

**FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

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 and the major fund of Meridian Development Corporation, a component unit of the City of Meridian, Idaho, as of and for the year ended September 30, 2008, 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, 2008, 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 23, 2009, 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 23, 2009

MERIDIAN DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

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, 2008. Please use this information in conjunction with the information furnished in MDC's financial statements.

Financial Highlights

- Fiscal year 2008 is the fifth full year that MDC has collected property tax. Property tax is MDC's principal source of revenue. Property tax collections increased 23% from fiscal year 2007 to fiscal year 2008 for a total of slightly over \$1,000,000.
- During fiscal year 2008 MDC applied for and received a promissory note of \$500,000 from the Bank of the Cascades. The line of credit was used to finance land acquisition.
- The total assets of MDC exceeded its liabilities at September 30, 2008 by \$1,721,521. Of the total net assets, \$684,361 is invested in capital assets, net of related debt. The remaining net assets of \$1,037,160 are unrestricted and are available to meet the Corporation's on-going obligations. This is an increase of \$745,005 over net assets of \$976,516 at September 30, 2007.

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 of whether the financial position of the entity is improving or deteriorating.

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

Fund Financial Statements

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

MERIDIAN DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

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

MDC has one governmental fund:

General Fund – The general fund is the general operating fund of MDC. Income is derived primarily from property tax and secondarily from a promissory note.

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 Assets

Net assets measure the difference between what the entity owns (assets) versus what the entity owes (liabilities). At September 30, 2008, MDC's combined assets exceeded liabilities by \$1,721,521. None of the unrestricted assets are restricted for any purpose.

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

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Current and Other Assets	\$ 2,340,415	\$ 1,401,440
Capital Assets	1,172,063	684,184
Total Assets	<u>3,512,478</u>	<u>2,085,624</u>
Current Liabilities	1,317,313	1,109,108
Long-Term Liabilities	473,644	-
Total Liabilities	<u>1,790,957</u>	<u>1,109,108</u>
Net Assets		
Invested in Capital Assets, net of related debt	684,361	684,184
Unrestricted	1,037,160	292,332
Total Net Assets	<u>\$ 1,721,521</u>	<u>\$ 976,516</u>

MERIDIAN DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

Changes in Net Assets

During the year, MDC's financial position improved by \$745,005, comparable to the prior year change in financial position of \$609,901. During FY2008, MDC purchased land for \$434,458, combined with the first land purchase in fiscal year 2007; MDC now has total capital assets of \$1,172,063. 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.

	Governmental Activities	
	<u>2008</u>	<u>2007</u>
General Revenues		
Property tax	\$ 1,065,359	\$ 864,970
Interest	17,124	33,632
Total Revenues	<u>1,082,483</u>	<u>898,602</u>
Expenses		
Administrative	313,121	288,700
Interest on long-term debt	24,357	-
Total Expenses	<u>337,478</u>	<u>288,700</u>
Change in Net Assets	745,005	609,902
Net Assets, beginning of year	<u>976,516</u>	<u>366,615</u>
Net Assets, end of year	<u>\$ 1,721,521</u>	<u>\$ 976,516</u>

From fiscal year 2007 to fiscal year 2008 the MDC's tax increment financing increased 23%. Tax increment financing is the tax on the difference between the market value in the base year – the year the urban renewal agency is established – and each subsequent year.

FINANCIAL ANALYSIS OF MDC'S FUNDS

Governmental Fund

Fiscal year 2008 was the fifth 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, 2008 the fund balance was \$1,721,521 as compared to \$976,516 at September 30, 2007. Of the fund balance \$684,361 is invested in capital assets, net of related debt, while the remaining fund balance of \$1,037,160 is unrestricted.

