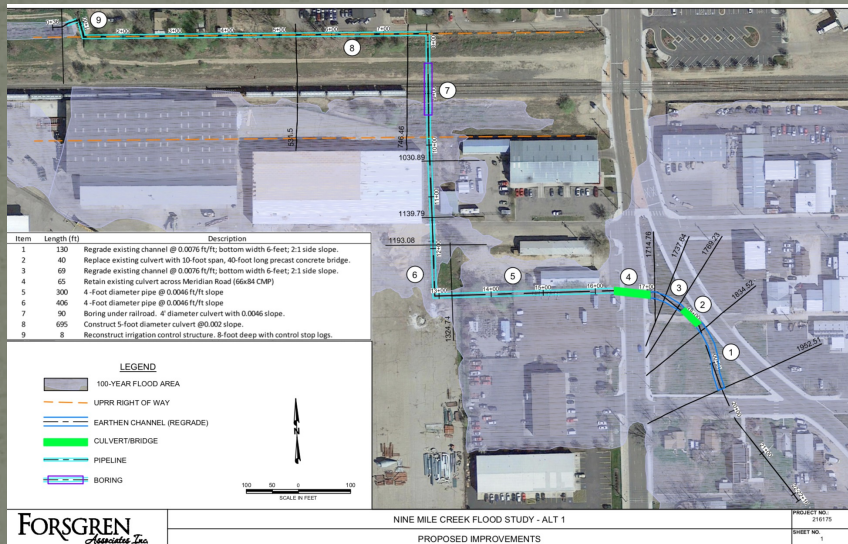
Since 2011, MDC has been working diligently with our partner agencies to address the FEMA-established Nine Mile Floodplain that runs through a portion of our downtown district, primarily between the Union Pacific Railroad tracks and Franklin Road.

The main challenge for the properties in this area is that most of the structures were constructed prior to the floodplain being established, thereby causing challenges for the property owners when renovating, attempting to sell their properties, or carrying the burden of the expense of floodplain insurance.

The federal government has been leading a remapping of the Boise Watershed Basin, including the Nine Mile Floodplain, since 2012. In 2016 and 2017, MDC engaged a consultant to assist in the review of the new draft floodplain map and its impact to downtown Meridian. Based upon that impact to stakeholders, MDC filed a formal appeal to FEMA contesting the draft maps based upon their consultant's professional analysis.

In late 2017, FEMA agreed to review the detailed engineering calculations provided by MDC's consultant and to assist MDC and the city of Meridian with additional floodplain analysis and modeling in 2018.

MDC will continue to work with its partners and FEMA to bring the best possible results to the property owners in this area of downtown Meridian.



DOWNTOWN INVESTMENT AND PARTNERSHIP

Façade Improvement, 139 East Idaho Avenue

The long-time downtown institution at 139 East Idaho Avenue, known as Murri's Electronics, closed its doors in 2017. As many may recall in Meridian history, the building originally opened as a furniture store in 1913.

With its closing, the building has come full-circle and opened as a new home furnishing business named Coffee Paint Repeat. The new business owner applied for a Façade Improvement Grant through MDC in 2017.

As the property and the building had been in disrepair for many years, the Board approved the \$1,000 grant request for the front façade cleanup and new exterior paint.

The new paint was completed in the Fall of 2017 and has transformed the building from an eyesore to inviting. The new tenant hopes to apply for additional façade improvement dollars once a clearer vision for the façade is finalized.



DOWNTOWN INVESTMENT AND PARTNERSHIP

Façade Improvement, 723 North Main Street



In 2017, a new women's clothing store opened on Main Street in Old Town. That Cute Little Boutique has been a new and exciting draw for Meridian's historic downtown.

Due to the aging appearance of the building, the business owner approached MDC with a Façade Improvement Grant application for a new exterior awning. The owner also indicated the awning would provide relief from the sometimes harsh weather elements.

The MDC Board agreed and approved the \$525 grant request in the Summer of 2017, and the awning was installed in early Fall 2017.

DOWNTOWN INVESTMENT AND PARTNERSHIP

Main and Broadway Project

In 2016, after a formal Request for Proposal [RFP] process, MDC entered into a Development Agreement with Novembrewhiskey, LLC for the phased development of the two structures located at 703 and 713 North Main Street.

The developer and his team completed the design and the construction documents for the first phase of the project in mid-2017 and placed the project out for bid.

Due to circumstances surrounding the current construction climate, an opportunity to potentially include additional properties into a larger development, and a new partnership with a developer who specializes in multi-family residential units as part of a large-scale project, Novembrewhiskey chose to evaluate all options associated with the overall block.

