

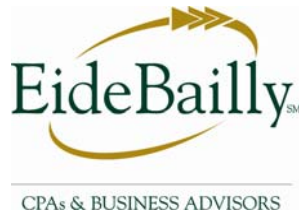
**FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

MERIDIAN DEVELOPMENT CORPORATION

MERIDIAN DEVELOPMENT CORPORATION

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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, 2007, 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 opinion.

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, 2007, 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 February 29, 2008, 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.

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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 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 Bailly LLP

Boise, Idaho
February 29, 2008

MERIDIAN DEVELOPMENT CORPORATION
COMPONENT UNIT OF THE CITY OF MERIDIAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2007

This section of the Meridian Development Corporation's (MDC) annual financial report presents management's discussion and analysis of MDC's financial performance during the year ended September 30, 2007. Please use this information in conjunction with the information furnished in MDC's financial statements.

Financial Highlights

- Fiscal year 2007 is the fourth full year that MDC has collected property tax. Property tax is MDC's principal source of revenue. Property tax collections doubled from fiscal year 2006 to a little over \$850,000 in fiscal year 2007.
- The total assets of MDC exceeded its liabilities at September 30, 2007 by \$976,514. Of the total net assets, \$684,184 is invested in capital assets, net of related debt. The remaining net assets of \$292,330 is unrestricted and is available to meet MDC's on-going obligations. This is an increase of \$609,899 over net assets of \$366,615 at September 30, 2006.

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, 2007

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 MDC'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, 2007, MDC's combined assets exceeded liabilities by \$976,514.

None of the unrestricted assets are restricted for any purpose.

	Governmental Activities	
	2007	2006
Current Assets	\$ 1,401,440	\$ 1,246,979
Capital Assets	684,184	-
Total Assets	\$ 2,085,624	\$ 1,246,979
Current Liabilities	\$ 1,109,108	\$ 880,364
Total Liabilities	\$ 1,109,108	\$ 880,364
Net Assets		
Invested in Capital Assets, net of related debt	\$ 684,184	\$ -
Unrestricted	292,332	366,615
Total Net Assets	\$ 976,516	\$ 366,615

Changes in Net Assets

During the year, MDC's financial position improved by \$609,899. During FY07, MDC purchased land for \$684,184. 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, 2007

	<u>2007</u>	<u>2006</u>
General Revenues		
Property tax	\$ 864,970	\$ 413,557
Interest	<u>33,631</u>	<u>14,069</u>
Total Revenues	898,601	427,626
Expenses		
Administrative	<u>288,700</u>	<u>243,153</u>
Total Expenses	<u>288,700</u>	<u>243,153</u>
Change in Net Assets	609,901	184,473
Net Assets, beginning of year	<u>366,615</u>	<u>182,142</u>
Net Assets, end of year	<u><u>\$ 976,516</u></u>	<u><u>\$ 366,615</u></u>

During FY07 MDC's principal sole source of revenue was tax increment financing. This means MDC 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 2006 to fiscal year 2007. As a result MDC's net assets increased from \$366,615 to \$976,514.

FINANCIAL ANALYSIS OF THE CORPORATION'S FUNDS

Governmental Fund

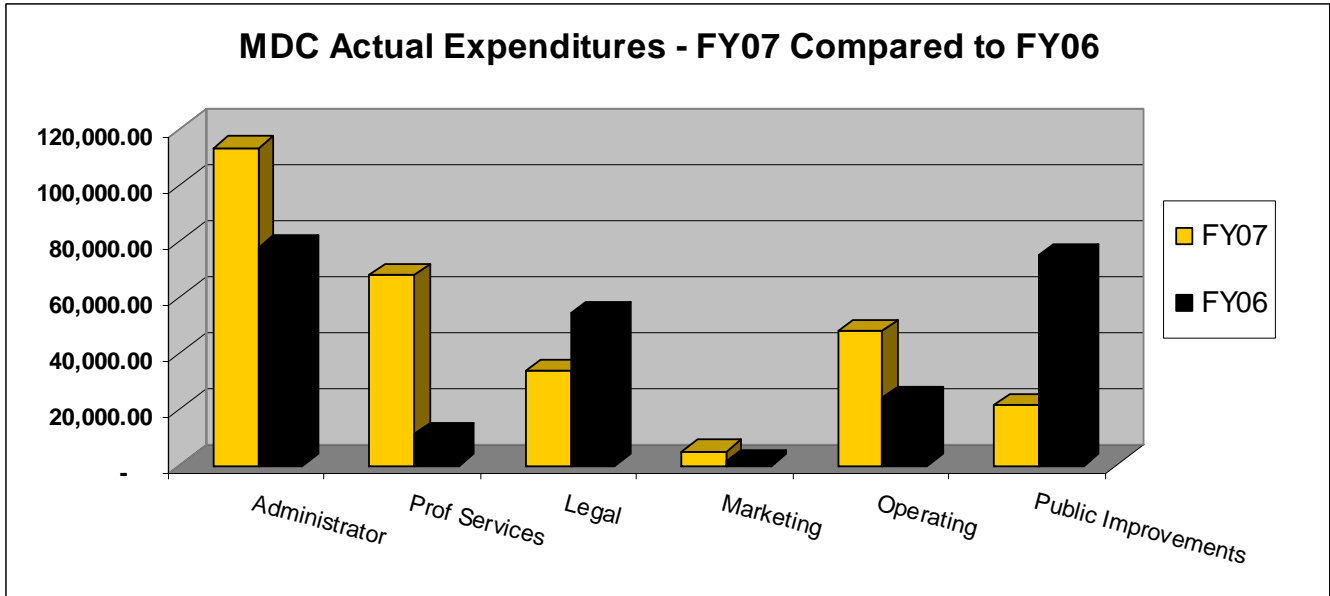
Fiscal year 2007 was the fourth full year that MDC received property tax revenue. During its initial organization years, fiscal year 2002 and fiscal year 2003, MDC received contributions from the City of Meridian. At September 30, 2006 the fund balance was \$366,615 as compared to \$976,514 at September 30, 2007. Of the fund balance \$684,184 is invested in capital assets, net of related debt, while the remaining fund balance of \$292,330 is unrestricted.