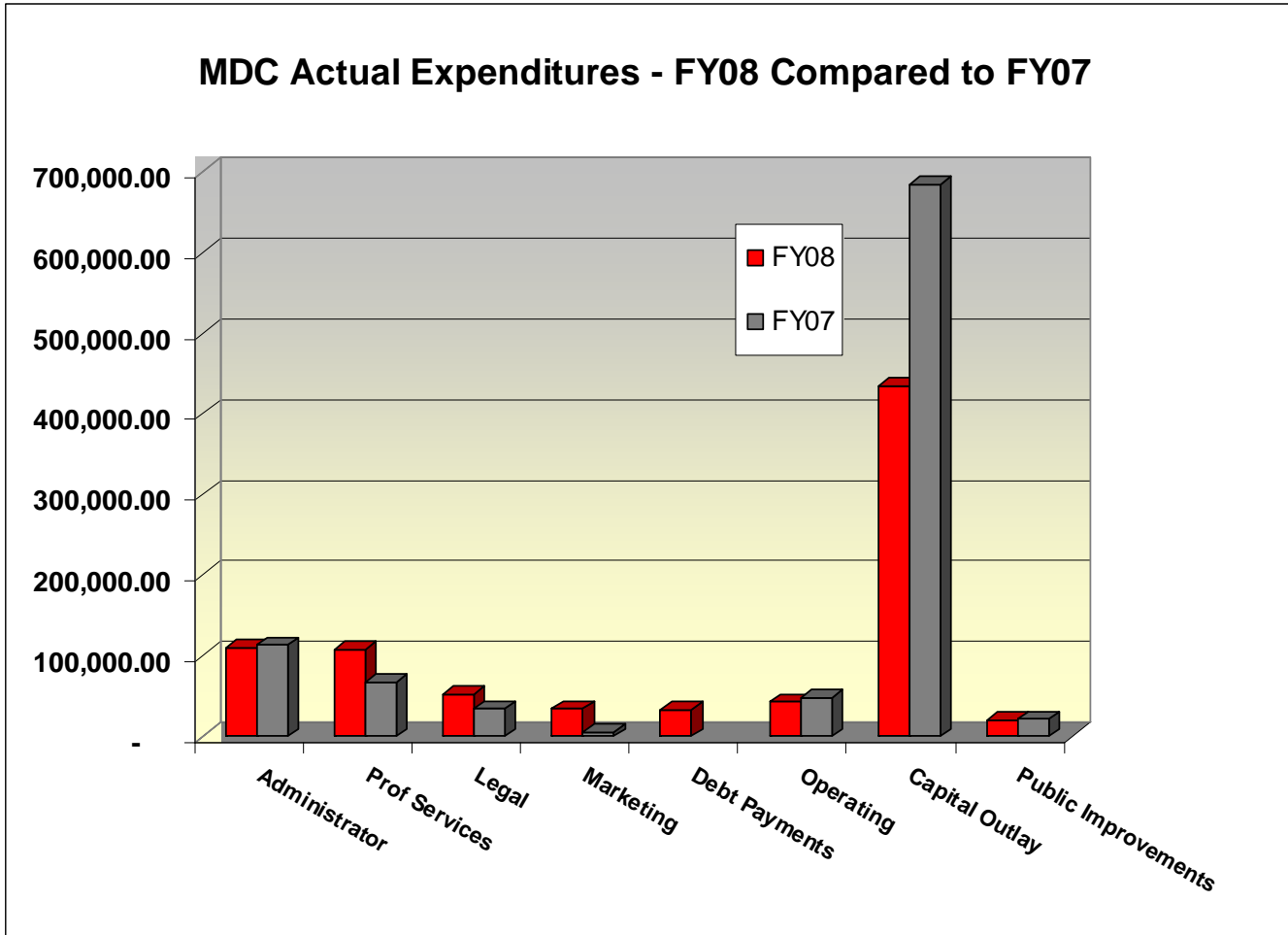
Budgetary Highlights

There were no amendments made to the original FY08 budget. MDC budgeted over \$3 million dollars in capital outlay for land acquisition and accompanying debt. In actuality by the end of fiscal year 2008 they had only used