It is envisioned there will be clarity surrounding the project in early to mid-2018. The developer is committed to proceeding forward with a project but will request an extension of the Development Agreement in early 2018 to ensure the right project moves forward.



DOWNTOWN PARTNERSHIP

Meridian Library District's "unBound"



In the second full year of operation, unBound improved in many ways. The daily door count improved by 31% from 2016 and reference questions increased by 77% for a yearly tally of 9,692 questions. To help meet the growing public demand for services, an additional part-time staff was brought on to help with the 2 full-time and 3 part-time staff. The increased staffing allowed for more flexibility with schedules which in turn allowed for better planning and promotion of programs. These changes resulted in a program attendance increase of 17% with 2,015 program participants. The biggest program of 2017 was due to a grant the Meridian Library District was awarded by the American Library Association and Google. The grant was for \$13,000 and allowed unBound to create a program targeted towards girls to teach design thinking concepts and web coding skills.

Through a steady number of outreach events throughout the community, unBound has worked to establish connections in the fields of STEAM education, business, virtual reality, and makerspaces. These outreach events have taken unBound into classrooms, parks, conferences, and group meetings. Not only have these opportunities allowed unBound to share about the program with people who are unfamiliar and it has also led to a great number of people visiting.

Some of the biggest changes implemented in 2017 include the addition of a laminator for large format prints, bikes that patrons can checkout for 7-days, two new virtual reality setups, and two new 3D printers capable of printing two materials at a time. Reservations for the Sound Studio have gradually increased as more people are coming to unBound to record their podcasts. The other rooms of unBound almost always have someone utilizing them and have been great for businesses, groups, and individuals looking for space to work on projects.

DOWNTOWN PARTNERSHIP

Treasure Valley Children's Theatre

Since 2013, Treasure Valley Children's Theatre [TVCT] has utilized and brought patrons to the MDC-owned building at 703 North Main Street for many youth acting and vocal classes and performances.

MDC continued its partnership with the TVCT through May 2017. Sadly, this partnership ended last year due to the forthcoming redevelopment of the property; although MDC hopes that TVCT will find a new home in downtown Meridian as the organization is an asset to the community.



DOWNTOWN PARTNERSHIP

Downtown Tree Replacement Program



As has been the case for over a decade, MDC continued its annual contribution of \$25,000 towards a partnership with the City of Meridian's Parks and Recreation Department for the replacement and enhancement of downtown Meridian's streetscape.

The monies that MDC contributed in 2017 were utilized towards six new trees, new tree grates, root barrier for the trees, and the installation of each of the trees in Meridian's downtown.

MDC will continue its partnership with the Meridian Parks and Recreation Department in 2018.

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.

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.

In 2017, the Meridian Historic Preservation Commission launched a mobile application allowing for an enhanced tour experience.

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. Also, the tour expanded to include Meridian charter schools wishing to take part.


Connecting Meridian's 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.

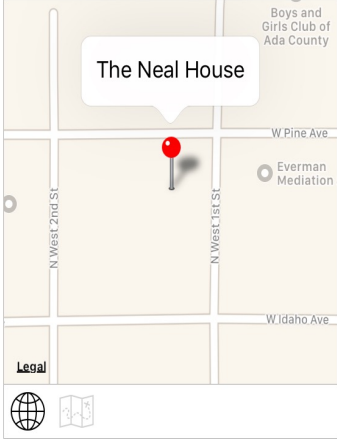
MDC will continue its sponsorship of the program in 2018.

The Neal House


101 W. Pine Ave.



The Neal House



The Neal House



Built in 1905, the Halbert Fletcher Neal House at 101 West Pine Avenue was in what was known then as the suburbs. It is a two-story building, rectangular in shape, and constructed of cast stone or concrete blocks up to the eaves line, with shaped shingle work that covered the surfaces of the upper wall. A corner turret and hipped roof with flared eaves and double-hung sash windows recall the Queen Anne style, while the entryway's corner position and turret evoke the earlier Victorian era. Halbert Fletcher Neal and Grace Andrews were married in 1904 and moved from Indianola, Nebraska, to Meridian in 1905. They set up one of Idaho's first pharmacies and drugstores, with Grace as pharmacist. However, within a year, they abandoned the pharmacy, and Dr. Neal devoted himself full time to his country practice. He was Meridian's only resident physician for 28 years, was a charter member of the Meridian Masonic Lodge, and helped build the Methodist church. He also served on the school board and city council.