Budgetary Highlights

There were no amendments made to the original FY07 budget. 16% of the expenditures were for the contract services with the MDC administrator and the MDC attorney, 3% was expended for public improvements and downtown tree wells, 70% was expended for the purchase of land in downtown Meridian and most of the remaining amount for administrative operating expenses. The Corporation initially budgeted to spend \$1,464,620 and spent \$972,869.

Property tax revenue was budgeted to be \$829,000; actual tax collected was slightly more at \$851,614.

MERIDIAN DEVELOPMENT CORPORATION
COMPONENT UNIT OF THE CITY OF MERIDIAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2007



FY08 Budgetary Considerations

Fiscal year 2008 will be MDC's fifth year of collecting property tax revenue. Based on estimates from the County Assessors office, MDC's property tax revenue should increase from the fiscal year 2007 amount. MDC's FY08 budgeted revenues include not only property tax revenue but use of the fund balance and establishing and using a line of credit for the amount of \$2,500,000.

Since it's formation in FY02, MDC has gone from a \$15,000 budget to just over \$4.3 million in FY08.

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, 2007

	General Fund	Adjustments Note 2	Statement of Net Assets
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 305,847	\$ -	\$ 305,847
Property tax receivable	1,085,593	-	1,085,593
Prepays	10,000	-	10,000
	<u>1,401,440</u>	<u>-</u>	<u>1,401,440</u>
NON CURRENT ASSETS			
Capital assets	-	684,184	684,184
	<u>-</u>	<u>684,184</u>	<u>684,184</u>
Total assets	<u>\$ 1,401,440</u>	<u>\$ 684,184</u>	<u>\$ 2,085,624</u>
LIABILITIES			
Accounts payable	\$ 47,160	\$ -	\$ 47,160
Deferred property tax revenue	1,082,463	(20,515)	1,061,948
	<u>1,129,623</u>	<u>(20,515)</u>	<u>1,109,108</u>
Total liabilities	<u>1,129,623</u>	<u>(20,515)</u>	<u>1,109,108</u>
FUND BALANCE/NET ASSETS			
Fund balances			
Unreserved	271,817	(271,817)	-
	<u>271,817</u>	<u>(271,817)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES			
	<u>\$ 1,401,440</u>		
Net assets			
Capital assets, net of related debt		684,184	684,184
Unrestricted		292,332	292,332
		<u>684,184</u>	<u>292,332</u>
		<u>\$ 684,184</u>	<u>\$ 2,085,624</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, 2007

	General Fund	Adjustments Note 3	Statement of Activities
EXPENDITURES			
Office and operating expense	\$ 16,515	\$ -	\$ 16,515
Professional services, surveys, studies	226,228	-	226,228
Public education and marketing	45,957	-	45,957
Capital outlay	684,184	(684,184)	-
Total expenditures	972,884	(684,184)	288,700
GENERAL REVENUES			
Taxes	851,616	13,354	864,970
Interest	33,631	-	33,631
Total general revenues	885,247	13,354	898,601
EXCESS OF REVENUES OVER EXPENDITURES	(87,637)	697,538	609,901
FUND BALANCE/NET ASSETS, BEGINNING OF YEAR	359,454	7,161	366,615
END OF YEAR	\$ 271,817	\$ 704,699	\$ 976,516

MERIDIAN DEVELOPMENT CORPORATION
COMPONENT UNIT OF THE CITY OF MERIDIAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

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 2007. 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*. 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.