**MERIDIAN DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008**

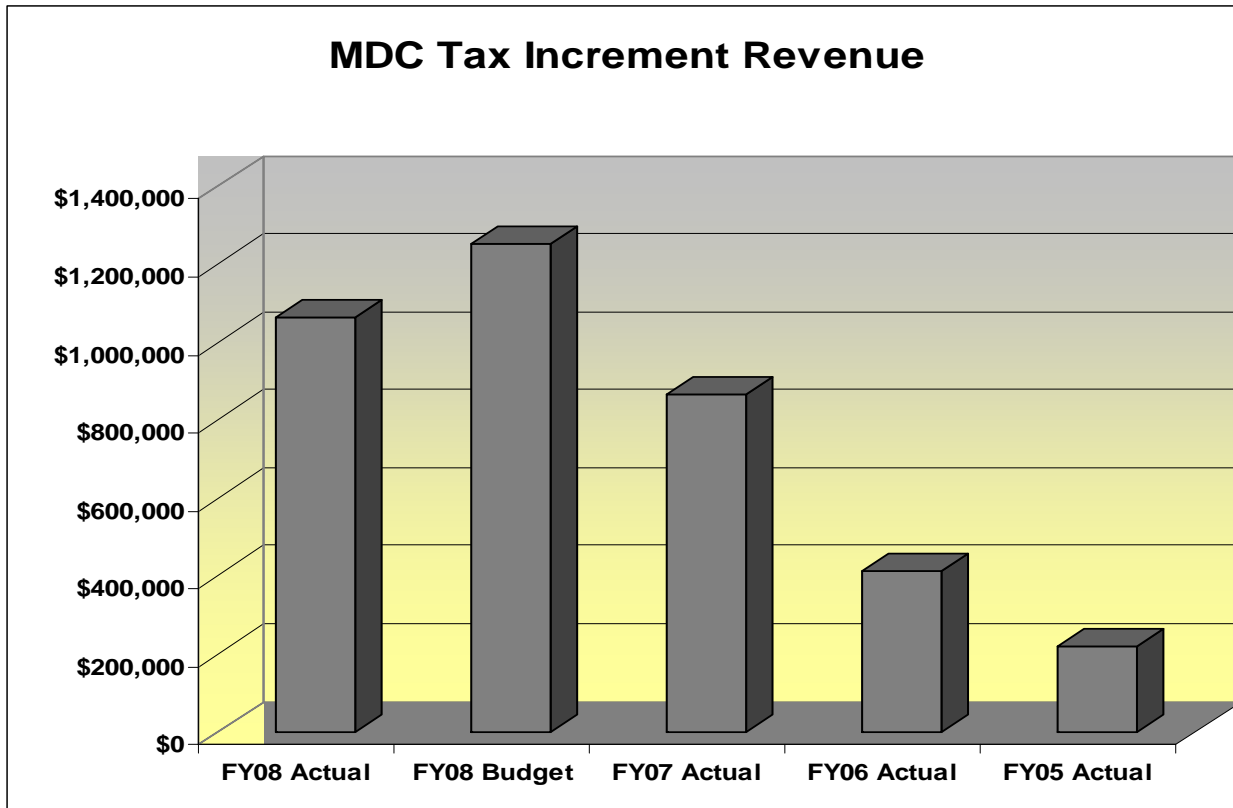
a \$500,000 promissory note and purchased land for a total of \$434,458. As an end result actual capital outlay expenditures were considerably under budget.

MDC does not have any employees and relies on professional service contracts for the administrator, legal, and marketing, etc. 74% of actual operating expenditures were for professional service contractors. MDC only spent 43% of their operating budget. This was mainly due to not spending two line items; \$250,000 budgeted for City streetscape projects and only spending \$33,000 of the \$252,000 budgeted for principal and interest debt payments.



Property tax revenue was budgeted to be \$1,250,000; actual tax collected was slightly less at \$1,065,359.

**MERIDIAN DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008**



Capital Asset and Debt Administration

Capital Assets

At the end of fiscal year 2007 MDC had \$684,184 invested in land. At the end of fiscal year 2008 that investment in capital assets had increased to \$1,172,063.

Long-Term Debt

MDC has promissory note with the Bank of the Cascades for \$500,000. This note was taken out in fiscal year 2008 for the purpose of purchasing land for redevelopment. As of September 30, 2008 the short-term balance was \$14,058 and the long-term balance was \$473,644 for a total of \$487,702.

FY09 Budgetary Considerations

For FY09 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 for downtown decorations, actively support the new downtown business association, help fund public art, assist business with streetscape and façade improvements, and fund split corridor landscaping.

Property tax revenue is expected to be just slightly more than the amount collected in fiscal year 2008. MDC has also budgeted a potential \$2 million in debt and planned for possible receipt of \$400,000 from an affordable housing grant.

**MERIDIAN DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008**

Since its formation in FY2002, MDC has gone from a \$15,000 budget to just over \$4.5 million in FY09.

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 Broadway, Meridian, Idaho 83642, 888-4433.

MERIDIAN DEVELOPMENT CORPORATION
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
SEPTEMBER 30, 2008

	General Fund	Adjustments Note 2	Statement of Net Assets
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 1,041,788	\$ -	\$ 1,041,788
Property tax receivable	1,296,747	-	1,296,747
Prepaid expenses	1,880	-	1,880
	<u>2,340,415</u>	<u>-</u>	<u>2,340,415</u>
NONCURRENT ASSETS			
Capital assets		1,172,063	1,172,063
	<u>\$ 2,340,415</u>	<u>\$ 1,172,063</u>	<u>\$ 3,512,478</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	\$ 58,857	\$ -	\$ 58,857
Deferred property tax revenue	1,288,934	(44,536)	1,244,398
Note payable - current portion		(14,058)	14,058
Total current liabilities	<u>1,347,791</u>	<u>(58,594)</u>	<u>1,317,313</u>
NONCURRENT LIABILITIES			
Note payable - less current portion		(473,644)	473,644
TOTAL LIABILITIES	<u>1,347,791</u>	<u>\$ (532,238)</u>	<u>\$ 1,790,957</u>
FUND BALANCE/NET ASSETS			
Fund balances			
Unreserved	<u>992,624</u>	<u>\$ (992,624)</u>	
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,340,415</u>		
Capital assets, net of related debt		\$ 684,361	\$ 684,361
Unrestricted		<u>1,037,160</u>	<u>1,037,160</u>
TOTAL NET ASSETS		<u>\$ 1,368,722</u>	<u>\$ 1,721,521</u>