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DOWNTOWN PARTNERSHIP

Concerts on Broadway



In 2017, MDC contributed a \$10,000 sponsorship towards the annual Concerts on Broadway series brought to the community by the Meridian Arts Commission.

The events were heavily attended by the public. The summer series provides concerts with local performers and showcases up-and-coming young local talent as the opening acts.

The 2017 season had four outstanding outdoor concerts. The headlining acts included:

- *Smooth Avenue Band
- *High Street
- *Jeffrey Castle and His Celtic Night Band
- *Erin and Her Cello

MDC's sponsorship of this special community event will continue in 2018.

DOWNTOWN PARTNERSHIP

Meridian Youth Farmers Market

In 2017, MDC provided a \$5,000 sponsorship to the city of Meridian towards the second season of the Meridian Youth Farmers Market. The market ran from Dairy Days in June until the beginning of September.

The second market season grew from the inaugural season and included:

- *6 adult vendors
- *45 youth vendors
- *20-36 total vendors on average per week

Extensive marketing was undertaken this year through several methods, and the market saw modest growth in public attendance.

In 2018, the market will no longer be known as a youth market and will solicit more adult participation.

MDC has committed to continuing its sponsorship of the market through the 2018 season.



TEN MILE URBAN RENEWAL DISTRICT

Ten Mile Urban Renewal District

In 2016, the Meridian City Council authorized the creation of the Ten Mile Urban Renewal District.

In 2016 and 2017, Brighton Corporation, one of the District's largest landowners, gained land use entitlements for a large, mixed-use development.

Ten Mile Creek located at the southeast corner of Franklin and Ten Mile Road on 55-acres and Ten Mile Crossing located at the northeast corner of I-84 and Ten Mile Road on 77-acres are both actively in horizontal development and vertical construction.

Ten Mile Creek:

Ten Mile Creek has developed the following phases thus far:

- TM Creek No. 1 – 8 buildable lots on 6.88 acres.
- TM Creek No. 2 - 10 buildable lots on 9.63 acres.
- TM Creek No. 3 - 1 buildable lot on 9.42 acres. Plans and plat are in process with an expected completion mid-summer 2018.

Phase 1 of the Ten Mile Creek Regional pathway will be completed in May 2018 with Phase 2 completing in Spring 2019.

Ten Mile Creek has vertical construction on the following projects:

- Primary Health
- Epic Car Wash
- An 8,000sf Retail Building
- 240 Apartments

According to the developer, there are land options in process, which will bring additional vertical construction in late 2018.



Ten Mile Urban Renewal District

Ten Mile Crossing:

Ten Mile Crossing has developed the following phases:

- TM Crossing No. 1 – 20 buildable lots on 38.65 acres.
- TM Crossing No. 2 - 5 buildable lots on 18.96 acres. Plans and plat are in process with an expected completion May 2018.

Ten Mile Crossing has vertical construction on the following projects:

- AmeriBen Building – 79,000 square feet complete and 100% occupied
- Paylocity Building – 127,000 square feet with a completion date of June 2018.
- Brighton Building – 77,000 square feet with a start in April 2018 and completion anticipated for February 2019.

According to the developer, there are additional building plans in process. However, timing will be dependent upon future users.



LOOKING AHEAD TO 2018

2018 for MDC also includes the following projects and initiatives not already mentioned:

- ***Union Pacific Railroad [UPRR]:*** With ProBuild's desired consolidation of their operations to the properties east of East Third Street, MDC intends to pursue a lease with UPRR for the property on the south side of Broadway Avenue between Main and East Third. The lease would be for additional public parking in downtown Meridian.
- ***Legislative Efforts:*** MDC will continue to work 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. A goal for 2018 is to enhance the wayfinding and signage directing people to public 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

FY2017 MDC Annual Audit

MERIDIAN DEVELOPMENT CORPORATION

**FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

YEAR ENDED SEPTEMBER 30, 2017

**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, 2017, and the related statement of activities and governmental fund statement of revenues, expenditures, and changes in fund balances for the year then ended, and the related notes to the financial statements, which collectively comprise MDC's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund of the MDC, as of September 30, 2017, and the respective changes in financial 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 our report dated November 29, 2017 on our consideration of the MDC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the MDC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MDC's internal control over financial reporting and compliance.

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

Boise, Idaho
November 29, 2017

**MERIDIAN DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

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, 2017. Please use this information in conjunction with the information furnished in MDC's financial statements.

