

**FINANCIAL STATEMENTS  
SEPTEMBER 30, 2006**

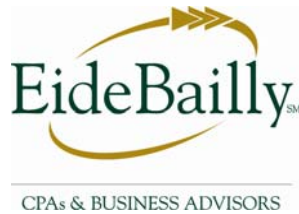
**MERIDIAN DEVELOPMENT CORPORATION**

## MERIDIAN DEVELOPMENT CORPORATION

### Table of Contents

---

	<u>Page</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	3
<b>FINANCIAL STATEMENTS</b>	
Government-wide and Fund Financial Statements	
Statement of Net Assets and Governmental Fund Balance Sheet	7
Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances	8
Notes to Financial Statements	9
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	12
Notes to Required Supplementary Information	13
<b>SUPPLEMENTARY INFORMATION</b>	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	14



## INDEPENDENT AUDITORS' REPORT

---

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

We have audited the accompanying financial statements of the governmental activities of Meridian Development Corporation, a component unit of the City of Meridian, Idaho, as of and for the year ended September 30, 2006, which collectively comprise Meridian Development Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Meridian Development Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Meridian Development Corporation, as of September 30, 2006, and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2006, on our consideration of Meridian Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the

PEOPLE. PRINCIPLES. POSSIBILITIES.

[www.eidebailly.com](http://www.eidebailly.com)

877 West Main St., Ste. 800 • Boise, Idaho 83702-5858 • Phone 208.344.7150 • Fax 208.344.7435 • EOE

accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Eide Sully LLP*

Boise, Idaho  
December 13, 2006

**MERIDIAN DEVELOPMENT CORPORATION**  
**COMPONENT UNIT OF THE CITY OF MERIDIAN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2006**

---

This section of the Meridian Development Corporation's (MDC) annual financial report presents management's discussion and analysis of the Corporation's financial performance during the year ended September 30, 2006. Please use this information in conjunction with the information furnished in the Corporation's financial statements.

**Financial Highlights**

- Fiscal year 2006 is the third full year that MDC has collected property tax. Property tax is MDC's principal source of revenue. Property tax collections almost doubled from fiscal year 2005 to a little over \$400,000 in fiscal year 2006.
- The total net assets of MDC exceeded its liabilities at September 30, 2006 by \$366,615. This total amount is unrestricted and available to meet the Corporation's on-going obligations. This is an increase of \$184,473 over net assets of \$182,142 at September 30, 2005.

**Overview of the Financial Statements**

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

**Government- Wide Financial Statements**

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

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

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

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

**Fund Financial Statements**

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

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

**MERIDIAN DEVELOPMENT CORPORATION**  
**COMPONENT UNIT OF THE CITY OF MERIDIAN**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2006**

---

MDC has one governmental fund:

General Fund – The general fund is the general operating fund of MDC. Substantially all of the income is derived from property tax.

**Notes to the Financial Statements**

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

**Required Supplementary Information**

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

**FINANCIAL ANALYSIS OF THE CITY OF MERIDIAN AS A WHOLE**

**Net Assets**

Net assets measure the difference between what the entity owns (assets) versus what the entity owes (liabilities). At September 30, 2006, MDC’s combined assets exceeded liabilities by \$366,615.

None of the unrestricted assets are restricted for any purpose.

	Governmental Activities	
	2006	2005
Current Assets	\$1,246,979	\$598,225
<b>Total Assets</b>	<b>\$1,246,979</b>	<b>\$598,225</b>
Current Liabilities	\$880,364	\$416,083
<b>Total Liabilities</b>	<b>\$880,364</b>	<b>\$416,083</b>
Net Assets:		
Unrestricted	\$366,615	\$182,142
<b>Total Net Assets</b>	<b>\$366,615</b>	<b>\$182,142</b>

**Changes in Net Assets**

During the year, MDC’s financial position improved by \$184,473. The following condensed financial information was derived from the government-wide Statement of Activities and shows how MDC’s net assets changed during the year.