MERIDIAN DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2008

	General Fund	Adjustments Note 3	Statement of Activities
EXPENDITURES			
Office and operating expense	\$ 33,595	\$ -	\$ 33,595
Professional services, surveys, studies	244,042	-	244,042
Public education and marketing	35,484	-	35,484
Debt payment			
Principal	12,298	(12,298)	-
Interest	24,357	-	24,357
Capital outlay	487,879	(487,879)	-
	<u>837,655</u>	<u>(500,177)</u>	<u>337,478</u>
	837,655	(500,177)	337,478
GENERAL REVENUES			
Taxes	1,041,338	24,021	1,065,359
Interest	17,124	-	17,124
Total general revenues	<u>1,058,462</u>	<u>24,021</u>	<u>1,082,483</u>
	1,058,462	24,021	1,082,483
EXCESS OF REVENUES OVER EXPENDITURES			
	220,807	524,198	745,005
OTHER FINANCING SOURCES (USES)			
Proceeds from note payable	<u>500,000</u>	<u>(500,000)</u>	<u>-</u>
	500,000	(500,000)	-
NET CHANGE IN FUND BALANCES			
	720,807	24,198	745,005
FUND BALANCE/NET ASSETS, BEGINNING OF YEAR			
	<u>271,817</u>		<u>976,516</u>
	271,817		976,516
END OF YEAR			
	<u><u>\$ 992,624</u></u>		<u><u>\$ 1,721,521</u></u>
	\$ 992,624		\$ 1,721,521

MERIDIAN DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Meridian Development Corporation (MDC) is a separate and distinct legal entity of the City of Meridian (City) created by state statute. The 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 2008. 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.

During fiscal year 2007 the MDC purchased the first piece of land in the downtown core to be used to be used for redevelopment and public parking. These efforts continued in fiscal year 2008 with the purchase of a second lot.

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.	<u>\$ 44,536</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>\$ 1,172,063</u>
Long-term debt is not due and payable in the current and therefore is not reported in the funds.	<u>\$ 487,702</u>

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

The “net change in fund balances” for governmental funds may differ from the “change in net 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 does not provide current financial resources is not reported as revenue in the funds.	<u>\$ 24,021</u>
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 (\$434,459) exceeded depreciation (\$0) in the current period.	<u>\$ (487,879)</u>
Repayment of long-term debt is expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net assets.	<u>\$ (12,298)</u>
Proceeds from long-term debt is a revenue in the governmental funds, but the proceeds increase long-term liabilities in the Statement of Net Assets. Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in treatment of long-term debt and related items.	<u>\$ (500,000)</u>

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 \$1,041,788. Of this amount, \$941,788 exceeded FDIC insurance limits and is uncollateralized. All cash is held in a regional financial institution.

NOTE 5 – CAPITAL ASSETS

Changes to capital assets are as follows:

	Balance Oct. 1, 2007	Additions	Deletions	Balance Sept. 30, 2008
Governmental activities:				
Capital assets, not depreciated:				
CIP	\$ -	\$ 33,388	\$ -	\$ 33,388
Land	684,184	454,491	-	1,138,675
Total capital assets, not depreciated	<u>684,184</u>	<u>487,879</u>	<u>-</u>	<u>1,172,063</u>
Governmental activities capital assets, net	<u>\$ 684,184</u>	<u>\$ 487,879</u>	<u>\$ -</u>	<u>\$ 1,172,063</u>

NOTE 6 – CHANGES IN LONG-TERM DEBT

MDC has a \$500,000 promissory note with the Bank of the Cascades to acquire property for redevelopment and public parking. The note was issued October 16th, 2007 and has a maturity date of November 1st, 2017. The note has an interest rate of 5.115 % and requires monthly payments. The following is a summary of changes in long-term debt of MDC for the year ended September 30, 2008.