Financial Highlights

- Fiscal year 2017 is the fourteenth full year that MDC has collected property tax. Property tax is MDC's principal source of revenue. Property tax collections increased by \$184,245 or 20.46% from fiscal year 2016 to fiscal year 2017.
- The total assets of MDC exceeded its liabilities at September 30, 2017 by \$2,049,408. Of the total net position, \$544,373 is net investment in capital assets. The remaining net position of \$1,505,035 is restricted to meet the Corporation's on-going obligations. This is an increase of \$277,012 from net position of \$1,772,396 at September 30, 2016.

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, 2017**

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, 2017, MDC's combined assets exceeded liabilities and deferred inflows by \$2,049,408.

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

	2017	2016
ASSETS		
CURRENT ASSETS	\$ 3,031,398	\$ 2,173,939
CAPITAL ASSETS	1,049,453	1,415,162
Total Assets	4,080,851	3,589,101
LIABILITIES		
CURRENT LIABILITIES	167,706	145,783
LONG-TERM LIABILITIES	406,583	514,363
Total Liabilities	574,289	660,146
DEFERRED INFLOWS	1,457,154	1,156,559
Total Liabilities and Deferred Inflows	2,031,443	1,816,705
NET POSITION		
NET INVESTMENT IN CAPITAL ASSETS	544,373	806,556
RESTRICTED	1,505,035	965,840
	\$ 2,049,408	\$ 1,772,396

**MERIDIAN DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

Changes in Net Position

During the year, MDC's financial position increased by \$277,012. This compares with the prior year increase in financial position of \$379,997.

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.

	<u>2017</u>	<u>2016</u>
GENERAL REVENUES		
Property Tax	\$ 1,084,649	\$ 900,404
Grant	32,666	-
Interest	6,114	3,135
Other Revenues	8,076	4,886
Total General Revenues	<u>1,131,505</u>	<u>908,425</u>
PROGRAM REVENUES	<u>-</u>	<u>-</u>
Total Revenues	<u>1,131,505</u>	<u>908,425</u>
EXPENSES		
Community Development	814,224	496,403
Public Education and Marketing	19,671	6,338
Interest on Long-Term Debt	20,598	25,687
Total Expenses	<u>854,493</u>	<u>528,428</u>
CHANGE IN NET POSITION	277,012	379,997
Net Position - Beginning of Year	<u>1,772,396</u>	<u>1,392,399</u>
NET POSITION - END OF YEAR	<u><u>\$ 2,049,408</u></u>	<u><u>\$ 1,772,396</u></u>

From fiscal year 2016 to fiscal year 2017, MDC's property tax revenue increased by 20.46%.

FINANCIAL ANALYSIS OF MDC'S FUNDS

Governmental Funds

Fiscal year 2017 was the fourteenth full year that MDC received property tax revenue. At September 30, 2017 the fund balance was \$1,446,409 as compared to \$916,077 at September 30, 2016. Of the fund balance, \$2,874 is nonspendable and \$1,460,517 is restricted. Fund balance increased in fiscal year 2017 due to tax revenues being higher than in fiscal year 2016 and due to the tax revenues exceeding normal operating expenditures.