**MERIDIAN DEVELOPMENT CORPORATION**  
**COMPONENT UNIT OF THE CITY OF MERIDIAN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2006**

---

	2006	2005
<b>General Revenues</b>		
Property Tax	\$413,557	\$218,161
Interest	\$14,069	\$3,780
Total Revenue	<u>\$427,626</u>	<u>\$221,941</u>
<b>Expenses</b>		
Administrative	\$243,153	\$110,915
Total Expenses	<u>\$243,153</u>	<u>\$110,915</u>
Change in Net Assets	\$184,473	\$111,026
Beginning Net Assets	\$182,142	\$71,116
Ending Net Assets	<u><u>\$366,615</u></u>	<u><u>\$182,142</u></u>

**Governmental Activities:**

During FY06 MDC's principal sole source of revenue was tax increment financing. This means the corporation gets the tax on the difference between the base year – the year the urban renewal agency is established – and each subsequent year. The market value in the renewal district increased resulting in an almost doubling of property tax revenue from fiscal year 2005 to fiscal year 2006. As a result MDC's net assets increased from \$182,142 to \$366,615. MDC does not have any capital assets.

**FINANCIAL ANALYSIS OF THE CORPORATION'S FUNDS**

**Governmental Fund**

Fiscal year 2006 was the third full year that MDC received property tax revenue. During its initial organization years, fiscal year 2002 and fiscal year 2003 MDC received contributions from the City of Meridian. At September 30, 2005 the fund balance was \$182,142 as compared to \$359,454 at September 30, 2006. The fund balance is all unrestricted.

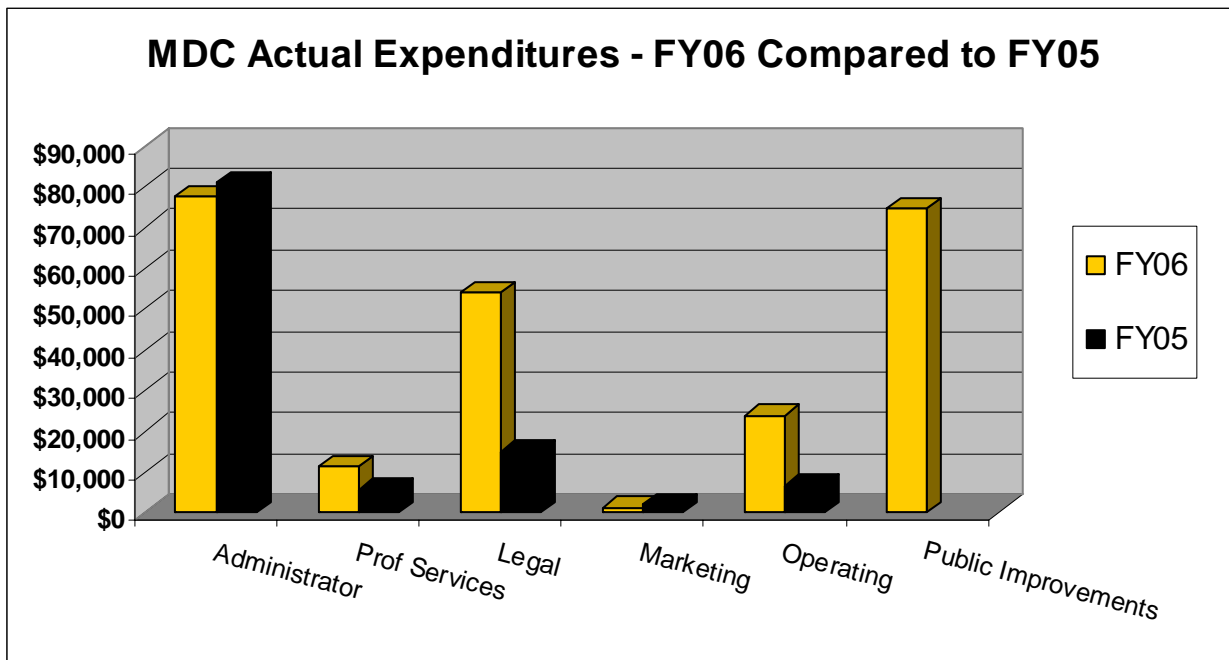
**Budgetary Highlights**

There were no amendments made to the original FY06 budget. 54% of the expenditures were for the contract services with the MDC administrator and the MDC attorney, 31% was expended for public improvements, downtown tree wells and a gateway sign, and most of the remaining amount for administrative operating expenses. The Corporation initially budgeted to spend \$257,500 and spent \$243,153.