NOTES TO FINANCIAL STATEMENTS

	Balance Oct. 1, 2007	Debt Issued	Debt Retired	Balance Sept. 30, 2008
Governmental activities:				
Note payable	\$ -	\$ 500,000	\$ 12,298	\$ 487,702
Governmental activities long-term liabilities	\$ -	\$ 500,000	\$ 12,298	\$ 487,702

The future debt service payments are as follows:

Fiscal Year	Principal	Interest	Total
2009	\$ 14,058	\$ 22,597	\$ 36,655
2010	16,138	23,849	39,987
2011	16,983	23,004	39,987
2012	17,810	22,177	39,987
2013	18,805	21,182	39,987
2014 - 2017	403,908	77,119	481,027
Totals	\$ 487,702	\$ 189,928	\$ 677,630

NOTE 7 – RELATED PARTY TRANSACTIONS

MDC contracts with the City of Meridian to provide accounting services. Pursuant to their agreement MDC pays the City of Meridian \$7,500 per year. As of September 30, 2008 total expenditures were \$7,500. MDC also partners with the City for various downtown improvements. As of September 30, 2008 total expenditures were \$20,000.

NOTE 8 – SUBSEQUENT EVENT

On October 28, 2008, MDC purchased property located at 713 N Main Street, Meridian, Idaho for \$277,199.

MERIDIAN DEVELOPMENT CORPORATION

REQUIRED SUPPLEMENTARY INFORMATION

MERIDIAN DEVELOPMENT CORPORATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET
AND ACTUAL - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
General property tax revenue	\$ 1,250,000	\$ 1,250,000	\$ 1,041,338	\$ (208,662)
Interest earnings	20,000	20,000	17,124	(2,876)
Other revenue	3,052,025	3,052,025	500,000	(2,552,025)
Total revenues	<u>4,322,025</u>	<u>4,322,025</u>	<u>1,558,462</u>	<u>(2,763,563)</u>
EXPENDITURES				
Office and operating expense	87,025	87,025	33,595	53,430
Professional services, surveys, studies	269,000	269,000	244,042	24,958
Public education and marketing	314,000	314,000	35,484	278,516
Debt service				
Principal	140,000	140,000	12,298	127,702
Interest	112,000	112,000	24,357	87,643
Capital outlay	3,400,000	3,400,000	487,879	2,912,121
Total expenditures	<u>4,322,025</u>	<u>4,322,025</u>	<u>837,655</u>	<u>3,484,370</u>
EXCESS REVENUES OVER EXPENDITURES	-	-	720,807	720,807
FUND BALANCE, BEGINNING OF YEAR	<u>271,817</u>	<u>271,817</u>	<u>271,817</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 271,817</u>	<u>\$ 271,817</u>	<u>\$ 992,624</u>	<u>\$ 720,807</u>

MERIDIAN DEVELOPMENT CORPORATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2008

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
Meridian, Idaho

We have audited the accompanying financial statements of the governmental activities and the major fund of Meridian Development Corporation, a component unit of the City of Meridian, Idaho, as of and for the year ended September 30, 2008, which collectively comprise Meridian Development Corporation's basic financial statements and have issued our report thereon dated February 23, 2009. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be significant deficiency.

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. We consider the deficiency described in the accompanying schedule of findings as 08-01 to be a significant deficiencies in internal control over financial reporting.

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. We believe that the deficiency described above as 08-01 constitutes 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 23, 2009.

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 "Eide Sully LLP". The signature is written in a cursive, flowing style.

Boise, Idaho
February 23, 2009

MERIDIAN DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS
SEPTEMBER 30, 2008

Finding 08-01

Criteria:

Determining whether a particular cost relates to real estate acquisition or development activities is a matter of judgment, and practice varies. Some costs are obviously related, whereas others are obviously not related, while still others fall somewhere in the middle. The key is to decide which costs are sufficiently related to real estate acquisition or development activities to be capitalized. Generally, the decision requires that the accountant distinguish between costs that relate only to general operations of the entity and costs that relate to real estate acquisition or development activities. A rule of thumb is that costs are related to real estate acquisition or development activities only if they would not be incurred if the land were not being acquired or developed. Paragraph 7 of SFAS No. 67 states that costs “clearly associated with the acquisition, development, and construction of a real estate project” should be capitalized.

Condition:

Certain costs associated with the development of real estate and certain costs associated with the development of an intangible asset were not capitalized on the financial statements of the entity.

Cause:

Management did not make the necessary adjustments associated with the development of capital assets.

Effect:

Material audit adjustments to the government-wide financial statements related to development of real estate and the development of an intangible asset were proposed.

Management’s Response:

Identifying proper coding for some of the Meridian Development Corporation transactions can be challenging. We will consult the auditors throughout the year for guidance on items that might be questionable.