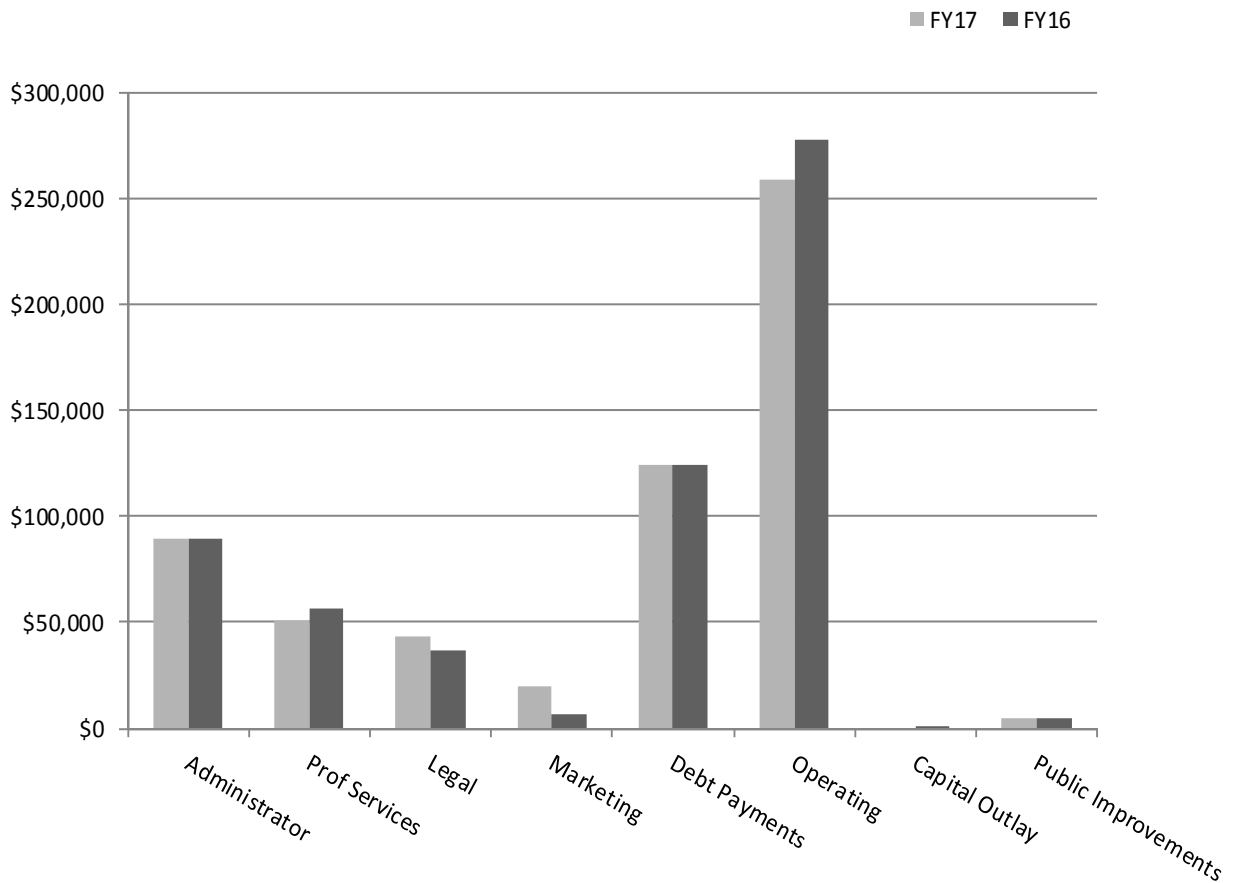
**MERIDIAN DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

Budgetary Highlights

There were no amendments made to the original fiscal year 2017 budget. Additionally, there were no capital outlay expenditures. Operating expenses were under budget.

MDC does not have any employees and relies on professional service contracts for the administrator, legal, and marketing, etc. 35% of actual operating expenditures were for professional service contractors. MDC spent 35% of its operating budget.

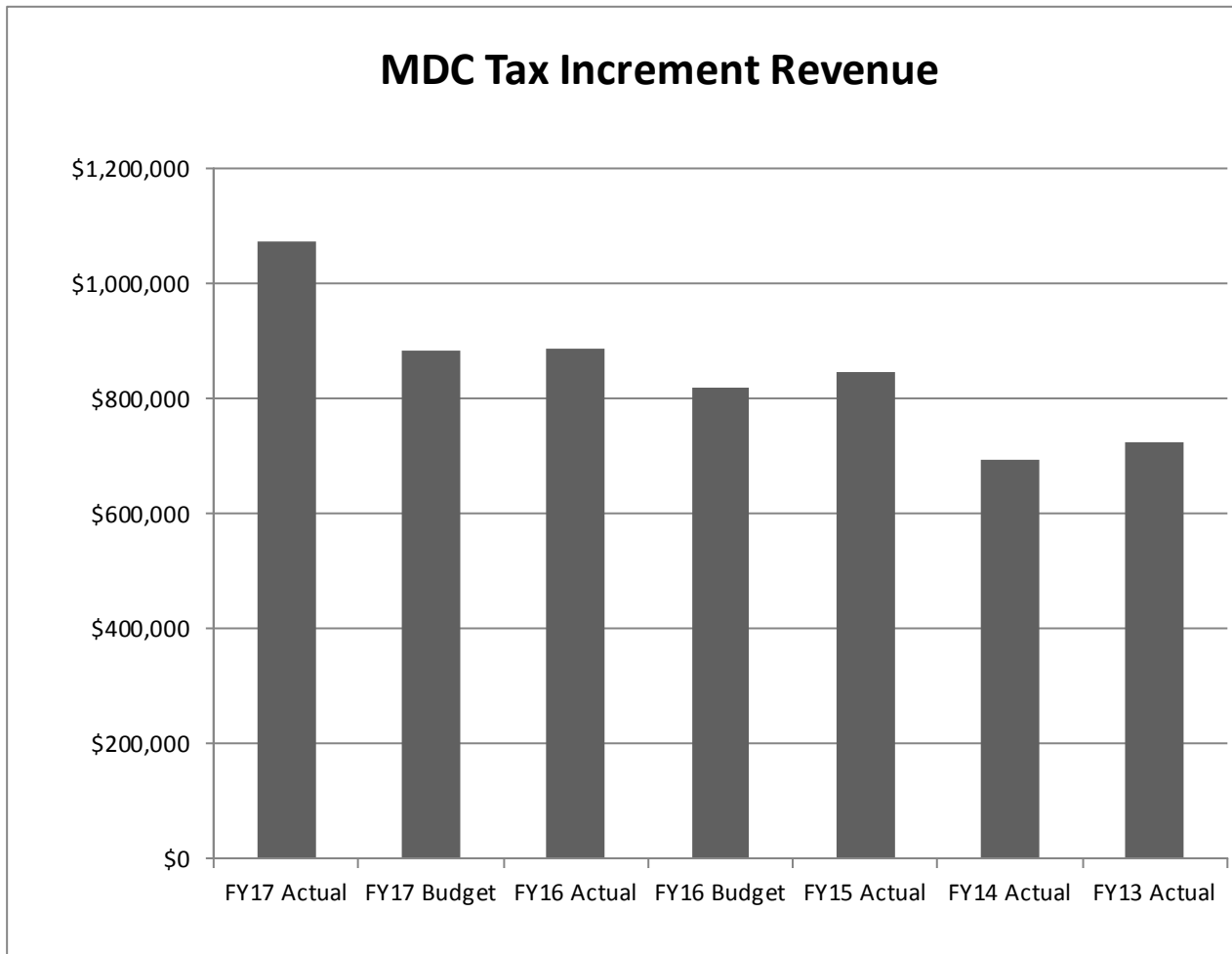
MDC Actual Expenditures - FY17 Compared to FY16