Property tax revenue was budgeted to be \$421,000; actual tax collected was slightly less at \$413,557.

**MERIDIAN DEVELOPMENT CORPORATION**  
**COMPONENT UNIT OF THE CITY OF MERIDIAN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2006**

---



**FY07 Budgetary Considerations**

Fiscal year 2007 will be the MDC’s fourth year of collecting property tax revenue. Based on estimates from the County Assessors office MDC’s property tax revenue should almost double from the fiscal year 2006 amount. MDC’s FY07 budgeted revenues include not only property tax revenue but use of fund balance in the amount of \$100,000 and establishing and using a line of credit for the amount of \$500,000.

Since it’s formation in FY2002, MDC has gone from a \$15,000 budget to just under \$1.5 million in FY07.

**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: 33 E Idaho, Meridian, Idaho 83642, 888-4433.



**MERIDIAN DEVELOPMENT CORPORATION**  
**COMPONENT UNIT OF THE CITY OF MERIDIAN**  
**STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET**  
**SEPTEMBER 30, 2006**

	General Fund	Adjustments Note 2	Statement of Net Assets
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 387,325	\$ -	\$ 387,325
Property tax receivable	859,654	-	859,654
Total assets	<u>\$ 1,246,979</u>	<u>\$ -</u>	<u>\$ 1,246,979</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 27,871	\$ -	\$ 27,871
Deferred property tax revenue	859,654	(7,161)	852,493
Total liabilities	887,525	(7,161)	880,364
<b>FUND BALANCE/NET ASSETS</b>			
Fund balances			
Unreserved	<u>359,454</u>	<u>(359,454)</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,246,979</u>		
Net assets			
Unrestricted		<u>366,615</u>	<u>366,615</u>
		<u>\$ -</u>	<u>\$ 1,246,979</u>

**MERIDIAN DEVELOPMENT CORPORATION**  
**COMPONENT UNIT OF THE CITY OF MERIDIAN**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**YEAR ENDED SEPTEMBER 30, 2006**

	General Fund	Adjustments Note 3	Statement of Activities
<b>EXPENDITURES</b>			
Office and operating expense	\$ 6,192	\$ -	\$ 6,192
Electronics expense	7,719	-	7,719
Professional services, surveys, studies	85,023	-	85,023
Audit and accounting services	4,000	-	4,000
Contract legal services	54,135	-	54,135
Telephone expense	1,404	-	1,404
Postage and mailings	880	-	880
Meeting expense	1,207	-	1,207
Legal notices and publications	618	-	618
Public education and marketing	1,397	-	1,397
ICRMP insurance premiums and claims	1,789	-	1,789
Brownfields assessment support	3,983	-	3,983
Public improvements	74,710	-	74,710
Miscellaneous	96	-	96
	<u>243,153</u>	<u>-</u>	<u>243,153</u>
<b>Total expenditures</b>	<b>243,153</b>	<b>-</b>	<b>243,153</b>
<b>GENERAL REVENUES</b>			
Taxes	406,396	7,161	413,557
Interest	14,069	-	14,069
<b>Total general revenues</b>	<u>420,465</u>	<u>7,161</u>	<u>427,626</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>177,312</b>	<b>7,161</b>	<b>184,473</b>
<b>FUND BALANCE/NET ASSETS, BEGINNING OF YEAR</b>	<u>182,142</u>	<u>-</u>	<u>182,142</u>
<b>END OF YEAR</b>	<u>\$ 359,454</u>	<u>\$ 7,161</u>	<u>\$ 366,615</u>

**MERIDIAN DEVELOPMENT CORPORATION**  
**COMPONENT UNIT OF THE CITY OF MERIDIAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2006**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

*Financial Reporting Entity*

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

*Government-Wide and Fund Financial Statements*

The government-wide column of the financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. There were no program revenues in 2006. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

## NOTES TO FINANCIAL STATEMENTS

---

### *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

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

The governmental fund column of the financial statements is reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

MDC reports the following major governmental funds:

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

### *Property Taxes Receivable and Deferred Revenue*

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

Available tax proceeds include property tax receivables expected to be collected within sixty days after year end. Property taxes attach as liens on properties on January 1, and are levied in September of each year. Tax notices are sent to taxpayers during November, with tax payments scheduled to be collected on or before December 20. Taxpayers may pay all or one half of their tax liability on or before December 20, and if one half of the amount is paid, they may pay the remaining balance by the following June 20. Since MDC is on a September 30 fiscal year end, property taxes levied during September for the succeeding year's collection are recorded as deferred revenue at the MDC's year end and recognized as revenue in the following fiscal year. Ada County bills and collects taxes for MDC.