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 \$5,000 and an estimated useful life in excess of three years. All material fixed assets are valued at cost. Donated fixed assets are valued at their estimated fair value on the date donated.

The Meridian Development Corporation has recently completed the consolidation of properties on Broadway, the block between 2nd and 3rd Street. The Board of Directors has released an RFQ seeking qualified entities to develop the area into a mixed use, vertically integrated pilot project consistent with the Urban Renewal Agency's mission of revitalization.

The project will incorporate a public parking component and be a catalyst to growth and development centered on pedestrian opportunities along the 2nd street corridor.

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.

NOTES TO FINANCIAL STATEMENTS

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 MDC's year end and recognized as revenue in the following fiscal year. Ada County bills and collects taxes for MDC.

Risk Management

As a component unit of the City of Meridian, 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 Statement 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. \$ 20,500

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. \$ 684,184

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. \$ 13,339

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of the those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$684,184) exceeded depreciation (\$0.00) in the current period \$ (684,184)

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – DEPOSITS –CUSTODIAL CREDIT RISK

Cash and Cash Equivalents

At year end, the bank balance of MDC's deposits was \$308,642. Of this amount, \$208,642 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.

NOTE 5 – CAPITAL ASSETS

Changes to capital assets are as follows:

	Balance Oct. 1, 2006	Additions	Deletions	Balance Sept. 30, 2007
Governmental Activities:				
Capital assets, not depreciated:				
Land	\$ -	\$ 684,184	\$ -	\$ 684,184
Total capital assets, not depreciated	-	684,184	-	684,184
Governmental activities capital assets, net	\$ -	\$ 684,184	\$ -	\$ 684,184

NOTE 6 – SUBSEQUENT EVENT

On October 16, 2007, MDC purchased property for \$430,189. In order to finance this purchase, financing was obtained through the Bank of the Cascades for the amount of \$500,000 on October 16, 2007, which is due November 1, 2017, at a rate of 5.115%.

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, 2007

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
General property tax revenue	\$ 829,000	\$ 829,000	\$ 851,616	\$ 22,616
Interest earnings	12,000	12,000	33,631	21,631
Other revenue	625,000	625,000	-	(625,000)
Total revenues	1,466,000	1,466,000	885,247	(580,753)
EXPENDITURES				
Office and operating expense	46,450	46,450	16,515	29,935
Professional services, surveys, studies	188,170	188,170	226,228	(38,058)
Public education and marketing	60,000	60,000	45,957	14,043
Debt payment	95,000	95,000	-	95,000
Capital outlay	1,075,000	1,075,000	684,184	390,816
Total expenditures	1,464,620	1,464,620	972,884	491,736
Excess (deficiency) revenues over (under) expenditures	1,380	1,380	(87,637)	(86,257)
FUND BALANCE, BEGINNING OF YEAR	359,454	359,454	359,454	-
FUND BALANCE, END OF YEAR	\$ 360,834	\$ 360,834	\$ 271,817	\$ (86,257)

**MERIDIAN DEVELOPMENT CORPORATION
COMPONENT UNIT OF THE CITY OF MERIDIAN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2007**

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.

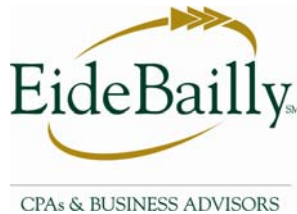
Prior to October 1, the budget is legally enacted through passage of an ordinance.

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, 2007, which collectively comprise Meridian Development Corporation's basic financial statements and have issued our report thereon dated February 29, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Meridian Development Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Meridian Development Corporation's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Meridian Development Corporation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Meridian Development Corporation's financial statements that is more than inconsequential will not be prevented or detected by the Meridian Development Corporation's internal control.

A significant deficiency noted is as follows:

- 07-01 – There were adjustments made to the trial balance that was provided for the audit.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Meridian Development Corporation's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies described above is not a material weakness.

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*.

We noted certain matters that we reported to management of Meridian Development Corporation in a separate letter dated February 29, 2008.

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.

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

Boise, Idaho
February 29, 2008

MERIDIAN DEVELOPOMENT CORPORATION
COMPONENT UNIT OF THE CITY OF MERIDIAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2007

07-01

Criteria:

A system should be in place so that the financials that are provided at the beginning of the audit are free from misstatement.

Condition:

Significant audit adjustments were necessary to present financial statements that are free of material misstatement.

Effect:

Adjustments were made to the trial balance that was provided at the beginning of the audit.

Cause:

There were several accounts that were materially misstated in the trial balance.

Recommendation:

Management and those charged with governance should verify that the trial balance that is provided at the beginning of the audit is free from material misstatement.