**MERIDIAN DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

Budgetary Highlights (continued)

Property tax revenue was budgeted to be \$883,000; actual tax collected was \$1,075,786.



**MERIDIAN DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

Capital Asset and Debt Administration

Capital Assets

At the end of fiscal year 2016, MDC's total capital assets were \$1,415,162. At the end of fiscal year 2017, capital assets had decreased to \$1,049,453, including \$798,529 in land, \$194,511 in buildings, \$100,437 in equipment, \$132,288 in building improvements, \$180,160 in intangibles and \$356,472 in accumulated depreciation. Intangible assets include the Downtown Master Plan, the 3D Modelling, and the MDC website. The decrease is attributable to the Corporation selling one parcel of land, including the building, during fiscal year 2017. 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 was renewed on March 10, 2017 and 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, 2017, the balance on the remaining note was \$505,080. See Note 4 for further explanation of the changes in long-term debt.

Fiscal Year 2017 Budgetary Considerations

For fiscal year 2018, 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 Pine Avenue project, and assist businesses with streetscape and facade improvements.

Property tax revenue is expected to be higher than the amount collected in fiscal year 2017.

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, 2017

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 1,485,469
Other Receivables	27,275
Property Tax Receivable	1,457,154
Delinquent Property Taxes Receivable	58,626
Prepaid Expenses	2,874
Total Current Assets	<u>3,031,398</u>

NONCURRENT ASSETS

Capital Assets, Not Subject to Depreciation and Amortization	798,529
Capital Assets, Subject to Depreciation and Amortization	607,396
Less: Accumulated Depreciation	<u>(356,472)</u>
Total Noncurrent Assets	<u>1,049,453</u>
 Total Assets	 4,080,851

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	69,209
Note Payable, Current Portion	98,497
Total Current Liabilities	<u>167,706</u>

NONCURRENT LIABILITIES

Note Payable, Less Current Portion	<u>406,583</u>
Total Liabilities	<u>574,289</u>

DEFERRED INFLOWS OF RESOURCES

Advanced Revenues, Property Taxes	1,457,154
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NET POSITION

Net Investment in Capital Assets	544,373
Restricted	<u>1,505,035</u>
Total Net Position	<u><u>\$ 2,049,408</u></u>

See accompanying Notes to Financial Statements.

MERIDIAN DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2017

EXPENSES

Community Development	\$ 814,224
Public Education and Marketing	19,671
Debt Service Interest	20,598
Total Expenditures	<u>854,493</u>

GENERAL REVENUES

General Property Tax Revenue	1,084,649
Operating Grant	32,666
Interest Earnings	6,114
Other Revenue	8,076
Total General Revenues	<u>1,131,505</u>

CHANGE IN NET POSITION

277,012

Net Position - Beginning of Year

1,772,396

NET POSITION - END OF YEAR

\$ 2,049,408

See accompanying Notes to Financial Statements.