## NOTES TO FINANCIAL STATEMENTS

---

### *Risk Management*

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

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

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

Some of the property taxes receivable are not available to pay for current-period expenditures and therefore are deferred in the funds. \$ 7,161

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

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

Some property tax revenue in the statement of activities that do not provide current financial resources is not reported as revenue in the funds. \$ 7,161

### **NOTE 4 – DEPOSITS –CUSTODIAL CREDIT RISK**

#### *Cash and Cash Equivalents*

At year end, the bank balance of MDC’s deposits was \$390,457. Of this amount, \$290,457 exceeded FDIC insurance limits and is uncollateralized. All cash is held in a national financial institution. The entity does not have a policy regarding custodial credit risk.

**MERIDIAN DEVELOPMENT CORPORATION**

*REQUIRED SUPPLEMENTARY INFORMATION*

**MERIDIAN DEVELOPMENT CORPORATION**  
**COMPONENT UNIT OF THE CITY OF MERIDIAN**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –**  
**BUDGET AND ACTUAL – GENERAL FUND**  
**YEAR ENDED SEPTEMBER 30, 2006**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
General property tax revenue	\$ 421,000	\$ 421,000	\$ 413,557	\$ (7,443)
Interest earnings	5,000	5,000	14,069	9,069
Total revenues	426,000	426,000	427,626	1,626
<b>EXPENDITURES</b>				
Office and operating expense	7,500	7,500	6,192	(1,308)
Electronics expense	1,000	1,000	7,719	6,719
Professional services, surveys, studies	179,000	179,000	85,023	(93,977)
Audit and accounting services	5,000	5,000	4,000	(1,000)
Contract legal services	30,000	30,000	54,135	24,135
Telephone expense	800	800	1,404	604
Postage and mailings	500	500	880	380
Meeting expense	300	300	1,207	907
Legal notices and publications	600	600	618	18
Public education and marketing	25,000	25,000	1,397	(23,603)
ICRMP insurance premiums and claims	1,800	1,800	1,789	(11)
Brownfields assessment support	5,000	5,000	3,983	(1,017)
Public improvements	-	-	74,710	74,710
Miscellaneous	1,000	1,000	96	(904)
Loan repayments	16,500	16,500	-	(16,500)
Capital outlay	222,000	222,000	-	(222,000)
Total expenditures	496,000	496,000	243,153	(252,847)
Excess (deficiency) revenues over (under) expenditures	(70,000)	(70,000)	184,473	254,473
<b>FUND BALANCE,</b>				
BEGINNING OF YEAR	182,142	182,142	182,142	-
<b>FUND BALANCE,</b>				
END OF YEAR	\$ 112,142	\$ 112,142	\$ 366,615	\$ 254,473

**MERIDIAN DEVELOPMENT CORPORATION  
COMPONENT UNIT OF THE CITY OF MERIDIAN  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2006**

---

*Budgets and Budgetary Accounting*

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

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

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

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

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

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



**MERIDIAN DEVELOPMENT CORPORATION**

*SUPPLEMENTARY INFORMATION*



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

---

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

We have audited the accompanying financial statements of the governmental activities of Meridian Development Corporation, as of and for the year ended September 30, 2006, which collectively comprise Meridian Development Corporation's basic financial statements and have issued our report thereon dated December 13, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

*Internal Control Over Financial Reporting*

In planning and performing our audit, we considered Meridian Development Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

*Compliance and Other Matters*

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

PEOPLE. PRINCIPLES. POSSIBILITIES.

[www.eidebailly.com](http://www.eidebailly.com)

877 West Main St., Ste. 800 • Boise, Idaho 83702-5858 • Phone 208.344.7150 • Fax 208.344.7435 • EOE

We noted certain matters that we reported to management of Meridian Development Corporation in a separate letter dated December 13, 2006.

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

*Eide Bailly LLP*

Boise, Idaho  
December 13, 2006