**MERIDIAN DEVELOPMENT CORPORATION
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2017**

	General Fund	10 Mile District	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,485,469	\$ -	\$ 1,485,469
Other Receivables	27,275	-	27,275
Interfund Receivable (Payable)	16,982	(16,982)	-
Property Tax Receivable	1,148,453	308,701	1,457,154
Delinquent Property Taxes Receivable	58,626	-	58,626
Prepaid Expenses	2,874	-	2,874
	<u>2,739,679</u>	<u>-</u>	<u>2,739,679</u>
Total Assets	<u>\$ 2,739,679</u>	<u>\$ 291,719</u>	<u>\$ 3,031,398</u>
LIABILITIES			
Accounts Payable	\$ 69,209	\$ -	\$ 69,209
DEFERRED INFLOWS OF RESOURCES			
Advanced Revenues, Property Taxes	1,207,079	308,701	1,515,780
FUND BALANCE			
FUND BALANCE			
Nonspendable	2,874	-	2,874
Restricted	1,460,517	-	1,460,517
Unassigned	-	(16,982)	(16,982)
Total Fund Balance	<u>1,463,391</u>	<u>(16,982)</u>	<u>1,446,409</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,739,679</u>	<u>\$ 291,719</u>	<u>\$ 3,031,398</u>

See accompanying Notes to Financial Statements.

MERIDIAN DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2017

	General Fund	10 Mile District	Total
REVENUES			
General Property Tax Revenue	\$ 1,075,786	\$ -	\$ 1,075,786
Operating Grant	32,666	-	32,666
Interest Earnings	6,114	-	6,114
Other Revenue	8,076	-	8,076
Total General Revenues	<u>1,122,642</u>	<u>-</u>	<u>1,122,642</u>
EXPENDITURES			
Office and Operating Expense	263,808	-	263,808
Professional Services, Surveys, and Studies	180,198	4,508	184,706
Public Education and Marketing	19,671	-	19,671
Debt Service:			
Principal	103,527	-	103,527
Interest	20,598	-	20,598
Total Expenditures	<u>587,802</u>	<u>4,508</u>	<u>592,310</u>
NET CHANGE IN FUND BALANCES	534,840	(4,508)	530,332
Fund Balance - Beginning of Year	<u>928,551</u>	<u>(12,474)</u>	<u>916,077</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 1,463,391</u></u>	<u><u>\$ (16,982)</u></u>	<u><u>\$ 1,446,409</u></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, 2017

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS **\$ 1,446,409**

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	798,529
Buildings, Improvements, Equipment, and Intangibles, Net of \$356,472	
Accumulated Depreciation	250,924

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	(505,080)
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Some of the property taxes receivable are not available to pay for current period expenditures and, therefore, are not reported in the funds.

58,626

Total Net Position as Shown on the Statement of Net Position	<u><u>\$ 2,049,408</u></u>
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MERIDIAN DEVELOPMENT CORPORATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2017

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ 530,332**

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	-
Depreciation Expense	(21,762)
Loss on Sale of Capital Outlays	(343,948)

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	103,527
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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.

8,863

Change in Net Position, as Reflected on the Statement of Activities	<u><u>\$ 277,012</u></u>
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**MERIDIAN DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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.

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.

**MERIDIAN DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)**

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.

Interfund receivable and payables totaled \$16,982 as of September 30, 2017. The interfund receivable and payable was created through the General fund paying for certain expenses of the 10 Mile District Fund. These balances are expected to be settled during the year ended September 30, 2018.

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, 2017

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, 2017. 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, 2017 by MDC are nonspendable in form. This includes prepaid expenses of \$2,874. 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 \$1,460,517 in restricted fund balance at September 30, 2017.

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, 2017**

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).

Deficits

The 10 Mile District Fund reported a deficit in the fund financial statements as of September 30, 2017. The deficit will be eliminated with the receipt of property taxes in fiscal year 2018.

NOTE 2 DEPOSITS – CUSTODIAN CREDIT RISK

Cash and Cash Equivalents

As of September 30, 2017, the account balance of the checking account was \$78,760. As of September 30, 2017, the account balance of the money market account was \$1,421,487. \$1,250,247 was uninsured and uncollateralized as of September 30, 2017. Cash is held in the custody of Washington Trust Bank in MDC's name.

MERIDIAN DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 3 CAPITAL ASSETS

Changes to capital assets are as follows:

	Balance 9/30/2016	Additions	Deletions	Transfers	Balance 9/30/2017
GOVERNMENTAL ACTIVITIES					
Capital Assets, not					
Depreciated Land	\$ 845,067	\$ -	\$ (46,538)	\$ -	\$ 798,529
Total Capital Assets, not Depreciated	845,067	-	(46,538)	-	798,529
CAPITAL ASSETS, DEPRECIATED					
Buildings	579,710	-	(385,199)	-	194,511
Equipment	100,437	-	-	-	100,437
Building Improvements	132,288	-	-	-	132,288
Intangibles	180,160	-	-	-	180,160
Total Capital Assets, Depreciated	992,595	-	(385,199)	-	607,396
Less: Accumulated					
Depreciation					
Buildings	(144,962)	(18,703)	87,790	-	(75,875)
Equipment	(97,378)	(3,059)	-	-	(100,437)
Intangibles	(180,160)	-	-	-	(180,160)
Total Accumulated Depreciation	(422,500)	(21,762)	87,790	-	(356,472)
Total Net Capital Assets, Depreciated	570,095	(21,762)	(297,409)	-	250,924
GOVERNMENTAL ACTIVITIES					
CAPITAL ASSETS, NET	<u>\$ 1,415,162</u>	<u>\$ (21,762)</u>	<u>\$ (343,947)</u>	<u>\$ -</u>	<u>\$ 1,049,453</u>

MERIDIAN DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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 3.51% collateralized by real property.

The following is a summary of changes in debt of MDC for the year ended September 30, 2017.

	Balance 9/30/2016	Debt Issued	Debt Retired	Balance 9/30/2017
GOVERNMENTAL ACTIVITIES				
Note Payable - Building	\$ 608,607	\$ -	\$ (103,527)	\$ 505,080

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

Years Ending,	Principal	Interest	Total
2018	\$ 98,497	\$ 14,819	\$ 113,316
2019	111,123	12,495	123,618
2020	115,087	8,531	123,618
2021	119,192	4,426	123,618
2022	61,181	626	61,807
Totals	\$ 505,080	\$ 40,897	\$ 545,977

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 \$35,161 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 30, 2018 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, 2017. Borrowings under the line of credit are subject to certain covenants and restrictions on indebtedness and dividend payments.

MERIDIAN DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 7 NET POSITION

MDC had net position consisting of two components – net investment in capital assets and restricted net position.

The net investment in capital assets component of net position consists of capital assets that are owned by MDC, net of accumulated depreciation, and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

As of September 30, 2017, MDC had net investment in capital assets calculated as follows:

Capital Assets, Net of Accumulated Depreciation	\$ 1,049,453
Current Portion of Outstanding Long-Term Obligations	(98,497)
Noncurrent Portion of Outstanding Long-Term Obligations	<u>(406,583)</u>
Total Net Investment in Capital Assets	<u><u>\$ 544,373</u></u>

The restricted component of net position consists of assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provision or enabling legislation. MDC had a restricted net position as of September 30, 2017 of \$1,505,035.

MERIDIAN DEVELOPMENT CORPORATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General Property Tax Revenue	\$ 883,000	\$ 883,000	\$ 1,075,786	\$ 192,786
Grant Revenue	42,500	42,500	32,666	(9,834)
Interest Earnings	2,000	2,000	6,114	4,114
Other Revenue	101,274	101,274	8,076	(93,198)
Total Revenues	<u>1,028,774</u>	<u>1,028,774</u>	<u>1,122,642</u>	<u>93,868</u>
EXPENDITURES				
Office and Operating Expense	1,260,089	1,260,089	263,808	996,281
Professional Services, Surveys, and Studies	195,500	195,500	180,198	15,302
Public Education and Marketing	35,000	35,000	19,671	15,329
Debt Service				
Principal	194,968	194,968	103,527	91,441
Interest	29,862	29,862	20,598	9,264
Capital Outlay	-	-	-	-
Total Expenditures	<u>1,715,419</u>	<u>1,715,419</u>	<u>587,802</u>	<u>1,127,617</u>
Excess (deficiency) revenues				
NET CHANGE IN FUND BALANCES	(686,645)	(686,645)	534,840	1,221,485
Fund Balance - Beginning of Year	<u>879,285</u>	<u>879,285</u>	<u>928,551</u>	<u>49,266</u>
FUND BALANCE - END OF YEAR	<u>\$ 192,640</u>	<u>\$ 192,640</u>	<u>\$ 1,463,391</u>	<u>\$ 1,270,751</u>

MERIDIAN DEVELOPMENT CORPORATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2017

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 Standards**

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, 2017, 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 29, 2017.

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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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
November 29, 2017